NATIONAL FUEL GAS CO

FORM 10-Q
(Quarterly Report)

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Telephone	716-857-7000
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Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	09/30

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UNITED STATES
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 quarterly period ended June 30, 2008

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 ☑ 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 ☑ 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 ☑

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, 2008: 81,475,950 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
Data-Track	Data-Track Account Services, Inc.
Distribution Corporation	National Fuel Gas Distribution Corporation
Empire	Empire State Pipeline
ESNE	Energy Systems North East, LLC
Highland	Highland Forest Resources, Inc.
Horizon	Horizon Energy Development, Inc.
Horizon LFG	Horizon LFG, Inc.
Horizon Power	Horizon Power, Inc.
Leidy Hub	Leidy Hub, Inc.
Model City	Model City Energy, LLC
National Fuel	National Fuel Gas Company
NFR	National Fuel Resources, Inc.
Registrant	National Fuel Gas Company
SECI	Seneca Energy Canada Inc.
Seneca	Seneca Resources Corporation
Seneca Energy	Seneca Energy II, LLC
Supply Corporation	National Fuel Gas Supply Corporation

Regulatory Agencies

FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
NTSB	National Transportation Safety 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

2007 Form 10-K	The Company's Annual Report on Form 10-K for the year ended September 30, 2007
ARB 51	Accounting Research Bulletin No. 51, Consolidated Financial Statements
Bbl	Barrel (of oil)
Bcf	Billion cubic feet (of natural gas)
Board foot	A measure of lumber and/or timber equal to 12 inches in length by 12 inches in width by one inch in thickness.
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.
Cashout revenues	A cash resolution of a gas imbalance whereby a customer pays Supply Corporation for gas the customer receives in excess of amounts delivered into Supply Corporation's system by the customer's shipper.
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.
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.

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.
FIN	FASB Interpretation Number
FIN 48	FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of SFAS 109
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.
LIFO	Last-in, first-out
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)
MMcf	Million cubic feet (of 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.
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.
PRP	Potentially responsible party
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 utility industry by a statutory or regulatory process. Restructuring of federally regulated natural gas pipelines has 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.
SAR	Stock-settled stock appreciation right
SFAS	Statement of Financial Accounting Standards
SFAS 87	Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions
SFAS 88	Statement of Financial Accounting Standards No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits
SFAS 106	Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions
SFAS 109	Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes

GLOSSARY OF TERMS (Concl.)

SFAS 115	Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities
SFAS 123R	Statement of Financial Accounting Standards No. 123R, Share-Based Payment
SFAS 132R	Statement of Financial Accounting Standards No. 132R, Employers' Disclosures about Pensions and Other Postretirement Benefits
SFAS 133	Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities
SFAS 141R	Statement of Financial Accounting Standards No. 141R, Business Combinations
SFAS 157	Statement of Financial Accounting Standards No. 157, Fair Value Measurements
SFAS 158	Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS 87, 88, 106, and 132R
SFAS 159	Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of SFAS 115
SFAS 160	Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51
SFAS 161	Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of SFAS 133
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, performance and capital structure, anticipated capital expenditures, completion of construction 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.

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, 2008	2007
INCOME		
Operating Revenues	$ 548,382	$ 448,779
Operating Expenses		
Purchased Gas	272,893	219,075
Operation and Maintenance	102,602	90,390
Property, Franchise and Other Taxes	19,135	17,622
Depreciation, Depletion and Amortization	42,804	37,759
	437,434	364,846
Operating Income	110,948	83,933
Other Income (Expense):		
Income from Unconsolidated Subsidiaries	1,561	926
Interest Income	3,086	1,377
Other Income	1,649	787
Interest Expense on Long-Term Debt	(19,468)	(18,226)
Other Interest Expense	(1,199)	(1,512)
Income from Continuing Operations Before Income Taxes	96,577	67,285
Income Tax Expense	36,722	26,073
Income from Continuing Operations	59,855	41,212
Income from Discontinued Operations, Net of Tax	—	5,586
Net Income Available for Common Stock	59,855	46,798
EARNINGS REINVESTED IN THE BUSINESS		
Balance at April 1	1,008,084	834,902
	1,067,939	881,700
Share Repurchases	(17,083)	—
Dividends on Common Stock (2008 - $0.325 per share; 2007 - $0.31 per share)	(26,479)	(25,897)
Balance at June 30	$ 1,024,377	$ 855,803
Earnings Per Common Share:		
Basic:		
Income from Continuing Operations	$ 0.74	$ 0.49
Income from Discontinued Operations	—	0.07
Net Income Available for Common Stock	$ 0.74	$ 0.56
Diluted:		
Income from Continuing Operations	$ 0.72	$ 0.48
Income from Discontinued Operations	—	0.07
Net Income Available for Common Stock	$ 0.72	$ 0.55
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	81,342,788	83,483,718
Used in Diluted Calculation	83,712,193	85,668,055

See Notes to Condensed Consolidated Financial Statements

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, 2008	2007
INCOME		
Operating Revenues	$ 2,002,503	$ 1,737,537
Operating Expenses		
Purchased Gas	1,082,340	938,918
Operation and Maintenance	325,642	305,502
Property, Franchise and Other Taxes	58,206	54,562
Depreciation, Depletion and Amortization	129,337	115,561
	1,595,525	1,414,543
Operating Income	406,978	322,994
Other Income (Expense):		
Income from Unconsolidated Subsidiaries	4,866	3,099
Interest Income	8,356	3,098
Other Income	4,982	4,028
Interest Expense on Long-Term Debt	(52,045)	(52,158)
Other Interest Expense	(4,209)	(4,877)
Income from Continuing Operations Before Income Taxes	368,928	276,184
Income Tax Expense	143,465	108,804
Income from Continuing Operations	225,463	167,380
Income from Discontinued Operations, Net of Tax	—	12,385
Net Income Available for Common Stock	225,463	179,765
EARNINGS REINVESTED IN THE BUSINESS		
Balance at October 1	983,776	786,013
	1,209,239	965,778
Share Repurchases	(106,647)	(34,351)
Cumulative Effect of the Adoption of FIN 48	(406)	—
Dividends on Common Stock (2008 - $0.945 per share; 2007 - $0.91 per share)	(77,809)	(75,624)
Balance at June 30	$ 1,024,377	$ 855,803
Earnings Per Common Share:		
Basic:		
Income from Continuing Operations	$ 2.72	$ 2.02
Income from Discontinued Operations	—	0.15
Net Income Available for Common Stock	$ 2.72	$ 2.17
Diluted:		
Income from Continuing Operations	$ 2.65	$ 1.96
Income from Discontinued Operations	—	0.15
Net Income Available for Common Stock	$ 2.65	$ 2.11
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	82,789,748	83,018,583
Used in Diluted Calculation	85,000,381	85,192,777

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

(Thousands of Dollars)	June 30, 2008	September 30, 2007
ASSETS		
Property, Plant and Equipment	$4,730,708	$4,461,586
Less — Accumulated Depreciation, Depletion and Amortization	1,686,616	1,583,181
	3,044,092	2,878,405
Current Assets		
Cash and Temporary Cash Investments	259,198	124,806
Cash Held in Escrow	—	61,964
Hedging Collateral Deposits	30,778	4,066
Receivables — Net of Allowance for Uncollectible Accounts of $35,588 and $28,654, Respectively	302,522	172,380
Unbilled Utility Revenue	19,580	20,682
Gas Stored Underground	53,735	66,195
Materials and Supplies — at average cost	33,310	35,669
Unrecovered Purchased Gas Costs	5,680	14,769
Other Current Assets	31,767	45,057
Deferred Income Taxes	84,297	8,550
	820,867	554,138
Other Assets		
Recoverable Future Taxes	83,453	83,954
Unamortized Debt Expense	14,501	12,070
Other Regulatory Assets	129,640	137,577
Deferred Charges	5,235	5,545
Other Investments	82,474	85,902
Investments in Unconsolidated Subsidiaries	16,916	18,256
Goodwill	5,476	5,476
Intangible Assets	26,839	28,836
Prepaid Pension and Post-Retirement Benefit Costs	56,926	61,006
Fair Value of Derivative Financial Instruments	—	9,188
Other	7,442	8,059
	428,902	455,869
Total Assets	$4,293,861	$3,888,412

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, 2008	September 30, 2007
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders' Equity		
Common Stock, $1 Par Value Authorized - 200,000,000 Shares; Issued and Outstanding – 81,473,550 Shares and 83,461,308 Shares, Respectively	$ 81,474	$ 83,461
Paid in Capital	583,693	569,085
Earnings Reinvested in the Business	1,024,377	983,776
Total Common Shareholder Equity Before Items of Other Comprehensive Loss	1,689,544	1,636,322
Accumulated Other Comprehensive Loss	(105,872)	(6,203)
Total Comprehensive Shareholders' Equity	1,583,672	1,630,119
Long-Term Debt, Net of Current Portion	999,000	799,000
Total Capitalization	2,582,672	2,429,119
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper	—	—
Current Portion of Long-Term Debt	100,000	200,024
Accounts Payable	162,838	109,757
Amounts Payable to Customers	12,864	10,409
Dividends Payable	26,479	25,873
Interest Payable on Long-Term Debt	15,774	18,158
Customer Advances	—	22,863
Other Accruals and Current Liabilities	136,458	36,062
Fair Value of Derivative Financial Instruments	180,255	16,200
	634,668	439,346
Deferred Credits		
Deferred Income Taxes	605,818	575,356
Taxes Refundable to Customers	14,037	14,026
Unamortized Investment Tax Credit	4,866	5,392
Cost of Removal Regulatory Liability	101,251	91,226
Other Regulatory Liabilities	95,846	76,659
Post-Retirement Liabilities	60,152	70,555
Asset Retirement Obligations	74,653	75,939
Other Deferred Credits	119,898	110,794
	1,076,521	1,019,947
Commitments and Contingencies	—	—
Total Capitalization and Liabilities	$4,293,861	$3,888,412

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Statement of Cash Flows
(Unaudited)

(Thousands of Dollars)	Nine Months Ended June 30, 2008	2007
OPERATING ACTIVITIES		
Net Income Available for Common Stock	$ 225,463	$ 179,765
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Depletion and Amortization	129,337	125,986
Deferred Income Taxes	27,603	27,107
Income from Unconsolidated Subsidiaries, Net of Cash Distributions	1,340	(1,486)
Excess Tax Benefits Associated with Stock-Based Compensation Awards	(16,275)	(13,689)
Other	(1,120)	4,722
Change in:		
Hedging Collateral Deposits	(26,712)	16,276
Receivables and Unbilled Utility Revenue	(129,102)	(43,733)
Gas Stored Underground and Materials and Supplies	14,819	34,725
Unrecovered Purchased Gas Costs	9,089	12,970
Prepayments and Other Current Assets	17,370	30,685
Accounts Payable	53,081	(12,560)
Amounts Payable to Customers	2,455	(4,738)
Customer Advances	(22,863)	(29,417)
Other Accruals and Current Liabilities	94,031	77,842
Other Assets	19,178	918
Other Liabilities	17,373	(821)
Net Cash Provided by Operating Activities	415,067	404,552
INVESTING ACTIVITIES		
Capital Expenditures	(264,728)	(206,509)
Investment in Partnership	—	(3,300)
Cash Held in Escrow	58,397	—
Net Proceeds from Sale of Oil and Gas Producing Properties	5,675	5,137
Other	(3,414)	(1,072)
Net Cash Used in Investing Activities	(204,070)	(205,744)
FINANCING ACTIVITIES		
Excess Tax Benefits Associated with Stock-Based Compensation Awards	16,275	13,689
Shares Repurchased under Repurchase Plan	(129,592)	(43,344)
Net Proceeds from Issuance of Long-Term Debt	296,655	—
Reduction of Long-Term Debt	(200,024)	(119,550)
Dividends Paid on Common Stock	(77,204)	(74,748)
Net Proceeds from Issuance of Common Stock	17,285	16,819
Net Cash Used in Financing Activities	(76,605)	(207,134)
Effect of Exchange Rates on Cash	—	1,245
Net Increase (Decrease) in Cash and Temporary Cash Investments	134,392	(7,081)
Cash and Temporary Cash Investments at October 1	124,806	69,611
Cash and Temporary Cash Investments at June 30	$ 259,198	$ 62,530

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, 2008	2007
Net Income Available for Common Stock	$ 59,855	$46,798
Other Comprehensive Income (Loss), Before Tax:		
Foreign Currency Translation Adjustment	2	10,029
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(1,603)	1,570
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(139,684)	13,343
Reclassification Adjustment for Realized Losses on Derivative Financial Instruments in Net Income	33,082	5,581
Other Comprehensive Income (Loss), Before Tax	(108,203)	30,523
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) On Securities Available for Sale Arising During the Period	(608)	562
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) On Derivative Financial Instruments Arising During the Period	(57,136)	5,433
Reclassification Adjustment for Income Tax Benefit on Realized Losses on Derivative Financial Instruments In Net Income	13,546	2,277
Income Taxes – Net	(44,198)	8,272
Other Comprehensive Income (Loss)	(64,005)	22,251
Comprehensive Income (Loss)	$ (4,150)	$69,049

(Thousands of Dollars)	Nine Months Ended June 30, 2008	2007
Net Income Available for Common Stock	$ 225,463	$179,765
Other Comprehensive Income (Loss), Before Tax:		
Foreign Currency Translation Adjustment	(72)	6,384
Minimum Pension Liability Adjustment	—	(320)
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(4,817)	2,844
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(208,256)	2,388
Reclassification Adjustment for Realized Losses on Derivative Financial Instruments in Net Income	45,242	7,799
Other Comprehensive Income (Loss), Before Tax	(167,903)	19,095
Income Tax Expense (Benefit) Related to Minimum Pension Liability Adjustment	—	(121)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) On Securities Available for Sale Arising During the Period	(1,429)	1,046
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) On Derivative Financial Instruments Arising During the Period	(85,300)	669
Reclassification Adjustment for Income Tax Benefit on Realized Losses on Derivative Financial Instruments In Net Income	18,495	3,933
Income Taxes – Net	(68,234)	5,527
Other Comprehensive Income (Loss)	(99,669)	13,568
Comprehensive Income	$ 125,794	$193,333

See Notes to Condensed Consolidated Financial Statements

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 its majority owned entities. The equity method is used to account for minority owned entities. 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.

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, 2007, 2006 and 2005 that are included in the Company's 2007 Form 10-K. The consolidated financial statements for the year ended September 30, 2008 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, 2008 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2008. 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 6 – 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, 2008, the Company accrued $19.9 million of capital expenditures related to the construction of the Empire Connector project. This amount has been excluded from the Consolidated Statement of Cash Flows at June 30, 2008 since it represents a non-cash investing activity at that date.

Hedging Collateral Deposits. Cash held in margin accounts serves as collateral for open positions on exchange-traded futures contracts, exchange-traded options and over-the-counter swaps and collars.

Cash Held in Escrow. On August 31, 2007, the Company received approximately $232.1 million of proceeds from the sale of SECI, of which $58.0 million was placed in escrow pending receipt of a tax clearance certificate from the Canadian government. The escrow account was a Canadian dollar denominated account. On a U.S. dollar basis, the value of this account was $62.0 million at September 30, 2007. In December 2007, the Canadian government issued the tax clearance certificate, thereby releasing the proceeds from restriction as of December 31, 2007. To hedge against foreign currency exchange risk related to the cash being held in escrow, the Company held a forward contract to sell Canadian dollars. For presentation purposes on the Consolidated Statement of Cash Flows, for the nine months ended June 30, 2008, the Cash Held in Escrow line item within Investing Activities reflects the net proceeds to the Company (received on January 8, 2008) after adjusting for the impact of the foreign currency hedge.

Item 1. Financial Statements (Cont.)

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 $77.9 million at June 30, 2008, is reduced to zero by September 30 of each year as the inventory is replenished.

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

	At June 30, 2008	At September 30, 2007
Funded Position of the Pension and Other Post-Retirement Benefit Plans Adjustment	$ (12,482)	$ (12,482)
Cumulative Foreign Currency Translation Adjustment	(155)	(83)
Net Unrealized Loss on Derivative Financial Instruments	(100,095)	(3,886)
Net Unrealized Gain on Securities Available for Sale	6,860	10,248
Accumulated Other Comprehensive Loss	$ (105,872)	$ (6,203)

Earnings Per Common Share. Basic earnings per common share is computed by dividing 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 and stock-settled SARs. The diluted weighted average shares outstanding shown on the Consolidated Statements of Income reflects the potential dilution as a result of these stock options and stock-settled SARs as determined using the Treasury Stock Method. Stock options and stock-settled SARs that are antidilutive are excluded from the calculation of diluted earnings per common share. For the quarter and nine months ended June 30, 2008, there were no stock options excluded as being antidilutive. There were 6,593 and 2,190 stock-settled SARs excluded as being antidilutive for the quarter and nine months ended June 30, 2008, respectively. For the quarter and nine months ended June 30, 2007, there were no stock options excluded as being antidilutive. There were 1,817 and 271 stock-settled SARs excluded as being antidilutive for the quarter and nine months ended June 30, 2007, respectively.

