

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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### FILER

#### **NUI CORP**

CIK: **70668** | IRS No.: **221869941** | State of Incorp.: **NJ** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **001-08353** | Film No.: **94528070**  
SIC: **4924** Natural gas distribution

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended March 31, 1994

Commission File # 1-8353

NUI CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey

(State of incorporation)

22-1869941

(I.R.S. 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)

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

Yes  [X]

No

The number of shares outstanding of each of the registrant's classes of common stock, as of April 22, 1994: Common Stock, No Par Value: 9,014,383 shares outstanding.

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

|   | Three Months Ended<br>March 31, |           | Six Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|-------------------------------|-----------|
|   | 1993                            | 1994      | 1993                          | 1994      |
| Operating Revenues  | \$132,036                       | \$152,537 | \$233,151                     | \$258,140 |
|   | -----                           | -----     | -----                         | -----     |
| Operating Expenses  |                                 |           |                               |           |
| Purchased gas and fuel  | 71,873                          | 88,983    | 127,977                       | 147,817   |
| Other operation   | 17,652                          | 19,474    | 33,464                        | 36,943    |
| Maintenance   | 1,372                           | 1,628     | 2,678                         | 3,108     |
| Depreciation and<br>amortization                                    | 3,773                           | 4,238     | 7,517                         | 8,422     |
| General taxes   | 15,186                          | 16,553    | 25,812                        | 27,695    |
| Income taxes  | 6,228                           | 6,296     | 9,715                         | 9,439     |
|   | -----                           | -----     | -----                         | -----     |
| Total operating expenses  | 116,084                         | 137,172   | 207,163                       | 233,424   |
|   | -----                           | -----     | -----                         | -----     |
| Operating Income  | 15,952                          | 15,365    | 25,988                        | 24,716    |
|   | -----                           | -----     | -----                         | -----     |
| Other Income and Expense  |                                 |           |                               |           |
| Dividend & interest income  | 95                              | 85        | 191                           | 157       |
| Other income, net   | 257                             | 59        | 394                           | 278       |
| Income taxes  | (108)                           | (51)      | (233)                         | (87)      |
|   | -----                           | -----     | -----                         | -----     |
| Total other income<br>and expense, net                              | 244                             | 93        | 352                           | 348       |
|   | -----                           | -----     | -----                         | -----     |
| Interest Expense  | 3,458                           | 3,640     | 6,844                         | 7,394     |
|   | -----                           | -----     | -----                         | -----     |
| Net Income  | \$12,738                        | \$11,818  | \$19,496                      | \$17,670  |
|   | =====                           | =====     | =====                         | =====     |
| Net Income Per Share<br>of Common Stock                             | \$1.57                          | \$1.43    | \$2.41                        | \$2.14    |
| Dividends Per Share<br>of Common Stock                              | \$0.395                         | \$0.40    | \$0.79                        | \$0.80    |
| Weighted Average Number<br>of Shares of Common<br>Stock Outstanding | 8,111,627                       | 8,262,229 | 8,084,284                     | 8,239,986 |

See the notes to the condensed consolidated financial statements.

NUI Corporation and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Dollars in thousands)

|   | September 30,<br>1993<br>(* ) | March 31,<br>1994<br>(Unaudited) |
|---|-------------------------------|----------------------------------|
| <b>ASSETS</b>   |                               |                                  |
| Property, Plant and Equipment                                       |                               |                                  |
| Utility plant, at original cost                                     | \$483,853                     | \$504,705                        |
| Accumulated depreciation<br>and amortization                        | (151,725)                     | (158,554)                        |
| Unamortized plant acquisition<br>adjustment                         | 15,084                        | 23,823                           |
|   | -----                         | -----                            |
| Net utility plant   | 347,212                       | 369,974                          |
|   | -----                         | -----                            |
| Funds for Construction Held by Trustee                              | 24,184                        | 19,191                           |
| Investments in Marketable Securities                                | 3,986                         | 3,468                            |
| Current Assets  |                               |                                  |
| Cash and temporary cash investments                                 | 1,873                         | 3,938                            |
| Accounts receivable   | 27,675                        | 67,400                           |
| Allowance for doubtful accounts                                     | (1,225)                       | (2,815)                          |
| Fuel inventories, at average cost,<br>and deferred cost of gas, net | 28,456                        | 6,415                            |
| Current portion of Deferred Federal<br>income taxes                 | 2,134                         | --                               |
| Materials, supplies and other                                       | 10,031                        | 24,432                           |
|   | -----                         | -----                            |
| Current assets  | 68,944                        | 99,370                           |
|   | -----                         | -----                            |
| Deferred Charges and Other Assets                                   | 42,210                        | 44,002                           |
|   | -----                         | -----                            |

