

EQUITABLE GAS COMPANY,
a division of Equitable Resources, Inc.
before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Docket No. R-2008-2029325

INFORMATION SUBMITTED PURSUANT TO:
Title 52 Pennsylvania Code § 53.51, et seq.,
Pa. P.U.C. Regulations Re: Filing of Rate Changes

EXHIBIT VI
STANDARD DATA REQUESTS
VOLUME 3 OF 3

Cost of Service Interrogatories
and
Rate of Return Interrogatories

11/15/08

215

Equitable Exhibit VI

Docket No. R-2008-2029325

Volume 3 of 3

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EQUITABLE GAS COMPANY

A Division of

EQUITABLE RESOURCES, INC.

Before the

PENNSYLVANIA PUBLIC UTILITY COMMISSION

EXHIBIT VI

STANDARD DATA REQUESTS

Volume 3 of 3

COST OF SERVICE INTERROGATORIES

and

RATE OF RETURN INTERROGATORIES

INFORMATION SUBMITTED PURSUANT TO:

Title 52 Pennsylvania Code § 53.51, et seq.,
Pa. P.U.C. Regulations Re Filing of Rate Changes

Equitable Gas Company's 2008 General Rate Filing

Cost of Service

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 1: Please explain the Company's policy with regard to when customer advances and contributions in aid of construction must be made.

Response: The Company's policy with regard to customer advances and contributions in aid of construction are in the Company's current tariff on pages 9 and 10.

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 2: Please provide a detailed explanation describing how contributions in aid of construction and customer advances are reflected in the Company's cost of service study.

Response: Customer advances have been deducted from the Company's Rate Base claim. Contributions in aid of construction are deducted from Gross Plant in the Company's books of records and have been treated as such in the Company's cost of service study.

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 3: Please provide a breakdown of contributions in aid of construction by customer class and plant account number for the most recent year available.

Response: Following is a breakdown of contributions in aid of construction by plant account number recorded for the test year ended December 31, 2007. The Company does not record contributions in aid of construction by customer class.

<u>Description</u>	<u>Account</u>	<u>Amount</u>
Transmission Plant - Meas. & Reg. Station Equipment	369000	\$ 253,000.00
Distribution Plant - New Business Main Extensions	376000	25,320.83
Distribution Plant - Main Replacements	376000	64,188.00
Distribution Plant - Services	380000	20,382.00
General Plant - Buildings - General	390000	<u>50,000.00</u>
TOTAL		\$ <u>412,890.83</u>

Equitable Gas Company
 Response to Standard Data Requests
 COST OF SERVICE INTERROGATORIES

Item 4: Please provide a breakdown of transmission and distribution mains investment by pipe diameter.

Response

Mains by Size				
At December 31, 2007				
	Transmission		Distribution	
	Account 367		Account 376	
Size	Footage	Cost	Footage	Cost
< 01			708	1,037.22
01			364,628	4,138,379.37
02	49	647.97	2,949,005	36,356,540.36
03	248	2,045.65	4,172,968	57,487,469.86
04	1,650	18,409.68	3,954,994	70,939,350.97
05			92,959	140,887.41
06	128	7,495.50	2,942,628	69,345,450.64
08	85,723	371,625.21	1,429,747	46,041,497.49
10	152,416	1,418,270.24	285,977	11,080,771.40
12	208,355	6,785,804.65	772,365	38,288,446.50
14			867	6,624.46
16	12,860	152,470.91	411,711	22,233,946.17
20	37,709	833,681.78	389,887	29,057,870.02
24	30	867.64	195,246	14,991,455.01
30	1,162	36,234.75	87,253	7,309,104.22
36			24,504.00	287,582.56
TOTAL	500,330	\$ 9,627,553.98	18,075,447	\$ 407,706,413.66

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 5: Please provide a breakdown of customer advances by customer class for the most recent year available.

Response: There were no customer advances recorded for the 12 – month period ended December 31, 2007.

Equitable Gas Company
 Response to Standard Data Requests
 COST OF SERVICE INTERROGATORIES

Item 6: Please provide a breakdown of services investment by service line diameter, and a breakdown of services by size and customer class.

Response: Following is a breakdown of services investment included in Account 101 – Gas Plant in Service by service line diameter and type as of December 31, 2007. The Company does not currently track services by customer class.

<u>Size</u>	<u>Type</u>		<u>Cost</u>
00	Copper	\$	250,018.49
00	Plastic		25,533.31
00	Steel		874.62
01	Copper		2,932,384.52
01	Plastic		185,310,521.99
01	Steel		20,578,554.21
02	Copper		74.66
02	Plastic		2,098,845.73
02	Steel		1,627,741.38
03	Plastic		406,960.85
03	Steel		529,983.87
04	Plastic		398,197.62
04	Steel		285,030.76
05	Steel		76.89
06	Plastic		152,253.73
06	Steel		254,966.17
08	Plastic		70,382.90
08	Steel		140,795.81
09	Plastic		3,786.74
09	Steel		121.47
12	Steel		68,397.52
16	Steel		6,712.04
TOTAL		\$	215,142,215.28

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 7: If available, please provide a breakdown of meter investment by meter size, and a breakdown of meters by size and customer class.

Response: Meters in Account 381 are classified by meter type and are not "customer class" specific. The attached schedule details the Company's meter investment by type as of December 31, 2007.

Equitable Gas Company
 Response to Standard Data Requests
 COST OF SERVICE INTERROGATORIES

Account 381 by Meter Type as of December 31, 2007

<u>Meter Description</u>	<u>Meter Classification</u>	<u>Cost</u>
32104 5.3CVM AMERICAN	GROUP C HARD CASE 1500cfh&over	\$ 75.13
12101 5B METRIC AMERICAN	GROUP A HARD CASE 0-500cfh	335.23
12105 AL175 AMERICAN	GROUP A HARD CASE 0-500cfh	2,154,775.45
12103 AL250 AMERICAN	GROUP A HARD CASE 0-500cfh	1,702,649.25
32103 3.5CVM AMERICAN	GROUP B HARD CASE 500-1500cfh	116.76
22107 AM1000 / AL1000 AMERICAN	GROUP B HARD CASE 500-1500cfh	1,489,458.28
32107 4" TURBO AMERICAN	GROUP C HARD CASE 1500cfh&over	4,644.10
12106 AL425 AMERICAN	GROUP A HARD CASE 0-500cfh	122,337.89
22106 AL800 AMERICAN	GROUP B HARD CASE 500-1500cfh	83,160.35
32106 2M CVM AMERICAN	GROUP C HARD CASE 1500cfh&over	2,769.42
32110 12" TURBO AMERICAN	GROUP C HARD CASE 1500cfh&over	29,609.92
32108 6" TURBO AMERICAN	GROUP C HARD CASE 1500cfh&over	1,457.03
32109 8" TURBO AMERICAN	GROUP C HARD CASE 1500cfh&over	357.99
11102 5LT AMERICAN TIN CASE	GROUP A (OBSOLETE) 0-300cfh	2,127.03
12107 AC250 20A 20LT AMERICAN	GROUP A HARD CASE 0-500cfh	1,703,961.84
11103 W250 AMERICAN TIN CASE	GROUP A (OBSOLETE) 0-300cfh	3,817.89
12201 OEMCO EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	728.49
32201 3EMCO EQUIMETER/ROCKWELL	GROUP C HARD CASE 1500cfh&over	559.17
12203 1EMCO EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	1,750.82
22203 R750 EQUIMETER/ROCKWELL	GROUP B HARD CASE 500-1500cfh	170,209.84
22202 2.5EMCO EQUIMETER/ROCKWL	GROUP B HARD CASE 500-1500cfh	25.31
12205 R175 EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	998,360.56
22205 K1000 RK ROCKWELL METERS	GROUP B HARD CASE 500-1500cfh	45,541.49
12206 R200 EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	805,113.51
12204 R250 EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	1,123,973.15
22204 R1600 EQUIMETER/ROCKWELL	GROUP B HARD CASE 500-1500cfh	747.53
12208 R275 EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	217,807.84
12207 R415 EQUIMETER/ROCKWELL	GROUP A HARD CASE 0-500cfh	300,790.54
32216 10" TURBO EQUIMETER/RCKWL	GROUP C HARD CASE 1500cfh&over	5,594.43
32218 12" TURBO EQUIMETER/RCKWL	GROUP C HARD CASE 1500cfh&over	34,700.98
32212 3" ROTOSEAL EQUIMTR/RCKWL	GROUP C HARD CASE 1500cfh&over	1,355.17
32213 4" TURBO EQUIMETER/ROCKWL	GROUP C HARD CASE 1500cfh&over	80,425.00
32214 6" TURBO EQUIMETER/ROCKWL	GROUP C HARD CASE 1500cfh&over	94,363.97
32215 8" TURBO EQUIMETER/ROCKWL	GROUP C HARD CASE 1500cfh&over	123,008.53
32506 1.5M-125/C-175 ROOTS/CNR	GROUP C HARD CASE 1500cfh&over	390,544.38
32510 11M-125/C-175 ROOTS/CNRS	GROUP C HARD CASE 1500cfh&over	397,681.07
32511 16M-125/C-175 ROOTS/CNRS	GROUP C HARD CASE 1500cfh&over	200,988.89
32512 23M-125/c-175 ROOTS/CNRS	GROUP C HARD CASE 1500cfh&over	37,037.57
12501 250/275 LANCASTER 3.5x10	GROUP A HARD CASE 0-500cfh	278,577.99
32518 3.6M-600 ROOTS CONNERSVL	GROUP C HARD CASE 1500cfh&over	4,436.25
32513 38M-125/C-175 ROOTS/CNRS	GROUP C HARD CASE 1500cfh&over	6,008.54
32507 3M-125/C-175 ROOTS/CNRSV	GROUP C HARD CASE 1500cfh&over	1,014,709.05
32508 5M-125/C-175 ROOTS/CNRS	GROUP C HARD CASE 1500cfh&over	566,090.87
32509 7M-125/C-175 ROOTS/CNRS	GROUP C HARD CASE 1500cfh&over	449,099.04
32505 8x24 ROOTS/CONNERSVILLE	GROUP C HARD CASE 1500cfh&over	5,310.24
12305 175 SPRAGUE/SCHLUMBERGER	GROUP A HARD CASE 0-500cfh	567,431.13
12302 240 B-3 SPRAGUE/SCHLUMBR	GROUP A HARD CASE 0-500cfh	3,937.98
12303 250 SPRAGUE/SCHLUMBERGER	GROUP A HARD CASE 0-500cfh	46,141.26
12506 15C175 ROOTS METER	GROUP A HARD CASE 0-500cfh	160,647.58
TOTAL		\$ 15,435,351.73

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 8: Please provide the Company's rate design models and cost of service study on an IBM PC-compatible computer disk in Lotus 1-2-3-or Quattro format. If the models consist of more than one file, please include information on all files on the disk and what they contain. If not available in Lotus 1-2-3 or Quattro format, please provide in ASCII format.

Response: A copy of the computer disk for the Company's cost of service study will be furnished to parties upon request.

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 9: Please provide a copy of the Company's current customer extension policy. Provide a representative sample of the analyses conducted by the Company when deciding whether service to a new customer qualifies under the Company's customer extension policy.

Response: The Company's current customer extension policy is included in the Company's tariff as Section "1.2 Applications for Service Extension of Mains" and states:

The Company will extend its facilities to a new point of delivery within its service territory if, in its judgment and consistent with Pennsylvania Public Utility Commission regulations, the service to such a new point of delivery will have no adverse effect upon the availability of gas to meet the present and reasonably foreseeable volume and pressure needs of existing ratepayers and the request is not for special utility service. "Special utility service" shall include (a) a request for utility service when the applicant has an installed alternative fuel capability; (b) a request for utility service when the applicant is already receiving natural gas service from another Pennsylvania public utility; (c) a request for utility service from an applicant located in an area in which another natural gas utility is authorized to serve the applicant; (d) a request for utility service by a builder or developer of a residential lot plan who is requesting an extension of the Company's facilities in anticipation of future homeowners' need for natural gas supplies; (e) any request for service by an applicant who, in the Company's view, is unlikely to remain on the Company's system for a sufficient period of time to justify the extension. In the case of requests for a "special utility service," the Company may condition the extension of facilities upon the applicant's providing a contribution in aid of construction (CIAC), the amount which will be determined by the Company.

Even if an applicant's request is not for a "special utility service," the Company may request a CIAC to the extent that the applicant's projected contributions to the Company's costs over the three years immediately following the completion of the extension do not cover the full cost of the extension; provided that the full cost of the extension shall not include the cost of the meter or company (main to curb) service line which shall be borne by the Company. If the Company requests a CIAC from an applicant whose request is not for "special utility service," and additional volumes are added to the extended facilities financed by the applicant's CIAC within three years of the date of completion of the facilities, the applicant who paid the CIAC will be entitled to a pro rated refund during the three-year period immediately following completion of the extension.

Please see the attached representative sample of the analyses conducted by the Company when deciding whether service to a new customer qualifies under the Company's customer extension policy.

Equitable Gas Company - PA Division
 Residential New Construction Capital Evaluation Model
 Financial Assumptions

1. Capital Requirements	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
A. Construction		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
B. Promotional	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Capital Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contribution in Aid (CIAC)	\$0															

2. Promotional O&M Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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3. Financial Parameters	
Evaluation Term (Years)	10
Annual Inflation Rate (%)	3.0%
Effective Income Tax Rate (%)	40.00%
Marketing Indirect Overhead (%)	7.0%
Capital Indirect Overhead (%)	15.0%
Annual Discount Rate (%)	10.0%
Rate RS Margin Metrics (\$/D/MFD)	
Monthly Service Charge	\$11.65
Margin Rate (\$/Mcf)	\$3.050
Rate GSS/GSL Margin Metrics (Common Building)	
Monthly Service Charge	
< 500 Mcfy	\$17.00
500-1,000 Mcfy	\$28.00
> 1,000 Mcfy	\$75.00
Rate GSS Margin Rate (\$/Mcf)	\$2.727
Rate GSL Margin Rate (\$/Mcf)	\$2.530
Mcfy	0
Applicable Monthly Service Charge	\$18.00
Applicable Margin Rate	\$2.727

Equitable Gas Company - PA Division
 Residential New Construction Capital Evaluation Model
 Construction Assumptions

1. Burner-Tip Usage Metrics	Deliveries (Mcfy)		Burner-Tip Penetration (%)		Burner-Tips per Dwelling	
	Single Family	Multi Family	Single Family	Multi Family	Single Family	Multi Family
1. Space Heat	0	0	100%	100%	1	1
2. Water Heat	28	28	100%	100%	1	1
3. Range	2	0	50%		1	1
4. Dryer	2	0	50%		1	1
5. Logs	8	0	50%		1	1
6. Yard Light	4	0	20%		1	1
7. Other	0	0	0%	0%	0	0
Total	44	28				

2. Space Heat Parameters			
Unit Type	Units At Completion	Space Heat (Mcfy/Sq.Ft.)	Unit Average (Sq.Ft.)
Single Family Dwellings (SFD)		0.037	
Multi Family Dwellings (MFD)		0.026	
Total Dwellings	0		

3. Meter Set Schedule																
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Single Family Dwellings (SFD)	0%						0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Multi Family Dwellings (MFD)	0%						0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total %	#DIV/0!															
Total % Change	#DIV/0!															
Single Family Dwellings (SFD)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi Family Dwellings (MFD)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Units		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Single Family Dwellings (SFD)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi Family Dwellings (MFD)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unit Change		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Single Family Dwellings (SFD)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi Family Dwellings (MFD)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total SFD/MFD Mcf		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Number of Commercial Buildings	0															
Commercial Building(s) Total Mcf		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

4. Construction Capital Spend Schedule																
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Spend Percentage (%)	ERROR							0%	0%	0%	0%	0%	0%	0%	0%	0%
Spend Amount (\$)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

5. Mainline (Feet)

Equitable Gas Company - PA Division
 Residential New Construction Capital Evaluation Model
O&M Expense Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
1 Service Lines	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13	\$1.16	\$1.19	\$1.23	\$1.27	\$1.30	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2 Meter Reading	\$0.80	\$0.82	\$0.85	\$0.87	\$0.90	\$0.93	\$0.96	\$0.98	\$1.01	\$1.04	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3 Call Center / Billing	\$10.50	\$10.82	\$11.14	\$11.47	\$11.82	\$12.17	\$12.54	\$12.91	\$13.30	\$13.70	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4 PA One Call 1/	\$36.00	\$37.08	\$38.19	\$39.34	\$40.52	\$41.73	\$42.99	\$44.28	\$45.60	\$46.97	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5 Mainline	\$36.00	\$37.08	\$38.19	\$39.34	\$40.52	\$41.73	\$42.99	\$44.28	\$45.60	\$46.97	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

1/ Year 1: 3 calls per house / Year 2 - End: 1 call per house

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 10: Please provide a detailed supply and requirement schedule for the Company's three most recent annual peak days and for design day. The schedules should include deliveries by source and requirements by rate schedule. Identify sources and requirements for transportation customers separately. Also include the Company's daily sendout sheet for each peak day and applicable weather data.

Response: COS-10 Attachment 1 provides the actual peak day requirements and the associated supplies by source for the most recent three heating seasons 2005/06, 2006/07, and 2007/08. The total supply requirements represent the Company's total throughput. The breakdown by customer class is an estimate since actual daily-metered volumes are not available for all customers and are based on an analysis of the monthly billing data for the Company's customers. The weather data is the average of the Allegheny County Airport and Pittsburgh National Weather Service 10:00 to 10:00 hourly data.

COS-10 Attachment 2 provides the Company's daily sendout data for each peak day reported on COS-10 Attachment 1. This report includes the average mean temperature data as reported on the peak day schedule and the average wind speed recorded at the Pittsburgh National Weather Service forecast station for each peak day.

Please reference COS-12 for the Company's design day schedule.

Equitable Gas Company

Response to Standard Data Requests Cost of Service Interrogatories Item 10 - Attachment 1

PEAK DAY SUPPLY AND DEMAND INFORMATION

All values are in DTH

GAS SUPPLY	CONTRACT	Jan 20, 2008	Feb 05, 2007	Feb 18, 2006
Equitrans No-Notice:	NOFT-99	(7,536)	65,650	173,098
Equitrans Storage:				
60SS	FTS-049	130,000	131,523	-
115SS	FTS-357	44,000	45,049	22,706
Dominion Storage:				
(300135)	FT-700061	9,354	15,536	35,000
(300159)	FT-700082	8,551	18,900	11,393
Interstate Supply Contracts:	FTS-98	102,779	64,411	68,497
Equitrans Appalachian:	FTS-31	25,000	16,444	11,264
Third Party Transport (via Equitrans and direct feed)	Various	91,437	104,133	128,282
Direct Feed Appalachian		45,592	19,126	15,426
Total Supply:		431,272	446,336	419,273

1/ Dominion Storage withdrawals are included in the FTS-98 volumes

PEAK DAY REQUIREMENTS BY CUSTOMER CLASS

Residential	275,230	273,075	257,127
Commercial	37,978	48,087	42,003
Industrial	750	762	2,114
Transportation	91,437	102,096	97,066
Unaccounted for Gas	25,876	22,317	20,964
Total	431,272	446,336	419,273

WEATHER DATA (Degrees Fahrenheit)

High Temp.	13	8	16
Low Temp.	6	(4)	4
Mean Temp.	10	2	10

Equitable Gas Company

Response to Standard Data Requests
 Cost of Service Interrogatories
 Item 10 - Attachment 2

Daily Sendout Report

Equitable Gas Company													Gas Supply Daily Report		
Gas Supply Department													(All Values are Dth)		
Pennsylvania Division															
	System Supply								End User Transportation Supply						
Date	No Notice Injection (Withdrawal)	Local Gas Transported FTS-031	Supply via FTS-098	Southwest Gas	Storage Withdrawal	Storage Injection	Local Gas Direct Feed	Available System Supply	Supply via Pipeline	Local Gas Direct Feed	Available Transport Supply	Total Supply	Mean Temp	Avg Wind Speed	
02/18/06	(173,098)	11,264	68,497	0	22,706	0	15,426	290,991	81,419	46,863	128,282	419,273	10	14.9	
02/05/07	(65,050)	16,444	64,411	0	176,572	0	19,126	342,203	75,577	28,556	104,133	446,336	2	10.2	
01/20/08	7,536	25,000	102,779	0	174,000	0	45,592	339,835	80,807	10,630	91,437	431,272	10	11.8	

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 11: Please provide copies of the Company's daily sendout sheets for November through March of the most recent heating season.

Response: Please see attached.

Equity Gas Company
Gas Supply Department
Pennsylvania Division

Gas Supply Daily Report

(All Values are Dth)

Date	No Notice		System Supply							Mean Temp	Avg Wind Speed
	Daily	Fuel	Local Gas Transported FTS-031	Supply via FTS-098	Southwest Gas	Storage Withdrawal	Storage Intection	Local Gas Direct Feed	Available System Supply		
11/01/07	14,822	0	0	59,514	23,625	0	(23,625)	17,418	62,109	45	10.1
11/02/07	4,164	0	0	59,889	23,625	0	(23,625)	17,418	73,143	43	4.3
11/03/07	34,050	0	0	59,692	23,625	0	(23,625)	17,418	43,059	46	4.5
11/04/07	10,149	0	0	59,692	23,625	0	(23,625)	17,418	66,960	42	5.1
11/05/07	27,196	0	0	59,692	23,625	0	(23,625)	17,418	49,913	47	7.4
11/06/07	(40,729)	(1,515)	0	59,497	23,625	0	(23,625)	17,418	117,643	40	12.7
11/07/07	(65,409)	(2,433)	0	56,409	23,625	0	(23,625)	17,418	139,236	35	9.8
11/08/07	(26,827)	(998)	0	60,700	23,625	0	(23,625)	17,418	104,945	42	4.7
11/09/07	(5,998)	(223)	0	59,879	23,625	0	(23,625)	17,418	83,294	44	5.0
11/10/07	(27,116)	(1,009)	0	59,220	23,625	0	(23,625)	17,418	103,753	38	6.6
11/11/07	(17,980)	(669)	0	59,220	23,625	0	(23,625)	17,418	94,617	44	4.6
11/12/07	37,187	0	0	59,220	23,625	0	(23,625)	17,418	39,450	55	6.8
11/13/07	11,473	0	0	59,440	23,625	0	(23,625)	17,418	65,384	53	3.8
11/14/07	29,582	0	0	59,621	23,625	0	(23,625)	17,418	47,457	51	8.7
11/15/07	(42,111)	(1,567)	0	59,645	23,625	0	(23,625)	17,418	119,173	39	13.0
11/16/07	(62,183)	(2,313)	0	59,856	23,625	0	(23,625)	17,418	139,456	35	11.4
11/17/07	(34,738)	(1,292)	0	59,620	23,625	0	(23,625)	17,418	111,776	40	3.6
11/18/07	(37,785)	(1,406)	0	59,620	23,625	0	(23,625)	17,418	114,822	39	6.4
11/19/07	11,288	0	0	59,620	23,625	0	(23,625)	17,418	65,750	51	4.8
11/20/07	65,864	0	0	59,861	23,625	0	(23,625)	17,418	11,414	60	7.5
11/21/07	81,422	0	0	59,522	23,625	0	(23,625)	17,418	(4,483)	58	8.3
11/22/07	(27,399)	(1,019)	0	59,994	23,625	0	(23,625)	17,418	104,810	38	14.7
11/23/07	(114,376)	(4,255)	0	59,994	23,625	0	(23,625)	17,418	191,788	28	7.1
11/24/07	(82,121)	(3,055)	0	59,994	23,625	0	(23,625)	17,418	159,533	32	2.3
11/25/07	(29,245)	(1,088)	0	59,994	23,625	0	(23,625)	17,418	106,657	43	3.6
11/26/07	(3,631)	(135)	0	59,994	23,625	0	(23,625)	17,418	81,042	49	7.0
11/27/07	(65,076)	(2,421)	0	59,175	23,625	0	(23,625)	17,418	141,669	35	13.2
11/28/07	(53,705)	(1,998)	0	59,415	23,625	0	(23,625)	17,418	130,538	42	5.8
11/29/07	(78,263)	(2,911)	0	58,294	23,625	0	(23,625)	17,418	153,974	36	14.5
11/30/07	(78,335)	(2,914)	0	58,986	23,625	0	(23,625)	17,418	154,738	33	9.4
Totals	(565,826)	(33,220)	0	1,785,269	708,750	0	(708,750)	522,527	2,873,622		

Equity Gas Company
Gas Supply Department
Pennsylvania Division

Gas Supply Daily Report

(All Values are Dth)

Date	No Notice		System Supply							Mean Temp	Avg Wind Speed
	Daily	Fuel	Local Gas Transported FTS-031	Supply via FTS-098	Southwest Gas	Storage Withdrawal	Storage Intection	Local Gas Direct Feed	Available System Supply		

12/01/07	(63,003)	(2,344)	0	54,167	0	9,628	0	49,093	175,891	34	6.9
12/02/07	(17,269)	(642)	0	54,055	0	9,628	0	49,093	130,045	43	8.4
12/03/07	(102,976)	(3,831)	0	53,888	0	9,628	0	49,093	215,585	30	22.1
12/04/07	(137,221)	(5,105)	0	51,516	0	9,628	0	49,093	247,458	25	15.0
12/05/07	(168,640)	(6,273)	0	52,020	0	9,628	0	49,093	279,381	19	7.6
12/06/07	(150,999)	(5,617)	0	52,527	0	9,628	0	49,093	262,247	24	2.6
12/07/07	(96,740)	(3,599)	0	51,230	0	9,628	0	49,093	206,691	33	5.2
12/08/07	(51,661)	(1,922)	0	60,446	0	9,628	0	49,093	170,828	35	2.7
12/09/07	(37,004)	(1,377)	0	60,446	0	9,628	0	49,093	156,171	37	4.3
12/10/07	(37,721)	(1,403)	0	60,446	0	9,628	0	49,093	156,888	37	4.1
12/11/07	53,541	0	0	59,921	0	9,628	0	49,093	65,101	52	8.1
12/12/07	(44,648)	(1,661)	0	58,562	0	9,628	0	49,093	161,931	36	10.5
12/13/07	(60,151)	(2,238)	0	53,695	0	9,628	0	49,093	172,567	36	7.3
12/14/07	(84,545)	(3,145)	0	54,536	0	9,628	0	49,093	197,802	31	10.2
12/15/07	(82,109)	(3,054)	0	52,207	0	9,628	0	49,093	193,037	35	10.2
12/16/07	(125,651)	(4,674)	0	54,197	0	9,628	0	49,093	238,569	32	16.5
12/17/07	(144,614)	(5,380)	0	54,197	0	9,628	0	49,093	257,532	23	13.2
12/18/07	(78,560)	(2,922)	0	54,253	0	9,628	0	49,093	191,534	34	5.9
12/19/07	(59,857)	(2,227)	0	59,012	0	9,628	0	49,093	177,590	35	9.4
12/20/07	(61,475)	(2,287)	0	60,852	0	9,628	0	49,093	181,048	35	4.1
12/21/07	(27,215)	(1,012)	0	60,470	0	9,628	0	49,093	146,406	41	9.2
12/22/07	29,011	0	0	61,040	0	9,628	0	49,093	90,750	50	9.6
12/23/07	(31,474)	(1,171)	0	61,040	0	9,628	0	49,093	151,235	42	16.3
12/24/07	(45,532)	(1,694)	0	61,040	0	9,628	0	49,093	165,293	32	11.6
12/25/07	(30,625)	(1,139)	0	61,040	0	9,628	0	49,093	150,386	35	4.7
12/26/07	(34,690)	(1,290)	0	60,558	0	9,628	0	49,093	153,969	38	2.7
12/27/07	(32,915)	(1,224)	0	59,819	0	9,628	0	49,093	151,455	37	5.3
12/28/07	4,795	0	0	59,429	0	9,628	0	49,093	113,355	45	7.4
12/29/07	(33,064)	(1,230)	0	59,429	0	9,628	0	49,093	151,214	34	8.4
12/30/07	(48,819)	(1,816)	0	58,851	0	9,628	0	49,093	166,391	35	4.5
12/31/07	(28,863)	(1,074)	0	58,741	0	9,628	0	49,093	146,325	38	7.2
Totals	(1,830,696)	(71,351)	0	1,773,630	0	298,468	0	1,521,883	5,424,677		

Equitable Gas Company
Gas Supply Department
Pennsylvania Division

Gas Supply Daily Report

(All Values are Dth)

Date	No Notice		System Supply							Mean Temp	Avg Wind Speed
	Daily	Fuel	Local Gas Transported FTS-031	Supply via FTS-098	Southwest Gas	Storage Withdrawal	Storage Intection	Local Gas Direct Feed	Available System Supply		
01/01/08	(98,467)	(3,663)	11,554	54,689	0	11,072	0	45,592	221,374	26	15.7
01/02/08	(146,650)	(5,455)	11,554	54,689	0	11,072	0	45,592	269,557	20	14.0
01/03/08	(178,147)	(6,627)	11,554	46,802	0	11,072	0	45,592	293,167	19	7.8
01/04/08	(105,954)	(3,941)	11,554	47,112	0	11,072	0	45,592	221,284	32	7.2
01/05/08	(19,736)	(734)	11,554	54,285	0	11,072	0	45,592	142,239	42	7.6
01/06/08	49,816	0	11,554	54,285	0	11,072	0	45,592	72,687	54	9.1
01/07/08	99,088	0	11,554	54,285	0	11,072	0	45,592	23,415	61	9.3
01/08/08	99,524	0	11,554	54,170	0	11,072	0	45,592	22,864	57	11.6
01/09/08	6,263	0	11,554	49,296	0	11,072	0	45,592	111,251	39	14.1
01/10/08	134,038	0	11,554	49,491	0	120,072	0	45,592	92,671	47	5.0
01/11/08	110,842	0	11,554	54,294	0	120,072	0	45,592	120,670	41	11.4
01/12/08	95,424	0	11,554	49,552	0	120,072	0	45,592	131,346	37	3.2
01/13/08	76,739	0	11,554	49,552	0	120,072	0	45,592	150,031	36	6.4
01/14/08	23,020	0	11,554	49,552	0	120,072	0	45,592	203,750	28	9.7
01/15/08	(6,783)	(252)	11,554	48,905	0	120,072	0	45,592	232,906	25	10.0
01/16/08	25,563	0	11,554	50,188	0	120,072	0	45,592	201,843	31	5.3
01/17/08	46,809	0	11,554	49,716	0	120,072	0	45,592	180,125	34	6.3
01/18/08	46,332	0	11,554	85,147	0	120,072	0	45,592	216,033	26	11.1
01/19/08	74,074	0	25,000	94,287	0	185,072	0	45,592	275,877	18	10.8
01/20/08	7,536	0	25,000	91,707	0	185,072	0	45,592	339,835	10	11.8
01/21/08	77,153	0	25,000	94,392	0	185,072	0	45,592	272,903	25	5.7
01/22/08	100,865	0	25,000	90,906	0	185,072	0	45,592	245,705	24	11.6
01/23/08	4,981	0	11,554	74,733	0	120,072	0	45,592	246,970	23	7.5
01/24/08	(65,653)	(2,442)	11,554	61,916	0	120,072	0	45,592	304,787	16	8.3
01/25/08	(42,096)	(1,566)	11,554	65,271	0	120,072	0	45,592	284,585	19	6.3
01/26/08	9,140	0	11,554	62,482	0	120,072	0	45,592	230,560	26	4.7
01/27/08	24,258	0	11,554	62,482	0	120,072	0	45,592	215,442	27	6.1
01/28/08	86,800	0	11,554	62,482	0	120,072	0	45,592	152,900	37	5.2
01/29/08	89,139	0	11,554	61,594	0	120,072	0	45,592	149,673	36	10.3
01/30/08	52,422	0	25,000	60,558	0	185,072	0	45,592	263,800	21	16.8
01/31/08	100,590	0	25,000	60,658	0	185,072	0	45,592	215,732	29	6.3
Totals	776,931	(24,682)	438,850	1,899,478	0	3,131,232	0	1,413,352	6,105,981		

Equitable Gas Company
Gas Supply Department
Pennsylvania Division

Gas Supply Daily Report

(All Values are Dth)

Date	No Notice		System Supply							Mean Temp	Avg Wind Speed
	Daily	Fuel	Local Gas Transported FTS-031	Supply via FTS-098	Southwest Gas	Storage Withdrawal	Storage Intection	Local Gas Direct Feed	Available System Supply		
02/01/08	18,034	0	11,554	57,119	0	93,642	0	31,378	175,659	21	9.6
02/02/08	17,278	0	11,554	61,331	0	93,642	0	31,378	180,627	29	6.9
02/03/08	71,340	0	11,554	61,331	0	93,642	0	31,378	126,565	33	4.6
02/04/08	134,046	0	11,554	61,331	0	93,642	0	31,378	63,859	30	4.6
02/05/08	163,887	0	11,554	54,171	0	93,642	0	31,378	26,858	38	8.6
02/06/08	109,094	0	0	53,572	0	93,642	0	31,378	69,498	51	13.8
02/07/08	15,478	0	0	53,565	0	93,642	0	31,378	163,107	57	10.4
02/08/08	24,245	0	0	53,683	0	93,642	0	31,378	154,458	48	4.4
02/09/08	55,339	0	9,628	56,773	0	93,642	0	31,378	136,082	32	7.9
02/10/08	(53,913)	(2,006)	9,628	57,133	0	156,519	0	31,378	308,571	35	22.6
02/11/08	(25,062)	(932)	9,628	54,629	0	156,519	0	31,378	277,216	38	7.4
02/12/08	43,082	0	9,628	56,548	0	156,519	0	31,378	210,991	15	8.1
02/13/08	1,380	0	9,628	53,031	0	156,519	0	31,378	249,176	13	4.6
02/14/08	26,399	0	9,628	52,668	0	126,519	0	31,378	193,794	27	6.8
02/15/08	1,529	0	9,628	57,580	0	106,519	0	31,378	203,576	19	8.8
02/16/08	28,616	0	9,628	57,707	0	86,519	0	31,378	156,616	29	2.8
02/17/08	48,876	0	9,628	57,707	0	36,519	0	31,378	86,356	27	8.3
02/18/08	14,147	0	9,628	57,707	0	86,519	0	31,378	171,085	33	13.8
02/19/08	(17,225)	(641)	9,628	57,707	0	136,519	0	31,378	252,457	48	13.4
02/20/08	6,059	0	25,000	57,483	0	168,706	0	31,378	276,508	29	7.0
02/21/08	18,506	0	9,628	57,523	0	138,706	0	31,378	218,729	18	5.2
02/22/08	(19,350)	(720)	9,628	56,936	0	60,000	0	31,378	177,292	14	5.2
02/23/08	(26,786)	(996)	9,628	57,617	0	65,000	0	31,378	190,409	24	5.9
02/24/08	(1,170)	(44)	9,628	52,468	0	60,000	0	31,378	154,644	29	1.6
02/25/08	(22,563)	(839)	9,628	52,468	0	30,000	0	31,378	146,037	23	4.5
02/26/08	12,076	0	9,628	53,190	0	91,183	0	31,378	173,303	31	9.4
02/27/08	(13,238)	(492)	9,628	52,065	0	134,183	0	31,378	240,492	32	15.1
02/28/08	(18,339)	(682)	9,628	52,330	0	134,183	0	31,378	245,858	28	6.9
02/29/08	(16,884)	(628)	9,628	52,752	0	64,183	0	31,378	174,825	16	7.5
Totals	594,882	(7,981)	275,330	1,620,125	0	2,994,112	0	909,962	5,204,648		

**Equitable Gas Company
Gas Supply Department
Pennsylvania Division**

Gas Supply Daily Report

(All Values are Dth)

Date	No Notice		System Supply							Mean Temp	Avg Wind Speed
	Daily	Fuel	Local Gas Transported FTS-031	Supply via FTS-098	Southwest Gas	Storage Withdrawal	Storage Intection	Local Gas Direct Feed	Available System Supply		

03/01/08	15,026	0	8,665	46,294	0	123,745	0	38,547	202,225	27	13.6
03/02/08	30,544	0	8,665	45,077	0	75,745	0	38,547	137,490	42	4.9
03/03/08	74,122	0	8,665	46,294	0	35,745	0	38,547	55,129	52	8.5
03/04/08	(5,368)	(200)	8,665	45,844	0	48,933	0	38,547	147,357	38	8.4
03/05/08	(15,875)	(591)	8,665	45,898	0	90,745	0	38,547	199,730	33	12.0
03/06/08	15,835	0	8,665	46,090	0	63,745	0	38,547	141,212	40	5.1
03/07/08	5,123	0	8,665	45,842	0	85,745	0	38,547	173,676	33	10.9
03/08/08	5,476	0	8,665	45,871	0	152,745	0	38,547	240,352	24	12.7
03/09/08	26,310	0	8,665	45,871	0	145,745	0	38,547	212,518	26	8.4
03/10/08	72,460	0	8,665	45,871	0	145,745	0	38,547	166,368	37	2.7
03/11/08	(546)	(20)	8,665	45,992	0	62,745	0	38,547	156,495	38	7.4
03/12/08	(6,480)	(241)	8,665	45,921	0	64,745	0	38,547	164,358	36	10.2
03/13/08	39,469	0	8,665	46,518	0	35,745	0	38,547	90,006	52	9.0
03/14/08	21,509	0	8,665	45,847	0	47,745	0	38,547	119,295	43	6.3
03/15/08	28,623	0	8,665	45,179	0	71,185	0	38,547	134,953	38	6.0
03/16/08	(587)	(22)	8,665	45,179	0	99,185	0	38,547	192,163	30	11.6
03/17/08	27,072	0	8,665	45,179	0	62,185	0	38,547	127,504	38	6.9
03/18/08	28,000	0	8,665	48,189	0	51,185	0	38,547	118,586	46	9.4
03/19/08	16,151	0	8,665	45,088	0	51,185	0	38,547	127,334	45	10.1
03/20/08	31,533	0	8,665	45,183	0	100,185	0	38,547	161,047	34	16.2
03/21/08	60,807	0	8,665	63,439	0	71,185	0	38,547	121,029	37	6.1
03/22/08	41,355	0	8,665	63,439	0	104,185	0	38,547	173,481	30	12.1
03/23/08	68,007	0	8,665	63,439	0	99,185	0	38,547	141,829	34	4.9
03/24/08	48,898	0	8,665	63,439	0	95,185	0	38,547	156,938	30	5.7
03/25/08	24,497	0	8,665	46,013	0	51,185	0	38,547	119,913	46	12.0
03/26/08	62,047	0	8,665	46,805	0	41,185	0	38,547	73,155	50	11.9
03/27/08	15,633	0	8,665	45,554	0	41,185	0	38,547	118,318	42	5.0
03/28/08	(3,237)	(120)	8,665	57,803	0	71,185	0	38,547	179,437	33	10.7
03/29/08	23,729	0	8,665	57,882	0	62,185	0	38,547	143,550	39	6.8
03/30/08	43,389	0	8,665	57,882	0	41,185	0	38,547	102,890	47	12.5
03/31/08	131,427	0	8,665	57,868	0	41,185	0	38,547	14,838	57	9.4
Totals	924,948	(1,194)	268,615	1,540,790	0	2,333,763	0	1,194,957	4,413,177		

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 12: Please provide a copy of the load duration curve used by the Company for capacity planning purposes. Please also identify the numerical data points shown for each day on the curve.

Response:

Please see the attached schedules from the design day study submitted in the Company's 2006 Section 1307(f) proceeding at Docket No. R-00061295.

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.9645
R Square	0.9302
Adjusted R Square	0.9277
Standard Error	17424
Observations	59

MULTIPLE REGRESSION ANALYSIS
 EGC & CARNEGIE DAILY SENDOUT
 HDD=75
 MEAN WIND 15.8 mph

Equitable Exhibit JSN-1

PROJECTED SENDOUT = 621,236 DTH

PERIOD: JANUARY 2003 THRU FEBRUARY 2003

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	226487546358	113243773179	373	0
Residual	56	17001491763	303598067	0	0
Total	58	243489038122	0	0	0

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	28120.0	12096.9	2.3	0.0	3887.1	52352.9	3887.1	52352.9
X Variable 1	7615.1	294.8	25.8	0.0	7024.5	8205.8	7024.5	8205.8
X Variable 2	1391.4	713.4	2.0	0.1	-37.7	2820.4	-37.7	2820.4

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.9713
R Square	0.9434
Adjusted R Square	0.9413
Standard Error	23581
Observations	59

MULTIPLE REGRESSION ANALYSIS
 EGC & CARNEGIE DAILY SENDOUT
 HDD=75
 MEAN WIND 15.8 mph

Equitable Exhibit JSN-2

PROJECTED SENDOUT = 637,308 DTH

PERIOD: JANUARY 2005 THRU FEBRUARY 2005

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	518742167716	259371083858	466	0
Residual	56	31138933765	556052389	0	0
Total	58	549881101481	0	0	0

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	38539.8	11254.8	3.4	0.0	15993.8	61085.9	15993.8	61085.9
X Variable 1	8032.8	265.7	30.2	0.0	7500.6	8565.0	7500.6	8565.0
X Variable 2	-233.7	1101.0	-0.2	0.8	-2439.3	1971.8	-2439.3	1971.8

Equitable Gas Company

Projected Design Peak Day
Transportation Requirements

Month/Year	Total Number of Customers	Total Throughput (Mcf)	Baseload per customer (July+August)	Baseload per customer per day (Mcf)	Actual HDD (Calendar)	Heat Factor	Heat Factor per customer	Projected Demand (Mcf) (@ 75 HDD)	Retainage (5%)	Projected Demand (Dth) (@ 75 HDD)
COMMERCIAL:										
January-2005	3,396	1,621,734	140.8773	4.5444	1,058	1,080.6	0.3182	96,481	5,078	107,652
July-2005	3,355	347,601								
August-2005	3,362	598,932								
INDUSTRIAL:										
January-2005	136	1,318,351	3079.1860	99.3286	1,058	850.3	6.2520	77,279	4,067	86,227
July-2005	140	448,682								
August-2005	139	410,536								
								173,759		193,879

Equitable Gas Company

Projected Design Peak Day Standby Requirements

Month/Year	Total Number of Customers	Total Throughput (Mcf)	Baseload per customer (July+August)	Baseload per customer per day (Mcf)	Actual HDD (Calendar)	Heat Factor	Heat Factor per customer	Projected Demand (Mcf) (@ 75 HDD)	Retainage (5%)	Projected Demand (Dth) (@ 75 HDD)
COMMERCIAL:										
January-2005	2213	459659.1	25.5208	0.8233	1,058	381.1	0.1722	30,403	1,600	33,923
July-2005	2213	54419.9								
August-2005	2213	58535.3								
INDUSTRIAL:										
January-2005	78	39616.1	77.4737	2.4992	1,058	31.7	0.4068	2,575	136	2,873
July-2005	78	5915.6								
August-2005	78	6170.3								
Total Projected Demand								32,978		36,796

Equitable Exhibit JSN-5

DAILY IMBALANCE ESTIMATE FOR TRANSPORTATION CUSTOMERS

DAY	HDD	WIND SPEED	EGC NOMINATIONS	CARNEGIE NOMINATIONS	WELL GAS	TRANSPORT NOMINATIONS	PROJECTED BURN	ESTIMATED VARIANCE	VARIANCE (%) OF NOMINATIONS	
1/1/2005		17	5	42025	32591	9509	84125	68919	15206	22%
1/2/2005		9	8	40964	32591	7035	80590	51683	28907	56%
1/3/2005		15	8	40870	32591	7611	81072	64610	16462	25%
1/4/2005		23	5	40938	32591	12569	86098	81846	4252	5%
1/5/2005		23	7	40964	32591	16385	89940	81846	8094	10%
1/6/2005		25	12	40087	32592	17469	90148	86155	3993	5%
1/7/2005		28	5	40087	43763	17816	101666	92618	9048	10%
1/8/2005		29	7	40087	47142	17814	105043	94773	10271	11%
1/9/2005		25	6	40087	47142	16460	103689	86155	17534	20%
1/10/2005		28	7	40087	47142	17664	104893	92618	12275	13%
1/11/2005		18	5	40087	39398	14182	93667	71073	22594	32%
1/12/2005		5	8	40087	52493	7000	99580	43065	56515	131%
1/13/2005		13	13	40783	42292	8988	92063	60301	31762	53%
1/14/2005		39	9	40087	39837	21255	101179	116318	15139	13%
1/15/2005		39	4	40744	37145	22414	100303	116318	16014	14%
1/16/2005		48	11	40951	37145	27508	105604	135708	30104	22%
1/17/2005		57	12	40445	37145	34584	112174	155098	42925	28%
1/18/2005		51	6	40403	37145	32408	109956	142171	32215	23%
1/19/2005		40	11	40051	32592	27171	99814	118472	18658	16%
1/20/2005		47	8	41044	42292	28431	111767	133553	21786	16%
1/21/2005		49	5	38445	47917	29845	116207	137862	21655	16%
1/22/2005		48	13	37426	51540	30921	119887	135708	15821	12%
1/23/2005		56	7	36345	51540	34281	122166	152944	30778	20%
1/24/2005		48	8	37426	49084	31264	117774	135708	17934	13%
1/25/2005		32	6	37426	56165	22907	116498	101236	15262	15%
1/26/2005		42	11	38526	56535	27282	122343	122781	438	0%
1/27/2005		52	6	37445	45323	32386	115154	144326	29171	20%
1/28/2005		45	5	37445	49728	27809	114982	129244	14263	11%
1/29/2005		35	3	39526	47838	23226	110590	107700	2891	3%
1/30/2005		35	5	40241	47838	22107	110186	107700	2487	2%
1/31/2005		37	2	39480	48487	28330	116297	112009	4289	4%
Average		34	7.2	39697	42910	21762	104370	105823	18346	20.67%

Equitable Gas Company

Derivation of Firm Design Peak Day Requirements

		<u>Source</u>
(1) Projected Total System Requirements:	637,308 Dth	Exhibit JSN-2
(2) Projected Transportation Requirements:	(193,879) Dth	Exhibit JSN-3
<hr/>		
(3) Projected PGC Sales Requirements:	443,430 Dth	{ (1) - (2) }
(4) Projected Standby Requirements:	36,796 Dth	Exhibit JSN-4
(5) Projected Balancing Requirements:	40,068 Dth	Exhibit JSN-5
<hr/>		
(6) Projected Design Peak Day Firm Requirements:	520,294 Dth	{ (3) + (4) + (5) }
(7) Projected Appalachian Direct Feed:	(15,000) Dth	
<hr/>		
(8) Projected Firm Requirements on Equitrans:	505,294 Dth	{ (6) - (7) }

Equitable Gas Company

Derivation of Firm Design Peak Day Requirements - Revised

		<u>Source</u>
(1) Projected Total System Requirements:	637,308 Dth	Exhibit JSN-2
(2) Projected Transportation Requirements:	(193,879) Dth	Exhibit JSN-3
<hr/>		
(3) Projected PGC Sales Requirements:	443,430 Dth	{ (1) - (2) }
(4) Projected Standby Requirements:	24,168 Dth	
(5) Projected Balancing Requirements:	13,285 Dth	
<hr/>		
(6) Projected Design Peak Day Firm Requirements:	480,883 Dth	{ (3) + (4) + (5) }
(7) Projected Appalachian Direct Feed:	(15,000) Dth	
<hr/>		
(8) Projected Firm Requirements on Equitrans:	465,883 Dth	{ (6) - (7) }

Equitable Exhibit JSN-8

Equitable Gas Company

Current Derivation of Capacity Allocation

(1) Projected Total Customers MDQ		20,000	Dth/Day	
(2) Pipeline Capacity Allocation		10,000	Dth/Day	
(2a) Texas Eastern Pipeline Capacity		6,300	Dth/Day	
(2b) Tennessee Pipeline Capacity		3,700	Dth/Day	
(3) Revised Pipeline Allocation, Less Tennessee		6,300	Dth/Day	31.5%
(4) Storage Capacity Allocation		10,000	Dth/Day	
(4a) EQT Storage 115ss	17.60%	1,760	Dth/Day	12.8%
(4b) EQT Storage 10ss	34.70%	3,470	Dth/Day	25.3%
(4c) EQT Storage 30ss	37.00%	3,700	Dth/Day	27.0%
(4d) EQT Storage 60ss	10.70%	1,070	Dth/Day	7.8%
(4e) EQT Storage 115ss, Replace Tennessee		3,700	Dth/Day	27.1%
(5) Revised Storage Capacity Allocation		13,700	Dth/Day	68.5%

* Pipeline and Storage Capacity must be grossed up by 3.77% Equitrans Fuel

** All Storage must have corresponding pipeline capacity grossed up by 2.3% Equitrans Storage Fuel

Equitable Exhibit JSN-9

Equitable Gas Company

Proposed 2006 Derivation of Capacity Allocation

(1) Projected Total Customers MDQ	20,000	Dth/Day	
(2) Pipeline Capacity Allocation	10,000	Dth/Day	
(2a) Texas Eastern Pipeline Capacity	6,300	Dth/Day	
(2b) Tennessee Pipeline Capacity	3,700	Dth/Day	
(3) Revised Pipeline Allocation, Less Tennessee	6,300	Dth/Day	31.5%
(4) Storage Capacity Allocation	10,000	Dth/Day	
(4a) EQT Storage 115ss	26.95%	2,695 Dth/Day	12.8%
(4d) EQT Storage 60ss	73.05%	7,305 Dth/Day	7.8%
(4e) EQT Storage 115ss, Replace Tennessee		3,700 Dth/Day	27.1%
(5) Revised Storage Capacity Allocation	13,700	Dth/Day	68.5%

* Pipeline and Storage Capacity must be grossed up by 3.77% Equitrans Fuel

** All Storage must have corresponding pipeline capacity grossed up by 2.3% Equitrans Storage Fuel

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 13: Please provide the following for the Company's ten largest transportation customers during peak month of the most recent heating season:

- a. actual consumption;
- b. volume delivered to the Company on their behalf, if applicable;
- c. daily nomination.

