NATIONAL FUEL GAS CO
Form 10-Q
August 09, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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 1-3880

NATIONAL FUEL GAS COMPANY

(Exact name of registrant as specified in its charter)

New Jersey	**13-1086010**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6363 Main Street Williamsville, New York	**14221**
(Address of principal executive offices)	**(Zip Code)**

(716) 857-7000

(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 and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	x	Accelerated Filer	¨
Non-Accelerated Filer	¨ (Do not check if a smaller reporting company)	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Common stock, $1 par value, outstanding at July 31, 2011: 82,726,474 shares.

GLOSSARY OF TERMS

Frequently used abbreviations, acronyms, or terms used in this report:

National Fuel Gas Companies	
Company	The Registrant, the Registrant and its subsidiaries or the Registrant s subsidiaries as appropriate in the context of the disclosure
Distribution Corporation	National Fuel Gas Distribution Corporation
Empire	Empire Pipeline, Inc.
ESNE	Energy Systems North East, LLC
Highland	Highland Forest Resources, Inc.
Horizon	Horizon Energy Development, Inc.
Horizon B.V.	Horizon Energy Development B.V.
Horizon LFG	Horizon LFG, Inc.
Horizon Power	Horizon Power, Inc.
Midstream Corporation	National Fuel Gas Midstream Corporation
Model City	Model City Energy, LLC
National Fuel	National Fuel Gas Company
NFR	National Fuel Resources, Inc.
Registrant	National Fuel Gas Company
Seneca	Seneca Resources Corporation
Seneca Energy	Seneca Energy II, LLC
Supply Corporation	National Fuel Gas Supply Corporation
Regulatory Agencies	
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
IASB	International Accounting Standards Board
NYDEC	New York State Department of Environmental Conservation
NYPSC	State of New York Public Service Commission
PaPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission
Other	
2010 Form 10-K	The Company s Annual Report on Form 10-K for the year ended September 30, 2010
Bbl	Barrel (of oil)
Bcf	Billion cubic feet (of natural gas)
Bcfe (or Mcfe) represents Bcf (or Mcf) Equivalent	The total heat value (Btu) of natural gas and oil expressed as a volume of natural gas. The Company uses a conversion formula of 1 barrel of oil = 6 Mcf of natural gas.
Btu	British thermal unit; the amount of heat needed to raise the temperature of one pound of water one degree Fahrenheit.
Capital expenditure	Represents additions to property, plant, and equipment, or the amount of money a company spends to buy capital assets or upgrade its existing capital assets.
Degree day	A measure of the coldness of the weather experienced, based on the extent to which the daily average temperature falls below a reference temperature, usually 65 degrees Fahrenheit.
Derivative	A financial instrument or other contract, the terms of which include an underlying variable (a price, interest rate, index rate, exchange rate, or other variable) and a notional amount (number of units, barrels, cubic feet, etc.). The terms also permit for the instrument or contract to be settled net and no initial net investment is required to enter into the financial instrument or contract. Examples include futures contracts, options, no cost collars and swaps.

Development costs	Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
Dth	Decatherm; one Dth of natural gas has a heating value of 1,000,000 British thermal units, approximately equal to the heating value of 1 Mcf of natural gas.

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GLOSSARY OF TERMS (Cont.)

Exchange Act	Securities Exchange Act of 1934, as amended
Expenditures for long-lived assets	Includes capital expenditures, stock acquisitions and/or investments in partnerships.
Exploration costs	Costs incurred in identifying areas that may warrant examination, as well as costs incurred in examining specific areas, including drilling exploratory wells.
Firm transportation and/or storage	The transportation and/or storage service that a supplier of such service is obligated by contract to provide and for which the customer is obligated to pay whether or not the service is utilized.
GAAP	Accounting principles generally accepted in the United States of America
Goodwill	An intangible asset representing the difference between the fair value of a company and the price at which a company is purchased.
Hedging	A method of minimizing the impact of price, interest rate, and/or foreign currency exchange rate changes, often times through the use of derivative financial instruments.
Hub	Location where pipelines intersect enabling the trading, transportation, storage, exchange, lending and borrowing of natural gas.
Interruptible transportation and/or storage	The transportation and/or storage service that, in accordance with contractual arrangements, can be interrupted by the supplier of such service, and for which the customer does not pay unless utilized.
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
Marcellus Shale	A Middle Devonian-age geological shale formation that is present nearly a mile or more below the surface in the Appalachian region of the United States, including much of Pennsylvania and southern New York.
Mbbl	Thousand barrels (of oil)
Mcf	Thousand cubic feet (of natural gas)
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MDth	Thousand decatherms (of natural gas)
MMBtu	Million British thermal units
MMcf	Million cubic feet (of natural gas)
NGA	The Natural Gas Act of 1938, as amended; the federal law regulating interstate natural gas pipeline and storage companies, among other things, codified beginning at 15 U.S.C. Section 717.
NYMEX	New York Mercantile Exchange. An exchange which maintains a futures market for crude oil and natural gas.
Open Season	A bidding procedure used by pipelines to allocate firm transportation or storage capacity among prospective shippers, in which all bids submitted during a defined time period are evaluated as if they had been submitted simultaneously.
PCB	Polychlorinated Biphenyl
Precedent agreement	An agreement between a pipeline company and a potential customer to sign a service agreement after specified events (called conditions precedent) happen, usually within a specified time.
Proved developed reserves	Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved undeveloped reserves	Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required to make these reserves productive.
Reserves	The unproduced but recoverable oil and/or gas in place in a formation which has been proven by production.
Restructuring	Generally referring to partial deregulation of the pipeline and/or utility industry by a statutory or regulatory process. Restructuring of federally regulated natural gas pipelines resulted in the separation (or unbundling) of gas commodity service from transportation service for wholesale and large-volume retail markets. State restructuring programs attempt to extend the same process to retail mass markets.

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GLOSSARY OF TERMS (Concl.)

Revenue decoupling mechanism	A rate mechanism which adjusts customer rates to render a utility financially indifferent to throughput decreases resulting from conservation.
S&P	Standard & Poor s Ratings Service
SAR	Stock appreciation right
Service agreement	The binding agreement by which the pipeline company agrees to provide service and the shipper agrees to pay for the service.
Stock acquisitions	Investments in corporations.
Unbundled service	A service that has been separated from other services, with rates charged that reflect only the cost of the separated service.
VEBA	Voluntary Employees Beneficiary Association
WNC	Weather normalization clause; a clause in utility rates which adjusts customer rates to allow a utility to recover its normal operating costs calculated at normal temperatures. If temperatures during the measured period are warmer than normal, customer rates are adjusted upward in order to recover projected operating costs. If temperatures during the measured period are colder than normal, customer rates are adjusted downward so that only the projected operating costs will be recovered.

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. The Company has nothing to report under this item.

Reference to the Company in this report means the Registrant or the Registrant and its subsidiaries collectively, as appropriate in the context of the disclosure. All references to a certain year in this report are to the Company s fiscal year ended September 30 of that year, unless otherwise noted.

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Item 2 MD&A, under the heading Safe Harbor for Forward-Looking Statements. Forward-looking statements are all statements other than statements of historical fact, including, without limitation, statements regarding future prospects, plans, objectives, goals, projections, estimates of oil and gas quantities, strategies, future events or performance and underlying assumptions, capital structure, anticipated capital expenditures, completion of construction and other projects, projections for pension and other post-retirement benefit obligations, impacts of the adoption of new accounting rules, and possible outcomes of litigation or regulatory proceedings, as well as statements that are identified by the use of the words anticipates, estimates, expects, forecasts, intends, plans, predicts, projects, believes, seeks, will, may, and similar expressions.