\$486,536

=====

\$536,005

=====

\*Derived from audited financial statements.

See the notes to the condensed consolidated financial statements.

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NUI Corporation and Subsidiaries  
Condensed Consolidated Balance Sheets  
(Dollars in thousands)

|  | September 30,<br>1993<br>(*) | March 31,<br>1994<br>(Unaudited) |
|--|------------------------------|----------------------------------|
| CAPITALIZATION AND LIABILITIES                                     |                              |                                  |
| Capitalization   |                              |                                  |
| Common shareholders' equity  | \$122,384                    | \$136,568                        |
| Preferred stock  | --                           | --                               |
| Long-term debt   | 142,090                      | 142,027                          |
|  | -----                        | -----                            |
| Capitalization   | 264,474                      | 278,595                          |
|  | -----                        | -----                            |
| Capital Lease Obligations  | 12,290                       | 11,714                           |
|  | -----                        | -----                            |
| Current Liabilities  |                              |                                  |
| Current portion of long-term debt<br>and capital lease obligations | 3,882                        | 3,688                            |
| Notes payable to banks   | 69,325                       | 81,045                           |
| Accounts payable, customer deposits<br>and accrued liabilities     | 48,513                       | 58,331                           |
| General taxes  | 6,078                        | 2,821                            |

|  |           |           |
|--|-----------|-----------|
| Federal income taxes                   | 5,057     | 10,940    |
|  | -----     | -----     |
| Current liabilities                    | 132,855   | 156,825   |
|  | -----     | -----     |
| Deferred Credits and Other Liabilities |           |           |
| Deferred Federal income taxes          | 36,703    | 41,339    |
| Unamortized investment tax credits     | 7,687     | 7,424     |
| Other liabilities                      | 32,527    | 40,108    |
|  | -----     | -----     |
| Deferred credits and other liabilities | 76,917    | 88,871    |
|  | =====     | =====     |
|  | \$486,536 | \$536,005 |
|  | =====     | =====     |

\*Derived from audited financial statements

See the notes to the condensed consolidated financial statements

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

|   | Six Months Ended |          |
|---|------------------|----------|
|   | March 31,        |          |
|   | 1993             | 1994     |
| Operating Activities  |                  |          |
| Net income  | \$19,496         | \$17,670 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |          |
| Depreciation and amortization   | 8,161            | 9,030    |
| Deferred Federal income taxes   | 5,935            | 3,671    |
| Amortization of deferred investment tax credits                                   | (227)            | (228)    |
| Other   | 1,340            | 1,810    |
| Effect of changes in:   |                  |          |
| Accounts receivable, net  | (29,804)         | (38,135) |
| Fuel inventories  | 15,175           | 22,041   |
| Accounts payable, deposits and accruals   | 4,780            | 17,729   |

