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NATIONAL FUEL GAS CO

Form 10-Q

May 03, 2019

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iso4217:USD xbrli:pure utreg:MMcf nfg:segment nfg:counterparty utreg:bb

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2019

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

(State or other jurisdiction of incorporation or organization)

13-1086010

(I.R.S. Employer Identification No.)

6363 Main Street

Williamsville, New York

(Address of principal executive offices)

14221

(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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$1.00 per share	NFG	New York Stock Exchange

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common stock, par value \$1.00 per share, outstanding at April 30, 2019: 86,306,427 shares.

Table of Contents**GLOSSARY OF TERMS**

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

National Fuel Gas***Companies***

Company	The Registrant, the Registrant and its subsidiaries or the Registrant's subsidiaries as appropriate in the context of the disclosure
Distribution Corporation	National Fuel Gas Distribution Corporation
Empire	Empire Pipeline, Inc.
Midstream Company	National Fuel Gas Midstream Company, LLC
National Fuel	National Fuel Gas Company
NFR	National Fuel Resources, Inc.
Registrant	National Fuel Gas Company
Seneca	Seneca Resources Company, LLC
Supply Corporation	National Fuel Gas Supply Corporation

Regulatory Agencies

CFTC	Commodity Futures Trading Commission
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
NYDEC	New York State Department of Environmental Conservation
NYPSC	State of New York Public Service Commission
PaDEP	Pennsylvania Department of Environmental Protection
PaPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission

Other

2018 Form 10-K	The Company's Annual Report on Form 10-K for the year ended September 30, 2018
2017 Tax Reform Act	Tax legislation referred to as the "Tax Cuts and Jobs Act," enacted December 22, 2017.
Bbl	Barrel (of oil)
Bcf	Billion cubic feet (of natural gas)
Bcfe (or Mcfe) – represents Bcf (or Mcf) Equivalent	The total heat value (Btu) of natural gas and oil expressed as a volume of natural gas. The Company uses a conversion formula of 1 barrel of oil = 6 Mcf of natural gas.
Btu	British thermal unit; the amount of heat needed to raise the temperature of one pound of water one degree Fahrenheit
Capital expenditure	Represents additions to property, plant, and equipment, or the amount of money a company spends to buy capital assets or upgrade its existing capital assets.
Cashout revenues	A cash resolution of a gas imbalance whereby a customer (e.g. a marketer) pays for gas the customer receives in excess of amounts delivered into pipeline/storage or distribution systems 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, forward contracts, options, no cost collars and swaps.

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Development costs	Costs incurred to obtain access to proved oil and gas reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act.
Dth	Decatherm; one Dth of natural gas has a heating value of 1,000,000 British thermal units, approximately equal to the heating value of 1 Mcf of natural gas.
Exchange Act	Securities Exchange Act of 1934, as amended
Expenditures for long-lived assets	Includes capital expenditures, stock acquisitions and/or investments in partnerships.
Exploration costs	Costs incurred in identifying areas that may warrant examination, as well as costs incurred in examining specific areas, including drilling exploratory wells.
Exploratory well	A well drilled in unproven or semi-proven territory for the purpose of ascertaining the presence underground of a commercial hydrocarbon deposit.
FERC 7(c) application	An application to the FERC under Section 7(c) of the federal Natural Gas Act for authority to construct, operate (and provide services through) facilities to transport or store natural gas in interstate commerce.
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.
ICE	Intercontinental Exchange. An exchange which maintains a futures market for crude oil and 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.
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
Marcellus Shale	A Middle Devonian-age geological shale formation that is present nearly a mile or more below the surface in the Appalachian region of the United States, including much of Pennsylvania and southern New York.
Mbbl	Thousand barrels (of oil)
Mcf	Thousand cubic feet (of natural gas)
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDth	Thousand decatherms (of natural gas)
MMBtu	Million British thermal units (heating value of one decatherm of natural gas)
MMcf	Million cubic feet (of natural gas)
NEPA	National Environmental Policy Act of 1969, as amended
NGA	The Natural Gas Act of 1938, as amended; the federal law regulating interstate natural gas pipeline and storage companies, among other things, codified beginning at 15 U.S.C. Section 717.
NYMEX	New York Mercantile Exchange. An exchange which maintains a futures market for crude oil and natural gas.

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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.
Precedent Agreement	An agreement between a pipeline company and a potential customer to sign a service agreement after specified events (called “conditions precedent”) happen, usually within a specified time.
Proved developed reserves	Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved undeveloped (PUD) reserves	Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required to make these reserves productive.
Reserves	The unproduced but recoverable oil and/or gas in place in a formation which has been proven by production.
Revenue decoupling mechanism	A rate mechanism which adjusts customer rates to render a utility financially indifferent to throughput decreases resulting from conservation.
S&P	Standard & Poor’s Rating Service
SAR	Stock appreciation right
Service agreement	The binding agreement by which the pipeline company agrees to provide service and the shipper agrees to pay for the service.
Stock acquisitions	Investments in corporations
Utica Shale	A Middle Ordovician-age geological formation lying several thousand feet below the Marcellus Shale in the Appalachian region of the United States, including much of Ohio, Pennsylvania, West Virginia and southern New York.
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.

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.

Table of Contents**Part I. Financial Information****Item 1. Financial Statements**National Fuel Gas CompanyConsolidated Statements of Income and EarningsReinvested in the Business(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
(Thousands of U.S. Dollars, Except Per Common Share Amounts)	2019	2018	2019	2018
INCOME				
Operating Revenues:				
Utility and Energy Marketing Revenues	\$ 357,654	\$ 339,422	\$ 629,747	\$ 565,147
Exploration and Production and Other Revenues	146,467	147,868	310,403	288,318
Pipeline and Storage and Gathering Revenues	48,423	53,615	102,641	107,096
	552,544	540,905	1,042,791	960,561
Operating Expenses:				
Purchased Gas	195,037	176,608	333,697	270,642
Operation and Maintenance:				
Utility and Energy Marketing	48,559	46,708	92,475	90,789
Exploration and Production and Other	40,141	39,127	72,936	74,209
Pipeline and Storage and Gathering	27,249	22,916	52,182	43,227
Property, Franchise and Other Taxes	22,535	22,802	46,540	43,650
Depreciation, Depletion and Amortization	65,664	61,155	129,918	116,985
	399,185	369,316	727,748	639,502
Operating Income	153,359	171,589	315,043	321,059
Other Income (Expense):				
Other Income (Deductions)	(5,919)	(13,092)	(15,521)	(16,594)
Interest Expense on Long-Term Debt	(25,273)	(27,148)	(50,713)	(55,235)
Other Interest Expense	(1,787)	(1,233)	(2,860)	(1,736)
Income Before Income Taxes	120,380	130,116	245,949	247,494
Income Tax Expense (Benefit)	29,785	38,269	52,693	(43,007)
Net Income Available for Common Stock	90,595	91,847	193,256	290,501
EARNINGS REINVESTED IN THE BUSINESS				
Balance at Beginning of Period	1,172,334	1,014,733	1,098,900	851,669
	1,262,929	1,106,580	1,292,156	1,142,170
Dividends on Common Stock	(36,678)	(35,641)	(73,342)	(71,231)
Cumulative Effect of Adoption of Authoritative Guidance for Financial Assets and Liabilities	—	—	7,437	—
Cumulative Effect of Adoption of Authoritative Guidance for Reclassification of Stranded Tax Effects	10,406	—	10,406	—
Balance at March 31	\$ 1,236,657	\$ 1,070,939	\$ 1,236,657	\$ 1,070,939
Earnings Per Common Share:				
Basic:				

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Net Income Available for Common Stock	\$ 1.05	\$ 1.07	\$ 2.24	\$ 3.39
Diluted:				
Net Income Available for Common Stock	\$ 1.04	\$ 1.06	\$ 2.23	\$ 3.37
Weighted Average Common Shares Outstanding:				
Used in Basic Calculation	86,290,047	85,809,233	86,159,932	85,718,779
Used in Diluted Calculation	86,767,673	86,323,636	86,738,809	86,318,892
Dividends Per Common Share:				
Dividends Declared	\$ 0.425	\$ 0.415	\$ 0.850	\$ 0.830
See Notes to Condensed Consolidated Financial Statements				

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National Fuel Gas Company
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
(Thousands of U.S. Dollars)	2019	2018	2019	2018
Net Income Available for Common Stock	\$90,595	\$91,847	\$193,256	\$290,501
Other Comprehensive Income (Loss), Before Tax:				
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	—	(678)	—	(722)
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(26,000)	(12,582)	19,390	(18,081)
Reclassification Adjustment for Realized (Gains) Losses on Securities Available for Sale in Net Income	—	—	—	(430)
Reclassification Adjustment for Realized (Gains) Losses on Derivative Financial Instruments in Net Income	4,739	3,199	24,384	(9,349)
Reclassification Adjustment for the Cumulative Effect of Adoption of Authoritative Guidance for Financial Assets and Liabilities to Earnings Reinvested in the Business	—	—	(11,738)	—
Other Comprehensive Income (Loss), Before Tax	(21,261)	(10,061)	32,036	(28,582)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	—	(252)	—	(317)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(7,399)	(3,519)	5,593	(5,824)
Reclassification Adjustment for Income Tax Benefit (Expense) on Realized Losses (Gains) from Securities Available for Sale in Net Income	—	—	—	(158)
Reclassification Adjustment for Income Tax Benefit (Expense) on Realized Losses (Gains) from Derivative Financial Instruments in Net Income	1,328	551	6,874	(4,646)
Reclassification Adjustment for Income Tax Benefit (Expense) on the Cumulative Effect of Adoption of Authoritative Guidance for Financial Assets and Liabilities to Earnings Reinvested in the Business	—	—	(4,301)	—
Reclassification Adjustment for Stranded Tax Effects Related to the 2017 Tax Reform Act to Earnings Reinvested in the Business	10,406	—	10,406	—
Income Taxes – Net	4,335	(3,220)	18,572	(10,945)
Other Comprehensive Income (Loss)	(25,596)	(6,841)	13,464	(17,637)
Comprehensive Income	\$64,999	\$85,006	\$206,720	\$272,864

See Notes to Condensed Consolidated Financial Statements

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Table of ContentsNational Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

	March 31, 2019	September 30, 2018
(Thousands of U.S. Dollars)		
ASSETS		
Property, Plant and Equipment	\$10,788,894	\$10,439,839
Less - Accumulated Depreciation, Depletion and Amortization	5,573,020	5,462,696
	5,215,874	4,977,143
Current Assets		
Cash and Temporary Cash Investments	100,643	229,606
Hedging Collateral Deposits	1,983	3,441
Receivables – Net of Allowance for Uncollectible Accounts of \$30,234 and \$24,537, Respectively	235,586	141,498
Unbilled Revenue	60,196	24,182
Gas Stored Underground	6,848	37,813
Materials and Supplies - at average cost	37,695	35,823
Unrecovered Purchased Gas Costs	5,760	4,204
Other Current Assets	57,586	68,024
	506,297	544,591
Other Assets		
Recoverable Future Taxes	113,441	115,460
Unamortized Debt Expense	14,922	15,975
Other Regulatory Assets	108,193	112,918
Deferred Charges	39,634	40,025
Other Investments	135,022	132,545
Goodwill	5,476	5,476
Prepaid Post-Retirement Benefit Costs	86,802	82,733
Fair Value of Derivative Financial Instruments	11,130	9,518
Other	42,184	102
	556,804	514,752
Total Assets	\$6,278,975	\$6,036,486

See Notes to Condensed Consolidated Financial Statements

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Table of ContentsNational Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

	March 31, 2019	September 30, 2018
(Thousands of U.S. Dollars)		
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders' Equity		
Common Stock, \$1 Par Value		
Authorized - 200,000,000 Shares; Issued And Outstanding – 86,300,675 Shares and 85,956,814 Shares, Respectively	\$86,301	\$85,957
Paid in Capital	821,837	820,223
Earnings Reinvested in the Business	1,236,657	1,098,900
Accumulated Other Comprehensive Loss	(54,286)	(67,750)
Total Comprehensive Shareholders' Equity	2,090,509	1,937,330
Long-Term Debt, Net of Current Portion and Unamortized Discount and Debt Issuance Costs	2,132,488	2,131,365
Total Capitalization	4,222,997	4,068,695
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper	—	—
Current Portion of Long-Term Debt	—	—
Accounts Payable	141,851	160,031
Amounts Payable to Customers	15,463	3,394
Dividends Payable	36,678	36,532
Interest Payable on Long-Term Debt	18,508	19,062
Customer Advances	433	13,609
Customer Security Deposits	18,519	25,703
Other Accruals and Current Liabilities	195,797	132,693
Fair Value of Derivative Financial Instruments	5,749	49,036
	432,998	440,060
Deferred Credits		
Deferred Income Taxes	618,850	512,686
Taxes Refundable to Customers	365,380	370,628
Cost of Removal Regulatory Liability	215,864	212,311
Other Regulatory Liabilities	156,722	146,743
Pension and Other Post-Retirement Liabilities	49,213	66,103
Asset Retirement Obligations	104,138	108,235
Other Deferred Credits	112,813	111,025
	1,622,980	1,527,731
Commitments and Contingencies (Note 7)	—	—
Total Capitalization and Liabilities	\$6,278,975	\$6,036,486

See Notes to Condensed Consolidated Financial Statements

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

(Thousands of U.S. Dollars)	Six Months Ended March 31,	
	2019	2018
OPERATING ACTIVITIES		
Net Income Available for Common Stock	\$ 193,256	\$ 290,501
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Depletion and Amortization	129,918	116,985
Deferred Income Taxes	90,468	(62,459)
Stock-Based Compensation	10,731	7,862
Other	7,997	8,052
Change in:		
Receivables and Unbilled Revenue	(130,377)	(123,954)
Gas Stored Underground and Materials and Supplies	29,093	28,004
Unrecovered Purchased Gas Costs	(1,556)	4,197
Other Current Assets	10,438	(8,819)
Accounts Payable	10,226	10,838
Amounts Payable to Customers	12,069	12,083
Customer Advances	(13,176)	(15,547)
Customer Security Deposits	(7,184)	(1,399)
Other Accruals and Current Liabilities	48,028	37,646
Other Assets	(38,686)	(9,541)
Other Liabilities	(10,410)	(5,767)
Net Cash Provided by Operating Activities	340,835	288,682
INVESTING ACTIVITIES		
Capital Expenditures	(386,579)	(261,720)
Net Proceeds from Sale of Oil and Gas Producing Properties	—	17,310
Other	(2,616)	5,355
Net Cash Used in Investing Activities	(389,195)	(239,055)
FINANCING ACTIVITIES		
Reduction of Long-Term Debt	—	(307,047)
Dividends Paid on Common Stock	(73,197)	(71,091)
Net Proceeds from Issuance (Repurchase) of Common Stock	(8,864)	2,891
Net Cash Used in Financing Activities	(82,061)	(375,247)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(130,421)	(325,620)
Cash, Cash Equivalents, and Restricted Cash at October 1	233,047	557,271
Cash, Cash Equivalents, and Restricted Cash at March 31	\$ 102,626	\$ 231,651
Supplemental Disclosure of Cash Flow Information		
Non-Cash Investing Activities:		
Non-Cash Capital Expenditures	\$ 74,929	\$ 51,939

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation. The Company consolidates all entities in which it has a controlling financial interest. All significant intercompany balances and transactions are eliminated. The Company uses proportionate consolidation when accounting for drilling arrangements related to oil and gas producing properties accounted for under the full cost method of accounting.

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.

Reclassifications. In November 2016, the FASB issued authoritative guidance related to the presentation of restricted cash on the statement of cash flows. The new guidance requires restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, and requires disclosure of how cash and cash equivalents on the statement of cash flows reconciles to the balance sheet. The Company considers Hedging Collateral Deposits to be restricted cash. The Company adopted this guidance effective October 1, 2018 on a retrospective basis. As a result, prior periods have been reclassified to conform to the current year presentation. Additional discussion is provided below at Consolidated Statement of Cash Flows.

In March 2017, the FASB issued authoritative guidance related to the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires segregation of the service cost component from the other components of net periodic pension cost and net periodic postretirement benefit cost for financial reporting purposes. The service cost component is to be presented on the income statement in the same line items as other compensation costs included within Operating Expenses and the other components of net periodic pension cost and net periodic postretirement benefit cost are to be presented on the income statement below the subtotal labeled Operating Income (Loss). Under this guidance, the service cost component is eligible to be capitalized as part of the cost of inventory or property, plant and equipment while the other components of net periodic pension cost and net periodic postretirement benefit cost are generally not eligible for capitalization, unless allowed by a regulator. The Company adopted this guidance effective October 1, 2018. The Company applied the guidance retrospectively for the pension and postretirement benefit costs using amounts disclosed in prior period financial statement notes as estimates for the reclassifications in accordance with a practical expedient allowed under the guidance. For the quarter and six months ended March 31, 2018, Operating Income increased \$14.9 million and \$22.4 million, respectively, and Other Income (Deductions) decreased by the same amounts as a result of the reclassifications. For the quarter and six months ended March 31, 2019, Other Income (Deductions) includes \$12.4 million and \$19.8 million, respectively, of pension and postretirement benefit costs.

Earnings for Interim Periods. The Company, in its opinion, has included all adjustments (which consist of only normally recurring adjustments, unless otherwise disclosed in this Form 10-Q) 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, 2018, 2017 and 2016 that are included in the Company's 2018 Form 10-K. The consolidated financial statements for the year ended September 30, 2019 will be audited by the Company's independent registered public accounting firm after

the end of the fiscal year.

The earnings for the six months ended March 31, 2019 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2019. Most of the business of the Utility and Energy Marketing segments is seasonal in nature and is influenced by weather conditions. Due to the seasonal nature of the heating business in the Utility and Energy Marketing segments, earnings during the winter months normally represent a substantial part of the earnings that those segments are expected to achieve for the entire fiscal year. The Company's business segments are discussed more fully in Note 8 – Business Segment Information.

