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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from____ to_____

Commission File Number 1-3880

NATIONAL FUEL GAS COMPANY

(Exact name of registrant as specified in its charter)

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

(716) 857-7000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES þ NO ¨

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

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

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

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

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 July 31, 2013: 83,617,599 shares.

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GLOSSARY OF TERMS

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

National Fuel Gas Companies

Company	The Registrant, the Registrant and its subsidiaries or the Registrant’s subsidiaries as appropriate in the context of the disclosure
Distribution Corporation	National Fuel Gas Distribution Corporation
Empire	Empire Pipeline, Inc.
ESNE	Energy Systems North East, LLC
Horizon Power	Horizon Power, Inc.
Midstream Corporation	National Fuel Gas Midstream Corporation
National Fuel	National Fuel Gas Company
NFR	National Fuel Resources, Inc.
Registrant	National Fuel Gas Company
Seneca	Seneca Resources Corporation
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

2012 Form 10-K	The Company's Annual Report on Form 10-K for the year ended September 30, 2012
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 pays Supply Corporation and/or Empire for gas the customer receives in excess of amounts delivered into Supply Corporation's and Empire's 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, 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.
Firm transportation and/or storage	The transportation and/or storage service that a supplier of such service is obligated by contract to provide and for which the customer is obligated to pay whether or not the service is utilized.
GAAP	Accounting principles generally accepted in the United States of America
Goodwill	An intangible asset representing the difference between the fair value of a company and the price at which a company is purchased.
Hedging	A method of minimizing the impact of price, interest rate, and/or foreign currency exchange rate changes, often times through the use of derivative financial instruments.
Hub	Location where pipelines intersect enabling the trading, transportation, storage, exchange, lending and borrowing of natural gas.
Interruptible transportation and/or storage	The transportation and/or storage service that, in accordance with contractual arrangements, can be interrupted by the supplier of such service, and for which the customer does not pay unless utilized.
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
Marcellus Shale	A Middle Devonian-age geological shale formation that is present nearly a mile or more below the surface in the Appalachian region of the United States, including much of Pennsylvania and southern New York.
Mbbl	Thousand barrels (of oil)
Mcf	Thousand cubic feet (of natural gas)
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDth	Thousand decatherms (of natural gas)
MMBtu	Million British thermal units (heating value of one decatherm of natural gas)
MMcf	Million cubic feet (of natural gas)
NGA	The Natural Gas Act of 1938, as amended; the federal law regulating interstate natural gas pipeline and storage companies, among other things, codified beginning at 15 U.S.C. Section 717.
NYMEX	New York Mercantile Exchange. An exchange which maintains a futures market for crude oil and natural gas.
Open Season	A bidding procedure used by pipelines to allocate firm transportation or storage capacity among prospective shippers, in which all bids submitted during a defined time period are evaluated as if they had been submitted simultaneously.
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.

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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
VEBA	Voluntary Employees' Beneficiary Association
WNC	Weather normalization clause; a clause in utility rates which adjusts customer rates to allow a utility to recover its normal operating costs calculated at normal temperatures. If temperatures during the measured period are warmer than normal, customer rates are adjusted upward in order to recover projected operating costs. If temperatures during the measured period are colder than normal, customer rates are adjusted downward so that only the projected operating costs

will be
recovered.

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•The Company has nothing to report under this item.

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

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Part I. Financial Information

Item 1. Financial Statements

National Fuel Gas Company

Consolidated Statements of Income and Earnings

Reinvested in the Business

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Thousands of Dollars, Except Per Common Share Amounts)	2013	2012	2013	2012
INCOME				
Operating Revenues	$ 440,008	$ 328,861	$ 1,490,688	$ 1,313,593
Operating Expenses				
Purchased Gas	95,164	50,160	426,900	390,889
Operation and Maintenance	108,497	93,749	338,533	311,857
Property, Franchise and Other Taxes	21,201	20,432	63,550	70,138
Depreciation, Depletion and Amortization	88,142	74,227	240,503	199,925
	313,004	238,568	1,069,486	972,809
Operating Income	127,004	90,293	421,202	340,784
Other Income (Expense):				
Interest Income	317	390	1,844	1,686
Other Income	1,163	1,086	3,666	4,076
Interest Expense on Long-Term Debt	(22,998)	(21,529)	(67,232)	(60,594)
Other Interest Expense	(1,303)	(828)	(2,898)	(2,851)
Income Before Income Taxes	104,183	69,412	356,582	283,101
Income Tax Expense	45,688	26,228	144,423	111,826
Net Income Available for Common Stock	58,495	43,184	212,159	171,275