Share Repurchases. The Company considers all shares repurchased as cancelled shares restored to the status of authorized but unissued shares, in accordance with New Jersey law. The repurchases are accounted for on the date the share repurchase is settled as an adjustment to common stock (at par value) with the excess repurchase price allocated between paid in capital and retained earnings. Refer to Note 3 – Capitalization for further discussion of the share repurchase program.

Stock-Based Compensation. For the quarter ended June 30, 2008, the Company granted 30,000 performance-based stock-settled SARs having a weighted average exercise price of $58.99 per share. For the nine months ended June 30, 2008, the Company granted 321,000 performance-based stock-settled SARs having a weighted average exercise price of $48.46 per share. The weighted average grant date fair value of these stock-settled SARs was $12.23 per share and $9.06 per share for the quarter and nine months ended June 30, 2008, respectively. The accounting treatment for such stock-settled SARs is the same under SFAS 123R as the accounting for stock options under SFAS 123R. The stock-settled SARs granted for the quarter and nine months ended June 30, 2008 vest and become exercisable annually in one-third increments, provided that a performance condition for diluted earnings per share is met for the prior fiscal year. The weighted average grant date fair value of these stock-settled SARs

Item 1. Financial Statements (Cont.)

granted during the quarter and nine months ended June 30, 2008 was estimated on the date of grant using the same accounting treatment that is applied for stock options under SFAS 123R, and assumes that the performance conditions specified will be achieved. If such conditions are not met, no compensation expense is recognized and any recognized compensation expense is reversed.

There were no stock options granted during the quarter and nine months ended June 30, 2008. The Company granted 25,000 restricted share awards (non-vested stock as defined in SFAS 123R) during the nine months ended June 30, 2008. The weighted average fair value of such restricted shares was $48.41 per share. There were no restricted share awards granted during the quarter ended June 30, 2008.

New Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, “Fair Value Measurements”. SFAS 157 provides guidance for using fair value to measure assets and liabilities. The pronouncement serves to clarify the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect that fair-value measurements have on earnings. SFAS 157 is to be applied whenever another standard requires or allows assets or liabilities to be measured at fair value. In accordance with FASB Staff Position FAS No. 157-2, SFAS 157 is effective for financial assets and financial liabilities that are recognized or disclosed at fair value on a recurring basis as of the Company’s first quarter of fiscal 2009. The same FASB Staff Position delays the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, until the Company’s first quarter of fiscal 2010. The Company is currently evaluating the impact that the adoption of SFAS 157 will have on its consolidated financial statements.

In September 2006, the FASB also issued SFAS 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans” (an amendment of SFAS 87, SFAS 88, SFAS 106, and SFAS 132R). SFAS 158 requires that companies recognize a net liability or asset to report the underfunded or overfunded status of their defined benefit pension and other post-retirement benefit plans on their balance sheets, as well as recognize changes in the funded status of a defined benefit post-retirement plan in the year in which the changes occur through comprehensive income. The pronouncement also specifies that a plan’s assets and obligations that determine its funded status be measured as of the end of the Company’s fiscal year, with limited exceptions. In accordance with SFAS 158, the Company has recognized the funded status of its benefit plans and implemented the disclosure requirements of SFAS 158 at September 30, 2007. The requirement to measure the plan assets and benefit obligations as of the Company’s fiscal year-end date will be adopted by the Company by the end of fiscal 2009. Currently, the Company measures its plan assets and benefit obligations using a June 30th measurement date.

In February 2007, the FASB issued SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of SFAS 115.” SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not otherwise required to be measured at fair value under GAAP. A company that elects the fair value option for an eligible item will be required to recognize in current earnings any changes in that item’s fair value in reporting periods subsequent to the date of adoption. SFAS 159 is effective as of the Company’s first quarter of fiscal 2009. The Company is currently evaluating the impact, if any, that the adoption of SFAS 159 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141R, “Business Combinations.” SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective as of the Company’s first quarter of fiscal 2010.

In December 2007, the FASB issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51.” SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a

Item 1. Financial Statements (Cont.)

component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective as of the Company's first quarter of fiscal 2010. The Company currently does not have any NCI.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities, an Amendment of SFAS 133." SFAS 161 requires entities to provide enhanced disclosures related to an entity's derivative instruments and hedging activities in order to enable investors to better understand how derivative instruments and hedging activities impact an entity's financial reporting. The additional disclosures include how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective as of the Company's second quarter of fiscal 2009. The Company is currently evaluating the impact that the adoption of SFAS 161 will have on its disclosures in its notes to its consolidated financial statements.

Note 2 — Income Taxes

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

	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
Operating Expenses:		
Current Income Taxes		
Federal	$ 92,384	$ 65,629
State	23,388	19,259
Foreign	90	22
Deferred Income Taxes		
Federal	18,906	18,221
State	8,697	5,270
Foreign	—	3,616
	143,465	112,017
Deferred Investment Tax Credit	(523)	(523)
Total Income Taxes	$142,942	$111,494
Presented as Follows:		
Other Income	$ (523)	$ (523)
Income Tax Expense – Continuing Operations	143,465	108,804
Income from Discontinued Operations	—	3,213
Total Income Taxes	$142,942	$111,494

The U.S. and foreign components of income before income taxes are as follows (in thousands):

	Nine Months Ended June 30, 2008	Nine Months Ended June 30, 2007
U.S.	$368,191	$275,196
Foreign	214	16,063
	$368,405	$291,259

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, 2008	Nine Months Ended June 30, 2007
Income Tax Expense, Computed at Statutory Rate of 35%	$128,942	$101,941
Increase (Reduction) in Taxes Resulting From:		
State Income Taxes	20,855	15,944
Miscellaneous	(6,855)	(6,391)
Total Income Taxes	$142,942	$111,494

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

	At June 30, 2008	At September 30, 2007
Deferred Tax Liabilities:		
Property, Plant and Equipment	$ 669,079	$ 612,648
Other	38,451	61,616
Total Deferred Tax Liabilities	707,530	674,264
Deferred Tax Assets:		
Fair Value of Derivative Instruments and Securities	(65,192)	—
Other	(120,817)	(107,458)
Total Deferred Tax Assets	(186,009)	(107,458)
Total Net Deferred Income Taxes	$ 521,521	$ 566,806
Presented as Follows:		
Net Deferred Tax Asset – Current	$ (84,297)	$ (8,550)
Net Deferred Tax Liability – Non-Current	605,818	575,356
Total Net Deferred Income Taxes	$ 521,521	$ 566,806

Regulatory liabilities representing the reduction of previously recorded deferred income taxes with rate-regulated activities that are expected to be refundable to customers amounted to $14.0 million at both June 30, 2008 and September 30, 2007. 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 $83.5 million and $84.0 million at June 30, 2008 and September 30, 2007, respectively.

The Company adopted FIN 48 on October 1, 2007. As of the date of adoption, a cumulative effect adjustment was recorded that resulted in a decrease to retained earnings of $0.4 million. Upon adoption, the unrecognized tax benefits were $1.7 million, all of which would impact the effective tax rate (net of federal benefit) if recognized. There has been no change in the balance of unrecognized tax benefits through June 30, 2008 and the Company does not anticipate any significant change in this liability over the next twelve months.

The Company recognizes estimated interest payable relating to income taxes in Other Interest Expense and estimated penalties relating to income taxes in Other Income. The Company has accrued interest of $0.5 million through June 30, 2008 and has not accrued any penalties.

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 2008 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. The IRS has issued a Full Acceptance Letter for the fiscal 2007 CAP audit, and is in the process of completing the post-filing review of this return. While the federal statute of limitations remains open for fiscal 2005 and later years, IRS examinations for years prior to fiscal 2007 have been completed and the Company believes such years are effectively settled.

For the major states in which the various subsidiary companies operate, the earliest tax year open for examination is as follows:

New York	Fiscal 2002
Pennsylvania	Fiscal 2003
California	Fiscal 2003
Texas	Fiscal 2003

Note 3 — Capitalization

Common Stock. During the nine months ended June 30, 2008, the Company issued 884,644 original issue shares of common stock as a result of stock option exercises and 25,000 original issue shares for restricted stock awards (non-vested stock as defined in SFAS 123R). The Company also issued 7,200 original issue shares of common stock to the eight non-employee directors of the Company who receive compensation under the Company's Retainer Policy for Non-Employee Directors, as partial consideration for the directors' services during the nine months ended June 30, 2008. Holders of stock options 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, 2008, 72,205 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.

On December 8, 2005, the Company's Board of Directors authorized the Company to implement a share repurchase program, whereby the Company may repurchase outstanding shares of common stock, up to an aggregate amount of 8 million shares in the open market or through privately negotiated transactions. During the nine months ended June 30, 2008, the Company repurchased 2,832,397 shares for $129.6 million under this program, funded with cash provided by operating activities. Since the repurchase program was implemented, the Company has repurchased 6,667,275 shares for $262.8 million.

Shareholder Rights Plan. On February 21, 2008, the Board of Directors of the Company approved amendments to the Company's Amended and Restated Rights Agreement (the "Rights Agreement"). The amendments modify the rights of holders of the Company's Common Stock Purchase Rights (the "Rights"). The principal amendments are an extension of the expiration date of the Rights Agreement from July 31, 2008 to July 31, 2018 and an increase in the exercise price of the Rights from $65 to $150 per full share. The Board also approved amendments to the Rights Agreement (i) to provide that the phrase "then outstanding," when used with reference to a person's beneficial ownership of securities of the Company, means the number of securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such person would be deemed to own beneficially under the Rights Agreement, including, among other things, certain derivative or synthetic arrangements having characteristics of a long position in the Company's common stock, (ii) to eliminate certain restrictive covenants that would have applied to the Company after the distribution date of the Rights, and (iii) to clarify and update the Rights Agreement in various respects. The Company, on July 11, 2008, entered into an amended and restated Rights Agreement, reflecting the changes described in this paragraph, with the Bank of New York, as Rights Agent, and on July 15, 2008, filed with the SEC copies of that agreement as exhibits to Forms 8-A and Form 8-K.

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Long-Term Debt. In April 2008, the Company issued $300.0 million of 6.50% senior, unsecured notes in a private placement exempt from registration under the Securities Act of 1933. The notes have a term of 10 years, with a maturity date in April 2018. The holders of the notes may require the Company to repurchase their notes in the event of a change in control at a price equal to 101% of the principal amount. In addition, the Company is required to either offer to exchange the notes for substantially similar notes as are registered under the Securities Act of 1933 or, in certain circumstances, register the resale of the notes. The Company used $200.0 million of the proceeds to refund $200.0 million of 6.303% medium-term notes that subsequently matured on May 27, 2008.

Note 4 — 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 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.

As disclosed in Note H of the Company's 2007 Form 10-K, the Company received, in 1998 and again in October 1999, notice that the NYDEC believes the Company is responsible for contamination discovered at a former manufactured gas plant site located in New York for which the Company had not been named as a PRP. In February 2007, the NYDEC identified the Company as a PRP for the site and issued a proposed remedial action plan. The NYDEC estimated clean-up costs under its proposed remedy to be $8.9 million if implemented. Although the Company commented to the NYDEC that the proposed remedial action plan contained a number of material errors, omissions and procedural defects, the NYDEC, in a March 2007 Record of Decision, selected the remedy it had previously proposed. In July 2007, the Company appealed the NYDEC's Record of Decision to the New York State Supreme Court, Albany County. The Court dismissed the appeal in January 2008. The Company filed a notice of appeal in February 2008. In July 2008, the Company withdrew its appeal and agreed to the terms of an Order on Consent issued by the NYDEC. Pursuant to the order, the Company will remediate the site consistent with the remedy selected in the NYDEC's Record of Decision. The Company will also reimburse the NYDEC in the amount of approximately $1.5 million for costs incurred in connection with the site from 1998 through May 30, 2007. The Company acknowledged that additional charges related to the site will be billed to the Company at a later date, including costs incurred by the NYDEC after May 30, 2007 and any costs incurred by the New York Department of Health. The Company has not received any estimates of such additional costs. The Company has recorded an estimated minimum liability of $10.4 million associated with this site.

At June 30, 2008, 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 $13.5 million to $17.2 million. The minimum estimated liability of $13.5 million has been recorded on the Consolidated Balance Sheet at June 30, 2008, including the $10.4 million discussed above. The Company expects to recover its environmental clean-up costs from a combination of rate recovery and deferred insurance proceeds that are currently recorded as a regulatory liability on the Consolidated Balance Sheet.

The Company is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental regulations 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

Item 1. Financial Statements (Cont.)

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 to have a material adverse effect on the financial condition of the Company.

Note 5 — Discontinued Operations

On August 31, 2007, the Company, in its Exploration and Production segment, completed the sale of SECI, Seneca's wholly owned subsidiary that operated in Canada. The Company received approximately $232.1 million of proceeds from the sale, of which $58.0 million was placed in escrow pending receipt of a tax clearance certificate from the Canadian government. In December 2007, the Canadian government issued the tax clearance certificate, thereby releasing the proceeds from restriction as of December 31, 2007. The sale resulted in the recognition of a gain of approximately $120.3 million, net of tax, during the fourth quarter of 2007. SECI is engaged in the exploration for, and the development and purchase of, natural gas and oil reserves in the provinces of Alberta, Saskatchewan and British Columbia in Canada. The decision to sell was based on lower than expected returns from the Canadian oil and gas properties combined with difficulty in finding significant new reserves. Seneca will continue its exploration and development activities in Appalachia, the Gulf of Mexico, and California. As a result of the decision to sell SECI, the Company began presenting all SECI operations as discontinued operations during the fourth quarter of 2007.

The following is selected financial information of the discontinued operations for SECI:

(Thousands)	Three Months Ended June 30, 2007	Nine Months Ended June 30, 2007
Operating Revenues	$14,366	$42,004
Operating Expenses	9,915	27,205
Operating Income	4,451	14,799
Interest Income	272	799
Income before Income Taxes	4,723	15,598
Income Tax Expense (Benefit)	(863)	3,213
Income from Discontinued Operations	$ 5,586	$12,385

Note 6 — Business Segment Information

The Company has five reportable segments: Utility, Pipeline and Storage, Exploration and Production, Energy Marketing, and Timber. The division of the Company's operations into the 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 the reportable segments and reconciliations to consolidated amounts. As stated in the 2007 Form 10-K, the Company evaluates segment performance based on income before discontinued operations, extraordinary items and cumulative effects of changes in accounting (where 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 2007 Form 10-K. There have been no material changes in the amount of assets for any operating segment from the amounts disclosed in the 2007 Form 10-K.

Item 1. Financial Statements (Cont.)

Quarter Ended June 30, 2008 (Thousands)	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$217,339	$32,054	$126,154	$162,129	$10,114	$547,790	$ 395	$ 197	$548,382
Intersegment Revenues	$ 3,154	$20,131	$ —	$ —	$ —	$ 23,285	$4,439	$(27,724)	$ —
Segment Profit (Loss):									
Net Income (Loss)	$ 7,848	$12,534	$ 39,791	$ 478	$ (2,066)	$ 58,585	$1,106	$ 164	$ 59,855

Nine Months Ended June 30, 2008 (Thousands)	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$1,067,194	$101,871	$348,829	$440,111	$40,438	$1,998,443	$ 3,564	$ 496	$2,002,503
Intersegment Revenues	$ 13,567	$ 61,340	$ —	$ —	$ —	$ 74,907	$10,251	$(85,158)	$ —
Segment Profit (Loss):									
Net Income (Loss)	$ 62,228	$ 40,931	$108,385	$ 7,079	$ 2,214	$ 220,837	$ 5,137	$ (511)	$ 225,463

Quarter Ended June 30, 2007 (Thousands)	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$210,604	$30,128	$80,028	$113,380	$13,131	$447,271	$1,308	$ 200	$448,779
Intersegment Revenues	$ 2,586	$20,332	$ —	$ —	$ —	$ 22,918	$2,253	$(25,171)	$ —
Segment Profit (Loss):									
Income (Loss) from Continuing Operations	$ 3,705	$15,451	$18,849	$ 1,233	$ (364)	$ 38,874	$ 458	$ 1,880	$ 41,212

Nine Months Ended June 30, 2007 (Thousands)	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$1,000,860	$94,889	$233,708	$360,036	$43,079	$1,732,572	$4,387	$ 578	$1,737,537
Intersegment Revenues	$ 12,556	$61,585	$ —	$ —	$ —	$ 74,141	$6,540	$(80,681)	$ —
Segment Profit:									
Income from Continuing Operations	$ 54,322	$43,075	$ 52,573	$ 8,431	$ 3,053	$ 161,454	$1,911	$ 4,015	$ 167,380

Item 1. Financial Statements (Cont.)