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Consolidated Statements of Cash Flows. The components, as reported on the Company's Consolidated Balance Sheets, of the total cash, cash equivalents, and restricted cash presented on the Statement of Cash Flows are as follows (in thousands):

	Six Months Ended		Six Months Ended	
	March 31, 2019		March 31, 2018	
	Balance	Balance	Balance	Balance
	at	at	at	at
	October	March	October	March
	1, 2018	31, 2019	1, 2017	31, 2018
Cash and Temporary Cash Investments	\$229,606	\$100,643	\$555,530	\$227,994
Hedging Collateral Deposits	3,441	1,983	1,741	3,657
Cash, Cash Equivalents, and Restricted Cash	\$233,047	\$102,626	\$557,271	\$231,651

The Company considers all highly liquid debt instruments purchased with a maturity date of generally three months or less to be cash equivalents. The Company's restricted cash is comprised entirely of amounts reported as Hedging Collateral Deposits on the Consolidated Balance Sheets. Hedging Collateral Deposits is an account title for cash held in margin accounts funded by the Company to serve as collateral for hedging positions. In accordance with its accounting policy, the Company does not offset hedging collateral deposits paid or received against related derivative financial instruments liability or asset balances.

Gas Stored Underground. In the Utility segment, gas stored underground is carried at lower of cost or net realizable value, on a LIFO method. Gas stored underground 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 \$36.9 million at March 31, 2019, is reduced to zero by September 30 of each year as the inventory is replenished.

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

Capitalized costs include costs related to unproved properties, which are excluded from amortization until proved reserves are found or it is determined that the unproved properties are impaired. Such costs amounted to \$64.9 million and \$62.2 million at March 31, 2019 and September 30, 2018, respectively. All costs related to unproved properties are reviewed quarterly to determine if impairment has occurred. The amount of any impairment is transferred to the pool of capitalized costs being amortized.

Capitalized costs are subject to the SEC full cost ceiling test. The ceiling test, which is performed each quarter, determines a limit, or ceiling, on the amount of property acquisition, exploration and development costs that can be capitalized. The ceiling under this test represents (a) the present value of estimated future net cash flows, excluding

future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, using a discount factor of 10%, which is computed by applying prices of oil and gas (as adjusted for hedging) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet, less estimated future expenditures, plus (b) the cost of unevaluated properties not being depleted, less (c) income tax effects related to the differences between the book and tax basis of the properties. The natural gas and oil prices used to calculate the full cost ceiling are based on an unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve-month period prior to the end of the reporting period. If capitalized costs, net of accumulated depreciation, depletion and amortization and related deferred income taxes, exceed the ceiling at the end of any quarter, a permanent impairment is required to be charged to earnings in that quarter. At March 31, 2019, the ceiling exceeded the book value of the oil and gas properties by approximately \$577.5 million. In adjusting estimated future cash flows for hedging under the ceiling test at March 31, 2019, estimated future net cash flows were decreased by \$37.0 million.

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Accumulated Other Comprehensive Loss. The components of Accumulated Other Comprehensive Loss and changes for the six months ended March 31, 2019 and 2018, net of related tax effect, are as follows (amounts in parentheses indicate debits) (in thousands):

	Gains and Losses on Derivative Financial Instruments	Gains and Losses on Securities Available for Sale	Funded Status of the Pension and Other Post-Retirement Benefit Plans	Total
Three Months Ended March 31, 2019				
Balance at January 1, 2019	\$ 17,886	\$ —	\$ (46,576)	\$(28,690)
Other Comprehensive Gains and Losses Before Reclassifications	(18,601)	—	—	(18,601)
Amounts Reclassified From Other Comprehensive Income (Loss)	3,411	—	—	3,411
Reclassification of Stranded Tax Effects Related to the 2017 Tax Reform Act	1,866	—	(12,272)	(10,406)
Balance at March 31, 2019	\$ 4,562	\$ —	\$ (58,848)	\$(54,286)
Six Months Ended March 31, 2019				
Balance at October 1, 2018	\$ (28,611)	\$ 7,437	\$ (46,576)	\$(67,750)
Other Comprehensive Gains and Losses Before Reclassifications	13,797	—	—	13,797
Amounts Reclassified From Other Comprehensive Income (Loss)	17,510	—	—	17,510
Reclassification Adjustment for the Cumulative Effect of Adoption of Authoritative Guidance for Financial Assets and Liabilities	—	(7,437)	—	(7,437)
Reclassification of Stranded Tax Effects Related to the 2017 Tax Reform Act	1,866	—	(12,272)	(10,406)
Balance at March 31, 2019	\$ 4,562	\$ —	\$ (58,848)	\$(54,286)
Three Months Ended March 31, 2018				
Balance at January 1, 2018	\$ 10,256	\$ 7,311	\$ (58,486)	\$(40,919)
Other Comprehensive Gains and Losses Before Reclassifications	(9,063)	(426)	—	(9,489)
Amounts Reclassified From Other Comprehensive Income (Loss)	2,648	—	—	2,648
Balance at March 31, 2018	\$ 3,841	\$ 6,885	\$ (58,486)	\$(47,760)
Six Months Ended March 31, 2018				
Balance at October 1, 2017	\$ 20,801	\$ 7,562	\$ (58,486)	\$(30,123)
Other Comprehensive Gains and Losses Before Reclassifications	(12,257)	(405)	—	(12,662)
Amounts Reclassified From Other Comprehensive Income (Loss)	(4,703)	(272)	—	(4,975)
Balance at March 31, 2018	\$ 3,841	\$ 6,885	\$ (58,486)	\$(47,760)

In February 2018, the FASB issued authoritative guidance that allows an entity to elect a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 Tax Reform Act and requires certain disclosures about stranded tax effects. The Company adopted this authoritative

guidance effective January 1, 2019 and recorded a cumulative effect adjustment related to deferred income taxes associated with hedging activities and pension and post-retirement benefit obligations for the quarter ended March 31, 2019 to increase retained earnings by \$10.4 million and decrease accumulated other comprehensive income by the same amount.

In January 2016, the FASB issued authoritative guidance regarding the recognition and measurement of financial assets and liabilities. The authoritative guidance primarily affects the accounting for equity investments and the presentation and disclosure

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requirements for financial instruments. All equity investments in unconsolidated entities will be measured at fair value through earnings rather than through accumulated other comprehensive income. The Company adopted this authoritative guidance effective October 1, 2018 and, as called for by the modified retrospective method of adoption, recorded a cumulative effect adjustment for the quarter ended December 31, 2018 to increase retained earnings by \$7.4 million and decrease accumulated other comprehensive income by the same amount.

Reclassifications Out of Accumulated Other Comprehensive Loss. The details about the reclassification adjustments out of accumulated other comprehensive loss for the six months ended March 31, 2019 and 2018 are as follows (amounts in parentheses indicate debits to the income statement) (in thousands):

Details About Accumulated Other Comprehensive Loss Components	Amount of Gain or (Loss)				Affected Line Item in the Statement Where Net Income is Presented
	Reclassified from				
	Accumulated Other Comprehensive Loss		Accumulated Other Comprehensive Loss		
	Three Months Ended March 31, 2019	Six Months Ended March 31, 2018	Three Months Ended March 31, 2019	Six Months Ended March 31, 2018	
Gains (Losses) on Derivative Financial Instrument Cash Flow Hedges:					
Commodity Contracts	(\$4,260)	(\$3,467)	(\$22,782)	\$9,375	Operating Revenues
Commodity Contracts	(280)	750	(1,182)	947	Purchased Gas
Foreign Currency Contracts	(199)	(482)	(420)	(973)	Operating Revenues
Gains (Losses) on Securities Available for Sale	—	—	—	430	Other Income (Deductions)
	(4,739)	(3,199)	(24,384)	9,779	Total Before Income Tax
	1,328	551	6,874	(4,804)	Income Tax Expense
	(\$3,411)	(\$2,648)	(\$17,510)	\$4,975	Net of Tax

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

	At March 31, 2019	At September 30, 2018
Prepayments	\$8,063	\$ 11,126
Prepaid Property and Other Taxes	23,015	14,088
Federal Income Taxes Receivable	7,460	22,457
State Income Taxes Receivable	7,677	8,822
Fair Values of Firm Commitments	179	1,739
Regulatory Assets	11,192	9,792
	\$57,586	\$ 68,024

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

	At March 31, 2019	At September 30, 2018
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Federal Income Taxes Receivable	\$42,093	\$ —
Other	91	102
	\$42,184	\$ 102

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Other Accruals and Current Liabilities. The components of the Company's Other Accruals and Current Liabilities are as follows (in thousands):

	At March 31, 2019	At September 30, 2018
Accrued Capital Expenditures	\$52,875	\$ 38,354
Regulatory Liabilities	53,744	57,425
Reserve for Gas Replacement	36,922	—
Liability for Royalty and Working Interests	21,438	12,062
Other	30,818	24,852
	\$195,797	\$ 132,693

Earnings Per Common Share. Basic earnings per common share is computed by dividing income or loss 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 potentially dilutive securities the Company had outstanding were SARs, restricted stock units and performance shares. For the quarter and six months ended March 31, 2019, the diluted weighted average shares outstanding shown on the Consolidated Statements of Income reflects the potential dilution as a result of these securities as determined using the Treasury Stock Method. SARs, restricted stock units and performance shares that are antidilutive are excluded from the calculation of diluted earnings per common share. There were 159,023 securities and 175,443 securities excluded as being antidilutive for the quarter and six months ended March 31, 2019, respectively. There were 685,338 securities and 316,159 securities excluded as being antidilutive for the quarter and six months ended March 31, 2018, respectively.

Stock-Based Compensation. The Company granted 244,734 performance shares during the six months ended March 31, 2019. The weighted average fair value of such performance shares was \$55.67 per share for the six months ended March 31, 2019. Performance shares are an award constituting units denominated in common stock of the Company, the number of which may be adjusted over a performance cycle based upon the extent to which performance goals have been satisfied. Earned performance shares may be distributed in the form of shares of common stock of the Company, an equivalent value in cash or a combination of cash and shares of common stock of the Company, as determined by the Company. The performance shares do not entitle the participant to receive dividends during the vesting period.

Half of the performance shares granted during the six months ended March 31, 2019 must meet a performance goal related to relative return on capital over a three-year performance cycle. The performance goal over the performance cycle is the Company's total return on capital relative to the total return on capital of other companies in a group selected by the Compensation Committee ("Report Group"). Total return on capital for a given company means the average of the Report Group companies' returns on capital for each twelve month period corresponding to each of the Company's fiscal years during the performance cycle, based on data reported for the Report Group companies in the Bloomberg database. The number of these performance shares that will vest and be paid will depend upon the Company's performance relative to the Report Group and not upon the absolute level of return achieved by the Company. The fair value of these performance shares is calculated by multiplying the expected number of shares that will be issued by the average market price of Company common stock on the date of grant reduced by the present value of forgone dividends over the vesting term of the award. The fair value is recorded as compensation expense

over the vesting term of the award. The other half of the performance shares granted during the six months ended March 31, 2019 must meet a performance goal related to relative total shareholder return over a three-year performance cycle. The performance goal over the performance cycle is the Company's three-year total shareholder return relative to the three-year total shareholder return of the other companies in the Report Group. Three-year total shareholder return for a given company will be based on the data reported for that company (with the starting and ending stock prices over the performance cycle calculated as the average closing stock price for the prior calendar month and with dividends reinvested in that company's securities at each ex-dividend date) in the Bloomberg database. The number of these total shareholder return performance shares ("TSR performance shares") that will vest and be paid will depend upon the Company's performance relative to the Report Group and not upon the absolute level of return achieved by the Company. The fair value price at the date of grant for the TSR performance shares is determined using a Monte Carlo simulation technique, which includes a reduction in value for the present value of forgone dividends over the vesting term of the award. This price is multiplied by the number of TSR performance shares awarded, the result of which is recorded as compensation expense over the vesting term of the award.

The Company granted 111,108 non-performance based restricted stock units during the six months ended March 31, 2019. The weighted average fair value of such non-performance based restricted stock units was \$49.72 per share for the six months ended March 31, 2019. Restricted stock units represent the right to receive shares of common stock of the Company (or

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the equivalent value in cash or a combination of cash and shares of common stock of the Company, as determined by the Company) at the end of a specified time period. These non-performance based restricted stock units do not entitle the participant to receive dividends during the vesting period. The accounting for non-performance based restricted stock units is the same as the accounting for restricted share awards, except that the fair value at the date of grant of the restricted stock units must be reduced by the present value of forgone dividends over the vesting term of the award.

New Authoritative Accounting and Financial Reporting Guidance. In February 2016, the FASB issued authoritative guidance, which has subsequently been amended, requiring organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by all leases, regardless of whether they are considered to be capital leases or operating leases. The FASB's previous authoritative guidance required organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by capital leases while excluding operating leases from balance sheet recognition. The new authoritative guidance will be effective as of the Company's first quarter of fiscal 2020, with early adoption permitted. The Company does not anticipate early adoption. The Company has developed a plan for the adoption and implementation of the authoritative guidance and continues to develop its complete lease inventory. The Company also continues to evaluate and document technical accounting issues, policy considerations, financial reporting and disclosure implications, and changes to internal controls and business processes. While the Company continues to assess the impact on its financial statements, the Company expects that adoption of the authoritative guidance will result in an increase to its assets and liabilities on its consolidated balance sheet.

In August 2017, the FASB issued authoritative guidance which changes the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities and to simplify the application of hedge accounting. The new guidance will be effective as of the Company's first quarter of fiscal 2020, with early adoption permitted. The Company does not expect adoption of this guidance to have a significant impact on its consolidated financial statements and is currently evaluating the impact of this guidance.

Note 2 – Revenue from Contracts with Customers

The Company adopted authoritative guidance regarding revenue recognition on October 1, 2018 using the modified retrospective method of adoption for open contracts as of October 1, 2018. A cumulative effect adjustment to retained earnings was not necessary since no revenue recognition differences were identified when comparing the revenue recognition criteria under the new authoritative guidance to the previous guidance. The Company records revenue related to its derivative financial instruments in the Exploration and Production segment as well as in the Energy Marketing segment. The Company also records revenue related to alternative revenue programs in its Utility segment. Revenue related to derivative financial instruments and alternative revenue programs are excluded from the scope of the new authoritative guidance since they are accounted for under other existing accounting guidance.

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The following tables provide a disaggregation of the Company's revenues for the quarter and six months ended March 31, 2019, presented by type of service from each reportable segment.

Quarter Ended March 31, 2019 (Thousands)

Revenues By Type of Service	Exploration and Production	Pipeline and Storage	Gathering	Utility	Energy Marketing	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Production of Natural Gas	\$ 121,824	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 121,824
Production of Crude Oil	34,878	—	—	—	—	—	—	34,878
Natural Gas Processing	971	—	—	—	—	—	—	971
Natural Gas Gathering Services	—	—	29,368	—	—	—	(29,366)	) 2
Natural Gas Transportation Service	—	52,239	—	45,083	—	—	(19,819)	) 77,503
Natural Gas Storage Service	—	19,360	—	—	—	—	(8,333)	) 11,027
Natural Gas Residential Sales	—	—	—	229,254	—	—	—	229,254
Natural Gas Commercial Sales	—	—	—	34,255	—	—	—	34,255
Natural Gas Industrial Sales	—	—	—	1,867	—	—	—	1,867
Natural Gas Marketing	—	—	—	—	58,516	—	(43)	) 58,473
Other	493	740	—	(5,963)	) 8	310	(105)	) (4,517)
Total Revenues from Contracts with Customers	158,166	72,339	29,368	304,496	58,524	310	(57,666)	) 565,537
Alternative Revenue Programs	—	—	—	(1,466)	) —	—	—	(1,466)
Derivative Financial Instruments	(12,064)	) —	—	—	537	—	—	(11,527)
Total Revenues	\$ 146,102	\$ 72,339	\$ 29,368	\$ 303,030	\$ 59,061	\$ 310	\$ (57,666)	) \$ 552,544

Six Months Ended March 31, 2019 (Thousands)

Revenues By Type of Service	Exploration and Production	Pipeline and Storage	Gathering	Utility	Energy Marketing	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Production of Natural Gas	\$ 257,735	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 257,735
Production of Crude Oil	72,433	—	—	—	—	—	—	72,433
Natural Gas Processing	1,945	—	—	—	—	—	—	1,945
Natural Gas Gathering Services	—	—	59,058	—	—	—	(59,056)	) 2
Natural Gas Transportation Service	—	108,375	—	80,714	—	—	(36,884)	) 152,205
Natural Gas Storage Service	—	38,289	—	—	—	—	(16,306)	) 21,983
Natural Gas Residential Sales	—	—	—	396,121	—	—	—	396,121
Natural Gas Commercial Sales	—	—	—	56,301	—	—	—	56,301
Natural Gas Industrial Sales	—	—	—	3,368	—	—	—	3,368
Natural Gas Marketing	—	—	—	—	107,803	—	(375)	) 107,428
Other	876	2,744	—	(8,824)	) 9	1,316	(510)	) (4,389)
Total Revenues from Contracts with Customers	332,989	149,408	59,058	527,680	107,812	1,316	(113,131)	) 1,065,132
Alternative Revenue Programs	—	—	—	(1,993)	) —	—	—	(1,993)
Derivative Financial Instruments	(24,011)) —	—	—	3,663	—	—	(20,348)
Total Revenues	\$ 308,978	\$ 149,408	\$ 59,058	\$ 525,687	\$ 111,475	\$ 1,316	\$ (113,131)) \$ 1,042,791

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Exploration and Production Segment Revenue

The Company's Exploration and Production segment records revenue from the sale of the natural gas and oil that it produces and natural gas liquids (NGLs) processed based on entitlement, which means that revenue is recorded based on the actual amount of natural gas or oil that is delivered to a pipeline, or upon pick-up in the case of NGLs, and the Company's ownership interest. Natural gas production occurs primarily in the Appalachian region of the United States and crude oil production occurs primarily in the West Coast region of the United States. If a production imbalance occurs between what was supposed to be delivered to a pipeline and what was actually produced and delivered, the Company accrues the difference as an imbalance. The sales contracts generally require the Company to deliver a specific quantity of a commodity per day for a specific number of days at a price that is either fixed or variable and considers the delivery of each unit (MMBtu or Bbl) to be a separate performance obligation that is satisfied upon delivery.