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Part I. Financial Information

Item 1. Financial Statements

National Fuel Gas Company

Consolidated Statements of Income and Earnings

Reinvested in the Business

(Unaudited)

(Thousands of Dollars, Except Per Common Share Amounts)	Three Months Ended June 30, 2011	2010
INCOME		
Operating Revenues	$ 380,979	$ 351,992
Operating Expenses		
Purchased Gas	112,725	97,195
Operation and Maintenance	95,977	96,593
Property, Franchise and Other Taxes	20,179	18,594
Depreciation, Depletion and Amortization	57,293	50,422
	286,174	262,804
Operating Income	94,805	89,188
Other Income (Expense):		
Income (Loss) from Unconsolidated Subsidiaries	(77)	624
Interest Income	325	568
Other Income	1,890	851
Interest Expense on Long-Term Debt	(17,876)	(21,115)
Other Interest Expense	(1,159)	(1,866)
Income from Continuing Operations Before Income Taxes	77,908	68,250
Income Tax Expense	31,017	25,608
Income from Continuing Operations	46,891	42,642
Loss from Discontinued Operations, Net of Tax		(57)
Net Income Available for Common Stock	46,891	42,585
EARNINGS REINVESTED IN THE BUSINESS		
Balance at April 1	1,180,531	1,038,869
	1,227,422	1,081,454
Dividends on Common Stock (2011 $0.355 per share; 2010 $0.345 per share)	(29,358)	(28,278)
Balance at June 30	$ 1,198,064	$ 1,053,176

Earnings Per Common Share:				
Basic:				
Income from Continuing Operations	$	0.57	$	0.52
Loss from Discontinued Operations				
Net Income Available for Common Stock	$	0.57	$	0.52
Diluted:				
Income from Continuing Operations	$	0.56	$	0.51
Loss from Discontinued Operations				
Net Income Available for Common Stock	$	0.56	$	0.51
Weighted Average Common Shares Outstanding:				
Used in Basic Calculation		82,687,467		81,801,377
Used in Diluted Calculation		83,782,493		82,970,921

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company

Consolidated Statements of Income and Earnings

Reinvested in the Business

(Unaudited)

(Thousands of Dollars, Except Per Common Share Amounts)	Nine Months Ended June 30, 2011	2010
INCOME		
Operating Revenues	$ 1,492,808	$ 1,474,107
Operating Expenses		
Purchased Gas	582,358	601,408
Operation and Maintenance	310,148	306,624
Property, Franchise and Other Taxes	63,714	57,684
Depreciation, Depletion and Amortization	170,617	141,935
	1,126,837	1,107,651
Operating Income	365,971	366,456
Other Income (Expense):		
Income (Loss) from Unconsolidated Subsidiaries	(698)	1,696
Gain on Sale of Unconsolidated Subsidiaries	50,879	
Interest Income	1,277	2,048
Other Income	4,828	2,473
Interest Expense on Long-Term Debt	(55,994)	(65,238)
Other Interest Expense	(4,014)	(5,245)
Income from Continuing Operations Before Income Taxes	362,249	302,190
Income Tax Expense	141,204	115,449
Income from Continuing Operations	221,045	186,741
Income from Discontinued Operations, Net of Tax		771
Net Income Available for Common Stock	221,045	187,512
EARNINGS REINVESTED IN THE BUSINESS		
Balance at October 1	1,063,262	948,293
	1,284,307	1,135,805
Dividends on Common Stock (2011 $1.045 per share; 2010 $1.015 per share)	(86,243)	(82,629)
Balance at June 30	$ 1,198,064	$ 1,053,176

Earnings Per Common Share:		
Basic:		
Income from Continuing Operations	$ 2.68	$ 2.30
Income from Discontinued Operations		0.01
Income Available for Common Stock	$ 2.68	$ 2.31
Diluted:		
Income from Continuing Operations	$ 2.64	$ 2.26
Income from Discontinued Operations		0.01
Income Available for Common Stock	$ 2.64	$ 2.27
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	82,436,603	81,178,000
Used in Diluted Calculation	83,649,498	82,556,730

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company

Consolidated Balance Sheets

(Unaudited)

(Thousands of Dollars)	June 30, 2011	September 30, 2010
ASSETS		
Property, Plant and Equipment	$ 5,392,065	$ 5,637,498
Less Accumulated Depreciation, Depletion and Amortization	1,607,088	2,187,269
	3,784,977	3,450,229
Current Assets		
Cash and Temporary Cash Investments	184,710	397,171
Hedging Collateral Deposits	37,984	11,134
Receivables Net of Allowance for Uncollectible Accounts of $39,221 and $30,961, Respectively	165,576	132,136
Unbilled Utility Revenue	13,399	20,920
Gas Stored Underground	22,525	48,584
Materials and Supplies at average cost	28,923	24,987
Other Current Assets	44,786	115,969
Deferred Income Taxes	22,885	24,476
	520,788	775,377
Other Assets		
Recoverable Future Taxes	151,142	149,712
Unamortized Debt Expense	11,058	12,550
Other Regulatory Assets	524,355	542,801
Deferred Charges	4,989	9,646
Other Investments	84,118	77,839
Investments in Unconsolidated Subsidiaries	1,367	14,828
Goodwill	5,476	5,476
Fair Value of Derivative Financial Instruments	43,347	65,184
Other	1,648	1,983
	827,500	880,019
Total Assets	$ 5,133,265	$ 5,105,625

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company

Consolidated Balance Sheets

(Unaudited)

(Thousands of Dollars)	June 30, 2011	September 30, 2010
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders Equity		
Common Stock, $1 Par Value Authorized 200,000,000 Shares; Issued and Outstanding 82,700,177 Shares and 82,075,470 Shares, Respectively	$ 82,700	$ 82,075
Paid in Capital	644,945	645,619
Earnings Reinvested in the Business	1,198,064	1,063,262
Total Common Shareholder Equity Before Items of Other Comprehensive Loss	1,925,709	1,790,956
Accumulated Other Comprehensive Loss	(75,098)	(44,985)
Total Comprehensive Shareholders Equity	1,850,611	1,745,971
Long-Term Debt, Net of Current Portion	899,000	1,049,000
Total Capitalization	2,749,611	2,794,971
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper		
Current Portion of Long-Term Debt	150,000	200,000
Accounts Payable	95,182	89,677
Amounts Payable to Customers	25,661	38,109
Dividends Payable	29,358	28,316
Interest Payable on Long-Term Debt	15,953	30,512
Customer Advances	1,021	27,638
Customer Security Deposits	17,672	18,320
Other Accruals and Current Liabilities	133,856	71,592
Fair Value of Derivative Financial Instruments	44,607	20,160
	513,310	524,324
Deferred Credits		
Deferred Income Taxes	919,145	800,758
Taxes Refundable to Customers	70,343	69,585
Unamortized Investment Tax Credit	2,761	3,288
Cost of Removal Regulatory Liability	133,759	124,032
Other Regulatory Liabilities	92,811	89,334
Pension and Other Post-Retirement Liabilities	435,517	446,082
Asset Retirement Obligations	65,583	101,618
Other Deferred Credits	150,425	151,633
	1,870,344	1,786,330

Commitments and Contingencies		
Total Capitalization and Liabilities	$ 5,133,265	$ 5,105,625

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company

Consolidated Statements of Cash Flows

(Unaudited)

(Thousands of Dollars)	Nine Months Ended June 30, 2011	2010
OPERATING ACTIVITIES		
Net Income Available for Common Stock	$ 221,045	$ 187,512
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Gain on Sale of Unconsolidated Subsidiaries	(50,879)	
Depreciation, Depletion and Amortization	170,617	142,433
Deferred Income Taxes	140,326	63,813
(Income) Loss from Unconsolidated Subsidiaries, Net of Cash Distributions	4,976	904
Excess Tax Costs (Benefits) Associated with Stock-Based Compensation Awards	1,224	(13,207)
Other	2,375	7,884
Change in:		
Hedging Collateral Deposits	(26,850)	(7,374)
Receivables and Unbilled Utility Revenue	(25,919)	6,676
Gas Stored Underground and Materials and Supplies	22,387	20,384
Prepayments and Other Current Assets	69,960	39,043
Accounts Payable	5,506	127
Amounts Payable to Customers	(12,448)	(54,764)
Customer Advances	(26,617)	(23,526)
Customer Security Deposits	(648)	1,188
Other Accruals and Current Liabilities	36,743	30,961
Other Assets	20,255	29,197
Other Liabilities	(15,771)	(11,358)
Net Cash Provided by Operating Activities	536,282	419,893
INVESTING ACTIVITIES		
Capital Expenditures	(583,739)	(327,513)
Net Proceeds from Sale of Unconsolidated Subsidiaries	59,365	
Net Proceeds from Sale of Oil and Gas Producing Properties	69,435	
Other	(2,908)	(273)
Net Cash Used in Investing Activities	(457,847)	(327,786)
FINANCING ACTIVITIES		
Excess Tax (Costs) Benefits Associated with Stock-Based Compensation Awards	(1,224)	13,207
Reduction of Long-Term Debt	(200,000)	
Dividends Paid on Common Stock	(85,201)	(81,318)
Net Proceeds from Issuance (Repurchase) of Common Stock	(4,471)	26,798
Net Cash Used in Financing Activities	(290,896)	(41,313)
Net Increase (Decrease) in Cash and Temporary Cash Investments	(212,461)	50,794