EARNINGS REINVESTED IN THE BUSINESS

Balance at Beginning of Period	1,398,999	1,275,107	1,306,284	1,206,022
	1,457,494	1,318,291	1,518,443	1,377,297
Dividends on Common Stock	(31,346)	(30,393)	(92,295)	(89,399)
Balance at June 30	$ 1,426,148	$ 1,287,898	$ 1,426,148	$ 1,287,898
Earnings Per Common Share:				
Basic:				
Net Income Available for Common Stock	$ 0.70	$ 0.52	$ 2.54	$ 2.06
Diluted:				
Net Income Available for Common Stock	$ 0.69	$ 0.52	$ 2.52	$ 2.05
Weighted Average Common Shares Outstanding:				
Used in Basic Calculation	83,557,968	83,227,602	83,481,849	83,068,083
Used in Diluted Calculation	84,325,465	83,674,823	84,242,128	83,690,436
Dividends Per Common Share:				
Dividends Declared	$ 0.375	$ 0.365	$ 1.105	$ 1.075

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company

Consolidated Statements of Comprehensive Income

(Unaudited)

(Thousands of Dollars)	Three Months Ended June 30, 2013	2012	Nine Months Ended June 30, 2013	2012
Net Income Available for Common Stock	$ 58,495	$ 43,184	$ 212,159	$ 171,275
Other Comprehensive Income (Loss), Before Tax:				
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	331	(1,870)	3,104	1,959
Unrealized Gain on Derivative Financial Instruments Arising During the Period	101,866	30,432	89,865	47,085
Reclassification Adjustment for Realized Gains on Derivative Financial Instruments in Net Income	(1,885)	(21,599)	(23,973)	(49,649)
Other Comprehensive Income (Loss), Before Tax	100,312	6,963	68,996	(605)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	123	(701)	1,160	723
Income Tax Expense Related to Unrealized Gain on Derivative Financial Instruments Arising During the Period	42,566	12,688	37,490	14,346
Reclassification Adjustment for Income Tax Expense on Realized Gains from Derivative Financial Instruments In Net Income	(791)	(8,973)	(10,065)	(15,433)
Income Taxes – Net	41,898	3,014	28,585	(364)
Other Comprehensive Income (Loss)	58,414	3,949	40,411	(241)
Comprehensive Income	$ 116,909	$ 47,133	$ 252,570	$ 171,034

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company

Consolidated Balance Sheets

(Unaudited)

	June 30, 2013	September 30, 2012
(Thousands of Dollars)		
ASSETS		
Property, Plant and Equipment	$ 7,102,369	$ 6,615,813
Less - Accumulated Depreciation, Depletion and Amortization	2,088,337	1,876,010
	5,014,032	4,739,803
Current Assets		
Cash and Temporary Cash Investments	134,582	74,494
Hedging Collateral Deposits	694	364
Receivables – Net of Allowance for Uncollectible Accounts of $34,887 and $30,317, Respectively	165,047	115,818
Unbilled Utility Revenue	13,643	19,652
Gas Stored Underground	22,180	49,795
Materials and Supplies - at average cost	31,641	28,577
Other Current Assets	46,205	56,121
Deferred Income Taxes	15,148	10,755
	429,140	355,576
Other Assets		
Recoverable Future Taxes	152,122	150,941
Unamortized Debt Expense	17,227	13,409
Other Regulatory Assets	556,449	546,851
Deferred Charges	8,051	7,591
Other Investments	93,749	86,774
Goodwill	5,476	5,476

Fair Value of Derivative Financial Instruments	65,170	27,616
Other	2,524	1,105
	900,768	839,763
Total Assets	$ 6,343,940	$ 5,935,142

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company

Consolidated Balance Sheets

(Unaudited)

(Thousands of Dollars)	June 30, 2013	September 30, 2012
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders' Equity		
Common Stock, $1 Par Value		
Authorized - 200,000,000 Shares; Issued		
And Outstanding – 83,587,858 Shares and		
83,330,140 Shares, Respectively	$ 83,588	$ 83,330
Paid in Capital	686,038	669,501
Earnings Reinvested in the Business	1,426,148	1,306,284
Accumulated Other Comprehensive Loss	(58,609)	(99,020)
Total Comprehensive Shareholders' Equity	2,137,165	1,960,095
Long-Term Debt, Net of Current Portion	1,649,000	1,149,000
Total Capitalization	3,786,165	3,109,095
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper	-	171,000
Current Portion of Long-Term Debt	-	250,000
Accounts Payable	77,466	87,985
Amounts Payable to Customers	12,386	19,964
Dividends Payable	31,346	30,416
Interest Payable on Long-Term Debt	18,976	29,491
Customer Advances	246	24,055
Customer Security Deposits	16,830	17,942
Other Accruals and Current Liabilities	109,933	79,099
Fair Value of Derivative Financial Instruments	2,217	24,527
	269,400	734,479
Deferred Credits		
Deferred Income Taxes	1,237,727	1,065,757
Taxes Refundable to Customers	65,069	66,392
Unamortized Investment Tax Credit	1,685	2,005