The transaction price for the sale of natural gas, oil and NGLs is contractually agreed upon based on prevailing market pricing (primarily tied to a market index with certain adjustments based on factors such as delivery location and prevailing supply and demand conditions) or fixed pricing. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct unit sold. Revenue is recognized at a point in time when the transfer of the commodity occurs at the delivery point per the contract. The amount billable, as determined by the contracted quantity and price, indicates the value to the customer, and is used for revenue recognition purposes by the Exploration and Production segment as specified by the "invoice practical expedient" (the amount that the Exploration and Production segment has the right to invoice) under the authoritative guidance for revenue recognition. The contracts typically require payment within 30 days of the end of the calendar month in which the natural gas and oil is delivered, or picked up in the case of NGLs.

The Company uses derivative financial instruments to manage commodity price risk in the Exploration and Production segment related to sales of the natural gas and oil that it produces. Gains or losses on such derivative financial instruments are recorded as adjustments to revenue; however, they are not considered to be revenue from contracts with customers.

Pipeline and Storage Segment Revenue

The Company's Pipeline and Storage segment records revenue for natural gas transportation and storage services in New York and Pennsylvania at tariff-based rates regulated by the FERC. Customers secure their own gas supply and the Pipeline and Storage segment provides transportation and/or storage services to move the customer-supplied gas to the intended location, including injections into or withdrawals from the storage field. This performance obligation is satisfied over time. The rate design for the Pipeline and Storage segment's customers generally includes a combination of volumetric or commodity charges as well as monthly "fixed" charges (including charges commonly referred to as capacity charges, demand charges, or reservation charges). These types of fixed charges represent compensation for standing ready over the period of the month to deliver quantities of gas, regardless of whether the customer takes delivery of any quantity of gas. The performance obligation under these circumstances is satisfied based on the passage of time and meter reads, if applicable, which correlates to the period for which the charges are eligible to be invoiced. The amount billable, as determined by the meter read and the "fixed" monthly charge, indicates the value to the customer, and is used for revenue recognition purposes by the Pipeline and Storage segment as specified by the "invoice practical expedient" (the amount that the Pipeline and Storage segment has the right to invoice) under the authoritative guidance for revenue recognition. Customers are billed after the end of each calendar month, with payment typically due by the 25th day of the month in which the invoice is received.

The Company's Pipeline and Storage segment expects to recognize the following revenue amounts in future periods related to "fixed" charges associated with remaining performance obligations for transportation and storage contracts: \$82.8 million for the remainder of fiscal 2019; \$156.4 million for fiscal 2020; \$133.1 million for fiscal 2021; \$114.0 million for fiscal 2022; \$82.7 million for fiscal 2023; and \$370.7 million thereafter.

Gathering Segment Revenue

The Company's Gathering segment provides gathering and processing services in the Appalachian region of Pennsylvania, primarily for Seneca. The Gathering segment's primary performance obligation is to deliver gathered natural gas volumes from Seneca's wells into interstate pipelines at contractually agreed upon per unit rates. This obligation is satisfied over time. The performance obligation is satisfied based on the passage of time and meter reads, which correlates to the period for which the charges are eligible to be invoiced. The amount billable, as determined by the meter read and the contracted volumetric rate, indicates the value to the customer, and is used for revenue recognition purposes by the Gathering segment as specified by the "invoice practical expedient" (the amount that the Gathering segment has the right to invoice) under the authoritative guidance for revenue recognition. Customers are billed after the end of each calendar month, with payment typically due by the 10th day after the invoice is received.

Table of Contents**Utility Segment Revenue**

The Company's Utility segment records revenue for natural gas sales and natural gas transportation services in western New York and northwestern Pennsylvania at tariff-based rates regulated by the NYPSC and the PaPUC. Natural gas sales and transportation services are provided largely to residential, commercial and industrial customers. The Utility segment's performance obligation to its customers is to deliver natural gas, an obligation which is satisfied over time. This obligation generally remains in effect as long as the customer consumes the natural gas provided by the Utility segment. The Utility segment recognizes revenue when it satisfies its performance obligation by delivering natural gas to the customer. Natural gas is delivered and consumed by the customer simultaneously. The satisfaction of the performance obligation is measured by the turn of the meter dial. The amount billable, as determined by the meter read and the tariff-based rate, indicates the value to the customer, and is used for revenue recognition purposes by the Utility segment as specified by the "invoice practical expedient" (the amount that the Utility segment has the right to invoice) under the authoritative guidance for revenue recognition. Since the Utility segment bills its customers in cycles having billing dates that do not generally coincide with the end of a calendar month, a receivable is recorded for natural gas delivered but not yet billed to customers based on an estimate of the amount of natural gas delivered between the last meter reading date and the end of the accounting period. Such receivables are a component of Unbilled Revenue on the Consolidated Balance Sheets. The Utility segment's tariffs allow customers to utilize budget billing. In this situation, since the amount billed may differ from the amount of natural gas delivered to the customer in any given month, revenue is recognized monthly based on the amount of natural gas consumed. The differential between the amount billed and the amount consumed is recorded as a component of Receivables or Customer Advances on the Consolidated Balance Sheets. All receivables or advances related to budget billing are settled within one year.

Utility Segment Alternative Revenue Programs

As indicated in the revenue table shown above, the Company's Utility segment has alternative revenue programs that are excluded from the scope of the new authoritative guidance regarding revenue recognition. The NYPSC has authorized alternative revenue programs that are designed to mitigate the impact that weather and conservation have on margin. The NYPSC has also authorized additional alternative revenue programs that adjust billings for the effects of broad external factors or to compensate the Company for demand-side management initiatives. These alternative revenue programs primarily allow the Company and customer to share in variances from imputed margins due to migration of transportation customers, allow for adjustments to the gas cost recovery mechanism for fluctuations in uncollectible expenses associated with gas costs, and allow the Company to pass on to customers costs associated with customer energy efficiency programs. In general, revenue is adjusted monthly for these programs and is collected from or passed back to customers within 24 months of the annual reconciliation period.

Energy Marketing Segment Revenue

The Company's Energy Marketing segment records revenue for competitively priced natural gas sales in western and central New York and northwestern Pennsylvania. Sales are provided largely to industrial, wholesale, commercial, public authority and residential customers. The Energy Marketing segment's performance obligation to its customers is to deliver natural gas, an obligation which is satisfied over time. This obligation generally remains in effect as long as the customer consumes the natural gas provided by the Energy Marketing segment. The Energy Marketing segment recognizes revenue when it satisfies its performance obligation by delivering natural gas to the customer. Natural gas is delivered and consumed by the customer simultaneously. The satisfaction of the performance obligation is measured by the turn of the meter dial. The amount billable, as determined by the meter read and the contracted or market based rate, indicates the value to the customer, and is used for revenue recognition purposes by the Energy

Marketing segment as specified by the “invoice practical expedient” (the amount that the Energy Marketing segment has the right to invoice) under the authoritative guidance for revenue recognition. Since the Energy Marketing segment bills its residential customers in cycles having billing dates that do not generally coincide with the end of a calendar month, a receivable is recorded for natural gas delivered but not yet billed to customers based on an estimate of the amount of natural gas delivered between the last meter reading date and the end of the accounting period. Such receivables are a component of Unbilled Revenue on the Consolidated Balance Sheets. The Energy Marketing segment also allows customers to utilize budget billing. In this situation, since the amount billed may differ from the amount of natural gas delivered to the customer in any given month, revenue is recognized monthly based on the amount of natural gas consumed. The differential between the amount billed and the amount consumed is recorded as a component of Receivables or Customer Advances on the Consolidated Balance Sheets. All receivables or advances related to budget billing are settled within one year.

The Company uses derivative financial instruments to manage commodity price risk in the Energy Marketing segment related to the sale of natural gas to its customers. Gains or losses on such derivative financial instruments are recorded as adjustments to revenue; however, they are not considered to be revenue from contracts with customers.

Table of Contents**Note 3 – Fair Value Measurements**

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

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities (as applicable) that were accounted for at fair value on a recurring basis as of March 31, 2019 and September 30, 2018. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value presentation for over the counter swaps combines gas and oil swaps because a significant number of the counterparties enter into both gas and oil swap agreements with the Company.

Recurring Fair Value Measures (Thousands of Dollars)	At fair value as of March 31, 2019					Total(1)
	Level 1	Level 2	Level 3	Netting Adjustments(1)		
Assets:						
Cash Equivalents – Money Market Mutual Funds	\$79,632	\$—	\$—	\$—	\$—	\$79,632
Derivative Financial Instruments:						
Commodity Futures Contracts – Gas	1,468	—	—	(1,415)	)	53
Over the Counter Swaps – Gas and Oil	—	23,389	—	(12,312)	)	11,077
Foreign Currency Contracts	—	5	—	(5))	—
Other Investments:						
Balanced Equity Mutual Fund	38,892	—	—	—		38,892
Fixed Income Mutual Fund	54,165	—	—	—		54,165
Common Stock – Financial Services Industry	1,713	—	—	—		1,713
Hedging Collateral Deposits	1,983	—	—	—		1,983
Total	\$177,853	\$23,394	\$—	\$(13,732)	)	\$187,515
Liabilities:						
Derivative Financial Instruments:						
Commodity Futures Contracts – Gas	\$1,415	\$—	\$—	\$(1,415))	\$—
Over the Counter Swaps – Gas and Oil	—	15,865	—	(12,312)	)	3,553
Foreign Currency Contracts	—	2,201	—	(5)	)	2,196
Total	\$1,415	\$18,066	\$—	\$(13,732))	\$5,749
Total Net Assets/(Liabilities)	\$176,438	\$5,328	\$—	\$—)	\$181,766

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(Thousands of Dollars)	At fair value as of September 30, 2018				
	Level 1	Level 2	Level 3	Netting Adjustments ⁽¹⁾	Total ⁽¹⁾
Assets:					
Cash Equivalents – Money Market Mutual Funds	\$215,272	\$—	\$	—\$ —	\$215,272
Derivative Financial Instruments:					
Commodity Futures Contracts – Gas	1,075	—	—	(1,075)	—
Over the Counter Swaps – Gas and Oil	—	26,074	—	(17,041)	9,033
Foreign Currency Contracts	—	443	—	(443)	—
Other Investments:					
Balanced Equity Mutual Fund	38,468	—	—	—	38,468
Fixed Income Mutual Fund	51,331	—	—	—	51,331
Common Stock – Financial Services Industry	2,776	—	—	—	2,776
Hedging Collateral Deposits	3,441	—	—	—	3,441
Total	\$312,363	\$26,517	\$	—\$ (18,559)	\$320,321
Liabilities:					
Derivative Financial Instruments:					
Commodity Futures Contracts – Gas	\$2,412	\$—	\$	—\$ (1,075)	\$1,337
Over the Counter Swaps – Gas and Oil	—	64,224	—	(17,041)	47,183
Foreign Currency Contracts	—	959	—	(443)	516
Total	\$2,412	\$65,183	\$	—\$ (18,559)	\$49,036
Total Net Assets/(Liabilities)	\$309,951	\$(38,666)	\$	—\$ —	\$271,285

⁽¹⁾ Netting Adjustments represent the impact of legally-enforceable master netting arrangements that allow the Company to net gain and loss positions held with the same counterparties. The net asset or net liability for each counterparty is recorded as an asset or liability on the Company's balance sheet.

Derivative Financial Instruments

At March 31, 2019 and September 30, 2018, the derivative financial instruments reported in Level 1 consist of natural gas NYMEX and ICE futures contracts used in the Company's Energy Marketing segment. Hedging collateral deposits were \$2.0 million at March 31, 2019 and \$3.4 million at September 30, 2018, which were associated with these futures contracts and have been reported in Level 1 as well. The derivative financial instruments reported in Level 2 at March 31, 2019 and September 30, 2018 consist of natural gas price swap agreements used in the Company's Exploration and Production and Energy Marketing segments, crude oil price swap agreements used in the Company's Exploration and Production segment, basis hedge swap agreements used in the Company's Energy Marketing segment and foreign currency contracts used in the Company's Exploration and Production segment. The fair value of the Level 2 price swap agreements is based on an internal, discounted cash flow model that uses observable inputs (i.e. LIBOR based discount rates and basis differential information, if applicable, at active natural gas and crude oil trading markets). The fair value of the Level 2 foreign currency contracts is determined using the market approach based on observable market transactions of forward Canadian currency rates.

The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At March 31, 2019, the Company determined that nonperformance risk would have no material impact on its financial position or results of operation. To assess nonperformance risk, the Company considered information such as any applicable collateral posted, master netting arrangements, and applied a market-based method by using the counterparty's (assuming the derivative is in a gain position) or the Company's

(assuming the derivative is in a loss position) credit default swaps rates.

For the quarters ended March 31, 2019 and March 31, 2018, there were no assets or liabilities measured at fair value and classified as Level 3. For the quarters ended March 31, 2019 and March 31, 2018, no transfers in or out of Level 1 or Level 2 occurred.

Table of Contents**Note 4 – Financial Instruments**

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

	March 31, 2019		September 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt	\$2,132,488	\$2,192,744	\$2,131,365	\$2,121,861

The fair value amounts are not intended to reflect principal amounts that the Company will ultimately be required to pay. Carrying amounts for other financial instruments recorded on the Company's Consolidated Balance Sheets approximate fair value. The fair value of long-term debt was calculated using observable inputs (U.S. Treasuries/LIBOR for the risk free component and company specific credit spread information – generally obtained from recent trade activity in the debt). As such, the Company considers the debt to be Level 2.

Any temporary cash investments, notes payable to banks and commercial paper are stated at cost. Temporary cash investments are considered Level 1, while notes payable to banks and commercial paper are considered to be Level 2. Given the short-term nature of the notes payable to banks and commercial paper, the Company believes cost is a reasonable approximation of fair value.

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

	At March 31, 2019	At September 30, 2018
Life Insurance Contracts	\$40,252	\$39,970
Equity Mutual Fund	38,892	38,468
Fixed Income Mutual Fund	54,165	51,331
Marketable Equity Securities	1,713	2,776
	\$135,022	\$132,545

Investments in life insurance contracts are stated at their cash surrender values or net present value. Investments in an equity mutual fund, a fixed income mutual fund and the stock of an insurance company (marketable equity securities) are stated at fair value based on quoted market prices with changes in fair value recognized in net income. The insurance contracts and marketable equity and fixed income securities are primarily informal funding mechanisms for various benefit obligations the Company has to certain employees.

Derivative Financial Instruments. The Company uses derivative financial instruments to manage commodity price risk in the Exploration and Production segment as well as the Energy Marketing segment. The Company enters into futures contracts and over-the-counter swap agreements for natural gas and crude oil to manage the price risk associated with forecasted sales of gas and oil. In addition, the Company also enters into foreign exchange forward contracts to manage the risk of currency fluctuations associated with transportation costs denominated in Canadian currency in the Exploration and Production segment. These instruments are accounted for as cash flow hedges. The

Company also enters into futures contracts and swaps, which are accounted for as cash flow hedges, to manage the price risk associated with forecasted gas purchases. The Company enters into futures contracts and swaps to mitigate risk associated with fixed price sales commitments, fixed price purchase commitments, and the decline in value of natural gas held in storage. These instruments are accounted for as fair value hedges. The duration of the Company's combined cash flow and fair value commodity hedges does not typically exceed 5 years while the foreign currency forward contracts do not exceed 7 years. The Exploration and Production segment holds the majority of the Company's derivative financial instruments.

The Company has presented its net derivative assets and liabilities as "Fair Value of Derivative Financial Instruments" on its Consolidated Balance Sheets at March 31, 2019 and September 30, 2018. Substantially all of the derivative financial instruments reported on those line items relate to commodity contracts and a small portion relates to foreign currency forward contracts.

Table of ContentsCash Flow Hedges

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

As of March 31, 2019, the Company had the following commodity derivative contracts (swaps and futures contracts) outstanding:

Commodity Units

Natural Gas	97.5	Bcf (short positions)
Natural Gas	4.5	Bcf (long positions)
Crude Oil	3,414,000	Bbls (short positions)

As of March 31, 2019, the Company was hedging a total of \$84.6 million of forecasted transportation costs denominated in Canadian dollars with foreign currency forward contracts (long positions).

As of March 31, 2019, the Company had \$6.4 million (\$4.6 million after tax) of net hedging gains included in the accumulated other comprehensive income (loss) balance. It is expected that \$1.7 million (\$1.2 million after tax) of unrealized gains will be reclassified into the Consolidated Statement of Income within the next 12 months as the underlying hedged transactions are recorded in earnings.

The Effect of Derivative Financial Instruments on the Statement of Financial Performance for the Three Months Ended March 31, 2019 and 2018 (Thousands of Dollars)

Derivatives in Cash Flow Hedging Relationships	Amount of Derivative Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on the Consolidated Statement of Comprehensive Income (Loss) (Effective Portion) for the Three Months Ended March 31,		Location of Derivative Gain or (Loss) Recognized from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion)	Amount of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion) for the Three Months Ended March 31,		Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Three Months Ended March 31,	
	2019	2018		2019	2018		2019	2018
Commodity Contracts	\$(27,228)	\$(10,514)	Operating Revenue	\$(4,260)	\$(3,467)	Operating Revenue	\$(6,742)	\$335
Commodity Contracts	(54)	(344)	Purchased Gas	(280)	750	Not Applicable	—	—
Foreign Currency Contracts	1,282	(1,724)	Operating Revenue	(199)	(482)	Not Applicable	—	—
Total	\$(26,000)	\$(12,582)		\$(4,739)	\$(3,199)		\$(6,742)	\$335

Table of Contents**The Effect of Derivative Financial Instruments on the Statement of Financial Performance for the Six Months Ended March 31, 2019 and 2018 (Thousands of Dollars)**

Derivatives in Cash Flow Hedging Relationships	Amount of Derivative Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on the Consolidated Statement of Comprehensive Income (Loss) (Effective Portion) for the Six Months Ended March 31,		Location of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion)	Amount of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion) for the Six Months Ended March 31,		Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Six Months Ended March 31,	
	2019	2018		2019	2018		2019	2018
Commodity Contracts	\$ 22,825	\$(16,463)	Operating Revenue	\$(22,782)	\$9,375	Operating Revenue	\$(237)	\$(98)
Commodity Contracts	(1,333)	613	Purchased Gas	(1,182)	947	Not Applicable	—	—
Foreign Currency Contracts	(2,102)	(2,231)	Operating Revenue	(420)	(973)	Not Applicable	—	—
Total	\$ 19,390	\$(18,081)		\$(24,384)	\$9,349		\$(237)	\$(98)

Fair Value Hedges

The Company utilizes fair value hedges to mitigate risk associated with fixed price sales commitments, fixed price purchase commitments and the decline in the value of certain natural gas held in storage. With respect to fixed price sales commitments, the Company enters into long positions to mitigate the risk of price increases for natural gas supplies that could occur after the Company enters into fixed price sales agreements with its customers. With respect to fixed price purchase commitments, the Company enters into short positions to mitigate the risk of price decreases that could occur after the Company locks into fixed price purchase deals with its suppliers. With respect to storage hedges, the Company enters into short positions to mitigate the risk of price decreases that could result in a lower of cost or net realizable value writedown of the value of natural gas in storage that is recorded in the Company's financial statements. As of March 31, 2019, the Company's Energy Marketing segment had fair value hedges covering approximately 23.5 Bcf (23.3 Bcf of fixed price sales commitments and 0.2 Bcf of commitments related to the withdrawal of storage gas). For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk completely offset each other in current earnings, as shown below.

Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) on Derivative and Hedged Item Recognized in the Consolidated Statement of Income	Amount of Gain or (Loss) on Derivative Recognized in the	Amount of Gain or (Loss) on the Hedged Item Recognized in the
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		Consolidated Statement of Income for the Six Months Ended March 31, 2019 (In Thousands)	Consolidated Statement of Income for the Six Months Ended March 31, 2019 (In Thousands)
Commodity Contracts	Operating Revenues	\$ 1,645	\$ (1,645)
Commodity Contracts	Purchased Gas	\$ 94	\$ (94)
		\$ 1,739	\$ (1,739)

Credit Risk

The Company may be exposed to credit risk on any of the derivative financial instruments that are in a gain position. Credit risk relates to the risk of loss that the Company would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. To mitigate such credit risk, management performs a credit check, and then on a quarterly basis monitors counterparty credit exposure. The majority of the Company's counterparties are financial institutions and energy

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traders. The Company has over-the-counter swap positions and applicable foreign currency forward contracts with eighteen counterparties of which ten are in a net gain position. On average, the Company had \$1.1 million of credit exposure per counterparty in a gain position at March 31, 2019. The maximum credit exposure per counterparty in a gain position at March 31, 2019 was \$4.0 million. As of March 31, 2019, no collateral was received from the counterparties by the Company. The Company's gain position on such derivative financial instruments had not exceeded the established thresholds at which the counterparties would be required to post collateral, nor had the counterparties' credit ratings declined to levels at which the counterparties were required to post collateral.

As of March 31, 2019, fifteen of the eighteen counterparties to the Company's outstanding derivative instrument contracts (specifically the over-the-counter swaps and applicable foreign currency forward contracts) had a common credit-risk related contingency feature. In the event the Company's credit rating increases or falls below a certain threshold (applicable debt ratings), the available credit extended to the Company would either increase or decrease. A decline in the Company's credit rating, in and of itself, would not cause the Company to be required to increase the level of its hedging collateral deposits (in the form of cash deposits, letters of credit or treasury debt instruments). If the Company's outstanding derivative instrument contracts were in a liability position (or if the liability were larger) and/or the Company's credit rating declined, then additional hedging collateral deposits may be required. At March 31, 2019, the fair market value of the derivative financial instrument assets with a credit-risk related contingency feature was \$7.6 million according to the Company's internal model (discussed in Note 3 — Fair Value Measurements). At March 31, 2019, the fair market value of the derivative financial instrument liabilities with a credit-risk related contingency feature was \$5.7 million according to the Company's internal model. For its over-the-counter swap agreements and foreign currency forward contracts, no hedging collateral deposits were required to be posted by the Company at March 31, 2019.

For its exchange traded futures contracts, the Company was required to post \$2.0 million in hedging collateral deposits as of March 31, 2019. As these are exchange traded futures contracts, there are no specific credit-risk related contingency features. The Company posts or receives hedging collateral based on open positions and margin requirements it has with its counterparties.

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

Note 5 - Income Taxes

The effective tax rates for the quarters ended March 31, 2019 and March 31, 2018 were 24.7% and 29.4%, respectively. The decrease in the effective tax rates was primarily the result of the reduction in the federal income tax rate and the impact of the sequestration of refundable alternative minimum tax (AMT) credit carryovers recorded during the quarter ended March 31, 2018, both of which are discussed below. The effective tax rates for the six months ended March 31, 2019 and March 31, 2018 were 21.4% and negative 17.4%, respectively. The difference is a result of the impact of the one-time remeasurement of the deferred income tax liability under the 2017 Tax Reform Act.

On December 22, 2017, the 2017 Tax Reform Act was enacted. The 2017 Tax Reform Act included a reduction in the corporate federal income tax rate from 35% to a blended 24.5% for fiscal 2018 and 21% for fiscal 2019 and beyond. The Company's accumulated deferred income taxes were remeasured based upon the new tax rates. For the non-rate regulated activities through the year ended September 30, 2018, the change in beginning of the year deferred income

taxes of \$103.5 million was recorded as a reduction to income tax expense. For the Company's rate regulated activities, the reduction in deferred income taxes of \$336.7 million was recorded as a decrease to Recoverable Future Taxes of \$65.7 million and an increase to Taxes Refundable to Customers of \$271.0 million. The 2017 Tax Reform Act includes provisions that stipulate how these excess deferred taxes are to be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of other deferred income taxes will be determined by the federal and state regulatory agencies. For further discussion, refer to Note 10 - Regulatory Matters.

The 2017 Tax Reform Act also provides that the Company's existing AMT credit carryovers are refundable, if not utilized to reduce tax, beginning in fiscal 2019. During fiscal 2018, the Department of Treasury indicated that a portion of the refundable AMT credit carryovers would be subject to sequestration. Accordingly, the Company recorded a \$5.0 million valuation allowance related to this sequestration. During the quarter ended December 31, 2018, the Office of Management and Budget determined that these AMT refunds would not be subject to sequestration. As such, the Company has removed the valuation allowance. In addition, the Company reclassified the estimated fiscal 2019 refund, approximately \$42.1 million, from Deferred Income Taxes to Other Assets.

Table of Contents**Note 6 - Capitalization****Summary of Changes in Common Stock Equity**

	Common Stock		Paid In	Earnings	Accumulated
	Shares	Amount	Capital	Reinvested	Other
				in the	Comprehensive
				Business	Income (Loss)
	(Thousands, except per share amounts)				
Balance at January 1, 2019	86,271	\$86,271	\$817,076	\$1,172,334	\$(28,690)
Net Income Available for Common Stock				90,595	
Dividends Declared on Common Stock (\$0.425 Per Share)				(36,678)	
Cumulative Effect of Adoption of Authoritative Guidance for Reclassification of Stranded Tax Effects				10,406	
Other Comprehensive Loss, Net of Tax					(25,596)
Share-Based Payment Expense ⁽¹⁾			5,038		
Common Stock Issued (Repurchased) Under Stock and Benefit Plans	30	30	(277)		
Balance at March 31, 2019	86,301	\$86,301	\$821,837	\$1,236,657	\$(54,286)
Balance at October 1, 2018	85,957	\$85,957	\$820,223	\$1,098,900	\$(67,750)
Net Income Available for Common Stock				193,256	
Dividends Declared on Common Stock (\$0.85 Per Share)				(73,342)	
Cumulative Effect of Adoption of Authoritative Guidance for Financial Assets and Liabilities				7,437	
Cumulative Effect of Adoption of Authoritative Guidance for Reclassification of Stranded Tax Effects				10,406	
Other Comprehensive Income, Net of Tax					13,464
Share-Based Payment Expense ⁽¹⁾			9,955		
Common Stock Issued (Repurchased) Under Stock and Benefit Plans	344	344	(8,341)		
Balance at March 31, 2019	86,301	\$86,301	\$821,837	\$1,236,657	\$(54,286)
Balance at January 1, 2018	85,761	\$85,761	\$800,348	\$1,014,733	\$(40,919)
Net Income Available for Common Stock				91,847	
Dividends Declared on Common Stock (\$0.415 Per Share)				(35,641)	
Other Comprehensive Loss, Net of Tax					(6,841)
Share-Based Payment Expense ⁽¹⁾			3,563		
Common Stock Issued Under Stock and Benefit Plans	121	121	6,215		
Balance at March 31, 2018	85,882	\$85,882	\$810,126	\$1,070,939	\$(47,760)
Balance at October 1, 2017	85,543	\$85,543	\$796,646	\$851,669	\$(30,123)
Net Income Available for Common Stock				290,501	
Dividends Declared on Common Stock (\$0.83 Per Share)				(71,231)	
Other Comprehensive Loss, Net of Tax					(17,637)
Share-Based Payment Expense ⁽¹⁾			7,074		
Common Stock Issued Under Stock and Benefit Plans	339	339	6,406		
Balance at March 31, 2018	85,882	\$85,882	\$810,126	\$1,070,939	\$(47,760)

(1)

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Paid in Capital includes compensation costs associated with performance shares and/or restricted stock awards. The expense is included within Net Income Available For Common Stock, net of tax benefits.

Common Stock. During the six months ended March 31, 2019, the Company issued 126,879 original issue shares of common stock as a result of SARs exercises, 79,654 original issue shares of common stock for restricted stock units that vested and 281,882 original issue shares of common stock for performance shares that vested. The Company also issued 14,583 original issue shares

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of common stock to the non-employee directors of the Company who receive compensation under the Company's 2009 Non-Employee Director Equity Compensation Plan, as partial consideration for the directors' services during the six months ended March 31, 2019. Holders of stock-based compensation awards will often tender shares of common stock to the Company for payment of applicable withholding taxes. During the six months ended March 31, 2019, 159,137 shares of common stock were tendered to the Company for such purposes. The Company considers all shares tendered as cancelled shares restored to the status of authorized but unissued shares, in accordance with New Jersey law.

Current Portion of Long-Term Debt. None of the Company's long-term debt as of March 31, 2019 and September 30, 2018 had a maturity date within the following twelve-month period.

Note 7 - Commitments and Contingencies

Environmental Matters. The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and to comply with regulatory requirements. 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.

At March 31, 2019, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites will be approximately \$7.3 million, which includes a \$4.0 million estimated minimum liability to remediate a former manufactured gas plant site located in New York. In March 2018, the NYDEC issued a Record of Decision for this New York site and the minimum liability reflects the remedy selected in the Record of Decision. The Company's liability for such clean-up costs has been recorded in Other Deferred Credits on the Consolidated Balance Sheet at March 31, 2019. The Company expects to recover its environmental clean-up costs through rate recovery over a period of approximately 3 years and is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental laws and regulations, new information or other factors could have an adverse financial impact on the Company.

Northern Access Project. On February 3, 2017, Supply Corporation and Empire received FERC approval of the Northern Access project described herein. On April 7, 2017, the NYDEC issued a Notice of Denial of the federal Clean Water Act Section 401 Water Quality Certification and other state stream and wetland permits for the New York portion of the project (the Water Quality Certification for the Pennsylvania portion of the project was received on January 27, 2017). On April 21, 2017, Supply Corporation and Empire filed a Petition for Review in the United States Court of Appeals for the Second Circuit of the NYDEC's Notice of Denial with respect to National Fuel's application for the Water Quality Certification, and on May 11, 2017, the Company commenced legal action in New York State Supreme Court challenging the NYDEC's actions with regard to various state permits. On August 6, 2018, the FERC issued an Order finding that the NYDEC exceeded the statutory time frame to take action under the Clean Water Act and, therefore, waived its opportunity to approve or deny the Water Quality Certification. FERC denied rehearing requests associated with its Order. In light of these legal actions and the need to complete necessary project development activities in advance of construction, the in-service date for the project is expected to be no earlier than fiscal 2022.

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 other matters arising in the normal course of business could have a material effect on earnings and cash flows in the

period in which they are resolved, an estimate of the possible loss or range of loss, if any, cannot be made at this time.

Note 8 – Business Segment Information

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

The data presented in the tables below reflect financial information for the segments and reconciliations to consolidated amounts. As stated in the 2018 Form 10-K, the Company evaluates segment performance based on income before discontinued operations, extraordinary items and cumulative effects of changes in accounting (when applicable). When these items are not applicable, the Company evaluates performance based on net income. There have not been any changes in the basis of segmentation nor in the basis of measuring segment profit or loss from those used in the Company's 2018 Form 10-K. A listing of segment assets at March 31, 2019 and September 30, 2018 is shown in the tables below.

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Quarter Ended March 31, 2019 (Thousands)

	Exploration and Production	Pipeline and Storage	Gathering Utility		Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	\$146,102	\$48,421	\$2	\$298,636	\$59,018	\$552,179	\$310	\$55	\$552,544
Intersegment Revenues	\$—	\$23,918	\$29,366	\$4,394	\$43	\$57,721	\$—	\$(57,721)	\$—
Segment Profit: Net Income (Loss)	\$21,873	\$17,749	\$12,690	\$35,589	\$544	\$88,445	\$(128)	\$2,278	\$90,595

Six Months Ended March 31, 2019 (Thousands)

	Exploration and Production	Pipeline and Storage	Gathering Utility		Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	\$308,978	\$102,639	\$2	\$518,647	\$111,100	\$1,041,366	\$1,316	\$109	\$1,042,791
Intersegment Revenues	\$—	\$46,769	\$59,056	\$7,040	\$375	\$113,240	\$—	\$(113,240)	\$—
Segment Profit: Net Income	\$60,087	\$42,851	\$26,872	\$61,237	\$243	\$191,290	\$256	\$1,710	\$193,256

(Thousands)	Exploration and Production	Pipeline and Storage	Gathering Utility		Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Segment Assets:									
At March 31, 2019	\$1,777,770	\$1,861,900	\$554,491	\$2,013,937	\$53,898	\$6,261,996	\$78,398	\$(61,419)	\$6,278,975
At September 30, 2018	\$1,568,563	\$1,848,180	\$533,608	\$1,921,971	\$50,971	\$5,923,293	\$78,109	\$35,084	\$6,036,486

Quarter Ended March 31, 2018 (Thousands)

	Exploration and Production	Pipeline and Storage	Gathering Utility		Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	\$146,411	\$53,714	\$(99)	\$283,778	\$55,644	\$539,448	\$1,232	\$225	\$540,905
Intersegment Revenues	\$—	\$23,044	\$27,832	\$5,700	\$(51)	\$56,525	\$—	\$(56,525)	\$—
Segment Profit: Net Income (Loss)	\$26,537	\$22,724	\$11,770	\$33,360	\$578	\$94,969	\$207	\$(3,329)	\$91,847

Six Months Ended March 31, 2018 (Thousands)

	Exploration and Production	Pipeline and Storage	Gathering Utility		Energy Marketing	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	\$285,552	\$107,025	\$71	\$470,867	\$94,280	\$957,795	\$2,328	\$438	\$960,561
Intersegment Revenues	\$—	\$45,028	\$51,497	\$7,882	\$76	\$104,483	\$—	\$(104,483)	\$—
Segment Profit: Net Income (Loss)	\$133,235	\$61,186	\$57,169	\$54,353	\$1,624	\$307,567	\$(511)	\$(16,555)	\$290,501

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Components of Net Periodic Benefit Cost (in thousands):

	Retirement Plan		Other Post-Retirement Benefits	
	2019	2018	2019	2018
Three Months Ended March 31,				
Service Cost	\$2,120	\$2,480	\$380	\$458
Interest Cost	9,594	8,252	4,286	3,700
Expected Return on Plan Assets	(15,591)	(15,429)	(7,539)	(7,871)
Amortization of Prior Service Cost (Credit)	206	235	(107)	(107)
Amortization of Losses	8,024	9,301	1,490	2,639
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) ⁽¹⁾	4,786	6,492	6,565	6,250
Net Periodic Benefit Cost	\$9,139	\$11,331	\$5,075	\$5,069
Six Months Ended March 31,				
Service Cost	\$4,241	\$4,960	\$760	\$915
Interest Cost	19,189	16,503	8,572	7,400
Expected Return on Plan Assets	(31,184)	(30,857)	(15,078)	(15,741)
Amortization of Prior Service Cost (Credit)	413	469	(214)	(214)
Amortization of Losses	16,048	18,602	2,980	5,279
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) ⁽¹⁾	5,604	8,214	10,536	9,858
Net Periodic Benefit Cost	\$14,311	\$17,891	\$7,556	\$7,497

⁽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 six months ended March 31, 2019, the Company contributed \$29.2 million to its tax-qualified, noncontributory defined-benefit retirement plan (Retirement Plan) and \$2.1 million to its VEBA trusts for its other post-retirement benefits. In the remainder of 2019, the Company may contribute up to \$5.0 million to the Retirement Plan and the Company expects its contributions to the VEBA trusts to be in the range of \$0.5 million to \$1.0 million.

Note 10 – Regulatory Matters**New York Jurisdiction**

Distribution Corporation's current delivery rates in its New York jurisdiction were approved by the NYPSC in an order issued on April 20, 2017 with rates becoming effective May 1, 2017. The order provided for a return on equity

of 8.7%.

Pennsylvania Jurisdiction

Distribution Corporation's Pennsylvania jurisdiction delivery rates are being charged to customers in accordance with a rate settlement approved by the PaPUC. The rate settlement does not specify any requirement to file a future rate case.

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FERC Jurisdiction

Supply Corporation currently has no active rate case on file. Supply Corporation's current rate settlement requires a rate case filing no later than December 31, 2019. In response to the FERC's July 2018 Final Rule in RM18-11-000, et. al (Order No. 849), on December 6, 2018, Supply Corporation filed its Form 501-G, which addresses the impact of the 2017 Tax Reform Act, and advised the Commission that it would make a Section 4 rate filing no later than July 31, 2019, thereby obviating the need for FERC to take any further action. Refer to Note 5 - Income Taxes for further discussion of the 2017 Tax Reform Act.