|  |          |          |
|--|----------|----------|
| General taxes  | (21,259) | (17,297) |
|  | (4,920)  | (2,873)  |
| Other  | -----    | -----    |
| Net cash provided by (used for) operating activities | (1,323)  | 13,418   |
|  | -----    | -----    |
| Financing Activities                                 |          |          |
| Proceeds from sales of Common Stock                  | 2,432    | 2,884    |
| Dividends to shareholders                            | (6,379)  | (6,603)  |
| Funds for construction held by trustee               | 4,425    | 5,350    |
|  |          |          |
| Repayments of long-term debt                         | (1,000)  | --       |
| Principal payments under capital lease obligations   | (936)    | (1,036)  |
|  | 18,275   | 11,720   |
| Net short-term borrowings                            | -----    | -----    |
|  | 16,817   | 12,315   |
| Net cash provided by financing activities            | -----    | -----    |
| Investing Activities                                 |          |          |
|  |          |          |
| Cash expenditures for property, plant and equipment  | (14,764) | (23,672) |
| Proceeds from (investments in) marketable securities | (439)    | 659      |
|  | (380)    | (655)    |
| Other  | -----    | -----    |
|  | (15,583) | (23,668) |
| Net cash used for investing activities               | -----    | -----    |
|  | \$ (89)  | \$2,065  |
| Net Change in Cash and Temporary Cash Investments    | ===      | =====    |
| Cash and Temporary Cash Investments                  |          |          |
|  |          |          |
| At beginning of period                               | \$3,487  | \$1,873  |
| At end of period                                     | 3,398    | 3,938    |
| Supplemental Disclosures of Cash Flows               |          |          |
| Income taxes paid                                    | \$971    | \$--     |
| Interest paid  | 7,856    | 7,580    |

See the notes to the condensed consolidated financial statements.

NUI Corporation and Subsidiaries  
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The Condensed Consolidated Financial Statements, which include the accounts of NUI Corporation ("NUI") and its subsidiaries (the "Company"), 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 Condensed 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, 1993.

The Company distributes natural gas in New Jersey and Florida and since April 19, 1994, in the states of North Carolina, Maryland, Pennsylvania and New York. See "Acquisition of Pennsylvania & Southern Gas Company," Note 2 of the Notes to the Condensed 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.

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 Pennsylvania & Southern Gas Company ("PSGS") pursuant to which PSGS was merged with and into NUI (the "PSGS Merger"). The transaction was valued at approximately \$17 million. PSGS is a gas distribution utility with approximately 22,000 customers with operations in Pennsylvania, New York, Maryland and North Carolina. Upon consummation of the PSGS Merger, the Company's principal operating subsidiary, Elizabethtown Gas Company, was merged with and into NUI (the "EGC Merger").

The PSGS Merger is being accounted for as a purchase in accordance with generally accepted accounting principles and the results of operations of PSGS will be consolidated with those of NUI as of April 19, 1994. Due to the effects of the regulatory process, the underlying net assets of PSGS will become the assets of NUI 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 approximates \$10.4 million, including the effects of providing deferred Federal income taxes. This will be added to utility plant as a "utility plant acquisition adjustment" and amortized over a thirty-year period, which approximates the remaining useful life of the utility plant acquired. The utility plant acquisition adjustment is



preliminary and may be affected by either the potential sale of certain non-utility assets or the recognition of liabilities previously not recorded on the financial statements of PSGS (see Note 4, "Contingencies"). Should any such events occur and become subject to reasonable quantification within one year, the amount of the plant acquisition adjustment would be changed accordingly.

Under its business plan, the Company concentrates on customer growth and the profitability of the gas distribution business. The PSGS Merger, which results in a seven percent increase in the number of customers served, and the EGC Merger, through which NUI becomes an operating utility company providing gas service in six states, fit within the business plan. Further growth opportunities, which could include the acquisition of additional gas distribution companies, the development of new franchises and the management of certain service requirements of other utilities on a contract basis, would likely require additional debt and equity financing.