Response:

See attached schedule.

Standard Data Request
 Cost of Service No. 13
 Attachment

<u>Customer</u>	<u>Feb 07 tpt</u> <u>Mcf</u>	<u>Nominations</u> <u>Dth</u>
1	903,062	976,300
2	117,770	In Pool
3	114,718	In Pool
4	86,881	In Pool
5	74,126	77,000
6	66,602	In Pool
7	53,051	In Pool
8	39,995	In Pool
9	38,940	In Pool
10	38,153	In Pool

<u>Customer</u>	<u>Daily Nominations</u>	
	<u>1</u>	<u>5</u>
1-Feb-2007	26,500	1,935
2-Feb-2007	36,200	1,935
3-Feb-2007	36,500	1,935
4-Feb-2007	36,500	1,935
5-Feb-2007	36,500	1,935
6-Feb-2007	36,500	1,935
7-Feb-2007	36,500	1,935
8-Feb-2007	35,500	1,935
9-Feb-2007	36,500	1,935
10-Feb-2007	39,850	1,935
11-Feb-2007	39,850	1,935
12-Feb-2007	39,850	1,935
13-Feb-2007	49,629	1,935
14-Feb-2007	36,500	1,935
15-Feb-2007	42,500	1,935
16-Feb-2007	42,410	1,935
17-Feb-2007	34,992	3,635
18-Feb-2007	34,992	3,635
19-Feb-2007	34,992	3,635
20-Feb-2007	34,992	3,635
21-Feb-2007	26,500	3,635
22-Feb-2007	26,500	3,935
23-Feb-2007	26,500	3,935
24-Feb-2007	26,500	3,935
25-Feb-2007	26,500	3,935
26-Feb-2007	26,500	3,935
27-Feb-2007	31,500	3,935
28-Feb-2007	38,043	4,255

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

- Item 14: Please provide a summary identifying the salient features of each of the following. Salient features include contract party, effective term and applicable contract quantities (daily, annual, seasonal, etc.).
- a. All firm transportation agreements by type greater than one month in length. Indicate whether the capacity is available at the Company's citygate to meet design day requirements or is upstream capacity. Identify the downstream pipeline for each upstream arrangement.
 - b. All firm storage, gathering and exchange agreements. Indicate if each agreement provides design day capacity at the citygate or requires separate transportation (identify) service to effectuate delivery. Include on-system storage and peak shaving facilities used by the Company and identify all ratcheting provisions applicable to the Company's contractual and on-system storage arrangements.

Response:

Please refer to the attached schedule. For additional information, please refer to the contracts included with the response to Item I-C-1-v.

Equitable Gas Company
 Standard Data Interrogatories
 Cost of Service Item 14

PENNSYLVANIA

Equitrans Storage Agreements:

Agreement Number	Transport Agreement	MDQ Injection	MDQ Withdrawal	TASQ	Termination Date
090 (60SS)	FTS - 049	74,733	137,010	7,473,296	31-Mar-2011 available at citygate to meet design day requirements
356 (115SS)	FTS - 357	26,417	50,536	5,283,357	31-Mar-2011 available at citygate to meet design day requirements
Totals		101,150	187,546	12,756,653	

Equitrans Transportation Agreements:

Agreement Number	Description	MDQ (Summer)	MDQ (Winter)	Termination Date
FTS - 357	Storage - (115SS - 356)	27,039	50,536	31-Mar-2011 available at citygate to meet design day requirements
FTS - 031	Appalachian	25,000	25,000	31-Mar-2011 available at citygate to meet design day requirements
FTS - 098	Interstate pipeline transport	166,000	166,000	31-Mar-2011 available at citygate to meet design day requirements
FTS - 049	Storage - (60SS - 090)	76,492	137,010	31-Mar-2011 available at citygate to meet design day requirements
NN - 099	No-Notice service	79,545	79,545	31-Mar-2011 available at citygate to meet design day requirements
TOTAL EQUITRANS ENTITLEMENTS		374,076	458,091	

Dominion Storage/Transportation Agreements:

Agreement Number	Transport Agreement	MDQ Injection	MDQ Withdrawal	TASQ	Termination Date
GSS-300135	FTGSS-700061	-	-	-	31-Mar-2012 upstream capacity - downstream pipeline is Equitrans (Recallable release effective 4/1/08)
GSS-300159	FTGSS-700082	-	-	-	31-Mar-2011 upstream capacity - downstream pipeline is Equitrans (Recallable release effective 4/1/08)
Totals		-	-	-	

Texas Eastern Transportation Agreements:

Agreement Number	Description	MDQ (Summer)	MDQ (Winter)	Termination Date
FT-800342	Interstate pipeline transport	94,372	94,372	31-Oct-2012 upstream capacity - downstream pipeline is Equitrans

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

- Item 15: For the most recent annual period available, please identify the applicable monthly volumes and revenues under each rate schedule which were:
- a. Sold under a negotiated or market-based rate.
 - b. Transported under a negotiated or market-based rate.
 - c. Transported at full margin transportation rates.

Response:

- a. The only Company rate schedules that allow discounted or market-based rate sales are rate schedules CSI and CSF. The Company had no customers under these rate schedules over the last year.
- b. Please see the attached schedule.
- c. Please see the attached schedule.

Equitable Gas Company
Response to Standard Data Request
Cost of Service Item No. 15

Transported Under Negotiated Rate

	<u>Volume</u> <u>Mcf</u>	<u>Revenue</u> <u>\$</u>
Jan-2007	1,578,552	1,557,891
Feb-2007	2,048,960	1,870,190
Mar-2007	1,520,029	1,412,190
Apr-2007	1,403,775	1,249,985
May-2007	993,728	868,544
Jun-2007	976,452	788,645
Jul-2007	920,289	784,019
Aug-2007	1,022,646	817,470
Sep-2007	914,084	779,081
Oct-2007	977,045	900,029
Nov-2007	1,245,565	1,231,139
Dec-2007	1,875,410	1,555,354
Total	15,476,536	13,814,537

Transported Under Full Margin Rate

	<u>Volume</u> <u>Mcf</u>	<u>Revenue</u> <u>\$</u>
Jan-2007	1,153,380	3,277,843
Feb-2007	1,609,826	4,656,602
Mar-2007	1,203,476	3,496,892
Apr-2007	801,000	2,307,718
May-2007	384,112	1,106,328
Jun-2007	219,040	625,988
Jul-2007	188,765	511,188
Aug-2007	187,626	529,961
Sep-2007	186,676	527,926
Oct-2007	279,724	785,842
Nov-2007	631,844	1,811,182
Dec-2007	1,173,539	3,441,403
Total	8,019,007	23,078,873

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 16: Please provide the following for each curtailment during the last three years:

- a. Dates of curtailment.
- b. Type of curtailment (firm service, interruptible service, both).
- c. Whether curtailment was related to amount of capacity on the Company's system, other capacity or supply related.
- d. Rate schedule that curtailed volumes would have been billed under.
- e. Curtailed volumes by rate schedule.
- f. Actual volumes moved by rate schedule.

Response:

Equitable has not had any curtailment in the last three years.

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 17: Please identify the Company's design day planning criteria and the probability of design day occurrence. Include any available documentation supporting the Company's claimed probability of occurrence.

Response:

Please refer to the Company's response to cost of service interrogatory Item 12 for a copy of the Company's most current design day study. The design day criteria consists of the following factors:

- a) a mean temperature of -10 degrees F, which represents 75 heating degree days;
- b) an average wind speed of 15.8 mph; and
- c) a winter weekend during January.

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 18: For each customer class contained in the cost of service study, please provide monthly throughput by class.

Response: Please see attached schedule.

Equitable Gas Company
Annualized Future Test Year Throughput
12 Months Ending December 31, 2008

	Jan-2008	Feb-2008	Mar-2008	Apr-2008	May-2008	Jun-2008	Jul-2008	Aug-2008	Sep-2008	Oct-2008	Nov-2008	Dec-2008	Total
Sales													
Residential	4,084,178	3,819,437	2,980,970	1,799,468	812,526	381,072	388,404	385,783	488,545	1,158,179	2,241,950	3,646,068	22,186,579
GSS	392,436	497,473	560,050	234,494	198,910	72,823	58,313	55,283	59,409	71,784	148,179	437,317	2,786,472
GSL	201,333	249,773	269,150	120,272	96,457	48,195	34,760	31,016	33,412	37,360	97,448	216,330	1,435,508
Total Sales	4,677,947	4,566,684	3,810,170	2,154,234	1,107,893	502,090	481,478	472,081	581,365	1,267,323	2,487,577	4,299,716	26,408,559
Gathering	1,305,125	1,236,943	1,015,408	1,170,992	1,215,373	1,276,393	1,298,213	1,080,635	1,243,318	1,140,210	1,099,758	1,361,786	14,444,153
Transportation	2,583,354	1,711,744	1,309,192	1,077,106	1,141,178	1,046,219	1,160,551	1,288,918	1,747,227	2,185,190	2,679,348	2,275,667	20,205,694
Total Throughput	8,566,426	7,515,371	6,134,770	4,402,333	3,464,444	2,824,702	2,940,242	2,841,635	3,571,910	4,592,723	6,266,682	7,937,169	61,058,407

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 19: Please provide workpapers showing the development of each allocation factor reflected in the Company's cost of service study. Include a description of each allocation factor, all calculations performed to develop the allocators and all supporting documentation, studies or other information relied upon to determine the allocators.

Response:

Please see the attached for workpapers. A legend containing descriptions for each factor is found in the response to Exhibit IV Item: § 53.53 IV-B-3.

EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008

Workpaper: CoS Item 19
Schedule CoS 19.1
PAGE 1 OF 30
WITNESS: R. A. FEINGOLD

EXTERNAL ALLOCATOR VALUES
WORKPAPERS: CoS Item 19 LEAD SCHEDULE

Line No.	Schedule	Description
1	CoS 19.1	Lead Schedule
2	CoS 19.2	Summary of Class Allocation External Allocator Values
3	CoS 19.3	Cust_Avg Allocator
4	CoS 19.4	Deliveries Allocator
5	CoS 19.5	Design Day Allocator
6	CoS 19.6	Average & Excess Allocator
7	CoS 19.7	Storage Allocator
8	CoS 19.8	Accounts 374, 376, 378, and 398
9	CoS 19.9	Service Investment Allocator
10	CoS 19.10	Meter Investment Allocator
11	CoS 19.11	Account 383 - 384 Allocator
12	CoS 19.12	Account 386 Allocator
13	CoS 19.13	Account 880
14	CoS 19.14	Account 901 - 903 and 908 Allocator
15	CoS 19.15	Account 904 Allocator
16	CoS 19.16	Account 910 Allocator
17	CoS 19.17	Account 911 - 916 Allocator
18	CoS 19.18	Account 923
19	CoS 19.19	Account 925
20	CoS 19.20	Revenues Allocator
21	CoS 19.21	Miscellaneous Service Revenue Allocator
22	CoS 19.22	Customer Deposits Allocator
23	CoS 19.23	Account 813 Allocator

EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008

Workpaper: CoS Item 19
 Schedule CoS 19.2
 PAGE 2 OF 30
 WITNESS: R. A. FEINGOLD

SUMMARY OF CLASS ALLOCATION
EXTERNAL ALLOCATOR VALUES

Line No.	Allocator Name	TOTAL	1 Residential Service (RS)	2 General Service Small (GSS)	3 General Service Large (GSL)	4 AGS	5 Source
<u>ALLOCATOR VALUES</u>							
1	<u>CUST-AVG Allocator</u>	257,006	239,256	15,907	1,843		CoS 19.3
2	<u>Bills All</u>	3,084,066	2,871,066	190,884	22,116		CoS 19.3
3	<u>Deliveries</u>	61,075,113	22,186,579	3,805,003	20,639,377	14,444,153	CoS 19.4
4	<u>Design Day</u>	637,309	393,250	48,715	195,344		CoS 19.5
5	<u>Peak and Average</u>	100.00%	54.71%	7.91%	37.37%		CoS 19.6
6	<u>Storage</u>	100.00%	85.28%	9.82%	4.90%		CoS 19.7
7	<u>Account 374</u>	564,480	0	0	564,480		CoS 19.8
8	<u>Account 376</u>	10,266,584	0	0	10,266,584		CoS 19.8
9	<u>Account 378</u>	1,469,397	0	0	1,469,397		CoS 19.8
10	<u>Account 398</u>	155,948	0	0	155,948		CoS 19.8
11	<u>Service Invest</u>	100.00%	94.40%	0.98%	4.62%		CoS 19.9
12	<u>Meter Invest</u>	100.00%	69.45%	10.25%	20.31%		CoS 19.10
13	<u>Account 383 - 384</u>	100.00%	68.11%	15.29%	16.61%		CoS 19.11
14	<u>Account 386</u>	100.00%	90.89%	2.25%	6.86%		CoS 19.12
15	<u>Account 901-903, 908</u>	100.00%	93.09%	6.19%	0.72%		CoS 19.14
16	<u>Account 904</u>	100.00%	93.87%	2.02%	4.10%		CoS 19.15
17	<u>Account 910</u>	100.00%	100.00%	0.00%	0.00%		CoS 19.16
18	<u>Account 911-916</u>	100.00%	0.00%	89.62%	10.38%		CoS 19.17
19	<u>Delivery Rev</u>	154,865,057	105,631,875	14,510,452	29,396,276	5,326,454	CoS 19.20
20	<u>Misc. Service Revenue</u>	100.00%	96.27%	3.34%	0.39%		CoS 19.21
21	<u>Customer Deposits</u>	100.00%	82.36%	5.83%	11.81%		CoS 19.22
22	<u>Account 813</u>	100.00%	71.35%	11.35%	17.30%		CoS 19.23
		<u>TOTAL</u>	Plant in Service	Labor	Average Annual Customers	Plant in Service and O&M Expenses	Direct to RS
23	<u>Account 923</u>	16,056,222	135,280	3,837,119	5,082,869	6,821,119	179,835 CoS 19.18
24	<u>Account 925</u>	100.00%	92.43%	7.57%			CoS 19.19

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CUST-AVG ALLOCATOR
NUMBER OF CUSTOMERS IN EACH CLASS
12-MONTH AVERAGE

Line No.	Classes	Label	Average Customers			
			Residential	Commercial	Industrial	Total
1	Residential Service	RS	239,256	-	-	239,256
2	General Service Small	GSS	-	15,838	69	15,907
3	General Service Large	GSL	-	1,731	112	1,843
4	TOTAL		<u>239,256</u>	<u>17,569</u>	<u>181</u>	<u>257,006</u>

Line No.	Classes	Label	Total Bills			
			Residential	Commercial	Industrial	Total
5	Residential Service	RS	2,871,066	-	-	2,871,066
6	General Service Small	GSS	-	190,056	828	190,884
7	General Service Large	GSL	-	20,772	1,344	22,116
8	TOTAL		<u>2,871,066</u>	<u>210,828</u>	<u>2,172</u>	<u>3,084,066</u>

* Total Bills are equal to Average Customers multiplied by 12.

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 WITNESS: R. A. FEINGOLD

GAS DELIVERIES ALLOCATOR
BILLED DELIVERIES MCF FOR ALL CLASSES

Line No.	Classes	Label	Residential	Commercial	Industrial	AGS	Total
1	Residential Service	RS	22,186,579	-	-		22,186,579
2	General Service Small	GSS	-	3,770,922	34,081		3,805,003
3	General Service Large	GSL	-	9,805,996	10,833,381		20,639,377
4	Appalachian Gathering Service	AGS				14,444,153	14,444,153
5	TOTAL		<u>22,186,579</u>	<u>13,576,919</u>	<u>10,867,462</u>	<u>14,444,153</u>	<u>75,519,266</u>

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DESIGN DAY ALLOCATOR

Design Day Volumes in Dth/Day							
Line No.	Classes	Label	RS	Commercial	Industrial	Total	Percent
1	Residential Service	RS	393,250	-	-	393,250	61.70%
2	General Service Small	GSS	33,896	14,551	268	48,715	7.64%
3	General Service Large	GSL	16,284	108,153	70,907	195,344	30.65%
4	TOTAL		<u>443,430</u>	<u>122,704</u>	<u>71,175</u>	<u>637,309</u>	<u>100.00%</u>

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 WITNESS: R. A. FEINGOLD

PEAK AND AVERAGE ALLOCATOR

Design Day Volumes in Dth/Day

Line No.	Classes	Label	RS	Commercial	Industrial	Total	Percent
1	Residential Service	RS	393,250	-	-	393,250	61.70%
2	General Service Small	GSS	33,896	14,551	268	48,715	7.64%
3	General Service Large	GSL	16,284	108,153	70,907	195,344	30.65%
4	TOTAL		443,430	122,704	71,175	637,309	100.00%

Billed Deliveries mcf for All Classes

Excluded GSL Customers ⁽¹⁾

Line No.	Classes	Label	Residential	Commercial	Industrial	Total	Volumes	Revised Total	Percent
5	Residential Service	RS	22,186,579	-	-	22,186,579		22,186,579	47.72%
6	General Service Small	GSS	-	3,770,922	34,081	3,805,003		3,805,003	8.18%
7	General Service Large	GSL	-	9,805,996	10,833,381	20,639,377	(136,291)	20,503,086	44.10%
8	TOTAL		22,186,579	13,576,919	10,867,462	46,630,960	(136,291)	46,494,669	100.00%

Peak and Average Allocation

Line No.	Classes	Label	Design Day Allocator	Weighting Factor	Weighted Design Day Allocator	Billed Deliveries Allocator	Weighting Factor	Weighted Billed Deliveries Allocator	Peak and Average Allocation
9	Residential Service	RS	61.70%	50.00%	30.85%	47.72%	50.00%	23.86%	54.71%
10	General Service Small	GSS	7.64%	50.00%	3.82%	8.18%	50.00%	4.09%	7.91%
11	General Service Large	GSL	30.65%	50.00%	15.33%	44.10%	50.00%	22.05%	37.37%
12	TOTAL		100%		50.00%	100.00%		50.00%	100.00%

Note. (1) Annual volumes associated with GSL customers excluded in lieu of direct assignment of Accounts 374, 376, 378 and 398 plant to the GSL class.

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ALLOCATION OF STORAGE INVENTORY COSTS

	Customers by month						
	RS	GSS	GSL	CAP	FDS	GDS	DDS
Jan-2008	206,543	13,569	819	18,976	14,848	3,176	3
Feb-2008	207,514	13,586	816	18,976	14,510	3,180	3
Mar-2008	207,675	13,589	772	18,976	14,276	3,175	3
Apr-2008	205,999	13,614	639	18,976	13,804	3,169	3
May-2008	205,257	13,516	631	18,976	13,313	3,159	3
Jun-2008	204,563	13,470	633	18,976	13,171	3,170	3
Jul-2008	204,027	13,470	631	18,976	13,039	3,138	3
Aug-2008	204,126	13,446	624	18,976	12,874	3,139	3
Sep-2008	204,250	13,482	623	18,976	12,770	3,109	3
Oct-2008	205,418	13,531	623	18,976	12,658	3,104	3
Nov-2008	207,935	13,688	626	18,976	12,482	3,096	3
Dec-2008	209,226	13,714	662	18,976	12,396	3,092	3
	2,472,533	162,675	8,099	227,712	160,141	37,707	36
Avg. Annual	206,044	13,556	675	18,976	13,345	3,142	3

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ALLOCATION OF STORAGE INVENTORY COSTS

	Volume by month							
	RS	GSS	GSL	CAP	FDS	GDS	DDS	
Jan-2008	3,408,336	392,436	201,333	439,436	267,185	1,735,107	585,013	
Feb-2008	3,187,162	497,473	249,773	416,799	244,028	1,605,443	903,062	
Mar-2008	2,431,256	560,050	269,150	378,806	191,898	1,640,654	626,679	
Apr-2008	1,488,954	234,494	120,272	209,770	112,338	1,051,442	643,399	
May-2008	627,506	198,910	96,457	137,759	50,253	877,881	476,044	
Jun-2008	327,255	72,823	48,195	55,913	20,286	650,148	517,217	
Jul-2008	326,397	58,313	34,760	32,066	22,034	585,136	459,172	
Aug-2008	326,556	55,283	31,016	32,066	21,692	595,481	539,464	
Sep-2008	420,131	59,409	33,412	32,066	25,447	608,121	466,260	
Oct-2008	980,871	71,784	37,360	122,047	61,783	954,233	399,043	
Nov-2008	1,910,118	148,179	97,448	227,357	120,249	1,251,058	441,069	
Dec-2008	3,058,257	437,317	216,330	418,755	196,291	1,655,424	939,146	
	18,492,799	2,786,472	1,435,508	2,502,842	1,333,484	13,210,127	6,995,567	46,756,799
Use Per Cust.	90	206	2127	132	100	4204	2331856	

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ALLOCATION OF STORAGE INVENTORY COSTS

	RS	CAP	FDS	Total RS	GSS	GSL
Jan-2008	3,408,336	439,436	267,185	4,114,958	392,436	201,333
Feb-2008	3,187,162	416,799	244,028	3,847,989	497,473	249,773
Mar-2008	2,431,256	378,806	191,898	3,001,960	560,050	269,150
Apr-2008	1,488,954	209,770	112,338	1,811,062	234,494	120,272
May-2008	627,506	137,759	50,253	815,517	198,910	96,457
Jun-2008	327,255	55,913	20,286	403,454	72,823	48,195
Jul-2008	326,397	32,066	22,034	380,497	58,313	34,760
Aug-2008	326,556	32,066	21,692	380,314	55,283	31,016
Sep-2008	420,131	32,066	25,447	477,645	59,409	33,412
Oct-2008	980,871	122,047	61,783	1,164,702	71,784	37,360
Nov-2008	1,910,118	227,357	120,249	2,257,724	148,179	97,448
Dec-2008	3,058,257	418,755	196,291	3,673,303	437,317	216,330
Total	18,492,799	2,502,842	1,333,484	22,329,125	2,786,472	1,435,508

FTY

	RS	GSS	GSL	Total
Average Non-Winter	776,170	107,288	57,353	
Average Winter	3,379,187	407,091	206,807	
Average Incremental	2,603,017	299,803	149,454	3,052,274
	85.28%	9.82%	4.90%	100.00%

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ACCOUNT 380 - SERVICE INVESTMENT ALLOCATOR

Sum of Original Cost	Material				Grand Total
Size	Copper	Plastic	Steel	(blank)	
0	249,432.92	25,533.31	874.62		275,840.85
1	2,932,970.09	185,310,521.99	20,578,554.21		208,822,046.29
2	74.66	2,098,845.73	1,627,741.38		3,726,661.77
3		406,960.85	529,983.87		936,944.72
4		398,197.62	285,030.76		683,228.38
5			76.89		76.89
6		152,253.73	254,966.17		407,219.90
8		70,382.90	140,795.81		211,178.71
9		3,786.74	121.47		3,908.21
12			68,397.52		68,397.52
16			6,712.04		6,712.04
(blank)				5,492,121.55	5,492,121.55
Grand Total	3,182,477.67	188,466,482.87	23,493,254.74	5,492,121.55	220,634,336.83

Blank includes Acct 106 (completed not classified) and plant held for future

Sum of Footage	Material				Grand Total
Size	Copper	Plastic	Steel	(blank)	
0	21,047.00	681.00	738.00		22,466.00
1	196,244.00	2,843,600.00	927,250.00		3,967,094.00
2	1.00	34,965.00	109,859.00		144,825.00
3		5,865.00	15,880.00		21,745.00
4		3,830.00	11,028.00		14,858.00
5			18.00		18.00
6		734.00	9,818.00		10,552.00
8		115.00	9,000.00		9,115.00
9		54.00	2.00		56.00
12			1,676.00		1,676.00
16			168.00		168.00
(blank)				9.00	9.00
Grand Total	217,292.00	2,889,844.00	1,085,437.00	9.00	4,192,582.00

EQUITABLE SERVICES COMPANY
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ACCOUNT 380 - SERVICE INVESTMENT ALLOCATOR

SERVICE LINES

Sum of # sl	REV_TYPE_DESC			
SIZE	RES	LG_COMM	SM_COMM	Grand Total
1/2	41		1	42
3/4	365		4	386
1	143,612		155	148,080
1 1/8	2,548		8	2,643
1 1/4	43,200		227	46,456
1 1/2	3,714		7	3,848
2	2,664		471	4,910
3	9		30	67
4	35		149	246
6	2		54	74
8	5		16	26
9	3			3
Unknown	20,427		727	23,690
Grand Total	216,625	1,848	11,998	230,471

Translation Table - Readl to JDE

Size	RES	LG_COMM	SM_COMM	TOTAL
0	406	4	18	428
1	193,074	397	7,556	201,027
2	2,664	471	1,775	4,910
3	9	30	28	67
4	35	149	62	246
5	0	0	0	-
6	2	54	18	74
8	5	16	5	26
9	3	-	-	3
12	0	0	0	-
16	0	0	0	-
TOTAL	196,198	1,121	9,462	206,781

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ACCOUNT 380 - SERVICE INVESTMENT ALLOCATOR

Allocation Percentage for Service Lines by Rate Class

SL SIZE	RS	GSL	GSS
0	94.9%	0.9%	4.2%
1	96.0%	0.2%	3.8%
2	54.3%	9.6%	36.2%
3	13.4%	44.8%	41.8%
4	14.2%	60.6%	25.2%
5	0.0%	73.0%	24.3%
6	2.7%	73.0%	24.3%
8	19.2%	61.5%	19.2%
9	100.0%	0.0%	0.0%
12	0.0%	100.0%	0.0%
16	0.0%	100.0%	0.0%
Blank	94%	1%	5%

used 6 inch

assumed all GSL

assumed all GSL

Sum of Original Cost

Size	Grand Total	RS	GSL	GSS	TOTAL
0	275,841	261,662	2,578	11,601	275,841
1	208,822,046	200,560,660	412,394	7,848,992	208,822,046
2	3,726,662	2,021,961	357,486	1,347,215	3,726,662
3	936,945	125,858	419,527	391,559	936,945
4	683,228	97,207	413,825	172,196	683,228
5	77	-	56	19	75
6	407,220	11,006	297,160	99,053	407,220
8	211,179	40,611	129,956	40,611	211,179
9	3,908	3,908	-	-	3,908
12	68,398	-	68,398	-	68,398
16	6,712	-	6,712	-	6,712
(blank)	5,492,122	5,162,172	44,038	285,912	5,492,122
Grand Total	220,634,337	208,285,045	2,152,131	10,197,158	220,634,335
		94.40%	0.98%	4.62%	100.00%

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METER INVESTMENT ALLOCATOR

Meter Group	Count	Description	CFH Capacity
Group A	253700	Residential	0-500
Group B	3015	Small Commercial	500-1,500
Group C	3084	Large Commercial	Over 1,500
Total	269799		

Meter Group	Kind Code	Model Type	Manufacturer	Count	Annual Use			Rate RS	Rate GSS	Rate GSL	Unit Cost	Total Cost		Total
					Residential	Small Commercial	Large Commercial					Rate GSS	Rate GSL	
Group A	11102	SLT	American	1	1			1			\$2,127.03	\$2,127		\$2,127
Group A	11103	W-250	American	1	1			1			\$545.41	\$545		\$545
Group A	12101	5B Metinc	American	415	415		415				\$37.35	\$15,501		\$15,501
Group A	12102	10 Metinc	American	1	1			1			\$37.35	\$37		\$37
Group A	12103	AC-250	American	1	1			1			\$34.08	\$34		\$34
Group A	12103	AL-250	American	20627	20627		19739	888			\$34.08	\$672,716	\$30,264	\$702,979
Group A	12103	AL-250	American	159	159		159				\$34.08	\$5,419		\$5,419
Group A	12104	1 Tobey	American	2	2			2			\$34.08	\$68		\$68
Group A	12105	175	American	2	2			2			\$104.21	\$208		\$208
Group A	12105	AL-175	American	47394	47394		47394				\$104.21	\$4,938,741		\$4,938,741
Group A	12105	AL-175	American	3	3			3			\$104.21	\$313		\$313
Group A	12106	AL-425	American	362	362				362		\$104.21	\$37,723		\$37,723
Group A	12106	AL-425	American	408	408				408		\$104.21	\$42,516		\$42,516
Group A	12107	AC-250	American	46633	46633		46633				\$34.08	\$1,589,277		\$1,589,277
Group A	12107	AC 250	American	1	1			1			\$34.08	\$34		\$34
Group A	12107	AC-250	American	5718	5718		5718				\$34.08	\$194,872		\$194,872
Group A	12201	0 Emco	Rockwell	6	6			6			\$41.69	\$250		\$250
Group A	12203	1 Emco	Rockwell	43	43			43			\$34.69	\$1,492		\$1,492
Group A	12204	250	Rockwell	35047	35047		35047				\$38.06	\$1,333,935		\$1,333,935
Group A	12204	R-175	Rockwell	1	1			1			\$38.06	\$38		\$38
Group A	12205	R-200	Rockwell	2	2			2			\$31.43	\$63		\$63
Group A	12205	AL 175	American	1	1			1			\$31.43	\$31		\$31
Group A	12205	R-175	Rockwell	27063	27063		27063				\$31.43	\$850,472		\$850,472
Group A	12206	R-200	Rockwell	21556	21556		21556				\$32.39	\$698,251		\$698,251
Group A	12207	275	Rockwell	1	1				1		\$71.29	\$71		\$71
Group A	12207	415	Rockwell	3033	3033				3033		\$71.29	\$216,236		\$216,236
Group A	12208	275	Rockwell	6013	6013				6013		\$36.33	\$218,425		\$218,425
Group A	12208	275	Rockwell	2445	2445				2445		\$36.33	\$88,816		\$88,816
Group A	12301	1 D	Sprague	1	1			1			\$35.60	\$36		\$36
Group A	12302	240	Sprague	15	15			15			\$57.07	\$856		\$856
Group A	12303	S-250	Sprague	4	4			4			\$35.60	\$142		\$142
Group A	12303	250	Sprague	3176	3176			3176			\$35.60	\$113,075		\$113,075
Group A	12304	240 Comb.	Sprague	2	2			2			\$35.60	\$71		\$71
Group A	12305	R-175	Sprague	1	1			1			\$37.02	\$37		\$37
Group A	12305	175	Sprague	13219	13219		13219				\$37.02	\$489,421		\$489,421
Group A	12306	400	Sprague	87	87				87		\$71.29	\$6,203		\$6,203
Group A	12401	250	Superior	6	6			6			\$38.06	\$228		\$228
Group A	12501	250	National	17964	17964		17964				\$46.07	\$827,580		\$827,580
Group A	121031	AL-250 TC	American	1	1			1			\$34.08	\$34		\$34
Group A	121071	AC-250 TC	American	6	6			6			\$34.08	\$204		\$204
Group A	121071	AC250R TC	AMERICAN	2275	2275		2275				\$34.08	\$77,533		\$77,533
Group A	NULL	NULL	NULL	4										
Group B	22106	AL-800	American	363		363		363			\$104.21	\$37,827		\$37,827
Group B	22107	NULL	American	2		2		2			\$493.03	\$986		\$986
Group B	22107	AL-1000	American	1682		1682		1682			\$493.03	\$829,285		\$829,285
Group B	22107	22107	American	2		2		2			\$493.03	\$986		\$986
Group B	22107	AL-1000	American	489		489		153	316		\$493.03	\$75,434	\$155,799	\$231,233
Group B	22107	AL 1000	American	23		23			23		\$493.03	\$11,340		\$11,340
Group B	22203	750-5	Rockwell	437		437		437			\$326.70	\$142,767		\$142,767
Group B	22204	1600 (60D)-5	Rockwell	2		2			2		\$186.86	\$374		\$374
Group B	22205	K-1000-5	Rockwell	1		1			1		\$690.02	\$690		\$690
Group B	22107	AL-1000	American	31		31			31		\$493.03	\$15,284		\$15,284
Group B	NULL	NULL	NULL	3										
Group C	32103	3.5-CVM	American	1		1			1		\$39.92	\$39		\$39

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Meter Group	Kind Code	Model Type	Manufacturer	Count	Annual Use			Unit Cost	Total Cost			Total		
					Residential	Small Commercial	Large Commercial		Rate RS	Rate GSS	Rate GSL		Rate RS	Rate GSS
Group C	32103	3 M-125	Roots Connersville	1			1	\$38.82			\$39	\$39		
Group C	32104	5.3-CVM	American	2			2	\$37.57			\$75	\$75		
Group C	32106	2M-CVM	American	3			3	\$553.88			\$1,662	\$1,662		
Group C	32107	4" Turbo	American	3			3	\$1,161.03			\$3,483	\$3,483		
Group C	32108	6" Turbo	American	2			2	\$364.26			\$729	\$729		
Group C	32109	8" Turbo	American	3			3	\$357.99			\$1,074	\$1,074		
Group C	32110	12: Turbo	American	1			1	\$9,869.97			\$9,870	\$9,870		
Group C	32201	3 Emco	Rockwell	3			3	\$186.39			\$559	\$559		
Group C	32206	5000	Rockwell	3			3	\$186.39			\$559	\$559		
Group C	32212	3" Roto Seal	Rockwell	1			1	\$1,355.17			\$1,355	\$1,355		
Group C	32213	4" Turbo	Rockwell	54			54	\$1,340.42			\$72,383	\$72,383		
Group C	32214	6" Turbo	Rockwell	1			1	\$1,850.27			\$1,850	\$1,850		
Group C	32214	6" Turbo	Rockwell	42			42	\$1,850.27			\$77,712	\$77,712		
Group C	32214	6" Turbo	Rockwell	1			1	\$1,850.27			\$1,850	\$1,850		
Group C	32215	8" Turbo	Rockwell	28			28	\$3,727.53			\$104,371	\$104,371		
Group C	32216	10" Turbo	Rockwell	2			2	\$2,797.22			\$5,594	\$5,594		
Group C	32218	32" Turbo	American	3			3	\$8,675.25			\$26,026	\$26,026		
Group C	32501	3-1/2 X 10	Roots Connersville	1			1	\$354.02			\$354	\$354		
Group C	32502	4 X 12	Roots Connersville	1			1	\$354.02			\$354	\$354		
Group C	32503	5 X 15	Roots Connersville	3			3	\$354.02			\$1,062	\$1,062		
Group C	32504	6 X 18	Roots Connersville	2			2	\$354.02			\$708	\$708		
Group C	32505	8 X 24	Roots Connersville	21			21	\$354.02			\$7,434	\$7,434		
Group C	32506	11 M-125	Roots Connersville	1			1	\$627.88			\$628	\$628		
Group C	32506	1-1/2 M-125	Roots Connersville	622			622	\$627.88			\$390,544	\$390,544		
Group C	32506	8 X 24	Roots Connersville	2			2	\$627.88			\$1,256	\$1,256		
Group C	32506	1-1/2 M-125	Roots Connersville	5			5	\$627.88			\$3,139	\$3,139		
Group C	32507	3 M-125	Roots Connersville	1244			1244	\$783.56			\$974,748	\$974,748		
Group C	32507	3 M-125	Roots Connersville	6			6	\$783.56			\$4,701	\$4,701		
Group C	32507	5 M-125	Roots Connersville	2			2	\$783.56			\$1,567	\$1,567		
Group C	32508	5m Dresser		1			1	\$1,136.73			\$1,137	\$1,137		
Group C	32508	5 M-125	Roots Connersville	466			466	\$1,136.73			\$529,716	\$529,716		
Group C	32508	11 M-125	Roots Connersville	1			1	\$1,136.73			\$1,137	\$1,137		
Group C	32508	5 M-175	Roots Connersville	1			1	\$1,136.73			\$1,137	\$1,137		
Group C	32509	7 M-125	Roots Connersville	267			267	\$1,663.33			\$444,109	\$444,109		
Group C	32510	7 M-125	Roots Connersville	1			1	\$2,028.99			\$2,029	\$2,029		
Group C	32510	11 M-125	Roots Connersville	185			185	\$2,028.99			\$375,362	\$375,362		
Group C	32511	16 M-125	Roots Connersville	52			52	\$2,830.83			\$147,203	\$147,203		
Group C	32512	23 M-125	Roots Connersville	12			12	\$2,469.17			\$29,630	\$29,630		
Group C	32513	38 M-125	Roots Connersville	6			6	\$2,002.85			\$12,017	\$12,017		
Group C	32514	56 M-125	Roots Connersville	1			1	\$2,250.00			\$2,250	\$2,250		
Group C	32515	102 M-125	Roots Connersville	1			1	\$2,250.00			\$2,250	\$2,250		
Group C	32518	3.6 M-600	Roots Connersville	1			1	\$2,218.13			\$2,218	\$2,218		
Group C	32519	800 C	Roots Connersville	14			14	\$2,250.00			\$31,500	\$31,500		
Group C	32520	32506	Dresser	2			2	\$627.88			\$1,256	\$1,256		
Group C	32520	32507	Dresser	5			5	\$783.56			\$3,918	\$3,918		
Group C	32520	3M175	Dresser	1			1	\$1,136.73			\$1,137	\$1,137		
Group C	32520	32509	Dresser	1			1	\$1,663.33			\$1,663	\$1,663		
Group C	32520	32508	Dresser	1			1	\$1,136.73			\$1,137	\$1,137		
Group C	NULL	NULL	NULL	1										
Total				259,799	253,696	3,012	3,083	240,459	15,907	3,425	\$11,813,642	\$1,742,822	\$3,454,733	\$17,011,197
Average Annual Customers				258,210				240,459	15,907	1,844	89.46%	10.25%	20.31%	100.00%
Unit Cost (\$ per meter)											\$ 46.57	\$ 578.63	\$ 1,120.57	
Meters per Customer				1,589				1.00	1.00	1.86				
												Per Books	\$16,938,157	
												A/C 381		
												Difference	\$73,039	

Note. Account No. 382 - Meter Installations will be assigned to the COSS classes as per Account No. 381

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ACCOUNTS 383 AND 384 ALLOCATOR

ACCOUNT 383 - HOUSE REGULATORS

Sum of Original	Description									Grand Total
Size	Annubar	Control Valve	Recorders	Regulator	Relief Valve	Relief Vlvs/Pipi	Safety Valve	Valve	(blank)	
0				44,270						44,270
1	217	303		2,705,040	287,638	727	76			2,994,002
2	1,212			1,248,288	88,293		10,625	137		1,348,556
3	2,771			273,051	25,467		13,191			314,481
4	4,888			313,727	38,363		16,653			373,631
6	3,795			246,050	63,608		2,376			315,829
8	5,494			75,598	54,549					135,642
10					3,772					3,772
12	2,098			25,879	13,075					41,052
16	476									476
(blank)			9,809						35,605	45,414
Grand Total	20,952	303	9,809	4,931,904	574,766	727	42,920	137	35,605	5,617,124

Allocation Percentage for Service Lines by Rate Class

SL_SIZE	RS	GSL	GSS
0	94.9%	0.9%	4.2%
1	96.0%	0.2%	3.8%
2	54.3%	9.6%	36.2%
3	13.4%	44.8%	41.8%
4	14.2%	60.6%	25.2%
6	2.7%	73.0%	24.3%
8	19.2%	61.5%	19.2%
9	100.0%	0.0%	0.0%
12	0.0%	100.0%	0.0%
16	0.0%	100.0%	0.0%
Blank	94%	1%	5%

assumed all GSL
 assumed all GSL

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ACCOUNTS 383 AND 384 ALLOCATOR

Allocation of Regulators by Rate Class

Size	Grand Total	RS	GSL	GSS
0	44,270	41,995	414	1,862
1	2,994,002	2,875,554	5,913	112,536
2	1,348,556	731,681	129,362	487,512
3	314,481	42,244	140,812	131,425
4	373,631	53,159	226,305	94,167
6	315,829	8,536	230,470	76,823
8	135,642	26,085	83,472	26,085
10	3,772	3,772	-	-
12	41,052	-	41,052	-
16	476	-	476	-
(blank)	45,414	42,686	364	2,364
Grand Total	5,617,124	3,825,710	858,639	932,774
Percent	100.00%	68.11%	15.29%	16.61%

	240,459		1,844		15,907
Unit Cost	\$ 15.91	\$	465.64	\$	58.64

Note. Account No. 384 - House Regulator Installations will be assigned to the COSS classes as per Account No. 383

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ACCOUNT 386 - AMR COST ALLOCATION

Allocation Percentage for Meters by Rate Class

Meter Group	RS	GSL	GSS
Group A	95%	0%	5%
Group B	8%	14%	78%
Group C	3%	57%	40%

Meter Group	RS	GSL	GSS	TOTAL
Group A	14,365,502	11,934	719,094	15,096,529
Group B	13,706	24,898	140,708	179,311
Group C	15,014	319,664	227,300	561,977
TOTAL	14,394,221	356,495	1,087,101	15,837,818
Percent	90.89%	2.25%	6.86%	100.00%

Total Project	15,837,818
Direct Allocations	
Group A	30,000
Group C	385,000
Total Net Direct Allocations	15,422,818

Sum of Amount - AMR Project	Grand Total	Meter Class
Expense Type		
AFUDC	41,349	ALL
EGC Fringe	105,768	ALL
EGC Labor	353,344	ALL
Equipment - Mercury Correctors	20,353	Group C
Equipment - Meter Parts	14,567	Group A
Equipment - Meters	29,948	Group A
Equipment - Misc	29,342	ALL
Equipment - Rotary Meters	364,764	Group C
Equipment - Server	11,442	ALL
GPS	5,312	ALL
Itron	11,468,169	ALL
Other	6,169	ALL
Outside Installation Labor	73,050	ALL
Overhead	418,357	ALL
Parking	49,984	ALL
Postage	73,883	ALL
Routing	15,041	ALL
Storage	24,000	ALL
Trash	10,968	ALL
Trucheck	2,363,543	ALL
Grand Total	15,479,352	

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CORPORATE SAFETY AND ENVIRONMENTAL ALLOCATIONS TO ACCOUNT 880
DISTRIBUTION OTHER EXPENSE

	<u>FTY 2008</u>	<u>B&V Allocation Basis</u>
Total Account 880	\$ 1,282,208	
Account 880 Corporate Allocation Safety and Environmental in Above (1)	\$ 632,000	O&M Expense Excl. A/C 880
Account 880 All Other Expenses	\$ 650,208	O&M Expense Excl Gathering and A/C 880

(1) Equitable Gas indicates safety and environmental costs should be allocated to the gathering function

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ACCOUNT 901-903 AND 908 ALLOCATOR

Line No.	Classes	Label	Average Customers	ACCT 901-903, 908 Allocator
1	Residential Service	RS	239,256	93.09%
2	General Service Small	GSS	15,907	6.19%
3	General Service Large	GSL	1,843	0.72%
4	TOTAL		<u>257,006</u>	<u>100.00%</u>

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ACCOUNT 904 ALLOCATOR

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Bad Debt Expense Adjustment

	2007 Per Books	2006 Per Books	2006-2007 Avg Per Books	2007 Normalized
Billed Revenue				
Residential	302,131,240	287,990,871	295,061,056	357,836,287
Commercial	64,073,929	63,754,351	63,914,140	74,542,389
Industrial	843,371		843,371	
Total	367,048,540	351,745,222	359,396,881	432,378,676
Net write-offs				
Residential	6,437,107	6,713,859	6,575,483	
Commercial and Industrial	492,460	364,205	428,333	
Total	6,929,567	7,078,064	7,003,816	-
Net write-offs / Revenue				
Residential	2.13%	2.33%	2.23%	2.23%
Commercial and Industrial	0.77%	0.57%	0.67%	0.67%
Total	1.9%	2.0%	1.9%	1.95%
Bad Debt Expense	8,559,290			
Bad Debt Expense / Revenue	2.3%			
Estimated Normalized Bad Debts - 2 yr Avg net w/offs				
Residential				7,974,439
Commercial and Industrial				499,560
Total				8,473,999
Bad Debt Expense Adjustment				
Expense Assumed to Equal Total Net W/offs				
Reduction of Bad Debts Expense				(85,292)

Class Split Methodology			
	2007	2006	AVG
Net write-offs			
Residential	6,437,107	6,713,859	
C&I	492,460	364,205	
Total net write-offs	6,929,567	7,078,064	
% Residential	93%	95%	93.87%
% C&I	7%	5%	6.13%
Use revenue to allocate to GSS/GSL			
GSS	14,510,452	2.02%	
GSL	29,396,276	4.10%	
	43,906,728	6.13%	

RS	GSS	GSL
93.87%	2.02%	4.10%

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ACCOUNT 910 ALLOCATOR

Line No.	Classes	Label	Average Customers	ACCT 910 Allocator
1	Residential Service	RS	239,256	100.00%
2	TOTAL		<u>239,256</u>	<u>100.00%</u>

Note. Acct 910 represents LIURP (Low Income Usage Reduction Programs), a program for low income housing customers, which is related to residential customers only.

