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IN ASSOCIATION WITH TAVARES GUERREIRO ADVOGADOS

WRITER'S DIRECT DIAL:
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981378-GU

October 21, 1998

VIA HAND DELIVERY

Ms. Blanca Bayo
Director of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Application by City Gas Company of Florida, a division of NUI Corporation

Dear Ms. Bayo:

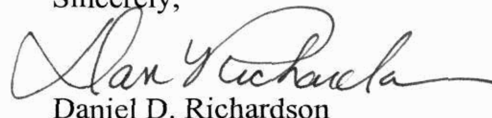
Enclosed for filing are fifteen signed originals, each with a set of documentary attachments, of an application to issue securities prepared by our firm on behalf of our client, City Gas Company of Florida, a division of NUI Corporation ("City Gas").

City Gas desires to obtain the Public Service Commission's approval of its application as soon as possible. If you need further information or clarification of any matter contained in or in connection with the enclosed application, we ask that you communicate with us to determine whether the desired information exists and whether the information could be expeditiously supplied by City Gas.

Kindly acknowledge receipt of this letter and the enclosed materials by stamping the enclosed copy of this letter and returning it to me with my messenger.

Please direct any inquiries regarding this matter to the undersigned.

Sincerely,



Daniel D. Richardson

c: M. Mucci, Esq. (w/o encl.) via facsimile

JK2 138104

DOCUMENT NUMBER-DATE
11735 OCT 21 98
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of City Gas) Company of Florida (a Division) of NUI Corporation) for authority) for NUI Corporation to issue and) sell securities during the twelve) months ending September 30, 1999)	DOCKET NO. FILED:

APPLICATION OF CITY GAS COMPANY OF FLORIDA
(A DIVISION OF NUI CORPORATION) FOR AUTHORITY
FOR NUI CORPORATION TO ISSUE AND SELL SECURITIES

Pursuant to Chapter 25-8, Florida Administrative Code, and Section 366.04, Florida Statutes, City Gas Company of Florida (a division of NUI Corporation) ("City Gas"), submits this application for authority for NUI Corporation ("NUI") to issue and sell securities during the period beginning October 1, 1998 and ending September 30, 1999. In support of this request, City Gas provides the following information:

1. Name and Address of Applicant: The exact name of the Applicant and the address of its principal business office is:

City Gas Company of Florida
(a Division of NUI Corporation)
955 East 25th Street
Hialeah, Florida 33013-3498

2. State and Date of Incorporation: NUI was incorporated in 1969 under the laws of New Jersey. City Gas, a public utility since 1960, is engaged in the transmission and distribution of natural gas to approximately 97,000 customers in Brevard, Broward, Dade and St. Lucie Counties, and is an operating division of NUI. City Gas owns approximately 2,560 miles of steel and plastic mains for the distribution

DOCUMENT NUMBER-DATE
11735 OCT 21 98
FPSC-RECORDS/REPORTING

of natural gas in Florida, as well as gate stations, meters and related equipment. City Gas also owns real property in Dade, Broward, Brevard and St. Lucie Counties in Florida, including a general office building in Hialeah, Florida, that serves as its headquarters and service center from which City Gas dispatches service crews and conducts construction and maintenance activities for its Miami division, and another office facility in Rockledge, Florida.

NUI operates its gas utility systems in Florida, North Carolina, Maryland, Pennsylvania and New York under a common divisional management. Collectively, they comprise the "Southern Division" of NUI. NUI's other gas utility operations, which are conducted in New Jersey, comprise the "Northern Division" of NUI.

3. Persons to Receive Notices: The names and addresses of the persons authorized to receive notices and communications with respect to this application are:

Mary Patricia Keefe
Associate General Counsel & Director, Regulatory Affairs
NUI Corporation
One Elizabethtown Plaza
Union, NJ 07083

Robert F. Lurie
Vice President, Corporate Development & Treasurer
NUI Corporation
550 Route 202-206
P.O. Box 760
Bedminster, NJ 07921-0760

4. Statement of Capital Stock and Funded Debt:

Capital Stock. Each item below is as of June 30, 1998.

(a) Brief Description. The Capital Stock of NUI consisted of (i) Common Stock,

No Par Value, and (ii) Preferred Stock, No Par Value.

(b) Amount Authorized. 30,000,000 shares of Common Stock were authorized 5,000,000 shares of Preferred Stock were authorized.

(c) Amount Outstanding. 12,662,233 shares of Common Stock were outstanding (exclusive of any amount held in the treasury) and no shares of Preferred Stock were outstanding.

(d) Amount Held as Reacquired Securities. 106,739 shares of Common Stock were reacquired by NUI.

(e) Amount Pledged. No shares of Common Stock have been pledged by NUI or City Gas.

(f) Amount Owned by Affiliated Corporations. No shares of Common Stock were owned by affiliated corporations.

(g) Amount Held in Any Fund. No shares of Common Stock were held in any fund.

Funded Debt. Each item below is as of June 30, 1998.

(a), (b), and (c) Brief Description; Amount Authorized; Outstanding:

> **(i) 8.35% Medium-Term Notes, Series A, due February 1, 2005; $50,000,000 outstanding;**
>
> **(ii) 7.125% Medium-Term Notes, Series A, due August 1, 2002; $20,000,000 outstanding;**
>
> **(iii) 6.40% Brevard County Industrial Development Revenue Bonds, due October 1, 2024; $20,000,000 outstanding;**
>
> **(iv)New Jersey Economic Development Authority Bonds, 5.70% due October 1, 1998, $54,600,000 outstanding; 6.35% due October 1, 2022, $46,500,000 outstanding; Variable Rate due June 1, 2026, $39,000,000 outstanding.**

(d) Amount Held as Reacquired Securities. None.

(e) Amount Pledged. None.

(f) Amount Owned by Affiliated Corporations. None.

(g) Amount Held in Any Fund. NUI has deposited in trust the unexpended portion of the net proceeds from the 6.40% Brevard County Industrial Development Revenue bonds, until drawn upon for eligible expenditures. As of June 30, 1998, the total unexpended portion held in trust, including interest thereon, was $12,525,203.

5. Statement of Proposed Transactions.

(a), (b) Kind and Nature of Securities; Maximum Principal Amount

Funded Debt. NUI may issue short-term notes in an amount up to $110,000 and may issue long-term notes in an amount up to $40,000,000 if market conditions and interest rates are favorable. The long-term indebtedness will consist of long-term notes issued to the New Jersey Economic Development Authority.

(c) Dividend and/or Interest Rate(s).

Funded Debt. Based upon the rates applicable to comparable securities in the current market, NUI estimates that the interest rates on the short-term debt will be between 6% and 6.5% and the interest rate long-term indebtedness will be approximately 5.5%. The actual interest rates on the securities will be determined by the market conditions at the time the securities are issued and sold.

6. Purposes of Issues

Funded Debt. Short-term Debt: During periods in which interest rates on short-term indebtedness are favorable relative to the cost of alternative sources

of capital, NUI finances on a short-term basis to take advantage of the temporary opportunity presented by such lower interest rates to, in turn, lower its cost of service for the benefit of its ratepayers. NUI seeks authority to exceed the 5% statutory threshold of section 366.04(1), Florida Statutes, if a short term financing strategy is advantageous for City Gas and its ratepayers. If given this authority, NUI would not exceed a 25% threshold without obtaining additional approval. Although City Gas has no specific construction plans formulated as of the date of this application, it has formulated a construction budget and the additional short-term indebtedness for which NUI seeks authority would be used to finance portions of NUI's construction programs, pending refinancing through the issuance of equity or long-term securities at a later date depending upon prevailing market conditions. Long-term Debt: The long-term indebtedness for which NUI seeks authority would be used to finance portions of NUI's construction programs outside of the State of Florida and proceeds would not be used within the State of Florida.

7. Facts Supporting Legality, Necessity or Appropriateness

Funded Debt. Proceeds from the issuance of debt for which NUI seeks authority herein will be used to enable NUI to perform its obligation to manage and operate its utility businesses so as to continue to provide reliable and economical service to its customers in its rapidly growing service areas. The purposes for which NUI seeks authority to issue the described securities are consistent with and will not impair the

proper performance by City Gas as a public utility. The issuance of the securities described is for a lawful object within the corporate purposes of the applicant, and is reasonable, necessary, and appropriate to provide reliable and economic service to its customers in its rapidly growing service area.

8. The names and addresses of counsel who will pass upon the legality of the proposed issues are:

Regulatory Counsel:

Daniel D. Richardson, Esq.
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
50 N. Laura Street
Suite 2800
Jacksonville, FL 32202

General Counsel:

James Van Horn
NUI Corporation
550 Route 202-206
P.O. Box 760
Bedminster, NJ 07921-0760

9. A Registration Statement with respect to each public sale of securities described hereunder which is subject to and not exempt from the registration requirements of the Securities Act of 1933, as amended, will be filed with the Securities and Exchange Commission, 450 Fifth Street N.W., Washington D.C. 20549.

10. There is no measure of control or ownership exercised by or over NUI as to any other public utility. NUI is not a member of any holding company system.

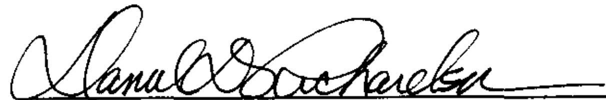
The following exhibits required by Rule 25-8.003, Florida Administrative Code are attached:

Exhibit A: Financial statements of NUI (Form 10K for the Fiscal Year Ended September 30, 1997 and form 10-Q for the Quarter Ended December 31, 1997, March 31, 1998, and June 30, 1998)

Exhibit B-1: **Estimated Projected Sources and Uses of Funds for NUI for the Twelve Months Ended September 30, 1999.**

Exhibit B-2: **Estimated Construction Spending for City Gas Company of Florida for the Twelve Months Ended September 30, 1999.**

WHEREFORE, City Gas Company of Florida, a Division of NUI Corporation, requests the Commission to enter an Order authorizing NUI to issue and sell short-term debt in an amount not to exceed $110,000 and long-term debt in an amount not to exceed $40 million, during the period September 30, 1998 - September 30, 1999. To facilitate the ability of NUI to position itself to take advantage of favorable conditions in the capital markets, NUI respectfully asks the Commission to expedite its consideration of this application.



Daniel D. Richardson
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
50 N. Laura Street, Suite 2800
Jacksonville, FL 32202
Tel. (904) 630-5342
Fax (904) 353-1670
Attorney for the Applicant

JK2 138023

EXHIBIT A: **Financial statements of NUI (Form 10-K for the Fiscal Year Ended September 30, 1997 and Form 10-Q for the Quarter Ended December 31, 1997, March 31, 1998, and June 30, 1998).**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 1997

OR

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

For the transition period from ________________ to____________________

Commission File Number 1-8353

NUI CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey	22-1869941
(State of incorporation)	(IRS employer identification no.)

550 Route 202-206, P. O. Box 760, Bedminster, New Jersey 07921-0760

(Address of principal executive offices, including zip code)

(908) 781-0500

(Registrant's telephone number, including area code)

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

Title of Each Class:	
Common Stock, No Par Value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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 of 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:

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 or information statements incorporated by reference to Part III of this Form 10-K or any amendment to the Form 10-K:

The aggregate market value of 11,049,105 shares of common stock held by non-affiliates of the registrant calculated using the $24.625 per share closing price on November 28, 1997 was $272,084,211

The number of shares outstanding for each of the registrant's classes of common stock, as of November 28, 1997:

Common Stock, No Par Value: 12,455,176 shares outstanding.

Documents incorporated by reference: NUI Corporation's definitive Proxy Statement for the Company's Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on December 23, 1997.

NUI Corporation

Annual Report on Form 10-K For The

Fiscal Year Ended September 30, 1997

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NUI Corporation

Annual Report on Form 10-K for the

Fiscal Year Ended September 30, 1997

PART I

Item 1. Business

NUI Corporation ("NUI" or the "Company") was incorporated in New Jersey in 1969. NUI is a multi-state energy sales, services and distribution company. The Company's natural gas utility distribution operations serve approximately 362,000 customers in six states through its Northern and Southern operating divisions. These operating divisions are regulated by the public utility commissions of the states in which it operates. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through it's NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary; environmental project development operations through its NUI Environmental Group, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC (see Note 2 of the Notes to the Consolidated Financial Statements).

The principal executive offices of the Company are located at 550 Route 202-206, Box 760, Bedminster, NJ 07921-0760; telephone: (908) 781-0500.

Territory and Customers Served

See Item 6 - "Selected Financial Data-Summary Consolidated Operating Data" for summary information by customer class with respect to operating revenues, gas volumes sold or transported and average utility customers served. The Company's primary business is its utility operations which serve approximately 362,000 customers, of which approximately 67% are in New Jersey and 33% are in the Southern Division states. Most of the Company's utility customers are residential and commercial customers that purchase gas primarily for space heating. The Company's operating revenues for fiscal 1997 amounted to approximately $609 million, of which approximately 52% was generated by utility operations in the Northern Division, 18% was generated by utility operations in the Southern Division states and 30% by the Company's unregulated activities. Gas volumes sold or transported in fiscal 1997 amounted to 148.2 million Mcf, of which approximately 46% was sold or transported in New Jersey, 12% was sold or transported in the Southern Division states and 42% represented unregulated sales. An Mcf is a basic unit of measurement for natural gas comprising 1,000 cubic feet of gas.

Natural Gas Utility Operations

Northern Division The Company, through its Northern Division, provides gas service to approximately 241,000 customers in franchised territories within seven counties in central and northwestern New Jersey. The Northern Division's 1,300 square-mile service territory has a total population of approximately 950,000. Most of the Northern Division's customers are located in densely-populated central New Jersey, where increases in the number of customers are primarily from conversions to gas heating from alternative forms of heating.

The Northern Division's gas volumes sold or transported and customers served for the past three fiscal years were as follows:

Gas Volumes Sold or Transported (in thousands of Mcf)

		1997	1996	1995
Firm Sales:				
	Residential	19,485	20,862	17,855
	Commercial	9,333	11,337	10,275
	Industrial	4,085	4,709	4,595
Interruptible Sales		12,886	11,885	15,440
Unregulated Sales		14,753	7,062	1,044
Transportation Sales		22,510	19,793	17,202
Total		83,052	75,648	66,411

Utility Customers Served (twelve-month average)

	1997	1996	1995
Firm Sales:			
Residential - Heating	165,305	162,156	159,164
Residential - Non-heating	57,380	58,558	59,586
Commercial	16,922	17,232	17,359
Industrial	262	291	387
Interruptible Sales	72	72	75
Transportation Services	1,373	600	130
Total	241,314	238,909	236,701

Gas volumes sold to the Company's firm customers are sensitive to the weather in New Jersey. In fiscal 1997, the weather in New Jersey, as reported by the National Oceanic and Atmospheric Administration (NOAA), was very close to normal and 7% warmer than the prior year thereby decreasing gas sales as compared to 1996. However, these comparisons were distorted by new temperature measurement equipment installed by NOAA in late 1996. Data indicates that this new equipment records colder temperatures then the equipment it replaced. Hence, it is likely that weather in fiscal 1997 was actually warmer than normal and more than 7% warmer than 1996. Weather in fiscal 1996 contributed to higher gas sales as compared with fiscal 1995, as the weather was 7% colder than normal and 23% colder than fiscal 1995.

The Northern Division's tariff contains a weather normalization clause that is designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and decreasing amounts charged when weather has been colder than normal. As a result of a stipulation approved by the New Jersey Board of Public Utilities (NJBPU) on October 22, 1997, the company increased the amount collectible under this clause by $1.3 in fiscal 1997 to consider the distortion caused by the change in temperature measurement equipment. An adjustment factor was also established for fiscal 1998. For a further discussion on variations in revenues, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The growth in the number of residential heating customers principally reflects the Company's marketing emphasis to convert residential non-heating customers to full gas heating service. Approximately 70% of the residential heating customers added in New Jersey since 1991 represented homes that were converted to gas heating from other forms of space heating and the remainder consisted of new homes.

Effective January 1, 1995, the NJBPU authorized new tariffs designed to provide for the unbundling of natural gas transportation and sales service to commercial and industrial customers. As of September 30, 1997, 1,840 commercial sales customers had switched to transportation-only service under the new tariff. Despite the transfer to transportation service, the commercial sales market continues to grow. In fiscal 1997, 39 schools and 887 businesses converted to gas heating systems with the Company or switched from interruptible service to commercial firm service. The Company also has an economic development program to help spur economic growth and jobs creation which provides grants and reduced rates for qualifying businesses that start up, relocate or expand within designated areas.

The Company's industrial customers also have the ability to switch to transportation service and purchase their gas from other suppliers. The rate charged to transportation customers is less than the rate charged to firm industrial and commercial sales customers because the transportation customer rate does not include any cost of gas component. However, the operating margins from both rates are substantially the same.

The Northern Division's "interruptible" customers have alternative energy sources and use gas on an "as available" basis. Variations in the volume of gas sold or transported to these customers do not have a significant effect on the Company's earnings because, in accordance with New Jersey regulatory requirements, 80% of the margins that otherwise would be realized on gas sold or transported to interruptible customers are used to reduce gas costs charged to firm sales customers. This percentage was changed, effective May 12, 1997 from 90% of sales margins and 95% of transportation margins.

The Company provides gas sales and transportation services comprising twenty percent of the primary fuel requirements of a 614 megawatt cogeneration facility that began commercial operation in New Jersey in July 1992 to supply electric power to New York City. In fiscal 1997, sales and transportation of gas to this customer accounted for approximately 8% of the Company's operating revenues and approximately 9% of total gas sold or transported. The Company was authorized by the NJBPU to retain a total of approximately $2.3 million of the operating margins realized from these sales. The Company reached this maximum during fiscal 1995 and, therefore, all margins realized from the sale of gas to this customer in fiscal 1997 and 1996 were used to reduce gas costs charged to firm customers.

In order to maximize the value of the Company's gas supply portfolio, in fiscal 1995 the Company began selling available gas supply and excess interstate pipeline capacity to other gas service companies and to customers located outside of the Company's service territories. The price of gas sold to these customers is not regulated by the NJBPU, however the NJBPU has authorized the Company to retain 20% of the margins realized from these sales. The remaining 80% of these margins is used to reduce gas costs charged to firm customers.

Southern Division

City Gas Company of Florida ("CGF"). CGF is the second largest natural gas utility in Florida, supplying gas to over 97,000 customers in Dade and Broward Counties in south Florida, and in Brevard, Indian River and St. Lucie Counties in central Florida. CGF's service areas cover approximately 3,000 square miles and have a population of approximately 1.7 million.

CGF's gas volumes sold or transported and customers served for the past three fiscal years were as follows:

Gas Volumes Sold or Transported (in thousands of Mcf)				
		1997	**1996**	**1995**
Firm Sales:				
	Residential	1,850	2,130	1,982
	Commercial	3,944	4,096	4,198
Interruptible Sales		1,162	1,259	1,533
Unregulated Sales		4,124	1,779	--
Transportation Sales		2,277	908	1,313
Total		13,357	10,172	9,026
Utility Customers Served (twelve-month average)				
		1997	**1996**	**1995**
Firm Sales:				
	Residential	92,724	92,179	90,960
	Commercial	4,706	4,629	4,615
Interruptible Sales		16	19	20
Transportation Services		51	36	24
Total		97,497	96,863	95,619

CGF's residential customers purchase gas primarily for water heating, clothes drying and cooking. Some customers, principally in central Florida, also purchase gas to provide space heating during the relatively mild winter season. Year-to-year growth in the average number of residential customers primarily reflects new construction. The rate of residential market growth was lower in fiscal 1997 as compared with fiscal 1996, as build-out commitments from prior year expansions in the south Florida service areas were concluded. Through the application of selective investment feasibility standards, CGF is focusing its principal new residential growth efforts in its central Florida markets. The volume from the residential market in fiscal 1996 benefited from cooler weather than experienced in fiscal 1997 and in fiscal 1995. Effective in April 1997, CGF increased the rates it charges residential customers under its appliance leasing programs, generating approximately $150,000 per month in additional unregulated margins.

CGF's commercial business consists primarily of schools, businesses and public facilities, of which the number of customers tends to increase concurrently with the continuing growth in population within its service areas. As with its residential markets, the Company is seeking to maximize the utilization of its existing mains by emphasizing marketing efforts toward potential commercial business along these lines.

CGF's industrial customers and certain commercial customers, are served under tariffs applicable to "interruptible" customers. Unlike the Company's Northern Division, CGF's interruptible customers do not generally have alternative energy sources, although their service is on an "as available" basis. The Company retains all of the operating margins from sales to these customers.

Certain commercial and industrial customers have converted their natural gas service from a sales basis to a transportation basis. CGF's transportation tariff provides margins on transportation services that are substantially the same as margins earned on gas sales. In November 1997, the Florida Public Service Commission (FPSC) approved CGF's proposal to offer unbundled gas service to certain small commercial customers, in a manner similar to that currently in place in the Company's New Jersey service territory.

During fiscal 1996, the Company began selling available gas supply and excess interstate pipeline capacity to other gas service companies and to customers located outside of the Company's service territories. The price of gas sold to these customers is not regulated by the FPSC; however, the FPSC has ordered that 50% of the margins realized from these sales be used to reduce gas costs charged to firm customers.

North Carolina Gas Service ("NCGS"). The Company, through NCGS, provides gas service to approximately 13,400 customers in Rockingham and Stokes Counties in North Carolina, which territories comprise approximately 560 square miles. During fiscal 1997, NCGS sold or transported approximately 4.3 million Mcf of gas as follows: 20% sold to residential customers, 11% sold to commercial customers, 30% sold to industrial customers on system, 16% sold to industrial customers through unregulated off-system sales, and 23% transported to commercial and industrial customers. The North Carolina Public Utilities Commission has ordered that 75% of margins realized from off-system sales be used to reduce gas costs charged to firm customers.

Elkton Gas Service ("Elkton"). The Company, through Elkton, provides gas service to approximately 3,500 customers in franchised territories comprising approximately 14 square miles within Cecil County, Maryland. During fiscal 1997, Elkton sold approximately 660,000 Mcf of gas as follows: 30% sold to residential customers, 28% sold to commercial customers and 42% sold to industrial customers.

Valley Cities Gas Service ("VCGS") and Waverly Gas Service ("WGS"). VCGS and WGS provide gas service to approximately 6,100 customers in franchised territories comprising 104 square miles within Bradford County, Pennsylvania and the Village of Waverly, New York and surrounding areas, respectively. During fiscal 1997, VCGS and WGS sold or transported approximately 3.9 million Mcf of gas as follows: 15% sold to residential customers, 8% sold to commercial customers, 5% sold to industrial customers on system, 8% sold to industrial customers through unregulated sales off-system, and 64% transported to commercial and industrial customers.

Gas Supply and Operations

In recent years, the gas industry has been undergoing structural changes in response to policies of the Federal Energy Regulatory Commission (FERC) and local regulatory commissions designed to increase competition. Traditionally, interstate pipelines were wholesalers of natural gas to local distribution companies and generally did not provide separate transportation or other services for specific customers. In 1992, the FERC issued Order No. 636 that, among other things, mandated the separation or "unbundling" of interstate pipeline sales, transportation and storage services and established

guidelines for capacity management effective in 1993. In fiscal 1995, the NJBPU unbundled the services provided and the rates charged to New Jersey commercial and small industrial customers as well. The transition to more competitive rates and services has the effect of increasing the opportunity for local gas distribution companies, and industrial and commercial customers to purchase natural gas from alternative sources, while increasing the potential business and regulatory risk borne by a local gas distribution company with respect to the acquisition and management of natural gas services.

The Company endeavors to utilize its pipeline capacity efficiently by matching capacity to its load profile to the extent feasible. To this end, the Company has had a broad unbundled service tariff for certain of its customers since 1987. The Company continues to avail itself of opportunities to improve the utilization of its pipeline capacity by pursuing broad based customer growth, including off-peak markets and utilizing capacity release and off-system sales opportunities afforded by Order No. 636 when operationally feasible.

The Company's gas supply during fiscal 1997 came from the following sources: approximately 18% from purchases under contracts with primary pipeline suppliers and additional purchases under their filed tariffs; approximately 82% from purchases from various producers and gas marketers, and purchases under long-term contracts with independent producers and less than 1% from propane and liquefied natural gas ("LNG"). The Company manages its gas supply portfolio to assure a diverse, reliable and secure supply of natural gas at the lowest reasonable cost. In fiscal 1997, the Company's largest single supplier accounted for 11% of the Company's total gas purchases.

The Company has long-term gas delivery contracts with seven interstate pipeline companies. Under these contracts, the Company has a right to delivery, on a firm year-round basis, of up to 92.2 million Mcf of natural gas annually with a maximum of approximately 273,000 Mcf per day. Both the price and conditions of service under these contracts are regulated by the FERC.

The Company has long-term gas purchase contracts for the supply of natural gas for its system with eight suppliers, including two interstate pipeline companies, three gas marketers and three independent producers. The Company also has a long-term supply and delivery contract with an interstate pipeline. Under these contracts, the Company has a right to purchase, on a firm year-round basis, up to 37.9 million Mcf of natural gas annually with a maximum of approximately 101,170 Mcf per day. In order to achieve greater supply flexibility, and to more closely match its gas supply portfolio to changes in the market it serves, the Company recently allowed a long-term gas supply contract to expire at the conclusion of its primary terms. As a result, the Company has reduced its fixed gas cost obligations. The Company has replaced the supply with both spot market gas and shorter-term, seasonal firm supply, thus reducing the average term of its long-term obligations. In addition, the Company has access to spot market gas through the interstate pipeline system to supplement or replace, on a short-term basis, portions of its long-term gas purchase contracts when such actions can reduce overall gas costs or are necessary to supply interruptible customers. In fiscal 1995, the Company, along with seven other Northeastern and Mid-Atlantic gas distribution companies, formed the East Coast Natural Gas Cooperative LLC (the "Co-op"). The Co-op was formed with the goal of jointly managing certain portions of the members' gas supply portfolios, to increase reliability and reduce costs of service to customers, and to improve the competitive position of the member companies. Participation in and reliance upon certain contractual arrangements among Co-op members has allowed the Company to reduce costs associated with winter services.

In order to have available sufficient quantities of gas during the heating season, the Company stores gas during non-peak periods and purchases supplemental gas, including propane, LNG and gas available under contracts with certain large cogeneration customers, as it deems necessary. The storage contracts provide the Company with an aggregate of 15.4 million Mcf of natural gas storage capacity and provide the Company with the right to receive a maximum daily quantity of 176,100 Mcf. The contracts with cogeneration customers provide 35,800 Mcf of daily gas supply to meet peak loads by allowing the Company to take back capacity and supply that otherwise is dedicated to serve those customers.