Cash and Temporary Cash Investments at October 1	397,171	408,053
Cash and Temporary Cash Investments at June 30	$ 184,710	$ 458,847

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company

Consolidated Statements of Comprehensive Income

(Unaudited)

(Thousands of Dollars)	Three Months Ended June 30, 2011	2010
Net Income Available for Common Stock	$ 46,891	$ 42,585
Other Comprehensive Income, Before Tax:		
Foreign Currency Translation Adjustment		77
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	23	(3,361)
Unrealized Gain on Derivative Financial Instruments Arising During the Period	26,378	16,528
Reclassification Adjustment for Realized (Gains) Losses on Derivative Financial Instruments in Net Income	3,185	(11,830)
Other Comprehensive Income, Before Tax	29,586	1,414
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	8	(1,271)
Income Tax Expense Related to Unrealized Gain on Derivative Financial Instruments Arising During the Period	10,810	6,794
Reclassification Adjustment for Income Tax Benefit (Expense) on Realized Losses (Gains) on Derivative Financial Instruments in Net Income	1,345	(4,858)
Income Taxes Net	12,163	665
Other Comprehensive Income	17,423	749
Comprehensive Income	$ 64,314	$ 43,334

(Thousands of Dollars)	Nine Months Ended June 30, 2011	2010
Net Income Available for Common Stock	$ 221,045	$ 187,512
Other Comprehensive Income (Loss), Before Tax:		
Foreign Currency Translation Adjustment	17	140
Reclassification Adjustment for Realized Foreign Currency Transaction Loss in Net Income	34	
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	3,461	(2,916)
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(41,602)	39,308
Reclassification Adjustment for Realized Gains on Derivative Financial Instruments in Net Income	(13,080)	(29,472)
Other Comprehensive Income (Loss), Before Tax	(51,170)	7,060
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	1,306	(1,104)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(17,136)	16,041

Reclassification Adjustment for Income Tax Expense on Realized Gains on Derivative Financial Instruments in Net Income	(5,227)	(12,120)
Income Taxes Net	(21,057)	2,817
Other Comprehensive Income (Loss)	(30,113)	4,243
Comprehensive Income	$ 190,932	$ 191,755

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation. The Company consolidates all entities in which it has a controlling financial interest. The equity method is used to account for entities in which the Company has a non-controlling financial interest. All significant intercompany balances and transactions are eliminated.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Reclassification. Certain prior year amounts have been reclassified to conform with current year presentation. This includes the reclassification of accrued capital expenditures of $55.5 million from Accounts Payable to Other Accruals and Current Liabilities on the Consolidated Balance Sheet at September 30, 2010. This reclassification did not impact the Consolidated Statement of Income or the Consolidated Statement of Cash Flows for any of the periods presented.

Earnings for Interim Periods. The Company, in its opinion, has included all adjustments that are necessary for a fair statement of the results of operations for the reported periods. The consolidated financial statements and notes thereto, included herein, should be read in conjunction with the financial statements and notes for the years ended September 30, 2010, 2009 and 2008 that are included in the Company s 2010 Form 10-K. The consolidated financial statements for the year ended September 30, 2011 will be audited by the Company s independent registered public accounting firm after the end of the fiscal year.

The earnings for the nine months ended June 30, 2011 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2011. Most of the business of the Utility and Energy Marketing segments is seasonal in nature and is influenced by weather conditions. Due to the seasonal nature of the heating business in the Utility and Energy Marketing segments, earnings during the winter months normally represent a substantial part of the earnings that those segments are expected to achieve for the entire fiscal year. The Company s business segments are discussed more fully in Note 8 Business Segment Information.

Consolidated Statement of Cash Flows. For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of generally three months or less to be cash equivalents.

At June 30, 2011, the Company accrued $60.7 million of capital expenditures in the Exploration and Production segment, the majority of which was in the Appalachian region. The Company also accrued $5.9 million of capital expenditures in the Pipeline and Storage segment at June 30, 2011. These amounts were excluded from the Consolidated Statement of Cash Flows at June 30, 2011 since they represent non-cash investing activities at that date. Accrued capital expenditures at June 30, 2011 are included in Other Accruals and Current Liabilities on the Consolidated Balance Sheet.

At September 30, 2010, the Company accrued $55.5 million of capital expenditures in the Exploration and Production segment, the majority of which was in the Appalachian region. This amount was excluded from the Consolidated Statement of Cash Flows at September 30, 2010 since it represented a non-cash investing activity at that date. These capital expenditures were paid during the quarter ended December 31, 2010 and have been included in the Consolidated Statement of Cash Flows for the nine months ended June 30, 2011. Accrued capital expenditures at September 30, 2010 are included in Other Accruals and Current Liabilities on the Consolidated Balance Sheet.

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Item 1. Financial Statements (Cont.)

At June 30, 2010, the Company accrued $24.3 million of capital expenditures in the Exploration and Production segment, the majority of which was in the Appalachian region. This amount was excluded from the Consolidated Statement of Cash Flows at June 30, 2010 since it represented a non-cash investing activity at that date.

At September 30, 2009, the Company accrued $9.1 million of capital expenditures in the Exploration and Production segment, the majority of which was in the Appalachian region. The Company also accrued $0.7 million of capital expenditures in the All Other category related to the construction of the Midstream Covington Gathering System. These amounts were excluded from the Consolidated Statement of Cash Flows at September 30, 2009 since they represented non-cash investing activities at that date. These capital expenditures were paid during the quarter ended December 31, 2009 and have been included in the Consolidated Statement of Cash Flows for the nine months ended June 30, 2010.

Hedging Collateral Deposits. This is an account title for cash held in margin accounts funded by the Company to serve as collateral for hedging positions. At June 30, 2011, the Company had hedging collateral deposits of $5.6 million related to its exchange-traded futures contracts and $32.4 million related to its over-the-counter crude oil swap agreements. At September 30, 2010, the Company had hedging collateral deposits of $10.1 million related to its exchange-traded futures contracts and $1.0 million related to its over-the-counter crude oil swap agreements. In accordance with its accounting policy, the Company does not offset hedging collateral deposits paid or received against related derivative financial instrument liability or asset balances.

Gas Stored Underground Current. In the Utility segment, gas stored underground current is carried at lower of cost or market, on a LIFO method. Gas stored underground current normally declines during the first and second quarters of the year and is replenished during the third and fourth quarters. In the Utility segment, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption Other Accruals and Current Liabilities. Such reserve, which amounted to $45.0 million at June 30, 2011, is reduced to zero by September 30 of each year as the inventory is replenished.

Property, Plant and Equipment. In the Company s Exploration and Production segment, oil and gas property acquisition, exploration and development costs are capitalized under the full cost method of accounting. Under this methodology, all costs associated with property acquisition, exploration and development activities are capitalized, including internal costs directly identified with acquisition, exploration and development activities. The internal costs that are capitalized do not include any costs related to production, general corporate overhead, or similar activities. The Company does not recognize any gain or loss on the sale or other disposition of oil and gas properties unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center.

Capitalized costs include costs related to unproved properties, which are excluded from amortization until proved reserves are found or it is determined that the unproved properties are impaired. Such costs amounted to $193.9 million and $151.2 million at June 30, 2011 and September 30, 2010, respectively. All costs related to unproved properties are reviewed quarterly to determine if impairment has occurred. The amount of any impairment is transferred to the pool of capitalized costs being amortized.