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ACCOUNT 911-916 ALLOCATOR

Line No.	Classes	Label	Average Customers	ACCT 911-916 Allocator
1	General Service Small	GSS	15,907	89.62%
2	General Service Large	GSL	1,843	10.38%
3	TOTAL		<u>17,750</u>	<u>100.00%</u>

EQUITABLE ENERGY COMPANY
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ACCOUNT 923 DETAIL

B&V Allocation Basis

		<u>Plant in Service</u>	<u>Labor</u>	<u>Average Annual Customers</u>	<u>Plant in Service and O&M Expenses</u>	<u>Direct to AGS</u>	<u>Direct to RS</u>	<u>Total</u>
<u>FTY 2008 Corporate Overheads in 923</u>								
Corporate Allocation I (HQ & IT)	8,069,051							
Corporate Allocation II	2,450,954							
Excluded Overheads	(222,419)							
Shared Services Allocation	876,000							
Procurement Allocation	208,000							
FTY 2008 Corporate Allocation to 923 ⁽¹⁾	<u>11,381,586</u>	138,379	3,726,428	3,364,805	3,951,974	200,000		11,381,586
<u>FTY 2008 Other Account 923 Costs</u>								
Customer Operations	677,256			677,256				677,256
Field Operations	(3,099)	(3,099)						(3,099)
Finance	1,617,884				1,617,884			1,617,884
Commercial Operations	18,952			18,952				18,952
Midstream	3,679				3,679			3,679
Equitable Homeworks & Equitable Energy	179,835						179,835	179,835
Computer Systems	197,003			197,003				197,003
Legal ⁽²⁾	1,238,286				1,238,286			1,238,286
Technical Training & Compliance	-							
Executive Office	9,296				9,296			9,296
Human Resources	110,691		110,691					110,691
IT ⁽³⁾	824,853			824,853				824,853
FTY 2008 Other Account 923 Costs	<u>4,874,636</u>							
FTY 2008 Total Account 923 Costs	<u>16,256,222</u>	<u>135,280</u>	<u>3,837,119</u>	<u>5,082,869</u>	<u>6,821,119</u>	<u>200,000</u>	<u>179,835</u>	<u>16,256,222</u>

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ACCOUNT 923 DETAIL

B&V Allocation Basis

	<u>Plant in Service</u>	<u>Labor</u>	<u>Average Annual Customers</u>	<u>Plant in Service and O&M Expenses</u>	<u>Direct to AGS</u>	<u>Direct to RS</u>	<u>Total</u>
NOTES:							
(1) 2007/2008 Corporate Allocations to Account 923, Approx Breakdown by Function:							
CEO				252,261			252,261
Finance				676,031			676,031
Legal				1,533,091	200,000		1,733,091
Human Resources		2,701,817					2,701,817
Depreciation	138,379						138,379
Short-term Incentive		1,024,611					1,024,611
IT			3,364,805				3,364,805
Procurement				404,187			404,187
Accounts Payable				65,623			65,623
General Accounting and Tax				1,020,782			1,020,782
Total Allocation of Corporate to Account 923	<u>11,381,586</u>	<u>138,379</u>	<u>3,726,428</u>	<u>3,364,805</u>	<u>200,000</u>		<u>11,381,586</u>

- (2) Includes Missing in cube - Legal budget code of 1,221,629
 (3) Outside IT costs related to Transition, but now on-going for improvements done to systems

Equitable 2007 Business Plan

Total Allocation to Utility		
CEO	313,937	2.22%
Finance	841,317	5.94%
Legal	2,156,822	15.23%
Human Resources	3,362,396	23.74%
Depreciation	172,212	1.22%
Short-term Incentive	1,275,123	9.00%
IT	4,187,482	29.56%
Procurement	503,008	3.55%
Accounts Payable	81,667	0.58%
General Accounting and Tax	1,270,358	8.97%
Total to 923	<u>14,164,322</u>	<u>100.00%</u>
Facilities to 931	3,275,271	
Safety to 880	647,113	
Environmental to 880	624,141	
Risk & Credit (no allocation to Utility)	657,377	
Total Corporate Allocations 2007 Business Plan	<u>19,368,224</u>	

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ACCOUNT 925 ALLOCATOR

Line No.	Activity Description		Amount		ACCT 925 Allocator	
			Plant	Labor	Plant	Labor
1	G&A-Ins Ex-Dir & Off Liab	875030	177,970		4.03%	
2	G&A-Ins Ex-Excess Liab	875035	1,141,942		25.83%	
3	G&A-Ins Ex-Oth Gnrl Liab	875040	2,736,000		61.89%	
4	G&A-Ins Ex-Fiduciary Ins	875075		42,729		0.97%
5	G&A-Ins Ex-WC Ex Liab	875086		107,111		2.42%
6	G&A-C&E-Gen Dept Exp	876010	523		0.01%	
7	G&A-C&E-Safety Program	876050		84		0.002%
8	G&A-C&E-Auto Clm Pymts	876100		26,075		0.59%
9	G&A-C&E-Wrk Comp Benefits	876400		153,724		3.48%
10	G&A-C&E-Wrk Comp-Svc Fee	876450		2,878		0.07%
11	G&A-TS&E-Training	877100		1,738		0.04%
12	G&E-TS&E-Safety	877200		363		0.01%
13	G&A-TS&E-Envmtl Concern	877300	815		0.02%	
14	G&A-TS&E-Regulatr Audit	877400	28,647		0.65%	
15	925000 A & G - Injuries & Damage		<u>4,085,897</u>	<u>334,702</u>	<u>92.43%</u>	<u>7.57%</u>

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REVENUE ALLOCATOR

Line No.	Class	Label	Total Delivery Revenue by Customer Type				Total Revenues
			Residential	Commercial	Industrial	AGS	
1	Residential Service	RS	105,631,875	0	0	0	105,631,875
2	General Service Small	GSS	0	14,286,445	224,008	0	14,510,452
3	General Service Large	GSL	0	20,030,032	9,366,244	0	29,396,276
4	Appalachian Gathering Service	AGS	0	0	0	5,326,454	5,326,454
5	Total		<u>105,631,875</u>	<u>34,316,477</u>	<u>9,590,251</u>	<u>5,326,454</u>	<u>154,865,057</u>

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MISCELLANEOUS SERVICE REVENUE

Sum of TRANS AMOUNT			
CTDR_CHG_TYPE	REV_CLASS	Total	
MISCSERV	Contract Serv Small Commercial Heat	35	0.0%
	Landlord Tenant- Residential Heat	1,960	0.6%
	Landlord Tenant- Residential Non - Heat	100	0.0%
	Landlord Tenant Small Commercial Heat	160	0.0%
	PA Large Commercial - Heat	35	0.0%
	PA Residential - Heat	337,155	98.5%
	PA Residential - Non-Heat	1,450	0.4%
	PA Small Commercial - Heat	1,445	0.4%
	MISCSERV Total		342,340
TurnOn	Company Used Gas	25	0.0%
	Contract Serv Large Commercial Heat	275	0.0%
	Contract Serv Large Industrial Heat	25	0.0%
	Contract Serv Small Commercial Heat	1,225	0.1%
	Landlord Tenant - Large Commercial Heat	675	0.1%
	Landlord Tenant- Residential Heat	19,950	2.2%
	Landlord Tenant- Residential Non - Heat	550	0.1%
	Landlord Tenant Small Comm Non - Heat	250	0.0%
	Landlord Tenant Small Commercial Heat	5,250	0.6%
	PA Large Commercial - Heat	1,825	0.2%
	PA Large Commercial - Non-Heat	25	0.0%
	PA Large Industrial - Heat	50	0.0%
	PA Large Industrial - Non-Heat	75	0.0%
	PA Residential - Heat	818,900	91.5%
	PA Residential - Non-Heat	11,200	1.3%
	PA Small Commercial - Heat	33,100	3.7%
	PA Small Commercial - Non-Heat	500	0.1%
	PA Small Industrial - Heat	350	0.0%
	Pool Administrators	175	0.0%
	Transportation Large Commercial Heat	650	0.1%
TurnOn Total		895,075	100.0%
Grand Total		1,237,415	

Summary - Misc Service (Reconnections)

Res	340,665	99.5%
Comm	1,675	0.5%
Ind	-	
	<u>342,340</u>	<u>100.0%</u>

*Misc Service is mainly reconnect fees

Summary - Turn On (Connections)

Res	850,600	95.0%
Comm	43,975	4.9%
Ind	500	0.1%
	<u>895,075</u>	<u>100.0%</u>

Weighted Average Percentage

Residential	96.27%
Commercial	3.69%
Industrial	0.04%
C&I Combined %	3.73%

Use average number of customers to allocate to GSS/GSL

GSS	15,907	3.34%
GSL	1,843	0.39%
	<u>17,750</u>	<u>3.73%</u>

RS	GSS	GSL	Total
96.27%	3.34%	0.39%	100.0%
1,191,265	41,358	4,792	1,237,415

EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008

Workpaper: CoS Item 19
Schedule CoS 19.22
PAGE 29 OF 30
WITNESS: R. A. FEINGOLD

CUSTOMER DEPOSITS ALLOCATOR
DEPOSITS HELD

Sum of BALANCE			
Offer	Total		
BANKRUPTCY	(256,624.53)	0.07	(42,030.70) Commercial
BANKRUPTCY-WV	(444.06)	0.00	(214,593.83) Residential
KYEGC-RES	(6,216.00)	0.00	(256,624.53)
PAEGC-COM	(495,172.35)	0.14	
PAEGC-COM-RES	(50,090.69)	0.01	
PAEGC-RES	(2,528,174.35)	0.74	0.88
WVEGC-COM	(11,509.15)	0.00	0.16
WVEGC-RES	(88,967.97)	0.03	0.84
Grand Total	(3,437,199.10)		

(3,484,804.41) 1101.240105 @ 12/31/07

47,605.31 No Offers

PA - Commerical/Ind	(587,293.74)	17.64%
PA - Residential	<u>(2,742,768.18)</u>	82.36%
Total PA Deposits	(3,330,061.92)	

Source: Deanna Bradley at EGC
Copied from Deposits Held by Class EGC 5_29_08.xls

Use delivery revenue to allocate to GSS/GSL

		%		
GSS	14,510,452	33.05%	17.64%	5.83%
GSL	29,396,276	66.95%	17.64%	<u>11.81%</u>
	43,906,728	100.00%		17.64%

Source: Deanna Bradley at EGC

RS	GSS	GSL	Total
82.36%	5.83%	11.81%	100.0%

EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008

Workpaper: CoS Item 19
Schedule CoS 19.23
PAGE 30 OF 30
WITNESS: R. A. FEINGOLD

ACCOUNT 813 ALLOCATOR
NON COMPETITIVE THROUGHPUT

RS	GSS	GSL	Total
22,186,579	3,529,915	5,379,966	31,096,460
71%	11%	17%	100%

Note: Includes CAP throughput

Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 20: Please provide all workpapers, calculations and supporting documentation for the functionalization and classification performed for the Company's cost of service study.

Response:

Please see the attached workpaper for calculations and supporting documentation for the distribution mains classification factor. All other functionalization and classification factor calculations are contained in the cost of service study results presented in Exhibit IV Item: § 53.53 IV-B-1 (A) and (B). Additionally, functionalization and classification factors are further described in Exhibit IV Item: § 53.53 IV-B-3.

**EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008**

Workpaper: CoS Item 20
Schedule CoS 20.1
PAGE 1 OF 4
WITNESS: R. A. FEINGOLD

ZERO INTERCEPT STUDY WORKPAPERS

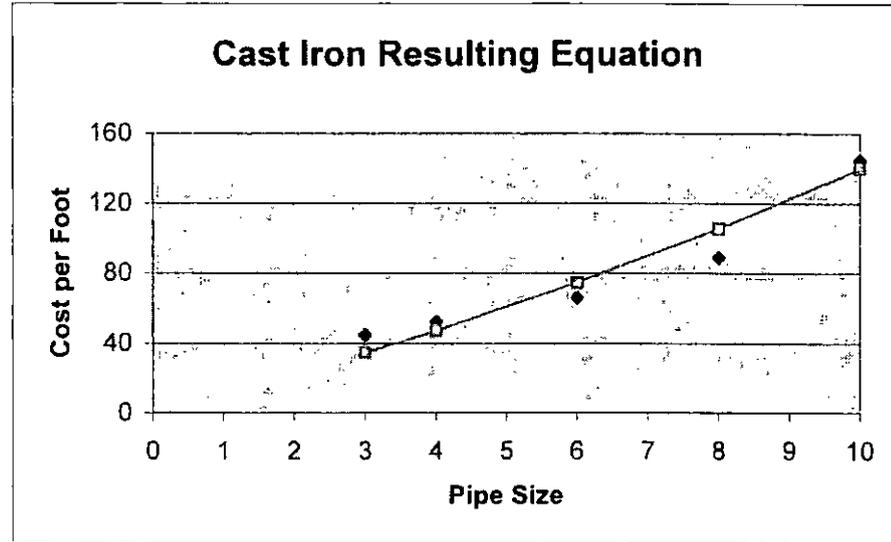
	Cast Iron	Steel	Plastic	Total
2007 Dollar Value	123,105,173	888,564,968	326,692,947	1,338,363,088
Total Quantity	217,052	9,144,306	8,116,564	17,477,922
2007 Cost per Foot of a Zero Size Pipe	2.820	6.551	20.222	12.85
2007 Zero Size Pipe Cost	612,035	59,906,857	164,135,498	224,654,390
Customer Component				16.8%

EQUITABLE GAS COMPANY
 DOCKET NO. R-2008-2029325
 COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008

Workpaper: CoS Item 20
 Schedule CoS 20.2
 PAGE 2 OF 4
 WITNESS: R. A. FEINGOLD

ZERO INTERCEPT STUDY WORKPAPERS

Cast Minimum Study Data		
Cast Iron Main Size	Cost	Resulting Equation
3	44.60	34.68
4	52.24	47.07
6	65.84	74.50
8	88.84	105.47
10	144.66	139.98
12	168.97	178.02
16	281.92	264.73
20	614.06	365.58
24	614.38	480.59
30	677.02	679.64
36	1025.59	910.53



Cast Iron - Regression Equation - Statistical Information
 Zero Intercept = 2.82

Regression Statistics	
Multiple R	0.999
R Square	0.997
Adjusted R Square	0.996
Standard Error	13.288
Observations	8

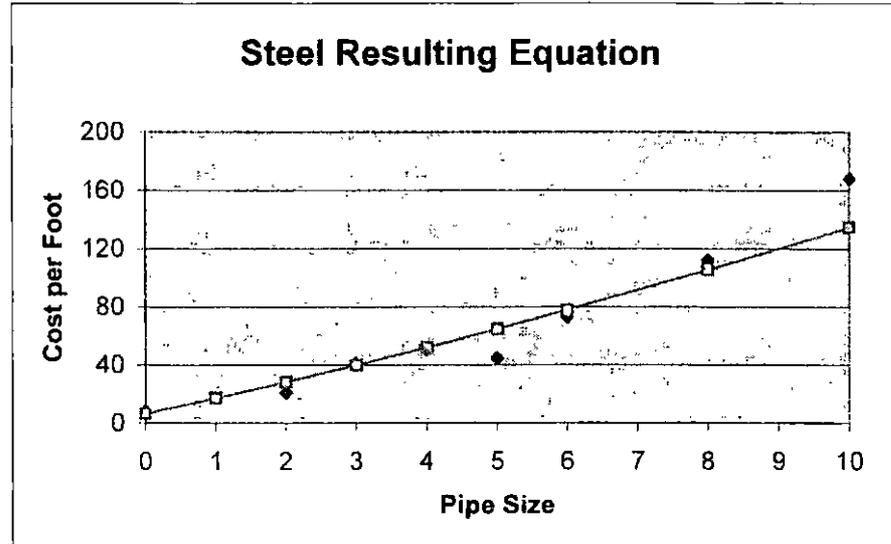
	Coefficients	Standard Error	t Stat
Intercept	2.820	14.569	0.194
Size	9.293	2.352	3.951
Size^2	0.442	0.069	6.408

**EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008**

Workpaper: CoS Item 20
Schedule CoS 20.2
PAGE 3 OF 4
WITNESS: R. A. FEINGOLD

ZERO INTERCEPT STUDY WORKPAPERS

Steel Minimum Study Data		
Steel Main Size	Cost	Resulting Equation
0.00	8.02	6.55
1.00	16.84	17.17
2.00	20.79	28.28
3.00	40.91	39.87
4.00	50.76	51.96
5.00	44.58	64.53
6.00	72.59	77.59
8.00	111.74	105.18
10.00	167.83	134.73
12.00	190.43	166.23
14.00	166.73	199.69
16.00	234.26	235.10
20.00	346.83	311.78
24.00	389.76	396.29
30.00	474.39	537.71
36.00	732.93	696.73



Steel - Regression Equation - Statistical Information
Zero Intercept = 6.55

<i>Regression Statistics</i>	
Multiple R	0.992
R Square	0.984
Adjusted R Square	0.982
Standard Error	27.576
Observations	16

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	6.55127	14.07587	0.46543
Size	10.37389	2.24696	4.61685
Size^2	0.24439	0.06457	3.78506

**EQUITABLE GAS COMPANY
DOCKET NO. R-2008-2029325
COST OF SERVICE STUDY- FUTURE TEST YEAR ENDED 12/31/2008**

Workpaper: CoS Item 20
Schedule CoS 20.2
PAGE 4 OF 4
WITNESS: R. A. FEINGOLD

ZERO INTERCEPT STUDY WORKPAPERS

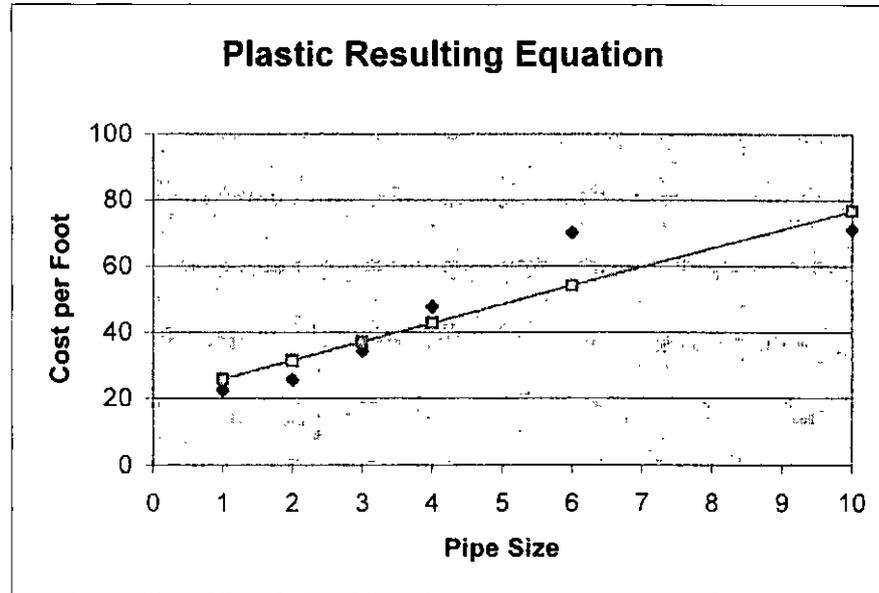
Plastic Minimum Study Data

Plastic Main Size	Cost	Resulting Equation
1	22.472	25.870
2	25.596	31.519
3	34.140	37.167
4	47.815	42.815
6	70.022	54.111
10	70.901	76.704
12	85.242	88.001

Plastic - Regression Equation - Statistical Information
Zero intercept = 20.22

<i>Regression Statistics</i>	
Multiple R	0.948
R Square	0.898
Adjusted R Square	0.878
Standard Error	8.663
Observations	7

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	20.2223	5.6606	3.5725
Size	5.6482	0.8506	6.6402



Equitable Gas Company
Response to Standard Data Requests
COST OF SERVICE INTERROGATORIES

Item 21: If not provided elsewhere, please provide a detailed proof of revenues at both present and proposed rates.

Response: Please see Exhibit No. III Item III-E-20.

Rate of Return

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 1: Please supply copies of the following documents for the Company and, if applicable, its parent:

- a. Most recent Annual Report to shareholders (including any statistical supplements);
- b. Most recent SEC Form 10K;
- c. All SEC Form 10Q reports issued within last year.

Response:

- a. See Exhibit II, Item II-A-3
- b. See Exhibit II, Item II-A-3
- c. See Exhibit II, Item II-A-2 for 3/31/08 10Q
See attached for 6/30/07 10Q and 9/30/07 10Q

EQUITABLE RESOURCES INC /PA/

FORM
0

Filed 7/26/2007 For Period Ending 6/30/2007

Address	225 NORTH SHORE DR PITTSBURGH, Pennsylvania 15212-5861
Telephone	412-553-5700
CIK	0000033213
Fiscal Year	12/31

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

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 1-3551

EQUITABLE RESOURCES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or organization)

25-0464690

(IRS Employer Identification No.)

225 North Shore Drive, Pittsburgh, Pennsylvania 15212

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(412) 553-5700**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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

Class

Outstanding at
June 30, 2007

Common stock, no par value

121,648,466 shares

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Index

Part I. Financial Information :

- Item 1. Financial Statements (Unaudited):
 - Statements of Consolidated Income for the Three and Six Months Ended June 30, 2007 and 2006
 - Statements of Condensed Consolidated Cash Flows for the Six Months Ended June 30, 2007 and 2006
 - Condensed Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006
 - Notes to Condensed Consolidated Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

Part II. Other Information:

- Item 1. Legal Proceedings
- Item 1A. Risk Factors
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
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Signature

Index to Exhibits

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Consolidated Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Thousands, except per share amounts)			
Operating revenues	\$ 293,240	\$ 251,207	\$ 749,786	\$ 681,326
Cost of sales	116,953	86,113	336,965	294,930
Net operating revenues	<u>176,287</u>	<u>165,094</u>	<u>412,821</u>	<u>386,396</u>
Operating expenses:				
Operation and maintenance	25,568	25,366	53,012	48,970
Production	16,125	15,670	32,637	31,789
Selling, general and administrative	45,483	28,050	111,780	57,755
Office consolidation impairment charges	—	(2,908)	—	(2,908)
Depreciation, depletion and amortization	27,592	24,797	55,019	49,014
Total operating expenses	<u>114,768</u>	<u>90,975</u>	<u>252,448</u>	<u>184,620</u>
Operating income	61,519	74,119	160,373	201,776
Gain on sale of assets, net	119,401	—	119,401	—
Gain on sale of available-for-sale securities	—	—	1,042	—
Equity in earnings (losses) of nonconsolidated investments	666	(124)	775	50
Interest expense	<u>9,483</u>	<u>9,995</u>	<u>21,763</u>	<u>22,952</u>
Income before income taxes	172,103	64,000	259,828	178,874
Income taxes	64,760	20,091	95,867	62,606
Net income	<u>\$ 107,343</u>	<u>\$ 43,909</u>	<u>\$ 163,961</u>	<u>\$ 116,268</u>
Earnings per share of common stock:				
Basic:				
Weighted average common shares outstanding	121,356	120,128	121,289	119,823
Net income	<u>\$ 0.88</u>	<u>\$ 0.37</u>	<u>\$ 1.35</u>	<u>\$ 0.97</u>
Diluted:				
Weighted average common shares outstanding	122,837	122,044	122,806	121,899
Net income	<u>\$ 0.87</u>	<u>\$ 0.36</u>	<u>\$ 1.34</u>	<u>\$ 0.95</u>
Dividends declared per common share	<u>\$ 0.22</u>	<u>\$ 0.22</u>	<u>\$ 0.44</u>	<u>\$ 0.43</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Condensed Consolidated Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2007	2006
	(Thousands)	
Cash flows from operating activities:		
Net income	\$ 163,961	\$ 116,268
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for losses on accounts receivable	(1,075)	614
Depreciation, depletion, and amortization	55,019	49,014
Gain on sale of assets, net	(119,401)	—
Gain on sale of available-for-sale securities	(1,042)	—
Office consolidation impairment charges	—	(2,908)
Deferred income taxes	55,823	5,899
Excess tax benefits from share-based payment arrangements	(4,180)	(5,758)
Decrease in accounts receivable and unbilled revenues	67,376	158,688
Decrease in inventory	42,174	908
(Increase) decrease in margin deposits	(10,933)	199,837
Decrease in accounts payable	(1,373)	(78,919)
Change in derivative instruments at fair value, net	27,375	4,441
Changes in other assets and liabilities	40,593	(50,211)
Net cash provided by operating activities	<u>314,317</u>	<u>397,873</u>
Cash flows from investing activities:		
Capital expenditures	(335,860)	(153,416)
Proceeds from sale of assets	184,576	—
Restricted cash from sale of assets	(95,000)	—
Proceeds from contribution of assets	23,262	—
Proceeds from sale of available-for-sale securities	7,295	—
Investment in available-for-sale securities	(9,709)	(2,201)
Proceeds from sale of discontinued operations, net of purchase price adjustments	—	(724)
Net cash used in investing activities	<u>(225,436)</u>	<u>(156,341)</u>
Cash flows from financing activities:		
Dividends paid	(53,531)	(51,729)
Proceeds from note payable to Nora Gathering, LLC	69,786	—
Repayments of note payable to Nora Gathering, LLC	(7,000)	—
Proceeds from exercises under employee compensation plans	2,449	16,274
Excess tax benefits from share-based payment arrangements	4,180	5,758
Decrease in short-term loans	(33,999)	(286,801)
Net cash used in financing activities	<u>(18,115)</u>	<u>(316,498)</u>
Net increase (decrease) in cash and cash equivalents	70,766	(74,966)
Cash and cash equivalents at beginning of period	—	74,966
Cash and cash equivalents at end of period	<u>\$ 70,766</u>	<u>\$ —</u>
Cash paid during the period for:		
Interest, net of amount capitalized	<u>\$ 21,373</u>	<u>\$ 22,972</u>
Income taxes, net of refund	<u>\$ 21,072</u>	<u>\$ 30,448</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	<u>(Thousands)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 70,766	\$ —
Restricted cash	95,576	—
Accounts receivable (less accumulated provision for doubtful accounts: June 30, 2007, \$17,003; December 31, 2006, \$20,442)	162,018	199,486
Unbilled revenues	11,794	40,627
Margin deposits with financial institutions	10,944	11
Inventory	226,954	269,128
Derivative instruments, at fair value	32,336	129,675
Prepaid expenses and other	60,770	62,523
Total current assets	<u>671,158</u>	<u>701,450</u>
Equity in nonconsolidated investments	128,558	35,023
Property, plant and equipment	3,730,469	3,617,297
Less: accumulated depreciation and depletion	1,239,581	1,239,826
Net property, plant and equipment	<u>2,490,888</u>	<u>2,377,471</u>
Investments, available-for-sale	35,777	31,270
Other assets	113,026	111,697
Total assets	<u>\$ 3,439,407</u>	<u>\$ 3,256,911</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Short-term loans	102,000	135,999
Note payable to Nora Gathering, LLC	62,786	—
Accounts payable	211,953	213,326
Derivative instruments, at fair value	582,805	570,251
Other current liabilities	156,673	150,203
Total current liabilities	<u>1,126,217</u>	<u>1,079,779</u>
Debentures and medium-term notes	753,500	753,500
Other non-current liabilities:		
Deferred income taxes and investment tax credits	363,053	338,012
Unrecognized tax benefits	36,191	—
Pension and other post-retirement benefits	47,926	50,947
Other credits	89,494	88,393
Total other non-current liabilities	<u>536,664</u>	<u>477,352</u>
Common stockholders' equity:		
Common stock, no par value, authorized 320,000 shares; shares issued: June 30, 2007 and December 31, 2006, 149,008	369,043	366,856
Treasury stock, shares at cost: June 30, 2007, 27,357; December 31, 2006, 27,405 (net of shares and cost held in trust for deferred compensation of 177, \$3,038 and 159, \$2,724)	(469,385)	(469,584)
Retained earnings	1,469,629	1,363,310
Accumulated other comprehensive loss	(346,261)	(314,302)
Total common stockholders' equity	<u>1,023,026</u>	<u>946,280</u>
Total liabilities and stockholders' equity	<u>\$ 3,439,407</u>	<u>\$ 3,256,911</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Equitable Resources, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In this Form 10-Q, references to "we," "us," "our," "Equitable," "Equitable Resources," and the "Company" refer collectively to Equitable Resources, Inc. and its consolidated subsidiaries. In the opinion of management, these statements include all adjustments (consisting of only normal recurring accruals, unless otherwise disclosed in this Form 10-Q) necessary for a fair presentation of the financial position of Equitable Resources, Inc. and subsidiaries as of June 30, 2007, and the results of its operations and cash flows for the three and six month periods ended June 30, 2007 and 2006.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Due to the seasonal nature of the Company's natural gas distribution and energy marketing businesses and the volatility of natural gas prices, the interim statements for the three and six month periods ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

For further information, refer to the consolidated financial statements and footnotes thereto included in Equitable Resources' Annual Report on Form 10-K for the year ended December 31, 2006, as well as in "Information Regarding Forward Looking Statements" on page 17 of this document.

B. Segment Information

The Company reports its operations in two segments, which reflect its lines of business. The Equitable Supply segment's activities comprise the development, production, gathering, marketing and sale of natural gas and a small amount of associated oil and the extraction and sale of natural gas liquids. The Equitable Utilities segment's operations comprise the sale and transportation of natural gas to customers at state-regulated rates, interstate pipeline transportation, storage and gathering of natural gas subject to federal regulation, the unregulated marketing of natural gas and limited trading activities.

Operating segments are evaluated on their contribution to the Company's consolidated results based on operating income, equity in earnings (losses) of nonconsolidated investments and other income. Interest expense and income taxes are managed on a consolidated basis. Headquarters' costs are billed to the operating segments based upon a fixed allocation of the headquarters' annual operating budget. Differences between budget and actual headquarters' expenses are not allocated to the operating segments.

Substantially all of the Company's operating revenues, income from operations and assets are generated or located in the United States.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues from external customers:				
Equitable Supply	\$ 127,884	\$ 119,327	\$ 253,141	\$ 241,776
Equitable Utilities	172,112	139,027	515,224	473,725
Less: intersegment revenues (a)	(6,756)	(7,147)	(18,579)	(34,175)
Total	<u>\$ 293,240</u>	<u>\$ 251,207</u>	<u>\$ 749,786</u>	<u>\$ 681,326</u>
Total operating expenses:				
Equitable Supply	\$ 56,707	\$ 53,884	\$ 127,104	\$ 104,350
Equitable Utilities	37,544	31,900	79,602	69,731
Unallocated expenses (b)	20,517	5,191	45,742	10,539
Total	<u>\$ 114,768</u>	<u>\$ 90,975</u>	<u>\$ 252,448</u>	<u>\$ 184,620</u>
Operating income:				
Equitable Supply	\$ 71,177	\$ 65,443	\$ 126,037	\$ 137,426
Equitable Utilities	10,859	13,867	80,078	74,889
Unallocated expenses	(20,517)	(5,191)	(45,742)	(10,539)
Total	<u>\$ 61,519</u>	<u>\$ 74,119</u>	<u>\$ 160,373</u>	<u>\$ 201,776</u>

Reconciliation of operating income to net income:

Equity in earnings (losses) of nonconsolidated investments:

Equitable Supply	\$ 633	\$ (124)	\$ 706	\$ (18)
Unallocated	33	—	69	68
Total	<u>\$ 666</u>	<u>\$ (124)</u>	<u>\$ 775</u>	<u>\$ 50</u>

Gain on sale of assets, net — Equitable Supply	119,401	—	119,401	—
Gain on sale of available-for-sale securities	—	—	1,042	—
Interest expense	9,483	9,995	21,763	22,952
Income taxes	64,760	20,091	95,867	62,606
Net income	<u>\$ 107,343</u>	<u>\$ 43,909</u>	<u>\$ 163,961</u>	<u>\$ 116,268</u>

Segment Assets:

	June 30, 2007	December 31, 2006
	(Thousands)	
Equitable Supply	\$ 1,971,136	\$ 1,794,485
Equitable Utilities	1,293,537	1,407,024
Total operating segments	<u>3,264,673</u>	<u>3,201,509</u>
Headquarters assets and intersegment eliminations, net	174,734	55,402
Total assets	<u>\$ 3,439,407</u>	<u>\$ 3,256,911</u>

Expenditures for segment assets:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Thousands)			
Equitable Supply	\$ 159,462	\$ 68,615	\$ 297,455	\$ 122,527
Equitable Utilities	18,616	13,626	38,207	29,080
Unallocated expenditures	112	541	198	1,809
Total	<u>\$ 178,190</u>	<u>\$ 82,782</u>	<u>\$ 335,860</u>	<u>\$ 153,416</u>

- (a) Intersegment revenues primarily represent sales from Equitable Supply to the unregulated marketing affiliate of Equitable Utilities.
(b) Unallocated expenses for the three and six months ended June 30, 2007 are primarily related to executive compensation.

C. Derivative Instruments

Natural Gas Hedging Instruments

The Company's overall objective in its hedging program is to assure a return on capital invested in long-lived assets in excess of the Company's cost of capital. The various derivative commodity instruments used by the Company to hedge its exposure to variability in expected future cash flows associated with the fluctuations in the price of natural gas related to the Company's forecasted sale of equity production and forecasted natural gas purchases and sales have been designated and qualify as cash flow hedges. Futures contracts obligate the Company to buy or sell a designated commodity at a future date for a specified price and quantity at a specified location. Swap agreements involve payments to or receipts from counterparties based on the differential between a fixed and variable price for the commodity. Collar agreements require the counterparty to pay the Company if the index price falls below the floor price and the Company to pay the counterparty if the index price rises above the cap price. Exchange-traded instruments are generally settled with offsetting positions. Over the counter arrangements require settlement in cash.

The fair value of the Company's derivative commodity instruments designated as cash flow hedges is presented below:

	As of	
	June 30, 2007	December 31, 2006
	(Thousands)	
Asset	\$ 31,908	\$ 129,675
Liability	(544,919)	(544,444)
Net liability	\$ (513,011)	\$ (414,769)

These amounts are included in the Condensed Consolidated Balance Sheets as derivative instruments, at fair value. The net fair value of derivative instruments changed during the first six months of 2007 primarily as a result of an increase in natural gas prices. The absolute quantities of the Company's derivative commodity instruments that have been designated and qualify as cash flow hedges totaled 335.9 Bcf and 392.6 Bcf as of June 30, 2007 and December 31, 2006, respectively, and primarily related to natural gas swaps. The open positions at June 30, 2007 had maturities extending through December 2013.

The Company deferred net losses of \$319.8 million and \$286.2 million in accumulated other comprehensive loss, net of tax, as of June 30, 2007 and December 31, 2006, respectively, associated with the effective portion of the change in fair value of its derivative instruments designated as cash flow hedges. Assuming no change in price or new transactions, the Company estimates that approximately \$107.1 million of net unrealized losses on its derivative commodity instruments reflected in accumulated other comprehensive loss, net of tax, as of June 30, 2007 will be recognized in earnings during the next twelve months due to the physical settlement of hedged transactions. This recognition occurs through a reduction in the Company's net operating revenues resulting in the average hedged price becoming the realized sales price.

Ineffectiveness associated with the Company's derivative instruments designated as cash flow hedges increased earnings by approximately \$1.3 million and \$0.2 million for the three month periods ended June 30, 2007 and 2006, respectively. These amounts are included in operating revenues in the Statements of Consolidated Income.

The Company conducts trading activities through its unregulated marketing group. The function of the Company's trading business is to contribute to the Company's earnings by taking market positions within defined limits subject to the Company's corporate risk management policy. The absolute notional quantities of the futures and swaps held for trading purposes at June 30, 2007 totaled 9.9 Bcf and 23.8 Bcf, respectively.

Below is a summary of the activity of the fair value of the Company's derivative commodity contracts with third parties held for trading purposes during the six months ended June 30, 2007 (in thousands).

Fair value of contracts outstanding as of December 31, 2006	\$ 581
Contracts realized or otherwise settled	(723)
Other changes in fair value	57
Fair value of contracts outstanding as of June 30, 2007	<u>\$ (85)</u>

The following table presents maturities and the fair valuation source for the Company's derivative commodity instruments that are held for trading purposes as of June 30, 2007.

Net Fair Value of Third Party Contract (Liabilities) Assets at Period-End

Source of Fair Value	Maturity Less than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years (Thousands)	Maturity in Excess of 5 Years	Total Fair Value
Prices actively quoted (NYMEX) (1)	\$ (103)	\$ —	\$ —	\$ —	\$ (103)
Prices provided by other external sources (2)	18	—	—	—	18
Net derivative liabilities	\$ (85)	\$ —	\$ —	\$ —	\$ (85)

(1) Contracts include futures and fixed price swaps

(2) Contracts include basis swaps

In May 2007, the Company sold a portion of its interest in certain gas properties in the Nora Field, as discussed in Note J. As part of this transaction, the Company closed out certain cash flow hedges associated with forecasted production at this location by purchasing offsetting positions. The fair value of these derivative instruments was a \$27.3 million liability at June 30, 2007. In addition, the fair value of derivative instruments associated with forecasted production at non-core gas properties sold in May 2005 was a \$10.6 million liability at June 30, 2007. The Company does not treat these derivatives as hedging instruments under Statements of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). These amounts are included in the Condensed Consolidated Balance Sheet as derivative instruments, at fair value.

When the net fair value of any of the Company's swap agreements represents a liability to the Company which is in excess of the agreed-upon threshold between the Company and the financial institution acting as counterparty, the counterparty requires the Company to remit funds to the counterparty as a margin deposit for the derivative liability which is in excess of the threshold amount. The Company recorded such deposits in the amount of \$4.0 million in its Condensed Consolidated Balance Sheet as of June 30, 2007.

When the Company enters into exchange-traded natural gas contracts, exchanges require participants, including the Company, to remit funds to the corresponding broker as good-faith deposits to guard against the risks associated with changing market conditions. Participants must make such deposits based on an established margin requirement as well as the net liability position, if any, of the fair value of the associated contracts. In the case where the fair value of such contracts is in a net asset position, the broker may remit funds to the Company, in which case the Company records a current liability for such amounts received. The margin requirements are established by the exchanges based on prices, volatility and the time to expiration of the related contract and are subject to change at the exchanges' discretion. The Company recorded margin deposits in the amount of \$6.9 million in its Condensed Consolidated Balance Sheet as of June 30, 2007.

D. Investments, Available-For-Sale

As of June 30, 2007, the investments classified by the Company as available-for-sale consist of approximately \$35.8 million of debt and equity securities intended to fund plugging and abandonment and other liabilities for which the Company self-insures. Any unrealized gains or losses with respect to investments classified as available-for-sale are recognized within the Condensed Consolidated Balance Sheets as a component of equity, accumulated other comprehensive loss.

During the first quarter of 2007, the Company reviewed its investment portfolio including its investment allocation and as a result sold equity securities with a cost basis of \$6.3 million for total proceeds of \$7.3 million, resulting in the Company recognizing a gain of \$1.0 million. The Company used the proceeds from these sales and other available cash to purchase other debt and equity securities with a cost basis totaling \$9.7 million during the first quarter of 2007. These investments are classified as available-for-sale in the Condensed Consolidated Balance Sheet. The Company utilizes the specific identification method to determine the cost of all investment securities sold.

E. Comprehensive Income

Total comprehensive income, net of tax, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Thousands)			
Net income	\$ 107,343	\$ 43,909	\$ 163,961	\$ 116,268
Other comprehensive income (loss):				
Net change in cash flow hedges:				
Natural gas (Note C)	58,935	49,563	(33,598)	248,954
Interest rate	29	29	58	58
Unrealized gain (loss) on investments, available-for-sale	932	(389)	468	366
Pension and other post-retirement benefit plans:				
Prior service cost	(14)	—	(118)	—
Net loss	352	—	914	—
Settlement loss	238	—	317	—
Total comprehensive income	<u>\$ 167,815</u>	<u>\$ 93,112</u>	<u>\$ 132,002</u>	<u>\$ 365,646</u>

The components of accumulated other comprehensive loss, net of tax, are as follows:

	June 30, 2007	December 31, 2006
	(Thousands)	
Net unrealized loss from hedging transactions	\$ (320,411)	\$ (286,871)
Unrealized gain on available-for-sale securities	4,437	3,969
Pension and other post-retirement benefits adjustment	(30,287)	(31,400)
Accumulated other comprehensive loss	<u>\$ (346,261)</u>	<u>\$ (314,302)</u>

F. Share-Based Compensation

The Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R) as of January 1, 2006. Under SFAS No. 123R, the compensation cost of a share-based award is recorded in the Company's income statement and is generally measured based on the grant-date fair value of the award.

Share-based compensation expense recorded by the Company was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Thousands)			
2005 Executive Performance Incentive Program units	\$ 20,830	\$ 5,431	\$ 46,379	\$ 10,122
Restricted stock awards	626	896	1,513	1,587
Nonqualified stock options	29	129	212	685
Director stock units	887	446	1,412	447
Total share-based compensation expense	<u>\$ 22,372</u>	<u>\$ 6,902</u>	<u>\$ 49,516</u>	<u>\$ 12,841</u>

2005 Executive Performance Incentive Program

The vesting of the units granted under the 2005 Executive Performance Incentive Program (2005 Program) will occur contingent upon a combination of the level of total shareholder return relative to a fixed group of peer companies and the Company's average absolute return on total capital during the four year performance period ending December 31, 2008. The Company continually monitors its stock price and performance in order to assess the impact on the ultimate payouts under the 2005 Program. The Company modified its assumptions during the

first six months of 2007 and increased its assumptions for both the ultimate share price and the payout multiple at the vesting date to \$60.00 and 225% of the units awarded, respectively. As a result, the Company recognized an increase in long-term incentive plan expense associated with the 2005 Program of \$15.6 million and \$35.7 million for the three and six month periods ended June 30, 2007, respectively. The 2005 program expense is classified as selling, general and administrative expense in the Statements of Consolidated Income. A portion of the 2005 program expense is included as an unallocated expense in deriving total operating income for segment reporting purposes. See Note B. The Company recorded a total accrual for the 2005 Program of \$90.0 million in other current liabilities in its Condensed Consolidated Balance Sheet as of June 30, 2007.

Restricted Stock Awards

The Company granted 72,600 and 88,200 restricted stock awards during the six months ended June 30, 2007 and 2006, respectively, to key executives from the Company's 1999 Long-Term Incentive Plan (the Plan). The shares granted under the Plan will be fully vested at the end of the three-year period commencing the date of grant. The fair value of each share is equal to the market price of the Company's common stock on the date of grant. The weighted average fair value of these restricted stock grants, based on the grant date fair value of the Company's stock, was \$43.61 and \$35.75, for the six months ended June 30, 2007 and 2006, respectively.

As of June 30, 2007, there was \$6.2 million of total unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted average period of approximately 20 months.

Stock Options

The Company granted 20,123 and 56,257 stock options during the six months ended June 30, 2007 and 2006, respectively, all of which comprised options granted for reload rights associated with previously-awarded options. The weighted average grant date fair value of these reload option grants was \$10.51 and \$9.07 for the six month periods ended June 30, 2007 and 2006, respectively.

The fair value of the Company's option grants was estimated at the dates of grant using a Black-Scholes option-pricing model with the assumptions indicated in the table below for the six month periods ended June 30, 2007 and 2006.

	Six Months Ended June 30,	
	2007	2006
Risk-free interest rate (range)	4.59% to 5.02%	4.59% to 5.04%
Dividend yield	2.06% to 2.29%	2.34% to 2.38%
Volatility factor	.212 to .213	.212 to .226
Expected term	7 years	7 years

As of June 30, 2007, there was no unrecognized compensation cost related to outstanding nonvested stock options as all outstanding options were fully vested.

Nonemployee Directors' Stock Incentive Plans

The Company has historically granted to non-employee directors stock units which vested upon award. The value of the stock units will be paid in cash on the earlier of the director's death or retirement from the Company's Board of Directors. The Company accounts for these stock units as liability awards and as such records compensation expense for the remeasurement of the fair value of the stock units based on the Company's stock price at the end of each reporting period. A total of 88,530 non-employee director stock units were outstanding as of June 30, 2007. A total of 15,570 and 18,000 stock units were granted to non-employee directors during the six month periods ended June 30, 2007 and 2006, respectively. The weighted average fair value of these director stock units, based on the grant date fair value of the Company's stock, was \$49.88 and \$35.12, for the six months ended June 30, 2007 and 2006, respectively.

As of June 30, 2007, 152,404 options were outstanding under the 1999 Nonemployee Directors' Stock Incentive Plan. No options were granted to non-employee directors during the six month periods ended June 30, 2007 and 2006.

G. Income Taxes

The consolidated Federal income tax liability of the Company has been settled with the Internal Revenue Service (IRS) through 1997. The IRS has completed its review of the Company's Federal income tax filings for the 1998 through 2000 years and the Company believes that only minor issues remain to be resolved. The IRS is expected to survey the 2001 and 2002 Federal income tax filings. During the second quarter of 2007, the IRS began an examination of the Company's Federal income tax filings for 2003 through 2005. As of June 30, 2007, no significant issues have been raised relating to these filings.

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

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. Refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period. Separate effective income tax rates are calculated for net income from continuing operations and any separately reported net income items, such as discontinued operations and extraordinary items.

On April 4, 2007, West Virginia enacted legislation, effective for the Company's tax year beginning January 1, 2009, that mandates unitary combined reporting, changes certain apportionment provisions for tax partnerships, changes certain definitions for financial organizations and makes miscellaneous changes to other corporate net income tax statutes. As a result of this law change, the Company recorded additional tax expense of \$2.9 million to reflect an overall increase in the Company's expected deferred tax liability as of the effective date. This charge is included in the annual income tax expense and the entire amount is reflected in the second quarter of 2007. The effective income tax rate for the three months ending June 30, 2007 is 37.6%. The Company currently estimates the annual effective income tax rate to be approximately 36.5%. The estimated annual effective income tax rate as of June 30, 2006 was 35.0%.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," (FIN 48) which applies to all open tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." This Interpretation is intended to result in increased relevance and comparability in financial reporting of income taxes and to provide more information about the uncertainty in income tax assets and liabilities.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$4.1 million increase in the liability for unrecognized tax benefits which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. Additionally, as a result of the implementation of FIN 48, the Company recorded \$29.7 million of unrecognized tax benefits related to a balance sheet reclassification that did not impact retained earnings. A total of \$16.9 million of this reclassification relates to the clean up of certain tax positions that were previously recorded net of tax benefit, tax positions which relate to temporary differences that were previously part of deferred taxes and tax positions that were previously offset against deferred tax assets. The remaining \$12.8 million relates to tax positions previously categorized as current liabilities. After the recognition of these items in connection with the implementation of FIN 48, the total liability for unrecognized tax benefits at January 1, 2007 was \$33.8 million. Of this total, \$16.9 million of tax benefits would reduce the Company's effective tax rate if the tax benefits were recognized in the financial statements.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The total amount of accrued interest included in the FIN 48 liability above as of January 1, 2007 was \$11.0 million. No amounts were accrued for penalties as of January 1, 2007.

There were no material changes to unrecognized tax benefits, interest or penalties during the second quarter of 2007. As of June 30, 2007, the Company is not aware of any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

H. Pension and Other Postretirement Benefit Plans

The Company's costs related to its defined benefit pension and other postretirement benefit plans for the three and six months ended June 30, 2007 and 2006 were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended June 30.			
	2007	2006	2007	2006
	(Thousands)			
Components of net periodic benefit cost				
Service cost	\$ 63	\$ 108	\$ 123	\$ 138
Interest cost	1,093	1,097	636	725
Expected return on plan assets	(1,403)	(1,533)	—	—
Amortization of prior service cost	41	93	(215)	(34)
Recognized net actuarial loss	363	267	574	536
Settlement loss	697	(109)	—	—
Net periodic benefit cost	\$ 854	\$ (77)	\$ 1,118	\$ 1,365

	Pension Benefits		Other Benefits	
	Six Months Ended June 30.			
	2007	2006	2007	2006
	(Thousands)			
Components of net periodic benefit cost				
Service cost	\$ 126	\$ 216	\$ 246	\$ 276
Interest cost	2,186	2,194	1,272	1,450
Expected return on plan assets	(2,806)	(3,066)	—	—
Amortization of prior service cost	82	186	(430)	(68)
Recognized net actuarial loss	726	534	1,148	1,072
Settlement loss	1,130	(18)	—	—
Net periodic benefit cost	\$ 1,444	\$ 46	\$ 2,236	\$ 2,730

The Company made a cash contribution of \$1.3 million to the pension plan in the first quarter of 2007 to fund an early retirement program which was settled during the fourth quarter of 2006.

Recently Issued Accounting Standards

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115," (SFAS No. 159) which provides entities with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact that SFAS No. 159 will have on its consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS No. 157) which establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact that SFAS No. 157 will have on its consolidated financial statements.

J. Gain on Sale of Assets

On April 13, 2007, the Company and Range Resources Corporation (Range) agreed to a development plan for the Nora Field, a gas field located in Southwestern Virginia. The Company entered into a Purchase and Sale Agreement (Purchase Agreement) with Pine Mountain Oil Gas, Inc. (PMOG), a subsidiary of Range, pursuant to which the Company agreed to sell to PMOG a portion of the Company's interests in certain gas properties in the Nora Field. Additionally, the Company entered into a Contribution Agreement (Contribution Agreement) with PMOG relating to the contribution of certain Nora Field gathering facilities and pipelines to Nora Gathering, LLC (Nora LLC), a newly formed entity that is equally owned by the Company and PMOG. This gathering system will service production of the Company and Range.

On May 17, 2007, the Company completed a majority of the transactions contemplated by the Purchase Agreement by selling proved reserves of approximately 70 Bcf, including developed reserves of approximately 64 Bcf, to PMOG for proceeds of \$184.6 million. Proceeds of \$95.0 million from the sale were placed into an escrow account pursuant to a deferred exchange agreement, which allows for the use of the funds in a potential like-kind exchange for certain identified assets. The Company is evaluating the potential purchase of eligible replacement properties within the statutory time period. As of June 30, 2007, the balance of restricted cash was \$95.6 million.

Additionally, on May 17, 2007, the Company completed a substantial majority of the transactions contemplated by the Contribution Agreement by contributing Nora Field gathering property with a net book value of \$120.0 million to Nora LLC in exchange for a 50% interest in Nora LLC and cash of \$23.3 million. PMOG contributed cash of \$93.1 million to Nora LLC in exchange for its 50% interest. The Company and Nora LLC also entered into a demand note agreement whereby Nora LLC loaned to the Company \$69.8 million on the closing date. The balance of this note as of June 30, 2007 was \$62.8 million, and was classified as note payable to Nora Gathering, LLC in the Company's Condensed Consolidated Balance Sheet. The Company is accounting for its interest in Nora LLC under the equity method of accounting, as the Company determined that it has the ability to exert significant influence over the operating and financial policies of Nora LLC through its 50%, non-controlling interest. The Company recorded an equity investment in Nora LLC of \$93.1 million in its Condensed Consolidated Balance Sheet as of May 17, 2007.

The Company recorded a gain on these transactions of \$147.8 million, net of costs to sell, in accordance with SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." As a result of the working interest sale, the Company reduced its hedge position by approximately 7.3 Bcf, resulting in the Company's recording a hedge loss of \$28.4 million as of the date of sale. These items are recorded in gain on sale of assets, net in the Company's Statements of Consolidated Income for the three and six month periods ended June 30, 2007.

As a result of these transactions, the Company and Range have equalized their interest in the Nora Field, including their interest in the producing wells, undrilled acreage and gathering system. These transactions are subject to various post-closing purchase price adjustments which may result in the Company recording additional gain or loss on these transactions upon finalization of the adjustments, which is expected to occur during the second half of 2007.

A second closing covering the remainder of the gas properties and related remaining gathering assets included in the above transactions would reduce the Company's proved reserves by a maximum of approximately 11 Bcf, including developed reserves of up to 10 Bcf. The Company is currently working with all parties involved to obtain the remaining required consents.

K. Office Consolidation / Impairment Charges

In May 2005, the Company completed the relocation of its corporate headquarters and other operations to a newly constructed office building located at the North Shore in Pittsburgh. The relocation resulted in the early termination of several operating leases and the early retirement of assets and leasehold improvements at several locations. During the second quarter of 2006, the Company began to utilize certain of the leased space previously deemed to have no economic benefit to the Company, to make space available for the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. transition planning activities. The Company reversed approximately \$2.4 million of the associated early termination liability for these leases during the three months ended June 30, 2006.

Additionally, the Company recorded a \$0.5 million reduction in the early termination liability during the three months ended June 30, 2006 resulting from a revision of the amount of estimated cash flows for one of its operating leases.

Other Events

Pending Acquisition of The Peoples Natural Gas Company and Hope Gas, Inc.