Cost of Removal Regulatory Liability	151,846	139,611
Other Regulatory Liabilities	33,247	21,014
Pension and Other Post-Retirement Liabilities	511,516	516,197
Asset Retirement Obligations	126,879	119,246
Other Deferred Credits	160,406	161,346
	2,288,375	2,091,568
Commitments and Contingencies	-	-
Total Capitalization and Liabilities	$ 6,343,940	$ 5,935,142

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company

Consolidated Statements of Cash Flows

(Unaudited)

(Thousands of Dollars)	Nine Months Ended June 30, 2013	2012
OPERATING ACTIVITIES		
Net Income Available for Common Stock	$ 212,159	$ 171,275
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Depletion and Amortization	240,503	199,925
Deferred Income Taxes	141,007	104,948
Excess Tax Benefits Associated with Stock-Based Compensation Awards	(4,314)	(1,511)
Other	19,744	6,618
Change in:		
Hedging Collateral Deposits	(330)	16,309
Receivables and Unbilled Utility Revenue	(43,138)	23,008
Gas Stored Underground and Materials and Supplies	24,551	30,853
Unrecovered Purchased Gas Costs	-	(2,100)
Other Current Assets	14,228	18,190
Accounts Payable	11,241	(5,825)
Amounts Payable to Customers	(7,578)	2,242
Customer Advances	(23,809)	(19,328)
Customer Security Deposits	(1,112)	(474)
Other Accruals and Current Liabilities	3,534	17,083
Other Assets	(5,010)	(1,538)
Other Liabilities	5,557	14,080
Net Cash Provided by Operating Activities	587,233	573,755
INVESTING ACTIVITIES		
Capital Expenditures	(513,399)	(809,661)
Other	(3,885)	(1,267)
Net Cash Used in Investing Activities	(517,284)	(810,928)

FINANCING ACTIVITIES		
Changes in Notes Payable to Banks and Commercial Paper	(171,000)	30,200
Excess Tax Benefits Associated with Stock-Based Compensation Awards	4,314	1,511
Net Proceeds from Issuance of Long-Term Debt	495,415	496,085
Reduction of Long-Term Debt	(250,000)	(150,000)
Dividends Paid on Common Stock	(91,364)	(88,404)
Net Proceeds from Issuance of Common Stock	2,774	8,168
Net Cash Provided by (Used in) Financing Activities	(9,861)	297,560
Net Increase in Cash and Temporary Cash Investments	60,088	60,387
Cash and Temporary Cash Investments at October 1	74,494	80,428
Cash and Temporary Cash Investments at June 30	$ 134,582	$ 140,815

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 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 and Revisions. Certain prior year amounts have been reclassified to conform with current year presentation.

Revisions were made on the Consolidated Statement of Cash Flows for the nine months ended June 30, 2012 to reflect non-cash investing activities embedded in Accounts Payable on the Consolidated Balance Sheets at June 30, 2012 and September 30, 2011. These revisions increased the operating cash flows related to the change in Accounts Payable for the nine months ended June 30, 2012 by $32.8 million and decreased investing cash flows related to Capital Expenditures by the same amounts.

In the subsequent period, revisions will be made on the Consolidated Statement of Cash Flows for the fiscal years ended September 30, 2012 and September 30, 2011 to reflect non-cash investing activities embedded in Accounts Payable on the Consolidated Balance Sheets for the respective periods. The revisions for the fiscal years ended September 30, 2012 and September 30, 2011 will decrease operating cash flows by $1.8 million and $6.6 million, respectively, and increase investing cash flows related to Capital Expenditures by the same amounts. The revisions in the Consolidated Statement of Cash Flows noted above represent errors that are not deemed material, individually or in the aggregate, to the prior period consolidated financial statements.

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, 2012, 2011 and 2010 that are included in the Company's 2012 Form 10-K. The consolidated financial statements for the year ended September 30, 2013 will be audited by the Company's independent registered public accounting firm after the end of the fiscal year.

The earnings for the nine months ended June 30, 2013 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2013. 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 7 – Business Segment Information.

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

The Company has accounts payable and accrued liabilities recorded on its Consolidated Balance Sheets that are related to capital expenditures. These amounts represent non-cash investing activities at the balance sheet date. Accordingly, they are excluded from the Consolidated Statement of Cash Flows when they are recorded as liabilities and included in the Consolidated Statement of Cash Flows when they are paid in the subsequent period. The following table summarizes the Company's non-cash capital expenditures recorded as Accounts Payable and Other Accruals and Current Liabilities on the Consolidated Balance Sheet:

	At June 30,		At September 30,	
	2013	2012	2012	2011
	(Thousands)			
Non-cash Capital Expenditures	$ 58,632	$ 118,624	$ 67,503	$ 125,115

Hedging Collateral Deposits. This is an account title for cash held in margin accounts funded by the Company to serve as collateral for hedging positions. The Company had hedging collateral deposits of $0.7 million and $0.4 million related to its exchange-traded futures contracts at June 30, 2013 and September 30, 2012, respectively. 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 - Current. In the Utility segment, gas stored underground – current is carried at lower of cost or market, on a LIFO method. Gas stored underground – current normally declines during the first and second quarters of the year and is replenished during the third and fourth quarters. In the Utility segment, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption "Other Accruals and Current Liabilities." Such reserve, which amounted to $22.0 million at June 30, 2013, 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 $143.8 million and $146.1 million at June 30, 2013 and September 30, 2012, 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 June 30, 2013, the ceiling exceeded the book value of the oil and gas properties by approximately $199.1 million.

