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July 22, 1999

VIA HAND DELIVERY

990956-GU

RECEIVED-FPSC
99 JUL 23 AM 9:5?
RECORDS AND REPORTING

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

Enclosed for filing are six signed originals, each with a set of documentary attachments, of an application to issue securities prepared 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,

Mallory Gayle Holm

Mallory Gayle Holm

c: Mary Patricia Keefe, Esq.
[via facsimile w/o encl.]

J 127982

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DOCUMENT NUMBER-DATE
08725 JUL 23 99
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of City Gas Company of Florida, (a Division of NUI Corporation) to issue and sell securities during the twelve months ending August 30, 2000	)	DOCKET NO. 990956-GU FILED: 7/23/99

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 August 31, 1999 and ending August 30, 2000. 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. Date and Place of Incorporation: NUI was incorporated in 1969 under the laws of New Jersey. City Gas, a public utility since 1960, is engaged in the distribution of natural gas to approximately 100,000 customers in Brevard, Broward, Dade, St. Lucie and Indian River Counties, and is an operating division of NUI. City Gas owns approximately

2,700 miles of steel and plastic mains for the distribution 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. In addition, City Gas operates an office and service center in Rockledge, Florida, and offices in Port St. Lucie and Vero Beach, Florida.

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

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

Michael A. Palecki
Manager, Regulatory Affairs
NUI Corporation
PMB 110-M
3111-20 Mahan Dr
Tallahassee, fl 32308

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 1, 1999.

(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. 12,812,095 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. 121,406 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 1, 1999.

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

(i) 8.35% Medium Term Notes. Series A, due February, 1,2006; $50,000,000 outstanding.

(ii) 7.13% 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, 2004; $20,000,000 outstanding;

(iv) New Jersey Economic Development Authority Bonds, 5.70% due June 1, 2032, $54,600,000 outstanding; Variable Rate due June 1, 2026, $39,000,000 outstanding; 6.35% due October 1, 2022, $46,500,000 outstanding; 5.25% due November 1, 2033, $40,000,000 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.

(i) 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 May 31, 1999, the total unexpended portion held in trust, including interest thereon, was $10,157,630.

(ii) NUI has deposited in trust the unexpended portion of the net proceeds of the 5.25% New Jersey Economic Development Authority Bonds, until drawn on for eligible expenditures. As of May 31, 1999, the total unexpended portion held in trust, including interest thereon, was $33,130,489.

5. Statement of Proposed Transactions.

(a), (b) and (c) Kind and Nature of Securities; Maximum Principal Amount Amount; Dividend and/or Interest Rate(s); NUI intends to issue Preferred Stock in an amount up to $40,000,000 if market conditions are favorable. NUI does not plan to issue debt securities. Based on current rates in the market, NUI estimates a dividend rate of 8.50% on Preferred Stock. NUI may issue up to 500,000 shares of equity securities for employee benefit plans, incentive compensation plans, continuous investment plans offered to shareholders throughout the year and general corporate purposes.

6. Purposes of Issues: The Preferred Stock for which NUI seeks issuance authority would be used to reduce the amount of short-term debt currently outstanding.

7. Facts Supporting Legality, Necessity, or Appropriateness: 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 issuance of 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 applicant's 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:	General Counsel:
Daniel D. Richardson, Esq. LeBoeuf, Lamb, Greene & MacRae 50 N. Laura Street Suite 2800 Jacksonville, Fl 32202	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 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 NW, Washington, DC 20549.

10. There is no measure of control or ownership exercised by or over the company 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, 1998 and Form 10Q for the Quarter Ended December 31, 1998, and March 31, 1999).

Exhibit B-1: Estimated Projected Sources and Uses of Funds for NUI for the Twelve Months Ended September 30, 2000.

Exhibit B-2: Estimated Construction Spending for City Gas Company of Florida for the Twelve Months Ended September 30, 2000.

WHEREFORE, City Gas Company of Florida, a division of NUI Corporation, requests the Commission to enter an Order authorizing NUI to issue and sell securities in amounts not to exceed $40 million, during the Period August 31, 1999 – August 30, 2000. 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, LLP
50 N. Laura Street, Suite 2800
Jacksonville, FL 32202
Tel. (904) 630-5342
Fax (904) 353-1670
Attorney for the Applicant

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CERTIFICATION

I, Patricia Helfer, certify the following:

1. I am Controller for NUI Corporation and I am authorized to make this Certification.

2. I have reviewed the foregoing Petition and the information contained herein is true to the best of my knowledge, information and belief.

PATRICIA HELFER
CONTROLLER
NUI CORPORATION

<u>EXHIBIT "A"</u>

Financial statements of NUI

Form 10K for the Fiscal Year Ended September 30, 1998,
Form 10Q for the Quarter Ended December 31, 1998,
Form 10 Q for the Quarter Ended March 31, 1999.

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, 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, 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 11,901,584 shares of common stock held by non-affiliates of the registrant calculated using the $24.3125 per share closing price on November 30, 1998 was $289,357,261.

The number of shares outstanding for each of the registrant's classes of common stock, as of November 30, 1998:

Common Stock, No Par Value: 12,656,781 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 28, 1998.

NUI Corporation

Annual Report on Form 10-K For The Fiscal Year Ended September 30, 1998

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NUI Corporation

Annual Report on Form 10-K for the Fiscal Year Ended September 30, 1998

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 366,000 customers in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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; energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations systems and services through its Utility Business Services, 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 number of utility customers served. The Company's primary business is its utility operations, which serve approximately 366,000 customers, of which 67% are in New Jersey and 33% are in other states. Most of the Company's utility customers are residential and commercial customers who purchase gas primarily for space heating. The Company's operating revenues for fiscal 1998 amounted to approximately $828 million, of which 36% was generated by utility operations in New Jersey, 13% was generated by utility operations in other states and 51% by the Company's unregulated activities. Gas volumes sold or transported in fiscal 1998 amounted to 245.7 million Mcf, of which approximately 26% was sold or transported in New Jersey, 7% was sold or transported in other states and 67% 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

Elizabethtown Gas. The Company, through Elizabethtown Gas (Elizabethtown), provides gas service to approximately 244,000 customers in franchised territories within seven counties in central and northwestern New Jersey. Elizabethtown's 1,300 square-mile service territory has a total population of approximately 950,000. Most of the state'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.

Elizabethtown'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)

	1998	1997	1996
Firm Sales:			
Residential	18,299	19,485	20,862
Commercial	7,587	9,333	11,337
Industrial	3,903	4,085	4,709
Interruptible Sales	11,927	12,886	11,885
Unregulated Sales	17,124	14,753	7,062
Transportation Sales	23,367	22,510	19,793
Total	82,207	83,052	75,648

Utility Customers Served (twelve-month average)

	1998	1997	1996
Firm Sales:			
Residential - Heating	168,475	165,305	162,156
Residential - Non-heating	56,358	57,380	58,558
Commercial	15,907	16,922	17,232
Industrial	229	262	291
Interruptible Sales	72	72	72
Transportation Services	2,773	1,373	600
Total	243,814	241,314	238,909

Gas volumes sold to the Company's firm customers are sensitive to the weather in New Jersey. In fiscal 1998, the weather in New Jersey was 17% warmer than normal and 9% warmer than the prior year. Additionally, weather in fiscal 1997 was 4% warmer than normal and 11% warmer than fiscal 1996. While the effect of the warm weather has caused sales of gas to decline, Elizabethtown'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 weather normalization clauses, operating margins were approximately $5.6 million and $2.0 million higher in fiscals 1998 and 1997, respectively, than they would have been without such clauses. 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.

In response to proposed new energy legislation in New Jersey, the Company recently filed a proposed residential transportation program to allow customers to contract with third-party suppliers by September 2001. Action by the New Jersey Board of Public Utilities (NJBPU) on this proposal is anticipated in early 1999.

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, 1998, 2,930 commercial sales customers had switched to transportation-only service under the new tariff. The commercial sales market continues to grow. In fiscal 1998, 673 schools and businesses converted to gas heating systems with the Company or switched from interruptible service to commercial firm service.

The Company's industrial customers also have the ability to utilize transportation service and purchase their gas from other suppliers. The rate charged to transportation customers remains regulated as to price and returns. Tariffs for transportation service have 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.

Elizabethtown'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 reduced, effective May 12, 1997, from 90% of interruptible sales margins and 95% of transportation margins.

The Company provides gas sales and transportation services comprising 20% 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 1998, sales and transportation of gas to this customer accounted for approximately 7% 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 fiscals 1998, 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 15% of the margins realized from these sales. This percentage was decreased from 20% effective August 20, 1998. The percentage of these margins that is not retained is used to reduce gas costs charged to firm customers.

City Gas Company of Florida. City Gas Company of Florida (City Gas) is the second largest natural gas utility in Florida, supplying gas to over 98,000 customers in Dade and Broward Counties in south Florida, and in Brevard, Indian River and St. Lucie Counties in central Florida. City Gas' service areas cover approximately 3,000 square miles and have a population of approximately 1.7 million.

City Gas' 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)

	1998	1997	1996
Firm Sales:			
Residential	1,880	1,850	2,130
Commercial	3,572	3,944	4,096
Interruptible Sales	461	1,162	1,259
Unregulated Sales	5,956	4,124	1,779
Transportation Sales	3,388	2,277	908
Total	15,257	13,357	10,172

Utility Customers Served (twelve-month average)

	1998	1997	1996
Firm Sales:			
Residential	93,227	92,724	92,179
Commercial	4,748	4,706	4,629
Interruptible Sales	10	16	19
Transportation Services	125	51	36
Total	98,110	97,497	96,863

City Gas' 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 has slowed in fiscal 1998 and 1997, as build-out commitments from prior years expansions in the south Florida service areas were concluded. On March 31, 1998, City Gas purchased a city-owned and operated propane distribution system from Port St. Lucie. The system was converted to natural gas during the year and added 1,200 residential homes and one major commercial property. The volume from the residential market in fiscal 1996 benefited from cooler weather in Central Florida than experienced in fiscals 1998 and 1997.

City Gas' 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.

City Gas' industrial customers and certain commercial customers, are served under tariffs applicable to "interruptible" customers. Unlike Elizabethtown, City Gas' 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. City Gas' 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 City Gas' 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. The Company, through North Carolina Gas, provides gas service to approximately 13,800 customers in Rockingham and Stokes Counties in North Carolina, which territories comprise approximately 560 square miles. During fiscal 1998, North Carolina Gas sold or transported approximately 4.4 million Mcf of gas as follows: 18% sold to residential customers, 11% sold to commercial customers, 20% sold to industrial customers on system, 13% sold to industrial customers through unregulated off-system sales, and 38% 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 3,800 customers in franchised territories comprising approximately 14 square miles within Cecil County, Maryland. During fiscal 1998, Elkton sold approximately 761,000 Mcf of gas as follows: 24% sold to residential customers, 20% sold to commercial customers and 56% sold to industrial customers.

Valley Cities Gas Service ("VCGS") and Waverly Gas Service ("WGS"). VCGS and WGS provide gas service to approximately 6,200 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 1998, VCGS and WGS sold or transported approximately 3.9 million Mcf of gas as follows: 13% sold to residential customers, 7% sold to commercial customers, 3% sold to industrial customers on system, 16% sold to industrial customers through unregulated sales off-system, and 61% 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 1998 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 1998, the Company's largest single supplier accounted for approximately 10% 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 deliver, on a firm year-round basis, of up to 93.7 million Mcf of natural gas annually with a maximum of approximately 277,000 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 seven suppliers, including one interstate pipeline company, three gas marketers and three independent producers. Under these contracts, the Company has a right to purchase, on a firm year-round basis, up to 36 million Mcf of natural gas annually with a maximum of approximately 98,600 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 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 has an LNG storage and vaporization facility in New Jersey for handling peak gas demand. It has a daily delivery capacity of 29,800 Mcf and storage capacity of 131,000 Mcf.

The Company's maximum daily sendout in fiscal 1998 was approximately 348,500 Mcf in New Jersey and 77,900 Mcf in the other service territories combined. The Company maintains sufficient gas supply and delivery capacity for a maximum daily sendout capacity for New Jersey of approximately 402,500 Mcf and approximately 121,300 Mcf for the other service territories 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 $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 nine 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 distributes gas through approximately 6,100 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 New Jersey. 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 New Jersey reflect a rate case that was settled in October 1991, under which the Company obtained a weather normalization clause - see "Elizabethtown Gas". In December 1994, the NJBPU authorized new tariffs which are designed to provide for unbundling of natural gas transportation and sales services for Elizabethtown's 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 7.9%. 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. (NUI Energy) provides retail gas sales and related services to unbundled retail commercial and industrial customers. NUI Energy's operating margins were $2.5 million in fiscal 1998 as compared with $2.4 million in fiscal 1997 and $1.1 million in fiscal 1996. However, expenses related to the growth of this operation have resulted in net losses in each of these years. In an effort to increase efficiencies in the operation, during fiscal 1998, NUI Energy sold its contracts with 833 non-strategic commercial accounts outside of the Company's utility distribution service territories. These volumes have been replaced by sales to a single commercial aggregator in these same non-strategic areas.

NUI Energy Brokers, Inc. (NUI Energy Brokers) was formed in 1996 to provide the wholesale energy trading, brokering, and risk management activities of the Company. NUI Energy Brokers trades physical natural gas in four geographic regions: the Northeast, Southeast, Gulf Coast, and Mid Continent. In addition, NUI Energy Brokers trades futures and options contracts on the New York Mercantile Exchange. The risk associated with trading activities is closely monitored on a daily basis and controlled in accordance with the Company's Risk Management Policy. 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 NUI Energy Brokers are likely to be more volatile than the Company's utility distribution business. NUI Energy Brokers generated margins of $2.8 million in fiscal 1998, $3.6 million in fiscal 1997 and $1.6 million in fiscal 1996.

Utility Business Services, Inc. (UBS) provides customer information systems and geographic information system services to investor-owned and municipal utilities, as well as third-party providers in the gas, water and wastewater markets. WINS, the premiere customer information system developed and maintained by UBS, is presently serving almost 20 clients with state-of-the-art capabilities in support of almost 600,000 customers. In addition to generating over three million bills each year, UBS assists clients in allied areas such as automatic meter reading, payment processing, and account recovery. Geographic information services are currently provided to nine clients.

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. On December 23, 1998, NUI Environmental was selected from a group of sixteen firms that responded to a request for proposal by the State of New Jersey to participate in a Sediment Decontamination Demonstration Project designed to identify new technologies for the productive dredging of the harbor. NUI Environmental must demonstrate the effectiveness of its technology through the pilot scale project, in which it must treat 200 gallons of dredged material from the harbor. If successful in the pilot program, NUI Environmental will contract with the State of New Jersey to treat between 30,000 and 150,000 cubic yards of material.

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 (see Note 2 of the Notes to the Consolidated Financial Statements).

NUI Energy Solutions, Inc. (NUI Energy Solutions) was formed by the Company in fiscal 1998 to provide energy management and consulting services to existing and new customers. NUI Energy Solutions realized success in 1998, primarily through its project of converting a New Jersey State corrections facility to gas, resulting in a contract for NUI Energy Solutions to modify their boilers and a seven year contract to supply gas commodity. Additionally, during the year, NUI Energy Solutions was selected by Union County in New Jersey for a seven year contract to be the County's exclusive energy manager. Due to start-up costs associated with this business, NUI Energy Solutions recorded a loss in fiscal 1998.

