

OFFICIAL COPY
Division of
Economic Regulation
FPSC

ANNUAL REPORT OF

NATURAL GAS UTILITIES

CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI CORPORATION

(EXACT NAME OF RESPONDENT)

955 E. 25th ST., HIALEAH, FL 33013 - 3498

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED DECEMBER 31, 2003

04 JUN 27 AM 10:16
DIVISION OF
ECONOMIC REGULATION

Officer or other person to whom correspondence should be addressed concerning this report:

Name: Carolyn Bermudez

Title: Accounting Manager

Address: 955 E. 25th Street

City: Hialeah State: FL

Telephone No. (305) 691-8710 x 5920

PSC/ECR 020-G (10/03)

INSTRUCTIONS FOR FILING THE ANNUAL REPORT OF NATURAL GAS UTILITIES

GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR 201) (U.S. of A.) Interpret all accounting words and phrases in accordance with the U.S. of A.
- II. Enter in whole numbers (dollars or Mcf) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important.) The truncating of cents is allowed except on the four basic financial statements where rounding to dollars is required. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting year, and use for statement of income accounts the current year's amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page that is not applicable to the respondent, enter the words "Not Applicable" on the particular page.
- V. Provide a supplemental statement further explaining accounts or pages as necessary. Attach the supplemental statement to the page being supplemented on 8 1/2 by 11 inch paper. Provide the appropriate identification information on the supplemental page, including the title of the page and the page number. Do not change the page numbers.
- VI. Do not make references to reports of previous years or to other reports in lieu of required entries, except as specifically authorized.
- VII. Wherever schedule pages refer to figures from a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given as to why different figures were used.
- VIII. Report all gas volumes on a pressure base of 14.73 psia and a temperature base of 60° F.

DEFINITIONS

- I. **Btu per cubic foot** - The total heating value expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60° F if saturated with water vapor and under a pressure equivalent to that of 30 inches of mercury at 32° F, and under standard gravitational force (980.665 cm per sec.²) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state. (Sometimes called gross heating value or total heating value.)
- II. **Respondent** - The person, corporation, licensee, agency, authority, or other legal entity or instrumentality in whose behalf the report is made.

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent NUI Utilities, Inc. D/B/A City Gas Company of Florida		02 Year of Report Dec. 31, 2003
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 955 E. 25th Street, Hialeah, FL 33013-3498		
05 Name of Contact Person Carolyn Bermudez	06 Title of Contact Person Accounting Manager	
07 Address of Contact Person (Street, City, State, Zip Code) 955 E. 25th Street, Hialeah, FL 33013-3498		
08 Telephone of Contact Person, Including Area Code 305-691-8710	09 Date of Report (Mo., Day, Yr) April 30, 2004	

ATTESTATION

I certify that I am the responsible accounting officer of

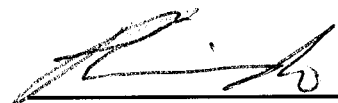
NUI Corporation;

that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2003 to December 31, 2003, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.



Signature

5/24/04

Date

Peter E. Maricondo

Name

Chief Financial Officer

Title

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Name of Respondent CITY GAS COMPANY OF FLORIDA A DIVISION OF NUI UTILITIES, INC.	For the Year Ended Dec. 31, 2003
CONTROL OVER RESPONDENT	
<p>1. If any corporation, business trust, or similar organization or organization. If control was held by a trustee(s), state name of combination of such organizations jointly held control over the trustee(s). respondent at end of year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, the chain of ownership or control to the main parent company years for both the 10-K report and this report are compatible.</p> <p>2. If the above required information is available from the SEC 10K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed provided the fiscal years for both the 10-K report and this report are compatible.</p>	
<p>City Gas Company of Florida is a division of NUI Utilities, Inc. NUI Utilities, Inc. is a wholly-owned subsidiary of NUI Corporation (NUI).</p>	

CORPORATIONS CONTROLLED BY RESPONDENT			
<p>1. Report below the names of all corporations, business trusts and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.</p> <p>2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.</p> <p>3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.</p> <p>4. If the above required information is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be listed in column (a) provided the fiscal years for both the 10-K report and this report are compatible.</p>			
DEFINITIONS			
<p>1. See the Uniform System of Accounts for a definition of control.</p> <p>2. Direct control is that which is exercised without interposition of an intermediary.</p> <p>3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.</p> <p>4. Joint control is that in which neither interest can effectively</p>		<p>control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.</p>	
Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
<p>NONE - City Gas Company of Florida is a division of NUI Utilities, Inc. and does not control, directly or indirectly, any corporation, business trust or similar organization.</p>			

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policymaking functions.

2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

Title (a)	Name of Officer (b)	Salary for Year (c)
President & CEO	John Kean, Jr. - resigned 9/25/03	358,077
President	Victor A Fortkiewicz - eff. 9/25/03	57,300
Chief Financial Officer	Peter E Maricondo - eff. 12/16/03	6,192
Vice President	A. Mark Abramovic	330,000
Treasurer	Charle N. Garber - terminated eff. 11/16/03	159,000
Secretary	James R Van Horn - until 9/25/03	165,154
Secretary	M. Patricia Keefe - eff. 9/25/03	41,116
Vice President, Business & Technical Services	Nancy J. Sobelson - eff. 11/05/03	20,800
Vice President, Energy Planning & Management	Thomas E Smith - eff. 11/05/03	20,477
<p>Note: The officers listed above are the officers of NUI Utilities, Inc. Salaries listed are only for the portion of the year during which they served as officers of NUI Utilities, but in some cases include salaries received from NUI Corporation during that period.</p>		

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a) abbreviated titles of the directors who are officers of the respondent.

2. Designate members of the Executive Committee by an asterisk and the Chairman of the Executive Committee by a double asterisk.

Name (and Title) of Director (a)	Principal Business Address (b)	No. of Directors Meetings During Yr. (c)	Fees During Year (d)
City Gas Company of Florida does not have a board of directors			

Name of Respondent
 CITY GAS COMPANY OF FLORIDA
 A DIVISION OF NUI UTILITIES, INC.

For the Year Ended
 Dec. 31, 2003

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondents who, at the date of the latest closing of the stock book or compilation of the list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.) duration of the trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement of circumstances whereby such security became

vested with voting rights and give others important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders.

VOTING SECURITIES

Name (Title) and Address of Security Holder (a)	Number of votes as of (date): March 11, 2003			
	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
TOTAL votes of all voting securities	100	100		
TOTAL number of security holders	1	1		
TOTAL votes of security holders listed below	100	100		
NUI Corporation 550 Route 202-206 Bedminster, NJ 07921				

IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none" "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give name of companies involved, particulars concerning the transactions.
2. Purchase or sale of an operating unit or system: Give brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required.

3. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased also the approximate number of customers added or lost and approximate annual revenues of each class of service.
4. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
5. State briefly the status of any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

- 1 N/A
- 2 N/A
- 3 N/A
- 4 See attached

On October 7, 2003, City Gas received approval from the Florida Public Service Commission (FPSC) to increase its base rates by \$2.9 million. The increase represents a portion of the company's request for a total rate increase of \$10.5 million to cover the costs of investments in its customer service and system maintenance and growth, increases in operating expenses, and the impact of the continuing sluggish economy. On January 20, 2004, City Gas received approval from the FPSC to increase its base rates by \$6.7 million, effective February 23, 2004. This includes the interim rate increase of \$2.9 million approved in October. This new rate level provides for an allowed return on equity of 11.25 percent and an overall allowed rate of return of 7.36 percent.

Between October 28, 2002 and December 20, 2002, five substantially similar civil actions were commenced in the United States District Court for the District of New Jersey, in which the plaintiffs allege that the parent company, NUI Corporation and its former president and chief executive officer violated federal securities laws by issuing false statements and failing to disclose information regarding the company's financial condition and current and future financial prospects in its earnings statements, press releases, and in statements to analysts and others. By orders dated December 19, 2002, January 22, 2003, and February 3, 2003, the five actions were consolidated into one action captioned In re NUI Securities Litigation. The five consolidated lawsuits include: (1) an action captioned Jack Klebanow, on behalf of himself and all others similarly situated v. NUI Corporation and John Kean, Jr., filed in the United States District Court for the District of New Jersey on October 28, 2002; (2) an action captioned Gisela Friedman, on behalf of herself and all others similarly situated v. NUI Corporation and John Kean, Jr., filed in the United States District Court for the District of New Jersey on October 31, 2002; (3) an action captioned Thomas Davis, on behalf of himself and all others similarly situated v. NUI Corporation and John Kean, Jr., filed in the United States District Court for the District of New Jersey on November 6, 2002; (4) an action captioned Marvin E. Russell, on behalf of himself and all others similarly situated v. NUI Corporation and John Kean, Jr., filed in the United States District Court for the District of New Jersey on December 10, 2002; and (5) an action captioned Phyllis Waltzer, on behalf of herself and all others similarly situated v. NUI Corporation and John Kean, Jr., filed in the United States District Court for the District of New Jersey on December 20, 2002. By order dated February 3, 2003, a Lead Plaintiff, Lead Counsel and Liaison Counsel were appointed in the consolidated action. By stipulation of the parties, an Amended Consolidated Class Action Complaint was filed on May 7, 2003, and subsequently plaintiffs were granted leave to file a Second Amended Consolidated Complaint, which was filed on July 17, 2003. The Second Amended Complaint, brought on behalf of a putative class of purchasers of NUI's common stock between November 8, 2001 and October 17, 2002, asserts claims under Section 10(b), including Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act against the company, and two former presidents and chief executive officers. Specifically, the Second Amended Complaint alleges that the defendants (i) failed to disclose material facts that would impair the company's current and future earnings, including (a) the allegedly accurate amount and explanation of the company's bad debts, (b) a purportedly illegal practice by the company in "re-terminating" intrastate calls, (c) alleged accounting improprieties in connection with purportedly unearned revenue, and (d) allegedly inaccurate earnings per share information, and (ii) inflated the company's earnings materially by (a) allegedly making misleading statements concerning, and failing to properly record, bad debt costs, (b) allegedly attributing the company's rising costs to incorrect and immaterial factors, and (c) purportedly pursuing illegal telecommunications billing practices. The Second Amended Complaint seeks unspecified monetary damages on behalf of the class, including costs and attorneys fees. On October 14, 2003, defendants moved to dismiss the Second Amended Complaint under, inter alia, the Private Securities Litigation Reform Act. Opposition papers to the motion to dismiss were secured on December 19, 2003, and reply papers were filed on February 23, 2004. The motion was heard on March 15, 2004. By decision and order dated April 23, 2003, the district court granted in part and denied in part defendants' motion to dismiss. The district court dismissed the Section 10(b) claims against the individual defendants and dismissed all claims against the company concerning the alleged "reterminating" scheme. The district court denied the motion to dismiss with respect to certain allegations that the company made misleading misstatements concerning the accurate level of bad debt and earnings and denied the motion to dismiss the Section 20(a) claims against the individual defendants. Defendants filed an Answer to the Second Amended Complaint on May 10, 2004. No discovery has yet occurred. Although the company intends to vigorously defend these lawsuits, it is not possible at this time to determine a likely outcome.

James Greiff and TIC Enterprises, Inc. v. TIC Enterprises, LLC, NUI Capital Corp., NUI Sales and NUI Corporation, originally filed in the Northern District of Georgia, was recently transferred on Defendants' motion to the District of Delaware. The plaintiffs, James Greiff and TIC sued the company and three other company related entities, NUI Sales Management, Inc., NUI Capital Corp. and TIC, for breach of contract and fraud. The plaintiffs allege they are entitled to \$3 million arising from the defendants' alleged breach of contract, an amount to be proven at trial arising from the defendants' alleged breach of a 2001 Purchase Agreement, \$22 million and punitive damages for the defendants' alleged fraud, and \$3 million plus interest and punitive damages for the defendants' alleged fraudulent transfers. The plaintiffs have also alleged a tortious interference claim for \$3 million, which the court previously dismissed. The company and the remaining defendants are vigorously defending the lawsuit and deny any liability to the plaintiffs. NUI Sales and defendant TIC have a four-count counterclaim against both plaintiffs for more than \$3 million. They are for: (1) breach of 2001 Purchase Agreement; (2) breach of 1997 Amended and Restated Limited Liability Company Agreement; (3) fraud in the inducement; and (4) unjust enrichment.

The parties are in the midst of discovery, and have exchanged written responses and objections to discovery requests along with numerous documents. The parties have also begun taking depositions of the parties and fact witnesses. On May 2, 2004, NUI proposed a settlement to the plaintiffs in which the company agreed to pay the plaintiffs \$1.4 million to completely satisfy NUI's obligation under the note, as well as to resolve all other claims that the company and the plaintiffs had brought against each other. On May 5, 2004, NUI received the plaintiffs' written acceptance of the company's settlement proposal, and the plaintiffs requested that NUI prepare the appropriate settlement documents for review. As a result, the company reduced the amount payable under the note from \$3.0 million to \$1.4 million on the September 30, 2003 Consolidated Balance Sheet, and recorded a gain of \$1.6 million in other income on the consolidated Statement of Income for fiscal 2003.

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

New Jersey Board of Public Utilities (NJBPU) Orders and Focused Audit

As a result of NUI and NUI Utilities' credit downgrades during 2003, negative credit rating comments and concerns raised during a competitive services audit of Elizabethtown Gas conducted by the NJBPU, in March 2003 the NJBPU ordered a focused audit of NUI, NUI Utilities and Elizabethtown Gas in six key areas: (1) strategic planning; (2) affiliate transactions; (3) financial structure and interaction; (4) accounting and property records; (5) corporate governance; and (6) executive compensation. The NJBPU retained The Liberty Consulting Group (Liberty) as the auditors for the focused audit. On March 2004, Liberty filed its final report with the NJBPU, which, among other things, cited weaknesses in each of the foregoing six areas. The contents of the final report filed by Liberty are discussed in more detail below under Focused Audit Report.

In addition, the NJBPU also issued a series of Orders to NUI, NUI Utilities, and Elizabethtown Gas during calendar 2003 and 2004, concerning, among other things, a number of the issues that were subject to the focused audit. These Orders are discussed in more detail below under Orders.

Focused Audit Report

On December 17, 2003, Liberty published an interim audit report that presented the auditors' description of key events and activities, as well as their findings and conclusions through that date. The final audit report was accepted and released by the NJBPU on March 17, 2004. At that time, the NJBPU directed NUI to file comments regarding the final audit report on March 26, 2004. NUI filed responsive comments as directed.

