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971389-GU

October 17, 1997

HAND-DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Application of City Gas Company of Florida (a Division of NUI Corporation) for authority for NUI Corporation to issue and sell securities during the twelve months ending September 30, 1998

Dear Ms. Bayo:

Enclosed for filing and distribution are the original and six copies of the Application of City Gas Company of Florida (a Division of NUI Corporation) for Authority for NUI Corporation to Issue and Sell Securities during the twelve months ending September 30, 1998.

Please acknowledge receipt of the above on the extra copy enclosed herein and return it to me. Thank you for your assistance.

Yours truly,

Joe A. McGlothlin

Joseph A. McGlothlin

JAM/pw
Encls.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of City Gas Company of Florida (a Division of NUI Corporation) for authority for NUI Corporation to issue and sell securities during the twelve months ending September 30, 1998	)	Docket No. 971387-GU Filed: October 17, 1997

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

Pursuant to Chapter 25-8, Florida Administrative Code, and Section 366.04, Florida Statutes, City Gas Company of Florida (a division of NUI Corporation) ("City Gas"), submits this application for authority for NUI Corporation ("NUI") to issue and sell securities during the 12-month period beginning November 15, 1997 (or as soon thereafter as possible) and ending September 30, 1998. City Gas requests authority to issue and sell up to $30 million in equity and long-term debt. City Gas also requests authority to exceed the otherwise applicable limit on short-term debt, as explained below. In support of this request, City Gas provides the following information:

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

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

2. **Date and Place of Incorporation**: City Gas, a public utility since 1960, serves Brevard, Broward, Dade and St. Lucie Counties, and is an operating division of

NUI. NUI was incorporated in 1969 under the laws of New Jersey.

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

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

Joseph A. McGlothlin
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee, FL 32301

Michael A. Palecki
Vice President - Regulatory Affairs
Southern Division of NUI Corporation
955 E. 25th Street
Hialeah, FL 33013-3498

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

4. **Principal Officers**: The names, titles and addresses of the principal officers of the Southern Division of NUI Corporation are as follows:

Name	Title	Address
Lyle C. Motley, Jr.	President	Hialeah, FL
Rand W. Smith	Vice President Finance	Hialeah, FL

Richard Wall	Vice President Operations, Florida	Hialeah, FL
Name	**Title**	**Address**
Carl Smith	Vice President Marketing	Hialeah, FL
Michael A. Palecki	Vice President Regulatory Affairs	Hialeah, FL
James Turpin	Vice President Operations, Penn & Southern	Reidsville, NC

5. **Nature and Extent of Business**: City Gas is engaged in the transmission and distribution of natural gas to approximately 97,000 customers in Dade, Broward, Brevard and St. Lucie Counties.

6. **Brief Description of Facilities**: City Gas owns approximately 2,560 miles of steel and plastic mains for the distribution of natural gas in Florida, as well as gate stations, meters and related equipment. The Company also owns real property in Dade, Broward, Brevard and St. Lucie Counties in Florida. City Gas' owned properties include a general office building in Hialeah, Florida, that serves as its headquarters and service center from which City Gas dispatches service crews and conducts construction and maintenance activities for its Miami division, and another office facility in Rockledge, Florida.

7. **Statement of Capital Stock and Funded Debt**: As of September 30, 1997, the Capital Stock of NUI consisted of (1) Common Stock, No Par Value, of which 30,000,000 shares were authorized, 12,427,218 were outstanding and 98,495 were reacquired by NUI, of which none were pledged by NUI, owned by affiliated

corporations, or held in any fund; and (2) Preferred Stock, of which 5,000,000 shares were authorized and of which none have been issued.

8. As of September 30, 1997, the funded Debt of NUI consisted of the following (of which none is reacquired, pledged, held by affiliates or held in any company fund):

Description	**Outstanding**
8.35% Medium-Term Notes, Series A, due February 1, 2005	$50,000,000
7.125% Medium-Term Notes, Series A, due August 1, 2002	$20,000,000
6.40% Brevard County Industrial Development Revenue Bonds, due October 1, 2024	$20,000,000
New Jersey Economic Development Authority Bonds:	
5.70% due October 1	$54,600,000
6.35% due October 1, 2022	$46,500,000
Variable Rate due June 1, 2026	$39,000,000

9. NUI has deposited in trust the unexpended portion of the net proceeds from the 6.40% Brevard County Industrial Development Revenue bonds, until drawn upon for eligible expenditures. As of September 30, 1997, the total unexpended portion held in trust, including interest thereon, was $13,519,503.

PROPOSED ISSUANCES

10. City Gas requests authority to issue and sell, in the aggregate, a total of $30 million of equity and long term debt during the period November 15, 1997-September 30, 1998.

11. The equity securities for which authority is sought herein will be for employee benefit plans, incentive compensation plans, and continuous investment programs offered to shareholders throughout the year. The Company anticipates that it will issue approximately 260,000 shares of common stock to these various plans in fiscal year ending September 30, 1997.

12. The Company may also issue medium term notes in an amount up to $20,000,000 if market conditions and interest rates are favorable.

13. The issuance and sale of equity securities and medium term debt securities may be through either negotiated underwritten public offering at competitive bidding, direct public or private sale, sale through agents, or distributions to security holders of NUI or affiliated companies, including sales of equity securities through employee benefit plans, incentive compensation plans, and continuous investment programs offered to shareholders, directors, employees, customers and residents of the states in which NUI does business.

14. City Gas also requests authority to issue and sell short-term debt at levels not to exceed 25% of the par value of other outstanding securities during the period. The short-term indebtedness will consist of borrowings under NUI's outstanding lines of credit, or through other short-term facilities.

15. Based upon the rates applicable to comparable securities in the current market, NUI estimates that the interest rates on the short-term indebtedness will be between 6.0% and 6.5%. The actual interest and dividend rates on the securities will be determined by the market conditions at the same time the securities are issued and

sold.

PURPOSES OF ISSUES

16. The equity issuances will be used to meet the requirements of the plans and programs identified in paragraph 11 above. If issued, the proceeds of the medium term notes would be used to finance the Company's construction program and/or for general corporate purposes relating to the provision of utility service, including, for example, improvements or additions to the Company's information management system.

17. During periods in which interest rates on short-term indebtedness are favorable relative to the cost of alternative sources of capital, the Company finances on a short-term basis in order to take advantage of the temporary opportunity to lower its cost of service for the benefit of its ratepayers. NUI seeks authority to exceed the 5% statutory threshold of section 366.04(1), Florida Statutes, if a short term financing strategy is advantageous for City Gas and its ratepayers. If given this authority, NUI would not exceed a 25% threshold without obtaining additional approval. The additional short-term indebtedness for which NUI seeks authority would be used to finance portions of NUI's construction programs, pending refinancing through the issuance of equity or long-term securities at a later date depending upon prevailing market conditions.

FACTS SUPPORTING LEGALITY, NECESSITY OR APPROPRIATENESS

18. Proceeds from the issuances for which NUI seeks authority herein will be used to enable NUI to perform its obligation to manage and operate its utility

businesses so as to continue to provide reliable and economical service to its customers in its rapidly growing service areas. The purposes for which NUI seeks authority to issue the described securities are consistent with and will not impair the proper performance by City Gas as a public utility. The issuance of the securities will enable City Gas to perform that service; is for a lawful object with the corporate purposes of the applicant; and is reasonable, necessary, and appropriate to provide reliable and economic service to its customers in its rapidly growing service area.

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

Regulatory Counsel:

Joseph A. McGlothlin
McWhirter, Reeves, McGlothlin
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee, FL 32301

General Counsel:

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

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

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

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

Exhibit A: Financial statements of NUI (Form 10K for the Fiscal Year Ended September 30, 1996 and form 10-Q for the Quarter Ended December 31, 1996, March 31, 1997, and June 30, 1997)

Exhibit B-1: Estimated Projected Sources and Uses of Funds for NUI for the Twelve Months Ended September 30, 1998.

Exhibit B-2: Estimated Construction Spending for City Gas Company of Florida for the Twelve Months Ended September 30, 1998.

WHEREFORE, City Gas Company of Florida, a Division of NUI Corporation, requests the Commission to enter an Order authorizing NUI to issue and sell long-term debt and equity securities in amounts not to exceed $30 million in the aggregate, during the period beginning November 15, 1997 or as soon thereafter as possible and ending September 30, 1998 and also authorizing NUI to issue short-term debt not to exceed 25% of the par value of other outstanding NUI securities during the same period. To facilitate the ability of NUI to position itself to take advantage of favorable conditions in the capital markets, NUI respectfully asks the Commission to expedite its consideration of this application.

Joseph A. McGlothlin

JOSEPH A. MCGLOTHLIN
McWhirter, Reeves, McGlothlin
Davidson, Rief & Bakas, P.A.
117 South Gadsden Street
Tallahassee, Florida 32301
Telephone: (850) 222-2525

Attorney for City Gas Company of Florida

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 1O-K

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

For the Fiscal Year Ended September 30, 1996 **Commission File # 1-8353**

NUI CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey
(State of incorporation)

22-1869941
(IRS employer identification no.)

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

(908) 781-0500
(Registrant's telephone number, including area code)

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

COMMON STOCK, No Par Value and PREFERRED STOCK PURCHASE RIGHTS
(Title of Class)

New York Stock Exchange, Inc.
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

☑

Indicate by check mark if disclosure of delinquent filers, pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to the Form 10-K:

☑

The aggregate market value of 9,955,603 shares of common stock held by non-affiliates of the registrant calculated using the $20 per share closing price on November 30, 1996 was $199,112,060.

The number of shares outstanding for each of the registrant's classes of common stock, as of November 30, 1996:

Common Stock, No Par Value: 11,167,915 shares outstanding.

Documents incorporated by reference: NUI Corporation's definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is expected to be filed with the Securities and Exchange Commission no later than 120 days subsequent to September 30, 1996.

EXHIBIT A

NUI Corporation

Annual Report on Form 10-K For The Fiscal Year Ended September 30, 1996

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NUI Corporation

Annual Report on Form 10-K for the Fiscal Year Ended September 30, 1996

PART I

Item 1. Business

NUI Corporation ("NUI" or the "Company") was incorporated in New Jersey in 1969, and is engaged primarily in the sale and transportation of natural gas. The Company serves more than 359,000 utility customers in six states through its Northern and Southern operating divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division was formed effective April 1, 1995 through the consolidation of the Company's City Gas Company of Florida and Pennsylvania & Southern Gas Company ("PSGS") operations (see Note 3 of the Notes to the Consolidated Financial Statements). PSGS, which operated as North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York), was acquired by the Company on April 19, 1994 (see Note 2 of the Notes to the Consolidated Financial Statements).

In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy, Inc. subsidiary (formerly Natural Gas Services, Inc.); bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary (formerly Utility Billing Services, Inc.); and wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary.

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

Territory and Customers Served

See Item 6 - "Selected Financial Data-Summary Consolidated Operating Data" for summary information by customer class with respect to operating revenues, gas volumes sold or transported and average utility customers served. The Company's utility operations serve more than 359,000 customers, of which approximately 67% are in New Jersey and 33% are in the Southern Division states. Approximately 54% of the Company's utility customers are residential and commercial customers that purchase gas primarily for space heating. The Company's operating revenues for fiscal 1996 amounted to $469 million, of which approximately 66% was generated by utility operations in the Northern Division, 22% was generated by utility operations in the Southern Division states and 12% by the Company's unregulated activities. Gas volumes sold or transported in fiscal 1996 amounted to 105.7 million Mcf, of which approximately 65% was sold or transported in New Jersey, 17% was sold or transported in the Southern Division states and 18% represented unregulated sales. An Mcf is a basic unit of measurement for natural gas comprising 1,000 cubic feet of gas.

Northern Division The Company, through its Northern Division, provides gas service to approximately 239,000 customers in franchised territories within seven counties in central and northwestern New Jersey. The Northern Division's 1,300 square-mile service territory has a total population of approximately 950,000. Most of the Northern Division's customers are located in densely-populated central New Jersey, where increases in the number of customers are primarily from conversions to gas heating from alternative forms of heating.

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

Gas Volumes Sold or Transported (in thousands of Mcf)

	1996	1995	1994
Firm Sales:			
Residential	20,862	17,855	20,315
Commercial	11,337	10,275	11,528
Industrial	4,709	4,595	5,025
Interruptible Sales	11,885	15,440	14,156
Unregulated Sales	7,062	1,044	—
Transportation Sales	19,793	17,202	14,367
Total	75,648	66,411	65,391

Utility Customers Served (twelve-month average)

	1996	1995	1994
Firm Sales:			
Residential - Heating	162,156	159,164	155,317
Residential - Non-heating	58,558	59,586	60,951
Commercial	17,232	17,359	16,966
Industrial	291	387	360
Interruptible Sales	72	75	74
Transportation Services	600	130	94
Total	238,909	236,701	233,762

Gas volumes sold to the Company's firm customers are sensitive to the weather in New Jersey. In fiscal 1996, the weather in New Jersey was 7% colder than normal and 23% colder than the prior year, thereby increasing gas sales. Weather in fiscal 1995 contributed to lower gas sales as compared with fiscal 1994, as the weather was 13% warmer than normal and 12% warmer than fiscal 1994. The Northern Division's tariff contains a weather normalization clause that is designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and decreasing amounts charged when weather has been colder than normal. For a further discussion on variations in revenues, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The growth in the number of residential heating customers principally reflects the Company's marketing emphasis to convert residential non-heating customers to full gas heating service. Approximately 70% of the residential heating customers added in New Jersey since 1991 represented homes that were converted to gas heating from other forms of space heating and the remainder consisted of new homes. Approximately 40 new residential developments are at various stages of the approval process before municipal planning boards throughout the Northern Division's service territory.

Effective January 1, 1995, the New Jersey Board of Public Utilities (the "NJBPU") authorized new tariffs designed to provide for the unbundling of natural gas transportation and sales service to commercial and industrial customers. As of September 30, 1996, 845 commercial sales customers had switched to transportation-only service under the new tariff. Despite the transfer to transportation service, the commercial sales market continues to grow. In fiscal 1996, 27 schools and 490 businesses converted to gas heating systems with the Company or switched from interruptible service to commercial firm service. The Company also has an economic development program to help spur economic growth and jobs creation which provides grants and reduced rates for qualifying businesses that start up, relocate or expand within designated areas.

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

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

The Company provides gas sales and transportation services comprising twenty percent of the primary fuel requirements of a 614 megawatt cogeneration facility that began commercial operation in New Jersey in July 1992 to supply electric power to New York City. In fiscal 1996, sales and transportation of gas to this customer accounted for approximately 5% of the Company's operating revenues and approximately 7% of total gas sold or transported. The Company was authorized by the NJBPU to retain a total of approximately $2.3 million of the operating margins realized from these sales. The Company reached this maximum during fiscal 1995 and, therefore, all margins realized from the sale of gas to this customer in fiscal 1996 were used to reduce gas costs charged to firm customers.

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

Southern Division

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

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

Gas Volumes Sold or Transported (in thousands of Mcf)

	1996	1995	1994
Firm Sales:			
Residential	2,130	1,982	1,983
Commercial	4,096	4,198	4,439
Interruptible Sales	1,259	1,533	1,958
Unregulated Sales	1,779	—	—
Transportation Sales	884	1,313	1,063
Total	10,148	9,026	9,443

Utility Customers Served (twelve-month average)

	1996	1995	1994
Firm Sales:			
Residential	92,179	90,960	87,194
Commercial	4,629	4,615	4,539
Interruptible Sales	18	20	28
Transportation Services	36	24	8
Total	96,862	95,619	91,769

CGF's residential customers purchase gas primarily for water heating, clothes drying and cooking. Some customers, principally in central Florida, also purchase gas to provide space heating during the relatively mild winter season. Year-to-year growth in the average number of residential customers primarily reflects new construction. The rate of residential market growth was lower in fiscal 1996 as compared with fiscal 1995 reflecting the application of more selective investment feasibility standards. The rate of residential market growth is expected to increase in fiscal 1997 as more central Florida residential projects have qualified for main extensions under the Company's investment feasibility standards, principally reflecting lower Company costs to complete projects and more effective marketing practices.

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

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

Certain commercial and industrial customers have converted their natural gas service from a sales basis to a transportation basis. CGF's transportation tariff provides margins on transportation services that are substantially the same as margins earned on gas sales. The Company intends to submit a proposal in fiscal 1997 to the Florida Public Service Commission (the "FPSC") to offer unbundled gas service to all of its commercial customers, in a manner similar to that currently in place in the Company's Northern Division.

The Company initiated natural gas service to St. Lucie County in fiscal 1993 through the construction of a gate station interconnection with the interstate pipeline system, acquisition and conversion of an existing underground propane system and the extension of mains to potential growth areas within the city of Port St. Lucie. The Company substantially completed expansion of its mains in fiscal 1994. The net investment in utility plant in the city as of September 30, 1996 was $3.8 million and planned additional investment in fiscal 1997 will be $1.0 million. All of the Company's net investment in utility plant in St. Lucie County has been included in determining the rates authorized by the FPSC in November 1996 (see "Regulation"), including portions previously excluded in determining rates authorized by the FPSC in November 1994.

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

North Carolina Gas Service ("NCGS"). The Company, through NCGS, provides gas service to approximately 13,100 customers in Rockingham and Stokes Counties in North Carolina, which territories comprise approximately 560 square miles. During fiscal 1996, NCGS sold or transported approximately 3.9 million Mcf of gas as follows: 24% sold to residential customers, 14% sold to commercial customers, 44% sold to industrial customers and 18% transported to commercial and industrial customers.

Elkton Gas Service ("Elkton"). The Company, through Elkton, provides gas service to approximately 3,400 customers in franchised territories comprising approximately 14 square miles within Cecil County, Maryland. During fiscal 1996, Elkton sold approximately 603,000 Mcf of gas as follows: 34% sold to residential customers, 38% sold to commercial customers and 28% sold to industrial customers.

Valley Cities Gas Service ("VCGS") and Waverly Gas Service ("WGS"). VCGS and WGS provide gas service to approximately 6,100 customers in franchised territories comprising 104 square miles within Bradford County, Pennsylvania and the Village of Waverly, New York and surrounding areas, respectively. During fiscal 1996, VCGS and WGS sold or transported approximately 3.9 million Mcf of gas as follows: 15% sold to residential customers, 8% sold to commercial customers, 9% sold to industrial customers and 68% transported to commercial and industrial customers.

Gas Supply and Operations

In recent years, the gas industry has been undergoing structural changes in response to policies of the Federal Energy Regulatory Commission (the "FERC") and local regulatory commissions designed to increase competition. Traditionally, interstate pipelines were wholesalers of natural gas to local distribution companies and generally did not provide separate transportation or other services for specific customers. In 1985, the FERC adopted Order No. 436 that encouraged interstate pipelines to make transportation of gas available to customers on a non-discriminatory basis. Such voluntary "open access" by certain interstate pipelines enhanced the opportunity for local gas distribution companies and industrial customers to purchase natural gas directly from gas producers and others. In 1992, the FERC issued Order No. 636 that, among other things, mandated the separation or "unbundling" of interstate pipeline sales, transportation and storage services and established guidelines for capacity management effective in 1993. In fiscal 1995, the NJBPU unbundled the services provided and the rates charged to New Jersey commercial and small industrial customers as well. The transition to more competitive rates and services has the effect of increasing the opportunity for local gas distribution companies, and industrial and commercial customers to purchase natural gas from alternative sources, while increasing the potential business and regulatory risk borne by a local gas distribution company with respect to the acquisition and management of natural gas services.

Under Order No. 636 the pipeline companies are passing through to their customers transition costs associated with mandated restructuring, such as costs resulting from buying out unmarketable gas purchase contracts. The Company has been charged approximately $11 million of such costs through September 30, 1996. All of such costs, except for costs incurred by the Company's Pennsylvania operation, have been authorized for recovery through the Company's purchased gas adjustment clauses. The Company has recently filed for and expects full recovery of such costs in Pennsylvania. The Company currently estimates that its remaining Order No. 636 transition obligation will be approximately $7 million, which it expects also to recover through its purchased gas adjustment clauses as these costs are incurred. This transition obligation is subject to change based upon future FERC filings by the Company's pipeline suppliers.

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

The Company's gas supply during fiscal 1996 came from the following sources: approximately 5% from purchases under contracts with primary pipeline suppliers and additional purchases under their filed tariffs; approximately 95% from purchases from various producers and gas marketers, and purchases under long-term contracts with independent producers and less than 1% from propane and liquefied natural gas ("LNG"). The Company manages its gas supply portfolio to assure a diverse, reliable and secure supply of natural gas at the lowest reasonable cost. In fiscal 1996, the Company's largest single supplier accounted for 13% of the Company's total gas purchases.

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

The Company has long-term gas purchase contracts for the supply of natural gas for its system with eight suppliers, including two interstate pipeline companies, three gas marketers and three independent producers. The Company also has a long-term supply and delivery contract with an interstate pipeline. Under these contracts, the Company has a right to purchase, on a firm year-round basis, up to 37.9 million Mcf of natural gas annually with a maximum of approximately 112,000 Mcf per day. In order to achieve greater supply flexibility, the Company recently allowed three long-term gas supply contracts to expire at the conclusion of their primary terms. As a result, the Company has reduced its fixed gas cost obligations. The Company has replaced these supplies with both spot market gas and shorter-term, seasonal firm supply, thus reducing the average term of its long-term obligations. In addition, the Company has access to spot market gas through the interstate pipeline system to supplement or replace, on a short-term basis, portions of its long-term gas purchase contracts when such actions can reduce overall gas costs or are necessary to supply interruptible customers. In fiscal 1995, the Company, along with seven other Northeastern and Mid-Atlantic gas distribution companies, formed the East Coast Natural Gas Cooperative LLC (the "Co-op"). The Co-op was formed with the goal of jointly managing certain portions of the members' gas supply portfolios, to increase reliability and reduce costs of service to customers, and to improve the competitive position of the member companies. Participation in and reliance upon certain contractual arrangements among Co-op members has allowed the Company to reduce costs associated with winter services.