Persons Employed

As of September 30, 1998, the Company employed 1,081 persons, of which 296 employees in New Jersey were represented by the Utility Workers Union of America (Local 424), 93 employees in Florida (Locals 769 and 385) and 17 employees in Pennsylvania (Local 529) were represented by the Teamsters Union, and 44 employees in North Carolina were represented by the International Brotherhood of Electrical Workers (Local 2291). The current collective bargaining agreement with the New Jersey union was negotiated effective December 10, 1998 and expires on November 20, 2001. The North Carolina union collective bargaining agreement was negotiated on August 20, 1998, and expires on August 20, 2001. The collective bargaining agreement in Pennsylvania was negotiated on November 30, 1997 and expires on September 30, 1999. The collective bargaining agreement in Florida was negotiated on March 31, 1998 and expires on March 31, 2001.

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", several of the Company's operating divisions have 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. To this end, the Company has undertaken substantial measures to reorganize itself to prepare for the competitive challenges of the deregulated energy services market. During fiscal 1998, each of the major service lines of the Company were established as separate business units. This is expected to provide several benefits, including focusing management efforts on potential growth opportunities in its core business, and streamlining the management structure of the Company. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Competition and Outlook" for a discussion of these actions.

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.

Item 2. Properties

The Company owns approximately 6,114 miles 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 properties include office buildings in Hialeah and Rockledge, Florida that serve as the principal operating offices for the Florida operations; and office buildings in both Reidsville, North Carolina and Sayre, Pennsylvania that 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.

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 1998.

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 price range per share of NUI common stock for the two years ended September 30, 1998 were as follows:

	Quarterly Cash Dividend	Price Range High	Price Range Low
Fiscal 1998:			
First Quarter	$0.245	$29.625	$21.375
Second Quarter	0.245	28.625	25.188
Third Quarter	0.245	29.438	23.313
Fourth Quarter	0.245	25.938	20.313
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

There were 6,425 shareholders of record of NUI common stock at November 30, 1998.

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.

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 was permitted to pay $38 million of cash dividends at September 30, 1998.

Item 6. Selected Financial Data

Selected Consolidated Financial Data
(in thousands, except per share amounts)

	Fiscal Years Ended September 30,				
	1998	1997	1996	1995	1994
Operating Revenues	$828,036	$608,596	$469,499	$376,884	$405,240
Net Income	$12,314	$19,649	$14,896	$5,517	$10,780
Net Income Per Share	$0.98	$1.75	$1.52	$0.60	$1.25
Dividends Paid Per Share	$0.98	$0.94	$0.90	$0.90	$1.60
Total Assets	$776,847	$803,665	$677,662	$610,165	$601,648
Capital Lease Obligations	$8,566	$9,679	$10,503	$11,114	$11,932
Long-Term Debt	$229,098	$229,069	$230,100	$222,060	$160,928
Common Shareholders' Equity	$222,992	$218,291	$179,107	$140,912	$142,768
Common Shares Outstanding	12,680	12,429	11,086	9,201	9,157

Notes to the Selected Consolidated Financial Data:
Net Income for fiscal 1998 includes restructuring and other non-recurring charges amounting to $5.9 million (after tax), or $0.47 per share.

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,				
	1998	1997	1996	1995	1994
Operating Revenues (Dollars in thousands)					
Firm Sales:					
Residential	$198,072	$201,757	$194,332	$173,395	$191,297
Commercial	91,970	106,234	107,067	98,541	110,574
Industrial	19,684	23,263	25,321	20,083	25,809
Interruptible Sales	45,594	55,844	50,539	48,282	53,077
Unregulated Sales	421,751	177,881	55,678	7,498	1,426
Transportation Services	33,338	28,617	23,085	17,696	13,273
Customer Service, Appliance Leasing and Other	17,627	15,000	13,477	11,389	9,784
	$828,036	$608,596	$469,499	$376,884	$405,240
Gas Sold or Transported (MMcf)					
Firm Sales:					
Residential	21,771	22,956	24,810	21,276	22,558
Commercial	12,076	14,254	16,575	15,455	16,175
Industrial	4,463	4,819	5,407	5,217	5,323
Interruptible Sales	13,183	15,074	16,003	18,365	16,024
Unregulated Sales	163,418	62,819	17,804	3,398	689
Transportation Services	30,831	28,294	25,051	22,154	17,290
	245,742	148,216	105,650	85,865	78,059
Average Utility Customers Served					
Firm Sales:					
Residential	338,958	335,632	332,440	328,644	312,515
Commercial	23,407	24,312	24,484	24,519	22,638
Industrial	275	306	338	430	382
Interruptible Sales	111	121	120	118	101
Transportation Services	2,948	1,460	668	184	137
	365,699	361,831	358,050	353,895	335,773
Degree Days in New Jersey	4,356	4,772	5,343	4,333	4,944
Employees (year end)	1,081	1,126	1,086	1,079	1,186
Ratio of Earnings to Fixed Charges	1.85	2.11	2.00	1.37	1.66

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. It's utility operations distribute natural gas and related services in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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 (NUI Energy); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary (NUI Energy Brokers); energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations 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).

Results of Operations

The results for the 1998 fiscal year as compared to 1997 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 (Sales Tax), a New Jersey Corporate Business Tax (CBT) and a temporary Transitional Energy Facilities Assessment (TEFA). In prior periods, GRAFT was recorded as a single line item as a reduction of operating margins. Effective January 1, 1998, TEFA is recorded in the energy taxes line item as a reduction of operating margins, CBT is recorded in the income taxes line item and 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 variations of certain line items on the consolidated statement of income for fiscal 1998 as compared to fiscal 1997 and fiscal 1996 exist. The three new taxes had the effect of reducing operating revenues by approximately $9.9 million, reducing energy taxes by approximately $11.8 million and increasing income tax expense by approximately $1.9 million.

Fiscal Years Ended September 30, 1998 and 1997

Net Income. Net income for fiscal 1998 was $12.3 million, or $.98 per share, as compared with net income of $19.6 million, or $1.75 per share in fiscal 1997. The decrease in the current year was primarily due to after-tax non-recurring charges of approximately $5.9 million, or $.47 per share, associated with the restructuring of operations, an early retirement program and other workforce reductions (see Note 3 of the Notes to the Consolidated Financial Statements). Absent these non-recurring charges, net income would have been $18.2 million, or $1.45 per share. The decrease in recurring earnings was mainly attributed to higher depreciation, other taxes and lower other income, partially offset by higher operating margins.

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 Company's issuance of 1.0 million additional shares in September 1997 (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 regulated operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $219.4 million, or 36%, in fiscal 1998 as compared with fiscal 1997. The increase was principally due to an increase in unregulated sales of approximately $244.4 million mainly due to increased operations by NUI Energy Brokers, customer growth and increased customer service and appliance leasing revenues. These increases were partially offset by the effect of warmer weather in 1998 in all of the Company's service territories, primarily in New Jersey where it was 17% warmer than normal and 9% warmer than the prior year, as well as the effect of the tax law changes previously described.

The Company's operating margins increased by $6.9 million, or 4%, in fiscal 1998 as compared with fiscal 1997. The increase was primarily attributable to an increase of approximately $5.2 million in the Company's utility distribution operations as a result of customer growth and the effects of changes in the New Jersey tax law previously described. These increases were partially offset by the effect of warmer weather in fiscal 1998 in all of the Company's service territories, part of which was not fully recovered from customers under weather normalization clauses. 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 $2.0 million higher in fiscal 1998 and 1997, respectively, than they would have been without such clauses. Operating margins increased in the customer service operations by approximately $2.4 million due to customer additions by UBS, an increase in the appliance leasing rates in Florida and increased customer service activity in New Jersey. Operating margins from the Company's unregulated operations decreased by approximately $0.8 million primarily due to a lack of market volatility, which negatively impacted margins, and lower off-system sales associated with warm temperatures of the past winter.

Other Operating Expenses. Operations and maintenance expenses increased by approximately $1.2 million, or 1%, in fiscal 1998 as compared with fiscal 1997. The increase was primarily due to expenses associated with the continued growth of the Company's unregulated operations. These increases were partially offset by a higher pension credit due to the investment performance of pension plan assets.

The Company incurred approximately $9.7 million of non-recurring charges in the fourth quarter of fiscal 1998 associated with the restructuring of the Company's operations, an early retirement program for non-bargaining unit personnel and other workforce reductions (see Note 3 of the Notes to the Consolidated Financial Statements).

Depreciation and amortization increased approximately $1.9 million in fiscal 1998 as compared to the prior year, primarily due to additional plant in service.

The increase in other general taxes of approximately $0.5 million was primarily due to higher payroll-related taxes as a result of a higher average number of employees in fiscal 1998 as compared to fiscal 1997.

Income tax expense decreased by approximately $1.0 million in fiscal 1998 as compared to fiscal 1997 as a result of lower pre-tax income, partially offset by the change in the New Jersey tax law noted above.

Other Income and (Expense), Net. Other income and expense, net, decreased by approximately $1.5 million in fiscal 1998 as compared to fiscal 1997. The decrease was primarily due to the lower results from TIC in the current year as a result of additional investments made by TIC in 1998 to grow its sales programs and increase its product lines. Additionally, the prior year results reflected a pre-tax gain of approximately $0.7 million from the sale of certain property in Florida.

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 1997 was primarily due to higher margins and other income, partially offset by higher operations and maintenance, depreciation, general taxes and interest expenses.

Net income per share in 1997 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 increased by $139.1 million, or 30%, in fiscal 1997 as compared with fiscal 1996. The increase was principally due to approximately $122.2 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 4% warmer than normal and 11% warmer than the prior year.

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. 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 1996 period 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 certain property in Florida, which resulted in a gain of approximately $0.7 million.

Regulatory Matters

On August 20, 1998, the New Jersey Board of Public Utilities (NJBPU) approved the Company's petition to increase its annual purchased gas revenues in New Jersey by $9 million. Additionally, the Company was authorized to retain 15% of margins from utility off-system sales and capacity release credits. The Company previously retained 20% of margins from these items.

The Company has recently filed a petition with the NJBPU to continue its existing purchased gas adjustment rate through September 30, 1999. The Company has also recently filed a proposed residential transportation program to allow customers to contract with third-party suppliers by September 2001. Action on both of these proposals is anticipated in early 1999.

In July 1997, the State of New Jersey enacted legislation which eliminated the current 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, that is, 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 over five years. A 13% reduction is expected 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 $27 million to the State for these taxes in 1998.

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%.

Financing Activities and Resources

The Company's net cash provided by operating activities was $20.9 million in fiscal 1998, $40.5 million in fiscal 1997 and $22.5 million in fiscal 1996. The decrease in fiscal 1998 as compared with fiscal 1997 was primarily due to the timing of payments to gas suppliers, as well as the timing of payments relating to energy taxes. 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.

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 $66.8 million at 5.7% in fiscal 1998, $66.0 million at 5.5% in fiscal 1997 and $39.9 million at 5.6% in fiscal 1996. The weighted average daily amounts of notes payable to banks increased in fiscal 1997 as compared to fiscal 1996 principally due to borrowings to initially finance the Company's acquisition of the 49% interest in TIC (see Common Stock), and additional borrowings to finance portions of the Company's construction expenditures.

At September 30, 1998, the Company had outstanding notes payable to banks amounting to $87.6 million and available unused lines of credit amounting to $58.4 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, 1998, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement. The Company currently anticipates issuing additional securities subject to the shelf registration in the Spring of 1999.

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, 1998 and 1997, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $7.1 million and $23.8 million, respectively, and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

The Company plans to issue approximately $40 million of tax-exempt Gas Facilities Revenue Bonds in the first quarter of fiscal 1999. Proceeds from the bonds will be deposited in trust and drawn upon to finance certain New Jersey construction expenditures.

Common Stock. On September 25, 1997, the Company issued an additional 1.0 million shares of 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 1.8 million shares of 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 $4.0 million, $5.7 million and $0.3 million in fiscal 1998, 1997 and 1996, 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 shares from open market purchases to purchases directly from the Company, or vice versa. The increase in proceeds received in fiscal 1998 and 1997 as compared to fiscal 1996 reflects that the plans commenced purchasing shares directly from the Company in October 1996.

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 $38 million of cash dividends at September 30, 1998.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $60.9 million in fiscal 1998, $52.3 million in fiscal 1997 and $37.1 million in fiscal 1996. The increases in fiscal 1998 and 1997 were primarily the result of planned capital investment related to providing gas or transportation service to new customers, 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 $59 million in fiscal 1999.

The Company owns or previously owned six former MGP sites in the state of New Jersey and ten former MGP sites in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. 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 New Jersey MGP sites and approximately $4 million relates to the MGP sites located outside New Jersey. 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 this reserve by an amount that could range up to an additional $24 million and be incurred during a future period of time that may range up to 50 years. Of this $24 million in possible additional expenditures, approximately $12 million relates to the New Jersey sites and approximately $12 million relates to the remaining MGP sites. As compared with the $34 million reserve currently recorded on the Company's books as 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 New Jersey MGP sites will be recoverable in rates or from insurance carriers. In New Jersey, the Company is currently recovering environmental costs on an annual basis through base rates and over a rolling seven-year period through its MGP Remediation Adjustment Clause. As a result, the Company has begun rate recovery of approximately $4.4 million of environmental costs incurred through June 30, 1997. Recovery of an additional $0.9 million in environmental costs incurred between July 1, 1997 and June 30, 1998 is currently pending NJBPU approval. With respect to costs which may be associated with the MGP sites located outside the state of New Jersey, 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 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 nine billion cubic feet (Bcf) 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). The Company is scheduled to repay $20 million of Medium-Term Notes in August 2002.

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 limited liability company, for a purchase price of $22.0 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 limited liability company will continue the business previously conducted by TIC Enterprises, Inc. 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. The excess of the purchase price over the Company's share of the underlying equity in net assets of TIC is approximately $20.6 million, and is being amortized on a straight line basis over a 25-year period.

Market Risk Exposure

The Company's wholesale trading subsidiary, NUI Energy Brokers, uses derivatives for multiple purposes: 1) to hedge price commitments and minimize the risk of fluctuating gas prices, 2) to take advantage of market information and opportunities in the marketplace, and 3) to fulfill its trading strategies and, therefore, ensure favorable prices and margins. These derivative instruments include forwards, futures, options, and swaps.

The risk associated with uncovered derivative positions is closely monitored on a daily basis, and controlled in accordance with NUI Energy Brokers' Risk Management Policy. This policy has been approved by the Company's Board of Directors and dictates policies and procedures for all trading activities. The policy defines both value-at-risk (VaR) and loss limits, and all traders are required to read and follow this policy. At the end of each day, all trading positions are marked to market and a VaR is calculated. This information, as well as the status of all limits, is disseminated to senior management daily.

Energy Brokers utilizes the variance/covariance VaR methodology. Using a 95% confidence interval and a one day time horizon, as of September 30, 1998, NUI Energy Brokers' VaR was $185,000.

Year 2000

Many existing computer programs and systems with embedded digital microcontrollers, use only two digits to identify a year in the date field, or were not designed in other ways to provide for the upcoming change in the century. If not corrected, many systems that use digital technology could fail or create errors that may result in a significant adverse impact on NUI's ability to provide service, its regulatory relations and financial condition.