In each area, the audit report cites alleged weaknesses and areas of concern. In particular, the report alleges that NUI failed to comply with key provisions of the holding company order and that NUI has demonstrated a lack of understanding of what such order entailed

The Company filed its response to the final audit report on March 26, 2004. As indicated in its response, although NUI did not agree with many of the allegations in the report, since the commencement of the focused audit, NUI has implemented a number of important changes in areas examined by the audit report including:

- engaging in a comprehensive process to re-engineer its cash management operations,
- implementing cash segregation policies and practices as of September 1, 2003 so that the cash of NUI Utilities is no longer pooled with that of NUI's non-utility subsidiaries,
- conducting monthly reconciliation and payment of intercompany balances, which included the repayment by NUI, in full, on November 24, 2003 of the \$85 million intercompany receivable owed to NUI Utilities,
- strengthening internal controls for accounts payable and receivable,
- creating a cash management policy with formal policies and procedures in the accounting function, and
- entering into new credit facilities that eliminated certain provisions limiting NUI Utilities' operating flexibility.

NUI has also committed to obtaining NJBPU approval of its formalized cash management agreement. Additionally, NUI has engaged Deloitte & Touche to conduct an audit of its continuing-property records, which will be commenced during calendar 2004.

In addition, NUI Utilities has expanded its Board with a majority of independent directors who possess significant utility industry experience and extensive knowledge of NUI Utilities and its operations. NUI has also formalized its nominating procedures and policies and focused significant attention on improving the formal recordkeeping activities of its Board.

On April 14, 2004, the company announced that it reached a settlement agreement with the NJBPU that resolved all issues related to the focused audit. In connection with the settlement, and without acknowledging or admitting the correctness of any specific finding in the final audit report, the company agreed to implement the recommendations contained in the final audit report, with some modifications. As noted above, at the time the settlement was reached, the company had already implemented or was in the process of implementing many of the recommended actions.

Orders

Pending its review of the interim focused audit report, on December 11, 2003, the NJBPU issued an Order in which NUI Utilities and Elizabethtown Gas were directed to cease purchasing gas from NUI Energy Brokers upon approval of a new gas supply procurement and energy asset management plan, which was to be submitted to the NJBPU by January 2, 2004 for the NJBPU to approve by January 9, 2004. Further, per the Order, NUI Utilities is prohibited from issuing special dividend payments; and Elizabethtown Gas shall not pay any allocated costs of any agreements, retainers or arrangements for professional services and other expenditures incurred in connection with, or as a result of, the focused audit and/or financial difficulties of NUI unless approved by the NJBPU.

In its Order dated January 14, 2004, the NJBPU accepted the plan submitted by NUI Utilities and Elizabethtown Gas which transferred the management of NUI Utilities' and Elizabethtown Gas' gas supply assets to New Jersey Resources Energy Services (NJRES) through March 31, 2005. The NJBPU further directed NUI Utilities to file a procedure with the NJBPU for the competitive procurement of gas supply

management services for the period commencing April 1, 2004 through March 31, 2005. In the event NJRES was not selected to continue to provide services to NUI Utilities as a result of the bid process, the NJBPU directed NUI Utilities to pay an early termination fee.

NUI Utilities filed a procedure for competitive procurement of gas supply management services, which was approved by the NJBPU on February 11, 2004. NUI Utilities instituted a process for receiving bids for gas supply and capacity management services to the Company's New Jersey, Florida and Maryland utility divisions. The Company requested bidders to provide bids in one of three ways: (1) on the basis of a fixed payment to the company reflecting the value of the company's energy assets, (2) on the basis of sharing credits and/or margins derived from capacity release and off-system sales activities, or (3) on the basis of a fee tied to the volume of capacity in excess of the Company's requirements multiplied by a measure of the market value tied to available published indices. The company received multiple bids from nine third-party suppliers. As a result of this process, NUI Utilities selected Cinergy Marketing & Trading LP, a subsidiary of Cinergy Corp. (Cinergy) to provide a full requirements gas supply contract with least cost dispatch rights. The contract covers the period from April 1, 2004 through March 31, 2005 and provides a fixed payment to NUI Utilities. The NJBPU approved the selection of Cinergy as the Company's gas and capacity management services provider on April 14, 2004.

Investigations of NUI Energy Brokers

Through January 2004, NUI Energy Brokers served as NUI Utilities' agent for purchasing gas and managing their utilization of their pipeline, storage and peaking contracts and assets. NUI Energy Brokers and NUI Utilities were also parties to a contract in which NUI Utilities purchased certain firm gas supplies from NUI Energy Brokers during the 2003-2004 winter period. NUI Energy Brokers also arranged financial transactions on behalf of Elizabethtown Gas relating to its gas procurement needs. In early November 2003, as a result of the focused audit conducted by Liberty, the Board of Directors of the company became aware of allegations of inappropriate conduct by employees of NUI Energy Brokers. Employees of NUI Energy Brokers allegedly had engaged in activities that improperly benefited NUI Energy Brokers at the expense of Elizabethtown Gas. The Audit Committee of the Board retained Independent Counsel, to assist it in conducting an investigation into the allegations and report the findings and conclusions to it.

As a result of its investigation the Independent Counsel concluded that while NUI had established NUI Energy Brokers with internal controls designed to protect the utility's assets, NUI Energy Brokers traders often ignored or circumvented these controls. The NUI Energy Brokers bonus/commission plan created an incentive for NUI Energy Brokers traders and other NUI employees who participated in the bonus/commission plan to engage in conduct that favored NUI Energy Brokers over the utility or to remain silent if they observed conduct that allowed NUI Energy Brokers to benefit at the utility's expense. The Independent Counsel concluded that the maximum amount of lost margin to Elizabethtown Gas as a result of NUI Energy Brokers' failure to obtain for Elizabethtown Gas, NUI Energy Brokers' best or weighted average price of the day for comparable transactions was approximately \$6.5 million. The Independent Counsel also concluded that NUI Energy Brokers recorded as income a discount of \$1.3 million that a counterparty gave for an early settlement of a deferred payment transaction. In addition, the Independent Counsel concluded that the maximum amount of lost margin to City Gas as a result of NUI Energy Brokers' failure to obtain for City Gas NUI Energy Brokers best or weighted average price of the day for comparable transactions was approximately \$2.6 million. The Independent Counsel also reached conclusions with respect to the conduct of various employees. Based upon these conclusions, the Audit Committee recommended that the Board of Directors of NUI take certain personnel actions, which recommendation the NUI Board of Directors effected.

In connection with the investigation of NUI Energy Brokers, NUI received subpoenas issued by the New Jersey State Attorney General's Office in connection with the questionable transactions at NUI Energy Brokers. NUI is cooperating fully with the New Jersey Attorney General's Office.

In November 2003, the U.S. Securities and Exchange Commission (the "SEC") advised the company that it is conducting an informal inquiry with respect to the investigation of NUI Energy Brokers by the New Jersey Attorney General's Office. On March 1, 2004, the SEC requested the company to produce voluntarily certain documents in furtherance of its informal inquiry. In particular, the SEC is requesting information regarding allegations of inappropriate conduct by employees of NUI Energy Brokers. NUI is fully cooperating with the SEC. At this point, the company cannot predict whether or not the SEC will initiate a formal investigation into this matter.

The Audit Committee of the Board of Directors of NUI had previously retained independent counsel to conduct an internal investigation into these transactions at NUI Energy Brokers.

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	12	218,022,784	226,656,743
3	Construction Work in Progress (107)	12	6,064,360	3,929,185
4	TOTAL Utility Plant Total of lines 2 and 3)		224,087,144	230,585,928
5	(Less) Accum. Prov. for Depr., Amort., Depl. & Acq. Adj. (108, 111, 115)	12	91,531,603	98,320,432
6	Net Utility Plant (Total of line 4 less 5)		132,555,541	132,265,496
7	Utility Plant Adjustments (116)	11		
8	Gas Stored (117.1, 117.2, 117.3, 117.4)	-		
9	OTHER PROPERTY AND INVESTMENTS			
10	Nonutility Property (121)	-	186,554	165,857
11	(Less) Accum. Prov. for Depr. and Amort. (122)	-	30,217	54,381
12	Investments in Associated Companies (123)	-		
13	Investment in Subsidiary Companies (123.1)	-		
14	Other Investments (124)	-		
15	Special Funds (125, 126, 128)	-	29,958	32,509
16	TOTAL Other Property and Investments (Total of lines 10 through 15)		186,295	143,985
17	CURRENT AND ACCRUED ASSETS			
18	Cash (131)	-	(42,211)	106,489
19	Special Deposits (132-134)	-		
20	Working Funds (135)	-	2,750	2,425
21	Temporary Cash Investments (136)	-		
22	Notes Receivable (141)	-		
23	Customer Accounts Receivable (142)	-	11,561,296	7,724,400
24	Other Accounts Receivable (143)	-	(64,199)	101,795
25	(Less) Accumulated Provision for Uncollectible Accounts-Credit (144)	-	374,833	460,199
26	Notes Receivable from Associated Companies (145)	-		
27	Accounts Receivable from Associated Companies (146)	-		
28	Fuel Stock (151)	-		
29	Fuel Stock Expense Undistributed (152)	-		
30	Residuals (Electric) and Extracted Products (Gas) (153)	-		
31	Plant Material and Operating Supplies (154)	-	411,348	356,448
32	Merchandise (155)	-	1,960	2,293
33	Other Material and Supplies (156)	-		
34	Stores Expenses Undistributed (163)	-		
35	Gas Stored Underground & LNG Stored (164.1-164.3)	-		
36	Prepayments (165)	18	1,408,734	1,916,539
37	Advances for Gas (166-167)	-		941,867
38	Interest and Dividends Receivable (171)	-		
39	Rents Receivable (172)	-		
40	Accrued Utility Revenues (173)	-		
41	Miscellaneous Current and Accrued Assets (174)	-		
42	TOTAL Current and Accrued Assets (Total of lines 18 through 41)		12,904,845	10,692,057
43	DEFERRED DEBITS			
44	Unamortized Debt Expense (181)	-	596,332	530,050
45	Extraordinary Property Losses (182.1)	18		
46	Unrecovered Plant and Regulatory Study Costs (182.2)	18		
47	Other Regulatory Assets (182.3)	19	1,109,479	929,052
48	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)	-		
49	Clearing Accounts (184)	-		
50	Temporary Facilities (185)	-		
51	Miscellaneous Deferred Debits (186)	19	226,599	(485,035)
52	Deferred Losses from Disposition of Utility Plant. (187)	-		
53	Research, Development and Demonstration Expenditures (188)	-		
54	Unamortized Loss on Reacquired Debt (189)	20		
55	Accumulated Deferred Income Taxes (190)	24	449,269	312,049
56	Unrecovered Purchased Gas Costs (191)	-	(49,811)	137,278
57	TOTAL Deferred Debits (Total of lines 44 through 56)		2,331,868	1,423,394
58	TOTAL Assets and other Debits (Total of lines 6, 7, 8, 16, 42, 57)		147,978,549	144,524,932

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
1	PROPRIETARY CAPITAL			
2	Common Stock (201, 202, 203, 205, 206, 207)	-		
3	Preferred Stock Issued (204)	-		
4	Other Paid-In Capital (208-214)	-	30,429,678	30,429,678
5	Retained Earnings (215, 216)	10	3,812,771	-2,289,064
6	Unappropriated Undistributed Subsidiary Earnings (216.1)	10		
7	(Less) Reacquired Capital Stock (217)	-		
8	TOTAL Proprietary Capital (Total of lines 2 through 7)		34,242,449	28,140,614
9	LONG-TERM DEBT			
10	Bonds (221)	21	16,117,923	17,938,623
11	(Less) Reacquired Bonds (222)	21		
12	Advances from Associated Companies (223)	21		
13	Other Long-Term Debt (224)	21	30,000,000	30,000,000
14	Unamortized Premium on Long-Term Debt (225)	21		
15	(Less) Unamortized Discount on Long-Term Debt-Debit (226)	21	273,789	261,201
16	TOTAL Long-Term Debt (Total of lines 10 through 15)		45,844,134	47,677,422
17	OTHER NONCURRENT LIABILITIES			
18	Obligations Under Capital Leases - Noncurrent (227)	-	8,093,833	7,586,470
19	Accumulated Provision for Property Insurance (228.1)	-		
20	Accumulated Provision for Injuries and Damages (228.2)	-	112,001	385,067
21	Accumulated Provision for Pensions and Benefits (228.3)	-		
22	Accumulated Miscellaneous Operating Provisions (228.4)	-		
23	Accumulated Provision for Rate Refunds (229)	-		
24	TOTAL Other Noncurrent Liabilities (Total of lines 18 through 23)		8,205,834	7,971,537
25	CURRENT AND ACCRUED LIABILITIES			
26	Notes Payable (231)	-	0	0
27	Accounts Payable (232)	-	7,818,039	3,565,172
28	Notes Payable to Associated Companies (233)	-	28,251,044	27,856,004
29	Accounts Payable to Associated Companies (234)	-		
30	Customer Deposits (235)	-	5,801,675	5,979,573
31	Taxes Accrued (236)	-	552,296	358,150
32	Interest Accrued (237)	-	1,701,772	1,549,053
33	Dividends Declared (238)	-		
34	Matured Long-Term Debt (239)	-		
35	Matured Interest (240)	-		
36	Tax Collections Payable (241)	-	(467,489)	668,329
37	Miscellaneous Current and Accrued Liabilities (242)	22	111,486	3,152,898
38	Obligations Under Capital Leases-Current (243)	-	908,357	846,552
39				
40	TOTAL Current and Accrued Liabilities (Total of lines 26 through 39)		44,677,180	43,975,731
41	DEFERRED CREDITS			
42	Customer Advances for Construction (252)	-		
43	Other Deferred Credits (253)	22	15,638	27,501
44	Other Regulatory Liabilities (254)	22	794,589	611,806
45	Accumulated Deferred Investment Tax Credits (255)	23	681,066	492,573
46	Deferred Gains from Disposition of Utility Plant (256)	-		
47	Unamortized Gain on Reacquired Debt (257)	20		
48	Accumulated Deferred Income Taxes (281-283)	24	13,517,660	15,627,747
49	TOTAL Deferred Credits (Total of lines 42 through 48)		15,008,953	16,759,627
50				
51	TOTAL Liabilities and Other Credits (Total of lines 8, 16, 24, 40 and 49)		147,978,549	144,524,932

Name of Respondent
 CITY GAS COMPANY OF FLORIDA
 A DIVISION OF NUI UTILITIES, INC.