The Company's peak load facilities in New Jersey include a propane-air plant with a daily production capacity of 27,400 Mcf, fixed propane storage totaling 674,000 gallons and rail car sidings capable of storing an additional 300,000 gallons. The Company has an LNG storage and vaporization facility with a daily delivery capacity of 24,300 Mcf and storage capacity of 131,000 Mcf.

The Company's maximum daily sendout in fiscal 1997 was approximately 368,371 Mcf in its Northern Division and 87,717 Mcf in the Southern Division states combined. The Company maintains sufficient gas supply and delivery capacity for a maximum daily sendout capacity for the Northern Division of approximately 398,643 Mcf and approximately 119,800 Mcf for the Southern Division states combined.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that

amount to approximately $71 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations. In certain of these contracts, the Company has recently negotiated terms with its suppliers which will allow the Company to reduce its commitment to its suppliers in connection with changes in the Company's markets that may result from further unbundling initiatives.

The Company distributes gas through approximately 6,000 miles of steel, cast iron and plastic mains. The Company has physical interconnections with five interstate pipelines in New Jersey and one interstate pipeline in Florida. In addition, the Company has physical interconnections in North Carolina and Pennsylvania with interstate pipelines which also connect to the Northern Division. Common interstate pipelines along the Company's operating system provide the Company with greater flexibility in managing pipeline capacity and supply, and thereby optimizing system utilization.

Regulation

The Company is subject to regulation with respect to, among other matters, rates, service, accounting and the issuance of securities. The Company is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. The Company is also subject to regulation by the United States Department of Transportation under the Natural Gas Pipeline Safety Act of 1968, with respect to the design, installation, testing, construction and maintenance of pipeline facilities. Natural gas purchases, transportation service and storage service provided to the Company by interstate pipeline companies are subject to regulation by the FERC (see "-Gas Supply and Operations"). In addition, the Company is subject to federal and state legislation with respect to water, air quality, solid waste disposal and employee health and safety matters, and to environmental regulations issued by the United States Environmental Protection Agency, the New Jersey Department of Environmental Protection and other federal and state agencies.

The Company's current rates and tariffs for its Northern Division reflect a rate case that was settled in October 1991, under which the Company obtained a weather normalization clause - see "Northern Division". In December 1994, the NJBPU authorized new tariffs which are designed to provide for unbundling of natural gas transportation and sales services for Northern Division commercial and industrial customers. The new tariffs became effective on January 1, 1995 and are designed to be neutral as to the operating margins of the Company.

The current rates and tariffs for the Florida operations were authorized on October 29, 1996. The FPSC voted to authorize the Company to increase its base rates in Florida by $3.75 million annually. The rate increase reflected a rate base amounting to $91.9 million, which includes the addition of investments in system improvements and expansion projects. Under the approval, the allowed return on equity is 11.3% with an overall after-tax rate of return of 7.87%. The increase became effective on November 28, 1996. The FPSC order also gives the Company the flexibility to negotiate rates with certain business customers that have access to other energy sources.

The current rates and tariffs for the North Carolina, Maryland, Pennsylvania and New York operations were authorized between October 1988 and September 1995. These operations serve approximately 20,000 customers in aggregate. The tariff for NCGS reflects a weather normalization clause for its temperature sensitive residential and commercial customers.

The Company's tariffs for each state in which it operates contain adjustment clauses that enable the Company to recover purchased gas costs. The adjustment clauses provide for periodic reconciliations of actual recoverable gas costs with the estimated amounts that have been billed. Under or over recoveries at the reconciliation date are recovered from or refunded to customers in subsequent periods.

Seasonal Aspects

Sales of gas to some classes of customers are affected by variations in demand due to changes in weather conditions, including normal seasonal variations throughout the year. The demand for gas for heating purposes is closely related to the severity of the winter heating season. Seasonal variations affect short-term cash requirements.

Unregulated Operations

NUI Energy, Inc. (Energy) was formed by the Company in fiscal 1995 to market gas service to unbundled retail commercial and industrial customers. Energy's operating margins have increased to $2.4 million in fiscal 1997 as compared with $1.1 million in fiscal 1996 and $0.3 million in fiscal 1995, reflecting the Company's growth efforts. However, expenses related to

this start-up operation has resulted in net losses in all three fiscal years. It is expected that Energy will be profitable in fiscal 1998, as the Company will continue to take advantage of opportunities that exist in the deregulated market.

NUI Energy Brokers, Inc. (Energy Brokers) was formed by the Company in fiscal 1996 to provide wholesale energy trading and related services, primarily to other utilities and energy marketing companies. Energy Brokers generated margins of $3.6 million in fiscal 1997 as compared with $1.6 million in fiscal 1996. Energy Brokers minimizes its risks in this business by limiting its financial and physical positions at any one time. As in any commodity brokerage activity, however, there are risks pertaining to market changes and credit exposure that can be managed but not eliminated. Therefore, the earnings from Energy Brokers are likely to be more volatile than the Company's utility distribution business.

Utility Business Services, Inc. (UBS) provides billing and customer information systems and services to investor-owned and municipal utilities as well as third-party energy providers. WINS, the premiere account management product developed and maintained by UBS, is presently serving almost 20 clients with state-of-the-art computing capabilities in support of almost 600,000 customers. In addition to generating over 3 million bills each year, UBS assists clients in allied areas, such as automatic meter reading, payment processing, and account recovery.

NUI Environmental Group, Inc. (NUI Environmental) was formed by the Company in fiscal 1996 to develop a solution to the rapidly decreasing accessibility of the New York/New Jersey Harbor to international commercial shipping traffic. To this end, NUI Environmental plans to jointly develop a permanent sediment processing facility to decontaminate and process the dredged sediment, thereby providing environmentally safe disposal or beneficial reuse of the material. Towards this effort, NUI Environmental has signed a Memorandum of Understanding with the Department of Energy/Brookhaven National Laboratories, which is leading the decontamination effort on behalf of a Federal consortium of the Environmental Protection Agency, Army Corps. of Engineers and Department of Energy which are working towards a solution to the dredging problem. It is expected that NUI Environmental will receive public financing to design, construct and operate the facility in partnership with governmental or public entities. It is anticipated that phase one operations could begin in late fiscal 1998.

On May 18, 1997, the Company closed on its acquisition of a 49% interest in TIC Enterprises, LLC (TIC), a newly formed limited liability company, for a purchase price of $22 million. The acquisition was effective as of January 1, 1997 and is being accounted for under the equity method. TIC engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, Energy (see Note 2 of the Notes to the Consolidated Financial Statements).

Persons Employed

As of September 30, 1997, the Company employed 1,126 persons, of which 291 employees in the Northern Division were represented by the Utility Workers Union of America (Local 424), 73 employees in Florida and 17 employees in Pennsylvania were represented by The Teamsters Union, and 44 employees in North Carolina were represented by the International Brotherhood of Electrical Workers. The current collective bargaining agreement with the Northern Division's union was negotiated effective November 20, 1994 and expires on November 20, 1998. The North Carolina union collective bargaining agreement was negotiated on August 20, 1995, and expires on August 20, 1998. The collective bargaining agreement in Pennsylvania was negotiated on November 30, 1997 and expires on September 30, 1999. The collective bargaining agreement in Florida expires on March 31, 1998.

Competition

The Company competes with distributors of other fuels and forms of energy, including electricity, fuel oil and propane, in all portions of the territories in which it has distribution mains. In addition, in 1992, the FERC issued Order No. 636 (see "Gas Supply and Operations"). Subsequently, initiatives were sponsored in various states, the purposes of which were to "unbundle" or separate into distinct transactions, the purchase of the gas commodity from the purchase of transportation services for the gas. To that end, as discussed under "Regulation", New Jersey has unbundled commercial and industrial gas purchase and transportation rates.

The unbundled sale of gas to customers is subject to competition from unregulated marketers and brokers, which generally do not bear the obligations or costs related to operating a regulated utility. Tariffs for transportation service have generally been designed to provide the same margins as bundled sales tariffs. Therefore, except for the regulatory risk of full recovery of gas costs, the Company is financially indifferent as to whether it transports gas, or sells gas and transportation together. The Company also faces the risk of loss of transportation service for large industrial customers which may have the ability to build connections to interstate gas pipelines and bypass the Company's distribution system. Gas distributors can also expect increased competition from electricity as deregulation in that industry decreases prices and increases supply sources.

Alternatively, opportunities may increase for gas service to fuel generators for large industrial customers, replacing electric utility service.

The Company believes that in order to compete effectively, it must offer a greater variety of services at competitive prices. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Competition and Outlook" for a discussion of the Company's preparation for the impact of increased competition.

Franchises

The Company holds non-exclusive municipal franchises and other consents which enable it to provide natural gas in the territories it serves. The Company intends to seek to renew these franchises and consents as they expire.

Environment

Reference is made to Item 7- "Management's Discussion and Analysis of Financial Condition and Results of Operations-Capital Expenditures and Commitments" and Note 11, "Commitments and Contingencies" of the "Notes to the Consolidated Financial Statements" for information regarding environmental matters affecting the Company.

Year 2000

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without considering the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results by or at the Year 2000. The Company has undertaken a systems readiness program which is designed to mitigate the risks associated with the Year 2000 issue. This program involves an analysis of systems to determine those that are not presently Year 2000 compliant, the establishment of a plan to either modify or replace those systems and the modification and procurement of systems to make them Year 2000 compliant. Although the Company is endeavoring to ensure that the year 2000 readiness program is comprehensive, it can make no assurance that the program will address all Year 2000 compliance issues in a timely manner. The Company identified, replaced and modified many of these systems during fiscal year 1997 and currently estimates that its remaining cost of the Year 2000 systems readiness program will be approximately $2 million, of which approximately $0.7 million is anticipated to be spent in fiscal 1998.

Item 2. Properties

The Company owns approximately 6,000 mile of steel, cast iron and plastic gas mains, together with gate stations, meters and other gas equipment. In addition, the Company owns peak shaving plants, including an LNG storage facility in Elizabeth, New Jersey.

The Company also owns real property in Union, Middlesex, Warren, Sussex and Hunterdon counties in New Jersey, and in Dade, Broward, Brevard and St. Lucie counties in Florida, portions of which are under lease to others. The Company's owned properties include a general office building in Hialeah, Florida, that serves as the Southern Division's headquarters; another office facility in Rockledge, Florida; and office buildings in both Reidsville, North Carolina and Sayre, Pennsylvania, which serve as operating offices for the North Carolina and the Pennsylvania and New York operations, respectively. The Company also owns various service centers in New Jersey, Florida, North Carolina, Maryland and Pennsylvania from which the Company dispatches service crews and conducts construction and maintenance activities.

The Company leases office space in Bedminster, New Jersey, that serves as its corporate headquarters and leases certain other facilities in New Jersey and Florida that are operated as customer business offices or operating offices. The Company also leases approximately 160,000 square feet in an office building in Union, New Jersey, which serves as the Northern Division's headquarters.

Subject to minor exceptions and encumbrances, all other property materially important to the Company and all principal plants are owned in fee simple, except that most of the mains and pipes are installed in public streets under franchise or statutory rights or are constructed on rights of way acquired from the apparent owner of the fee.

Item 3. Legal Proceedings

The Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

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

No matter was presented for submission to a vote of security holders through the solicitation of proxies or otherwise during the last quarter of fiscal 1997

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

NUI common stock is listed on the New York Stock Exchange and is traded under the symbol "NUI". The quarterly cash dividends paid and the reported high and low closing prices per share of NUI common stock for the two years ended September 30, 1997 were as follows:

	Quarterly Cash	Price Range	
	Dividend	High	Low
Fiscal 1997:			
First Quarter	$0.235	$23.500	$18.875
Second Quarter	0.235	23.625	19.250
Third Quarter	0.235	22.500	19.000
Fourth Quarter	0.235	24.813	19.750
Fiscal 1996:			
First Quarter	$0.225	$17.750	$15.750
Second Quarter	0.225	19.250	17.125
Third Quarter	0.225	20.000	16.750
Fourth Quarter	0.225	20.000	16.500

There were 6,768 shareholders of record of NUI common stock at November 28, 1997.

It is the Company's intent to continue to pay quarterly dividends in the foreseeable future. NUI's dividend policy is reviewed on an ongoing basis and is dependent upon the Company's expectation of future earnings, cash flow, financial condition, capital requirements and other factors. On November 6, 1997, the Company increased its quarterly dividend to $0.245 per share of common stock. The previous quarterly rate was $0.235 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay $37 million of cash dividends at September 30, 1997.

Item 6. Selected Financial Data

Selected Consolidated Financial Data (in thousands, except per share amounts)					
	Fiscal Years Ended September 30,				
	1997	1996	1995	1994	1993
Operating Revenues	$608,596	$469,596	$376,884	$405,240	$367,456
Net Income	$19,649	$14,896	$5,517	$10,780	$13,810
Net Income Per Share	$1.75	$1.52	$0.60	$1.25	$1.70
Dividends Paid Per					

Dividends Paid Per Share	$0.94	$0.90	$0.90	$1.60	$1.59
Total Assets	$803,665	$677,662	$610,165	$601,648	$483,911
Capital Lease Obligations	$9,679	$10,503	$11,114	$11,932	$12,290
Long-Term Debt	$229,069	$230,100	$222,060	$160,928	$142,090
Common Shareholders' Equity	$218,291	$179,107	$140,912	$142,768	$122,384
Common Shares Outstanding	12,429	11,086	9,201	9,157	8,201

Notes to the Selected Consolidated Financial Data:

Net Income for fiscal 1995 includes restructuring and other non-recurring charges amounting to $5.6 million (after tax), or $0.61 per share.

Net income for fiscal 1994 includes the reversal of $1.8 million of income tax reserves and restructuring and other non-recurring charges amounting to $0.6 million (after tax). The effect of these items increased net income by $1.2 million, or $0.14 per share.

Summary Consolidated Operating Data						
		Fiscal Years Ended September 30,				
		1997	1996	1995	1994	1993
Operating Revenues (Dollars in thousands)						
Firm Sales:						
	Residential	$201,757	$194,332	$173,395	$191,297	$172,749
	Commercial	106,234	107,067	98,541	110,574	97,966
	Industrial	23,263	25,321	20,083	25,809	23,066
Interruptible Sales		55,844	50,539	48,282	53,077	48,254
Unregulated Sales		177,881	55,678	7,498	1,426	1,757
Transportation Services		28,617	23,085	17,696	13,273	12,154
Customer Service, Appliance Leasing and Other		15,000	13,477	11,389	9,784	11,510
		$608,596	$469,499	$376,884	$405,240	$367,456
Gas Sold or Transported (MMcf)						
Firm Sales:						
	Residential	22,956	24,810	21,276	22,558	21,019
	Commercial	14,254	16,575	15,455	16,175	14,918
	Industrial	4,819	5,407	5,217	5,323	4,781
Interruptible Sales		15,074	16,003	18,365	16,024	13,627
Unregulated Sales		62,819	17,804	3,398	689	904
Transportation Services		28,294	25,051	22,154	17,290	16,439
		148,216	105,650	85,865	78,059	71,688

Average Utility Customers Served						
Firm Sales:						
	Residential	335,632	332,440	328,644	312,515	297,384
	Commercial	24,312	24,484	24,519	22,638	20,995
	Industrial	306	338	430	382	377
Interruptible Sales		121	120	118	101	105
Transportation Services		1,460	668	184	137	87
		361,831	358,050	353,895	335,773	318,948
Degree Days in New Jersey (normal: 4978)		4,772	5,343	4,333	4,944	4,703
Employees (year end)		1,126	1,086	1,079	1,186	1,011
Ratio of Earnings to Fixed Charges		2.15	2.00	1.37	1.66	2.15

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis refers to NUI Corporation and all of its operating divisions and subsidiaries (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. Its natural gas utility operations distribute natural gas and provide related customer services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary ("Energy"); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary ("Energy Brokers"); customer information systems and services through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC ("TIC") (see Note 2 of the Notes to the Consolidated Financial Statements).

Results of Operations

Fiscal Years Ended September 30, 1997 and 1996

Net Income. Net income for fiscal 1997 was $19.6 million, or $1.75 per share, as compared with net income of $14.9 million, or $1.52 per share in fiscal 1996. The increase in the current year was primarily due to higher operating margins and other income, partially offset by higher operations and maintenance, depreciation, general taxes and interest expenses.

Net income per share in the current year was also affected by the increased average number of outstanding shares of common stock over the prior year, principally reflecting the full effect of the Company's issuance of 1.8 million additional shares in May 1996 (see "Financing Activities and Resources-Common Stock").

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its utility customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the sale of the gas commodity, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $139.1 million, or 30%, in fiscal 1997 as compared with fiscal 1996. The increase was principally due to approximately $122 million of additional revenues generated by the Company's unregulated operations, the effect of purchased gas adjustment clauses, a base rate increase in the Company's Florida service territory, increased customer service and appliance leasing revenues, and customer growth (see "Regulatory Matters"). These increases were partially offset by the effect of warmer weather, mainly in New Jersey where it was 11% warmer than the prior year and 4% warmer than normal.

The Company has taken advantage of the opportunities brought on by deregulation of the natural gas industry and realized substantial growth in these unregulated activities in fiscal 1997. The Company's unregulated operations include its Energy and Energy Brokers subsidiaries, as well as sales of natural gas by the Company's utility operations to customers outside of its franchise service territories. While the prices charged for these utility off-system sales are not regulated, margins realized are shared with customers of the utility operations as follows: New Jersey- 80%, Florida- 50% and North Carolina- 75%. The Company's other utility operations do not currently have margin sharing arrangements and therefore any off-system sales are returned 100% to customers.

The Company's operating margins increased by $8.3 million, or 5%, in fiscal 1997 as compared with fiscal 1996. The increase reflects approximately $3.6 million of additional margins generated by the Company's utility distribution operations, approximately $3.1 million of additional margins on sales by the Company's unregulated operations and approximately $1.6 million of additional customer service and appliance leasing revenues. The increase in utility distribution margins was mainly due to the effect of the rate case in Florida and customer growth, partially offset by the effect of warmer weather in the fiscal 1997 period in all of the Company's service territories, part of which was not fully recovered from customers under weather normalization clauses, and lower amounts billed to certain of the Company's Florida customers for its energy conservation program. The Company is allowed to pass through to its customers costs incurred for various energy conservation programs. The Company does not earn a profit on these billings as operations expense is charged or credited for any difference between amounts billed to customers and amounts actually incurred. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs, which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of weather normalization clauses, operating margins were approximately $2.0 million higher in fiscal 1997 than they would have been without such clauses. In fiscal 1996, operating margins were $2.2 million less than they would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased by approximately $0.9 million, or 1%, in fiscal 1997 as compared with fiscal 1996. The increase was primarily the result of additional expenses related to the growth in the Company's unregulated operations and expenses resulting from the consolidation of two of the Company's New Jersey service facilities. These increases were partially offset by the capitalization of costs associated with the development and implementation of new information technology, lower pension and insurance expenses, lower expenses charged for the Company's energy conservation programs in Florida and the reversal of certain reserves which management determined to be no longer required.

Depreciation and amortization increased approximately $1.7 million over the prior year primarily due to additional plant in service.

The increase in other taxes of approximately $0.8 million in fiscal 1997 was mainly due to higher real estate, sales and payroll-related taxes.

The increase in income taxes of approximately $1.5 million in fiscal 1997 was the result of higher pre-tax income.

Other Income and (Expense), Net. Pre-tax other income and expense, net, increased approximately $2.6 million in fiscal 1997 as compared with fiscal 1996. The increase was primarily due to approximately $1.3 million of net equity earnings in TIC for the period January 1, 1997 through September 30, 1997 (see Note 2 of the Notes to the Consolidated Financial Statements), the sale of certain marketable securities resulting in a realized gain of $0.7 million, and the sale of property in the Southern Division, which resulted in a gain of approximately $0.7 million.

Interest Expense. Interest expense increased by approximately $0.4 million in fiscal 1997 as compared with fiscal 1996. The increase was primarily due to an increase in short-term interest expense due to higher average borrowings, partially offset by lower average long-term borrowings as a result of the repayment of amounts outstanding under the Company's $30 million credit agreement in May 1996.

Fiscal Years Ended September 30, 1996 and 1995

Net Income. Net income for fiscal 1996 was $14.9 million, or $1.52 per share, as compared with net income of $5.5 million, or $0.60 per share in fiscal 1995. The increase in fiscal 1996 was primarily due to higher operating margins and approximately $5.6 million of after-tax non-recurring charges incurred in fiscal 1995. These increases were partially offset by higher operations and maintenance and depreciation expenses.

Net income per share in fiscal 1996 was also affected by the increased average number of outstanding shares of common stock over the prior year, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996 (see "Financing Activities and Resources-Common Stock").

Operating Revenues and Operating Margins. The Company's operating revenues increased by $92.6 million, or 25%, in fiscal 1996 as compared with fiscal 1995. The increase principally reflects approximately $48 million of additional unregulated sales, the effect of weather in New Jersey that was 7% colder than normal and 23% colder than the prior year, and additional refunds to Northern Division customers in fiscal 1995 totaling $11.2 million as a result of lower than projected gas prices. Operating revenues also increased as a result of increased revenues from interruptible and industrial customers primarily as a result of higher gas prices incurred, increased customer service revenues and customer growth.

The Company's operating margins increased by $11.0 million, or 7%, in fiscal 1996 as compared with fiscal 1995. The increase principally reflects approximately $6.1 million of additional margins generated by the Company's utility distribution operations, approximately $3.2 million of additional margins on sales by the Companies unregulated operations and approximately $1.7 million of additional customer service and appliance leasing revenues. The increase in utility distribution margins was mainly due to an increase in rates for Florida's energy conservation program, customer growth and the effect of colder-than-normal weather not fully returned to customers through the weather normalization clauses. As a result of these weather normalization clauses, operating margins were approximately $2.2 million less in fiscal 1996 than they would have been without such clauses. In fiscal 1995, operating margins were approximately $4.5 million higher than they otherwise would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased approximately $3.4 million, or 4%, in fiscal 1996 as compared with fiscal 1995. The increase was primarily due to costs incurred as a result of the colder weather in New Jersey during the fiscal 1996 heating season, higher expenses related to the start-up and growth of the Company's unregulated operations, and higher pension costs. Fiscal 1995 results included non-recurring pre-tax charges of $8.6 million (see Note 3 of the Notes to the Consolidated Financial Statements).

Depreciation and amortization expenses increased by approximately $1.5 million primarily due to additional plant in service.

Income tax expense increased by approximately $4.9 million in fiscal 1996 as compared with fiscal 1995, primarily due to higher pre-tax income.

Interest Expense. Interest expense decreased by approximately $0.2 million, or 1%, in fiscal 1996 as compared with fiscal 1995. The decrease was primarily due to lower average short-term debt outstanding and short-term interest rates, and to approximately $0.6 million of interest recorded in the prior year on the over-collection of gas costs by the Northern Division. This decrease was partially offset by higher average long-term interest rates due to the effect of a full year's inclusion of $70 million of Medium-Term Notes that were issued in fiscal 1995.

Regulatory Matters

Northern Division

On October 22, 1997, the New Jersey Board of Public Utilities (NJBPU) approved a petition filed by the Northern Division to revise its weather normalization clause to reflect an increase in the level of degree days used to determine margin revenue differences associated with variations between the actual degree days experienced in the months of October through April and the degree days that underlie the Company's base rates. The actual degree days are intended to adjust for a bias in weather data created by the National Oceanic and Atmospheric Administration's installation of a device to measure temperature known as the automatic surface observing system. As a result of the NJBPU approval, the Company recognized an increase in its weather normalization margins of approximately $1.3 million in the fourth quarter of fiscal 1997 to adjust for the effect of the bias in the new weather measuring device on margins recorded earlier in the fiscal year.

In July 1997, the State of New Jersey enacted legislation that will eliminate the current gross receipts and franchise taxes effective January 1, 1998. These taxes will be replaced with a 6% sales tax on sales of electricity and natural gas, a corporate business tax currently paid by all non-utility corporations in the State, and a third tax called the Transitional Energy Facilities Assessment tax (TEFA). The legislation was intended, in part, to provide comparability between utilities that pay gross receipts and franchise taxes and non-utility energy companies that do not. A key objective of this legislation was to maintain energy tax revenue neutrality in 1998, seeking to collect approximately the same amount in new taxes as collected with gross receipts and franchise taxes in 1997. The TEFA tax is scheduled to be phased out at a rate of approximately 20% per year starting in 1999. These tax changes are designed to have no effect on the Company's net income or on overall rates charged to

customers, until the TEFA reductions occur, and will not have a material effect on working capital. The Company paid approximately $25 million of gross receipts and franchise taxes to the State in 1997.

On November 20, 1997, the Northern Division amended its July 31, 1997 proposal filed with the NJBPU to increase its annual purchased gas adjustment revenues by approximately $14.7 million and change the way it recovers gas supply costs from its different classes of customers. The filing proposes to collect separately the commodity component of purchased gas and the fixed costs the Company incurs on behalf of its customers to supply gas service. The filing also includes a request to incorporate a performance based mechanism whereby Northern Division customers and the Company would benefit from the Company's ability to secure gas at rates more favorable than a market index benchmark. The proposed mechanism would provide an 80/20 sharing, with Northern Division customers receiving the greater percentage of risk and opportunity on the difference between a monthly market benchmark and the actual cost of purchased gas. Action by the NJBPU on the Company's proposal is expected in 1998.

On May 13, 1997, the NJBPU approved an order (replacing an interim order dated December 4, 1996) authorizing the Northern Division to increase its annual purchased gas adjustment revenues by approximately $22 million. The increase was effective in December 1996 and reflects higher gas prices incurred in the current year. The increase in revenues does not affect the operating margins of the Company.

Southern Division

On October 29, 1996, the Florida Public Service Commission (FPSC) voted to authorize the Company to increase its base rates in Florida by $3.75 million annually. The rate increase reflects a rate base amounting to $91.9 million, reflecting the addition of investments in system improvements and expansion projects. Under the approval, the allowed return on equity is 11.3% with an overall after-tax rate of return of 7.9%. The Company had been granted interim rate relief of $2.2 million effective in September 1996. The permanent rate increase, which was effective in December 1996, includes the interim adjustment.

Financing Activities and Resources

The Company's net cash provided by operating activities was $40.5 million in fiscal 1997, $22.5 million in fiscal 1996, and $47.9 million in fiscal 1995. The increase in fiscal 1997 as compared with fiscal 1996 was primarily due to additional collections of gas costs through the Company's purchased gas adjustment clauses and the timing of payments to gas suppliers. The decrease in net cash provided by operating activities in fiscal 1996 as compared with fiscal 1995 principally reflects a higher level of accounts receivable primarily due to the colder weather and increased activity by the Company's unregulated businesses, and an under collection of gas costs through the Company's purchased gas adjustment clauses.

Because the Company's primary business is highly seasonal, short-term debt is used to meet seasonal working capital requirements. The Company also borrows under its bank lines of credit to finance portions of its capital expenditures, pending refinancing through the issuance of equity or long-term indebtedness at a later date depending upon prevailing market conditions.