NUI has developed a Risk Mitigation Plan (the Plan) as an internal guide to its systems readiness program. The purpose of the program is to mitigate the risks associated with Year 2000 technology issues. The Plan includes the following phases: (i) development of a detailed inventory of all information technology (IT) and non-IT systems that incorporate any technology component including embedded microprocessors and microcontrollers (Inventory Phase); (ii) assessment of those systems for Year 2000 vulnerability (Assessment Phase); (iii) remediation of the affected systems (Remediation Phase); and (iv) testing of sub-systems, hardware, operating and application software running as integrated systems (Testing Phase). In addition, the Plan requires (v) an analysis of the risk of system failure and the consequences of failure in order to focus testing resources and prioritization of resources under contingency plans (Risk Analysis). The Inventory, Assessment and the Risk Analysis Phases include material direct third-party suppliers and vendors. The final phase is (vi) contingency planning, which is described below.

Under the Plan, NUI has established an executive level Year 2000 Committee (the Committee) to monitor the Company's Year 2000 progress. This Committee is chaired by NUI's Chief Operating Officer and includes the senior managers of all NUI's business units, the Chief Administrative Officer, General Counsel and Secretary and the Vice President of Corporate Development and Treasurer. The Committee receives monthly reports from a project coordinator and team. Members of the team are responsible for NUI gas distribution system controls, computer hardware, operating and communication systems, and for critical suppliers. The Chairman of the Committee is scheduled to report to NUI's Board of Directors on Year 2000 issues on a periodic basis.

All major billing, field service, networked information technology and gas distribution control and monitoring systems have been inventoried. Substantial completion of detailed inventorying of known material systems with embedded microcontrollers comprising environmental and support systems, such as telephone systems, heating and air conditioning, and backup electric generating systems are currently scheduled for completion by the end of February 1999.

Assessment of financial and field service systems is substantially complete, and assessment of the natural gas distribution control and monitoring systems is nearly complete. The Assessment Phase is currently scheduled for substantial completion by February 1999.

Other than the hand-held meter reading units, all known hardware and operating systems that handle billing and field service, and which required remediation, have been replaced. The remediation of IT systems developed by NUI is nearly complete. NUI's billing systems in Pennsylvania and North Carolina are currently scheduled to be replaced by March 1999. NUI's financial systems will be upgraded to a new version of third-party supplied software, which is currently scheduled for completion in September 1999. Hand-held meter-reading units will be replaced and certain telephone systems may require remediation that is scheduled for completion by the end of March 1999. Any other remediation will be reviewed as and when the need arises.

Individual programs are generally being tested on a stand-alone basis as they are remediated. However, suites of programs must be tested as entire systems, running on remediated hardware and operating systems. Completion of such integrated testing for billing and field service software is currently planned for the end of February 1999. Integrated testing of other systems is scheduled for completion by the end of September 1999.
The Risk Analysis Phase involved NUI assigning priority ratings to each of its major systems, based on both the risk of the systems' failure and the potential consequences to the underlying business. This was without taking into account alternatives available under contingency planning. Systems supporting business processes which might affect human safety were assigned the highest rating.

NUI's systems and customers are vulnerable to systems operated by third-parties that may not be Year 2000 ready. NUI has identified its critical direct suppliers and vendors. These include, at the very highest level of importance, interstate pipeline suppliers, telecommunications carriers, and electric suppliers. Interstate pipeline suppliers must appropriately schedule and control gas supplies to NUI's own distribution systems. Telecommunications carriers' digital circuits are used to control and monitor NUI's gas distribution system with voice circuits as emergency backup and for customers' reporting of emergencies. Electricity supplies are critical to NUI's customers for natural gas heating equipment and industrial process control.

NUI is assessing the Year 2000 readiness of its critical suppliers and the substantial portion of the assessment work will occur throughout 1999. Assessment of third party systems is currently scheduled to be substantially complete by June 1999. NUI will continue to work with these suppliers through 1999 to gain greater assurance that appropriate steps are being taken to ensure security of supply and the continued accurate exchange of critical data. Any remediation and contingency planning will be reviewed and determined based on the results of such third-party assessment.

The total estimated costs of assessing, remediating and testing NUI's systems for Year 2000 compliance is approximately $3.3 million, of which approximately $1.8 million has been incurred through September 30, 1998. Approximately 50% of these costs will relate to capital projects. The Company has, and will continue, to fund these costs from the operations of the Company. These estimated costs do not include any third-party remediation that may be required, or any resulting contingency planning.

Customers are dependent on NUI's reliable and secure gas supply, emergency response and billing services. Each of these services relies on the Company's computer systems. A failure in these systems could materially interrupt the normal flow of these services and significantly impact human safety and physical property and have a significant adverse financial impact on NUI, its customers and suppliers. NUI and third-party critical suppliers are also interdependent, and failure of third-party suppliers to be Year 2000 ready could significantly impact the Company's ability to serve its customers. Third-party systems have yet to be reviewed and NUI has not ascertained a reasonably likely worst case scenario. Due to the general uncertainty of the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-parties, the Company is unable to determine at this time whether the consequences of year 2000 failures will have a material impact on the Company's results of operations or financial condition. The Plan is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and the readiness of third-parties. The Company believes that due to its Plan, the likelihood of major consequences should be reduced.

Contingency plans will be developed as necessary for the Company's own systems and its third-party relationships, in response to its assessments, remediation and testing activities. Contingency planning is currently scheduled to be completed by June 1999.

Competition and Outlook

The Company has undertaken substantial measures to reorganize itself to prepare for the competitive challenges of the deregulated energy services market. During fiscal year 1998, each of the major service lines of the Company were established as separate business units. This is expected to provide several benefits, including focusing management efforts on potential growth opportunities in its core businesses, and streamlining the management structure of the Company. The Company believes that by restructuring, it is also anticipating changes that will be mandated by legislation and regulation in the future.

The Company's core business operations are organized under three primary lines of business: Distribution Services, Customer Services, and Energy Sales and Services. In addition, the Company owns an interest in TIC (see Purchase of Interest in TIC Enterprises, LLC). The outlook for each is discussed below.

Distribution Services

Distribution Services is the primary business of the Company, defined as the distribution, and/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 growth opportunities in its distribution business. Almost half of the planned capital investment of $59 million in fiscal 1999 is related to providing gas and/or transportation service to new customers. While the Company is confident that these fiscal 1999 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 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 and the FPSC. In these states, while the sale of the gas commodity to commercial and industrial customers is now 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, states will begin to unbundle these services for residential customers as well.

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, 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, through its UBS subsidiary, provides customer account management services and field operations systems and services for utility companies.

The Company intends to implement several measures, including the use of new communications technology and scheduling methods, to improve the response time to customer appliance service requests. The Company believes that it can succeed in providing competitive appliance services by focusing on high quality service, thereby maximizing the value of its relationships with its customers. There are, however, several large, well capitalized competitors in the Company's market area. These competitors include neighboring utilities and large retail service chains.

The Company's UBS subsidiary focuses on providing high quality customer account management and field operations services primarily to small-to-medium sized utility companies and municipalities. These customers typically find UBS' services more affordable than those of its larger competitors, while providing comparable quality for their needs.

Energy Sales and Services

The Company's primary operations in Energy Sales and Services are composed of three business lines. The Company's subsidiary, NUI Energy, markets gas service to unbundled retail commercial and industrial customers.

NUI Energy Brokers performs wholesale sales and brokering of energy, primarily to utilities and energy marketing companies. NUI Energy Brokers also is the provider of energy to the Company's retail marketing subsidiary, NUI Energy. 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 NUI Energy Brokers are likely to be more volatile than the Company's distribution business (see Market Risk Exposure).

The third business line within Energy Sales and Services is 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.

TIC Enterprises, LLC

TIC provides outsourced sales and sales management services to companies that need efficient access to the small-to-medium sized business market across the United States. TIC's growing sales partnerships with several major companies reflect a trend toward outsourcing in American business, which NUI expects to capitalize on through its investment in TIC. TIC will also allow NUI to offer a wide range of telecommunications services and office equipment in addition to energy. NUI expects that TIC will also be an asset 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.

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.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company cautions that, while it believes such statements to be reasonable and are made in good faith, such forward-looking statements almost always vary from actual results, and the differences between assumptions made in making such statements and actual results can be material, depending upon the circumstances. Factors, which may make the actual results differ from anticipated results include, but are not limited to, economic conditions; unforeseen competition; weather conditions; fluctuations in the price of natural gas and other forms of energy; the outcome of certain assumptions made in regard to Year 2000 issues; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, investors should not rely upon these forward-looking statements in making investment decisions.

Item 8. Financial Statements and Supplementary Data

Consolidated financial statements of the Company as of September 30, 1998 and 1997 and for each of the three years in the period ended September 30, 1998, the auditors' report thereon, and the unaudited quarterly financial data for the two-year period ended September 30, 1998, 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 28, 1998.

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 28, 1998.

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 28, 1998.

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 28, 1998.

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, 1998 and 1997 and for each of the three years in the period ended September 30, 1998 and the auditors' report thereon, and the unaudited quarterly financial data for the two-year period ended September 30, 1998 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 1998, 1997 and 1996 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	Incorporated by reference to Exhibit 3(ii) of NUI's Form 10-K Report for Fiscal 1997
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	Incorporated by reference to Exhibit 10(ii) of NUI's Form 10-K Report for Fiscal 1997
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

Exhibit No.	Description	Reference
10(vii)	Service Agreement by and among Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1998)	Incorporated by reference to Exhibit 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)	Incorporated by reference to Exhibit 10(x) of NUI's Form 10-K Report for Fiscal 1997
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	Incorporated by reference to Exhibit 10(xii) of NUI's Form 10-K Report for Fiscal 1997
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

Exhibit No.	Description	Reference
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(xxxiii) 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	Incorporated by reference to Exhibit 10(xxvi) of NUI's Form 10-K Report for Fiscal 1997
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

Exhibit No.	Description	Reference
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)	Incorporated by reference to Exhibit 10(xliii) of NUI's Form 10-K Report for Fiscal 1997
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)	Incorporated by reference to Exhibit 10(xliv) of NUI's Form 10-K Report for Fiscal 1997

Exhibit No.	Description	Reference
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)	Incorporated by reference to Exhibit 10(xlv) of NUI's Form 10-K Report for Fiscal 1997
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)	Incorporated by reference to Exhibit 10(xlvi) of NUI's Form 10-K Report for Fiscal 1997
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)	Incorporated by reference to Exhibit 10(xlvii) of NUI's Form 10-K Report for Fiscal 1997
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)	Incorporated by reference to Exhibit 10(xlviii) of NUI's Form 10-K Report for Fiscal 1997
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

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

Consolidated Financial Statements of NUI Corporation and Subsidiaries:

Financial Statement Schedule of NUI Corporation and Subsidiaries:

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, 1998 and 1997, and the related consolidated statements of income, cash flows and shareholders' equity, for each of the three years in the period ended September 30, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1998, 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 10, 1998

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

	Years Ended September 30,		
	1998	1997	1996
Operating Margins			
Operating revenues	$828,036	$608,596	$469,499
Less- Purchased gas and fuel	629,221	401,923	268,123
Energy taxes	18,852	33,598	36,624
	179,963	173,075	164,752
Other Operating Expenses			
Operations and maintenance	96,506	95,276	94,350
Depreciation and amortization	24,952	23,032	21,289
Restructuring and other non-recurring charges	9,686	--	--
Other taxes	9,733	9,189	8,433
Income taxes	8,307	9,293	7,807
	149,184	136,790	131,879
Operating Income	30,779	36,285	32,873
Other Income and Expense, Net			
Equity in Earnings (Losses) of TIC Enterprises, LLC, net	(56)	1,334	--
Other	1,207	2,180	897
Income taxes	(403)	(1,230)	(337)
	748	2,284	560
Interest Expense	19,213	18,920	18,537
Net Income	$12,314	$19,649	$14,896
Net Income Per Share of Common Stock	$ .98	$ 1.75	$ 1.52
Dividends Per Share of Common Stock	$ .98	$ .94	$ .90
Weighted Average Number of Shares of Common Stock Outstanding	12,584,335	11,253,513	9,819,431

See the notes to the consolidated financial statements.

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

	September 30, 1998	September 30, 1997
ASSETS		
Utility Plant		
Utility plant, at original cost	$737,323	$680,391
Accumulated depreciation and amortization	(234,484)	(218,895)
Unamortized plant acquisition adjustments, net	30,904	32,327
	533,743	493,823
Funds for Construction Held by Trustee	12,254	27,648
Investment in TIC Enterprises, LLC	23,874	26,069
Investments in Marketable Securities, at market	-	2,570
Other Investments	1,687	170
Current Assets		
Cash and cash equivalents	929	58,793
Accounts receivable (less allowance for doubtful accounts of $1,714 in 1998 and $2,318 in 1997)	62,673	64,499
Fuel inventories, at average cost	34,937	31,068
Unrecovered purchased gas costs	8,061	9,602
Prepayments and other	37,790	24,787
	144,390	188,749
Other Assets		
Regulatory assets	50,475	54,607
Deferred assets	10,424	10,029
	60,899	64,636
	$776,847	$803,665
CAPITALIZATION AND LIABILITIES		
Capitalization (See accompanying statements)		
Common shareholders' equity	$222,992	$218,291
Preferred stock	--	--
Long-term debt	229,098	229,069
	452,090	447,360
Capital Lease Obligations	8,566	9,679
Current Liabilities		
Notes payable to banks	87,630	54,428
Current portion of long-term debt	—	54,600
Current portion of capital lease obligations	1,810	1,587
Accounts payable, customer deposits and accrued liabilities	87,158	96,655
Federal income and other taxes	5,635	4,049
	182,233	211,319
Other Liabilities		
Deferred Federal income taxes	62,519	62,391
Unamortized investment tax credits	5,710	6,171
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	31,748	32,764
	133,958	135,307
	$776,847	$803,665

See the notes to the consolidated financial statements.