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

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

The Company's maximum daily sendout in fiscal 1996 was approximately 370,600 Mcf in its Northern Division and 93,000 Mcf in the Southern Division states combined. The Company maintains sufficient gas supply and delivery capacity for a maximum daily sendout capacity for the Northern Division of approximately 392,750 Mcf and approximately 119,800 Mcf for the Southern Division states combined.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $75 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations. In certain of these contracts, the Company has recently negotiated terms with its suppliers which will allow the Company to reduce its commitment to its suppliers in connection with changes in the Company's markets that may result from further unbundling initiatives.

The Company distributes gas through approximately 5,900 miles of steel, cast iron and plastic mains. The Company has physical interconnections with five interstate pipelines in New Jersey and one interstate pipeline in Florida. In addition, the Company has physical interconnections in North Carolina and Pennsylvania with interstate pipelines which also connect to the Northern Division. Common interstate pipelines along the Company's operating system provide the Company with greater flexibility in managing pipeline capacity and supply, and thereby optimizing system utilization.

Regulation

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

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

The current rates and tariffs for the Florida operations were authorized on November 29, 1994. On October 29, 1996, the FPSC voted to authorize the Company to increase its base rates in Florida by $3.75 million annually. The rate increase reflects a rate base amounting to $91.9 million, reflecting the addition of investments in system improvements and expansion projects. Under the approval, the allowed return on equity will be 11.3% with an overall after-tax rate of return of 7.87%. The Company had been granted interim rate relief of $2.2 million effective in September 1996. The permanent increase, which is effective in December 1996, includes the interim adjustment. The FPSC order also gives the Company the flexibility to negotiate rates with certain business customers that have access to other energy sources.

The current rates and tariffs for the North Carolina, Maryland, Pennsylvania and New York operations were authorized between October 1988 and September 1995. These operations serve approximately 20,000 customers in aggregate. On September 20, 1995, the North Carolina Utilities Commission approved a stipulation to increase the Company's base rates in North Carolina by $385,000 annually. The tariff for NCGS reflects a weather normalization clause for its temperature sensitive residential and commercial customers.

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

Seasonal Aspects

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

Persons Employed

As of September 30, 1996, the Company employed 1,086 persons, of which 293 employees in the Northern Division were represented by the Utility Workers Union of America (Local 424), 74 employees in Florida and 17 employees in Pennsylvania were represented by The Teamsters Union, and 43 employees in North Carolina were represented by the International Brotherhood of Electrical Workers. The current collective bargaining agreement with the Northern Division's union was negotiated effective November 20, 1994 and expires on November 20, 1998. The North Carolina union collective bargaining agreement was negotiated on August 20, 1995, and expires on August 20, 1998. The collective bargaining agreement in Pennsylvania was negotiated on November 30, 1996 and expires on September 30, 1997. The collective bargaining agreement in Florida expires on March 31, 1997.

Competition

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

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

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

Franchises

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

Environment

Reference is made to Item 7- "Management's Discussion and Analysis of Financial Condition and Results of Operations- Capital Expenditures and Commitments" and Note 10, "Commitments and Contingencies" of the "Notes to the Consolidated Financial Statements" for information regarding environmental matters affecting the Company.

Item 2. Properties

The Company owns approximately 5,900 miles of steel, cast iron and plastic gas mains, together with gate stations, meters and other gas equipment. In addition, the Company owns peak shaving plants, including an LNG storage facility in Elizabeth, New Jersey.

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

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

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

Item 3. Legal Proceedings

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

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

No matter was presented for submission to a vote of security holders through the solicitation of proxies or otherwise during the last quarter of fiscal 1996.

PART II

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

NUI common stock is listed on the New York Stock Exchange and is traded under the symbol "NUI". The quarterly cash dividends paid and the reported high and low closing prices per share of NUI common stock for the two years ended September 30, 1996 were as follows:

	Quarterly Cash Dividend	Price Range High	Price Range Low
Fiscal 1996:			
First Quarter	$0.225	$17.75	$15.75
Second Quarter	0.225	19.25	17.125
Third Quarter	0.225	20.00	16.75
Fourth Quarter	0.225	20.00	16.50
Fiscal 1995:			
First Quarter	$0.225	$18.375	$13.50
Second Quarter	0.225	16.50	14.25
Third Quarter	0.225	17.50	14.625
Fourth Quarter	0.225	16.875	14.875

There were 6,999 shareholders of record of NUI common stock at November 30, 1996.

It is the Company's intent to continue to pay quarterly dividends in the foreseeable future. NUI's dividend policy is reviewed on an ongoing basis and is dependent upon the Company's expectation of future earnings, cash flow, financial condition, capital requirements and other factors. On October 29, 1996, the Company increased its quarterly dividend to $0.235 per share of common stock. The previous quarterly rate was $0.225 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay $24 million of cash dividends at September 30, 1996.

Item 6. Selected Financial Data

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

	Fiscal Years Ended September 30,				
	1996	1995	1994	1993	1992
Operating Revenues	$468,978	$376,445	$405,240	$367,456	$302,429
Net Income	$ 14,896	$ 5,517	$ 10,780	$ 13,810	$ 11,808
Net Income Per Share	$ 1.52	$ 0.60	$ 1.25	$ 1.70	$ 1.68
Dividends Paid Per Share	$ 0.90	$ 0.90	$ 1.60	$ 1.59	$ 1.58
Total Assets	$677,966	$610,165	$601,648	$483,911	$467,321
Capital Lease Obligations	$ 10,466	$ 11,114	$ 11,932	$ 12,290	$ 13,422
Long-Term Debt	$230,100	$222,060	$160,928	$142,090	$131,546
Common Shareholders' Equity	$179,107	$140,912	$142,768	$122,384	$116,933
Common Shares Outstanding	11,086	9,201	9,157	8,201	8,036

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

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

Summary Consolidated Operating Data

	Fiscal Years Ended September 30,				
	1996	1995	1994	1993	1992
Operating Revenues (Dollars in thousands)					
Firm Sales;					
Residential	$193,842	$173,395	$191,297	$172,749	$147,650
Commercial	107,444	98,541	110,574	97,966	80,470
Industrial	25,321	20,083	25,809	23,066	21,928
Interruptible Sales	50,650	48,282	53,077	48,254	32,758
Unregulated Sales	54,845	7,498	1,426	1,757	—
Transportation Services	23,087	17,696	13,273	12,154	10,410
Customer Service, Appliance Leasing and Other	13,789	10,950	9,784	11,510	9,213
	$468,978	$376,445	$405,240	$367,456	$302,429
Gas Sold or Transported (MMcf)					
Firm Sales:					
Residential	24,810	21,276	22,558	21,019	20,251
Commercial	16,575	15,455	16,175	14,918	14,006
Industrial	5,407	5,217	5,323	4,781	5,052
Interruptible Sales	14,632	18,365	16,024	13,627	11,142
Unregulated Sales	19,175	3,398	689	904	—
Transportation Services	25,051	22,154	17,290	16,439	14,816
	105,650	85,865	78,059	71,688	65,267
Average Utility Customers Served					
Firm Sales:					
Residential	332,440	328,644	312,515	297,384	295,153
Commercial	24,484	24,519	22,638	20,995	20,649
Industrial	338	430	382	377	402
Interruptible Sales	120	118	101	105	104
Transportation Services	668	184	137	87	69
	358,050	353,895	335,773	318,948	316,377
Degree Days in New Jersey (normal: 4978)	5,343	4,333	4,944	4,703	4,880
Employees (year end)	1,086	1,079	1,186	1,011	979
Ratio of Earnings to Fixed Charges	2.00	1.37	1.66	2.15	1.90

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

The following discussion and analysis refers to NUI Corporation and all of its operating divisions and subsidiaries (collectively referred to as "NUI" or the "Company"). The Company distributes and sells natural gas in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division was formed effective April 1, 1995 through the consolidation of the Company's City Gas Company of Florida and Pennsylvania & Southern Gas Company ("PSGS") operations (see Note 3 of the Notes to the Consolidated Financial Statements). PSGS, which has operations in North Carolina, Maryland, Pennsylvania and New York, was acquired on April 19, 1994 (the "PSGS Merger") (see Note 2 of the Notes to the Consolidated Financial Statements).

In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy, Inc. subsidiary (formerly Natural Gas Services, Inc.); bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary (formerly Utility Billing Services, Inc.); and wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary.

Results of Operations

Fiscal Years Ended September 30, 1996 and 1995

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

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

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its utility customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the sale of the gas commodity, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $92.5 million, or 25%, in fiscal 1996 as compared with fiscal 1995. The increase principally reflects the effect of weather in New Jersey that was 7% colder than normal and 23% colder than the prior year, and additional refunds to Northern Division customers in fiscal 1995 totaling $11.2 million as a result of lower than projected gas prices. Operating revenues also increased as a result of significantly higher unregulated sales in the current year, increased revenues from interruptible and industrial customers primarily as a result of higher gas prices incurred, increased customer service revenues and customer growth.

In order to take advantage of opportunities arising from increasing deregulation within the natural gas industry, the Company has increased its focus on transactions in which prices are established by competitive markets rather than regulatory mandate. The Company has increased its sales to commercial and industrial customers through its subsidiary, NUI Energy, Inc. In addition, the Company recently formed NUI Energy Brokers, Inc. for the purpose of enhancing margins through wholesale energy brokerage activities. The Company's utility operations also make sales of natural gas to customers outside of its franchise service territories when opportunities exist to obtain additional value from its supply and pipeline capacity under contract. While the prices charged for these activities are not regulated, margins realized are shared with customers of the utility operations as follows: New Jersey- 80%, Florida- 50% and North Carolina- 75%. The Company's other utility operations do not currently have margin sharing arrangements and therefore any off-system sales margins are returned 100% to customers.

The Company's operating margins increased by $10.7 million, or 7%, in fiscal 1996 as compared with fiscal 1995. The increase principally reflects customer growth, higher sales to unregulated customers, increased customer service revenues and the effect of colder-than-normal weather not fully returned to customers through the weather normalization clauses. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of these weather normalization clauses, operating margins were approximately $2.2 million less in fiscal 1996 than they would have been without such clauses. In fiscal 1995, operating margins were approximately $4.5 million higher than they otherwise would have been without such clauses.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, decreased by approximately $3.3 million, or 3%, in fiscal 1996 as compared with fiscal 1995. The decrease was primarily the result of non-recurring pre-tax charges of $8.6 million incurred in fiscal 1995 (see Note 3 of the Notes to the Consolidated Financial Statements). Operations and maintenance expenses increased by approximately $4.0 million, or 4%, primarily due to costs incurred as a result of the colder weather in New Jersey during the current heating season, higher expenses related to the start-up and growth of the Company's non-regulated operations, and higher pension costs. Depreciation and amortization expenses increased by approximately $1.4 million primarily due to additional plant in service.

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

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

Fiscal Years Ended September 30, 1995 and 1994

Net Income. Net income for fiscal 1995 was $5.5 million, or $0.60 per share, as compared with net income of $10.8 million, or $1.25 per share in fiscal 1994. The decrease was primarily due to non-recurring charges which, on an after-tax basis, were approximately $5.6 million, or $0.61 per share, and the reversal in fiscal 1994 of approximately $1.8 million of income tax reserves. Partially offsetting this decrease was approximately $1.6 million of additional net income attributable to the inclusion of PSGS in the entire fiscal 1995 results. Absent the non-recurring charges, net income for fiscal 1995 would have been $11.1 million, or $1.21 per share.

Net income per share in fiscal 1995 was also reduced as a result of the increased number of outstanding shares of NUI common stock as compared with the prior year.

Operating Revenues and Operating Margins. The Company's operating revenues decreased by $28.8 million, or 7%, in fiscal 1995 as compared with fiscal 1994. The decrease principally reflects the effects of weather in New Jersey that was 13% warmer than normal and 12% warmer than the prior year, and refunds attributable to lower gas costs totaling $13.9 million to Northern Division customers (see "Regulatory Matters"). Operating revenues were also reduced by decreased sales to interruptible customers due to lower gas prices and the effect of purchased gas adjustment clauses. Partially offsetting these decreases were approximately $19.5 million of additional operating revenues from the inclusion of PSGS in the entire fiscal 1995 results, the effects of base rate and appliance leasing rate increases in Florida, increased sales to unregulated customers and other customer growth.

The Company's operating margins increased by $8.6 million, or 6%, in fiscal 1995 as compared with fiscal 1994. The increase was principally the result of the inclusion of PSGS for the entire fiscal 1995 results, increases in the number of customers served, and the base rate and appliance leasing rate increases in Florida. Partially offsetting these increases was the effect of the warmer-than-normal weather in New Jersey in fiscal 1995 not fully recovered through the weather normalization clause. As a result of the weather normalization clauses, operating margins were approximately $4.5 million higher in fiscal 1995 than they otherwise would have been without such clauses. There was no adjustment to operating margins in fiscal 1994 as the weather fell within the normal range.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, increased by $9.8 million, or 8%, in fiscal 1995 as compared with fiscal 1994. The increase was primarily the result of non-recurring pre-tax charges of $8.6 million (see Note 3 of the Notes to the Consolidated Financial Statements), an additional $4.6 million of other pre-tax operating expenses from the inclusion of PSGS in the entire fiscal 1995 results and an increase in depreciation expense due to additional utility plant in service. Partially offsetting these increases were lower labor, pension and other employee benefit costs as a result of an early retirement program implemented by the Company in fiscal 1995 and other work force reductions.

Income taxes increased by $0.8 million in fiscal 1995 due to the reversal in fiscal 1994 of approximately $1.8 million of income tax reserves no longer required as a result of management's review of necessary reserve levels, partially offset by the effect of lower pre-tax income in fiscal 1995.

Interest Expense. Interest expense increased by $3.2 million in fiscal 1995 as compared with fiscal 1994. The increase was due to higher average outstanding borrowings, higher short-term interest rates and an increase of $0.6 million of interest recorded on the over collection of gas costs by the Northern Division. These increases were partially offset by a decrease in average long-term interest rates due to the refinancing of $46.5 million of the Company's 11% and 11.25% Gas Facilities Revenue Bonds at an interest rate of 6.35%.

Regulatory Matters

Northern Division

On August 2, 1996, the Northern Division filed a petition with the New Jersey Board of Public Utilities (the "NJBPU") to increase its annual purchased gas adjustment revenues by approximately $22 million reflecting higher projected gas costs in the coming year. On December 4, 1996, the NJBPU approved an interim order authorizing the revenue increase effective in December 1996. The NJBPU is still reviewing the Company's request to incorporate, in a two-year pilot program, a performance-based mechanism whereby Northern Division customers and the Company would benefit from the Company's ability to secure gas at a cost more favorable than a market index benchmark. The proposed performance mechanism would provide a 50/50 sharing of risk and opportunity between the Northern Division customers and the Company on the difference between a monthly market benchmark and the actual cost of purchased gas, up to $1 million annually. Action by the NJBPU on the Company's request and final revenue increase is expected this winter. On November 3, 1995, the NJBPU approved a petition filed by the Northern Division to reduce its annual purchased gas adjustment revenues by approximately $13.7 million and to refund to customers approximately $2.7 million, due to lower gas costs. None of such revenue reduction and refund affects the operating margins of the Company.

On November 4, 1994, the NJBPU approved a petition filed by the Northern Division to reduce its annual purchased gas adjustment revenues by approximately $11.9 million. The decrease reflected the Company's projections for lower gas costs in fiscal 1995. The NJBPU also approved refunds of approximately $2.6 million, which were made in the first quarter of fiscal 1995, and $11.3 million, which were made in the third quarter of fiscal 1995, as a result of lower-than-projected gas prices paid in fiscal 1994 and fiscal 1995. None of such revenue reductions or refunds affected the operating margins of the Company.

Southern Division

On October 29, 1996, the Florida Public Service Commission (the "FPSC") voted to authorize the Company to increase its base rates in Florida by $3.75 million annually. The rate increase reflects a rate base amounting to $91.9 million, reflecting the addition of investments in system improvements and expansion projects. Under the approval, the allowed return on equity will be 11.3% with an overall after-tax rate of return of 7.87%. The Company had been granted interim rate relief of $2.2 million effective in September 1996. The permanent increase, which is effective in December 1996, includes the interim adjustment. The FPSC order also gives the Company the flexibility to negotiate rates with certain business customers that have access to other energy sources.

On November 29, 1994, the FPSC voted to authorize the Company to increase its base rates in Florida by $1.6 million annually. The rate increase reflected a rate base amounting to approximately $82.6 million with an overall after-tax rate of return of 7.26%. In addition, it provided for several tariff changes designed to promote growth in developing markets for natural gas, and approved the deregulation of the Florida operation's leased appliance business which consists of leasing water heaters, clothes dryers and ranges to customers to promote natural gas usage in the residential market.

On September 20, 1995, the North Carolina Utilities Commission approved a stipulation to increase the Company's base rates in North Carolina by $385,000 annually. The stipulation provides for a rate base amounting to approximately $11.9 million with an overall after-tax rate of return of 7.89%. The rate increase was effective in October 1995.

Financing Activities and Resources

The Company's net cash provided by operating activities was $22.5 million in fiscal 1996, $47.9 million in fiscal 1995, and $22.5 million in fiscal 1994. The decrease in net cash provided by operating activities in fiscal 1996 as compared with fiscal 1995 principally reflects a higher level of accounts receivable primarily due to the colder weather and increased activity by the Company's unregulated businesses, and an under collection of gas costs through the Company's purchased gas adjustment clauses. The increase in net cash provided by operating activities in fiscal 1995 as compared with fiscal 1994 was primarily the result of lower accounts receivable due to accelerated collections of budget billed customer accounts, lower gas costs and a lower level of payments in fiscal 1995 for New Jersey gross receipts and franchise taxes; the 1994 New Jersey gross receipts and franchise tax payments included an additional amount representing almost a half year's liability as a result of a change in the payment schedule by the State.

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

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $39.9 million at 5.6% in fiscal 1996, $58.0 million at 5.9% in fiscal 1995 and $82.0 million at 4.1% in fiscal 1994. The weighted average daily amounts of notes payable to banks decreased in fiscal 1996 primarily due to the full effect of the issuance of $70 million of Medium-Term Notes in fiscal 1995, which were used to repay short-term debt, and the issuance of an additional 1.8 million shares of common stock, of which part of the proceeds were used to repay short-term debt. These decreases were partially offset by borrowings to finance portions of the Company's construction expenditures. The weighted average daily amount of notes payable decreased in fiscal 1995 as compared with fiscal 1994 principally due to the $70 million Medium-Term Note issuance.

At September 30, 1996, the Company had outstanding notes payable to banks amounting to $54.9 million and available unused lines of credit amounting to $76 million. Notes payable to banks increased as of September 30, 1996 as compared with the balance outstanding as of September 30, 1995, due to the use of short-term debt to finance portions of the Company's capital expenditures and to the under-collection of gas costs in the current year through the Company's purchased gas adjustment clauses.

Long-Term Debt and Funds for Construction Held by Trustee. On June 12, 1996, the Company issued $39 million of floating rate tax exempt Gas Facilities Revenue Bonds which mature on June 1, 2026. Under the terms of the floating rate debt, the interest rate paid by the Company, which averaged 3.1% since the date of issuance, is reset daily. The proceeds of the bond issuance are being used to finance part of the Northern Division's capital expenditure program.

In November 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission for an aggregate of up to $100 million of debt and equity securities. On February 16, 1995, the Company issued $50 million aggregate principal amount of Medium-Term Notes, Series A, with a stated maturity date of February 1, 2005 and an interest rate of 8.35%. On May 25, 1995, the Company issued an additional $20 million of Medium-Term Notes, Series A, with a stated maturity date of August 1, 2002 and an interest rate of 7.125%. The net proceeds from these Medium-Term Notes were used to repay short-term debt. The Company may issue a portion of the remaining securities subject to the shelf registration during fiscal 1997 to finance part of the Company's capital expenditure program.

The Company expects to refinance approximately $55 million of its Gas Facilities Revenue Bonds in fiscal 1997. Regulatory approval for such refinancing has been sought, but has not yet been obtained.

On July 17, 1995, the Company completed an early redemption of its remaining $8.7 million of First Mortgage Bonds. The bonds carried coupon rates of 8% and 8.5% and were redeemed with proceeds from short-term debt.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible capital expenditures. As of September 30, 1996 and 1995, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $42.6 million and $13.6 million, respectively, and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

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

The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment and stock purchase plan, and various employee benefit plans. Effective in December 1994, these plans commenced purchasing shares on the open market to fulfill the plans' requirements, rather than purchasing the shares directly from the Company. Under the terms of these plans, the Company may periodically change the method of purchasing shares from open market purchases to purchases directly from the Company, or vice versa. The proceeds of such issuances amounted to $1.0 million and $6.3 million in fiscal 1995 and 1994, respectively, and were used to reduce outstanding short-term debt. Effective in October 1996, these plans began purchasing shares directly from the Company. In addition, during fiscal 1996, the Company began issuing shares of NUI common stock under three new stock plans. The proceeds from such issuances amounted to $0.3 million in fiscal 1996, and were used primarily to reduce outstanding short-term debt.

On April 19, 1994, the Company issued 683,443 additional shares of NUI common stock in connection with the PSGS Merger (see Note 2 of the Notes to the Consolidated Financial Statements).

Dividends. On October 29, 1996, the Company increased its quarterly dividend to $0.235 per share of common stock. The previous quarterly rate was $0.225 per share of common stock.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $37.1 million in fiscal 1996, $37.9 million in fiscal 1995 and $55.8 million in fiscal 1994. The Company's capital expenditures are expected to be approximately $57 million in fiscal 1997.