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

	At June 30, 2013	At September 30, 2012
Funded Status of the Pension and Other Post-Retirement Benefit Plans	$ (100,561)	$ (100,561)
Net Unrealized Gain (Loss) on Derivative Financial Instruments	36,865	(1,602)
Net Unrealized Gain on Securities Available for Sale	5,087	3,143
Accumulated Other Comprehensive Loss	$ (58,609)	$ (99,020)

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

	At June 30, 2013	At September 30, 2012
Prepayments	$ 10,472	$ 8,316
Prepaid Property and Other Taxes	10,461	14,455
Federal Income Taxes Receivable	-	268
State Income Taxes Receivable	1,058	2,065
Fair Values of Firm Commitments	1,384	1,291
Regulatory Assets	22,830	29,726
	$ 46,205	$ 56,121

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

	At June 30, 2013	At September 30, 2012
Accrued Capital Expenditures	$ 49,348	$ 36,460
Regulatory Liabilities	13,318	18,289
Reserve for Gas Replacement	22,032	-
Other	25,235	24,350
	$ 109,933	$ 79,099

Earnings Per Common Share. Basic earnings per common share is computed by dividing net income available for common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For purposes of determining earnings per common share, the only potentially dilutive securities the Company has outstanding are stock options, SARs and restricted stock units. The diluted weighted average shares outstanding shown on the Consolidated Statements of Income reflects the potential dilution as a result of these securities as determined using the Treasury Stock Method. Stock options, SARs and restricted stock units that are antidilutive are excluded from the calculation of diluted earnings per common share. There were 180,552 and 196,121 securities excluded as being antidilutive for the quarter and nine months ended June 30, 2013, respectively. There were 976,870 and 833,170 securities excluded as being antidilutive for the quarter and nine months ended June 30, 2012, respectively.

Stock-Based Compensation. During the nine months ended June 30, 2013, the Company granted 412,970 SARs having a weighted average exercise price of $53.05 per share. The weighted average grant date fair value of these SARs was $10.66 per share. These SARs may be settled in cash, in shares of common stock of the Company, or in a combination of cash and shares of common stock of the Company, as determined by the Company. These SARs are considered equity awards under the current authoritative guidance for stock-based compensation. The accounting for those SARs is the same as the accounting for stock options. The SARs granted during the nine months ended June 30, 2013 vest and become exercisable annually in one-third increments. The weighted average grant date fair value of these SARs granted during the nine months ended June 30, 2013 was estimated on the date of grant using the same accounting treatment that is applied for stock options. There were no stock options granted during the nine months ended June 30, 2013.

The Company granted 255,604 performance based restricted stock units during the nine months ended June 30, 2013. The weighted average fair value of such performance based restricted stock units was $49.51 per share for the nine months ended June 30, 2013. The performance based restricted stock units granted during the nine months ended June 30, 2013 must meet a performance condition over the performance cycle of October 1, 2012 to September 30, 2015. The performance condition over the performance cycle, generally stated, is the Company’s total return on capital as compared to the same metric for companies in the Natural Gas Distribution and Integrated Natural Gas Companies group as calculated and reported in the Monthly Utility Reports of AUS, Inc., a leading industry consultant. The number of performance based restricted stock units that will vest 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 Company also granted 39,700 non-performance based restricted stock units during the nine months ended June 30, 2013. The weighted average fair value of such non-performance based restricted stock units was $50.13 per share for the nine months ended June 30, 2013.

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Restricted stock units, both performance based and non-performance based, represent the right to receive shares of common stock of the Company (or the equivalent value in cash or a combination of cash and shares of common stock of the Company, as determined by the Company) at the end of a specified time period. The performance based and non-performance based restricted stock units do not entitle the participant to receive dividends during the vesting period. The accounting for performance based and 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. There were no restricted share awards granted during the nine months ended June 30, 2013.

New Authoritative Accounting and Financial Reporting Guidance. In December 2011, the FASB issued authoritative guidance requiring enhanced disclosures regarding offsetting assets and liabilities. Companies are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This authoritative guidance will be effective as of the Company's first quarter of fiscal 2014 and is not expected to have a significant impact on the Company's financial statements.