On March 1, 2006, the Company entered into a definitive agreement to acquire Dominion Resources, Inc.'s (Dominion) natural gas distribution assets in Pennsylvania and in West Virginia for approximately \$970 million, subject to adjustments, in a cash transaction for the stock of The Peoples Natural Gas Company (Peoples) and Hope Gas, Inc. (Hope). The Company agreed on July 3, 2007 not to exercise its termination right under the Stock Purchase Agreement prior to September 1, 2007 pending further discussions regarding an amendment to the Stock Purchase Agreement which would allow the sale of Peoples to close in advance of the sale of Hope if the injunction described below is lifted. Dominion has agreed not to exercise its termination right under the Stock Purchase Agreement prior to November 1, 2007. No assurance can be given that the parties will be able to negotiate an amendment providing for the sale of Peoples to close in advance of the sale of Hope or that the remaining regulatory issues will be resolved.

On May 14, 2007, the Public Service Commission of West Virginia (WV PSC) issued an order in the Company's proposed acquisition of Hope, which case has been consolidated with four other cases, to initiate a focused management audit regarding two Hope applications to adjust purchased gas costs. On July 24, 2007, the WV PSC issued another order bifurcating the acquisition case from the cases involving the focused management audit and soliciting comment from the parties as to, among other things, how to proceed with the acquisition case and the amount and form of an escrow proposed to be posted by Hope in connection with alleged wrong doing. The Company continues to engage in settlement negotiations with the interveners and with Dominion to resolve the open issues.

On April 13, 2007, the Pennsylvania Public Utility Commission (PA PUC) issued an Opinion and Order approving the stock acquisition consistent with the terms and conditions of a Joint Petition for Settlement which includes, among other things, an agreement by the Company that Equitable Gas Company and Peoples will not make base rate case filings prior to January 1, 2009.

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company's acquisition of Peoples. On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the proposed acquisition. On May 14, 2007, the District Court dismissed the FTC's request for a preliminary injunction. The FTC appealed the dismissal to the United States Court of Appeals for the Third Circuit on the basis that the state action immunity doctrine barred the FTC's claim. On June 1, 2007, the Third Circuit issued an injunction pending appeal preventing the Company from closing the transaction pending further order of the Third Circuit. The appeal is currently in the briefing phase. Pursuant to an amended notice received for the Company's July 26, 2007 earnings call, oral argument, if required by the Third Circuit, is scheduled for the week of October 1, 2007.

The transaction is also under review by the Pennsylvania Attorney General (PA AG). The PA AG has filed an amicus brief in the Third Circuit case arguing that the state action immunity doctrine does not apply, which is contrary to the Company's position. The PA PUC has filed an amicus brief in the Third Circuit case supporting the Company's position.

The assets to be acquired are expected to approximately increase: customers in the distribution operations by 475,000 or 173%; total storage capacity by 33 Bcf or 60%; miles of gathering pipelines by 936 miles; gathered volumes by 40%; and miles of high pressure transmission by 466 miles or 42%. Transition planning activities have continued at Equitable Utilities to plan for the integration of the assets, resources, and business processes of Peoples and Hope into Equitable Resources. The Company has deferred certain costs in conjunction with the pending acquisition of Peoples and Hope. In the event that the acquisition does not close or the likelihood becomes remote, the Company will expense these deferred costs which may result in a charge of \$10 million to \$15 million.

West Virginia Royalty Dispute

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in which a class of royalty owners in the state of West Virginia filed a lawsuit claiming that the defendant in the case underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from the royalty owners' leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant plans to appeal the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. Claims have been brought against others in the oil and gas industry, including the Company. The proceedings against the Company are in the early stages and the plaintiffs have sought class certification. The Company believes that the claims and facts decided in the unrelated lawsuit can be differentiated from those asserted against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

Equitable Resources, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

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

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Disclosures in this Quarterly Report on Form 10-Q contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as "anticipate," "estimate," "should," "may," "will," "forecasts," "approximate," "expect," "project," "intend," "plan," "believe" and other words or phrases of similar meaning in connection with any discussion of future operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this report include the matters discussed in the sections captioned "Outlook" in this Management's Discussion and Analysis of Financial Condition and Results of Operations, and the expectations of plans, strategies, objectives, and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company's drilling and infrastructure programs, production and sales volumes, liquidity, reserves, capital expenditures, executive compensation, hedging risks, the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc., the financing of that acquisition and the Company's move to a holding company structure. A variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2006.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company does not intend to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE OVERVIEW

Three Months Ended June 30, 2007
vs. Three Months Ended June 30, 2006

Equitable Resources' consolidated net income for the three months ended June 30, 2007 totaled \$107.3 million, or \$0.87 per diluted share, compared to \$43.9 million, or \$0.36 per diluted share, reported for the same period a year ago. This \$63.4 million increase in net income from 2006 to 2007 was due to several factors. In the second quarter of 2007, the Company recorded a \$119.4 million net gain on the sale of assets in the Nora Field. The impact of higher realized sales prices at Equitable Supply (\$6.8 million), reserves established in connection with West Virginia royalty disputes and other legal expenses at Equitable Supply in 2006 (\$2.1 million), and higher production sales volumes at Equitable Supply (\$1.4 million) also contributed to the increase between years. These increases between years were partially offset by increased incentive compensation expense (\$15.5 million) and other operating cost increases.

Six Months Ended June 30, 2007
vs. Six Months Ended June 30, 2006

Equitable Resources' consolidated net income for the six months ended June 30, 2007 totaled \$164.0 million, or \$1.34 per diluted share, compared to \$116.3 million, or \$0.95 per diluted share, reported for the same period a year ago. This \$47.7 million increase in net income from 2006 to 2007 was due to several factors, including the second quarter of 2007 gain on the sale of assets. The impact of favorable storage asset optimization at Equitable Utilities (\$10.8 million), higher production sales volumes at Equitable Supply (\$6.4 million), colder weather in Equitable Gas' service territory in 2007 (\$8.1 million), and higher gathering revenues at Equitable Supply (\$5.3 million) also contributed to the increase. These increases between years were partially offset by increased incentive compensation expense (\$38.0 million), increased reserves for West Virginia royalty disputes and other legal expenses at Equitable Supply (\$9.9 million), increased transition planning expenses related to the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. (\$6.5 million), higher depreciation, depletion and amortization expense at Equitable Supply (\$5.8 million), a positive impact in 2006 for previously deferred amounts from the approval and settlement of the Equitrans, L.P. rate case (\$5.4 million) and higher gathering and compression expense at Equitable Supply (\$4.2 million).

The Company has reported the components of each segment's operating income and various operational measures in the sections below, and where appropriate, has provided information describing how a measure was derived. Equitable's management believes that presentation of this information provides useful information to management and investors regarding the financial condition, operations and trends of each of Equitable's segments without being obscured by the financial condition, operations and trends for the other segment or by the effects of corporate allocations of interest and income taxes. In addition, management uses these measures for budget planning purposes.

EQUITABLE SUPPLY

OVERVIEW

During the second quarter of 2007, the Equitable Supply segment sold to Pine Mountain Oil and Gas, Inc. (PMOG) a portion of the Company's interests in certain gas properties in the Nora Field totaling approximately 70 Bcf of proved reserves. Also during the second quarter of 2007, the Equitable Supply segment contributed certain Nora Field gathering facilities and pipelines to Nora Gathering, LLC, a newly formed entity that is equally owned by the Company and PMOG, in exchange for a 50% equity interest in the LLC and cash. These transactions resulted in a net gain of \$119.4 million. See Note J to the Company's Condensed Consolidated Financial Statements for further discussion of these transactions. As a result of the gathering asset contribution, gathered volumes, gathering revenues and gathering-related expenses related to the Nora Field gathering activities are no longer included in Equitable Supply's operating results. However, Equitable Supply records its 50% equity interest in the earnings of Nora Gathering, LLC in equity in earnings of nonconsolidated investments.

Excluding the impact of the sale of interests in the Nora Field, sales volumes increased approximately 5% from 2006 to 2007, primarily as a result of increased production from the 2006 and 2007 drilling programs. Equitable Supply drilled 267 gross operated wells, including 16 horizontal wells, in the six months ended June 30, 2007, compared to 214 gross operated wells in 2006, a 25% increase.

RESULTS OF OPERATIONS

EQUITABLE SUPPLY

OPERATIONAL DATA

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	%	2007	2006	%
Production:						
Natural gas and oil production (MMcfe)	21,024	20,381	3.2	41,440	39,963	3.7
Company usage, line loss (MMcfe)	(1,621)	(1,266)	28.0	(2,699)	(2,519)	7.1
Total sales volumes (MMcfe)	19,403	19,115	1.5	38,741	37,444	3.5
Average (well-head) sales price (\$/Mcf)	\$ 5.07	\$ 4.71	7.6	\$ 4.88	\$ 4.90	(0.4)
Lease operating expenses (LOE), excluding production taxes						
(\$/Mcf)	\$ 0.31	\$ 0.31	—	\$ 0.32	\$ 0.30	6.7
Production taxes (\$/Mcf)	\$ 0.46	\$ 0.46	—	\$ 0.47	\$ 0.50	(6.0)
Production depletion (\$/Mcf)	\$ 0.70	\$ 0.62	12.9	\$ 0.70	\$ 0.62	12.9
Gathering:						
Gathered volumes (MMcfe)	24,068	26,268	(8.4)	53,110	53,550	(0.8)
Average gathering fee (\$/Mcf)	\$ 1.12	\$ 1.01	10.9	\$ 1.11	\$ 1.00	11.0
Gathering and compression expense (\$/Mcf)	\$ 0.49	\$ 0.40	22.5	\$ 0.46	\$ 0.38	21.1
Gathering and compression depreciation (\$/Mcf)	\$ 0.16	\$ 0.15	6.7	\$ 0.15	\$ 0.14	7.1
(in thousands)						
Production operating income	\$ 63,277	\$ 56,655	11.7	\$ 107,224	\$ 118,667	(9.6)
Gathering operating income	7,900	8,788	(10.1)	18,813	18,759	0.3
Total operating income	\$ 71,177	\$ 65,443	8.8	\$ 126,037	\$ 137,426	(8.3)
Production depletion	\$ 14,737	\$ 12,594	17.0	\$ 29,069	\$ 24,731	17.5
Gathering and compression depreciation	3,894	3,821	1.9	8,227	7,588	8.4
Other depreciation, depletion and amortization	1,469	1,034	42.1	2,801	1,976	41.8
Total depreciation, depletion and amortization	\$ 20,100	\$ 17,449	15.2	\$ 40,097	\$ 34,295	16.9
Capital expenditures (thousands)	\$ 159,462	\$ 68,615	132.4	\$ 297,455	\$ 122,527	142.8

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	2007	2006	%	2007	2006	%
FINANCIAL DATA (Thousands)						
Production revenues	\$ 100,954	\$ 92,671	8.9	\$ 194,241	\$ 188,192	3.2
Gathering revenues	26,930	26,656	1.0	58,900	53,584	9.9
Total operating revenues	127,884	119,327	7.2	253,141	241,776	4.7
Operating expenses:						
LOE, excluding production taxes	6,471	6,360	1.7	13,286	11,790	12.7
Production taxes	9,655	9,310	3.7	19,351	19,999	(3.2)
Gathering and compression (O&M)	11,797	10,582	11.5	24,621	20,424	20.5
Selling, general and administrative (SG&A)	8,684	10,183	(14.7)	29,749	17,842	66.7
Depreciation, depletion and amortization (DD&A)	20,100	17,449	15.2	40,097	34,295	16.9
Total operating expenses	56,707	53,884	5.2	127,104	104,350	21.8
Operating income	\$ 71,177	\$ 65,443	8.8	\$ 126,037	\$ 137,426	(8.3)
Gain on sale of assets, net	\$ 119,401	\$ —	100.0	\$ 119,401	\$ —	100.0
Equity in earnings (losses) of nonconsolidated investments	\$ 633	\$ (124)	610.5	\$ 706	\$ (18)	4,022.2

**Three Months Ended June 30, 2007
vs. Three Months Ended June 30, 2006**

Equitable Supply's operating income totaled \$71.2 million for the three months ended June 30, 2007 compared to \$65.4 million for the three months ended June 30, 2006. The \$5.8 million increase in operating income was primarily the result of an increase in the average well-head sales price, reserves established in connection with West Virginia royalty disputes and other legal expenses in 2006 and increased sales volumes. These factors were partially offset by increased DD&A and increased gathering and compression expenses.

Total operating revenues were \$127.9 million for the three months ended June 30, 2007 compared to \$119.3 million for the three months ended June 30, 2006. The \$8.6 million increase in total operating revenues was primarily due to an 8% increase in the average well-head sales price and a 2% increase in production sales volumes. The \$0.36 per Mcfe increase in the average well-head sales price was primarily attributable to increased market prices on unhedged volumes. The 2% increase in production sales volumes was primarily the result of increased production from the 2006 and 2007 drilling programs, partially offset by the normal production decline in the Company's wells and the sale of 583 MMcfe in the Nora Field to PMOG. Gathering revenues were essentially flat, as an 11% increase in the average gathering fee was offset by an 8% decrease in gathered volumes. The increase in the average gathering fee, primarily charged to affiliates, is reflective of the Company's commitment to an increased infrastructure program as well as operating cost increases. The decrease in gathered volumes is due to the contribution of gathering facilities and pipelines to Nora Gathering, LLC, partially offset by increased Company production.

Operating expenses totaled \$56.7 million for the three months ended June 30, 2007 compared to \$53.9 million for the three months ended June 30, 2006. The increase in DD&A was primarily due to increased depletion expense resulting from both increases in the unit rate and volume, as well as increased depreciation on a higher asset base. The \$0.08 increase in the depletion rate is primarily attributable to the increased investment in the oil and gas producing properties. Gathering and compression expense increased approximately 12% due to electricity charges on newly installed electric compressors, increased field line and compressor maintenance related to the Company's infrastructure investments, increased field labor and related employment costs and increased property taxes. In addition, the per unit gathering and compression rate increased as the per unit rate for the Nora Field properties contributed in 2007 was significantly lower than the rate for the Company's remaining properties. These expense increases were partially offset by a decrease in expenses due to the sale of assets in the Nora Field as well as a reduction due to reserves established in 2006 for certain West Virginia royalty disputes and other legal expenses.

Equity in earnings of nonconsolidated investments totaled \$0.6 million for the three months ended June 30, 2007 compared to an equity loss of \$0.1 million for the three months ended June 30, 2006. The \$0.7 million increase was primarily due to equity earnings of \$0.6 million recorded in the second quarter of 2007 for Equitable Supply's investment in Nora Gathering, LLC.

Capital expenditures totaled \$159.5 million for the three months ended June 30, 2007 compared to \$68.6 million for the three months ended June 30, 2006. The \$90.9 million increase was primarily due to increased capital spending for midstream infrastructure projects, including the construction of the Big Sandy Pipeline, and an increased drilling and development plan in 2007.

***Six Months Ended June 30, 2007
vs. Six Months Ended June 30, 2006***

Equitable Supply's operating income for the six months ended June 30, 2007 was \$126.0 million compared to \$137.4 million for the six months ended June 30, 2006. The \$11.4 million decrease in operating income was primarily the result of reserves established in connection with West Virginia royalty disputes and other legal expenses, increased operating expenses and decreased average well-head sales prices. These factors were partially offset by increased sales volumes and gathering revenues.

Total operating revenues were \$253.1 million for the six months ended June 30, 2007 compared to \$241.8 million for the six months ended June 30, 2006. The \$11.3 million increase in total operating revenues was primarily due to a 4% increase in production sales volumes and a 10% increase in gathering revenues, partially offset by a slight decline in the average well-head sales price. The 4% increase in production sales volumes was primarily the result of increased production from the 2006 and 2007 drilling programs, partially offset by the normal production decline in the Company's wells and the sale of 583 MMcfe in the Nora Field to PMOG. The 10% increase in gathering revenues was due to an 11% increase in the average gathering fee partially offset by a 1% decrease in gathered volumes. The increase in the average gathering fee, primarily charged to affiliates, is reflective of the Company's commitment to an increased infrastructure program as well as operating cost increases. The decrease in gathered volumes is due to the contribution of gathering facilities and pipelines to Nora Gathering, LLC, partially offset by increased Company production.

Operating expenses were \$127.1 million for the six months ended June 30, 2007, compared to \$104.4 million for the six months ended June 30, 2006. The increase in SG&A was primarily due to increased reserves for certain West Virginia royalty disputes and other legal expenses, adjustments to the allowance for doubtful accounts, and increased insurance costs. The increase in DD&A was primarily due to increased depletion expense resulting from both increases in the unit rate and volume, as well as increased depreciation on a higher asset base. The \$0.08 increase in the depletion rate is primarily attributable to the increased investment in the oil and gas producing properties. Gathering and compression expense increased approximately 21% due to electricity charges on newly installed electric compressors, increased field line and compressor maintenance related to the Company's infrastructure investments, increased field labor and related employment costs and increased property taxes. The increase in LOE is attributable to increased direct operating costs, personnel costs and environmental costs. These increases were partially offset by a decrease in expenses due to the sale of assets in the Nora Field as previously discussed.

Capital expenditures totaled \$297.5 million for the six months ended June 30, 2007 compared to \$122.5 million for the six months ended June 30, 2006. The \$175.0 million increase was primarily due to increased capital spending for midstream infrastructure projects, including the construction of the Big Sandy Pipeline, and an increased drilling and development plan in 2007.

OUTLOOK

Equitable Supply's Appalachian Basin business strategy is focused on growing through expansion of its drilling program and midstream gathering and processing systems. The Company will continue to emphasize operational excellence, including cost control in all areas of its operations.

Equitable Supply is on track to drill at least 650 gross operated wells in 2007, which includes at least 70 horizontal wells, and to sell between 77 and 78 Bcfe of gas. The 650 gross operated wells is a 16% increase over the 560 gross operated wells drilled in 2006.

Since September 2006, the Company has drilled 30 horizontal wells. The Company's engineering projections and cost estimates have been revised to incorporate experience to date, reflecting an 8% reduction in estimated cost per well to \$1.2 million, a 17% increase in the expected reserve recovery and a higher expected after-tax return of 17%, up from 15%. Based on the encouraging results of the horizontal program, the Company decided in the second quarter of 2007 to exclusively drill Kentucky shale wells horizontally. Horizontal wells typically require longer lead time for permitting and implementation of capital commitments. The decision not to drill some permitted vertical shale wells reduced the number of wells drilled and associated volumes, compared to the Company's previous drilling plan. Ultimately, volumes from the Kentucky shale drilling locations are expected to be higher as a result of using horizontal drilling technology.

Through its Equitrans affiliate, the Company is constructing the Big Sandy Pipeline, which will provide for a significant increase in midstream throughput capacity in the Appalachian region. This project is targeted for completion later in 2007. The Company is also upgrading the Company-operated hydrocarbon processing plant in Langley, Kentucky, targeted for completion in early 2008. The projects are projected to cost an aggregate of \$255 million, up from the Company's previous estimate of \$191 million primarily due to scope changes and cost increases.

EQUITABLE UTILITIES

OVERVIEW

On March 1, 2006, the Company entered into a definitive agreement to acquire Dominion Resources, Inc.'s (Dominion) natural gas distribution assets in Pennsylvania and in West Virginia for approximately \$970 million, subject to adjustments, in a cash transaction for the stock of The Peoples Natural Gas Company (Peoples) and Hope Gas, Inc. (Hope). The Company agreed on July 3, 2007 not to exercise its termination right under the Stock Purchase Agreement prior to September 1, 2007 pending further discussions regarding an amendment to the Stock Purchase Agreement which would allow the sale of Peoples to close in advance of the sale of Hope if the injunction described below is lifted. Dominion has agreed not to exercise its termination right under the Stock Purchase Agreement prior to November 1, 2007. No assurance can be given that the parties will be able to negotiate an amendment providing for the sale of Peoples to close in advance of the sale of Hope or that the remaining regulatory issues will be resolved.

On May 14, 2007, the Public Service Commission of West Virginia (WV PSC) issued an order in the Company's proposed acquisition of Hope, which case has been consolidated with four other cases, to initiate a focused management audit regarding two Hope applications to adjust purchased gas costs. On July 24, 2007, the WV PSC issued another order bifurcating the acquisition case from the cases involving the focused management audit and soliciting comment from the parties as to, among other things, how to proceed with the acquisition case and the amount and form of an escrow proposed to be posted by Hope in connection with alleged wrong doing. The Company continues to engage in settlement negotiations with the interveners and with Dominion to resolve the open issues.

On April 13, 2007, the Pennsylvania Public Utility Commission (PA PUC) issued an Opinion and Order approving the stock acquisition consistent with the terms and conditions of a Joint Petition for Settlement which includes, among other things, an agreement by the Company that Equitable Gas Company and Peoples will not make base rate case filings prior to January 1, 2009.

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company's acquisition of Peoples. On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the proposed acquisition. On May 14, 2007, the District Court dismissed the FTC's request for a preliminary injunction. The FTC appealed the dismissal to the United States Court of Appeals for the Third Circuit on the basis that the state action immunity doctrine barred the FTC's claim. On June 1, 2007, the Third Circuit issued an injunction pending appeal preventing the

Company from closing the transaction pending further order of the Third Circuit. The appeal is currently in the briefing phase. Pursuant to an amended notice received after the Company's July 26, 2007 earnings call, oral argument, if required by the Third Circuit, is scheduled for the week of October 1, 2007.

Transaction is also under review by the Pennsylvania Attorney General (PA AG). The PA AG has filed an amicus brief in the Third Circuit case arguing that the state action immunity doctrine does not apply, which is contrary to the Company's position. The PA PUC has filed an amicus brief in the Third Circuit case supporting the Company's position.

The Company has filed applications with the PA PUC and WV PSC to reorganize as a holding company. The Company expects to complete the reorganization upon receipt of the required approvals.

RESULTS OF OPERATIONS

EQUITABLE UTILITIES

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	%	2007	2006	%
OPERATIONAL DATA						
Heating degree days (30 year normal average):						
Qtr - 705; YTD - 3,635)	617	565	9.2	3,465	3,103	11.7
Residential sales and transportation volumes (MMcf)	3,301	2,656	24.3	15,251	12,861	18.6
Commercial and industrial volumes (MMcf)	5,632	4,667	20.7	15,638	13,750	13.7
Total throughput (MMcf) — Distribution Operations	8,933	7,323	22.0	30,889	26,611	16.1
Net operating revenues (thousands):						
Distribution Operations (regulated):						
Residential	\$ 19,093	\$ 16,648	14.7	\$ 60,268	\$ 53,167	13.4
Commercial & industrial	7,553	6,589	14.6	25,510	22,668	12.5
Other	2,115	1,697	24.6	3,991	3,204	24.6
Total Distribution Operations	28,761	24,934	15.3	89,769	79,039	13.6
Pipeline Operations (regulated)	14,327	13,868	3.3	32,443	38,937	(16.7)
Energy Marketing	5,315	6,965	(23.7)	37,468	26,644	40.6
Total net operating revenues	\$ 48,403	\$ 45,767	5.8	\$ 159,680	\$ 144,620	10.4
Operating income (thousands):						
Distribution Operations (regulated)	\$ 958	\$ 2,285	(58.1)	\$ 30,261	\$ 29,571	2.3
Pipeline Operations (regulated)	5,123	5,150	(0.5)	13,920	19,348	(28.1)
Energy Marketing	4,778	6,432	(25.7)	35,897	25,970	38.2
Total operating income	\$ 10,859	\$ 13,867	(21.7)	\$ 80,078	\$ 74,889	6.9
DD&A (thousands):						
Distribution Operations	\$ 5,086	\$ 4,962	2.5	\$ 10,040	\$ 9,887	1.5
Pipeline Operations	2,096	2,190	(4.3)	4,256	4,401	(3.3)
Energy Marketing	10	19	(47.4)	20	37	(45.9)
Total DD&A	\$ 7,192	\$ 7,171	0.3	\$ 14,316	\$ 14,325	(0.1)
Capital expenditures (thousands)	\$ 18,616	\$ 13,626	36.6	\$ 38,207	\$ 29,080	31.4

FINANCIAL DATA (Thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	%	2007	2006	%
	Distribution revenues (regulated)	\$ 71,560	\$ 61,594	16.2	\$ 281,969	\$ 283,303
Wholesale revenues (regulated)	14,949	14,239	5.0	33,286	39,636	(16.0)
Marketing revenues	96,950	75,840	27.8	225,648	181,237	24.5
Less: intrasegment revenues	(11,347)	(12,646)	(10.3)	(25,679)	(30,451)	(15.7)
Total operating revenues	172,112	139,027	23.8	515,224	473,725	8.8
Purchased gas costs	123,709	93,260	32.6	355,544	329,105	8.0
Net operating revenues	48,403	45,767	5.8	159,680	144,620	10.4
Operating expenses:						
Operating and maintenance (O & M)	14,286	14,642	(2.4)	28,484	28,257	0.8
SG&A	16,066	12,483	28.7	36,802	29,545	24.6
Office consolidation impairment charges	—	(2,396)	(100.0)	—	(2,396)	(100.0)
DD&A	7,192	7,171	0.3	14,316	14,325	(0.1)
Total operating expenses	37,544	31,900	17.7	79,602	69,731	14.2
Operating income	\$ 10,859	\$ 13,867	(21.7)	\$ 80,078	\$ 74,889	6.9

**Three Months Ended June 30, 2007
vs. Three Months Ended June 30, 2006**

Equitable Utilities' operating income totaled \$10.9 million for the three months ended June 30, 2007 compared to \$13.9 million for the three months ended June 30, 2006. The \$3.0 million decrease in operating income is primarily the result of the office consolidation impairment charge reversal recorded in the 2006 quarter, increased transition costs for the pending acquisition of Peoples and Hope, and a lower bad debt expense reduction. These decreases were partially offset by higher distribution revenues due to colder weather.

Net operating revenues for the three months ended June 30, 2007 were \$48.4 million compared to \$45.8 million for the same quarter in 2006. The \$2.6 million increase was due to increased distribution net operating revenues, partially offset by decreased energy marketing net operating revenues. The increase in distribution net operating revenues was primarily the result of increased throughput from colder weather and increased customer usage in 2007. In addition, commercial and industrial volumes increased 965 MMcf from the three months ended June 30, 2006 compared to the three months ended June 30, 2007 primarily due to increased purchases by several large industrial end use customers. Because these industrial sales generate small margins, the increased volumes did not significantly impact net operating revenues. While total marketing revenues increased, net energy marketing operating revenues decreased primarily due to higher offsystem sales volumes at lower margins in the second quarter of 2007 compared to the second quarter of 2006. Energy marketing net operating revenues are generally lower in the second and third fiscal quarters and higher in the cold weather first and fourth quarters of the calendar year.

Operating expenses totaled \$37.5 million for the three months ended June 30, 2007 compared to \$31.9 million for the three months ended June 30, 2006. The \$5.6 million increase in operating expenses included \$4.3 million of expenses incurred in connection with the planning for the pending acquisition of Peoples and Hope, a \$1.6 million increase from the second quarter of 2006. The 2006 quarter included a positive \$2.4 million impact due to the office consolidation impairment charge reversal and a positive \$0.8 million impact due to a greater bad debt expense reduction. The Company continued to experience improved collection efforts in 2007 but recorded a lower bad debt expense reduction in the second quarter of 2007. Other SG&A increases were primarily related to increased general overhead costs and costs incurred in connection with the pending holding company reorganization.

Capital expenditures totaled \$18.6 million for the three months ended June 30, 2007 compared to \$13.6 million for the three months ended June 30, 2006. The \$5.0 million increase was primarily due to increased expenditures for distribution and transmission pipeline replacement programs.

**Months Ended June 30, 2007
vs. Six Months Ended June 30, 2006**

Equitable Utilities' operating income totaled \$80.1 million for the six months ended June 30, 2007 compared to \$74.9 million for the six months ended June 30, 2006. The \$5.2 million increase in operating income is primarily the result of increases in margins in the energy marketing and distribution operations. These positive factors were partially offset by increased transition planning expenses incurred in the first six months of 2007 in planning for the pending acquisition of Peoples and Hope, lower pipeline revenues and the prior year office consolidation impairment charge reversal.

Net operating revenues for the six months ended June 30, 2007 were \$159.7 million compared to \$144.6 million for the same period in 2006. The \$15.1 million increase was due to increased energy marketing net operating revenues and increased distribution net operating revenues. The increase in energy marketing net operating revenues was a result of storage asset optimization opportunities realized, as the energy marketing operations used contractual storage capacity to capture unusually high summer-to-winter price spreads which developed in the commodities market over recent periods. These price spreads were captured at a time of high volatility and the transactions settled during the current period. The increase in distribution net operating revenues was primarily the result of increased throughput from colder weather and increased customer usage in 2007. These positive variances were partially offset by lower pipeline net operating revenues due to the recognition in the first quarter of 2006 of \$6.1 million of previously reserved revenues as a result of the Equitrans rate case settlement.

Operating expenses totaled \$79.6 million for the six months ended June 30, 2007 compared to \$69.7 million for the six months ended June 30, 2006. The \$9.9 million increase in operating expenses included \$9.2 million of expenses incurred in connection with the planning for the pending acquisition of Peoples and Hope, a \$6.5 million increase over similar expenses incurred in the first six months of 2006. The 2006 period also included a \$2.4 million office consolidation impairment charge reversal and the recognition of \$1.7 million of previously deferred operating expenses recognized in connection with the Equitrans rate case settlement. Excluding these items, operating expenses increased \$2.7 million primarily related to increased general overhead, costs incurred in connection with the pending holding company reorganization and other administrative costs. Partially offsetting these increases, bad debt expense decreased \$2.2 million, resulting from the Company's improved collection experience and regulatory and other assistance provided to assist low income customers.

Capital expenditures totaled \$38.2 million for the six months ended June 30, 2007 compared to \$29.1 million for the six months ended June 30, 2006. The \$9.1 million increase was primarily due to increased expenditures for distribution and transmission pipeline replacement.

OUTLOOK

Equitable Utilities is focused on obtaining the required regulatory approvals to close the acquisition of Peoples and Hope. Planning for the integration of Peoples and Hope into Equitable Resources continued at Equitable Utilities through the first six months of 2007. Based on the work completed to date, the Company expects that transition planning activities will be minimal for the third quarter of 2007. The Company is working with Dominion to amend the Stock Purchase Agreement to allow Peoples and Hope to be acquired separately, when regulatory matters for each are resolved.

Equitable Utilities is also focused on enhancing the value and growth potential of its existing regulated utility operations and on selectively expanding its natural gas storage and gathering businesses. Equitable Utilities was able to realize a significant increase in margins from energy marketing asset optimization opportunities during the first six months of 2007, as per unit storage spreads were greater than those realized in the same period in 2006. Value from these assets is captured primarily in the winter months and may vary significantly from one year to the next due to changing commodity market conditions.

CAPITAL RESOURCES AND LIQUIDITY

Operating Activities

Cash flows provided by operating activities totaled \$314.3 million for the first six months of 2007 and \$397.9 million for the first six months of 2006, a net decrease of \$83.6 million in cash flows provided by operating activities between years. The decrease in cash flows provided by operating activities was attributable primarily to the following:

- a \$210.7 million net decrease in cash inflows for margin deposit requirements on the Company's natural gas hedge agreements. The Company's margin deposits increased \$10.9 million during the first six months of 2007, compared to a decrease of \$199.8 million in margin deposits during the first six months of 2006. The net decrease in margin deposit requirements during the first six months of 2006 resulted from the significant decrease in commodity price during that period from the abnormally high price levels experienced in late 2005;
- a smaller decrease in accounts receivable during the first six months of 2007, primarily the result of significant decreases in commodity price during the first six months of 2006.

partially offset by:

- a smaller decrease in accounts payable, primarily the result of a significant decrease in commodity price during the first six months of 2006.
- a large reduction in other current liabilities during the first six months of 2006, as significant amounts were outstanding at December 31, 2005 for which payment was remitted early in the first quarter of 2006;

Investing Activities

Cash flows used in investing activities totaled \$225.4 million for the first six months of 2007 and \$156.3 million for the first six months of 2006, a net increase of \$69.1 million in cash flows used in investing activities between years. The increase in cash flows used in investing activities was primarily due to an increase in capital expenditures to \$335.9 million in the first six months of 2007 from \$153.4 million in the first six months of 2006, resulting primarily from more capital expended for Supply midstream infrastructure projects, including the construction of the Big Sandy Pipeline, and increased drilling and development in 2007. This increase in cash flows used in investing activities was partially offset by cash proceeds received from the sale of assets. A total of \$95.0 million of the proceeds from the sale was placed into an escrow account. See Note J to the Company's Condensed Consolidated Financial Statements.

During July 2007, the Company's Board of Directors approved additional capital commitments under the Company's 2007 Capital Program. The Company is forecasting total capital expenditures for the year ended December 31, 2007, of approximately \$800 million, including over \$400 million for Supply infrastructure projects, over \$300 million for well development and approximately \$80 million for Equitable Utilities.

Financing Activities

Cash flows used in financing activities totaled \$18.1 million for the first six months of 2007 and \$316.5 million for the first six months of 2006, a net decrease of \$298.4 million in cash flows used in financing activities between years. The decrease in cash flows used in financing activities was primarily due to a \$34.0 million decrease in amounts borrowed under short-term loans in the first six months of 2007 compared to a \$286.8 million decrease in amounts borrowed under short-term loans in the first six months of 2006. The decrease in short-term borrowings in the first six months of 2006 was greater primarily as the result of significantly decreased requirements for funding margin deposits as previously discussed. The decrease in cash flows used in financing activities was also due to cash received by the Company in the second quarter of 2007 under the demand note agreement with Nora LLC, as described in Note J to the Company's Condensed Consolidated Financial Statements.

The Company believes that cash generated from operations, amounts available under its credit facilities and amounts which the Company could obtain in the debt and equity markets given its financial position, are adequate to meet the Company's reasonably foreseeable operating liquidity requirements. The Company intends to finance the \$970 million purchase price for the previously discussed acquisition from Dominion through a combination of equity and debt issuances and a portion of the asset sale proceeds from the PMOG transaction.

Security Ratings

The table below reflects the current credit ratings for the outstanding debt instruments of the Company. Changes in credit ratings may affect the Company's cost of short-term and long-term debt and its access to the credit markets.

Rating Service	Senior Unsecured Debt	Commercial Paper
Moody's Investors Service	A2	P-1
Standard & Poor's Ratings Services	A-	A-2

In 2006, Standard & Poor's Ratings Services placed the Company's short and long-term credit ratings on CreditWatch with negative implications and Moody's Investors Service placed the ratings under review for possible downgrade as a result of the Company's announcement that it had entered into a definitive agreement to acquire Peoples and Hope from Dominion. The final ratings outcomes are expected to be determined after the requisite approvals are received and the acquisition financing plan has been reviewed by the ratings agencies.

The Company's credit ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. The Company cannot ensure that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. If the rating agencies downgrade the Company's ratings, particularly below investment grade, it may significantly limit the Company's access to the commercial paper market and borrowing costs would increase. In addition, the Company would likely be required to pay a higher interest rate in future financings, incur increased margin deposit requirements with respect to its hedging instruments and the potential pool of investors and funding sources would decrease.

The Company's debt instruments and other financial obligations include provisions that, if not complied with, could require early payment, additional collateral support or similar actions. The most important default events include maintaining covenants with respect to maximum leverage ratio, insolvency events, nonpayment of scheduled principal or interest payments, acceleration of other financial obligations and change of control provisions. The Company's current credit facility's financial covenants require a total debt-to-total capitalization ratio of no greater than 65%. The calculation of this ratio excludes accumulated other comprehensive income (loss). During an acquisition period, which is defined as the period beginning with the funding of the purchase price for the stock of Peoples and Hope and ending on the first fiscal quarter end at least 365 days after the funding of such purchase

price, the covenant is relaxed from 65% to 70%. As of June 30, 2007, the Company is in compliance with all existing debt provisions and covenants.

Commodity Risk Management

The Company's overall objective in its hedging program is to assure a return on capital invested in long-lived assets in excess of the Company's cost of capital. The Company's risk management program includes the use of exchange-traded natural gas futures contracts and options and over the counter natural gas swap agreements and options (collectively, derivative commodity instruments) to hedge exposures to fluctuations in natural gas prices and for trading purposes. The preponderance of derivative commodity instruments currently utilized by the Company are fixed price swaps or collars.

During the first six months of 2007, the Company's hedge position declined with the reduction in reserves that resulted from the closing of the purchase and sale transaction with PMOG previously discussed. The approximate volumes and prices of the Company's total hedge position for 2007 through 2009 are:

	<u>2007**</u>	<u>2008</u>	<u>2009</u>
Swaps			
Total Volume (Bcf)	26	50	37
Average Price per Mcf (NYMEX)*	\$ 4.72	\$ 4.62	\$ 5.91
Collars			
Total Volume (Bcf)	5	10	10
Average Floor Price per Mcf (NYMEX)*	\$ 7.61	\$ 7.61	\$ 7.61
Average Cap Price per Mcf (NYMEX)*	\$ 11.27	\$ 11.27	\$ 11.27

* The above price is based on a conversion rate of 1.05 MMBtu/Mcf

** July through December

The Company's current hedged position provides price protection for a substantial portion of expected equity production for the years 2007 through 2009 and a smaller but significant portion of expected equity production for the years 2010 through 2013. The Company's exposure to a \$0.10 change in average NYMEX natural gas price is approximately \$0.01 per diluted share for 2007 and ranges from \$0.01 to \$0.03 per diluted share per year for 2008 and 2009. The Company also engages in a limited number of basis swaps to protect earnings from undue exposure to the risk of geographic disparities in commodity prices.

See Note C to the Company's Condensed Consolidated Financial Statements for further discussion of the Company's hedging activities.

Commitments and Contingencies

In the ordinary course of business, various legal claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves for pending litigation, which it believes are adequate, and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any matter currently pending against the Company will not materially affect the financial position of the Company.

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in which a class of royalty owners in the state of West Virginia filed a lawsuit claiming that the defendant in the case underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from the royalty owners' leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant plans to appeal the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. Claims have been brought against others in the oil and gas industry, including the Company. The proceedings against the Company are in the early stages and the plaintiffs have sought class certification. The Company believes that the claims and facts decided in the unrelated lawsuit can be differentiated

from those asserted against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

Incentive Compensation

The Company accounts for its share-based payment arrangements in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment," (SFAS No. 123R) and accordingly records compensation expense related to share-based awards in its income statement. The Company's compensation practices focus primarily on the issuance of performance-based units and time-restricted stock awards for which it recognizes compensation expense over the applicable vesting periods. Management and the Board of Directors believe that such an incentive compensation approach more closely aligns management's incentives with shareholder rewards than is the case with traditional stock options. All stock options granted subsequent to 2003 have comprised options granted for reload rights associated with previously-awarded options. Such reloads immediately vest under the terms of the related stock option award agreements. The Company recorded approximately \$0.2 million and \$0.7 million of compensation expense related to stock options in the first six months of 2007 and 2006, respectively, primarily related to stock option reloads. All stock options outstanding as of June 30, 2007 are fully vested, and as such, the Company does not anticipate incurring any additional compensation expense related to currently outstanding stock options. Compensation expense associated with reload rights will be recorded in the period in which the reload options are granted.

The Company recorded the following incentive compensation expense for the periods indicated below:

	Six Months Ended June 30,	
	2007	2006
	(Millions)	
Short-term incentive compensation expense	\$ 7.2	\$ 5.9
Long-term incentive compensation expense	49.5	12.8
Total incentive compensation expense	<u>\$ 56.7</u>	<u>\$ 18.7</u>

The long-term incentive compensation expenses are primarily associated with the 2005 Executive Performance Incentive Program ("the 2005 Program"). In the first six months of 2007, the Company increased its assumptions for both the payout multiple and ultimate share price at the vesting date (December 31, 2008) based on a review of the Company's performance relative to its peer group under the 2005 Program as well as the significant appreciation in the Company's stock price during the period. As a result, the Company recognized an additional \$35.7 million of long-term incentive expenses associated with the 2005 Program in the first six months of 2007 and expects to record a greater amount of incentive expense in fiscal year 2007 than previously estimated. The Company currently forecasts fiscal year 2007 total incentive compensation expense of approximately \$82 million, including expense of \$64 million for the 2005 Program.

Dividend

On July 11, 2007, the Board of Directors declared a regular quarterly cash dividend of 22 cents per share payable September 1, 2007, to shareholders of record on August 10, 2007.

Critical Accounting Policies

The Company's critical accounting policies are described in the notes to the Company's Consolidated Financial Statements for the year ended December 31, 2006 contained in the Company's Annual Report on Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been included in the notes to the Company's Condensed Consolidated Financial Statements for the period ended June 30, 2007 included in this Form 10-Q. The application of the Company's critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Condensed Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Derivative Commodity Instruments

Company's primary market risk exposure is the volatility of future prices for natural gas, which can affect the operating results of the Company primarily through the Equitable Supply segment and the unregulated marketing group within the Equitable Utilities segment. The Company's use of derivatives to reduce the effect of this volatility is described in Note C to the Company's Condensed Consolidated Financial Statements and under the caption "Commodity Risk Management" in Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q. The Company uses non-leveraged derivative commodity instruments that are placed with major financial institutions whose creditworthiness is continually monitored. The Company also enters into energy trading contracts to leverage its assets and limit its exposure to shifts in market prices. The Company's use of these derivative financial instruments is implemented under a set of policies approved by the Company's Corporate Risk Committee and Board of Directors.

Commodity Price Risk

The following sensitivity analysis estimates the potential effect on fair value or future earnings from derivative commodity instruments due to a 10% increase and a 10% decrease in commodity prices.

For the derivative commodity instruments used to hedge the Company's forecasted production, the Company sets policy limits relative to the expected production and sales levels, which are exposed to price risk. The financial instruments currently utilized by the Company include futures contracts, swap agreements and collar agreements, which may require payments to or receipt of payments from counterparties based on the differential between a fixed and variable price for the commodity. The Company also considers options and other contractual agreements in determining its commodity hedging strategy. Management monitors price and production levels on a continuous basis and will make adjustments to quantities hedged as warranted. In general, the Company's strategy is to hedge production at prices considered to be favorable to the Company. The Company attempts to take advantage of price fluctuations by hedging more aggressively when market prices move above historical averages and by taking more price risk when prices are significantly below these levels. The goal of these actions is to earn a return above the cost of capital and to lower the cost of capital by reducing cash flow volatility. To the extent that the Company has hedged its production at prices below the current market price, the Company is unable to benefit fully from increases in the price of natural gas.

With respect to the derivative commodity instruments held by the Company for purposes other than trading as of June 30, 2007, the Company hedged portions of expected equity production through 2013 by utilizing futures contracts, swap agreements and collar agreements covering approximately 273.7 Bcf of natural gas. See the "Commodity Risk Management" section of Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q for further discussion. A hypothetical decrease of 10% in the market price of natural gas from the June 30, 2007 levels would increase the fair value of non-trading natural gas derivative instruments by approximately \$214 million. A hypothetical increase of 10% in the market price of natural gas from the June 30, 2007 levels would decrease the fair value of non-trading natural gas derivative instruments by approximately the same amount.

With respect to the derivative commodity instruments held by the Company for trading purposes as of June 30, 2007, an increase or decrease of 10% in the market price of natural gas from the June 30, 2007 levels would not have a significant impact on the fair value.

The Company determined the change in the fair value of the derivative commodity instruments using a method similar to its normal change in fair value as described in Note 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The Company assumed a 10% change in the price of natural gas from its levels at June 30, 2007. The price change was then applied to the derivative commodity instruments recorded on the Company's Condensed Consolidated Balance Sheet, resulting in the change in fair value.

The Company is exposed to credit loss in the event of nonperformance by counterparties to derivative contracts. This credit exposure is limited to derivative contracts with a positive fair value. The Company believes that NYMEX-traded futures contracts have minimal credit risk because futures exchanges are the counterparties. The Company manages the credit risk of the other derivative contracts by limiting dealings to those counterparties who meet the Company's criteria for credit and liquidity strength.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Company's Principal Executive Officer and Principal Financial Officer, an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")), was conducted as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the second quarter of 2007 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

Federal Trade Commission v. Equitable Resources, Inc. et al, Before Federal Trade Commission

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company's proposed acquisition of The Peoples Natural Gas Company from Dominion Resources, Inc. (successor by merger to Consolidated Natural Gas Company) (Dominion). Each of the Company, Dominion and The Peoples Natural Gas Company are named as parties in the complaint.

The complaint charged that the acquisition agreement violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45 (which prohibits unfair methods of competition in or affecting commerce), and that the acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18 (which prohibits conduct which substantially lessens competition and/or tends to create a monopoly in a relevant market), and Section 5 of the Federal Trade Commission Act. The relief sought by the FTC in the complaint includes, among other things, (i) an order preventing the Company from acquiring The Peoples Natural Gas Company, (ii) a prohibition against any transaction between the Company and Dominion that combines their operations in the relevant markets except as may be approved by the FTC, and (iii) any other relief appropriate to correct the anticompetitive effects of the transaction or to restore The Peoples Natural Gas Company as a viable, independent competitor in the relevant market. On May 24, 2007, the FTC stayed discovery in this matter until further notice. The Company believes that the FTC's complaint is without merit and intends to vigorously oppose the FTC's charges.

Federal Trade Commission v. Equitable Resources, Inc. et al, United States Court of Appeals for the Third Circuit

On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the Company's proposed acquisition of The Peoples Natural Gas Company from Dominion. Each of the Company, Dominion and The Peoples Natural Gas Company are named as defendants in the complaint. The relief sought by the FTC in the complaint was an injunction to maintain the status quo during the pendency of the administrative proceeding described above. On May 14, 2007, the District Court dismissed the FTC's request for a preliminary injunction on the basis that the state action immunity doctrine barred the FTC's claim. The FTC appealed the dismissal to the United States Court of Appeals for the Third Circuit. On June 1, 2007, the Third Circuit issued an order enjoining the transaction pending further order of the Third Circuit. The FTC's appeal to the Third Circuit is currently in the briefing phase. Pursuant to an amended notice received after the Company's July 26, 2007 earnings call, oral argument, if required by the Third Circuit, is scheduled for the week of October 1, 2007. The Pennsylvania Attorney General has filed an amicus brief arguing that the state action immunity doctrine does not apply, which is contrary to the Company's position. The Pennsylvania Public Utility Commission has filed an amicus brief supporting the Company's position. The Company believes that the FTC's complaint is without merit and intends to vigorously oppose the FTC's position in this case.

Kay Company, LLC et al v. Equitable Production Company et al, U.S. District Court, Southern District of West Virginia

On June 13, 2006, eight royalty owners who have entered into leases with Equitable Production Company, a subsidiary of the Company, filed a gas royalty action in the Circuit Court of Roane County, West Virginia. The suit was served on July 31, 2006 and alleges that Equitable Production Company has failed to pay royalties on the fair value of the gas produced and marketed from the leases and has taken improper post-production deductions from the royalties paid. It seeks class certification, compensatory and punitive damages, an accounting, and other relief based on alleged breach of contract, breach of fiduciary duty and fraudulent concealment. Equitable Production Company removed the suit to the U.S. District Court for the Southern District of West Virginia on August 7, 2006. The plaintiffs have filed an amended complaint naming the Company as an additional defendant.

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in which a class of royalty owners in the state of West Virginia filed a lawsuit claiming that the defendant in the case underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from the royalty owners' leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant plans to appeal the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. The Company is vigorously defending its case and believes that the claims and facts in the unrelated lawsuit can be differentiated from those asserted against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

In addition to the claims disclosed above, in the ordinary course of business, various other legal claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves for other pending litigation, which it believes are adequate, and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any other matter currently pending against the Company will not materially affect the financial position of the Company.

Item 1A. Risk Factors

Information regarding risk factors is discussed in Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2006. There have been no material changes from the risk factors previously disclosed in the Company's Form 10-K.

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

The following table sets forth the Company's repurchases of equity securities registered under Section 12 of the Exchange Act that occurred in the three months ended June 30, 2007.

<u>Period</u>	<u>Total number of shares (or units) purchased (a)</u>	<u>Average price paid per share (or unit)</u>	<u>Total number of shares (or units) purchased as part of publicly announced plans or programs</u>	<u>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (b)</u>
April 2007 (April 1 - April 30)	6,042	\$ 49.12	—	8,385,400
May 2007 (May 1 - May 31)	2,588	\$ 51.75	—	8,385,400
June 2007 (June 1 - June 30)	<u>2,027</u>	\$ 49.31	<u>—</u>	8,385,400
Total	<u>10,657</u>		<u>—</u>	

(a) Includes 3,455 shares delivered in exchange for the exercise of stock options and restricted share awards to cover award cost and tax withholding and 7,202 shares for Company-directed purchases made by the Company's 401(k) plans.

(b) Equitable's Board of Directors previously authorized a share repurchase program with a maximum of 50.0 million shares and no expiration date. The program was initially publicly announced on October 7, 1998 with subsequent amendments announced on November 12, 1999, July 20, 2000, April 15, 2004 and July 13, 2005.

Item 4. Submission of Matters to a Vote of Security Holders

a) The Annual Meeting of Shareholders was held on April 11, 2007.