The Company owns or previously owned six former manufactured gas plant ("MGP") sites in the Northern Division and ten MGP sites in the Southern Division states. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, as of September 30, 1996, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next 20 years to remediate seven of the Company's 16 MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. In addition to these costs, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $21 million and be incurred during a future period of time that may range up to fifty years. Of this $21 million in possible future expenditures, approximately $10 million relates to the Northern Division MGP sites and approximately $11 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $21 million will be incurred and therefore has not recorded it on its books. The Company believes that its remediation costs associated with the Northern Division MGP sites will be recoverable in rates and from insurance carriers. In July 1996, the NJBPU approved a petition filed by the Northern Division to establish an MGP Remediation Adjustment Clause ("RAC"). The RAC enables the Company to recover actual environmental expenditures incurred over a rolling seven-year period. On September 3, 1996, the Company made its initial filing under the RAC to begin recovery of $3.1 million of environmental costs incurred from inception through June 30, 1996. A decision is expected in fiscal 1997. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to Southern Division MGP sites will ultimately be successful. For a further discussion of environmental matters, see Note 10 of the Notes to the Consolidated Financial Statements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $75 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The implementation of the Federal Energy Regulatory Commission's ("FERC") Order No. 636 required the restructuring of the Company's contracts with certain pipeline companies that together supply less than one-third of the Company's total firm gas supply. Under Order No. 636 the pipeline companies are passing through to their customers transition costs associated with mandated restructuring, such as costs resulting from buying out unmarketable gas purchase contracts. The Company has been charged approximately $11 million of such costs through September 30, 1996. All of such costs, except for costs incurred by the Company's Pennsylvania operation, have been authorized for recovery through the Company's purchased gas adjustment clauses. The Company has recently filed for and expects full recovery of such costs in Pennsylvania, as well. The Company currently estimates that its remaining Order No. 636 transition obligation will be approximately $7 million, which it expects also to recover through its purchased gas adjustment clauses as these costs are incurred. This transition obligation is subject to possible future FERC actions based upon filings by the Company's pipeline suppliers.

As of September 30, 1996, the Company is scheduled to repay approximately $1 million of long-term debt in fiscal 1997. No other long-term debt is scheduled to be repaid over the next five years.

Competition and Outlook

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

NUI intends to submit proposals to state regulators in New Jersey and Florida to continue the unbundling process within NUI's service territories. In New Jersey, the Company plans to submit, during 1997, a pilot program to unbundle gas service to certain residential customers. As opposed to the commercial and industrial markets, the long-term benefits of unbundling for the residential customer are not clear. Accordingly, this program will provide valuable information to the Company and to other gas marketing companies regarding the energy choices of residential gas customers. The Company also intends to submit a proposal to the FPSC to unbundle gas service to commercial customers, in a manner similar to that currently in place in the Company's New Jersey service territory. This proposal is expected to cover the Company's entire Florida commercial customer base.

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

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

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

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

Mergers and acquisitions within the energy industry, including the gas distribution industry, have accelerated as many companies endeavor to offer more varied services to customers. The Company believes that the broadening of its product offerings and the expansion of its customer base are important to its future success. As a result, the Company may participate in one or more mergers and/or acquisitions if the Company deems such actions consistent with its business plan.

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

Distribution Services

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

The Company has substantial growth opportunities in its distribution business. Capital investments for the entire Company are expected to increase to an estimated $57 million in fiscal 1997 from $37 million in fiscal 1996, in large part to take advantage of these growth opportunities. Almost half of the planned capital investment in fiscal 1997 is related to providing gas or transportation service to new customers. The highest rate of expected growth compared to fiscal 1996 levels will occur in the Company's Southern Division, where population growth rates are above the national average, and substantially higher than those in the Northern Division. While the Company is confident that these 1997 investments will earn a return in excess of its cost of capital, there can be no assurance that the expected margins from each capital investment will be fully realized.

Customer Services

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

The Company intends to implement several measures, including the use of new metering and communications technology, to improve the accuracy and timeliness of billing information. The Company is also working to lower the response time to customer service requests and to increase the types of services that are offered.

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

Energy Sales and Services

The Company's primary operations in Energy Sales and Services are composed of three business lines. First, in fiscal 1995 the Company started Natural Gas Services, Inc., later renamed NUI Energy, Inc. ("NUI Energy") to market gas service to unbundled retail commercial and industrial customers. The margins from NUI Energy in fiscal 1996 were approximately $1.1 million, but the expenses related to this start-up operation resulted in a slight loss for the year. The Company plans to capture market share and expand margins in its NUI Energy unit by rapidly increasing the number and experience level of salespeople dedicated to its target markets. The working capital investment planned for NUI Energy's operations is not expected to exceed $4 million in fiscal 1997. Due to the start-up nature of NUI Energy, it is not expected to provide a meaningful contribution to earnings until fiscal 1998.

The second business line of Energy Sales and Services is wholesale sales and brokering of energy, primarily to utilities and energy marketing companies. The Company formed NUI Energy Brokers, Inc. ("Energy Brokers") in fiscal 1996 to perform such activities. Energy Brokers also is the provider of energy to the Company's retail marketing subsidiary, NUI Energy. Energy Brokers generated margins of approximately $1.6 million in fiscal 1996. Due to the start-up nature of Energy Brokers, it did not provide a meaningful contribution to earnings in fiscal 1996. The Company expects that margins will increase substantially in future years as Energy Brokers enhances its gas brokerage operations and expands into electric and other energy brokerage activities. The Company intends to minimize its risks in this business by limiting its financial and physical positions at any one time. As in any commodity brokerage activity, however, there are risks pertaining to market changes and credit exposure that can be managed but not eliminated. The earnings from Energy Brokers are likely to be more volatile, therefore, than the Company's distribution business.

The third business line within Energy Sales and Services is in "off-system sales", or the use of utility-owned gas assets to make sales to customers outside of NUI's service areas. Such assets include pipeline capacity and gas storage facilities. These assets are managed separately from non-utility assets, and their use is monitored and regulated by state regulatory commissions. Pursuant to regulatory agreements in some states in which the Company operates, the Company is able to retain a portion of the margins from these sales in varying percentages depending on the state in which the assets are owned. The Company's share of margins from off-system sales were approximately $0.9 million in fiscal 1996. Such margins are likely to increase in fiscal 1997 as margin sharing agreements in Florida and other states become fully implemented.

Effects of Inflation

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

Item 8. Financial Statements and Supplementary Data

Consolidated financial statements of the Company as of September 30, 1996 and 1995 and for each of the three years in the period ended September 30, 1996, the auditors' report thereon, and the unaudited quarterly financial data for the two-year period ended September 30, 1996, are included herewith as indicated on "Index to Financial Statements and Schedule" on page F-1.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning directors and officers of the Company is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than January 28, 1997.

Item 11. Executive Compensation

Information concerning executive compensation is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than January 28, 1997.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information concerning security ownership of certain beneficial owners and management is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than January 28, 1997.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions is included in the definitive Proxy Statement for the Company's Annual Meeting of Stockholders, which is incorporated herein by reference. It is expected that such Proxy Statement will be filed with the Securities and Exchange Commission no later than January 28, 1997.

PART IV

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

(a) (1) Consolidated financial statements of the Company as of September 30, 1996 and 1995 and for each of the three years in the period ended September 30, 1996 and the auditors' report thereon, and the unaudited quarterly financial data for the two-year period ended September 30, 1996 are included herewith as indicated on the "Index to Financial Statements and Schedule" on page F-1.

(2) The applicable financial statement schedule for the fiscal years 1996, 1995 and 1994 is included herewith as indicated on the "Index to Financial Statements and Schedule" on page F-1.

(3) Exhibits:

Exhibit No.	Description	Reference
2(i)	Letter Agreement, dated June 29, 1993, by and between NUI Corporation and Pennsylvania & Southern Gas Company	Incorporated by reference to Exhibit 2(i) to Registration Statement No. 33-50561
2(ii)	Agreement and Plan of Merger, dated as of July 27, 1993, by and between NUI Corporation and Pennsylvania & Southern Gas Company	Incorporated by reference to Exhibit 2(ii) to Registration Statement No. 33-50561
3(i)	Certificate of Incorporation, amended and restated as of December 1, 1995	Incorporated by reference to Exhibit 3(i) of NUI's Form 10-K Report for Fiscal 1995
3(ii)	By-Laws, amended and restated as of October 24, 1995	Incorporated by reference to Exhibit 3(ii) of NUI's Form 10-K Report for Fiscal 1995
4(i)	Rights Agreement between NUI Corporation and Mellon Securities Trust Company dated November 28, 1995	Incorporated by reference to NUI's Form 8-K dated December 1, 1995
10(i)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and Elizabethtown Gas Company ("EGC"), dated February 1, 1992 (#3686)	Incorporated by reference to Exhibit 10(i) to Registration Statement No. 33-50561
10(ii)	Service Agreement under Rate Schedule GSS by and between Transcontinental Gas Pipe Line Corporation and EGC, dated May 3, 1972	Incorporated by reference to Exhibit 10(ii) to Registration Statement No. 33-50561
10(iii)	Service Agreement under Rate Schedule LG-A by and between Transcontinental Gas Pipe Line Corporation and EGC, dated January 12, 1971	Incorporated by reference to Exhibit 10(iii) to Registration Statement No. 33-50561
10(iv)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1997)	Filed herewith
10(v)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1995)	Filed herewith
10(vi)	Firm Gas Transportation Agreement by and among Transcontinental Gas Pipe Line Corporation, EGC and	Incorporated by reference to Exhibit 10(vi) to Registration Statement

Exhibit No.	Description	Reference
	National Fuel Gas Supply Corporation, dated November 1, 1984	No. 33-50561
10(vii)	Service Agreement by and among Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1998)	Filed herewith
10(viii)	Service Agreement for Rate Schedule CDS by and between Texas Eastern Transmission Corporation and EGC, dated December 1, 1993 (Contract #800361)	Incorporated by reference to Exhibit 10(viii) to NUI's Form 10-K Report for Fiscal 1994
10(ix)	Service Agreement under Rate Schedule FTS-7 by and between Texas Eastern Transmission Corporation and EGC, dated October 25, 1994 (Contract #331720)	Incorporated by reference to Exhibit 10(ix) to NUI's Form 10-K Report for Fiscal 1994
10(x)	Service Agreement for Rate Schedule FTS-5 by and between Texas Eastern Transmission Corporation and EGC, dated June 1, 1993 (Contract #330917)	Incorporated by reference to Exhibit 10(x) to Registration Statement No. 33-50561
10(xi)	Service Agreement under Rate Schedule FTS-8 by and between Texas Eastern Transmission Corporation and EGC, dated June 28, 1994 (Contract #331013)	Incorporated by reference to Exhibit 10(xi) to NUI's Form 10-K Report for Fiscal 1994
10(xii)	Service Agreement for Rate Schedule FTS-5 by and between Texas Eastern Transmission Corporation and EGC, dated June 1, 1993 (Contract #330212)	Incorporated by reference to Exhibit 10(xii) to Registration Statement No. 33-50561
10(xiii)	Service Agreement for Rate Schedule FTS-2 by and between Texas Eastern Transmission Corporation and EGC, dated June 1, 1993 (Contract #330788)	Incorporated by reference to Exhibit 10(xiii) to Registration Statement No. 33-50561
10(xiv)	Service Agreement under NTS Rate Schedule by and between Columbia Gas Transmission Corporation and EGC, dated November 1, 1993 (Contract #39275)	Incorporated by reference to Exhibit 10(xiv) to NUI's Form 10-K Report for Fiscal 1993
10(xv)	Service Agreement under SST Rate Schedule by and between Columbia Gas Transmission Corporation and EGC, dated November 1, 1993 (Contract #38045)	Incorporated by reference to Exhibit 10(xv) to NUI's Form 10-K Report for Fiscal 1993
10(xvi)	Service Agreement under FTS Rate Schedule by and between Columbia Gas Transmission Corporation and EGC, dated November 1, 1993 (Contract #37882)	Incorporated by reference to Exhibit 10(xvi) to NUI's Form 10-K Report for Fiscal 1993
10(xvii)	Gas Transportation Agreement under FT-G Rate Schedule by and between Tennessee Gas Pipeline Company and EGC (Contract #597), dated September 1, 1993	Incorporated by reference to Exhibit 10(xvii) to NUI's Form 10-K Report for Fiscal 1993
10(xviii)	Gas Transportation Agreement under FT-G Rate Schedule by and between Tennessee Gas Pipeline Company and EGC (Contract #603), dated September 1, 1993	Incorporated by reference to Exhibit 10(xviii) to NUI's Form 10-K Report for Fiscal 1993
10(xix)	Service Agreement by and between Tennessee Gas Pipeline Company and EGC, dated November 1, 1995	Filed herewith

Exhibit No.	Description	Reference
	(Contract #3832)	
10(xx)	Firm Transportation Service Agreement under FTS-1 Rate Schedule by and between City Gas and Florida Gas Transmission dated October 1, 1993	Incorporated by reference to Exhibit 10(xx) of NUI's Form 10-K Report for Fiscal 1993
10(xxi)	Lease Agreement between EGC and Liberty Hall Joint Venture, dated August 17, 1987	Incorporated by reference to Exhibit 10(vi) of EGC's Form 10-K Report for Fiscal 1987
10(xxii)	1988 Stock Plan	Incorporated by reference to Exhibit 10(viii) to Registration Statement No. 33-21525
10(xxii)	First Amendment to 1988 Stock Plan	Incorporated by reference to Exhibit 10(xxxiii) to Registration Statement No. 33-46162
10(xxiii)	Form of Termination of Employment and Change in Control Agreements	Incorporated by reference to Exhibit 10(xxiii) of NUI's Form 10-K Report for Fiscal 1995
10(xxiv)	Firm Transportation Service Agreement under FTS-2 Rate Schedule by and between City Gas and Florida Gas Transmission, dated December 12, 1991 and Amendment dated November 12, 1993	Incorporated by reference to Exhibit 10(xxiv) of NUI's Form 10-K Report for Fiscal 1994
10(xxv)	Service Agreement under Rate Schedule LG-A by and between Transcontinental Gas Pipeline and North Carolina Gas Service Division of Pennsylvania & Southern Gas Company, dated August 5, 1971	Incorporated by reference to Exhibit 10(xxv) of NUI's Form 10-K Report for Fiscal 1994
10(xxvi)	Service Agreement under Rate Schedule GSS by and between Transcontinental Gas Pipeline and North Carolina Gas Service Division of Pennsylvania & Southern Gas Company, dated April 13, 1972	Incorporated by reference to Exhibit 10(xxvi) of NUI's Form 10-K Report for Fiscal 1994
10(xxvii)	1996 Employee Stock Purchase Plan	Filed herewith
10(xxviii)	Service Agreement under Rate Schedule FT by and between Transcontinental Gas Pipeline and North Carolina Gas Service Division of Pennsylvania & Southern Gas Company, dated February 1, 1992	Incorporated by reference to Exhibit 10(xxviii) of NUI's Form 10-K Report for Fiscal 1994
10(xxix)	1996 Directors Stock Purchase Plan	Filed herewith
10(xxx)	Gas Storage Contract under Rate Schedule FS by and between Tennessee Gas Pipeline Company and Pennsylvania & Southern Gas Company, dated September 1, 1993	Incorporated by reference to Exhibit 10(xxx) of NUI's Form 10-K Report for Fiscal 1994
10(xxxi)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #935)	Incorporated by reference to Exhibit 10(xxxi) of NUI's Form 10-K Report for Fiscal 1994

Exhibit No.	Description	Reference
10(xxxii)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #936)	Incorporated by reference to Exhibit 10(xxxii) of NUI's Form 10-K Report for Fiscal 1994
10(xxxiii)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #959)	Incorporated by reference to Exhibit 10(xxxiii) of NUI's Form 10-K Report for Fiscal 1994
10(xxxiv)	Gas Transportation Agreement under Rate Schedule FT-A by and between Tennessee Gas Pipeline Co. and Pennsylvania & Southern Gas Company, dated September 1, 1993 (Contract #2157)	Incorporated by reference to Exhibit 10(xxxiv) of NUI's Form 10-K Report for Fiscal 1994
10(xxxv)	Employment Agreement, dated as of July 29, 1988, between NUI Corporation and Jack Langer	Incorporated by reference to Exhibit 10(xxxv) of NUI's Form 10-K Report for Fiscal 1994
10(xxxvi)	Service Agreement for Rate Schedule FT by and between Transcontinental Gas Pipe Line Corporation and EGC (Contract #1.0431) dated April 1, 1995	Incorporated by reference to Exhibit 10(xxxvi) of NUI's Form 10-K Report for Fiscal 1995
10(xxxvii)	Service Agreement for Rate Schedule FT by and between Transcontinental Gas Pipe Line Corporation and EGC (Contract #1.0445) dated April 1, 1995	Incorporated by reference to Exhibit 10(xxxvii) of NUI's Form 10-K Report for Fiscal 1995
10(xxxviii)	Service Agreement for Rate Schedule SS-1 by and between Texas Eastern Transmission Corporation and EGC (Contract (#400196) dated September 23, 1994	Incorporated by reference to Exhibit 10(xxxviii) of NUI's Form 10-K Report for Fiscal 1995
10(xxxix)	Gas Storage Agreement under Rate Schedule FS by and between Tennessee Gas Pipeline Company and EGC (Contract #8703) dated November 1, 1994	Incorporated by reference to Exhibit 10(xxxix) of NUI's Form 10-K Report for Fiscal 1995
10(xl)	Consulting Agreement, dated as of March 24, 1995, between NUI Corporation and John Kean	Incorporated by reference to Exhibit 10(xl) of NUI's Form 10-K Report for Fiscal 1995
10(xli)	Form of Deferred Compensation Agreement	Incorporated by reference to Exhibit 10(xli)) of NUI's Form 10-K Report for Fiscal 1995
10(xlii)	1996 Stock Option and Stock Award Plan	Filed herewith
12	Consolidated Ratio of Earnings to Fixed Charges	Filed herewith
21	Subsidiaries of NUI Corporation	Filed herewith
23	Consent of Independent Public Accountants	Filed herewith
27	Financial Data Schedule	Filed herewith

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

The Company is a party to various agreements with respect to long-term indebtedness to which the total amount of indebtedness authorized under each agreement, respectively, does not exceed 10% of the total assets of the Company on a consolidated basis. The Company hereby agrees to furnish to the Securities and Exchange Commission copies of such agreements upon request.

(b) Reports on Form 8-K:

None

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

Consolidated Financial Statements of NUI Corporation and Subsidiaries:

Financial Statement Schedule of NUI Corporation and Subsidiaries:

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To NUI Corporation:

We have audited the accompanying consolidated balance sheet and consolidated statement of capitalization of NUI Corporation (a New Jersey corporation) and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, cash flows and shareholders' equity, for each of the three years in the period ended September 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NUI Corporation and subsidiaries as of September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

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

ARTHUR ANDERSEN LLP

New York, New York
November 19, 1996

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

	Years Ended September 30,		
	1996	1995	1994
Operating Margins			
Operating revenues	$468,978	$376,445	$405,240
Less- Purchased gas and fuel	268,123	189,510	223,421
Gross receipts and franchise taxes	36,927	33,669	37,173
	163,928	153,266	144,646
Other Operating Expenses			
Operations and maintenance	94,497	90,523	90,904
Depreciation and amortization	21,134	19,750	17,446
Restructuring and other non-recurring charges	—	8,591	923
Other taxes	7,605	7,657	7,435
Income taxes	7,811	2,886	2,098
	131,047	129,407	118,806
Operating Income	32,881	23,859	25,840
Other Income and Expense, Net	625	439	506
Interest Expense	18,610	18,781	15,566
Net Income	$14,896	$ 5,517	$ 10,780
Net Income Per Share of Common Stock	$ 1.52	$ .60	$ 1.25
Dividends Per Share of Common Stock	$ .90	$ .90	$ 1.60
Weighted Average Number of Shares of Common Stock Outstanding	9,819,431	9,152,837	8,617,790

See the notes to the consolidated financial statements.

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

	September 30, 1996	September 30, 1995
ASSETS		
Utility Plant		
Utility plant, at original cost	$630,909	$597,360
Accumulated depreciation and amortization	(200,333)	(184,558)
Unamortized plant acquisition adjustments	33,724	35,269
	464,300	448,071
Funds for Construction Held by Trustee	44,652	14,405
Investments in Marketable Securities, at market	4,417	2,723
Current Assets		
Cash and cash equivalents	3,736	3,601
Accounts receivable (less allowance for doubtful accounts of $2,288 in 1996 and $1,689 in 1995)	43,664	30,293
Fuel inventories, at average cost	29,191	27,629
Unrecovered purchased gas costs	6,987	—
Prepayments and other	18,525	20,007
	102,103	81,530
Other Assets		
Regulatory assets	52,482	54,374
Deferred assets	10,012	9,062
	62,494	63,436
	$677,966	$610,165
CAPITALIZATION AND LIABILITIES		
Capitalization (See accompanying statements)		
Common shareholders' equity	$179,107	$140,912
Preferred stock	—	—
Long-term debt	230,100	222,060
	409,207	362,972
Capital Lease Obligations	10,466	11,114
Current Liabilities		
Current portion of long-term debt and capital lease obligations	2,584	1,759
Notes payable to banks	54,895	37,935
Accounts payable, customer deposits and accrued liabilities	65,902	58,770
Overrecovered purchased gas costs	—	4,895
Federal income and other taxes	2,696	7,718
	126,077	111,077
Other Liabilities		
Deferred Federal income taxes	59,050	51,946
Unamortized investment tax credits	6,635	7,102
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	32,550	31,973
	132,216	125,002
	$677,966	$610,165

See the notes to the consolidated financial statements.