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

	Years Ended September 30,		
	1998	1997	1996
Operating Activities			
Net Income	$12,314	$19,649	$14,896
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	26,050	24,040	22,315
Deferred Federal income taxes	357	3,246	7,569
Non-cash portion of restructuring charges	7,301	-	-
Amortization of deferred investment tax credits	(461)	(464)	(467)
Other	1,743	1,020	4,617
Effects of changes in:			
Accounts receivable, net	1,826	(20,911)	(13,371)
Fuel inventories	(3,869)	(1,877)	(1,562)
Accounts payable, deposits and accruals	(7,347)	28,133	8,310
Over (under) recovered purchased gas costs	1,541	(2,614)	(11,882)
Other	(18,604)	(9,707)	(7,895)
Net cash provided by operating activities	20,851	40,515	22,530
Financing Activities			
Proceeds from sales of common stock, net of treasury stock purchased	3,658	28,204	31,371
Dividends to shareholders	(12,311)	(10,575)	(8,700)
Proceeds from issuance of long-term debt	--	53,569	39,000
Funds for construction held by trustee, net	16,670	18,784	(29,049)
Repayments of long-term debt	(54,600)	(950)	(30,138)
Principal payments under capital lease obligations	(1,792)	(1,730)	(1,829)
Net short-term borrowings (repayments)	33,202	(467)	16,960
Net cash (used for) provided by financing activities	(15,173)	86,835	17,615
Investing Activities			
Cash expenditures for utility plant	(59,969)	(51,366)	(37,053)
Investment in TIC Enterprises, LLC	-	(22,584)	--
Other	(3,573)	1,657	(2,957)
Net cash (used for) investing activities	(63,542)	(72,293)	(40,010)
Net Increase (Decrease) in Cash and Cash Equivalents	$(57,864)	$55,057	$ 135
Cash and Cash Equivalents			
At beginning of period	$ 58,793	$ 3,736	$ 3,601
At end of period	$ 929	$58,793	$ 3,736
Supplemental Disclosures of Cash Flows			
Income taxes paid (refunds received), net	$ 6,482	$ 5,008	$ 2,612
Interest paid	$ 22,094	$19,760	$18,654

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Capitalization
(Dollars in thousands)

	September 30,	
	1998	1997
Long-Term Debt		
Gas facilities revenue bonds		
6.625% due October 1, 2021	$ --	$ 8,400
6.75% due October 1, 2021	--	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	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
	230,100	284,700
Current portion of long-term debt	--	(54,600)
Unamortized debt discount	(1,002)	(1,031)
	229,098	229,069
Preferred Stock, 5,000,000 shares authorized; none issued	--	--
Common Shareholders' Equity		
Common Stock, no par value; shares authorized: 30,000,000; shares outstanding: 12,680,398 in 1998 and 12,428,952 in 1997	207,356	201,549
Shares held in treasury: 106,739 shares in 1998 and 98,475 shares in 1997	(1,932)	(1,615)
Retained earnings	19,263	19,260
Valuation of marketable securities	--	120
Unearned employee compensation	(1,695)	(1,023)
	222,992	218,291
Total Capitalization	$452,090	$447,360

* The total unexpended portions of the net proceeds from these bonds, amounting to $7.1 million and $23.8 million as of September 30, 1998 and September 30, 1997, 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)

	Shares Outstanding	Common Stock Paid-in Amount	Held in Treasury	Retained Earnings	Unrealized Gain (Loss)-Marketable Securities	Unearned Employee Compensation	Total
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 issued*	259,710	5,807					5,807
Treasury stock transactions	(8,264)		(317)				(317)
Net income				12,314			12,314
Cash dividends				(12,311)			(12,311)
Unrealized (loss)					(120)		(120)
Unearned compensation						(672)	(672)
Balance, September 30, 1998	12,680,398	$207,356	$ (1,932)	$ 19,263	$ -	$ (1,695)	$222,992

* *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 utility operations distribute natural gas and related services in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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 (NUI Energy); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary (NUI Energy Brokers); energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations 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 fiscal 1998, fiscal 1997, and fiscal 1996. 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 30 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.

Environmental Reserve. 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.

Stock Compensation. The Company follows the accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its employee stock based compensation. The Company has elected to adopt the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123), which requires proforma disclosure of the effect of adopting the accounting under SFAS 123. If the Company had adopted SFAS 123, there would not have been a material effect on the results of operation or financial position.

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, 1998 and 1997 (in thousands):

	1998	1997
Regulatory Assets		
Environmental investigation and remediation costs	$34,686	$34,217
Unrecovered gas costs	2,265	7,091
Postretirement and other employee benefits	12,515	10,041
Deferred piping allowances	2,108	2,512
Other	753	746
	$52,327	$54,607
Regulatory Liabilities		
Net overcollection of income taxes	$4,986	$5,250
Refunds to customers	2,478	2,442
Other	302	272
	$7,766	$7,964

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.

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. 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.

New Accounting Standards. In June 1997, the Financial Accounting Standards Board (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.

In June 1998, the FASB 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 its nature, there could be an impact on earnings when adopted.

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 limited liability company (LLC), for a purchase price of $22.0 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 limited liability company is continuing the business previously conducted by TIC Enterprises, Inc. 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. The excess of the purchase price over the Company's share of the underlying equity in net assets of TIC was approximately $20.6 million, and is being amortized on a straight line basis over a 25-year period.

3. Restructuring and Other Non-Recurring Charges

In the current year, the Company incurred approximately $9.7 million of pre-tax, non-recurring charges related to the restructuring of its operations, an early retirement program for non-bargaining unit personnel and other workforce reductions.

In June 1998, the Company offered an early retirement program to its non-bargaining unit personnel. The program was accepted by 74 of the eligible 77 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 $7.3 million. In addition, the Company recorded approximately $1.5 million of other benefit expenses associated with these employees and approximately $0.9 million of other charges associated with the restructuring of the Company.

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 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, 1998 and 1997, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $7.1 million and $23.8 million, respectively, and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

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

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 1.0 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 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 shares from open market purchases to purchases directly from the Company, or vice versa.

At September 30, 1998, shares reserved for issuance under the Company's common stock plans were: NUI Direct, 62,855; Savings and Investment Plan, 122,135; 1996 Stock Option and Stock Award Plan, 414,307; 1996 Employee Stock Purchase Plan, 147,615; and the 1996 Director Stock Purchase Plan, 29,978.

Stock Plans. The Company's Board of Directors believes that the interests of both directors and management 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 1998, 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.

Restricted shares of stock granted as long-term compensation for executive officers and key employees amounted to 74,600 in fiscal 1998, 69,800 in fiscal 1997 and 65,113 shares in fiscal 1996. As of September 30, 1998, a total of 128,313 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. As of September 30, 1998 there were 5,000 options outstanding and exercisable at a price of $17.625 per share. During fiscal 1998, 4,800 options were exercised at a price of $15.77 per share. There were no other transactions during the last three fiscal years.

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 was permitted to pay approximately $38 million of cash dividends at September 30, 1998.

5. Notes Payable to Banks

At September 30, 1998, the Company's outstanding notes payable to banks were $87.6 million with a combined weighted average interest rate of 5.8%. Unused lines of credit at September 30, 1998 were approximately $58.4 million.

The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $66.8 million at 5.7% in fiscal 1998, $66.0 million at 5.5% in fiscal 1997 and $39.9 million at 5.6% in fiscal 1996.

6. Leases

Utility plant held under capital leases amounted to $24.6 million at September 30, 1998 and $22.9 million at September 30, 1997, with related accumulated amortization of $14.3 million and $12.5 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):

1999	$ 2,526
2000	7,345
2001	672
2002	527
2003	172
2004 and thereafter	-
Total future minimum payments	11,242
Amount representing interest	(866)
Current portion of capital lease obligations	(1,810)
Capital lease obligations	$8,566

Minimum payments under noncancelable operating leases, which relate principally to office space, are approximately $3.0 million in fiscal 1999, and $3.3 million in each of fiscal years 2000 through 2003.

Rents charged to operations expense were $6.1 million in fiscal 1998, $5.7 million in fiscal 1997, and $5.3 million in fiscal 1996.

7. Financial Instruments

Derivatives. The Company's wholesale trading subsidiary, NUI Energy Brokers, utilizes the following financial instruments to provide competitive energy supplies and enhance the Company's profitability: forward contracts, which commit the Company to purchase or sell physical 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; and futures and options contracts, bought on the New York Mercantile Exchange (NYMEX), to buy or sell natural gas at a fixed price in the future.

NUI Energy Brokers accounts for its risk management activities by marking to market all trading positions, and calculating a value-at-risk, on a daily basis. The values used for these calculations reflect NYMEX settlement prices, established pricing models, and quoted market volatilities. The Company manages open positions with a strict Risk Management Policy that limits its exposure to market risk and requires that any breach of policy be reported to senior management.

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, 1998, NUI Energy Brokers' futures positions consisted of 5,262 long contracts and 4,466 short contracts at prices ranging from $1.88 to $2.87 per Mcf, none of which extend beyond February 2001, representing 97,280 MMcf of natural gas. In addition, NUI Energy Brokers has forward sales and purchase commitments associated with contracts totaling approximately 174,000 MMcf of natural gas, with terms extending through August 2002. Margin deposits with brokers were approximately $5.5 million at September 30, 1998. Net realized and unrealized gains on derivative trading for fiscal 1998 and 1997 were $2.8 and $2.4 million, respectively, which has been included in income.

During fiscal 1998, the Company's retail sales subsidiary, NUI Energy, made some use of derivatives to hedge its sales contracts. However, at September 30, 1998, NUI Energy had no unrealized derivatives positions in its portfolio. NUI Energy no longer uses derivatives and will always have a balanced portfolio, and therefore no market risk exposure.

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

Other Financial Instruments. 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 $19 and $11 million as of September 30, 1998 and 1997, respectively. 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):

	1998	1997	1996
Currently payable -			
Federal	$6,747	$7,205	$ 647
State	2,166	595	244
Deferred -			
Federal	357	3,246	7,569
State	(99)	(59)	151
Amortization of investment tax credits	(461)	(464)	(467)
Total provision for income taxes	$8,710	$10,523	$8,144

The components of the Company's net deferred Federal tax liability (asset) as of September 30, 1998 and 1997 are as follows (in thousands):

	1998	1997
Depreciation and other utility plant differences	$55,093	$50,620
Plant acquisition adjustments	10,023	10,544
Alternative minimum tax credit	(5,008)	(3,670)
Unamortized investment tax credit	(1,823)	(2,144)
Deferred charges and regulatory assets	5,522	8,357
Energy taxes	1,953	2,375
Other	(3,241)	(3,691)
	$62,519	$62,391

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):

	1998	1997	1996
Pre-tax income	$21,024	$30,172	$23,040
Federal income taxes computed at Federal statutory tax rate of 35%	7,358	10,560	8,064
Increase (reduction) resulting from:			
Excess of book over tax depreciation	357	354	360
Amortization of investment tax credits	(461)	(464)	(467)
Federal benefit of state tax provision	(723)	(188)	(138)
Other, net	112	(275)	(70)
Total provision for Federal income taxes	6,643	9,987	7,749
Provision for State income taxes	2,067	536	395
Total provision for income taxes	8,710	10,523	8,144
(Less) provision included in other income and expense	(403)	(1,230)	(337)
Provision for income taxes included in operating expenses	$8,307	$9,293	$7,807

9. Retirement Benefits

Pension Benefits. The Company has non-contributory defined benefit retirement plans which cover all of its employees other than the City Gas of Florida 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):

	1998	1997	1996
Service cost	$2,370	$1,849	$1,973
Interest cost	6,459	6,480	6,103
Actual return on plan assets	(10,603)	(36,984)	(15,076)
Net amortization and deferral	(4,915)	26,089	6,653
Special termination benefits	7,301	1,150	--
Pension (credit) expense	$ 612	$(1,416)	$ (347)

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

	1998	1997
Actuarial present value of benefit obligations:		
Vested benefits	$92,780	$73,154
Non-vested benefits	4,125	2,791
Accumulated benefit obligations	96,905	75,945
Projected increases in compensation levels	17,328	11,457
Projected benefit obligation	114,233	87,402
Market value of plan assets	140,975	137,290
Plan assets in excess of projected benefit obligation	26,742	49,888
Unrecognized net gain	(20,973)	(42,969)
Unrecognized prior service cost	543	658
Unrecognized net transition asset	(1,967)	(2,619)
Pension prepayment	$ 4,345	$ 4,958

The projected benefit obligation was calculated using a discount rate of 6.5% in fiscal 1998 and 7.5% in fiscal 1997 and an assumed annual increase in compensation levels of 4% in both fiscal 1998 and fiscal 1997. The expected long-term rate of return on assets was calculated at 9.75% and 9% in fiscal 1998 and fiscal 1997, respectively. 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 $5.8 million as of September 30, 1998 and $4.3 million as of September 30, 1997, and the expense for this plan was approximately $0.7 million in fiscal 1998, $0.6 million in fiscal 1997 and $0.4 million in fiscal 1996.

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 City Gas Company of Florida 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, 1998 and 1997 were as follows (in thousands):

	1998	1997
Service cost	$824	$564
Interest cost	1,748	2,123
Amortization of transition obligation	774	1,028
Other	-	26
Net postretirement expense	$3,346	$3,741

The status of the Company's postretirement plans other than pensions as of September 30, 1998 and 1997 was as follows (in thousands):

	1998	1997
Accumulated postretirement benefit obligation:		
Retirees	$20,059	$14,790
Fully eligible active plan participants	930	2,019
Other active plan participants	11,339	6,264
Total accumulated postretirement benefit obligations	32,328	23,073
Unrecognized transition obligation	(11,603)	(11,270)
Unrecognized net (loss)	(8,193)	(1,572)
Accrued postretirement benefit obligation	$12,532	$10,231

The health care trend rate assumption is 10% in 1999 gradually decreasing to 5.5% for the year 2005 and later. The discount rate used to compute the accumulated postretirement benefit obligation was 6.5% in fiscal 1998 and 7.5% in fiscal 1997. 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 $5.3 million and the aggregate annual service and interest costs by approximately $0.6 million.

On September 23, 1998, the New Jersey Board of Public Utilities (NJBPU) issued an order approving the Company's petition to increase its base rates in New Jersey by approximately $2.4 million annually to recover postretirement benefits computed under SFAS 106. The rate increase was effective October 1, 1998 and allows for previously deferred costs, as well as future SFAS 106 costs, to be recovered over a rolling 15-year period. The Company has previously 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 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 Services, Energy Sales and Services and Customer Services. The Distribution Services 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 appliance repair and maintenance, mapping services to outside utilities and payment processing and collections primarily for water and sewage usage.

The following table provides information concerning the major segments of the Company for each of the three years ended September 30, 1998. 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)	1998	1997	1996
Revenues:			
Distribution	$391,033	$418,426	$403,100
Energy Sales & Services	427,300	180,111	60,379
Customer Services	14,736	12,290	10,722
Intersegment Revenues	(5,033)	(2,231)	(4,702)
Total Revenues	$828,036	$608,596	$469,499
Operating Margins:			
Distribution	$159,352	$154,119	$150,477
Energy Sales & Services	5,875	6,666	3,553
Customer Services	14,736	12,290	10,722
Total	$179,963	$173,075	$164,752
Pre-Tax Operating Income:			
Distribution	$44,619	$42,579	$39,313
Energy Sales & Services	2,164	2,592	1,313
Customer Services	3,573	2,840	2,025
Other	(1,584)	(2,433)	(1,951)
Restructuring and other non-recurring charges	(9,686)	-	-
Total	39,086	45,578	40,680
Income Taxes	8,307	9,293	7,807
Total Operating Income	$30,779	$36,285	$32,873
Depreciation & Amortization:			
Distribution	$20,661	$18,518	$17,287
Energy Sales & Services	243	50	23
Customer Services	2,464	2,031	2,028
Other	1,584	2,433	1,951
Total Depreciation & Amortization	$24,952	$23,032	$21,289
Capital Expenditures:			
Distribution	$54,817	$41,216	$34,311
Energy Sales & Services	457	507	26
Customer Services	1,682	1,285	908
Other	3,952	9,271	1,814
Total Capital Expenditures	$60,908	$52,279	$37,059
Identifiable Assets:			
Distribution	$648,942	$697,889	$645,247
Energy Sales & Services	39,849	28,638	7,415
Customer Services	29,153	15,458	14,958
Other	58,903	61,680	10,042
Total Identifiable Assets	$776,847	$803,665	$677,662

11. Commitments and Contingencies

Commitments. Capital expenditures are expected to be approximately $59 million in fiscal 1999.

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. In New Jersey, the Company has reported the presence of the six MGP sites to the EPA, the NJDEP and the NJBPU. In 1991, the NJDEP issued an Administrative Consent Order for the 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 New Jersey 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 also owns, or previously owned, ten former MGP facilities located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. 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.