For the Year Ended
 Dec. 31, 2003

STATEMENT OF INCOME

1. Use page 11 for important notes regarding the statement of income or any account thereof. which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
2. Give concise explanations on page 11 concerning significant amounts of any refunds made or received during the year.
3. Enter on page 11 a concise explanation of only those changes in accounting methods made during the year
4. Explain in a footnote if the previous year's figures are different from that reported in prior reports.

Line No.	Account (a)	Ref. Page No. (b)	Total Gas Utility Current Year (c)	Total Gas Utility Previous Year (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	26	110,528,093	96,670,798
3	Operating Expenses			
4	Operation Expenses (401)	27-29	94,946,993	75,884,495
5	Maintenance Expenses (402)	27-29	984,047	1,089,485
6	Depreciation Expense (403)	15-16	7,590,753	7,195,973
7	Amortization & Depletion of Utility Plant (404-405)	-		
8	Amortization of Utility Plant Acquisition Adjustment (406)	-	59,868	46,723
9	Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)	-		
10	Amortization of Conversion Expenses (407.2)	-	72,731	91,855
11	Regulatory Debits (407.3)	-		
12	(Less) Regulatory Credits (407.4)	-		
13	Taxes Other Than Income Taxes (408.1)	23	5,795,249	4,770,329
14	Income Taxes - Federal (409.1)	-	(4,317,922)	2,631,172
15	- Other (409.1)	-		
16	Provision for Deferred Income Taxes (410.1)	24	1,988,660	(2,361,041)
17	(Less) Provision for Deferred Income Taxes - Cr.(411.1)	24		
18	Investment Tax Credit Adjustment - Net (411.4)	23	(72,729)	
19	(Less) Gains from Disposition of Utility Plant (411.6)	-		
20	Losses from Disposition of Utility Plant (411.7)	-		
21	Other Operating Income (412-414)	-		
22	TOTAL Utility Operating Expenses (Total of lines 4 -21)		107,047,650	89,348,991
23	Net Utility Operating Income (Total of line 2 less 22)		3,480,443	7,321,807
24	(Carry forward to page 9, line 25)			

Name of Respondent
 CITY GAS COMPANY OF FLORIDA
 A DIVISION OF NUI UTILITIES, INC.

For the Year Ended

Dec. 31, 2003

STATEMENT OF INCOME (Continued)

Line No.	Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
25	Net Utility Operating Income (Carried forward from page 8)		3,480,443	7,321,807
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)	-		
30	(Less) Costs and Exp. of Merchandising, Job & Contract Work (416)	-		
31	Revenues From Nonutility Operations (417)	-		
32	(Less) Expenses of Nonutility Operations (417.1)	-		
33	Nonoperating Rental Income (418)	-		
34	Equity in Earnings of Subsidiary Companies (418.1)	10		
35	Interest and Dividend Income (419)	-		
36	Allowance for Other Funds Used During Construction (419.1)	-		
37	Miscellaneous Nonoperating Income (421)	-		
38	Gain on Disposition of Property (421.1)	-	38,508	34,371
39	TOTAL Other Income (Total of lines 29 through 38)		38,508	34,371
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)	-		
42	Miscellaneous Amortization (425)	33	986,244	986,244
43	Miscellaneous Income Deductions (426.1-426.5)	33	8,499	2,280
44	TOTAL Other Income Deductions (Total of lines 41 through 43)		994,743	988,524
45	Taxes Applicable to Other Income and Deductions			
46	Taxes Other Than Income Taxes (408.2)	-		
47	Income Taxes - Federal (409.2)	-		
48	Income Taxes - Other (409.2)	-		
49	Provision for Deferred Income Taxes (410.2)	24	99,618	
50	(Less) Provision for Deferred Income Taxes - Credit (411.2)	24		
51	Investment Tax Credit Adjustment - Net (411.5)	-		
52	(Less) Investment Tax Credits (420)	-	115,764	115,764
53	TOTAL Taxes on Other Inc. and Ded. (Total of 46 through 52)		215,382	115,764
54	Net Other Income and Deductions (Total of lines 39,44,53)		817,869	907,131
55	Interest Charges			
56	Interest on Long-Term Debt (427)	-	3,596,362	4,181,701
57	Amortization of Debt Discount and Expense (428)	21	78,870	80,831
58	Amortization of Loss on Reacquired Debt (428.1)	-		14,220
59	(Less) Amortization of Premium on Debt - Credit (429)	21		
60	(Less) Amortization of Gain on Reacquired Debt - Credit (429.1)	-		
61	Interest on Debt to Associated Companies (430)	33		
62	Other Interest Expense (431)	33	2,318,609	1,299,647
63	(Less) Allowance for Borrowed Funds Used During Const.-Credit (432)	-		
64	Net Interest Charges (Total of lines 56 through 63)		5,993,842	5,576,399
65	Income Before Extraordinary Items (Total of lines 25, 54 and 64)		(3,331,268)	838,277
66	Extraordinary Items			
67	Extraordinary Income (434)	-		
68	(Less) Extraordinary Deductions (435)	-		
69	Net Extraordinary Items (Total of line 67 less line 68)			
70	Income Taxes - Federal and Other (409.3)	-		
71	Extraordinary Items After Taxes (Total of line 69 less line 70)			
72	Net Income (Total of lines 65 and 71)		(3,331,269)	838,277

STATEMENT OF RETAINED EARNINGS

1. Report all changes in appropriated retained earnings, and unappropriated retained earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.
6. Show separately the state and federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
7. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservations or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
8. If any notes appearing in the report to stockholders are applicable to this statement attach them at page 11.

Line No.	Item (a)	Contra Primary Account Affected (b)	Amount (c)
UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance - Beginning of Year		\$ 3,812,771
2	Changes (Identify by prescribed retained earnings accounts)		
3	Adjustments to Retained Earnings (Account 439):		
4	Credit:		
5	Credit:		
6	TOTAL Credits to Retained Earnings (Account 439) (Total of lines 4 and 5)		
7	Debit:		
8	Debit:		
9	TOTAL Debits to Retained Earnings (Account 439) (Total of lines 7 and 8)		
10	Balance Transferred from Income (Account 433 less Account 418.1)		(3,331,269)
11	Appropriations of Retained Earnings (Account 436) TOTAL		
12	Dividends Declared - Preferred Stock (Account 437) TOTAL		
13	Dividends Declared - Common Stock (Account 438) TOTAL		(2,770,566)
14	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings		
15	FAS 133 Other Comprehensive Income		
16	Balance - End of Year (Total of lines 01, 6, 9, 10, 11, 12, 13, 14 and 15)		(2,289,064)
APPROPRIATED RETAINED EARNINGS (Account 215)			
	State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
17			
18			
19			
20			
21			
22			
23	TOTAL Appropriated Retained Earnings (Account 215)		
	TOTAL Retained Earnings (Account 215 and 216) (Total of lines 16 and 23)		(2,289,064)

Name of Respondent
CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI UTILITIES, INC.

For the Year Ended

Dec. 31, 2003

NOTES TO THE FINANCIAL STATEMENTS ON A CONSOLIDATED BASIS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Changes in Financial Position, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.

2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.

3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and

plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.

4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 8-10, such notes may be attached hereto.

See Attached

**CITY GAS COMPANY OF FLORIDA -
A DIVISION OF NUI UTILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)**

City Gas Company of Florida ("City Gas" or the "Company") is an operating division of NUI Utilities, Inc., a wholly-owned subsidiary of NUI Corporation ("NUI"), and follows the Uniform System of Accounts of the Federal Energy Regulatory Commission ("FERC"), as adopted by the Florida Public Service Commission ("FPSC"), which is a comprehensive basis of accounting other than generally accepted accounting principles. NUI also has utility operating divisions in three other states: Elizabethtown Gas Company (New Jersey), Elkton Gas (Maryland), and Virginia Gas ("VGC"). During 2002, NUI sold its North Carolina Gas ("NC") utility operation in September, and its Valley Cities Gas (Pennsylvania) and Waverly Gas (New York) (considered together, "VCWV") utility operations in November.

In addition, as of December 31, 2003, NUI was engaged in several non-regulated businesses including NUI Energy Brokers, Inc. ("NUI Energy Brokers"), a wholesale energy portfolio and risk management subsidiary; Utility Business Services, Inc., ("UBS"), a billing and customer information systems and services subsidiary; and NUI Saltville Storage, Inc. ("NUISS"), a fifty-percent member of Saltville Gas Storage Company, LLC ("SSLLC"). SSLLC is a joint venture with a unit of Duke Energy that is developing a natural gas storage facility in Saltville, Virginia.

NUI's strategy to become a diversified energy company did not achieve the results that NUI had anticipated, particularly in the telecommunications arena. As a result, NUI experienced increasing significant losses and write-offs in its non-utility businesses during recent years. In late calendar 2001, a series of technical defaults under the then-existing credit facilities of NUI and NUI Utilities resulted in the refinancing of such debt and NUI began exploring the sale of its non-core businesses as a means of raising capital and cutting costs.

In October 2001 and March 2002, NUI sold certain subsidiaries of VGC for an aggregate sales price of approximately \$4.6 million. On September 30, 2002, NUI sold NC for approximately \$24 million, and on November 7, 2002, the sale of VCW was completed for approximately \$15 million. NUI Environmental Group was sold on September 3, 2002 for \$1. During July 2003, NUI announced it was seeking buyers for NUI Telecom. In July 2002, NUI had discontinued two of the four product lines of TIC Enterprises, LLC ("TIC"), a sales outsourcing subsidiary, and announced in July 2003 that the remaining operations of TIC would be wound down. On December 15, 2003, NUI completed the sale of NUI Telecom for approximately \$2 million. In addition, in May 2003, NUI announced it was exiting the retail energy business, and subsequently sold the majority of NUI Energy's contracts to HESCO Gathering Company, LLC and Amerada Hess Corporation.

Significant liquidity problems continued to plague NUI during fiscal 2003 despite attempts to reduce costs and raise funds from the sales of non-core businesses (see Note 2). In February 2003, NUI and NUI Utilities entered into new revolving credit agreements. However, problems at the non-utility entities and problems arising from the three year re-audit of NUI's financial statements caused technical defaults under NUI's credit agreement and, as a result, both the NUI and NUI Utilities credit agreements were amended, resulting in significantly higher costs of borrowing. NUI considered several alternate financing plans aimed at restoring the credit worthiness of NUI and NUI Utilities, but none of these plans were deemed viable. Finally, on September 26, 2003, NUI's Board of Directors announced it was pursuing the sale of NUI and all of its subsidiaries. NUI has engaged two investment banks to serve as financial advisors while it seeks a buyer.

1. Summary of Significant Accounting Policies

Certain reclassifications of prior year amounts were made in order to properly reflect amounts in the correct FERC account. Such reclassifications are not material.

The significant accounting policies are summarized below.

A. *Regulation*

As an operating utility, the Company is subject to regulation by the FPSC with respect to, among other things, the rates it charges utility customers, service, accounting and the issuance of securities.

B. *Use of Estimates*

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.

C. *Operating Revenues and Purchased Gas and Fuel Costs*

Utility gas customers are metered and billed monthly or bi-monthly on a cycle basis. Revenues include unbilled amounts related to the estimated gas usage that occurred from the most recent meter reading to the end of the relevant accounting period.

Costs of purchased gas and fuel are recognized as expenses in accordance with the gas cost adjustment clause. Such clause provides for the periodic reconciliation 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.

D. *Utility Plant and Related Depreciation and Amortization*

Utility plant is stated at its original cost less any aid to construction. 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 FPSC. The composite average depreciation rate was approximately 3.5 percent in 2003 and 3.5 percent in 2002. At the time utility plant is retired, the original cost plus the cost of retirement, less salvage, is charged to accumulated depreciation. Repairs, replacements and renewals of minor items of property are charged to maintenance expense as incurred.

Included in utility plant as of December 31, 2003 and 2002, is \$15,704,127 and \$16,750,238, respectively, of unamortized plant acquisition adjustment that represents the remaining portion of the excess of the purchase price over the book value of net assets acquired. The excess is being amortized on a straight-line basis over thirty years from the date of acquisition. The company does not have specific recovery of the plant acquisition adjustment in its rates.

During August 2002, the Company completed a sale/leaseback transaction for a capital lease that is collateralized by approximately \$9 million of meters.

E. *Supplemental Statement of Cash Flow Information*

“Cash at the End of Year” on the Statement of Cash Flows consists of:

<u>A/C</u>	<u>Description</u>	<u>Amount</u>
131	Cash	\$138,998
135	Working Funds	<u>2,425</u>
		<u>\$141,423</u>

The amount of income tax and interest paid during 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Income taxes paid (refunded)	\$(3,110,560)	\$2,921,297
Interest paid	\$ 5,481,348	\$5,914,971

Income taxes are paid to NUI (see Note 1.G. below).

F. *Regulatory Assets and Liabilities*

The Company follows 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 balance sheet as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Regulatory Assets		
Deferred piping allowances	\$ 631,492	\$ 682,702
Deferred conversion costs	464,267	519,819
Deferred rate case expenses	407,534	185,960
Deferred ECP program costs	<u>(574,242)</u>	<u>(279,001)</u>
	<u>\$ 929,051</u>	<u>\$1,109,480</u>
Regulatory Liabilities		
Over-collection of income taxes	\$ 331,046	\$ 568,846
Asset retirement obligations	<u>280,760</u>	<u>225,743</u>
	<u>\$ 611,806</u>	<u>\$ 794,589</u>

Substantially all of these regulatory assets and liabilities have been authorized by state regulators to be recovered in rates. In the event that the provisions of SFAS 71 were no longer applicable, the Company would recognize a write-off of net regulatory assets (regulatory assets less regulatory liabilities) that would result in a charge to net income, which would be classified as an extraordinary item. In addition, although the gas distribution industry is becoming increasingly competitive, the Company continues to recover its costs through cost-based rates established by the FPSC. As a result, the Company believes that the accounting prescribed under SFAS 71 remains appropriate.

G. *Income Taxes*

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") 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 are being amortized over the estimated service lives of the properties that gave rise to the credits.

The Company has deferred Federal tax liabilities, which arise principally from the timing of depreciation and other utility plant differences, plant acquisition adjustments, over- and under-recovered gas costs, and pension and other employee benefits.

The Company participates with NUI in filing a consolidated Federal income tax return. The provisions for income taxes shown in the accompanying financial statements have been computed on a separate company/division basis. Amounts reflected as Federal income taxes payable are payable to NUI.