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $66.0 million at 5.5% in fiscal 1997, $39.9 million at 5.6% in fiscal 1996 and $58.0 million at 5.9% in fiscal 1995. The weighted average daily amounts of notes payable to banks increased in fiscal 1997 principally due to borrowings to initially finance the Company's acquisition of a 49% interest in TIC (see "Common Stock"), and additional borrowings to finance portions of the Company's construction expenditures. The weighted average daily amounts of notes payable to banks decreased in fiscal 1996 as compared with fiscal 1995 primarily due to the full effect of the issuance of $70 million of Medium-Term Notes issued in fiscal 1995, which were used to repay short-term debt, and the issuance of an additional 1.8 million shares of common stock in fiscal 1996, of which part of the proceeds were used to repay short-term debt. These decreases were partially offset by borrowings to finance portions of the Company's construction expenditures.

At September 30, 1997, the Company had outstanding notes payable to banks amounting to $54.4 million and available unused lines of credit amounting to $91.6 million.

Long-Term Debt and Funds for Construction Held by Trustee. On July 9, 1997, the Company issued $54.6 million of tax exempt Gas Facilities Revenue Refunding Bonds at an interest rate of 5.7%. The bonds mature on June 1, 2032 and were used to refinance previously issued Gas Facilities Revenue Bonds in the aggregate principal amounts and rates of $46.2 million at 6.75% and $8.4 million at 6.625% on October 1, 1997. The proceeds from the refunding bonds were invested in

temporary cash investments and were held in trust until the old bonds were called.

In November 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission for an aggregate of up to $100 million of debt and equity securities. As of September 30, 1997, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement. While the Company has no present intention to issue additional securities subject to the shelf registration, such securities may be issued from time to time, depending upon the Company's needs and prevailing market conditions.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of September 30, 1997 and 1996, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $23.8 million and $42.6 million, respectively, and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

Common Stock. On September 25, 1997, the Company issued an additional 1,011,400 shares of NUI common stock. The net proceeds from the offering totaled $22.6 million and were used to reduce outstanding short-term debt incurred to finance the Company's acquisition of a 49% interest in TIC and for other general corporate purposes.

On May 20, 1996, the Company issued an additional 1.8 million shares of NUI common stock. The net proceeds from the offering totaled $31.1 million and were used to reduce outstanding debt.

The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment and stock purchase plan, and various employee benefit plans. The proceeds from such issuances amounted to approximately $5.7 million, $0.3 million and $1.0 million in fiscal 1997, 1996 and 1995, respectively, and were used primarily to reduce outstanding short-term debt. The increase in proceeds received in fiscal 1997 reflects that the plans commenced purchasing shares directly from the Company in October 1996. Effective in December 1994, these plans commenced purchasing shares on the open market to fulfill the plans' requirements. Under the terms of these plans, the Company may periodically change the method of purchasing shares from open market purchases to purchases directly from the Company, or vice versa.

Dividends. On November 6, 1997, the Company increased its quarterly dividend to $0.245 per share of common stock. The previous quarterly rate was $0.235 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $37 million of cash dividends at September 30, 1997.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $52.3 million in fiscal 1997, $37.1 million in fiscal 1996 and $37.9 million in fiscal 1995. The increase in fiscal 1997 was primarily the result of planned capital investment related to providing gas or transportation service to new customers, which is mainly occurring in the Company's Southern Division, and to the Company's investment in new information technology designed to enhance productivity in the long term. The Company's capital expenditures are expected to be approximately $60 million in fiscal 1998.

The Company owns or previously owned six former manufactured gas plant (MGP) sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next twenty years to remediate the Company's MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books.

The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. The Company is able to recover actual MGP expenses over a rolling seven-year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. Approval by the NJBPU on this second RAC rate filing is expected in early 1998. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful. For a further discussion of environmental matters see Note 11 of the Notes to the Consolidated Financial Statements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $71 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The Company prepaid $54.6 million of its Gas Facilities Revenue Bonds in October 1997 with proceeds received from a new bond issuance (see "Financing Activities and Resources- Long-Term Debt and Funds for Construction Held by Trustee"). No other long-term debt is scheduled to be repaid over the next five years.

Purchase of Interest in TIC Enterprises, LLC

On May 18, 1997, the Company closed on its acquisition of a 49% interest in TIC Enterprises, LLC, a newly formed limited liability company, for a purchase price of $22 million. The acquisition was effective as of January 1, 1997 and is being accounted for under the equity method. Under the terms of an LLC Interest Purchase Agreement (the "Agreement"), the limited liability company will continue the business previously conducted by TIC Enterprises, Inc. The Agreement also includes a provision for an additional incentive payment up to a maximum of $5.2 million if TIC's calendar 1997 earnings, before interest and taxes, exceed $5 million. As of September 30, 1997, the Company has recorded a reserve of approximately $2.2 million for the additional incentive payment. In addition, NUI has the option, during the period beginning April 1, 2001 (subject to a one-year extension by the seller), to purchase the remaining 51% interest in TIC.

TIC engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, NUI Energy, Inc. The excess of the purchase price over the Company's share of the underlying equity in net assets of TIC is estimated on a preliminary basis to be approximately $22 million, including the reserve for the additional incentive payment, and is being amortized on a straight line basis over a 15-year period.

Competition and Outlook

The Company believes that in order to successfully compete in the deregulated energy markets, it must be able to provide customers with a broad array of energy and other products and services. In addition to the transportation and sale of gas, such energy products and services may include sales and management of electricity and other energy commodities, energy efficiency and information services, and new energy technology. The Company may also offer additional non-energy products and services if such offerings are consistent with the Company's business plan.

Not all of the products and services described above are currently provided by the Company. Therefore, the Company intends to acquire the skills and capabilities to provide some or all of them through various means, including acquisitions of companies, hiring of experienced employees, and alliances, partnerships and joint ventures. All of such products and services would likely be offered through the coordinated marketing efforts of the Company.

One vehicle the Company will use to offer products and services is the sales force of TIC Enterprises, LLC (see "Purchase of Interest in TIC Enterprises, LLC"). TIC's sales force of more than 400 sales representatives gives NUI access to business customers across 40 states. Also, TIC has existing sales partnerships with several major companies, allowing NUI to offer a wide range of telecommunications services and office equipment in addition to energy. TIC will also be an asset to NUI in the formation of partnerships with other energy companies trying to find ways to gain access to customers and new products in the newly deregulated energy markets.

The Company's operations are organized under three primary lines of business: Distribution Services, Energy Sales and Services, and Customer Services. The outlook for each is discussed below.

Distribution Services

Distribution Services is the core business of the Company, defined as the distribution, or transportation, of energy to retail customers. Such distribution service is regulated as to price, safety and return by the regulatory commissions of the states in which the Company operates.

The Company has substantial growth opportunities in its distribution business. Capital investments for the entire Company are expected to increase to an estimated $60 million in fiscal 1998 from $52 million in fiscal 1997, in large part to take advantage of these growth opportunities. Almost half of the planned capital investment in fiscal 1997 is related to providing gas or transportation service to new customers. While the Company is confident that these fiscal 1997 investments will earn a return in excess of its cost of capital, there can be no assurance that the expected margins from each capital investment will be fully realized.

The natural gas distribution industry is undergoing significant changes. The sale of gas by utility companies to commercial and industrial customers has been "unbundled," or separated from the transportation service component, by several state regulatory commissions, including the NJBPU. In these states, while the sale of the gas commodity to commercial and industrial customers is now fully competitive, the transportation service remains regulated as to price and returns and subject to various restrictions and franchise protections. It is anticipated that additional states will unbundle these services for commercial and industrial customers and that, in the near term, some states will begin to unbundle these services for residential customers as well.

The FPSC has approved the Company's proposal to unbundle gas service to certain small commercial customers, in a manner similar to that currently in place in the Company's New Jersey service territory.

Tariffs for transportation service have generally been designed to provide the same margins as bundled sales tariffs. Therefore, except for the regulatory risk of full recovery of gas costs, the Company is financially indifferent as to whether it transports gas or sells gas and transportation together. Unbundling provides the Company with an opportunity to make additional margins through its unregulated marketing subsidiary, NUI Energy, Inc., by competing with other unregulated marketers and brokers for sales of gas.

The Company also faces the risk of loss of transportation service for large industrial customers who may have the ability to build connections to interstate gas pipelines and thereby bypass the Company's distribution system. Gas distributors can also expect increased competition from electricity as deregulation in that industry decreases prices and increases supply sources. Alternatively, opportunities may increase for gas service to fuel generators for large industrial customers, replacing electric utility service.

Customer Services

The Customer Services unit provides repair and maintenance for customer-owned gas facilities and appliances, and collects energy usage data for billing purposes. The Company's strategy for its Customer Services unit is to provide additional services that customers value, to charge prices that fully reflect the quality of those services to its customers, and improve the quality and timeliness of service.

The Company intends to implement several measures, including the use of new metering and communications technology, to improve the response time to customer service requests and to improve the accuracy and timeliness of billing information.

The Company has reviewed its rate schedules and has imposed new or increased fees where appropriate for certain customer-initiated services. NUI may request state regulatory agencies to approve other service fee increases, thereby providing income to offset the cost of providing gas service to its general customer base.

Energy Sales and Services

The Company's primary operations in Energy Sales and Services are composed of three business lines. First, in fiscal 1995 the Company formed NUI Energy, Inc. (Energy) to market gas service to unbundled retail commercial and industrial customers. The margins from Energy in fiscal 1997 were approximately $2.4 million, up from $1.1 million in fiscal 1996, but the expenses related to this start-up operation resulted in a slight loss for the year. Energy is expected to be profitable in fiscal

1998.

The second business line of Energy Sales and Services is wholesale sales and brokering of energy, primarily to utilities and energy marketing companies. The Company formed NUI Energy Brokers, Inc. (Energy Brokers) in fiscal 1996 to perform such activities. Energy Brokers also is the provider of energy to the Company's retail marketing subsidiary, Energy. Energy Brokers generated margins of approximately $3.5 million in fiscal 1997, compared with $1.6 million in fiscal 1996. The Company minimizes its risks in this business by limiting its financial and physical positions at any one time. As in any commodity brokerage activity, however, there are risks pertaining to market changes and credit exposure that can be managed but not eliminated. Therefore, the earnings from Energy Brokers are likely to be more volatile than the Company's distribution business.

The third business line within Energy Sales and Services is in "off-system sales", or the use of utility-owned gas assets to make sales to customers outside of NUI's service areas. Such assets include pipeline capacity and gas storage facilities. These assets are managed separately from non-utility assets, and their use is monitored and regulated by state regulatory commissions. Pursuant to regulatory agreements in some states in which the Company operates, the Company is able to retain a portion of the margins from these sales in varying percentages depending on the state in which the assets are owned. The Company's share of margins from off-system sales were approximately $0.8 million in fiscal 1997, unchanged from fiscal 1996.

Effects of Inflation

The Company's tariffs provide purchased gas adjustment clauses through which rates charged to customers are adjusted for changes in the cost of gas on a reasonably current basis. Increases in other utility costs and expenses not otherwise offset by increases in revenues or reductions in other expenses could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses, and the uncertainty of whether regulatory commissions will allow full recovery of such increased costs and expenses.

Item 8. Financial Statements and Supplementary Data

Consolidated financial statements of the Company as of September 30, 1997 and 1996 and for each of the three years in the period ended September 30, 1997, the auditors' report thereon, and the unaudited quarterly financial data for the two-year period ended September 30, 1997, are included herewith as indicated on "Index to Financial Statements and Schedule" on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning directors and officers of the Company is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement was filed with the Securities and Exchange Commission on December 23, 1997.

Item 11. Executive Compensation

Information concerning executive compensation is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement was filed with the Securities and Exchange Commission on December 23, 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information concerning security ownership of certain beneficial owners and management is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement was filed with the Securities and Exchange Commission on December 23, 1997.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement was filed with the Securities and Exchange Commission on December 23, 1997.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Consolidated financial statements of the Company as of September 30, 1997 and 1996 and for each of the three years in the period ended September 30, 1997 and the auditors' report thereon, and the unaudited quarterly financial data for the two-year period ended September 30, 1997 are included herewith as indicated on the "Index to Financial Statements and Schedule" on page F-1.

(2) The applicable financial statement schedule for the fiscal years 1997, 1996 and 1995 is included herewith as indicated on the "Index to Financial Statements and Schedule" on page F-1.

(3) Exhibits:

Exhibit No.	Description	Reference
2(i)	Letter Agreement, dated June 29, 1993, by and between NUI Corporation and Pennsylvania & Southern Gas Company	Incorporated by reference to Exhibit 2(i) to Registration Statement No. 33-50561
2(ii)	Agreement and Plan of Merger, dated as of July 27, 1993, by and between NUI Corporation and Pennsylvania & Southern Gas Company	Incorporated by reference to Exhibit 2(ii) to Registration Statement No. 33-50561
3(i)	Certificate of Incorporation, amended and restated as of December 1, 1995	Incorporated by reference to Exhibit 3(i) of NUI's Form 10-K Report for Fiscal 1995
3(ii)	By-Laws, amended and restated as of September 23, 1997	Filed herewith.
4(i)	Rights Agreement between NUI Corporation and Mellon Securities Trust Company dated November 28, 1995	Incorporated by reference to NUI's Form 8-K dated December 1, 1995
10(i)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and Elizabethtown Gas Company ("EGC"), dated February 1, 1992 (#3686)	Incorporated by reference to Exhibit 10(i) to Registration Statement No. 33-50561
10(ii)	Service Agreement under Rate Schedule GSS by and between Transcontinental Gas Pipe Line Corporation and EGC, dated July 1, 1996	Filed herewith.
10(iii)	Service Agreement under Rate Schedule LG-A by and between Transcontinental Gas Pipe Line Corporation and EGC, dated January 12, 1971	Incorporated by reference to Exhibit 10(iii) to Registration Statement No. 33-50561
10(iv)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1997)	Incorporated by reference to Exhibit 10(iv) of NUI's Form 10-K Report for Fiscal 1996
10(v)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1995)	Incorporated by reference to Exhibit 10(v) of NUI's Form 10-K Report for Fiscal 1996
10(vi)	Firm Gas Transportation Agreement by and among Transcontinental Gas Pipe Line Corporation, EGC and National Fuel Gas Supply Corporation, dated November 1, 1984	Incorporated by reference to Exhibit 10(vi) to Registration Statement No. 33-50561
	Service Agreement by and among Transcontinental	Incorporated by reference to Exhibit

10(vii)	Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1998)	10(vii) of NUI's Form 10-K Report for Fiscal 1996
10(viii)	Service Agreement for Rate Schedule CDS by and between Texas Eastern Transmission Corporation and EGC, dated December 1, 1993 (Contract #800361)	Incorporated by reference to Exhibit 10(viii) to NUI's Form 10-K Report for Fiscal 1994
10(ix)	Service Agreement under Rate Schedule FTS-7 by and between Texas Eastern Transmission Corporation and EGC, dated October 25, 1994 (Contract #331720)	Incorporated by reference to Exhibit 10(ix) to NUI's Form 10-K Report for Fiscal 1994
10(x)	Service Agreement for Rate Schedule FTS-5 by and between Texas Eastern Transmission Corporation and EGC, dated March 18, 1996 (Contract #331501)	Filed herewith.
10(xi)	Service Agreement under Rate Schedule FTS-8 by and between Texas Eastern Transmission Corporation and EGC, dated June 28, 1994 (Contract #331013)	Incorporated by reference to Exhibit 10(xi) to NUI's Form 10-K Report for Fiscal 1994
10(xii)	Firm Transportation Service Agreement under FTS-2 Rate Schedule by and between City Gas and Florida Gas Transmission, dated August 12, 1993	Filed herewith.
10(xiii)	Service Agreement for Rate Schedule FTS-2 by and between Texas Eastern Transmission Corporation and EGC, dated June 1, 1993 (Contract #330788)	Incorporated by reference to Exhibit 10(xiii) to Registration Statement No. 33-50561
10(xiv)	Service Agreement under NTS Rate Schedule by and between Columbia Gas Transmission Corporation and EGC, dated November 1, 1993 (Contract #39275)	Incorporated by reference to Exhibit 10(xiv) to NUI's Form 10-K Report for Fiscal 1993
10(xv)	Service Agreement under SST Rate Schedule by and between Columbia Gas Transmission Corporation and EGC, dated November 1, 1993 (Contract #38045)	Incorporated by reference to Exhibit 10(xv) to NUI's Form 10-K Report for Fiscal 1993
10(xvi)	Service Agreement under FTS Rate Schedule by and between Columbia Gas Transmission Corporation and EGC, dated November 1, 1993 (Contract #37882)	Incorporated by reference to Exhibit 10(xvi) to NUI's Form 10-K Report for Fiscal 1993
10(xvii)	Gas Transportation Agreement under FT-G Rate Schedule by and between Tennessee Gas Pipeline Company and EGC (Contract #597), dated September 1, 1993	Incorporated by reference to Exhibit 10(xvii) to NUI's Form 10-K Report for Fiscal 1993
10(xviii)	Gas Transportation Agreement under FT-G Rate Schedule by and between Tennessee Gas Pipeline Company and EGC (Contract #603), dated September 1, 1993	Incorporated by reference to Exhibit 10(xviii) to NUI's Form 10-K Report for Fiscal 1993
10(xix)	Service Agreement by and between Transcontinental Gas Pipe Line Company and EGC, dated November 1, 1995 (Contract #3832)	Incorporated by reference to Exhibit 10(xix) of NUI's Form 10-K Report for Fiscal 1996
10(xx)	Firm Transportation Service Agreement under FTS-1 Rate Schedule by and between City Gas and Florida Gas Transmission dated October 1, 1993 (Contract # 5034)	Incorporated by reference to Exhibit 10(xx) of NUI's Form 10-K Report for Fiscal 1993
10(xxi)	Lease Agreement between EGC and Liberty Hall Joint Venture, dated August 17, 1987	Incorporated by reference to Exhibit 10(vi) of EGC's Form 10-K Report for Fiscal 1987
10(xxii)	1988 Stock Plan	Incorporated by reference to Exhibit 10(viii) to Registration Statement No. 33-21525
10(xxii)	First Amendment to 1988 Stock Plan	Incorporated by reference to Exhibit 10(xxiii) to Registration Statement No. 33-46162

10(xxiii)	Form of Termination of Employment and Change in Control Agreements	Incorporated by reference to Exhibit 10(xxiii) of NUI's Form 10-K Report for Fiscal 1995
10(xxiv)	Firm Transportation Service Agreement under FTS-2 Rate Schedule by and between City Gas and Florida Gas Transmission, dated December 12, 1991 and Amendment dated November 12, 1993 (Contract #3608)	Incorporated by reference to Exhibit 10(xxiv) of NUI's Form 10-K Report for Fiscal 1994
10(xxv)	Service Agreement under Rate Schedule LG-A by and between Transcontinental Gas Pipeline and North Carolina Gas Service Division of Pennsylvania & Southern Gas Company, dated August 5, 1971	Incorporated by reference to Exhibit 10(xxv) of NUI's Form 10-K Report for Fiscal 1994
10(xxvi)	Service Agreement under Rate Schedule GSS by and between Transcontinental Gas Pipeline and North Carolina Gas Service, dated July 1, 1996	Filed herewith.
10(xxvii)	1996 Employee Stock Purchase Plan	Incorporated by reference to Exhibit 10(xxvii) of NUI's Form 10-K Report for Fiscal 1996
10(xxviii)	Service Agreement under Rate Schedule FT by and between Transcontinental Gas Pipeline and North Carolina Gas Service Division of Pennsylvania & Southern Gas Company, dated February 1, 1992 (Contract # 0.3922)	Incorporated by reference to Exhibit 10(xxviii) of NUI's Form 10-K Report for Fiscal 1994
10(xxix)	1996 Directors Stock Purchase Plan	Incorporated by reference to Exhibit 10(xxix) of NUI's Form 10-K Report for Fiscal 1996
10(xxx)	Gas Storage Contract under Rate Schedule FS by and between Tennessee Gas Pipeline Company and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #2277)	Incorporated by reference to Exhibit 10(xxx) of NUI's Form 10-K Report for Fiscal 1994
10(xxxi)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #935)	Incorporated by reference to Exhibit 10(xxxi) of NUI's Form 10-K Report for Fiscal 1994
10(xxxii)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #936)	Incorporated by reference to Exhibit 10(xxxii) of NUI's Form 10-K Report for Fiscal 1994
10(xxxiii)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #959)	Incorporated by reference to Exhibit 10(xxxiii) of NUI's Form 10-K Report for Fiscal 1994
10(xxxiv)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #2157)	Incorporated by reference to Exhibit 10(xxxiv) of NUI's Form 10-K Report for Fiscal 1994
10(xxxv)	Employment Agreement, dated as of July 29, 1988, between NUI Corporation and Jack Langer	Incorporated by reference to Exhibit 10(xxxv) of NUI's Form 10-K Report for Fiscal 1994
10(xxxvi)	Service Agreement for Rate Schedule FT by and between Transcontinental Gas Pipe Line Corporation and EGC (Contract #1.0431) dated April 1, 1995	Incorporated by reference to Exhibit 10(xxxvi) of NUI's Form 10-K Report for Fiscal 1995

10(xxxvii)	Service Agreement for Rate Schedule FT by and between Transcontinental Gas Pipe Line Corporation and EGC (Contract #1.0445) dated April 1, 1995	Incorporated by reference to Exhibit 10(xxxvii) of NUI's Form 10-K Report for Fiscal 1995
10(xxxviii)	Service Agreement for Rate Schedule SS-1 by and between Texas Eastern Transmission Corporation and EGC (Contract (#400196) dated September 23, 1994	Incorporated by reference to Exhibit 10(xxxviii) of NUI's Form 10-K Report for Fiscal 1995
10(xxxix)	Gas Storage Agreement under Rate Schedule FS by and between Tennessee Gas Pipeline Company and EGC (Contract #8703) dated November 1, 1994	Incorporated by reference to Exhibit 10(xxxix) of NUI's Form 10-K Report for Fiscal 1995
10(xl)	Consulting Agreement, dated as of March 24, 1995, between NUI Corporation and John Kean	Incorporated by reference to Exhibit 10(xl) of NUI's Form 10-K Report for Fiscal 1995
10(xli)	Form of Deferred Compensation Agreement	Incorporated by reference to Exhibit 10(xli)) of NUI's Form 10-K Report for Fiscal 1995
10(xlii)	1996 Stock Option and Stock Award Plan	Incorporated by reference to Exhibit 10(xlii) of NUI's Form 10-K Report for Fiscal 1996
10(xliii)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010003)	Filed herewith
10(xliv)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010011)	Filed herewith
10(xlv)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010012)	Filed herewith
10(xlvi)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010013)	Filed herewith
10(xlvii)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #020003)	Filed herewith
10(xlviii)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #020005)	Filed herewith
12	Consolidated Ratio of Earnings to Fixed Charges	Filed herewith
21	Subsidiaries of NUI Corporation	Filed herewith
23	Consent of Independent Public Accountants	Filed herewith
27	Financial Data Schedule	Filed herewith

Exhibits listed above which have heretofore been filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934, and which were designated as noted above and have not been amended, are hereby incorporated by reference and made a part hereof with the same effect as if filed herewith.

The Company is a party to various agreements with respect to long-term indebtedness to which the total amount of

indebtedness authorized under each agreement, respectively, does not exceed 10% of the total assets of the Company on a consolidated basis. The Company hereby agrees to furnish to the Securities and Exchange Commission copies of such agreements upon request.