### 3. Common Shareholders' Equity

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

|  | September 30,<br>1993 | March 31,<br>1994  |
|--|-----------------------|--------------------|
| Common Stock, no par value                 | \$114,895             | \$117,779          |
| Shares held in treasury                    | (797)                 | (797)              |
| Retained earnings                          | 9,718                 | 20,865             |
| Valuation of marketable securities         | (93)                  | --                 |
| Subsidiary's guaranty of ESOP indebtedness | (1,339)               | (1,279)            |
|  | -----                 | -----              |
| Total common shareholders' equity          | \$122,384<br>=====    | \$136,568<br>===== |

### 4. Contingencies

Environmental Matters. 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 "EPA"), the New Jersey Department of Environmental Protection and Energy (the "NJDEPE"), and other federal and state agencies.

The Company owns, or previously owned, certain properties on which gas was manufactured by the New Jersey Division or by other parties in the past. Coal tar residues are present on six of these sites and the Company has reported their presence to the EPA, the NJDEPE and the New Jersey Board of Regulatory Commissioners (the "NJBRC"). In April 1991, the NJDEPE issued an Administrative Consent Order that established the procedures to be followed by the Company in the development of its remediation plan for one of the sites. Subsequently, the Company and the NJDEPE entered into Memoranda of Agreement that establish procedures for the development of investigation and remediation plans for the other five sites.

The Company expects it will expend in the next twenty years approximately \$25 million to complete investigation of such sites and the remediation of the coal tar contamination, net of approximately \$6 million that the Company estimates will be borne by the prior owner and operator of certain of the sites. The Company, with the assistance of an outside consulting firm, determined the estimated expenditure by assessing the cost of (1) obtaining additional required data about each site and (2) the applicable remedial action, among those currently known, that is most

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appropriate for each site. The ultimate costs will depend upon the investigation and remediation plans that finally are adopted by the Company, subject to the approval of the NJDEPE, and may be less or greater than the Company's current estimate. The Company has an accrual of approximately \$25 million for investigation and remediation of the sites and the related costs have been deferred on its Consolidated Balance Sheet.

The Company believes that its remediation costs will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers. The current base rate order for the New Jersey Division permits the Company to utilize full deferred accounting for coal tar related expenditures, which amounted to approximately \$ 0.4 million for the first six months of fiscal 1994 and \$0.1 million for the first six months of fiscal 1993. The current base rate order provides for the recovery through rates of \$130,000 annually of coal tar related expenditures incurred prior to the rate order. Other New Jersey utilities also have received authorization to recover similar environmental expenditures in rates.

During the course of its due diligence activities in connection with the PSGS Merger, the Company was informed that PSGS had operated ten former coal gas manufacturing facilities, only three of which PSGS still owns. No provision had been made in PSGS' financial statements for potential clean-up costs. The Company cannot at this time determine the costs for any of these sites or the regulatory treatment if clean-up is

required. The Company, with the assistance of an outside consulting firm, is in the process of determining whether any contamination exists at such sites, and in such event, the estimated cost of clean-up.

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

NUI Corporation and Subsidiaries  
Summary Consolidated Operating Data

|                     | Three Months Ended<br>March 31, |               | Six Months Ended<br>March 31, |               |
|---------------------|---------------------------------|---------------|-------------------------------|---------------|
|                     | 1993                            | 1994          | 1993                          | 1994          |
| Operating Revenues  |                                 |               |                               |               |
| Firm Sales:         |                                 |               |                               |               |
| Residential         | \$70,820                        | \$82,395      | \$120,471                     | \$134,334     |
| Commercial          | 37,946                          | 45,764        | 66,176                        | 75,965        |
| Industrial          | 7,501                           | 9,387         | 13,714                        | 15,722        |
| Interruptible Sales | 11,197                          | 10,553        | 24,415                        | 22,278        |
| Transportation      |                                 |               |                               |               |
| Services            | 3,397                           | 2,765         | 6,103                         | 6,243         |
| Off-system Sales    |                                 | 432           |                               | 1,147         |
| Appliance Leasing,  | 1,175                           | 1,241         | 2,272                         | 2,451         |
| Fees and Other      | -----                           | -----         | -----                         | -----         |
| <br>Total           | <br>\$132,036                   | <br>\$152,537 | <br>\$233,151                 | <br>\$258,140 |
|                     | =====                           | =====         | =====                         | =====         |
| Gas Sold or         |                                 |               |                               |               |
| Transported (MMcf): |                                 |               |                               |               |
| Firm Sales:         |                                 |               |                               |               |
| Residential         | 9,419                           | 10,567        | 15,724                        | 16,972        |
| Commercial          | 5,980                           | 6,783         | 10,386                        | 11,342        |
| Industrial          | 1,509                           | 1,795         | 2,795                         | 3,051         |
| Interruptible Sales | 3,415                           | 2,832         | 7,089                         | 6,291         |
| Transportation      |                                 |               |                               |               |
| Services            | 4,301                           | 3,217         | 8,116                         | 7,777         |
|                     | --                              | 243           | --                            | 583           |
| Off-system Sales    | -----                           | -----         | -----                         | -----         |