In March 2011, the Company entered into a purchase and sale agreement to sell its off-shore oil and natural gas properties effective as of January 1, 2011 in the Gulf of Mexico for approximately $70 million and received a deposit of $7.0 million from the purchaser. The Company completed the sale in April 2011, receiving an additional $54.8 million. The difference between the total proceeds received of $61.8 million and the sale price of $70.0 million represents a purchase price adjustment for the operating cash flow that the Company recorded from January 1, 2011 to the closing date of the sale. Under the full cost method of accounting for oil and natural gas properties, the sale proceeds were accounted for as a reduction of capitalized costs in April 2011. The Company also eliminated the asset retirement obligation associated with its off-shore oil and gas properties. This obligation amounted to $37.5 million and was accounted for as a reduction of capitalized costs under the full cost method of accounting for oil and natural gas properties as well as a reduction of the asset retirement obligation.

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Item 1. Financial Statements (Cont.)

Capitalized costs are subject to the SEC full cost ceiling test. The ceiling test, which is performed each quarter, determines a limit, or ceiling, on the amount of property acquisition, exploration and development costs that can be capitalized. The ceiling under this test represents (a) the present value of estimated future net cash flows, excluding future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, using a discount factor of 10%, which is computed by applying prices of oil and gas (as adjusted for hedging) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet, less estimated future expenditures, plus (b) the cost of unevaluated properties not being depleted, less (c) income tax effects related to the differences between the book and tax basis of the properties. In accordance with the SEC final rule on Modernization of Oil and Gas Reporting, the natural gas and oil prices used to calculate the full cost ceiling (as of June 30, 2011) are based on an unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve-month period prior to the end of the reporting period. If capitalized costs, net of accumulated depreciation, depletion and amortization and related deferred income taxes, exceed the ceiling at the end of any quarter, a permanent impairment is required to be charged to earnings in that quarter. At June 30, 2011, the Company s capitalized costs were below the full cost ceiling for the Company s oil and gas properties. As a result, an impairment charge was not required at June 30, 2011.

Accumulated Other Comprehensive Loss. The components of Accumulated Other Comprehensive Loss, net of related tax effect, are as follows (in thousands):

	At June 30, 2011	At September 30, 2010
Funded Status of the Pension and Other Post-Retirement Benefit Plans	$ (79,465)	$ (79,465)
Cumulative Foreign Currency Translation Adjustment		(51)
Net Unrealized Gain on Derivative Financial Instruments	557	32,876
Net Unrealized Gain on Securities Available for Sale	3,810	1,655
Accumulated Other Comprehensive Loss	$ (75,098)	$ (44,985)

Other Current Assets. The components of the Company s Other Current Assets are as follows (in thousands):

	At June 30, 2011	At September 30, 2010
Prepayments	$ 12,645	$ 13,884
Prepaid Property and Other Taxes	10,653	12,413
Federal Income Taxes Receivable	9,514	56,334
State Income Taxes Receivable	7,902	18,007
Fair Values of Firm Commitments	4,072	15,331
	$ 44,786	$ 115,969

Earnings Per Common Share. Basic earnings per common share is computed by dividing net income available for common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For purposes of determining earnings per common share, the only potentially dilutive securities the Company has outstanding are stock options, SARs and restricted stock units. The diluted weighted average shares outstanding shown on the Consolidated Statements of Income reflects the potential dilution as a result of these securities as determined using the Treasury Stock Method. Stock options, SARs and restricted stock units that are antidilutive are excluded from the calculation of diluted earnings per common share. There were 6,512 antidilutive securities for the quarter ended June 30, 2011. There were no antidilutive securities for the nine months ended June 30, 2011. There were 544,500 and 237,538 antidilutive securities for the quarter and nine months ended June 30, 2010, respectively.

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Item 1. Financial Statements (Cont.)

Stock-Based Compensation. During the nine months ended June 30, 2011, the Company granted 180,000 non-performance based SARs having a weighted average exercise price of $63.87 per share. The weighted average grant date fair value of these SARs was $15.33 per share. These SARs may be settled in cash, in shares of common stock of the Company, or in a combination of cash and shares of common stock of the Company, as determined by the Company. These SARs are considered equity awards under the current authoritative guidance for stock-based compensation. The accounting for those SARs is the same as the accounting for stock options. There were no SARs granted during the quarter ended June 30, 2011. The non-performance based SARs granted during the nine months ended June 30, 2011 vest and become exercisable annually in one-third increments. The weighted average grant date fair value of these non-performance based SARs granted during the nine months ended June 30, 2011 was estimated on the date of grant using the same accounting treatment that is applied for stock options.

There were no stock options granted during the quarter or nine months ended June 30, 2011. The Company did not recognize a tax benefit related to the exercise of stock options for the calendar year ended December 31, 2010 due to tax loss carryforwards. The Company expects to recognize a tax benefit of $18.1 million in Paid in Capital related to calendar 2010 stock option exercises in future years as the tax loss carryforward is utilized.

The Company granted 47,250 restricted share awards (non-vested stock as defined by the current accounting literature) during the nine months ended June 30, 2011. The weighted average fair value of such restricted shares was $63.98 per share. There were no restricted share awards granted during the quarter ended June 30, 2011. In addition, the Company granted 8,100 and 37,000 restricted stock units during the quarter and nine months ended June 30, 2011, respectively. The weighted average fair value of such restricted stock units was $65.50 per share and $59.82 per share for the quarter and nine months ended June 30, 2011, respectively. Restricted stock units represent the right to receive shares of common stock of the Company (or the equivalent value in cash or a combination of cash and shares of common stock of the Company, as determined by the Company) at the end of a specified time period. These restricted stock units do not entitle the participant to receive dividends during the vesting period. The accounting for these restricted stock units is the same as the accounting for restricted share awards, except that the fair value at the date of grant of the restricted stock units must be reduced by the present value of forgone dividends over the vesting term of the award.

New Authoritative Accounting and Financial Reporting Guidance. In May 2011, the FASB issued authoritative guidance regarding fair value measurement as a joint project with the IASB. The objective of the guidance was to bring together as closely as possible the fair value measurement and disclosure guidance issued by the two boards. The guidance includes a few updates to measurement guidance and some enhanced disclosure requirements. For all Level 3 fair value measurements, the guidance requires quantitative information about significant unobservable inputs used and a description of the valuation processes in place. The guidance also requires a qualitative discussion about the sensitivity of recurring Level 3 fair value measurements and information about any transfers between Level 1 and Level 2 of the fair value hierarchy. The new guidance also contains a requirement that all fair value measurements, whether they are recorded on the balance sheet or disclosed in the footnotes, be classified as Level 1, Level 2 or Level 3 within the fair value hierarchy. This authoritative guidance will be effective as of the Company s second quarter of fiscal 2012. The Company is currently evaluating the impact that adoption of this authoritative guidance will have on its consolidated financial statement disclosures.

In June 2011, the FASB issued authoritative guidance regarding the presentation of comprehensive income. The new guidance allows companies only two choices for presenting net income and other comprehensive income: in a single continuous statement, or in two separate, but consecutive, statements. The guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. This authoritative guidance will be effective as of the Company s first quarter of fiscal 2013 and is not expected to have a significant impact to the Company s financial statements.

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Item 1. Financial Statements (Cont.)

Note 2 Fair Value Measurements

The FASB authoritative guidance regarding fair value measurements establishes a fair-value hierarchy and prioritizes the inputs used in valuation techniques that measure fair value. Those inputs are prioritized into three levels. Level 1 inputs are unadjusted quoted prices in active markets for assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at the measurement date. Level 3 inputs are unobservable inputs for the asset or liability at the measurement date. The Company s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following table sets forth, by level within the fair value hierarchy, the Company s financial assets and liabilities (as applicable) that were accounted for at fair value on a recurring basis as of June 30, 2011 and September 30, 2010. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measures	At fair value as of June 30, 2011			
(Thousands of Dollars)	Level 1	Level 2	Level 3	Total
Assets:				
Cash Equivalents Money Market Mutual Funds	$ 118,652	$	$	$ 118,652
Derivative Financial Instruments:				
Commodity Futures Contracts Gas	56			56
Over the Counter Swaps Oil		(176)		(176)
Over the Counter Swaps Gas		43,367		43,367
Other Investments:				
Balanced Equity Mutual Fund	22,030			22,030
Common Stock Financial Services Industry	6,979			6,979
Other Common Stock	237			237
Hedging Collateral Deposits	37,984			37,984
Total	$ 185,938	$ 43,191	$	$ 229,129
Liabilities:				
Derivative Financial Instruments:				
Commodity Futures Contracts Gas	$ 2,960	$	$	$ 2,960
Over the Counter Swaps Oil			50,453	50,453
Over the Counter Swaps Gas		(8,806)		(8,806)
Total	$ 2,960	$ (8,806)	$ 50,453	$ 44,607
Total Net Assets/(Liabilities)	$ 182,978	$ 51,997	$ (50,453)	$ 184,522

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Item 1. Financial Statements (Cont.)