(b) Reports on Form 8-K:

None

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All other schedules are omitted because they are not required, are inapplicable or the information is otherwise shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To NUI Corporation:

We have audited the accompanying consolidated balance sheet and statement of consolidated capitalization of NUI Corporation (a New Jersey corporation) and Subsidiaries as of September 30, 1997 and 1996, and the related consolidated statements of income, cash flows and shareholders' equity, for each of the three years in the period ended September 30, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NUI Corporation and Subsidiaries as of September 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1997, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a)(2) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly

states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

New York, New York

November 6, 1997

NUI Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)

	Years Ended September 30,		
	1997	1996	1995
Operating Margins			
Operating revenues	$608,596	$469,499	$376,884
Less- Purchased gas and fuel	401,923	268,123	189,510
Gross receipts and franchise taxes	33,598	36,624	33,669
	173,075	164,752	153,705
Other Operating Expenses			
Operations and maintenance	95,276	94,350	90,962
Depreciation and amortization	23,032	21,289	19,750
Restructuring and other non-recurring charges	--	--	8,591
Other taxes	9,189	8,433	7,657
Income taxes	9,293	7,807	2,886
	136,790	131,879	129,846
Operating Income	36,285	32,873	23,859
Other Income and Expense, Net			
Equity in Earnings of TIC Enterprises, LLC, net	1,334	--	--
Other	2,180	897	679
Income taxes	(1,230)	(337)	(240)
	2,284	560	439
Interest Expense	18,920	18,537	18,781
Net Income	$19,649	$14,896	$ 5,517
Net Income Per Share of Common Stock	$ 1.75	$ 1.52	$ .60

Dividends Per Share of Common Stock	$ .94	$ .90	$ .90
Weighted Average Number of Shares of Common Stock Outstanding	11,253,513	9,819,431	9,152,837

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in thousands)

	September 30,	
	1997	1996
ASSETS		
Utility Plant		
Utility plant, at original cost	$680,391	$631,194
Accumulated depreciation and amortization	(218,895)	(200,456)
Unamortized plant acquisition adjustments, net	32,327	33,572
	493,823	464,310
Funds for Construction Held by Trustee	27,648	44,652
Investment in TIC Enterprises, LLC	26,069	--
Investments in Marketable Securities, at market	2,570	4,417
Current Assets		
Cash and cash equivalents	58,793	3,736
Accounts receivable (less allowance for doubtful accounts of $2,318 in 1997 and $2,288 in 1996)	64,499	43,589
Fuel inventories, at average cost	31,068	29,191
Unrecovered purchased gas costs	9,602	6,987
Prepayments and other	24,787	18,542
	188,749	102,045
Other Assets		
Regulatory assets	54,607	52,439
Deferred assets	10,199	9,799
	64,806	62,238
	$803,665	$677,662
CAPITALIZATION AND LIABILITIES		
Capitalization (See accompanying statements)		

Common shareholders' equity	$218,291	$179,107
Preferred stock	--	--
Long-term debt	229,069	230,100
	447,360	409,207
Capital Lease Obligations	9,679	10,503
Current Liabilities		
Notes payable to banks	54,428	54,895
Current portion of long-term debt	54,600	950
Current portion of capital lease obligations	1,587	1,596
Accounts payable, customer deposits and accrued liabilities	96,655	66,372
Federal income and other taxes	4,049	2,947
	211,319	126,760
Other Liabilities		
Deferred Federal income taxes	62,391	59,328
Unamortized investment tax credits	6,171	6,635
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	32,764	31,248
	135,307	131,192
	$803,665	$677,662

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Statement of Cash Flows

(Dollars in thousands)

		Years Ended September 30,	
	1997	1996	1995
Operating Activities			
Net Income	$19,649	$14,896	$5,517
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,040	22,315	20,932
Deferred Federal income taxes	3,246	7,569	2,005
Non-cash portion of restructuring and other non-recurring charges	--	--	4,913
Amortization of deferred investment tax credits	(464)	(467)	(468)
Other	1,020	4,617	4,626
Effects of changes in:			
Accounts receivable, net	(20,911)	(13,371)	7,923
Fuel inventories	(1,877)	(1,562)	987

Accounts payable, deposits and accruals	28,133	8,310	7,775
Over (under) recovered purchased gas costs	(2,614)	(11,882)	2,949
Other	(9,707)	(7,895)	(9,240)
Net cash provided by operating activities	40,515	22,530	47,919
Financing Activities			
Proceeds from sales of common stock, net of treasury stock purchased	28,204	31,371	577
Dividends to shareholders	(10,575)	(8,700)	(8,296)
Proceeds from issuance of long-term debt	53,569	39,000	70,000
Funds for construction held by trustee, net	18,784	(29,049)	10,125
Repayments of long-term debt	(950)	(30,138)	(9,902)
Principal payments under capital lease obligations	(1,730)	(1,829)	(1,844)
Net short-term borrowings (repayments)	(467)	16,960	(72,190)
Net cash provided by (used for) financing activities	86,835	17,615	(11,530)
Investing Activities			
Cash expenditures for utility plant	(51,366)	(37,053)	(37,976)
Investment in TIC Enterprises, LLC	(22,584)	--	--
Other	1,657	(2,957)	(449)
Net cash (used for) investing activities	(72,293)	(40,010)	(38,425)
Net Increase (Decrease) in Cash and Cash Equivalents	$55,057	$ 135	$(2,036)
Cash and Cash Equivalents			
At beginning of period	$ 3,736	$ 3,601	$ 5,637
At end of period	$58,793	$ 3,736	$ 3,601
Supplemental Disclosures of Cash Flows			
Income taxes paid (refunds received), net	$ 5,008	$ 2,612	$ (1,129)
Interest paid	$19,760	$18,654	$17,436

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Statement of Capitalization

(Dollars in thousands)

		September 30,	
		1997	1996
Long-Term Debt			
Gas facilities revenue bonds			
	6.625% due October 1, 2021	$ 8,400	$ 8,400
	6.75% due October 1, 2021	46,200	46,200
	6.35% due October 1, 2022	46,500	46,500
	6.40% due October 1, 2024*	20,000	20,000
Variable rate due June 1, 2026*		39,000	39,000
5.70% due June 1, 2032		54,600	--
Medium-term notes			
	7.125% due August 1, 2002	20,000	20,000
	8.35% due February 1, 2005	50,000	50,000
ESOP indebtedness, 6% due May 31, 2002		--	950
		284,700	231,050
Current portion of long-term debt		(54,600)	(950)
Unamortized debt discount		(1,031)	--
		229,069	230,100
Preferred Stock, 5,000,000 shares authorized; none issued			
Common Shareholders' Equity			
Common Stock, no par value; shares authorized: 30,000,000; shares outstanding: 12,428,952 in 1997 and 11,085,876 in 1996		201,549	171,968
Shares held in treasury: 98,475 shares in 1997 and 92,731 shares in 1996		(1,615)	(1,564)
Retained earnings		19,260	10,117
Valuation of marketable securities		120	389
Unearned employee compensation		(1,023)	(1,803)
		218,291	179,107
Total Capitalization		$447,360	$409,207

* The total unexpended portions of the net proceeds from these bonds, amounting to $23.8 million and $42.6 million as of September 30, 1997 and September 30, 1996, respectively, are carried on the Company's consolidated balance sheet as funds for construction held by trustee, including interest earned thereon, until drawn upon for eligible construction expenditures.

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Statement of Shareholders' Equity

(Dollars in thousands)

	Common Stock				Unrealized Gain (Loss)-	Unearned	
	Shares Outstanding	Paid-in Amount	Held in Treasury	Retained Earnings	Marketable Securities	Employee Compensation	Total
Balance, September 30, 1994	9,157,095	$138,082	$ (797)	$ 6,700	$ --	$ (1,217)	142,768
Common stock issued*	74,499	1,045	--	--	--	--	1,045
Treasury stock purchased	(30,357)	--	(468)	--	--	--	(468)
Net income	--	--	--	5,517	--	--	5,517
Cash dividends	--	--	--	(8,296)	--	--	(8,296)
Unrealized gain	--	--	--	--	232	--	232
ESOP transactions	--	(34)	--	--	--	148	114
Balance, September 30, 1995	9,201,237	$139,093	$ (1,265)	$ 3,921	$ 232	$ (1,069)	$140,912
Common stock issued:							
Public offering	1,800,000	31,067	--	--	--	--	31,067
Other*	86,973	1,548	--	--	--	--	1,548
Treasury stock transactions	(2,334)	260	(299)	--	--	--	(39)
Net income	--	--	--	14,896	--	--	14,896
Cash dividends	--	--	--	(8,700)	--	--	(8,700)
Unrealized gain	--	--	--	--	157	--	157
Unearned compensation	--	--	--	--	--	(734)	(734)
Balance, September 30, 1996	11,085,876	$171,968	$ (1,564)	$ 10,117	$ 389	$ (1,803)	$179,107
Common stock issued:							
Public offering	1,011,400	22,610	--	--	--	--	22,610
Other*	337,420	6,971	--	--	--	--	6,971
Treasury stock transactions	(5,744)	--	(51)	--	--	--	(51)
Net income	--	--	--	19,649	--	--	19,649
Cash dividends	--	--	--	(10,575)	--	--	(10,575)
Unrealized (loss)	--	--	--	--	(269)	--	(269)
Unearned compensation	--	--	--	--	--	(288)	(288)
ESOP transactions	--	--	--	69	--	1,068	1,137
Balance, September 30, 1997	12,428,952	$201,549	$ (1,615)	$ 19,260	$ 120	$ (1,023)	$218,291

	Common Stock				Unrealized Gain (Loss)-	Unearned	
	Shares Outstanding	Paid-in Amount	Held in Treasury	Retained Earnings	Marketable Securities	Employee Compensation	Total
Balance,							
September 30, 1994	9,157,095	$138,082	$ (797)	$ 6,700	$ –	$ (1,217)	142,768
Common stock issued*	74,499	1,045	--	--	--	--	1,045
Treasury stock purchased	(30,357)	--	(468)	--	--	--	(468)
Net income	--	--	--	5,517	--	--	5,517
Cash dividends	--	--	--	(8,296)	--	--	(8,296)
Unrealized gain	--	--	--	--	232	--	232
ESOP transactions	--	(34)	--	--	--	148	114
Balance,							
September 30, 1995	9,201,237	$139,093	$ (1,265)	$ 3,921	$ 232	$ (1,069)	$140,912
Common stock issued:							
Public offering	1,800,000	31,067	--	--	--	--	31,067
Other*	86,973	1,548	--	--	--	--	1,548
Treasury stock transactions	(2,334)	260	(299)	--	--	--	(39)
Net income	--	--	--	14,896	--	--	14,896
Cash dividends	--	--	--	(8,700)	--	--	(8,700)
Unrealized gain	--	--	--	--	157	--	157
Unearned compensation	--	--	--	--	--	(734)	(734)
Balance,							
September 30, 1996	11,085,876	$171,968	$ (1,564)	$ 10,117	$ 389	$ (1,803)	$179,107
Common stock issued:							
Public offering	1,011,400	22,610	--	--	--	--	22,610
Other*	337,420	6,971	--	--	--	--	6,971
Treasury stock transactions	(5,744)	--	(51)	--	--	--	(51)
Net income	--	--	--	19,649	--	--	19,649
Cash dividends	--	--	--	(10,575)	--	--	(10,575)
Unrealized (loss)	--	--	--	--	(269)	--	(269)
Unearned compensation	--	--	--	--	--	(288)	(288)
ESOP transactions	--	--	--	69	--	1,068	1,137
Balance,							
September 30, 1997	12,428,952	$201,549	$ (1,615)	$ 19,260	$ 120	$ (1,023)	$218,291

* *Represents common stock issued in connection with NUI Direct and various employee benefit plans.*

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. Its natural gas utility operations distribute natural gas and provide related customer services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida ("CGF"), North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary ("Energy"); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary ("Energy Brokers"); customer information systems and services through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC ("TIC") (see Note 2). All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

Regulation. The Company is subject to regulation as an operating utility by the public utility commissions of the states in which it operates.

Utility Plant. Utility plant is stated at its original cost. Depreciation is provided on a straight-line basis over the remaining estimated lives of depreciable property by applying composite average annual rates as approved by the state commissions. The composite average annual depreciation rate was 3% in both fiscal 1997 and fiscal 1996 and 3.2% in fiscal 1995. At the time properties are retired, the original cost plus the cost of retirement, less salvage, is charged to accumulated depreciation. Repairs of all utility plant and replacements and renewals of minor items of property are charged to maintenance expense as incurred.

The net unamortized plant acquisition adjustments represent the remaining portion of the excess of the purchase price over the book value of net assets acquired. The excess is being amortized on a straight-line basis over thirty years from the date of acquisition. The results of operations of acquired entities have been included in the accompanying consolidated financial statements for the periods subsequent to their acquisition.

Operating Revenues and Purchased Gas and Fuel Costs. Operating revenues include accrued unbilled revenues through the end of each accounting period. Operating revenues also reflect adjustments attributable to weather normalization clauses that are accrued during the winter heating season and billed or credited to customers in the following year.

Costs of purchased gas and fuel for the Company's regulated utilities are recognized as expenses in accordance with the purchased gas adjustment clause applicable in each state. Such clauses provide for periodic reconciliations of actual recoverable gas costs and the estimated amounts that have been billed to customers. Under or over recoveries are deferred when they arise and are recovered from or refunded to customers in subsequent periods.

Income Taxes. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires the liability method to be used to account for deferred income taxes. Under this method, deferred income taxes related to tax and accounting basis differences are recognized at the statutory income tax rates in effect when the tax is expected to be paid.

Investment tax credits, which were generated principally in connection with additions to utility plant made prior to January 1, 1986, are being amortized over the estimated service lives of the properties that gave rise to the credits.

Regulatory Assets and Liabilities. The Company's utility operations follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). In general, SFAS 71 requires deferral of certain costs and obligations, based upon orders received from regulators, to be recovered from or refunded to customers in future periods. The following represents the Company's regulatory assets and liabilities deferred in the accompanying consolidated balance sheet as of September 30, 1997 and 1996 (in thousands):

	1997	1996
Regulatory Assets		
Environmental investigation and remediation costs	$34,217	$33,679
Unrecovered gas costs	7,091	6,730
Postretirement and other employee benefits	10,041	8,339
Deferred piping allowances	2,512	3,010
Other	746	681
	$54,607	$52,439
Regulatory Liabilities		
Net overcollection of income taxes	$5,250	$5,207
Refunds to customers	2,442	850
Other	272	88
	$7,964	$6,145

Although the gas distribution industry is becoming increasingly competitive, the Company's utility operations continue to recover their costs through cost-based rates established by the public utility commissions. As a result, the Company believes that the accounting prescribed under SFAS 71 remains appropriate.

Impairment of Long-Lived Assets. During the current year, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (SFAS 121). SFAS 121 requires the Company to review such assets for possible impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of SFAS 121 did not have an impact on the results of operations, financial condition or cash flows of the Company.

Cash Equivalents. Cash equivalents consist of a money market account which invests in securities with original maturities of three months or less.

Net Income Per Share of Common Stock. Net income per share of common stock is based on the weighted average number of shares of NUI common stock outstanding. The assumed exercise of outstanding employee stock options would not have a dilutive effect on net income per share of common stock.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). This statement supersedes APB Opinion No. 15, "Earnings per Share" and simplifies the computation of earnings per share. SFAS 128 will be effective for financial statements for both interim and annual periods ending after December 15, 1997. The Company does not expect the effect of adopting SFAS No. 128 to have a material effect on its calculation of earnings per share.

New Accounting Standards In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 requires disclosures for each

business segment that are similar to current requirements, with the addition of quarterly disclosures and more detailed geographic disclosures. The Company is not required to adopt SFAS 131 until fiscal 1999. SFAS 131 relates solely to disclosure provisions, and therefore will not have any effect on the results of operations, financial position and cash flows of the Company.

2. Purchase of Interest in TIC Enterprises, LLC

On May 18, 1997, the Company closed on its acquisition of a 49% interest in TIC Enterprises, LLC, a newly formed limited liability company (LLC), for a purchase price of $22 million. The acquisition was effective as of January 1, 1997 and is being accounted for under the equity method. Under the terms of an LLC Interest Purchase Agreement (the "Agreement"), the limited liability company will continue the business previously conducted by TIC Enterprises, Inc. The Agreement also includes a provision for an additional incentive payment up to a maximum of $5.2 million if TIC's calendar 1997 earnings before interest and taxes, exceed $5 million. As of September 30, 1997, the Company has recorded a reserve of approximately $2.2 million for the additional incentive payment. In addition, NUI has the option, during the period beginning April 1, 2001 (subject to a one-year extension by the seller), to purchase the remaining 51% interest in TIC.

TIC engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, NUI Energy, Inc. The excess of the purchase price over the Company's share of the underlying equity in net assets of TIC is estimated on a preliminary basis to be approximately $22 million, including the reserve for the additional incentive payment, and is being amortized on a straight line basis over a fifteen year period.

3. Restructuring and Other Non-Recurring Charges

In fiscal 1995, the Company incurred approximately $8.6 million of pre-tax non-recurring charges for, among other things, the implementation of an early retirement program and the consolidation of its Florida and Pennsylvania & Southern Gas Service (PSGS) operations.

In November 1994, the Company offered an early retirement program to certain employees. The program, which became effective on April 1, 1995, was accepted by 95 of the eligible 112 employees. In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", the Company recorded a special termination charge of approximately $4.1 million. In addition, the Company recorded approximately $0.8 million of other benefit expenses associated with these employees. The Company also deferred, pending regulatory recovery, a charge of approximately $0.6 million for special termination benefits.

Effective April 1, 1995, the Company consolidated its Florida and PSGS divisions to form a new NUI Southern Division. The Southern Division is headquartered in Hialeah, Florida. As a result, PSGS headquarters in Sayre, Pennsylvania were closed effective December 31, 1995. The Company incurred a charge of approximately $2.6 million for severance and other expenses associated with the consolidation of the two divisions.

In addition, during fiscal 1995, the Company incurred a charge of approximately $0.8 million to write down certain regulatory assets as a result of a November 1994 settlement of the Company's Florida rate case.

4. Capitalization

Long-Term Debt. On July 9, 1997, the Company issued $54.6 million of tax exempt Gas Facilities Revenue Refunding Bonds at an interest rate of 5.7%. The bonds mature on June 1, 2032 and were used to refinance previously issued Gas Facilities Revenue Bonds in the aggregate principal amounts and rates of $46.2 million at 6.75% and $8.4 million at 6.625%. The proceeds from the refunding bonds were held in trust until the old bonds were called on October 1, 1997.

The Company prepaid approximately $1 million of long-term debt, without penalty, associated with its Employee Stock Ownership Plan in January 1997.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of September 30, 1997 and 1996, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $23.8 million and $42.6 million, respectively, and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

As of September 30, 1997, the Company is scheduled to repay approximately $54.6 million of long-term debt in fiscal 1998

as noted above. No other long-term debt is scheduled to be repaid over the next five years.

Preferred Stock. The Company has 5,000,000 shares of authorized but unissued preferred stock. Shares of Series A Junior Participating Preferred Stock have been reserved for possible future issuance in connection with the Company's Shareholder Rights Plan described below.

Shareholder Rights Plan. In November 1995, the Company's Board of Directors adopted a Shareholder Rights Plan under which shareholders of NUI common stock were issued as a dividend one right to buy one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of $50 (Right) for each share of common stock held. The Rights initially attach to the shares of NUI common stock and can be exercised or transferred only if a person or group (an "Acquirer"), with certain exceptions, acquires, or commences a tender offer to acquire beneficial ownership of 15% or more of NUI common stock. Each Right, except those held by the Acquirer, may be used by the non-acquiring shareholders to purchase, at the Right's exercise price, shares of NUI common stock having a market value equivalent to twice the Right's exercise price, thus substantially reducing the Acquirer's ownership percentage.

The Company may redeem the Rights at $0.001 per Right at any time prior to the occurrence of any such event. All Rights expire on November 27, 2005.

Common Stock. On September 25, 1997, the Company issued an additional 1,011,400 million shares of NUI common stock. The net proceeds from the offering totaled $22.6 million and were used to reduce outstanding short-term debt incurred to finance the Company's acquisition of a 49% interest in TIC (see Note 2) and other general corporate purposes.

The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment and stock purchase plan, and various employee benefit plans. Effective in December 1994, these plans commenced purchasing shares on the open market to fulfill the plans' requirements rather than purchasing the shares directly from the Company. Under the terms of these plans, the Company may change the method of purchasing shares from open market purchases to purchases directly from the Company, or vice versa. Effective in October 1996, these plans began purchasing shares directly from the Company to fulfill the plans' requirements.

At September 30, 1997, shares reserved for issuance under the Company's common stock plans were: NUI Direct, 103,389; Savings and Investment Plan, 195,756; 1996 Stock Option and Stock Award Plan, 137,891; 1996 Employee Stock Purchase Plan, 91,022; and the 1996 Director Stock Purchase Plan, 58,542.

Stock Plans. The Company's Board of Directors believes that both directors' and management's interest should be closely aligned with that of shareholders. As a result, under the 1996 Stock Option and Stock Award Plan, the 1996 Director Stock Purchase Plan and the 1988 Stock Plan, the Company has a long-term compensation program for directors, executive officers and key employees involving shares of NUI common stock.

Each non-employee director of the Company earns an annual retainer fee that consists of a grant of shares of NUI common stock which are deferred until their retirement from the Board. During 1997, such retainer fee granted was equivalent to a fair market value of $15,000 on the date of grant. In addition, non-employee directors who also chair committees of the Board receive additional deferred grants with a fair market value of $2,500 on the date of grant. Deferred stock grants are increased on each common stock dividend payment date by an amount equal to the number of shares of NUI common stock which would have been purchased had all deferred stock grants been issued and the dividends reinvested in additional shares.

Shares granted as long-term compensation for executive officers and key employees amounted to 69,800 in fiscal 1997, 65,113 shares in fiscal 1996 and 17,620 shares in fiscal 1995. As of September 30, 1997, a total of 132,678 shares of restricted stock that have been granted as long-term compensation are subject to future vesting requirements, and are restricted from resale.

Executive officers and key employees are eligible to be granted options for the purchase of NUI common stock at prices equal to the market price per share on the date of grant. The option must be exercised within ten years from the date of grant. Transactions during the last three fiscal years involving stock options were as follows:

	Number of Shares	Option Price per Share
Options outstanding and exercisable at September 30, 1994	13,000	$15.77-$17.625

Fiscal 1995		
Options canceled	(3,200)	$15.77
Options outstanding and exercisable at September 30, 1997	9,800	$15.77-$17.625

During fiscal 1997, the Company was required to adopt Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 establishes financial accounting and reporting standards for stock based compensation plans and includes all arrangements by which employees receive shares of stock or other equity instruments of the employer, or by which the employer incurs liabilities to employees in amounts based on the price of the employer's stock. Under SFAS 123, the reporting entity is given the option to either adopt the accounting standards of SFAS 123, or continue to measure compensation cost in accordance with previous guidance and provide proforma disclosure of the effect of adopting SFAS 123. The Company has elected to continue its current accounting treatment in this area. If the Company had adopted provisions of SFAS 123, there would not have been a material effect on the results of operations or financial position.

Dividend Restrictions. The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $37 million of cash dividends at September 30, 1997.

5. Notes Payable to Banks

At September 30, 1997, the Company's outstanding notes payable to banks were $54.4 million with a combined weighted average interest rate of 6.3%. Unused lines of credit at September 30, 1997 were approximately $92 million.

The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $66.0 million at 5.5% in fiscal 1997, $39.9 million at 5.6% in fiscal 1996 and $58.0 million at 5.9% in fiscal 1995.

6. Leases

Utility plant held under capital leases amounted to $22.9 million at September 30, 1997 and $23.5 million at September 30, 1996, with related accumulated amortization of $12.5 million and $11.5 million, respectively. These properties consist principally of leasehold improvements and office furniture and fixtures. A summary of future minimum payments for properties held under capital leases follows (in thousands):

1998	$ 2,437
1999	2,433
2000	7,267
2001	485
2002	346
2003 and thereafter	172
Total future minimum payments	13,140
Amount representing interest	(1,874)
Current portion of capital lease obligations	(1,587)
Capital lease obligations	$9,679

Minimum payments under noncancelable operating leases, which relate principally to office space, are approximately $4.1 million in fiscal 1998, $3.8 million in fiscal 1999, $3.7 million in fiscal 2000, $3.8 million in fiscal 2001 and $3.9 million in fiscal 2002.

Rents charged to operations expense were $5.7 million in fiscal 1997 and $5.3 million in both fiscal 1996 and fiscal 1995.

7. **Financial Instruments**

Derivatives. The Company engages in risk management activities to minimize the risk associated with fluctuating natural gas

prices. The Company's unregulated subsidiaries utilize the following financial instruments to provide competitive energy supplies and hedge its retail sales: forward contracts, which commit the Company to purchase or sell natural gas in the future; swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed price and an index price of natural gas; natural gas options, which provide the right, but not the requirement, to buy or sell natural gas at a fixed price; and futures contracts, bought on the New York Mercantile Exchange (NYMEX), to buy or sell natural gas at a fixed price.

Energy Brokers accounts for its trading and price risk management activities by marking to market its various physical transactions and financial instruments. The values assigned to these transactions reflect quotes from the NYMEX, established pricing models and price volatility factors. The Company manages open positions with strict policies which limit its exposure to market risk and require reporting potential financial exposure to management on a daily basis.

Margin requirements for natural gas futures contracts are recorded in other current assets. Realized and unrealized gains and losses are recorded in the consolidated statement of income under purchased gas and fuel. At September 30, 1997, Energy Brokers' futures positions consisted of 565 long contracts and 619 short contracts at prices ranging from $2.15 to $3.40 per Mcf, none of which extend beyond August 1998, representing 11,840 MMcf of natural gas. Energy Brokers' options positions consisted of 30 long contracts and 275 short contracts with varying strike prices, none of which extend beyond July 1998. Margin deposits with brokers were approximately $1.2 million at September 30, 1997. In addition, Energy Brokers has forward sales and purchase commitments associated with contracts totaling approximately 50,000 MMcf of natural gas, with terms extending through October 1998. Net realized and unrealized gains on derivative trading for fiscal 1997 was $2.4 million, which has been included in income. During fiscal 1996, Energy Brokers' use of financial instruments was not significant.

Energy utilizes financial instruments to ensure adequate margins on its retail and industrial sales. Margin requirements for natural gas futures contracts are recorded as other current assets. Unrealized gains and losses on all futures and options contracts are deferred in the consolidated balance sheet as either a current asset or liability. Realized gains and losses on futures, forwards and options contracts are included in the consolidated statement of income under purchased gas and fuel when the underlying gas commodity hedged is purchased and sold to its customers. At September 30, 1997, Energy's futures positions consisted of 362 long contracts and 47 short contracts at prices ranging from $1.98 to $3.18 per Mcf, none of which extend beyond July 1999, representing 4,090 MMcf of natural gas. Energy's options positions consisted of 91 short contracts with varying strike prices, none of which extend beyond September 1998. During fiscal 1996, Energy's use of financial instruments was not significant.

The Company is exposed to credit risk in the event of default or non-performance by one of its trading partners. The Company maintains credit policies that management believes significantly minimize overall credit risk.

Other Financial Instruments. As of September 30, 1997 and 1996, the market value of the Company's investments in marketable securities exceeded their cost by approximately $196,000 and $623,000, respectively, which unrealized gain is reflected net of deferred income taxes in the accompanying consolidated balance sheet as a component of shareholders' equity.

The fair value of the Company's cash equivalents, funds for construction held by trustee and notes payable to banks are approximately equivalent to their carrying value. The fair value of the Company's long-term debt exceeded its carrying value by approximately $11 million as of September 30, 1997 and 1996. The fair value of long-term debt was estimated based on quoted market prices for the same or similar issues.

8. Consolidated Taxes

The provision for Federal and State income taxes was comprised of the following (in thousands):

	1997	1996	1995
Currently payable -			
Federal	$7,205	$ 647	$ 833
State	595	244	356
Deferred -			
Federal	3,246	7,569	2,005
State	(59)	151	400

Amortization of investment tax credits	(464)	(467)	(468)
Total provision for income taxes	$10,523	$8,144	$3,126

The components of the Company's net deferred Federal tax liability (asset) as of September 30, 1997 and 1996 are as follows (in thousands):

	1997	1996
Depreciation and other utility plant differences	$50,620	$47,700
Plant acquisition adjustments	10,544	11,254
Alternative minimum tax credit	(3,670)	(2,984)
Unamortized investment tax credit	(2,144)	(2,306)
Deferred charges and regulatory assets	8,357	8,864
Gross receipts and franchise taxes	2,375	2,559
Other	(3,691)	(5,759)
	$62,391	$59,328

The alternative minimum tax credit can be carried forward indefinitely to reduce the Company's future tax liability.

The Company's effective income tax rates differ from the statutory Federal income tax rates due to the following (in thousands):

	1997	1996	1995
Pre-tax income	$30,172	$23,040	$ 8,643
Federal income taxes computed at Federal statutory tax rate (35% in both fiscal 1997 and 1996 and 34% in fiscal 1995)	10,560	8,064	3,025
Increase (reduction) resulting from:			
Excess of book over tax depreciation	354	360	367
Amortization of investment tax credits	(464)	(467)	(468)
Federal benefit of state tax provision	(188)	(138)	(257)
Other, net	(275)	(70)	(297)
Total provision for Federal income taxes	9,987	7,749	2,370
Provision for State income taxes	536	395	756
Total provision for income taxes	10,523	8,144	3,126
(Less) provision included in other income and expense	(1,230)	(337)	(240)
Provision for income taxes included in operating expenses	$9,293	$7,807	$2,886

9. Retirement Benefits

Pension Benefits. The Company has non-contributory defined benefit retirement plans which cover all of its employees other than the CGF union employees who participate in a union sponsored multi-employer plan. The Company funds its plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974 and makes contributions to the union sponsored plan in accordance with its contractual obligations. Benefits paid under the Company's plans are based on years of service and levels of compensation. The Company's actuarial calculation of pension expense is based on the projected unit cost method.