In February 2013, the FASB issued authoritative guidance requiring enhanced disclosures regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The authoritative guidance requires parenthetical disclosure on the face of the financial statements or a single footnote that would provide more detail about the components of reclassification adjustments that are reclassified in their entirety to net income. If a component of a reclassification adjustment is not reclassified in its entirety to net income, a cross reference would be made to the footnote disclosure that provides a more thorough discussion of the component involved in that reclassification adjustment. This authoritative guidance will be effective as of the Company's first quarter of fiscal 2014. The Company does not expect this guidance to have a material impact.

Note 2 – Fair Value Measurements

The FASB authoritative guidance regarding fair value measurements establishes a fair-value hierarchy and prioritizes the inputs used in valuation techniques that measure fair value. Those inputs are prioritized into three levels. Level 1 inputs are unadjusted quoted prices in active markets for assets or liabilities that the Company 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 June 30, 2013 and September 30, 2012. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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Recurring Fair Value Measures	At fair value as of June 30, 2013				
(Thousands of Dollars)	Level 1	Level 2	Level 3	Netting Adjustments[(1)]	Total[(1)]
Assets:					
Cash Equivalents – Money Market Mutual Funds	$ 122,024	$ -	$ -	$ -	$ 122,024
Derivative Financial Instruments:					
Commodity Futures Contracts – Gas	2,252	-	-	(1,806)	446
Over the Counter Swaps – Gas	-	63,255	-	(5,093)	58,162
Over the Counter Swaps – Oil	-	9,078	17	(3,260)	5,835
Other Investments:					
Balanced Equity Mutual Fund	30,125	-	-	-	30,125
Common Stock – Financial Services Industry	6,331	-	-	-	6,331
Other Common Stock	295	-	-	-	295
Hedging Collateral Deposits	694	-	-	-	694
Total	$ 161,721	$ 72,333	$ 17	$ (10,159)	$ 223,912
Liabilities:					
Derivative Financial Instruments:					
Commodity Futures Contracts – Gas	$ 1,806	$ -	$ -	$ (1,806)	$ -
Over the Counter Swaps – Gas	-	2,626	-	(5,093)	(2,467)
Over the Counter Swaps – Oil	-	-	7,944	(3,260)	4,684
Total	$ 1,806	$ 2,626	$ 7,944	$ (10,159)	$ 2,217
Total Net Assets/(Liabilities)	$ 159,915	$ 69,707	$ (7,927)	$ -	$ 221,695

Recurring Fair Value Measures	At fair value as of September 30, 2012				
(Thousands of Dollars)	Level 1	Level 2	Level 3	Netting Adjustments[(1)]	Total[(1)]
Assets:					
Cash Equivalents – Money Market Mutual Funds	$ 46,113	$ -	$ -	$ -	$ 46,113

Derivative Financial Instruments:					
Commodity Futures Contracts – Gas	4,348	-	-	(2,760)	1,588
Over the Counter Swaps – Gas	-	41,751	-	(15,723)	26,028
Over the Counter Swaps – Oil	-	-	559	(559)	-
Other Investments:					
Balanced Equity Mutual Fund	24,767	-	-	-	24,767
Common Stock – Financial Services Industry	4,758	-	-	-	4,758
Other Common Stock	272	-	-	-	272
Hedging Collateral Deposits	364	-	-	-	364
Total	$ 80,622	$ 41,751	$ 559	$ (19,042)	$ 103,890
Liabilities:					
Derivative Financial Instruments:					
Commodity Futures Contracts – Gas	$ 2,760	$ -	$ -	$ (2,760)	$ -
Over the Counter Swaps – Gas	-	19,932	-	(15,723)	4,209
Over the Counter Swaps – Oil	-	654	20,223	(559)	20,318
Total	$ 2,760	$ 20,586	$ 20,223	$ (19,042)	$ 24,527
Total Net Assets/(Liabilities)	$ 77,862	$ 21,165	$ (19,664)	$ -	$ 79,363

(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. In the tables above, presenting asset and liability information by gas and oil positions may result in negative assets or negative liabilities in Total column when a counterparty has issued both gas and oil swaps to the Company.

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Derivative Financial Instruments

At June 30, 2013 and September 30, 2012, the derivative financial instruments reported in Level 1 consist of natural gas NYMEX futures contracts used in the Company's Energy Marketing segment. Hedging collateral deposits of $0.7 million (at June 30, 2013) and $0.4 million (at September 30, 2012), which are associated with these futures contracts, have been reported in Level 1 as well. The derivative financial instruments reported in Level 2 at June 30, 2013 and September 30, 2012 consist of natural gas price swap agreements used in the Company's Exploration and Production and Energy Marketing segments and a portion of the crude oil price swap agreements 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 derivative financial instruments reported in Level 3 consist of a portion of the Company's Exploration and Production segment's crude oil price swap agreements at June 30, 2013 and September 30, 2012. The fair value of the Level 3 crude oil price swap agreements is based on an internal, discounted cash flow model that uses both observable (i.e. LIBOR based discount rates) and unobservable inputs (i.e. basis differential information of crude oil trading markets with low trading volume).