Empire filed a Section 4 rate case on June 29, 2018, proposing rate increases to be effective August 1, 2018. Empire and its customers reached a settlement in principle in December 2018, and Empire's subsequent motion to put in place those interim settlement rates, effective January 1, 2019, was approved by FERC's Chief Administrative Law Judge on December 31, 2018. The settlement remains subject to FERC approval. The "black box" settlement provides for new, system-wide rates, and which, based on current contracts, is estimated to increase Empire's revenues on a yearly basis by approximately \$4.6 million. The settlement also provides new depreciation rates and a tiered transportation revenue sharing mechanism, beginning with Empire sharing 35% of transportation only revenues (net of certain excluded items) over \$64.4 million up to Empire sharing 55% of those revenues over \$68.4 million. Empire has also committed to undertake certain improvements to its electronic bulletin board and will convene regular customer meetings to address these and other improvements. Under the settlement, Empire and the other parties may not file to change rates until March 31, 2021, except that Empire may make a filing (to be effective November 1, 2020) under limited circumstances for contract changes with a large customer. Empire must file a Section 4 rate case no later than May 1, 2025.

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

OVERVIEW

Please note that this overview is a high-level summary of items that are discussed in greater detail in subsequent sections of this report.

The Company is a diversified energy company engaged principally in the production, gathering, transportation, distribution and marketing of natural gas. The Company operates an integrated business, with assets centered in western New York and Pennsylvania, being utilized for, and benefiting from, the production and transportation of natural gas from the Appalachian basin. Current development activities are focused primarily in the Marcellus and Utica Shale. The common geographic footprint of the Company's subsidiaries enables them to share management, labor, facilities and support services across various businesses and pursue coordinated projects designed to produce and transport natural gas from the Appalachian basin to markets in Canada and the eastern United States. The Company's efforts in this regard are not limited to affiliated projects. The Company has also been designing and building pipeline projects for the transportation of natural gas for non-affiliated natural gas producers in the Appalachian basin. The Company also develops and produces oil reserves, primarily in California. The Company reports financial results for five business segments. For a discussion of the Company's earnings, refer to the Results of Operations section below.

The Company continues to pursue development projects to expand its Pipeline and Storage segment. One project on Empire's system, referred to as the Empire North Project, would allow for the transportation of 205,000 Dth per day of additional shale supplies from interconnections in Tioga County, Pennsylvania, to TransCanada Pipeline, and the TGP 200 Line. The Empire North Project has a projected in-service date in the second half of fiscal 2020 and an estimated cost of approximately \$145 million. Another project on Supply Corporation's system, referred to as the FM100 Project, is currently in the pre-filing process at FERC and will upgrade 1950's era pipeline in northwestern Pennsylvania and create approximately 330,000 Dth per day of additional transportation capacity on Supply Corporation's system in Pennsylvania from a receipt point with NFG Midstream Clermont, LLC in McKean County, Pennsylvania to the Transcontinental Gas Pipe Line Company, LLC system at Leidy, Pennsylvania. The FM100 Project has a target in-service date in late calendar 2021 and a preliminary cost estimate of approximately \$280 million. These and other projects are discussed in more detail in the Capital Resources and Liquidity section that follows.

On February 3, 2017, the Company, in its Pipeline and Storage segment, received FERC approval of a project to move significant prospective Marcellus production from Seneca's Western Development Area at Clermont to an Empire interconnection with TransCanada Pipeline at Chippawa and an interconnection with Tennessee Gas Pipeline's 200 Line in East Aurora, New York ("Northern Access project"). In light of numerous legal actions and the need to complete necessary project development activities in advance of construction, the in-service date for the project is expected to be no earlier than fiscal 2022. For further discussion of the Northern Access project, refer to Item 1 at Note 7 — Commitments and Contingencies.

From a rate perspective, Empire reached a settlement in principle with its customers in December 2018 with regard to Empire's Section 4 rate case. While the settlement remains subject to FERC approval, Empire received permission to implement the new rates effective January 1, 2019. This resulted in \$1.2 million of additional revenue during the quarter ended March 31, 2019. Based on current contracts, the settlement is estimated to increase Empire's revenues on a yearly basis by approximately \$4.6 million. For further discussion, refer to Rate and Regulatory Matters below.

The Company also continues to grow its Exploration and Production segment. Seneca's proved reserves grew 17% during fiscal 2018 to a total of 2,523 Bcfe at September 30, 2018. During fiscal 2018, Seneca transitioned from operating two drilling rigs in Pennsylvania to three rigs. This increased drilling activity is expected to result in meaningful production and reserve growth in fiscal 2019. More detail regarding the Exploration and Production segment's capital expenditures in fiscal 2019 are discussed in the Capital Resources and Liquidity section that follows.

From a financing perspective, the Company expects to use cash on hand and cash from operations to meet its capital expenditure needs for fiscal 2019 and may issue short-term and/or long-term debt during fiscal 2019 as needed.

CRITICAL ACCOUNTING ESTIMATES

For a complete discussion of critical accounting estimates, refer to "Critical Accounting Estimates" in Item 7 of the Company's 2018 Form 10-K. There have been no material changes to that disclosure other than as set forth below. The information presented below updates and should be read in conjunction with the critical accounting estimates in that Form 10-K.

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Oil and Gas Exploration and Development Costs. The Company, in its Exploration and Production segment, follows the full cost method of accounting for determining the book value of its oil and natural gas properties. In accordance with this methodology, the Company is required to perform a quarterly ceiling test. Under the ceiling test, the present value of future revenues from the Company's oil and gas reserves based on an unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve-month period prior to the end of the reporting period (the "ceiling") is compared with the book value of the Company's oil and gas properties at the balance sheet date. If the book value of the oil and gas properties exceeds the ceiling, a non-cash impairment charge must be recorded to reduce the book value of the oil and gas properties to the calculated ceiling. At March 31, 2019, the ceiling exceeded the book value of the oil and gas properties by approximately \$577.5 million. The 12-month average of the first day of the month price for crude oil for each month during the twelve months ended March 31, 2019, based on posted Midway Sunset prices, was \$65.27 per Bbl. The 12-month average of the first day of the month price for natural gas for each month during the twelve months ended March 31, 2019, based on the quoted Henry Hub spot price for natural gas, was \$3.07 per MMBtu. (Note – because actual pricing of the Company's various producing properties varies depending on their location and hedging, the prices used to calculate the ceiling may differ from the Midway Sunset and Henry Hub prices, which are only indicative of the 12-month average prices for the twelve months ended March 31, 2019. Pricing differences would include adjustments for regional market differentials, transportation fees and contractual arrangements.) The following table illustrates the sensitivity of the ceiling test calculation to commodity price changes, specifically showing the amounts the ceiling would have exceeded the book value of the Company's oil and gas properties at March 31, 2019 if natural gas prices were \$0.25 per MMBtu lower than the average prices used at March 31, 2019, if crude oil prices were \$5 per Bbl lower than the average prices used at March 31, 2019, and if both natural gas prices and crude oil prices were \$0.25 per MMBtu and \$5 per Bbl lower than the average prices used at March 31, 2019 (all amounts are presented after-tax). In all cases, these price decreases would not have resulted in an impairment charge. These calculated amounts are based solely on price changes and do not take into account any other changes to the ceiling test calculation, including, among others, changes in reserve quantities and future cost estimates.

Ceiling Testing Sensitivity to Commodity Price Changes

<i>(Millions)</i>	\$0.25/MMBtu Decrease in Natural Gas Prices	\$5.00/Bbl Decrease in Crude Oil Prices	\$0.25/MMBtu Decrease in Natural Gas and \$5.00/Bbl Decrease in Crude Oil Prices
Excess of Ceiling over Book Value under Sensitivity Analysis	\$ 369.6	\$ 542.9	\$ 335.0

It is difficult to predict what factors could lead to future impairments under the SEC's full cost ceiling test. Fluctuations in or subtractions from proved reserves, increases in development costs for undeveloped reserves and significant fluctuations in oil and gas prices have an impact on the amount of the ceiling at any point in time. For a more complete discussion of the full cost method of accounting, refer to "Oil and Gas Exploration and Development Costs" under "Critical Accounting Estimates" in Item 7 of the Company's 2018 Form 10-K.

2017 Tax Reform Act. On December 22, 2017, the 2017 Tax Reform Act was enacted. The 2017 Tax Reform Act significantly changes the taxation of business entities and includes a reduction in the corporate federal income tax rate from 35% to a blended 24.5% for fiscal 2018 and 21% for fiscal 2019 and beyond. As a fiscal year taxpayer, the Company was required to use a blended tax rate for fiscal 2018. For further discussion of the impact of the 2017 Tax Reform Act to the Company, refer to Item 1 at Note 5 — Income Taxes.

RESULTS OF OPERATIONS

Earnings

The Company's earnings were \$90.6 million for the quarter ended March 31, 2019 compared to earnings of \$91.8 million for the quarter ended March 31, 2018. The decrease in earnings of \$1.2 million is primarily a result of lower earnings in the Pipeline and Storage segment, Exploration and Production segment and Energy Marketing segment, as well as a loss in the All Other category. Higher earnings in the Utility segment, Gathering segment and Corporate category partially offset these decreases.

The Company's earnings were \$193.3 million for the six months ended March 31, 2019 compared to earnings of \$290.5 million for the six months ended March 31, 2018. The decrease in earnings of \$97.2 million is primarily a result of a decrease in favorable remeasurements of accumulated deferred income taxes of \$5.0 million and \$107.0 million recorded during the six months ended March 31, 2019 and six months ended March 31, 2018, respectively, as a result of the 2017 Tax Reform Act, as discussed above. Excluding these remeasurements, earnings were up \$4.8 million year over year. Additional discussion of earnings in each

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of the business segments, including the impact of the 2017 Tax Reform Act, 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			Six Months Ended		
	March 31,			March 31,		
(Thousands)	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Exploration and Production	\$21,873	\$26,537	\$ (4,664)	\$60,087	\$133,235	\$ (73,148)
Pipeline and Storage	17,749	22,724	(4,975)	42,851	61,186	(18,335)
Gathering	12,690	11,770	920	26,872	57,169	(30,297)
Utility	35,589	33,360	2,229	61,237	54,353	6,884
Energy Marketing	544	578	(34)	243	1,624	(1,381)
Total Reportable Segments	88,445	94,969	(6,524)	191,290	307,567	(116,277)
All Other	(128 )	)207	(335 )	)256	(511 )	)767
Corporate	2,278	(3,329 )	)5,607	1,710	(16,555 )	)18,265
Total Consolidated	\$90,595	\$91,847	\$ (1,252)	\$193,256	\$290,501	\$ (97,245)

Exploration and Production**Exploration and Production Operating Revenues**

	Three Months Ended			Six Months Ended		
	March 31,			March 31,		
(Thousands)	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Gas (after Hedging)	\$116,962	\$105,996	\$ 10,966	\$236,712	\$204,111	\$ 32,601
Oil (after Hedging)	34,418	38,663	(4,245)	69,682	78,877	(9,195)
Gas Processing Plant	971	1,073	(102)	1,945	2,138	(193)
Other	(6,249 )	)679	(6,928 )	)639	426	213
	\$146,102	\$146,411	\$ (309)	\$308,978	\$285,552	\$ 23,426

Production Volumes

	Three Months Ended			Six Months Ended		
	March 31,			March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)

Gas Production (MMcf)

Appalachia	44,883	41,403	3,480	90,188	76,817	13,371
West Coast	487	675	(188)	989	1,370	(381)
Total Production	45,370	42,078	3,292	91,177	78,187	12,990

Oil Production (Mbbbl)

Appalachia	1	1	—	2	2	—
West Coast	563	662	(99)	1,134	1,334	(200)
Total Production	564	663	(99)	1,136	1,336	(200)

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	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Average Gas Price/Mcf						
Appalachia	\$2.65	\$2.46	\$ 0.19	\$2.79	\$2.41	\$ 0.38
West Coast	\$6.06	\$4.40	\$ 1.66	\$6.40	\$4.70	\$ 1.70
Weighted Average	\$2.69	\$2.49	\$ 0.20	\$2.83	\$2.45	\$ 0.38
Weighted Average After Hedging	\$2.58	\$2.52	\$ 0.06	\$2.60	\$2.61	\$ (0.01)

Average Oil Price/Bbl

Appalachia	\$47.54	\$58.54	\$ (11.00)	\$55.93	\$49.82	\$ 6.11
West Coast	\$61.85	\$65.39	\$ (3.54)	\$63.79	\$61.61	\$ 2.18
Weighted Average	\$61.82	\$65.39	\$ (3.57)	\$63.78	\$61.60	\$ 2.18
Weighted Average After Hedging	\$61.01	\$58.31	\$ 2.70	\$61.36	\$59.05	\$ 2.31

2019 Compared with 2018

Operating revenues for the Exploration and Production segment decreased \$0.3 million for the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018. Oil production revenue after hedging decreased \$4.2 million primarily due to a 99 Mbbbl decrease in crude oil production partially offset by a \$2.70 per Bbl increase in the weighted average price of oil after hedging. The decrease in crude oil production was largely due to lower production in the West Coast region as a result of the sale of Seneca's Sespe properties in May 2018. In addition, other revenue decreased \$6.9 million primarily due to the impact of mark-to-market adjustments related to ineffectiveness on oil hedges. These decreases to operating revenues were partially offset by an increase in gas production revenue after hedging of \$11.0 million. The increase in gas production revenue was primarily due to a 3.3 Bcf increase in gas production coupled with a \$0.06 per Mcf increase in the weighted average price of gas after hedging. The increase in gas production was due to new Marcellus and Utica wells completed and connected to sales in the Western Development Area in the Appalachian region during the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018.

Operating revenues for the Exploration and Production segment increased \$23.4 million for the six months ended March 31, 2019 as compared with the six months ended March 31, 2018. Gas production revenue after hedging increased \$32.6 million due to a 13.0 Bcf increase in gas production. The increase in gas production was primarily due to new Marcellus and Utica wells completed and connected to sales in the Western and Eastern Development Areas in the Appalachian region during the six months ended March 31, 2019 as compared with the six months ended March 31, 2018. This increase to operating revenues was partially offset by a decrease in oil production revenue after hedging of \$9.2 million. The decrease in oil production revenue was primarily due to a 200 Mbbbl decrease in crude oil production partially offset by a \$2.31 per Bbl increase in the weighted average price of oil after hedging. The decrease in crude oil production was largely due to lower production in the West Coast region as a result of the sale of Seneca's Sespe properties in May 2018.

The Exploration and Production segment's earnings for the quarter ended March 31, 2019 were \$21.9 million, a decrease of \$4.6 million when compared with earnings of \$26.5 million for the quarter ended March 31, 2018. The decrease in earnings was due to the impact of mark-to-market adjustments related to hedging ineffectiveness (\$5.6 million), lower crude oil production (\$4.4 million), higher depletion expense (\$2.9 million), higher production

expenses (\$1.6 million), and the non-recurrence of a tax benefit realized in the quarter ended March 31, 2018 related to the blended 24.5% tax rate impact on temporary differences (\$2.3 million). The increase in depletion expense, which is computed using the units of production method, was primarily due to the increase in production coupled with a \$0.05 per Mcfe increase in the depletion rate. The increase in production expenses was due to increased well repairs, contract labor and steam fuel costs in the West Coast region coupled with increased gathering and transportation costs in the Appalachian region, partially offset by the impact of the aforementioned sale of Seneca's Sespe properties in May 2018 and the sale of compressor units to Midstream Company in March 2018. These factors, which decreased earnings during the quarter ended March 31, 2019, were partially offset by higher natural gas production (\$6.3 million), higher natural gas prices after hedging (\$2.0 million), higher crude oil prices after hedging (\$1.2 million), lower state income taxes (\$0.5 million) and the impact of the 2017 Tax Reform Act, which reduced the Company's federal statutory rate from a blended 24.5% in fiscal

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2018 to 21% in fiscal 2019 and lowered income tax expense on current quarter earnings (\$1.0 million). Additionally, the Exploration and Production segment recorded an adjustment during the quarter ended March 31, 2018 to the remeasurement of deferred income taxes under the 2017 Tax Reform Act, which increased income tax expense and lowered earnings in the quarter ended March 31, 2018 (\$0.8 million).

The Exploration and Production segment's earnings for the six months ended March 31, 2019 were \$60.1 million, a decrease of \$73.1 million when compared with earnings of \$133.2 million for the six months ended March 31, 2018. The decrease in earnings was primarily attributable to the impact of the 2017 Tax Reform Act, which resulted in a remeasurement of the segment's accumulated deferred income taxes that lowered income tax expense during the six months ended March 31, 2018 (\$76.5 million). A removal of a valuation allowance related to the 2017 Tax Reform Act during the six months ended March 31, 2019 resulted in an adjustment to the remeasurement of the segment's accumulated deferred income taxes and lowered income tax expense (\$1.0 million). The reduction in the Company's federal statutory rate from a blended 24.5% in fiscal 2018 to 21% in fiscal 2019 lowered income tax expense on current period earnings (\$2.6 million), which was more than offset by the non-recurrence of a tax benefit realized in the six months ended March 31, 2018 related to the blended tax rate impact on temporary differences (\$3.6 million).

Additionally, earnings decreased due to lower natural gas prices after hedging (\$1.0 million), lower crude oil production (\$8.9 million), higher depletion expense (\$8.4 million), higher production expenses (\$3.8 million), higher other operating expenses (\$1.3 million), and higher other taxes (\$1.7 million). The increase in depletion expense, which is computed using the units of production method, was primarily due to the increase in production coupled with a \$0.03 per Mcfe increase in the depletion rate. The increase in production expenses was due to increased well repairs, contract labor and steam fuel costs in the West Coast region coupled with increased gathering and transportation costs in the Appalachian region, partially offset by the aforementioned sale of Seneca's Sespe properties in May 2018 and the sale of compressor units to Midstream Company in March 2018. The increase in other operating expenses was largely due to an increase in personnel and compensation costs. The increase in other taxes was primarily due to a higher Pennsylvania impact fee as a result of additional wells drilled and a higher average natural gas price for calendar 2018, which is the basis for the impact fee determination. These factors, which decreased earnings during the six months ended March 31, 2019, were partially offset by higher natural gas production (\$25.6 million) and higher crude oil prices after hedging (\$2.0 million).