2. **Liquidity Issues**

As a result of various factors, NUI and NUI Utilities have experienced and expect to continue experiencing significant liquidity problems. Liquidity needs for NUI Utilities generally are driven by factors that include prepayment for its natural gas requirements; natural gas commodity prices; the impact of weather on customer bills; lags in fully collecting gas costs from customers under the purchased gas adjustment clauses; both discretionary and required repayments of short- and long-term debt; capital spending; and working capital requirements, such as administrative expenses and taxes. Liquidity needs at NUI's non-utility operations generally are driven by required repayments of short-term debt and working capital requirements.

Based upon the factors noted above and current anticipated cash flows, both NUI and NUI Utilities believe that they have sufficient liquidity to meet their financial obligations through the remainder of the fiscal year ending September 30, 2004. However, subsequent to September 30, 2004, NUI and NUI Utilities believe they may not have sufficient liquidity to meet their continuing obligations based upon the following:

- NUI and NUI Utilities each have separate revolving credit facilities aggregating \$405 million, which expire on November 22, 2004, and each may only be extended for a successive 364-day increment if certain conditions are met. If these facilities are not extended or satisfactorily refinanced, the companies would need to seek alternative solutions to satisfy their liquidity requirements.
- Upon renewal of NUI's revolving credit facility, NUI would be required to prepay, on or about November 22, 2004, an interest reserve account for the benefit of the lenders under NUI's credit agreement in the amount of approximately \$20 million.
- Under the terms of NUI Utilities' natural gas asset management contract with Cinergy Marketing & Trading LP ("Cinergy"), NUI Utilities is required to pay in advance, in varying amounts, for its gas requirements on a monthly basis over the contract period. As a result of the prepayment obligations, in addition to the renewal of its credit facility, NUI Utilities may require additional funds in early fiscal 2005 in order to meet its continuing obligations. Further, in order for NUI Utilities to obtain such additional funds, it is

required to obtain the approval of its lenders and the New Jersey Board of Public Utilities (“NJBP”).

- On September 26, 2003, the Board of Directors of NUI announced its intention to put NUI up for sale. If a buyer for NUI is not found, or if a sale is not completed in a timely manner, this could materially adversely affect NUI’s and NUI Utilities’ financial condition, results of operations and liquidity.

As noted above, based upon current anticipated cash flows, NUI and NUI Utilities believe they will have sufficient liquidity to meet their financial obligations through the end of fiscal year ending September 30, 2004 and NUI and NUI Utilities also believe they will remain in compliance with all covenants under their various debt agreements for the remainder of the year ending September 30, 2004 (see Note 7 for further discussion on debt covenants). NUI plans to address its liquidity concerns by: successfully completing the sale of NUI; extending its existing credit facilities beyond the current termination date of November 22, 2004; and obtaining additional financing to ensure NUI Utilities’ ability to, among other things, meet its gas purchase prepayment requirements under its natural gas asset management contract with Cinergy. If NUI is unsuccessful in its efforts to effectively resolve its liquidity concerns, it may need to reorganize its operations and restructure its credit and debt financing.

3. Capitalization

The Company has \$20 million of 6.4% Brevard County Industrial Development Revenue Bonds that mature October 1, 2024. The Company deposited in trust the unexpended portion of the net proceeds from these bonds until drawn upon for eligible expenditures. As of December 31, 2003 and 2002, the total unexpended portion was \$2.1 million and \$3.9 million, respectively, and is classified on the Company’s balance sheet as a reduction of long-term debt.

4. Notes Payable to Associated Companies

At December 31, 2003 and 2002, the Company’s outstanding notes payable to associated companies was \$28,455,109 and \$28,251,044, respectively, which amounts are net of intercompany receivable balances. The combined weighted average interest rate of outstanding notes payable at December 31, 2003 was 7.11 percent. The net intercompany liabilities primarily result from cash loaned from NUI Utilities (or NUI, as was the case prior to November 2003) to City Gas for its annual capital expenditure program for new business expansion and maintenance of existing plant. In addition, as quarterly cash dividends are paid by NUI to its shareholders, these dividends are allocated to certain NUI subsidiaries, including the Company.

The company is supposed to repay \$30 million of NUI Utilities’ 8.35% medium-term notes that mature on February 1, 2005. However, included in NUI Utilities’ current credit facility is a \$50 million delayed draw term loan that can be drawn at the option of NUI Utilities and used, subject to satisfaction of the terms and conditions contained therein, to repay these medium-term notes (see Note 7).

5. Leases

Property, plant and equipment held under capital leases amounted to \$11.1 million at December 31, 2003, and \$11.5 million at December 31, 2002, with related accumulated amortization of \$2.3 million and \$2.1 million, respectively. During August 2002, the Company completed a sale/leaseback transaction related to gas meters (and related equipment) for approximately \$8.6 million. The transaction, which is recorded as a capital lease, bears interest at 4.98 percent and

will be repaid over 10 years from inception of the lease; consistent with ratemaking treatment, the Company is depreciating the cost of these meters on a straight-line basis over their remaining estimated lives, which on average is longer than the term of the lease. Other capital lease properties consist of leasehold improvements, office furniture and fixtures, and vehicles. A summary of future minimum payments for properties held under capital leases follows (in thousands):

2004	\$1,345
2005	1,209
2006	1,160
2007	1,136
2008	1,075
Thereafter	3,384
Total future minimum payments	<u>9,309</u>
Amount representing interest	(2,039)
Current portion of capital lease obligations	<u>(1,345)</u>
Capital lease obligations	<u>\$ 5,925</u>

Rents charged to operations expense were \$0.6 million in 2003 and \$0.5 million in 2002.

6. Pension Benefits

City Gas participates in the non-contributory defined benefit retirement plans of NUI Corporation, which cover all of its employees other than the Company's union employees who participate in a union-sponsored multi-employer plan. NUI Corporation 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 plans are based on years of service and levels of compensation and the actuarial calculation of pension expense is based on the projected unit cost method.

The changes in the pension benefit obligation for NUI's plans for the fiscal years ended September 30, 2003 and 2002, were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Benefit obligation at beginning of year	\$100,504	\$94,610
Service cost	3,438	2,797
Interest cost	6,815	6,813
Plan amendments	---	64
Actuarial loss	21,300	5,296
Benefits paid	<u>(8,744)</u>	<u>(9,076)</u>
Benefit obligation at end of fiscal year	<u>\$123,313</u>	<u>\$100,504</u>

The change in plan assets were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Fair value of plan assets at beginning of year	\$92,366	\$111,578
Actual return on plan assets	14,649	(10,136)
Employer contributions	3,300	---
Benefits paid	<u>(8,744)</u>	<u>(9,076)</u>
Fair value of plan assets at end of fiscal year	<u>\$101,571</u>	<u>\$ 92,366</u>

The reconciliation of the funded status of NUI's funded plans as of September 30, 2003 and 2002 was as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Funded status	\$(21,742)	\$(8,138)
Unrecognized net loss	47,920	34,643
Unrecognized prior service cost	<u>1,676</u>	<u>2,126</u>
Pension prepayment at end of fiscal year	<u>\$27,854</u>	<u>\$28,631</u>

City Gas' accrued pension liability at December 31, 2003 was approximately \$533,000.

The projected benefit obligation was calculated using a discount rate of 6.00 percent in fiscal 2003 and 6.75 percent in fiscal 2002, and an assumed annual increase in compensation levels of 4 percent in fiscal 2003 and 2002. The expected long-term rate of return on assets was calculated at 9.25 percent in fiscal 2003 and 9.75 percent in fiscal 2002, and has been reduced to approximately 8.50 percent beginning in fiscal 2004. NUI's pension fund assets are invested approximately 70 percent in publicly traded equity securities and approximately 30 percent in publicly traded debt securities.

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

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Service cost	\$3,438	\$2,797	\$2,229
Interest cost	6,815	6,813	6,614
Return on plan assets	(8,270)	(10,592)	(12,504)
Net amortization and deferral	<u>2,093</u>	<u>468</u>	<u>(684)</u>
Pension expense (income) for fiscal year	<u>\$4,076</u>	<u>\$ (514)</u>	<u>\$ (4,345)</u>

Pension expense of approximately \$755,000 was allocated to City Gas for the calendar year ended December 31, 2003.

7. Commitments and Contingencies

Capital Spending. Construction expenditures for the fiscal year ending September 30, 2004 are estimated at \$12.6 million.

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 \$7.9 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its PGA clause.

New Jersey Board of Public Utilities Focused Audit. As a result of NUI's and NUI Utilities' credit downgrades during 2003, as well as concerns raised during a routine competitive services audit of Elizabethtown Gas by the NJBPU in March 2003, the NJBPU ordered a focused audit of NUI, NUI Utilities and Elizabethtown Gas. The focused audit covered six key areas: (1) strategic planning; (2) affiliate transactions; (3) financial structure and interaction; (4) accounting and property records; (5) corporate governance; and (6) executive compensation, and the NJBPU appointed The Liberty Consulting Group ("Liberty") as the auditors.

On December 17, 2003, Liberty published an interim audit report, which presented the auditors' description of key events and activities, as well as their findings and conclusions through that date. The final audit report was accepted and released by the NJBPU on March 17, 2004. At that time, the NJBPU directed NUI to file comments regarding the final audit report on March 26, 2004. In each of the six key areas covered by the audit, the audit report cites alleged weaknesses and areas of concern. In particular, the report alleges that NUI failed to comply with key provisions of the

employees who participated in the bonus/commission plan to engage in conduct that favored NUI Energy Brokers over NUI Utilities or to remain silent if they observed conduct that allowed NUI Energy Brokers to benefit at NUI Utilities' expense. The independent counsel concluded that the maximum amount of lost margin to Elizabethtown Gas as a result of NUI Energy Brokers' failure to obtain for Elizabethtown Gas, NUI Energy Brokers' best or weighted average price of the day for comparable transactions was approximately \$6.5 million. The independent counsel also concluded that NUI Energy Brokers recorded as income a discount of \$1.3 million that a counterparty gave for an early settlement of a deferred payment transaction. In addition, the independent counsel concluded that the maximum amount of lost margin to City Gas as a result of NUI Energy Brokers' failure to obtain for City Gas NUI Energy Brokers' best or weighted average price of the day for comparable transactions was approximately \$2.6 million. The independent counsel also reached conclusions with respect to the conduct of various employees. Based upon these conclusions, the Audit Committee recommended that the Board of Directors of NUI take certain personnel actions, which recommendation the NUI Board of Directors effected.

As a result of a separate NJBPU Order dated December 11, 2003, NUI Utilities dissolved its relationship with NUI Energy Brokers and on January 9, 2004, the NJBPU approved a plan to transfer to New Jersey Resources, Inc. ("NJRES") the management of gas supply assets of NUI Utilities. The plan allowed NJRES to serve as NUI Utilities' agent for purchasing gas and managing its gas supply assets through March 31, 2005. Subsequently, however, the NJBPU published an order on January 14, 2004, requiring NUI Utilities to submit its procurement and gas supply management services to a competitive bidding process. As a result of this undertaking as directed by the NJBPU, NUI Utilities terminated its contract with NJRES on March 31, 2004, and contracted with Cinergy to procure the gas supply requirements necessary to fulfill NUI Utilities' obligations for the period commencing April 1, 2004 through March 31, 2005. The gas supply contract with Cinergy requires NUI Utilities to pre-pay, in varying amounts, for its gas requirements on a monthly basis over the contract period.

The Attorney General of the State of New Jersey also is conducting a criminal investigation relating to NUI Energy Brokers. In connection with this investigation, NUI received subpoenas issued by the New Jersey State Attorney General's Office. NUI is cooperating fully with the New Jersey Attorney General's Office.

In November 2003, the Securities and Exchange Commission ("SEC") advised NUI that it is conducting an informal inquiry relating to NUI Energy Brokers. On March 1, 2004, the SEC requested NUI to produce voluntarily certain documents in furtherance of its informal inquiry. NUI is fully cooperating with the SEC. At this point, the company cannot predict whether or not the SEC will initiate a formal investigation into this matter.

City Gas of Florida is unable to predict with any certainty if these matters will have any impact on its operations; however, the Company has booked a reserve as of September 30, 2003 of \$2.6 million related to these matters. At the time of publication, City Gas was in discussions with FPSC staff regarding these audit findings and the ultimate disposition of any liability to the ratepayers.

NUI and NUI Utilities Credit Facilities. In February 2003, NUI and NUI Utilities entered into new revolving credit agreements, which replaced their previous revolving credit agreements. However, problems at NUI's non-utility entities and problems arising from the three year re-audit of NUI's financial statements caused technical defaults under NUI's credit agreement and, as a result, both the NUI and NUI Utilities credit agreements were amended, resulting in significantly higher costs of borrowing, a portion of which costs are allocated to the Company and disallowed in rates.

On November 24, 2003, NUI and NUI Utilities each entered into new separate revolving credit facilities aggregating \$405 million. Both NUI's and NUI Utilities' current credit agreements expire on November 22, 2004, and each may be extended for one 364-day term, subject to certain conditions. NUI's facility may be extended if (i) NUI Utilities' facility is simultaneously extended, (ii) the

NJBPU's March 2001 holding company order and that NUI demonstrated a lack of understanding of what such order entailed.

As directed by the NJBPU, NUI filed its response to the final audit report on March 26, 2004. As indicated in its response, although NUI did not agree with many of the allegations in the report, since the commencement of the focused audit, NUI has implemented a number of important changes in areas examined by the audit report including:

- engaging in a comprehensive process to re-engineer its cash management operations,
- implementing cash segregation policies and practices as of September 1, 2003 so that the cash of NUI Utilities is no longer pooled with that of NUI's non-utility subsidiaries,
- conducting monthly reconciliation and payment of intercompany balances, which included the repayment by NUI, in full, on November 24, 2003 of the \$85 million intercompany receivable owed to NUI Utilities,
- strengthening internal controls for accounts payable and receivable,
- creating a cash management policy with formal policies and procedures in the accounting function, and
- entering into new credit facilities which eliminated certain provisions limiting NUI Utilities' operating flexibility.

NUI has also committed to obtaining NJBPU approval of its formalized cash management agreement. Additionally, NUI has engaged Deloitte & Touche to conduct an internal audit of its continuing-property records, which will be commenced during calendar 2004.

In addition, NUI Utilities has expanded its Board of Directors with a majority of independent directors who possess significant utility industry experience and extensive knowledge of NUI Utilities and its operations. NUI has also formalized its nominating procedures and policies and focused significant attention on improving the formal recordkeeping activities of its Board.