|                                     |            |            |            |            |
|-------------------------------------|------------|------------|------------|------------|
| Total                               | 24,624     | 25,437     | 44,110     | 46,016     |
|                                     | =====      | =====      | =====      | =====      |
| Average Customers Served:           |            |            |            |            |
| Firm:                               |            |            |            |            |
| Residential                         | 297,770    | 304,569    | 296,986    | 303,084    |
| Commercial                          | 21,043     | 21,679     | 20,965     | 21,559     |
| Industrial                          | 400        | 382        | 400        | 382        |
| Interruptible and Transportation    | 183        | 196        | 183        | 199        |
|                                     | -----      | -----      | -----      | -----      |
| Total                               | 319,396    | 326,826    | 318,534    | 325,224    |
|                                     | =====      | =====      | =====      | =====      |
| Degree Days:                        |            |            |            |            |
| New Jersey (normal: 4,978 annually) | 2,592      | 2,915      | 4,239      | 4,548      |
| Percentage variance from normal     | 3% warmer  | 9% colder  | 3% warmer  | 3% colder  |
| Florida (normal: 377 annually)      | 130        | 130        | 191        | 245        |
| Percentage variance from normal     | 51% warmer | 51% warmer | 49% warmer | 34% warmer |

|                             |     |       |     |       |
|-----------------------------|-----|-------|-----|-------|
| Average Number of Employees | 978 | 1,014 | 982 | 1,016 |
|-----------------------------|-----|-------|-----|-------|

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

Overview

The Company is engaged in the distribution of natural gas in New

Jersey and Florida. 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.

Net income decreased to \$11.8 million for the quarter ended March 31, 1994, as compared with net income of \$12.7 million for the same period in the prior year. On a six-month basis, net income decreased to \$17.7 million through March 31, 1994, as compared with net income of \$19.5 million a year ago. The decrease in both periods reflects a higher level of operating expenses and higher interest expense, partly offset by increased sales volumes and margins. Net income expressed on a per share basis was \$1.43 for the quarter ended March 31, 1994 as compared with \$1.57 in the prior year. For the six-month period then ended, net income was \$2.14 per share through March 31, 1994 and \$2.41 per share through March 31, 1993.

## Results of Operations

**Operating Revenues.** The Company's operating revenues increased by \$20.5 million, or 15.5%, from \$132.0 million in the 1993 quarter to \$152.5 million in the current quarter. Operating revenues for the first six months of fiscal 1994 increased by \$25.0 million or 10.7% from \$233.1 million in the 1993 period to \$258.1 million in the current period. These increases principally reflect increases in the number of customers served and the effects of weather that was colder than a year ago, as well as the effect of gas cost adjustment clauses.

The Company's total average number of customers served increased by 6,690, or 2.1%, for the first six months of fiscal 1994 as compared with fiscal 1993. The number of heating customers served in New Jersey increased by 4,290, or 2.6%, as compared with fiscal 1993, including the effects of converting existing water heating and cooking service customers into gas-heating customers. As to the effects of weather, total degree days in New Jersey was approximately 9% colder than normal for the quarter ended March 31, 1994, and 12% colder than a year ago. For the respective six-month period, total degree days in New Jersey was approximately 3% above normal and 7% above the 1993 period.