Pipeline and Storage**Pipeline and Storage Operating Revenues**

	Three Months Ended			Six Months Ended		
	March 31,		Increase (Decrease)	March 31,		Increase (Decrease)
(Thousands)	2019	2018		2019	2018	
Firm Transportation	\$51,864	\$57,562	\$ (5,698)	\$107,579	\$114,319	\$ (6,740)
Interruptible Transportation	375	388	(13)	796	728	68
	52,239	57,950	(5,711)	108,375	115,047	(6,672)
Firm Storage Service	19,360	18,526	834	38,288	36,365	1,923
Interruptible Storage Service	—	2	(2)	1	21	(20)
Other	740	280	460	2,744	620	2,124
	\$72,339	\$76,758	\$ (4,419)	\$149,408	\$152,053	\$ (2,645)

Pipeline and Storage Throughput

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	Three Months Ended			Six Months Ended		
	March 31,		Increase (Decrease)	March 31,		Increase (Decrease)
<i>(MMcf)</i>	2019	2018		2019	2018	
Firm Transportation	199,620	199,679	(59)	391,523	406,381	(14,858)
Interruptible Transportation	750	1,165	(415)	1,665	2,046	(381)
	200,370	200,844	(474)	393,188	408,427	(15,239)

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Table of Contents**2019 Compared with 2018**

Operating revenues for the Pipeline and Storage segment decreased \$4.4 million for the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018. The decrease in operating revenues was primarily due to a decrease in transportation revenues of \$5.7 million offset slightly by an increase in storage revenues of \$0.8 million. The decrease in transportation revenues was primarily attributable to an Empire system transportation contract termination in December 2018 combined with a decline in demand charges for Supply Corporation's transportation services as a result of contract terminations. Partially offsetting these decreases was an increase in transportation revenues due to an increase in Empire's rates effective January 1, 2019 in accordance with Empire's rate case settlement in principle. The settlement remains subject to FERC approval. The increase in storage revenues was due to reservation charges for storage service from new storage contracts as a result of Supply Corporation's acquisition of the remaining interest in a jointly owned storage field in the third quarter of fiscal 2018.

Operating revenues for the Pipeline and Storage segment decreased \$2.6 million for the six months ended March 31, 2019 as compared with the six months ended March 31, 2018. The decrease in operating revenues was primarily due to a decrease in transportation revenues of \$6.7 million attributable to an Empire system transportation contract termination in December 2018 combined with a decline in demand charges for Supply Corporation's transportation services as a result of contract terminations, partly offset by an increase in transportation revenues due to an increase in Empire's rates effective January 1, 2019 related to the rate case settlement in principle mentioned above. For the remainder of fiscal 2019, the Pipeline and Storage segment expects transportation revenues to be negatively impacted in an amount up to approximately \$7.4 million as a result of the Empire system transportation contract termination mentioned above. The contract was not renewed due to a change in market dynamics. Partially offsetting these decreases was an increase in storage revenues of \$1.9 million combined with an increase in other revenues of \$2.1 million. The increase in storage revenues was due to reservation charges for storage service from new storage contracts as a result of Supply Corporation's acquisition of the remaining interest in a jointly owned storage field in the third quarter of fiscal 2018. The increase in other revenues was due to proceeds received by Supply Corporation in the first quarter of fiscal 2019 related to a contract termination as a result of a shipper's bankruptcy.

For the six months ended March 31, 2019, transportation volume decreased by 15.2 Bcf from the prior year's six-month period ended March 31, 2018. The decrease in transportation volume for the six-month period primarily reflects a reduction in capacity utilization by certain contract shippers combined with contract terminations. Volume fluctuations, other than those caused by the addition or termination of contracts, generally do not have a significant impact on revenues as a result of the straight fixed-variable rate design utilized by Supply Corporation and Empire.

The Pipeline and Storage segment's earnings for the quarter ended March 31, 2019 were \$17.7 million, a decrease of \$5.0 million when compared with earnings of \$22.7 million for the quarter ended March 31, 2018. The decrease in earnings was primarily due to the earnings impact of lower operating revenues of \$3.3 million, as discussed above, combined with higher operating expenses (\$2.4 million). The increase in operating expenses primarily reflects an increase in compressor station costs and increased personnel costs. These earnings decreases were slightly offset by the current period earnings impact of the change in the federal tax rate from a blended rate of 24.5% in fiscal 2018 to 21% for fiscal 2019 (\$0.8 million) combined with a decrease in interest expense (\$0.3 million). The decrease in interest expense was largely due to lower intercompany long-term borrowing interest rates for the Pipeline and Storage segment.

The Pipeline and Storage segment's earnings for the six months ended March 31, 2019 were \$42.9 million, a decrease of \$18.3 million when compared with earnings of \$61.2 million for the six months ended March 31, 2018. The decrease in earnings was primarily due to higher income tax expense (\$10.8 million) combined with higher operating expenses (\$5.4 million), the earnings impact of lower operating revenues of \$2.0 million, as discussed above, an

increase in depreciation expense (\$0.7 million) and an increase in property taxes (\$0.5 million). Income tax expense was higher due to the remeasurement of accumulated deferred income taxes in the quarter ended December 31, 2017 as a result of the 2017 Tax Reform Act, recorded as a \$14.1 million reduction to income tax expense in the prior year quarter, which did not recur in the six months ended March 31, 2019. Partially offsetting this income tax increase was the current period earnings impact of the change in the federal tax rate from a blended rate of 24.5% in fiscal 2018 to 21% for fiscal 2019 (\$1.6 million) combined with lower income tax expense (\$1.7 million) primarily due to permanent differences related to stock awards during the quarter ended December 31, 2018. The increase in operating expenses primarily reflects an increase in compressor station costs, increased personnel costs and a reversal of reserve for preliminary project costs recorded in the quarter ended December 31, 2017 that did not recur. The increase in depreciation expense was due to incremental depreciation expense related to projects that were placed in service within the last year. These earnings decreases were slightly offset by a decrease in interest expense (\$0.7 million). The decrease in interest expense was largely due to lower intercompany long-term borrowing interest rates for the Pipeline and Storage segment.

Table of Contents**Gathering****Gathering Operating Revenues**

	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<i>(Thousands)</i>						
Gathering	\$29,366	\$27,695	\$ 1,671	\$59,056	\$51,497	\$ 7,559
Processing and Other Revenues	2	38	(36)	2	71	(69)
	\$29,368	\$27,733	\$ 1,635	\$59,058	\$51,568	\$ 7,490

Gathering Volume

	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Gathered Volume - (MMcf)	54,157	51,374	2,783	108,845	94,536	14,309

2019 Compared with 2018

Operating revenues for the Gathering segment increased \$1.6 million for the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018. The increase was primarily due to a 2.8 Bcf increase in gathered volume due to a 4.0 Bcf and 1.5 Bcf increase in volume on Midstream Company's Clermont and Wellsboro gathering systems, respectively, offset by a 1.9 Bcf decline on the Covington gathering system and a 0.7 Bcf decrease on the Trout Run gathering system. The 2.8 Bcf net increase in gathered volumes can be attributed to the net increase in Seneca's gas production quarter over quarter.

Operating revenues for the Gathering segment increased \$7.5 million for the six months ended March 31, 2019 as compared with the six months ended March 31, 2018, which was driven by a 14.3 Bcf increase in gathered volume. Midstream Company experienced an 8.1 Bcf increase in gathered volume at its Clermont gathering system, a 6.0 Bcf increase in gathered volume at its Trout Run gathering system and a 1.1 Bcf increase in gathered volume at its Wellsboro gathering system. These increases were partially offset by a 0.5 Bcf decrease in gathered volume on the Covington gathering system and a 0.4 Bcf decrease in gathered volume collectively from the Mt. Jewett, Owl's Nest and Tionesta gathering systems, which were sold on February 1, 2018. The 14.3 Bcf net increase in gathered volume can be attributed to the net increase in Seneca's gas production for the six months ended March 31, 2019 compared to the six months ended March 31, 2018.

The Gathering segment's earnings for the quarter ended March 31, 2019 were \$12.7 million, an increase of \$0.9 million when compared with earnings of \$11.8 million for the quarter ended March 31, 2018. The increase in earnings was mainly due to the impact of higher gathering revenues (\$1.2 million) and the impact of the 2017 Tax Reform Act, which reduced the Company's federal statutory rate from a blended 24.5% in fiscal 2018 to 21% in fiscal 2019 and lowered income tax expense on current quarter earnings (\$0.6 million). Additionally, the Gathering segment recorded a \$0.4 million adjustment to the remeasurement of accumulated deferred income taxes under the 2017 Tax Reform Act, which increased income tax expense and lowered earnings during the quarter ended March 31, 2018. These earnings increases were partially offset by higher operating expenses (\$1.0 million). The increase in operating expenses was largely due to the completion of compressor unit overhauls on Clermont gathering system compressor stations during the quarter ended March 31, 2019 and higher costs related to the operation of compressor units on the

Covington gathering system that were acquired from Seneca in March 2018.

The Gathering segment's earnings for the six months ended March 31, 2019 were \$26.9 million, a decrease of \$30.3 million when compared with earnings of \$57.2 million for the six months ended March 31, 2018. The decrease in earnings was primarily attributable to the impact of the 2017 Tax Reform Act passed in the prior year, which resulted in a remeasurement of the segment's accumulated deferred taxes that lowered income tax expense during the six months ended March 31, 2019 (\$34.5 million). This earnings impact was partially offset by the positive impacts of the Company's lower federal statutory rate on current period earnings (\$1.2 million) and the removal of a valuation allowance on the segment's accumulated deferred income taxes during the six months ended March 31, 2019, that also lowered current year-to-date income tax expense (\$0.5 million). Additionally, earnings decreased due to higher operating expenses (\$1.5 million), higher depreciation expense (\$0.8 million), and a higher effective income tax rate (\$0.6 million). The increase in operating expenses was largely due to the completion of compressor unit

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overhauls on Clermont gathering system compressor stations during the current year and higher costs related to the operation of compressor units on the Covington gathering system that were acquired from Seneca in March 2018. The increase in depreciation expense was due to higher plant balances at the Covington, Trout Run and Clermont gathering systems. These earnings decreases were partially offset by the impact of higher gathering revenues (\$5.7 million).

Utility**Utility Operating Revenues**

(Thousands)	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Retail Sales Revenues:						
Residential	\$228,061	\$207,089	\$ 20,972	\$393,394	\$341,827	\$ 51,567
Commercial	32,682	30,676	2,006	55,424	50,310	5,114
Industrial	1,867	1,829	38	3,360	2,701	659
	262,610	239,594	23,016	452,178	394,838	57,340
Transportation	46,383	51,845	(5,462)	82,333	88,154	(5,821)
Off-System Sales	—	318	(318)	—	359	(359)
Other	(5,963)	(2,279)	(3,684)	(8,824)	(4,602)	(4,222)
	\$303,030	\$289,478	\$ 13,552	\$525,687	\$478,749	\$ 46,938

Utility Throughput

(MMcf)	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Retail Sales:						
Residential	30,906	28,568	2,338	50,686	46,415	4,271
Commercial	4,712	4,500	212	7,558	7,096	462
Industrial	284	287	(3)	488	431	57
	35,902	33,355	2,547	58,732	53,942	4,790
Transportation	28,928	29,624	(696)	51,198	51,051	147
Off-System Sales	—	119	(119)	—	141	(141)
	64,830	63,098	1,732	109,930	105,134	4,796

Degree Days

Three Months Ended March 31,	Percent Colder (Warmer) Than		
	Normal	2019	2018
Buffalo	3,290	3,372	3,208
Erie	3,108	3,096	3,075
Six Months Ended March 31,			
	Normal	Prior Year ⁽¹⁾	Prior Year ⁽¹⁾
		%	%
Buffalo		5.1	
Erie		0.4	

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Buffalo	5,543	5,697	5,435	2.8	%	4.8	%
Erie	5,152	5,126	5,104	(0.5)	%	0.4	%

⁽¹⁾ Percents compare actual 2019 degree days to normal degree days and actual 2019 degree days to actual 2018 degree days.

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Table of Contents**2019 Compared with 2018**

Operating revenues for the Utility segment increased \$13.6 million for the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018. The increase largely resulted from a \$23.0 million increase in retail gas sales revenue. The increase in retail gas sales revenue was largely a result of higher throughput due primarily to the impacts of higher usage and an increase in retail accounts from transportation customer migration, and \$0.9 million of revenues related to the system modernization tracker that commenced during the current year in the segment's New York service territory. The tracker, which was approved by the NYPSC, is designed to recover increased investment in utility system modernization. These increases were partially offset by a \$5.5 million decrease in transportation revenues, a \$3.7 million decrease in other revenues, and a decrease in off-system sales of \$0.3 million. The decline in transportation revenues was primarily due to the migration of residential customers from transportation sales to retail. The decrease in other revenues was largely due to a larger refund provision recorded during the quarter ended March 31, 2019 to refund the net effect of the reduction in the federal income tax rate resulting from the 2017 Tax Reform Act to the Utility segment's customers in accordance with NYPSC and PaPUC regulatory orders.

Operating revenues for the Utility segment increased \$46.9 million for the six months ended March 31, 2019 as compared with the six months ended March 31, 2018. The increase largely resulted from a \$57.3 million increase in retail gas sales revenue. The increase in retail gas sales revenue was largely a result of an increase in the cost of gas sold (per Mcf), higher throughput (due primarily to impacts of higher usage and an increase in retail accounts from transportation customer migration), and \$2.1 million of revenues related to the aforementioned system modernization tracker. The increase in operating revenues was partially offset by a \$5.8 million decrease in transportation revenues, a \$4.2 million decrease in other revenues and a \$0.4 million decrease in off-system sales. The decrease in transportation revenues was primarily due to the migration of residential customers from transportation sales to retail. The decrease in other revenues was largely due to a larger estimated refund provision recorded during the six months ended March 31, 2019 for the current income tax benefits resulting from the 2017 Tax Reform Act.

The Utility segment's earnings for the quarter ended March 31, 2019 were \$35.6 million, an increase of \$2.2 million when compared with earnings of \$33.4 million for the quarter ended March 31, 2018. The increase in earnings was largely attributable to the impacts of higher usage and weather on customer margins (\$0.6 million), the system modernization tracker revenues discussed above (\$0.7 million), the impact of regulatory adjustments on customer margins (\$0.9 million), lower other deductions (\$1.7 million), and lower interest expense (\$0.4 million). Higher earnings associated with regulatory adjustments were largely due to changes in the low-income customer discount and payment assistance program implemented in the Utility's segment's New York rate jurisdiction. The increase in earnings related to other deductions was a result of lower non-service pension and post-retirement benefit costs. A new accounting standard was adopted in the current year requiring non-service pension and post-retirement benefit costs, previously reported as operating expenses, to be reported separately from income from operations. Prior year amounts were restated using amounts disclosed in the Company's consolidated pension and other post-retirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements (a "practical expedient"). Accordingly, the \$1.7 million earnings increase associated with other deductions was primarily a result of the application of this "practical expedient" and was substantially offset by higher operating expenses (\$1.3 million), which also was impacted by the application of this "practical expedient". The decrease in interest expense was largely due to lower interest rates on intercompany long-term borrowings resulting from the Company's early redemption of 8.75% notes that were set to mature in May 2019.

The 2017 Tax Reform Act lowered the Company's statutory federal income tax rate from a blended 24.5% in fiscal 2018 to 21% in fiscal 2019, which resulted in lower income tax expense (\$1.5 million) quarter over quarter. In accordance with NYPSC and PaPUC regulatory orders, the Utility segment has been recording a refund provision to return the net effect of the lower income tax rate to the segment's customers. The estimated refund provision recorded

for the quarter ended March 31, 2019 was \$3.7 million higher than the refund provision recorded for the quarter ended March 31, 2018, reducing current quarter earnings by \$2.8 million.

The Utility segment's earnings for the six months ended March 31, 2019 were \$61.2 million, an increase of \$6.8 million when compared with earnings of \$54.4 million for the six months ended March 31, 2018. The increase in earnings was largely attributable to the impacts of higher usage and weather on customer margins (\$2.2 million), the system modernization tracker revenues discussed above (\$1.6 million), a decrease in other deductions due to lower non-service pension and post-retirement benefit costs as discussed above (\$2.1 million), lower interest expense due largely to lower interest rates on intercompany long-term borrowing as discussed above (\$1.2 million), and the impact of lower income tax expense related to the 2017 Tax Reform Act as discussed above (\$2.5 million). These increases in earnings were partially offset by higher operating expenses (\$0.9 million), largely offsetting the decrease in other deductions due to lower non-service pension and post-retirement benefit costs as discussed above, and an increase in the refund provision related to the 2017 Tax Reform Act (\$2.4 million).

Table of Contents**Energy Marketing****Energy Marketing Operating Revenues**

	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<i>(Thousands)</i>						
Natural Gas (after Hedging)	\$59,053	\$55,588	\$ 3,465	\$111,466	\$94,319	\$17,147
Other	8	5	3	9	37	(28)
	\$59,061	\$55,593	\$ 3,468	\$111,475	\$94,356	\$17,119

Energy Marketing Volume

	Three Months Ended March 31,			Six Months Ended March 31,		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Natural Gas – (MMcf)	16,191	16,112	79	28,610	28,091	519

2019 Compared with 2018

Operating revenues for the Energy Marketing segment increased \$3.5 million for the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018. Operating revenues for the Energy Marketing segment increased \$17.1 million for the six months ended March 31, 2019 as compared with the six months ended March 31, 2018. The increases for the quarter and the six-month period were primarily due to an increase in gas sales revenue due to a higher average price of natural gas period over period. An increase in volume sold to retail customers as a result of colder weather and additional business from new customers also contributed to the increase in operating revenues.

The Energy Marketing segment earnings for the quarter ended March 31, 2019 were \$0.5 million, a decrease of \$0.1 million when compared with earnings of \$0.6 million for the quarter ended March 31, 2018. This decrease was primarily attributable to lower margin of \$0.3 million partially offset by lower income tax expense of \$0.2 million.