On April 14, 2004, NUI announced that it reached a settlement agreement with the NJBPU which resolved all issues related to the focused audit. On April 26, 2004, the NJBPU issued a Final Order accepting and adopting the settlement agreement. In connection with the settlement, and without acknowledging or admitting the correctness of any specific finding in the final audit report, NUI and NUI Utilities agreed to implement the recommendations contained in the final audit report, with some modifications. As noted above, at the time the settlement was reached, NUI had already implemented or was in the process of implementing many of the recommended actions. In addition, pursuant to the settlement agreement, NUI Utilities agreed to refund \$28 million plus interest to Elizabethtown Gas ratepayers and to pay a \$2 million penalty to the State of New Jersey over five years.

NUI Energy Brokers Investigation. As a result of preliminary findings resulting from the focused audit, the Audit Committee of the NUI Board of Directors ordered an investigation of NUI Energy Brokers and retained independent outside counsel to conduct an investigation of alleged inappropriate transactions at NUI Energy Brokers. A report of the independent counsel's investigation was provided to NUI's Audit Committee on April 13, 2004.

As a result of its investigation, the independent counsel concluded that while NUI had established NUI Energy Brokers with internal controls designed to protect NUI Utilities' assets, NUI Energy Brokers traders often ignored or circumvented these controls. The NUI Energy Brokers bonus/commission plan created an incentive for NUI Energy Brokers traders and other NUI

maturity of NUI Utilities' 8.35 percent medium-term notes, due February 1, 2005, have been extended to a date no earlier than June 30, 2006 or have been repaid with the proceeds of the delayed draw term loan, (iii) NUI deposits cash into escrow with the administrative agent to cover interest that would accrue on outstanding amounts under the credit facility until the extended maturity date, in an amount of approximately \$20 million, and (iv) no default exists under such facility at the time of such extension.

NUI Utilities' facility may be extended if (i) all applicable regulatory approvals required for such extensions have been obtained, (ii) the maturity of NUI Utilities' 8.35 percent medium-term notes, due February 1, 2005, have been extended to a date no earlier than June 30, 2006 or have been repaid with the proceeds of the delayed draw term loan and (iii) no default exists under such facility at the time of such extension.

NUI's new credit agreement provides for a \$255 million term loan facility. NUI Utilities' current credit agreement provides for (i) a \$50 million revolving credit facility, (ii) a \$50 million term loan facility and (iii) a \$50 million delayed draw term loan facility. The proceeds from the delayed draw term loan facility, which can be drawn at the option of the company, can be used solely for the purpose of repaying NUI Utilities' 8.35 percent medium-term notes, which are due on February 1, 2005. The new credit facilities place significant restrictions on NUI and NUI Utilities, as discussed below.

Both credit agreements contain various covenants that (i) restrict NUI and NUI Utilities from taking various actions and (ii) require NUI and NUI Utilities, respectively, to each achieve and maintain certain financial covenants. Under the terms of NUI's credit agreement, amended as of May 10, 2004, NUI is required to maintain a maximum leverage ratio of no more than 0.80x and a minimum interest coverage ratio of at least 1.50x (for the four consecutive fiscal quarters ending on December 31, 2003 and March 31, 2004) and 1.25x (thereafter). Under the terms of the NUI Utilities credit agreement, NUI Utilities is required to maintain a maximum leverage ratio of no more than 0.70x and a minimum interest coverage ratio of at least 2.25x. Additionally, both credit agreements contain limitations on capital expenditures, indebtedness, payment of dividends, guarantees, liens, mergers, acquisitions, dispositions of assets, transactions with affiliates, loans and investments, prepayment of indebtedness, sale-leaseback transactions, change in business activities and corporate activities.

NUI's delay in delivering audited financial statements for fiscal 2003 resulted in events of default under NUI's and NUI Utilities' respective credit agreements. On January 26, 2004, NUI and NUI Utilities obtained waivers of such defaults from the lenders under their respective credit agreements, and received an extension of the delivery date for NUI's audited financial statements for fiscal 2003 and its 2004 first fiscal quarter unaudited financial statements through March 1, 2004, and amended the credit agreements to clarify certain technical provisions. Further delays in the delivery of these financial statements beyond the date to which NUI and NUI Utilities had received waivers resulted in another event of default. On March 12, 2004, NUI and NUI Utilities received a further waiver of such defaults from the lenders and such lenders otherwise deferred their rights to exercise remedies in respect thereof. NUI and NUI Utilities subsequently entered into amendments dated May 10, 2004, to their respective credit agreements which:

- (i) extended the delivery date for the aforementioned financial statements (as well as for the financial statements for the fiscal quarter ended March 31, 2004) until June 15, 2004,
- (ii) consented to the NJBPU settlement ("NJBPU Settlement"),
- (iii) modified financial covenants contained in the credit agreements to take into account the NJBPU Settlement and the recent and expected future performance of the company,
- (iv) permitted the acquisition by NUI Utilities of approximately \$350,000 worth of gas pipeline,

- (v) regarding the payment of dividends by NUI Utilities to NUI, provided for a \$35 million limit on dividend payments and eliminated a provision limiting such dividend payments to the aggregate maximum of NUI Utilities' retained earnings,
- (vi) added a condition which requires NUI to maintain a maximum leverage ratio of no more than 0.60x in order to pay dividends, and
- (vii) increased the interest rate on NUI Utilities' delayed draw term loan (if drawn) by one percent until a purchase agreement is executed to sell NUI or NUI Utilities to an unaffiliated third party.

NUI and NUI Utilities Long-term Debt. The delay in delivering certain officers' certificates, SEC filings and quarterly financial information throughout the fiscal year 2003, as well as audited fiscal 2003 financial statements and related documents ("Required Documents"), resulted in breaches under certain loan agreements, trust indentures, and related documents underlying NUI Utilities' gas revenue bond facilities, as well as under NUI Utilities' 8.35 percent medium-term notes.

Many of these breaches were cured on May 10, 2004 with delivery of many of the Required Documents. The remaining breaches were cured by virtue of NUI Utilities' delivery of NUI's annual report, related officers' certificates and other financial information.

Defaults may occur in the near future under NUI Utilities' 5.70 percent New Jersey Economic Development Authority ("NJEDA") bonds if NUI Utilities does not provide audited financial statements for NUI Utilities for the fiscal year ended September 30, 2003 and unaudited financial statements for NUI Utilities for the fiscal quarters ended December 31, 2003 and March 31, 2004. To date, NUI has obtained all necessary waivers and extended the respective deadlines for delivery of all information required pursuant to such bond facility to June 30, 2004. NUI and NUI Utilities are working diligently to deliver the required documentation within this timeframe.

NUI Utilities Dividend Restrictions Under Debt Agreements. The payment of cash dividends by NUI Utilities to NUI is restricted pursuant to a long-term Standby Bond Purchase Agreement (the "SBPA", as amended several times), entered in connection with NUI Utilities' \$39 million variable bonds to an amount based, in part, on the earned surplus of NUI Utilities, which had been reduced by the NJBPU Settlement recorded in September 2003. On May 19, 2004, NUI Utilities and The Bank of New York further amended the SBPA. The amendment eliminates the effect of the NJBPU Settlement, as well as the estimated refunds to customers in Florida and certain other related costs, on the earned surplus of NUI Utilities, thereby allowing for the payment of dividends by NUI Utilities to NUI at this time. In addition, under the amendment to NUI Utilities' credit facility dated as of May 10, 2004, NUI Utilities is prohibited from paying dividends exceeding \$35 million in the aggregate while the credit facility is outstanding.

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

8. New Accounting Standards

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS 143"). This statement establishes accounting standards for recognition and measurement of liabilities for asset retirement obligations and the associated asset retirement costs. The Company adopted this statement on October 1, 2002, which adjustment was immaterial to the results of operations and financial condition.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). This statement is effective for exit or disposal activities initiated after December 31, 2002. The Company now applies SFAS 146 for exit and disposal activities.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 apply to guarantees issued or modified after December 31, 2002. As of December 31, 2003, the Company doesn't have any guarantee obligations.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights, or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Historically, entities generally were not consolidated unless the entity was controlled through voting interests. FIN 46 changes that, by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the "primary beneficiary" of that entity. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements of FIN 46 apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Also, certain disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has determined that it does not have any variable interest entities.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities under SFAS 133. This statement is effective for contracts entered into or modified after June 30, 2003. The adoption of this statement had no impact on the Company's net income or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The standard requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of these instruments were previously classified as equity. The standard also revises the definition of liabilities to encompass certain obligations that an entity can or must settle by issuing its own shares, depending on the nature of the relationship established between the holder and the entity. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this statement had no impact on the Company's net income or financial position.

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
 FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Line No.	Item (a)	Total (b)	Gas (c)
1	UTILITY PLANT		
2	In Service *		
3	101 Plant in Service (Classified)	193,324,046.91	
4	101.1 Property Under Capital Leases	2,499,769.09	
5	102 Plant Purchased or Sold		
6	106 Completed Construction not Classified		
7	103 Experimental Plant Unclassified		
8	104 Leased to Others		
9	105 Held for Future Use		
10	114 Acquisition Adjustments	30,832,927.00	
11	TOTAL Utility Plant (Total of lines 3 through 10)	226,656,743.00	
12	107 Construction Work in Progress	3,929,185.00	
13	Accum. Provision for Depreciation, Amortization, & Depletion	98,320,432.00	
14	Net Utility Plant.(Total of lines 11 plus 12 less line 13)	132,265,496.00	
15	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
16	In Service:		
17	108 Depreciation	83,081,852.00	
18	111 Amort. and Depl. of Producing Nat. Gas Land & Land Rights	109,780.00	
19	111 Amort. of Underground Storage Land and Land Rights		
20	119 Amortization of Other Utility Plant		
21	TOTAL in Service (Total of lines 17 through 20)	83,191,632.00	
22	Leased to Others		
23	108 Depreciation		
24	111 Amortization and Depletion		
25	TOTAL Leased to Others (Total of lines 23 and 24)		
26	Held for Future Use		
27	108 Depreciation		
28	111 Amortization		
29	TOTAL Held for Future Use (Enter. Tot. of lines 27 and 28)		
30	111 Abandonment of Leases (Natural Gas)		
31	115 Amortization of Plant Acquisition Adjustment	15,128,800.00	
32	TOTAL Accum. Provisions (Should agree with line 13 above) (Total of lines 21, 25, 29, 30, and 31)	98,320,432.00	

**Annual Status Report
Analysis of Plant in Service Accounts**

**Company: CITY GAS COMPANY OF FLORIDA, A DIVISION OF NUJ UTILITIES, INC.
For the Year Ended December 31, 2003**

Acct. No.	Account Description	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
374	Land-Distribution		69,616						69,616
389	Land-General		391,921					*	391,921
	Land-Other		0						0
Amortizable General Plant Assets:									
301	Organization			117,647					0
302	Franchises and Consents		142,296						259,943
303	Miscellaneous Intangible Plant		25,393	2,200					27,593
399	Miscellaneous Intangible Property		35,828						35,828
Depreciable Assets: This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.									
365	Rights-Of-Way	0	0						0
367	Transmission-Main	2.9	13,819,330	1,344					13,820,674
369	Measuring & Regulating Equip	3.5	68,631	282,174					350,805
371	Other Equipment	3.3	2,784	2,706					5,490
375	Structures & Improvements	2.2	596,981	0	40,730				556,251
376	Mains - Plastic	2.9	40,775,869	1,465,202	275				42,240,796
376	Mains - Other	2.8	61,433,607	3,198,152	23,310				64,608,450
376	Mains-ARO	2.9	0						0
379	M & R Station Equipment - City Gate	2.9	4,946,253	39,416					4,985,669
380	Services - Plastics	3.8	25,182,504	1,799,087	118,925				26,862,666
380	Services - Other	7.1	12,654,253	154,103	46,683				12,761,673
381	Meters	4.2	8,623,703	476,443	232,790				8,867,356
382	Meter Installation	3.5	2,845,784	132,824	43,567				2,935,041
383	House Regulators	4.4	2,054,628	366,024	115,341				2,305,311
384	House Regulators Installation	3.7	1,072,504	69,155	17,525				1,124,134
385	Industrial M & R Station Equipment	3.2	2,742,926	6,376					2,749,302
386.5	Leased Water Heaters	8.0	0						0
386.6	Leased Dryers	8.2	0						0
386.7	Leased Rangers	8.8	0						0
387	Other Equipment	2.9	150,338	692					151,030
390	Structures & Improvements	2.5	2,350,464	15,675	192,263				2,173,876
391.1	Office Furniture	4.3	937,823	21,104					958,927
391.2	Office Equipment	1.9	541,721	302,334					844,055
391.3	Computers	16.7	1,018,565	656,023					1,674,588
392	Transportation Equipment	2.7	2,174,869	710,588	29,116			19,421	2,836,921
393	Stores Equipment	3.6	14,377	8,520	856				13,521
394	Tools, Shop and Garage Equipment	6.7	720,910		37,355				692,075
395	Laboratory Equipment	4.0	23,017						23,017
397	Communication Equipment	6.9	1,294,670	29,583					1,324,253
398	Miscellaneous Equipment	6.7	126,674	46,361					173,035

**Annual Status Report
Analysis of Plant in Service Accounts**

Company: CITY GAS COMPANY OF FLORIDA, A DIVISION OF NUJ UTILITIES, INC.
For the Year Ended December 31, 2003

Acct. No. Account Description (Continued)	Depr. Rate	Beginning Balance*	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance*
Capital Recovery Schedules:								
Total Account 101*		186,838,236	9,903,734	898,735	0	0	19,421	195,823,817
Amortizable Assets:								
114 Acquisition Adjustment		31,184,548				351,622		30,832,926
Total Utility Plant		218,022,784	9,903,734	898,735	0	351,622	19,421	226,656,743

Note: * The total beginning and ending balances must agree to acct. 101, Plant in Service, Line 3, Page 12.

Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: CITY GAS COMPANY OF FLORIDA, A DIVISION OF NUJ UTILITIES, INC.