Note 7 — Intangible Assets

The components of the Company's intangible assets were as follows (in thousands):

	At June 30, 2008			At September 30, 2007
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Intangible Assets Subject to Amortization:				
Long-Term Transportation Contracts	$ 8,580	$ (5,791)	$ 2,789	$ 3,591
Long-Term Gas Purchase Contracts	31,864	(7,814)	24,050	25,245
	$40,444	$(13,605)	$26,839	$28,836

Aggregate Amortization Expense:	
(Thousands)	
Three Months Ended June 30, 2008	$ 666
Three Months Ended June 30, 2007	$ 666
Nine Months Ended June 30, 2008	$ 1,997
Nine Months Ended June 30, 2007	$ 1,997

The gross carrying amount of intangible assets subject to amortization at June 30, 2008 remained unchanged from September 30, 2007. The only activity with regard to intangible assets subject to amortization was amortization expense as shown in the table above. Amortization expense for the long-term transportation contracts is estimated to be $0.3 million for the remainder of 2008 and $0.5 million for fiscal 2009. Amortization expense for transportation contracts is estimated to be $0.4 million annually for 2010, 2011 and 2012. Amortization expense for the long-term gas purchase contracts is estimated to be $0.4 million for the remainder of 2008 and $1.6 million annually for 2009, 2010, 2011 and 2012.

Note 8 — Retirement Plan and Other Post-Retirement Benefits

Components of Net Periodic Benefit Cost (in thousands):

	Retirement Plan		Other Post-Retirement Benefits	
Three months ended June 30,	2008	2007	2008	2007
Service Cost	$ 3,149	$ 3,225	$ 1,276	$ 1,403
Interest Cost	11,237	11,087	6,770	6,800
Expected Return on Plan Assets	(13,750)	(12,809)	(8,428)	(6,740)
Amortization of Prior Service Cost	202	220	1	1
Amortization of Transition Amount	—	—	1,782	1,782
Amortization of Losses	2,766	3,382	732	2,053
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) (1)	783	(344)	4,354	3,382
Net Periodic Benefit Cost	$ 4,387	$ 4,761	$ 6,487	$ 8,681

Item 1. Financial Statements (Cont.)

Nine months ended June 30,	Retirement Plan 2008	Retirement Plan 2007	Other Post-Retirement Benefits 2008	Other Post-Retirement Benefits 2007
Service Cost	$ 9,448	$ 9,674	$ 3,828	$ 4,210
Interest Cost	33,712	33,263	20,311	20,399
Expected Return on Plan Assets	(41,250)	(38,427)	(25,286)	(20,220)
Amortization of Prior Service Cost	606	661	3	3
Amortization of Transition Amount	—	—	5,346	5,345
Amortization of Losses	8,298	10,146	2,195	6,160
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) [1]	7,597	3,885	20,028	16,453
Net Periodic Benefit Cost	$ 18,411	$ 19,202	$ 26,425	$ 32,350

(1) The Company's policy is to record retirement plan and other post-retirement benefit costs in the Utility segment on a volumetric basis to reflect the fact that the Utility segment experiences higher throughput of natural gas in the winter months and lower throughput of natural gas in the summer months.

Employer Contributions. During the nine months ended June 30, 2008, the Company contributed $3.8 million to its retirement plan and $25.3 million to its VEBA trusts and 401(h) accounts in its other post-retirement benefit plan. In the remainder of 2008, the Company expects to contribute $12.2 million to its retirement plan and $3.8 million to its VEBA trusts and 401(h) accounts in its other post-retirement benefit plan.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company is a diversified energy company and reports its operating results in five reportable business segments. For the quarter ended June 30, 2008 compared to the quarter ended June 30, 2007, the Company has experienced an increase in earnings of $13.1 million, primarily due to higher earnings in the Exploration and Production segment. The Utility segment and the All Other category also contributed to the increase in earnings. These earnings increases discussed above were slightly offset by lower earnings in the Pipeline and Storage and Energy Marketing segments as well as in the Corporate category, combined with a higher loss in the Timber segment. For the nine months ended June 30, 2008 compared to the nine months ended June 30, 2007, the Company experienced an increase in earnings of $45.7 million, due primarily to higher earnings in the Exploration and Production segment. The Utility segment and the All Other category also contributed to the increase in earnings. These earnings increases discussed above were slightly offset by lower earnings in the Pipeline and Storage, Energy Marketing, and Timber segments as well as in the Corporate category. The Company's earnings are discussed further in the Results of Operations section that follows.

From a capital resources and liquidity perspective, the Company spent $284.6 million on capital expenditures during the nine months ended June 30, 2008, with approximately 49% being spent in the Exploration and Production segment, 37% in the Pipeline and Storage segment and 14% in the Utility segment. The amounts spent in the various segments reflect the Company's belief that the Exploration and Production segment and the Pipeline and Storage segment currently provide the best earnings growth opportunities for shareholders. In the Exploration and Production segment, the Company's principal focus continues to be the development of its nearly one million acres in the Appalachian region along with continued exploration and development in the Gulf and West Coast regions. In the Pipeline and Storage segment, the majority of the expenditures were for construction costs of the Empire Connector project. The project is on schedule to be completed by the planned in-service date of November 2008, although the actual in-service date will depend upon the completion of the Millennium Pipeline. This project and other capital expenditures are discussed further in the Capital Resources and Liquidity section that follows.

The Company regularly considers the repurchase of outstanding shares of common stock under a share repurchase program authorized by the Company's Board of Directors. The program authorizes the Company to repurchase up to an aggregate amount of 8 million shares. Through June 30, 2008, the Company had repurchased 6,667,275 shares for $262.8 million under this program, including 2,832,397 shares for $129.6 million during the nine months ended June 30, 2008. These matters are discussed further in the Capital Resources and Liquidity section that follows.

The Company has begun to explore the sale of Horizon LFG, a New York corporation that owns and operates short-distance landfill gas pipeline companies that are engaged in the purchase, sale and transportation of landfill gas in Ohio, Michigan, Kentucky, Missouri, Maryland and Indiana. Horizon LFG is included in the Company's All Other category. The Company is also exploring the sale of Horizon Power's unconsolidated subsidiaries. This includes ESNE, which generates electricity from an 80-megawatt, combined cycle, natural gas-fired power plant in North East, Pennsylvania, as well as Seneca Energy and Model City, which generate and sell electricity using methane gas obtained from landfills owned by outside parties.

CRITICAL ACCOUNTING ESTIMATES

For a complete discussion of critical accounting estimates, refer to "Critical Accounting Estimates" in Item 7 of the Company's 2007 Form 10-K. There have been no subsequent changes to that disclosure.

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RESULTS OF OPERATIONS

Earnings

The Company's earnings were $59.9 million for the quarter ended June 30, 2008 compared to earnings of $46.8 million for the quarter ended June 30, 2007. As previously discussed, the Company has presented its Canadian operations in the Exploration and Production segment (in conjunction with the sale of SECI) as discontinued operations. The Company's earnings from continuing operations were $59.9 million for the quarter ended June 30, 2008 compared to earnings from continuing operations of $41.2 million for the quarter ended June 30, 2007. The increase in earnings from continuing operations of $18.7 million is primarily the result of higher earnings in the Exploration and Production segment. The Utility segment and the All Other category also contributed to the increase in earnings. These earnings increases discussed above were slightly offset by lower earnings in the Pipeline and Storage and Energy Marketing segments, as well as in the Corporate category, combined with a higher loss in the Timber segment.

The Company's earnings were $225.5 million for the nine months ended June 30, 2008 compared to earnings of $179.8 million for the nine months ended June 30, 2007. The Company's earnings from continuing operations were $225.5 million for the nine months ended June 30, 2008 compared to earnings from continuing operations of $167.4 million for the nine months ended June 30, 2007. The increase in earnings from continuing operations of $58.1 million is primarily the result of higher earnings in the Exploration and Production segment. The Utility segment and the All Other category also contributed to the increase in earnings. These earnings increases discussed above were slightly offset by lower earnings in the Pipeline and Storage, Energy Marketing, and Timber segments as well as in the Corporate category.

Additional discussion of earnings in each of the business segments can be found in the business segment information that follows. Note that all amounts used in the earnings discussions are after tax amounts, unless otherwise noted.

Earnings (Loss) by Segment

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Utility	$ 7,848	$ 3,705	$ 4,143	$ 62,228	$ 54,322	$ 7,906
Pipeline and Storage	12,534	15,451	(2,917)	40,931	43,075	(2,144)
Exploration and Production	39,791	18,849	20,942	108,385	52,573	55,812
Energy Marketing	478	1,233	(755)	7,079	8,431	(1,352)
Timber	(2,066)	(364)	(1,702)	2,214	3,053	(839)
Total Reportable Segments	58,585	38,874	19,711	220,837	161,454	59,383
All Other	1,106	458	648	5,137	1,911	3,226
Corporate	164	1,880	(1,716)	(511)	4,015	(4,526)
Total Earnings from Continuing Operations	59,855	41,212	18,643	225,463	167,380	58,083
Earnings from Discontinued Operations	—	5,586	(5,586)	—	12,385	(12,385)
Total Consolidated	$59,855	$46,798	$ 13,057	$225,463	$179,765	$ 45,698

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Utility

Utility Operating Revenues

(Thousands)	Three Months Ended June 30, 2008	2007	Increase/ (Decrease)	Nine Months Ended June 30, 2008	2007	Increase/ (Decrease)
Retail Sales Revenues:						
Residential	$153,058	$158,922	$ (5,864)	$ 793,124	$ 778,572	$ 14,552
Commercial	20,459	24,380	(3,921)	124,582	127,485	(2,903)
Industrial	1,178	1,432	(254)	6,754	7,081	(327)
	174,695	184,734	(10,039)	924,460	913,138	11,322
Transportation	21,584	21,017	567	97,345	86,358	10,987
Off-System Sales	20,540	3,727	16,813	48,606	3,727	44,879
Other	3,674	3,712	(38)	10,350	10,193	157
	$220,493	$213,190	$ 7,303	$1,080,761	$1,013,416	$ 67,345

Utility Throughput

(MMcf)	Three Months Ended June 30, 2008	2007	Increase/ (Decrease)	Nine Months Ended June 30, 2008	2007	Increase/ (Decrease)
Retail Sales:						
Residential	8,618	10,679	(2,061)	53,881	56,729	(2,848)
Commercial	1,334	1,836	(502)	9,197	10,132	(935)
Industrial	77	113	(36)	524	628	(104)
	10,029	12,628	(2,599)	63,602	67,489	(3,887)
Transportation	12,086	12,981	(895)	55,966	53,556	2,410
Off-System Sales	1,711	467	1,244	4,790	467	4,323
	23,826	26,076	(2,250)	124,358	121,512	2,846

Degree Days

	Normal	2008	2007	Percent Colder (Warmer) Than Normal	Percent Colder (Warmer) Than Prior Year
Three Months Ended June 30					
Buffalo	927	817	921	(11.9)	(11.3)
Erie	885	762	900	(13.9)	(15.3)
Nine Months Ended June 30					
Buffalo	6,551	6,175	6,195	(5.7)	(0.3)
Erie	6,142	5,737	5,930	(6.6)	(3.3)

2008 Compared with 2007

Operating revenues for the Utility segment increased $7.3 million for the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. The increase for the quarter is primarily attributable to a $16.8 million increase in off-system sales revenue (see discussion below) partially offset by a $10.0 million decrease in retail sales revenue. The $10.0 million decrease in retail gas sales revenues was a function of lower throughput volumes, partially offset by the recovery of higher gas costs (subject to certain timing variations, gas costs are recovered dollar for dollar in revenues) coupled with the revenue impact of a rate design change. In December 2007, the NYPSC issued an order providing for an annual rate increase of $1.8 million beginning December 28, 2007. As part of this rate order, a rate design change was adopted that shifts a greater amount of cost recovery into the minimum bill amount,

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thus spreading the recovery of such costs more evenly throughout the year. This rate design change resulted in lower retail and transportation revenues in the quarter ended March 31, 2008 compared to the quarter ended March 31, 2007. The rate order caused higher retail and transportation revenues in the quarter ended June 30, 2008 compared to the quarter ended June 30, 2007. However, on a year-to-date basis, retail and transportation revenues for the nine months ended June 30, 2008 (exclusive of the impact of higher gas costs) are still lower than the nine months ended June 30, 2007 as a result of the rate design change. It is expected that there will also be an increase in retail and transportation revenue in the fourth quarter of this year compared to the prior year as a result of the rate design change.

Operating revenues for the Utility segment increased $67.3 million for the nine months ended June 30, 2008 as compared with the nine months ended June 30, 2007. This increase largely resulted from a $44.9 million increase in off-system sales revenue (see discussion below) and an $11.3 million increase in retail sales revenue coupled with an $11.0 million increase in transportation revenues. The increase in retail gas sales revenues for the Utility segment was largely a function of higher gas costs (subject to certain timing variations, gas costs are recovered dollar for dollar in revenues) partially offset by the revenue impact of the rate design change discussed above. The increase in transportation revenues was primarily due to a 2.4 Bcf increase in transportation throughput, largely due to the migration of customers from retail sales to transportation service.

As reported in 2006, on November 17, 2006, the U.S. Court of Appeals vacated and remanded the FERC's Order No. 2004 regarding affiliate standards of conduct with respect to natural gas pipelines. The Court's decision became effective on January 5, 2007, and on January 9, 2007, the FERC issued Order No. 690, its Interim Rule, designed to respond to the Court's decision. In Order No. 690, as clarified by the FERC on March 21, 2007, the FERC readopted, on an interim basis, certain provisions that existed prior to the issuance of Order No. 2004 that had made it possible for the Utility segment to engage in certain off-system sales without triggering the adverse consequences that would otherwise arise under the Order No. 2004 standards of conduct. As a result, the Utility segment resumed engaging in off-system sales on non-affiliated pipelines as of May 2007. Total off-system sales revenues for the quarters ended June 30, 2008 and June 30, 2007 amounted to $20.5 million and $3.7 million, respectively. Total off-system sales revenues for the nine months ended June 30, 2008 and June 30, 2007 amounted to $48.6 million and $3.7 million, respectively. Due to profit sharing with retail customers, the margins resulting from off-system sales are minimal and there was not a material impact to margins for the quarters and nine months ended June 30, 2008 and 2007.

The Utility segment's earnings for the quarter ended June 30, 2008 were $7.8 million, an increase of $4.1 million compared to earnings of $3.7 million for the quarter ended June 30, 2007. In the New York jurisdiction, earnings increased by $4.4 million. As a result of the rate design change in the New York jurisdiction, earnings for the third quarter of fiscal 2008 increased by $1.7 million from the third quarter of fiscal 2007. A $1.7 million decrease in operating costs (mostly due to lower post-retirement benefit costs), a non-recurring regulatory adjustment made in 2007 ($0.9 million), and the positive impact of a lower effective tax rate ($0.8 million) also contributed to the overall increase in earnings for the New York jurisdiction. These increases were partly offset by lower usage per account ($1.0 million). In the Pennsylvania jurisdiction, earnings decreased by $0.3 million due primarily to lower usage per account offset in part by lower operating costs and lower interest expense.

The impact of weather variations on earnings in the New York jurisdiction is mitigated by that jurisdiction's weather normalization clause (WNC). The WNC in New York, which covers the eight-month period from October through May, has had a stabilizing effect on earnings for the New York jurisdiction. For the quarter ended June 30, 2008, the WNC preserved earnings of approximately $0.4 million, as weather was warmer than normal for the period. For the quarter ended June 30, 2007, the WNC did not have a significant impact on earnings as the weather was close to normal.