Brief description of matters voted upon:

(1) Elected the named directors to serve a three-year term expiring 2010 as follows:

<u>Director</u>	<u>Shares Voted For</u>	<u>Shares Withheld</u>
Vicky A. Bailey	101,515,737	5,056,395
Murry S. Gerber	101,037,137	5,534,995
George L. Miles, Jr.	101,349,741	5,222,391
James W. Whalen	101,439,809	5,132,323

The following Directors' terms continued after the Annual Meeting of Shareholders:
until 2008 - Phyllis A. Domm, Ed.D., David L. Porges, James E. Rohr and David S. Shapira
until 2009 - Thomas A. McConomy, Barbara S. Jeremiah, and Lee T. Todd, Jr., Ph.D.

- (2) Ratified appointment of Ernst & Young, LLP, as independent auditors for the year ended December 31, 2007. Vote was 105,612,088 shares for; 780,982 shares against and 179,062 shares abstained.
- (3) Approved the amendment to the Equitable Resources, Inc. Articles of Incorporation. Vote was 89,726,780 shares for; 1,647,319 shares against; 378,464 shares abstained and 14,819,569 broker non-votes.
- (4) The shareholder proposal regarding pay-for-superior performance received less than a majority of the votes cast. Vote was 79,046,764 shares against; 11,941,586 shares for; 764,211 shares abstained and 14,819,571 broker non-votes.

Item 6. Exhibits

- 2.01 Letter agreement dated as of July 3, 2007 by and between Equitable Resources, Inc. and Dominion Resources, Inc. (as successor by merger to Consolidated Natural Gas Company)
- 10.1 Purchase and Sale Agreement dated as of April 13, 2007 by and between Equitable Production Company and Pine Mountain Oil and Gas, Inc. Schedules (or similar attachments) to the Purchase and Sale Agreement are not filed. The Company will furnish supplementally a copy of any omitted schedule to the Commission upon request.
- 10.2 Contribution Agreement dated as of April 13, 2007 by and between Equitable Production Company, Equitable Gathering Equity, LLC, Pine Mountain Oil and Gas, Inc. and Nora Gathering, LLC. Schedules (or similar attachments) to the Contribution Agreement are not filed. The Company will furnish supplementally a copy of any omitted schedule to the Commission upon request.
- 31.1 Rule 13(a)-14(a) Certification of Principal Executive Officer
- 31.2 Rule 13(a)-14(a) Certification of Principal Financial Officer
- 32 Section 1350 Certification of Principal Executive Officer and Principal Financial Officer

Signature

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.

EQUITABLE RESOURCES, INC.

(Registrant)

By: _____ /s/ PHILIP P. CONTI

Philip P. Conti

Senior Vice President and Chief Financial Officer

Date: July 26, 2007

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Document Description</u>	<u>Incorporated by Reference</u>
2.01	Letter agreement dated as of July 3, 2007 by and between Equitable Resources, Inc. and Dominion Resources, Inc. (as successor by merger to Consolidated Natural Gas Company)	Filed herewith as Exhibit 2.1
10.1	Purchase and Sale Agreement dated as of April 13, 2007 by and between Equitable Production Company and Pine Mountain Oil and Gas, Inc. Schedules (or similar attachments) to the Purchase and Sale Agreement are not filed. The Company will furnish supplementally a copy of any omitted schedule to the Commission upon request.	Filed as Exhibit 10.1 to Form 8-K filed on April 16, 2007
10.2	Contribution Agreement dated as of April 13, 2007 by and between Equitable Production Company, Equitable Gathering Equity, LLC, Pine Mountain Oil and Gas, Inc. and Nora Gathering, LLC. Schedules (or similar attachments) to the Contribution Agreement are not filed. The Company will furnish supplementally a copy of any omitted schedule to the Commission upon request.	Filed as Exhibit 10.2 to Form 8-K filed on April 16, 2007
31.1	Rule 13(a)-14(a) Certification of Principal Executive Officer	Filed herewith as Exhibit 31.1
31.2	Rule 13(a)-14(a) Certification of Principal Financial Officer	Filed herewith as Exhibit 31.2
32	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer	Filed herewith as Exhibit 32

EQUITABLE RESOURCES, INC.
225 North Shore Drive
Pittsburgh, PA 15212

July 3, 2007

Dominion Resources, Inc.
120 Tredegar Street
Richmond, VA 23219
Attn: Jay L. Johnson.

Dear Mr. Johnson,

Reference is made to the Stock Purchase Agreement, dated March 1, 2006, by and between Dominion Resources, Inc. (as successor by merger to Consolidated Natural Gas Company) and us (the "Stock Purchase Agreement"). Capitalized terms used herein and not otherwise defined have the meanings therein set forth. This letter agreement (this "Letter") supplements the terms set forth in the Stock Purchase Agreement.

1. Prior to November 1, 2007, neither party may exercise its termination right under Section 9.1(b) of the Stock Purchase Agreement.
 2. The parties agree to negotiate in good faith an amendment to the Stock Purchase Agreement that will allow the parties to bifurcate the closings of the sale of Dominion Peoples and Dominion Hope to allow for the possible closing of the sale of Dominion Peoples to occur in advance of the resolution of the matters pending before the West Virginia Public Service Commission. The terms of the amendment will include (a) that, at Buyer's option, the closing of Dominion Peoples may occur as soon as practical after the injunction related to the FTC's complaint is lifted, (b) an appropriate mutually agreeable allocation of the Purchase Price, and the contractual adjustments, between Dominion Peoples and Dominion Hope, (c) that in the event the closing of Dominion Peoples occurs prior to the sale of Dominion Hope, Buyer will use its best efforts to close the sale of Dominion Hope and (d) that if the sale of Dominion Peoples closes and the sale of Dominion Hope does not, Buyer will pay to Seller an agreed bifurcation fee that will reflect an appropriate level of damages (which may be zero). In the event that the parties are unsuccessful in negotiating such amendment by August 31, 2007, Buyer may terminate the Stock Purchase Agreement.
 3. Immediately after the sale of Dominion Hope to Buyer, Buyer shall cause Dominion Hope to enter into an operating agreement with Dominion Transmission, Inc. ("DTI") related to post closing operations, the terms of which shall be mutually satisfactory to Buyer and DTI. This agreement will include the transfer of assets at book value between Dominion Hope and DTI to ensure the proper equipment is in place to provide ongoing service by each of Dominion Hope and DTI. To the extent that the book value of the assets received by Dominion Hope is greater than the book value provided to DTI, DTI will not charge Dominion Hope for the difference. The intent of this operating agreement is to ensure that both companies have the proper equipment and access rights to operate independently of one another and will not harm the ratepayers of West Virginia.
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4. Seller shall indemnify, defend and hold harmless Buyer from any and all Adverse Consequences incurred by Buyer arising out of litigation with Paul Kroll, the pending gas cost audit in West Virginia and any other claim arising out of allegations raised by Kroll. Such indemnification shall be without regard to any of the amount or time limitations in the Stock Purchase Agreement and, for the avoidance of doubt, shall include Adverse Consequences experienced both before and after the Closing. Buyer will cause Dominion Hope to grant access to Seller to any records or employees necessary to defend any claims by Paul Kroll and will cooperate with all reasonable requests of Seller related to any defense of such claims.

5. Seller shall provide Buyer with information demonstrating to Buyer's reasonable satisfaction that the well drilled through the Truittsburg Storage Field has not affected the integrity of the Field.

6. Seller shall provide transition services for free for 45 days after Closing and thereafter at cost, as opposed to the provisions of the Stock Purchase Agreement which requires that such services be provided at 125% of cost.

7. Seller agrees that Buyer is not obligated to reimburse Seller for capital costs incurred by Dominion Hope or Dominion Peoples after June 30, 2007. After such date the Companies shall continue to incur such capital expenditures as would be appropriate in the exercise of good utility operations, to comply with law and consistent with past practices.

The parties agree to share with each other in advance their respective proposed public statements regarding this Letter and to coordinate the release of such information. The Stock Purchase Agreement is in all respects ratified, approved and confirmed and remains in full force and effect subject only to this Letter. In the event of a conflict between the Stock Purchase Agreement and this Letter, this Letter shall prevail. This Letter shall be deemed to be a contract under the laws of the State of Delaware and for all purposes shall be governed by, construed and enforced in accordance with the laws of said State. This Letter may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

If this forgoing is acceptable, please execute this Letter below and return a signed original to me at the address above.

EQUITABLE RESOURCES, INC.

BY: /s/ MURRY S. GERBER
NAME: Murry S. Gerber
TITLE: Chief Executive Officer

ACCEPTED AND AGREED:

DOMINION RESOURCES, INC.
(as successor by merger to Consolidated
Natural Gas Company)

BY: /s/ JAY L. JOHNSON
NAME: Jay L. Johnson
TITLE: Executive Vice President

CERTIFICATION

I, Murry S. Gerber, certify that:

- 1. I have reviewed this Quarterly Report on Form 10-Q of Equitable Resources, Inc.
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. *Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;*
 - b. *Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;*
 - c. *Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and*
 - d. *Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and*
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. *All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and*
 - b. *Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.*

Date: July 26, 2007

/s/ MURRY S. GERBER

Murry S. Gerber
Chairman and Chief Executive Officer

CERTIFICATION

I, Philip P. Conti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equitable Resources, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2007

/s/ PHILIP P. CONTI

Philip P. Conti
Senior Vice President and Chief Financial Officer

CERTIFICATION

In connection with the Quarterly Report of Equitable Resources, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MURRY S. GERBER

Murry S. Gerber
Chairman and Chief Executive Officer

July 26, 2007

/s/ PHILIP P. CONTI

Philip P. Conti
Senior Vice President and Chief Financial Officer

July 26, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Equitable Resources, Inc. and will be retained by Equitable Resources, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EQUITABLE RESOURCES INC /PA/

FORM 10-Q (Quarterly Report)

Filed 10/25/07 for the Period Ending 09/30/07

Address	225 NORTH SHORE DR PITTSBURGH, PA 15212-5861
Telephone	4125535700
CIK	0000033213
Symbol	EQT
SIC Code	4923 - Natural Gas Transmission and Distribution
Industry	Natural Gas Utilities
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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 1-3551

EQUITABLE RESOURCES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

25-0464690

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

225 North Shore Drive, Pittsburgh, Pennsylvania 15212

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(412) 553-5700**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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

Class

Outstanding at
September 30, 2007

Common stock, no par value

121,663,368 shares

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Consolidated Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Thousands, except per share amounts)			
Operating revenues	\$ 226,806	\$ 232,801	\$ 976,592	\$ 914,127
Cost of sales	68,722	72,155	405,687	367,085
Net operating revenues	<u>158,084</u>	<u>160,646</u>	<u>570,905</u>	<u>547,042</u>
Operating expenses:				
Operation and maintenance	25,602	25,282	78,614	74,252
Production	16,009	16,176	48,646	47,965
Selling, general and administrative	32,198	32,904	143,978	90,659
Office consolidation impairment charges	—	—	—	(2,908)
Depreciation, depletion and amortization	26,907	25,149	81,926	74,163
Total operating expenses	<u>100,716</u>	<u>99,511</u>	<u>353,164</u>	<u>284,131</u>
Operating income	57,368	61,135	217,741	262,911
Gain on sale of assets, net	—	—	119,401	—
Other income	2,204	489	5,530	886
Equity in earnings of nonconsolidated investments	1,423	70	2,198	120
Interest expense	<u>11,557</u>	<u>12,779</u>	<u>35,604</u>	<u>36,128</u>
Income before income taxes	49,438	48,915	309,266	227,789
Income taxes	16,513	17,120	112,380	79,726
Net income	<u>\$ 32,925</u>	<u>\$ 31,795</u>	<u>\$ 196,886</u>	<u>\$ 148,063</u>
Earnings per share of common stock:				
Basic:				
Weighted average common shares outstanding	121,380	120,172	121,319	119,929
Net income	<u>\$ 0.27</u>	<u>\$ 0.26</u>	<u>\$ 1.62</u>	<u>\$ 1.23</u>
Diluted:				
Weighted average common shares outstanding	122,838	122,103	122,818	121,961
Net income	<u>\$ 0.27</u>	<u>\$ 0.26</u>	<u>\$ 1.60</u>	<u>\$ 1.21</u>
Dividends declared per common share	<u>\$ 0.22</u>	<u>\$ 0.22</u>	<u>\$ 0.66</u>	<u>\$ 0.65</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Condensed Consolidated Cash Flows (Unaudited)

	<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
	(Thousands)	
Cash flows from operating activities:		
Net income	\$ 196,886	\$ 148,063
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for losses on accounts receivable	(1,608)	1,504
Depreciation, depletion, and amortization	81,926	74,163
Gain on sale of assets, net	(119,401)	—
Other income	(5,530)	(886)
Office consolidation impairment charges	—	(2,908)
Deferred income taxes	71,385	15,435
Excess tax benefits from share-based payment arrangements	(4,447)	(6,090)
Decrease in accounts receivable and unbilled revenues	126,758	176,283
(Increase) decrease in margin deposits	(7,259)	317,574
Increase in inventory	(29,465)	(33,845)
Decrease in accounts payable	(30,382)	(62,439)
Change in derivative instruments at fair value, net	18,898	(30,991)
Changes in other assets and liabilities	44,091	(46,293)
Net cash provided by operating activities	<u>341,852</u>	<u>549,570</u>
Cash flows from investing activities:		
Capital expenditures	(532,664)	(252,604)
Proceeds from sale of assets	184,576	—
Restricted cash from sale of assets, net	(68,256)	—
Proceeds from contribution of assets	23,262	—
Proceeds from sale of available-for-sale securities	7,295	—
Investment in available-for-sale securities	(9,709)	(2,314)
Proceeds from sale of discontinued operations, net of purchase price adjustments	—	(724)
Net cash used in investing activities	<u>(395,496)</u>	<u>(255,642)</u>
Cash flows from financing activities:		
Dividends paid	(80,306)	(78,290)
Proceeds from note payable to Nora Gathering, LLC	69,786	—
Repayments of note payable to Nora Gathering, LLC	(24,285)	—
Proceeds from exercises under employee compensation plans	2,673	17,002
Excess tax benefits from share-based payment arrangements	4,447	6,090
Repayments and retirements of long-term debt	(10,000)	(3,000)
Increase (decrease) in short-term loans	204,001	(310,696)
Net cash provided by (used in) financing activities	<u>166,316</u>	<u>(368,894)</u>
Net increase (decrease) in cash and cash equivalents	112,672	(74,966)
Cash and cash equivalents at beginning of period	—	74,966
Cash and cash equivalents at end of period	<u>\$ 112,672</u>	<u>\$ —</u>
Cash paid during the period for:		
Interest, net of amount capitalized	<u>\$ 36,015</u>	<u>\$ 37,572</u>
Income taxes, net of refund	<u>\$ 25,331</u>	<u>\$ 38,717</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	<u>(Thousands)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,672	\$ —
Restricted cash	68,256	—
Accounts receivable (less accumulated provision for doubtful accounts: September 30, 2007, \$14,010; December 31, 2006, \$20,442)	102,825	199,486
Unbilled revenues	12,138	40,627
Margin deposits with financial institutions	7,270	11
Inventory	298,593	269,128
Derivative instruments, at fair value	56,165	129,675
Prepaid expenses and other	<u>66,735</u>	<u>62,523</u>
Total current assets	724,654	701,450
Equity in nonconsolidated investments	133,302	35,023
Property, plant and equipment	3,931,937	3,617,297
Less: accumulated depreciation and depletion	<u>1,262,897</u>	<u>1,239,826</u>
Net property, plant and equipment	2,669,040	2,377,471
Investments, available-for-sale	36,553	31,270
Other assets	<u>110,371</u>	<u>111,697</u>
Total assets	<u>\$ 3,673,920</u>	<u>\$ 3,256,911</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ 10,000
Short-term loans	340,000	135,999
Note payable to Nora Gathering, LLC	45,501	—
Accounts payable	182,944	213,326
Derivative instruments, at fair value	496,497	570,251
Other current liabilities	<u>174,180</u>	<u>150,203</u>
Total current liabilities	1,239,122	1,079,779
Debentures and medium-term notes	753,500	753,500
Other non-current liabilities:		
Deferred income taxes and investment tax credits	409,282	338,012
Unrecognized tax benefits	37,428	—
Pension and other post-retirement benefits	47,725	50,947
Other credits	<u>93,417</u>	<u>88,393</u>
Total other non-current liabilities	587,852	477,352
Common stockholders' equity:		
Common stock, no par value, authorized 320,000 shares; shares issued: September 30, 2007 and December 31, 2006, 149,008	369,295	366,856
Treasury stock, shares at cost: September 30, 2007, 27,342; December 31, 2006, 27,405 (net of shares and cost held in trust for deferred compensation of 179, \$3,063 and 159, \$2,724)	(469,133)	(469,584)
Retained earnings	1,475,779	1,363,310
Accumulated other comprehensive loss	<u>(282,495)</u>	<u>(314,302)</u>
Total common stockholders' equity	1,093,446	946,280
Total liabilities and stockholders' equity	<u>\$ 3,673,920</u>	<u>\$ 3,256,911</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Equitable Resources, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In this Form 10-Q, references to "Equitable," "Equitable Resources," and the "Company" refer collectively to Equitable Resources, Inc. and its consolidated subsidiaries. In the opinion of management, these statements include all adjustments (consisting of only normal recurring accruals, unless otherwise disclosed in this Form 10-Q) necessary for a fair presentation of the financial position of Equitable Resources, Inc. and subsidiaries as of September 30, 2007, the results of its operations for the three and nine month periods ended September 30, 2007 and 2006, and its cash flows for the nine month periods ended September 31, 2007 and 2006.

As discussed in Note I, the Company capitalizes the carrying costs for the construction of certain long-term assets and amortizes the costs over the life of the related assets. For regulated assets, these costs include allowance for equity funds used during construction (AFUDC – Equity). Prior to September 30, 2007, the amount of AFUDC – Equity was not significant and was included as an offset to interest expense in the Statements of Consolidated Income. As a result of the significance of the carrying costs related to the construction of the Big Sandy Pipeline, AFUDC – Equity has been reclassified to Other income in the Statements of Consolidated Income for all periods presented.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Due to the seasonal nature of the Company's natural gas distribution and energy marketing businesses and the volatility of natural gas prices, the interim statements for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

For further information, refer to the consolidated financial statements and footnotes thereto included in Equitable Resources' Annual Report on Form 10-K for the year ended December 31, 2006, as well as in "Information Regarding Forward Looking Statements" on page 18 of this document.

Segment Information

The Company reports its operations in two segments, which reflect its lines of business. The Equitable Supply segment's activities comprise the development, production, gathering, marketing and sale of natural gas and a small amount of associated oil and the extraction and sale of natural gas liquids. The Equitable Utilities segment's operations comprise the sale and transportation of natural gas to customers at state-regulated rates, interstate pipeline transportation, storage and gathering of natural gas subject to federal regulation, the unregulated marketing of natural gas and limited trading activities.

Operating segments are evaluated on their contribution to the Company's consolidated results based on operating income and equity in earnings of nonconsolidated investments. Interest expense and income taxes are managed on a consolidated basis. Headquarters' costs are billed to the operating segments based upon a fixed allocation of the headquarters' annual operating budget. Differences between budget and actual headquarters' expenses are not allocated to the operating segments.

Substantially all of the Company's operating revenues, income from operations and assets are generated or located in the United States.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Thousands)			
Revenues from external customers:				
Equitable Supply	\$ 117,154	\$ 120,991	\$ 370,295	\$ 362,767
Equitable Utilities	127,993	125,603	643,217	599,328
Less: intersegment revenues (a)	(18,341)	(13,793)	(36,920)	(47,968)
Total	<u>\$ 226,806</u>	<u>\$ 232,801</u>	<u>\$ 976,592</u>	<u>\$ 914,127</u>
Total operating expenses:				
Equitable Supply	\$ 54,988	\$ 57,761	\$ 182,092	\$ 162,111
Equitable Utilities	36,823	35,686	116,425	105,417
Unallocated expenses (b)	8,905	6,064	54,647	16,603
Total	<u>\$ 100,716</u>	<u>\$ 99,511</u>	<u>\$ 353,164</u>	<u>\$ 284,131</u>
Operating income:				
Equitable Supply	\$ 62,166	\$ 63,230	\$ 188,203	\$ 200,656
Equitable Utilities	4,107	3,969	84,185	78,858
Unallocated expenses	(8,905)	(6,064)	(54,647)	(16,603)
Total	<u>\$ 57,368</u>	<u>\$ 61,135</u>	<u>\$ 217,741</u>	<u>\$ 262,911</u>

Reconciliation of operating income to net income:

Equity in earnings (losses) of nonconsolidated investments:

Equitable Supply	\$ 1,379	\$ 71	\$ 2,085	\$ 53
Unallocated	44	(1)	113	67
Total	<u>\$ 1,423</u>	<u>\$ 70</u>	<u>\$ 2,198</u>	<u>\$ 120</u>

Gain on sale of assets, net – Equitable Supply	—	—	119,401	—
Other income	2,204	489	5,530	886
Interest expense	11,557	12,779	35,604	36,128
Income taxes	16,513	17,120	112,380	79,726
Net income	<u>\$ 32,925</u>	<u>\$ 31,795</u>	<u>\$ 196,886</u>	<u>\$ 148,063</u>

	September 30,	December 31,
	2007	2006
	(Thousands)	
Segment Assets:		
Equitable Supply	\$ 2,069,167	\$ 1,794,485
Equitable Utilities	1,378,493	1,407,024
Total operating segments	3,447,660	3,201,509
Headquarters assets and intersegment eliminations, net	226,260	55,402
Total assets	<u>\$ 3,673,920</u>	<u>\$ 3,256,911</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Thousands)			
Expenditures for segment assets:				
Equitable Supply (c)	\$ 175,012	\$ 82,580	\$ 470,486	\$ 204,961
Equitable Utilities	23,200	16,265	61,104	45,094
Unallocated expenditures	876	740	1,074	2,549
Total	<u>\$ 199,088</u>	<u>\$ 99,585</u>	<u>\$ 532,664</u>	<u>\$ 252,604</u>

- (a) Intersegment revenues primarily represent sales from Equitable Supply to the unregulated marketing affiliate of Equitable Utilities.
- (b) Unallocated expenses are primarily related to executive compensation.
- (c) Expenditures for segment assets for the three and nine months ended September 30, 2007 include \$28.5 million for the acquisition of additional working interest in the Roaring Fork Field. See Note L.

C. Derivative Instruments

Natural Gas Hedging Instruments

The Company's overall objective in its hedging program is to assure a return on capital invested in long-lived assets in excess of the Company's cost of capital. The various derivative commodity instruments used by the Company to hedge its exposure to variability in expected future cash flows associated with the fluctuations in the price of natural gas related to the Company's forecasted sale of equity production and forecasted natural gas purchases and sales have been designated and qualify as cash flow hedges. Futures contracts obligate the Company to buy or sell a designated commodity at a future date for a specified price and quantity at a specified location. Swap agreements involve payments to or receipts from counterparties based on the differential between a fixed and variable price for the commodity. Collar agreements require the counterparty to pay the Company if the index price falls below the floor price and the Company to pay the counterparty if the index price rises above the cap price. Exchange-traded instruments are generally settled with offsetting positions. Over the counter arrangements require settlement in cash.

The fair value of the Company's derivative commodity instruments designated as cash flow hedges is presented below:

	As of	
	September 30, 2007	December 31, 2006
	(Thousands)	
Asset	\$ 55,506	\$ 129,675
Liability	(463,859)	(544,444)
Net liability	\$ (408,353)	\$ (414,769)

These amounts are included in the Condensed Consolidated Balance Sheets as derivative instruments, at fair value. The net fair value of derivative instruments changed during the first nine months of 2007 primarily as a result of an increase in natural gas prices and reduced hedged quantities due to derivative settlements. The absolute quantities of the Company's derivative commodity instruments that have been designated and qualify as cash flow hedges totaled 313.2 Bcf and 392.6 Bcf as of September 30, 2007 and December 31, 2006, respectively, and primarily related to natural gas swaps. The open positions at September 30, 2007 had maturities extending through December 2013.

The Company deferred net losses of \$256.9 million and \$286.2 million in accumulated other comprehensive loss, net of tax, as of September 30, 2007 and December 31, 2006, respectively, associated with the effective portion of the change in fair value of its derivative instruments designated as cash flow hedges. Assuming no change in price or new transactions, the Company estimates that approximately \$90.8 million of unrealized losses on its derivative commodity instruments reflected in accumulated other comprehensive loss, net of tax, as of September 2007 will be recognized in earnings during the next twelve months due to the physical settlement of hedged transactions. This recognition occurs through a reduction in the Company's net operating revenues resulting in the average hedged price becoming the realized sales price.

Ineffectiveness associated with the Company's derivative instruments designated as cash flow hedges increased earnings by approximately \$0.5 million and \$0.4 million for the three month periods ended September 30, 2007 and 2006, respectively. These amounts are included in operating revenues in the Statements of Consolidated Income.

The Company conducts trading activities through its unregulated marketing group. The function of the Company's trading business is to contribute to the Company's earnings by taking market positions within defined limits subject to the Company's corporate risk management policy. The absolute notional quantities of the futures and swaps held for trading purposes at September 30, 2007 totaled 8.1 Bcf and 22.0 Bcf, respectively.

Below is a summary of the activity of the fair value of the Company's derivative commodity contracts with third parties held for trading purposes during the nine months ended September 30, 2007 (in thousands).

Fair value of contracts outstanding as of December 31, 2006	\$ 581
Contracts realized or otherwise settled	(742)
Other changes in fair value	132
Fair value of contracts outstanding as of September 30, 2007	<u>\$ (29)</u>

The following table presents maturities and the fair valuation source for the Company's derivative commodity instruments that are held for trading purposes as of September 30, 2007.

Net Fair Value of Third Party Contract (Liabilities) Assets at Period-End

<u>Source of Fair Value</u>	<u>Maturity Less than 1 Year</u>	<u>Maturity 1-3 Years</u>	<u>Maturity 4-5 Years (Thousands)</u>	<u>Maturity in Excess of 5 Years</u>	<u>Total Fair Value</u>
Prices actively quoted (NYMEX) (1)	\$ (48)	\$ —	\$ —	\$ —	\$ (48)
Prices provided by other external sources (2)	19	—	—	—	19
Net derivative liabilities	<u>\$ (29)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (29)</u>

(1) Contracts include futures and fixed price swaps

(2) Contracts include basis swaps

In May 2007, the Company sold a portion of its interest in certain gas properties in the Nora Field, as discussed in Note K. As part of this transaction, the Company closed out certain cash flow hedges associated with forecasted production at this location by purchasing offsetting positions. The fair value of these derivative instruments was a \$23.9 million liability at September 30, 2007. In addition, the fair value of derivative instruments associated with forecasted production at non-core gas properties sold in May 2005 was a \$8.7 million liability at September 30, 2007. The Company does not treat these derivatives as hedging instruments under Statements of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). These amounts are included in the Condensed Consolidated Balance Sheet as derivative instruments, at fair value.

When the net fair value of any of the Company's swap agreements represents a liability to the Company which is in excess of the agreed-upon threshold between the Company and the financial institution acting as counterparty, the counterparty requires the Company to remit funds to the counterparty as a margin deposit for the derivative liability which is in excess of the threshold amount. The Company recorded such deposits in the amount of \$1.0 million in its Condensed Consolidated Balance Sheet as of September 30, 2007.

When the Company enters into exchange-traded natural gas contracts, exchanges require participants, including the Company, to remit funds to the corresponding broker as good-faith deposits to guard against the risks associated with changing market conditions. Participants must make such deposits based on an established margin requirement as well as the net liability position, if any, of the fair value of the associated contracts. In the case where the fair value of such contracts is in a net asset position, the broker may remit funds to the Company, in which case the Company records a current liability for such amounts received. The margin requirements are established by the exchanges based on prices, volatility and the time to expiration of the related contract and are subject to change at the exchanges' discretion. The Company recorded margin deposits in the amount of \$6.3 million in its Condensed Consolidated Balance Sheet as of September 30, 2007.

D. Investments, Available-For-Sale

As of September 30, 2007, the investments classified by the Company as available-for-sale consist of approximately \$36.6 million of debt and equity securities intended to fund plugging and abandonment and other liabilities for which the Company self-insures. Any unrealized gains or losses with respect to investments classified as available-for-sale are recognized within the Condensed Consolidated Balance Sheets as a component of equity, accumulated other comprehensive loss.

During the first quarter of 2007, the Company reviewed its investment portfolio including its investment allocation and as a result sold equity securities with a cost basis of \$6.3 million for total proceeds of \$7.3 million, resulting in the Company recognizing a gain of \$1.0 million, which is included in other income in the Statement of Consolidated Income for the nine months ended September 30, 2007. The Company used proceeds from these sales and other available cash to purchase other debt and equity securities with a cost basis totaling \$9.7 million during first quarter of 2007. These investments are classified as available-for-sale in the Condensed Consolidated Balance Sheet. The Company utilizes the specific identification method to determine the cost of all investment securities sold.

E. Comprehensive Income

Total comprehensive income, net of tax, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Thousands)			
Net income	\$ 32,925	\$ 31,795	\$ 196,886	\$ 148,063
Other comprehensive income (loss):				
Net change in cash flow hedges:				
Natural gas (Note C)	62,884	176,718	29,286	425,672
Interest rate	29	29	87	87
Unrealized gain on investments, available-for-sale	446	838	914	1,204
Pension and other post-retirement benefit plans:				
Prior service cost	(59)	—	(177)	—
Net loss	458	—	1,372	—
Settlement loss	8	—	325	—
Total comprehensive income	<u>\$ 96,691</u>	<u>\$ 209,380</u>	<u>\$ 228,693</u>	<u>\$ 575,026</u>

The components of accumulated other comprehensive loss, net of tax, are as follows:

	September 30, 2007	December 31, 2006
	(Thousands)	
Net unrealized loss from hedging transactions	\$ (257,498)	\$ (286,871)
Unrealized gain on available-for-sale securities	4,883	3,969
Pension and other post-retirement benefits adjustment	(29,880)	(31,400)
Accumulated other comprehensive loss	<u>\$ (282,495)</u>	<u>\$ (314,302)</u>

F. Share-Based Compensation

The Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R) as of January 1, 2006.

Share-based compensation expense recorded by the Company was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Thousands)			
2005 Executive Performance Incentive Program	\$ 8,212	\$ 5,524	\$ 54,591	\$ 15,646
2007 Supply Long-Term Incentive Program	390	—	390	—
Directors' share-based awards	237	129	1,649	576
Restricted stock awards	672	948	2,185	2,535
Nonqualified stock options	10	—	222	685
Total share-based compensation expense	<u>\$ 9,521</u>	<u>\$ 6,601</u>	<u>\$ 59,037</u>	<u>\$ 19,442</u>

Stock Options

The Company granted 20,941 and 56,257 stock options during the nine months ended September 30, 2007 and 2006, respectively, all of which comprised options granted for reload rights associated with previously-awarded options. The weighted average grant date fair value of these reload option grants was approximately \$7.00 and \$9.00 for the nine month periods ended September 30, 2007 and 2006, respectively.

The fair value of the Company's option grants was estimated at the dates of grant using a Black-Scholes option-pricing model with the assumptions indicated in the table below for the nine month periods ended September 30, 2007 and 2006.

	Nine Months Ended September 30.	
	2007	2006
Risk-free interest rate (range)	4.36% to 5.02%	4.59% to 5.04%
Dividend yield	1.90% to 2.29%	2.34% to 2.38%
Volatility factor	.15 to .21	.21 to .23
Expected term	3 - 6 years	7 years

As of September 30, 2007, there was no unrecognized compensation cost related to outstanding nonvested stock options as all outstanding options were fully vested.

As of September 30, 2007, 148,404 options were outstanding under the 1999 Nonemployee Directors' Stock Incentive Plan. No options were granted to non-employee directors during the nine month periods ended September 30, 2007 and 2006.

G. Income Taxes

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. Refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period. Separate effective income tax rates are calculated for net income from continuing operations and any separately reported net income items, such as discontinued operations and extraordinary items.

On April 4, 2007, West Virginia enacted legislation, effective for the Company's tax year beginning January 1, 2009, that mandates unitary combined reporting, changes certain apportionment provisions for tax partnerships, changes certain definitions for financial organizations and makes miscellaneous changes to other corporate net income tax statutes. As a result of this law change, the Company recorded additional tax expense of \$2.9 million to reflect an overall increase in the Company's expected deferred tax liability as of the effective date. This charge is included in the annual income tax expense and the entire amount was reflected in the second quarter of 2007. The effective income tax rate for the nine months ended September 30, 2007 is 36.3%. The Company currently estimates the annual effective income tax rate to be approximately 36.1%. The estimated annual effective income tax rate as of September 30, 2006 was 35.0%.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," (FIN 48) which applies to all open tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." This Interpretation is intended to result in increased relevance and comparability in financial reporting of income taxes and to provide more information about the uncertainty in income tax assets and liabilities.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$4.1 million increase in the liability for unrecognized tax benefits which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. Additionally, as a result of the implementation of FIN 48, the Company recorded \$29.7 million of unrecognized tax benefits related to a balance sheet reclassification that did not impact retained earnings. A total of \$16.9 million of this reclassification relates to the gross up of certain tax positions that were previously recorded net of tax benefit, tax positions which relate to temporary differences that were previously part of deferred taxes and tax positions that were previously offset against deferred tax assets. The remaining \$12.8 million relates to tax positions previously categorized as current liabilities.

After the recognition of these items in connection with the implementation of FIN 48, the total liability for unrecognized tax benefits at January 1, 2007 was \$33.8 million. Of this total, \$16.9 million of tax benefits would reduce the Company's effective tax rate if the tax benefits were recognized in the financial statements.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The total amount of accrued interest included in the FIN 48 liability above as of January 1, 2007 was \$11.0 million. No amounts were accrued for penalties as of January 1, 2007.

There were no material changes to unrecognized tax benefits, interest or penalties during the nine months ended September 30, 2007. As of September 30, 2007, the Company is not aware of any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The consolidated Federal income tax liability of the Company has been settled with the Internal Revenue Service (IRS) through 1997. The IRS has completed its review of the Company's Federal income tax filings for the 1998 through 2000 years and the Company believes that only minor issues remain to be resolved. The IRS is expected to review the Company's Research and Experimentation claim for 2001 and 2002 and survey the balance of the 2001 and 2002 Federal income tax filings. During the second quarter of 2007, the IRS began an examination of the Company's Federal income tax filings for 2003 through 2005.

The Company is also subject to various routine state income tax examinations. The Company mainly operates in four states which have statutes of limitations that expire between three to four years after the date of filing of the income tax return. As of September 30, 2007, the Company believes that it is appropriately reserved for any potential federal and state income tax exposures.

H. Pension and Other Postretirement Benefit Plans

The Company's costs related to its defined benefit pension and other postretirement benefit plans for the three and nine months ended September 30, 2007 and 2006 were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2007	2006	2007	2006
	(Thousands)			
Components of net periodic benefit cost				
Service cost	\$ 63	\$ 107	\$ 123	\$ 138
Interest cost	1,093	1,097	636	725
Expected return on plan assets	(1,404)	(1,533)	—	—
Amortization of prior service cost	41	92	(215)	(34)
Recognized net actuarial loss	363	267	574	536
Settlement (gain) loss	(395)	283	—	—
Net periodic benefit cost	<u>\$ (239)</u>	<u>\$ 313</u>	<u>\$ 1,118</u>	<u>\$ 1,365</u>
	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,			
	2007	2006	2007	2006
	(Thousands)			
Components of net periodic benefit cost				
Service cost	\$ 189	\$ 323	\$ 369	\$ 414
Interest cost	3,279	3,291	1,908	2,175
Expected return on plan assets	(4,210)	(4,599)	—	—
Amortization of prior service cost	123	278	(645)	(102)
Recognized net actuarial loss	1,089	801	1,722	1,608
Settlement loss	735	265	—	—
Net periodic benefit cost	<u>\$ 1,205</u>	<u>\$ 359</u>	<u>\$ 3,354</u>	<u>\$ 4,095</u>

The Company made a cash contribution of \$1.3 million to the pension plan in the first quarter of 2007 to fund an early retirement program which was settled during the fourth quarter of 2006.

I. Interest Expense and Allowance for Funds Used During Construction

The Company maintains a \$1.5 billion, five-year revolving credit facility which may be used for working capital, capital expenditures, share purchases and other purposes including support of the Company's commercial paper program. Due to the volatility in the short-term debt markets during the third quarter of 2007, the Company determined that its lowest cost of short term borrowings would be obtained by utilizing its revolving credit facility. As of September 30, 2007, the Company had outstanding short-term loans under the revolving credit facility of \$340.0 million and no commercial paper balances. As of December 31, 2006, the Company had commercial paper balances of \$136.0 million and no outstanding short-term loans under the revolving credit facility.

Carrying costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. The calculated allowance for funds used during construction includes capitalization of the cost of financing construction of assets subject to regulation by the Pennsylvania Public Utility Commission, the Public Service Commission of West Virginia or the Federal Energy Regulatory Commission, in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." A computed interest cost and a designated cost of equity for financing the construction of these regulated assets are recorded in the Company's income statement. The debt portion is calculated based on the average cost of debt. Interest costs on debt amounts capitalized are included as a reduction of interest expense in the Statements of Consolidated Income. These interest costs were \$1.5 million and \$0.3 million for the nine months ended September 30, 2007 and 2006, respectively. The equity portion is calculated using the most recent equity rate of return approved by the applicable regulator. Equity amounts capitalized are included in other income in the Statements of Consolidated Income. The equity amounts capitalized were \$4.5 million and \$0.9 million for the nine months ended September 30, 2007 and 2006, respectively.

J. Recently Issued Accounting Standards

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115," (SFAS No. 159) which provides entities with an option to report selected financial assets and liabilities at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact that SFAS No. 159 will have on its consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," (SFAS No. 157) which establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact that SFAS No. 157 will have on its consolidated financial statements.

K. Gain on Sale of Assets

On April 13, 2007, the Company and Range Resources Corporation (Range) agreed to a development plan for the Nora Field, a gas field located in Southwestern Virginia. The Company entered into a Purchase and Sale Agreement (Purchase Agreement) with Pine Mountain Oil and Gas, Inc. (PMOG), a subsidiary of Range, pursuant to which the Company agreed to sell to PMOG a portion of the Company's interests in certain gas properties in the Nora Field. Additionally, the Company entered into a Contribution Agreement (Contribution Agreement) with PMOG relating to the contribution of certain Nora Field gathering facilities and pipelines to Nora Gathering, LLC (Nora LLC), a newly formed entity that is equally owned by the Company and PMOG. This gathering system will service production of the Company and Range.

On May 17, 2007, the Company completed a majority of the transactions contemplated by the Purchase Agreement by selling proved reserves of approximately 70 Bcf, including proved developed reserves of approximately 64 Bcf, to PMOG for proceeds of \$184.6 million. Proceeds of \$95.0 million from the sale were placed into an escrow

account pursuant to a deferred exchange agreement, which allows for the use of the funds in a potential like-kind exchange for certain identified assets. The Company used a portion of the restricted funds in the third quarter of 2007 as discussed in Note L. The Company is evaluating the potential purchase of additional eligible replacement properties within the statutory time period. As of September 30, 2007, the balance of restricted cash was \$68.3 million.

Additionally, on May 17, 2007, the Company completed a substantial majority of the transactions contemplated by the Contribution Agreement by contributing Nora Field gathering property with a net book value of \$120.0 million to Nora LLC in exchange for a 50% interest in Nora LLC and cash of \$23.3 million. PMOG contributed cash of \$93.1 million to Nora LLC in exchange for its 50% interest. The Company and Nora LLC also entered into a demand note agreement whereby Nora LLC loaned to the Company \$69.8 million on the closing date. The balance of this note as of September 30, 2007 was \$45.5 million, and was classified as note payable to Nora Gathering, LLC in the Company's Condensed Consolidated Balance Sheet. The Company is accounting for its interest in Nora LLC under the equity method of accounting, as the Company determined that it has the ability to exert significant influence over the operating and financial policies of Nora LLC through its 50% non-controlling interest. The Company recorded an equity investment in Nora LLC of \$93.1 million in its Condensed Consolidated Balance Sheet as of May 17, 2007.

The Company recorded a gain on these transactions of \$147.8 million, net of costs to sell, in accordance with SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." As a result of the working interest sale, the Company reduced its hedge position by approximately 7.3 Bcf, resulting in the Company's recording a hedge loss of \$28.4 million as of the date of sale. These items are recorded in gain on sale of assets, net in the Company's Statements of Consolidated Income for the nine month period ended September 30, 2007.

As a result of these transactions, the Company and Range have equalized their interest in the Nora Field, including their interest in the producing wells, undrilled acreage and gathering system. These transactions are subject to various post-closing purchase price adjustments which may result in the Company recording additional gain or loss on these transactions upon finalization of the adjustments, which is expected to occur during the fourth quarter of 2007.

A second closing covering the remainder of the gas properties and related remaining gathering assets included in the above transactions would reduce the Company's proved reserves by a maximum of approximately 11 Bcf, including proved developed reserves of up to 10 Bcf. The Company is currently working with all parties involved to obtain the remaining required consents.

L. Acquisition of Working Interest

In September 2007, the Company purchased an additional working interest of approximately 13.5% in the Roaring Fork Field in Virginia and certain gathering assets from a minority interest holder for \$28.5 million subject to post-closing adjustments, which increased the Company's working interest to approximately 97.0%. The working interest of 13.5% represents approximately 12.3 Bcf of reserves, consisting of approximately 10.1 Bcf of proved developed reserves and approximately 2.2 Bcf of proved undeveloped reserves. The purchase price was funded using a portion of the restricted cash received from the sale described in Note K, as this transaction qualified as a like-kind exchange under the deferred exchange agreement.

M. Office Consolidation / Impairment Charges

In May 2005, the Company completed the relocation of its corporate headquarters and other operations to a newly constructed office building located at the North Shore in Pittsburgh. The relocation resulted in the early termination of several operating leases and the early retirement of assets and leasehold improvements at several locations. During the second quarter of 2006, the Company began to utilize certain of the leased space previously deemed to have no economic benefit to the Company, to make space available for the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. transition planning activities. The Company reversed approximately \$2.4 million of the associated early termination liability for these leases during the second quarter of 2006.

Additionally, the Company recorded a \$0.5 million reduction in the early termination liability during the second quarter of 2006 resulting from a revision of the amount of estimated cash flows for one of its operating leases.

N. Other Events

Pending Acquisition of The Peoples Natural Gas Company and Hope Gas, Inc.

March 1, 2006, the Company entered into a definitive agreement to acquire Dominion Resources, Inc.'s (Dominion) natural gas distribution assets in Pennsylvania and in West Virginia for approximately \$970 million, subject to adjustments, in a cash transaction for the stock of The Peoples Natural Gas Company (Peoples) and Hope Gas, Inc. (Hope). Each of the Company and Dominion has the right to terminate the Stock Purchase Agreement on and after November 1, 2007. The Company has deferred certain costs in conjunction with the pending acquisition of Peoples and Hope. In the event that the acquisition does not close or the likelihood becomes remote, the Company will expense these deferred costs which may result in a charge of \$10 million to \$15 million.

On April 13, 2007, the Pennsylvania Public Utility Commission (PA PUC) issued an Opinion and Order approving the stock acquisition of Peoples consistent with the terms and conditions of a Joint Petition for Settlement which includes, among other things, an agreement by the Company that Equitable Gas Company and Peoples will not make base rate case filings prior to January 1, 2009.

On May 14, 2007, the Public Service Commission of West Virginia (WV PSC) issued an order in the Company's proposed acquisition of Hope, which case has been consolidated with four other cases, to initiate a focused management audit regarding two Hope applications to adjust purchased gas costs. On July 24, 2007, the WV PSC issued another order bifurcating the acquisition case from the cases involving the focused management audit and soliciting comment from the parties as to, among other things, how to proceed with the acquisition case and the amount and form of an escrow proposed to be posted by Hope in connection with alleged wrong doing. On September 18, 2007, Dominion agreed to a settlement with West Virginia's consumer advocate regarding the two gas-cost recovery proceedings which also resulted in the removal of the focused management audit requirement. On September 28, 2007, the WV PSC issued an order establishing a briefing schedule for all unresolved issues. The briefing schedule concludes with the filing of simultaneous reply briefs on November 16, 2007. The Company continues to engage in settlement negotiations with the interveners and with Dominion to resolve the open issues.

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company's acquisition of Peoples. On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the proposed acquisition. On May 14, 2007, the District Court dismissed the FTC's request for a preliminary injunction on the basis that the state action immunity doctrine barred the FTC's claim. The FTC appealed the dismissal to the United States Court of Appeals for the Third Circuit. On June 1, 2007, the Third Circuit issued an injunction pending appeal preventing the Company from closing the transaction pending further order of the Third Circuit. On October 3, 2007, oral arguments were presented to the Third Circuit.

The transaction is also under review by the Pennsylvania Attorney General (PA AG). The PA AG has filed an amicus brief in the Third Circuit case arguing that the state action immunity doctrine does not apply, which is contrary to the Company's position. The PA PUC has filed an amicus brief in the Third Circuit case supporting the Company's position.

The assets to be acquired are expected to approximately increase: customers in the distribution operations by 475,000 or 173%; total storage capacity by 33 Bcf or 60%; miles of gathering pipelines by 936 miles; gathered volumes by 40%; and miles of high pressure transmission by 466 miles or 42%. Transition planning activities have continued at Equitable Utilities to plan for the integration of the assets, resources, and business processes of Peoples and Hope into Equitable Resources.

West Virginia Royalty Dispute

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in which a class of royalty owners in the state of West Virginia filed a lawsuit claiming that the defendant in the case underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from the royalty owners' leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant plans to appeal the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. Claims have been brought against others in the oil and gas industry, including the Company. The proceedings against the Company are in the early stages and the plaintiffs have sought class certification. The Company believes that the claims and facts decided in the unrelated lawsuit can be differentiated from those asserted against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

Equitable Resources, Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

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

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Disclosures in this Quarterly Report on Form 10-Q contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as "anticipate," "estimate," "should," "may," "will," "forecasts," "approximate," "expect," "project," "intend," "plan," "believe" and other words or phrases of similar meaning in connection with any discussion of future operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this report include the matters discussed in the sections captioned "Outlook" in this Management's Discussion and Analysis of Financial Condition and Results of Operations, and the expectations of plans, strategies, objectives, and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company's drilling and development and midstream infrastructure programs, production and sales volumes, liquidity, natural gas reserves, capital expenditures, executive compensation, hedging risks, the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc., the financing of that acquisition and the Company's move to a holding company structure. A variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2006.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company does not intend to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE OVERVIEW

Three Months Ended September 30, 2007
vs. Three Months Ended September 30, 2006

Equitable Resources' consolidated net income for the three months ended September 30, 2007 totaled \$32.9 million, or \$0.27 per diluted share, compared to \$31.8 million, or \$0.26 per diluted share, reported for the same period a year ago. This \$1.1 million increase in net income from 2006 to 2007 was due to several factors. The impact of favorable storage asset optimization at Equitable Utilities, higher 2006 charges for certain West Virginia royalty disputes and other legal expenses, a reduction in transition planning expenses related to the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. and an increase in other income, primarily due to interest capitalized as allowance for funds used during construction related to the Big Sandy Pipeline project, contributed to the increase. Production revenues increased slightly as higher sales prices were offset by the impact of the 2007 second quarter sale of interests in the Nora Field. These increases were partially offset by increased incentive compensation expense and increased depreciation, depletion and amortization at Equitable Supply.

Nine Months Ended September 30, 2007
vs. Nine Months Ended September 30, 2006

Equitable Resources' consolidated net income for the nine months ended September 30, 2007 totaled \$196.9 million, or \$1.60 per diluted share, compared to \$148.1 million, or \$1.21 per diluted share, reported for the same period a year ago. This \$48.8 million increase in net income from 2006 to 2007 was due to several factors, including the second quarter of 2007 gain on the sale of assets in the Nora Field. The impact of favorable storage asset optimization at Equitable Utilities, higher production sales volumes at Equitable Supply and colder weather in Equitable Gas Company's service territory in 2007 contributed to the increase. These increases between years were partially offset by increased incentive compensation expense, higher depreciation, depletion and amortization expense at Equitable Supply, increased transition planning expenses at Equitable Utilities related to the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc., increased reserves for West Virginia royalty disputes and other legal expenses at Equitable Supply, a positive impact in 2006 for previously deferred amounts from the approval and settlement of the Equitrans, L.P. rate case and higher overall operating expenses.

The Company has reported the components of each segment's operating income and various operational measures in the sections below, and where appropriate, has provided information describing how a measure was derived.

Equitable's management believes that presentation of this information provides useful information to management and investors regarding the financial condition, operations and trends of each of Equitable's segments without being obscured by the financial condition, operations and trends for the other segment or by the effects of corporate allocations of interest and income taxes. In addition, management uses these measures for budget planning purposes.