Gas cost adjustment clauses in both New Jersey and Florida enable the Company to pass through to customers, through periodic adjustments to the amounts billed, increased or decreased costs incurred by the Company for purchased gas, without affecting operating margins. Adjustments related to changes in gas costs had the net effect of increasing operating revenues

by \$9.8 million and \$14.6 million respectively, for the three and six-month periods ended March 31, 1994, as compared with \$3.0 million and \$6.0 million, respectively, for the same periods in the prior year, with offsetting adjustments to purchased gas and fuel costs and to gross receipts and franchise taxes.

**Operating Margins.** The Company's operating margins (operating revenues less the costs of purchased gas and fuel and gross receipts and franchise taxes) increased by \$2.1 million, or 4.5% from \$46.4 million in the 1993 quarter to \$48.5 million in the current quarter. For the first six months of fiscal 1994, operating margins increased by \$3.5 million, or 4.3%, from \$82.0 million in the 1993 period to \$85.5 million in the current period. The increases principally reflect increases in the number of customers served.

The Company has a weather normalization clause in its New Jersey tariff. Operating margins were decreased by approximately \$1.4 million and \$0.9 million, respectively for the three and six-month periods ended March 31, 1994, due to the colder than normal weather. For the same periods in the prior year, operating margins were increased \$0.6 million and \$1.0 million, respectively for the effects of the weather normalization adjustment.

**Operating Income.** Although operating margins increased, the Company's operating income before income taxes decreased by \$0.5 million, or 2.3%, from \$22.2 million in the 1993 quarter to \$21.7 million in the current quarter. For the first six months of fiscal 1994, operating income before taxes decreased by \$1.5 million, or 4.3% from \$35.7 million in the 1993 period to \$34.2 million in the current period. These decreases were attributed to increased operating expenses due in part to severe weather, as well as cost increases associated with system growth, including the payroll and employee benefits costs attributable to a larger work force. Expansion programs are occurring principally in the Florida division, where the Company's capital expenditure program includes the development of the Port St. Lucie franchise, the construction of a fifteen mile pipeline to bring natural gas to the National Aeronautics and Space Administration's Kennedy Space Center and additional main extensions for future growth. The trend of lower operating income may continue into fiscal 1995 when additional margins are expected to be added as a result of accelerated customer growth and improved cost recovery through a base rate increase.

**Interest Expense.** Interest expense for the three and six-month periods of fiscal 1994 principally reflect higher outstanding borrowings as compared with prior year periods (see "--Financing Activities and Resources").

## Regulatory Matters

In March 1994, the Company filed with the NJBRC new tariffs which are designed to provide for unbundling of natural gas transportation and sales services to commercial and industrial customers. The Company expects

the effect of the new tariffs to be neutral with respect to the operating revenues and margins of the Company.

In response to an initiative by the Florida Public Service Commission ("FPSC"), effective January 1, 1994, the Company, along with other Florida natural gas utilities, reduced its allowed return on the utility equity of its Florida Division to 11%, which exceeds the return it is currently achieving. Accordingly, the reduction has not affected operating revenues and margins.

In March 1994, the Company filed a notification with the FPSC of its intent to petition for base rate relief in May 1994.

#### Financing Activities and Resources

The Company generally funds its operations with internally generated cash, supplemented with borrowings under its bank lines of credit to satisfy seasonal requirements. The Company also borrows under its bank lines of credit to finance portions of its construction expenditures, pending refinancing through the issuance of equity or long-term indebtedness at a later date depending upon prevailing market conditions. The Company seeks to assure access to funds for system growth and integrity through timely issuances of equity and debt at the lowest reasonable costs that provide fair returns to investors.