The Energy Marketing segment earnings for the six months ended March 31, 2019 were \$0.2 million, a decrease of \$1.4 million when compared with earnings of \$1.6 million for the six months ended March 31, 2018. This decrease was primarily attributable to lower margin of \$2.1 million. The decrease in margin largely reflects a decline in average margin per Mcf primarily due to a decline in the benefit the Energy Marketing segment realized from its contracts for storage capacity. Stronger natural gas prices at local purchase points relative to NYMEX-based sales contracts also contributed to the decline in margin. The earnings decrease was partially offset by lower income tax expense of \$0.7 million. Income tax expense was lower primarily due to adjustments to remeasure accumulated deferred income taxes as a result of the 2017 Tax Reform Act.

Corporate and All Other**2019 Compared with 2018**

Corporate and All Other operations had earnings of \$2.2 million for the quarter ended March 31, 2019, an increase of \$5.3 million when compared with a loss of \$3.1 million for the quarter ended March 31, 2018. The increase in earnings was primarily attributable to the impact of the 2017 Tax Reform Act passed in the prior year, which resulted in a remeasurement of accumulated deferred income taxes that increased prior quarter income tax expense (\$2.7

million). Current quarter earnings also increased due to lower interest expense (\$0.3 million) and the impact of unrealized gains on investments in equity securities (\$3.0 million). Unrealized gains and losses on investments in equity securities are now recognized in earnings following the adoption of authoritative accounting guidance effective October 1, 2018. Unrealized gains and losses on these investments had previously been recorded as other comprehensive income. These increases in earnings were partially offset by lower operating revenues from the sale of standing timber by Seneca's land and timber division (\$0.7 million).

For the six months ended March 31, 2019, Corporate and All Other operations had earnings of \$2.0 million, an increase of \$19.1 million when compared with a loss of \$17.1 million for the six months ended March 31, 2018. The increase in earnings is primarily attributable to the impact of the 2017 Tax Reform Act, which resulted in a remeasurement of accumulated deferred

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income taxes that increased income tax expense for the six months ended March 31, 2018 (\$17.8 million). During the six months ended March 31, 2019, the removal of a valuation allowance related to the 2017 Tax Reform Act resulted in an adjustment to the remeasurement of the Corporate and All Other category's accumulated deferred income taxes and lowered current fiscal year to date income tax expense (\$3.3 million). Lower interest expense also contributed to the earnings increase (\$0.6 million). These increases in earnings were partially offset by lower operating revenues from the sale of standing timber by Seneca's land and timber division (\$0.8 million) and the impact of a net unrealized loss recognized on investments in equity securities for the six months ended March 31, 2019 (\$2.0 million).

Interest Expense on Long-Term Debt (amounts below are pre-tax amounts)

Interest on long-term debt decreased \$1.9 million for the quarter ended March 31, 2019 as compared with the quarter ended March 31, 2018. For the six months ended March 31, 2019, interest on long-term debt decreased \$4.5 million as compared with the six months ended March 31, 2018. These decreases are due to a decrease in the weighted average interest rate on long-term debt outstanding. The Company issued \$300 million of 4.75% notes in August 2018 and repaid \$250 million of 8.75% notes in September 2018.

CAPITAL RESOURCES AND LIQUIDITY

The Company's primary sources of cash during the six-month periods ended March 31, 2019 and March 31, 2018 consisted of cash provided by operating activities.

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 stock-based compensation.

Cash provided by operating activities in the Utility and Pipeline and Storage segments may vary substantially from period to period because of the impact of rate cases. In the Utility segment, supplier refunds, 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 the straight fixed-variable rate design used by Supply Corporation and Empire.

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 receivable balances 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 as well as changes in production. The Company uses various derivative financial instruments, including price swap agreements and futures contracts in an attempt to manage this energy commodity price risk.

Net cash provided by operating activities totaled \$340.8 million for the six months ended March 31, 2019, an increase of \$52.1 million compared with \$288.7 million provided by operating activities for the six months ended March 31, 2018. The increase in cash provided by operating activities primarily reflects higher cash provided by operating activities in the Pipeline and Storage and Exploration and Production segments due to the receipt of federal tax refunds during the six months ended March 31, 2019. During the six months ended March 31, 2018, these segments experienced cash outflow for federal tax payments. While the Utility segment experienced a decrease in cash provided by operating activities due to the timing of gas cost recovery, this impact was partially offset by the receipt of federal tax refunds during the six months ended March 31, 2019.

Table of Contents**Investing Cash Flow**Expenditures for Long-Lived Assets

The Company's expenditures for long-lived assets totaled \$372.7 million during the six months ended March 31, 2019 and \$241.4 million during the six months ended March 31, 2018. The table below presents these expenditures:

Total Expenditures for Long-Lived Assets

Six Months Ended March 31, (Millions)	2019	2018	Increase (Decrease)
Exploration and Production:			
Capital Expenditures	\$262.8 ⁽¹⁾	\$159.3 ⁽²⁾	\$ 103.5
Pipeline and Storage:			
Capital Expenditures	52.6	⁽¹⁾ 37.4	⁽²⁾ 15.2
Gathering:			
Capital Expenditures	21.5	⁽¹⁾ 32.3	⁽²⁾ (10.8)
Utility:			
Capital Expenditures	35.7	⁽¹⁾ 32.3	⁽²⁾ 3.4
All Other:			
Capital Expenditures	0.1	—	0.1
Eliminations	—	(19.9)	19.9
	\$372.7	\$241.4	\$ 131.3

At March 31, 2019, capital expenditures for the Exploration and Production segment, the Pipeline and Storage segment, the Gathering segment and the Utility ⁽¹⁾segment include \$53.4 million, \$10.7 million, \$7.4 million and \$3.4 million, respectively, of non-cash capital expenditures. At September 30, 2018, capital expenditures for the Exploration and Production segment, the Pipeline and Storage segment, the Gathering segment and the Utility segment included \$51.3 million, \$21.9 million, \$6.1 million and \$9.5 million, respectively, of non-cash capital expenditures.

At March 31, 2018, capital expenditures for the Exploration and Production segment, the Pipeline and Storage segment, the Gathering segment and the Utility ⁽²⁾segment included \$38.8 million, \$9.0 million, \$1.6 million and \$2.5 million, respectively, of non-cash capital expenditures. At September 30, 2017, capital expenditures for the Exploration and Production segment, the Pipeline and Storage segment, the Gathering segment and the Utility segment included \$36.5 million, \$25.1 million, \$3.9 million and \$6.7 million, respectively, of non-cash capital expenditures.

Exploration and Production

The Exploration and Production segment capital expenditures for the six months ended March 31, 2019 were primarily well drilling and completion expenditures and included approximately \$247.6 million for the Appalachian region (including \$136.1 million in the Marcellus Shale area and \$103.5 million in the Utica Shale area) and \$15.2 million for the West Coast region. These amounts included approximately \$144.7 million spent to develop proved undeveloped reserves.

The Exploration and Production segment capital expenditures for the six months ended March 31, 2018 were primarily well drilling and completion expenditures and included approximately \$146.6 million for the Appalachian region (including \$120.7 million in the Marcellus Shale area) and \$12.7 million for the West Coast region. These amounts included approximately \$80.7 million spent to develop proved undeveloped reserves.

Pipeline and Storage

The Pipeline and Storage segment capital expenditures for the six months ended March 31, 2019 were primarily for additions, improvements and replacements to this segment's transmission and gas storage systems. In addition, the

Pipeline and Storage segment capital expenditures for the six months ended March 31, 2019 include expenditures related to Supply Corporation's Line N to Monaca Project (\$4.1 million) and Empire's Empire North Project (\$3.7 million), as discussed below. The Pipeline and Storage capital expenditures for the six months ended March 31, 2018 were partially for additions, improvements and replacements to this segment's transmission and gas storage systems. In addition, the Pipeline and Storage segment capital expenditures for the six months ended March 31, 2018 include expenditures related to Supply Corporation's Line D Expansion Project (\$13.5 million).

In light of the continuing demand for pipeline capacity to move natural gas from new wells being drilled in Appalachia — specifically in the Marcellus and Utica Shale producing areas — Supply Corporation and Empire have completed and continue

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to pursue several expansion projects designed to move anticipated Marcellus and Utica production gas to other interstate pipelines and to on-system markets, and markets beyond the Supply Corporation and Empire pipeline systems. Preliminary survey and investigation costs for expansion, routine replacement or modernization projects are initially recorded as Deferred Charges on the Consolidated Balance Sheet. Management may reserve for preliminary survey and investigation costs associated with large projects by reducing the Deferred Charges balance and increasing Operation and Maintenance Expense on the Consolidated Statement of Income. If it is determined that it is highly probable that a project for which a reserve has been established will be built, the reserve is reversed. This reversal reduces Operation and Maintenance Expense and reestablishes the original balance in Deferred Charges. The amounts remain in Deferred Charges until such time as capital expenditures for the project have been incurred and activities that are necessary to get the construction project ready for its intended use are in progress. At that point, the balance is transferred from Deferred Charges to Construction Work in Progress, a component of Property, Plant and Equipment on the Consolidated Balance Sheet.

Supply Corporation and Empire are developing a project which would move significant prospective Marcellus production from Seneca's Western Development Area at Clermont to an Empire interconnection with TransCanada Pipeline at Chippawa and an interconnection with TGP's 200 Line in East Aurora, New York (the "Northern Access project"). The Northern Access project would provide an outlet to Dawn-indexed markets in Canada and to the TGP line serving the U.S. Northeast. The Northern Access project involves the construction of approximately 99 miles of largely 24" pipeline and approximately 27,500 horsepower of compression on the two systems. Supply Corporation, Empire and Seneca executed anchor shipper agreements for 350,000 Dth per day of firm transportation delivery capacity to Chippawa and 140,000 Dth per day of firm transportation capacity to a new interconnection with TGP's 200 Line on this project. On February 3, 2017, the Company received FERC approval of the project. On April 7, 2017, the NYDEC issued a Notice of Denial of the federal Clean Water Act Section 401 Water Quality Certification and other state stream and wetland permits for the New York portion of the project (the Water Quality Certification for the Pennsylvania portion of the project was received on January 27, 2017). On April 21, 2017, the Company appealed the NYDEC's decision with regard to the Water Quality Certification to the United States Court of Appeals for the Second Circuit, and on May 11, 2017, the Company commenced legal action in New York State Supreme Court challenging the NYDEC's actions with regard to various state permits. On August 6, 2018, the FERC issued an Order finding that the NYDEC exceeded the statutory time frame to take action under the Clean Water Act and, therefore, waived its opportunity to approve or deny the Water Quality Certification. FERC denied rehearing requests associated with its Order. The Company remains committed to the project. In light of these legal actions and the need to complete necessary project development activities in advance of construction, the in-service date for the project is expected to be no earlier than fiscal 2022. The Company will update the \$500 million preliminary cost estimate when there is further clarity on that date. As of March 31, 2019, approximately \$57.0 million has been spent on the Northern Access 2016 project, including \$22.8 million that has been spent to study the project, for which no reserve has been established. The remaining \$34.2 million spent on the project has been capitalized as Construction Work in Progress.

Empire concluded an Open Season on November 18, 2015, and has designed a project that would allow for the transportation of 205,000 Dth per day of additional shale supplies from interconnections in Tioga County, Pennsylvania, to TransCanada Pipeline, and the TGP 200 Line ("Empire North Project"). This project is fully subscribed under long term agreements and received the FERC Section 7(c) certificate on March 7, 2019. The Empire North Project has a projected in-service date in the second half of fiscal 2020 and an estimated capital cost of approximately \$145 million. As of March 31, 2019, approximately \$26.9 million has been spent on the Empire North project, including \$4.0 million that has been spent to study the project, for which no reserve has been established. The remaining \$22.9 million spent on the project has been capitalized as Construction Work in Progress, including \$19.9 million of costs transferred from the Northern Access Project.

Supply Corporation has entered into a foundation shipper Precedent Agreement to provide incremental natural gas transportation services from Line N to the ethylene cracker facility being constructed by Shell Chemical Appalachia, LLC in Potter Township, Pennsylvania ("Line N to Monaca Project"). Supply Corporation has completed an Open Season for the project and has secured incremental firm transportation capacity commitments totaling 133,000 Dth per day on Line N and on the proposed pipeline extension of approximately 4.5 miles from Line N to the facility. Supply Corporation filed a prior notice application with FERC on March 23, 2018 and was authorized to pursue the project under its blanket certificate as of May 30, 2018. Project construction is under way. The proposed in-service date for this project is as early as August, 2019 at an estimated capital cost of approximately \$24.3 million. As of March 31, 2019, approximately \$6.3 million has been capitalized as Construction Work in Progress for this project.

Supply Corporation is currently in the pre-filing process at FERC for its FM100 Project, which will upgrade 1950's era pipeline in northwestern Pennsylvania and create approximately 330,000 Dth per day of additional transportation capacity in Pennsylvania from a receipt point with NFG Midstream Clermont, LLC in McKean County to the Transcontinental Gas Pipe Line Company, LLC ("Transco") system at Leidy, Pennsylvania. A precedent agreement has been executed by Supply Corporation and Transco whereby this additional capacity is expected to be leased by Transco and become part of a Transco expansion project ("Leidy South") that will create incremental transportation capacity to Transco Zone 6 markets. Seneca is the anchor shipper on

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Leidy South, providing Seneca with an outlet to premium markets for its Marcellus and Utica production from both the Clermont-Rich Valley and Trout Run-Gamble areas. A Section 7(c) application with the FERC is expected in summer 2019. The FM100 Project has a target in-service date in late calendar 2021 and a preliminary cost estimate of approximately \$280 million. As of March 31, 2019, approximately \$1.9 million has been spent to study this project, all of which has been included in Deferred Charges on the Consolidated Balance Sheet at March 31, 2019.

Gathering

The majority of the Gathering segment capital expenditures for the six months ended March 31, 2019 were for the continued buildout of Midstream Company's Trout Run Gathering System, Midstream Company's Clermont Gathering System and Midstream Company's Wellsboro Gathering System, as discussed below. The majority of the Gathering segment capital expenditures for the six months ended March 31, 2018 were for the purchase of two compressor stations for Midstream Company's Covington Gathering System, as well as the continued buildout of the Trout Run Gathering System and the Clermont Gathering System.

NFG Midstream Clermont, LLC, a wholly owned subsidiary of Midstream Company, continues to develop an extensive gathering system with compression in the Pennsylvania counties of McKean, Elk and Cameron. The Clermont Gathering System was initially placed in service in July 2014. The current system consists of approximately 78 miles of backbone and in-field gathering pipelines. The total cost estimate for the continued buildout will be dependent on the nature and timing of Seneca's long-term plans. As of March 31, 2019, approximately \$303.3 million has been spent on the Clermont Gathering System, including approximately \$5.5 million spent during the six months ended March 31, 2019, all of which is included in Property, Plant and Equipment on the Consolidated Balance Sheet at March 31, 2019.

NFG Midstream Trout Run, LLC, a wholly owned subsidiary of Midstream Company, continues to develop its Trout Run Gathering System in Lycoming County, Pennsylvania. The Trout Run Gathering System was initially placed in service in May 2012. The current system consists of approximately 57 miles of backbone and in-field gathering pipelines, two compressor stations and a dehydration and metering station. As of March 31, 2019, approximately \$212.9 million has been spent on the Trout Run Gathering System, including approximately \$6.2 million spent during the six months ended March 31, 2019, all of which is included in Property, Plant and Equipment on the Consolidated Balance Sheet at March 31, 2019.

NFG Midstream Wellsboro, LLC, a wholly owned subsidiary of Midstream Company, continues to develop its Wellsboro Gathering System in Tioga County, Pennsylvania. As of March 31, 2019, the Company has spent approximately \$18.1 million in costs related to this project, including approximately \$8.6 million spent during the six months ended March 31, 2019, all of which is included in Property, Plant and Equipment on the Consolidated Balance Sheet at March 31, 2019.

Utility

The majority of the Utility segment capital expenditures for the six months ended March 31, 2019 and March 31, 2018 were made for main and service line improvements and replacements, as well as main extensions.

Project Funding

Over the past two years, the Company has been financing the Pipeline and Storage segment and Gathering segment projects mentioned above, as well as the Exploration and Production segment capital expenditures, with cash from operations as well as proceeds received from the sale of oil and gas assets. Going forward, while the Company expects

to use cash on hand and cash from operations as the first means of financing these projects, the Company may issue short-term and/or long-term debt as necessary during fiscal 2019 to help meet its capital expenditures needs. The level of short-term and long-term borrowings will depend upon the amount of cash provided by operations, which, in turn, will likely be impacted by natural gas and crude oil prices combined with production from existing wells.

The Company continuously evaluates capital expenditures and potential 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, natural gas storage facilities and the expansion of natural gas 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.

Table of Contents**Financing Cash Flow**

The Company did not have any consolidated short-term debt outstanding at March 31, 2019 or September 30, 2018. The maximum amount of short-term debt outstanding during the six months ended March 31, 2019 was \$5.0 million. 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, gas-in-storage inventory, unrecovered purchased gas costs, margin calls on derivative financial instruments, exploration and development expenditures, other working capital needs and repayment of long-term debt. Fluctuations in these items can have a significant impact on the amount and timing of short-term debt.

On October 25, 2018, the Company entered into a Fourth Amended and Restated Credit Agreement (Credit Agreement) with a syndicate of 12 banks. This Credit Agreement provides a \$750.0 million multi-year unsecured committed revolving credit facility through October 25, 2023. The Company also has an uncommitted line of credit with a financial institution for general corporate purposes. Borrowings under this uncommitted line of credit would be made at competitive market rates. The uncommitted credit line is revocable at the option of the financial institution and is reviewed on an annual basis. The Company anticipates that its uncommitted line of credit generally will be renewed or substantially replaced by a similar line. Other financial institutions may also provide the Company with uncommitted or discretionary lines of credit in the future.

The total amount available to be issued under the Company's commercial paper program is \$500.0 million. The commercial paper program is backed by the Credit Agreement, which provides that the Company's debt to capitalization ratio will not exceed .65 at the last day of any fiscal quarter. For purposes of calculating the debt to capitalization ratio, the Company's total capitalization will be increased by adding back 50% of the aggregate after-tax amount of non-cash charges directly arising from any ceiling test impairment occurring on or after July 1, 2018, not to exceed \$250 million. At March 31, 2019, the Company's debt to capitalization ratio (as calculated under the facility) was .50. The constraints specified in the Credit Agreement would have permitted an additional \$1.74 billion in short-term and/or long-term debt to be outstanding at March 31, 2019 (further limited by the indenture covenants discussed below) before the Company's debt to capitalization ratio exceeded .65.