The components of pension expense for the Company's plans were as follows (in thousands):

	1997	1996	1995
Service cost	$1,849	$1,973	$2,044
Interest cost	6,480	6,103	5,290

Actual return on plan assets	(36,984)	(15,076)	(20,072)
Net amortization and deferral	26,089	6,653	11,949
Special termination benefits	1,150	--	4,083
Pension (credit) expense	$(1,416)	$ (347)	$3,294

The status of the Company's funded plans as of September 30 was as follows (in thousands):

	1997	1996
Actuarial present value of benefit obligations:		
Vested benefits	$73,154	$67,142
Non-vested benefits	2,791	2,531
Accumulated benefit obligations	75,945	69,673
Projected increases in compensation levels	11,457	11,725
Projected benefit obligation	87,402	81,398
Market value of plan assets	137,290	109,952
Plan assets in excess of projected benefit obligation	49,888	28,554
Unrecognized net gain	(42,969)	(22,756)
Unrecognized prior service cost	658	775
Unrecognized net transition asset	(2,619)	(3,272)
Pension prepayment	$ 4,958	$ 3,301

The projected benefit obligation was calculated using a discount rate of 7.5% in fiscal 1997 and 8% in fiscal 1996 and an assumed annual increase in compensation levels of 4% in both fiscal 1997 and fiscal 1996. The expected long-term rate of return on assets is 9%. The assets of the Company's funded plans are invested primarily in publicly-traded fixed income and equity securities.

Certain key employees also participate in an unfunded supplemental retirement plan. The projected benefit obligation under this plan was $4.3 million as of September 30, 1997 and $2.6 million as of September 30, 1996, and the expense for this plan was approximately $0.6 million in fiscal 1997 and $0.4 million in both fiscal 1996 and fiscal 1995.

Postretirement Benefits Other Than Pensions. The Company provides certain health care benefits to all retirees receiving benefits under a Company pension plan other than the CGF plan, who reach retirement age while working for the Company.

The Company accounts for these plans under Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), which, among other things, requires companies to accrue the expected cost of providing other postretirement benefits to employees and their beneficiaries during the years that eligible employees render the necessary service. The Company does not currently fund these future benefits.

The components of postretirement benefit expense other than pensions for the years ended September 30, 1997 and 1996 were as follows (in thousands):

	1997	1996
Service cost	$564	$ 600
Interest cost	2,123	2,096
Amortization of transition obligation	1,028	1,028
Other	26	115
Net postretirement expense	$3,741	$3,839

The status of the Company's postretirement plans other than pensions as of September 30, 1997 and 1996 was as follows (in thousands):

	1997	1996

Accumulated postretirement benefit obligation:		
Retirees	$14,790	$19,905
Fully eligible active plan participants	2,019	3,095
Other active plan participants	6,264	6,721
Total accumulated postretirement benefit obligations	23,073	29,721
Unrecognized transition obligation	(11,270)	(17,475)
Unrecognized net (loss)	(1,572)	(4,113)
Unrecognized prior service cost	--	(426)
Accrued postretirement benefit obligation	$10,231	$7,707

The health care trend rate assumption is 10% in 1998 gradually decreasing to 5.5% for the year 2006 and later. The discount rate used to compute the accumulated postretirement benefit obligation was 7.5% in fiscal 1997 and 8% in fiscal 1996. An increase in the health care trend rate assumption by one percentage point in all years would increase the accumulated postretirement benefit obligation by approximately $4.1 million and the aggregate annual service and interest costs by approximately $0.5 million.

The Company has received an order from the North Carolina Utilities Commission to include in rates the amount of postretirement benefit expense other than pensions computed under SFAS 106. The Company has also received an order from the New Jersey Board of Public Utilities (NJBPU) permitting the Northern Division to defer the difference between the amount of postretirement benefits expense other than pensions computed as claims are incurred and the amount computed on the accrual method in accordance with SFAS 106, pending ratemaking treatment that would be considered in a base rate proceeding. The consensus issued in 1993 by the Emerging Issues Task Force of the Financial Accounting Standards Board (EITF) permits rate regulated companies to defer such expenses for as long as five years when the ratemaking treatment provides for full recovery within the succeeding fifteen years.

On January 8, 1997, the NJBPU issued a generic order approving a stipulation that sets forth mechanisms under which New Jersey utilities may recover postretirement benefits expenses other than pensions in accordance with SFAS 106 and the EITF consensus, without being required to file a base rate case. In accordance with that order, the Company filed a request with the NJBPU on August 4, 1997 seeking recovery of these costs by means of a discreet adjustment of base rates. The Company expects NJBPU action on its request in early 1998. The Company will also seek ratemaking treatment consistent with the EITF consensus from the commissions in the other states in which it operates.

The Company continually evaluates alternative ways to manage these benefits and control their costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefit may have a significant effect on the amount of the reported obligation and the annual deferral and expense.

10. Business Segment Information

The Company's operations are organized under three primary lines of business: Distribution, Energy Sales and Services and Customer Services. The Distribution segment distributes natural gas in six states through the Company's regulated utility divisions. The Energy Sales and Services segment reflects the operations of the Company's Energy and Energy Brokers subsidiaries, as well as utility off-system sales. The Customer Services segment provides repair and maintenance of customer-owned gas facilities and appliances and collects energy usage data for billing purposes.

The following table provides information concerning the major segments of the Company for each of the three years ended September 30, 1997. Revenues include intersegment sales to affiliated entities, which are eliminated in consolidation. Identifiable assets include only those attributable to the operations of each segment.

(dollars in thousands)	1997	1996	1995
Revenues:			
Distribution	$418,426	$403,100	$360,361
Energy Sales & Services	180,111	60,379	8,710
Customer Services	12,290	10,722	9,025
Intersegment Revenues	(2,231)	(4,702)	(1,212)

Total Revenues	$608,596	$469,499	$376,884
Operating Margins:			
Distribution	$154,119	$150,477	$144,377
Energy Sales & Services	6,666	3,553	303
Customer Services	12,290	10,722	9,025
Total	$173,075	$164,752	$153,705
Pre-Tax Operating Income:			
Distribution	$42,579	$39,313	$27,580
Energy Sales & Services	2,592	1,313	103
Customer Services	2,840	2,025	975
Other	(2,433)	(1,951)	(1,913)
Total	45,578	40,680	26,745
Income Taxes	9,293	7,807	2,886
Total Operating Income	$36,285	$32,873	$23,859
Depreciation & Amortization:			
Distribution	$18,518	$17,287	$16,342
Energy Sales & Services	50	23	6
Customer Services	2,031	2,028	2,030
Other	2,433	1,951	1,372
Total Depreciation & Amortization	$23,032	$21,289	$19,750
Capital Expenditures:			
Distribution	$47,378	$35,437	$36,491
Energy Sales & Services	502	315	45
Customer Services	1,403	1,008	1,100
Other	2,996	299	282
Total Capital Expenditures	$52,279	$37,059	$37,918
Identifiable Assets:			
Distribution	$697,889	$645,247	$586,627
Energy Sales & Services	28,638	7,415	517
Customer Services	15,458	14,958	13,122
Other	61,680	10,042	9,899
Total Identifiable Assets	$803,665	$677,662	$610,165

11. Commitments and Contingencies

Commitments. Capital expenditures are expected to be approximately $60 million in fiscal 1998.

Environmental Matters. The Company is subject to federal and state laws with respect to water, air quality, solid waste disposal and employee health and safety matters, and to environmental regulations issued by the United States Environmental Protection Agency (EPA), the New Jersey Department of Environmental Protection (NJDEP) and other federal and state agencies.

The Company owns, or previously owned, certain properties on which manufactured gas plants (MGP) were operated by the

Company or by other parties in the past. Coal tar residues are present on the six MGP sites located in the Northern Division. The Company has reported the presence of the six MGP sites to the EPA, the NJDEP and the New Jersey Board of Public Utilities (NJBPU). In 1991, the NJDEP issued an Administrative Consent Order for an MGP site located at South Street in Elizabeth, New Jersey, wherein the Company agreed to conduct a remedial investigation and to design and implement a remediation plan. In 1992 and 1993, the Company entered into a Memorandum of Agreement with the NJDEP for each of the other five Northern Division MGP sites. Pursuant to the terms and conditions of the Administrative Consent Order and the Memoranda of Agreement, the Company is conducting remedial activities at all six sites with oversight from the NJDEP.

The Company owned ten former MGP facilities, only three of which it currently owns. The former MGP sites are located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland (the "Southern Division MGP sites"). The Company has joined with other North Carolina utilities to form the North Carolina Manufactured Gas Plant Group (the "MGP Group"). The MGP Group has entered into a Memorandum of Understanding with the North Carolina Department of Environment, Health and Natural Resources (NCDEHNR) to develop a uniform program and framework for the investigation and remediation of MGP sites in North Carolina. The Memorandum of Understanding contemplates that the actual investigation and remediation of specific sites will be addressed pursuant to Administrative Consent Orders between the NCDEHNR and the responsible parties. The NCDEHNR has recently sought the investigation and remediation of sites owned by members of the MGP Group and has entered into Administrative Consent Orders with respect to four such sites. None of these four sites are currently or were previously owned by the Company.

The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the Company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects to expend during the next twenty years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the Northern Division sites in accordance with a cost sharing agreement. Of this approximate $34 million reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial activities, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in additional possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books.

The Company's prudently incurred remediation costs for the Northern Division MGP sites have been authorized by the NJBPU to be recoverable in rates. The Company also believes that a portion of such costs may be recoverable from the Company's insurance carriers. The most recent base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of $130,000 annually of MGP related expenditures incurred prior to the rate order. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of September 30, 1997, reflecting the future recovery of environmental remediation liabilities related to the Northern Division MGP sites. The Company is able to recover actual MGP expenses over a rolling seven year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. Approval by the NJBPU on this second RAC rate filing is expected in early 1998. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

Gas Procurement Contracts. Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $71 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

Other. The Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

12. Unaudited Quarterly Financial Data

The quarterly financial data presented below reflects the seasonal nature of the Company's operations which normally results in higher earnings during the heating season which is primarily in the first two fiscal quarters (in thousands, except per share amounts):

	Fiscal Quarters			
	First	Second	Third	Fourth
1997:				
Operating Revenues	$151,868	$204,077	$125,175	$127,477
Operating Income	10,767	19,668	5,074	120
Net Income (Loss)	6,773	15,313	1,365	(3,802)
Net Income (Loss) Per Share	0.61	1.37	0.12	(0.33)
1996:				
Operating Revenues	$124,767	$170,963	$95,517	$78,252
Operating Income (Loss)	11,409	19,170	3,340	(1,045)
Net Income (Loss)	6,446	14,456	(1,003)	(5,002)
Net Income (Loss) Per Share	0.70	1.58	(0.10)	(0.45)

Quarterly net income (loss) per share in both fiscal 1997 and fiscal 1996 does not total to the annual amounts due to rounding and to changes in the average common shares outstanding.

SCHEDULE II

NUI Corporation and Subsidiaries

Valuation and Qualifying Accounts

For each of the Three Years in the

Period Ended September 30, 1997

(Dollars in thousands)

		Additions			
Description	Balance, Beginning of Period	Charged to Costs and Expenses	Other	Deductions	Balance, End of Period
1997					

Allowance for doubtful accounts	$ 2,288	$ 2,305	$ 1,088(a)	$ 3,363(b)	$ 2,318
Environmental remediation reserve(a)	$ 33,981	--	--	--	$ 33,981
1996					
Allowance for doubtful accounts	$ 1,689	$ 3,369	$ 863(a)	$ 3,633(b)	$ 2,288
Environmental remediation reserve (c)	$ 33,981	--	--	--	$ 33,981
1995					
Allowance for doubtful accounts	$ 1,368	$ 2,449	$ 1,127(a)	$ 3,255(b)	$ 1,689
Environmental remediation reserve(c)	$ 32,181	--	$ 1,800	--	$ 33,981
(a) Recoveries					
(b) Uncollectible amounts written off.					
(c) The related cost of the reserve established in fiscal 1991, as well as $5.6 million of fiscal 1994 additions, was recorded as a regulatory asset. The remaining fiscal 1994 additions of $1.9 million and all of fiscal 1995 additions was recorded as an additional utility plant acquisition adjustment. See "Commitments and ContingenciesEnvironmental Matters", Note 11 of the Notes to the Consolidated Financial Statements.					

EXHIBIT 12

NUI CORPORATION AND SUBSIDIARIES

CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

(000's)

Year Ended September 30,

	1997	1996	1995	1994	1993
Income from continuing operations before income taxes	$30,172	$23,044	$ 8,644	$12,883	$20,837
Less-Adjustment related to equity investments	(1,334)	--	--	--	--
Add:					
Interest element of rentals					

charged to income (a)	3,299	2,930	3,220	3,173	3,156
Interest expense	21,374	19,808	20,032	16,443	14,966
Earnings as defined	$53,511	$45,782	$31,896	$32,449	$38,959
Interest expense	21,374	19,808	19,814	16,323	14,844
Capitalized interest	186	150	218	120	122
Interest element of rentals charged to income (a)	3,299	2,930	3,220	3,173	3,156
Fixed charges as defined	$24,859	$22,888	$23,252	$19,616	$18,122
CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES	2.15	2.00	1.37	1.66	2.15

(a) Includes the interest element of rentals where determinable plus 1/3 of rental expense where no readily defined interest element can be determined.

EXHIBIT NO. 21

SUBSIDIARIES OF NUI CORPORATION

NUI Capital Corp. (a Florida corporation) is a wholly-owned subsidiary of NUI Corporation.

NUI Energy, Inc. (a Delaware Corporation), NUI Energy Brokers, Inc. (a Delaware Corporation), Utility Business Services, Inc. (a New Jersey Corporation), NUI Environmental Group, Inc. (a New Jersey Corporation), NUI Energy Solutions Inc. (a New Jersey Corporation) and NUI Sales Management, Inc. (a Delaware Corporation) are wholly-owned subsidiaries of NUI Capital Corp.

EXHIBIT NO. 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated November 6, 1997, included in the Form 10-K, into the Company's previously filed Registration Statements File No. 33-56509 relating to Amendment No. 1 to Form S-3 Registration Statement, File No. 33-51459 relating to NUI Direct, File No. 33-57183 relating to the Savings and Investment Plan, File No. 33-24169 relating to the 1988 Stock Plan, File No. 333-02425 relating to the 1996 Stock Option and Stock Award Plan, File No. 333-02421 relating to the Employee Stock Purchase Plan, and File No. 333-02423 relating to the 1996 Director Stock Purchase Plan.

ARTHUR ANDERSEN LLP

New York, New York

December 24, 1997

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, in the Township of Bedminster, State of New Jersey, on the day of December

NUI CORPORATION

By: JAMES R. VAN HORN

Vice President, General Counsel

and Secretary

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

JOHN KEAN, JR.	President, Chief Executive Officer and Director (Principal executive officer)	December 22, 1997
JOHN KEAN	Chairman and Director	December 22, 1997
A. MARK ABRAMOVIC	Senior Vice President and Chief Financial Officer (Principal financial and accounting officer)	December 22, 1997
C. R. CARVER	Director	December 22, 1997
DR. VERA KING FARRIS	Director	December 22, 1997
JAMES J. FORESE	Director	December 22, 1997
BERNARD S. LEE	Director	December 22, 1997
R. V. WHISNAND	Director	December 22, 1997
JOHN WINTHROP	Director	December 22, 1997

INDEX TO EXHIBITS

Exhibit No.	**Description**
3(ii)	By-Laws, amended and restated as of September 23, 1997
10(ii)	Service Agreement under Rate Schedule GSS by and between Transcontinental Gas Pipe Line Corporation and EGC, dated July 1, 1996
10(x)	Service Agreement for Rate Schedule FTS-5 by and between Texas Eastern Transmission Corporation and EGC, dated March 18, 1996 (Contract #331501)
10(xii)	Firm Transportation Service Agreement under FTS-2 Rate Schedule by and between City Gas and Florida Gas Transmission, dated August 12, 1993
10(xxvi)	Service Agreement under Rate Schedule GSS by and between Transcontinental Gas Pipeline and North Carolina Gas Service, dated July 1, 1996
10(xliii)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010003)
10(xliv)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010011)
10(xlv)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010012)
	Service Agreement under Rate Schedule FT by and

10(xlvi)	between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #010013)
10(xlvii)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #020003)
10(xlviii)	Service Agreement under Rate Schedule FT by and between Elkton Gas and Eastern Shore Natural Gas Company, dated as of November 1, 1997 (Contract #020005)
12	Consolidated Ratio of Earnings to Fixed Charges
21	Subsidiaries of NUI Corporation
23	Consent of Independent Public Accountants
27	Financial Data Schedule

NUI CORP 10-Q
Filing Date: 2/13/98

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

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

For the quarterly period ended December 31, 1997

OR

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

For the transition period from ___________ to ______________

Commission File Number 1-8353

NUI CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey	22-1869941
(State of incorporation)	(IRS employer identification no.)

550 Route 202-206, PO Box 760, Bedminster, New Jersey 07921-0760
(Address of principal executive offices, including zip code)

(908) 781-0500
(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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common stock, as of January 31, 1998: Common Stock, No Par Value: 12,577,816 shares outstanding.

NUI Corporation and Subsidiaries
Consolidated Statement of Income (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1997	1996	1997	1996
Operating Margins				
Operating revenues	$235,938	$151,462	$693,072	$496,194
Less - Purchased gas and fuel	175,663	94,096	483,490	293,914
Gross receipts and franchise taxes	10,082	10,460	33,220	35,875
	50,193	46,906	176,362	166,405
Other Operating Expenses				
Operations and maintenance	25,755	25,011	96,020	96,533
Depreciation and amortization	6,554	5,780	23,806	21,457
Other taxes	2,261	2,197	9,253	8,760
Income taxes	3,755	3,151	9,897	7,423
	38,325	36,139	138,976	134,173
Operating Income	11,868	10,767	37,386	32,232
Other Income and Expense, Net				
Equity in earnings of TIC Enterprises, LLC, net	137	-	1,471	-
Other	846	822	2,204	1,607
Income taxes	(344)	(288)	(1,286)	(594)
	639	534	2,389	1,013
Interest Expense	5,086	4,528	19,478	18,022
Net Income	$ 7,421	$ 6,773	$20,297	$15,223
Net Income Per Share of Common Stock	$0.60	$0.61	$1.76	$1.48
Dividends Per Share of Common Stock	$0.245	$0.235	$0.95	$0.91
Weighted Average Number of Shares of Common Stock Outstanding	12,438,460	11,085,220	11,558,664	10,303,893

See the notes to consolidated financial statements

NUI Corporation and Subsidiaries
Consolidated Balance Sheet
(Dollars in thousands)

	December 31, 1997 (Unaudited)	September 30, 1997 (*)
ASSETS		
Utility Plant		

Utility plant, at original cost	$690,759	$680,391
Accumulated depreciation and amortization	(222,595)	(218,895)
Unamortized plant acquisition adjustments	31,971	32,327
	500,135	493,823
Funds for Construction Held by Trustee	24,204	27,648
Investment in TIC Enterprises, LLC, net	26,216	26,069
Investments in Marketable Securities	-	2,570
Current Assets		
Cash and cash equivalents	453	58,793
Accounts receivable (less allowance for doubtful accounts of $2,356 and $2,318, respectively)	114,778	64,499
Investment in marketable securities	3,096	1,834
Fuel inventories, at average cost	27,544	31,068
Unrecovered purchased gas costs	9,573	9,602
Prepayments and other	23,722	22,953
	179,166	188,749
Other Assets		
Regulatory assets	55,072	54,607
Deferred charges	11,071	10,199
	66,143	64,806
	$795,864	$803,665
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$224,301	$218,291
Preferred stock	-	-
Long-term debt	229,076	229,069
	453,377	447,360
Capital Lease Obligations	9,283	9,679
Current Liabilities		
Notes payable to banks	86,965	54,428
Current portion of long-term debt	-	54,600
Current portion of capital lease obligations	1,542	1,587
Accounts payable, customer deposits and accrued liabilities	102,570	96,655
Federal income and other taxes	5,526	4,049
	196,603	211,319
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	62,952	62,391
Unamortized investment tax credits	6,066	6,171
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	33,602	32,764
	136,601	135,307
	$795,864	$803,665

*Derived from audited financial statements
See the notes to consolidated financial statements

NUI Corporation and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)
(Dollars in thousands)

	Three Months Ended	Twelve Months Ended

	December 31, 1997	1996	December 31, 1997	1996
Operating Activities				
Net income	$7,421	$6,773	$20,297	$15,223
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,812	6,671	24,181	23,165
Deferred Federal income taxes	637	471	3,412	6,905
Amortization of deferred investment tax credits	(105)	(116)	(453)	(467)
Other	(221)	1,275	(476)	4,997
Effect of changes in:				
Accounts receivable, net	(50,279)	(40,129)	(31,061)	(8,674)
Fuel inventories	3,524	2,519	(872)	(6,455)
Accounts payable, deposits and accruals	5,915	12,036	22,012	15,190
Over (under) recovered purchased gas costs	29	(6,797)	4,212	(19,304)
Other	1,443	6,083	(14,347)	(10,305)
Net cash (used in) provided by operating activities	(24,824)	(11,214)	26,905	20,275
Financing Activities				
Proceeds from sales of common stock, net of treasury stock purchased	1,400	883	28,721	32,254
Dividends to shareholders	(3,070)	(2,620)	(11,025)	(9,251)
Proceeds from issuance of long-term debt	-	-	53,569	39,000
Funds for construction held by trustee, net	3,784	4,076	18,492	(25,151)
Repayments of long-term debt	(54,600)	-	(55,550)	(30,094)
Principal payments under capital lease obligations	(441)	(491)	(1,680)	(1,739)
Net short-term borrowings (repayments)	32,537	21,430	10,640	18,104
Net cash provided by (used in) financing activities	(20,390)	23,278	43,167	23,123
Investing Activities				
Cash expenditures for utility plant	(11,548)	(10,277)	(52,637)	(37,502)
Investment in TIC Enterprises, LLC	-	-	(22,584)	-
Other	(1,578)	(178)	257	(2,750)
Net cash used in investing activities	(13,126)	(10,455)	(74,964)	(40,252)
Net increase (decrease) in cash and cash equivalents	$(58,340)	$1,609	(4,892)	$ 3,146
Cash and Cash Equivalents				
At beginning of period	$58,793	$3,736	$5,345	$ 2,199
At end of period	453	5,345	453	5,345
Supplemental Disclosures of Cash Flows				
Income taxes paid (refunds received), net	$2,300	$(547)	$7,855	$ 2,065
Interest paid	$7,429	$5,518	$21,671	$18,087

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

1.Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. Its natural gas utility operations distribute natural gas and provide related customer services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC.

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

The Company is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

2.Common Shareholders' Equity

The components of common shareholders' equity were as follows (dollars in thousands):

	December 31, 1997	September 30, 1997
Common stock, no par value	$203,026	$201,549
Shares held in treasury	(1,692)	(1,615)
Retained earnings	23,611	19,260
Unrealized gain on marketable securities	-	120
Unearned employee compensation	(644)	(1,023)
Total common shareholders' equity	$224,301	$218,291

3. New Accounting Standard

During the first quarter of fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). This statement superseded Accounting Principles Board Opinion No. 15, "Earnings per Share" and simplifies the computation of earnings per share. The adoption of SFAS 128 did not have an effect on the Company's calculation of earnings per share.

4.Contingencies

Environmental Matters. The Company is subject to federal and state laws with respect to water, air quality, solid waste disposal and employee health and safety matters, and to environmental regulations

issued by the United States Environmental Protection Agency (EPA), the New Jersey Department of Environmental Protection (NJDEP) and other federal and state agencies.

The Company owns, or previously owned, certain properties on which manufactured gas plants (MGP) were operated by the Company or by other parties in the past. Coal tar residues are present on the six MGP sites located in the Northern Division. The Company has reported the presence of the six MGP sites to the EPA, the NJDEP and the New Jersey Board of Public Utilities (NJBPU). In 1991, the NJDEP issued an Administrative Consent Order for an MGP site located at South Street in Elizabeth, New Jersey, wherein the Company agreed to conduct a remedial investigation and to design and implement a remediation plan. In 1992 and 1993, the Company entered into a Memorandum of Agreement with the NJDEP for each of the other five Northern Division MGP sites. Pursuant to the terms and conditions of the Administrative Consent Order and the Memoranda of Agreement, the Company is conducting remedial activities at all six sites with oversight from the NJDEP.

The Southern Division owned ten former MGP facilities, only three of which it currently owns. The former MGP sites are located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland (the "Southern Division MGP sites"). The Company has joined with other North Carolina utilities to form the North Carolina Manufactured Gas Plant Group (the "MGP Group"). The MGP Group has entered into a Memorandum of Understanding with the North Carolina Department of Environment, Health and Natural Resources (NCDEHNR) to develop a uniform program and framework for the investigation and remediation of MGP sites in North Carolina. The Memorandum of Understanding contemplates that the actual investigation and remediation of specific sites will be addressed pursuant to Administrative Consent Orders between the NCDEHNR and the responsible parties. The NCDEHNR has recently sought the investigation and remediation of sites owned by members of the MGP Group and has entered into Administrative Consent Orders with respect to four such sites. None of these four sites are currently or were previously owned by the Company.

The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the Company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects to expend during the next twenty years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the Northern Division sites in accordance with a cost sharing agreement. Of this approximate $34 million reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial activities, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in additional possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books.