The significant unobservable input used in the fair value measurement of a portion of the Company's over-the-counter crude oil swaps is the basis differential between Midway Sunset oil and NYMEX contracts. Significant changes in the assumed basis differential could result in a significant change in value of the derivative financial instruments. At June 30, 2013, it was assumed that Midway Sunset oil was valued at 109.3% of the value of oil priced at NYMEX. This is based on a historical twelve month average of Midway Sunset oil sales verses NYMEX settlements. During this twelve-month period, the price of Midway Sunset oil ranged from 102.3% to 112.4% of NYMEX. If the basis differential between Midway Sunset oil and NYMEX contracts used in the fair value measurement calculation at June 30, 2013 had been 10 percentage points lower, the fair value of the Level 3 crude oil price swap agreements would have changed from a net liability of $7.9 million to a net asset of $1.3 million. If the basis differential between Midway Sunset oil and NYMEX contracts used in the fair value measurement at June 30, 2013 had been 10 percentage points higher, the fair value measurement of the Level 3 crude oil price swap agreements liability would have been approximately $9.5 million higher. These calculated amounts are based solely on basis differential changes and do not take into account any other changes to the fair value measurement calculation.

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 June 30, 2013, 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 (for an asset) or the Company's (for a liability) credit default swaps rates.

The tables listed below provide reconciliations of the beginning and ending net balances for assets and liabilities measured at fair value and classified as Level 3 for the quarters and nine months ended June 30, 2013 and 2012, respectively. For the quarters and nine months ended June 30, 2013 and June 30, 2012, no transfers in or out of Level 1 or Level 2 occurred. There were no purchases or sales of derivative financial instruments during the periods presented in the tables below. All settlements of the derivative financial instruments are reflected in the Gains/Losses Realized and Included in Earnings column of the tables below.

Fair Value Measurements Using Unobservable Inputs (Level 3)

(Thousands of Dollars)		Total Gains/Losses			
	April 1, 2013	(Gains)/ Losses Realized and Included in Earnings	Gains/(Losses) Unrealized and Included in Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2013
Derivative Financial Instruments[2]	$ (16,606)	$ 2,471 (1)	$ 6,208	$ -	$ (7,927)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the three months ended June 30, 2013.

[2] Derivative Financial Instruments are shown on a net basis.

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Fair Value Measurements Using Unobservable Inputs (Level 3)

(Thousands of Dollars)		Total Gains/Losses			
	October 1, 2012	(Gains)/ Losses Realized and Included in Earnings	Gains/(Losses) Unrealized and Included in Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2013
Derivative Financial Instruments[2]	$ (19,664)	$ 9,271 (1)	$ 2,466	$ -	$ (7,927)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the nine months ended June 30, 2013.

[2] Derivative Financial Instruments are shown on a net basis.

Fair Value Measurements Using Unobservable Inputs (Level 3)

(Thousands of Dollars)		Total Gains/Losses			
	April 1, 2012	(Gains)/ Losses Realized and Included in Earnings	Gains/(Losses) Unrealized and Included In Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2012
Derivative Financial Instruments[2]	$ (68,754)	$ 10,392 (1)	$ 41,814	$ -	$ (16,548)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the three months ended June 30, 2012.

[2] Derivative Financial Instruments are shown on a net basis.

Fair Value Measurements Using Unobservable Inputs (Level 3)

(Thousands of Dollars)	October 1, 2011	Total Gains/Losses (Gains)/ Losses Realized and Included in Earnings	Gains/(Losses) Unrealized and Included In Other Comprehensive Income (Loss)	Transfer In/Out of Level 3	June 30, 2012
Derivative Financial Instruments[2]	$ (5,410)	$ 36,526 (1)	$ (47,664)	$ -	$ (16,548)

[1] Amounts are reported in Operating Revenues in the Consolidated Statement of Income for the nine months ended June 30, 2012.

[2] Derivative Financial Instruments are shown on a net basis.

Note 3 – Financial Instruments

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

	June 30, 2013		September 30, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt	$ 1,649,000	$ 1,790,040	$ 1,399,000	$ 1,623,847

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

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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.

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

Other investments include cash surrender values of insurance contracts (net present value in the case of split-dollar collateral assignment arrangements) and marketable equity securities. The values of the insurance contracts amounted to $57.0 million at June 30, 2013 and September 30, 2012. The fair value of the equity mutual fund was $30.1 million at June 30, 2013 and $24.8 million at September 30, 2012. The gross unrealized gain on this equity mutual fund was $4.1 million at June 30, 2013 and $2.6 million at September 30, 2012. The fair value of the stock of an insurance company was $6.3 million at June 30, 2013 and $4.8 million at September 30, 2012. The gross unrealized gain on this stock was $3.9 million at June 30, 2013 and $2.3 million at September 30, 2012. The insurance contracts and marketable equity securities are primarily informal funding mechanisms for various benefit obligations the Company has to certain employees.