Recurring Fair Value Measures (Thousands of Dollars)	At fair value as of September 30, 2010 Level 1	Level 2	Level 3	Total
Assets:				
Cash Equivalents Money Market Mutual Funds	$ 277,423	$	$	$ 277,423
Derivative Financial Instruments:				
Over the Counter Swaps Gas		67,387		67,387
Over the Counter Swaps Oil			(2,203)	(2,203)
Other Investments:				
Balanced Equity Mutual Fund	17,256			17,256
Common Stock Financial Services Industry	4,991			4,991
Other Common Stock	241			241
Hedging Collateral Deposits	11,134			11,134
Total	$ 311,045	$ 67,387	$ (2,203)	$ 376,229
Liabilities:				
Derivative Financial Instruments:				
Commodity Futures Contracts Gas	$ 5,840	$	$	$ 5,840
Over the Counter Swaps Oil			14,280	14,280
Over the Counter Swaps Gas		40		40
Total	$ 5,840	$ 40	$ 14,280	$ 20,160
Total Net Assets/(Liabilities)	$ 305,205	$ 67,347	$ (16,483)	$ 356,069

Derivative Financial Instruments

At June 30, 2011 and September 30, 2010, the derivative financial instruments reported in Level 1 consist of natural gas NYMEX futures contracts used in the Company s Energy Marketing and Pipeline and Storage segments. Hedging collateral deposits of $5.6 million (at June 30, 2011) and $10.1 million (at September 30, 2010), which are associated with these futures contracts have been reported in Level 1 as well. The derivative financial instruments reported in Level 2 at June 30, 2011 consist of crude oil and natural gas price swap agreements used in the Company s Exploration and Production and Energy Marketing segments. At September 30, 2010, the derivative financial instruments reported in Level 2 consist of natural gas price swap agreements used in the Company s Exploration and Production and Energy Marketing segments. The fair value of the Level 2 price swap agreements is based on an internal, discounted cash flow model that uses observable inputs (i.e. LIBOR based discount rates and basis differential information, if applicable, at active natural gas and crude oil trading markets). The derivative financial instruments reported in Level 3 consist of the majority of the Company s Exploration and Production segment s crude oil price swap agreements at June 30, 2011 and all of its crude oil price swap agreements at September 30, 2010. Hedging collateral deposits of $32.4 million and $1.0 million associated with these crude oil price swap agreements have been reported in Level 1 at June 30, 2011 and September 30, 2010, respectively. The fair value of the Level 3 crude oil price swap agreements is based on an internal, discounted cash flow model that uses both observable (i.e. LIBOR based discount rates) and unobservable inputs (i.e. basis differential information of crude oil trading markets with low trading volume). Based on an assessment of the counterparties credit risk, the fair market value of the price swap agreements reported as Level 2 assets have been reduced by $0.4 million and $1.0 million at June 30, 2011 and September 30, 2010, respectively. Based on an assessment of the Company s credit risk, the fair market value of the price swap agreements reported as Level 2 and Level 3 liabilities have been reduced by $0.1 million and $0.3 million at June 30, 2011 and September 30, 2010, respectively. These credit reserves were determined by applying default probabilities to the anticipated cash flows that the Company is either expecting from its counterparties or expecting to pay to its counterparties.

Item 1. Financial Statements (Cont.)

The tables listed below provide reconciliations of the beginning and ending net balances for assets and liabilities measured at fair value and classified as Level 3 for the quarters and nine months ended June 30, 2011 and 2010, respectively. For the quarters and nine months ended June 30, 2011 and June 30, 2010, no transfers in or out of Level 1 or Level 2 occurred. There were no purchases or sales of derivative financial instruments during the periods presented in the tables below. All settlements of the derivative financial instruments are reflected in the Gains/Losses Realized and Included in Earnings column of the tables below.

Fair Value Measurements Using Unobservable Inputs (Level 3)
(Thousands of Dollars)

		Total Gains/Losses			
	April 1, 2011	Gains/Losses Realized and Included in Earnings	Gains/Losses Unrealized and Included in Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2011
Derivative Financial Instruments[2]	$ (71,913)	$ 15,377[1]	$ 6,083	$	$ (50,453)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the three months ended June 30, 2011.
[2] Derivative Financial Instruments are shown on a net basis.

Fair Value Measurements Using Unobservable Inputs (Level 3)
(Thousands of Dollars)

		Total Gains/Losses			
	October 1, 2010	Gains/Losses Realized and Included in Earnings	Gains/Losses Unrealized and Included in Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2011
Derivative Financial Instruments[2]	$ (16,483)	$ 28,545[1]	$ (62,515)	$	$ (50,453)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the nine months ended June 30, 2011.
[2] Derivative Financial Instruments are shown on a net basis.

Fair Value Measurements Using Unobservable Inputs (Level 3)
(Thousands of Dollars)

		Total Gains/Losses			
	April 1, 2010	Gains/Losses Realized and Included in Earnings	Gains/Losses Unrealized and Included in Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2010
Derivative Financial Instruments[2]	$ (14,100)	$ (2,172)[1]	$ 16,126	$	$ (146)

(1) Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the three months ended June 30, 2010.
(2) Derivative Financial Instruments are shown on a net basis.

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Item 1. Financial Statements (Cont.)

Fair Value Measurements Using Unobservable Inputs (Level 3)
(Thousands of Dollars)

		Total Gains/Losses			
	October 1, 2010	Gains/Losses Realized and Included in Earnings	Gains/Losses Unrealized and Included in Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2010
Derivative Financial Instruments[2]	$ 26,969	$ (6,969)[1]	$ (20,146)	$	$ (146)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the nine months ended June 30, 2010.
[2] Derivative Financial Instruments are shown on a net basis.

Note 3 Financial Instruments

Long-Term Debt. The fair market value of the Company s debt, as presented in the table below, was determined using a discounted cash flow model, which incorporates the Company s credit ratings and current market conditions in determining the yield, and subsequently, the fair market value of the debt. Based on these criteria, the fair market value of long-term debt, including current portion, was as follows (in thousands):

	June 30, 2011		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt	$ 1,049,000	$ 1,209,054	$ 1,249,000	$ 1,423,349

Other Investments. Investments in life insurance are stated at their cash surrender values or net present value as discussed below. Investments in an equity mutual fund and the stock of an insurance company (marketable equity securities), as discussed below, are stated at fair value based on quoted market prices.

Other investments include cash surrender values of insurance contracts (net present value in the case of split-dollar collateral assignment arrangements) and marketable equity securities. The values of the insurance contracts amounted to $54.9 million at June 30, 2011 and $55.4 million at September 30, 2010. The fair value of the equity mutual fund was $22.0 million at June 30, 2011 and $17.3 million at September 30, 2010. The gross unrealized gain on this equity mutual fund was $1.5 million at June 30, 2011. The unrealized gain on the equity mutual fund at September 30, 2010 was negligible as the fair value was approximately equal to the cost basis. The fair value of the stock of an insurance company was $7.0 million at June 30, 2011 and $5.0 million at September 30, 2010. The gross unrealized gain on this stock was $4.6 million at June 30, 2011 and $2.6 million at September 30, 2010. The insurance contracts and marketable equity securities are primarily informal funding mechanisms for various benefit obligations the Company has to certain employees.

Derivative Financial Instruments. The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is commodity price risk in the Exploration and Production, Energy Marketing and Pipeline and Storage segments. The Company enters into futures contracts and over-the-counter swap agreements for natural gas and crude oil to manage the price risk associated with forecasted sales of gas and oil. The Company also enters into futures contracts and swaps to manage the risk associated with forecasted gas purchases, storage of gas, withdrawal of gas from storage to meet customer demand and the potential decline in the value of gas held in storage. The duration of the majority of the Company s hedges do not typically exceed 3 years.