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

	Years Ended September 30,		
	1996	1995	1994
Operating Activities			
Net Income	$14,896	$5,517	$10,780
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,315	20,932	18,773
Deferred Federal income taxes	7,569	2,005	6,893
Non-cash portion of restructuring and other non-recurring charges	—	4,913	683
Amortization of deferred investment tax credits	(467)	(468)	(476)
Other	4,617	4,626	2,926
Effects of changes in:			
Accounts receivable, net	(13,371)	7,923	(5,724)
Fuel inventories	(1,562)	987	(193)
Accounts payable, deposits and accruals	8,310	7,775	2,627
Over (under) recovered purchased gas costs	(11,882)	2,949	4,332
Gross receipts and franchise taxes	1,543	(4,152)	(11,112)
Other	(9,438)	(5,088)	(6,986)
Net cash provided by operating activities	22,530	47,919	22,523
Financing Activities			
Proceeds from sales of common stock, net of treasury stock purchased	31,371	577	6,323
Dividends to shareholders	(8,700)	(8,296)	(13,836)
Proceeds from issuance of long-term debt	39,000	70,000	66,500
Funds for construction held by trustee, net	(29,049)	10,125	(2,093)
Repayments of long-term debt	(30,138)	(9,902)	(54,159)
Principal payments under capital lease obligations	(1,829)	(1,844)	(2,055)
Net short-term borrowings (repayments)	16,960	(72,190)	33,893
Net cash provided by (used for) financing activities	17,615	(11,530)	34,573
Investing Activities			
Cash expenditures for utility plant	(37,053)	(37,976)	(53,601)
Proceeds from sales of marketable securities	1,268	1,199	659
Purchases of marketable securities	(2,343)	—	—
Proceeds from sale of assets	—	—	1,610
Other	(1,882)	(1,648)	(2,000)
Net cash (used for) investing activities	(40,010)	(38,425)	(53,332)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 135	$(2,036)	$ 3,764
Cash and Cash Equivalents			
At beginning of period	$ 3,601	$ 5,637	$ 1,873
At end of period	3,736	3,601	5,637
Supplemental Disclosures of Cash Flows			
Income taxes paid (refunds received), net	$ 2,612	$(1,129)	$ 666
Interest paid	18,654	17,436	17,597

See the notes to the consolidated financial statements.

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

	September 30, 1996	1995
Long-Term Debt		
Gas facilities revenue bonds		
6.625% due October 1, 2021*	$ 8,400	$ 8,400
6.75% due October 1, 2021*	46,200	46,200
6.35% due October 1, 2022	46,500	46,500
6.40% due October 1, 2024*	20,000	20,000
Variable rate due June 1, 2026*	39,000	—
Medium-term notes		
7.125% due August 1, 2002	20,000	20,000
8.35% due February 1, 2005	50,000	50,000
Credit agreement indebtedness	—	30,000
ESOP indebtedness, 6% due May 31, 2002	950	1,088
	231,050	222,188
Current portion of long-term debt	(950)	(128)
	230,100	222,060
Preferred Stock, 5,000,000 shares authorized; none issued	—	—
Common Shareholders' Equity		
Common Stock, no par value; shares authorized: 30,000,000; shares outstanding: 11,085,876 in 1996 and 9,201,237 in 1995	171,968	139,093
Shares held in treasury: 92,731 shares in 1996 and 90,397 in 1995	(1,564)	(1,265)
Retained earnings	10,117	3,921
Valuation of marketable securities	389	232
Unearned employee compensation	(1,803)	(1,069)
	179,107	140,912
Total Capitalization	$409,207	$362,972

* The total unexpended portions of the net proceeds from these bonds, amounting to $42.6 million and $13.6 million as of September 30, 1996 and September 30, 1995, respectively, are carried on the Company's consolidated balance sheet as funds for construction held by trustee, including interest earned thereon, until drawn upon for eligible construction expenditures.

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Consolidated Statement of Shareholders' Equity
(Dollars in thousands)

	Common Stock				Unrealized Gain (Loss)-	Unearned	
	Shares Outstanding	Paid-in Amount	Held in Treasury	Retained Earnings	Marketable Securities	Employee Compensation	Total
Balance, September 30, 1993	8,201,096	$114,895	$ (797)	$ 9,718	$ (93)	$ (1,339)	$122,384
Common stock issued:							
PSGS acquisition	683,443	16,864					16,864
Other*	272,556	6,323					6,323
Net income				10,780			10,780
Cash dividends				(13,836)			(13,836)
Unrealized gain					93		93
ESOP transactions				38		122	160
Balance, September 30, 1994	9,157,095	$138,082	$ (797)	$ 6,700	$ —	$ (1,217)	142,768
Common stock issued*	74,499	1,045					1,045
Treasury stock purchased	(30,357)		(468)				(468)
Net income				5,517			5,517
Cash dividends				(8,296)			(8,296)
Unrealized gain					232		232
ESOP transactions		(34)				148	114
Balance, September 30, 1995	9,201,237	$139,093	$ (1,265)	$ 3,921	$ 232	$ (1,069)	$140,912
Common stock issued:							
Public offering	1,800,000	31,067					31,067
Other*	86,973	1,548					1,548
Treasury stock transactions	(2,334)	260	(299)				(39)
Net income				14,896			14,896
Cash dividends				(8,700)			(8,700)
Unrealized gain					157		157
Unearned compensation						(734)	(734)
Balance, September 30, 1996	11,085,876	$171,968	$ (1,564)	$ 10,117	$ 389	$ (1,803)	$179,107

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

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as "NUI" or the "Company"). The Company distributes and sells natural gas and related services in six states through its Northern and Southern utility Divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division was formed effective April 1, 1995 through the consolidation of the Company's City Gas Company of Florida ("CGF") and Pennsylvania & Southern Gas Company ("PSGS") operations (see Note 3). PSGS, which has operations in North Carolina, Maryland, Pennsylvania and New York, was acquired on April 19, 1994. In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary; and wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

Utility Plant. Utility plant is stated at its original cost. Depreciation is provided on a straight-line basis over the remaining estimated lives of depreciable property by applying composite average annual rates as approved by the state commissions. The composite average annual depreciation rate was 3% in fiscal 1996, 3.2% in fiscal 1995 and 3.1% in fiscal 1994. At the time properties are retired, the original cost plus the cost of retirement, less salvage, is charged to accumulated depreciation. Repairs of all utility plant and replacements and renewals of minor items of property are charged to maintenance expense as incurred.

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

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

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

Restricted Cash. In accordance with certain regulatory requirements in North Carolina, the Company is required to deposit pipeline supplier refunds in an interest-bearing account. These funds, including interest earned thereon, amounted to approximately $1.0 million and $0.9 million as of September 30, 1996 and 1995, respectively, and are restricted for uses as prescribed by North Carolina regulatory authorities. This balance is classified in the Company's consolidated balance sheet in deferred charges with a corresponding amount included in other liabilities.

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

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

Regulatory Assets and Liabilities. The Company's utility operations follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). In general, SFAS 71 requires deferral of certain costs and obligations, based upon orders received from regulators, to be recovered from or refunded to customers in future periods. The following represents the Company's regulatory assets and liabilities deferred in the accompanying consolidated balance sheet as of September 30, 1996 and 1995 (in thousands):

	1996	1995
Regulatory Assets		
Environmental investigation and remediation costs	$33,658	$32,967
Unrecovered gas costs	6,730	9,675
Postretirement and other employee benefits	8,339	6,332
Deferred piping allowances	3,010	3,249
Other	745	2,151
	$52,482	$54,374
Regulatory Liabilities		
Net overcollection of income taxes	$5,208	$ 5,365
Gas supplier refunds	850	1,387
Other	88	222
	$ 6,146	$ 6,974

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

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

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

New Accounting Standards. The Company is required to adopt Statement of Financial Accounting Standards No. 121 ("SFAS 121") in fiscal 1997. SFAS 121 establishes accounting standards for the impairment of long-lived assets. The adoption of this statement is not expected to have a material impact on the Company's financial condition or results of operations.

The Company is also required to adopt Statement of Financial Accounting Standards No. 123 ("SFAS 123") in fiscal 1997. SFAS 123 establishes a fair value method of accounting for or disclosing stock-based compensation plans. The Company intends to adopt the disclosure provisions of SFAS 123 only, which requires disclosing the pro-forma consolidated net income and earnings per share amounts assuming the fair value accounting provisions of SFAS 123 were adopted. This adoption will not affect the Company's financial condition or results of operations.

2. Acquisition of Pennsylvania & Southern Gas Company

On April 19, 1994, the Company issued and exchanged 683,443 shares of NUI common stock for all of the outstanding common shares of PSGS pursuant to the merger of PSGS with and into NUI (the "PSGS Merger"). The transaction was valued at approximately $17 million. PSGS operates as part of the Southern Division of NUI.

The PSGS Merger was accounted for as a purchase in accordance with generally accepted accounting principles and the results of operations of PSGS have been consolidated with those of NUI as of April 19, 1994. Due to the effects of the regulatory process, the underlying net assets of PSGS have been recorded at their historical net book value. The excess of the purchase price over the historical net book value of the underlying net assets of PSGS is included in utility plant as a "plant acquisition adjustment" and is being amortized over a thirty year period. On September 30, 1994, NUI sold its PSGS propane assets. The excess of the purchase price over the net book value of the propane assets sold reduced the plant acquisition adjustment by approximately $1.4 million. As discussed further in Note 10, the Company, in connection with the PSGS Merger, acquired former manufactured gas plant facilities. No provision for environmental remediation had been made by PSGS in its financial statements prior to the PSGS Merger. As a result, during fiscal years 1994 and 1995, the Company recorded a total of $3.7 million additional plant acquisition adjustment to provide for probable environmental remediation liabilities.

3. Restructuring and Other Non-Recurring Charges

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

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

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

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

The Company also incurred approximately $0.9 million of non-recurring charges in fiscal 1994 related to the write-down of certain non-recoverable regulatory assets and for certain restructuring costs in Florida.

4. Capitalization

Long-Term Debt. On June 12, 1996, the Company issued $39 million of floating rate tax exempt Gas Facilities Revenue Bonds which mature on June 1, 2026. Under the terms of the floating rate debt, the interest rate paid by the Company, which averaged 3.1% since the date of issuance, is reset daily. The proceeds of the bond issuance are being used to finance part of the Northern Division's capital expenditure program.

On February 16, 1995, the Company issued $50 million aggregate principal amount of Medium-Term Notes, Series A, with a stated maturity date of February 1, 2005 and an interest rate of 8.35%. On May 25, 1995, the Company issued an additional $20 million of Medium-Term Notes, Series A, with a stated maturity date of August 1, 2002 and an interest rate of 7.125%. The net proceeds from these Medium-Term Notes were used to repay short-term debt. On July 17, 1995, the Company completed an early redemption of its remaining $8.7 million of First Mortgage Bonds. The bonds carried coupon rates of 8% and 8.5% and were redeemed with proceeds from short-term debt.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of September 30, 1996 and 1995, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $42.6 million and $13.6 million, respectively, and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

As of September 30, 1996, the Company is scheduled to repay approximately $1 million of long-term debt in fiscal 1997. No other long-term debt is scheduled to be repaid over the next five years.

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

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

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

Common Stock. On May 20, 1996, the Company issued an additional 1.8 million shares of NUI common stock. The net proceeds from the offering totaled $31.1 million and were used to repay the Company's $30 million credit agreement indebtedness with the remainder used to reduce outstanding short-term debt.

As discussed in Note 2, the Company issued 683,443 shares of NUI common stock in connection with the acquisition of PSGS on April 19, 1994.

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

At September 30, 1996, shares reserved for issuance under the Company's common stock plans were: NUI Direct, 202,325; Savings and Investment Plan, 325,769; 1996 Stock Option and Stock Award Plan, 212,092; 1996 Employee Stock Purchase Plan, 123,038; and the 1996 Director Stock Purchase Plan, 65,102.

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

Each non-employee director of the Company earns an annual retainer fee that consists of a deferred grant of shares of NUI common stock. As of September 30, 1996, such retainer fee was equivalent to a fair market value of $15,000 on the date of grant. In addition, non-employee directors who also chair committees of the Board receive additional deferred grants with a fair market value of $2,500 on the date of grant. Deferred stock grants are increased on each common stock dividend payment date by an amount equal to the number of shares of NUI common stock which would have been purchased had all deferred stock grants been issued and the dividends reinvested in additional shares. As of September 30, 1996, the total deferred grants for non-employee directors were 27,681 shares of NUI common stock, an increase of 6,585 shares during fiscal 1996.

Shares granted as long-term compensation for executive officers and key employees amounted to 65,113 shares in fiscal 1996, 17,620 shares in fiscal 1995 and 15,730 shares in fiscal 1994. As of September 30, 1996, a total of 87,297 shares of restricted stock that have been granted as long-term compensation are subject to future vesting requirements, and are restricted from resale.

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

	Number of Shares	Option Price per share
Options outstanding and exercisable at September 30, 1993	16,450	$14.42-$17.625
Fiscal 1994		
Exercised	(2,300)	$14.42
Canceled	(1,150)	$14.42
Fiscal 1995		
Canceled	(3,200)	$15.77
Options outstanding and exercisable at September 30, 1996	9,800	$15.77-$17.625

As of September 30, 1996, options with respect to 2,400 shares carry stock appreciation rights with an exercise price of $15.77 per share. During fiscal 1995, payment on 1,600 stock appreciation rights was made at an exercise price of $15.77.

Employee Stock Ownership Plan. On March 30, 1995, the Company terminated the employee stock ownership plan ("ESOP") which was provided for certain employees of CGF. The ESOP is completing its allocation of plan assets among participant's accounts in accordance with a private letter ruling issued by the Internal Revenue Service in October 1996 at the request of the Company. Upon completion of the allocations, which is expected in fiscal 1997, the ESOP indebtedness will be satisfied.

The Company incurred ESOP expense amounting to $0.2 million in both fiscal 1996 and 1995, and $0.9 million in fiscal 1994. As of September 30, 1996, the ESOP trust held 113,895 shares of NUI common stock, of which 62,047 shares were allocated to participating employees. Participating employees are entitled to vote the allocated shares and the ESOP trustee votes the remainder of the shares.

Dividend Restrictions. The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay $24 million of cash dividends at September 30, 1996.

5. Notes Payable to Banks

At September 30, 1996, the Company's outstanding notes payable to banks were $54.9 million with a combined weighted average interest rate of 5.8%. Unused lines of credit at September 30, 1996 were $76 million.

The weighted average daily amount outstanding of notes payable to banks and the weighted average interest rate on that amount was $39.9 million at 5.6% in fiscal 1996, $58 million at 5.9% in fiscal 1995 and $82 million at 4.1% in fiscal 1994.

6. Leases

Utility plant held under capital leases amounted to $23.5 million at September 30, 1996 and $22.9 million at September 30, 1995, with related accumulated amortization of $11.5 million and $10.3 million, respectively. These properties consist principally of leasehold improvements and office furniture and fixtures. A summary of future minimum payments for properties held under capital leases follows (in thousands):

1997	$ 2,582
1998	2,397
1999	8,875
2000	415
2001	300
2002 and thereafter	344
Total future minimum payments	14,913
Amount representing interest	(2,813)
Current portion of capital lease obligations	(1,634)
Capital lease obligation	$10,466

Minimum payments under noncancelable operating leases, which relate principally to office space, are approximately $4.1 million in fiscal 1997, $3.8 million in fiscal 1998, $3.7 million in fiscal 1999, $3.8 million in fiscal 2000 and $3.9 million in fiscal 2001.

Rents charged to operations expense were $4.6 million in both fiscal 1996 and fiscal 1995, and $4.3 million in fiscal 1994.

7. Financial Instruments

As of September 30, 1996 and 1995, the market value of the Company's investments in marketable securities exceeded their cost by approximately $623,000 and $372,000, respectively, which unrealized gain is reflected net of deferred income taxes in the accompanying consolidated balance sheet as a component of shareholders' equity.

The fair value of the Company's cash equivalents, funds for construction held by trustee and notes payable to banks are approximately equivalent to their carrying value. The fair value of the Company's long-term debt exceeded its carrying value by approximately $11 million and $8 million as of September 30, 1996 and 1995, respectively. The fair value of long-term debt was estimated based on quoted market prices for the same or similar issues.

8. Consolidated Taxes

The provision for Federal income taxes is comprised of the following (in thousands):

	1996	1995	1994
Currently payable	$ 647	$ 833	$(4,102)
Deferred, net	7,569	2,005	6,893
Amortization of investment tax credits	(467)	(468)	(476)
Total provision for Federal income taxes	$7,749	$ 2,370	$ 2,315

The components of the Company's net deferred tax liability (asset) as of September 30, 1996 and 1995 are as follows (in thousands):

	1996	1995
Depreciation and other utility plant differences	$47,700	$45,142
Plant acquisition adjustments	11,254	11,650
Alternative minimum tax credit	(2,984)	(4,632)
Unamortized investment tax credit	(2,306)	(2,467)
Deferred charges and regulatory assets	8,864	5,882
Gross receipts and franchise taxes	2,559	3,132
Other	(6,037)	(6,761)
	$59,050	$51,946

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

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

	1996	1995	1994
Income before Federal income taxes	$22,645	$ 7,888	$13,095
Federal income taxes computed at statutory tax rate (35% in fiscal 1996 and 34% in both fiscal 1995 and 1994)	7,926	2,682	4,452
Increase (reduction) resulting from:			
Excess of book over tax depreciation	360	367	373
Amortization of investment tax credits	(467)	(468)	(476)
Adjustments of prior years' taxes	—	—	(1,770)
Other, net	(70)	(211)	(264)
Total provision for Federal income taxes	7,749	2,370	2,315
Provision (benefit) for state income taxes	395	756	(212)
Total provision for income taxes	8,144	3,126	2,103
(Less) provision included in other income and expense	(333)	(240)	(5)
Provision for income taxes included in operating expenses	$ 7,811	$ 2,886	$ 2,098

9. Retirement Benefits

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

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

	1996	1995	1994
Service cost	$1,973	$2,044	$2,579
Interest cost	6,103	5,290	5,016
Actual return on plan assets	(15,076)	(20,072)	(163)
Net amortization and deferral	6,653	11,949	(7,035)
Special termination benefits	—	4,083	—
Pension expense (credit)	$ (347)	$3,294	$ 397

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

	1996	1995
Actuarial present value of benefit obligations:		
Vested benefits	$67,142	$64,125
Non-vested benefits	2,531	2,626
Accumulated benefit obligations	69,673	66,751
Projected increases in compensation levels	11,725	15,658
Projected benefit obligation	81,398	82,409
Market value of plan assets	109,952	96,910
Plan assets in excess of projected benefit obligation	28,554	14,501
Unrecognized net gain	(22,756)	(11,175)
Unrecognized prior service cost	773	888
Unrecognized net transition asset	(3,272)	(3,924)
Deferred special termination benefits	—	(573)
Pension prepayment (liability)	$ 3,299	$ (283)

The projected benefit obligation was calculated using a discount rate of 8% in fiscal 1996 and 7.5% in fiscal 1995 and an assumed annual increase in compensation levels of 4% in fiscal 1996 and 5% in fiscal 1995. The expected long-term rate of return on assets is 9%. The assets of the Company's funded plans are invested primarily in publicly-traded fixed income and equity securities.

Certain key employees also participate in an unfunded supplemental retirement plan. The projected benefit obligation under this plan was $2.6 million as of September 30, 1996 and $3.1 million as of September 30, 1995, and the expense for this plan was approximately $0.4 million in both fiscal 1996 and fiscal 1995, and $0.5 million in fiscal 1994.

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

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

The components of postretirement benefit expense other than pensions for the years ended September 30, 1996 and 1995 were as follows (in thousands):

	1996	1995
Service cost	$ 600	$ 518
Interest cost	2,096	1,713
Amortization of transition obligation	1,028	1,028
Other	115	132
Net postretirement expense	3,839	3,391
Benefits paid	(1,284)	(1,352)
Increase in accrued postretirement benefit obligations	$2,555	$2,039

The status of the Company's postretirement plans other than pensions as of September 30, 1996 and 1995 was as follows (in thousands):

	1996	1995
Accumulated postretirement benefit obligation:		
Retirees	$19,905	$15,045
Fully eligible active plan participants	3,095	3,729
Other active plan participants	6,721	6,725
Total accumulated postretirement benefit obligations	29,721	25,499
Unrecognized transition obligation	(17,475)	(18,503)
Unrecognized net (loss)	(4,113)	(1,844)
Unrecognized prior service cost	(426)	—
Accrued postretirement benefit obligation	$7,707	$ 5,152

The health care trend rate assumption is 11.85% in 1997 gradually decreasing to 5.5% for the year 2006 and later. The discount rate used to compute the accumulated postretirement benefit obligation was 8% in fiscal 1996 and 7.5% in fiscal 1995. An increase in the health care trend rate assumption by one percentage point in all years would increase the accumulated postretirement benefit obligation by approximately $4 million and the aggregate annual service and interest costs by approximately $0.5 million.

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

On August 1, 1996, the NJBPU issued a generic order setting forth certain guidelines under which mechanisms would be established for New Jersey utilities to recover postretirement benefits expense other than pensions in accordance with SFAS 106 and the EITF consensus, without being required to file a base rate case. The Company expects that this proceeding will be concluded and an order will be issued by the NJBPU in early 1997, pursuant to which the Company will be able to seek rate recovery of these costs. The Company will also seek ratemaking treatment consistent with the EITF consensus from the commissions in the other states in which it operates.

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

10. Commitments and Contingencies

Commitments. Capital expenditures are expected to be approximately $57 million in fiscal 1997.

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

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

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

The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the Company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, as of September 30, 1996, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects to expend during the next 20 years. The reserve, which includes remediation costs for seven of the Company's 16 MGP sites, is net of approximately $5 million which will be borne by a prior owner and operator of two of the Northern Division sites in accordance with a cost sharing agreement. Of this approximate $34 million reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. The Company is not able at this time to determine the requirement for remediation if contamination is present at any of the other sites and, if present, the costs associated with such remediation. The Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial activities, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $21 million and be incurred during a future period of time that may range up to fifty years. Of this $21 million in possible future expenditures, approximately $10 million relates to the Northern Division MGP sites and approximately $11 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $21 million will be incurred and therefore has not recorded it on its books.

The Company believes that its remediation costs for the Northern Division MGP sites will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers. The last base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of $130,000 annually of MGP related expenditures incurred prior to the rate order.