Net cash provided by operating activities was \$13.4 million for the first six months of fiscal 1994 as compared to \$1.3 million use of cash a year ago. The level of fuel purchases and inventory on hand, and the timing of payments for these supplies, is dependent upon market conditions, system operating requirements and the demand experienced during the heating season. The greater increase in the Company's accounts receivable in fiscal 1994 as compared with the same period of fiscal 1993 principally reflects colder weather at the end of the period and the resultant increase in demand and billings.

In October 1991, pursuant to agreements between EGC and the New Jersey Economic Development Authority, Gas Facilities Revenue Bonds that mature in October 2021 were issued in the amount of \$46.2 million at 6.75% and \$8.4 million at 6.625% to finance expenditures through fiscal 1995 for the construction of certain gas facilities and related equipment in New Jersey. The unexpended portion of the net proceeds from these borrowings, amounting to \$19.2 million at March 31, 1994, is classified on the Company's Consolidated Balance Sheets as Funds for Construction Held by

Trustee until drawn, upon incurring eligible expenditures.

The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were \$78.8 million at 3.5% for the six months ended March 31, 1994 and \$45.5 million at 3.6% for the six months ended March 31, 1993. The weighted average daily amounts of notes payable to banks increased principally to finance portions of the Company's construction expenditures and the accelerated payment of New Jersey gross receipts and franchise taxes (see "--Capital Expenditures and Commitments"). At March 31, 1994, the Company had \$67 million of available unused credit lines.

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The Company periodically issues shares of common stock in connection with NUI Direct, the Company's Common Stock Investment Plan, (formerly the NUI Dividend Reinvestment & Stock Purchase Plan) and various employee benefit plans.

The Company or its predecessor has paid cash dividends on its common stock in every year since 1893 and intends to continue to pay quarterly cash dividends. The dividend policy is reviewed on an ongoing basis and is dependent upon the Company's expectations of future earnings, cash flow, financial condition, capital requirements and other factors. The quarterly payment was increased to \$0.40 per share beginning with the third quarter of fiscal 1993. As of March 31, 1994, the NUI credit agreement permits NUI to pay cash dividends aggregating \$33.1 million.

The Company expects, during fiscal 1994, to refinance certain of its gas facilities revenue bonds that become eligible for optional redemption in the third quarter of fiscal 1994, and to issue approximately \$20 million of new gas facilities revenue bonds to finance its capital expenditure program in Florida. In addition, the Company intends, by the end of the 1994 calendar year, to register up to \$100 million of debt and equity securities, which it may issue from time-to-time depending upon prevailing market conditions. The remaining balance of the Company's first mortgage bonds also become eligible in fiscal 1994 for optional prepayment. The prepayment amounts for refinancing both the gas facilities revenue and first mortgage bonds approximate \$1.3 million in excess of their \$57.3 million face value.



## Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the Company's gas distribution systems, were \$21.9 million for the six months ended March 31, 1994 as compared with \$15.2 million for the six months ended March 31, 1993. Capital expenditures are expected to be approximately \$52 million for the full fiscal year 1994 including a \$20 million capital investment program in Florida, as compared with a total of \$39.6 million for fiscal 1993. Approximately \$35 million of the capital expenditures planned for fiscal 1994 is for construction relating to new customers and additional distribution, storage and other gas plant facilities. In addition, the net present value of minimum lease payments relating to noncancelable operating leases, which relate principally to New Jersey Division office space, was approximately \$23.0 million as of March 31, 1994, including \$1.3 million payable during the remainder of fiscal 1994.

As discussed in "Contingencies," Note 4 of the Notes to the Company's Condensed Consolidated Financial Statements, the Company expects it will expend in the next twenty years approximately \$25 million to complete investigation and remediation of the contamination on New Jersey properties which the Company owns or previously owned on which gas was

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manufactured in the past. The ultimate costs will depend upon the investigation and remediation plans that finally are adopted by the Company, subject to the approval of the NJDEPE, and may be less or greater than the Company's current estimate. The Company believes the remediation costs will be recoverable in rates and that a portion of such costs may be recoverable from the Company's insurance carriers.