The Utility segment's earnings for the nine months ended June 30, 2008 were $62.2 million; an increase of $7.9 million when compared with earnings of $54.3 million for the nine months ended June 30, 2007. In the New York jurisdiction, earnings increased $5.2 million. Lower operating costs of $4.5 million (mostly due to lower post-retirement benefit costs and lower bad debt expense), the positive impact of non-recurring regulatory adjustments made in 2007 ($0.9 million), the positive impact of a lower effective

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tax rate ($0.9 million), a routine regulatory adjustment ($0.7 million), lower property taxes ($0.7 million), and higher customer usage per account ($0.3 million) also contributed to the overall increase in earnings for the New York jurisdiction. These increases were partly offset by a $3.1 million decrease in earnings associated with the rate design change discussed above. In the Pennsylvania jurisdiction, earnings increased $2.7 million due primarily to a base rate increase that became effective in January 2007 ($2.6 million), higher usage per account ($0.9 million), and a decrease in operating costs of $1.1 million (mostly due to lower bad debt expense). These increases were partially offset by the negative earnings impact associated with warmer weather ($1.5 million).

For the nine months ended June 30, 2008, the WNC preserved earnings of approximately $2.5 million, as the weather was warmer than normal. For the nine months ended June 30, 2007, the WNC preserved earnings of approximately $2.3 million, as the weather was also warmer than normal.

Pipeline and Storage

Pipeline and Storage Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2008	2007	Increase/ (Decrease)	2008	2007	Increase
Firm Transportation	$29,020	$28,556	$ 464	$ 93,427	$ 89,819	$ 3,608
Interruptible Transportation	1,151	1,170	(19)	3,237	3,071	166
	30,171	29,726	445	96,664	92,890	3,774
Firm Storage Service	16,754	17,002	(248)	50,325	50,194	131
Other	5,260	3,732	1,528	16,222	13,390	2,832
	$52,185	$50,460	$ 1,725	$163,211	$156,474	$ 6,737

Pipeline and Storage Throughput

	Three Months Ended June 30,			Nine Months Ended June 30,		
(MMcf)	2008	2007	Decrease	2008	2007	Increase
Firm Transportation	68,263	78,455	(10,192)	283,104	273,513	9,591
Interruptible Transportation	1,540	1,670	(130)	3,844	3,597	247
	69,803	80,125	(10,322)	286,948	277,110	9,838

2008 Compared with 2007

Operating revenues for the Pipeline and Storage segment increased $1.7 million for the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. The increase was primarily due to increased efficiency gas revenues ($1.9 million) reported as part of other revenues in the table above. The majority of this increase was due to higher gas prices in the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. Overall, throughput decreased during the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. While Supply Corporation's and Empire's transportation volumes decreased during the quarter, volume fluctuations generally do not have a significant impact on revenues as a result of Supply Corporation's straight fixed-variable rate design and Empire's modified fixed-variable rate design.

Operating revenues for the nine months ended June 30, 2008 increased $6.7 million as compared with the nine months ended June 30, 2007. The increase was primarily due to a $3.8 million increase in transportation revenue primarily due to the fact that the Pipeline and Storage segment was able to renew existing contracts at higher rates due to favorable market conditions related to the demand for transportation service associated with storage. In addition, there was a $3.1 million increase in efficiency gas revenues reported as part of other revenues in the table above. This increase was due primarily to higher gas prices in the nine months ended June 30, 2008 as compared with the nine months ended June 30, 2007.

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The Pipeline and Storage segment's earnings for the quarter ended June 30, 2008 were $12.5 million, a decrease of $2.9 million when compared to earnings of $15.4 million for the quarter ended June 30, 2007. The decrease in earnings primarily reflects the earnings impact associated with higher operation and maintenance expenses resulting from the non-recurrence in 2008 of a reversal of a reserve for preliminary survey costs ($4.8 million) related to the Empire Connector project recognized in the quarter ended June 30, 2007. In addition, there was an earnings decrease associated with higher interest expense ($0.8 million). These earnings decreases were partially offset by an increase in the allowance for funds used during construction ($1.0 million), higher efficiency gas revenues ($1.2 million) and the earnings benefit associated with lower income taxes ($0.5 million).

The Pipeline and Storage segment's earnings for the nine months ended June 30, 2008 were $40.9 million, a decrease of $2.1 million when compared to earnings of $43.0 million for the nine months ended June 30, 2007. The main factors contributing to this decrease were higher operation and maintenance expenses ($5.7 million), resulting from the non-recurrence in 2008 of a reversal of a reserve for preliminary survey costs ($4.8 million) related to the Empire Connector project recognized during the quarter ended June 30, 2007. In addition, there was a $1.9 million positive earnings impact during the nine months ended June 30, 2007 associated with the discontinuance of hedge accounting for Empire's interest rate collar that did not recur during the nine months ended June 30, 2008. There was also an earnings decrease associated with higher interest expense ($1.1 million). These earnings decreases were partially offset by an increase in the allowance for funds used during construction ($2.3 million), higher efficiency gas revenues ($2.0 million), and higher transportation and storage revenues ($2.5 million).

Exploration and Production

Exploration and Production Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Gas (after Hedging) from Continuing Operations	$ 56,591	$34,712	$ 21,879	$155,793	$107,976	$ 47,817
Oil (after Hedging) from Continuing Operations	66,695	42,577	24,118	185,650	117,084	68,566
Gas Processing Plant from Continuing Operations	13,566	10,466	3,100	35,674	28,212	7,462
Other from Continuing Operations	(291)	(291)	—	(3,174)	165	(3,339)
Intrasegment Elimination from Continuing Operations (1)	(10,407)	(7,436)	(2,971)	(25,114)	(19,729)	(5,385)
Operating Revenues from Continuing Operations	$126,154	$80,028	$ 46,126	$348,829	$233,708	$115,121
Operating Revenues from Canada – Discontinued Operations	$ —	$14,366	$(14,366)	$ —	$ 42,004	$(42,004)

(1) Represents the elimination of certain West Coast gas production revenue included in "Gas (after Hedging) from Continuing Operations" in the table above that was sold to the gas processing plant shown in the table above. An elimination for the same dollar amount was made to reduce the gas processing plant's Purchased Gas expense.

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Production Volumes

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Gas Production *(MMcf)*						
Gulf Coast	3,019	2,317	702	8,868	7,934	934
West Coast	1,007	1,019	(12)	3,010	2,883	127
Appalachia	1,793	1,266	527	5,538	3,998	1,540
Total Production from Continuing Operations	5,819	4,602	1,217	17,416	14,815	2,601
Canada — Discontinued Operations	—	1,639	(1,639)	—	5,216	(5,216)
Total Production	5,819	6,241	(422)	17,416	20,031	(2,615)
Oil Production *(Mbbl)*						
Gulf Coast	124	165	(41)	409	540	(131)
West Coast	598	599	(1)	1,825	1,789	36
Appalachia	23	32	(9)	88	91	(3)
Total Production from Continuing Operations	745	796	(51)	2,322	2,420	(98)
Canada — Discontinued Operations	—	58	(58)	—	175	(175)
Total Production	745	854	(109)	2,322	2,595	(273)

Average Prices

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2008	2007	Increase	2008	2007	Increase
Average Gas Price/Mcf						
Gulf Coast	$ 12.17	$ 7.37	$ 4.80	$ 9.66	$ 6.74	$ 2.92
West Coast	$ 10.61	$ 7.20	$ 3.41	$ 8.43	$ 6.76	$ 1.67
Appalachia	$ 11.53	$ 8.59	$ 2.94	$ 9.25	$ 7.71	$ 1.54
Weighted Average for Continuing Operations	$ 11.71	$ 7.67	$ 4.04	$ 9.32	$ 7.01	$ 2.31
Weighted Average After Hedging for Continuing Operations	$ 9.73	$ 7.54	$ 2.19	$ 8.95	$ 7.29	$ 1.66
Canada - Discontinued Operations	N/M	$ 6.82	N/M	N/M	$ 6.34	N/M
Average Oil Price/bbl						
Gulf Coast	$124.43	$65.17	$59.26	$103.46	$59.37	$44.09
West Coast	$114.35	$57.77	$56.58	$ 94.64	$52.96	$41.68
Appalachia	$114.99	$60.43	$54.56	$ 94.18	$59.35	$34.83
Weighted Average for Continuing Operations	$116.05	$59.41	$56.64	$ 96.17	$54.63	$41.54
Weighted Average After Hedging for Continuing Operations	$ 89.55	$53.54	$36.01	$ 79.97	$48.39	$31.58
Canada - Discontinued Operations	N/M	$51.58	N/M	N/M	$48.16	N/M

2008 Compared with 2007

Operating revenues from continuing operations for the Exploration and Production segment increased $46.1 million for the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. Oil production revenue after hedging from continuing operations increased $24.1 million due to a

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$36.01 per barrel increase in weighted average prices after hedging for continuing operations. Gas production revenue after hedging from continuing operations increased $21.9 million due to an increase in the weighted average price of gas after hedging for continuing operations ($2.19 per Mcf) as well as an increase in gas production of 1,217 MMcf. The Gulf Coast region of this segment was primarily responsible for the increase in natural gas production from continuing operations (702 MMcf). Production from new fields in 2008 (primarily in the High Island area) outpaced declines in production from some existing fields, quarter to quarter. The Appalachian region of this segment also contributed to the increase in natural gas production from continuing operations (527 MMcf), consistent with increased drilling activity in the region.

Operating revenues from continuing operations for the Exploration and Production segment increased $115.1 million for the nine months ended June 30, 2008 as compared with the nine months ended June 30, 2007. Oil production revenue after hedging from continuing operations increased $68.6 million due primarily to a $31.58 per barrel increase in weighted average prices after hedging for continuing operations. Gas production revenue after hedging from continuing operations increased $47.8 million due to an increase in the weighted average price of gas after hedging for continuing operations ($1.66 per Mcf) and an increase in gas production of 2,601 MMcf. The increase in gas production from continuing operations occurred primarily in the Appalachian region (1,540 MMcf), consistent with increased drilling activity in the region. The Gulf Coast region also contributed to the increase in natural gas production from continuing operations (934 MMcf). Production from new fields in 2008 (primarily in the High Island area) outpaced declines in production from some existing fields, period to period, as discussed above.

The Exploration and Production segment's earnings from continuing operations for the quarter ended June 30, 2008 were $39.8 million, an increase of $21.0 million when compared with earnings from continuing operations of $18.8 million for the quarter ended June 30, 2007. Higher crude oil prices, higher natural gas prices and higher natural gas production increased earnings by $17.4 million, $8.3 million and $6.0 million, respectively, while lower crude oil production decreased earnings by $1.8 million. Higher lease operating costs ($4.2 million), higher depletion expense ($3.1 million), higher state income tax expense ($2.5 million) and higher general and administrative and other operating expenses ($1.5 million) also negatively impacted earnings. Lower interest expense of $2.1 million slightly offset these decreases.

The Exploration and Production segment's earnings from continuing operations for the nine months ended June 30, 2008 were $108.4 million, an increase of $55.8 million when compared with earnings from continuing operations of $52.6 million for the nine months ended June 30, 2007. Higher crude oil prices, higher natural gas prices and higher natural gas production increased earnings by $47.7 million, $18.8 million and $12.3 million, respectively, while lower crude oil production decreased earnings by $3.1 million. Higher lease operating costs ($9.0 million), higher depletion expense ($8.9 million), higher state income tax expense ($3.4 million), higher general and administrative and other operating expenses ($3.8 million), and mark-to-market adjustments on derivative financial instruments ($1.3 million) also negatively impacted earnings. Lower interest expense of $4.5 million and higher interest income of $1.6 million slightly offset these decreases.

Energy Marketing

Energy Marketing Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2008	2007	Increase/ (Decrease)	2008	2007	Increase/ (Decrease)
Natural Gas (after Hedging)	$162,127	$113,351	$ 48,776	$440,123	$359,895	$ 80,228
Other	2	29	(27)	(12)	141	(153)
	$162,129	$113,380	$ 48,749	$440,111	$360,036	$ 80,075

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Energy Marketing Volumes

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2008	2007	Increase	2008	2007	Increase
Natural Gas — (MMcf)	14,641	13,014	1,627	47,189	44,063	3,126

2008 Compared with 2007

Operating revenues for the Energy Marketing segment increased $48.7 million and $80.1 million, respectively, for the quarter and nine months ended June 30, 2008 as compared with the quarter and nine months ended June 30, 2007. The increase for both the quarter and nine months ended June 30, 2008 is primarily due to higher gas sales revenue due to an increase in the price of natural gas that was recovered through revenues as well as an increase in volumes. The increase in volumes is attributable to an increase in volumes sold to low-margin wholesale customers, as well as an increase in the number of commercial and industrial customers served by the Energy Marketing segment.

Earnings in the Energy Marketing segment decreased $0.8 million and $1.4 million, respectively, for the quarter and nine months ended June 30, 2008 as compared with the quarter and nine months ended June 30, 2007. For the quarter ended June 30, 2008, higher operating costs of $0.8 million, primarily due to an increase in bad debt expense, are responsible for the decrease in earnings. Despite higher operating revenues and volumes, margins did not change significantly because the volume increase is primarily attributable to low-margin customers. For the nine months ended June 30, 2008, higher operating costs of $1.0 million (primarily due to an increase in bad debt expense) coupled with lower margins of $0.5 million are responsible for the decrease in earnings. A major factor in the margin decrease is the non-recurrence of a purchased gas expense adjustment recorded during the quarter ended March 31, 2007. During that quarter, the Energy Marketing segment reversed an accrual for $2.3 million of purchased gas expense due to the resolution of a contingency. The increase in volumes noted above, the profitable sale of certain gas held as inventory, and the marketing flexibility that the Energy Marketing segment derives from its contracts for significant storage capacity partially offset this decrease.

Timber

Timber Operating Revenues

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2008	2007	Decrease	2008	2007	Increase/ (Decrease)
Log Sales	$ 2,726	$ 3,504	$ (778)	$ 16,649	$ 16,950	$ (301)
Green Lumber Sales	958	1,318	(360)	3,872	3,582	290
Kiln-Dried Lumber Sales	5,846	7,247	(1,401)	18,612	20,742	(2,130)
Other	584	1,062	(478)	1,305	1,805	(500)
Operating Revenues	$ 10,114	$ 13,131	$ (3,017)	$ 40,438	$ 43,079	$ (2,641)

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Timber Board Feet

	Three Months Ended June 30,			Nine Months Ended June 30,		
(Thousands)	2008	2007	Decrease	2008	2007	Increase/ (Decrease)
Log Sales	1,527	1,724	(197)	7,140	6,458	682
Green Lumber Sales	2,273	2,709	(436)	7,496	6,619	877
Kiln-Dried Lumber Sales	3,436	4,001	(565)	10,536	10,953	(417)
	7,236	8,434	(1,198)	25,172	24,030	1,142

2008 Compared with 2007

Operating revenues for the Timber segment decreased $3.0 million for the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. The decrease can be primarily attributed to a decrease in both log sales and kiln-dried lumber sales of $0.8 million and $1.4 million, respectively. Overall, the Timber segment is currently selling a greater amount of lower priced, low margin species than higher margin species due to poor market conditions and wet weather that hampered harvesting, resulting in a decline in revenues. The decrease in log sales is due to a decline in cherry veneer log sales volumes of 106,000 board feet that can be attributed to the mix of logs being harvested in the current quarter as compared to the quarter ended June 30, 2007. Cherry veneer logs are more valuable and sell at higher prices than other species and have the largest impact on overall log sales revenue. The decrease in kiln-dried lumber sales is due to both a decline in sales volumes of 565,000 board feet as well as a decline in the market price of kiln-dried lumber.

Operating revenues for the Timber segment decreased $2.6 million for the nine months ended June 30, 2008 as compared with the nine months ended June 30, 2007. This decrease is largely due to a decline in kiln-dried lumber sales of $2.1 million. The decrease in kiln-dried lumber sales is due to both a decline in the market price of kiln-dried lumber as well as a decline in kiln-dried lumber sales volumes of 417,000 board feet. Log sales also decreased $0.3 million primarily due to a decline in cherry veneer log sales volumes of 130,000 board feet, partially offset by increases in log sales volumes from lower priced logs. Cherry veneer logs are more valuable and sell at higher prices than other species and have the largest impact on overall log sales revenue.

The Timber segment recorded a loss of $2.1 million for the quarter ended June 30, 2008, a decrease of $1.7 million when compared with a loss of $0.4 million for the quarter ended June 30, 2007. This decrease was the result of lower margins of $1.7 million, largely from lumber and log sales due to the decrease in revenues noted above.