Accordingly, the Company has recorded a regulatory asset of approximately $33 million as of September 30, 1996, reflecting the future recovery of environmental remediation liabilities related to the Northern Division MGP sites. In July 1996, the NJBPU approved a petition filed by the Northern Division to establish an MGP Remediation Adjustment Clause ("RAC"). The RAC enables the Company to recover actual MGP expenses over a rolling seven year period. On September 3, 1996, the Company made its initial filing under the RAC to begin recovery of $3.1 million of environmental costs incurred from inception through June 30, 1996. A decision is expected in early fiscal 1997. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. Since the Company is not able at this time to determine the extent of recovery, if any, relating to the Southern Division MGP sites, the Company recorded remediation costs of $3.7 million in fiscal 1994 and 1995 as an additional plant acquisition adjustment (see Note 2). The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

Gas Procurement Contracts. Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $75 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The implementation of the Federal Energy Regulatory Commission's ("FERC") Order No. 636 required the restructuring of the Company's contracts with certain pipeline companies that together supply less than one-third of the Company's total firm gas supply. Under Order No. 636 the pipeline companies are passing through to their customers transition costs associated with mandated restructuring, such as costs resulting from buying out unmarketable gas purchase contracts. The Company has been charged approximately $11 million of such costs through September 30, 1996. All of such costs, except for costs incurred by the Company's Pennsylvania operation, have been authorized for recovery through the Company's purchased gas adjustment clauses. The Company has filed for and expects full recovery of such costs in Pennsylvania, as well. The Company currently estimates that its remaining Order No. 636 transition obligation will be approximately $7 million, which it expects also to recover through its purchased gas adjustment clauses as these costs are incurred. This transition obligation is subject to possible future FERC actions based upon filings by the Company's pipeline suppliers.

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

11. Unaudited Quarterly Financial Data

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

	Fiscal Quarters			
	First	Second	Third	Fourth
1996:				
Operating Revenues	$124,650	$170,855	$95,370	$78,103
Operating Income (Loss)	11,420	19,161	3,372	(1,072)
Net Income (Loss)	6,446	14,455	(1,003)	(5,002)
Net Income (Loss) Per Share	0.70	1.58	(0.10)	(0.45)

1995:				
Operating Revenues	$105,852	$147,940	$62,137	$60,516
Operating Income	8,348	12,931	2,376	204
Net Income (Loss)	3,978	8,554	(2,196)	(4,819)
Net Income (Loss) Per Share	0.44	0.93	(0.24)	(0.53)

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

In the first and second quarters of fiscal 1995, the Company incurred after-tax restructuring and other non-recurring charges of approximately $0.9 million and $4.7 million, respectively.

SCHEDULE II

NUI Corporation and Subsidiaries
Valuation and Qualifying Accounts
For each of the Three Years in the
Period Ended September 30, 1996
(Dollars in thousands)

Description	Balance, Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Other	Deductions	Balance, End of Period
1996					
Allowance for doubtful accounts	$ 1,689	$ 3,369	$ 863[a]	$ 3,633[b]	$ 2,288
Environmental remediation reserve[d]	$ 33,981	—	—	—	$ 33,981
1995					
Allowance for doubtful accounts	$ 1,368	$ 2,449	$ 1,127[a]	$ 3,255[b]	$ 1,689
Environmental remediation reserve[d]	$ 32,181	—	$ 1,800	—	$ 33,981
1994					
Allowance for doubtful accounts	$ 1,225	$ 2,771	$ 970[a] $ 182[c]	$ 3,780[b]	$ 1,368
Environmental remediation reserve[d]	$ 24,700	—	$ 7,481[d]	—	$ 32,181

[a] Recoveries

[b] Uncollectible amounts written off.

[c] Added as a result of an acquisition.

[d] The related cost of the reserve established in fiscal 1991, as well as $5.6 million of fiscal 1994 additions, was recorded as a regulatory asset. The remaining fiscal 1994 additions of $1.9 million and all of fiscal 1995 additions was recorded as an additional utility plant acquisition adjustment. See "Commitments and Contingencies—Environmental Matters", Note 10 of the Notes to the Consolidated Financial Statements.

EXHIBIT 12

NUI CORPORATION AND SUBSIDIARIES
CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES
(000's)

	Year Ended September 30,				
	1996	1995	1994	1993	1992
Income from continuing operations before income taxes	$23,044	$ 8,644	$12,883	$20,837	$18,078
Add:					
Interest element of rentals charged to income (a)	2,930	3,220	3,173	3,156	3,007
Interest expense	19,808	20,032	16,443	14,966	17,058
Earnings as defined	$45,782	$31,896	$32,449	$38,959	$38,143
Interest expense	19,808	19,814	16,323	14,844	16,859
Capitalized interest	150	218	120	122	199
Interest element of rentals charged to income (a)	2,930	3,220	3,173	3,156	3,007
Fixed charges as defined	$22,888	$23,252	$19,616	$18,122	$20,065
CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES	2.00	1.37	1.66	2.15	1.90

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

EXHIBIT NO. 21

SUBSIDIARIES OF NUI CORPORATION

NUI Capital Corporation (a Florida corporation), formerly Essel Corporation, Utility Billing Services, Inc. (a New Jersey corporation) and NUI Environmental Group, Inc. (a New Jersey Corporation) are wholly-owned subsidiaries of NUI Corporation.

NUI Energy, Inc. (a Delaware corporation), formerly Natural Gas Services, Inc., and NUI Energy Brokers, Inc. (a Delaware Corporation) are wholly-owned subsidiaries of NUI Capital Corporation.

EXHIBIT NO. 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated November 19, 1996, included in the Form 10-K, into the Company's previously filed Registration Statements File No. 33-56509 relating to Amendment No. 1 to Form S-3 Registration Statement, File No. 33-51459 relating to NUI Direct, File No. 33-57183 relating to the Savings and Investment Plan, File No. 33-24169 relating to the 1988 Stock Plan, File No. 333-02425 relating to the 1996 Stock Option and Stock Award Plan, File No. 333-02421 relating to the Employee Stock Purchase Plan, and File No. 333-02423 relating to the 1996 Director Stock Purchase Plan.

ARTHUR ANDERSEN LLP

New York, New York
December 27, 1996

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Bedminster, State of New Jersey, on the day of December 27, 1996

NUI CORPORATION

By: JAMES R. VAN HORN
Secretary

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

JOHN KEAN, JR.	President, Chief Executive Officer and Director (Principal executive officer)	December 27, 1996
JOHN KEAN	Chairman and Director	December 27, 1996
STEPHEN M. LIASKOS	Controller (Principal financial and accounting officer)	December 27, 1996
C. R. CARVER	Director	December 27, 1996
DR. VEI A KING FARRIS	Director	December 27, 1996
JAMES J. FORESE	Director	December 27, 1996
BERNARD S. LEE	Director	December 27, 1996
R. V. WHISNAND	Director	December 27, 1996
JOHN WINTHROP	Director	December 27, 1996

INDEX TO EXHIBITS

Exhibit No.	Description
10(iv)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1997)
10(v)	Service Agreement by and between Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1995)
10(vii)	Service Agreement by and among Transcontinental Gas Pipe Line Corporation and EGC, dated November 1, 1995 (Contract #1.1998)
10(xix)	Service Agreement by and between Tennessee Gas Pipeline Company and EGC, dated November 1, 1995 (Contract #3832)
10(xxvii)	1996 Employee Stock Purchase Plan
10(xxix)	1996 Directors Stock Purchase Plan
10(xlii)	1996 Stock Option and Stock Award Plan
12	Consolidated Ratio of Earnings to Fixed Charges
21	Subsidiaries of NUI Corporation
23	Consent of Independent Public Accountants
27	Financial Data Schedule

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Quarter Ended December 31, 1996 **Commission File # 1-8353**

NUI CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(908) 781-0500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ✓ No

The number of shares outstanding of each of the registrant's classes of common stock, as of January 31, 1996: Common Stock, No Par Value: 11,217,112 shares outstanding.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1996	1995	1996	1995
Operating Margins				
Operating revenues	$151,868	$124,767	$496,600	$395,550
Less - Purchased gas and fuel	94,501	68,304	294,320	203,608
Gross receipts and franchise taxes	10,461	11,209	36,179	35,306
	46,906	45,254	166,101	156,636
Other Operating Expenses				
Operations and maintenance	25,011	22,828	96,533	90,010
Depreciation and amortization	5,780	5,613	21,457	20,367
Restructuring and other non-recurring charges	—	—	—	7,134
Other taxes	2,197	1,869	8,456	7,762
Income taxes	3,151	3,535	7,423	4,431
	36,139	33,845	133,869	129,704
Operating Income	10,767	11,409	32,232	26,932
Other Income and Expense, Net	534	82	1,012	429
Interest Expense	4,528	5,045	18,021	19,375
Net Income	$ 6,773	$ 6,446	$15,223	$ 7,986
Net Income Per Share of Common Stock	$0.61	$0.70	$1.48	$0.87
Dividends Per Share of Common Stock	$0.235	$0.225	$0.91	$0.90
Weighted Average Number of Shares of Common Stock Outstanding	11,085,220	9,144,932	10,303,893	9,154,788

See the notes to the consolidated financial statements

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

	December 31, 1996 (Unaudited)	September 30, 1996 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$641,152	$631,194
Accumulated depreciation and amortization	(206,066)	(200,456)
Unamortized plant acquisition adjustments	33,395	33,572
	468,481	464,310
Funds for Construction Held by Trustee	41,255	44,652
Investments in Marketable Securities	2,503	4,417
Current Assets		
Cash and cash equivalents	5,345	3,736
Accounts receivable (less allowance for doubtful accounts of $2,669 and $2,288, respectively)	83,717	43,589
Fuel inventories, at average cost	26,672	29,191
Unrecovered purchased gas costs	13,785	6,987
Prepayments and other	15,036	18,542
	144,555	102,045
Other Assets		
Regulatory assets	52,602	52,439
Deferred charges	9,771	9,799
	62,373	62,238
	$719,167	$677,662
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$184,088	$179,107
Preferred stock	–	–
Long-term debt	230,100	230,100
	414,188	409,207
Capital Lease Obligations	10,210	10,503
Current Liabilities		
Current portion of long-term debt and capital lease obligations	2,489	2,546
Notes payable to banks	76,325	54,895
Accounts payable, customer deposits and accrued liabilities	78,408	66,372
Federal income and other taxes	5,574	2,947
	162,796	126,760
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	59,658	59,328
Unamortized investment tax credits	6,519	6,635
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	31,815	31,248
	131,973	131,192
	$ 719,167	$677,662

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

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1996	1995	1996	1995
Operating Activities				
Net income	$6,773	$ 6,446	$15,223	$ 7,986
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,671	5,821	23,165	21,480
Deferred Federal income taxes	471	1,135	6,905	2,601
Non-cash portion of restructuring and other non-recurring charges	–	–	–	4,285
Amortization of deferred investment tax credits	(116)	(116)	(467)	(467)
Other	1,275	895	4,997	4,075
Effect of changes in:				
Accounts receivable, net	(40,129)	(44,826)	(8,674)	(16,193)
Fuel inventories	2,519	7,412	(6,455)	2,771
Accounts payable, deposits and accruals	12,036	5,156	15,190	4,577
Over (under) recovered purchased gas costs	(6,797)	625	(19,304)	607
Gross receipts and franchise taxes	7,091	9,713	(1,079)	(2,599)
Other	(1,008)	(1,220)	(9,226)	(147)
Net cash (used in) provided by operating activities	(11,214)	(8,959)	20,275	28,976
Financing Activities				
Proceeds from sales of common stock, net of treasury stock purchased	883	–	32,254	(558)
Dividends to shareholders	(2,620)	(2,069)	(9,251)	(8,301)
Proceeds from issuance of long-term debt	–	–	39,000	70,000
Funds for construction held by trustee, net	4,076	178	(25,151)	5,490
Repayments of long-term debt	–	(44)	(30,094)	(9,915)
Principal payments under capital lease obligations	(491)	(581)	(1,739)	(1,905)
Net short-term borrowings (repayments)	21,430	20,286	18,104	(52,129)
Net cash provided by financing activities	23,278	17,770	23,123	2,682
Investing Activities				
Cash expenditures for utility plant	(10,277)	(9,828)	(37,502)	(33,715)
Proceeds from sales of marketable securities	245	–	1,513	1,199
Purchases of marketable securities	–	–	(2,343)	–
Other	(423)	(385)	(1,920)	(1,721)
Net cash used in investing activities	(10,455)	(10,213)	(40,252)	(34,237)
Net increase (decrease) in cash and cash equivalents	$1,609	$(1,402)	$3,146	$ (2,579)
Cash and Cash Equivalents				
At beginning of period	$3,736	$3,601	$2,199	$4,778
At end of period	5,345	2,199	5,345	2,199
Supplemental Disclosures of Cash Flows				
Income taxes paid (refunds received), net	$ (547)	–	$ 2,065	$ 1,968
Interest paid	$5,518	$6,085	$18,087	$18,709

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company distributes and sells natural gas and related services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York). In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary, and bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary.

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1996. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

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

The Company utilizes natural gas futures contracts, none of which extend beyond March 31, 1997, for the purpose of hedging the risks associated with fluctuating prices on forward contracts for the purchase and sale of natural gas. The Company's subsidiary, NUI Energy Brokers, Inc., records unrealized gains and losses by marking to market its various financial and forward commitments.

2. Common Shareholders' Equity

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

	December 31, 1996	September 30, 1996
Common stock, no par value	$174,232	$171,968
Shares held in treasury	(1,619)	(1,564)
Retained earnings	14,271	10,117
Unrealized gain on marketable securities	79	389
Unearned employee compensation	(2,875)	(1,803)
Total common shareholders' equity	$184,088	$179,107

3. Contingencies

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

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

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

The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the Company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately \$34 million, which the Company expects to expend during the next twenty years. The reserve, which includes remediation costs for seven of the Company's 16 MGP sites, is net of approximately \$5 million which will be borne by a prior owner and operator of two of the Northern Division sites in accordance with a cost sharing agreement. Of this approximate \$34 million reserve, approximately \$30 million relates to Northern Division MGP sites and approximately \$4 million relates to Southern Division MGP sites. The Company is not able at this time to determine the requirement for remediation if contamination is present at any of the other sites and, if present, the costs associated with such remediation. The Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial activities, if necessary, with respect to all of its MGP sites may exceed the approximately \$34 million reserve by an amount that could range up to \$21 million and be incurred during a future period of time that may range up to fifty years. Of this \$21 million in additional possible future expenditures, approximately \$10 million relates to the Northern Division MGP sites and approximately \$11 million relates to the Southern Division MGP sites. As compared with the approximately \$34 million reserve discussed above, the Company believes that it is less likely that this additional \$21 million will be incurred and therefore has not recorded it on its books.

The Company believes that its remediation costs for the Northern Division MGP sites will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers. The last base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of \$130,000 annually of MGP related expenditures incurred prior to the rate order.

Accordingly, the Company has recorded a regulatory asset of approximately $33 million as of December 31, 1996, reflecting the future recovery of environmental remediation liabilities related to the Northern Division MGP sites. In July 1996, the NJBPU approved a petition filed by the Northern Division to establish an MGP Remediation Adjustment Clause ("RAC"). The RAC enables the Company to recover actual MGP expenses over a rolling seven year period. On September 3, 1996, the Company made its initial filing under the RAC to begin recovery of $3.1 million of environmental costs incurred from inception through June 30, 1996. A decision is expected shortly. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

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

NUI Corporation and Subsidiaries
Summary Consolidated Operating Data

	Three Months Ended December 31, 1996	Three Months Ended December 31, 1995	Twelve Months Ended December 31, 1996	Twelve Months Ended December 31, 1995
Operating Revenues (Dollars in thousands)				
Firm Sales:				
Residential	$58,370	$ 56,609	$195,603	$179,382
Commercial	31,398	31,494	107,348	101,254
Industrial	5,945	5,656	25,610	19,898
Interruptible Sales	14,839	11,701	53,788	47,673
Unregulated Sales	30,850	9,958	75,737	15,750
Transportation Services	6,762	5,795	24,054	19,436
Customer Service, Appliance Leasing and Other	3,704	3,554	14,460	12,157
	$151,868	$124,767	$496,600	$395,550
Gas Sold or Transported (MMcf)				
Firm Sales:				
Residential	7,133	7,635	24,308	22,907
Commercial	4,433	5,128	15,880	16,216
Industrial	1,370	1,396	5,381	5,201
Interruptible Sales	3,708	3,755	14,585	17,636
Unregulated Sales	10,496	3,780	25,855	6,483
Transportation Services	6,501	7,316	24,236	24,522
	33,641	29,010	110,245	92,965
Average Utility Customers Served				
Firm Sales:				
Residential	334,437	331,411	333,143	329,485
Commercial	24,237	24,567	24,401	24,731
Industrial	314	351	328	386
Interruptible Sales	121	129	126	129
Transportation	1,174	454	849	263
	360,283	356,912	358,847	354,994
Degree Days in New Jersey				
Actual	1,746	1,886	5,203	4,867
Normal	1,725	1,725	4,978	4,978
Percentage variance from normal	1% colder	9% colder	5% colder	2% warmer
Employees (period end)			1,109	1,071
Ratio of Earnings to Fixed Charges (Twelve months only)			1.99	1.52

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

The following discussion and analysis refers to all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company distributes and sells natural gas in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York). In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; and bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

Results of Operations

Three-Month Periods Ended December 31, 1996 and 1995

Net Income. Net income for the three-month period ended December 31, 1996 was $6.8 million, or $0.61 per share, as compared with net income of $6.4 million, or $0.70 per share, for the three-month period ended December 31, 1995. The increase in the current period was primarily due to higher operating margins, higher other income and lower interest expense, partially offset by higher operations and maintenance expenses.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the sale of the gas commodity, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $27.1 million, or 22%, for the three-month period ended December 31, 1996 as compared with the three-month period ended December 31, 1995, principally due to an increase of approximately $20.9 million in unregulated revenues due to greater activity in these operations. Operating revenues also increased by the effect of purchased gas adjustment clauses, increased revenues from interruptible customers due to higher gas prices incurred, a base rate increase in the Company's Florida service territory (see "Regulatory Matters") and customer growth. These increases were partially offset by the effect of weather in New Jersey that was 7% warmer than the 1995 period.

The Company's operating margins increased by $1.7 million, or 4%, for the three-month period ended December 31, 1996 as compared with the three-month period ended December 31, 1995. The increase principally reflects higher margins on sales by the Company's unregulated operations, including $0.8 million of net realized and unrealized gains recognized on financial and forward commitments by NUI Energy Brokers, Inc. (see Note 1 of the Notes to the Financial Statements). Operating margins were also increased due to the effect of the rate increase in Florida and customer growth. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of these weather normalization clauses, operating margins were approximately $0.2 million less in the 1996 period than they would have been without such clauses. In the 1995 period, operating margins were approximately $1.3 million less than they otherwise would have been without such clauses.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, increased by approximately $2.7 million, or 9%, for the three-month period ended December 31, 1996 as compared with the three-month period ended December 31, 1995. The increase was primarily the result of expenses incurred to consolidate two of the Company's New Jersey service facilities and additional expenses related to growth in the Company's unregulated operations. These increases were partially offset by the reversal of certain reserves which management determined to be no longer required.

Other Income and (Expense), Net. Other income and expense, net increased approximately $0.5 million for the three-month period ended December 31, 1996 as compared with the three-month period ended December 31, 1995. The increase was principally due to a mark-to-market gain on marketable securities of approximately $0.6 million resulting from the transfer of certain investments in marketable securities from available-for-sale to trading, as management expects to sell such securities within the fiscal year.

Interest Expense. Interest expense decreased by approximately $0.5 million for the three-month period ended December 31, 1996 as compared with the three-month period ended December 31, 1995. The decrease principally reflects lower average long-term borrowings as a result of the repayment of amounts outstanding under the Company's $30 million credit agreement in May 1996. This decrease was partially offset by a slight increase in short-term interest due primarily to higher levels of outstanding borrowings.

Twelve-Month Periods Ended December 31, 1996 and 1995

Net Income. Net income for the twelve-month period ended December 31, 1996 was $15.2 million, or $1.48 per share, as compared with $8.0 million, or $0.87 per share, for the twelve-month period ended December 31, 1995. The increase in the current period was primarily due to higher operating margins, higher other income, lower interest expense and approximately $4.6 million of after-tax non-recurring charges incurred in the prior twelve-month period. These increases were partially offset by higher operations and maintenance and depreciation expenses.

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

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended December 31, 1996 increased approximately $101.1 million, or 26%, as compared with the twelve-month period ended December 31, 1995. The increase was principally due to an increase in unregulated sales of approximately $60 million and to the effect of weather in New Jersey that was 5% colder than normal and 7% colder than the prior year period. Operating revenues also increased due to refunds to Northern Division customers in the prior year period totaling $16 million, the effects of purchased gas adjustment clauses, increased customer service revenues, a base rate increase in Florida and customer growth.

The Company's operating margins increased by approximately $9.5 million, or 6%, for the twelve-month period ended December 31, 1996 as compared with the twelve-month period ended December 31, 1995. The increase was principally the result of higher margins on sales by the Company's unregulated operations, higher customer service revenues, the base rate increase in Florida, increases in the number of customers served and the effect of colder-than-normal weather not fully returned to customers through the weather normalization clauses. As a result of weather normalization clauses, operating margins were approximately $1.0 million less than they would have been without such clauses. For the twelve-month period ended December 31, 1995, operating margins were $0.7 million higher than they would have been without such clauses.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, increased by approximately $1.2 million, or 1%, for the twelve-month period ended December 31, 1996 as compared with the twelve-month period ended December 31, 1995. The increase was primarily due to additional expenses related to the start-up and growth of the Company's unregulated operations, higher costs incurred as a result of colder weather in New Jersey and expenses incurred to consolidate two of the Company's New Jersey service facilities. These increases were partially offset by non-recurring pre-tax charges of $7.1 million incurred in the prior year period related to an early retirement program implemented in fiscal 1995 and the restructuring of the Company's operations in Florida, and the reversal in the current period of certain reserves which management determined to be no longer required. Depreciation expense increased approximately $1.1 million in the current period as compared to the prior period due to additional plant in service.

Income taxes increased by $3.0 million for the twelve-month period ended December 31, 1996 due to higher pre-tax income.

Other Income and Expense, Net. Other income and expense, net, increased approximately $0.6 million for the twelve-month period ended December 31, 1996 as compared with the 1995 period principally due to a mark-to-market gain on marketable securities of approximately $0.6 million resulting from the transfer of certain investments in marketable securities from available-for-sale to trading, as management expects to sell such securities within the fiscal year.