EQUITABLE SUPPLY

OVERVIEW

During the second quarter of 2007, the Equitable Supply segment sold to Pine Mountain Oil and Gas, Inc. (PMOG) a portion of the Company's interests in certain gas properties in the Nora Field totaling approximately 70 Bcf of proved reserves. Also during the second quarter of 2007, the Equitable Supply segment contributed certain Nora Field gathering facilities and pipelines to Nora Gathering, LLC (Nora LLC), a newly formed entity that is equally owned by the Company and PMOG, in exchange for a 50% equity interest in Nora LLC and cash. These transactions resulted in a net gain of \$119.4 million. See Note K to the Company's Condensed Consolidated Financial Statements for further discussion of these transactions. As a result of the gathering asset contribution, gathered volumes, gathering revenues and gathering-related expenses related to the Nora Field gathering activities are no longer included in Equitable Supply's operating results. However, Equitable Supply records its 50% equity interest in the earnings of Nora LLC in equity in earnings of nonconsolidated investments.

During the third quarter of 2007, the Equitable Supply segment purchased an additional working interest of approximately 13.5% in certain gas properties in the Roaring Fork Field in Virginia totaling approximately 12.3 Bcf of proved reserves and certain gathering assets from a minority interest holder. See Note L to the Company's Condensed Consolidated Financial Statements for further discussion of these transactions.

Excluding the impact of the sale of interests in the Nora Field, sales volumes increased approximately 4.1% from 2006 to 2007 for the third quarter and 4.8% for the nine months, primarily as a result of increased production from the 2006 and 2007 drilling programs. Equitable Supply drilled 447 gross operated wells, including 50 horizontal wells, in the nine months ended September 30, 2007, compared to 371 gross operated wells, including 3 horizontal wells, during the same period in 2006. Based on the success of the horizontal drilling program, the Company is reducing the number of vertical shale wells drilled as it increases the number of horizontal shale wells drilled. Economically, one horizontal shale well is similar to three vertical shale wells. The shift is likely to result in fewer gross wells drilled.

RESULTS OF OPERATIONS

EQUITABLE SUPPLY

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%	2007	2006	%
OPERATIONAL DATA						
Production:						
Natural gas and oil production (MMcfe)	20,636	20,852	(1.0)	62,076	60,815	2.1
Company usage, line loss (MMcfe)	(1,684)	(1,410)	19.4	(4,383)	(3,929)	11.6
Total sales volumes (MMcfe)	18,952	19,442	(2.5)	57,693	56,886	1.4
Average (well-head) sales price (\$/Mcf)	\$ 4.78	\$ 4.66	2.6	\$ 4.85	\$ 4.82	0.6
Lease operating expenses (LOE), excluding production taxes (\$/Mcf)						
	\$ 0.34	\$ 0.32	6.3	\$ 0.33	\$ 0.30	10.0
Production taxes (\$/Mcf)	\$ 0.44	\$ 0.45	(2.2)	\$ 0.46	\$ 0.48	(4.2)
Production depletion (\$/Mcf)	\$ 0.70	\$ 0.62	12.9	\$ 0.70	\$ 0.62	12.9
Gathering:						
Gathered volumes (MMcfe)	20,352	26,723	(23.8)	73,462	80,273	(8.5)
Average gathering fee (\$/Mcf)	\$ 1.17	\$ 1.05	11.4	\$ 1.12	\$ 1.02	9.8
Gathering and compression expense (\$/Mcf)	\$ 0.54	\$ 0.42	28.6	\$ 0.48	\$ 0.39	23.1
Gathering and compression depreciation (\$/Mcf)	\$ 0.17	\$ 0.14	21.4	\$ 0.16	\$ 0.14	14.3
(in thousands)						
Production operating income	\$ 55,885	\$ 53,690	4.1	\$ 163,109	\$ 172,357	(5.4)
Gathering operating income	6,281	9,540	(34.2)	25,094	28,299	(11.3)
Total operating income	\$ 62,166	\$ 63,230	(1.7)	\$ 188,203	\$ 200,656	(6.2)
Production depletion	\$ 14,440	\$ 12,888	12.0	\$ 43,509	\$ 37,619	15.7
Gathering and compression depreciation	3,496	3,811	(8.3)	11,723	11,399	2.8
Other depreciation, depletion and amortization	1,445	1,083	33.4	4,246	3,059	38.8
Total depreciation, depletion and amortization	\$ 19,381	\$ 17,782	9.0	\$ 59,478	\$ 52,077	14.2
Capital expenditures (thousands)	\$ 175,012	\$ 82,580	111.9	\$ 470,486	\$ 204,961	129.5

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%	2007	2006	%
FINANCIAL DATA (Thousands)						
Production revenues	\$ 93,428	\$ 92,949	0.5	\$ 287,669	\$ 281,141	2.3
Gathering revenues	23,726	28,042	(15.4)	82,626	81,626	1.2
Total operating revenues	117,154	120,991	(3.2)	370,295	362,767	2.1
Operating expenses:						
LOE, excluding production taxes	6,949	6,753	2.9	20,235	18,543	9.1
Production taxes	9,060	9,423	(3.9)	28,411	29,422	(3.4)
Gathering and compression (O&M)	10,891	11,123	(2.1)	35,512	31,547	12.6
Selling, general and administrative (SG&A)	8,707	12,680	(31.3)	38,456	30,522	26.0
Depreciation, depletion and amortization (DD&A)	19,381	17,782	9.0	59,478	52,077	14.2
Total operating expenses	54,988	57,761	(4.8)	182,092	162,111	12.3
Operating income	\$ 62,166	\$ 63,230	(1.7)	\$ 188,203	\$ 200,656	(6.2)
Gain on sale of assets, net	\$ —	\$ —	—	\$ 119,401	\$ —	100.0
Equity in earnings of nonconsolidated investments	\$ 1,379	\$ 71	1,842.3	\$ 2,085	\$ 53	3,834.0

*Three Months Ended September 30, 2007
vs. Three Months Ended September 30, 2006*

Equitable Supply's operating income totaled \$62.2 million for the three months ended September 30, 2007 compared to \$63.2 million for the three months ended September 30, 2006. The \$1.0 million decrease in operating income was primarily the result of the sale and contribution of assets in the Nora Field, which reduced operating income by \$6.7 million, an increase in DD&A and increased operating expenses for Equitable Supply's remaining gathering facilities, partially offset by adjustments to reserves in 2006 established in connection with West Virginia royalty disputes and other legal expenses and an increase in production revenues primarily due to new drilling.

Total operating revenues were \$117.2 million for the three months ended September 30, 2007 compared to \$121.0 million for the three months ended September 30, 2006. Production revenues were essentially flat, as a \$0.12 per Mcfe increase in the average well-head sales price, primarily attributable to higher hedged prices partially offset by lower commodity prices, was offset by a 3% decrease in production sales volumes. The decrease in production sales volumes was primarily the result of the May 2007 sale to PMOG of interests which provided sales of 1.232 MMcfe in the third quarter of 2006 and the normal production decline in the company's wells, partially offset by increased production from the 2006 and 2007 drilling programs. Gathering revenues decreased 15% due to a 24% decrease in gathered volumes, partially offset by an 11% increase in the average gathering fee. The decrease in gathered volumes is primarily the result of a reduction in volumes gathered for Company production due to the contribution of gathering facilities and pipelines to Nora Gathering, LLC. The increase in the average gathering fee, primarily charged to affiliates, is reflective of the Company's commitment to an increased infrastructure program as well as operating cost increases.

Operating expenses totaled \$55.0 million for the three months ended September 30, 2007 compared to \$57.8 million for the three months ended September 30, 2006. The 5% decrease in operating expense is attributable to a \$5.5 million decrease in expenses due to the sale and contribution of assets in the Nora Field, higher 2006 charges for reserves established for certain West Virginia royalty disputes and other legal expenses and 2006 adjustments to the reserve established for uncollectible accounts. These factors were partially offset by an increase in DD&A primarily due to increased depletion expense resulting from an increase in the unit rate, the reduction of certain liability reserves in 2006 and higher gathering and compression expense for the Company's remaining gathering facilities. The \$0.08 increase in the depletion rate is attributable to increased investment in oil and gas producing properties. The higher gathering and compression expense for the Company's remaining gathering facilities is primarily due to electricity charges on newly installed electric compressors, increased field line and compressor maintenance related to the Company's infrastructure investments, increased field labor and related employment costs and increased

property taxes. In addition, the per unit gathering and compression rate increased as the per unit rate for the Nora Field properties contributed in 2007 was significantly lower than the rate for the Company's remaining properties.

Equity in earnings of nonconsolidated investments totaled \$1.4 million for the three months ended September 30, 2007 compared to equity earnings of \$0.1 million for the three months ended September 30, 2006. The \$1.3 million increase was due to equity earnings recorded in the third quarter of 2007 for Equitable Supply's investment in Nora Gathering, LLC.

Capital expenditures totaled \$175.0 million for the three months ended September 30, 2007 compared to \$82.6 million for the three months ended September 30, 2006. The \$92.4 million increase was due to an increased drilling and development plan in 2007, increased capital spending for midstream infrastructure projects including the construction of the Big Sandy Pipeline and the purchase of interests in the Roaring Fork Field.

*Nine Months Ended September 30, 2007
vs. Nine Months Ended September 30, 2006*

Equitable Supply's operating income for the nine months ended September 30, 2007 was \$188.2 million compared to \$200.7 million for the nine months ended September 30, 2006. The \$12.5 million decrease in operating income was primarily the result of increased DD&A and other operating expenses, the sale and contribution of assets in the Nora Field, which reduced operating income by \$9.8 million, and reserves established in connection with West Virginia royalty disputes. These factors were partially offset by increased production and gathering revenues.

Total operating revenues were \$370.3 million for the nine months ended September 30, 2007 compared to \$362.8 million for the nine months ended September 30, 2006. The \$7.5 million increase in total operating revenues was primarily due to a 1% increase in production sales volumes, a 1% increase in the average well-head sales price and a 1% increase in gathering revenues. The 1% increase in production sales volumes was primarily the result of increased production from the 2006 and 2007 drilling programs, partially offset by the normal production decline in the Company's wells and the May 2007 sale to PMOG of interests which provided sales of 1,815 MMcf in the first nine months of 2006. The \$0.03 per Mcfe increase in the average well-head sales price was primarily attributable to higher hedged prices partially offset by lower commodity prices. The 1% increase in gathering revenues was due to a 10% increase in the average gathering fee, partially offset by a 9% decrease in gathered volumes. The increase in the average gathering fee is reflective of the Company's commitment to an increased infrastructure program as well as operating cost increases. The decrease in gathered volumes is primarily the result of a reduction in volumes gathered for Company production due to the contribution of gathering facilities and pipelines to Nora Gathering, LLC, partially offset by increased Company production and increased volumes gathered for third parties.

Operating expenses were \$182.1 million for the nine months ended September 30, 2007, compared to \$162.1 million for the nine months ended September 30, 2006. The increase in DD&A was primarily due to increased depletion expense resulting from both increases in the unit rate and volume, as well as increased depreciation on a higher asset base. The \$0.08 increase in the depletion rate is primarily attributable to the increased investment in the oil and gas producing properties. Gathering and compression expense increased approximately 13% due to electricity charges on newly installed electric compressors, increased field line and compressor maintenance related to the Company's infrastructure investments, increased field labor and related employment costs and increased property taxes. The increase in SG&A was primarily due to increased reserves for certain West Virginia royalty disputes and the reduction of certain liability reserves in 2006, partially offset by 2006 adjustments to the reserve established for uncollectible accounts. The increase in LOE is attributable to personnel costs, increased direct operating costs and environmental costs. These increases were partially offset by a decrease in expenses due to the sale of assets in the Nora Field as previously discussed.

Equity in earnings of nonconsolidated investments totaled \$2.1 million for the nine months ended September 30, 2007 compared to equity earnings of \$0.1 million for the nine months ended September 30, 2006. The \$2.0 million increase was due to equity earnings of \$1.9 million recorded in 2007 for Equitable Supply's investment in Nora Gathering, LLC.

Capital expenditures totaled \$470.5 million for the nine months ended September 30, 2007 compared to \$205.0 million for the nine months ended September 30, 2006. The \$265.5 million increase was due to increased capital

spending for midstream infrastructure projects, including the construction of the Big Sandy Pipeline, and an increased drilling and development plan in 2007.

OUTLOOK

Equitable Supply's Appalachian Basin business strategy is focused on growing through expansion of its drilling program and midstream gathering and processing systems. The Company's engineering projections and cost estimates for its horizontal drilling program have been revised to incorporate experience to date, reflecting an 8% reduction in estimated cost per well to \$1.2 million, a 17% increase in the expected reserve recovery and a higher expected after-tax return of 17%, up from 15%. Based on the encouraging results of the horizontal program, the Company decided in the second quarter of 2007 to exclusively drill Kentucky shale wells horizontally. Horizontal wells typically require longer lead time for permitting and implementation of capital commitments. The decision not to drill some permitted vertical shale wells reduced the number of wells drilled and associated volumes, compared to the Company's previous drilling plan. Ultimately, volumes from the Kentucky shale drilling locations are expected to be higher as a result of using horizontal drilling technology.

Through its Equitrans affiliate, the Company is constructing the Big Sandy Pipeline, which will provide for a significant increase in midstream throughput capacity in the Appalachian region. On October 16, 2007 the Federal Energy Regulatory Commission granted Equitrans' request for an extension of time until March 31, 2008 to complete construction of the Big Sandy Pipeline. The Company expects that the pipeline will be turned in line during the first quarter of 2008. The Company is also upgrading the Company-operated hydrocarbon processing plant in Langley, Kentucky, targeted for completion in the second quarter of 2008. The projects are projected to cost an aggregate of \$255 million.

EQUITABLE UTILITIES

OVERVIEW

On March 1, 2006, the Company entered into a definitive agreement to acquire Dominion Resources, Inc.'s (Dominion) natural gas distribution assets in Pennsylvania and in West Virginia for approximately \$970 million, subject to adjustments, in a cash transaction for the stock of The Peoples Natural Gas Company (Peoples) and Hope Gas, Inc. (Hope). Each of the Company and Dominion has the right to terminate the Stock Purchase Agreement on and after November 1, 2007.

On April 13, 2007, the Pennsylvania Public Utility Commission (PA PUC) issued an Opinion and Order approving the stock acquisition of Peoples consistent with the terms and conditions of a Joint Petition for Settlement which includes, among other things, an agreement by the Company that Equitable Gas Company and Peoples will not make base rate case filings prior to January 1, 2009.

On May 14, 2007, the Public Service Commission of West Virginia (WV PSC) issued an order in the Company's proposed acquisition of Hope, which case has been consolidated with four other cases, to initiate a focused management audit regarding two Hope applications to adjust purchased gas costs. On July 24, 2007, the WV PSC issued another order bifurcating the acquisition case from the cases involving the focused management audit and soliciting comment from the parties as to, among other things, how to proceed with the acquisition case and the amount and form of an escrow proposed to be posted by Hope in connection with alleged wrong doing. On September 18, 2007, Dominion agreed to a settlement with West Virginia's consumer advocate regarding the two gas-cost recovery proceedings which also resulted in the removal of the focused management audit requirement. On September 28, 2007 the WV PSC issued an order establishing a briefing schedule for all unresolved issues. The briefing schedule concludes with the filing of simultaneous reply briefs on November 16, 2007. The Company continues to engage in settlement negotiations with the interveners and with Dominion to resolve the open issues.

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company's acquisition of Peoples. On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the proposed acquisition. On May 14, 2007, the District Court dismissed the FTC's request for a preliminary injunction on the basis that the state action immunity doctrine barred the FTC's claim. The FTC appealed the dismissal to the United States Court of Appeals

for the Third Circuit. On June 1, 2007, the Third Circuit issued an injunction pending appeal preventing the Company from closing the transaction pending further order of the Third Circuit. On October 3, 2007, oral arguments were presented to the Third Circuit.

transaction is also under review by the Pennsylvania Attorney General (PA AG). The PA AG has filed an amicus brief in the Third Circuit case arguing that the state action immunity doctrine does not apply, which is contrary to the Company's position. The PA PUC has filed an amicus brief in the Third Circuit case supporting the Company's position.

The Company has filed applications with the PA PUC and WV PSC to reorganize as a holding company. The Company expects to complete the reorganization upon receipt of the required approvals.

Pennsylvania law requires that local distribution companies develop and implement programs to assist low income customers with paying their gas bills. The costs of these programs are recovered through rates charged to other residential customers. Equitable Gas Company (Equitable Gas) has several such programs. In October 2006, Equitable Gas submitted a request for PA PUC approval to increase funding to support the increasing costs of its Customer Assistance Program (CAP). On September 27, 2007, the PA PUC issued an order approving an increase to Equitable's surcharge designed offset the costs of CAP. The revised surcharge went into effect on October 2, 2007.

RESULTS OF OPERATIONS

EQUITABLE UTILITIES

OPERATIONAL DATA	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%	2007	2006	%
Heating degree days (30 year normal average: Qtr – 124; YTD – 3,759)	65	123	(47.2)	3,530	3,226	9.4
Residential sales and transportation volumes (MMcf)	1,284	1,307	(1.8)	16,535	14,168	16.7
Commercial and industrial volumes (MMcf)	3,903	4,109	(5.0)	19,541	17,859	9.4
Total throughput (MMcf) – Distribution Operations	5,187	5,416	(4.2)	36,076	32,027	12.6
Net operating revenues (thousands):						
Distribution Operations (regulated):						
Residential	\$ 12,017	\$ 11,887	1.1	\$ 72,285	\$ 65,054	11.1
Commercial & industrial	5,693	7,026	(19.0)	31,203	29,694	5.1
Other	1,901	2,487	(23.6)	5,892	5,691	3.5
Total Distribution Operations	19,611	21,400	(8.4)	109,380	100,439	8.9
Pipeline Operations (regulated)	14,216	15,377	(7.6)	46,659	54,314	(14.1)
Energy Marketing	7,103	2,878	146.8	44,571	29,522	51.0
Total net operating revenues	\$ 40,930	\$ 39,655	3.2	\$ 200,610	\$ 184,275	8.9
Operating income (thousands):						
Distribution Operations (regulated)	\$ (6,674)	\$ (4,043)	65.1	\$ 23,587	\$ 25,528	(7.6)
Pipeline Operations (regulated)	4,443	5,595	(20.6)	18,363	24,943	(26.4)
Energy Marketing	6,338	2,417	162.2	42,235	28,387	48.8
Total operating income	\$ 4,107	\$ 3,969	3.5	\$ 84,185	\$ 78,858	6.8
DD&A (thousands):						
Distribution Operations	\$ 4,994	\$ 4,987	0.1	\$ 15,034	\$ 14,874	1.1
Pipeline Operations	2,132	2,158	(1.2)	6,388	6,559	(2.6)
Energy Marketing	18	10	80.0	38	47	(19.1)
Total DD&A	\$ 7,144	\$ 7,155	(0.2)	\$ 21,460	\$ 21,480	(0.1)
Capital expenditures (thousands)	\$ 23,200	\$ 16,265	42.6	\$ 61,104	\$ 45,094	35.5

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2007	2006	%	2007	2006	%
FINANCIAL DATA (Thousands)						
Distribution revenues (regulated)	\$ 37,467	\$ 39,330	(4.7)	\$ 319,436	\$ 322,633	(1.0)
Pipeline revenues (regulated)	14,777	15,782	(6.4)	48,063	55,418	(13.3)
Marketing revenues	86,777	81,477	6.5	312,425	262,714	18.9
Less: intrasegment revenues	(11,028)	(10,986)	0.4	(36,707)	(41,437)	(11.4)
Total operating revenues	127,993	125,603	1.9	643,217	599,328	7.3
Purchased gas costs	87,063	85,948	1.3	442,607	415,053	6.6
Net operating revenues	40,930	39,655	3.2	200,610	184,275	8.9
Operating expenses:						
Operating and maintenance (O & M)	14,754	14,037	5.1	43,238	42,294	2.2
SG&A	14,925	14,494	3.0	51,727	44,039	17.5
Office consolidation impairment charges	—	—	—	—	(2,396)	(100.0)
DD&A	7,144	7,155	(0.2)	21,460	21,480	(0.1)
Total operating expenses	36,823	35,686	3.2	116,425	105,417	10.4
Operating income	\$ 4,107	\$ 3,969	3.5	\$ 84,185	\$ 78,858	6.8

*Three Months Ended September 30, 2007
vs. Three Months Ended September 30, 2006*

Equitable Utilities' operating income totaling \$4.1 million for the three months ended September 30, 2007 was essentially flat compared to \$4.0 million for the three months ended September 30, 2006. The third quarter of 2007 results included offsetting slight increases in both net operating revenues and operating expenses compared to the third quarter of 2006.

Net operating revenues for the three months ended September 30, 2007 were \$40.9 million compared to \$39.7 million for the same quarter in 2006. The \$1.2 million increase was due to increased energy marketing revenues from marketing storage asset optimization activities. This increase was partially offset by lower distribution revenues primarily related to a prior year settlement of a measurement dispute with a commercial customer.

Operating expenses totaled \$36.8 million for the three months ended September 30, 2007 compared to \$35.7 million for the three months ended September 30, 2006. The \$1.1 million increase in operating expenses include general overhead, a lower bad debt expense reduction in the third quarter of 2007, costs associated with an evaluation of customer related activities, and increased vehicle operating costs. The increase in operating expenses was partially offset by a \$2.4 million reduction in expenses incurred in connection with the planning for the pending acquisition of Peoples and Hope. The total expenses related to the pending acquisition were \$1.3 million for the third quarter of 2007.

Capital expenditures totaled \$23.2 million for the three months ended September 30, 2007 compared to \$16.3 million for the three months ended September 30, 2006. The \$6.9 million increase was primarily due to increased expenditures for pipeline replacement programs.

*Nine Months Ended September 30, 2007
vs. Nine Months Ended September 30, 2006*

Equitable Utilities' operating income totaled \$84.2 million for the nine months ended September 30, 2007 compared to \$78.9 million for the nine months ended September 30, 2006. The \$5.3 million increase in operating income is primarily the result of increases in margins in the energy marketing and distribution operations. These positive factors were partially offset by increased transition planning expenses incurred in the first nine months of 2007 in planning for the pending acquisition of Peoples and Hope, lower pipeline revenues due to the settlement of the Equitrans rate case in 2006, and the office consolidation impairment charge reversal in 2006.

Net operating revenues for the nine months ended September 30, 2007 were \$200.6 million compared to \$184.3 million for the same period in 2006. The \$16.3 million increase was due to increased energy marketing net operating revenues and increased distribution net operating revenues. The increase in energy marketing net operating revenues was a result of storage asset optimization opportunities realized, as the energy marketing operations used contractual storage capacity to capture unusually high summer-to-winter price spreads which developed in the commodities market over recent periods. These price spreads were captured at a time of high volatility and the transactions settled during the current period. The increase in distribution net operating revenues was primarily the result of increased throughput from colder weather and increased customer usage in early 2007. These positive variances were partially offset by lower pipeline net operating revenues due to the recognition in 2006 of previously reserved revenues as a result of the Equitrans rate case settlement.

Operating expenses totaled \$116.4 million for the nine months ended September 30, 2007 compared to \$105.4 million for the nine months ended September 30, 2006. The \$11.0 million increase in operating expenses included \$4.2 million of incremental expenses in connection with the planning for the pending acquisition of Peoples and Hope compared to the first nine months of 2006. The total 2007 year-to-date transition planning expenses associated with the pending acquisition were \$10.5 million. The 2006 period also included a \$2.4 million office consolidation impairment charge reversal and the recognition of \$1.7 million of previously deferred operating expenses recognized in connection with the Equitrans rate case settlement. Excluding these items, operating expenses increased \$6.1 million primarily related to increased general overhead, vehicle operating costs, costs incurred in connection with the pending holding company reorganization and other administrative costs. Partially offsetting these increases, bad debt expense decreased \$1.5 million, resulting from the Company's improved collection experience and regulatory and other assistance provided to assist low income customers.

Capital expenditures totaled \$61.1 million for the nine months ended September 30, 2007 compared to \$45.1 million for the nine months ended September 30, 2006. The \$16.0 million increase was primarily due to increased expenditures for transmission pipeline replacement.

OUTLOOK

Equitable Utilities is focused on obtaining the required regulatory approvals to close the acquisition of Peoples and Hope. Planning for the integration of Peoples and Hope into Equitable Resources continued at Equitable Utilities through the first nine months of 2007, although the activities slowed in the third quarter of 2007 pending the receipt of additional information regarding the open regulatory matters. Based on the work completed to date, the Company expects that the transition planning activities will continue at a rate comparable to the third quarter of 2007 until such time as additional clarity regarding the open regulatory matters is received. The Company has deferred certain costs in conjunction with the pending acquisition of Peoples and Hope. In the event that the acquisition does not close or the likelihood becomes remote, the Company will expense these deferred costs which may result in a charge of \$10 million to \$15 million.

Equitable Utilities is also focused on enhancing the value and growth potential of its existing regulated utility operations and on selectively expanding its natural gas storage and gathering businesses. Equitable Utilities was able to realize a significant increase in margins from energy marketing asset optimization opportunities during the first nine months of 2007, as per unit storage spreads were greater than those realized in the same period in 2006. Value from these assets is captured primarily in the winter months and may vary significantly from one year to the next due to changing commodity market conditions.

CAPITAL RESOURCES AND LIQUIDITY

Operating Activities

Cash flows provided by operating activities totaled \$341.9 million for the first nine months of 2007 and \$549.6 million for the first nine months of 2006, a net decrease of \$207.7 million in cash flows provided by operating activities between years. The decrease in cash flows provided by operating activities was attributable primarily to the following:

- a \$324.9 million net decrease in cash inflows for margin deposit requirements on the Company's natural gas hedge agreements. The Company's margin deposits increased \$7.3 million during the first nine months of 2007, compared to a decrease of \$317.6 million in margin deposits during the first nine months of 2006. The net decrease in margin deposit requirements during the first nine months of 2006 resulted from the significant decrease in commodity price during that period from the abnormally high price levels experienced in late 2005;
- a smaller decrease in accounts receivable during the first nine months of 2007, primarily the result of significant decreases in commodity price during the first nine months of 2006;

partially offset by:

- a smaller decrease in accounts payable, primarily the result of a significant decrease in commodity price during the first nine months of 2006;
- a reduction in other current liabilities during the first nine months of 2006, as significant amounts were outstanding at December 31, 2005 for which payment was remitted early in the first quarter of 2006.

Investing Activities

Cash flows used in investing activities totaled \$395.5 million for the first nine months of 2007 and \$255.6 million for the first nine months of 2006, a net increase of \$139.9 million in cash flows used in investing activities between years. The increase in cash flows used in investing activities was attributable primarily to the following:

- an increase in capital expenditures to \$532.7 million in the first nine months of 2007 from \$252.6 million in the first nine months of 2006, resulting primarily from more capital expended for Supply midstream infrastructure projects, including the construction of the Big Sandy Pipeline, and increased drilling and development in 2007;

partially offset by:

- proceeds received in the second quarter of 2007 from the sale of assets. A total of \$95.0 million of the proceeds from the sale was initially placed into an escrow account. A portion of the restricted cash was utilized to acquire the working interests in the Roaring Fork Field, which is included in capital expenditures. See Notes K and L to the Company's Condensed Consolidated Financial Statements.

During July 2007, the Company's Board of Directors approved additional capital commitments under the Company's 2007 Capital Program. The Company is forecasting total capital expenditures for the year ended December 31, 2007, of approximately \$800 million, including over \$400 million for Supply infrastructure projects, over \$300 million for well development and approximately \$80 million for Equitable Utilities.

Financing Activities

Cash flows provided by financing activities totaled \$166.3 million for the first nine months of 2007 compared to cash flows used in financing activities of \$368.9 million for the first nine months of 2006, a net increase of \$535.2 million in cash flows provided by financing activities between years. The increase in cash flows provided by financing activities was primarily due to a \$204.0 million increase in amounts borrowed under short-term loans in the

first nine months of 2007 compared to a \$310.7 million decrease in amounts borrowed under short-term loans in the first nine months of 2006. The increase in amounts borrowed under short-term loans in the first nine months of 2007 was for the purposes of funding capital expenditures and working capital requirements.

Due to the volatility in the short-term debt markets during the quarter, the Company determined that its lowest cost of short term borrowings would be obtained by utilizing its \$1.5 billion revolving credit facility that backs the issuance of the Company's commercial paper. The Company will continue to evaluate whether the commercial paper markets or direct loans under the revolving credit facility offer the lowest cost of short-term debt capital, and will obtain short-term funding to meet its liquidity needs from either source as needed. As of September 30, 2007, the Company had outstanding short-term loans under the revolving credit facility of \$340.0 million and no commercial paper balances. In addition, as of September 30, 2007 the Company had cash and cash equivalents of \$112.7 million and restricted cash of \$68.3 million.

Short-term borrowings in the first nine months of 2006 were reduced primarily as the result of significantly decreased requirements for funding margin deposits on financial instruments. The increase in cash flows provided by financing activities was also due to cash received by the Company in the second quarter of 2007 under the demand note agreement with Nora Gathering LLC, as described in Note K to the Company's Condensed Consolidated Financial Statements.

The Company believes that cash generated from operations, amounts available under its credit facilities and amounts which the Company could obtain in the debt and equity markets given its financial position, are adequate to meet the Company's reasonably foreseeable operating and investing liquidity requirements.

Security Ratings

The table below reflects the current credit ratings for the outstanding debt instruments of the Company. Changes in credit ratings may affect the Company's cost of short-term and long-term debt and its access to the credit markets.

<u>Rating Service</u>	<u>Senior Unsecured Debt</u>	<u>Commercial Paper</u>
Moody's Investors Service	A2	P-1
Standard & Poor's Ratings Services	A-	A-2

In 2006, Standard & Poor's Ratings Services placed the Company's short and long-term credit ratings on CreditWatch with negative implications and Moody's Investors Service placed the ratings under review for possible downgrade as a result of the Company's announcement that it had entered into a definitive agreement to acquire Peoples and Hope from Dominion. The final ratings outcomes were expected to be determined after the requisite approvals were received and the acquisition financing plan had been reviewed by the ratings agencies. Given the unexpected length of time involved in the regulatory approval process and the growth of the Company's other businesses, the rating agencies have indicated that they may instead conclude their reviews at any time.

The Company's credit ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating. The Company cannot ensure that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. If the rating agencies downgrade the Company's ratings, particularly below investment grade, it may significantly limit the Company's access to the commercial paper and debt capital markets. In addition, the Company would likely incur increased margin deposit requirements with respect to its hedging instruments and the potential pool of investors and funding sources would decrease.

The Company's debt instruments and other financial obligations include provisions that, if not complied with, could require early payment, additional collateral support or similar actions. The most important default events include maintaining covenants with respect to maximum leverage ratio, insolvency events, nonpayment of scheduled principal or interest payments, acceleration of other financial obligations and change of control provisions. The Company's current credit facility's financial covenants require a total debt-to-total capitalization ratio of no greater than 65%. The calculation of this ratio excludes accumulated other comprehensive income (loss). During an acquisition period, which is defined as the period beginning with the funding of the purchase price for the stock of Peoples and Hope and ending on the first fiscal quarter end at least 365 days after the funding of such purchase price,

the covenant is relaxed from 65% to 70%. As of September 30, 2007, the Company is in compliance with all existing debt provisions and covenants.

Commodity Risk Management

The Company's overall objective in its hedging program is to assure a return on capital invested in long-lived assets in excess of the Company's cost of capital. The Company's risk management program includes the use of exchange-traded natural gas futures contracts and options and over the counter natural gas swap agreements and options (collectively, derivative commodity instruments) to hedge exposures to fluctuations in natural gas prices and for trading purposes. The preponderance of derivative commodity instruments currently utilized by the Company are fixed price swaps or collars.

During the first nine months of 2007, the Company decreased its hedge position in connection with the closing of the purchase and sale transaction with PMOG as discussed in Note C. The approximate volumes and prices of the Company's total hedge position for 2007 through 2009 are:

	2007**	2008	2009
Swaps			
Total Volume (Bcf)	13	50	37
Average Price per Mcf (NYMEX)*	\$ 4.72	\$ 4.62	\$ 5.91
Collars			
Total Volume (Bcf)	3	10	10
Average Floor Price per Mcf (NYMEX)*	\$ 7.61	\$ 7.61	\$ 7.61
Average Cap Price per Mcf (NYMEX)*	\$ 11.27	\$ 11.27	\$ 11.27

* The above price is based on a conversion rate of 1.05 MMBtu/Mcf

** October through December

The Company's current hedged position provides price protection for a substantial portion of expected equity production for the years 2007 through 2009 and a smaller but significant portion of expected equity production for the years 2010 through 2013. The Company's exposure to a \$0.10 change in average NYMEX natural gas price is approximately \$0.01 per diluted share for 2007 and ranges from \$0.01 to \$0.03 per diluted share per year for 2008 and 2009. The Company also engages in a limited number of basis swaps to protect earnings from undue exposure to the risk of geographic disparities in commodity prices.

See Note C to the Company's Condensed Consolidated Financial Statements for further discussion of the Company's hedging activities.

Commitments and Contingencies

In the ordinary course of business, various legal claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves for pending litigation, which it believes are adequate, and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any matter currently pending against the Company will not materially affect the financial position of the Company.

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in which a class of royalty owners in the state of West Virginia filed a lawsuit claiming that the defendant in the case underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from the royalty owners' leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant plans to appeal the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. Claims have been brought against others in the oil and gas industry, including the Company. The proceedings against the Company are in the early stages and the plaintiffs have sought class certification. The Company believes that the claims and facts decided in the unrelated lawsuit can be differentiated from those asserted

against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

Incentive Compensation

The Company accounts for its share-based payment arrangements in accordance with SFAS No. 123 (revised 2004), "Share-Based Payment," (SFAS No. 123R) and accordingly records compensation expense related to share-based awards in its income statement. The Company's compensation practices focus primarily on the issuance of performance-based units and time-restricted stock awards for which it recognizes compensation expense over the applicable vesting periods. Management and the Board of Directors believe that such an incentive compensation approach more closely aligns management's incentives with shareholder rewards than is the case with traditional stock options.

The Company recorded the following incentive compensation expense for the periods indicated below:

	Nine Months Ended September 30,	
	2007	2006
	(Millions)	
Short-term incentive compensation expense	\$ 10.7	\$ 9.1
Long-term incentive compensation expense	59.0	19.4
Total incentive compensation expense	<u>\$ 69.7</u>	<u>\$ 28.5</u>

The long-term incentive compensation expenses are primarily associated with the 2005 Executive Performance Incentive Program (2005 Program). The vesting of the awards granted under the 2005 Program will occur contingent upon a combination of the level of total shareholder return relative to a fixed group of peer companies and the Company's average absolute return on total capital, during the four year performance period ending December 31, 2008. Payment of awards is expected to be made in cash based on the price of the Company's common stock at the end of the performance period, December 31, 2008. The Company accounts for these awards as liability awards and as such records compensation expense for the remeasurement of the fair value of the awards based on the Company's stock price at the end of each reporting period. In the first nine months of 2007, the Company increased its assumptions for both the payout multiple and ultimate share price at the vesting date (December 31, 2008) based on a review of the Company's performance relative to its peer group under the 2005 Program as well as the significant appreciation in the Company's stock price during the period. As a result, the Company recognized an additional \$38.7 million of long-term incentive expenses associated with the 2005 Program in the first nine months of 2007. The Company currently forecasts fiscal year 2007 total incentive compensation expense of approximately \$84 million, including expense of \$64 million for the 2005 Program.

Dividend

On October 17, 2007, the Board of Directors declared a regular quarterly cash dividend of 22 cents per share payable December 1, 2007, to shareholders of record on November 9, 2007.

Critical Accounting Policies

The Company's critical accounting policies are described in the notes to the Company's Consolidated Financial Statements for the year ended December 31, 2006 contained in the Company's Annual Report on Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been included in the notes to the Company's Condensed Consolidated Financial Statements for the period ended September 30, 2007 included in this Form 10-Q. The application of the Company's critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Condensed Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Derivative Commodity Instruments

The Company's primary market risk exposure is the volatility of future prices for natural gas, which can affect the operating results of the Company primarily through the Equitable Supply segment and the unregulated marketing group within the Equitable Utilities segment. The Company's use of derivatives to reduce the effect of this volatility is described in Note C to the Company's Condensed Consolidated Financial Statements and under the caption "Commodity Risk Management" in Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q. The Company uses non-leveraged derivative commodity instruments that are placed with major financial institutions whose creditworthiness is continually monitored. The Company also enters into energy trading contracts to leverage its assets and limit its exposure to shifts in market prices. The Company's use of these derivative financial instruments is implemented under a set of policies approved by the Company's Corporate Risk Committee and Board of Directors.

Commodity Price Risk

The following sensitivity analysis estimates the potential effect on fair value or future earnings from derivative commodity instruments due to a 10% increase and a 10% decrease in commodity prices.

For the derivative commodity instruments used to hedge the Company's forecasted production, the Company sets policy limits relative to the expected production and sales levels, which are exposed to price risk. For the derivative commodity instruments used to hedge forecasted natural gas purchases and sales, which are exposed to price risk, the Company sets limits related to acceptable exposure levels. The financial instruments currently utilized by the Company include futures contracts, swap agreements and collar agreements, which may require payments to or receipt of payments from counterparties based on the differential between a fixed and variable price for the commodity. The Company also considers options and other contractual agreements in determining its commodity hedging strategy. Management monitors price and production levels on a continuous basis and will make adjustments to quantities hedged as warranted. In general, the Company's strategy is to hedge production at prices considered to be favorable to the Company and to limit price volatility exposure of forecasted natural gas sales and purchases to an acceptable level to the Company. The Company attempts to take advantage of price fluctuations by hedging more aggressively when market prices move above historical averages and by taking more price risk when prices are significantly below these levels. The goal of these actions is to earn a return above the cost of capital and to lower the cost of capital by reducing cash flow volatility. To the extent that the Company has hedged its production at prices below the current market price, the Company is unable to benefit fully from increases in the price of natural gas.

With respect to the derivative commodity instruments held by the Company for purposes other than trading as of September 30, 2007, the Company hedged portions of expected equity production through 2013 and portions of forecasted purchases and sales by utilizing futures contracts, swap agreements and collar agreements covering approximately 265.1 Bcf of natural gas. See the "Commodity Risk Management" section of Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q for further discussion. A hypothetical decrease of 10% in the market price of natural gas from the September 30, 2007 levels would increase the fair value of non-trading natural gas derivative instruments by approximately \$196 million. A hypothetical increase of 10% in the market price of natural gas from the September 30, 2007 levels would decrease the fair value of non-trading natural gas derivative instruments by approximately the same amount.

With respect to the derivative commodity instruments held by the Company for trading purposes as of September 30, 2007, an increase or decrease of 10% in the market price of natural gas from the September 30, 2007 levels would not have a significant impact on the fair value.

The Company determined the change in the fair value of the derivative commodity instruments using a method similar to its normal change in fair value as described in Note 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The Company assumed a 10% change in the price of natural gas from its levels at September 30, 2007. The price change was then applied to the derivative commodity instruments recorded on the Company's Condensed Consolidated Balance Sheet, resulting in the change in fair value.

The Company is exposed to credit loss in the event of nonperformance by counterparties to derivative contracts. This credit exposure is limited to derivative contracts with a positive fair value. The Company believes that NYMEX-traded futures contracts have minimal credit risk because futures exchanges are the counterparties. The Company manages the credit risk of the other derivative contracts by limiting dealings to those counterparties who meet the Company's criteria for credit and liquidity strength.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Company's Principal Executive Officer and Principal Financial Officer, an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act")), was conducted as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the third quarter of 2007 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

Federal Trade Commission v. Equitable Resources, Inc. et al, Before Federal Trade Commission

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company's proposed acquisition of The Peoples Natural Gas Company from Dominion Resources, Inc. (successor by merger to Consolidated Natural Gas Company) (Dominion). Each of the Company, Dominion and The Peoples Natural Gas Company are named as parties in the complaint.

The complaint charged that the acquisition agreement violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45 (which prohibits unfair methods of competition in or affecting commerce), and that the acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18 (which prohibits conduct which substantially lessens competition and/or tends to create a monopoly in a relevant market), and Section 5 of the Federal Trade Commission Act. The relief sought by the FTC in the complaint includes, among other things, (i) an order preventing the Company from acquiring The Peoples Natural Gas Company, (ii) a prohibition against any transaction between the Company and Dominion that combines their operations in the relevant markets except as may be approved by the FTC, and (iii) any other relief appropriate to correct the anticompetitive effects of the transaction or to restore The Peoples Natural Gas Company as a viable, independent competitor in the relevant market. On May 24, 2007, the FTC stayed discovery in this matter until further notice. The Company believes that the FTC's complaint is without merit and vigorously opposes the FTC's charges.

Federal Trade Commission v. Equitable Resources, Inc. et al, United States Court of Appeals for the Third Circuit

On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the Company's proposed acquisition of The Peoples Natural Gas Company from Dominion. Each of the Company, Dominion and The Peoples Natural Gas Company are named as defendants in the complaint. The relief sought by the FTC in the complaint was an injunction to maintain the status quo during the pendency of the administrative proceeding described above. On May 14, 2007, the District Court dismissed the FTC's request for a preliminary injunction on the basis that the state action immunity doctrine barred the FTC's claim. The FTC appealed the dismissal to the United States Court of Appeals for the Third Circuit. On June 1, 2007, the Third Circuit issued an order enjoining the transaction pending further order of the Third Circuit. The FTC's appeal to the Third Circuit is currently in the briefing phase. Oral argument was held on October 3, 2007. The Pennsylvania Attorney General has filed an amicus brief arguing that the state action immunity doctrine does not apply, which is contrary to the Company's position. The Pennsylvania Public Utility Commission has filed an amicus brief supporting the Company's position. The Company believes that the FTC's complaint is without merit and vigorously opposes the FTC's position in this case.

Kay Company, LLC et al v. Equitable Production Company et al, U.S. District Court, Southern District of West Virginia

On September 13, 2006, several royalty owners who have entered into leases with Equitable Production Company, a subsidiary of the Company, filed a gas royalty action in the Circuit Court of Roane County, West Virginia. The suit was served on July 31, 2006 and alleges that Equitable Production Company has failed to pay royalties on the fair value of the gas produced and marketed from the leases and has taken improper post-production deductions from the royalties paid. It seeks class certification, compensatory and punitive damages, an accounting, and other relief based on alleged breach of contract, breach of fiduciary duty and fraudulent concealment. Equitable Production Company removed the suit to the U.S. District Court for the Southern District of West Virginia on August 7, 2006. The plaintiffs have filed an amended complaint naming the Company as an additional defendant.

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in which a class of royalty owners in the state of West Virginia filed a lawsuit claiming that the defendant in the case underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from royalty owners' leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant plans to appeal the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. The Company is vigorously defending its case and believes that the claims and facts in the unrelated lawsuit can be differentiated from those asserted against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

In addition to the claims disclosed above, in the ordinary course of business, various other legal claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves for other pending litigation, which it believes are adequate, and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any other matter currently pending against the Company will not materially affect the financial position of the Company.

Item 1A. Risk Factors

Information regarding risk factors is discussed in Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2006. There have been no material changes from the risk factors previously disclosed in the Company's Form 10-K.

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

The following table sets forth the Company's repurchases of equity securities registered under Section 12 of the Exchange Act that occurred in the three months ended September 30, 2007.

<u>Period</u>	<u>Total number of shares (or units) purchased (a)</u>	<u>Average price paid per share (or unit)</u>	<u>Total number of shares (or units) purchased as part of publicly announced plans or programs</u>	<u>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (b)</u>
July 2007 (July 1 – July 31)	868	\$ 50.28	—	8,385,400
August 2007 (August 1 – August 31)	2,392	\$ 49.98	—	8,385,400
September 2007 (September 1 – September 30)	<u>852</u>	\$ 51.18	<u>—</u>	8,385,400
Total	<u>4,112</u>		<u>—</u>	

- (a) Includes 1,544 shares delivered in exchange for the exercise of stock options and restricted share awards to cover award cost and tax withholding and 2,568 shares for Company-directed purchases made by the Company's 401(k) plans.
- (b) Equitable's Board of Directors previously authorized a share repurchase program with a maximum of 50.0 million shares and no expiration date. The program was initially publicly announced on October 7, 1998 with subsequent amendments announced on November 12, 1999, July 20, 2000, April 15, 2004 and July 13, 2005.

Item 6. Exhibits

- 3.1 Equitable Resources, Inc. Amended and Restated By-Laws (Amended through October 17, 2007)
- 31.1 Rule 13(a)-14(a) Certification of Principal Executive Officer
- 31.2 Rule 13(a)-14(a) Certification of Principal Financial Officer
- 32 Section 1350 Certification of Principal Executive Officer and Principal Financial Officer

Signature

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.

EQUITABLE RESOURCES, INC.

(Registrant)

By: /s/ Philip P. Conti

Philip P. Conti

Senior Vice President and Chief Financial Officer

Date: October 25, 2007

INDEX TO EXHIBITS

Exhibit No.	Document Description	Incorporated by Reference
	Equitable Resources, Inc. Amended and Restated By-Laws (Amended through October 17, 2007)	Filed as Exhibit 3.1 to Form 8-K filed on October 22, 2007
31.1	Rule 13(a)-14(a) Certification of Principal Executive Officer	Filed herewith as Exhibit 31.1
31.2	Rule 13(a)-14(a) Certification of Principal Financial Officer	Filed herewith as Exhibit 31.2
32	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer	Filed herewith as Exhibit 32

CERTIFICATION

Murry S. Gerber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equitable Resources, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2007

/s/ Murry S. Gerber

Murry S. Gerber
Chairman and Chief Executive Officer

CERTIFICATION

Philip P. Conti, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equitable Resources, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditor and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2007

/s/ Philip P. Conti

Philip P. Conti

Senior Vice President and Chief Financial Officer

CERTIFICATION

In connection with the Quarterly Report of Equitable Resources, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Murry S. Gerber
Murry S. Gerber
Chairman and Chief Executive Officer

October 25, 2007

/s/ Philip P. Conti
Philip P. Conti
Senior Vice President and Chief Financial Officer

October 25, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Equitable Resources, Inc. and will be retained by Equitable Resources, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

A/R-Interco (auto AAI)

30054.111110

Total 30054.111110 1191 A

\$ -

A/R-Interco (auto AAI)

30054.111110

AE	1058901	07/24/07	Intercompany cash received by 30050	\$	426,999.00
AE	1058969	07/24/07	Intercompany cash received by 30050	\$	25,238,431.00
AE	1062943	10/19/07	Intercompany cash received by 30050	\$	2,189,854.00
AE	1066048	12/20/07	Intercompany cash received by 30050	\$	1,668,577.00
Total 30054.111110 30050 A				\$	<u>29,524,861.00</u>

A/R Man-Distribution

30054.111200.01191

JE	48	12/31/07	IP Ventures Elimn	\$	1,577,639.00
JE	1067080	01/31/08	IP Ventures Elimn	\$	2,681,737.00
JE	1068513	02/29/08	IP Ventures Elimn	\$	2,474,778.00
JE	1069454	03/31/08	IP Ventures Elimn	\$	1,944,184.00
Total 30054.111200 01191				\$	<u>8,678,338.00</u>

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 2: Please supply copies of the Company's balance sheets for each month/quarter for the last two years.