For the Year Ended December 31, 2003

Page 1 of 2

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
Amortizable General Plant Assets:										
302	Franchises and Consents	88,433	4,069							92,465
303	Miscellaneous Intangible Plant	16,277	1,038					-37		17,315
	Total Amortization	104,710	5,107					-37		109,780
This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.										
367	Transmission-Main	406,765	367,468							774,233
369	Measuring & Regulating Equip	1,791	5,645							7,436
371	Other Equipment	50	132							182
375	Structures & Improvements	181,258	14,303		40,730					154,831
376	Mains - Plastic	10,347,934	1,232,895		273		1,730			11,578,826
376	Mains - Other	34,108,370	1,812,436		23,310		52,374			35,845,123
376	Mains-ARO	(225,743)	-55,021							-280,764
379	M & R Station Equipment - City Gate	1,444,210	168,638							1,612,848
380	Services - Plastics	7,198,260	927,141		118,925		15,302			7,991,174
380	Services - Other	11,983,867	1,043,392		46,683		52,710			12,927,865
381	Meters	3,200,170	358,042		232,790					3,337,900
382	Meter Installation	1,025,721	88,373		43,567		7,142			1,063,385
383	House Regulators	991,026	85,255		115,341					960,940
384	House Regulators Installation	408,427	39,245		17,525					430,147
385	Industrial M & R Station Equipment	857,157	89,467				12,478			946,624
386.5	Leased Water Heaters	0	0							0
386.6	Leased Dryers	0	0							0
386.7	Leased Rangers	0	0							0
387	Other Equipment	160,947	4,855							165,802
390	Structures & Improvements	615,529	60,237		192,263					483,503
391.1	Office Furniture	545,080	50,091							595,171
391.2	Office Equipment	508,929	52,500							561,429
391.3	Computers	775,688	221,907							997,595
392	Transportation Equipment	1,635,591	20,553		29,116			365,655		1,992,683
393	Stores Equipment	10,665	553		856					10,362
394	Tools, Shop and Garage Equipment	223,415	47,323		37,355					233,382
395	Laboratory Equipment	9,923	1,870							11,793
397	Communication Equipment	641,931	103,761							745,692
398	Miscellaneous Equipment	-32,373	10,642							-21,731

Annual Status Report Analysis of Entries in Accumulated Depreciation & Amortization

Company: CITY GAS COMPANY OF FLORIDA, A DIVISION OF NUI UTILITIES, INC.
For the Year Ended December 31, 2003

Acct. No.	Account Description	Beginning Balance*	Accruals	Reclass.	Retirements	Gross Salvage	Cost of Removal	Adjustments	Transfers	Ending Balance*
(Continued)										
Capital Recovery Schedules:										
		77,024,588	6,751,703	0	898,733	12,478	129,258	365,655	0	83,126,433
Subtotal										
List any other items necessary to reconcile the total depreciation and amortization accrual amount to Acct. 403, Depreciation Expense, shown on page 8.										
	Retirement of Land & Landrights (Propane Sales)	-12195								-12,195
	Undistributed Retirement Work in Progress	-17209						15177		-32,386
	Corporate Depreciation Allocation *	599794	778,922					-599794		778,922
	Subtotal									
	Grand Total	76,995,184	6,751,703	0	898,733	12,478	129,258	380,832	0	83,081,852

Note: * The grand total of beginning and ending balances must agree to Line 17, Page 12.
* Corporate Depreciation Allocation is not included in Accumulated Depreciation since the assets reside on the corporate books.

CONSTRUCTION WORK IN PROGRESS-GAS (Account 107)

<p>1. Report below descriptions and balances at end of year of projects in process of construction (107).</p> <p>2. Show items relating to "research, development, and demonstration" projects last, under a caption Research,</p>	<p>Development, and Demonstration (see Account 107 of the Uniform System of Accounts).</p> <p>3. Minor projects (less than \$500,000) may be grouped.</p>
--	---

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Incomplete Distribution Systems in Dade, Port St. Lucie and Brevard County	3,929,185	
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			

CONSTRUCTION OVERHEADS-GAS

<p>1. List in column (a) the kinds of overheads according to the titles used by the respondent. Charges for outside professional services for engineering fees and management or supervision fees capitalized should be shown as separate items.</p> <p>2. A respondent should not report "none" to this page if no overhead apportionments are made, but rather should explain the accounting procedures employed</p>	<p>and the amounts of engineering, supervision, and administrative costs, etc. which are directly charged to construction.</p> <p>3. Enter on this page engineering, supervision, administrative,, and allowance for funds used during construction, etc. which are first assigned to a blanket work order and then prorated to construction jobs.</p>
--	--

Line No.	Description of Overhead (a)	Total Amount Charged for the Year (b)	Total Cost of Construction to Which Overheads Were Charged (Exclusive of Overhead Charges) (c)
1	NONE Administrative costs are not charged to construction		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

Name of Respondent CITY GAS COMPANY OF FLORIDA A DIVISION OF NUI UTILITIES, INC.	For the Year Ended Dec. 31, 2003
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PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1	Prepaid Odorant	33,766
2	Taxes	1,882,773
3		
4		
5		
6		
7		
8	TOTAL	1,916,539

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						-0-
2						
3						
4						
5						
6						
7						
8						
9						
10	TOTAL					-0-

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						-0-
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					-0-

OTHER REGULATORY ASSETS (Account 182.3)

1. Reporting below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includible in other amounts).	2. For regulatory assets being amortized, show period of amortization in column (a). 3. Minor items (amounts less than \$25,000) may be grouped by classes.
---	--

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance Beginning of Year (b)	Debits (c)	Credits		Balance End of Year (f)
				Account Charged (d)	Amounts (e)	
1						
2						
3	2000 Rate Case (1)	185,959		928	85,358	100,601
4	Conversion Costs (2)	519,819	17,179	407	72,731	464,267
5	Deferred Piping (2)	682,702	120,903	912	172,113	631,492
6	Energy Conservation Program	(279,001)	191,971	909	487,211	(574,241)
7	2003 Rate Case (1)	0	306,933	928		306,933
8						
9						
10	(1) Amortization period - 3 yrs					
11	(2) Amortization period - 10 yrs					
12						
13						
14						
15						
16						
17	TOTAL	1,109,479	636,986		817,413	929,052

MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits. 2. For any deferred debit being amortized, show period of amortization in column (a).	3. Minor items (amounts less than \$25,000) may be grouped by classes.
---	--

Line No.	Description of Miscellaneous Deferred Debit (a)	Balance Beginning of Year (b)	Debits (c)	Account Charged (d)	Amount (e)	Balance End of Year (f)
1	Int/Div Rec-Birb-Contfd	2,655,258	49,026	419	29,615	0
2				221	2,670,887	
3						
4	Deferred Pension Costs	226,342		926	711,424	(485,082)
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17	Misc. Work in Progress	257				47
18	Deferred Regulatory Comm. Expenses					
19	TOTAL	2,881,857				(485,035)

**SECURITIES ISSUED AND
SECURITIES REFUNDED OR RETIRED DURING THE YEAR**

- | | |
|--|--|
| <p>1. Furnish a supplemental statement giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses.</p> <p>2. Furnish particulars (details) showing fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded.</p> | <p>and gains or losses relating to securities retired or refunded.</p> <p>3. Included in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares.</p> <p>4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.</p> |
|--|--|

No new bond issuances were made during the year, nor were there any securities retired.

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

- | | |
|--|--|
| <p>1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, particulars (details) of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.</p> <p>2. In column (c) show the principal amount of bonds or other long-term debt reacquired.</p> <p>3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with</p> | <p>General Instruction 17 of the Uniform Systems of Accounts</p> <p>4. Show loss amounts by enclosing the figures in parentheses.</p> <p>5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debit-Credit.</p> |
|--|--|

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

Name of Respondent CITY GAS COMPANY OF FLORIDA A DIVISION OF NUI UTILITIES, INC.	For the Year Ended Dec. 31, 2003
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LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form Filing, a specific reference to the report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.

2. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

3. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.

4. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.

Line No.	Class and Series of Obligation (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Original Amount Issued (d)	Interest for Year		Total Amount Outstanding (g)	
					Rate (in %) (e)	Amount (f)		
1								
2	Bonds (221):							
3	Brevard Industrial Revenue Bonds	7/15/1994	10/1/2024	20,000,000	6.4	\$ 1,280,000	\$ 17,938,623	
4	Interest on Brevard Industrial Rev. Bonds					(29,131)		
5								
6	Other Long Term Debt (224):							
7	Medium Term Notes Series A	2/16/1995	2/1/2005	30,000,000	8.35	2,505,000	30,000,000	
8								
9	Other Long Term Debt:							
10	Interest expense true-up					(159,506)		
11								
12								
13	* Principal balance of Revenue Bonds is net of \$2,993,961.58 of construction funds held by trustee.							
14								
15								
16								
17								
18								
19								
20	TOTAL			50,000,000		3,596,363	47,938,623	

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, particulars (details) of expense, premium or discount applicable to each class and series of long-term debt.

2. Show premium amounts by enclosing the figures in parentheses.

3. In column (b) show the principal amount of bonds or other long-term debt originally issued.

4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

5. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year.

6. Identify separately indisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt - Credit.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt issued (b)	Total Expense Premium or Discount (c)	Amortization Period		Balance at beginning of Year (f)	Debits (Credits) During Year (g)	Balance at End of Year (h)
				Date From (d)	Date To (e)			
1								
2	Brevard Industrial Revenue Bonds:	20,000,000						
3	Unamortized Debt Discount (226)			1994	2024	\$ 273,789	\$ (12,588)	\$ 261,201
4								
5	Unamortized Debt Expenses (181)			1994	2024	503,120	(23,132)	479,988
6								
7	Medium Term Notes (181)	30,000,000		1995	2005	93,212	(43,150)	50,062
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.		2. Minor items (less than \$50,000) may be grouped under appropriate title.
Line No.	Item	Balance at End of Year
1	Customer Account Credit Balances	341,102
2	Incentive Bonuses	45,000
3	Medical/Dental Benefits	-33,204
4	Non-Recurring Expenses*	2,800,000
5		
6		
7		
8		
9		
10		
11	* Note: Estimated liability to customers resulting form an internal investigation of NUI Energy Brokers Transactions	
12		
13	TOTAL	3,152,898

OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.		2. For any deferred credit being amortized, show the period of amortization.		3. Minor Items (less than \$25,000) may be grouped by classes.		
Line No.	Description of Other Deferred Credit (a)	Balance Beginning of Year (b)	DEBITS		Credits (e)	Balance End of Year (f)
			Contra Account (c)	Amount (d)		
1	Deferred Compensation - Stock	15,638	217	11,680	3,382	27,501
2			416.2	3,565		
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	TOTAL					27,501

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).		2. For regulatory liabilities being amortized, show period of amortization in column (a).		3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$50,000, whichever is less) may be grouped by classes.		
Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance Beginning of Year (b)	Debits		Credits (d)	Balance End of Year (e)
			Contra Account (b)	Amount (c)		
1	SFAS # 109 Liability	568,846	410.1	19,260	119,844	331,042
2			190	11,616	148,836	
3						
4	ARO Liability	225,743	108	93,007	5,290	280,764
5			182	72,530	105,226	
6						
7						
8						
9						
10						
11						
12						
13	TOTAL	794,589		196,413	379,196	611,806

TAXES OTHER THAN INCOME TAXES (Account 408.1)

Line No.	Name of Taxing Authority	Real Property	Tangible Personal Property	Intangible Personal Property	FICA, SUTA, FUTA	Gross Receipts	Regulatory Assessment Fees	Environmental, Excise	Franchise	Other*	Total
1	U.S. Government				588,241						588,241
2	State of Florida				14,583	1,373,102	328,133				1,715,818
3											
4	Various Florida Municipalities		1,738,339						1,649,772	33,778	3,388,111
5	Florida Use Tax - Purchases									59,452	
6	Florida Use Tax & Sur-Tax - Capital Leases									9,848	
7	Florida Sales Tax Discount										
8											
9											
10											
11											
12											
13											
14											
15	Less: Charged to Construction										
16	TOTAL Taxes Charged During Year (Lines 1-15) to Account 408.1	0	1,738,339	0	602,824	1,373,102	328,133	0	1,649,772	103,078	5,725,948
	Note: *List separately each item in excess of \$500.										

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below the information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustment to the account balance shown in column (f).

Line No.	Account Subdivisions (a)	Balance Beginning of Year (b)	Amount Deferred for Year (c)	Allocations to Current Year's Income		Adjustments (f)	Balance End of Year (g)	Average Period of Allocation to Income (h)
				Acct. No. (d)	Amount (e)			
1	Gas Utility							
2	3%							
3	4%	33,494		411.4	12,050		21,444	
4	7%							
5	10%	630,785		420	174,776		456,009	
6	8%	16,787		411.4	1,667		15,120	
7								
8								
9								
10	TOTAL	681,066			188,493		492,573	

Notes

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. At Other (Specify), include deferrals relating to other income and deductions.
 2. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Line No.	Description	Balance at Beginning of Year	Changes During Year			Adjustments			Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits Account No.	Credits Account No.	
1	GAS								
2	Federal	493,791					254	148,836	344,955
3	State	(44,522)					254	(11,616)	(32,906)
4									
5									
6									
7									
8									
9									
10									
11	TOTAL Gas (Lines 2 - 10)	449,269					254	137,220	312,049
12	Other (Specify)								
13	TOTAL (Account 190) (Total of lines 11 and 12)	449,269						137,220	312,049

Notes

ACCUMULATED DEFERRED INCOME TAXES (Accounts 281, 282, 283)

Line No.	Description	Balance at Beginning of Year	Changes During Year			Adjustments			Balance at End of Year
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1	Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits Account No.	Credits Account No.	
1	Account 281 - Accelerated Amortization Property								
2	Electric								
3	Gas								
4	Other								
5	TOTAL Account 281 (Lines 2 thru 4)								
6	Account 282 - Other Property								
7	Electric								
8	Gas	15,066,221			2,677,141				17,743,362
9	Other								
10	TOTAL Account 282 (Lines 7 thru 9)	15,066,221			2,677,141				17,743,362
11	Account 283 - Other								
12	Electric								
13	Gas	(1,548,561)			(567,054)				(2,115,615)
14	Other								
15	TOTAL Account 283 - Other (Lines 12 thru 14)	(1,548,561)			(567,054)				(2,115,615)
16	GAS								
17	Federal Income Tax	11,574,535			2,247,785				13,822,320
18	State Income Tax	1,943,125			(137,698)				1,805,427
19									
20	TOTAL Gas (Lines 17 thru 19)	13,517,660			2,110,087				15,627,747
21	OTHER								
22	Federal Income Tax								
23	State Income Tax								
24	TOTAL Other (Lines 22 and 23)								
25	TOTAL (Total of lines 5, 10 and 15)	13,517,660			2,110,087				15,627,747

Notes

Name of Respondent
 CITY GAS COMPANY OF FLORIDA
 A DIVISION OF NUI UTILITIES, INC.