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 20 years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the New Jersey sites in accordance with a cost sharing agreement. Of this reserve, approximately $30 million relates to the six New Jersey MGP sites and approximately $4 million relates to the ten sites located outside New Jersey. 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 this reserve by an amount that could range up to an additional $24 million and be incurred during a future period of time that may range up to 50 years. Of this additional $24 million in possible future expenditures, approximately $12 million relates to the New Jersey MGP sites and approximately $12 million relates to the sites located outside New Jersey. As compared with the $34 million reserve currently recorded on the Company's books as 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 New Jersey MGP sites have been authorized by the NJBPU to be recoverable in rates. The most recent NJBPU base rate order permits the Company to utilize full deferred accounting for expenditures related to its New Jersey sites and provides for the recovery of $130,000 annually. As of July 1996, the Company is also able to recover MGP expenditures over a rolling seven-year period through its NJBPU approved MGP Remediation Adjustment Clause. As a result, the Company has begun rate recovery of approximately $4.4 million of environmental costs incurred through June 30, 1997. Recovery of an additional $0.9 million in environmental costs incurred between July 1, 1997 and June 30, 1998 is currently pending NJBPU approval. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of September 30, 1998, reflecting the future recovery of environmental remediation liabilities related to New Jersey MGP sites. The Company has also been successful in recovering a portion of MGP remediation costs incurred for the New Jersey sites from the Company's insurance carriers and continues to pursue additional recovery. With respect to costs associated with the remaining MGP sites located outside New Jersey, 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 $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 nine billion cubic feet (Bcf) 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
1998:				
Operating Revenues	$235,938	$258,798	$169,004	$164,296
Operating Income (Loss)	11,868	19,636	3,970	(4,695)
Net Income (Loss)	7,421	15,063	(432)	(9,738)
Net Income (Loss) Per Share	0.60	1.20	(0.03)	(0.77)
1997:				
Operating Revenues	$151,462	$204,483	$125,175	$127,476
Operating Income	10,767	19,668	5,499	351
Net Income (Loss)	6,773	15,313	1,365	(3,802)
Net Income (Loss) Per Share	0.61	1.37	0.12	(0.33)

During the fourth quarter of fiscal 1998, the Company recorded after-tax restructuring and other non-recurring charges totaling $5.9 million ($9.7 million before income taxes), or $0.47 per share (see Note 3).

Quarterly net income (loss) per share in both fiscal 1998 and fiscal 1997 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, 1998
(Dollars in thousands)

Description	Balance, Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Other	Deductions	Balance, End of Period
1998					
Allowance for doubtful accounts	$ 2,318	$ 2,942	$ 224[a]	$ 3,770[b]	$ 1,714
Environmental remediation reserve[c]	$ 33,981	--	--	--	$ 33,981
Restructuring reserve	$ 0	1,008	--	452	$ 556
1997					
Allowance for doubtful accounts	$ 2,288	$ 2,305	$ 1,088[a]	$ 3,363[b]	$ 2,318
Environmental remediation reserve[c]	$ 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

[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 Contingencies-Environmental 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,				
	1998	1997	1996	1995	1994
Income from continuing operations before income taxes	$21,024	$30,172	$23,040	$ 8,644	$12,883
Less:					
Adjustment related to equity investments	(402)	(2,317)	--	--	--
Add:					
Interest element of rentals charged to income (a)	3,239	3,299	2,930	3,220	3,173
Interest expense	20,496	21,374	19,808	20,032	16,443
Earnings as defined	$44,357	$52,528	$45,782	$31,896	$32,449
Interest expense	20,496	21,374	19,808	19,814	16,323
Capitalized interest	272	186	150	218	120
Interest element of rentals charged to income (a)	3,239	3,299	2,930	3,220	3,173
Fixed charges as defined	$24,007	$24,859	$22,888	$23,252	$19,616
CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES	1.85	2.11	2.00	1.37	1.66

(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), NUI Sales Management, Inc. (a Delaware Corporation) and NUI International, 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, 1998

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
Chief Administrative Officer,
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 24, 1998
JOHN KEAN	Chairman and Director	December 24, 1998
A. MARK ABRAMOVIC	Senior Vice President, Chief Operating Officer and Chief Financial Officer (Principal financial and accounting officer)	December 24, 1998
C. R. CARVER	Director	December 24, 1998
JAMES J. FORESE	Director	December 24, 1998
DR. VERA KING FARRIS	Director	December 24, 1998
J. RUSSELL HAWKINS	Director	December 24, 1998
BERNARD S. LEE	Director	December 24, 1998
R. V. WHISNAND	Director	December 24, 1998
JOHN WINTHROP	Director	December 24, 1998

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
Chief Administrative Officer,
General Counsel and Secretary

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JOHN KEAN, JR.	President, Chief Executive Officer and Director (Principal executive officer)	December 24, 1998
JOHN KEAN	Chairman and Director	December 24, 1998
A. MARK ABRAMOVIC	Chief Operating Officer and Chief Financial Officer (Principal financial and accounting officer)	December 24, 1998
C. R. CARVER	Director	December 24, 1998
DR. VERA KING FARRIS	Director	December 24, 1998
JAMES J. FORESE	Director	December 24, 1998
J. RUSSELL HAWKINS	Director	December 24, 1998
BERNARD S. LEE	Director	December 24, 1998
R. V. WHISNAND	Director	December 24, 1998
JOHN WINTHROP	Director	December 24, 1998

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

(Mark One)

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

For the quarterly period ended December 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 ✓ 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, 1999: Common Stock, No Par Value: 12,730,580 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,	
	1998	1997	1998	1997
Operating Margins				
Operating revenues	$229,598	$235,938	$821,696	$693,072
Less - Purchased gas and fuel	174,921	175,663	628,479	483,490
Energy taxes	4,028	10,082	12,798	33,220
	50,649	50,193	180,419	176,362
Other Operating Expenses				
Operations and maintenance	24,422	25,755	95,173	96,020
Depreciation and amortization	6,915	6,554	25,313	23,806
Restructuring and other non-recurring charges	-	-	9,686	-
Other taxes	1,973	2,261	9,445	9,253
Income taxes	4,923	3,755	9,475	9,897
	38,233	38,325	149,092	138,976
Operating Income	12,416	11,868	31,327	37,386
Other Income and Expense, Net				
Equity in earnings (losses) of TIC Enterprises, LLC, net	(158)	137	(351)	1,471
Other	67	846	428	2,204
Income taxes	32	(344)	(27)	(1,286)
	(59)	639	50	2,389
Interest Expense	5,439	5,086	19,566	19,478
Net Income	$6,918	$ 7,421	$11,811	$20,297
Net Income Per Share of Common Stock	$0.55	$0.60	$0.93	$1.76
Dividends Per Share of Common Stock	$0.245	$0.245	$0.98	$0.95
Weighted Average Number of Shares of Common Stock Outstanding	12,673,187	12,438,460	12,635,228	11,558,664

See the notes to consolidated financial statements

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

	December 31, 1998 (Unaudited)	September 30, 1998 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$745,964	$737,323
Accumulated depreciation and amortization	(241,963)	(234,484)
Unamortized plant acquisition adjustments	31,402	30,904
	535,403	533,743
Funds for Construction Held by Trustee	46,972	12,254
Investment in TIC Enterprises, LLC, net	23,717	23,874
Other Investments	1,687	1,687
Current Assets		
Cash and cash equivalents	1,079	929
Accounts receivable (less allowance for doubtful accounts of $2,004 and $1,714, respectively)	115,899	62,673
Fuel inventories, at average cost	28,613	34,937
Unrecovered purchased gas costs	7,118	8,061
Prepayments and other	40,817	37,790
	193,526	144,390
Other Assets		
Regulatory assets	50,442	50,475
Deferred charges	10,408	10,424
	60,850	60,899
	$862,155	$776,847
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$227,261	$222,992
Preferred stock	-	-
Long-term debt	268,884	229,098
	496,145	452,090
Capital Lease Obligations	8,126	8,566
Current Liabilities		
Notes payable to banks	106,380	87,630
Current portion of capital lease obligations	1,805	1,810
Accounts payable, customer deposits and accrued liabilities	105,863	87,158
Federal income and other taxes	8,275	5,635
	222,323	182,233
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	63,791	62,519
Unamortized investment tax credits	5,595	5,710
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	32,194	31,748
	135,561	133,958
	$862,155	$776,847

**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 December 31, 1998	Three Months Ended December 31, 1997	Twelve Months Ended December 31, 1998	Twelve Months Ended December 31, 1997
Operating Activities				
Net income	$6,918	$7,421	$11,811	$20,297
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,915	6,812	26,153	24,181
Deferred Federal income taxes	1,272	637	992	3,412
Non-cash portion of restructuring and other non-recurring charges	-	-	7,301	-
Amortization of deferred investment tax credits	(115)	(105)	(471)	(453)
Other	693	(221)	2,505	(476)
Effect of changes in:				
Accounts receivable, net	(53,226)	(50,279)	(1,121)	(31,061)
Fuel inventories	6,324	3,524	(1,069)	(872)
Accounts payable, deposits and accruals	18,705	5,915	5,443	22,012
Over recovered purchased gas costs	943	29	2,455	4,212
Other	863	1,443	(19,129)	(14,347)
Net cash (used in) provided by operating activities	(10,708)	(24,824)	34,870	26,905
Financing Activities				
Proceeds from sales of common stock, net of treasury stock purchased	105	1,400	2,363	28,721
Dividends to shareholders	(3,106)	(3,070)	(12,347)	(11,025)
Proceeds from issuance of long-term debt	40,000	-	40,000	53,569
Funds for construction held by trustee, net	(35,881)	3,784	(22,995)	18,492
Repayments of long-term debt	-	(54,600)	-	(55,550)
Principal payments under capital lease obligations	(445)	(441)	(1,796)	(1,680)
Net short-term borrowings	18,750	32,537	19,415	10,640
Net cash provided by (used in) financing activities	19,423	(20,390)	24,640	43,167
Investing Activities				
Cash expenditures for utility plant	(8,447)	(11,548)	(56,868)	(52,637)
Investment in TIC Enterprises, LLC	-	-	-	(22,584)
Other	(118)	(1,578)	(2,016)	257
Net cash used in investing activities	(8,565)	(13,126)	(58,884)	(74,964)
Net increase (decrease) in cash and cash equivalents	$150	$(58,340)	$626	$(4,892)
Cash and Cash Equivalents				
At beginning of period	$929	$58,793	$453	$5,345
At end of period	$1,079	$453	$1,079	$453
Supplemental Disclosures of Cash Flows				
Income taxes paid (refunds received), net	$(805)	$2,300	$1,768	$7,855
Interest paid	$5,994	$7,429	$12,923	$21,671

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Notes to the Consolidateu 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 related services in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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; energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations 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). All intercompany accounts and transactions have been eliminated in consolidation.

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, 1998.

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, 1998	September 30, 1998
Common stock, no par value	$209,370	$207,356
Shares held in treasury	(1,932)	(1,932)
Retained earnings	23,075	19,263
Unearned employee compensation	(3,252)	(1,695)
Total common shareholders' equity	$227,261	$222,992

3. Restructuring

In January 1999, the Company announced an early retirement program being offered to 35 bargaining unit employees in New Jersey. The eligible employees have until March 19, 1999 to accept the proposal. 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 fiscal 1999. The cost of this early retirement program has not yet been quantified by the Company.

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. In New Jersey, 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 the 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 New Jersey 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 also owns, or previously owned, ten former MGP facilities located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. 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.

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 20 years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the New Jersey sites in accordance with a cost sharing agreement. Of this reserve, approximately $30 million relates to the six New Jersey MGP sites and approximately $4 million relates to the ten sites located outside New Jersey. 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 this reserve by an amount that could range up to an additional $24 million and be incurred during a future period of time that may range up to 50 years. Of this additional $24 million in possible future expenditures, approximately $12 million relates to the New Jersey MGP sites and approximately $12 million relates to the sites located outside New Jersey. As compared with the $34 million reserve currently recorded on the Company's books as 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 New Jersey MGP sites have been authorized by the NJBPU to be recoverable in rates. The most recent NJBPU base rate order permits the Company to utilize full deferred accounting for expenditures related to its New Jersey sites and provides for the recovery of $130,000 annually. As of July 1996, the Company is also able to recover MGP expenditures over a rolling seven-year period through its NJBPU approved MGP Remediation Adjustment Clause. As a result, the Company has begun rate recovery of approximately $4.4 million of environmental costs incurred through June 30, 1997. Recovery of an additional $0.9 million in environmental costs incurred between July 1, 1997 and June 30, 1998 is currently pending NJBPU approval. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of December 31, 1998, reflecting the future recovery of environmental remediation liabilities related to New Jersey MGP sites. The Company has also been successful in recovering a portion of MGP remediation costs incurred for the New Jersey sites from the Company's insurance carriers and continues to pursue additional recovery. With respect to costs associated with the remaining MGP sites located outside New Jersey, 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, 1998	Three Months Ended December 31, 1997	Twelve Months Ended December 31, 1998	Twelve Months Ended December 31, 1997
Operating Revenues (Dollars in thousands)				
Firm Sales:				
Residential	$56,594	$63,512	$191,154	$206,899
Commercial	25,768	30,884	86,854	105,720
Industrial	3,153	6,458	16,379	23,776
Interruptible Sales	10,797	15,573	40,818	56,578
Unregulated Sales	119,427	107,034	434,144	254,471
Transportation Services	9,458	8,272	34,524	30,127
Customer Service, Appliance Leasing and Other	4,401	4,205	17,823	15,501
	$229,598	$235,938	$821,696	$693,072
Gas Sold or Transported (MMcf)				
Firm Sales:				
Residential	6,254	7,446	20,579	23,269
Commercial	3,315	4,249	11,142	14,070
Industrial	632	1,268	3,827	4,717
Interruptible Sales	3,549	3,725	13,007	15,091
Unregulated Sales	53,157	36,986	179,589	89,309
Transportation Services	7,235	7,845	30,221	29,638
	74,142	61,519	258,365	176,094
Average Utility Customers Served				
Firm Sales:				
Residential	342,553	336,038	340,587	336,032
Commercial	23,216	24,366	23,120	24,344
Industrial	277	308	267	305
Interruptible Sales	62	121	96	121
Transportation	3,418	1,467	3,436	1,533
	369,526	362,300	367,506	362,335
Degree Days in New Jersey				
Actual	1,466	1,778	4,044	4,804
Normal	1,806	1,725	5,193	4,978
Percentage variance from normal	19% warmer	3% colder	22% warmer	3% warmer
Employees (period end)			1,056	1,147
Ratio of Earnings to Fixed Charges (Twelve months only)			1.87	2.15

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. It's utility operations distribute natural gas and related services in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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 (NUI Energy); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary (NUI Energy Brokers); energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations 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).

Results of Operations

The results for the three and twelve-month periods ending December 31, 1998 as compared to the three and twelve-month periods ending December 31, 1997 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 (Sales Tax), a New Jersey Corporate Business Tax (CBT) and a temporary Transitional Energy Facilities Assessment (TEFA). In prior periods, GRAFT was recorded as a single line item as a reduction of operating margins. Effective January 1, 1998, TEFA is recorded in the energy taxes line item as a reduction of operating margins, CBT is recorded in the income taxes line item and 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 twelve-month periods ending December 31, 1998, the effect of the three new taxes as compared to the periods ended December 31, 1997 had the effect of reducing operating revenues by approximately $3.4 and $13.3 million, reducing energy taxes by approximately $4.1 and $16.0 million and increasing income tax expense by approximately $1.2 and $3.0 million, respectively.

Three-Month Periods Ended December 31, 1998 and 1997

Net Income. Net income for the three-month period ended December 31, 1998 was $6.9 million, or $0.55 per share, as compared with net income of $7.4 million, or $0.60 per share, for the three-month period ended December 31, 1997. The decrease in the current year was primarily due to lower other income, higher income taxes, depreciation and interest expenses, partially offset by lower operations and maintenance expenses and higher margins.