Derivative Financial Instruments. The Company uses or has used derivative instruments to manage commodity price risk in the Exploration and Production, Energy Marketing, and Pipeline and Storage segments. The Company enters into futures contracts and over-the-counter swap agreements for natural gas and crude oil to manage the price risk associated with forecasted sales of gas and oil. The Company also enters into futures contracts and swaps to manage the risk associated with forecasted gas purchases, forecasted gas sales, storage of gas, withdrawal of gas from storage to meet customer demand and the potential decline in the value of gas held in storage. The duration of the Company's hedges does not typically exceed 5 years.

The Company has presented its net derivative assets and liabilities as "Fair Value of Derivative Financial Instruments" on its Consolidated Balance Sheets at June 30, 2013 and September 30, 2012. All of the derivative financial instruments reported on those line items relate to commodity contracts.

Cash flow hedges

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

As of June 30, 2013, the Company’s Exploration and Production segment had the following commodity derivative contracts (swaps) outstanding to hedge forecasted sales (where the Company uses short positions (i.e. positions that pay-off in the event of commodity price decline) to mitigate the risk of decreasing revenues and earnings):

Commodity	Units
Natural Gas	208.0 Bcf (all short positions)
Crude Oil	4,134,000 Bbls (all short positions)

As of June 30, 2013, the Company’s Energy Marketing segment had the following commodity derivative contracts (futures contracts and swaps) outstanding to hedge forecasted sales (where the Company uses short positions to mitigate the risk associated with natural gas price decreases and its impact on decreasing revenues and earnings) and, when applicable, purchases (where the Company uses long positions (i.e. positions that pay-off in the event of commodity price increases) to mitigate the risk of increasing natural gas prices, which would lead to increased purchased gas expense and decreased earnings):

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Commodity	Units
Natural Gas	7.1 Bcf (5.6 Bcf short positions (mostly forecasted storage withdrawals) and 1.5 Bcf long positions (mostly forecasted storage injections))

As of June 30, 2013, the Company’s Exploration and Production segment had $61.6 million ($35.8 million after tax) of net hedging gains included in the accumulated other comprehensive income (loss) balance. It is expected that $40.1 million ($23.3 million after tax) of such unrealized gains will be reclassified into the Consolidated Statement of Income within the next 12 months as the expected sales of the underlying commodities occur.

As of June 30, 2013, the Company’s Energy Marketing segment had $1.7 million ($1.1 million after tax) of net hedging gains included in the accumulated other comprehensive income (loss) balance. It is expected that the full amount will be reclassified into the Consolidated Statement of Income (Loss) within the next 12 months as the expected sales of the underlying commodity occurs.

Refer to Note 1, under Accumulated Other Comprehensive Income (Loss), for the after-tax gain (loss) pertaining to derivative financial instruments for the Exploration and Production and Energy Marketing segments.

The Effect of Derivative Financial Instruments on the Statement of Financial Performance for the Three Months Ended June 30, 2013 and 2012 (Thousands of Dollars)

	Amount of Derivative Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on	Location of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the	Amount of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet	Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of	Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective

Derivatives in Cash Flow Hedging Relationships	the Consolidated Statement of Comprehensive Income (Loss) (Effective Portion) for the Three Months Ended June 30,		Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion)	into the Consolidated Statement of Income (Effective Portion) for the Three Months Ended June 30,		Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Portion and Amount Excluded from Effectiveness Testing) for the Three Months Ended June 30,	
	2013	2012		2013	2012		2013	2012
Commodity Contracts – Exploration & Production segment	$ 99,987	$ 31,358	Operating Revenue	$ 1,504	$ 20,643	Operating Revenue	$ 456	$ -
Commodity Contracts – Energy Marketing segment	$ 1,879	$ (201)	Purchased Gas	$ (75)	$ 956	Not Applicable	$ -	$ -
Commodity Contracts – Pipeline & Storage segment(1)	$ -	$ (725)	Operating Revenue	$ -	$ -	Not Applicable	$ -	$ -
Total	$ 101,866	$ 30,432		$ 1,429	$ 21,599		$ 456	$ -

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The Effect of Derivative Financial Instruments on the Statement of Financial Performance for the Nine Months Ended June 30, 2013 and 2012 (Thousands of Dollars)

Derivatives in Cash Flow Hedging Relationships	Amount of Derivative Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on the Consolidated Statement of Comprehensive Income (Loss) (Effective Portion) for the Nine Months Ended June 30, 2013	2012	Location of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion)	Amount of Derivative Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheet into the Consolidated Statement of Income (Effective Portion) for the Nine Months Ended June 30, 2013	2012	Location of Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Derivative Gain or (Loss) Recognized in the Consolidated Statement of Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) for the Nine Months Ended June 30, 2013	2012
Commodity Contracts – Exploration & Production segment	$ 86,237	$ 40,897	Operating Revenue	$ 25,550	$ 38,633	Not Applicable	$ -	$ -
Commodity Contracts – Energy Marketing segment	$ 3,628	$ 6,337	Purchased Gas	$ (905)	$ 10,440	Not Applicable	$ -	$ -
Commodity Contracts – Pipeline & Storage segment(1)	$ -	$ (149)	Operating Revenue	$ (672)	$ 576	Not Applicable	$ -	$ -
Total	$ 89,865	$ 47,085		$ 23,973	$ 49,649		$ -	$ -

(1) There were no open hedging positions at June 30, 2013.