The Company's prudently incurred remediation costs for the Northern Division MGP sites have been authorized by the NJBPU to be recoverable in rates. The Company also believes that a portion of such costs may be recoverable from the Company's insurance carriers. The most recent base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of $130,000 annually of MGP related expenditures incurred prior to the rate order. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of December 31, 1997, reflecting the future recovery of environmental remediation liabilities related to

the Northern Division MGP sites. The Company is able to recover actual MGP expenses over a rolling seven year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. Approval by the NJBPU on this second RAC rate filing is expected in the Spring. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

Other. The Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

NUI Corporation and Subsidiaries
Summary Consolidated Operating Data

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1997	1996	1997	1996
Operating Revenues (Dollars in thousands)				
Firm Sales:				
Residential	$63,512	$58,370	$206,899	$195,603
Commercial	30,884	31,398	105,720	107,348
Industrial	6,458	5,945	23,776	25,610
Interruptible Sales	15,573	14,839	56,578	53,788
Unregulated Sales	107,034	30,444	254,471	75,331
Transportation Services	8,272	6,762	30,127	24,054
Customer Service, Appliance Leasing and Other	4,205	3,704	15,501	14,460
	$235,938	$151,462	$693,072	$496,194
Gas Sold or Transported (MMcf)				
Firm Sales:				
Residential	7,446	7,133	23,269	24,308
Commercial	4,249	4,433	14,070	15,880
Industrial	1,268	1,370	4,717	5,381
Interruptible Sales	3,725	3,708	15,091	14,585
Unregulated Sales	36,986	10,496	89,309	25,855
Transportation Services	7,845	6,501	29,638	24,236
	61,519	33,641	176,094	110,245
Average Utility Customers Served				
Firm Sales:				
Residential	336,038	334,437	336,032	333,143
Commercial	24,366	24,237	24,344	24,401
Industrial	308	314	305	328
Interruptible Sales	121	121	121	126
Transportation	1,467	1,174	1,533	849
	362,300	360,283	362,335	358,847
Degree Days in New Jersey				
Actual	1,778	1,746	4,804	5,203
Normal	1,725	1,725	4,978	4,978
Percentage variance from normal	3% colder	1% colder	3% warmer	5% colder

Employees (period end)	1,147	1,109
Ratio of Earnings to Fixed Charges (Twelve months only)	2.15	1.99

NUI Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

The following discussion and analysis refers to NUI Corporation and all of its operating divisions and subsidiaries (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. Its natural gas utility operations distribute natural gas and provide related customer services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC ("TIC"). Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

Results of Operations

Three-Month Periods Ended December 31, 1997 and 1996

Net Income. Net income for the three-month period ended December 31, 1997 was $7.4 million, or $0.60 per share, as compared with net income of $6.8 million, or $0.61 per share, for the three-month period ended December 31, 1996. The increase in net income in the current period was primarily due to higher operating margins, partially offset by higher operations and maintenance expenses, interest and depreciation expenses.

Net income per share in the current period was also affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of approximately 1 million additional shares in September 1997.

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the sale of the gas commodity, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $84.5 million, or 56%, for the three-month period ended December 31, 1997 as compared with the three-month period ended December 31, 1996, principally due to an increase of approximately $74.8 million in unregulated revenues due to greater activity in these operations. Operating revenues also increased as a result of customer growth and colder weather in the Company's utility operations.

The Company's operating margins increased by $3.3 million, or 7.0%, for the three-month period ended December 31, 1997 as compared with the three-month period ended December 31, 1996. The increase principally reflects an increase of approximately $3 million by the Company's utility distribution operations primarily due to the effect of colder weather not fully returned to customers through the Company's weather normalization clauses, the full effect of a rate increase in Florida which was effective during the first quarter of fiscal 1997, and customer growth. The Company's customer service operations contributed approximately $0.5 million increase in operating margins primarily due to the effect of a rate increase in the appliance leasing program. Operating margins from the Company's

unregulated operations decreased approximately $0.2 million mainly as a result of changing market conditions and slower customer additions in the Company's retail market operations. The Company has weather normalization clauses in its New Jersey and North Carolina tariff which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of weather normalization clauses, operating margins were approximately $0.4 million less in the fiscal 1998 period, than they otherwise would have been without such clauses. In the fiscal 1997 period, operating margins were approximately $0.2 million less than they otherwise would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased approximately $0.7 million, or 3%, for the three-month period ended December 31, 1997 as compared with the three-month period ended December 31, 1996. The increase was primarily the result of higher expenses associated with the continued growth in the Company's unregulated operations and to reversal of certain reserves in the prior year period which management determined to be no longer required. These increases were partially offset by a higher pension credit primarily as a result of the investment performance of the pension plan assets.

Depreciation and amortization expenses increased approximately $0.8 million primarily due to additional plant in service.

Income tax expense increased by approximately $0.6 million in the current as a result of higher pre-tax income.

Other Income and (Expense), Net. Other income and expense, net increased approximately $0.1 million for the three-month period ended December 31, 1997 as compared with the three-month period ended December 31, 1996, principally due to approximately $0.1 million of net equity earnings of TIC.

Interest Expense. Interest expense increased by approximately $0.6 million for the three-month period ended December 31, 1997 as compared with the three-month period ended December 31, 1996. The increase principally reflects higher average short-term borrowings (see _Financing Activities and Resources_) and higher average long-term borrowings due to the draw down of funds held for construction purposes. Such draw downs have the effect of lowering interest income on the funds held by trustee.

Twelve-Month Periods Ended December 31, 1997 and 1996

Net Income. Net income for the twelve-month period ended December 31, 1997 was $20.3 million, or $1.76 per share, as compared with $15.2 million, or $1.48 per share, for the twelve-month period ended December 31, 1996. The increase in the current period was primarily due to higher operating margins, higher other income and lower operations and maintenance expense, partially offset by higher depreciation, general taxes and interest expenses.

Net income per share for the twelve-month period ended December 31, 1997 was also affected by the increased average number of outstanding shares of NUI common stock as compared with the prior twelve-month period, principally reflecting the Company's issuance of 1 million shares in September 1997 and 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended December 31, 1997 increased approximately $196.9 million, or 39.7%, as compared with the twelve-month period ended December 31, 1997. The increase was principally due to an increase in unregulated sales of approximately $176.9 million, the effect of purchased gas adjustment clauses, a base rate increase in the Company's Florida service territory, increased customer service and appliance leasing revenues, and customer growth. These increases were partially offset by the effect of warmer weather, mainly in New Jersey, where it was 8% warmer than the prior year and 3% warmer than normal.

The Company's operating margins increased by approximately $10 million, or 6%, for the twelve-month period ended December 31, 1997 as compared with the twelve-month period ended December 31, 1996. The

increase reflects approximately $6.6 million of additional margins generated by the Company's utility distribution operations, approximately $1.7 million of additional margins on sales by the Company's unregulated operations, and approximately $1.7 million of additional customer service and appliance leasing revenues. The increase in utility distribution margins was mainly due to the full effect of the base rate increase in Florida and customer growth, partially offset by the effect of warmer weather in the current twelve-month period in all of the Company's service territories, part of which was not fully recovered from customers under weather normalization clauses. The increase in customer service and appliance leasing margins was primarily due to the full effect of a rate increase in the Company's Florida appliance leasing program. As a result of weather normalization clauses, operating margins were approximately $2.5 million more in the current twelve-month period, than they otherwise would have been without such clauses. In the prior twelve-month period, operating margins were approximately $1.0 million less than they otherwise would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses decreased approximately $0.5 million, or 1%, for the twelve-month period ended December 31, 1997 as compared with the twelve-month period ended December 31, 1996. The decrease was primarily due to a higher pension credit, the capitalization of costs associated with the development and implementation of new information technology, lower insurance expenses and the reversal of certain reserves which management determined to be no longer required. These decreases were partially offset by an increase in expenses associated with the continued growth in the Company's unregulated operations.

The increase in depreciation and amortization expenses of approximately $2.3 million was primarily due to additional plant in service.

Other taxes increased approximately $0.5 million as a result of higher real estate, sales and payroll-related taxes.

Income taxes increased by $2.4 million for the twelve-month period ended December 31, 1997 due to higher pre-tax income.

Other Income and Expense, Net. Pre-tax other income and expense, net, increased approximately $2.1 million for the twelve-month period ended December 31, 1997 as compared with the 1996 period, principally due to approximately $1.5 million of net equity earnings in TIC and the sale of property in the Southern Division which resulted in a gain of approximately $0.7 million.

Interest Expense. Interest expense increased by $1.5 million, or 8%, for the 1997 period as compared with the 1996 period primarily due an increase in short-term interest expense due to higher levels of outstanding borrowings. This increase was partially offset by lower average long-term borrowings as a result of the repayment of amounts outstanding under the Company's $30 million credit agreement in May 1996.

Regulatory Matters

In July 1997, the State of New Jersey enacted legislation that eliminated the gross receipts and franchise taxes effective January 1, 1998. These taxes were replaced with a 6% sales tax on sales of electricity and natural gas, a corporate business tax currently paid by all non-utility corporations in the State, and a third tax called the Transitional Energy Facilities Assessment tax (TEFA). The legislation was intended, in part, to provide comparability between utilities that pay gross receipts and franchise taxes and non-utility energy companies that do not. A key objective of this legislation was to maintain energy tax revenue neutrality in 1998, seeking to collect approximately the same amount in new taxes as collected with gross receipts and franchise taxes in 1997. The TEFA tax is scheduled to be phased out at a rate of approximately 20% per year starting in 1999. These tax changes are designed to have no effect on the Company's net income or on overall rates charged to customers, until the TEFA reductions occur, and should not have a material effect on working capital. The Company paid approximately $25 million of gross receipts and franchise taxes to the State in 1997.

On November 20, 1997, the Northern Division amended its July 31, 1997

proposal filed with the New Jersey Board of Public Utilities (NJBPU) to increase its annual purchased gas adjustment revenues by approximately $14.7 million and change the way it recovers gas supply costs from its different classes of customers. The filing proposes to collect separately the commodity component of purchased gas and the fixed costs the Company incurs on behalf of its customers to supply gas service. The filing also includes a request to incorporate a performance based mechanism whereby Northern Division customers and the Company would benefit from the Company's ability to secure gas at rates more favorable than a market index benchmark. The proposed mechanism would provide an 80/20 sharing, with Northern Division customers receiving the greater percentage of risk and opportunity on the difference between a monthly market benchmark and the actual cost of purchased gas. Action by the NJBPU on the Company's proposal is expected in the Spring.

Financing Activities and Resources

The Company had a net use of cash from operating activities of $24.8 million and $11.2 million for the three-month periods ended December 31, 1997 and 1996, respectively. The increase in net cash used for operating activities for the three-month period ended December 31, 1997 was primarily due to the timing of payments to gas suppliers partially offset by additional collections of gas costs under the Company's purchased gas adjustment clauses. For the twelve-month period ended December 31, 1997, the Company's net cash provided by operating activities was $26.9 million as compared with $20.3 million in the prior year period. The increase in net cash provided by operating activities for the twelve-month period ended December 31, 1997 was mainly due to collections of gas costs under the Company's purchased gas adjustment clauses.

Because the Company's business is highly seasonal, short-term debt is used to meet seasonal working capital requirements. The Company also borrows under its bank lines of credit to finance portions of its capital expenditures, pending refinancing through the issuance of equity or long-term indebtedness at a later date depending upon prevailing market conditions.

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $79.4 million at 5.95% for the three-month period ended December 31, 1997 and $65.2 million at 5.35% for the three-month period ended December 31, 1996. The weighted average daily amounts of notes payable to banks increased principally due to additional borrowings to finance portions of the Company's capital expenditures and to the timing of payments to gas suppliers. At December 31, 1997, the Company had outstanding notes payable to banks amounting to $87 million and available unused lines of credit amounting to $54 million. Notes payable to banks increased as of December 31, 1997 as compared to the balance outstanding at September 30, 1997, due to seasonal borrowing requirements.

On February 9, 1998, the Company sold its remaining portfolio of marketable securities for approximately $3 million. The proceeds were used to pay down short-term debt. Accordingly, the investment in marketable securities is classified as a current asset in the accompanying consolidated balance sheet.

Long-Term Debt and Funds for Construction Held by Trustee. In November 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission for an aggregate of up to $100 million of debt or equity securities. As of December 31, 1997, the Company has issued $70 million of Medium-term Notes subject to the shelf registration statement. While the Company has no present intention to issue additional securities subject to the shelf registration, such securities may be issued from time to time, depending upon the Company's needs and prevailing market conditions.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of December 31, 1997, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $20 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

The Company prepaid $54.6 million of its Gas Facilities Revenue Bonds in October 1997 with proceeds received in fiscal 1997 from a new bond issuance.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment plan, and other employee benefit plans. The proceeds from such issuances amounted to approximately $1.5 million and $0.9 million for the three-month periods ended December 31, 1997 and 1996, respectively, and were used primarily to reduce outstanding short-term debt.

Dividends. On November 6, 1997, the Company increased its quarterly dividend to $0.245 per share of common stock. The previous quarterly rate was $0.235 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $41.8 million of cash dividends at December 31, 1997.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $11.5 million for the three-month period ended December 31, 1997 as compared with $10.3 million for the three-month period ended December 31, 1996. Capital expenditures are expected to be approximately $60 million for all of fiscal 1998, as compared with a total of $52.3 million in fiscal 1997.

The Company owns or previously owned six former manufactured gas plant (MGP) sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next twenty years to remediate the Company's MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books. The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. The Company is able to recover actual MGP expenses over a rolling seven-year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. Approval by the NJBPU on this second RAC rate filing is expected in the Spring. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful. For a further discussion of environmental matters see Note 11 of the Notes to the Consolidated Financial Statements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $73 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 9 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The Company is scheduled to repay $20 million of Medium-Term Notes in August 2002.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit No.	Description of Exhibit	Reference
27	Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K

None

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.

NUI CORPORATION

February 13, 1998	JOHN KEAN, JR. President and Chief Executive Officer
February 13, 1998	A. MARK ABRAMOVIC Sr. Vice President and Chief Financial Officer

TYPE: EX-27
SEQUENCE: 2

ARTICLE: UT

PERIOD TYPE:	3-MOS
FISCAL YEAR END:	SEP-30-1998
PERIOD END:	DEC-31-1997
BOOK VALUE:	PER-BOOK
TOTAL NET UTILITY PLANT:	500,135
OTHER PROPERTY AND INVEST:	50,420
TOTAL CURRENT ASSETS:	176,166

TOTAL DEFERRED CHARGES:	66,143
OTHER ASSETS:	0
TOTAL ASSETS:	795,864
COMMON:	0
CAPITAL SURPLUS PAID IN:	203,027
RETAINED EARNINGS:	23,611
TOTAL COMMON STOCKHOLDERS EQ:	224,301
PREFERRED MANDATORY:	0
PREFERRED:	0
LONG TERM DEBT NET:	229,076
SHORT TERM NOTES:	86,965
LONG TERM NOTES PAYABLE:	0
COMMERCIAL PAPER OBLIGATIONS:	0
LONG TERM DEBT CURRENT PORT:	0
PREFERRED STOCK CURRENT:	0
CAPITAL LEASE OBLIGATIONS:	9,283
LEASES CURRENT:	1,542
OTHER ITEMS CAPITAL AND LIAB:	224,967
TOT CAPITALIZATION AND LIAB:	795,864
GROSS OPERATING REVENUE:	235,938
INCOME TAX EXPENSE:	4,099
OTHER OPERATING EXPENSES:	220,315
TOTAL OPERATING EXPENSES:	224,070
OPERATING INCOME LOSS:	11,868
OTHER INCOME NET:	639
INCOME BEFORE INTEREST EXPEN:	12,507
TOTAL INTEREST EXPENSE:	5,086
NET INCOME:	7,421
PREFERRED STOCK DIVIDENDS:	0
EARNINGS AVAILABLE FOR COMM:	7,421
COMMON STOCK DIVIDENDS:	3,070
TOTAL INTEREST ON BONDS:	1,849
CASH FLOW OPERATIONS:	(24,824)
EPS PRIMARY:	.60
EPS DILUTED:	.60

NUI CORP 10-Q
Filing Date: 5/15/98

2		Font Size

TYPE: 10-Q
SEQUENCE: 1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

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

For the quarterly period ended March 31, 1998
OR

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

For the transition period from __________
to____________________

Commission File Number 1-8353

NUI CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey — 22-1869941
(State of incorporation) — (IRS employer identification no.)

550 Route 202-206, PO Box 760, Bedminster, New Jersey 07921-0760

(Address of principal executive offices, including zip code)

(908) 781-0500
(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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common stock, as of April 30, 1998: Common Stock, No Par Value: 12,636,331 shares outstanding.

NUI Corporation and Subsidiaries
Consolidated Statement of Income (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31		Six Months Ended March 31		Twelve Months Ended March 31	
	1998	1997	1998	1997	1998	1
Operating Margins						
Operating revenues	$258,798	$204,483	$494,736	$355,987	$747,387	$529
Less - Purchased gas and fuel	191,761	132,239	367,424	226,335	543,012	329
Energy taxes	4,442	13,475	14,524	23,935	24,187	33
	65,595	58,769	112,788	105,675	180,188	165
Other Operating Expenses						
Operations and maintenance	23,030	22,433	48,785	47,444	96,617	94
Depreciation and amortization	6,522	5,496	13,076	11,276	24,832	21
Other taxes	2,686	2,771	4,947	4,968	9,168	9
Income taxes	10,721	8,401	14,476	11,552	12,217	7
	42,959	39,101	81,284	75,240	142,834	133
Operating Income	19,636	19,668	31,504	30,435	37,354	32
Other Income and Expense, Net						
Equity in earnings of TIC Enterprises, LLC, net	(29)	-	108	-	1,442	
Other	74	182	920	1,004	2,096	1
Income taxes	(16)	(63)	(360)	(351)	(1,239)	
	29	119	668	653	2,299	1
Interest Expense	4,602	4,474	9,688	9,002	19,606	17
Net Income	$15,063	$15,313	$22,484	$22,086	$20,047	$16
Net Income Per Share of Common Stock	$1.20	$1.37	$1.80	$1.98	$1.68	$
Dividends Per Share of Common Stock	$0.245	$0.235	$0.49	$0.47	$0.96	$
Weighted Average Number of Shares of Common Stock Outstanding	12,579,813	11,203,493	12,508,360	11,143,707	11,936,086	10,81

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Consolidated Balance Sheet
(Dollars in thousands)

	March 31, 1998 (Unaudited)	September 30, 1997 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$705,555	$680,391
Accumulated depreciation and amortization	(227,040)	(218,895)
Unamortized plant acquisition adjustments	31,616	32,327
	510,131	493,823
Funds for Construction Held by Trustee	20,351	27,648
Investment in TIC Enterprises, LLC, net	24,038	26,069
Investments in Marketable Securities, at market	-	2,570
Other Investments	1,342	170
Current Assets		
Cash and cash equivalents	2,250	58,793
Accounts receivable (less allowance for doubtful accounts of$2,795 and $2,318, respectively)	98,223	64,499
Investments in marketable securities, at market	98	1,834
Fuel inventories, at average cost	10,350	31,068
Unrecovered purchased gas costs	6,386	9,602
Prepayments and other	28,752	22,953
	146,059	188,749
Other Assets		
Regulatory assets	54,198	54,607
Deferred charges	11,692	10,029
	65,890	64,636
	$767,811	$803,665
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$238,570	$218,291
Preferred stock	-	-
Long-term debt	229,084	229,069
	467,654	447,360

Capital Lease Obligations	9,044	9,679
Current Liabilities		
Notes payable to banks	47,145	54,428
Current portion of long-term debt	-	54,600
Current portion of capital lease obligations	1,671	1,587
Accounts payable, customer deposits and accrued liabilities	88,868	96,655
Federal income and other taxes	16,116	4,049
	153,800	211,319
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	63,589	62,391
Unamortized investment tax credits	5,951	6,171
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	33,792	32,764
	137,313	135,307
	$767,811	$803,665

*Derived from audited financial statements
See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)
(Dollars in thousands)

	Six Months Ended March 31,		Twelve Months Ended March 31,	
	1998	1997	1998	1997
Operating Activities				
Net income	$22,484	$22,086	$20,047	$16,080
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	13,615	11,798	25,857	22,706
Deferred Federal Income taxes	1,274	915	3,605	6,387
Amortization of deferred investment tax credits	(221)	(232)	(453)	(465)
Other	513	1,809	(276)	3,205
Effect of changes in:				
Accounts receivable, net	(33,724	(48,279)	(6,356)	(6,733)
Fuel inventories	20,718	20,921	(2,080)	(3,470)
Accounts payable, deposits and accruals	(5,637)	(1,358)	23,854	(3,796)
Over (under) recovered purchased gas costs	3,216	(6,996)	7,598	(18,563)
Other	6,645	(1,708)	(1,354)	(36,952)
Net cash provided by				

(used in) operating activities	28,883	(1,044)	70,442	(21,601)
Financing Activities				
Proceeds from sales of common stock, net of treasury stock purchased	3,272	2,582	28,894	33,953
Dividends to shareholders	(6,155)	(5,250)	(11,480)	(9,780)
Proceeds from issuance of long-term debt	-	-	53,569	39,000
Funds for construction held by trustee, net	8,008	9,299	17,493	(20,126)
Repayments of long-term debt	(54,600)	(950)	(54,600)	(31,021)
Principal payments under capital lease obligations	(897)	(969)	(1,658)	(1,604)
Net short-term borrowings (repayments)	(7,283)	20,792	(28,542)	57,482
Net cash provided by (used in) financing activities	(57,655)	25,504	3,676	67,904
Investing Activities				
Cash expenditures for utility plant	(26,346	(23,360)	(54,352)	(44,509)
Investment in TIC Enterprises, LLC	-	-	(22,593)	-
Other	(1,425)	1,012	(771)	(1,390)
Net cash used in investing activities	(27,771)	(22,348)	(77,716)	(45,899)
Net increase (decrease) in cash and cash equivalents	$(56,543)	$2,112	$(3,598)	$ 404
Cash and Cash Equivalents				
At beginning of period	$58,793	$3,736	$5,848	$5,444
At end of period	$2,250	$5,848	$2,250	$5,848
Supplemental Disclosures of Cash Flows				
Income taxes paid, net	$4,251	$2,078	$7,181	$4,315
Interest paid	$14,035	$9,605	$24,190	$17,753

See the Notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. Its utility operations distribute natural gas and provide related customer services in six states through its Northern and Southern divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas,

Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC.

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

The Company is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

2.Common Shareholders' Equity

The components of common shareholders' equity were as follows (dollars in thousands):

	March 31, 1998	September 30 1997
Common stock, no par value	$206,730	$201,549
Shares held in treasury	(1,692)	(1,615)
Retained earnings	35,629	19,260
Unrealized gain on marketable securities	-	120
Unearned employee compensation	(2,097)	(1,023)
Total common shareholders' equity	$238,570	$218,291

3.New Accounting Standard

During the first quarter of fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). This statement superseded Accounting Principles Board Opinion No. 15,"Earnings per Share" and simplifies the computation of earnings per share. The adoption of SFAS 128 did not have an effect on the Company's calculation of earnings per share.

4.Contingencies

Environmental Matters. The Company is subject to federal and state laws with respect to water, air quality, solid waste disposal and employee health and safety matters, and to environmental regulations issued by the United States Environmental Protection Agency (EPA), the New Jersey Department of Environmental Protection (NJDEP) and other federal and state agencies.

The Company owns, or previously owned, certain properties on which manufactured gas plants (MGP) were operated by the Company or by other parties in the past. Coal tar residues are present on the six MGP sites located in the Northern Division. The Company has reported the presence of the six MGP sites to the EPA, the NJDEP and the New Jersey Board of Public Utilities (NJBPU). In 1991, the NJDEP issued an Administrative Consent Order for an MGP site located at South Street in Elizabeth, New Jersey, wherein the Company agreed to conduct a remedial investigation and to design and implement a remediation plan. In 1992 and 1993, the Company entered into a Memorandum of Agreement with the NJDEP for each of the other five Northern Division MGP sites. Pursuant to the terms and conditions of the Administrative Consent Order and the Memoranda of Agreement, the Company is conducting remedial activities at all six sites with oversight from the NJDEP.

The Southern Division owned ten former MGP facilities, only three of which it currently owns. The former MGP sites are located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland (the"Southern Division MGP sites"). The Company has joined with other North Carolina utilities to form the North Carolina Manufactured Gas Plant Group (the "MGP Group"). The MGP Group has entered into a Memorandum of Understanding with the North Carolina Department of Environment, Health and Natural Resources (NCDEHNR) to develop a uniform program and framework for the investigation and remediation of MGP sites in North Carolina. The Memorandum of Understanding contemplates that the actual investigation and remediation of specific sites will be addressed pursuant to Administrative Consent Orders between the NCDEHNR and the responsible parties. The NCDEHNR has recently sought the investigation and remediation of sites owned by members of the MGP Group and has entered into Administrative Consent Orders with respect to four such sites. None of these four sites are currently or were previously owned by the Company.

The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the Company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects to expend during the next twenty years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the Northern Division sites in accordance with a cost sharing agreement. Of this approximate $34 million reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial activities, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in additional possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books.

The Company's prudently incurred remediation costs for the Northern Division MGP sites have been authorized by the NJBPU to be recoverable in rates. The Company also believes that a portion of such costs may be recoverable from the Company's insurance carriers. The most recent base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of $130,000 annually of MGP related expenditures incurred prior to the rate order. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of March 31, 1998, reflecting the future recovery of environmental remediation liabilities related to the Northern Division MGP sites. The Company is able to recover actual MGP expenses over a rolling seven year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery

of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. Approval by the NJBPU on this second RAC rate filing is expected in the third quarter. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

Other. The Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

NUI Corporation and Subsidiaries
Summary Consolidated Operating Data

	Three Months Ended March 31,		Six Months Ended March 31,		Twelve Months Ended March 31,	
	1998	1997	1998	1997	1998	1997
Operating Revenues (Dollars in thousands)						
Firm Sales:						
Residential	$76,912	$82,374	$140,424	$140,744	$201,437	$194,231
Commercial	35,814	42,374	66,698	73,772	99,160	108,457
Industrial	5,040	8,566	11,498	14,511	20,250	24,955
Interruptible Sales	10,467	15,357	26,040	30,196	51,688	57,348
Unregulated Sales	116,169	44,230	223,203	74,674	326,410	104,419
Transportation Services	10,053	8,014	18,325	14,776	32,166	26,174
Customer Service, Appliance Leasing and Other	4,343	3,568	8,548	7,272	16,276	14,130
	$258,798	$204,483	$494,735	$355,945	$747,387	$529,714
Gas Sold or Transported (MMcf)						
Firm Sales:						
Residential	9,025	9,845	16,471	16,978	22,449	23,196
Commercial	4,609	5,741	8,858	10,174	12,938	14,768
Industrial	1,175	1,343	2,443	2,713	4,549	4,975
Interruptible Sales	3,129	3,725	6,854	7,433	14,495	15,286
Unregulated Sales	44,873	13,645	81,859	24,141	120,537	35,055
Transportation Services	9,141	8,316	16,986	14,817	30,463	27,383
	71,952	42,615	133,471	76,256	205,431	120,663
Average Utility Customers Served:						
Firm						
Residential	341,360	337,629	338,699	335,670	337,147	333,995
Commercial	22,952	24,083	23,659	24,413	23,935	24,363
Industrial	250	287	279	316	288	322
Interruptible	107	111	114	123	117	116
Transportation	3,887	1,954	2,677	1,266	2,166	1,043

	368,556	364,064	365,428	361,788	363,653	359,839
Degree Days in New Jersey						
Actual	2,085	2,497	3,863	4,243	4,574	4,871
Normal	2,777	2,673	4,632	4,398	5,250	4,978
Percentage variance from normal	25% warmer	7% warmer	17% warmer	4% warmer	13% warmer	2% warmer
Employees (period end)					1,161	1,107
Ratio of Earnings to Fixed Charges (Twelve months only)					2.20	2.07

NUI Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition
and Results of Operations

The following discussion and analysis refers to NUI Corporation and all of its operating divisions and subsidiaries (collectively referred to as the"Company"). The Company is a multi-state energy sales, services and distribution company. Its utility operations distribute natural gas in six states through its Northern and Southern divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary ("UBS"); and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC ("TIC"). Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

Results of Operations

The results for the 1998 periods as compared to the 1997 periods reflect changes in the New Jersey tax law which resulted in variations in certain line items on the consolidated statement of income (see "Regulatory Matters"). Effective January 1, 1998, New Jersey Gross Receipts and Franchise Taxes (GRAFT) were replaced by a combination of a New Jersey Sales and Use Tax (NJ Sales Tax), a New Jersey Corporate Business Tax (NJ CBT) and a temporary Transitional Energy Facility Assessment (NJ TEFA). In prior periods, GRAFT was recorded as a single line item in the reduction of operating margins. Effective January 1, 1998, NJ TEFA is recorded in the energy taxes line item as a reduction of operating margins, NJ CBT is recorded in the income taxes line item and NJ Sales Tax is recorded as a reduction of operating revenues. The legislation was designed to be net income neutral over a twelve-month period, however for the periods ending March 31, 1998, the effect of the three new taxes as compared to the 1997 periods had the effect of reducing operating revenues by approximately $5.8 million, reducing energy taxes by approximately $7.0 million and increasing income tax expense by approximately $2.4 million. The net effect of the change in the tax law reduced net income by approximately $0.8 million, or $0.06 per share, as compared to the prior year periods. This variance is expected to reverse during the last two quarters of fiscal 1998.