The Timber segment's earnings for the nine months ended June 30, 2008 were $2.2 million, a decrease of $0.9 million when compared with earnings of $3.1 million for the nine months ended June 30, 2007. The decrease was primarily due to an increase in depletion and depreciation expense of $0.6 million due to harvesting more timber from Company owned land than the prior year combined with the addition of a lumber sorter for Highland's sawmill operations that was placed into service in October 2007. Lower margins of $0.1 million also contributed to the decrease in earnings. During the six months ended March 31, 2008, margins were up over the prior year, largely due to favorable weather conditions, resulting in an increase in the harvesting of higher margin species. The change in market and weather conditions in the quarter ended June 30, 2008, as discussed above, eliminated the margin improvements seen during the six months ended March 31, 2008.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont.)

Corporate and All Other

2008 Compared with 2007

Corporate and All Other recorded earnings of $1.3 million for the quarter ended June 30, 2008 compared with earnings of $2.3 million for the quarter ended June 30, 2007. The positive earnings impacts of higher income from unconsolidated subsidiaries ($0.4 million) and lower income tax expense ($0.4 million) were more than offset by higher interest expense ($1.2 million) and higher operating costs ($0.8 million). The increase in operating costs can be attributed to the proxy contest with New Mountain Vantage GP, L.L.C.

For the nine months ended June 30, 2008, Corporate and All Other had earnings of $4.6 million compared with earnings of $5.9 million for the nine months ended June 30, 2007. The positive earnings impacts of higher income from unconsolidated subsidiaries ($1.1 million), lower income tax expense ($0.8 million), lower interest expense ($0.7 million), a gain on the sale of a turbine by Horizon Power ($0.6 million), and slightly higher margins by Horizon LFG ($0.3 million) were more than offset by higher operating costs ($4.5 million) and lower interest income ($0.6 million). The increase in operating costs can be attributed to the proxy contest with New Mountain Vantage GP, L.L.C.

Interest Income

Interest income was $1.7 million higher in the quarter ended June 30, 2008 as compared to the quarter ended June 30, 2007. For the nine months ended June 30, 2008, interest income increased $5.3 million as compared with the nine months ended June 30, 2007. These increases are mainly due to higher interest income (excluding intercompany interest income) in the Exploration and Production segment of $1.1 million and $4.0 million, respectively, for the quarter and nine months ended June 30, 2008 as compared to the quarter and nine months ended June 30, 2007 as a result of the investment of cash proceeds received from the sale of SECI in August 2007.

Interest Expense on Long-Term Debt

Interest on long-term debt increased $1.2 million for the quarter ended June 30, 2008 as compared with the quarter ended June 30, 2007. For the nine months ended June 30, 2008, interest on long-term debt decreased $0.1 million as compared with the nine months ended June 30, 2007. The increase in the quarter ended June 30, 2008 is due to the issuance in April 2008 of a $300 million, 6.5% Note due in April 2018. This increase was offset slightly by the repayment of $200 million of 6.303% medium-term notes that matured on May 27, 2008. The decrease in the nine months ended June 30, 2008 as compared to the nine months ended June 30, 2007 is due to an overall decline in interest on long-term debt as a result of a lower average amount of long-term debt outstanding. The Company repaid $22.8 million of Empire's secured debt in December 2006. It also redeemed $96.3 million of 6.5% unsecured notes in April 2007.

CAPITAL RESOURCES AND LIQUIDITY

The Company's primary sources of cash during the nine-month period ended June 30, 2008 consisted of cash provided by operating activities and proceeds from the issuance of long-term debt. These sources of cash were supplemented by issues of new shares of common stock as a result of stock option exercises. During the nine months ended June 30, 2008, the common stock used to fulfill the requirements of the Company's 401(k) plans and Direct Stock Purchase and Dividend Reinvestment Plan was obtained via open market purchases. During fiscal 2006, the Company began repurchasing outstanding shares of its common stock under a share repurchase program, which is discussed below under Financing Cash Flow.

Operating Cash Flow

Internally generated cash from operating activities consists of net income available for common stock, adjusted for non-cash expenses, non-cash income and changes in operating assets and liabilities. Non-cash items include depreciation, depletion and amortization, deferred income taxes, and income or loss from unconsolidated subsidiaries net of cash distributions.

Cash provided by operating activities in the Utility and the Pipeline and Storage segments may vary from period to period because of the impact of rate cases. In the Utility segment, over- or under-recovered purchased gas costs and weather may also significantly impact cash flow. The impact of weather on cash flow is tempered in the Utility segment's New York rate jurisdiction by its WNC and in the Pipeline and Storage segment by Supply Corporation's straight fixed-variable rate design.

Because of the seasonal nature of the heating business in the Utility and Energy Marketing segments, revenues in these segments are relatively high during the heating season, primarily the first and second quarters of the fiscal year, and receivable balances historically increase during these periods from the balances receivable at September 30.

The storage gas inventory normally declines during the first and second quarters of the fiscal year and is replenished during the third and fourth quarters. For storage gas inventory accounted for under the LIFO method, 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 is reduced as the inventory is replenished.

Cash provided by operating activities in the Exploration and Production segment may vary from period to period as a result of changes in the commodity prices of natural gas and crude oil. The Company uses various derivative financial instruments, including price swap agreements, no cost collars and futures contracts in an attempt to manage this energy commodity price risk.

Net cash provided by operating activities totaled $415.1 million for the nine months ended June 30, 2008, an increase of $10.5 million compared with $404.6 million provided by operating activities for the nine months ended June 30, 2007. The increase is partially due to lower working capital requirements in the Utility segment for the nine months ended June 30, 2008 as compared to the nine months ended June 30, 2007. In the Exploration and Production segment, for the nine months ended June 30, 2008 as compared to the nine months ended June 30, 2007, cash provided by operations increased due to higher commodity prices, partially offset by the decrease in cash provided by operations that resulted from the sale of SECI in August 2007. Offsetting these increases were higher working capital requirements in the Energy Marketing segment.

Investing Cash Flow

Expenditures for Long-Lived Assets

The Company's expenditures for long-lived assets totaled $284.6 million during the nine months ended June 30, 2008. The table below presents these expenditures:

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont.)

Nine Months Ended June 30, 2008 (*in millions of dollars*)

	Total Expenditures for Long-Lived Assets
Utility	$ 38.8
Pipeline and Storage [(1)]	106.2
Exploration and Production	140.6
Timber	1.2
Corporate and All Other	0.2
Eliminations [(2)]	(2.4)
	$ 284.6

(1) Amount includes $19.9 million of accrued capital expenditures related to the Empire Connector project. This amount has been excluded from the Consolidated Statement of Cash Flows at June 30, 2008 since it represents a non-cash investing activity at that date.

(2) Represents $2.4 million of capital expenditures included in the Appalachian region of the Exploration and Production segment for the purchase of storage facilities, buildings, and base gas from Supply Corporation during the quarter ended March 31, 2008.

Utility

The majority of the Utility capital expenditures for the nine months ended June 30, 2008 were made for replacement of mains and main extensions, as well as for the replacement of service lines.

Pipeline and Storage

The majority of the Pipeline and Storage capital expenditures for the nine months ended June 30, 2008 were related to the Empire Connector project costs, which is discussed below, as well as for additions, improvements, and replacements to this segment's transmission and gas storage systems.

The Company continues to explore various opportunities to expand its capabilities to transport gas to the East Coast, either through the Supply Corporation or Empire systems or in partnership with others. Construction of the Empire Connector, a pipeline designed to transport up to approximately 250 MDth of natural gas per day that will connect the Empire Pipeline with the Millennium Pipeline, began in September 2007. The Empire Connector is on schedule to be completed by the planned in-service date of November 2008, although the actual in-service date will depend upon the completion of the Millennium Pipeline. Refer to the Rate and Regulatory Matters section that follows for further discussion of this matter. The total cost to the Company of the Empire Connector project is estimated at $180 million, after giving effect to sales tax exemptions worth approximately $3.7 million. As of June 30, 2008, the Company had incurred approximately $107.7 million in costs related to this project. Of this amount, $42.7 million and $88.0 million were incurred during the quarter and nine months ended June 30, 2008, respectively, and $2.1 million and $3.5 million were incurred during the quarter and nine months ended June 30, 2007, respectively. All project costs incurred as of June 30, 2008 have been capitalized as Construction Work in Progress. The Company anticipates financing the remaining cost of this project with cash on hand.

Supply Corporation continues to view its potential Tuscarora Extension project as an important link to Millennium and potential storage development in the Corning, New York area. This new pipeline, which would expand the Supply Corporation system from its Tuscarora storage field to the intersection of the proposed Millennium and Empire Connector pipelines, could be designed initially to transport up to approximately 130 MDth of natural gas per day. It may also provide Supply Corporation with the opportunity to increase the deliverability of the existing Tuscarora storage field. Using the results of a preliminary Open Season, Supply Corporation is also exploring a new project (the West to East project) that would provide for new capacity from the Rockies Express Project, Appalachian production, storage and other points to Leidy and to interconnections with Millennium and Empire at Corning. The West to East project could include the Tuscarora Extension project, or could be a second phase following the development of the Tuscarora Extension project.

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In light of the rapidly growing demand for pipeline capacity to move natural gas from new wells being drilled in Appalachia, Supply Corporation recently initiated a new Open Season for its "Appalachian Lateral," a project designed to complement the West to East project. The Appalachian Lateral is expected to be located through an area where producers are actively drilling and seeking to find access to the market for their newly discovered reserves.

In conjunction with the West to East and Appalachian Lateral projects, Supply Corporation has plans to develop new storage capacity by pursuing expansion of certain of its existing storage facilities. The expansion of these fields, which Supply Corporation hopes to market through one offering at market-based rates, could provide approximately 8.5 Bcf of incremental storage capacity with incremental withdrawal deliverability of up to 121 MDth of natural gas per day, available in 2011. Supply Corporation expects that the availability of this incremental storage capacity will complement the West to East and Appalachian Lateral pipeline projects and help meet the demand for storage created by the prospective increased flow of Rockies and Appalachian gas supply into the western Pennsylvania area, although traditional gas supplies will also be able to take advantage of this incremental storage capacity. An Open Season for this storage capacity is planned to be held later in 2008.

The timeline associated with Supply Corporation's pipeline and storage projects depends on market development. Should the market materialize, the Company anticipates financing the Tuscarora Extension project and/or the storage expansion(s) with cash on hand and/or through the use of the Company's lines of credit. The capital cost of the West to East and Appalachian Lateral projects would amount to at least $700 million, which would be financed by a combination of debt and equity. As of June 30, 2008, there have been no costs incurred by Supply Corporation related to the Tuscarora Extension project, $0.1 million has been spent to study the West to East and Appalachian Lateral projects, and approximately $0.2 million has been spent to study the storage expansion project. Supply Corporation has not yet filed an application with the FERC for the authority to build either pipeline project or the storage expansion(s).

Exploration and Production

The Exploration and Production segment capital expenditures for the nine months ended June 30, 2008 included approximately $46.9 million for the Gulf Coast region, substantially all of which was for the off-shore program in the shallow waters of the Gulf of Mexico, $51.1 million for the West Coast region and $42.6 million for the Appalachian region. The Appalachian region capital expenditures include $2.4 million for the purchase of storage facilities, buildings, and base gas from Supply Corporation, as shown in the table on the previous page. These amounts included approximately $20.7 million spent to develop proved undeveloped reserves.

Timber

The majority of the Timber segment capital expenditures for the nine months ended June 30, 2008 were for construction of a lumber sorter for Highland's sawmill operations that was placed into service in October 2007 as well as for purchases of equipment for Highland's sawmill and kiln operations.

All Other

In March 2008, Horizon Power sold a gas-powered turbine that it had planned to use in the development of a co-generation plant. Horizon Power received proceeds of $5.3 million and recorded a pre-tax gain of $0.9 million associated with the sale.

The Company continuously evaluates capital expenditures and investments in corporations, partnerships, and other business entities. The amounts are subject to modification for opportunities such as the acquisition of attractive oil and gas properties, timber or natural gas storage facilities and the expansion of transmission line capacities. While the majority of capital expenditures in the Utility segment are necessitated by the continued need for replacement and upgrading of mains and service lines, the magnitude of future capital expenditures or other investments in the Company's other business segments depends, to a large degree, upon market conditions.

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Financing Cash Flow

The Company did not have any outstanding short-term notes payable to banks or commercial paper at June 30, 2008. However, the Company continues to consider short-term debt (consisting of short-term notes payable to banks and commercial paper) an important source of cash for temporarily financing capital expenditures and investments in corporations and/or partnerships, gas-in-storage inventory, unrecovered purchased gas costs, margin calls on derivative financial instruments, exploration and development expenditures, repurchases of stock, and other working capital needs. Fluctuations in these items can have a significant impact on the amount and timing of short-term debt. As for bank loans, the Company maintains a number of individual uncommitted or discretionary lines of credit with certain financial institutions for general corporate purposes. Borrowings under these lines of credit are made at competitive market rates. These credit lines, which aggregate to $430.0 million, are revocable at the option of the financial institutions and are reviewed on an annual basis. The Company anticipates that these lines of credit will continue to be renewed, or replaced by similar lines. The total amount available to be issued under the Company's commercial paper program is $300.0 million. The commercial paper program is backed by a syndicated committed credit facility which totals $300.0 million and extends through September 30, 2010.

Under the Company's committed credit facility, the Company has agreed that its debt to capitalization ratio will not exceed .65 at the last day of any fiscal quarter through September 30, 2010. At June 30, 2008, the Company's debt to capitalization ratio (as calculated under the facility) was .41. The constraints specified in the committed credit facility would permit an additional $1.84 billion in short-term and/or long-term debt to be outstanding (further limited by the indenture covenants discussed below) before the Company's debt to capitalization ratio would exceed .65. If a downgrade in any of the Company's credit ratings were to occur, access to the commercial paper markets might not be possible. However, the Company expects that it could borrow under its uncommitted bank lines of credit or rely upon other liquidity sources, including cash provided by operations.

Under the Company's existing indenture covenants, at June 30, 2008, the Company would have been permitted to issue up to a maximum of $1.2 billion in additional long-term unsecured indebtedness at then-current market interest rates in addition to being able to issue new indebtedness to replace maturing debt. The Company's present liquidity position is believed to be adequate to satisfy known demands.

The Company's 1974 indenture pursuant to which $199.0 million (or 18%) of the Company's long-term debt (as of June 30, 2008) was issued contains a cross-default provision whereby the failure by the Company to perform certain obligations under other borrowing arrangements could trigger an obligation to repay the debt outstanding under the indenture. In particular, a repayment obligation could be triggered if the Company fails to (i) pay any scheduled principal or interest on any debt under any other indenture or agreement, or (ii) perform any other term in any other such indenture or agreement, and the effect of the failure causes, or would permit the holders of the debt to cause, the debt under such indenture or agreement to become due prior to its stated maturity, unless cured or waived.

The Company's $300.0 million committed credit facility also contains a cross-default provision whereby the failure by the Company or its significant subsidiaries to make payments under other borrowing arrangements, or the occurrence of certain events affecting those other borrowing arrangements, could trigger an obligation to repay any amounts outstanding under the committed credit facility. In particular, a repayment obligation could be triggered if (i) the Company or any of its significant subsidiaries fail to make a payment when due of any principal or interest on any other indebtedness aggregating $20.0 million or more, or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating $20.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of June 30, 2008, the Company had no debt outstanding under the committed credit facility.

In April 2008, the Company issued $300.0 million of 6.50% senior, unsecured notes in a private placement exempt from registration under the Securities Act of 1933. The notes have a term of 10 years, with a maturity date in April 2018. The holders of the notes may require the Company to repurchase their notes in the event of a change in control at a price equal to 101% of the principal amount. In addition, the

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Company is required to either offer to exchange the notes for substantially similar notes as are registered under the Securities Act of 1933 or, in certain circumstances, register the resale of the notes. The Company used $200.0 million of the proceeds to refund $200.0 million of 6.303% medium-term notes that subsequently matured on May 27, 2008.

On December 8, 2005, the Company's Board of Directors authorized the Company to implement a share repurchase program, whereby the Company may repurchase outstanding shares of common stock, up to an aggregate amount of 8 million shares in the open market or through privately negotiated transactions. As of June 30, 2008, the Company has repurchased 6,667,275 shares for $262.8 million under this program, including 439,722 and 2,832,397 shares for $20.7 million and $129.6 million, respectively, during the quarter and nine months ended June 30, 2008. These share repurchases were funded with cash provided by operating activities and/or through the use of the Company's lines of credit. In the future, it is expected that this share repurchase program will continue to be funded with cash provided by operating activities and/or through the use of the Company's lines of credit. It is anticipated that open market repurchases will continue from time to time depending on market conditions.