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Item 1. Financial Statements (Cont.)

The Company has presented its net derivative assets and liabilities on its Consolidated Balance Sheets at June 30, 2011 and September 30, 2010 as shown in the table below.

Fair Values of Derivative Instruments (Dollar Amounts in Thousands)

Derivatives Designated as Hedging Instruments	Asset Derivatives Consolidated Balance Sheet Location	Asset Derivatives Fair Value	Liability Derivatives Consolidated Balance Sheet Location	Liability Derivatives Fair Value
Commodity Contracts at June 30, 2011	Fair Value of Derivative Financial Instruments	$43,247	Fair Value of Derivative Financial Instruments	$44,607
Commodity Contracts at September 30, 2010	Fair Value of Derivative Financial Instruments	$65,184	Fair Value of Derivative Financial Instruments	$20,160

The following table discloses the fair value of derivative contracts on a gross-contract basis as opposed to the net-contract basis presentation on the Consolidated Balance Sheets at June 30, 2011 and September 30, 2010.

Fair Values of Derivative Instruments (Dollar Amounts in Thousands)

Derivatives Designated as Hedging Instruments	Gross Asset Derivatives Fair Value	Gross Liability Derivatives Fair Value
Commodity Contracts at June 30, 2011	$54,971	$56,331
Commodity Contracts at September 30, 2010	$77,837	$32,813

Cash flow hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

At June 30, 2011, the Company s Exploration and Production segment had the following commodity derivative contracts (swaps) outstanding to hedge forecasted sales (where the Company uses short positions (i.e. positions that pay-off in the event of commodity price decline) to mitigate the risk of decreasing revenues and earnings).

Commodity	**Units**
Natural Gas	73.7 Bcf (all short positions)
Crude Oil	3,165,000 Bbls (all short positions)

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Item 1. Financial Statements (Cont.)

In conjunction with the sale of the Company s off-shore oil and natural gas properties in the Gulf of Mexico, the Company discontinued hedge accounting for the remaining derivative financial instruments that had been designated as hedges of Gulf of Mexico production. At June 30, 2011, natural gas derivative contracts totaling 0.4 Bcf were still outstanding. They were excluded from the table above since there is no forecasted sale associated with the hedged volume. Changes to the fair value of these natural gas derivative contracts, which mature in September 2011, are being reflected in the Consolidated Statement of Income.

At June 30, 2011, the Company s Energy Marketing segment had the following commodity derivative contracts (futures contracts and swaps) outstanding to hedge forecasted sales (where the Company uses short positions to mitigate the risk associated with natural gas price decreases and its impact on decreasing revenues and earnings) and purchases (where the Company uses long positions (i.e. positions that pay-off in the event of commodity price increases) to mitigate the risk of increasing natural gas prices, which would lead to increased purchased gas expense and decreased earnings):

Commodity	Units
Natural Gas	6.6 Bcf (5.3 Bcf short positions (forecasted storage withdrawals) and 1.3 Bcf long positions (forecasted storage injections))

At June 30, 2011, the Company s Pipeline and Storage segment had the following commodity derivative contracts (futures contracts) outstanding to hedge forecasted sales (where the Company uses short positions to mitigate the risk associated with natural gas price decreases and its impact on decreasing revenues and earnings):

Commodity	Units
Natural Gas	1.5 Bcf (all short positions)

At June 30, 2011, the Company s Exploration and Production segment had $0.1 million (less than $0.1 million after tax) of net hedging gains included in the accumulated other comprehensive income (loss) balance. It is expected that $3.2 million ($1.8 million after tax) of gains will be reclassified into the Consolidated Statement of Income (Loss) within the next 12 months as the expected sales of the underlying commodities occur. It is expected that $3.1 million ($1.7 million after tax) of losses will be reclassified into the Consolidated Statement of Income (loss) after 12 months. See Note 1, under Accumulated Other Comprehensive Income (Loss), for the after-tax gain (loss) pertaining to derivative financial instruments (Net Unrealized Gain (Loss) on Derivative Financial Instruments in Note 1 includes the Exploration and Production, Energy Marketing and Pipeline and Storage segments).

At June 30, 2011, the Company s Energy Marketing segment had $0.7 million ($0.5 million after tax) of net hedging gains included in the accumulated other comprehensive income (loss) balance. It is expected that the full amount will be reclassified into the Consolidated Statement of Income (Loss) within the next 12 months as the sales and purchases of the underlying commodities occur. See Note 1, under Accumulated Other Comprehensive Income (Loss), for the after-tax gain (loss) pertaining to derivative financial instruments (Net Unrealized Gain (Loss) on Derivative Financial Instruments in Note 1 includes the Exploration and Production, Energy Marketing and Pipeline and Storage segments).

At June 30, 2011, the Company s Pipeline and Storage segment had less than $0.1 million of net hedging gains included in the accumulated other comprehensive income (loss) balance. It is expected that the full amount will be reclassified into the Consolidated Statement of Income (Loss) within the next 12 months as the expected sales of the underlying commodities occur. See Note 1, under Accumulated Other Comprehensive Income (Loss), for the after-tax gain (loss) pertaining to derivative financial instruments (Net Unrealized Gain (Loss) on Derivative Financial Instruments in Note 1 includes the Exploration and Production, Energy Marketing and Pipeline and Storage segments).

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Item 1. Financial Statements (Cont.)

The Effect of Derivative Financial Instruments on the Statement of Financial Performance for the

Three Months Ended June 30, 2011 and 2010 (Thousands of Dollars)

Derivatives in Cash Flow Hedging Relationships	Amount of Derivative Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on the Consolidated Statement of Comprehensive Income (Loss) (Effective Portion) for the Three Months Ended June 30, 2011	2010	Location of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion)	Amount of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion) for the Three Months Ended June 30, 2011	2010	Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Three Months Ended June 30, 2011	2010
Commodity Contracts Exploration & Production segment	$ 25,399	$ 16,445	Operating Revenue	$ (5,548)	$ 11,592	Operating Revenue	$ 570	$
Commodity Contracts Energy Marketing segment	$ 737	$ 519	Purchased Gas	$ 1,793	$ 238	Purchased Gas	$	$
Commodity Contracts Pipeline & Storage segment	$ 242	$ (436)	Operating Revenue	$	$	Operating Revenue	$	$
Total	$ 26,378	$ 16,528		$ (3,755)	$ 11,830		$ 570	$

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Item 1. Financial Statements (Cont.)

The Effect of Derivative Financial Instruments on the Statement of Financial Performance for the Nine Months Ended June 30, 2011 and 2010 (Thousands of Dollars)

Derivatives in Cash Flow Hedging Relationships	Amount of Derivative Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on the Consolidated Statement of Comprehensive Income (Loss) (Effective Portion) for the Nine Months Ended June 30,		Location of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion)	Amount of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion) for the Nine Months Ended June 30,		Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Nine Months Ended June 30,	
	2011	2010		2011	2010		2011	2010
Commodity Contracts Exploration & Production segment	$ (42,969)	$ 32,910	Operating Revenue	$ 5,415	$ 29,170	Operating Revenue	$ 570	$
Commodity Contracts Energy Marketing segment	$ 1,340	$ 5,821	Purchased Gas	$ 7,095	$ (209)	Purchased Gas	$	$
Commodity Contracts Pipeline & Storage	$ 27	$ 577	Operating Revenue	$	$ 511	Operating Revenue	$	$

segment						
Total	$ (41,602)	$ 39,308	$ 12,510	$ 29,472	$ 570	$

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Item 1. Financial Statements (Cont.)

Fair value hedges

The Company s Energy Marketing segment utilizes fair value hedges to mitigate risk associated with fixed price sales commitments, fixed price purchase commitments, and the decline in the value of natural gas held in storage. With respect to fixed price sales commitments, the Company enters into long positions to mitigate the risk of price increases for natural gas supplies that could occur after the Company enters into fixed price sales agreements with its customers. With respect to fixed price purchase commitments, the Company enters into short positions to mitigate the risk of price decreases that could occur after the Company locks into fixed price purchase deals with its suppliers. With respect to storage hedges, the Company enters into short positions to mitigate the risk of price decreases that could result in a lower of cost or market writedown of the value of natural gas in storage that is recorded in the Company s financial statements. As of June 30, 2011, the Company s Energy Marketing segment had fair value hedges covering approximately 10.5 Bcf (7.4 Bcf of fixed price sales commitments (all long positions) and 3.1 Bcf of fixed price purchase commitments (all short positions)). For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk completely offset each other in current earnings, as shown below.