Response: See attached.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 2: Please supply copies of the Company's balance sheets for each month/quarter for the last two years

Line No.	Account No	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06	Mar-06
1	<u>Utility Plant</u>									
2	101 Gas Plant in Service	824,905,651	819,705,633	814,128,883	792,393,651	766,821,842	753,791,081	747,525,999	733,353,844	733,110,376
3	105 Gas Plant Held for Future Use	156,946	156,946	156,946	156,946	156,946	156,946	156,946	156,946	156,946
4	106 Completed Construction not Classified	54,789,787	58,180,743	45,816,341	61,038,419	84,377,680	87,694,130	86,938,248	93,481,041	88,492,023
5	107 Construction Work in Progress	14,602,594	11,619,899	19,763,911	15,535,499	16,489,174	21,200,231	17,654,949	12,714,887	14,637,898
6	108 Accumulated Provision for Depreciation	(273,733,493)	(272,491,107)	(268,833,944)	(265,303,851)	(265,741,752)	(267,630,391)	(264,354,363)	(260,406,097)	(262,552,320)
7	111 Accumulated Provision for Amortization	(11,308,892)	(10,610,836)	(9,935,349)	(9,281,010)	(11,652,589)	(10,945,873)	(10,138,543)	(9,359,911)	(8,575,124)
8	Total Utility Plant	609,412,593	606,561,478	601,096,788	594,539,654	590,451,301	584,266,124	577,783,236	569,940,710	565,269,797
9	<u>Current and Accrued Assets</u>									
10	131 Cash	66,847,732	-	-	91,366,332	12,640,138	-	-	-	-
11	135 Working Funds	27,876	27,876	27,876	27,876	27,876	29,076	29,076	29,076	29,076
12	141 Notes Receivable	490,541	490,541	525,879	560,606	605,846	628,268	661,224	693,609	725,435
13	142 Customer Accounts Receivable	93,365,096	44,995,730	23,733,818	52,760,811	94,923,649	40,797,246	28,760,299	57,676,960	102,079,176
14	143 Other Accounts Receivable	181,525	-	-	1,725,035	-	808,986	15,049	275,754	202,806
15	144 Accumulated Provision for Uncollectible Accounts	(23,578,422)	(17,741,752)	(12,845,328)	(15,659,604)	(21,587,677)	(18,402,843)	(17,159,364)	(21,202,425)	(26,563,418)
16	146 Accounts Receivable Assoc. Companies	50,482,818	169,835,632	170,571,084	124,911,008	110,660,195	-	-	-	-
17	154 Material & Supplies	908,173	1,015,253	1,161,175	1,846,426	1,508,174	1,556,229	2,195,662	2,185,163	2,322,369
18	163 Stores Expense - Undistributed	1,778	-	3,276	875	(56,849)	-	(330,482)	(227,521)	(148,350)
19	164 Gas Stored Underground - Current	25,157,844	96,517,392	92,129,853	50,108,450	35,703,335	159,001,212	185,496,923	128,864,795	85,721,922
20	165 Prepayments	14,306,460	14,281,934	15,770,604	15,570,435	15,542,886	15,779,138	14,631,514	14,828,450	14,934,726
21	173 Accrued Utility Revenues	34,636,419	48,744,063	12,137,572	11,793,908	31,335,185	40,626,856	14,411,290	11,515,975	40,647,500
22	174 Miscellaneous Current and Accrued Assets	-	3,570,923	4,128,939	3,198,516	199,158	-	-	-	-
23	Total Current and Accrued Assets	262,827,840	361,737,592	307,344,748	338,210,674	281,501,916	240,824,168	228,711,191	194,439,836	219,951,244
24	<u>Deferred Debits</u>									
25	182 Regulatory Assets	48,680,655	49,728,763	51,618,062	52,370,353	53,234,852	54,612,239	48,603,994	49,632,636	51,601,011
26	184 Clearing Accounts	(43,815)	-	(236,930)	(235,428)	130,403	118,498	209,591	201,912	198,734
27	186 Miscellaneous Deferred Debits	3,594,238	(20,732)	1,002,547	776,186	394,732	1,567,522	2,590,423	2,218,467	1,957,758
28	190 Accumulated Deferred Income Taxes	23,116,143	11,975,238	14,359,505	14,540,808	15,105,856	13,747,739	1,339,340	1,339,340	1,339,340
29	191 Unrecovered Purchased Gas Costs	60,509,836	39,081,044	58,248,655	54,095,727	41,108,386	54,062,496	60,829,990	46,924,723	35,273,833
30	Total Deferred Debits	135,857,057	100,764,313	124,989,839	121,549,846	109,974,229	124,128,494	113,573,338	100,317,078	90,370,676
31	Total Assets and Other Debits	1,008,097,490	1,069,063,383	1,033,431,375	1,054,299,974	981,927,446	949,218,786	920,067,765	864,697,624	875,591,717

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 2: Please supply copies of the Company's balance sheets for each month/quarter for the last two years

Line No.	Account No.	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06	Mar-06
Proprietary Capital										
1	201	12,435,650	12,435,650	12,435,650	12,435,650	12,435,650	12,435,650	12,435,650	12,435,650	12,435,650
2	211	203,683,152	203,683,152	203,683,152	203,683,152	121,933,152	48,933,152	48,933,152	48,933,152	48,933,152
3	216	169,180,293	248,863,188	262,896,192	284,093,305	263,728,036	243,772,715	234,935,179	231,579,006	230,956,629
4	219	(16,795,169)	(17,083,417)	(19,254,637)	(19,522,548)	(20,357,520)	(20,357,520)	(10,477,351)	(10,477,351)	(10,477,351)
5		368,503,926	447,898,573	459,760,357	460,689,559	377,739,318	284,783,997	285,826,630	282,470,457	281,848,080
Other Noncurrent Liabilities										
7	228.2	1,346,809	1,113,706	2,743,951	1,962,788	1,911,247	1,581,131	2,228,164	1,854,888	1,803,825
8	228.3	34,136,552	34,939,517	40,231,253	40,146,513	40,560,504	40,529,854	24,374,212	24,259,072	25,029,717
9	228.4	930,217	900,745	422,536	1,501,650	3,046,717	3,048,375	2,759,645	2,551,802	2,087,890
10	230	1,379,131	1,379,131	150,000	150,000	150,000	150,000	150,000	150,000	150,000
11	245	10,129,607	160,447	15,406	-	-	-	-	-	-
12		47,922,316	38,493,546	43,563,146	43,760,951	45,668,468	45,309,360	29,512,021	28,815,762	28,871,432
Current and Accrued Liabilities										
14	231	75,778	84,429	92,909	101,221	109,370	117,357	125,187	132,863	140,387
15	232	86,904,200	112,666,933	78,835,226	87,562,527	72,888,708	251,220,528	217,235,093	189,552,228	123,788,719
16	233	375,783,031	333,211,000	333,211,000	333,211,000	333,211,000	266,211,000	266,211,000	266,211,000	266,211,000
17	234	-	-	-	-	17,670,264	111,078,600	110,310,676	86,787,778	88,086,522
18	235	3,669,181	3,484,804	3,473,131	3,641,573	4,055,553	4,153,198	4,021,346	3,973,020	4,539,513
19	236	(48,519,568)	(48,228,494)	(56,844,254)	(44,314,917)	(39,783,212)	(162,506,524)	(124,336,345)	(138,673,401)	(83,150,694)
20	237	-	-	-	-	-	-	69,521	69,521	69,521
21	241	869,943	820,074	165,013	187,278	1,099,214	599,031	153,978	221,161	1,154,174
22	242	2,127,265	4,277,216	1,572,128	1,568,138	1,499,095	3,939,718	5,180,796	5,265,359	4,995,803
23		420,909,830	408,315,962	360,505,153	381,956,820	390,749,992	474,812,908	478,901,731	413,539,527	415,834,945
Deferred Credits										
25	253	10,495,733	8,627,051	-	-	-	-	(11,083)	(11,083)	1,361,898
26	254	263,501	305,875	348,249	380,824	432,998	475,372	517,746	560,120	602,494
27	255	5,412,534	5,581,308	5,751,558	5,921,808	6,092,058	6,262,308	6,433,758	6,605,208	6,774,108
28	282	115,098,057	126,732,826	127,436,985	125,514,285	125,178,885	123,931,409	100,111,884	113,942,556	121,503,684
29	283	39,491,593	33,108,242	36,065,927	36,065,927	38,065,927	13,643,432	18,775,078	18,775,078	18,775,078
30		170,761,418	176,355,302	169,602,719	187,892,644	167,769,668	144,312,521	125,827,383	139,871,878	149,037,260
31		1,008,097,490	1,069,063,383	1,033,431,375	1,054,299,974	981,927,446	949,218,786	920,067,765	864,697,624	875,591,717

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 3: Please provide the bond rating history for the Company and, if applicable, its parent from the major credit rating agencies for the last five years.

Response: The bond rating history for Equitable Resources, Inc. for the last five years is as follows:

Standard & Poor's Rating Services	2008*	2007	2006	2005	2004	2003
Unsecured Medium-Term Notes	BBB	A-	A-	A-	A	A
Commercial Paper	A-2	A-2	A-2	A-2	A-1	A-1
Moody's Investors Service						
Unsecured Medium-Term Notes	Baa1	Baa1	A-2	A-2	A-2	A-2
Commercial Paper	P-2	P-2	P-1	P-1	P-1	P-1

*as of 2-28-08; all others as of year end

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 4: Please provide copies of all bond rating reports relating to the Company and, if applicable, its parent for the past two years.

Response: Please see the attached schedules:

Standard & Poor's Rating Services

- March 2, 2006
- May 30, 2006
- July 11, 2006
- July 11, 2006
- August 15, 2007
- August 15, 2007
- January 3, 2007
- March 26, 2007
- January 15, 2008
- March 25, 2008

Moody's Investors Service

- March 2, 2006
- January 8, 2007
- October 29, 2007
- October 31, 2007

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March 2, 2006

Research Update: Equitable Resources' 'A-' Rating Placed On Watch Negative After Acquisition Announcement

Primary Credit Analyst:

Brian Janiak, New York (1) 212-438-5025; brian_janiak@standardandpoors.com

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Rationale

Ratings List

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May 30, 2006

Summary: Equitable Resources Inc.

Primary Credit Analyst:

Brian Janiak, New York (1) 212-438-5025; brian_janiak@standardandpoors.com

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Rationale

Summary: Equitable Resources Inc.

Credit Rating: A-/Watch Neg/A-2

Rationale

The ratings on integrated energy company Equitable Resources Inc. are on CreditWatch with negative implications where they were placed on March 2, 2006.

The CreditWatch listing reflects that Equitable is acquiring Dominion Resources Inc.'s natural gas distribution and midstream subsidiaries Dominion Peoples and Dominion Hope for a total purchase price of about \$970 million.

Pittsburgh, Pa.-based Equitable had about \$1.1 billion of debt outstanding as of Dec. 31, 2005.

Standard & Poor's plans to meet with management to further review the proposed transaction and analyze Equitable's ultimate financing structure to complete the transaction. Resolution of the Creditwatch will occur when Equitable receives the required approval from the appropriate regulatory commissions in Pennsylvania and West Virginia. Equitable expects to receive approval by year-end 2006.

Although the acquisition of Dominion Peoples and Dominion Hope is consistent with Equitable's strategy to increase its gas distribution and midstream business in its core markets, the relatively high-priced and aggressive acquisition multiple (about 9x EBITDA), combined with the uncertainties regarding the ultimate financial structure and operational implications of the transaction, heightens our concerns about Equitable's ability to support an 'A' rating profile.

The negative CreditWatch listing incorporates the integration risk of the significant size and scope of the proposed transaction, combined with the undetermined use of debt issuance, equity, and asset sale proceeds to finance the proposed transaction and its ultimate effect on Equitable's overall creditworthiness.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 billion cubic feet of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's current natural gas operations in southwestern Pennsylvania and West Virginia. These assets will increase Equitable's total customers base by 173%, total storage capacity by 60% and gathered volume and transmission lines by 40%. Pro forma for the transaction, Equitable should have a stronger business profile with a more balanced mix between its regulated business and higher-risk natural gas exploration and production business.

Current ratings reflect Equitable's satisfactory business profile, which is supported by its position as an integrated energy company engaged in natural gas exploration and production, transmission, storage, and distribution, with above-average credit-protection measures. Equitable's consolidated credit profile benefits to some degree from the gas utility's stable cash-flow-producing distribution and pipeline units, flexible rate design, and access to diverse gas supply and storage, which enable Equitable to compete effectively.

Short-term credit factors

The short-term rating on Equitable is 'A-2'. The company currently has adequate liquidity, with about \$635 million available under its \$1 billion commercial paper program as of Dec. 31, 2005. However, as gas costs and posted collateral needs have increased for Equitable's operations, its borrowing availability cushion has declined during seasonal peaks over the past few years.

In addition, Equitable's credit agreement contains an accordion feature that allows the company to increase the aggregate amount of the facility to \$1.5 billion to further cushion increasing collateral calls from natural gas price spikes. Furthermore, the facility, which backs up the company's commercial paper program, should protect against margin calls up to the high \$20 per million Btu area. This potential concern has further subsided with the recent significant decline in commodity prices to closer to \$6 per million Btu today from its high of about \$15.40 per million Btu in December 2005.

Although there are certain financial covenants related to its \$1 billion backup revolving credit facility, the company's solid protection measures provide adequate cushion related to these financial tests based on current trends. There are no material adverse change clauses or automatic acceleration provisions caused by rating triggers or increased leverage above specified levels.

We expect Equitable to maintain adequate liquidity over the intermediate term, with its solid internally generated cash flows meeting its liquidity and capital-expenditure needs and no material debt maturities until 2012 and 2018.

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July 11, 2006

Equitable Resources Inc.

Primary Credit Analyst:

Brian Janiak, New York (1) 212-438-5025; brian_janiak@standardandpoors.com

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Major Rating Factors

Rationale

Accounting

Equitable Resources Inc.

Corporate Credit Rating

A-/Watch Neg/A-2

Financial risk profile:

Intermediate

Outstanding Rating(s)

Equitable Resources Inc.

Sr unsecd debt

Local currency

A-/Watch Neg

CP

Local currency

/Watch NegA-2

Pfd stk

Local currency

BBB/Watch Neg

Corporate Credit Rating History

Oct. 21, 1994

A/A-1

Mar. 31, 2005

A-/A-2

Major Rating Factors

Strengths:

- Significant portion of cash flow stems from regulated, low-risk gas distribution business;
- Long reserve life and a significant amount of hedged production somewhat mitigate volatility of exploration and production (E&P) cash flow; and
- Sound credit protection measures.

Weaknesses:

- Somewhat leveraged capital structure;
- Significant and increasing capital expenditures toward riskier, nonregulated E&P business; and
- Aggressive growth (via reinvestment in E&P business, increase in dividends, and continued share repurchase).

Rationale

The ratings on integrated energy company Equitable Resources Inc. are on CreditWatch with negative implications, where they were placed on March 2, 2006.

The CreditWatch listing reflects that Equitable is acquiring Dominion Resources Inc.'s natural gas distribution and midstream subsidiaries The Peoples Natural Gas Co. (Dominion Peoples) and Hope Gas Inc. (Dominion Hope) for a total purchase price of about \$970 million.

Pittsburgh, Pa.-based Equitable had about \$1.1 billion of debt outstanding as of Dec. 31, 2005.

Standard & Poor's Ratings Services plans to meet with management to further review the proposed transaction and analyze Equitable's ultimate financing structure to complete the transaction. Resolution of the CreditWatch listing will occur when Equitable receives the required approval from the appropriate regulatory commissions in Pennsylvania and West Virginia. Equitable expects this to happen by year-end 2006.

Although the acquisition of Dominion Peoples and Dominion Hope is consistent with Equitable's strategy to increase its gas distribution and midstream business in its core markets, the relatively high-priced and aggressive acquisition multiple (about 9x EBITDA), combined with the uncertainties regarding the ultimate financial structure and operational implications of the transaction, heightens our concerns about Equitable's ability to support an 'A' rating profile.

The negative CreditWatch listing incorporates the integration risk of the proposed transaction's significant size and scope, combined with the undetermined use of debt issuance, equity, and asset sale proceeds to finance the proposed transaction and its ultimate effect on Equitable's overall creditworthiness.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 billion cubic feet of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's current natural gas operations in southwestern Pennsylvania and West Virginia. These assets will increase Equitable's total customer base by 173%, total storage capacity by 60%, and gathered volume and transmission lines by 40%. Pro forma for the transaction, Equitable should have a stronger business risk profile with a more balanced mix between its regulated business and higher-risk natural gas exploration and production (E&P) business.

Current ratings reflect Equitable's satisfactory business risk profile, which is supported by its position as an integrated energy company engaged in natural gas E&P, transmission, storage, and distribution, with above-average credit protection measures. Equitable's consolidated credit profile benefits to some degree from the gas utility's stable cash-flow-producing distribution and pipeline units, flexible rate design, and access to diverse gas supply and storage, which enable Equitable to compete effectively.

Short-term credit factors

The short-term rating on Equitable is 'A-2'. The company currently has adequate liquidity, with about \$815 million available under its \$1 billion CP program as of March 31, 2006. However, as gas costs and posted collateral needs have increased for Equitable's operations, its borrowing availability cushion has declined during seasonal peaks over the past few years.

In addition, Equitable's credit agreement contains an accordion feature that allows the company to increase the aggregate amount of the facility to \$1.5 billion to further cushion increasing collateral calls from natural gas price spikes. Furthermore, the facility, which backs up the company's CP program, should protect against margin calls up to the high \$20 per million BTU (mmBtu) area. This potential concern has further subsided with the recent significant decline in commodity prices to about \$6 per mmBtu today from the high of about \$15.40 per mmBtu in December 2005.

Although there are certain financial covenants related to its \$1 billion backup revolving credit facility, the company's solid protection measures provide adequate cushion related to these financial tests based on current trends. There are no material adverse change clauses or automatic acceleration provisions caused by rating triggers or increased leverage above specified levels.

We expect Equitable to maintain adequate liquidity over the intermediate term, with its solid internally generated cash flows meeting its liquidity and capital expenditure needs, and with no material debt maturities until 2012 and 2018.

Accounting

Independent auditor Ernst & Young LLP prepared Equitable's financial statements under U.S. GAAP (for 2005 and 2004), issuing an unqualified opinion. Ryder Scott Co. L.P. reviewed the reserve estimates for the company's asset base. Based on its review, Ryder Scott judged the estimates to be reasonable in the aggregate of about 2.4 trillion cubic feet equivalent as of Dec. 31, 2005.

Standard & Poor's made several adjustments to Equitable's reported financial information. In calculating adjusted total debt, we included operating lease adjustments of \$49 million and asset retirement obligations (ARO) of about \$46.1 million as of Dec. 31, 2005, as well as \$61.3 million of underfunded pension and other postretirement employee benefit liabilities. Depreciation and interest expense were also adjusted when calculating the operating lease adjustment.

Equitable employs the successful-efforts accounting method for its E&P activities, as opposed to full-cost accounting. Standard & Poor's views the successful-efforts method as favorable to credit quality because of its conservative nature. (Well costs are expensed if not successful.)

Other accounting issues of note include the following:

- Equitable adopted SFAS 143, which requires the company to record the fair value of a liability for an ARO in the period in which it is incurred. Standard & Poor's added this ARO in calculating adjusted total debt, which was \$46.1 million as of Dec. 31, 2005.
- Equitable uses the intrinsic-value method of accounting for employee stock options, in accordance with APB Opinion 25. If Equitable had adopted SFAS 123 (the fair-value method of accounting for stock options) effective Jan. 1, 2003, pro forma net income would have decreased by about \$4.2 million in 2004.
- In accordance with the requirements of SFAS 142 (goodwill and other intangible assets), the company tested its goodwill for impairment as of Jan. 1, 2002. The company's goodwill balance as of Jan. 1, 2004, totaled \$57.2 million and was entirely related to NORESCO LLC. In 2004, the company performed the required annual impairment test of the carrying amount of goodwill. No further impairment was required after the sale of NORESCO in 2005.

Table 1

Equitable Resources Inc. Peer Comparison				
	--Average of past three fiscal years--			
	Equitable Resources Inc.	Questar Corp.	Energen Corp.	National Fuel Gas Co.
Rating as of July 10, 2006	A-/Watch Neg/A-2	NR/--/A-2	BBB+/Stable/--	BBB+/Stable/A-2
(Mil. \$)				
Total revenues	1,164.2	2,029.8	969.3	1,996.8
Net income from cont. oper.	237.3	244.7	136.9	177.9
Funds from operations (FFO)	255.0	591.2	328.2	434.0
Capital expenditures	252.9	492.0	206.7	191.9

Table 1

Equitable Resources Inc. Peer Comparison (Cont.)				
Cash and investments	37.4	10.3	5.1	58.4
Total debt	1,058.9	1,227.6	776.5	1,626.4
Preferred stock	0.0	0.0	0.0	0.0
Common equity	696.3	1,352.1	763.7	990.6
Total capital	1,755.1	2,582.4	1,540.2	2,640.4
Adjusted ratios				
EBIT interest coverage (x)	6.9	6.3	5.7	3.8
FFO int. cov. (x)	6.1	8.8	8.1	5.3
FFO/total debt (%)	24.1	48.2	42.3	26.7
Discretionary cash flow/total debt (%)	(29.00)	1.6	9.3	7.1
Net cash flow/capital expenditure (%)	68.0	105.8	145.5	179.6
Total debt/total capital (%)	60.3	47.5	50.4	61.6
Return on common equity (%)	25.3	16.0	16.9	15.6
Common dividend payout ratio (unadj.) (%)	35.1	26.5	18.9	53.0

Notes: Figures are fully adjusted, including postretirement obligations.

Table 2

Equitable Resources Inc. Financial Summary					
--Fiscal year ended Dec. 31--					
	2005	2004	2003	2002	2001
Rating history	A-/Stable/A-2	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1
(Mil. \$)					
Total revenues	1,253.7	1,191.6	1,047.3	1,069.1	1,764.5
Net income continuing	258.6	279.9	173.6	150.6	151.8
Funds from operations (FFO)	158.3	293.1	313.6	230.6	193.0
Capital expenditures	281.1	208.0	269.6	217.1	130.7
Cash and investments	75.0	0.0	37.3	17.7	29.6
Total debt	1,219.7	1,017.7	939.1	769.6	722.3
Preferred stock	0.0	0.0	0.0	0.0	0.0
Common equity	320.2	838.8	929.8	743.6	815.6
Total capital	1,539.9	1,856.5	1,868.9	1,513.2	1,537.8
Adjusted ratios					
EBIT interest coverage (x)	8.0	6.4	6.5	6.8	6.5
FFO int. cov. (x)	4.3	6.5	7.3	6.5	5.3
FFO/total debt (%)	13.0	28.8	33.4	30.0	26.7
Discretionary cash flow/total debt (%)	(51.30)	(11.64)	(18.83)	(6.54)	(6.31)
Net cash flow/capital expenditure (%)	20.8	98.0	93.9	87.0	116.8
Total debt/total capital (%)	79.2	54.8	50.3	50.9	47.0
Return on average equity (%)	42.1	30.4	19.9	18.4	19.5
Common dividend payout ratio (unadj.) (%)	38.6	31.9	34.8	27.8	26.6

Note: Figures are fully adjusted, including postretirement obligations.

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**STANDARD
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RATINGS DIRECT®

July 11, 2006

Summary: Equitable Resources Inc.

Primary Credit Analyst:

Brian Janiak, New York (1) 212-438-5025; brian_janiak@standardandpoors.com

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Rationale

Summary: Equitable Resources Inc.

Credit Rating: A-/Watch Neg/A-2

Rationale

The ratings on integrated energy company Equitable Resources Inc. are on CreditWatch with negative implications, where they were placed on March 2, 2006.

The CreditWatch listing reflects that Equitable is acquiring Dominion Resources Inc.'s natural gas distribution and midstream subsidiaries The Peoples Natural Gas Co. (Dominion Peoples) and Hope Gas Inc. (Dominion Hope) for a total purchase price of about \$970 million.

Pittsburgh, Pa.-based Equitable had about \$1.1 billion of debt outstanding as of Dec. 31, 2005.

Standard & Poor's Ratings Services plans to meet with management to further review the proposed transaction and analyze Equitable's ultimate financing structure to complete the transaction. Resolution of the CreditWatch listing will occur when Equitable receives the required approval from the appropriate regulatory commissions in Pennsylvania and West Virginia. Equitable expects this to happen by year-end 2006.

Although the acquisition of Dominion Peoples and Dominion Hope is consistent with Equitable's strategy to increase its gas distribution and midstream business in its core markets, the relatively high-priced and aggressive acquisition multiple (about 9x EBITDA), combined with the uncertainties regarding the ultimate financial structure and operational implications of the transaction, heightens our concerns about Equitable's ability to support an 'A' rating profile.

The negative CreditWatch listing incorporates the integration risk of the proposed transaction's significant size and scope, combined with the undetermined use of debt issuance, equity, and asset sale proceeds to finance the proposed transaction and its ultimate effect on Equitable's overall creditworthiness.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 billion cubic feet of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's current natural gas operations in southwestern Pennsylvania and West Virginia. These assets will increase Equitable's total customer base by 173%, total storage capacity by 60%, and gathered volume and transmission lines by 40%. Pro forma for the transaction, Equitable should have a stronger business risk profile with a more balanced mix between its regulated business and higher-risk natural gas exploration and production (E&P) business.

Current ratings reflect Equitable's satisfactory business risk profile, which is supported by its position as an integrated energy company engaged in natural gas E&P, transmission, storage, and distribution, with above-average credit protection measures. Equitable's consolidated credit profile benefits to some degree from the gas utility's stable cash-flow-producing distribution and pipeline units, flexible rate design, and access to diverse gas supply and storage, which enable Equitable to compete effectively.

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August 15, 2007

Equitable Resources Inc.

Primary Credit Analyst:

Ralph A DeCesare, CFA, New York (1) 212-438-4682; ralph_decesare@standardandpoors.com

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Major Rating Factors

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Equitable Resources Inc.

Major Rating Factors

Strengths:

- A long reserve life and a significant amount of hedged production somewhat mitigate the volatility of exploration and production (E&P) cash flow;
- Credit measures have improved, with light long-term debt maturities for several years; and
- Contributions from regulated distribution and pipeline businesses, which could increase with pending acquisitions, provide a level of stability to earnings.

Corporate Credit Rating

A-/Watch Neg/A-2

Weaknesses:

- Significant and increasing capital expenditures toward nonregulated E&P business; and
- Delays in receiving regulatory approvals for the proposed acquisitions of The Peoples Natural Gas Co. (Dominion Peoples) and Hope Gas Inc. (Dominion Hope)

Rationale

The rating on integrated energy company Equitable Resources Inc. is on CreditWatch with negative implications, where it was placed on March 2, 2006. The CreditWatch listing reflects Equitable's pending acquisitions of Dominion Resources Inc.'s natural gas distribution and midstream subsidiaries Dominion Peoples and Dominion Hope for a total purchase price of about \$970 million.

Pittsburg, Pa.-based Equitable had about \$928 million of debt as of June 30, 2007.

Equitable has about 3.3 million gross acres in the Appalachian region, where it has 12,000 gross producing natural gas wells and 2.5 trillion cubic feet (tcf) of proved reserves. Equitable also operates gas midstream activities, including 27 billion cubic feet (bcf) of storage and 8,900 miles of gathering pipelines. Equitable also operates a distribution unit, currently serving about 274,000 customers.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 bcf of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's natural gas operations in southwestern Pennsylvania and West Virginia. These assets will increase Equitable's distribution customer base by 173%, total storage capacity by 60%, and gathered volume and transmission lines by 40%.

Pro forma for the transaction, Equitable should help stabilize its business risk profile with a more balanced mix between its regulated business and higher-risk, faster-growing E&P business. While the contribution to earnings provided by its distribution unit will increase following the acquisitions, Standard & Poor's Ratings Services does not expect the business risk assessment to change. The Equitable Supply business will continue to grow more rapidly than the Equitable Utilities business, thus decreasing the utility's percentage contribution again for the next few years.

Standard & Poor's plans to review the proposed transaction and Equitable's ultimate financing structure. Resolution of the CreditWatch listing will occur when Equitable receives the required approvals from the Federal Trade Commission (FTC) and appropriate regulatory commissions in Pennsylvania and West Virginia and when Equitable decides on its ultimate financial structure. The acquisitions could occur separately. The FTC filed its objection to the Dominion Peoples purchase, claiming the risk of higher prices for nonresidential customers. The case is with the Court of Appeals for the Third Circuit and could be delayed until late September. The Dominion Hope acquisition has faced its own delays and currently has no set timetable for resolution.

Equitable is exploring the formation of a holding company corporate structure. In November 2006, Equitable received consent from a majority of its long-term debtholders to move its existing debt to the new holding company. Standard & Poor's will analyze the new corporate structure to determine if any ratings actions are necessary based on the structural subordination of holding company debt if new debt is issued at the operating company level.

For the 12 months ended June 2007, Equitable's funds from operations (FFO) interest coverage was 7.5x, FFO to total debt was 33.7%, and debt to capital was 50.4%. All ratios were appropriate for the current rating, adjusting for the satisfactory business risk profile and low historical volatility of its earnings.

Short-term credit factors

The short-term rating on Equitable is 'A-2'. In October 2006, Equitable entered into a new revolving credit agreement, boosting its borrowing capability to \$1.5 billion from \$1 billion. In December 2006, the maturity of the agreement was extended to Oct. 26, 2011. Equitable may request two one-year extensions of the maturity date. The covenant limit of total debt to capital of 65% remains, but will increase to 70% for one year to help finance the Dominion acquisitions. The company's solid credit protection measures provide adequate cushion for this financial test based on current trends. There are no material adverse change clauses or automatic acceleration provisions caused by rating triggers. Equitable was in full compliance with its covenants as of June 30, 2007. The \$1.5 billion facility is well in excess of liquidity needs for the past several years.

We expect Equitable to maintain adequate liquidity over the intermediate term, but its sharp increase in capital spending might require the company to seek external financing this year. This is offset by the abundant bank facility and light debt maturities of the next several years. We expect some combination of debt, hybrid, or equity issuance, and proceeds from the Nora Field asset sale to finance the Dominion acquisitions.

Business Description

Equitable reports its results in two main sectors. Equitable Supply includes its E&P activities (59% of gross 2006 operating income) as well as its gas gathering assets (10%). Equitable Utilities includes its local distribution companies (LDC, 9%), its pipeline operations (8%), and its marketing unit (14%).

Equitable Supply's production business operates through Equitable Production Company (EPC), and is the largest owner of proved natural gas reserves in the Appalachian Basin. With 3.3 million gross acres (906,950 net productive), and 12,402 gross producing wells, EPC had 2.5 tcf equivalent (tcfe) of proved-developed (1.7 tcfe) and proved-undeveloped (0.8 tcfe) reserves as of Dec. 31, 2006. EPC benefits from operating in a region with lower-than-average decline rates, and a drilling success rate of nearly 100%. Out of 456 wells drilled in 2006 (all were classified as development wells, none as exploratory), only one was dry. This keeps finding costs very low, providing a strong operating margin for EPC. With 81 bcf equivalent (bcfe) of natural gas (and some oil) production

in 2006, reserve life is very strong. Equitable has targeted 2007 production totals of 77 to 78 bcf and drilling of 650 gross operating wells, up from 560 in 2006.

While nearly every well drilled in 2006 was vertical (only 30 horizontal wells have been drilled since September 2006), EPC has experimented with horizontal drilling in the Kentucky shale area with initial success. By using horizontal drilling, the company can raise its reserves and production estimates for each well drilled. While the cost per well also increases, the return on capital improves significantly. For example, each vertical well can provide about 0.3 to 0.5 bcf of reserves and 75 thousand cubic feet (mcf) per day of initial production, versus expectations of 0.75 to 1.0 bcf of reserves and 400 mcf per day of production from horizontal wells. Of the 650 wells expected to be drilled this year, about 70 should be horizontal wells, so the effect on results should be minimal at year-end 2007. If the expected success occurs in Kentucky, the company can roll out horizontal drilling on a larger scale by expanding its use in West Virginia and Pennsylvania. So far, the success is based on a limited set of wells. However, if success rates continue for the rest of 2007, there may be an upward revision to the company's total proved reserves at its next reserve report due early next year.

In April and May of 2007, Equitable sold certain gas properties in the Nora field to a joint venture created with Pine Mountain Oil & Gas (PMOG), a subsidiary of Range Resources Corp. Equitable will own 50% of the new venture (Nora LLC), and records Nora on its balance sheet as an equity investment. Equitable received proceeds of about \$185 million from this asset sale and will earmark some of these proceeds for the Dominion Hope and Dominion Peoples acquisitions.

Subsidiary Equitable Gathering runs 7,100 miles of gathering lines in its system, connecting the company's drilled wells with three major interstate pipeline systems, as well as Equitable's own Equitrans L.P. interstate pipeline affiliate. Equitable Gathering volumes were 108.6 bcfe in 2006, nearly two-thirds of which was output from EPC, and 26% from third parties. However, 82% of Equitable Gathering's revenues were from affiliates. Recent price increases have helped to stabilize the profit margin at this unit, as it encounters growth demands and higher operating expenses. Continued growth demands will likely occur as EPC expands its drilling program, as well as increased flow capacity from horizontal drilling activities. Some gathering activities have been shifted to the Equitable Utilities group, so Equitable Supply and Equitable Utilities report gathering operations.

Equitable Utilities consists of its LDC Equitable Gas, its pipeline and midstream business Equitrans, and energy marketing. Equitable Gas serves 274,000 distribution customers (little changed for the past five years) mainly in southwestern Pennsylvania and northern West Virginia. Customer and economic growth in the region has been flat recently due to economic conditions. Equitable Gas has not filed a base-rate case since 1997. In Pennsylvania and Kentucky, Equitable is allowed to update its gas cost projections through quarterly filings with the state commissions. As changes in gas costs are subject to regulatory scrutiny, possible delays, and disapprovals, gas cost recovery involves a modest level of event risk.

In March 2006, Equitable entered into a definitive agreement to purchase the Pennsylvania (Dominion Peoples) and West Virginia (Dominion Hope) distribution assets of Dominion Resources for \$970 million. Standard & Poor's placed Equitable's ratings on CreditWatch with negative implications, pending the ultimate financial structure and business risk of the company. In March 2007, the FTC issued a complaint against the Dominion Peoples purchase, alleging that the acquisition would lead to higher prices for natural gas distribution to nonresidential customers in some areas of western Pennsylvania. In May 2007, the District Court dismissed the FTC's complaint, but the FTC appealed to the U.S. Court of Appeals for the Third Circuit. In June, the Third Circuit issued an injunction,

preventing the merger until a decision to uphold or reverse the lower court decision. Briefs have been filed and if oral arguments are necessary, they will occur the week of Sept. 24. Afterward, a decision will be made. The Pennsylvania Attorney General has filed an amicus brief as well. This has occurred despite the Pennsylvania Public Utilities Commission's approval of the acquisition in April. In West Virginia, in May, the Public Service Commission separated the hearings of the acquisition from the hearings of allegations made by an ex-Dominion Hope employee about gas purchases. There has been no set timetable for the possible approval of the Dominion Hope acquisition.

In July, Dominion and Equitable extended their purchase agreement deadlines to accommodate these regulatory issues. Dominion Peoples and Dominion Hope could be acquired at two separate times, if approvals are received. Dominion Peoples and Dominion Hope are contiguous to Equitable Utilities' existing service area, and their addition could provide for economies of scale and cost-saving efficiencies. If the acquisitions do not go through, Standard & Poor's will likely affirm the existing rating, assuming that there is no change in financial risk.

Equitrans, the pipeline and storage operations unit, is currently constructing the Big Sandy Pipeline, a 70-mile pipeline that will connect Equitable's new Langley, Ky. processing plant with the Tennessee Gas Pipeline. Big Sandy's 130,000-dekatherms-per-day pipeline is expected to be fully subscribed and help alleviate capacity constraints in the region. It should be in service by September 2007. The energy marketing business takes advantage of the company's storage position to purchase and store gas in low price markets, and simultaneously sell forward at higher prices, taking advantage of seasonal and location price spreads. Operating income at the energy marketing unit has been rising strongly in the past three years. If cash flows from this unit are not sustainable and consistent over the foreseeable future, Standard & Poor's may need to reconsider the business risk profile of the overall entity.

Rating Methodology

Standard & Poor's uses the consolidated rating methodology when assessing the ratings for a diversified company like Equitable. On previous occasions, Equitable has discussed the possibility of forming a holding company, and even separating the company between its supply and utilities businesses. No final decision has been made on either of these possibilities. The current rating does not assume that either move will be made. If the company decides to form a holding company (which may or may not entail structural subordination) and/or split assets, we will make a rating decision based on any new business risk mix or changes in financial strength.

Business Risk Profile

Standard & Poor's characterizes Equitable's business profile as satisfactory. This is supported by its position as an integrated energy company engaged in natural gas E&P, transmission, storage, and distribution. Equitable's consolidated credit profile benefits to some degree from the gas utility's stable-cash-flow-producing distribution and pipeline units, flexible rate design, and access to diverse gas supply and storage, which enable Equitable to compete effectively.

Although the acquisition of Dominion Peoples and Dominion Hope is consistent with Equitable's strategy to increase its gas distribution and midstream business in its core markets, the relatively high-priced and aggressive acquisition multiple (about 9x EBITDA), combined with uncertainties regarding the transaction's ultimate financial structure and operational implications, heightens our concerns about Equitable's ability to support an 'A-' rating.

Profitability

Profitability at Equitable has been very strong recently, as EPC has increased its drilling activity to take advantage of historically high natural gas prices. Overall return on capital has exceeded 19% for the past two years, and return on common equity has exceeded 30% for the last three years, both strong figures. Equitable Supply makes up about two-thirds of the company's operating income, but also requires about 90% of its capital spending. All the increased cash from operations from the Equitable Supply unit has been earmarked toward ever-increasing capital spending, which now exceeds Equitable Supply's cash flows. The utility remains marginally free cash flow positive of about \$15 million expected in 2007.

Financial Risk Profile

The financial risk profile for Equitable Resources is considered intermediate. Consistent hedging of natural gas production has provided a significant amount of financial stability over the past several years. This is partially offset by increasing capital spending on drilling and gathering, which now makes up a sizable percent of overall results.

Equitable has historically hedged its future production of natural gas, which has provided meaningful support to consistent earnings of the last several years. Equitable is continuing with its hedging program, with nearly three-fourths of expected 2008 production hedged, and about half of 2009 production, with smaller but substantial amounts through 2013. Standard & Poor's expects these policies to continue, and considers such hedging as lowering Equitable's financial risks. While hedge prices are below market for 2008 (50 bcf of swaps at \$4.62 per mcf in 2008, or about two-thirds of volumes when collars are included), price levels improve markedly in 2009, in which production is about 50% hedged.

Capital-spending forecasts continue to increase for 2007. At year-end 2006, the forecast was for \$712 million in capital expenditures, including \$231 million in drilling and well development and \$396 million in supply infrastructure, with only \$82 million for the utilities. In mid-2007, the capital-expenditure forecast was raised to \$800 million, with nearly all the gains coming in the supply sector. This is nearly twice the capital expenditures of 2006, and 4x the amount spent in 2004. Equitable is planning on drilling 650 gross operated wells in 2007, up from 560 in 2006, of which 70 will be horizontal wells. The higher initial costs and higher initial throughput of horizontal wells requires higher investment in gathering and processing assets as well. Costs per well have actually fallen by 1% to 2% when compared with last year.

With the sharp increase in capital spending and the potential for financing the Dominion Hope and Dominion People's acquisitions primarily with debt, there is a chance that Equitable will reconsider its overall financial structure. The CreditWatch listing reflects this uncertainty and will be resolved once the company decides on its long-term path.

The Dominion Hope and Dominion Peoples acquisition was priced at \$970 million cash, plus some adjustments that could raise the price tag marginally. Equitable will use an undetermined mix of equity, debt, and asset sales to help finance the purchases, if and when they are approved. Some proceeds from the sale of the NORA gas fields have been earmarked for the acquisitions.

Table 1

Equitable Resources Inc. -- Peer Comparison*				
--Average of past three fiscal years--				
	Equitable Resources Inc.	Questar Corp.	Energen Corp.	National Fuel Gas Co.
Rating as of Aug. 7, 2007	A-/Watch Neg/A-2	--/--/A-2	BBB+/Stable/--	BBB+/Stable/A-2
(Mil. \$)				
Revenues	1,237.7	2,487.3	1,134.6	2,088.9
Net income from cont. oper.	251.5	333.0	191.3	152.7
Funds from operations (FFO)	271.3	741.2	386.9	464.4
Capital expenditures	297.7	691.0	239.3	237.8
Debt	1,082.1	1,232.7	865.8	1,463.9
Common equity	701.8	1,688.2	941.7	1,126.8
Total capital	1,783.9	2,920.9	1,807.5	2,603.0
Adjusted ratios				
Oper. income/sales (%)	37.1	34.7	41.3	27.2
EBIT interest coverage (x)	7.1	7.7	6.5	4.4
EBITDA interest coverage (x)	9.0	10.9	9.2	6.3
Return on capital (%)	17.6	18.5	18.5	12.7
FFO/debt (%)	25.1	60.1	44.7	31.7
Debt/EBITDA (x)	2.3	1.4	1.8	2.6
Debt/total capital (%)	60.7	42.2	47.9	56.2

*Fully adjusted (including postretirement obligations).

Table 2

Equitable Resources Inc. -- Financial Summary*					
--Fiscal year ended Dec. 31--					
	2006	2005	2004	2003	2002
Rating history	A-/Watch Neg/A-2	A-/Stable/A-2	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1
(Mil. \$)					
Revenues	1,267.9	1,253.7	1,191.6	1,047.3	1,069.1
Net income from continuing operations	216.0	258.6	279.9	173.6	150.6
Funds from operations (FFO)	362.8	158.1	293.0	313.6	230.6
Capital expenditures	404.2	280.9	207.8	223.4	217.1
Debt	1,009.0	1,219.7	1,017.7	939.1	769.6
Common equity	946.3	320.2	838.8	929.8	743.6
Total capital	1,955.3	1,539.9	1,856.5	1,868.9	1,513.2
Adjusted ratios					
Oper. income/sales (bef. D&A) (%)	38.5	37.9	34.8	37.6	33.7
EBIT interest coverage (x)	7.1	7.9	6.4	6.5	6.8
EBITDA interest coverage (x)	9.5	9.9	7.8	7.9	8.6
Return on capital (%)	19.9	19.3	14.2	15.2	15.2
FFO/debt (%)	36.0	13.0	28.8	33.4	30.0
Debt/EBITDA (x)	2.0	2.6	2.5	2.4	2.1

Table 2

Equitable Resources Inc. - Financial Summary ^a (cont.)					
Debt/total capital (%)	51.6	79.2	54.8	50.3	50.9

^aFully adjusted (including postretirement obligations).

Table 3

Reconciliation Of Equitable Resources Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$) ^a								
--	--	--	--	--	--	--	--	--

--Fiscal year ended Dec. 31, 2006--

Equitable Resources Inc. reported amounts								
---	--	--	--	--	--	--	--	--

	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures
Reported	899.5	469.7	469.7	369.6	47.1	619.3	619.3	404.5

Standard & Poor's adjustments								
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Operating leases	41.2	7.1	2.1	2.1	2.1	5.0	5.0	--
Postretirement benefit obligations	36.8	8.1	8.1	8.1	1.2	(0.3)	(0.3)	--
Capitalized interest	--	--	--	--	0.3	(0.3)	(0.3)	(0.3)
Share-based compensation expense	--	--	26.6	--	--	--	--	--
Asset retirement obligations	31.5	3.1	3.1	3.1	3.1	(1.6)	(1.6)	--
Reclassification of nonoperating income (expenses)	--	--	--	0.3	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	(259.4)	--
Total adjustments	109.5	18.3	40.0	13.6	6.7	2.9	(256.5)	(0.3)

Standard & Poor's adjusted amounts								
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	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	1,009.0	488.1	509.7	383.2	53.7	622.2	362.8	404.2

^aEquitable Resources Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of August 15, 2007)	
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Equitable Resources Inc.	
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Corporate Credit Rating	A-/Watch Neg/A-2
Commercial Paper	
Local Currency	A-2/Watch Neg
Senior Unsecured	
Local Currency	A-/Watch Neg

Corporate Credit Ratings History	
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02-Mar-2006	A-/Watch Neg/A-2
31-Mar-2005	A-/Stable/A-2

Ratings Detail (As Of August 15, 2007) (cont.)

13-Mar-2001	A/Stable/A-1
Business Risk Profile	1 2 3 4 5 6 7 8 9 10
Financial Risk Profile	Intermediate

Debt Maturities

\$174 mil.

\$0

\$9 mil.

\$0

\$6 mil.

As of June 30, 2007.

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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**STANDARD
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RATINGS DIRECT®

August 15, 2007

Summary:
Equitable Resources Inc.

Primary Credit Analyst:

Ralph A DeCesare, CFA, New York (1) 212-438-4682; ralph_decesare@standardandpoors.com

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Rationale

Summary:

Equitable Resources Inc.

Credit Rating: A-/Watch Neg/A-2

Rationale

The rating on integrated energy company Equitable Resources Inc. is on CreditWatch with negative implications, where it was placed on March 2, 2006. The CreditWatch listing reflects Equitable's pending acquisitions of Dominion Resources Inc.'s natural gas distribution and midstream subsidiaries Dominion Peoples and Dominion Hope for a total purchase price of about \$970 million.

Pittsburg, Pa.-based Equitable had about \$928 million of debt as of June 30, 2007.

Equitable has about 3.3 million gross acres in the Appalachian region, where it has 12,000 gross producing natural gas wells and 2.5 trillion cubic feet of proved reserves. Equitable also operates gas midstream activities, including 27 billion cubic feet (bcf) of storage and 8,900 miles of gathering pipelines. Equitable also operates a distribution unit, currently serving about 274,000 customers.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 bcf of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's natural gas operations in southwestern Pennsylvania and West Virginia. These assets will increase Equitable's distribution customer base by 173%, total storage capacity by 60%, and gathered volume and transmission lines by 40%.

Pro forma for the transaction, Equitable should help stabilize its business risk profile with a more balanced mix between its regulated business and higher-risk, faster-growing exploration and production business. While the contribution to earnings provided by its distribution unit will increase following the acquisitions, Standard & Poor's Ratings Services does not expect the business risk assessment to change. The Equitable Supply business will continue to grow more rapidly than the Equitable Utilities business, thus decreasing the utility's percentage contribution again for the next few years.

Standard & Poor's plans to review the proposed transaction and Equitable's ultimate financing structure. Resolution of the CreditWatch listing will occur when Equitable receives the required approvals from the Federal Trade Commission (FTC) and appropriate regulatory commissions in Pennsylvania and West Virginia and when Equitable decides on its ultimate financial structure. The acquisitions could occur separately. The FTC filed its objection to the Dominion Peoples purchase, claiming the risk of higher prices for nonresidential customers. The case is with the Court of Appeals for the Third Circuit and could be delayed until late September. The Dominion Hope acquisition has faced its own delays and currently has no set timetable for resolution.

Equitable is exploring the formation of a holding company corporate structure. In November 2006, Equitable received consent from a majority of its long-term debtholders to move its existing debt to the new holding company. Standard & Poor's will analyze the new corporate structure to determine if any ratings actions are necessary based on the structural subordination of holding company debt if new debt is issued at the operating company level.

For the 12 months ended June 2007, Equitable's funds from operations (FFO) interest coverage was 7.5x, FFO to total debt was 33.7%, and debt to capital was 50.4%. All ratios were appropriate for the current rating, adjusting for the satisfactory business risk profile and low historical volatility of its earnings.

Short-term credit factors

The short-term rating on Equitable is 'A-2'. In October 2006, Equitable entered into a new revolving credit agreement, boosting its borrowing capability to \$1.5 billion from \$1 billion. In December 2006, the maturity of the agreement was extended to Oct. 26, 2011. Equitable may request two one-year extensions of the maturity date. The covenant limit of total debt to capital of 65% remains, but will increase to 70% for one year to help finance the Dominion acquisitions. The company's solid credit protection measures provide adequate cushion for this financial test based on current trends. There are no material adverse change clauses or automatic acceleration provisions caused by rating triggers. Equitable was in full compliance with its covenants as of June 30, 2007. The \$1.5 billion facility is well in excess of liquidity needs for the past several years.

We expect Equitable to maintain adequate liquidity over the intermediate term, but its sharp increase in capital spending might require the company to seek external financing this year. This is offset by the abundant bank facility and light debt maturities of the next several years. We expect some combination of debt, hybrid, or equity issuance, and proceeds from the Nora Field asset sale to finance the Dominion acquisitions.

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**STANDARD
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RATINGS DIRECT®

January 3, 2007

Summary:
Equitable Resources Inc.

Primary Credit Analyst:

Ralph A DeCesare, CFA, New York (1) 212-438-4682; ralph_decesare@standardandpoors.com

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Rationale

Summary:

Equitable Resources Inc.

Credit Rating: A-/Watch Neg/A-2

Rationale

The ratings on integrated energy company Equitable Resources Inc. remain on CreditWatch with negative implications, where they were placed on March 2, 2006, after Equitable announced that it would acquire Dominion Resources Inc.'s natural gas distribution and midstream subsidiaries The Peoples Natural Gas Co. (Dominion Peoples) and Hope Gas Inc. (Dominion Hope) for a total purchase price of about \$970 million.

Pittsburgh, Pa.-based Equitable had about \$820 million of debt outstanding as of Sept. 30, 2006.

Standard & Poor's Ratings Services plans to review the proposed transaction and analyze Equitable's ultimate financing structure to complete the transaction. Resolution of the CreditWatch listing will occur when Equitable receives the required approvals from the appropriate regulatory commissions in Pennsylvania and West Virginia and decides on its ultimate financial structure. Equitable expects this to happen in the first quarter of 2007.

Equitable is exploring the formation of a holding company corporate structure. In November 2006, Equitable received consent from a majority of its long-term debt holders to move the debt to the new holding company. This may be completed by the first quarter of 2007. Standard & Poor's will analyze the new corporate structure when complete, and will determine if any ratings actions are necessary based on structural subordination of holding company debt if a new operating subsidiary issues any new debt.

Standard & Poor's characterizes Equitable's business profile as satisfactory, with a score of '6'. (Utility business profiles are categorized from '1' (excellent) to '10' (vulnerable).) This is supported by its position as an integrated energy company engaged in natural gas exploration and production (E&P), transmission, storage, and distribution, with above-average credit protection measures. Equitable's consolidated credit profile benefits to some degree from the gas utility's stable-cash-flow-producing distribution and pipeline units, flexible rate design, and access to diverse gas supply and storage, which enable Equitable to compete effectively.

Although the acquisition of Dominion Peoples and Dominion Hope is consistent with Equitable's strategy to increase its gas distribution and midstream business in its core markets, the relatively high-priced and aggressive acquisition multiple (about 9x EBITDA), combined with uncertainties regarding the transaction's ultimate financial structure and operational implications, heightens our concerns about Equitable's ability to support an 'A' rating profile.