Fair value hedges

The Company's Energy Marketing segment utilizes fair value hedges to mitigate risk associated with fixed price sales commitments, fixed price purchase commitments, and the decline in the value of 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 market writedown of the value of natural gas in storage that is recorded in the Company's financial statements. As of June 30, 2013, the Company's Energy Marketing segment had fair value hedges covering approximately 7.8 Bcf (6.8 Bcf of fixed price sales commitments (mostly long positions) and 1.0 Bcf of fixed price purchase commitments (mostly short positions)). For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk completely offset each other in current earnings, as shown below.

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Derivatives in Fair Value Hedging Relationships – Energy Marketing segment	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 Consolidated Statement of Income for the Nine Months Ended June 30, 2013 (In Thousands)	Amount of Gain or (Loss) on the Hedged Item Recognized in the Consolidated Statement of Income for the Nine Months Ended June 30, 2013 (In Thousands)
Commodity Contracts – Hedge of fixed price sales commitments of natural gas	Operating Revenues	$ (1,720)	$ 1,720
Commodity Contracts – Hedge of fixed price purchase commitments of natural gas	Purchased Gas	$ (148)	$ 148
Commodity Contracts – Hedge of natural gas held in storage	Purchased Gas	$ 10	$ (10)
		$ (1,858)	$ 1,858

The Company may be exposed to credit risk on any of the derivative financial instruments that are in a gain position. Credit risk relates to the risk of loss that the Company would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. To mitigate such credit risk, management performs a credit check, and then on a quarterly basis monitors counterparty credit exposure. The majority of the Company's counterparties are financial institutions and energy traders. The Company has over-the-counter swap positions with thirteen counterparties of which eleven are in a net gain position. On average, the Company had $5.8 million of credit exposure per counterparty in a gain position at June 30, 2013. The maximum credit exposure per counterparty in a gain position at June 30, 2013 was $12.2 million. As of June 30, 2013, the Company had not received any collateral from the counterparties. 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 June 30, 2013, eleven of the thirteen counterparties to the Company's outstanding derivative instrument contracts (specifically the over-the-counter swaps) had a common credit-risk related contingency feature. In the event the Company's credit rating increases or falls below a certain threshold (applicable debt ratings), the available credit extended to the Company would either increase or decrease. A decline in the Company's credit rating, in and of itself, would not cause the Company to be required to increase the level of its hedging collateral deposits (in the form of cash deposits, letters of credit or treasury debt instruments). If the Company's outstanding derivative instrument contracts were in a liability position (or if the current liability were larger) and/or the Company's credit rating declined, then additional hedging collateral deposits may be required. At June 30, 2013, the fair market value of the derivative financial instrument assets with a credit-risk related contingency feature was $48.8 million according to the Company's internal model (discussed in Note 2 — Fair Value Measurements). At June 30, 2013, the fair market value of the derivative financial instrument liabilities with a credit-risk related contingency feature was $2.2 million according to the Company's internal model (discussed in Note 2 — Fair Value Measurements). For its over-the-counter swap agreements, the Company was not required to post any hedging collateral deposits at June 30, 2013.

For its exchange traded futures contracts, which are in an asset position, the Company was required to post $0.7 million in hedging collateral deposits as of June 30, 2013. As these are exchange traded futures contracts, there are no specific credit-risk related contingency features. The Company posts hedging collateral based on open positions and margin requirements it has with its counterparties.

The Company's requirement to post hedging collateral deposits is based on the fair value determined by the Company's counterparties, which may differ from the Company's assessment of fair value. Hedging collateral deposits may also include closed derivative positions in which the broker has not cleared the cash from the account to offset the

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derivative liability. The Company records liabilities related to closed derivative positions in Other Accruals and Current Liabilities on the Consolidated Balance Sheet. These liabilities are relieved when the broker clears the cash from the hedging collateral deposit account. This is discussed in Note 1 under Hedging Collateral Deposits.

Note 4 - Income Taxes

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

	Nine Months Ended June 30,	
	2013	2012
Current Income Taxes		
Federal	$ (518)	$ -
State	3,934	6,878
Deferred Income Taxes		
Federal	105,362	85,910
State	35,645	19,038
	144,423	111,826
Deferred Investment Tax Credit	(320)	(436)