For the Year Ended

Dec. 31, 2003

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
 FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 9)	See Page 25-A
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		
11		
12		
13		
14		
15		
16		
17		
18	Income Recorded on Books Not Included in Return	
19		
20		
21		
22		
23		
24		
25		
26	Deductions on Return Not Charged Against Book Income	
27		
28		
29		
30		
31		
32		
33		
34	Federal Tax Net Income	
35	Show Computation of Tax:	
36		
37		
38		
39		
40		

Name of Respondent City Gas Company of Florida A Division of NUI Utilities	This Report Is:		Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 2003
	(1) <input checked="" type="checkbox"/> An Original	(2) <input type="checkbox"/> A Resubmission		

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME
FOR FEDERAL INCOME TAXES**

Net Loss for the Year Ended 12/31/2003 (Page 14)		(\$3,331,269)
Plus Net Loss for Three Months Ended 12-31-2003		443,420
Less Net Loss for Three Months Ended 12-31-2002		<u>(96,991)</u>
Net Loss for Fiscal Year Ended September 30, 2003		(2,984,840)
Adjustments For Federal Income Tax Purposes		
Income on Return Not on Books:		0
Expenses Booked Not Recorded on Return:		
Current Federal Income Taxes	(3,143,260)	
Deferred Federal Income Taxes	1,254,365	
Amortization of Deferred Investment Tax Credits	(185,496)	
NUIEB investigation liability to tax payes	2,800,000	
Plant Acquisition Adjustment Amortization	1,046,112	
Amortization Of Pension Credit	529,283	
Injuries And Damages Analysis	331,614	
SERP Contribution	64,122	
Unrecovered Gas Costs	48,441	
Director's Retainers	18,704	
Meals and Entertainment - 50% Disallowance	<u>6,241</u>	2,770,126
Deductions on Return Not Charged Against Book Income:		
Excess of allowable depreciation over that charged to depreciation and other book expenses	(3,294,381)	
Meter Lease Program	(575,465)	
Cost of Removal	(169,965)	
Bad Debt Analysis	(109,952)	
Contributions	(88,895)	
Rate Case	(75,754)	
Stock Grants	(61,857)	
Deferred Compensation	<u>(149)</u>	<u>(4,376,418)</u>
Total Net Adjustments for Federal Income Tax Purposes		<u>(1,606,292)</u>
Federal Taxable Income		<u>(\$4,591,132)</u>

Show Computation to Tax (Note 1)		
Federal Taxable Income		(\$4,591,132)
35% of Federal Taxable Income		(1,606,896)
Accrual to return and other adjustments		<u>(1,536,364)</u>
Current Federal Income Taxes at September 30, 2003		<u>(\$3,143,260)</u>

Note 1: City Gas Company of Florida is included in the consolidated tax return of NUI Corporation which also includes its operating divisions which do business as Elizabethtown Gas Company, Elkton Gas Service, North Carolina Gas Service, Valley Cities Gas Services, Waverly Gas Service Company, and NUI Ventures and its subsidiaries, NUI Capital, NUI Energy, Inc., NUI Energy Brokers, NUI Environmental Group, Utility Billing Services, NUI Energy Solutions, NUI Telecom, NUI Sales Management & NUI Virginia Gas Co.

Name of Respondent
City Gas Company of Florida
A Division of NUI Utilities, Inc.

For the Year Ended

Dec. 31, 2003

GAS OPERATING REVENUES (Account 400)

1. Report below natural gas operating revenues for each prescribed account in total.
2. Report number of customers, columns (f) and (g), on the basis of meters, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
3. Report quantities of natural gas sold in therms (14.73 psia at 60 F).
4. Report gas service revenues and therms sold by rate schedule.
5. If increases or decreases from previous year (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.

Line No.	Title of Account (a)	Operating Revenues		Therms of Natural Gas Sold		Avg. No. of Natural Gas Customers Per Mo.	
		Amount for Year (b)	Amount for Previous Year (c)	Current Year (d)	Previous Year (e)	Current Year (f)	Previous Year (g)
1	Gas Service Revenues						
2	Firm Sales Service						
3	480 - Residential Sales	36,311,581	31,002,938	19,234,020	18,643,662	95,916	96,261
4	481 - Commercial Sales	22,152,754	17,976,561	19,970,574	19,471,619	3,854	3,792
5	481						
6	481						
7	481						
8	481						
9	Interruptible Sales Service						
10	481 - Industrial Sales Preferred	172,806	259,657	172,356	278,872	1	2
11	481 - Industrial Sales Large Volume						
12	Firm Transportation Service						
13	489 - Commercial	9,047,919	8,198,433	32,776,344	30,852,147	1,633	1,629
14	489						
15	489						
16	Interruptible Transportation Serv.						
17	489 - Industrial	4,409,942	4,574,730	31,925,789	38,415,545	35	40
18	489						
19	482 Other Sales to Public Authorities						
20	484 Flex Rate - Refund						
21	TOTAL Sales to Ultimate Consumers	72,095,002	62,012,319	104,079,083	107,661,845	101,439	101,724
22	483 Sales for Resale						
23	Off-System Sales	37,348,799	34,645,681	62,040,370	95,958,640		
24	TOTAL Nat. Gas Service Revenues	109,443,801	96,658,000				
25	TOTAL Gas Service Revenues	109,443,801	96,658,000				
26	Other Operating Revenues						
27	485 Intracompany Transfers						
28	487 Forfeited Discounts						
29	488 Misc. Service Revenues	1,349,694	936,616				
30	489 Rev. from Trans. of Gas of Others						
31	not included in above rate schedules)						
32	493 Rent from Gas Property						
33	494 Interdepartmental Rents						
34	495 Other Gas Revenues						
35	Initial Connection						
36	Reconnect for Cause						
37	Collection in lieu of disconnect						
38	Returned Check						
39	Other	(1,031,583)	(670,056)				
40	495.1 Overrecoveries Purchased Gas	766,181	(253,762)				
41	TOTAL Other Operating Revenues	1,084,292	12,798				
42	TOTAL Gas Operating Revenues	110,528,093	96,670,798				
43	(Less) 496 Provision for Rate Refunds	0	0				
44	TOTAL Gas Operating Revenues Net of Provision for Refunds	110,528,093	96,670,798				
45	Sales for Resale						
46	Other Sales to Public Authority						
47	Interdepartmental Sales						
48	TOTAL	\$110,528,093	\$96,670,798	166,119,453	203,620,485		

Notes

GAS OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnotes.

Line No.	Account	Amount for Current Year	Amount for Previous Year
1	1. Production Expenses		
2	A. TOTAL Manufactured Gas Production (Total of Accounts 700-742)		
3	B. TOTAL Natural Gas Prod. and Gathering (Total of Accts. 750 - 769)		
4	C. TOTAL Products Extraction (Total of Accounts 770 through 791)		
5	D. TOTAL Exploration and Development (Total of Accts. 795 through 798)		
6	E. Other Gas Supply Expenses		
7	Operation		
8	800 Natural Gas Well Head Purchases		
9	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
10	801 Natural Gas Field Line Purchases		
11	802 Natural Gas Gasoline Plant Outlet Purchases		
12	803 Natural Gas Transmission Line Purchases		
13	804 Natural Gas City Gate Purchases	28,633,771	21,516,408
14	804.1 Liquefied Natural Gas Purchases		
15	805 Other Gas Purchases	36,740,898	33,633,683
16	805.1 Purchased Gas Cost Adjustments - Debit/(Credit)		
17	TOTAL Purchased Gas (Total of Lines 8 to 16)	65,374,669	55,150,091
18	806 Exchange Gas		
19	Purchased Gas Expenses		
20	807.1 Well Expenses--Purchased Gas		
21	807.2 Operation of Purchased Gas Measuring Stations		
22	807.3 Maintenance of Purchased Gas Measuring Stations		
23	807.4 Purchased Gas Calculations Expenses		
24	807.5 Other Purchased Gas Expenses		
25	TOTAL Purchased Gas Expenses (Total of lines 20 through 24)		
26	808.1 Gas Withdrawn from Storage--Debit		
27	(Less) 808.2 Gas Delivered to Storage--Credit		
28	809.1 Withdrawals of Liquefied Natural Gas for Processing--Debit		
29	(Less) 809.2 Deliveries of Natural Gas for Processing--Credit		
30	Gas Used in Utility Operations--Credit		
31	810 Gas Used for Compressor Station Fuel--Credit		
32	811 Gas Used for Products Extraction--Credit		
33	812 Gas Used for Other Utility Operations--Credit	40,574	(58,608)
34	TOTAL Gas Used in Utility Operations--Credit (Lines 31 through 33)	40,574	(58,608)
35	813 Other Gas Supply Expenses		
36	TOTAL Other Gas Supply Exp. (Total of Lines 17,18,25,26 through 29,34,35)	65,415,243	55,091,483
37	TOTAL Production Expenses (Total of Lines 2,3,4,5 and 36)	65,415,243	55,091,483
38	2. Natural Gas Storage, Terminaling and Processing Expenses		
39	A. TOTAL Underground Storage Expenses (Total of Accounts 814 through 837)		
40	B. TOTAL Other Storage Expenses (Total of Accounts 840 through 843.9)		
41	C. TOTAL Liquefied Nat Gas Terminaling & Processing Expenses (Total of Accounts 844.1 through 847.8)		
42	TOTAL Natural Gas Storage (Total of lines 39, 40, and 41)		
43	3. Transmission Expenses		
44	TOTAL Transmission Expenses (Total of Accounts 850 through 867)		
45			
46			

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
47	4. Distribution Expenses		
48	Operation		
49	870 Operation Supervision and Engineering	1,021,379	954,635
50	871 Distribution Load Dispatching		
51	872 Compressor Station Labor and Expenses		
52	873 Compressor Station Fuel and Power		
53	874 Mains and Services Expenses	1,864,492	1,797,539
54	875 Measuring and Regulating Station Expenses--General	46,288	15,692
55	876 Measuring and Regulating Station Expenses--Industrial		
56	877 Measuring and Regulating Station Expenses--City Gate Check Station	744	290
57	878 Meter and House Regulator Expenses	597,838	712,328
58	879 Customer Installations Expenses	97,026	96,154
59	880 Other Expenses	1,510,834	1,039,733
60	881 Rents		
61	TOTAL Operation (Total of lines 49 through 60)	5,138,601	4,616,371
62	Maintenance		
63	885 Maintenance Supervision and Engineering	96,067	78,351
64	886 Maintenance of Structures and Improvements	6,450	18,144
65	887 Maintenance of Mains	375,719	522,438
66	888 Maintenance of Compressor Station Equipment		
67	889 Maintenance of Meas. and Reg. Sta. Equip.--General	2,024	2,920
68	890 Maintenance of Meas. and Reg. Sta. Equip.--Industrial	69,528	86,629
69	891 Maintenance of Meas. and Reg. Sta. Equip.--City Gate Check Station	84,734	40,684
70	892 Maintenance of Services	121,676	131,285
71	893 Maintenance of Meters and House Regulators	213,157	198,769
72	894 Maintenance of Other Equipment	14,691	10,266
73	TOTAL Maintenance (Total of Lines 63 through 72)	984,046	1,089,486
74	TOTAL Distribution Expenses (Total of Lines 61 and 73)	6,122,647	5,705,857
75	5. Customer Accounts Expenses		
76	Operation		
77	901 Supervision	422,045	179,007
78	902 Meter Reading Expenses	487,206	504,725
79	903 Customer Records and Collection Expenses	3,097,529	1,783,567
80	904 Uncollectible Accounts	1,104,443	1,232,500
81	905 Miscellaneous Customer Accounts Expenses		
82	TOTAL Customer Accounts Expenses (Total of Lines 77 through 81)	5,111,223	3,699,799
83	6. Customer Service and Informational Expenses		
84	Operation		
85	907 Supervision		
86	908 Customer Assistance Expenses		
87	909 Informational and Instructional Expenses	2,823,354	1,417,308
88	910 Miscellaneous Customer Service and Informational Expenses		
89	TOTAL Customer Service and Informational Expenses (Total of Lines 85 through 88)	2,823,354	1,417,308
90	7. Sales Expenses		
91	Operation		
92	911 Supervision	252,896	239,159
93	912 Demonstrating and Selling Expenses	620,199	776,550
94	913 Advertising Expenses	18,740	4,133
95	916 Miscellaneous Sales Expenses	79,494	41,462
96	TOTAL Sales Expenses (Total of lines 92 through 95)	971,329	1,061,304
97			

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account	Amount for Current Year	Amount for Previous Year
98	8. Administrative and General Expenses		
99	Operation		
100	920 Administrative and General Salaries	316,542	271,177
101	921 Office Supplies and Expenses	1,765,066	2,009,100
102	(Less) (922) Administrative Expenses Transferred--Credit		
103	923 Outside Services Employed	7,300,261	5,821,312
104	924 Property Insurance	27,638	5,224
105	925 Injuries and Damages	713,996	185,579
106	926 Employee Pensions and Benefits	5,138,266	1,432,178
107	927 Franchise Requirements		
108	928 Regulatory Commission Expenses	85,404	85,404
109	(Less) (929) Duplicate Charges--Credit		
110	930.1 General Advertising Expenses		
111	930.2 Miscellaneous General Expenses	860	2,236
112	931 Rents	116,202	115,127
113	TOTAL Operation (Total of lines 100 through 112)	15,464,235	9,927,337
114	Maintenance		
115	935 Maintenance of General Plant		
116	TOTAL Administrative and General Expense (Total of lines 113 and 115)	15,464,235	9,927,337
117			
118	TOTAL Gas O&M Expenses (Lines 37, 42, 44, 74, 82, 89, 96, and 116)	95,908,031	76,903,088
119			
120			

NUMBER OF GAS DEPARTMENT EMPLOYEES

1. The data on number of employees should be reported for payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.
2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.
3. The number of employees assignable to the gas department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the gas department from joint functions.

.1		
2	1. Payroll Period Ended (Date)	12/31/2003
3	2. Total Regular Full-Time Employees	207
4	3. Total Part-Time and Temporary Employees	11
5	4. Total Employees	218
6		
7		
8		
9		
10		
11		
12		
13		

Name of Respondent
 City Gas Company of Florida
 A Division of NUI Utilities, Inc.

For the Year Ended
 Dec. 31, 2003

GAS PURCHASES (Accounts 800, 800.1, 801, 802, 803, 804, 804.1, 805, 805.1)

1. Provide totals for the following accounts:

- 800 - Natural Gas Well Head Purchases
- 800.1- Natural Gas Well Head Purchases
Intracompany Transfers
- 801 - Natural Gas Field Line Purchases
- 802 - Natural Gas Gasoline Plant Outlet Purchases
- 803 - Natural Gas Transmission Line Purchases
- 804 - Natural Gas City Gate Purchases
- 804.1- Liquefied Natural Gas Purchases
- 805 - Other Gas Purchases
- 805.1- Purchases Gas Cost Adjustments

The totals shown in columns (b) and (c) should agree with the books of account. Reconcile any differences in a footnote.
 2. State in column (b) the volume of purchased gas as finally measured for the purpose of determining the amount payable for the gas. Include current year receipts of makeup gas that was paid for in prior years.
 3. State in column (c) the dollar amount (omit cents) paid and previously paid for the volumes of gas shown in column (b).
 4. State in column (d) the average cost per Therm to the nearest hundredth of a cent. (Average means column (c) divided by column (b) multiplied by 100.)