Interest Expense. Interest expense decreased by $1.4 million, or 7%, for the 1996 period as compared with the 1995 period primarily due to lower levels of outstanding borrowings, and to approximately $0.6 million of interest recorded in the prior year period on the over-collection of gas costs by the Northern Division.

Regulatory Matters

On December 4, 1996, the New Jersey Board of Public Utilities (the "NJBPU") approved an interim order authorizing the Northern Division to increase its annual purchased gas adjustment revenues by approximately $22 million. The increase reflects the Company's projection for higher gas prices in the coming year. On December 31, 1996, the Company filed for an additional increase in its purchased gas adjustment revenues of approximately $14 million for the period February 1997 through September 1997 reflecting a significant rise in gas prices. The NJBPU is still reviewing the Company's request to incorporate, in a two-year pilot program, a performance-based mechanism whereby the Northern Division customers and the Company would benefit from the Company's ability to secure gas at a cost more favorable than a market index benchmark. The proposed performance mechanism would provide a 50/50 sharing of risk and opportunity between the Northern Division customers and the Company on the difference between a monthly market benchmark and the actual cost of purchased gas, up to $1 million annually. Action by the NJBPU on the Company's request and final revenue increase is expected shortly.

On October 29, 1996, the Florida Public Service Commission (the "FPSC") voted to authorize the Company to increase its base rates in Florida by $3.75 million annually. The rate increase reflects a rate base amounting to $91.9 million, reflecting the addition of investments in system improvements and expansion projects. Under the approval, the allowed return on equity is 11.3% with an overall after-tax rate of return of 7.87%. The Company had been granted interim rate relief of $2.2 million effective in September 1996. The permanent increase, which was effective in December 1996, includes the interim adjustment.

Financing Activities and Resources

The Company had a net use of cash from operating activities of $11.2 million for the three-month period ended December 31, 1996 as compared with $9.0 million for the three-month period ended December 31, 1995. The increase in net cash used in operating activities was primarily due to an under-collection of gas costs through the Company's purchased gas adjustment clauses and an increase in fuel inventory both due to a significant rise in gas prices incurred. For the twelve-month period ended December 31, 1996, the Company's net cash provided by operating activities was $20.3 million as compared with $29.0 million in the prior year period. The decrease was mainly attributable to the reasons discussed above for the three-month period.

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

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $65.2 million at 5.35% for the three-month period ended December 31, 1996 and $51.8 million at 6.0% for the three-month period ended December 31, 1995. The weighted average daily amounts of notes payable to banks increased principally due to the under-collection of gas costs through the Company's purchased gas adjustment clauses as a result of significantly higher gas prices incurred and due to additional borrowings to finance construction expenditures. At December 31, 1996, the Company had outstanding notes payable to banks amounting to $76.3 million and available unused lines of credit amounting to $54.7 million. Notes payable to banks increased as of December 31, 1996 as compared to the balance outstanding at September 30, 1996, due to seasonal borrowing requirements and to the under-collection of gas costs as discussed above.

Long-Term Debt and Funds for Construction Held by Trustee. In November 1994, the Company filed a shelf registration statement with the Securities and Exchange Commission for an aggregate of up to $100 million of debt and equity securities. As of December 31, 1996, the Company has issued $70 million of Medium-Term Notes subject to the shelf registration statement. While the Company has no present intention to issue additional securities subject to the shelf registration, such securities may be issued from time to time, depending upon the Company's needs and prevailing market conditions.

The Company expects to refinance approximately $55 million of its Gas Facilities Revenue Bonds in fiscal 1997.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of December 31, 1996, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $38.5 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment and stock purchase plan, and various employee benefit plans. The proceeds from such issuances amounted to approximately $0.9 million during the three-month period ended December 31, 1996, and were used primarily to reduce outstanding short-term debt. There were no proceeds during the three-month period ended December 31, 1995 as the Company purchased shares on the open market to fulfill the plans' requirements at that time. Under the terms of these plans, the Company may periodically change the method of purchasing shares from open market purchases to purchases directly from the Company, or vice versa.

Dividends. On October 29, 1996, the Company increased its quarterly dividend to $0.235 per share of common stock. The previous quarterly rate was $0.225 per share of common stock.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $10.3 million for the three-month period ended December 31, 1996 as compared with $9.2 million for the three-month period ended December 31, 1995. Capital expenditures are expected to be approximately $57 million for all of fiscal 1997, as compared with a total of $37.1 million in fiscal 1996. The increase over fiscal 1996 is primarily the result of planned capital investment related to providing gas or transportation service to new customers, which is mainly expected to occur in the Company's Southern Division.

The Company owns or previously owned six former manufactured gas plant ("MGP") sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next twenty years to remediate seven of the Company's 16 MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. In addition to these costs, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $21 million and be incurred during a future period of time that may range up to fifty years. Of this $21 million in possible future expenditures, approximately $10 million relates to the Northern Division MGP sites and approximately $11 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $21 million will be incurred and therefore has not recorded it on its books. The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. In July 1996, the NJBPU approved a petition filed by the Northern Division to establish an MGP Remediation Adjustment Clause ("RAC"). The RAC enables the Company to recover actual MGP expenses over a rolling seven year period. On September 3, 1996, the Company made its initial filing under the RAC to begin recovery of $3.1 million of environmental costs incurred from inception through June 30, 1996. A decision is expected shortly. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful. For a further discussion of environmental matters, see Note 3 of the Notes to the Consolidated Financial Statements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $75 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The implementation of the Federal Energy Regulatory Commission's ("FERC") Order No. 636 required the restructuring of the Company's contracts with certain pipeline companies that together supply less than one-third of the Company's total firm gas supply. Under Order No. 636 the pipeline companies are passing through to their customers transition costs associated with mandated restructuring, such as costs resulting from buying out unmarketable gas purchase contracts. The Company has been charged approximately $11 million of such costs through December 31, 1996. All of such costs, except for costs incurred by the Company's Pennsylvania operation, have been authorized for recovery through the Company's purchased gas adjustment clauses. The Company has filed for and expects full recovery of such costs in Pennsylvania, as well. A settlement is expected soon. The Company currently estimates that its remaining Order No. 636 transition obligation will be approximately $7 million, which it expects also to recover through its purchased gas adjustment clauses as these costs are incurred. This transition obligation is subject to possible future FERC actions based upon filings by the Company's pipeline suppliers.

The Company prepaid approximately $1 million of long-term debt, without penalty, associated with its Employee Stock Ownership Plan in January 1997. No other long-term debt is scheduled to be repaid over the next five years.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

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

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUI CORPORATION

February 14, 1997

JOHN KEAN, JR.
President and Chief Executive Officer

February 14, 1997

STEPHEN M. LIASKOS
Vice President and Controller
(Principal Financial and Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUI CORPORATION

February 14, 1997

John Kean, Jr.
President and Chief Executive Officer

February 14, 1997

Stephen M. Liaskos
Vice President and Controller
(Principal Financial and Accounting Officer)

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

(Mark One)

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

For the quarterly period ended March 31, 1997

OR

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

For the transition period from ________________ to ____________________

Commission File Number 1-8353

NUI CORPORATION

(Exact name of registrant as specified in its charter)

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

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

(908) 781-0500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common stock, as of April 30, 1997: Common Stock, No Par Value: 11,290,679 shares outstanding.

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

	Three Months Ended March 31		Six Months Ended March 31		Twelve Months Ended March 31	
	1997	1996	1997	1996	1997	1996
Operating Margins						
Operating revenues	$204,077	$170,963	$355,945	$295,730	$529,714	$418,573
Less - Purchased gas and fuel	131,834	96,356	226,335	164,660	329,798	221,819
Gross receipts and franchise taxes	13,474	15,394	23,935	26,603	34,259	36,231
	58,769	59,213	105,675	104,467	165,657	160,523
Other Operating Expenses						
Operations and maintenance	22,433	24,250	47,444	47,078	94,716	90,364
Depreciation and amortization	5,496	5,329	11,276	10,942	21,623	20,743
Other taxes	2,771	2,445	4,968	4,314	8,784	8,162
Income taxes	8,401	8,019	11,552	11,554	7,805	8,140
	39,101	40,043	75,240	73,888	132,928	127,409
Operating Income	19,668	19,170	30,435	30,579	32,729	33,114
Other Income and Expense, Net	119	26	653	108	1,105	310
Interest Expense	4,474	4,740	9,002	9,786	17,754	19,536
Net Income	$15,313	$14,456	$22,086	$20,901	$16,080	$13,888
Net Income Per Share of Common Stock	$1.37	$1.58	$1.98	$2.29	$1.49	$1.52
Dividends Per Share of Common Stock	$0.235	$0.225	$0.47	$0.45	$0.92	$0.90
Weighted Average Number of Shares of Common Stock Outstanding	11,203,493	9,143,299	11,143,707	9,144,120	10,818,982	9,149,302

See the notes to the consolidated financial statements

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

	March 31, 1997 (Unaudited)	September 30, 1996 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$653,055	$631,194
Accumulated depreciation and amortization	(209,189)	(200,456)
Unamortized plant acquisition adjustments	33,039	33,572
	476,905	464,310
Funds for Construction Held by Trustee	36,454	44,652
Investments in Marketable Securities, at market	2,205	4,417
Current Assets		
Cash and cash equivalents	5,848	3,736
Accounts receivable (less allowance for doubtful accounts of $3,561 and $2,288, respectively)	91,867	43,589
Fuel inventories, at average cost	8,270	29,191
Unrecovered purchased gas costs	13,984	6,987
Prepayments and other	26,292	18,542
	146,261	102,045
Other Assets		
Regulatory assets	53,381	52,439
Deferred charges	9,301	9,799
	62,682	62,238
	$724,507	$677,662
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$199,685	$179,107
Preferred stock	-	-
Long-term debt	230,100	230,100
	429,785	409,207
Capital Lease Obligations	9,809	10,503
Current Liabilities		
Current portion of long-term debt and capital lease obligations	1,473	2,546
Notes payable to banks	75,687	54,895
Accounts payable, customer deposits and accrued liabilities	65,014	66,372
Federal income and other taxes	11,510	2,947
	153,684	126,760
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	60,080	59,328
Unamortized investment tax credits	6,403	6,635
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	30,765	31,248
	131,229	131,192
	$724,507	$677,662

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

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

	Six Months Ended March 31,		Twelve Months Ended March 31,	
	1997	1996	1997	1996
Operating Activities				
Net income	$22,086	$20,901	$16,080	$13,886
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,798	11,408	22,706	21,796
Deferred Federal income taxes	915	2,097	6,387	3,660
Amortization of deferred investment tax credits	(232)	(234)	(465)	(467)
Other	1,809	3,221	3,205	5,063
Effect of changes in:				
Accounts receivable, net	(48,279)	(54,917)	(6,733)	(23,548)
Fuel inventories	20,921	22,829	(3,470)	2,204
Accounts payable, deposits and accruals	(1,358)	10,748	(3,796)	13,559
Over (under) recovered purchased gas costs	(6,996)	(315)	(18,563)	(17,031)
Gross receipts and franchise taxes	(6,128)	22,619	(27,204)	(1,073)
Other	4,420	4,730	(9,748)	3,668
Net cash (used in) provided by operating activities	(1,044)	43,087	(21,601)	21,717
Financing Activities				
Proceeds from sales of common stock, net of treasury stock purchased	2,582	-	33,953	(558)
Dividends to shareholders	(5,250)	(4,170)	(9,780)	(8,317)
Proceeds from issuance of long-term debt	-	-	39,000	20,000
Funds for construction held by trustee, net	9,299	376	(20,126)	3,853
Repayments of long-term debt	(950)	(67)	(31,021)	(9,905)
Principal payments under capital lease obligations	(969)	(1,194)	(1,604)	(2,087)
Net short-term borrowings (repayments)	20,792	(19,730)	57,482	6,630
Net cash provided by (used in) financing activities	25,504	(24,785)	67,904	9,616
Investing Activities				
Cash expenditures for utility plant	(23,360)	(15,904)	(44,509)	(32,890)
Other	1,012	(555)	(1,390)	(604)
Net cash used in investing activities	(22,348)	(16,459)	(45,899)	(33,494)
Net increase (decrease) in cash and cash equivalents	$2,112	$ 1,843	$ 404	$ (2,161)
Cash and Cash Equivalents				
At beginning of period	$ 3,736	$ 3,601	$ 5,444	$ 7,605
At end of period	$ 5,848	$ 5,444	$ 5,848	$ 5,444
Supplemental Disclosures of Cash Flows				
Income taxes paid (refunds received), net	$2,078	$ 375	$ 4,315	$ (1,129)
Interest paid	$9,605	$10,506	$17,753	$17,436

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as "NUI" or the "Company"). The Company distributes and sells natural gas and related services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York). In addition to gas distribution operations, the Company provides gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary, and bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary.

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1996. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

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

The Company utilizes natural gas futures contracts, some of which extend beyond one year, for the purpose of hedging the risks associated with fluctuating prices on forward contracts for the purchase and sale of natural gas. The Company's subsidiary, NUI Energy Brokers, Inc., records unrealized gains and losses by marking to market its various financial and forward commitments. The current value of these contracts is not material to the financial statements.

2. Common Shareholders' Equity

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

	March 31, 1997	September 30, 1996
Common stock, no par value	$175,931	$171,968
Shares held in treasury	(1,619)	(1,564)
Retained earnings	27,021	10,117
Unrealized gain (loss) on marketable securities	(103)	389
Unearned employee compensation	(1,545)	(1,803)
Total common shareholders' equity	$199,685	$179,107

3. Purchase of Interest in T.I.C. Enterprises, Inc.

On February, 17, 1997, NUI entered into an LLC Interest Purchase Agreement (the "Agreement") with T.I.C. Enterprises, Inc. (T.I.C.) and its sole shareholder. Under the terms of this Agreement, NUI will acquire a 49% interest in T.I.C. Enterprises, LLC, a newly formed limited liability company that will continue the business of T.I.C., for a purchase price of $22 million. The Agreement also includes an additional incentive payment up to a maximum of $5.2 million to the sole shareholder if T.I.C.'s fiscal 1997 earnings, before interest and taxes, exceed $5 million. In addition, NUI has the option, during the period beginning April 2001 (subject to a one-year extension by the seller), to purchase the remaining 51% interest in T.I.C.

T.I.C. engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, NUI Energy, Inc. The purchase is expected to close in May 1997 and will be accounted for under the equity method. The excess of the purchase price over the Company's share of the underlying equity in net assets is estimated at approximately $20 million, which is expected to be amortized on a straight line basis over a period ranging from 15 to 20 years.

4. New Accounting Standard

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

5. Contingencies

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

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

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

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

The Company's prudently incurred remediation costs for the Northern Division MGP sites have been authorized by the NJBPU to be recoverable in rates. The Company also believes that a portion of such costs may be recoverable from the Company's insurance carriers. The most recent base rate order for the Northern Division permits the Company to utilize full deferred accounting for expenditures related to MGP sites. The order also provides for the recovery of $130,000 annually of MGP related expenditures incurred prior to the rate order. Accordingly, the Company has recorded a regulatory asset of approximately $34 million as of March 31, 1997, reflecting the future recovery of environmental remediation liabilities related to the Northern Division MGP sites. The Company is also able to recover actual MGP expenses over a rolling seven year period through its MGP Remediation Adjustment Clause ("RAC"). On September 3, 1996, the Company made its initial filing under the RAC to begin recovery of environmental costs incurred from inception through June 30, 1996. The NJBPU approved the filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million of costs. With respect to costs associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the Company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The Company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

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

NUI Corporation and Subsidiaries
Summary Consolidated Operating Data

	Three Months Ended March 31,		Six Months Ended March 31,		Twelve Months Ended March 31,	
	1997	1996	1997	1996	1997	1996
Operating Revenues (Dollars in thousands)						
Firm Sales:						
Residential	$82,374	$ 83,746	$140,744	$140,355	$194,231	$186,635
Commercial	42,374	41,265	73,772	72,759	108,457	99,673
Industrial	8,566	9,221	14,511	14,877	24,955	22,535
Interruptible Sales	15,357	11,797	30,196	23,498	57,348	48,401
Unregulated Sales	43,824	15,663	74,674	25,621	104,419	27,868
Transportation Services	8,014	5,894	14,776	11,689	26,174	20,707
Customer Service, Appliance Leasing and Other	3,568	3,377	7,272	6,931	14,130	12,754
	$204,077	$170,963	$355,945	$295,730	$529,714	$418,573
Gas Sold or Transported (MMcf)						
Firm Sales:						
Residential	9,845	10,957	16,978	18,592	23,196	24,031
Commercial	5,741	6,853	10,174	11,981	14,768	16,638
Industrial	1,343	1,749	2,713	3,145	4,975	5,425
Interruptible Sales	3,725	3,024	7,433	6,779	15,286	16,731
Unregulated Sales	13,645	4,481	24,141	8,261	35,055	9,269
Transportation Services	8,316	5,169	14,817	12,485	27,383	23,579
	42,615	32,233	76,256	61,243	120,663	95,673
Average Utility Customers Served						
Firm:						
Residential	337,629	333,711	335,670	332,561	333,995	330,358
Commercial	24,083	24,743	24,413	24,655	24,363	24,717
Industrial	287	345	316	348	322	373
Interruptible	111	135	123	132	116	136
Transportation	1,954	578	1,266	516	1,043	370
	364,064	359,512	361,788	358,212	359,839	355,954
Degree Days in New Jersey						
Actual	2,497	2,829	4,243	4,715	4,871	5,269
Normal	2,673	2,690	4,398	4,415	4,978	4,978
Percentage variance from normal	7%	5%	4%	7%	2%	6%
	warmer	colder	warmer	colder	warmer	colder
Employees (period end)					1,107	1,070
Ratio of Earnings to Fixed Charges (Twelve months only)					2.07	1.99

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

The following discussion and analysis refers to all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company distributes and sells natural gas in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York). In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; and bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

Results of Operations

Three-Month Periods Ended March 31, 1997 and 1996

Net Income. Net income for the three-month period ended March 31, 1997 was $15.3 million, or $1.37 per share, as compared with net income of $14.5 million, or $1.58 per share, for the three-month period ended March 31, 1996. The increase in the current period was primarily the result of lower operations and maintenance and interest expenses, partially offset by lower operating margins.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the gas commodity element of its revenues, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $33.1 million, or 19%, for the three-month period ended March 31, 1997 as compared with the three-month period ended March 31, 1996, principally due to an increase of approximately $28 million in unregulated revenues due to greater activity in these operations. Operating revenues also increased by the effect of purchased gas cost adjustment clauses, increased revenues from interruptible customers due to higher gas prices incurred, a base rate increase in the Company's Florida service territory (see "Regulatory Matters") and customer growth. These increases were partially offset by the effect of warmer weather in the 1997 period in all of the Company's service territories.

The Company's operating margins decreased by $0.4 million, or 1%, for the three-month period ended March 31, 1997 as compared with the three-month period ended March 31, 1996. The decrease principally reflects the effects of warmer weather in all of the Company's service territories, part of which was not fully recovered from customers through the Company's weather normalization clauses. Operating margins also decreased due to the effect of significantly lower rates billed to certain of the Company's Florida customers for its energy conservation programs. The Company is allowed to pass through to its customers costs incurred for various energy conservation programs. The Company does not earn a profit on these billings as operations expense is charged or credited for any difference between amounts billed to customers and amounts actually incurred. These decreases were partially offset by higher margins on sales by the Company's unregulated operations, the effect of a base rate increase in Florida and customer growth. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of these weather normalization clauses, operating margins were approximately $1.1 million more in the 1997 period than they would have been without such clauses. In the 1996 period, operating margins were approximately $1.0 million less than they otherwise would have been without such clauses.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, decreased by approximately $1.3 million, or 4%, for the three-month period ended March 31, 1997 as compared with the three-month period ended March 31, 1996. The decrease was primarily the result of the capitalization of costs associated with the development and implementation of new information technology, which will enhance productivity long-term, lower pension expense and lower expenses charged for the Company's energy conservation programs (see "Operating Revenues and Margins"). These decreases were partially offset by additional expenses related to the growth in the Company's unregulated operations.

The increase in income taxes for the three-month period ended March 31, 1997 as compared with the three-month period ended March 31, 1996, was principally due to the effect of higher pre-tax income .

Interest Expense. Interest expense decreased by approximately $0.3 million for the three-month period ended March 31, 1997 as compared with the three-month period ended March 31, 1996. The decrease principally reflects lower average long-term borrowings as a result of the repayment of amounts outstanding under the Company's $30 million credit agreement in May 1996, partially offset by an increase in short-term interest expense due to higher average borrowings.

Six-Month Periods Ended March 31, 1997 and 1996

Net Income. Net income for the six-month period ended March 31, 1997 was $22.1 million, or $1.98 per share, as compared with net income of $20.9 million, or $2.29 per share, for the six-month period ended March 31, 1996. The increase in the current period was primarily due to higher operating margins, higher other income and lower interest expense. These increases were partially offset by higher other taxes, operations and maintenance, and depreciation expenses.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues increased by $60.2 million, or 20%, for the six-month period ended March 31, 1997 as compared with the six-month period ended March 31, 1996. The increase was principally due to an increase of approximately $49 million in unregulated revenues due to greater activity in these operations, the effect of purchased gas adjustment clauses, increased revenues from interruptible customers due to higher gas prices incurred, a base rate increase in the Company's Florida service territory, increased customer service revenues and customer growth. These increases were partially offset by the effect of warmer weather in the 1997 period in all of the Company's service territories.