Net income per share in the current period was also affected by the increased number of outstanding shares of common stock over the prior year period, issued through various stock plans.

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 regulated operating revenues is not necessarily indicative of financial performance. The Company's operating revenues decreased by $6.3 million, or 3%, for the three-month period ended December 31, 1998 as compared with the three-month period ended December 31, 1997. This decrease was primarily due to a decrease of approximately $19.3 million in revenues from the Company's utility operations, as a result of warmer weather in all of the Company's service territories, as well as the effect of the change in the New Jersey tax law described above. This decrease was partially offset by an increase of $12.8 million or 12% in revenues from the Company's unregulated operations, primarily NUI Energy Brokers, as a result of increased activity in these operations.

The Company's operating margins increased by $0.5 million, or 1%, for the three-month period ended December 31, 1998 as compared with the three-month period ended December 31, 1997. The increase is principally due to an increase in margins of $0.7 million from the Company's unregulated operations, as a result of improved performance in both the Company's retail and wholesale energy subsidiaries. Operating margins from the Company's customer service operations had a slight increase in margins of $0.1 million. This increase was the result of customer additions by UBS, partially offset by less customer service activity in New Jersey as a result of a work stoppage by New Jersey bargaining unit employees during parts of November and December. The Company's utility distribution operations experienced a decrease in margins of approximately $0.4 million, primarily due to the effect of warmer weather in all of the Company's service territories. This decrease was partially offset by the change in the New Jersey tax law described above. 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 $2.5 million and $0.3 million higher in the fiscal 1999 and 1998 periods, respectively, than they otherwise would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses decreased approximately $1.3 million, or 5%, for the three-month period ended December 31, 1998 as compared with the three-month period ended December 31, 1997. The decrease was primarily the result of savings associated with the Company's reorganization in the fourth quarter of fiscal 1998, as well as lower costs in the current period associated with the growth in the Company's unregulated operations. These decreases were partially offset by previously deferred post-retirement benefit expenses which are being expensed and recovered through rates effective October 1, 1998.

Depreciation and amortization expenses increased approximately $0.4 million in the current period primarily due to additional plant in service.

Income tax expense increased by approximately $1.2 million in the current period as a result of the change in the New Jersey tax law described above.

Other Income and (Expense), Net. Other income and expense, net, decreased approximately $0.7 million for the three-month period ended December 31, 1998 as compared with the three-month period ended December 31, 1997. The decrease was primarily due to a gain on marketable securities of approximately $0.6 million in the prior year period. Additionally, TIC experienced lower earnings in the current period as a result of additional investments made to grow its sales programs and expand product lines.

Interest Expense. Interest expense increased by approximately $0.4 million for the three-month period ended December 31, 1998 as compared with the three-month period ended December 31, 1997. The increase principally reflects higher average short-term borrowings, as well as the effect of interest on the Company's $40 million bond issuance in December 1998 (see "Financing Activities and Resources").

Twelve-Month Periods Ended December 31, 1998 and 1997

Net Income. Net income for the twelve-month period ended December 31, 1998 was $11.8 million, or $0.93 per share, as compared with $20.3 million, or $1.76 per share, for the twelve-month period ended December 31, 1997. The decrease in the current period was primarily due to after-tax non-recurring charges of approximately $5.9 million, or $0.47 per share, associated with the restructuring of operations, an early retirement program and other workforce reductions in the fourth quarter of fiscal 1998. Absent these non-recurring charges, net income would have been $17.7 million or $1.40 per share. The decrease in recurring earnings was mainly attributed to lower other income and higher depreciation, partially offset by lower operations and maintenance expenses and higher margins.

Net income per share for the twelve-month period ended December 31, 1998 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 1.0 million shares in September 1997 and the effect of issuances through various stock plans.

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended December 31, 1998 increased approximately $128.6 million, or 18.6%, as compared with the twelve-month period ended December 31, 1997. The increase was principally due to an increase in unregulated sales of approximately $188.3 million resulting from increased activity by NUI Energy Brokers and NUI Energy, customer growth and increased customer service and appliance leasing revenues. These increases were partially offset by the effect of warmer weather, primarily in New Jersey, where it was 16% warmer than the prior twelve-month period and 22% warmer than normal.

The Company's operating margins increased by approximately $4.1 million, or 2%, for the twelve-month period ended December 31, 1998 as compared with the twelve-month period ended December 31, 1997. The increase reflects approximately $1.9 million of additional margins generated by the Company's utility distribution operations, approximately $2.1 million of additional customer service and appliance leasing margins and approximately $0.1 million of additional margins related to the Company's unregulated operations. The increase in utility distribution margins was primarily due to the change in the New Jersey tax law 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. As a result of weather normalization clauses, operating margins were approximately $7.8 million higher 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 $2.5 million higher than they otherwise would have been without such clauses. The increase in margins from the customer service operations was primarily due to customer additions by UBS, an increase in the appliance leasing rates in Florida and increased customer service in New Jersey.

Other Operating Expenses. Operations and maintenance expenses decreased approximately $0.8 million, or 1%, for the twelve-month period ended December 31, 1998 as compared with the twelve-month period ended December 31, 1997. The decrease was primarily due to savings associated with the Company's reorganization in the fourth quarter of fiscal 1998, as well as a higher pension credit in the current period. These decreases were partially offset by an increase in expenses associated with the continued growth in the Company s unregulated operations.

The Company incurred approximately $9.7 million of pre-tax non-recurring charges in the fourth quarter of fiscal 1998 associated with the restructuring of the Company's operations, an early retirement program for non-bargaining unit personnel and other workforce reductions.

The increase in depreciation and amortization expenses of approximately $1.5 million for the twelve-month period ended December 31, 1998 as compared to the twelve-month period ended December 31, 1997 was primarily due to additional plant in service.

The decrease in income tax expense of approximately $0.4 million for the twelve-month period ended December 31, 1998 was due to lower pre-tax income, 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 $2.3 million for the twelve-month period ended December 31, 1998 as compared with the 1997 period. The decrease was primarily due to lower results from TIC in the current period as a result of additional investments made by TIC to grow its sales programs and increase product lines. Additionally, the prior year reflects a gain on marketable securities of approximately $0.6 million, as well as a gain of approximately $0.7 million from the sale of certain property in Florida.

Regulatory Matters

On February 9, 1999 the "Electric Discount and Energy Competition Act" was signed into law in New Jersey . The legislation has several provisions that affect gas utilities. It provides all gas customers with the ability to choose an alternate natural gas supplier by December 31, 1999. At the same time, the utility will continue to provide basic gas service through December 2002 when the New Jersey Board of Public Utilities ("NJBPU") will decide if the gas supply function should be made competitive. The NJBPU will also conduct proceedings to determine whether customers should be afforded the option of contracting with an alternative provider of billing, collection, meter reading and other services that may be deemed competitive by December 31, 2000.

On August 20, 1998, the NJBPU approved the Company's petition to increase its annual purchased gas revenues in New Jersey by $9 million. Additionally, the Company was authorized to retain 15% of margins from utility off-system sales and capacity release credits. The Company previously retained 20% of margins from these items.

The Company recently filed a proposed residential transportation program to allow customers to contract with third-party suppliers by September 2001. Action on this proposal is anticipated in early 1999.

In July 1997, the State of New Jersey enacted legislation which eliminated the current 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. The TEFA tax is scheduled to be phased out over five years. Effective January 1, 1999, a 13% reduction of TEFA was approved. These tax changes are designed to have no effect on the Company's net income, and will not have a material effect on working capital (See "Results of Operations" for the effect on the Company's operations). The Company paid approximately $27 million to the State for these taxes in 1998.

Financing Activities and Resources

The Company had a net use of cash from operating activities of $10.7 million and $24.8 million for the three-month periods ended December 31, 1998 and 1997, respectively. The decrease in the three-month period ended December 31, 1998 was primarily due to the timing of payments to gas suppliers. For the twelve-month period ended December 31, 1998, the Company's net cash provided by operating activities was $34.9 million as compared with $26.9 million in the prior year period. This increase was primarily due to improved collections on receivables.

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 $98.5 million at 5.73% for the three-month period ended December 31, 1998 and $79.4 million at 5.95% for the three-month period ended December 31, 1997. The weighted average daily amounts of notes payable to banks increased primarily to finance capital spending pending long-term financing. At December 31, 1998, the Company had outstanding notes payable to banks amounting to $106.4 million and available unused lines of credit amounting to $29.6 million. Notes payable to banks increased as of December 31, 1998 as compared to the balance outstanding at September 30, 1998, due to seasonal borrowing requirements.

Long-Term Debt and Funds for Construction Held by Trustee. On December 8, 1998, the Company issued $40 million of tax-exempt Gas Facilities Revenue Bonds at an interest rate of 5.25%. These bonds will mature in November, 2033 and the proceeds will be used to finance a portion of the Company's capital expenditure program in New Jersey.

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 December 31, 1998, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement. The Company currently anticipates issuing additional securities subject to the shelf registration during 1999.

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, 1998, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $43 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment plan and certain employee benefit plans. The proceeds from such issuances amounted to approximately $0.1 million and $1.5 million for the three-month periods ended December 31, 1998 and 1997, respectively, and were used primarily to reduce outstanding short-term debt. The decrease in proceeds received in the three-month period ended December 31, 1998 as compared to the three-month period ended December 31, 1997 reflects that several of these plans commenced purchasing shares on the open market during 1998 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. 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 $42.2 million of cash dividends at December 31, 1998.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $8.4 million for the three-month period ended December 31, 1998 as compared with $11.5 million for the three-month period ended December 31, 1997. Capital expenditures are expected to be approximately $59.0 million for all of fiscal 1999, as compared with a total of $60.9 million in fiscal 1998.

The Company owns or previously owned six former manufactures gas plant (MGP) sites in the state of New Jersey and ten former MGP sites in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. 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 New Jersey MGP sites and approximately $4 million relates to the MGP sites located outside New Jersey. 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 this reserve by an amount that could range up to an additional $24 million and be incurred during a future period of time that may range up to 50 years. Of this $24 million in possible additional expenditures, approximately $12 million relates to the New Jersey sites and approximately $12 million relates to the remaining MGP sites. As compared with the $34 million reserve currently recorded on the Company's books as 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 New Jersey MGP sites will be recoverable in rates or from insurance carriers. In New Jersey, the Company is currently recovering environmental costs on an annual basis through base rates and over a rolling seven-year period through its MGP Remediation Adjustment Clause. As a result, the Company has begun rate recovery of approximately $4.4 million of environmental costs incurred through June 30, 1997. Recovery of an additional $0.9 million in environmental costs incurred between July 1, 1997 and June 30, 1998 is currently pending NJBPU approval. With respect to costs which may be associated with the MGP sites located outside the state of New Jersey, 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 will ultimately be successful.

All major billing, field service, networked information technology and gas distribution control and monitoring systems have been inventoried. Substantial completion of detailed inventorying of known material systems with embedded microcontrollers comprising environmental and support systems, such as telephone systems, heating and air conditioning, and backup electric generating systems are currently scheduled for completion by the end of February 1999.

Assessment of financial and field service systems and natural gas distribution control and monitoring systems is substantially complete. The entire Assessment Phase is currently scheduled for substantial completion by April 1999.

Other than the hand-held meter reading units, which are scheduled to be replaced starting in April 1999, all known hardware and operating systems that handle billing and field service, and which required remediation, have been replaced. NUI's billing system in Pennsylvania is currently scheduled to be replaced by August and North Carolina is currently scheduled to be replaced by March 1999. NUI's financial systems will be upgraded to a new version of third-party supplied software, which is currently scheduled for completion in September 1999. Certain telephone systems may require remediation that is scheduled for completion by the end of March 1999. Any other remediation will be reviewed as and when the need arises.

Individual programs are generally being tested on a stand-alone basis as they are remediated. However, suites of programs must be tested as entire systems, running on remediated hardware and operating systems. Completion of such integrated testing for natural gas distribution and control and monitoring systems is scheduled for April 1999. Billing and field service software is currently planned for the end of June 1999. Integrated testing of other systems is scheduled for completion by the end of September 1999.

The Risk Analysis Phase involved NUI assigning priority ratings to each of its major systems, based on both the risk of the systems' failure and the potential consequences to the underlying business. This was without taking into account alternatives available under contingency planning. Systems supporting business processes which might affect human safety were assigned the highest rating.

NUI's systems and customers are vulnerable to systems operated by third-parties that may not be Year 2000 ready. NUI has identified its critical direct suppliers and vendors. These include, at the very highest level of importance, interstate pipeline suppliers, telecommunications carriers, and electric suppliers. Interstate pipeline suppliers must appropriately schedule and control gas supplies to NUI's own distribution systems. Telecommunications carriers' digital circuits are used to control and monitor NUI's gas distribution system with voice circuits as emergency backup and for customers' reporting of emergencies. Electricity supplies are critical to NUI's customers for natural gas heating equipment and industrial process control.

NUI is assessing the Year 2000 readiness of its critical suppliers and the substantial portion of the assessment work will occur throughout 1999. Assessment of third party systems is currently scheduled to be substantially complete by June 1999. NUI will continue to work with these suppliers through 1999 to gain greater assurance that appropriate steps are being taken to ensure security of supply and the continued accurate exchange of critical data. Any remediation and contingency planning will be reviewed and determined based on the results of such third-party assessment.

The total estimated costs of assessing, remediating and testing NUI's systems for Year 2000 compliance is approximately \$3.3 million, of which approximately \$2.0 million has been incurred through December 31, 1998. Approximately 50% of these costs will relate to capital projects. The Company has, and will continue, to fund these costs from the operations of the Company. These estimated costs do not include any third-party remediation that may be required, or any resulting contingency planning.

PART II - OTHER INFORMATION

em 6. Exhibits and Reports on Form 8-K

his

) **Exhibits.**

:hibit lo.	Description of Exhibit	Reference
7	Financial Data Schedule	Filed herewith

) **Reports on Form 8-K**

None

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

(Mark One)

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

For the quarterly period ended March 31, 1999

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 April 30, 1999: Common Stock, No Par Value: 12,745,157 shares outstanding.