Line No.	Account Title (a)	Gas Purchased- Therms (14.73 psia 60 F) (b)	Cost of Gas (In dollars) (c)	Average Cost Per Therm (To nearest .01 of a cent) (d)
1	800 - Natural Gas Well Head Purchases			
2	800.1 - Natural Gas Well Head Purchases, Intracompany Transfers			
3	801 - Natural Gas Field Line Purchases			
4	802 - Natural Gas Gasoline Plant Outlet Purchases			
5	803 - Natural Gas Transmission Line Purchases			
6	804 - Natural Gas City Gate Purchases	37,548,830	28,633,771	\$0.76257
7	804.1 - Liquefied Natural Gas Purchases			
8	805 - Other Gas Purchases	62,040,370	36,740,898	\$0.59221
9	805.1 - Purchased Gas Cost Adjustments			
10	TOTAL (Total of lines 1 through 9)			
		99,589,200	65,374,669	\$0.65644

Notes to Gas Purchases

GAS USED IN UTILITY OPERATIONS - CREDIT (Accounts 812)

1. Report below particulars (details) of credits during the year to Accounts 810, 811 and 812 which offset charges to operating expenses or other accounts for the cost of gas from the respondent's own supply.
 2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
 3. If the reported Therms for any use is an estimated quantity, state such fact in a footnote.

4. If any natural gas was used by the respondent for which a change was not made to the appropriate operating expense or other account, list separately in column (c) the Therms of gas used, omitting entries in columns (d) and (e).
 5. Report pressure base of measurement of gas volumes at 14.73 psia at 60 degrees F.

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Therms of Gas Used (c)	Natural Gas Amount of Credit (d)
1	812 Gas used for Other Utility Operations Credit (Report separately for each principal uses. Group minor uses.)			
2				
3	Other General Use	401	(90,426)	(40,574)
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18	TOTAL		(90,426)	(40,574)

REGULATORY COMMISSION EXPENSES (Account 928)

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
 2. Show in column (h) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
 3. The totals of columns (c), (f), (h), and (i) must agree with the totals shown at the bottom of page 19 for Account 186
 4. List in Column (d) and (e) expenses incurred during year which were charged currently to income, plant, or other accounts.
 5. Minor items (less than \$25,000) may be grouped.

Line No.	Description (Name of regulatory commission, the docket number, and a description of the case.) (a)	Total Expenses to Date (b)	Deferred in Account 186 Beginning of Year (c)	Expenses Incurred During Year		Amortized During Year		Deferred in Account 186 End of Year (i)	
				Charged Currently to Account No. (d)	Amount (e)	Deferred to Account 186 (f)	Contra Account (g)		Amount (h)
1	Docket 000768-GU - 2000 Rate Case		185,960				928	85,359	100,601
2	Docket 030569-GU - 2003 Rate Case	306,933	0			306,933			306,933
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17	TOTAL	306,933	185,960		0	306,933		85,359	407,535

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	
2	Experimental and General Research Expenses: (a) Gas Research Institute (GRI) (b) Other	
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the Respondent.	
4	Other expenses (items of \$5,000 or more must be listed separately in this column showing the (1) purpose, (2) recipient and (3) amount of such items. Amounts of less than \$5,000 may be grouped by classes if the number of items so grouped is shown.)	\$ 860
5		
6		
7		
8		
9		
10		
11		
12		
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15		
16		
17		
18		
19		
20	TOTAL	\$ 860

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	TOTAL Operation and Maintenance - Electric			
3	Gas			
4	Operation			
5	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
6	Transmission			
7	Distribution	3,283,325		
8	Customer Accounts	2,514,647		
9	Customer Service and Informational	459,542		
10	Sales	478,941		
11	Administrative and General	270,042		
12	TOTAL Operation (Total of lines 5 through 11)	7,006,497		
13	Maintenance			
14	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
15	Transmission			
16	Distribution	244,341		
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 14 through 17)	244,341		
19	TOTAL Operation and Maintenance	7,250,838		
20	Production - Manufd. Gas & Nat. Gas (inc. Expl. and Dev.); Other Gas Supply; Storage, LNG, Terminaling & Processing			
21	Transmission (Enter Total of lines 6 and 15)			
22	Distribution (Total of lines 7 and 16)	3,527,666		
23	Customer Accounts (Transcribe from line 8)	2,514,647		
24	Customer Service and Informational (Transcribe from line 9)	459,542		
25	Sales (Transcribe from line 10)	478,941		
26	Administrative and General (Total of lines 11 and 17)	270,042		
27	TOTAL Operation and Maint. (Total of lines 20 through 26)	7,250,838	454,832	7,705,670
28	Other Utility Departments			
29	Operation and Maintenance			0
30	TOTAL All Utility Dept. (Total of lines 2, 27, and 29)			0
31	Utility Plant			
32	Construction (By Utility Departments)			
33	Electric Plant			0
34	Gas Plant	504,796	0	504,796
35	Other			0
36	TOTAL Construction (Total of lines 33 through 35)	504,796	0	504,796
37	Plant Removal (By Utility Department)			
38	Electric Plant			0
39	Gas Plant	24,607	0	24,607
40	Other			0
41	TOTAL Plant Removal (Total of lines 38 through 40)	24,607	0	24,607
42				
43	Other Accounts (Specify):			
44	Reimbursable Projects	34	0	34
45				0
46				0
47				0
48				0
49				0
50				0
51				0
52				0
53	TOTAL Other Accounts	34	0	34
54	TOTAL SALARIES AND WAGES	7,780,275	454,832	8,235,107

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services] amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account 426.4 - Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services,
 (b) description of services received,
 (c) basis of charges,
 (d) total charges for the year, detailing account charged.

2. For any services which are of a continuing nature, give the date and term of contract.

3. Designate with an asterisk associated companies.

	Description	Amount
1		
2		
3		
4	Mark Casaday	Services 119,035
5	Sunshine State One Call	Services 69,151
6	Gas Consult, Inc	Services 43,525
7	Jack Mueller & Associates	Services 41,566
8	Jeffrey Householder & Company	Services 26,286
9		
10	Marketing Talent Network	Marketing 69,140
11		
12	Morgan Lewis et al	Legal Services 206,573
13	Hopping Green et al	Legal Services 152,123
14	Troutman Sanders LLP	Legal Services 47,691
15	Clarke Silvergate et al	Legal Services 29,229
16		
17	Ittron, Inc	IT Services 60,336
18		
19	Mueller Distribution Contractors, Inc	Contractor 4,376,461
20	Henkels & McCoy	Contractor 453,082
21	Youngs Communication	Contractor 195,120
22	Southeast Corrosion & Engineering	Contractor 169,464
23	WJ Miranda Construction Co	Contractor 136,093
24	B & R Plumbing	Contractor 26,145
25		
26		
27		
28		
29		
30		

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given for the respective income deduction and interest charges accounts. Provide a subheading for each account and total for the account. Additional columns may be added if deemed appropriate with respect to any account.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charges, the total of amortization charged for the year, and the period of amortization.

(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2 Life Insurance; 426.3 Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$25,000 may be grouped by classes within the above accounts.

(c) Other Interest Expense (Account 431) - Report particulars (Details) including the amount and interest rate for each other interest charges incurred during the year.

	Item	Amount
1		
2	MISCELLANEOUS AMORTIZATION (425):	
3	Plant acquisition adjustment (30 yr. Amortization period)	985,092
4	Other	1,152
5	TOTAL MISCELLANEOUS AMORTIZATION	986,244
6		
7	MISCELLANEOUS INCOME & DEDUCTIONS:	
8	Donations (426.1)	4,469
9	Other deductions (426.5)	4,030
10	TOTAL MISCELLANEOUS INCOME & DEDUCTIONS	8,499
11		
12	OTHER INTEREST EXPENSES (431):	
13	Interest allocation - short term debt (variable rate)	1,561,263
14	Fleet Bank - Vehicle Leases (Weighted Average 4%)	401,411
15	Interest on Customer Deposits (6%)	334,959
16	Sovran Trans Lease (%)	23,005
17	PGA (Average 1.18%)	14,226
18	ECP (Average 1.18%)	6,751
19	TOTAL OTHER INTEREST EXPENSES	2,341,615
20		
21		
22		
23		
24		

Name of Respondent

For the Year Ended

City Gas Company of Florida
A Division of NUI Utilities, Inc.

Dec. 31, 2003

**Reconciliation of Gross Operating Revenues
Annual Report versus Regulatory Assessment Fee Return**

For the current year, reconcile the gross operating revenues as reported on Page 26 of this report with the gross operating revenues as reported on the utility's regulatory assessment fee return. Explain and justify any differences between the reported gross operating revenues in column (f).

	(a)	(b)	(c)	(d)	(e)	(f)
Line No.	Description	Gross Operating Revenues per Page 26	Interstate and Sales for Resale Adjustments	Adjusted Intrastate Gross Operating Revenues	Intrastate Gross Operating Revenues per RAF Return	Difference (d) - (e)
1	Total Sales to Ultimate Customers (480-482, 484)	58,637,141		58,637,141	58,637,141	
2	Sales for Resale (483)	0		0	0	
3	Total Natural Gas Service Revenues	58,637,141		58,637,141	58,637,141	0
4	Total Other Operating Revenues (485-495)	14,807,546		14,807,546	14,807,546	0
5	Total Gas Operating Revenues	73,444,687		73,444,687	73,444,687	0
6	Provision for Rate Refunds (496)	0		0	0	0
7	Other (Specify) - Off System Sales	37,348,799	37,348,799	0	0	0
8	- PGA Over/Under Recoveries	766,181		766,181	766,181	0
9	- CRA Over/Under Recoveries	(1,031,583)		(1,031,583)	(1,031,583)	0
10	Total Gross Operating Revenues	110,528,084		73,179,285	73,179,285	0

Notes:

Name of Respondent
CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI UTILITIES, INC.

For the Year Ended
Dec. 31, 2003

CORPORATE STRUCTURE

Provide an updated organizational chart showing all affiliated companies, partnerships, etc.

Effective Date:

See information regarding affiliated companies in Form 10-K with the Securities and Exchange Commission

SUMMARY OF AFFILIATED TRANSFERS AND COST ALLOCATIONS

Grouped by affiliate, list each contract, agreement, or other business transaction exceeding a cumulative amount of \$300 in any one year, entered into between the Respondent and an affiliated business or financial organization, firm, or partnership identifying parties, amounts, dates, and product, asset, or service involved.

(a) Enter name of affiliate.
 (b) Give description of type of service, or name the product involved.
 (c) Enter contract or agreement effective dates.
 (d) Enter the letter "p" if the service or product is purchased by the Respondent: "s" if the service or product is sold by the Respondent.
 (e) Enter utility account number in which charges are recorded.
 (f) Enter total amount paid, received, or accrued during the year for each type of service or product listed in column (c). Do not net amounts when services are both received and provided.

Name of Affiliate (a)	Type of Service and/or Name of Product (b)	Relevant Contract or Agreement and Effective Date (c)	Total Charge for Year		
			"p" or "s" (d)	Account Number (e)	Dollar Amount (f)
See Footnote*	Customer Care	NUI Cost Allocation Policy	S	various	(2,035,093)
	Environmental Affairs	NUI Cost Allocation Policy	P	various	38,589
	Insurance	NUI Cost Allocation Policy	P	various	209,932
	Supply Chain/Purchasing	NUI Cost Allocation Policy	P	various	220,645
	Human Resources	NUI Cost Allocation Policy	P	various	413,732
	Legal	NUI Cost Allocation Policy	P	various	687,981
	Rent & Building Services	NUI Cost Allocation Policy	P	various	765,760
	Administrative Services	NUI Cost Allocation Policy	P	various	1,166,257
	Treasury	NUI Cost Allocation Policy	P	various	1,316,533
	Accounting Services	NUI Cost Allocation Policy	P	various	1,390,466
	Information Technology	NUI Cost Allocation Policy	P	various	1,803,592
	Executive	NUI Cost Allocation Policy	P	various	2,061,594
	Appliance Services	Direct Cost	P	various	91,835
	UBS	Direct Cost	P	various	937,125
	Energy Brokers	Direct Cost	P	various	3,296,459
	Total			12,365,407	

Footnote: All charges allocated from divisions or subsidiaries of NUI Corporation as identified in the notes to the financial pages.

Name of Respondent City Gas Company of Florida A Division of NUI Utilities, Inc.	For the Year Ended Dec. 31, 2003
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NEW OR AMENDED CONTRACTS WITH AFFILIATED COMPANIES

Provide a synopsis of each new or amended contract, agreement, or arrangement with affiliated companies for the purchase, lease, or sale of land, goods, or services (excluding tariffed items). The synopsis shall include, at a minimum, the terms, price, quantity, amount, and duration of the contracts.

Name of Affiliate	Synopsis of Contract
NONE	

INDIVIDUAL AFFILIATED TRANSACTIONS IN EXCESS OF \$25,000

Provide information regarding individual affiliated transactions in excess of \$25,000. Recurring monthly affiliated transactions which exceed \$25,000 per month should be reported annually in the aggregate. However, each land or property sales transaction even though similar sales recur, should be reported as a "non-recurring" item for the period in which it occurs.

Name of Affiliate	Description of Transaction	Dollar Amount
NONE		

Name of Respondent CITY GAS COMPANY OF FLORIDA A DIVISION OF NUI UTILITIES, INC.	For the Year Ended Dec. 31, 2003
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ASSETS OR RIGHTS PURCHASED FROM OR SOLD TO AFFILIATES

Provide a summary of affiliated transactions involving asset transfers or the right to use assets.

Name of Affiliate	Description of Asset or Right	Cost/Orig. Cost	Accumulated Depreciation	Net Book Value	Fair Market Value	Purchase Price	Title Passed Yes/No
Purchases from Affiliates:							
None		\$	\$	\$	\$	\$	
Total						\$	
Sales to Affiliates:							
None		\$	\$	\$	\$	Sales Price	
Total						\$	

EMPLOYEE TRANSFERS

List employees earning more than \$50,000 annually transferred to/from the utility to/from an affiliate company.

Company Transferred From	Company Transferred To	Old Job Assignment	New Job Assignment	Transfer Permanent or Temporary and Duration
Elizabethtown Gas Company	City Gas Company	Radio Communication Manager	Call Center Manager	Permanent

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