The Company may issue debt or equity securities in a public offering or a private placement from time to time. The amounts and timing of the issuance and sale of debt or equity securities will depend on market conditions, indenture requirements, regulatory authorizations and the capital requirements of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has entered into certain off-balance sheet financing arrangements. These financing arrangements are primarily operating and capital leases. The Company's consolidated subsidiaries have operating leases, the majority of which are with the Utility and the Pipeline and Storage segments, having a remaining lease commitment of approximately $30.7 million. These leases have been entered into for the use of buildings, vehicles, construction tools, meters, computer equipment and other items and are accounted for as operating leases. The Company's unconsolidated subsidiaries, which are accounted for under the equity method, have capital leases of electric generating equipment having a remaining lease commitment of approximately $3.9 million. The Company has guaranteed 50% or $2.0 million of these capital lease commitments.

OTHER MATTERS

In addition to the legal proceedings disclosed in Part II, Item 1 of this report, 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 or 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.

Market Risk Sensitive Instruments

For a complete discussion of market risk sensitive instruments, refer to "Market Risk Sensitive Instruments" in Item 7 of the Company's 2007 Form 10-K. There have been no subsequent material changes to the Company's exposure to market risk sensitive instruments.

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Rate and Regulatory Matters

Utility Operation

Base rate adjustments in both the New York and Pennsylvania rate jurisdictions do not reflect the recovery of purchased gas costs. Such costs are recovered through operation of the purchased gas adjustment clauses of the appropriate regulatory authorities.

New York Jurisdiction

On January 29, 2007, Distribution Corporation commenced a rate case by filing proposed tariff amendments and supporting testimony requesting approval to increase its annual revenues by $52.0 million. Following standard procedure, the NYPSC suspended the proposed tariff amendments to enable its staff and intervenors to conduct a routine investigation and hold hearings. Distribution Corporation explained in the filing that its request for rate relief was necessitated by decreased revenues resulting from customer conservation efforts and increased customer uncollectibles, among other things. The rate filing also included a proposal for an efficiency and conservation initiative with a revenue decoupling mechanism designed to render the Company indifferent to throughput reductions resulting from conservation. On September 20, 2007, the NYPSC issued an order approving, with modifications, Distribution Corporation's conservation program for implementation on an accelerated basis. Associated ratemaking issues, however, were reserved for consideration in the rate case.

On December 21, 2007, the NYPSC issued a rate order providing for an annual rate increase of $1.8 million, together with a monthly bill surcharge that would collect up to $10.8 million to recover expenses for implementation of the conservation program. The rate increase and bill surcharge became effective December 28, 2007. The rate order further provided for a return on equity of 9.1%. The rate order also adopted Distribution Corporation's proposed revenue decoupling mechanism. The revenue decoupling mechanism, like others, "decouples" revenues from throughput by enabling the Company to collect from small volume customers its allowed margin on average weather normalized usage per customer. The effect of the revenue decoupling mechanism is to render the Company financially indifferent to throughput decreases resulting from conservation. The Company surcharges or credits any difference from the average weather normalized usage per customer account. The surcharge or credit is calculated to recover total margin for the most recent twelve-month period ending December 31, and applied to customer bills annually, beginning March 1st.

On April 18, 2008, Distribution Corporation filed an appeal with Supreme Court, Albany County, seeking review of the rate order. The appeal contends that portions of the rate order should be invalidated because they fail to meet the applicable legal standard for agency decisions. Among the issues challenged by the Company are the reasonableness of the NYPSC's disallowance of expense items, including health care costs, and the methodology used for calculating rate of return, which the appeal contends understated the Company's cost of equity. The Company cannot predict the outcome of the appeal at this time.

Pennsylvania Jurisdiction

On June 1, 2006, Distribution Corporation filed proposed tariff amendments with PaPUC to increase annual revenues by $25.9 million to cover increases in the cost of service to be effective July 30, 2006. The rate request was filed to address increased costs associated with Distribution Corporation's ongoing construction program as well as increases in operating costs, particularly uncollectible accounts. Following standard regulatory procedure, the PaPUC issued an order on July 20, 2006 instituting a rate proceeding and suspending the proposed tariff amendments until March 2, 2007. On October 2, 2006, the parties, including Distribution Corporation, Staff of the PaPUC and intervenors, executed an agreement (Settlement) proposing to settle all issues in the rate proceeding. The Settlement includes an increase in annual revenues of $14.3 million to non-gas revenues, an agreement not to file a rate case until January 28, 2008 at the earliest and an early implementation date. The Settlement was approved by the PaPUC at its meeting on November 30, 2006, and the new rates became effective January 1, 2007.

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On June 8, 2006, the NTSB issued safety recommendations to Distribution Corporation, the PaPUC and certain other parties as a result of an investigation of a natural gas explosion that occurred on Distribution Corporation's system in Dubois, Pennsylvania in August 2004. The explosion destroyed a residence, resulting in the death of two people who lived there, and damaged a number of other houses in the immediate vicinity. Without admitting liability, Distribution Corporation settled all significant third-party claims against it related to the explosion.

The NTSB's safety recommendations to Distribution Corporation involved revisions to its butt-fusion procedures for joining plastic pipe, and revisions to its procedures for qualifying personnel who perform plastic fusions. Although not required by law to do so, Distribution Corporation implemented those recommendations. In December 2006, the NTSB classified its recommendations as "closed" after determining that Distribution Corporation took acceptable action with respect to the recommendations.

The NTSB's recommendation to the PaPUC was to require an analysis of the integrity of butt-fusion joints in Distribution Corporation's system and replacement of those joints that are determined to have unacceptable characteristics. Distribution Corporation has worked cooperatively with the Staff of the PaPUC to permit the PaPUC to undertake the analysis recommended by the NTSB.

In late November 2007, Distribution Corporation reached a tentative settlement with the Law Bureau Prosecutory Staff of the PaPUC (the "Law Bureau") regarding the explosion and the PaPUC's subsequent investigation. The Law Bureau and Distribution Corporation jointly submitted the terms of the settlement to the PaPUC for approval. The PaPUC issued the Settlement Agreement for public comment with a comment period ending April 3, 2008. While no comments were filed, the Chairman of the PaPUC recommended that, pursuant to revised provisions of the Settlement Agreement, Distribution Corporation should, without admitting liability, make a $100,000 payment to an assistance fund for payment-troubled customers and make an additional $50,000 payment to fund safety-related activities. The PaPUC adopted the Chairman's recommendation unanimously at its public meeting held on May 1, 2008, and a tentative final order was issued on May 21, 2008. Distribution Corporation accepted the proposed Settlement Agreement. No other comments were filed, and by its terms the tentative order approving the Settlement Agreement became final on June 5, 2008 without further action by the PaPUC. On June 19, 2008, Distribution Corporation fulfilled the last condition for closing the proceeding by providing notice to the Secretary of the PaPUC that the $100,000 payment to the assistance fund had been made. Distribution Corporation is working with the Staff of the PaPUC to determine how the additional $50,000 in safety-related funding will be spent.

Pipeline and Storage

Supply Corporation currently does not have a rate case on file with the FERC. A rate settlement approved by the FERC on February 9, 2007 requires Supply Corporation to make a general rate filing to be effective December 1, 2011, and bars Supply Corporation from making a general rate filing before then, with some exceptions specified in the settlement.

Empire currently does not have a rate case on file with the NYPSC. Among the issues resolved in connection with Empire's FERC application to build the Empire Connector are the rates and terms of service that will become applicable to all of Empire's business, effective upon Empire constructing and placing its new facilities into service (currently expected for November 2008). At that time, Empire will become an interstate pipeline subject to FERC regulation. The order described in the following paragraph requires Empire to make a filing at the FERC within three years after the in-service date justifying Empire's existing recourse rates or proposing alternative rates.

On December 21, 2006, the FERC issued an order granting a Certificate of Public Convenience and Necessity authorizing the construction and operation of the Empire Connector and various other related pipeline projects by other unaffiliated companies. The Empire Certificate contains various environmental and other conditions. Empire accepted that Certificate and received additional environmental permits from the U.S. Army Corps of Engineers and state environmental agencies. Empire also received, from all six upstate New York counties in which it will build the Empire Connector project, final approval of sales tax exemptions and temporary partial property tax abatements. In June 2007, Empire signed a firm transportation service agreement with KeySpan Gas East Corporation, under which Empire is obligated to provide transportation service that will require construction of this project. Construction began in September 2007 and is on schedule to be completed by the planned in-service date of November 2008, although the actual in-service date will depend upon the completion of the Millennium Pipeline.

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 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 received, in 1998 and again in October 1999, notice that the NYDEC believes the Company is responsible for contamination discovered at a former manufactured gas plant site located in New York for which the Company had not been named as a PRP. In February 2007, the NYDEC identified the Company as a PRP for the site and issued a proposed remedial action plan. The NYDEC estimated clean-up costs under its proposed remedy to be $8.9 million if implemented. Although the Company commented to the NYDEC that the proposed remedial action plan contained a number of material errors, omissions and procedural defects, the NYDEC, in a March 2007 Record of Decision, selected the remedy it had previously proposed. In July 2007, the Company appealed the NYDEC's Record of Decision to the New York State Supreme Court, Albany County. The Court dismissed the appeal in January 2008. The Company filed a notice of appeal in February 2008. In July 2008, the Company withdrew its appeal and agreed to the terms of an Order on Consent issued by the NYDEC. Pursuant to the order, the Company will remediate the site consistent with the remedy selected in the NYDEC's Record of Decision. The Company will also reimburse the NYDEC in the amount of approximately $1.5 million for costs incurred in connection with the site from 1998 through May 30, 2007. The Company acknowledged that additional charges related to the site will be billed to the Company at a later date, including costs incurred by the NYDEC after May 30, 2007 and any costs incurred by the New York Department of Health. The Company has not received any estimates of such additional costs. The Company has recorded an estimated minimum liability of $10.4 million associated with this site.

At June 30, 2008, 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 $13.5 million to $17.2 million. The minimum estimated liability of $13.5 million has been recorded on the Consolidated Balance Sheet at June 30, 2008, including the $10.4 million discussed above. The Company expects to recover its environmental clean-up costs from a combination of rate recovery and deferred insurance proceeds that are currently recorded as a regulatory liability on the Consolidated Balance Sheet.

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

New Accounting Pronouncements

In September 2006, the FASB issued SFAS 157. SFAS 157 provides guidance for using fair value to measure assets and liabilities. The pronouncement serves to clarify the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect that fair-value measurements have on earnings. SFAS 157 is to be applied whenever another standard requires or allows assets or liabilities to be measured at fair value. In accordance with FASB Staff Position FAS No. 157-2, SFAS 157 is effective for financial assets and financial liabilities that are recognized or disclosed at fair value on a recurring basis as of the Company's first quarter of fiscal 2009. The same FASB Staff Position delays the effective date for nonfinancial assets and nonfinancial liabilities, except for

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont.)

items that are recognized or disclosed at fair value on a recurring basis, until the Company's first quarter of fiscal 2010. The Company is currently evaluating the impact that the adoption of SFAS 157 will have on its consolidated financial statements.

In September 2006, the FASB also issued SFAS 158, (an amendment of SFAS 87, SFAS 88, SFAS 106, and SFAS 132R). SFAS 158 requires that companies recognize a net liability or asset to report the underfunded or overfunded status of their defined benefit pension and other post-retirement benefit plans on their balance sheets, as well as recognize changes in the funded status of a defined benefit post-retirement plan in the year in which the changes occur through comprehensive income. The pronouncement also specifies that a plan's assets and obligations that determine its funded status be measured as of the end of the Company's fiscal year, with limited exceptions. In accordance with SFAS 158, the Company has recognized the funded status of its benefit plans and implemented the disclosure requirements of SFAS 158 at September 30, 2007. The requirement to measure the plan assets and benefit obligations as of the Company's fiscal year-end date will be adopted by the Company by the end of fiscal 2009. Currently, the Company measures its plan assets and benefit obligations using a June 30th measurement date.

In February 2007, the FASB issued SFAS 159. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not otherwise required to be measured at fair value under GAAP. A company that elects the fair value option for an eligible item will be required to recognize in current earnings any changes in that item's fair value in reporting periods subsequent to the date of adoption. SFAS 159 is effective as of the Company's first quarter of fiscal 2009. The Company is currently evaluating the impact, if any, that the adoption of SFAS 159 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141R. SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective as of the Company's first quarter of fiscal 2010.

In December 2007, the FASB issued SFAS 160. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective as of the Company's first quarter of fiscal 2010. The Company currently does not have any NCI.

In March 2008, the FASB issued SFAS 161. SFAS 161 requires entities to provide enhanced disclosures related to an entity's derivative instruments and hedging activities in order to enable investors to better understand how derivative instruments and hedging activities impact an entity's financial reporting. The additional disclosures include how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective as of the Company's second quarter of fiscal 2009. The Company is currently evaluating the impact that the adoption of SFAS 161 will have on its disclosures in its notes to its consolidated financial statements.

Safe Harbor for Forward-Looking Statements

The Company is including the following cautionary statement in this Form 10-Q to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont.)

whether made by or on behalf of the Company, are also expressly qualified by these cautionary statements. Certain statements contained in this report, including, without limitation, statements regarding future prospects, plans, performance and capital structure, anticipated capital expenditures, completion of construction 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, are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995 and accordingly involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The forward-looking statements contained herein are based on various assumptions, many of which are based, in turn, upon further assumptions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including, without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectations, beliefs or projections will result or be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements:

1. Changes in economic conditions, including economic disruptions caused by terrorist activities, acts of war or major accidents, and downturns in economic activity including national or regional recessions;
2. Changes in demographic patterns and weather conditions, including the occurrence of severe weather such as hurricanes;
3. Changes in the availability and/or price of natural gas or oil and the effect of such changes on the accounting treatment of derivative financial instruments or the valuation of the Company's natural gas and oil reserves;
4. Uncertainty of oil and gas reserve estimates;
5. Ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including shortages, delays or unavailability of equipment and services required in drilling operations;
6. Significant changes from expectations in the Company's actual production levels for natural gas or oil;
7. Changes in the availability and/or price of derivative financial instruments;
8. Changes in the price differentials between various types of oil;
9. Inability to obtain new customers or retain existing ones;
10. Significant changes in competitive factors affecting the Company;
11. Changes in laws and regulations to which the Company is subject, including changes in tax, environmental, safety and employment laws and regulations;
12. Governmental/regulatory actions, initiatives and proceedings, including those involving acquisitions, financings, rate cases (which address, among other things, allowed rates of return, rate design and retained gas), affiliate relationships, industry structure, franchise renewal, and environmental/safety requirements;
13. Unanticipated impacts of restructuring initiatives in the natural gas and electric industries;
14. Significant changes from expectations in actual capital expenditures and operating expenses and unanticipated project delays or changes in project costs or plans;

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Concl.)

15. The nature and projected profitability of pending and potential projects and other investments, and the ability to obtain necessary governmental approvals and permits;
16. Occurrences affecting the Company's ability to obtain funds from operations, from borrowings under our credit lines or other credit facilities or from issuances of other short-term notes or debt or equity securities to finance needed capital expenditures and other investments, including any downgrades in the Company's credit ratings;
17. Ability to successfully identify and finance acquisitions or other investments and ability to operate and integrate existing and any subsequently acquired business or properties;
18. Impairments under the SEC's full cost ceiling test for natural gas and oil reserves;
19. Changes in the market price of timber and the impact such changes might have on the types and quantity of timber harvested by the Company;
20. Significant changes in tax rates or policies or in rates of inflation or interest;
21. Significant changes in the Company's relationship with its employees or contractors and the potential adverse effects if labor disputes, grievances or shortages were to occur;
22. Changes in accounting principles or the application of such principles to the Company;
23. The cost and effects of legal and administrative claims against the Company;
24. Changes in actuarial assumptions and the return on assets with respect to the Company's retirement plan and post-retirement benefit plans;
25. Increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide post-retirement benefits; or
26. Increasing costs of insurance, changes in coverage and the ability to obtain insurance.

The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the "Market Risk Sensitive Instruments" section in Item 2 — MD&A.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The Company's management, including the Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2008.

Item 4. Controls and Procedures (Concl.)