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

	Three Months Ended March 31 1999	Three Months Ended March 31 1998	Six Months Ended March 31 1999	Six Months Ended March 31 1998
Operating Margins				
Operating revenues	$254,562	$258,798	$484,160	$494,736
Less - Purchased gas and fuel	180,008	191,761	354,929	367,424
Energy taxes	5,495	4,442	9,523	14,524
	69,059	62,595	119,708	112,788
Other Operating Expenses				
Operations and maintenance	26,704	23,030	51,126	48,785
Depreciation and amortization	6,869	6,522	13,784	13,076
Restructuring and other non-recurring items	(2,114)	-	(2,114)	-
Other taxes	2,713	2,686	4,686	4,947
Income taxes	12,331	10,721	17,254	14,476
	46,503	42,959	84,736	81,284
Operating Income	22,556	19,636	34,972	31,504
Other Income and Expense, Net				
Equity in earnings (losses) of TIC Enterprises, LLC, net	413	(29)	256	108
Other	42	74	109	920
Income taxes	(159)	(16)	(128)	(360)
	296	29	237	668
Interest Expense	5,090	4,602	10,529	9,688
Net Income	$17,762	$15,063	$24,680	$22,484
Net Income Per Share of Common Stock	$1.40	$1.20	$1.94	$1.80
Dividends Per Share of Common Stock	$0.245	$0.245	$0.49	$0.49
Weighted Average Number of Shares of Common Stock Outstanding	12,719,055	12,579,813	12,695,869	12,508,360

See the notes to the consolidated financial statements

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

	March 31, 1999 (Unaudited)	September 30, 1998 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$754,218	$737,323
Accumulated depreciation and amortization	(246,506)	(234,484)
Unamortized plant acquisition adjustments	31,037	30,904
	538,749	533,743
Funds for Construction Held by Trustee	45,211	12,254
Investment in TIC Enterprises, LLC, net	23,936	23,874
Other Investments	1,386	1,687
Current Assets		
Cash and cash equivalents	2,335	929
Accounts receivable (less allowance for doubtful accounts of $2,828 and $1,714, respectively)	113,020	62,673
Fuel inventories, at average cost	9,280	34,937
Unrecovered purchased gas costs	-	8,061
Prepayments and other	43,476	37,790
	168,111	144,390
Other Assets		
Regulatory assets	48,665	50,475
Deferred charges	10,759	10,424
	59,424	60,899
	$836,817	$776,847
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$242,313	$222,992
Preferred stock	-	-
Long-term debt	268,893	229,098
	511,206	452,090
Capital Lease Obligations	1,746	8,566
Current Liabilities		
Notes payable to banks	50,645	87,630
Current portion of capital lease obligations	7,760	1,810
Accounts payable, customer deposits and accrued liabilities	97,099	87,158
Overrecovered purchased gas costs	17,813	-
Federal income and other taxes	13,682	5,635
	186,999	182,233
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	65,064	62,519
Unamortized investment tax credits	5,480	5,710
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	32,341	31,748
	136,866	133,958
	$836,817	$776,847

**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, 1999	Six Months Ended March 31, 1998
Operating Activities		
Net income	$24,680	$22,484
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,190	13,615
Deferred Federal income taxes	2,545	1,274
Non-cash portion of restructuring and other non- recurring items	(2,114)	-
Amortization of deferred investment tax credits	(230)	(221)
Other	1,151	513
Effect of changes in:		
Accounts receivable, net	(50,347)	(33,724)
Fuel inventories	25,657	20,718
Accounts payable, deposits and accruals	9,941	(5,637)
Over (under) recovered purchased gas costs	25,874	3,216
Other	6,761	6,645
Net cash provided by operating activities	58,108	28,883
Financing Activities		
Proceeds from sales of common stock, net of treasury stock purchased	155	3,272
Dividends to shareholders	(6,217)	(6,155)
Proceeds from issuance of long-term debt	39,795	-
Funds for construction held by trustee, net	(33,810)	8,008
Repayments of long-term debt	-	(54,600)
Principal payments under capital lease obligations	(902)	(897)
Net short-term (repayments) borrowings	(36,985)	(7,283)
Net cash used in financing activities	(37,964)	(57,655)
Investing Activities		
Cash expenditures for utility plant	(16,759)	(26,346)
Other	(1,979)	(1,425)
Net cash used in investing activities	(18,738)	(27,771)
Net increase (decrease) in cash and cash equivalents	$1,406	$(56,543)
Cash and Cash Equivalents		
At beginning of period	$ 929	$ 58,793
At end of period	$2,335	$ 2,250
Supplemental Disclosures of Cash Flows		
Income taxes paid, net	$ 4,118	$ 4,251
Interest paid	$10,639	$14,035

See the 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 related services in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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; energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations 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). All intercompany accounts and transactions have been eliminated in consolidation.

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, 1998.

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, 1999	September 30, 1998
Common stock, no par value	$209,870	$207,356
Shares held in treasury	(2,382)	(1,932)
Retained earnings	37,726	19,263
Unearned employee compensation	(2,901)	(1,695)
Total common shareholders' equity	$242,313	$222,992

3. Restructuring and Other Non-Recurring Items

The Company recognized approximately $2.1 million of pre-tax, non-recurring items in the second quarter of fiscal 1999 relating primarily to the recognition of a settlement gain on the Company's 1998 early retirement program, partially offset by a special termination charge on the 1999 New Jersey bargaining unit early retirement program, the write-off of certain non-recoverable regulatory assets, and other charges deemed to be separate from recurring operations.

In June 1998, the Company offered an early retirement program to its non-bargaining unit personnel. The program was accepted by 74 of the eligible 77 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" (SFAS 88), the Company recorded a special termination charge during fiscal 1998 when the cost was recognizable. In March 1999, the Company recorded a settlement gain of approximately $6.8 million as the result of satisfaction of all future liabilities associated with these employees.

In January 1999, the Company offered an early retirement program to its bargaining unit employees in New Jersey. The program was accepted by 32 of the eligible 35 employees. In accordance with SFAS 88, the Company recorded a special termination charge of approximately $2.0 million associated with these retirements in the second quarter.

The Company also recorded approximately $1.1 million of charges relating to the write-off of certain regulatory assets which will not be recovered through rates, as well as other items which were deemed to be separate from recurring earnings.

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. In New Jersey, 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 the 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 New Jersey 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 also owns, or previously owned, ten former MGP facilities located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. 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.

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 20 years. The reserve is net of approximately $4 million which will be borne by a prior owner and operator of two of the New Jersey sites in accordance with a cost sharing agreement. Of this reserve, approximately $30 million relates to the six New Jersey MGP sites and approximately $4 million relates to the ten sites located outside New Jersey. 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 this reserve by an amount that could range up to an additional $24 million and be incurred during a future period of time that may range up to 50 years. Of this additional $24 million in possible future expenditures, approximately $12 million relates to the New Jersey MGP sites and approximately $12 million relates to the sites located outside New Jersey. As compared with the $34 million reserve currently recorded on the Company's books as 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 New Jersey MGP sites have been authorized by the NJBPU to be recoverable in rates. The most recent NJBPU base rate order permits the Company to utilize full deferred accounting for expenditures related to its New Jersey sites and provides for the recovery of $130,000 annually. As of July 1996, the Company is also able to recover MGP expenditures over a rolling seven-year period through its NJBPU approved MGP Remediation Adjustment Clause. As a result, the Company has begun rate recovery of approximately $4.4 million of environmental costs incurred through June 30, 1997. Recovery of an additional $0.9 million in environmental costs incurred between July 1, 1997 and June 30, 1998 is currently pending NJBPU approval. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of March 31, 1999, reflecting the future recovery of environmental remediation liabilities related to New Jersey MGP sites. The Company has also been successful in recovering a portion of MGP remediation costs incurred for the New Jersey sites from the Company's insurance carriers and continues to pursue additional recovery. With respect to costs associated with the remaining MGP sites located outside New Jersey, 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, 1999	Three Months Ended March 31, 1998	Six Months Ended March 31, 1999	Six Months Ended March 31, 1998
Operating Revenues (Dollars in thousands)				
Firm Sales:				
Residential	$84,861	$76,912	$141,455	$140,424
Commercial	34,418	35,814	60,186	66,698
Industrial	2,670	5,040	5,823	11,498
Interruptible Sales	11,712	10,467	22,509	26,040
Unregulated Sales	104,821	116,169	224,248	223,203
Transportation Services	11,381	10,053	20,839	18,325
Customer Service, Appliance Leasing and Other	4,699	4,343	9,100	8,548
	$254,562	$258,798	$484,160	$494,736
Gas Sold or Transported (MMcf)				
Firm Sales:				
Residential	10,246	9,025	16,500	16,471
Commercial	4,653	4,609	7,968	8,858
Industrial	421	1,175	1,053	2,443
Interruptible Sales	4,216	3,129	7,765	6,854
Unregulated Sales	53,787	44,873	106,944	81,859
Transportation Services	9,194	9,141	16,429	16,986
	82,517	71,952	156,659	133,471
Average Utility Customers Served				
Firm:				
Residential	347,533	341,360	343,798	338,699
Commercial	23,788	22,952	23,359	23,659
Industrial	261	250	273	279
Interruptible	62	107	62	114
Transportation	3,658	3,887	3,478	2,677
	375,302	368,556	370,970	365,428
Degree Days in New Jersey				
Actual	2,417	2,085	3,883	3,863
Normal	2,745	2,777	4,577	4,632
Percentage variance from normal	12% warmer	25% warmer	15% warmer	17% warmer
Employees (period end)			1,051	1,161

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. It's utility operations distribute natural gas and related services in six states along the eastern seaboard and comprise Elizabethtown Gas (New Jersey), 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 (NUI Energy); wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary (NUI Energy Brokers); energy project development and consulting through its NUI Energy Solutions, Inc. subsidiary; environmental project development services through its NUI Environmental Group, Inc. subsidiary; customer account management and field operations 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).

Results of Operations

The results for the six-month period ending March 31, 1999 as compared to the six-month period ending March 31, 1998 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). These changes had no effect on the quarter ended March 31, 1999 as compared to the quarter ended March 31, 1998. 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 (Sales Tax), a New Jersey Corporate Business Tax (CBT) and a temporary Transitional Energy Facilities Assessment (TEFA). In prior periods, GRAFT was recorded as a single line item as a reduction of operating margins. Effective January 1, 1998, TEFA is recorded in the energy taxes line item as a reduction of operating margins, CBT is recorded in the income taxes line item and 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 six-month period ending March 31, 1999 as compared to the six-month period ended March 31, 1998 the legislation had the effect of reducing operating revenues by approximately $3.4 million, reducing energy taxes by approximately $4.1 million and increasing income tax expense by approximately $1.2 million.

Three-Month Periods Ended March 31, 1999 and 1998

Net Income. Net income for the three-month period ended March 31, 1999 was $17.8 million, or $1.40 per share, as compared with net income of $15.1 million, or $1.20 per share, for the three-month period ended March 31, 1998. The increase in the current period was partially due to the effect of non-recurring items which contributed $1.3 million, or $0.10 per share to net income. These items were primarily associated with the Company's early retirement programs (see Note 3 of the Notes to the Consolidated Financial Statements). Absent these non-recurring items, net income would have been $16.5 million or $1.30 per share. The increase in recurring earnings was attributable to higher margins and other income, partially offset by higher operations and maintenance expenses, interest and depreciation and amortization.

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 regulated operating revenues is not necessarily indicative of financial performance. The Company's operating revenues decreased by $4.2 million, or 2%, for the three-month period ended March 31, 1999 as compared with the three-month period ended March 31, 1998, principally due to a decrease of approximately $11.3 million in unregulated revenues primarily due to lower gas prices in the current period. This decrease was partially offset by an increase in revenues of approximately $7.3 million in the Company's utility operations primarily resulting from customer growth and the effect of colder weather in the 1999 period, primarily in New Jersey where it was 16% colder than the prior year.

The Company's operating margins increased by $6.5 million, or 10%, for the three-month period ended March 31, 1999 as compared with the three-month period ended March 31, 1998. Margins from the Company's unregulated operations increased by approximately $3.3 million over the prior year period primarily due to an increase in the Company's energy portfolio management business. The Company's utility distribution margins increased approximately $3.0 million over the prior year period mainly due to the effect of colder weather as compared to the prior year, customer growth, and the effect of previously deferred post-retirement benefit expenses which are now being expensed and recovered through rates. Customer service margins showed a slight increase in the current year as compared to the prior year period. 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 $2.5 million higher in the 1999 period than they would have been without such clauses. In the 1998 period, operating margins were approximately $4.8 million higher than they otherwise would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased by approximately $3.7 million, or 16%, for the three-month period ended March 31, 1999 as compared with the three-month period ended March 31, 1998. The increase was primarily the result of a lower pension credit in the current period, previously deferred post-retirement benefit expenses which are being expensed and recovered through rates, and higher levels of accrued expenses associated with the improved performance of the Company's wholesale trading operations. These increases were partially offset by labor and benefits reductions resulting from the Company's reorganization in 1998.

The Company recognized approximately $2.1 million of non-recurring income in the second quarter of fiscal 1999 as a result of a $6.8 million settlement gain realized on the Company's 1998 early retirement program, offset by a $2.0 million special termination charge associated with the 1999 New Jersey bargaining unit early retirement program, $1.1 million in write-offs of previously deferred regulatory assets, and other items which were deemed to be separate from recurring earnings (see Note 3 of the Notes to the Consolidated Financial Statements).

Income tax expense increased by approximately $1.6 million for the three-month period ended March 31, 1999 as compared to the three-month period ended March 31, 1998 as a result of higher pre-tax income.

Other Income and (Expense), Net. Other income and expense, net, increased by approximately $0.3 million for the three-month period ended March 31, 1999 as compared with the three-month period ended March 31, 1998 due to improved results generated by TIC.

Interest Expense. Interest expense increased by approximately $0.5 million for the three-month period ended March 31, 1999 as compared with the three-month period ended March 31, 1998. This increase was primarily due to interest on the Company's $40 million bond issuance in December 1998, as well as an increase due to higher average short-term borrowings. These increases were partially offset by an increase in interest income on funds held by trustee as a result of the $40 million issuance noted above being put into trust for use on qualified expenditures (see "Financing Activities and Resources - Long-Term Debt and Funds for Construction Held by Trustee").

Six-Month Periods Ended March 31, 1999 and 1998

Net Income. Net income for the six-month period ended March 31, 1999 was $24.7 million, or $1.94 per share, as compared with net income of $22.5 million, or $1.80 per share, for the six-month period ended March 31, 1998. The increase in the current period was partially due to the effect of non-recurring items which contributed $1.3 million, or $0.10 per share to net income (see Note 3 of the Notes to the Consolidated Financial Statements). Absent these non-recurring items, net income would have been $23.4 million or $1.84 per share. The increase in recurring earnings was attributable to higher margins, partially offset by the effect of the change in the NJ tax law noted above, higher operations and maintenance expenses, interest and depreciation, as well as lower other income.

Net income per share in the current period was also affected by the increased number of outstanding shares of common stock over the prior year period, issued through various stock plans.

Operating Revenues and Operating Margins. The Company's operating revenues decreased by $10.6 million, or 2%, for the six-month period ended March 31, 1999 as compared with the six-month period ended March 31, 1998. The decrease was principally due to a decrease of approximately $12.0 million in the Company's utility operations as a result of the changes in the New Jersey tax law noted above, and weather that was warmer in the current year in several of the Company's service territories.

The Company's operating margins increased by $6.9 million or 6% for the six-month period ended March 31, 1999 as compared with the six-month period ended March 31, 1998. The increase was primarily attributable to an increase of $4.0 million in the Company's unregulated operations as a result of an increase in the Company's energy portfolio management business, and improved results from NUI Energy. Utility distribution operations increased by $2.6 million as a result of customer growth, the effect of the changes in the New Jersey tax law described above, and an additional $1.6 million due to the recovery of previously deferred post-retirement benefit expenses through rates. The Company's customer service operations contributed approximately $0.3 million to the increase in margins as a result of continued growth by UBS and the Company's appliance sales and leasing business. As a result of weather normalization clauses, operating margins were approximately $5.0 million higher in the 1999 period than they would have been without such clauses. In the 1998 period, operating margins were approximately $5.2 million higher than they otherwise would have been without such clauses.

Other Operating Expenses. Operation and maintenance expenses increased by approximately $2.3 million, or 5%, for the six-month period ended March 31, 1999 as compared with the six-month period ended March 31, 1998. The increase was primarily the result of a lower pension credit in the current period, previously deferred post-retirement benefit expenses which are being expensed and recovered through rates, and higher levels of accrued expenses associated with the improved performance of the Company's wholesale trading operations. These increases were partially offset by labor and benefit savings from the Company's 1998 reorganization, as well as lower outside contract work and temporary help.