The Company's operating margins increased by $1.2 million for the six-month period ended March 31, 1997 as compared with the six-month period ended March 31, 1996. The increase principally reflects higher margins on sales by the Company's unregulated operations, including $0.7 million of net realized and unrealized gains recognized on financial and forward commitments by NUI Energy Brokers, Inc. (see Note 1 of the Notes to the Consolidated Financial Statements). Operating margins were also increased due to the effect of the rate case in Florida, higher customer service revenues and customer growth. These increases were partially offset by the effect of warmer weather in the 1997 period in all of the Company's service territories, part of which was not fully recovered from customers under weather normalization clauses and lower amounts billed to the Company's Florida customers for its energy conservation program. As a result of weather normalization clauses, operating margins were approximately $1.0 million higher than they would have been without such clauses. For the six-month period ended March 31, 1996, operating margins were $2.1 million less than they would have been without such clauses.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, increased by approximately $1.4 million, or 2%, for the six-month period ended March 31, 1997 as compared with the six-month period ended March 31, 1996. The increase in operations and maintenance expenses was primarily the result of expenses incurred to consolidate two of the Company's New Jersey service facilities and additional expenses related to the growth in the Company's unregulated operations. These increases were partially offset by the capitalization of costs associated with the development and implementation of new information technology, lower expenses charged for the Company's energy conservation programs in Florida and the reversal of certain reserves which management determined to be no longer required. The increase in depreciation expense was due to additional plant in service. The increase in other taxes was due to higher payroll-related taxes as a result of more employees, and an increase in the unemployment rate charged by the state of New Jersey.

Other Income and (Expense), Net. Other income and expense, net increased approximately $0.5 million for the six-month period ended March 31, 1997 as compared with the six-month period ended March 31, 1996. The increase was principally due to the sale of certain marketable securities resulting in a net realized gain of $0.7 million.

Interest Expense. Interest expense decreased by approximately $0.8 million for the six-month period ended March 31, 1997 as compared with the six-month period ended March 31, 1996, for the same reasons as discussed in the "Three-Month Periods Ended March 31, 1997 and 1996" section.

Twelve-Month Periods Ended March 31, 1997 and 1996

Net Income. Net income for the twelve-month period ended March 31, 1997 was $16.1 million, or $1.49 per share, as compared with $13.9 million, or $1.52 per share, for the twelve-month period ended March 31, 1996. The increase in the current period was primarily due to higher operating margins, higher other income and lower interest expense. These increases were partially offset by higher operations and maintenance, depreciation and other taxes expenses.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended March 31, 1997 increased approximately $111.1 million, or 27%, as compared with the twelve-month period ended March 31, 1996. The increase was primarily due to an increase in unregulated sales of approximately $77 million, the effects of purchased gas adjustment clauses, increased revenues from interruptible customers due to higher gas prices incurred, increased customer service revenues, a base rate increase in Florida and customer growth. These increases were partially offset by warmer weather in the current period in all of the Company's service territories.

The Company's operating margins increased by $5.1 million, or 3%, for the twelve-month period ended March 31, 1997 as compared with the twelve-month period ended March 31, 1996. The increase was principally the result of higher margins on sales by the Company's unregulated operations, higher customer service revenues, the base rate increase in Florida and increases in the number of customers served. As a result of weather normalization clauses, operating margins were approximately $1.1 million more in the 1997 period than they would have been without such clauses. For the twelve-month period ended March 31, 1996, operating margins were $2.1 million less than they would have been without such clauses.

Other Operating Expenses. The Company's other operating expenses, excluding income taxes, increased by approximately $5.9 million, or 5%, for the twelve-month period ended March 31, 1997 as compared with the twelve-month period ended March 31, 1996. The increase was primarily due to additional expenses related to the start-up and growth of the Company's unregulated operations, and expenses incurred to consolidate two of the Company's New Jersey service facilities. These increases were partially offset by the capitalization of software development costs and the reversal of certain reserves which management determined to be no longer required. Depreciation expense increased due to additional plant in service. Other taxes increased due to higher payroll-related taxes as a result of more employees, and an increase in the unemployment rate charged by the state of New Jersey.

Interest Expense. Interest expense decreased by $1.8 million, or 9%, for the 1997 period as compared with the 1996 period primarily due to lower levels of outstanding borrowings.

Regulatory Matters

On May 13, 1997, the New Jersey Board of Public Utilities (the "NJBPU") approved an order (replacing an interim order dated December 4, 1996) authorizing the Northern Division to increase its annual purchased gas adjustment revenues by approximately $22 million. The increase reflects the Company's projection for higher gas prices in the coming year.

On October 29, 1996, the Florida Public Service Commission (the "FPSC") voted to authorize the Company to increase its base rates in Florida by $3.75 million annually. The rate increase reflects a rate base amounting to $91.9 million, reflecting the addition of investments in system improvements and expansion projects. Under the approval, the allowed return on equity is 11.3% with an overall after-tax rate of return of 7.87%. The Company had been granted interim rate relief of $2.2 million effective in September 1996. The permanent rate increase, which was effective in December 1996, includes the interim adjustment.

Financing Activities and Resources

The Company had a net use of cash from operating activities of $1.0 million for the six-month period ended March 31, 1997 as compared with net cash provided by operating activities of $43.1 million for the six-month period ended March 31, 1996. The decrease in the current period was primarily due to the timing of the Company's payment of New Jersey gross receipts and franchise taxes, which was required in March in the current year as compared to April in the prior year period, an under-collection of gas costs through the Company's purchased gas adjustment clauses and a decrease in cash collections from accounts receivable in the current period due to warmer weather. For the twelve-month period ended March 31, 1997, the Company had a net use of cash from operating activities of $19.4 million as compared with net cash provided by operating activities of $21.8 million for the twelve-month period ended March 31, 1996. The decrease was mainly attributable to the reasons discussed above for the six-month period.

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

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $66.3 million at 5.2% for the six-month period ended March 31, 1997 and $45.9 million at 5.9% for the six-month period ended March 31, 1996. The weighted average daily amounts of notes payable to banks increased principally due to the under-collection of gas through the Company's purchased gas adjustment clauses as a result of significantly higher gas prices incurred and to additional borrowings to finance construction expenditures. At March 31, 1997, the Company had outstanding notes payable to banks amounting to $75.7 million and available unused lines of credit amounting to $55.3 million.

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

The Company plans to refinance approximately $55 million of its Gas Facilities Revenue Bonds pending an improvement in interest rates.

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of March 31, 1997, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were $33.3 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment and stock purchase plan, and various employee benefit plans. The proceeds from such issuances amounted to approximately $2.6 million during the six-month period ended March 31, 1997 and were used primarily to reduce outstanding short-term debt. There were no proceeds during the six-month period ended March 31, 1996 as the Company purchased shares on the open market to fulfill the plans' requirements at that time. Under the terms of these plans, the Company may periodically change the method of purchasing shares from open market purchases to purchases directly from the Company, or vice versa.

Dividends. On October 29, 1996, the Company increased its quarterly dividend to $0.235 per share of common stock. The previously quarterly rate was $0.225 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $47 million of cash dividends at March 31, 1997.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $23.4 million for the six-month period ended March 31, 1997 as compared with $14.2 million for the six-month period ended March 31, 1996. Capital expenditures are expected to be approximately $57 million for all of fiscal 1997, as compared with a total of $37.1 million in fiscal 1996. The increase over fiscal 1996 is primarily the result of planned capital investment related to providing gas or transportation service to new customers, which is mainly expected to occur in the Company's Southern Division, and to the Company's investment in new information technology designed to enhance productivity in the long-term.

The Company owns or previously owned six former manufactured gas plant ("MGP") sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next twenty years to remediate the Company's MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books. The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. The Company is also able to recover actual MGP expenses over a rolling seven-year period through its MGP Remediation Adjustment Clause ("RAC"). On September 3, 1996, the Company made its initial filing under the RAC to begin recovery of environmental costs incurred from inception through June 30, 1996. The NJBPU approved the filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million of costs. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful. For a further discussion of environmental matters, see Note 5 of the Notes to the Consolidated Financial Statements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $75 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The implementation of the Federal Energy Regulatory Commission's ("FERC") Order No. 636 required the restructuring of the Company's contracts with certain pipeline companies that together supply less than one-third of the Company's total firm gas supply. Under Order No. 636 the pipeline companies are passing through to their customers transition costs associated with mandated restructuring, such as costs resulting from buying out unmarketable gas purchase contracts. The Company has been charged approximately $11 million of such costs through March 31, 1997. All of such costs have been authorized for recovery through the Company's purchased gas adjustment clauses, including such costs incurred by the Company's Pennsylvania operations. On April 24, 1997 the Company received approval from the Pennsylvania Public Utilities Commission to recover FERC Order 636 costs effective May 1, 1997. The Company currently estimates that its remaining Order No. 636 transition obligation will be approximately $7 million, which it expects to also recover through the Company's purchased gas adjustment clauses as these costs are incurred. This transition obligation is subject to possible future FERC actions based upon filings by the Company's pipeline suppliers.

The Company prepaid approximately $1 million of long-term debt, without penalty, associated with its Employee Stock Ownership Plan in January 1997. No other long-term debt is scheduled to be repaid over the next five years.

Purchase of T.I.C. Enterprises, Inc.

On February, 17, 1997, NUI entered into an LLC Interest Purchase Agreement (the "Agreement") by and among T.I.C. Enterprises, Inc. (T.I.C.) and its sole shareholder. Under the terms of this Agreement, NUI will acquire a 49% interest in T.I.C. Enterprises, LLC, a newly formed limited liability company that will continue the business of T.I.C., for a purchase price of $22 million. The Agreement also includes an additional incentive payment up to a maximum of $5.2 million to the sole shareholder if T.I.C.'s fiscal 1997 earnings, before interest and taxes, exceed $5 million. In addition, NUI has the option, during the period beginning April 2001 (subject to a one-year extension by the seller), to purchase the remaining 51% interest in T.I.C.

T.I.C. engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, NUI Energy, Inc. The purchase is expected to close in May 1997 and will be accounted for under the equity method. The excess of the purchase price over the Company's share of the underlying equity in net assets is estimated at approximately $20 million, which is expected to be amortized on a straight line basis over a period ranging from 15 to 20 years. The Company plans to finance this purchase with proceeds from short-term debt pending refinancing with proceeds from a common stock offering in September 1997.

PART II - OTHER INFORMATION

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

The following matters were presented for submission to a vote of security holders through the solicitation of proxies or otherwise during the second quarter of fiscal 1997.

The Annual Meeting of Shareholders of NUI Corporation was held on March 11, 1997. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A and there was no solicitation in opposition to management's nominees. At the meeting, the shareholders elected directors and ratified the appointment of independent public accountants..

The total votes were as follows:	For	Against or Withheld	Abstain
(1) Election of directors to serve for three-year terms:			
James J. Forese	9,913,519	177,157	
R. Van Whisnand	9,915,356	175,320	
(2) Ratification of the appointment of Arthur Andersen LLP as independent public accountants	9,620,897	418,764	51,015

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

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

(b) Reports on Form 8-K

On February 26, 1997, the Company filed a Form 8-K, Item 5, Other Events, reporting the signing of a definitive agreement to acquire a 49 percent interest in T. I. C. Enterprises, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUI CORPORATION

May 15, 1997	JOHN KEAN, JR. President and Chief Executive Officer
May 15, 1997	STEPHEN M. LIASKOS Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUI CORPORATION

May 15, 1997

John Kean, Jr.

President and Chief Executive Officer

May 15, 1997

Stephen M. Liaskos

Vice President and Controller
(Principal Accounting Officer)

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

(Mark One)

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

For the quarterly period ended June 30, 1997

OR

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

For the transition period from _______________ to____________________

Commission File Number 1-8353

NUI CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey
(State of incorporation)

22-1869941
(IRS employer identification no.)

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

(908) 781-0500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common stock, as of July 31, 1997: Common Stock, No Par Value: 11,382,679 shares outstanding.

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

	Three Months Ended June 30		Nine Months Ended June 30		Twelve Months Ended June 30	
	1997	1996	1997	1996	1997	1996
Operating Margins						
Operating revenues	$125,175	$95,517	$481,120	$391,247	$559,372	$451,954
Less - Purchased gas and fuel	83,575	55,695	309,910	220,355	357,678	252,060
Gross receipts and franchise taxes	5,895	6,258	29,830	32,861	33,896	36,651
	35,705	33,564	141,380	138,031	167,798	163,243
Other Operating Expenses						
Operations and maintenance	22,071	23,368	69,515	70,446	93,419	91,054
Depreciation and amortization	6,466	5,382	17,742	16,324	22,707	21,144
Other taxes	1,966	2,156	6,934	6,470	8,594	8,261
Income taxes	128	(682)	11,680	10,872	8,615	8,706
	30,631	30,224	105,871	104,112	133,335	129,165
Operating Income	5,074	3,340	35,509	33,919	34,463	34,078
Other Income and Expense, Net	973	59	1,626	167	2,019	211
Interest Expense	4,682	4,402	13,684	14,188	18,034	19,210
Net Income (Loss)	$1,365	$(1,003)	$23,451	$19,898	$18,448	$15,079
Net Income Per Share of Common Stock	$0.12	$(0.10)	$2.10	$2.11	$1.66	$1.61
Dividends Per Share of Common Stock	$0.235	$0.225	$0.705	$0.675	$0.93	$0.90
Weighted Average Number of Shares of Common Stock Outstanding	11,292,773	9,947,967	11,193,400	9,411,091	11,122,876	9,346,168

See the notes to the consolidated financial statements

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

	June 30, 1997 (Unaudited)	September 30, 1996 (*)
ASSETS		
Utility Plant		
Utility plant, at original cost	$665,631	$631,194
Accumulated depreciation and amortization	(214,083)	(200,456)
Unamortized plant acquisition adjustments	32,683	33,572
	484,231	464,310
Funds for Construction Held by Trustee	32,506	44,652
Investments in Marketable Securities, at market	2,204	4,417
Investment in TIC Enterprises, LLC	22,562	-
Current Assets		
Cash and cash equivalents	2,068	3,736
Accounts receivable (less allowance for doubtful accounts of $2,816 and $2,288, respectively)	65,446	43,589
Fuel inventories, at average cost	19,674	29,191
Unrecovered purchased gas costs	6,676	6,987
Prepayments and other	21,136	18,542
	115,000	102,045
Other Assets		
Regulatory assets	54,464	52,439
Deferred charges and other	9,895	9,799
	64,359	62,238
	$720,862	$677,662
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	$200,122	$179,107
Preferred stock	-	-
Long-term debt	230,100	230,100
	430,222	409,207
Capital Lease Obligations	9,454	10,503
Current Liabilities		
Current portion of long-term debt and capital lease obligations	1,439	2,546
Notes payable to banks	60,730	54,895
Accounts payable, customer deposits and accrued liabilities	77,370	66,372
Federal income and other taxes	9,363	2,947
	148,902	126,760
Deferred Credits and Other Liabilities		
Deferred Federal income taxes	60,605	59,328
Unamortized investment tax credits	6,287	6,635
Environmental remediation reserve	33,981	33,981
Regulatory and other liabilities	31,411	31,248
	132284	131,192
	$720,862	$677,662

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

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

	Nine Months Ended June 30,		Twelve Months Ended June 30,	
	1997	1996	1997	1996
Operating Activities				
Net income	$23,451	$19,898	$18,448	$15,079
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	18,340	16,398	24,257	21,521
Deferred Federal income taxes	1,372	5,296	3,645	4,817
Amortization of deferred investment tax credits	(348)	(351)	(464)	(467)
Other	1,145	4,704	1,058	5,612
Effect of changes in:				
Accounts receivable, net	(21,858)	(20,963)	(14,266)	(16,554)
Fuel inventories	9,517	11,477	(3,522)	1,177
Accounts payable, deposits and accruals	10,997	5,133	14,174	7,940
Over (under) recovered purchased gas costs	312	(5,416)	(6,154)	(10,759)
Other	(608)	(3,361)	(5,141)	1,926
Net cash provided by operating activities	42,320	32,815	32,035	30,292
Financing Activities				
Proceeds from sales of common stock, net of treasury stock purchased	4,030	31,568	3,833	31,324
Dividends to shareholders	(7,886)	(6,252)	(10,334)	(8,326)
Proceeds from issuance of long-term debt	-	39,000	-	39,000
Funds for construction held by trustee, net	13,635	(31,232)	15,818	(31,079)
Repayments of long-term debt	(950)	(30,101)	(987)	(38,874)
Principal payments under capital lease obligations	(1,370)	(1,439)	(1,760)	(1,919)
Net short-term borrowings (repayments)	5,835	(10,155)	32,950	11,680
Net cash provided by (used in) financing activities	13,294	(8,611)	39,520	1,806
Investing Activities				
Cash expenditures for utility plant	(35,923)	(23,080)	(49,896)	(32,217)
Investment in TIC Enterprises, LLC	(22,000)	-	(22,000)	-
Other	641	(482)	(1,834)	(134)
Net cash used in investing activities	(57,282)	(23,562)	(73,730)	(32,351)
Net increase (decrease) in cash and cash equivalents	$(1,668)	$ 642	$(2,175)	$ (253)
Cash and Cash Equivalents				
At beginning of period	$ 3,736	$ 3,601	$ 4,243	$ 4,496
At end of period	$ 2,068	$ 4,243	$ 2,068	$ 4,243
Supplemental Disclosures of Cash Flows				
Income taxes paid (refunds received), net	$ 3,909	$ 1,969	$ 4,552	$ 1,575
Interest paid	$15,165	$15,691	$15,691	$19,584

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as "NUI" or the "Company"). The Company distributes and sells natural gas and related services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York). In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy, Inc. ("Energy") subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. ("Brokers") subsidiary; bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its equity interest in TIC Enterprises, LLC (see Note 3).

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. All adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1996. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

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

2. Common Shareholders' Equity

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

	June 30, 1997	September 30, 1996
Common stock, no par value	$177,346	$171,968
Shares held in treasury	(1,586)	(1,564)
Retained earnings	25,751	10,117
Unrealized gain (loss) on marketable securities	(104)	389
Unearned employee compensation	(1,284)	(1,803)
Total common shareholders' equity	$200,122	$179,107

3. Purchase of Interest in TIC Enterprises, LLC

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

TIC engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, NUI Energy, Inc. The excess of the purchase price over the Company's share of the underlying equity in net assets of TIC is estimated on a preliminary basis to be approximately $20 million and is being amortized on a straight line basis over a 15 year period.

4. Derivative Financial Instruments

The Company engages in risk management activities to minimize the financial and business risks associated with fluctuating market prices for the purchase and sale of natural gas. The Company's unregulated subsidiaries utilize futures contracts, forward contracts, options contracts and swaps for the purpose of providing competitive energy supplies and hedging its retail sales.

Brokers utilizes such financial instruments for trading purposes and accordingly records realized and unrealized gains and losses by marking to market its various financial and forward commitments. Margin requirements for natural gas futures and options contracts are recorded in accounts receivable. Realized and unrealized gains and losses are recorded in the consolidated statement of income under purchased gas and fuel. At June 30, 1997, Brokers' futures contracts consisted of 922 contracts long and 757 contracts short at prices ranging from $2.10 to $2.50 per Mcf, none of which extend beyond January 1998, representing 16,790 MMcf of natural gas. Brokers' options contracts consisted of 40 contracts long and 228 contracts short with varying strike prices, none of which extend beyond July 1998, representing 2,680 MMcf of natural gas. Margin deposits with brokers was approximately $1 million at June 30, 1997. In addition, Brokers has forward sales and purchase commitments associated with contracts totaling 26,000 MMcf of natural gas, with terms extending through July 1998. Net realized and unrealized gains for the nine-month period ended June 30, 1997 was $1.1 million. During the nine-month period ended June 30, 1996, Brokers use of derivative financial instruments was not significant.

Energy utilizes financial instruments to ensure adequate margins on the sale of natural gas to its retail customers. Margin requirements for natural gas futures contracts are recorded as accounts receivable. Unrealized gains and losses on all futures and options contracts are deferred in the consolidated balance sheet as either a current asset or liability. Realized gains and losses on futures, forwards and options contracts are included in the consolidated statement of income under purchased gas and fuel when the underlying gas commodity hedged is purchased and sold to its customers. The value of Energy's futures contracts was not material at June 30, 1997.

The Company is exposed to credit risk in the event of nonperformance by counterparties to its various contracts. The Company maintains credit policies with regard to its counterparties that management believes significantly minimize overall credit risk.

5. New Accounting Standard

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

6. Contingencies

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

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

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

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

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

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

NUI Corporation and Subsidiaries
Summary Consolidated Operating Data

	Three Months Ended June 30, 1997	1996	Nine Months Ended June 30, 1997	1996	Twelve Months Ended June 30, 1997	1996
Operating Revenues (Dollars in thousands)						
Firm Sales:						
Residential	$41,064	$38,152	$177,769	$172,439	$199,172	$191,841
Commercial	20,623	21,346	92,849	94,298	105,995	107,933
Industrial	4,476	6,089	18,456	20,509	23,268	24,378
Interruptible Sales	11,224	14,323	41,946	38,267	54,329	56,194
Unregulated Sales	36,801	6,455	116,937	37,830	134,473	35,741
Transportation Services	7,097	5,828	21,996	17,651	27,432	22,122
Customer Service, Appliance Leasing and Other	3,890	3,324	11,167	10,253	14,703	13,745
	$125,175	$95,517	$481,120	$391,247	$559,372	$451,954
Gas Sold or Transported (MMcf)						
Firm Sales:						
Residential	3,922	3,930	20,968	22,615	23,163	24,542
Commercial	2,445	2,865	12,617	14,669	14,523	16,472
Industrial	1,086	1,252	3,798	4,370	4,835	5,463
Interruptible Sales	3,508	3,975	10,942	10,873	14,701	17,313
Unregulated Sales	17,102	4,986	41,407	12,730	47,852	13,089
Transportation Services	6,645	5,982	21,461	18,329	28,183	24,158
	34,708	22,990	111,193	83,586	133,257	101,037
Average Utility Customers Served						
Firm:						
Residential	335,884	333,011	335,892	332,883	334,697	331,806
Commercial	24,386	24,582	24,430	24,657	24,314	24,599
Industrial	299	329	310	338	317	387
Interruptible	120	118	122	126	117	133
Transportation	1,546	707	1,381	601	1,253	516
	362,235	358,747	362,135	358,605	360,698	357,440
Degree Days in New Jersey						
Actual	656	582	4,899	5,297	4,945	5,336
Normal	538	538	4,936	4,936	4,978	4,978
Percentage variance from normal	22% colder	8% colder	1% warmer	7% colder	1% warmer	7% colder
Employees (period end)					1,121	1,075
Ratio of Earnings to Fixed Charges (Twelve months only)					2.20	2.02

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

The following discussion and analysis refers to all operating divisions and subsidiaries of NUI Corporation (collectively referred to as the "Company"). The Company distributes and sells natural gas and related services in six states through its Northern and Southern utility divisions. The Northern Division operates in New Jersey as Elizabethtown Gas Company. The Southern Division operates in five states as City Gas Company of Florida, North Carolina Gas Service, Elkton Gas Service (Maryland), Valley Cities Gas Service (Pennsylvania) and Waverly Gas Service (New York). In addition to gas distribution operations, the Company provides retail gas sales and related services through its NUI Energy, Inc. subsidiary; wholesale energy brokerage and related services through its NUI Energy Brokers, Inc. subsidiary; bill processing and related customer services for utilities and municipalities through its Utility Business Services, Inc. subsidiary; and sales and marketing outsourcing through its equity interest in TIC Enterprises, LLC ("TIC")(see Note 3 of the Notes to the Consolidated Financial Statements). Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the results for an entire year.