Changes in Internal Controls Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

On June 8, 2006, the NTSB issued safety recommendations to Distribution Corporation, the PaPUC and certain others as a result of its investigation of a natural gas explosion that occurred on Distribution Corporation's system in Dubois, Pennsylvania in August 2004. For a discussion of this matter, refer to Part II, Item 7 — MD&A of this report under the heading "Other Matters — Rate and Regulatory Matters."

For a discussion of various environmental and other matters, refer to Part I, Item 1 at Note 4 — Commitments and Contingencies, and Part I, Item 2 — MD&A of this report under the heading "Other Matters — Environmental Matters."

In addition to the matters referenced above, 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 or 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 to have a material adverse effect on the financial condition of the Company.

Item 1A. Risk Factors

The risk factors in Item 1A of the Company's 2007 Form 10-K, as amended by Item 1A of the Company's Form 10-Q for the quarter ended March 31, 2008, have not materially changed other than as set forth below. The risk factor presented below supersedes the risk factor having the same caption in the 2007 Form 10-K and should otherwise be read in conjunction with all of the risk factors disclosed in the 2007 Form 10-K and the March 31, 2008 Form 10-Q.

National Fuel may be adversely affected by economic conditions.

Periods of slowed economic activity generally result in decreased energy consumption, particularly by industrial and large commercial companies. As a consequence, national or regional recessions or other downturns in economic activity could adversely affect National Fuel's revenues and cash flows or restrict its future growth. Economic conditions in National Fuel's utility service territories and energy marketing territories also impact its collections of accounts receivable. Customers of National Fuel's Utility and Energy Marketing segments may have particular trouble paying their bills during periods of declining economic activity and high commodity prices, potentially resulting in increased bad debt expense and reduced earnings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 1, 2008, the Company issued a total of 2,400 unregistered shares of Company common stock to the eight non-employee directors of the Company who receive compensation under the Company's Retainer Policy for Non-Employee Directors, 300 shares to each such director. All of these unregistered shares were issued as partial consideration for the directors' services during the quarter ended June 30, 2008. These transactions were exempt from registration by Section 4(2) of the Securities Act of 1933 as transactions not involving a public offering.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds (Concl.)

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [(a)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Share Repurchase Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Share Repurchase Plans or Programs [(b)]
Apr. 1 - 30, 2008	446,666	$46.99	439,722	1,332,725
May 1 - 31, 2008	32,337	$57.99	—	1,332,725
June 1 - 30, 2008	9,686	$58.43	—	1,332,725
Total	488,689	$47.94	439,722	1,332,725

(a) Represents (i) shares of common stock of the Company purchased on the open market with Company “matching contributions” for the accounts of participants in the Company’s 401(k) plans, and (ii) shares of common stock of the Company tendered to the Company by holders of stock options or shares of restricted stock for the payment of option exercise prices or applicable withholding taxes, and (iii) shares of common stock of the Company purchased on the open market pursuant to the Company’s publicly announced share repurchase program. Shares purchased other than through a publicly announced share repurchase program totaled 6,944 in April 2008, 32,337 in May 2008 and 9,686 in June 2008 (a three month total of 48,967). Of those shares, 19,363 were purchased for the Company’s 401(k) plans and 29,604 were purchased as a result of shares tendered to the Company by holders of stock options or shares of restricted stock.

(b) On December 8, 2005, the Company’s Board of Directors authorized the repurchase of up to eight million shares of the Company’s common stock. Repurchases may be made from time to time in the open market or through private transactions.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Exhibit
3(ii)	By-Laws:
•	National Fuel Gas Company By-Laws as amended June 11, 2008 (incorporated herein by reference to Exhibit 3.1, Form 8-K dated June 16, 2008).
4	Instruments defining the rights of security holders:
4.1	Officer’s Certificate establishing 6.50% Notes due 2018, dated April 11, 2008
•	Amended and Restated Rights Agreement, dated as of July 11, 2008, between National Fuel Gas Company and The Bank of New York, as rights agent (incorporated herein by reference to Exhibit 4.1, Form 8-K dated July 15, 2008).
10	Material contracts:
•	Director Services Agreement, dated as of June 1, 2008, between National Fuel Gas Company and Philip C. Ackerman (incorporated herein by reference to Exhibit 99, Form 8-K dated June 16, 2008).
12	Statements regarding Computation of Ratios:
	Ratio of Earnings to Fixed Charges for the Twelve Months Ended June 30, 2008 and the Fiscal Years Ended September 30, 2004 through 2007.

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Item 6. Exhibits (Concl.)

Exhibit Number	Description of Exhibit
31.1	Written statements of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Written statements of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	National Fuel Gas Company Consolidated Statement of Income for the Twelve Months Ended June 30, 2008 and 2007.

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.

NATIONAL FUEL GAS COMPANY
(Registrant)

/s/ R. J. Tanski
R. J. Tanski
Treasurer and Principal Financial Officer

/s/ K. M. Camiolo
K. M. Camiolo
Controller and Principal Accounting Officer

Date: August 8, 2008

Exhibit 4.1

NATIONAL FUEL GAS COMPANY

OFFICER'S CERTIFICATE

Establishing 6.50% Notes due 2018

R. J. Tanski, the Treasurer, of National Fuel Gas Company, a New Jersey corporation (the "Company"), pursuant to the authority granted in the Board Resolutions of the Company adopted on April 8, 2008 and April 10, 2008, and Sections 102, 201 and 301 of the Indenture defined herein, does hereby certify to The Bank of New York (the "Trustee"), as Trustee under the Indenture of the Company (For Unsecured Debt Securities) dated as of October 1, 1999 (the "Indenture"), that:

1. The Securities of the fourth series to be issued under the Indenture shall be designated "6.50% Notes due 2018" (the "Notes of the Fourth Series"); the Notes of the Fourth Series shall be in substantially the form set forth in Exhibit A hereto. All capitalized terms used in this certificate which are not defined herein shall have the meanings set forth in the Indenture.

2. The Notes of the Fourth Series shall be initially authenticated and delivered in the aggregate principal amount of $300,000,000 (the "Initial Notes of the Fourth Series"); provided , however , that the Company may, without the consent of the Holders of the Initial Notes of the Fourth Series, create and issue additional Notes of the Fourth Series ranking equally with, and otherwise identical in all respects to, the Initial Notes of the Fourth Series (except for the issue price therefor, the date from which interest first accrues thereon and the first interest payment date therefor), which additional Notes of the Fourth Series shall form a single series with the Initial Notes of the Fourth Series.

3. The Notes of the Fourth Series shall mature, and the principal thereof shall be due and payable, together with all accrued and unpaid interest thereon, on April 15, 2018.

4. The Notes of the Fourth Series shall be issued in the denominations of $2,000 and integral multiples of $1,000 in excess thereof.

5. The Notes of the Fourth Series shall bear interest as provided in the form thereof set forth in Exhibit A.

6. The principal, interest and premium and Additional Interest (as defined below), if any, on the Notes of the Fourth Series shall be payable at, and registration of transfers and exchanges in respect of the Notes of the Fourth Series may be effected at, the office or agency of the Company in The City of New York; provided , however , that payment of interest may be made at the option of the Company by check mailed to the address of the persons entitled thereto or, in certain circumstances described in the form of Notes of the Fourth Series hereto attached as Exhibit A, by wire transfer to an account designated by the person entitled thereto. Notices and demands to or upon the Company in respect of the Notes of the Fourth Series and the Indenture may be served at the office or agency of the Company in The City of New York. The Corporate Trust Office of the Trustee shall

initially be the agency of the Company for such payment, registration and registration of transfers and exchanges and service of notices and demands and the Company hereby appoints the Trustee as its agent for all such purposes; provided , however , that the Company reserves the right to change, by one or more Officer's Certificates, any such office or agency and such agent. The Trustee shall initially be the Security Registrar and the Paying Agent for the Notes of the Fourth Series.

7. The Notes of the Fourth Series are subject to optional redemption as provided in the form thereof set forth in Exhibit A.

8. The Notes of the Fourth Series shall not be entitled to the benefit of any sinking fund.

9. If a "Change of Control Triggering Event" (as defined in Exhibit A hereto) occurs, each Holder of the Notes of the Fourth Series may require the Company to purchase all or a portion of such Holder's Notes of the Fourth Series at a price equal to 101% of the principal amount, plus accrued interest, if any, to the date of purchase, on the terms and subject to the conditions set forth in Exhibit A hereto.

10. The Notes of the Fourth Series shall be initially issued as certificates in global form (each, a "Global Note") registered in the name of Cede & Co., as registered owner and as nominee for The Depository Trust Company ("DTC"). Beneficial interests in the Notes of the Fourth Series offered and sold to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) ("QIBs") in reliance upon Rule 144A under the Securities Act shall be represented by one or more separate Global Notes (each, a "Rule 144A Global Certificate"). Each Rule 144A Global Certificate shall bear the legends set forth in Exhibit A hereto. Beneficial interests in the Notes of the Fourth Series offered and sold to purchasers pursuant to Regulation S under the Securities Act shall be represented by one or more separate Global Notes (each, a "Regulation S Global Certificate") and shall bear the legends set forth in Exhibit A hereto. The Company reserves the right to provide for another depositary, registered as a clearing agency under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to act as successor depositary for the Global Notes of the Fourth Series (DTC and any such successor depositary, the "Depository"). The Trustee and the Company shall have no responsibility or liability for any aspect of transfers of beneficial interests in the Notes of the Fourth Series (which transfers shall be conducted pursuant to the customary procedures of DTC), any records of DTC of beneficial interests or any transactions between DTC and its participants or between any such participants and any other beneficial owners or for monitoring, supervising or reviewing of any thereof.

11. Beneficial interests in Notes of the Fourth Series issued as Global Notes may not be exchanged in whole or in part for individual certificated Notes of the Fourth Series in definitive form, and no transfer of a Global Note of the Fourth Series in whole or in part may be registered in the name of any Person other than the Depository or its nominee, except that if the Depository (A) has notified the Company that it is unwilling or unable to continue as depositary for the Global Notes of the Fourth Series, (B) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor depositary for such Global Notes of the Fourth Series has not been appointed within 90

days of (i) that notice or (ii) the Company becoming aware that the Depository is no longer so registered, (C) an Event of Default has occurred and is continuing, and the Depository requests the issuance of certificated Notes of the Fourth Series in definitive form or (D) the Company determines not to have the Notes of the Fourth Series represented by Global Notes, the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Notes of the Fourth Series, shall authenticate and deliver, Notes of the Fourth Series in definitive certificated form in an aggregate principal amount equal to the principal amount of the Global Notes of the Fourth Series representing such Notes of the Fourth Series in exchange for such Global Notes of the Fourth Series, such definitive Notes of the Fourth Series to be registered in the names provided by the Depository.

12. Transfers of beneficial interests in the Rule 144A Global Certificate and Regulation S Global Certificate shall be subject to the restrictions on transfer contained in the non-registration legend set forth in Exhibit A hereto. In connection with any transfer of Notes of the Fourth Series, the Trustee and the Company shall be under no duty to inquire into, may conclusively presume the correctness of, and shall be fully protected in relying upon, the certificates and other information (set forth in Exhibit A hereto, for use in connection with the transfer of beneficial interests between a Rule 144A Global Certificate and a Regulation S Global Certificate or to a Note of the Fourth Series in definitive form, or otherwise) received from the Holders and any transferees of any Notes of the Fourth Series regarding the validity, legality and due authorization of any such transfer, the eligibility of the transferee to receive such Note of the Fourth Series and any other facts and circumstances related to such transfer. Transfers of beneficial interests between a Rule 144A Global Certificate and a Regulation S Global Certificate, and other transfers relating to beneficial interests in the Notes of the Fourth Series represented by Global Notes, shall be reflected by endorsements of the Trustee, as custodian for DTC (or another Depository), on the schedule attached thereto.

13. The Trustee, the Security Registrar and the Company shall have no responsibility under the Indenture for transfers of beneficial interests in the Notes of the Fourth Series, for any depositary records of beneficial interests or for any transactions between the Depository and beneficial owners.

14. The Company has entered into a Registration Rights Agreement dated April 11, 2008 with the initial purchasers of the Notes of the Fourth Series (the "Registration Rights Agreement"), pursuant to which the Notes of the Fourth Series that are issued and sold without registration under the Securities Act (the "Private Notes") may be exchanged for Notes of the Fourth Series that shall be registered under the Securities Act and that shall otherwise have substantially the same terms as the Private Notes (the "Exchange Notes"). Such Exchange Notes shall also be issued as a Global Note in the form of Exhibit A hereto and shall bear all customary legends (except for the non-registration and registration rights legends) or, as provided in the Registration Rights Agreement, the Company has agreed to file a shelf registration statement for the resale of the Notes of the Fourth Series (in which case any Notes of the Fourth Series so resold shall be issued as a Global Note in the form of Exhibit A hereto and bear all customary legends (except for the non-registration and registration rights legends)). The Private Notes shall be

exchanged for Exchange Notes only pursuant to an effective registration statement under the Securities Act and otherwise in accordance with the Registration Rights Agreement and the Indenture. The Private Notes and the Exchange Notes shall constitute a single series of notes under the Indenture. Exchange Notes shall be authenticated and delivered by the Trustee at one time or from time to time upon the receipt by the Trustee of a Company Order in principal amounts equal to the principal amounts of the Private Notes surrendered in exchange therefor. In addition, upon the receipt of such Company Order, the Trustee shall take such actions as to effectuate the exchange of any Private Notes for Exchange Notes in accordance with the Registration Rights Agreement and the Indenture.

15. No service charge shall be made for the registration of transfer or exchange of the Notes of the Fourth Series; provided , however , that the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer.

16. If the Company shall make any deposit of money and/or Eligible Obligations with respect to any Notes of the Fourth Series, or any portion of the principal amount thereof, as contemplated by Section 701 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 701 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(A) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of the Notes of the Fourth Series, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 701), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and interest, if any, due and to become due on such Notes of the Fourth Series or portions thereof, all in accordance with and subject to the provisions of said Section 701; provided , however , that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Company and acceptable to the Trustee, showing the calculation thereof; or

(B) an Opinion of Counsel to the effect that, as a result of (i) the receipt by the Company from, or the publication by, the Internal Revenue Service of a ruling or (ii) a change in law occurring after the date of this certificate, the Holders of such Notes of the Fourth Series, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

17. The Notes of the Fourth Series shall have such other terms and provisions as are provided in the form thereof set forth in Exhibit A.

18. All conditions precedent, if any, provided for in the Indenture (including any covenants compliance with which constitutes a condition precedent), relating to the authentication and delivery of the Notes of the Fourth Series requested in the accompanying Company Order No. 4 have been complied with.

19. The undersigned has read all of the covenants and conditions contained in the Indenture, and the definitions in the Indenture relating thereto, relating to the Company's issuance of the Notes of the Fourth Series and the Trustee's authentication and delivery of the Notes of the Fourth Series, and in respect of compliance with which this certificate is made.

20. The statements contained in this certificate are based upon the familiarity of the undersigned with the Indenture, the documents accompanying this certificate, and upon discussions by the undersigned with officers, employees and counsel of the Company familiar with the matters set forth herein.

21. In the opinion of the undersigned, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenants and conditions have been complied with.

22. In the opinion of the undersigned, such conditions and covenants have been complied with.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this 11th day of April, 2008.

/s/ R. J. Tanski

R. J. Tanski
Treasurer

EXHIBIT A

[depositary legend]

[Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

[non-registration legend to be included on the Private Notes]

THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (a) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (i)(A) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (B) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF APPLICABLE) OR (D) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY IF THE COMPANY SO REQUESTS), (ii) TO THE COMPANY OR (iii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (b) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN CLAUSE (a) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF THE SECURITY EVIDENCED HEREBY.

[registration rights legend to be included on the Private Notes]

BY ITS ACCEPTANCE OF THE SECURITIES EVIDENCED HEREBY OR A BENEFICIAL INTEREST IN SUCH SECURITIES, THE HOLDER OF, AND ANY PERSON THAT ACQUIRES A BENEFICIAL INTEREST IN, SUCH SECURITIES AGREES TO BE BOUND BY THE PROVISIONS OF THE REGISTRATION RIGHTS AGREEMENT (THE “REGISTRATION RIGHTS AGREEMENT”) DATED APRIL 11, 2008 AND RELATING TO THE REGISTRATION UNDER THE SECURITIES ACT OF SECURITIES EXCHANGEABLE FOR THE SECURITIES EVIDENCED HEREBY AND REGISTRATION OF THE SECURITIES EVIDENCED HEREBY.