The Company recognized approximately $2.1 million of pre-tax non-recurring income during the six-month period ended March 31, 1999. See Note 3 of the "Notes to the Consolidated Financial Statements" for a description of these items.

Depreciation and amortization expenses increased by $0.7 million primarily due to additional plant in service.

Income tax expense increased by approximately $2.8 million due to the changes in the New Jersey tax law described above, as well as higher pre-tax income.

Other Income and (Expense), Net. Other income and expense, net, decreased by approximately $0.4 million for the six-month period ended March 31, 1999 as compared with the six-month period ended March 31, 1998. The decrease was primarily due to a gain on the sale of marketable securities of approximately $0.6 million in the prior year period.

Interest Expense. Interest expense increased by approximately $0.8 million for the six-month period ended March 31, 1999 as compared with the six-month period ended March 31, 1998. The increase was mainly due to the reasons discussed under the "Three-Month Periods Ended March 31, 1999 and 1998" section.

Regulatory Matters

On April 30, 1999 the Company made a filing with the New Jersey Board of Public Utilities (NJBPU) which will enable all customers to choose an alternative supplier. This filing was a result of the "Electric Discount and Energy Competition Act" legislation which was signed into law in New Jersey on February 9, 1999. The legislation has several provisions that affect gas utilities. It provides all gas customers with the ability to choose an alternate natural gas supplier by December 31, 1999. At the same time, the utility will continue to provide basic gas service through December 2002 when the NJBPU will decide if the gas supply function should be made competitive. The NJBPU will also conduct proceedings to determine whether customers should be afforded the option of contracting with an alternative provider of billing, collection, meter reading and other services that may be deemed competitive by December 31, 2000.

The NJBPU recently granted the Company permission to consolidate the residential transportation program proposal into the April 30, 1999 filing noted above. The proposed residential transportation program was originally filed by the company on July 31, 1998 and would allow customers to contract with third-party suppliers by September 2001.

On August 20, 1998, the NJBPU approved the Company's petition to increase its annual purchased gas revenues in New Jersey by $9 million. Additionally, the Company was authorized to retain 15% of margins from utility off-system sales and capacity release credits. The Company previously retained 20% of margins from these items.

In July 1997, the State of New Jersey enacted legislation which eliminated the current 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. The TEFA tax is scheduled to be phased out over five years. Effective January 1, 1999, a 13% reduction of TEFA was approved. These tax changes are designed to have no effect on the Company's net income, and did not have a material effect on working capital (See "Results of Operations" for the effect on the Company's operations). The Company paid approximately $27 million to the State for these taxes in 1998.

Financing Activities and Resources

The Company had net cash provided by operating activities of $58.1 million and $28.9 million for the six-month periods ended March 31, 1999 and 1998, respectively. The increase in the six-month period ended March 31, 1999 was primarily due to a significantly higher over-collection of gas costs through 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 $86.1 million at 5.7% for the six-month period ended March 31, 1999 and $70.1 million at 6.0% for the six-month period ended March 31, 1998. 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 earlier in the year. At March 31, 1999, the Company had outstanding notes payable to banks amounting to $50.6 million and available unused lines of credit amounting to $85.4 million. Notes payable to banks decreased as of March 31, 1999 as compared to the balance outstanding at September 30, 1998 due to seasonal borrowing requirements.

Long-Term Debt and Funds for Construction Held by Trustee. On December 8, 1998, the Company issued $40 million of tax-exempt Gas Facilities Revenue Bonds at an interest rate of 5.25%. These bonds will mature in November 2033 and the proceeds will be used to finance a portion of the Company's capital expenditure program in New Jersey.

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, 1999, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement.

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, 1999, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $41 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

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 $0.6 million and $3.3 million for the six-month periods ended March 31, 1999 and 1998, respectively, and were used primarily to reduce outstanding short-term debt. The decrease in proceeds received in the six-month period ended March 31, 1999 as compared to the six-month period ended March 31, 1998 reflects that several of these plans commenced purchasing shares on the open market during 1998 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. 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 $57.1 million of cash dividends at March 31, 1999.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $16.8 million for the six-month period ended March 31, 1999 as compared with $26.7 million for the six-month period ended March 31, 1998. Capital expenditures are expected to be approximately $52.0 million for all of fiscal 1999, as compared with a total of $60.9 million in fiscal 1998.

The Company owns or previously owned six former manufactured gas plant (MGP) sites in the state of New Jersey and ten former MGP sites in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. 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 New Jersey MGP sites and approximately $4 million relates to the MGP sites located outside New Jersey. 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 this reserve by an amount that could range up to an additional $24 million and be incurred during a future period of time that may range up to 50 years. Of this $24 million in possible additional expenditures, approximately $12 million relates to the New Jersey sites and approximately $12 million relates to the remaining MGP sites. As compared with the $34 million reserve currently recorded on the Company's books as 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 New Jersey MGP sites will be recoverable in rates or from insurance carriers. In New Jersey, the Company is currently recovering environmental costs on an annual basis through base rates and over a rolling seven-year period through its MGP Remediation Adjustment Clause. As a result, the Company has begun rate recovery of approximately $4.4 million of environmental costs incurred through June 30, 1997. Recovery of an additional $0.9 million in environmental costs incurred between July 1, 1997 and June 30, 1998 is currently pending NJBPU approval. With respect to costs which may be associated with the MGP sites located outside the state of New Jersey, 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 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 $68.6 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 6.8 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.

Market Risk Exposure

The Company's wholesale trading subsidiary, NUI Energy Brokers, uses derivatives for multiple purposes: 1) to hedge price commitments and minimize the risk of fluctuating gas prices, 2) to take advantage of market information and opportunities in the marketplace, and 3) to fulfill its trading strategies and, therefore, ensure favorable prices and margins. These derivative instruments include forwards, futures, options, and swaps.

The risk associated with uncovered derivative positions is closely monitored on a daily basis, and controlled in accordance with NUI Energy Brokers' Risk Management Policy. This policy has been approved by the Company's Board of Directors and dictates policies and procedures for all trading activities. The policy defines both value-at-risk (VaR) and loss limits, and all traders are required to sign and follow this policy. At the end of each day, all trading positions are marked to market and a VaR is calculated. This information, as well as the status of all limits, is disseminated to senior management daily.

NUI Energy Brokers utilizes the variance/covariance VaR methodology. Using a 95% confidence interval and a one day time horizon, as of March 31, 1999, NUI Energy Brokers' VaR was $318,000.

Year 2000

Many existing computer programs and systems with embedded digital microcontrollers, use only two digits to identify a year in the date field, or were not designed in other ways to provide for the upcoming change in the century. If not corrected, many systems that use digital technology could fail or create errors that may result in a significant adverse impact on NUI's ability to provide service, its regulatory relations and financial condition.

NUI has developed a Risk Mitigation Plan (the Plan) as an internal guide to its systems readiness program. The purpose of the program is to mitigate the risks associated with Year 2000 technology issues. The Plan includes the following phases: (i) development of a detailed inventory of all information technology (IT) and non-IT systems that incorporate any technology component including embedded microprocessors and microcontrollers (Inventory Phase); (ii) assessment of those systems for Year 2000 vulnerability (Assessment Phase); (iii) remediation of the affected systems (Remediation Phase); and (iv) testing of sub-systems, hardware, operating and application software running as integrated systems (Testing Phase). In addition, the Plan requires (v) an analysis of the risk of system failure and the consequences of failure in order to focus testing resources and prioritization of resources under contingency plans (Risk Analysis). The Inventory, Assessment and the Risk Analysis Phases include material direct third-party suppliers and vendors. The final phase is (vi) contingency planning, which is described below.

Under the Plan, NUI has established an executive level Year 2000 Committee (the Committee) to monitor the Company's Year 2000 progress. This Committee is chaired by NUI's Chief Operating Officer and includes the senior managers of all NUI's business units, the Chief Administrative Officer, General Counsel and Secretary and the Vice President of Corporate Development and Treasurer. The Committee receives monthly reports from a project coordinator and team. Members of the team are responsible for NUI gas distribution system controls, computer hardware, operating and communication systems, and for critical suppliers. The Chairman of the Committee reports to NUI's Board of Directors on Year 2000 issues on a periodic basis.

All major billing, field service, networked information technology and gas distribution control and monitoring systems have been inventoried. Detailed inventorying of known material systems with embedded microcontrollers comprising environmental and support systems, such as telephone systems, heating and air conditioning, and backup electric generating systems have been substantially completed.

The entire Assessment Phase, including the assessment of financial and field service systems and natural gas distribution control and monitoring systems, has been substantially completed at this time.

Other than the hand-held met... reading units, which are currently in the p... ss of being replaced, all known hardware and operating systems that handle billing and field service, and which required remediation, have been replaced. Replacement of NUI's billing systems in Pennsylvania and North Carolina is in progress and is currently scheduled for completion in August 1999. NUI's financial systems are in the process of being upgraded to a new version of third-party supplied software and are currently scheduled for completion in September 1999. Certain telephone systems are in the process of being remediated and are scheduled for substantial completion by the end of May 1999. Any other remediation will be reviewed when the need arises.

Individual programs are generally being tested on a stand-alone basis as they are remediated. However, suites of programs must be tested as entire systems, running on remediated hardware and operating systems. Integrated testing for natural gas distribution and control and monitoring systems have been substantially completed. Billing and field service software is currently planned for the end of June 1999. Integrated testing of other systems is scheduled for completion by the end of September 1999.

The Risk Analysis Phase involved NUI assigning priority ratings to each of its major systems, based on both the risk of the systems' failure and the potential consequences to the underlying business. This was without taking into account alternatives available under contingency planning. Systems supporting business processes which might affect human safety were assigned the highest rating.

NUI's systems and customers are vulnerable to systems operated by third-parties that may not be Year 2000 ready. NUI has identified its critical direct suppliers and vendors. These include, at the very highest level of importance, interstate pipeline suppliers, telecommunications carriers, and electric suppliers. Interstate pipeline suppliers must appropriately schedule and control gas supplies to NUI's own distribution systems. Telecommunications carriers' digital circuits are used to control and monitor NUI's gas distribution system with voice circuits as emergency backup and for customers' reporting of emergencies. Electricity supplies are critical to NUI's customers for natural gas heating equipment and industrial process control.

NUI is assessing the Year 2000 readiness of its critical suppliers and the substantial portion of the assessment work will occur throughout 1999. Assessment of third party systems is currently scheduled to be substantially complete by June 1999. NUI will continue to work with these suppliers through 1999 to gain greater assurance that appropriate steps are being taken to ensure security of supply and the continued accurate exchange of critical data. Any remediation and contingency planning will be reviewed and determined based on the results of such third-party assessment.

The total estimated costs of assessing, remediating and testing NUI's systems for Year 2000 compliance is approximately $3.5 million, of which approximately $2.5 million has been incurred through March 31, 1999. Approximately 50% of these costs will relate to capital projects. The Company has, and will continue, to fund these costs from the operations of the Company. These estimated costs do not include any third-party remediation that may be required, or any resulting contingency planning.

Customers are dependent on NUI's reliable and secure gas supply, emergency response and billing services. Each of these services relies on the Company's computer systems. A failure in these systems could materially interrupt the normal flow of these services and significantly impact human safety and physical property and have a significant adverse financial impact on NUI, its customers and suppliers. NUI and third-party critical suppliers are also interdependent, and failure of third-party suppliers to be Year 2000 ready could significantly impact the Company's ability to serve its customers. Third-party systems are being reviewed however NUI has not ascertained a reasonably likely worst case scenario. Due to the general uncertainty of the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-parties, the Company is unable to determine at this time whether the consequences of year 2000 failures will have a material impact on the Company's results of operations or financial condition. The Plan is expected to significantly reduce the Company's level of uncertainty about the Year 2000 problem and the readiness of third-parties. The Company believes that due to its Plan, the likelihood of major consequences should be reduced.

Contingency plans are being developed as necessary for the Company's own systems and its third-party relationships, in response to its assessments, remediation and testing activities. Contingency planning is currently scheduled to be completed by June 1999.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company cautions that, while it believes such statements to be reasonable and are made in good faith, such forward-looking statements almost always vary from actual results, and the differences between assumptions made in making such statements and actual results can be material, depending upon the circumstances. Factors, which may make the actual results differ from anticipated results include, but are not limited to, economic conditions; unforeseen competition; weather conditions; fluctuations in the price of natural gas and other forms of energy; the outcome of certain assumptions made in regard to Year 2000 issues; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, investors should not rely upon these forward-looking statements in making investment decisions.

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 1999.

The Annual Meeting of Shareholders of NUI Corporation was held on January 26, 1999. 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 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:			
Vera King Farris	10,983,023	115,163	
J. Russell Hawkins	10,988,367	109,819	
John Winthrop	10,990,492	107,694	
(2) Ratification of the appointment of Arthur Andersen LLP as independent public accountants	10,574,996	479,407	43,783

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 14, 1999	JOHN KEAN, JR. President and Chief Executive Officer
May 14, 1999	A. MARK ABRAMOVIC Senior Vice President and Chief Financial Officer

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 14, 1999

John Kean, Jr.
President and Chief Executive Officer

May 14, 1999

A. Mark Abramovic
Senior Vice President and Chief
Financial Officer

NUI CORPORATION
ESTIMATED CONSOLIDATED SOURCES AND USES OF FUNDS
TWELVE MONTHS ENDED AUGUST 30, 2000
(dollars in thousands)

Exhibit B-1

SOURCES OF FUNDS	
NET INCOME	$ 25,800
DEPRECIATION AND AMORTIZATION	29,100
CONSTRUCTION FUNDS, NET	15,000
PROCEEDS FROM SALE OF COMMON STOCK	13,500
PREFERRED STOCK ISSUANCE	40,000
DEFERRED FEDERAL INCOME TAXES	1,000
OTHER NON-CASH CHARGES TO INCOME	1,000
	125,400
USES OF FUNDS	
CAPITAL EXPENDITURES	(52,000)
DIVIDENDS TO SHAREHOLDERS	(16,400)
REPAYMENTS OF CAPITAL LEASES	(1,700)
REPAYMENTS OF SHORT TERM DEBT	(32,850)
WORKING CAPITAL CHANGES	(20,000)
AMORTIZATION OF ITC	(450)
OTHER	(2,000)
	(125,400)

City Gas Company of Florida
Capital Expenditures - Consolidated Recap

Capital expenditures as of August 30, 2000

New Business

Mains	3,964,600
Services	1,448,410
Meters	675,581
Regulators	165,845
Meter Installations	44,040
Regulator Installations	22,220
Industrial M&R Stations & Equipment	40,500
Total	6,361,196
Aid to Construction (Scattered Residentials)	0

System Improvements

Highway Rerouting and Municipal Work	789,000
Riser Replacements	63,600
Service Line Relocations or Replacement	83,400
Telemetry Improvements	136,500
Gate Stations	124,000
Galv System Replacements - Compliance	454,500
Galv System Replacements - Non Compliance	0
System Improvements - Other	942,330
Total	2,593,330

Other Expenditures

General Office Buildings	17,000
Office Equipment	124,000
Autos and Trucks	0
Stores Equipment	0
Tools and Equipment	310,930
Distribution Structures and Improvements	8,000
Land	0
Communications Equipment	130,000
Other	35,000
Total	624,930
Total	9,579,456