Consolidated Statement of Income	Gain/(Loss) on Derivative	Gain/(Loss) on Commitment
Operating Revenues	$ 9,531,151	$ (9,531,151)
Purchased Gas	$ (941,391)	$ 941,391

Derivatives in Fair Value Hedging Relationships	Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income	Amount of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income for the Nine Months Ended June 30, 2011 (In Thousands)
Commodity Contracts Energy Marketing segment (1)	Operating Revenues	$ 9,531
Commodity Contracts Energy Marketing segment (2)	Purchased Gas	$ (638)
Commodity Contracts Energy Marketing segment (3)	Purchased Gas	$ (303)
		$ 8,590

(1) Represents hedging of fixed price sales commitments of natural gas.
(2) Represents hedging of fixed price purchase commitments of natural gas.
(3) Represents hedging of natural gas held in storage.

The Company may be exposed to credit risk on any of the derivative financial instruments that are in a gain position. Credit risk relates to the risk of loss that the Company would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. To mitigate such credit risk, management performs a credit check, and then on a quarterly basis monitors counterparty credit exposure. The majority of the Company s counterparties are financial institutions and energy traders. The Company has over-the-counter swap positions with eleven counterparties of which nine are in a net gain position. The Company had derivative financial instruments that were in loss positions with the other two counterparties. On average, the Company had $4.7 million of credit exposure per counterparty in a gain position at June 30, 2011.

The maximum credit exposure per counterparty in a gain position at June 30, 2011 was $8.0 million. The Company had not received any collateral from these counterparties at June 30, 2011 since the Company s gain position on such derivative financial instruments had not exceeded the established thresholds at which the counterparties would be required to post collateral.

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Item 1. Financial Statements (Cont.)

As of June 30, 2011, eight of the eleven counterparties to the Company s outstanding derivative instrument contracts (specifically the over-the-counter swaps) had a common credit-risk related contingency feature. In the event the Company s credit rating increases or falls below a certain threshold (applicable debt ratings), the available credit extended to the Company would either increase or decrease. A decline in the Company s credit rating, in and of itself, would not cause the Company to be required to increase the level of its hedging collateral deposits (in the form of cash deposits, letters of credit or treasury debt instruments). If the Company s outstanding derivative instrument contracts were in a liability position (or if the current liability were larger) and/or the Company s credit rating declined, then additional hedging collateral deposits would be required. At June 30, 2011, the fair market value of the derivative financial instrument assets with a credit-risk related contingency feature was $24.6 million according to the Company s internal model (discussed in Note 2 Fair Value Measurements). At June 30, 2011, the fair market value of the derivative financial instrument liabilities with a credit-risk related contingency feature was $41.6 million according to the Company s internal model (discussed in Note 2 Fair Value Measurements). The liability with one counterparty was $40.3 million. For its over-the-counter crude oil swap agreements, which are in a liability position, the Company was required to post $32.4 million in hedging collateral deposits at June 30, 2011. This is discussed in Note 1 under Hedging Collateral Deposits.

For its exchange traded futures contracts, the majority of which are in a liability position, the Company had posted $5.6 million in hedging collateral as of June 30, 2011. As these are exchange traded futures contracts, there are no specific credit-risk related contingency features. The Company posts hedging collateral based on open positions and margin requirements it has with its counterparties.

The Company s requirement to post hedging collateral deposits is based on the fair value determined by the Company s counterparties, which may differ from the Company s assessment of fair value. Hedging collateral deposits may also include closed derivative positions in which the broker has not cleared the cash from the account to offset the derivative liability. The Company records liabilities related to closed derivative positions in Other Accruals and Current Liabilities on the Consolidated Balance Sheet. These liabilities are relieved when the broker clears the cash from the hedging collateral deposit account. This is discussed in Note 1 under Hedging Collateral Deposits.

Note 4 Income Taxes

The components of federal and state income taxes included in the Consolidated Statements of Income are as follows (in thousands):

	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
Current Income Taxes		
Federal	$ (1,825)	$ 42,323
State	2,703	9,914
Deferred Income Taxes		
Federal	112,385	50,079
State	27,941	13,734
	141,204	116,050
Deferred Investment Tax Credit	(523)	(523)
Total Income Taxes	$ 140,681	$ 115,527
Presented as Follows:		
Other Income	$ (523)	$ (523)
Income Tax Expense Continuing Operations	141,204	115,449
Income from Discontinued Operations		601
Total Income Taxes	$ 140,681	$ 115,527

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Item 1. Financial Statements (Cont.)

Total income taxes as reported differ from the amounts that were computed by applying the federal income tax rate to income before income taxes. The following is a reconciliation of this difference (in thousands):

	Nine Months Ended June 30,	
	2011	2010
U.S. Income Before Income Taxes	$ 361,726	$ 303,039
Income Tax Expense, Computed at Federal Statutory Rate of 35%	$ 126,604	$ 106,064
Increase (Reduction) in Taxes Resulting from:		
State Income Taxes	19,919	15,371
Miscellaneous	(5,842)	(5,908)
Total Income Taxes	$ 140,681	$ 115,527

Significant components of the Company s deferred tax liabilities and assets are as follows (in thousands):

	At June 30, 2011	At September 30, 2010
Deferred Tax Liabilities:		
Property, Plant and Equipment	$ 1,035,695	$ 849,869
Pension and Other Post-Retirement Benefit Costs	183,651	177,853
Other	38,958	63,671
Total Deferred Tax Liabilities	1,258,304	1,091,393
Deferred Tax Assets:		
Pension and Other Post-Retirement Benefit Costs	(227,458)	(223,588)
Tax Loss Carryforwards	(54,472)	(9,772)
Other	(80,114)	(81,751)
Total Deferred Tax Assets	(362,044)	(315,111)
Total Net Deferred Income Taxes	$ 896,260	$ 776,282
Presented as Follows:		
Net Deferred Tax Liability/(Asset) Current	$ (22,885)	$ (24,476)
Net Deferred Tax Liability Non-Current	919,145	800,758
Total Net Deferred Income Taxes	$ 896,260	$ 776,282

As a result of certain realization requirements of the authoritative guidance on stock-based compensation, the table of deferred tax liabilities and assets shown above does not include certain deferred tax assets at June 30, 2011 that arose directly from excess tax deductions related to stock-based compensation. A tax benefit of $18.1 million relating to the excess stock-based compensation deductions will be recorded in Paid in Capital in future years when such tax benefit is realized.

Regulatory liabilities representing the reduction of previously recorded deferred income taxes associated with rate-regulated activities that are expected to be refundable to customers amounted to $70.3 million and $69.6 million at June 30, 2011 and September 30, 2010, respectively. Also, regulatory assets representing future amounts collectible from customers, corresponding to additional deferred income taxes not previously recorded because of prior ratemaking practices, amounted to $151.1 million and $149.7 million at June 30, 2011 and September 30, 2010, respectively.

Item 1. Financial Statements (Cont.)

The Company files U.S. federal and various state income tax returns. The Internal Revenue Service (IRS) is currently conducting an examination of the Company for fiscal 2010 and 2011 in accordance with the Compliance Assurance Process (CAP). The CAP audit employs a real time review of the Company s books and tax records by the IRS that is intended to permit issue resolution prior to the filing of the tax return. While the federal statute of limitations remains open for fiscal 2008 and later years, IRS examinations for fiscal 2008 and prior years have been completed and the Company believes such years are effectively settled. During fiscal 2009, consent was received from the IRS National Office approving the Company s application to change its tax method of accounting for certain capitalized costs relating to its utility property. During fiscal 2010, local IRS examiners proposed to disallow most of the accounting method change recorded by the Company in fiscal 2009. The Company has filed a protest with the IRS Appeals Office disputing the local IRS findings.

The Company is also subject to various routine state income tax examinations. The Company s operating subsidiaries mainly operate in four states which have statutes of limitations that generally expire between three to four years from the date of filing of the income tax return.