[FORM OF FACE OF NOTE]

NATIONAL FUEL GAS COMPANY

6.50% Notes due 2018

R-

CUSIP: [144A Global Certificate: 636180 BF7]
[Regulation S Global Certificate: U63038 AA8]
[Exchange Notes: 636180 BG5]

ORIGINAL ISSUE DATE: April 11, 2008

PRINCIPAL AMOUNT: [$300,000,000][$0]

ORIGINAL INTEREST
ACCRUAL DATE: April 11, 2008

INTEREST RATE: 6.50%

MATURITY DATE: April 15, 2018

INTEREST PAYMENT DATES: April 15 and October 15, commencing October 15, 2008

REDEEMABLE AT OPTION OF THE COMPANY: YES ☑ NO ☐

REDEEMABLE AT OPTION OF THE HOLDER: YES ☐ NO ☑

(See the Reverse of this Note for redemption provisions)

NATIONAL FUEL GAS COMPANY, a corporation duly organized and existing under the laws of the State of New Jersey (herein referred to as the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

or registered assigns, the principal sum of Dollars on the Maturity Date specified above, and to pay interest thereon at the Interest Rate specified above, semi-annually on the Interest Payment Dates specified above of each year and on the Maturity Date, from the Original Interest Accrual Date specified above or from the most recent Interest Payment Date to which interest has been paid, unless the Company shall default in the payment of interest due on such Interest Payment Date, in which case interest shall be payable from the next preceding Interest Payment Date to which interest has been paid, or, if no interest has been paid on this Security, from the Original Interest Accrual Date. In the event that the Maturity Date or any date fixed for redemption is not a Business Day, then payment of principal and interest payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on such Maturity Date or date fixed for redemption. If the Company does not comply with certain of its obligations under the registration rights agreement dated April 11, 2008 between the Company and the parties named therein (the "Registration Rights Agreement"), this Security shall, in accordance with Section 2(e) of the Registration Rights Agreement, bear additional interest ("Additional Interest") in addition to the interest otherwise provided for hereunder. For purposes of this Security, the term "interest" shall be deemed to include any such Additional Interest. In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of such delay) with the same force and effect as if made on such Interest Payment Date. The Initial Interest Payment Date shall be October 15, 2008, and the payment on that date shall include all interest accrued from the Original Interest Accrual Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be (a) the Business Day immediately preceding such Interest Payment Date so long as Securities of this series remain in book-entry only form or (b) the 15th calendar day prior to such Interest Payment Date if Securities of this series do not remain in book-entry only form; provided, however, that interest payable at Maturity shall be paid to the Person to whom principal shall be paid. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice of which shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of and premium, if any, and interest on this Security shall be made at the office or agency of the Company maintained for that purpose in The City of New York, the State of New York in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that (a) at the option of the Company, interest on this Security may be paid by check mailed to the address of the person entitled thereto, as such address shall appear on the Security Register or by wire transfer to an account designated by the person entitled thereto, and (b) upon the written request of a Holder of not less than $10 million in aggregate principal amount of Securities of this series delivered to the Company and the Paying Agent at least ten days prior to any Interest Payment Date, payment of interest on such Securities to such Holder on such Interest Payment Date shall be made by wire transfer of immediately available funds to an account maintained within the continental United States specified by such Holder or, if such Holder maintains an account with the entity acting as Paying Agent, by deposit into such account.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

NATIONAL FUEL GAS COMPANY

By: ______________________________

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: April 11, 2008

THE BANK OF NEW YORK, as Trustee

By: ______________________________
Authorized Signatory

[FORM OF REVERSE OF NOTE]

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued in one or more series under an Indenture (For Unsecured Debt Securities), dated as of October 1, 1999 (herein, together with any amendments or supplements thereto, called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and The Bank of New York, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture, including the Board Resolutions and Officer's Certificate filed with the Trustee on April 11, 2008 creating the series designated on the face hereof, for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof. The acceptance of this Security shall be deemed to constitute the consent and agreement by the Holder hereof to all terms and provisions of the Indenture.

Optional Redemption

The Securities shall be redeemable at the option of the Company, in whole or in part, at its option, at any time and from time to time, prior to the Maturity Date, in each case at a redemption price (the "Redemption Price") equal to the greater of

(a) 100% of the principal amount of the Securities being redeemed; and

(b) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities being redeemed (excluding the portion of any such interest accrued to the Redemption Date, as defined), discounted to the date fixed for redemption ("Redemption Date") on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.45%

plus, in each case, accrued interest on those Securities to the Redemption Date.

" *Treasury Rate* " means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

" *Comparable Treasury Issue* " means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

" *Comparable Treasury Price* " means, with respect to any Redemption Date, (i) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (ii) if the

Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Independent Investment Banker*" means an independent investment banking institution of national standing appointed by the Company.

"*Reference Treasury Dealers*" means primary U.S. Government securities dealers in New York City appointed by the Company.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by the Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such Redemption Date.

In lieu of stating the Redemption Price, notices of redemption of the Securities shall state substantially the following: "The Redemption Price of the Securities of this series to be redeemed shall equal the sum of (a) the greater of (i) 100% of the principal amount of such Securities of this series, and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed (excluding the portion of any such interest accrued to the Redemption Date), discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.45%, plus accrued interest on the principal amount hereof to the Redemption Date."

Notice of redemption shall be given by mail to Holders of Securities, not less than 30 nor more than 60 days prior to the Redemption Date, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the applicable Paying Agent or Agents of money sufficient to pay the principal of and premium, if any, and interest, if any, on this Security on or prior to the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series of like tenor representing the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

Change of Control Offer

If a Change of Control Triggering Event occurs, unless the Company has exercised its option to redeem the Securities as described above, the Company shall make an offer (a "Change of Control Offer") to each Holder of the Securities to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that Holder's Securities on the terms set forth herein. In the Change of Control Offer, the Company shall offer payment in cash equal to 101% of the aggregate principal amount of Securities repurchased, plus accrued and unpaid interest, if any, on the Securities repurchased to the date of repurchase (a "Change of

Control Payment"), subject to the right of Holders of record on the applicable record date to receive interest due on the next Interest Payment Date.

Within 30 days following any Change of Control Triggering Event or, at the Company's option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, the Company shall mail a notice to Holders of the Securities describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offer to repurchase such Securities on the date specified in the applicable notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (a "Change of Control Payment Date"). The notice, if mailed prior to the date of consummation of the Change of Control, shall state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring on or prior to the applicable Change of Control Payment Date.

Upon the Change of Control Payment Date, the Company shall, to the extent lawful:

(a) accept for payment all Securities or portions of Securities properly tendered and not withdrawn pursuant to the Change of Control Offer;

(b) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Securities or portions of Securities properly tendered; and

(c) deliver or cause to be delivered to the Trustee the Securities properly accepted together with an Officer's Certificate stating the aggregate principal amount of Securities or portions of Securities being repurchased.

The Company need not make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Company and the third party repurchases all Securities properly tendered and not withdrawn under its offer. In addition, the Company shall not repurchase any Securities if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under the Indenture, other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

The Company shall comply with the applicable requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Securities as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Offer provisions of the Securities, the Company shall comply with those securities laws and regulations and shall not be deemed to have breached its obligations under the Change of Control Offer provisions of the Securities by virtue of any such conflict.

For purposes of the Change of Control Offer provisions of the Securities, the following terms are applicable:

“ *Change of Control* ” means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the Company’s assets and the assets of the its subsidiaries, taken as a whole, to any person, other than the Company or one of its subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Company’s outstanding Voting Stock or other Voting Stock into which the Company’s Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) the Company consolidates with, or merges with or into, any person, or any person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the Company’s outstanding Voting Stock or the Voting Stock of such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Company’s Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person or any direct or indirect parent company of the surviving person, measured by voting power rather than number of shares, immediately after giving effect to such transaction; (4) the first day on which a majority of the members of the Company’s Board of Directors are not Continuing Directors; or (5) the adoption of a plan relating to the Company’s liquidation or dissolution.

The term “person,” as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

“ *Change of Control Triggering Event* ” means the occurrence of both a Change of Control and a Rating Event.

“ *Continuing Directors* ” means, as of any date of determination, any member of the Company’s Board of Directors who (1) was a member of such Board of Directors on the date the Securities were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the Company’s proxy statement in which such member was named as a nominee for election as a director).

“ *Fitch* ” means Fitch Ratings and its successors.

“ *Investment Grade Rating* ” means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

“ *Moody’s* ” means Moody’s Investors Service, Inc. and its successors.

“ *Rating Agencies* ” means (1) each of Fitch, Moody’s and S&P and (2) if any of Fitch, Moody’s or S&P ceases to rate the Securities or fails to make a rating of the Securities publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Company (as certified by a resolution of the Company's Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or all of them, as the case may be.

" *Rating Event* " means the rating on the Securities is lowered by at least two of the three Rating Agencies and the Securities are rated below an Investment Grade Rating by at least two of the three Rating Agencies, in any case on any day during the period (which period shall be extended so long as the rating of the Securities is under publicly announced consideration for a possible downgrade by any of the Rating Agencies) commencing 60 days prior to the first public notice of the occurrence of a Change of Control or the Company's intention to effect a Change of Control and ending 60 days following consummation of such Change of Control.

" *S&P* " means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

" *Voting Stock* " means, with respect to any specified "person" (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Unless the Company defaults in the Change of Control Payment, on and after the Change of Control Payment Date, interest shall cease to accrue on the Securities or portions of the Securities tendered for repurchase pursuant to the Change of Control Offer.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of the Company in respect of this Security, or any portion of the principal amount thereof, upon compliance with certain conditions set forth in the Indenture, including the Officer's Certificate described above.

If an Event of Default with respect to Securities shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in principal amount of the Securities at the time Outstanding of all series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless (a) such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities of this series, (b) the Holders of a majority in aggregate principal amount of the Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee, (c) such Holder shall have offered the Trustee reasonable indemnity, (d) the Trustee shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity, and (e) the Trustee shall not have received from the Holders of a majority in aggregate principal amount of Securities of all series at the time Outstanding in respect of which an Event of Default shall have occurred and be continuing a direction inconsistent with such request. The foregoing shall not apply to any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof and premium, if any, or interest hereon on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

The Securities are issuable only in registered form without coupons in denominations of $2,000 and integral multiples of $1,000 in excess thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are transferable to a transferee or transferees, as designated by the Holder surrendering the same for such registration of transfer, and exchangeable for a like aggregate principal amount of Securities and of like tenor and of authorized denominations, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

SCHEDULE I

[144A]* [REGULATION S]* GLOBAL SECURITY

The initial principal amount of Notes evidenced by this Global Note is $ ___________.

CHANGES TO PRINCIPAL AMOUNT OF NOTES EVIDENCED BY GLOBAL NOTE

Date	Principal Amount of Notes by which this Global Note is to be Reduced or Increased, and Reason for Reduction or Increase	Remaining Principal Amount of Notes Represented by this Global Note	Notation Made by

EXHIBIT A

CERTIFICATE OF TRANSFER *

NATIONAL FUEL GAS COMPANY

6.50% Notes due 2018

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

Name and address of assignee must be printed or typewritten.

$ ____

principal amount of beneficial interest in the referenced Security of the Company and does hereby irrevocably constitute and appoint

to transfer the said beneficial interest in such Security, with full power of substitution in the premises.

The undersigned certifies that said beneficial interest in said Security is being resold, pledged or otherwise transferred as follows:
(check one)

- ☐ to the Company;
- ☐ to a Person whom the undersigned reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), purchasing for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A;
- ☐ in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act;
- ☐ as otherwise permitted by the non-registration legend appearing on this Security; or
- ☐ as otherwise agreed by the Company, confirmed in writing to the Trustee, as follows: [describe]

Dated: ____________________________

Signature: ____________________

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

* Include this form of Certificate of Transfer only in a Private Note.

SIGNATURE GUARANTEE

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirement of the registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

NATIONAL FUEL GAS COMPANY
COMPUTATION OF RATIO OF
EARNINGS TO FIXED CHARGES
UNAUDITED

	For the Twelve Months Ended June 30, 2008	Fiscal Year Ended September 30, 2007	2006	2005	2004
EARNINGS:					
Income from Continuing Operations	$259,757	$201,675	$184,614	$138,437	$141,920
Plus Income Tax Expense	166,475	131,813	108,245	85,621	89,820
Less Investment Tax Credit (1)	(697)	(697)	(697)	(697)	(697)
(Less Income) Plus Loss from Unconsolidated Subsidiaries (3)	(6,746)	(4,979)	(3,583)	796	(805)
Plus Distributions from Unconsolidated Subsidiaries	6,206	1,613	4,651	1,990	785
Plus Interest Expense on Long-Term Debt	68,333	68,446	72,629	73,244	82,989
Plus Other Interest Expense	5,361	6,029	5,952	9,069	6,354
Less Amortization of Loss on Reacquired Debt	(1,156)	(1,119)	(1,118)	(1,066)	(1,350)
Plus (Less) Allowance for Borrowed Funds Used in Construction	1,295	374	296	201	298
Plus Rentals (2)	2,267	2,685	2,810	3,554	4,286
	$501,095	$405,840	$373,799	$311,149	$323,600
FIXED CHARGES:					
Interest & Amortization of Premium and Discount of Funded Debt	$ 68,333	$ 68,446	$ 72,629	$ 73,244	$ 82,989
Plus Other Interest Expense	5,361	6,029	5,952	9,069	6,354
Less Amortization of Loss on Reacquired Debt	(1,156)	(1,119)	(1,118)	(1,066)	(1,350)
Plus (Less) Allowance for Borrowed Funds Used in Construction	1,295	374	296	201	298
Plus Rentals (2)	2,267	2,685	2,810	3,554	4,286
	$ 76,100	$ 76,415	$ 80,569	$ 85,002	$ 92,577
RATIO OF EARNINGS TO FIXED CHARGES	**6.58**	**5.31**	**4.64**	**3.66**	**3.50**

(1) Investment Tax Credit is included in Other Income

(2) Rentals shown above represent the portion of all rentals (other than delay rentals) deemed representative of the interest factor.

(3) Fiscal 2005 includes the Impairment of Investment in Partnership of $4,158.

EXHIBIT 31.1

CERTIFICATION

I, D. F. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Fuel Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

/s/ D. F. Smith

D. F. Smith
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, R. J. Tanski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Fuel Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

/s/ R. J. Tanski

R. J. Tanski
Treasurer and Principal Financial Officer

EXHIBIT 32

NATIONAL FUEL GAS COMPANY

Certification Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

Each of the undersigned, D. F. SMITH, the President and Chief Executive Officer and R. J. TANSKI, the Treasurer and Principal Financial Officer of NATIONAL FUEL GAS COMPANY (the “Company”), DOES HEREBY CERTIFY that:

1. The Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the “Report”) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 8 th day of August, 2008.

/s/ D. F. Smith
President and Chief Executive Officer

/s/ R. J. Tanski
Treasurer and Principal Financial Officer

Exhibit 99
Form 10-Q
6/30/2008

NATIONAL FUEL GAS
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Twelve Months Ended June 30	
	2008	2007
	(Thousands of Dollars)	
INCOME		
Operating Revenues	$ 2,304,533	$ 2,018,043
Operating Expenses		
Purchased Gas	1,161,504	1,018,527
Operation and Maintenance	416,548	394,305
Property, Franchise and Other Taxes	74,304	70,187
Depreciation, Depletion and Amortization	171,695	155,165
	1,824,051	1,638,184
Operating Income	480,482	379,859
Other Income (Expense):		
Income from Unconsolidated Subsidiaries	6,746	4,483
Interest Income	6,808	8,794
Other Income	5,890	5,318
Interest Expense on Long-Term Debt	(68,333)	(70,285)
Other Interest Expense	(5,361)	(6,563)
Income from Continuing Operations Before Income Taxes	426,232	321,606
Income Tax Expense	166,475	125,641
Income from Continuing Operations	259,757	195,965
Income (Loss) from Discontinued Operations	123,395	(14,232)
Net Income Available for Common Stock	**$ 383,152**	**$ 181,733**
Earnings Per Common Share:		
Basic		
Income from Continuing Operations	$ 3.13	$ 2.36
Income (Loss) from Discontinued Operations	1.49	(0.17)
Net Income Available for Common Stock	**$ 4.62**	**$ 2.19**
Diluted		
Income from Continuing Operations	$ 3.05	$ 2.30
Income (Loss) from Discontinued Operations	1.45	(0.17)
Net Income Available for Common Stock	**$ 4.50**	**$ 2.13**
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	82,969,977	83,122,932
Used in Diluted Calculation	85,150,920	85,290,812