In June 1991, legislation was enacted in New Jersey that accelerated the payments of approximately \$30 million of gross receipts and franchise taxes by an average of almost one and a half years in stages from 1992 through 1994. The Company expects that future base rate orders will reflect the recovery of prospective costs associated with the related additional financing requirements.

Certain of the Company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately \$65 million annually, of which approximately \$44 million is associated with pipeline delivery contracts. The Company currently recovers, and expects to continue to recover, such fixed charges through its gas adjustment clauses. The Company also is committed to purchase, at

market-related prices, minimum quantities of gas that, in the aggregate, are approximately 8.6 million Mcf 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 will continue to exceed these minimum purchase obligations.

The implementation of the Federal Energy Regulatory Commission 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. While the full amount of the transition costs is currently not determinable, the Company has been charged approximately \$3.2 million as of March 31, 1994, which is being recovered through the Company's gas adjustment clauses.

As of March 31, 1994, the scheduled repayments of the Company's long-term debt through fiscal 1998 were as follows: \$1.8 million in the remainder of fiscal 1994, \$1.1 million in fiscal 1995, \$31.1 million in fiscal 1996, \$3.2 million in fiscal 1997 and \$1.0 million in fiscal 1998. See "Financing Activities and Resources".

#### Acquisition of Pennsylvania & Southern Gas Company

As discussed in "Acquisition of Pennsylvania & Southern Gas Company", Note 2 of the Notes to the Condensed Consolidated Financial Statements, on April 19, 1994, the Company completed its planned merger with PSGS. The merger results in a 7% increase in the number of customers served as well as a 10% increase in annual gas volume throughput. The increase in customer diversity and the similarity of the operating systems of the Company and

PSGS, in particular their gas transmission pipelines, will provide greater flexibility in managing gas capacity and supply, thereby increasing opportunities for lowering the overall cost of gas. The merger fits with the Company's business plan to focus on customer growth and the profitability of its gas distribution business. See Note 2 for a discussion of continuing issues surrounding the PSGS Merger.

#### Business Plan

Under its business plan, the Company concentrates on customer growth and the profitability of the gas distribution business. The PSGS and EGC Mergers, through which NUI becomes an operating utility company providing gas service in six states, fit within the business plan. Further growth opportunities, which could include the acquisition of additional gas distribution companies, the development of new franchises and the management of certain service requirements of other utilities on a contract basis, will likely require additional debt and equity financing. The Company's strategy involves assembling, as opportunities become available, natural gas distribution systems in several states, while maintaining a balanced capital structure. From time to time, the Company reviews acquisition opportunities and, when requested, submits acquisition proposals.

## 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 1994.

The Annual Meeting of Shareholders of NUI Corporation was held on March 8, 1994.

Proxies for the Annual Meeting were solicited pursuant to Regulation 14A and there was no solicitation in opposition to management's nominees. All of management's nominees as listed in the proxy statement were elected directors of NUI Corporation for three-year terms and, accordingly, will hold office until the Annual Meeting of Shareholders held in 1997 and until the director's successor shall have been elected and qualified.

Briefly described below is the other matter voted upon at the Annual Meeting of Shareholders held on March 8, 1994 and the number of affirmative votes and the number of negative votes cast with respect to such matter:

On the matter of approval of the appointment by the Board of Directors of Arthur Andersen & Co. as independent public accountants for the fiscal year ended September 30, 1994, the shareholders voted 6,679,756 for such approval; 646,191 votes against such approval and 64,912 votes abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

On April 20, 1994, the Company filed a Form 8-K, Item 2, Acquisition or Disposition of Assets and Item 7, Financial Statements and Exhibits, reporting the issuance of a press release on April 20, 1994, stating that the merger of NUI Corporation and Pennsylvania & Southern Gas Company was completed.

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 13, 1994

JOSEPH P. COUGHLIN  
Senior Vice President and  
Secretary

May 13, 1994

BERNARD F. LENIHAN  
Vice President and  
Controller