A downgrade in the Company's credit ratings could increase borrowing costs, negatively impact the availability of capital from banks, commercial paper purchasers and other sources, and require the Company's subsidiaries to post letters of credit, cash or other assets as collateral with certain counterparties. If the Company is not able to maintain investment-grade credit ratings, it may not be able to access commercial paper markets. However, the Company expects that it could borrow under its credit facilities or rely upon other liquidity sources, including cash provided by operations.

The Credit Agreement 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 Credit Agreement. In particular, a repayment obligation could be triggered if (i) the Company or any of its significant subsidiaries fails to make a payment when due of any principal or interest on any other indebtedness aggregating \$40.0 million or more or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating \$40.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of March 31, 2019, the Company did not have any debt outstanding under the Credit Agreement.

None of the Company's long-term debt as of March 31, 2019 and September 30, 2018 had a maturity date within the following twelve-month period.

During the six months ended March 31, 2018, the Company redeemed \$300.0 million of the Company's 6.50% notes that were scheduled to mature in April 2018. The Company redeemed those notes on October 18, 2017 for \$307.0 million, plus accrued interest.

The Company's embedded cost of long-term debt was 4.69% and 5.16% at March 31, 2019 and March 31, 2018, respectively.

Under the Company's existing indenture covenants at March 31, 2019, the Company would have been permitted to issue up to a maximum of \$943.0 million in additional long-term 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. However, if the Company were to experience a significant loss in the future (for example, as a result of an impairment of oil and gas properties), it is possible, depending on factors including the magnitude of the loss, that these indenture covenants would restrict the Company's ability to issue additional long-term unsecured indebtedness for a period of up to nine calendar months, beginning with the fourth calendar month following the loss. This would not preclude the Company from issuing new indebtedness to replace maturing debt. Please refer to the Critical Accounting Estimates section above for a sensitivity analysis concerning commodity price changes and their impact on the ceiling test.

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The Company's 1974 indenture pursuant to which \$99.0 million (or 4.6%) of the Company's long-term debt (as of March 31, 2019) 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 (i) to pay any scheduled principal or interest on any debt under any other indenture or agreement or (ii) to 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has entered into certain off-balance sheet financing arrangements. These financing arrangements are primarily operating leases. The Company's consolidated subsidiaries have operating leases, the majority of which are with the Exploration and Production segment and Corporate operations, having a remaining lease commitment of approximately \$38.2 million. These leases have been entered into for the use of compressors, drilling rigs, buildings and other items and are accounted for as operating leases.

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 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.

During the six months ended March 31, 2019, the Company contributed \$29.2 million to its tax-qualified, noncontributory defined-benefit retirement plan (Retirement Plan) and \$2.1 million to its VEBA trusts for its other post-retirement benefits. In the remainder of 2019, the Company may contribute up to \$5.0 million to the Retirement Plan and the Company expects its contributions to VEBA trusts to be in the range of \$0.5 million to \$1.0 million.

The Company, in its Exploration and Production segment, has entered into contractual obligations of \$89.6 million during the quarter ended March 31, 2019 associated with hydraulic fracturing and fuel. These contractual commitments extend through fiscal 2021.

Market Risk Sensitive Instruments

On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act includes provisions related to the swaps and over-the-counter derivatives markets that are designed to promote transparency, mitigate systemic risk and protect against market abuse. Although regulators have issued certain regulations, other rules that may impact the Company have yet to be finalized.

The CFTC's Dodd-Frank regulations continue to preserve the ability of non-financial end users to hedge their risks using swaps without being subject to mandatory clearing. In 2015, legislation was enacted to exempt from margin requirements swaps used by non-financial end users to hedge or mitigate commercial risk. In 2016, the CFTC issued a reproposal to its position limit rules that would impose speculative position limits on positions in 28 core physical commodity contracts as well as economically equivalent futures, options and swaps. While the Company does not

intend to enter into positions on a speculative basis, such rules could nevertheless impact the ability of the Company to enter into certain derivative hedging transactions with respect to such commodities. If the Company reduces its use of hedging transactions as a result of final regulations to be issued by the CFTC, results of operations may become more volatile and cash flows may be less predictable. There may be other rules developed by the CFTC and other regulators that could impact the Company. While many of those rules place specific conditions on the operations of swap dealers and major swap participants, concern remains that swap dealers and major swap participants will pass along their increased costs stemming from final rules through higher transaction costs and prices or other direct or indirect costs.

Finally, given the additional authority granted to the CFTC on anti-market manipulation, anti-fraud and disruptive trading practices, it is difficult to predict how the evolving enforcement priorities of the CFTC will impact our business. Should the Company violate any laws or regulations applicable to our hedging activities, it could be subject to CFTC enforcement action and material penalties and sanctions. The Company continues to monitor these enforcement and other regulatory developments, but cannot predict the impact that evolving application of the Dodd-Frank Act may have on its operations.

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The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At March 31, 2019, the Company determined that nonperformance risk would have no material impact on its financial position or results of operation. To assess nonperformance risk, the Company considered information such as any applicable collateral posted, master netting arrangements, and applied a market-based method by using the counterparty's (assuming the derivative is in a gain position) or the Company's (assuming the derivative is in a loss position) credit default swaps rates.

For a complete discussion of market risk sensitive instruments, refer to "Market Risk Sensitive Instruments" in Item 7 of the Company's 2018 Form 10-K. There have been no subsequent material changes to the Company's exposure to market risk sensitive instruments.

Rate and Regulatory Matters

Utility Operation

Delivery rates for both the New York and Pennsylvania divisions are regulated by the states' respective public utility commissions and typically are changed only when approved through a procedure known as a "rate case." Although the Pennsylvania division does not have a rate case on file, see below for a description of the current rate proceedings affecting the New York division. In both jurisdictions, delivery rates do not reflect the recovery of purchased gas costs. Prudently-incurred gas costs are recovered through operation of automatic adjustment clauses, and are collected primarily through a separately-stated "supply charge" on the customer bill.

New York Jurisdiction

Distribution Corporation's current delivery rates in its New York jurisdiction were approved by the NYPSC in an order issued on April 20, 2017 with rates becoming effective May 1, 2017.

On August 27, 2018, Distribution Corporation filed a petition with the NYPSC to, among other things, extend the sunset provision of the tracker previously approved by the NYPSC that allows Distribution Corporation to recover increased investment in utility system modernization. The petition was granted, in part, in an April 24, 2019 NYPSC Order, which extended the sunset date of the tracker for one year (until March 31, 2021) contingent on a one year stay-out of a general rate case filing that would result in new rates becoming effective prior to April 1, 2021.

Pennsylvania Jurisdiction

Distribution Corporation's Pennsylvania jurisdiction delivery rates are being charged to customers in accordance with a rate settlement approved by the PaPUC. The rate settlement does not specify any requirement to file a future rate case.

Pipeline and Storage

Supply Corporation currently has no active rate case on file. Supply Corporation's current rate settlement requires a rate case filing no later than December 31, 2019. In response to the FERC's July 2018 Final Rule in RM18-11-000, et. al (Order No. 849), on December 6, 2018, Supply Corporation filed its Form 501-G, which addresses the impact of the 2017 Tax Reform Act, and advised the Commission that it would make a Section 4 rate filing no later than July 31, 2019, thereby obviating the need for FERC to take any further action. Refer to Item 1 at Note 5 - Income Taxes for

further discussion of the 2017 Tax Reform Act.

Empire filed a Section 4 rate case on June 29, 2018, proposing rate increases to be effective August 1, 2018. Empire and its customers reached a settlement in principle in December 2018, and Empire's subsequent motion to put in place those interim settlement rates, effective January 1, 2019, was approved by FERC's Chief Administrative Law Judge on December 31, 2018. The settlement remains subject to FERC approval. The "black box" settlement provides for new, system-wide rates, and which, based on current contracts, is estimated to increase Empire's revenues on a yearly basis by approximately \$4.6 million. The settlement also provides new depreciation rates and a tiered transportation revenue sharing mechanism, beginning with Empire sharing 35% of transportation only revenues (net of certain excluded items) over \$64.4 million up to Empire sharing 55% of those revenues over \$68.4 million. Empire has also committed to undertake certain improvements to its electronic bulletin board and will convene regular customer meetings to address these and other improvements. Under the settlement, Empire and the other parties may not file to change rates until March 31, 2021, except that Empire may make a filing (to be effective November 1, 2020) under limited circumstances for contract changes with a large customer. Empire must file a Section 4 rate case no later than May 1, 2025.

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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 requirements.

For further discussion of the Company's environmental exposures, refer to Item 1 at Note 7 — Commitments and Contingencies under the heading “Environmental Matters.”

Legislative and regulatory measures to address climate change and greenhouse gas emissions are in various phases of discussion or implementation. In the United States, these efforts include legislative proposals and EPA regulations at the federal level, actions at the state level, and private party litigation related to greenhouse gas emissions. While the U.S. Congress has from time to time considered legislation aimed at reducing emissions of greenhouse gases, Congress has not yet passed any federal climate change legislation and we cannot predict when or if Congress will pass such legislation and in what form. In the absence of such legislation, the EPA is regulating greenhouse gas emissions pursuant to the authority granted to it by the federal Clean Air Act. For example, in April 2012, the EPA adopted rules which restrict emissions associated with oil and natural gas drilling. The EPA previously adopted final regulations that set methane and volatile organic compound emissions standards for new or modified oil and gas emissions sources. These rules impose more stringent leak detection and repair requirements, and further address reporting and control of methane and volatile organic compound emissions. The current administration has issued executive orders to review and potentially roll back many of these regulations, and, in turn, litigation (not involving the Company) has been instituted to challenge the administration's efforts. The Company must continue to comply with all applicable regulations. In addition, the U.S. Congress has from time to time considered bills that would establish a cap-and-trade program to reduce emissions of greenhouse gases. A number of states have adopted energy strategies or plans with goals that include the reduction of greenhouse gas emissions. For example, New York's State Energy Plan includes Reforming the Energy Vision (REV) initiatives which set greenhouse gas emission reduction targets of 40% by 2030 and 80% by 2050 from 1990 levels. Additionally, the plan targets that 50% of electric generation must come from renewable energy sources, in addition to a 600 trillion Btu increase in statewide energy efficiency from 2012 levels, both by 2030. Similarly, Pennsylvania has a methane reduction framework for the oil and gas industry which has resulted in permitting changes with the stated goal of reducing methane emissions from well sites, compressor stations and pipelines. With respect to its operations in California, the Company currently complies with California cap-and-trade guidelines, which increases the Company's cost of environmental compliance in its Exploration and Production segment operations. Legislation or regulation that aims to reduce greenhouse gas emissions could also include greenhouse gas emissions limits and reporting requirements, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates to conserve energy or use renewable energy sources. Federal, state or local governments may provide tax advantages and other subsidies to support alternative energy sources, mandate the use of specific fuels or technologies, or promote research into new technologies to reduce the cost and increase the scalability of alternative energy sources. New York State, for example, is considering climate legislation that would mandate zero greenhouse gas emissions originating from human activity as early as 2050 that may include some of these initiatives. These climate change and greenhouse gas initiatives could increase the Company's cost of environmental compliance by requiring the Company to retrofit existing equipment, install new equipment to reduce emissions from larger facilities and/or purchase emission allowances. They could also delay or otherwise negatively affect efforts to obtain permits and other regulatory approvals with regard to existing and new facilities, impose additional monitoring and reporting requirements. Changing market conditions and new regulatory requirements, as well as unanticipated or inconsistent application of existing laws and regulations by administrative agencies, make it difficult to predict a long-term business impact across twenty or more years.

New Authoritative Accounting and Financial Reporting Guidance

For discussion of the recently issued authoritative accounting and financial reporting guidance, refer to Item 1 at Note 1 — Summary of Significant Accounting Policies under the heading “New Authoritative Accounting and Financial Reporting Guidance.”

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 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,

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statements regarding future prospects, plans, objectives, goals, projections, estimates of oil and gas quantities, strategies, future events or performance and underlying assumptions, capital structure, anticipated capital expenditures, completion of construction 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 Company’s expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, 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. Delays or changes in costs or plans with respect to Company projects or related projects of other companies, including difficulties or delays in obtaining necessary governmental approvals, permits or orders or in obtaining the cooperation of interconnecting facility operators;
2. Governmental/regulatory actions, initiatives and proceedings, including those involving rate cases (which address, among other things, target rates of return, rate design and retained natural gas), environmental/safety requirements, affiliate relationships, industry structure, and franchise renewal;
3. Changes in laws, regulations or judicial interpretations to which the Company is subject, including those involving derivatives, taxes, safety, employment, climate change, other environmental matters, real property, and exploration and production activities such as hydraulic fracturing;
4. Financial and economic conditions, including the availability of credit, and occurrences affecting the Company’s ability to obtain financing on acceptable terms for working capital, capital expenditures and other investments, including any downgrades in the Company’s credit ratings and changes in interest rates and other capital market conditions;
5. Changes in the price of natural gas or oil;
6. Impairments under the SEC’s full cost ceiling test for natural gas and oil reserves;
7. Factors affecting the Company’s ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including among others geology, lease availability, title disputes, weather conditions, shortages, delays or unavailability of equipment and services required in drilling operations, insufficient gathering, processing and transportation capacity, the need to obtain governmental approvals and permits, and compliance with environmental laws and regulations;
8. Increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide other post-retirement benefits;
9. Changes in price differentials between similar quantities of natural gas or oil at different geographic locations, and the effect of such changes on commodity production, revenues and demand for pipeline transportation capacity to or from such locations;
10. Other changes in price differentials between similar quantities of natural gas or oil having different quality, heating value, hydrocarbon mix or delivery date;
11. The cost and effects of legal and administrative claims against the Company or activist shareholder campaigns to effect changes at the Company;
12. Uncertainty of oil and gas reserve estimates;
13. Significant differences between the Company’s projected and actual production levels for natural gas or oil;
14. Changes in demographic patterns and weather conditions;
15. Changes in the availability, price or accounting treatment of derivative financial instruments;
16. Changes in laws, actuarial assumptions, the interest rate environment and the return on plan/trust assets related to the Company’s pension and other post-retirement benefits, which can affect future funding obligations and costs

and plan liabilities;

17. Changes in economic conditions, including global, national or regional recessions, and their effect on the demand for, and customers' ability to pay for, the Company's products and services;

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18. The creditworthiness or performance of the Company's key suppliers, customers and counterparties;
 19. The impact of potential information technology, cybersecurity or data security breaches;
 20. Economic disruptions or uninsured losses resulting from major accidents, fires, severe weather, natural disasters, terrorist activities or acts of war;
 21. Significant differences between the Company's projected and actual capital expenditures and operating expenses; or
 22. 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 March 31, 2019.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2019 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

For a discussion of various environmental and other matters, refer to Part I, Item 1 at Note 7 — Commitments and Contingencies, and Part I, Item 2 - MD&A of this report under the heading “Other Matters – Environmental Matters.”

For a discussion of certain rate matters involving the NYPSC, refer to Part I, Item 1 of this report at Note 10 — Regulatory Matters.

Item 1A. Risk Factors

The risk factors in Item 1A of the Company's 2018 Form 10-K have not materially changed.

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

On January 2, 2019, the Company issued a total of 7,563 unregistered shares of Company common stock to nine non-employee directors of the Company then serving on the Board of Directors of the Company, including 635 shares to Philip Ackerman, whose service as a director concluded on March 7, 2019 in accordance with the provisions of the Company's Corporate Governance Guidelines with respect to director age, and 866 shares to each of the other eight aforementioned non-employee directors. All of these unregistered shares were issued under the Company's 2009 Non-Employee Director Equity Compensation

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Plan as partial consideration for such directors' services during the quarter ended March 31, 2019. These transactions were exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as transactions not involving a public offering.

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)
Jan. 1 - 31, 2019	9,687	\$53.54	—	6,971,019
Feb. 1 - 28, 2019	19,187	\$58.62	—	6,971,019
Mar. 1 - 31, 2019	9,558	\$59.91	—	6,971,019
Total	38,432	\$57.66	—	6,971,019

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-based compensation awards for

(a) the payment of applicable withholding taxes. During the quarter ended March 31, 2019, the Company did not purchase any shares of its common stock pursuant to its publicly announced share repurchase program. Of the 38,432 shares purchased other than through a publicly announced share repurchase program, 27,755 were purchased for the Company's 401(k) plans and 10,677 were purchased as a result of shares tendered to the Company by holders of stock-based compensation awards.

In September 2008, the Company's Board of Directors authorized the repurchase of eight million shares of the Company's common stock. The repurchase (b) program has no expiration date. The Company has not repurchased any shares since September 17, 2008 and has no plans to make further purchases in the near future.

Item 6. Exhibits

Exhibit

Number Description of Exhibit

- 10.1 National Fuel Gas Company 2009 Non-Employee Director Equity Compensation Plan, as amended and restated December 5, 2018.
- National Fuel Gas Company 2010 Equity Compensation Plan, as amended and restated December 5, 2018 (Exhibit 10.1, Form 8-K dated March 11, 2019).
- 31.1 Written statements of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- 31.2 Written statements of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act.
- 32•• Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99 National Fuel Gas Company Consolidated Statements of Income for the Twelve Months Ended March 31, 2019 and 2018.
- 101 Interactive data files submitted pursuant to Regulation S-T: (i) the Consolidated Statements of Income and Earnings Reinvested in the Business for the three and six months ended March 31, 2019 and 2018, (ii) the Consolidated Statements of Comprehensive Income for the three and six months ended March 31, 2019 and 2018, (iii) the Consolidated Balance Sheets at March 31, 2019 and September 30, 2018, (iv) the Consolidated Statements of Cash Flows for the six months ended March 31, 2019 and 2018 and (v) the Notes to Condensed Consolidated Financial Statements.

- Incorporated herein by reference as indicated.

- In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the material contained in Exhibit 32 is "furnished" and not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent that the Registrant specifically incorporates it by reference.

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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/ D. P. Bauer
D. P. Bauer
Treasurer and Principal Financial Officer

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

Date: May 3, 2019