Three-Month Periods Ended March 31, 1998 and 1997

Net Income. Net income for the three-month period ended March 31, 1998 was $15.1 million, or $1.20 per share, as compared with net income of $15.3 million, or $1.37 per share, for the three-month period ended March 31, 1997. The decrease in the current period was primarily the result of the tax law change as described above, as well

as higher operation and maintenance expenses and depreciation and amortization expense. This reduction was partially offset by increases to operating margins.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of approximately 1 million additional shares in September 1997.

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the sale of the gas commodity, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $54.3 million, or 27%, for the three-month period ended March 31, 1998 as compared with the three-month period ended March 31, 1997, principally due to an increase of approximately $71.9 million in unregulated revenues due to greater activity in these operations. This increase was partially offset by a decrease in revenues of approximately $18.8 million in the Company's utility operations primarily resulting from the effect of warmer weather in the 1998 period in all of the Company's service territories, primarily in New Jersey where it was 25% warmer than normal. Additionally, utility revenues decreased as a result of the tax law changes as described above.

The Company's operating margins increased by $3.8 million, or 6.5%, for the three-month period ended March 31, 1998 as compared with the three-month period ended March 31, 1997. The Company's utility distribution margins increased approximately $3.2 million over the prior year period mainly due to customer growth, as well as approximately $1.2 million of margins resulting from changes in the New Jersey tax law (see above) and the classification of such amounts in the consolidated income statement. Utility distribution margins also increased approximately $0.9 million over the prior year period due to the effect of the change in the calculation of the New Jersey weather normalization clause. On October 22, 1997, the New Jersey Board of Public Utilities (NJBPU) approved the Company's petition to revise its weather normalization clause to reflect an increase in the level of degree days used to determine margin revenue differences associated with variations between actual degree days within the months of October through April and the degree days that underlie the Company's base rates. The adjustment was necessitated by a change in instrumentation used to measure temperatures in the Company's service territory. The changes in the weather normalization clause calculation were effective in October 1996, but were not recorded by the Company until the fourth quarter of fiscal 1997. The Company's customer service operations contributed approximately $0.8 million to the increase in operating margins primarily as a result of a rate increase in the appliance leasing program in Florida, as well as customer additions by UBS. Operating margins from the Company's unregulated operations decreased approximately $0.2 million mainly as a result of sluggish market conditions and slower customer growth in the Company's retail market operations. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of these weather normalization clauses, operating margins were approximately $4.8 million more in the 1998 period than they would have been without such clauses. In the 1997 period, operating margins were approximately $1.1 million more than they otherwise would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased by approximately $0.6 million, or 3%, for the three-month period ended March 31, 1998 as compared with the three-month period ended March 31, 1997. The increase was primarily the result of higher expenses associated with the continued growth in the Company's unregulated operations and the reversal of certain reserves in the prior year which management determined to be no longer required. These increases were partially offset by a higher pension credit primarily as a result of the investment performance of pension plan assets.

Depreciation and amortization expenses increased by approximately $1 million primarily due to additional plant in service.

Income tax expense increased by approximately $2.3 million mainly due to the change in the New Jersey tax law described above. Certain taxes which were previously treated as a reduction of margins are now classified as state income tax expense.

Interest Expense. Interest expense increased by approximately $0.1 million for the three-month period ended March 31, 1998 as compared with the three-month period ended March 31, 1997. This increase was due to higher rates on short-term borrowings and higher average long-term borrowings as a result of the drawdown of funds for construction expenditures, partially offset by lower average rates on long-term debt due to the refinancing of bonds in October 1997. Drawdowns of construction funds have the effect of lowering interest income on the funds held by the trustee.

Six-Month Periods Ended March 31, 1998 and 1997

Net Income. Net income for the six-month period ended March 31, 1998 was $22.5 million, or $1.80 per share, as compared with net income of $22.1 million, or $1.98 per share, for the six-month period ended March 31, 1997. The increase in the current period was primarily due to higher operating margins, partially offset by higher operations and maintenance, depreciation, interest expense and the effect on 1998 results of the tax law changes described above.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of approximately 1 million additional shares in September 1997.

Operating Revenues and Operating Margins. The Company's operating revenues increased by $138.8 million, or 39%, for the six-month period ended March 31, 1998 as compared with the six-month period ended March 31, 1997. The increase was principally due to an increase of unregulated sales of approximately $148.5 million due to greater activity in these operations, customer growth and increased customer service and appliance leasing revenues. These increases were partially offset by the effect of warmer weather in all of the Company's service territories, primarily in New Jersey where it was 17% warmer than normal, as well as the effect of the tax law changes described above.

The Company's operating margins increased by $7.1 million or 6.7% for the six-month period ended March 31, 1998 as compared with the six-month period ended March 31, 1997. The increase was primarily attributable to an increase of $6.2 million in the Company's utility distribution operations as a result of customer growth, the effects of changes in the New Jersey tax law (see above), and an additional $1.5 million due to the effect of the change in the calculation of the New Jersey weather normalization clause. As a result of weather normalization clauses in total, margins were approximately $5.2 million and $0.9 million higher in the 1998 and 1997 periods, respectively, than they would have been without such clauses. The Company's customer service operations contributed approximately $1.3 million to the increase in margins as a result of a rate increase in the appliance leasing program in Florida and customer additions by UBS. Operating margins from the Company's unregulated operations decreased by approximately $0.3 million as a result of sluggish market conditions and slower customer growth in the Company's retail market operations.

Other Operating Expenses. Operation and maintenance expenses increased by approximately $1.3 million, or 3%, for the six-month period ended March 31, 1998 as compared with the six-month period ended March 31, 1997. The increase was primarily the result of higher expenses associated with the continued growth in the Company's unregulated operations, as well as the reversal of certain reserves in the prior year that management determined were no longer required. These increases were partially offset by a higher pension credit primarily as a result of the investment performance of pension plan assets.

Depreciation and amortization expenses increased by $1.8 million

primarily due to additional plant in service.

Income tax expense increased by approximately $2.9 million due to the changes in the New Jersey tax law described above, as well as higher pre-tax income.

Interest Expense. Interest expense increased by approximately $0.7 million for the six-month period ended March 31, 1998 as compared with the six-month period ended March 31, 1997. The increase was mainly due to the reasons discussed under the "Three-Month Period Ended March 31, 1998 and 1997" section.

Twelve-Month Periods Ended March 31, 1998 and 1997

Net Income. Net income for the twelve-month period ended March 31, 1998 was $20 million, or $1.68 per share, as compared with $16.1 million, or $1.49 per share, for the twelve-month period ended March 31, 1997. The increase in the current period was primarily due to higher operating margins and other income, partially offset by higher operations and maintenance, depreciation, interest and the effect on 1998 of the tax law changes described above.

Net income per share for the twelve-month period ended March 31, 1998 as compared to the twelve-month period ended March 31, 1997 was affected by the increased number of outstanding shares reflecting the Company's issuances of common stock of 1 million additional shares in September 1997 and 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended March 31, 1998 increased approximately $217.7 million, or 41%, as compared with the twelve-month period ended March 31, 1997. The increase was primarily due to an increase in unregulated sales of approximately $222 million, customer growth, and increased customer service and appliance leasing revenues. These increases were partially offset by the effect of the change in the New Jersey tax law described above, as well as warmer weather in all of the Company's service territories, especially in New Jersey which was 13% warmer than normal.

The Company's operating margins increased by approximately $14.2 million, or 8.6%, for the twelve-month period ended March 31, 1998 as compared with the twelve-month period ended March 31, 1997. The increase reflects approximately $10.6 million of additional margins generated by the Company's utility distribution operations, approximately $2.4 million of additional margins generated by the Company's customer service and appliance leasing operations, and approximately $1.3 million of additional margins generated by the Company's unregulated operations. The increase in the utility distribution operations was mainly due to the changes in the New Jersey tax law described above, the change in the calculation of the weather normalization clause in New Jersey, the full effect of a base rate increase in Florida and customer growth. The increase in customer service and appliance leasing was mainly due to the full effect of a rate increase in the appliance leasing program in Florida and customer additions by UBS. The increase in the unregulated operations was primarily due to increased sales as well as favorable market conditions in the last six months of fiscal 1997. As a result of weather normalization clauses, operating margins were approximately $6.3 million more in the current twelve-month period than they would have been without such clauses. For the twelve-month period ended March 31, 1997, operating margins were $1.1 million more than they would have been without such clauses.

Other Operating Expenses. Operation and maintenance expenses increased approximately $1.9 million or 2% for the twelve-month period ended March 31, 1998 as compared to the twelve-month period ended March 31, 1997. The increase was primarily due to higher labor costs resulting from an increased number of employees, and the continued growth of the Company's unregulated operations, partially offset by a higher pension credit.

Depreciation and amortization expenses increased by approximately $3.2 million primarily due to additional plant in service.

Income taxes increased by $4.4 million for the twelve-month period ended March 31, 1998 as compared to the twelve month period ended March 31, 1997 as a result of changes in the New Jersey tax law as

described above, as well as higher pre-tax income.

Other Income and Expense, Net. Pre-tax other income and expense, net, increased approximately $1.8 million for the twelve-month period ended March 31, 1998 as compared with the 1997 period due to approximately $1.4 million of net equity earnings in TIC and the sale of certain property in the Southern Division. These increases were partially offset by lower dividend and interest income as a result of fewer marketable securities held.

Interest Expense. Interest expense increased by $1.9 million, or 10%, for the 1998 period as compared with the 1997 period primarily due to an increase in short-term interest expense resulting from higher average borrowings in the current period, as well as higher average long-term borrowings due to the drawdown of funds held for construction expenditures.

Regulatory Matters

In July 1997, the State of New Jersey enacted legislation that eliminated the gross receipts and franchise taxes effective January 1, 1998. These taxes were replaced with a 6% sales tax on sales of electricity and natural gas, a corporate business tax currently paid by all non-utility corporations in the State, and a third tax called the Transitional Energy Facilities Assessment tax (TEFA). The legislation was intended, in part, to provide comparability between utilities that pay gross receipts and franchise taxes and non-utility energy companies that do not. A key objective of this legislation was to maintain energy tax revenue neutrality in 1998, seeking to collect approximately the same amount in new taxes as collected with gross receipts and franchise taxes in 1997. The TEFA tax is scheduled to be phased out at a rate of approximately 20% per year starting in 1999. These tax changes are designed to have no effect on the Company's net income over a twelve-month period or on overall rates charged to customers, until the TEFA reductions occur, and should not have a material effect on working capital. The Company paid approximately $25 million of gross receipts and franchise taxes to the State in 1997.

See "Results of Operations" for a discussion of the effect of the new taxes in the 1998 periods.

On November 20, 1997, the Northern Division amended its July 31, 1997 proposal filed with the New Jersey Board of Public Utilities (NJBPU) to increase its annual purchased gas adjustment revenues by approximately $14.7 million and change the way it recovers gas supply costs from its different classes of customers. On January 23, 1998 the NJBPU issued an order approving an interim stipulation of the parties concerning a number of the Company's rates, including rates charged under the purchased gas adjustment clause. The interim stipulation also provided that the Company was required to propose a timetable for resolving issues related to offering transportation services to all customers, and the continuation of the Company's role as merchant and supplier of last resort. A final order by the NJBPU on the Company's amended proposal is expected in the third quarter.

Financing Activities and Resources

The Company had net cash provided by operating activities of $28.9 million for the six-month period ended March 31, 1998 as compared with net cash used in operating activities of $1.0 million for the six-month period ended March 31, 1997. This increase was primarily attributable to improved collections on receivables, additional collections of gas costs under the Company's purchased gas adjustment clauses, and lower prepaid expenses due to the change in the New Jersey tax law (see "Results of Operations"). In March 1997, the Company prepaid estimated New Jersey gross receipts and franchise taxes for the remainder of calendar 1997. Due to the change in the tax law, a similar payment was not required in 1998. For the twelve-month period ended March 31, 1998, the Company had net cash provided by operating activities of $70.4 million as compared with net cash used in operating activities of $21.6 million for the twelve-month period ended March 31, 1997. The increase in net cash provided by operating activities for the twelve-month period ended March 31, 1998 as compared to the twelve-month period ended March 31, 1997 was mainly attributable to the reasons given above for the six-month periods, as well as the timing of the 1996 New Jersey gross receipts and franchise tax payment which was made in April 1996.

Because the Company's business is highly seasonal, short-term debt is used to meet seasonal working capital requirements. The Company also borrows under its bank lines of credit to finance portions of its capital expenditures, pending refinancing through the issuance of equity or long-term indebtedness at a later date depending upon prevailing market conditions.

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $70.1 million at 6.0% for the six-month period ended March 31, 1998 and $66.3 million at 5.2% for the six-month period ended March 31, 1997. The weighted average daily amounts of notes payable to banks increased principally due to additional borrowings to finance portions of the Company's capital expenditures.

At March 31, 1998, the Company had outstanding notes payable to banks amounting to $47.1 million and available unused lines of credit amounting to $98.9 million.

Long-Term Debt and Funds for Construction Held by Trustee. In November 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission for an aggregate of up to $100 million of debt and equity securities. As of March 31, 1998, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement. While the Company has no present intention to issue additional securities subject to the shelf registration, such securities may be issued from time to time, depending upon the Company's needs and prevailing market conditions.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of March 31, 1998, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $15.8 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

The Company prepaid $54.6 million of its Gas Facilities Revenue Bonds in October 1997 with proceeds received in fiscal 1997 from a new bond issuance.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment plan, and other employee benefit plans. The proceeds from such issuances amounted to approximately $3.3 and $2.6 million for the six-month periods ended March 31, 1998 and 1997, respectively, and were used primarily to reduce outstanding short-term debt.

Dividends. On November 6, 1997, the Company increased its quarterly dividend to $0.245 per share of common stock. The previously quarterly rate was $0.235 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $54 million of cash dividends at March 31, 1998.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $26.7 million for the six-month period ended March 31, 1998 as compared with $23.4 million for the six-month period ended March 31, 1997. Capital expenditures are expected to be approximately $60 million for all of fiscal 1998, as compared with a total of $52.3 million in fiscal 1997.

The Company owns or previously owned six former manufactured gas plant (MGP) sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million,

CITY GAS CO OF FLORIDA
1999 CAPITAL BUDGET

	Miami	Brevard	Port St. L	Vero Beach	TOTAL
NEW MAINS	3,163,400	740,261	164,000	1,158,000	5,225,661
REPLACEMENT MAINS	616,660	90,000	94,400	72,000	873,060
NEW SERVICES	914,864	672,359	427,043	124,302	2,138,568
REPLACEMENT SERVICES	109,000	43,080	36,000	2,400	190,480
LINE SERVICES	0	0	0	0	0
METERS/REGULATORS	1,079,014	199,848	108,395	74,263	1,461,520
DISTRICT REGULATORS	68,672	21,456	9,000	54,000	153,128
PRODUCTION PLANT	0	0	0	0	0
GATE STATIONS	444,000	180,000	0	6,000	630,000
IMPROVEMENTS TO PROPERTY	76,500	4,000	0	24,000	104,500
EQUIPMENT AND TOOLS	170,310	16,440	22,700	4,000	213,450
ROW	0	0	0	0	0
LEASED VECHICLES	0	0	0	0	0
TOTAL-NORMAL PROJECTS	6,642,420	1,967,444	861,538	1,518,965	10,990,367
AFUDC	0	0	0	0	0
SPECIAL PROJECTS	225,000	3,000,000	0	0	3,225,000
CONTRIBUTIONS	0	0	0	0	0
TOTAL-OPERATIONS	6,867,420	4,967,444	861,538	1,518,965	14,215,367
NON-OPERATIONS	184,800	250,700	6,000	14,000	455,500
GRAND TOTAL	7,052,220	5,218,144	867,538	1,532,965	14,670,867

EXHIBIT B-2

which the Company expects it will expend in the next twenty years to remediate the Company's MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books. The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. The Company is able to recover actual MGP expenses over a rolling seven-year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. Approval by the NJBPU on this second RAC rate filing is expected in the third quarter. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $73 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 9 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The Company is scheduled to repay $20 million of Medium-Term Notes in August 2002.

Year 2000

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without provision for the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results which could result in an impact on NUI's operations and businesses and have a resulting adverse financial impact. The Company has undertaken a systems readiness program to mitigate the risks associated with the Year 2000 issue. This program is developed to identify any systems that are not presently Year 2000 compliant, and to replace or modify these systems. In addition, the Company is working with its suppliers on this issue to gain assurance that they are taking appropriate steps to mitigate Year 2000 problems in their systems and systems they support. The Company began this process in fiscal 1997 and anticipates completion during fiscal 1999, with a remaining estimated cost of approximately $2 million. Although the Company is endeavoring to ensure that the Year 2000 readiness program is comprehensive, it can make no assurance that the program will address all Year 2000 compliance issues in a timely manner.

PART II - OTHER INFORMATION

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

The following matters were presented for submission to a vote of

security holders through the solicitation of proxies or otherwise during the second quarter of fiscal 1998.

The Annual Meeting of Shareholders of NUI Corporation was held on January 27, 1998. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A and there was no solicitation in opposition to management's nominees. At the meeting, the shareholders elected directors, approved amendments to two of the Company's stock plans and ratified the appointment of independent public accountants.

The total votes were as follows:	For	Against or Withheld	Abstain
(1) Election of directors to serve for three-year terms:			
John Kean	11,098,714	256,829	
John Kean, Jr.	11,119,420	236,133	
Bernard S. Lee	11,121,448	234,105	
(2) Approval of amendment to the 1996 Stock Option and Award Plan	10,509,723	717,918	127,912
(3) Approval of amendment to the 1996 Employee Stock Purchase Plan	10,923,453	307,166	115,934
(4) Ratification of the appointment of Arthur Andersen LLP as independent public accountants	10,894,597	407,090	53,866

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit No.	Description of Exhibit	Reference
27	Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K

None

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.

NUI CORPORATION

May 15, 1998

JOHN KEAN, JR.
President and Chief
Executive Officer

May 15, 1998

A. MARK ABRAMOVIC
Senior Vice President and
Chief
Financial Officer

TYPE: EX-27
SEQUENCE: 2

ARTICLE: UT

PERIOD TYPE:	6-MOS	
FISCAL YEAR END:		SEP-30-1998
PERIOD END:		MAR-31-1998
BOOK VALUE:		PER-BOOK
TOTAL NET UTILITY PLANT:		510,131
OTHER PROPERTY AND INVEST:		45,731
TOTAL CURRENT ASSETS:		146,059
TOTAL DEFERRED CHARGES:		65,890
OTHER ASSETS:		0
TOTAL ASSETS:		767,811
COMMON:		0
CAPITAL SURPLUS PAID IN:		206,730
RETAINED EARNINGS:		35,629
TOTAL COMMON STOCKHOLDERS EQ:		238,570
PREFERRED MANDATORY:		0
PREFERRED:		0
LONG TERM DEBT NET:		229,084
SHORT TERM NOTES:		47,145
LONG TERM NOTES PAYABLE:		0
COMMERCIAL PAPER OBLIGATIONS:		0
LONG TERM DEBT CURRENT PORT:		0
PREFERRED STOCK CURRENT:		0
CAPITAL LEASE OBLIGATIONS:		9,044
LEASES CURRENT:		1,671
OTHER ITEMS CAPITAL AND LIAB:		242,297
TOT CAPITALIZATION AND LIAB:		767,811
GROSS OPERATING REVENUE:		494,736
INCOME TAX EXPENSE:		14,836
OTHER OPERATING EXPENSES:		448,756
TOTAL OPERATING EXPENSES:		463,232
OPERATING INCOME LOSS:		31,504
OTHER INCOME NET:		668
INCOME BEFORE INTEREST EXPEN:		32,172
TOTAL INTEREST EXPENSE:		9,688
NET INCOME:		22,484
PREFERRED STOCK DIVIDENDS:		0
EARNINGS AVAILABLE FOR COMM:		22,484
COMMON STOCK DIVIDENDS:		6,155
TOTAL INTEREST ON BONDS:		3,603
CASH FLOW OPERATIONS:		28,883
EPS PRIMARY:		1.80
EPS DILUTED:		1.80

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 1998

OR

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

For the transition period from ______________ to ____________________

Commission File Number 1-8353

NUI CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey	**22-1869941**
(State of incorporation)	(IRS employer identification no.)

550 Route 202-206, PO Box 760, Bedminster, New Jersey 07921-0760

(Address of principal executive offices, including zip code)

(908) 781-0500

(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 No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common stock, as of July 31, 1998: Common Stock, No Par Value: 12,677,087 shares outstanding.

NUI Corporation and Subsidiaries

Consolidated Statement of Income (Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended	Nine Months Ended	Twelve Months Ended

	June 30,		June 30,		June 30,	
	1998	1997	1998	1997	1998	1997
Operating Margins						
Operating revenues	$169,004	$125,175	$663,740	$481,120	$791,216	$559,372
Less - Purchased gas and fuel	130,299	83,575	497,723	309,910	589,736	357,678
Energy taxes	2,551	5,895	17,075	29,830	20,843	33,593
	36,154	35,705	148,942	141,380	180,637	168,101
Other Operating Expenses						
Operations and maintenance	23,511	22,071	72,297	69,515	98,058	93,419
Depreciation and amortization	6,326	5,811	19,401	17,087	25,346	22,052
Other taxes	2,568	1,967	7,515	6,934	9,770	8,897
Income taxes	(221)	357	14,255	11,909	11,639	8,845
	32,184	30,206	113,468	105,445	144,813	133,213
Operating Income	3,970	5,499	35,474	35,935	35,824	34,888
Other Income and (Expense), Net						
Equity in earnings of TIC Enterprises, LLC, net	42	562	150	562	922	562
Other	132	281	1,052	1,284	1,948	1,923
Income taxes	(61)	(295)	(421)	(646)	(1,005)	(891)
	113	548	781	1,200	1,865	1,594
Interest Expense	4,515	4,682	14,203	13,684	19,439	18,034
Net Income (Loss)	$ (432)	$ 1,365	$ 22,052	$ 23,451	$ 18,250	$ 18,448
Net Income (Loss) Per Share of Common Stock	$ (0.03)	$ 0.12	$ 1.76	$ 2.10	$ 1.49	$ 1.66
Dividends Per Share of Common Stock	$ 0.245	$ 0.235	$ 0.735	$ 0.705	$ 0.97	$ 0.93
Weighted Average Number of Shares of Common Stock Outstanding	12,654,101	11,292,773	12,556,940	11,193,400	12,276,789	11,122,876

NUI Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in thousands)

	June 30, 1998 (Unaudited)	September 30, 1997 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$722,540	$680,391
Accumulated depreciation and amortization	(232,753)	(218,895)
Unamortized plant acquisition adjustments	31,259	32,327
	521,046	493,823
Funds for Construction Held by Trustee	15,539	27,648
Investment in TIC Enterprises, LLC, net	24,080	26,069
Investments in Marketable Securities, at market	-	2,570
Other Investments	1,513	170
Current Assets		
Cash and cash equivalents	407	58,793
Accounts receivable (less allowance for doubtful accounts of		
$2,318 as of both dates)	73,715	64,499
Investments in marketable securities, at market	97	1,834
Fuel inventories, at average cost	22,237	31,068
Unrecovered purchased gas costs	4,667	9,602
Prepayments and other	40,730	22,953
	141,853	188,749
Other Assets		
Regulatory assets	52,125	54,607
Deferred charges and other	10,476	10,029
	62,601	64,636
	$766,632	$803,665
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$235,266	$218,291
Preferred stock	-	-
Long-term debt	229,091	229,069
	464,357	447,360
Capital Lease Obligations	8,615	9,679

Current Liabilities		
Notes payable to banks	59,466	54,428
Current portion of long-term debt	-	54,600
Current portion of capital lease obligations	1,657	1,587
Accounts payable, customer deposits and accrued liabilities	86,423	96,655
Federal income and other taxes	10,816	4,049
	158,362	211,319
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	64,226	62,391
Unamortized investment tax credits	5,835	6,171
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	31,256	32,764
	135,298	135,307
	$766,632	$803,665

NUI Corporation and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

(Dollars in thousands)

			Nine Months Ended June 30,		Twelve Months Ended June 30,	
			1998	1997	1998	1997
Operating Activities						
Net income			$ 22,052	$ 23,451	$ 18,250	$ 18,448
Adjustments to reconcile net income to net cash						
provided by operating activities:						
	Depreciation and amortization		20,154	18,340	25,854	24,257
	Deferred Federal income taxes		1,911	1,372	3,785	3,645
	Amortization of deferred investment tax credits		(336)	(348)	(452)	(464)
	Other		480	1,145	355	1,058
	Effect of changes in:					
		Accounts receivable, net	(9,216)	(21,858)	(8,269)	(14,266)
		Fuel inventories	8,831	9,517	(2,563)	(3,522)
		Accounts payable, deposits and accruals	(8,082)	10,997	9,054	14,174

Over (under) recovered purchased gas costs	4,935	312	2,009	(6,154)
Other	(10,472)	(608)	(19,571)	(5,141)
Net cash provided by operating activities	30,257	42,320	28,452	32,035
Financing Activities				
Proceeds from sales of common stock, net of				
treasury stock purchased	3,782	4,030	27,956	3,833
Dividends to shareholders	(9,252)	(7,886)	(11,941)	(10,334)
Proceeds from issuance of long-term debt	-	-	53,569	-
Funds for construction held by trustee, net	13,115	13,635	18,264	15,818
Repayments of long-term debt	(54,600)	(950)	(54,600)	(987)
Principal payments under capital lease obligations	(1,339)	(1,370)	(1,699)	(1,760)
Net short-term borrowings (repayments)	5,038	5,835	(1,264)	32,950
Net cash (used in) provided by financing activities	(43,256)	13,294	30,285	39,520
Investing Activities				
Cash expenditures for utility plant	(43,408)	(35,923)	(58,851)	(49,896)
Investment in TIC Enterprises, LLC	(11)	(22,000)	(595)	(22,000)
Other	(1,968)	641	(952)	(1,834)
Net cash used in investing activities	(45,387)	(57,282)	(60,398)	(73,730)
Net decrease in cash and cash equivalents	$ (58,386)	$ (1,668)	$ (1,661)	$ (2,175)
Cash and Cash Equivalents				
At beginning of period	$ 58,793	$ 3,736	$ 2,068	$ 4,243
At end of period	$ 407	$ 2,068	$ 407	$ 2,068
Supplemental Disclosures of Cash Flows				
Income taxes paid, net	$ 5,262	$ 3,909	$ 6,361	$ 4,552
Interest paid	$ 17,433	$ 15,165	$ 22,028	$ 15,691

NUI Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. It's utility operations distribute natural gas and provide related customer services in six states through its Northern and Southern divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas

(Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC.