Note 5 Capitalization

Common Stock. During the nine months ended June 30, 2011, the Company issued 1,044,970 original issue shares of common stock as a result of stock option and SARs exercises and 47,250 original issue shares for restricted stock awards (non-vested stock as defined by the current accounting literature for stock-based compensation). In addition, the Company issued 24,499 original issue shares of common stock for the Direct Stock Purchase and Dividend Reinvestment Plan. The Company also issued 11,250 original issue shares of common stock to the non-employee directors of the Company who receive compensation under the Company s 2009 Non-Employee Director Equity Compensation Plan, as partial consideration for the directors services during the nine months ended June 30, 2011. Holders of stock options, SARs or restricted stock will often tender shares of common stock to the Company for payment of option exercise prices and/or applicable withholding taxes. During the nine months ended June 30, 2011, 503,262 shares of common stock were tendered to the Company for such purposes. The Company considers all shares tendered as cancelled shares restored to the status of authorized but unissued shares, in accordance with New Jersey law.

Current Portion of Long-Term Debt. Current Portion of Long-Term Debt at June 30, 2011 consists of $150 million of 6.70% medium-term notes that mature in November 2011. Current Portion of Long-Term Debt at September 30, 2010 consisted of $200 million of 7.50% notes that matured in November 2010.

Note 6 Commitments and Contingencies

Environmental Matters. The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and to comply with regulatory policies and procedures. It is the Company s policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs.

The Company has agreed with the NYDEC to remediate a former manufactured gas plant site located in New York. The Company has received approval from the NYDEC of a Remedial Design work plan for this site and has recorded an estimated minimum liability for remediation of this site of $14.5 million.

At June 30, 2011, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites (including the former manufactured gas plant site discussed above) will be in the range of $17.2 million to $21.4 million. The minimum estimated liability of $17.2 million, which includes the $14.5 million discussed above, has been recorded on the Consolidated Balance Sheet at June 30, 2011. The Company expects to recover its environmental clean-up costs through rate recovery.

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Item 1. Financial Statements (Cont.)

The Company is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental regulations, new information or other factors could adversely impact the Company.

Other. The Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations and other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While these normal-course matters could have a material effect on earnings and cash flows in the quarterly and annual period in which they are resolved, they are not expected to change materially the Company s present liquidity position, nor are they expected to have a material adverse effect on the financial condition of the Company.

Note 7 Discontinued Operations

On September 1, 2010, the Company sold its landfill gas operations in the states of Ohio, Michigan, Kentucky, Missouri, Maryland and Indiana. Those operations consisted of short distance landfill gas pipeline companies engaged in the purchase, sale and transportation of landfill gas. The Company s landfill gas operations were maintained under the Company s wholly-owned subsidiary, Horizon LFG. The decision to sell was based on progressing the Company s strategy of divesting its smaller, non-core assets in order to focus on its core businesses, including the development of the Marcellus Shale and the construction of key pipeline infrastructure projects throughout the Appalachian region. As a result of the decision to sell the landfill gas operations, the Company began presenting these operations as discontinued operations during the fourth quarter of 2010.

The following is selected financial information of the discontinued operations for the sale of the Company s landfill gas operations:

(Thousands)	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2010
Operating Revenues	$ 2,135	$ 8,411
Operating Expenses	2,177	7,021
Operating Income (Loss)	(42)	1,390
Interest Income	1	1
Other Interest Expense	(8)	(19)
Income (Loss) before Income Taxes	(49)	1,372
Income Tax Expense	8	601
Income (Loss) from Discontinued Operations	$ (57)	$ 771

Note 8 Business Segment Information

The Company reports financial results for four segments: Utility, Pipeline and Storage, Exploration and Production and Energy Marketing. The division of the Company s operations into reportable segments is based upon a combination of factors including differences in products and services, regulatory environment and geographic factors.

The data presented in the tables below reflect financial information for the segments and reconciliations to consolidated amounts. As stated in the 2010 Form 10-K, the Company evaluates segment performance based on income before discontinued operations, extraordinary items and cumulative effects of changes in accounting (when applicable). When these items are not applicable, the Company evaluates performance based on net income. There have been no changes in the basis of segmentation nor in the basis of measuring segment profit or loss from those used in the Company s 2010 Form 10-K. As for segment assets, the only significant changes from the segment assets disclosed in the 2010 Form 10-K involve the Exploration and Production segment as well as Corporate and Intersegment Eliminations. Total Exploration and Production segment assets have increased by $184.6 million while Corporate and Intersegment Eliminations have decreased by $163.3 million.

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Item 1. Financial Statements (Cont.)

Quarter Ended June 30, 2011 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 146,215	$ 29,933	$ 130,974	$ 71,746	$ 378,868	$ 1,873	$ 238	$ 380,979
Intersegment Revenues	$ 3,475	$ 20,324	$	$ 156	$ 23,955	$ 2,810	$ (26,765)	$
Segment Profit:								
Net Income (Loss)	$ 6,328	$ 4,503	$ 32,784	$ 1,891	$ 45,506	$ 2,713	$ (1,328)	$ 46,891

Nine Months Ended June 30, 2011 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 750,802	$ 103,115	$ 388,571	$ 246,719	$ 1,489,207	$ 2,895	$ 706	$ 1,492,808
Intersegment Revenues	$ 14,680	$ 60,838	$	$ 156	$ 75,674	$ 7,026	$ (82,700)	$
Segment Profit:								
Net Income (Loss)	$ 62,399	$ 24,036	$ 93,455	$ 9,122	$ 189,012	$ 34,320	$ (2,287)	$ 221,045

Quarter Ended June 30, 2010 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 126,326	$ 32,086	$ 112,802	$ 72,830	$ 344,044	$ 7,724	$ 224	$ 351,992
Intersegment Revenues	$ 2,653	$ 19,466	$	$	$ 22,119	$ 1,418	$ (23,537)	$
Segment Profit:								
Income (Loss) from Continuing Operations	$ 5,969	$ 7,234	$ 27,883	$ 1,411	$ 42,497	$ 243	$ (98)	$ 42,642

Nine Months Ended June 30, 2010 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$ 707,323	$ 107,560	$ 328,312	$ 303,103	$ 1,446,298	$ 27,157	$ 652	$ 1,474,107
Intersegment Revenues	$ 13,315	$ 60,289	$	$	$ 73,604	$ 1,418	$ (75,022)	$
Segment Profit:								
Income (Loss) from Continuing Operations	$ 62,254	$ 30,036	$ 85,046	$ 8,472	$ 185,808	$ 2,154	$ (1,221)	$ 186,741

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Item 1. Financial Statements (Cont.)

Note 9 Investments in Unconsolidated Subsidiaries

At June 30, 2011, the Company owns a 50% interest in ESNE. ESNE is an 80-megawatt, combined cycle, natural gas-fired turbine power plant in North East, Pennsylvania that is in the process of being dismantled. The Company expects to recover its investment in ESNE through the sale of ESNE s major assets, such as the power turbines.

During the quarter ended March 31, 2011, the Company sold its 50% equity method investments in Seneca Energy and Model City for $59.4 million, resulting in a gain of $50.9 million. Seneca Energy and Model City generate and sell electricity using methane gas obtained from landfills owned by outside parties.

A summary of the Company s investments in unconsolidated subsidiaries at June 30, 2011 and September 30, 2010 is as follows (in thousands):

	At June 30, 2011	At September 30, 2010
Seneca Energy	$	$ 11,007
Model City		2,017
ESNE	1,367	1,804
	$ 1,367	$ 14,828

Note 10 Retirement Plan and Other Post-Retirement Benefits

Components of Net Periodic Benefit Cost (in thousands):

Three months ended June 30,	Retirement Plan		Other Post-Retirement Benefits	
	2011	2010	2011	2010
Service Cost	$ 3,693	$ 3,249	$ 1,069	$ 1,075
Interest Cost	10,669	11,077	5,471	6,254
Expected Return on Plan Assets	(14,776)	(14,585)	(7,291)	(6,583)
Amortization of Prior Service Cost	147	164	(427)	(427)
Amortization of Transition Amount			135	135
Amortization of Losses	8,718	5,410	5,948	6,470
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) [1]	(2,346)	(920)	1,602	(569)
Net Periodic Benefit Cost	$			