Results of Operations

Three-Month Periods Ended June 30, 1997 and 1996

Net Income. Net income for the three-month period ended June 30, 1997 was $1.4 million, or $0.12 per share, as compared with a net loss of $1.0 million, or $0.10 per share, for the three-month period ended June 30, 1996. The increase in the current period was primarily the result of higher operating margins, lower operations and maintenance expenses and higher other income. This increase was partially offset by higher depreciation and amortization expenses.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the Company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the Company for purchased gas without affecting operating margins. Since the Company's utility operations do not earn a profit on the gas commodity element of its revenues, the Company's level of operating revenues is not necessarily indicative of financial performance. The Company's operating revenues increased by $29.7 million, or 31%, for the three-month period ended June 30, 1997 as compared with the three-month period ended June 30, 1996, principally due to an increase of approximately $30 million in revenues generated by the Company's unregulated operations. Operating revenues also increased due to a base rate increase in the Company's Florida service territory (see "Regulatory Matters), higher customer service and appliance leasing revenues, and customer growth. These increases were partially offset by lower revenues from interruptible and certain industrial customers due to lower gas prices incurred during the current period.

The Company's operating margins increased by $2.1 million, or 6%, for the three-month period ended June 30, 1997 as compared with the three-month period ended June 30, 1996. The increase principally reflects higher customer service and appliance leasing revenues, higher margins on sales by the Company's unregulated operations, the effect of a base rate increase in Florida and customer growth.

Other Operating Expenses. The Company's operations and maintenance expenses decreased by approximately $1.3 million, or 6%, for the three-month period ended June 30, 1997 as compared with the three-month period ended June 30, 1996. The decrease was primarily the result of lower pension and insurance expenses, and to the reversal of certain reserves which management determined to be no longer required. These decreases were partially offset by additional expenses related to the growth in the Company's unregulated operations.

Depreciation and amortization expense increased by approximately $1.1 million for the three-month period ended June 30, 1997 as compared with the three-month period ended June 30, 1996. The increase was principally due to approximately $0.7 million of goodwill amortization recorded for the period January 1, 1997 to June 30, 1997 related to the acquisition of TIC (see Note 3 of the Notes to the Consolidated Financial Statements), and higher depreciation expense as a result of additional plant in service.

The increase in income taxes for the current period was principally due to the effect of higher pre-tax income .

Other Income (Expense), Net. Other income and expense, net increased approximately $0.9 million for the three-month period ended June 30, 1997 as compared with the three-month period ended June 30, 1996, primarily due to after-tax earnings of approximately $0.8 million for the Company's 49% equity interest in TIC for the period January 1, 1997 through June 30, 1997 (see Note 3 of the Notes to the Consolidated Financial Statements).

Interest Expense. Interest expense increased by approximately $0.3 million for the three-month period ended June 30, 1997 as compared with the three-month period ended June 30, 1996. The increase principally reflects higher average short-term borrowings partially offset by lower average short-term rates and lower average long-term borrowings as a result of the repayment of amounts outstanding under the Company's $30 million credit agreement in May 1996.

Nine-Month Periods Ended June 30, 1997 and 1996

Net Income. Net income for the nine-month period ended June 30, 1997 was $23.5 million, or $2.10 per share, as compared with net income of $19.9 million, or $2.11 per share, for the nine-month period ended June 30, 1996. The increase in the current period was primarily due to higher operating margins, higher other income and lower operations, maintenance and interest expenses. These increases were partially offset by higher depreciation, amortization and other taxes expenses.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues increased by $89.9 million, or 23%, for the nine-month period ended June 30, 1997 as compared with the nine-month period ended June 30, 1996. The increase was principally due to an increase of approximately $79 million in revenues generated by the Company's unregulated operations, the effect of purchased gas adjustment clauses, a base rate increase in the Company's Florida service territory, increased customer service and appliance leasing revenues, and customer growth. These increases were partially offset by the effect of warmer weather in the 1997 period in all of the Company's service territories.

The Company's operating margins increased by $3.3 million, or 2%, for the nine-month period ended June 30, 1997 as compared with the nine-month period ended June 30, 1996. The increase principally reflects higher margins on sales by the Company's unregulated operations, including $1.1 million of net realized and unrealized gains recognized on financial and forward commitments by NUI Energy Brokers, Inc. (see Note 1 of the Notes to the Consolidated Financial Statements). Operating margins were also increased due to the effect of the rate case in Florida, higher customer service and appliance leasing revenues, and customer growth. These increases were partially offset by the effect of warmer weather in the 1997 period in all of the Company's service territories, part of which was not fully recovered from customers under weather normalization clauses, and lower amounts billed to certain of the Company's Florida customers for its energy conservation program. The Company is allowed to pass through to its customers costs incurred for various energy conservation programs. The Company does not earn a profit on these billings as operations expense is charged or credited for any difference between amounts billed to customers and amounts actually incurred. The Company has weather normalization clauses in its New Jersey and North Carolina tariffs which are designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of weather normalization clauses, operating margins were approximately $0.7 million higher for the 1997 period than they would have been without such clauses. For the nine-month period ended June 30, 1996, operating margins were $2.2 million less than they would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses decreased by approximately $0.9 million for the nine-month period ended June 30, 1997 as compared with the nine-month period ended June 30, 1996. The decrease was primarily the result of the capitalization of costs associated with the development and implementation of new information technology, lower pension and insurance expenses, lower expenses charged for the Company's energy conservation programs in Florida and the reversal of certain reserves which management determined to be no longer required. These decreases were partially offset by expenses incurred to consolidate two of the Company's New Jersey service facilities and additional expenses related to the growth in the Company's unregulated operations.

Depreciation and amortization increased approximately $1.4 million over the prior year period primarily due to approximately $0.7 million of goodwill amortization recorded for the period January 1, 1997 to June 30, 1997 related to the acquisition of an equity interest in TIC (see Note 3 of the Notes to the Consolidated Financial Statements), and higher depreciation expense as a result of additional plant in service.

The increase in other taxes of approximately $0.5 million in the current period was mainly due to higher payroll-related taxes as a result of more employees.

Other Income and (Expense), Net. Other income and expense, net increased approximately $1.5 million for the nine-month period ended June 30, 1997 as compared with the nine-month period ended June 30, 1996. The increase was primarily due to after-tax earnings of approximately $0.8 million for the Company's 49% equity interest in TIC for the period January 1, 1997 through June 30, 1997 (see Note 3 of the Notes to the Consolidated Financial Statements), and to the sale of certain marketable securities resulting in a realized gain of $0.7 million.

Interest Expense. Interest expense decreased by approximately $0.5 million for the nine-month period ended June 30, 1997 as compared with the nine-month period ended June 30, 1996. The decrease was primarily due to lower average long-term borrowings as a result of the repayment of amounts outstanding under the Company's $30 million credit agreement in May 1996, partially offset by an increase in short-term interest expense due to higher average borrowings.

Twelve-Month Periods Ended June 30, 1997 and 1996

Net Income. Net income for the twelve-month period ended June 30, 1997 was $18.4 million, or $1.66 per share, as compared with $15.1 million, or $1.61 per share, for the twelve-month period ended June 30, 1996. The increase in the current period was primarily due to higher operating margins, higher other income and lower interest expense. These increases were partially offset by higher operations and maintenance, depreciation and other taxes expenses.

Net income per share in the current period was affected by the increased number of outstanding shares of common stock over the prior period, principally reflecting the Company's issuance of 1.8 million additional shares in May 1996.

Operating Revenues and Operating Margins. The Company's operating revenues for the twelve-month period ended June 30, 1997 increased approximately $107.4 million, or 24%, as compared with the twelve-month period ended June 30, 1996. The increase was primarily due to an increase in sales by the Company's unregulated operations of approximately $98 million, the effects of purchased gas adjustment clauses, increased customer service and appliance leasing revenues, a base rate increase in Florida and customer growth. These increases were partially offset by warmer weather in the current period in all of the Company's service territories.

The Company's operating margins increased by $4.6 million, or 3%, for the twelve-month period ended June 30, 1997 as compared with the twelve-month period ended June 30, 1996. The increase was principally the result of higher margins on sales by the Company's unregulated operations, higher customer service and appliance leasing revenues, the base rate increase in Florida and increases in the number of customers served. As a result of weather normalization clauses, operating margins were approximately $0.7 million more in the 1997 period than they would have been without such clauses. For the twelve-month period ended June 30, 1996, operating margins were $2.2 million less than they would have been without such clauses.

Other Operating Expenses. Operations and maintenance expenses increased approximately $2.4 million, or 3%, for the twelve-month period ended June 30, 1997 as compared with the twelve-month period ended June 30, 1996. The increase was primarily due to additional expenses related to the growth of the Company's unregulated operations, and expenses incurred to consolidate two of the Company's New Jersey service facilities. These increases were partially offset by the capitalization of software development costs, lower pension and insurance costs, and the reversal of certain reserves which management determined to be no longer required.

Depreciation and amortization expense increased approximately $1.6 million over the prior year period primarily due to approximately $0.7 million of goodwill amortization recorded for the period January 1, 1997 to June 30, 1997 related to the acquisition of an equity interest in TIC (see Note 3 of the Notes to the Consolidated Financial Statements), and higher depreciation expense as a result of additional plant in service.

Other Income and Expense, Net. Other income and expense, net increased approximately $1.8 million primarily due to after-tax earnings of approximately $0.8 million for the Company's 49% equity interest in TIC for the period January 1, 1997 through June 30, 1997 (see Note 3 of the Notes to the Consolidated Financial Statements), and to the sale of certain marketable securities resulting in a realized gain of $0.7 million.

Interest Expense. Interest expense decreased by $1.2 million, or 6%, for the 1997 period as compared with the 1996 period primarily due to lower levels of outstanding borrowings.

Regulatory Matters

On August 12, 1997, the Northern Division filed a proposed revision to its weather normalization clause with the NJBPU to reflect an increase in the level of normal degree days used to determine margin revenue differences associated with variations between the actual degree days experienced in the months of October through April and the degree days that underlie the Company's base rates. The revised normal degree days are intended to adjust for a bias in historical weather data created by the National Oceanic and Atmospheric Administration's installation of a device to measure temperature known as the automatic surface observing system. An Order is expected later in the Fall of 1997. The Company will file a petition shortly to recover additional margin revenues associated with this revision.

On July 31, 1997, the Northern Division filed a proposal with the NJBPU to increase its annual purchased gas adjustment revenues by approximately $8 million and change the way it passes along gas supply costs to its different classes of customers. The filing proposes to collect the commodity component of purchased gas and the fixed costs the Company incurs on behalf of its customers to supply gas service separately. The filing also includes a request to incorporate a performance based mechanism whereby Northern Division customers and the Company would benefit from the Company's ability to secure gas at rates more favorable than a market index benchmark. The proposed mechanism would provide an 80/20 sharing, with Northern Division customers receiving the greater percentage of risk and opportunity on the difference between a monthly market benchmark and the actual cost of purchased gas. Action by the NJBPU on the Company's proposal is expected in the Fall of 1997.

On May 13, 1997, the New Jersey Board of Public Utilities (the "NJBPU") approved an order (replacing an interim order dated December 4, 1996) authorizing the Northern Division to increase its annual purchased gas adjustment revenues by approximately $22 million. The increase was effective in December 1996 and reflects higher gas prices incurred in the current year.

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

Financing Activities and Resources

The Company had net cash provided by operating activities of $42.3 million for the nine-month period ended June 30, 1997 as compared with $32.8 million for the nine-month period ended June 30, 1996. For the twelve-month period ended June 30, 1997, the Company had net cash provided by operating activities of $32.0 million as compared with $30.3 million for the twelve-month period ended June 30, 1996. The increases in the 1997 periods as compared with the 1996 periods were primarily due to additional cash collected resulting in a lower under-collection of gas costs through the Company's purchased gas adjustment clauses and higher accounts payable due to increased purchases by the Company's unregulated operations.

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

Short-Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $64.4 million at 5.3% for the nine-month period ended June 30, 1997 and $40.7 million at 5.8% for the nine-month period ended June 30, 1996. The weighted average daily amounts of notes payable to banks increased principally due to the under-collection of gas through the Company's purchased gas adjustment clauses as a result of significantly higher gas prices incurred, borrowings to finance the Company's acquisition of a 49% interest in TIC and additional borrowings to finance construction expenditures. At June 30, 1997, the Company had outstanding notes payable to banks amounting to $60.7 million and available unused lines of credit amounting to $90 million.

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

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

The Company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of June 30, 1997, the total unexpended portions of all of the Company's Gas Facilities Revenue Bonds were approximately $29 million and are classified on the Company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee.

Common Stock. The Company periodically issues shares of common stock in connection with NUI Direct, the Company's dividend reinvestment and stock purchase plan, and various employee benefit plans. The proceeds from such issuances amounted to approximately $4 million and $0.2 million during the nine-month periods ended June 30, 1997 and 1996, respectively, and were used primarily to reduce outstanding short-term debt. Under the terms of these plans, the Company may periodically change the method of purchasing shares from open market purchases to purchases directly from the Company, or vice versa.

The Company anticipates issuing no more than 2 million additional shares of common stock in the Fall of 1997 for the purpose of refinancing short-term debt incurred to finance its acquisition of a 49% interest in TIC and for general corporate purposes.

Dividends. On October 29, 1996, the Company increased its quarterly dividend to $0.235 per share of common stock. The previous quarterly rate was $0.225 per share of common stock.

The Company's long-term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the Company is permitted to pay approximately $41 million of cash dividends at June 30, 1997.

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were $35.9 million for the nine-month period ended June 30, 1997 as compared with $23.1 million for the nine-month period ended June 30, 1996. Capital expenditures are expected to be approximately $54 million for all of fiscal 1997, as compared with a total of $37.1 million in fiscal 1996. The increase over the 1996 periods was primarily the result of planned capital investment related to providing gas or transportation service to new customers, which is mainly occurring in the Company's Southern Division, and to the Company's investment in new information technology designed to enhance productivity in the long term.

The Company owns or previously owned six former manufactured gas plant ("MGP") sites in the Northern Division and ten MGP sites in the Southern Division. The Company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting remedial actions, as well as the likelihood of whether such actions will be necessary. The Company records a reserve if it is probable that a liability will be incurred and the amount of the liability is reasonably estimable. Based on the Company's most recent assessment, the Company has recorded a total reserve for environmental investigation and remediation costs of approximately $34 million, which the Company expects it will expend in the next twenty years to remediate the Company's MGP sites. Of this reserve, approximately $30 million relates to Northern Division MGP sites and approximately $4 million relates to Southern Division MGP sites. However, the Company believes that it is possible that costs associated with conducting investigative activities and implementing remedial actions, if necessary, with respect to all of its MGP sites may exceed the approximately $34 million reserve by an amount that could range up to $24 million and be incurred during a future period of time that may range up to fifty years. Of this $24 million in possible future expenditures, approximately $12 million relates to the Northern Division MGP sites and approximately $12 million relates to the Southern Division MGP sites. As compared with the approximately $34 million reserve discussed above, the Company believes that it is less likely that this additional $24 million will be incurred and therefore has not recorded it on its books. The Company believes that all costs associated with the Northern Division MGP sites will be recoverable in rates or from insurance carriers. The Company is able to recover actual MGP expenses over a rolling seven-year period through its MGP Remediation Adjustment Clause ("RAC"). The NJBPU approved the Company's initial RAC rate filing on April 2, 1997 at which time the Company began recovery of approximately $3.1 million of costs, which represents environmental costs incurred from inception through June 30, 1996. On August 5, 1997, the Company made a filing with the NJBPU to recover an additional $0.5 million in environmental costs incurred from July 1, 1996 through June 30, 1997. An Order from the NJBPU is expected in the Fall. With respect to costs which may be associated with the Southern Division MGP sites, the Company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the Company is not able at this time to express a belief as to whether any or all of these recovery efforts related to the Southern Division MGP sites will ultimately be successful. For a further discussion of environmental matters, see Note 6 of the Notes to the Consolidated Financial Statements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $75 million annually. The Company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. The Company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 10 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The Company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The implementation of the Federal Energy Regulatory Commission's ("FERC") Order No. 636 required the restructuring of the Company's contracts with certain pipeline companies that together supply less than one-third of the Company's total firm gas supply. Under Order No. 636 the pipeline companies are passing through to their customers transition costs associated with mandated restructuring, such as costs resulting from buying out unmarketable gas purchase contracts. All of such costs have been authorized for recovery through the Company's purchased gas adjustment clauses, including such costs incurred by the Company's Pennsylvania operations. On April 24, 1997 the

Company received approval from the Pennsylvania Public Utilities Commission to recover FERC Order 636 costs effective May 1, 1997. The Company currently estimates that its remaining Order No. 636 transition obligation will be approximately $6 million, which it expects to also recover through the Company's purchased gas adjustment clauses as these costs are incurred. This transition obligation is subject to possible future FERC actions based upon filings by the Company's pipeline suppliers.

The Company prepaid approximately $1 million of long-term debt, without penalty, associated with its Employee Stock Ownership Plan in January 1997. The Company will be prepaying $54.6 million of its Gas Facilities Revenue Bonds in October 1997 with proceeds received from a new bond issuance (see "Financing Activities and Resources- Long-Term Debt and Funds for Construction Held by Trustee"). No other long-term debt is scheduled to be repaid over the next five years.

Purchase of Interest in TIC Enterprises, LLC

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

TIC engages in the business of recruiting, training and managing sales professionals and serving as sales and marketing representatives for various businesses, including the Company's subsidiary, NUI Energy, Inc. The excess of the purchase price over the Company's share of the underlying equity in net assets of TIC is estimated on a preliminary basis to be approximately $20 million and is being amortized on a straight line basis over a 15 year period.

Other Matters

NUI Environmental Group, Inc., a wholly-owned subsidiary of the Company ("NUI Environmental"), was formed in 1996 to develop strategies for reducing the accumulation of sediment in the New Jersey/New York harbor and improving accessibility to the harbor to commercial shipping traffic. NUI Environmental has entered into a Memorandum of Understanding with the United States Department of Energy/Brookhaven National Laboratories to develop sediment processing and decontamination technologies.

PART II - OTHER INFORMATION

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

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit No.	Description of Exhibit	Reference
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith
27	Financial Data Schedule	Filed herewith

(b) Reports on Form 8-K

None

EXHIBIT 12

NUI CORPORATION AND SUBSIDIARIES
CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES
FOR THE TWELVE MONTHS ENDED JUNE 30, 1997 AND 1996
(000's)

	1997	1996
Income from continuing operations before income taxes	$28,150	$23,969
Add:		
Interest element of rentals charged to income (a)	3,206	3,148
Interest expense	20,036	20,137
Earnings as defined	$51,392	$47,254
Interest expense	$20,036	$20,137
Capitalized interest	135	100
Interest element of rentals charged to income(a)	3,206	3,148
Fixed charges as defined	$23,377	$23,385
CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES	2.20	2.02

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	NUI CORPORATION
August 14, 1997	JOHN KEAN, JR. President and Chief Executive Officer
August 14, 1997	STEPHEN M. LIASKOS Vice President and Controller (Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUI CORPORATION

August 14, 1997

John Kean, Jr.

President and Chief Executive Officer

August 14, 1997

Stephen M. Liaskos

Vice President and Controller
(Principal Accounting Officer)

NUI CORPORATION AND SUBSIDIARIES
ESTIMATED CONSOLIDATED SOURCES AND USES OF FUNDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1998
(dollars in thousands)

EXHIBIT B-1

SOURCES OF FUNDS	
NET INCOME	$ 25,200
DEPRECIATION AND AMORTIZATION	26,500
CONSTRUCTION FUNDS, NET	15,000
PROCEEDS FROM SALE OF COMMON STOCK	6,400
DEFERRED FEDERAL INCOME TAXES	3,000
OTHER	1,000
	77,100
USES OF FUNDS	
CAPITAL EXPENDITURES	(57,000)
DIVIDENDS TO SHAREHOLDERS	(12,350)
INVESTMENT IN TIC ENTERPRISES, LLC	(2,600)
REPAYMENTS OF CAPITAL LEASES	(1,800)
WORKING CAPITAL CHANGES	(20,880)
AMORTIZATION OF ITC	(470)
OTHER	(2,000)
	(97,100)
NET BORROWINGS	$ 20,000

CITY GAS COMPANY OF FLORIDA
A DIVISION OF NUI CORPORATION
ESTIMATED CONSTRUCTION SPENDING
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1998

(dollars in thousands)

EXHIBIT B-2

NEW BUSINESS	
Mains	$ 4,470
Services	1,684
Meters and Regulators	990
	7,144
EXISTING PLANT	
Replacement Mains	1,335
Replacement Services	170
Gate Stations	459
Property Improvements	113
	2,077
OTHER EXPENDITURES	
Special Projects	2,769
Equipment and Tools	343
Vehicles	844
Appliances	1,499
Informations Systems	124
Other	395
	5,974
TOTAL CAPITAL EXPENDITURES	$ 15,195

EXHIBIT B-2