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997. Certain reclassifications have been made to the prior year financial statements to conform with current year presentation.

The Company is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

2. Common Shareholders' Equity

The components of common shareholders' equity were as follows (dollars in thousands):

	June 30, 1998	**September 30, 1997**
Common stock, no par value	$ 207,243	$ 201,549
Shares held in treasury	(1,695)	(1,615)
Retained earnings	32,102	19,260
Unrealized gain on marketable securities	-	120
Unearned employee compensation	(2,384)	(1,023)
Total common shareholders' equity	$ 235,266	$ 218,291

3. Restructuring

On June 4, 1998, the Company announced a reorganization plan to better position itself in an increasingly competitive environment. The reorganization plan also included an early retirement program, which was accepted by 73 of the 77 eligible employees. In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", the Company will record a special termination charge associated with these retirements in the fourth quarter of fiscal 1998. In addition, as a result of the reorganization effort, the Company has displaced some of its existing employees. While the cost of the reorganization effort has not yet been finalized, it is estimated to be $10 to $12 million and will be recorded in the fourth quarter of fiscal 1998.

4. New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This statement establishes accounting and reporting standards regarding derivative instruments. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value as either an asset or liability, and that changes in the fair value be recognized currently in earnings unless certain criteria are met.

SFAS 133 is effective for fiscal years beginning after June 15, 1999. At this time, the Company has elected not to adopt SFAS 133 prior to its effective date. While the impact of adopting SFAS 133 has not yet been quantified, due to it's nature, there could be an impact on earnings when adopted.

During the first quarter of fiscal 1998, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). This statement superseded Accounting Principles Board Opinion No. 15, "Earnings per Share" and simplifies the computation of earnings per share. The adoption of SFAS 128 did not have an effect on the Company's calculation of earnings per share.

5. Contingencies

Environmental Matters. The Company is subject to federal and state laws with respect to water, air quality, solid waste disposal and employee health and safety matters, and to environmental regulations issued by the United States Environmental Protection Agency (EPA), the New Jersey Department of Environmental Protection (NJDEP) and other federal and state agencies.

The Company owns, or previously owned, certain properties on which manufactured gas plants (MGP) were operated by the Company or by other parties in the past. Coal tar residues are present on the six MGP sites located in the Northern Division. The Company has reported the presence of the six MGP sites to the EPA, the NJDEP and the New Jersey Board of Public Utilities (NJBPU). In 1991, the NJDEP issued an Administrative Consent Order for an MGP site located at South Street in Elizabeth, New Jersey, wherein the Company agreed to conduct a remedial investigation and to design and implement a remediation plan. In 1992 and 1993, the Company entered into a Memorandum of Agreement with the NJDEP for each of the other five Northern Division MGP sites. Pursuant to the terms and conditions of the Administrative Consent Order and the Memoranda of Agreement, the Company is conducting remedial activities at all six sites with oversight from the NJDEP.

The Southern Division owned ten former MGP facilities, only three of which it currently owns. The former MGP sites are located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland (the "Southern Division MGP sites"). The Company has joined with other North Carolina utilities to form the North Carolina Manufactured Gas Plant Group (the "MGP Group"). The MGP Group has entered into a Memorandum of Understanding with the North Carolina Department of Environment, Health and Natural Resources (NCDEHNR) to develop a uniform program and framework for the investigation and remediation of MGP sites in North Carolina. The Memorandum of Understanding contemplates that the actual investigation and remediation of specific sites will be addressed pursuant to Administrative Consent Orders between the NCDEHNR and the responsible parties. The NCDEHNR has recently sought the investigation and remediation of sites owned by members of the MGP Group and has entered into Administrative Consent Orders with respect to four such sites. None of these four sites are currently or were previously owned by the Company.

The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the Company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects to expend during the next twenty years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the Northern Division sites in accordance with a cost sharing agreement. Of this approximate $34 million reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial activities, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in additional possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books.

The Company's prudently incurred remediation costs for the Northern Division MGP sites have been authorized by the NJBPU to be recoverable in rates. The most recent base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of $130,000 annually of MGP related expenditures incurred prior to the rate order. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of June 30, 1998, reflecting the future recovery of environmental remediation liabilities related to the Northern Division MGP sites. The Company is able to recover actual MGP expenses over a rolling seven year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. On January 23, 1998 the NJBPU issued an order approving an interim stipulation concerning rate recovery of costs incurred under the second RAC filing. Final approval by the NJBPU on this matter is expected in the fourth quarter. The Company has also been successful in recovering a portion of MGP remediation costs incurred for the Northern Division from the Company's insurance carriers and continues to pursue additional recovery. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

Other. The Company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the Company's results of operations or its financial condition.

NUI Corporation and Subsidiaries

Summary Consolidated Operating Data

	Three Months Ended		Nine Months Ended		Twelve Months Ended	
	1997	1998	1997	1998	1997	1998
Operating Revenues (Dollars in thousands)						
Firm Sales:						
Residential	$34,553	$41,064	$174,977	$177,769	$198,965	$199,172
Commercial	14,399	20,623	81,097	92,849	94,482	105,995
Industrial	4,253	4,476	15,751	18,456	20,558	23,268
Interruptible Sales	9,983	11,224	36,023	41,946	49,921	54,329
Unregulated Sales	93,078	36,801	316,281	116,937	377,225	134,473
Transportation Services	8,177	7,097	26,502	21,996	33,123	27,432
Customer Service, Appliance Leasing and Other	4,561	3,890	13,109	11,167	16,942	14,703
	$169,004	$125,175	$663,740	$481,120	$791,216	$559,372
Gas Sold or Transported (MMcf)						
Firm Sales:						
Residential	3,377	3,922	19,848	20,968	21,836	23,163
Commercial	1,828	2,445	10,686	12,617	12,323	14,523
Industrial	1,007	1,086	3,450	3,798	4,471	4,835
Interruptible Sales	3,090	3,508	9,944	10,942	14,076	14,701
Unregulated Sales	38,836	17,102	120,695	41,407	142,107	47,852
Transportation Services	6,716	6,645	23,702	21,461	30,535	28,183
	54,854	34,708	188,325	111,193	225,348	133,257
Average Utility Customers Served						
Firm:						
Residential	339,146	335,884	338,848	335,892	337,849	334,697
Commercial	23,257	24,386	23,525	24,430	23,633	24,314
Industrial	276	299	278	310	282	317
Interruptible	105	120	111	122	113	117
Transportation	3,373	1,546	2,909	1,381	2,606	1,253
	366,157	362,235	365,671	362,135	364,483	360,698
Degree Days in New Jersey						
Actual	476	656	4,339	4,899	4,394	4,945
Normal	575	538	5,207	4,936	5,249	4,978
Percentage variance from normal	17%	22%	17%	1%	16%	1%
	warmer	colder	warmer	warmer	warmer	warmer
Employees (period end)					1,166	1,121

Ratio of Earnings to Fixed Charges (Twelve months only)						2.13	2.20

NUI Corporation and Subsidiaries

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

The following discussion and analysis refers to NUI Corporation and all of its operating divisions and subsidiaries (collectively referred to as the "Company"). The Company is a multi-state energy sales, services and distribution company. Its utility operations distribute natural gas in six states through its Northern and Southern divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania) and Waverly Gas (New York). The Company also provides retail gas sales and related services through its NUI Energy, Inc. subsidiary ("Energy"); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; customer information systems and services through its Utility Business Services, Inc. subsidiary ("UBS"); and sales and marketing outsourcing through its 49% equity interest in TIC Enterprises, LLC ("TIC"). Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

Results of Operations

The results for the 1998 periods as compared to the 1997 periods reflect changes in the New Jersey tax law which resulted in variations in certain line items on the consolidated statement of income (see "Regulatory Matters"). Effective January 1, 1998, New Jersey Gross Receipts and Franchise Taxes (GRAFT) were replaced by a combination of a New Jersey Sales and Use Tax (NJ Sales Tax), a New Jersey Corporate Business Tax (NJ CBT) and a temporary Transitional Energy Facility Assessment (NJ TEFA). In prior periods, GRAFT was recorded as a single line item in the reduction of operating margins. Effective January 1, 1998, NJ TEFA is recorded in the energy taxes line item as a reduction of operating margins, NJ CBT is recorded in the income taxes line item and NJ Sales Tax is recorded as a reduction of operating revenues. The legislation was designed to be net income neutral over a twelve-month period. However, for the three and nine-month periods ending June 30, 1998, the effect of the three new taxes as compared to the 1997 periods had the effect of reducing operating revenues by approximately $2.8 and $8.6 million, reducing energy taxes by approximately $3.3 and $10.3 million and increasing income tax expense by approximately $0.1 and $2.5 million, respectively. The net effect of the change in the tax law increased net income by approximately $0.3 million, or $.02 per share, in the three-month period ended June 30, 1998, and decreased net income by $0.5 million, or $.04 per share, for the nine-month period ended June 30, 1998, as compared to the prior year periods. The net effect of the change for the twelve-month period ending June 30, 1998 was equal to the effect of the change on nine-month period.

Three-Month Periods Ended June 30, 1998 and 1997

Net Income (Loss). Net loss for the three-month period ended June 30, 1998 was $0.4 million, or $0.03 per share, as compared with net income of $1.4 million, or $0.12 per share, for the three-month period ended June 30, 1997. The decrease in the current period was primarily the result of higher

operations and maintenance, depreciation, other taxes, and lower other income, partially offset by slightly higher margins.

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the gas commodity element of its revenues, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $43.8 million, or 35%, for the three-month period ended June 30, 1998 as compared with the three-month period ended June 30, 1997, principally due to an increase of approximately $56.3 million in unregulated revenues due to greater activity. This increase was partially offset by a decrease in the Company's utility operations primarily resulting from the effect of warmer weather in the 1998 period in all of the Company's service territories, mainly in New Jersey where it was 17% warmer than normal. Additionally, utility revenues decreased as a result of the tax law changes described above.

The Company's operating margins increased by $0.4 million, or 1%, for the three-month period ended June 30, 1998 as compared with the three-month period ended June 30, 1997. The Company's utility distribution margins reflected a decrease of approximately $0.1 million as increases due to customer growth, higher Energy Conservation Program rates in Florida and the effect of the change in the New Jersey tax law described above were offset by warmer weather in all of the Company's service territories. The Company's customer service operations increased by approximately $0.6 million as a result of customer additions by UBS, as well as increased equipment repair and contract service in New Jersey. Operating margins from the Company's energy sales and service operations showed a slight decrease mainly as a result of lower gas trading profits.

Other Operating Expenses. Operations and maintenance expenses increased by approximately $1.4 million, or 7%, for the three-month period ended June 30, 1998 as compared with the three-month period ended June 30, 1997. The increase was primarily as a result of higher expenses primarily relating to investments in the Company's unregulated operations, as well as the reversal of certain reserves in the prior year period which management determined to be no longer required. These increases were partially offset by a higher pension credit due to the investment performance of pension plan assets.

Depreciation and amortization expense increased by approximately $0.5 million primarily due to additional plant in service.

Income tax expense decreased by approximately $0.6 million as lower pre-tax income was partially offset by the change in the New Jersey tax law described above.

Other Income and (Expense), Net. Other income and expense, net decreased approximately $0.4 million for the three-month period ended June 30, 1998 as compared with the three-month period ended June 30, 1997, primarily due to lower net equity earnings from TIC, the fact that as the prior year reflected equity in TIC since the effective acquisition date of January 1, 1997. Additionally, the prior year reflected higher dividend income related to more marketable equity securities held, and a gain on the sale of leased property.

Interest Expense. Interest expense decreased by approximately $0.2 million for the three-month period ended June 30, 1998 as compared with the three-month period ended June 30, 1997. The decrease was primarily due to lower average short-term borrowings and lower average interest rates on long-term debt due to the refinancing of bonds in October 1997. These decreases were partially offset by drawdowns of construction funds which have the effect of lowering interest income on the funds held by the trustee.

Nine-Month Periods Ended June 30, 1998 and 1997

Net Income. Net income for the nine-month period ended June 30, 1998 was $22.1 million, or $1.76 per share, as compared with net income of $23.5 million, or $2.10 per share, for the nine-month period ended June 30, 1997. The decrease in the current period was primarily due to higher operations and maintenance, depreciation and interest expenses, and the effect on 1998 results of the New Jersey tax law changes described above. These increases were partially offset by higher margins.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.0 million additional shares in September 1997.

Operating Revenues and Operating Margins. The Company's operating revenues increased by $182.6 million, or 38%, for the nine-month period ended June 30, 1998 as compared with the nine-month period ended June 30, 1997. The increase was principally due to an increase of unregulated sales of approximately $199.3 million due to greater activity in these operations, customer growth and increased customer service and appliance leasing revenues. These increases were partially offset by the effect of warmer weather in the 1998 period in all of the Company's service territories, primarily in New Jersey where it was 17% warmer than normal, as well as the effect of the tax law changes described above.

The Company's operating margins increased by $7.6 million, or 5%, for the nine-month period ended June 30, 1998 as compared with the nine-month period ended June 30, 1997. The increase was primarily attributable to an increase of $6.1 million in the Company's utility distribution operations as a result of customer growth in all territories, the effects of changes in the New Jersey tax law described above, and an additional $1.5 million due to the effect of a change in the calculation of the New Jersey weather normalization clause. These increases were partially offset by the effect of warmer weather in all of the Company's service territories, primarily in New Jersey where it was 17% warmer than normal. On October 22, 1997, the New Jersey Board of Public Utilities (NJBPU) approved the Company's petition to revise its weather normalization clause to reflect an increase in the level of degree days used to determine margin revenue differences associated with variations between actual degree days within the months of October through April and the degree days that underlie the Company's base rates. The adjustment was necessitated by a change in instrumentation used to measure temperatures in the Company's service territory. The changes in the weather normalization clause calculation were effective October 1, 1996, but were not recorded by the Company until the fourth quarter of fiscal 1997. Operating margins increased in the customer service operations by approximately $1.9 million due to the effect of an increase in the appliance leasing rates in Florida, customer additions by UBS and increased customer service activity in New Jersey. Operating margins from the Company's unregulated operations decreased by approximately $0.1 million primarily due to lower gas trading profits. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by

decreasing amounts charged when weather has been colder than normal. As a result of weather normalization clauses, operating margins were approximately $5.6 million and $0.7 million higher in the 1998 and 1997 periods, respectively, than they would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased by approximately $2.8 million, or 4%, for the nine-month period ended June 30, 1998 as compared with the nine-month period ended June 30, 1998. The increase was primarily the result of higher expenses associated with the continued growth of the Company's unregulated operations plus the reversal of certain reserves in the prior year which management determined were no longer required. These increases were partially offset by a higher pension credit due to the investment performance of pension plan assets.

Depreciation and amortization increased approximately $2.3 million over the prior year period primarily due to additional plant in service.

Income tax expense increased by approximately $2.3 million as a result of the change in the New Jersey tax law described above, partially offset by lower pre-tax income.

Other Income and (Expense), Net. Other income and expense, net decreased approximately $0.4 million for the nine-month period ended June 30, 1998 as compared with the nine-month period ended June 30, 1997. The decrease was primarily due to lower results from TIC in the current year as a result of start-up costs related to the addition of new vendor partnerships.

Interest Expense. Interest expense increased by approximately $0.5 million for the nine-month period ended June 30, 1998 as compared with the nine-month period ended June 30, 1997. The increase was primarily due to higher average long-term borrowings as a result of the drawdown of funds for construction expenditures, partially offset by lower average rates on long-term debt due to the refinancing of bonds in October 1997. Drawdowns of construction funds have the effect of lowering interest income on the funds held by the trustee.

Twelve-Month Periods Ended June 30, 1998 and 1997

Net Income. Net income for the twelve-month period ended June 30, 1998 was $18.3 million, or $1.49 per share, as compared with $18.4 million, or $1.66 per share, for the twelve-month period ended June 30, 1997. The decrease in the current period was primarily due to higher operations and maintenance, depreciation and interest expenses, and the effect of the changes in the New Jersey tax law described above. These variances were partially offset by higher operating margins.

Net income per share for the twelve-month period ended June 30, 1998 as compared to the twelve-month period ended June 30, 1997 was affected by the increased number of outstanding shares of common stock reflecting the Company's issuances of 1.0 million additional shares in September 1997 and 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended June 30, 1998 increased approximately $231.8 million, or 41%, as compared with the twelve-month period ended June 30, 1997. The increase was primarily due to an increase in sales by the Company's unregulated operations of approximately $242.8 million, and increased customer service and appliance leasing revenues. These increases were partially offset by warmer weather in the current period in all of the Company's service territories, as well as the effect of the changes in the New Jersey tax law described above.

The Company's operating margins increased by $12.5 million, or 7%, for the twelve-month period ended June 30, 1998 as compared with the twelve-month period ended June 30, 1997. The increase reflects approximately $9.2 million of additional margins generated by the Company's utility distribution operations, approximately $2.5 million of additional margins generated by the Company's customer service and appliance leasing operations, and approximately $2.1 million of additional margins generated by the Company's unregulated operations. The increase in the Company's utility distribution operations was primarily due to customer growth, changes in the New Jersey tax law described above and the change in the calculation of the weather normalization clause in New Jersey. The increase in the customer service and appliance leasing operations was primarily due to the an increase in leasing rates in Florida, customer additions by UBS, and increased customer service activity in New Jersey. The increase in the unregulated operations was primarily due to increased activity as well as favorable market conditions in the quarter ended September 30, 1997. As a result of weather normalization clauses, operating margins were approximately $5.6 million and $0.7 million more in the 1998 and 1997 periods, respectively, than they would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased approximately $4.6 million, or 5%, for the twelve-month period ended June 30, 1998 as compared with the twelve-month period ended June 30, 1997. The increase was primarily the result of higher expenses related to the continued growth of the Company's unregulated operations, and the reversal of certain reserves in the prior year period that management determined were no longer required. These increases were partially offset by a higher pension credit due to the investment performance of pension plan assets.

Depreciation and amortization expense increased by approximately $3.3 million over the prior year period primarily as a result of additional plant in service.

Income taxes increased by approximately $2.8 million over the prior year period due primarily to the changes in the New Jersey tax law described above.

Interest Expense. Interest expense increased by $1.4 million for the 1998 period as compared with the 1997 period. The increase was primarily due to the higher average long-term borrowings as a result of the drawdown of funds for construction expenditures, partially offset by lower average rates on long-term debt due to the refinancing of bonds in October 1997. Drawdowns of construction funds have the effect of lowering interest income on the funds held by the trustee.

Regulatory Matters

In July 1997, the State of New Jersey enacted legislation that eliminated the gross receipts and franchise taxes effective January 1, 1998. These taxes were replaced with a 6% sales tax on sales of electricity and natural gas, a corporate business tax currently paid by all corporations in the State, and the NJ TEFA. The legislation was intended, in part, to provide comparability between utilities that paid gross receipts and franchise taxes and non-utility energy companies that did not. A key objective of this legislation was to maintain energy tax revenue neutrality in 1998. The NJ TEFA tax is scheduled to be phased out at a rate of approximately 20% per year starting in 1999. These tax changes are designed to have no effect on the Company's net income over a twelve-month period or on overall rates charged to customers, until the NJ TEFA reductions occur, and should not have a material effect on working capital. The Company paid approximately $25 million of gross receipts and franchise taxes to the State in 1997. See "Results of Operations" for a discussion of the effect of the new taxes in the 1998 periods.

On November 20, 1997, the Northern Division amended its July 31, 1997 proposal filed with the

NJBPU to increase its annual purchased gas adjustment revenues by approximately $14.7 million and change the way it recovers gas supply costs from its different classes of customers. On January 23, 1998 the NJBPU issued an order approving an interim stipulation of the parties concerning a number of the Company's rates, including rates charged under the purchased gas adjustment clause. The interim stipulation also provided that the Company was required to propose a timetable for resolving issues related to offering transportation services to all customers, and the continuation of the Company's role as merchant and supplier of last resort. A final order by the NJBPU on the Company's amended proposal is expected in the fourth quarter.

Financing Activities and Resources

The Company had net cash provided by operating activities of $30.3 million for the nine-month period ended June 30, 1998 as compared with $42.3 million for the nine-month period ended June 30, 1997. The decrease was primarily due to more timely payments of accounts payable and accruals in the current year, partially offset by better collections on receivables and additional collections of gas costs under the Company's purchased gas adjustment clauses. For the twelve-month period ended June 30, 1998, the Company had net cash provided by operating activities of $28.5 million as compared with $32.0 million for the twelve-month period ended June 30, 1997. The decrease was primarily due to the same reasons described for the nine-month period.

Because the Company's business is highly seasonal, short-term debt is used to meet seasonal working capital requirements. The Company also borrows under its bank lines of credit to finance portions of its capital expenditures, pending refinancing through the issuance of equity or long-term indebtedness at a later date depending upon prevailing market conditions.

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $63.4 million at 5.8% for the nine-month period ended June 30, 1998 and $64.4 million at 5.3% for the nine-month period ended June 30, 1997. At June 30, 1998, the Company had outstanding notes payable to banks amounting to $59.5 million and available unused lines of credit amounting to $86.5 million.

Long-Term Debt and Funds for Construction Held by Trustee. In November 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission for an aggregate of up to $100 million of debt and equity securities. As of June 30, 1998, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement. While the Company has no present intention to issue additional securities subject to the shelf registration, such securities may be issued from time to time, depending upon the Company's needs and prevailing market conditions.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of June 30, 1998, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $10.7 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

The Company prepaid $54.6 million of its Gas Facilities Revenue Bonds in October 1997 with proceeds received in fiscal 1997 from a new bond issuance.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment plan, and other employee benefit plans. The proceeds from such issuances amounted to approximately $3.9 and $4.0 million for the nine-month periods

ended June 30, 1998 and 1997, respectively, and were used primarily to reduce outstanding short-term debt. Effective May 26, 1998 several of these plans commenced purchasing shares on the open market to fulfill the plans' requirements. Under the terms of these plans, the Company may periodically change the method of purchasing from open market purchases to purchases directly from the Company, or vice versa.

Dividends. On November 6, 1997, the Company increased its quarterly dividend to $0.245 per share of common stock. The previous quarterly rate was $0.235 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $50.7 million of cash dividends at June 30, 1998.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $43.8 million for the nine-month period ended June 30, 1998 as compared with $35.9 million for the nine-month period ended June 30, 1997. Capital expenditures are expected to be approximately $60 million for fiscal 1998, as compared with a total of $52.3 million in fiscal 1997.

The Company owns or previously owned six former MGP sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next twenty years to remediate the Company's MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books. The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. The Company is able to recover actual MGP expenses over a rolling seven-year period through its MGP Remediation Adjustment Clause (RAC). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company submitted a second RAC rate filing to the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. On January 23, 1998 the NJBPU issued an order approving an interim stipulation concerning rate recovery of costs incurred under the second RAC filing. Final approval by the NJBPU on this matter is expected in the fourth quarter. With respect to costs which may be associated with the Southern Division MGP sites, the

Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $74 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 9 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The Company is scheduled to repay $20 million of Medium-Term Notes in August 2002.

Year 2000

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without provision for the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results which could result in an impact on NUI's operations and businesses and have a resulting adverse financial impact. The Company has undertaken a systems readiness program to mitigate the risks associated with the Year 2000 issue. This program was developed to identify any systems that are not presently Year 2000 compliant, and to replace or modify these systems. In addition, the Company is working with its suppliers on this issue to gain assurance that they are taking appropriate steps to mitigate Year 2000 problems in their systems and systems they support. The Company began this process in fiscal 1997 and anticipates completion during fiscal 1999, with a remaining estimated cost of approximately $2 million. Although the Company is endeavoring to ensure that the Year 2000 readiness program is comprehensive, it can make no assurance that the program will address all Year 2000 compliance issues in a timely manner.

PART II - OTHER INFORMATION

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

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit No.

27

Description of Exhibit Reference

Financial Data Schedule Filed herewith

(b) Reports on Form 8-K

None

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.

	NUI CORPORATION
August 14, 1998	JOHN KEAN, JR. President and Chief Executive Officer A. MARK ABRAMOVIC
August 14, 1998	Senior Vice President and Chief Financial Officer

EXHIBIT B-1: **Estimated Projected Sources and Uses of Funds for NUI for the Twelve Months Ended September 30, 1999.**

NUI CORPORATION
ESTIMATED CONSOLIDATED SOURCES AND USES OF FUNDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1999
(dollars in thousands)

Exhibit B-1

SOURCES OF FUNDS	
NET INCOME	$ 23,450
DEPRECIATION AND AMORTIZATION	29,800
CONSTRUCTION FUNDS, NET	15,000
PROCEEDS FROM SALE OF COMMON STOCK	550
DEFERRED FEDERAL INCOME TAXES	3,200
OTHER NON-CASH CHARGES TO INCOME	1,000
	73,000
USES OF FUNDS	
CAPITAL EXPENDITURES	(57,000)
DIVIDENDS TO SHAREHOLDERS	(13,000)
REPAYMENTS OF CAPITAL LEASES	(1,700)
WORKING CAPITAL CHANGES	(20,000)
AMORTIZATION OF ITC	(450)
OTHER	(2,000)
	(94,150)
NET BORROWINGS	$ (21,150)

EXHIBIT B-2: **Estimated Construction Spending for City Gas Company of Florida for the Twelve Months Ended September 30, 1999.**