The negative CreditWatch listing incorporates the integration risk of the proposed transaction's significant size and scope, combined with the undetermined use of debt, hybrid and/or equity issuance, and asset sale proceeds to finance the proposed transaction and its ultimate effect on Equitable's overall creditworthiness.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 billion cubic feet of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's natural gas operations in southwestern

Pennsylvania and West Virginia. These assets will increase Equitable's total customer base by 173%, total storage capacity by 60%, and gathered volume and transmission lines by 40%. Pro forma for the transaction, Equitable should have a stronger business risk profile with a more balanced mix between its regulated business and higher-risk natural gas E&P business.

Short-term credit factors

The short-term rating on Equitable is 'A-2'. In October 2006, Equitable entered into a new revolving credit agreement, boosting its borrowing capability from \$1 billion to \$1.5 billion. The agreement has a maturity date of Oct. 25, 2007, but can be extended ultimately to Oct. 26, 2011. The covenant limit of total debt to capital of 65% remains, but gets boosted to 70% for about a year to help finance the Dominion acquisitions.

Although there are certain financial covenants related to its credit facility, the company's solid protection measures provide adequate cushion for these financial tests based on current trends. There are no material adverse change clauses or automatic acceleration provisions caused by rating triggers.

We expect Equitable to maintain adequate liquidity over the intermediate term, with its solid internally generated cash flows meeting its liquidity and capital expenditure needs. Debt, hybrid and/or equity issuance, and asset sales are expected by April 2007 to finance the Dominion acquisitions.

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RATINGS DIRECT®

March 26, 2007

Research Update:

Equitable Resources 'A-' Rating Still On Watch Neg Re: FTC's Challenge To Acquisition

Primary Credit Analyst:

Ralph A DeCesare, CFA, New York (1) 212-438-4682; ralph_decesare@standardandpoors.com

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Research Update:

Equitable Resources 'A-' Rating Still On Watch Neg Re: FTC's Challenge To Acquisition

Rationale

On March 26, 2007, Standard & Poor's Ratings Services said that its 'A-' corporate credit rating on Equitable Resources Inc. remains on CreditWatch with negative implications.

The CreditWatch listing reflects Equitable's announced intention to acquire The Peoples Natural Gas Co. and Hope Gas from Dominion Resources Inc., which is still awaiting approvals.

This CreditWatch update follows the U.S. Federal Trade Commission's (FTC) announcement on March 15, 2007, that it will challenge Equitable's acquisition of Dominion Peoples due to its concern about a monopoly position in Pittsburgh. The FTC did not raise any concern over the Hope Gas purchase. Equitable announced that it would contest the FTC's opposition.

The acquisition agreement has a deadline of March 31, 2007, but it can be extended if the purchase is being held up by regulatory issues. Since that is likely to be the case, the deadline automatically would extend to June 30, 2007, unless Dominion and Equitable agree to extend it further. Without such an extension, the deal runs the risk of having to be renegotiated, which could present other risks, such as a different purchase price.

The proposed acquisition of Dominion Peoples and Dominion Hope should strengthen Equitable's natural gas distribution and midstream business by adding 475,000 customers, 33 billion cubic feet of storage, 936 miles of gathering pipelines, and 466 miles of transmission lines to Equitable's natural gas operations in southwestern Pennsylvania and West Virginia. These assets will increase Equitable's distribution customer base by 173%, total storage capacity by 60%, and gathered volume and transmission lines by 40%.

Pro forma for the transaction, Equitable should have a stronger business risk profile with a more balanced mix between its regulated business and higher-risk natural gas E&P business.

Standard & Poor's plans to review the proposed transaction and Equitable's ultimate financing structure. Resolution of the CreditWatch listing will occur when Equitable receives the required approvals from the appropriate regulatory commissions in Pennsylvania, West Virginia, and the FTC and decides on its ultimate financial structure.

Equitable is exploring the formation of a holding company corporate structure. In November 2006, Equitable received consent from a majority of its long-term debtholders to move the debt to the new holding company.

Standard & Poor's will analyze the new corporate structure when complete and will determine if any ratings actions are necessary based on structural subordination of holding company debt if a new operating subsidiary issues any new debt.

Standard & Poor's characterizes Equitable's business profile as satisfactory, with a score of '6'. (Utility business profiles are categorized

from '1' (excellent) to '10' (vulnerable).) This is supported by its position as an integrated energy company engaged in natural gas exploration and production (E&P), transmission, storage, and distribution. Equitable's consolidated credit profile benefits to some degree from the gas utility's stable-cash-flow-producing distribution and pipeline units, flexible rate design, and access to diverse gas supply and storage, which enable Equitable to compete effectively.

Although the acquisition of Dominion Peoples and Dominion Hope is consistent with Equitable's strategy to increase its gas distribution and midstream business in its core markets, the relatively high-priced and aggressive acquisition multiple (about 9x EBITDA), combined with uncertainties regarding the transaction's ultimate financial structure and operational implications, heightens our concerns about Equitable's ability to support an 'A' rating profile.

The negative CreditWatch listing incorporates the integration risk of the proposed transaction's significant size and scope, combined with the undetermined use of debt, hybrid and/or equity issuance, and asset sale proceeds to finance the proposed transaction and its ultimate effect on Equitable's overall creditworthiness.

Short-term credit factors

The short-term rating on Equitable is 'A-2'. In October 2006, Equitable entered into a new revolving credit agreement, boosting its borrowing capability to \$1.5 billion from \$1 billion. The agreement matures on Oct. 25, 2007, but can be extended ultimately to Oct. 26, 2011. The covenant limit of total debt to capital of 65% remains, but gets boosted to 70% for about a year to help finance the Dominion acquisitions.

Although there are certain financial covenants related to its credit facility, the company's solid protection measures provide adequate cushion for these financial tests based on current trends. There are no material adverse change clauses or automatic acceleration provisions caused by rating triggers.

We expect Equitable to maintain adequate liquidity over the intermediate term, with its solid internally generated cash flows meeting its liquidity and capital expenditure needs. Some combination of debt, hybrid, or equity issuance, and asset sales are expected to finance the Dominion acquisitions.

Ratings List

Ratings Still On Watch Neg

Equitable Resources Inc.	
Corporate Credit Rating	A-/Watch Neg/A-2
Senior Unsecured	A-/Watch Neg
Commercial Paper	A-2/Watch Neg

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Research Update: Equitable Resources 'A-' Rating Still On Watch Neg Re: FTC's Challenge To Acquisition

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RATINGS DIRECT®

January 15, 2008

Research Update:

Equitable Resources' Rating Is Cut To 'BBB'; Off Watch, Outlook Negative

Primary Credit Analyst:

Ralph A DeCesare, CFA, New York (1) 212-438-4682; ralph_decasare@standardandpoors.com

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Research Update:

Equitable Resources' Rating Is Cut To 'BBB'; Off Watch, Outlook Negative

Rationale

On Jan. 15, 2008, Standard & Poor's Ratings Services lowered its corporate credit and senior unsecured ratings on integrated energy company Equitable Resources Inc. (EQT) to 'BBB' from 'A-', and removed them from CreditWatch, where they were placed with negative implications on March 2, 2006. The outlook is negative.

EQT announced that its acquisition of the Dominion People's and Dominion Hope gas distribution companies from Dominion Resources will not go through, after almost two years of attempting to obtain regulatory approval. Meanwhile, EQT plans to rapidly expand its exploration and production (E&P) and gathering activities, funding the expansion largely with debt. Pittsburgh, Pa.-based EQT had about \$1.1 billion in debt as of Sept. 30, 2007.

Originally, we placed the ratings on CreditWatch because of the possibility that EQT would finance its purchase of the two utilities largely with debt, increasing debt leverage while modestly lowering its business risk profile. While that risk has been removed, EQT has been rapidly expanding its gas E&P and gas-gathering activities in its Appalachian region and plans to finance this expansion mostly with debt.

EQT plans to increase production in its region by using horizontal drilling methods. While horizontal wells typically produce more gas than vertically drilled wells, especially in their early years, they are more expensive than other drilling methods. This increased commitment to drilling horizontally will also tax the region's gas-gathering capacity. In response, EQT will significantly boost capital spending on its gathering assets as well. The company's natural gas reserve base is relatively low risk with modest maintenance capital requirements and a rather stable production rate provided by its long-lived reserve base (reserve/production ratio of about 21 years), which are credit strengths. Nevertheless, Standard & Poor's views E&P as a fundamentally much riskier activity than Equitable's gas distribution operation, and Equitable's focus on its E&P business has grown significantly, which has increased the company's overall business risk.

Equitable Gas is a small natural gas local distribution company that serves about 275,000 customers in the Pittsburgh area. Equitable Gas' regulated revenues provide some stabilizing effect on EQT's overall financial position, but with minimal free cash flow, its contribution is limited.

Capital spending of about \$1.2 billion in 2008, the vast majority of which will be dedicated to E&P and gathering, will exceed expected cash flows from operations of about \$450 million, requiring significant external financing. While we expect a mix of debt, equity, and possibly hybrid funding, debt is likely to make up the majority of this, raising leverage. We expect much of the increase in leverage in 2008, when the company puts in place its capital spending program (and its borrowing) before the investments can

provide their returns from greater gas production. Standard & Poor's expects debt to EBITDA to rise above 3x in 2008, from a projected 2.4x in 2007, before declining afterwards as the investments in E&P start to provide a return. Funds from operations to debt could fall to 23% in 2008 from 33% in 2007, before rebounding over the next few years. These numbers are weak for the rating. The increased commitment to E&P and gathering means that the company's business risk is likely to increase. Partially offsetting this is EQT's aggressive hedging strategy, which extends into 2012, and assures a level of stability in its revenues. While nearly 80% of 2008's production is hedged, expenses are not hedged, so inflation can damage the profit margin when revenues are locked in.

Short-term credit factors

EQT's short-term rating is 'A-2'. Standard & Poor's views Equitable's liquidity as adequate. While EQT will require extensive external funding in the next few years, debt maturities are light. EQT has a \$1.5 billion revolving credit facility maturing on Oct. 26, 2011. EQT may request two one-year extensions and can also request, on a one-time basis, that the line be increased to \$2 billion. As of Sept. 30, 2007, \$340 million of the facility was used, with no commercial paper balances.

Outlook

The negative outlook reflects the increasing influence of Equitable's E&P operations over the entire company. We could lower the ratings if the E&P operations continue to increase its influence over the company, or should drilling results and production estimates not come to fruition. We could revise the outlook to stable should EQT decide to lower the company's overall business risk profile or fund the rapid expansion with a significant amount of equity. Any upward rating action is not likely in the near term.

Ratings List

Rating Lowered, Off CreditWatch

Equitable Resources Inc.

	To	From
Corp. Credit Rating	BBB/Negative/A-2	A-/Watch Neg/A-2
Senior Unsecured	BBB	A-/Watch Neg

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March 25, 2008

Research Update:

**Equitable Resources' \$500 Mil. Sr
Unsec'd Notes Rated 'BBB'; Ratings
Affirmed, Outlook Negative**

Primary Credit Analyst:

Michael Messer, New York (1) 212- 438-1618; michael_messer@standardandpoors.com

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stability in its revenues. While nearly 80% of 2008's production is hedged, expenses are not hedged, so inflation can damage the profit margin when revenues are locked in.

Short-term credit factors

EQT's short-term rating is 'A-2'. Standard & Poor's views Equitable's liquidity as adequate. While EQT will require extensive external funding in the next few years, debt maturities are light. EQT has a \$1.5 billion revolving credit facility maturing on Oct. 26, 2011. EQT may request two one-year extensions and can also request, on a one-time basis, that the line be increased to \$2 billion. As of Dec. 31, 2007, \$450 million of the facility was used, with no commercial paper balances.

Outlook

The negative outlook reflects the increasing influence of Equitable's E&P operations over the entire company. We could lower the ratings if the E&P operations continue to increase their influence over the company, or if drilling results and production estimates do not come to fruition. We could revise the outlook to stable if EQT decides to lower the company's overall business risk profile or fund the rapid expansion with a significant amount of equity. Any upward rating action is not likely in the near term.

Ratings List

Equitable Resources Inc.

Rating Assigned

\$500 mil. senior unsecured notes BBB

Ratings Affirmed

Corp. credit rating	BBB/Negative/A-2
Senior unsecured debt	BBB

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Moody's Investors Services

Global Credit Research

Rating Action

2 MAR 2006

Rating Action: Equitable Resources, Inc.

MOODY'S PLACES DEBT RATINGS OF EQUITABLE RESOURCES, INC. UNDER REVIEW FOR POSSIBLE DOWNGRADE (A2 SR. UNS.)

Over \$1 Billion of Debt Securities Affected

New York, March 02, 2006 -- Moody's Investors Service placed under review for possible downgrade the long-term debt and commercial paper ratings of Equitable Resources, Inc. (A2 senior unsecured/Prime-1). The review was prompted by the company's announcement that it had entered into a definitive agreement to acquire the stock of Dominion Peoples and Dominion Hope, two natural gas distribution subsidiaries of Dominion Resources for approximately \$970 million in cash. The acquisition is subject to regulatory approvals, which are expected to be received by the end of this year. Moody's plans to conclude the review once the requisite approvals are assured and after assessing Equitable's financing plans and the pro forma financial and operational outlook post-acquisition.

This transaction is of a significant size to Equitable, increasing its assets by roughly 25%. The company has yet to decide how it will permanently finance the acquisition, and it remains to be seen how much incremental debt and equity the company will issue. The valuation (according to the company, about 9 times last twelve months' EBITDA that was generated by Peoples and Hope) is indicative of the high multiples that have been seen in the sector over the past couple of years. The valuation in part reflects that no debt will be assumed in the acquisition. Moody's is concerned that the acquisition would result in Equitable incurring an undue amount of leverage relative to the modest amount of cash generated by the acquired assets.

The acquisition of Peoples and Hope will expand Equitable's existing gas distribution operations in the overlapping service territories in southwestern Pennsylvania and West Virginia. Moody's estimates that the acquisition will slightly shift the EBITDA mix toward the regulated distribution business, away from its predominant gas production business. We will assess the degree to which this reduction in business risk would mitigate any weakening in its financial position.

In addition to analyzing the impacts from this acquisition, Moody's will re-assess Equitable's strategic initiatives and the financial outlook for its legacy assets. Moody's notes that the company expects to increase growth spending considerably in its production and midstream businesses and, consequently, will be less likely to be free cash flow positive than previously. As part of our review, we will update our Liquidity Risk Assessment on Equitable, as the company's liquidity resources have recently undergone some strain from the increased volatility in gas prices.

Based in Pittsburgh, Pennsylvania, Equitable Resources, Inc. engages primarily in natural gas distribution and production.

On Review for Possible Downgrade:

..Issuer: Equitable Resources, Inc.

....Commercial Paper, Placed on Review for Possible Downgrade, currently P-1

....Junior Subordinated Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A3

....Senior Unsecured Medium-Term Note Program, Placed on Review for Possible Downgrade, currently A2

...Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A2

....Senior Unsecured Shelf, Placed on Review for Possible Downgrade, currently (P)A2

Outlook Actions:

..Issuer: Equitable Resources, Inc.

....Outlook, Changed To Rating Under Review From Stable

New York
John Diaz
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Mihoko Manabe
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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Rating Action: Equitable Resources, Inc.**Moody's reviews Appalachian NPI for downgrade****About \$137 million of debt affected**

New York, January 08, 2007 -- Moody's Investors Service placed under review for possible downgrade the Baa1 rating on Appalachian NPI LLC's (ANPI) senior secured bonds. ANPI is a non-recourse variable interest entity that was established six years ago by Equitable Resources, Inc. (EQT, the project sponsor). The rating review is prompted by ANPI's debt service coverage ratios (DSCR) that are below levels incorporated in its current rating and the concern that they may not improve given the rise in non-controllable operating and hedging costs.

Moody's plans to conclude the rating review during the current quarter in concert with its review of EQT's ratings. EQT's A2 senior unsecured ratings have been under review for possible downgrade since March 2006 when the company announced a \$970 million acquisition of gas distribution utilities. Although ANPI is not affected by the acquisition, the two entities' ratings are linked, because EQT is ANPI's administrator, operator, and largest trade creditor. EQT also provides credit support to ANPI in form of liquidity reserve loan commitments.

ANPI's ability to manage operating expenses is critical, because they include variable costs that have not been fixed or mitigated in this structured financing. Those expenses -- notably firm transportation and gathering fees -- have reduced cash available to ANPI, so that its DSCR has fallen to about 1.0x compared to the 1.1x level that has been incorporated in its rating. Because this available cash has been less than expected, funding of the debt service reserve account has lagged original expectations. However, on the other hand, the value of the underlying assets has increased above original expectations.

In the rating review, Moody's will analyze the operational and financial prospects for the natural gas wells that generate the net profit interest that comprise ANPI's chief asset. Also reviewed will be ANPI's relationships and inter-company agreements with EQT as well as with Barclays, its sole shareholder and swap counterparty.

On Review for Possible Downgrade:

Issuer: Appalachian NPI, LLC.

Senior Secured Regular Bond/Debenture, Placed on Review for Possible Downgrade,

currently Baa1

Outlook Actions:

...Issuer: Appalachian NPI, LLC.

....Outlook, Changed To Rating Under Review From Stable

Appalachian NPI LLC is a structured natural gas monetization financing that is sponsored by Equitable Resources, Inc., an integrated natural gas company headquartered in Pittsburgh, Pennsylvania.

New York
John Diaz
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Mihoko Manabe
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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Rating Action: Equitable Resources, Inc.

Moody's downgrades Equitable Resources to Baa1, ANPI to Baa3

Approximately \$1 billion of debt securities affected

New York, October 29, 2007 -- Moody's Investors Service downgraded the debt ratings of Equitable Resources, Inc. (Equitable, to Baa1 senior unsecured from A2) and its sponsored structured vehicle Appalachian NPI, LLC (ANPI, to Baa3 senior secured from Baa1). Equitable's commercial paper rating was downgraded to Prime-2 from Prime-1. The rating outlook for both companies is stable. This ends the rating reviews for both Equitable and ANPI begun in March 2006 and January 2007, respectively. The downgrade of Equitable results from the company adopting a more growth-oriented strategy, which will likely raise its business and financial risks. ANPI's rating downgrade reflects the lower ratings of Equitable, the guarantor of its liquidity reserves, and weaker than expected Debt Service Coverage Ratios (DSCR).

"The Baa1 rating better accommodates Equitable's repositioning itself more as an E&P company," says Moody's vice president Mihoko Manabe.

These rating actions are based on Moody's assessment of Equitable's credit outlook as it exists currently. The company's E&P and LDC operations each is assessed to be of Baa1 quality, according to Moody's rating methodologies for those industries. Subject to a satisfactory review of the final terms, Moody's does not currently expect a further rating downgrade if Equitable were to consummate its proposed \$970 million acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. (Hope) and restructuring into a holding company. Regulatory clearances are pending for both transactions.

After years of focusing on the operating efficiency and the streamlining of its assets, Equitable has shifted its priority towards accelerating the growth of its E&P business, primarily through horizontal drilling, and expanding the supporting gathering infrastructure. Business risk is likely to rise with increased capital expenditures on costlier, higher risk-return investments. Capital spending for this year is expected to be about twice last year's levels. Debt financing for these investments will likely raise its financial leverage from current low levels (adjusted debt/capital of 37% as of 6/30/07).

Equitable's financial ratios exhibit higher profitability and returns (ROE historically in the 14% to 18% range) than those typical in the diversified gas peer group, which consists of predominantly utility companies (ROE typically about 10-11%). Compared to its peers, Equitable has a high business risk with one of the largest exposures to E&P, which Moody's considers the riskiest business for the group.

The downgrade of ANPI's rating reflects higher than expected variable costs that have lowered its DSCR and the downgrade of Equitable, which guarantees the liquidity reserves for any shortfall in debt service. Without this guarantee from Equitable, ANPI would not be rated investment grade.

At inception seven years ago, ANPI was structured to fix much of its foreseeable revenues and costs so as to result in a target DSCR of about 1.1x. Sales volumes were hedged in the \$4/mcfe range. Certain operating expenses were fixed at a specified unit rate. Both gas prices and variable lease operating expenses have since increased well above levels anticipated in ANPI's design. While ANPI's variable costs have risen with the market, revenues have been suppressed by the hedges, resulting in the DSCR (0.9x in 8/07) falling below original expectations. Cost pressures will likely constrain the DSCR in the foreseeable near future. On the other hand, higher gas prices have strengthened the value of ANPI's assets, the numerator of the Loan Life Coverage Ratio, so that this Ratio is better than original expectations (1.5x in 8/07 vs. 1.2x).

Issuer: Appalachian NPI, LLC.

..Downgrades:

....Senior Secured Regular Bond/Debenture, Downgraded to Baa3 from Baa1

..Outlook Actions:

....Outlook, Changed To Stable From Rating Under Review

Issuer: Equitable Resources, Inc.

..Downgrades:

.... Commercial Paper, Downgraded to P-2 from P-1

....Junior Subordinated Regular Bond/Debenture, Downgraded to Baa2 from A3

....Senior Unsecured Medium-Term Note Program, Downgraded to Baa1 from A2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa1 from A2

....Senior Unsecured Shelf, Downgraded to (P)Baa1 from (P)A2

..Outlook Actions:

....Outlook, Changed To Stable From Rating Under Review

Headquartered in Pittsburgh, Pennsylvania, Equitable Resources, Inc. is a vertically integrated natural gas company.

New York
John Diaz
Managing Director
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Mihoko Manabe
VP - Senior Credit Officer
Corporate Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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Moody's Investors Services

Global Credit Research
Credit Opinion
 31 OCT 2007

Credit Opinion: Equitable Resources, Inc.

Equitable Resources, Inc.

Pittsburgh, Pennsylvania, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Commercial Paper	P-2

Contacts

Analyst	Phone
Mihoko Manabe/New York	212.553.1942
John Diaz/New York	212.553.1977

Key Indicators

Equitable Resources, Inc.

	LTM 9/07	2006	2005
Net Profit After-Tax Before Unusual Items (NPATBUI)	\$ 187	\$ 216	\$ 204
Total Assets	\$ 3,772	\$ 3,355	\$ 3,431
ROE (NPATBUI / Avg. Equity)	14.5%	18.2%	18.9%
EBIT / Interest Expense	6.9x	7.6x	8.0x
RCF / Debt	20.3%	26.4%	3.0%
Debt / Book Capitalization (Excluding Goodwill)	41.1%	38.6%	52.0%

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Company Profile

Equitable Resources, Inc. (Equitable, Baa1 sr. uns.) is a vertically integrated company engaged in the production and delivery of natural gas in the Appalachian Basin. The

production segment (E&P) accounted for approximately 57% of consolidated operating income in the LTM 9/07; gathering accounted for 9%; regulated interstate natural gas pipeline and storage, 7%; regulated gas distribution (LDC), 9%; and marketing, 18%.

Appalachian NPI, LLC (ANPI, Baa3 sr. sec.) is a structured financing vehicle sponsored by Equitable, whose subsidiaries operate the gas wells associated with ANPI and market the production.

Equitable's assets and strategic interests lie entirely in Appalachia, where it is the largest gas producer and gatherer. Historically high commodity prices have increased drilling activity in the region and caused constraints in existing gathering and transportation systems. The company intends to more aggressively exploit its extensive acreage and midstream infrastructure to create organic growth for its E&P and gathering businesses.

Recent Events

In 10/07, Moody's downgraded by two notches Equitable's ratings to Baa1 senior unsecured and ANPI's to Baa3 senior secured. These ratings reflect Moody's assessment of Equitable's credit outlook as it exists currently. We currently do not anticipate a further downgrade from Equitable's proposed \$970 million LDC acquisition and restructuring into a holding company, subject to a satisfactory review of the final terms. Regulatory clearances are pending for both transactions.

Equitable plans to acquire The Peoples Natural Gas Company (Peoples) and Hope Gas, Inc. (Hope) from Dominion Resources, Inc. Peoples and Hope are LDCs with service territories that adjoin and overlap Equitable's in southwestern Pennsylvania and in West Virginia.

Separately, Equitable has requested regulatory approval to become a holding company. If the restructuring is approved, the LDC division of the parent company (and issuer of the rated debt) would be spun down into a subsidiary. The LDC subsidiary would be a sister company to existing unregulated subsidiaries. A newly created non-operating holding company would assume the rated debt.

Rating Rationale

Equitable's Baa1 rating reflects an increased tolerance for business and financial risk as the company adopts a more growth-oriented strategy than in the recent past. The utility segment is a stabilizing, though minor factor in its credit profile. E&P and gathering makes Equitable more sensitive to gas prices and volumes than many diversified gas companies which are more regulated and larger. Compared to many of them, Equitable's financial metrics are stronger, but this is indicative of its sensitivity to rising commodity prices and the greater financial strength needed to offset the higher business risk at this rating level.

Moody's applies its diversified gas rating methodology in evaluating Equitable on a consolidated basis and its E&P and LDC rating methodologies to assess the company's E&P and LDC operations. The parent's Baa1 rating is also supported by its E&P and LDC operations, each which is of Baa1 quality according to Moody's rating methodologies.

E&P

The overall Baa quality of Equitable's E&P weighs the relatively modest scale of its proved reserves and production and geographic concentration in Appalachia against its historically very low full-cycle costs and good organic reserve replacement record.

The Reserves & Production Characteristics factor maps to Ba. At year-end 2006, Equitable's proved reserves totaled 416 MM BOE (million barrels-of-oil-equivalent), of which 288 MM BOE was proved developed. Its reserves are a fraction of the average investment-grade E&P company with reserves exceeding a billion BOE. Equitable's reserves and production are virtually all natural gas.

Although modest in scale, Equitable's E&P reserves produce durable, highly predictable volumes. The typical well has low decline rates, so that production is relatively modest (13 MM BOE in 2006) and reserve life is long (proven developed reserve life index of 21 years). Equitable's reserves are geographically concentrated, but its high well count (over 12,000) provides asset diversification.

The company has accrued a good record of organically adding reserves through conventional low-risk development activity. At a success rate of about 100%, Equitable has drilled wells, much as a manufacturing operation, over millions of acres that the company and its predecessors have owned and operated for a century. Some wells have been producing for about as long, so the company's drilling success is supported by considerable performance history.

The company's extensive knowledge and asset concentration result in economies of scale and operating costs below investment-grade E&P industry averages in 2006: full-cycle costs of roughly \$16/BOE (mapping to an A rating), three-year drillbit F&D costs of \$3.58/BOE, leveraged full-cycle ratio above 400%. However, Equitable's F&D costs could well rise because of not only industry-wide inflationary pressure, but also the company's increasing investment in drilling costlier wells where reserve additions are less certain.

LDC

Equitable's existing LDC segment is small (2006 EBIT of about \$40 million, normalized for merger-related expenses). Metrics are modest but in line with investment-grade LDCs'. The biggest variable is weather. Neither weather normalization nor decoupling mechanisms have been granted in Pennsylvania and West Virginia where Equitable operates. Consequently, Equitable's LDC performance is sensitive to volumetric variations and has been continually reduced by a string of warmer-than-normal weather.

The regulatory environment in Pennsylvania (about 95% of Equitable's current customers) has generally been benign to Equitable. Historically, the West Virginia jurisdiction has posed challenges from a credit perspective in that returns have been low and gas cost recoveries could be long.

If the acquisition of Peoples and Hope is consummated, we do not currently expect further rating action since the transaction would add similar quality assets to what Equitable already has. Nevertheless, the acquisition would be sizable (cash purchase price of \$970 million)

and at a high multiple (though comparable to other such transactions). While incremental debt could result, it could be mitigated to some degree by synergies. Equitable's ratings would be reconsidered if the acquisition is consummated and financed under terms that differ significantly from current expectations.

Management Strategy

Equitable is repositioning itself from "a utility with gas production" to "an E&P company with a utility." After some quiet years focused on the operating efficiency and the streamlining of its assets, Equitable's priority is now accelerating the growth of E&P through horizontal drilling and developing coalbed methane.

In concert, gathering is coming into its own as a business distinct from production. Gathering is getting substantially more management attention and capital resources than it ever has to expand infrastructure to support rising affiliate and third-party production volumes. Investment in gathering now is critical to overcome regional transportation constraints and to get the company's production volumes to market. Execution risk is particularly significant for big-ticket projects such as the Big Sandy Pipeline and the Langley Processing and Compression Plant (together \$255 million) which have been upsized and have experienced cost overruns and delays.

Equitable's capex estimate for 2007 has been ramped up during the year to about \$800 million, about double the amount in 2006. Spending is likely to rise further as the company strives toward its recently raised production growth targets (from 5% CAGR to 12%).

With this shift in orientation toward more growth, the company appears more willing than in recent years to take on more business risk. The company has been testing horizontal drilling and other technologies that have been successful in resource plays in other basins to the Appalachian. Volume risk could increase as Equitable expands its pilot programs and tests deeper shale formations where there is little if any performance history. Execution risk also includes permitting, which could take as long as a year on some horizontal drilling projects.

After some early success, the company sequentially stepped up its horizontal drilling program from 25 to 80 wells during 2007 (vs. 5 in 2006), and in the process switched entirely from vertical wells to horizontal wells in Kentucky, where the largest proportion of Equitable's production volumes and reserves are located.

Horizontal drilling development costs more but has potentially higher returns than conventional vertical wells. According to the company, horizontal wells typically cost 3 times more to drill than vertical wells, but if successful, they could produce at more than 3 times the volumes estimated to be recovered.

Because the LDC business is mature, any significant growth would come from the consolidation of neighboring utilities. Any utility M&A would likely be a defensive and opportunistic move, such as the pending Peoples and Hope acquisition.

In the recent past, Equitable was a mature company that applied a portion of its excess cash flow toward debt repayments and share repurchases. As a growth company, it will

require significant external financing. The Baa1 rating anticipates the company increasing financial leverage from current low levels, but defending its Prime-2 commercial paper rating to ensure good access to the capital markets.

Converting from a utility parent company to a holding company would free Equitable from first having to obtain regulatory clearance in many of its financing decisions. Equitable to-date has been managed very much as an integrated whole. Going forward, the company may reorganize its resources to better support the growth of its E&P and midstream businesses.

Financial Strength

On a consolidated basis, Equitable's Financial Strength maps to the A rating category under Moody's diversified gas rating methodology. Rising earnings from E&P and gathering have resulted in ROE in the mid- to high teens, stronger than the low teens more typical of regulated businesses that predominate many of its diversified gas peers.

A high proportion of hedged volumes have kept Equitable from benefiting more from the commodity price run-up in recent years (about 80% hedged, so average revenues/mcfe produced have remained in the high \$4/mcfe range vs. 2007 quarterly Henry Hub prices averaging about \$7, Appalachian indexes averaging at roughly \$7.50). Nevertheless, E&P and gathering earnings and cash flow have increased from a modest but steady rise in production volume and gathering fee rates against below-industry average costs per unit of production.

Equitable applied cash from sales of assets and investments in recent years (largest of which was the \$460 million sale of Kerr-McGee shares in 2005) to manage its financial leverage. Higher earnings have also promoted organic equity accretion. Adjusted Debt / Book Capitalization (excluding goodwill and hedge impact from Other Comprehensive Income) is currently in the mid-high 30% range, stronger than the 50% range typical of regulated businesses.

Liquidity

Equitable has adequate liquidity. Negative free cash flow will likely grow with the increase in capital spending, but its credit facility appears sufficient to meet the needs of its existing assets as well as Peoples and Hope, if they are acquired. Working capital needs vary seasonally for the LDC. They also vary with gas prices, with higher prices increasing both the LDC's cost of gas and E&P's margin requirements for hedges.

Refinancing risk is not significant for several years. Other than a total of \$10 million of medium-term notes that come due in 2009 and 2011, the next scheduled debt maturity of a significant size is \$200 million due in 2012.

Equitable's alternate liquidity consists of a committed syndicated \$1.5 billion 5 year credit facility maturing in October of 2011. It has an accordion feature that could increase commitments to \$2 billion. This facility backs up the company's commercial paper program of the same amount and for L/Cs provided as collateral for it hedges related to E&P. It does not require the company before each draw to represent and warrant as to any material

adverse change (MAC) in its general financial condition. However, reps are required on MAC clauses related to environmental matters and ERISA.

The sole financial covenant in Equitable's credit facility is a Debt-to-Capital limit of 65% (relaxed to 70% for one year following the Peoples and Hope acquisition). As of 9/30/07, Debt-to-Capital according to the covenant calculation was 45%, well within limits. The company's natural gas reserves provide "back doors" for additional liquidity through reserve-based financing or outright sale.

ANPI

ANPI is a structured gas prepay financing formed in 2000 to monetize a portion of gas reserves that Equitable had acquired. The \$119 million of the outstanding bonds due 2016 is non-recourse to Equitable and is treated by Moody's as off-credit, except for up to \$50 million of liquidity loans that Equitable has guaranteed to service the debt.

ANPI used the proceeds from the bond issue to purchase net profit interests (right to receive economic interest in sales volumes net expenses for a certain period) in certain of Equitable's wells. The net profit interests were put in a trust. Equitable owns and operates the wells, performs administrative services, sells the production volumes to its marketing arm, and pays those sales proceeds to the trust (this makes Equitable ANPI's principal trade creditor). The trust currently distributes 1% of those net profits to Equitable, 99% to ANPI. ANPI then uses those funds to pay its hedge expenses (Barclays is the sole counterparty) and the principal and interest on the bonds. Cash available after those payments are distributed to ANPI's sole shareholder Barclays, subject to ANPI meeting certain financial covenants and having debt service reserves, among other restrictions.

The downgrade of ANPI's rating reflects higher than expected variable costs that have made its Debt Service Coverage Ratios (DSCR) lower than expected, but its investment grade status reflects Equitable's guarantee of liquidity reserve loans to meet any shortfall in debt service. At inception, ANPI was structured to fix much of its foreseeable revenues and costs to achieve a target DSCR of about 1.1x. Sales volumes were hedged in the \$4/mcfe range. Certain operating expenses (gathering, compression, transportation, gas management, overhead) were fixed at a specified unit rate.

Gas prices and variable lease operating expenses (notably, incremental gathering fees and pipeline capacity payments caused by regional transportation constraints) have both doubled from levels anticipated in ANPI's design seven years ago. While ANPI's variable costs have risen with the market, revenues have been held down by the hedges, resulting in the DSCR (0.9x in 8/07) falling below original expectations. Cost pressures will likely continue to constrain the DSCR in the foreseeable near future. Without the liquidity reserve loan guarantee from Equitable, ANPI would not be rated investment grade. On the other hand, higher gas prices have strengthened the value of ANPI's assets, the numerator of the Loan Life Coverage Ratio, so that this Ratio is better than original expectations (1.5x in 8/07 vs. 1.2x).

Rating Outlook

Equitable's ratings and stable outlook anticipate the company increasing financial leverage

from current low levels, but defending its Prime-2 commercial paper rating in order to ensure favorable capital market access to finance its growth. They incorporate rising capital spending and incremental leverage, but reasonable execution on the numerous projects underway and RCF/Debt remaining roughly in the low to mid-teens. The Peoples and Hope acquisition and the holding company reorganization are unlikely to impact the ratings, though the former is subject to a satisfactory review of the final terms.

What Could Change the Rating - Up

Unlikely in the foreseeable future, given Equitable's renewed growth orientation and likelihood of increased financial leverage. An upgrade could be considered if RCF/Debt is sustained above 17%, along with a return to a less growth-oriented strategy.

What Could Change the Rating - Down

Given its existing assets, if RCF/Debt is sustained below 10%. A significant step-out from Equitable's current strategy of organic growth in Appalachia. If Equitable's E&P operating income rises above 80% of total, Moody's would consider shifting the rating approach for the parent company from the diversified gas methodology to that for E&P.

Rating Factors

Equitable Resources, Inc.

Diversified Natural Gas Transmission and Distribution	Aaa	Aa	A	Baa	Ba	B	Caa
Factor 1: Scale (10% weighting)							
a) Net Profit After-Tax Before Unusual Items (US\$MM) (5%)				\$ 202			
b) Total Assets (US\$B) (5%)				\$ 3,519			
Factor 2: Quality of Diversification (20% weighting)							
a) Scale of Unregulated Exposure (10%)						X	
b) Degree of Business Risk (10%)				X			
Factor 3: Management Strategy & Financial Policy (10% weighting)							
a) Management Strategy & Financial Policy (10%)				X			
Factor 4: Financial Strength (60% weighting)							
a) EBIT/Interest Expense (15%)	7.5x						
b) Debt to Book Capitalization (excluding goodwill) (15%)			43.9%				
c) Retained Cash Flow/Debt (15%)				16.6%			
d) Return on Equity (15%)		17.2%					
Rating:							

a) Methodology Model Implied Senior Unsecured Rating			A3			
b) Actual Senior Unsecured Equivalent Rating				Baa1		

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Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 5: Please provide a workpaper showing the derivation of the Company's current AFUDC rate.

Response:

The calculation for the current AFUDC rate is as follows:

$$\begin{aligned} A_i &= s (S / W) + d (D / D + P + C) (1 - S / W) \\ A_e &= (1 - S / W) [p (P / D + P + C) + r (C / D + P + C)] \\ AFUDC &= A_i + A_e \end{aligned}$$

$$\begin{aligned} A_i &= 0 (0 / 0) + .0701 (243,503,202 / 243,503,202 + 0 + 272,598,549) (1 - 0 / 20,494,473) \\ &= 0 + .0701 (.471812) + 0 \\ &= 3.31\% \end{aligned}$$

$$\begin{aligned} A_e &= 0 (0 / 0) + [0 (0 / 243,503,202 + 0 + 272,598,549) \\ &\quad + 10.5 (272,598,549 / 243,503,202 + 0 + 272,598,549)] \\ &= 0 + [0 + 10.5 (.52819)] \\ &= 5.55\% \end{aligned}$$

$$\begin{aligned} AFUDC &= 3.31\% + 5.55\% \\ &= 8.86\% \end{aligned}$$

Item 6: Please supply copies of all presentations by the Company's and, if applicable, its parent's management to securities analysts during the past 2 years. This would include presentations of financial projections.

Response:

The following is a list of presentations by the Company to securities analysts during the past 2 years. Due to the volume, attached is an example of one Analyst Presentation. Copies of additional specific presentations will be supplied upon request.

2006

02 06 Analyst Presentation
1-12-05 Harris Nesbitt 2nd Annual Appalachian E&P Forum
03 06 Analyst Presentation
March 20-21 06 Howard Weil
04 06 Analyst Presentation
05 06 Analyst Presentation
06 06 Analyst Presentation
07 06 Analyst Presentation
08 06 Analyst Presentation
09 06 Analyst Presentation
9-6-06 Lehman Bro CEO Energy/Power Conference
10 06 Analyst Presentation
11 07 Analyst Presentation
11-16-06 Bank of America 2006 Energy Conference
12 06 Analyst Presentation

2007

01 07 Analyst Presentation (2-5-07)
02 07 Analyst Presentation (2-15-07)
03 07 Analyst Presentation
03 07a Analyst Presentation
3-29-07 Analyst Presentation
04 07 Analyst Presentation (May 2007)
05 07 Analyst Presentation (May 2007)
06 07 Analyst Presentation
07 07 Analyst Presentation
08 08 Analyst Presentation
08 08a Analyst Presentation
2007 (Continued)

09 07 Analyst Presentation
10 07 Analyst Day Field Trip 2
10 07 Analyst Day Field Trip
10 07 Analyst Presentation
10 07a Analyst Presentation
11 07 Analyst Presentation
12 07 Analyst Presentation
Bank of America Energy Conference 07
BMP Appalachian E&P Forum 07
Credit Suisse Energy Summit 07
IPAA OGIS 07
Lehman Brothers 07
Oil & Gas Conference 07
DB Roadshow 07
Horizontal Drilling – Decline Curve & Summary Economics 2007

2008

01 08 Analyst Presentation
01 08a Analyst Presentation
02 08 Analyst Presentation
03 08 Analyst Presentation
Horizontal Drilling Decline Curve 03 08
04 08 Analyst Presentation
05 08 Analyst Presentation

Equitable Resources, Inc.

Analyst Presentation

February 24, 2006

Safe Harbor Statement

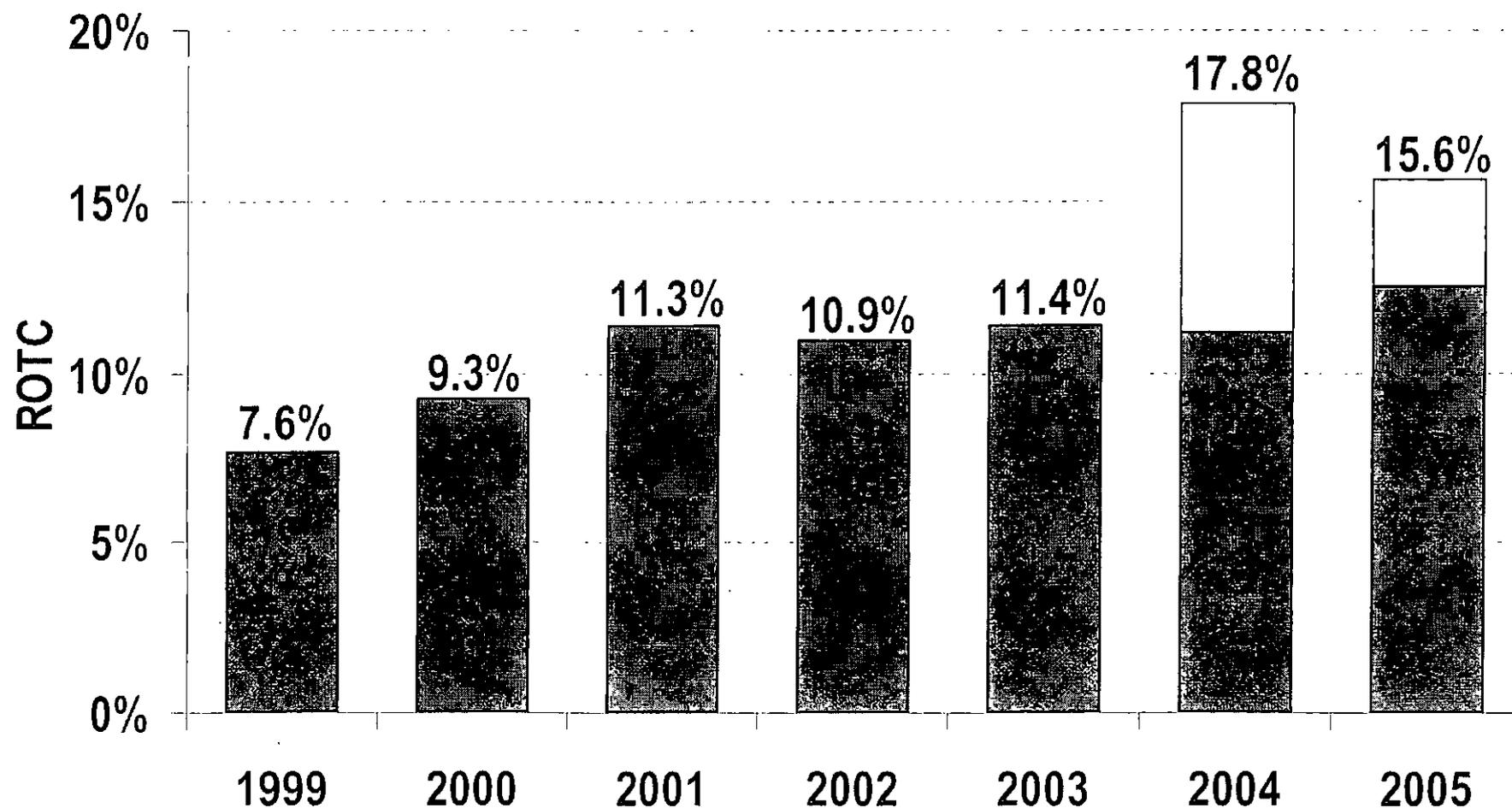
Disclosures in this presentation contain certain forward-looking statements. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as “should,” “anticipate,” “estimate,” “forecasts,” “approximate,” “expect,” “may,” “will,” “project,” “intend,” “plan,” “believe” and other words of similar meaning in connection with any discussion of future operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this presentation may include the expectations of plans, strategies, objectives, and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company’s drilling and infrastructure development programs, production volumes, reserves, capital expenditures and earnings. A variety of factors could cause the Company’s actual results to differ materially from the anticipated results or other expectations expressed in the Company’s forward-looking statements. The risks and uncertainties that may affect the operations, performance and results of the Company’s business and forward-looking statements are identified in the Company’s 2004 Annual Report on Form 10-K, in its Form 10-Q for the quarter ended September 30, 2005, in the press release dated January 26, 2006 announcing earnings for the year ended December 31, 2005, and in the future annual and quarterly reports as available on the Company’s website at www.eqt.com. Estimates of “probable” and “possible” reserves contained in this presentation are more speculative than estimates of proved reserves, and would not be permitted to be disclosed in an SEC filing.

Equitable Resources

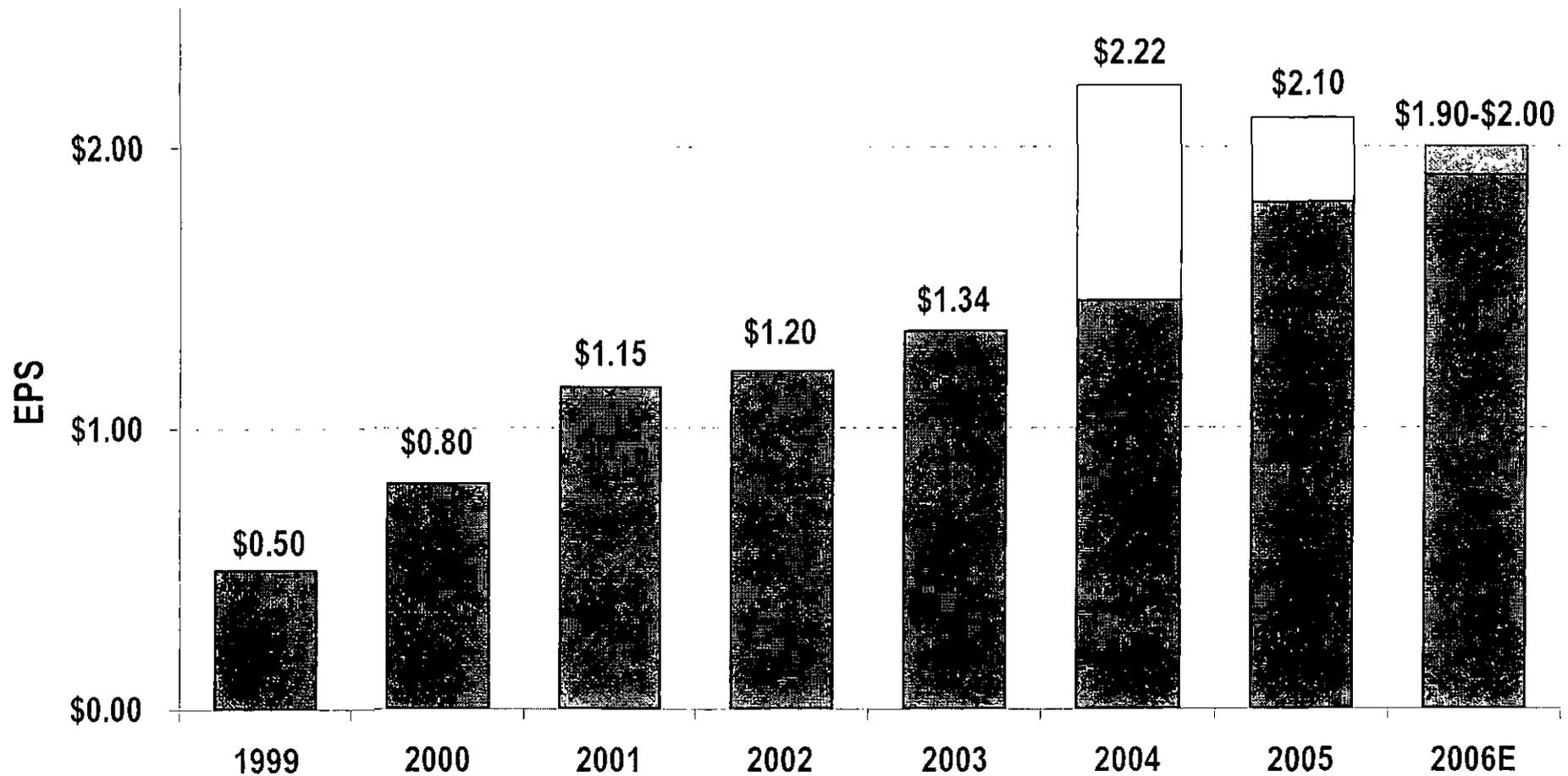
Excellence in Natural Gas Logistics

- **Industry leading returns on capital and equity**
- **Superior EPS and operating cash flow growth**
- **Financial discipline**
- **Significant organic growth opportunity**
- **Aggressive risk mitigation**
- **Strong ownership by employees**

Equitable Resources Return on Total Capital



Equitable Resources Superior EPS Growth



Equitable Resources Business Activities

Equitable
Supply

Equitable
Utilities



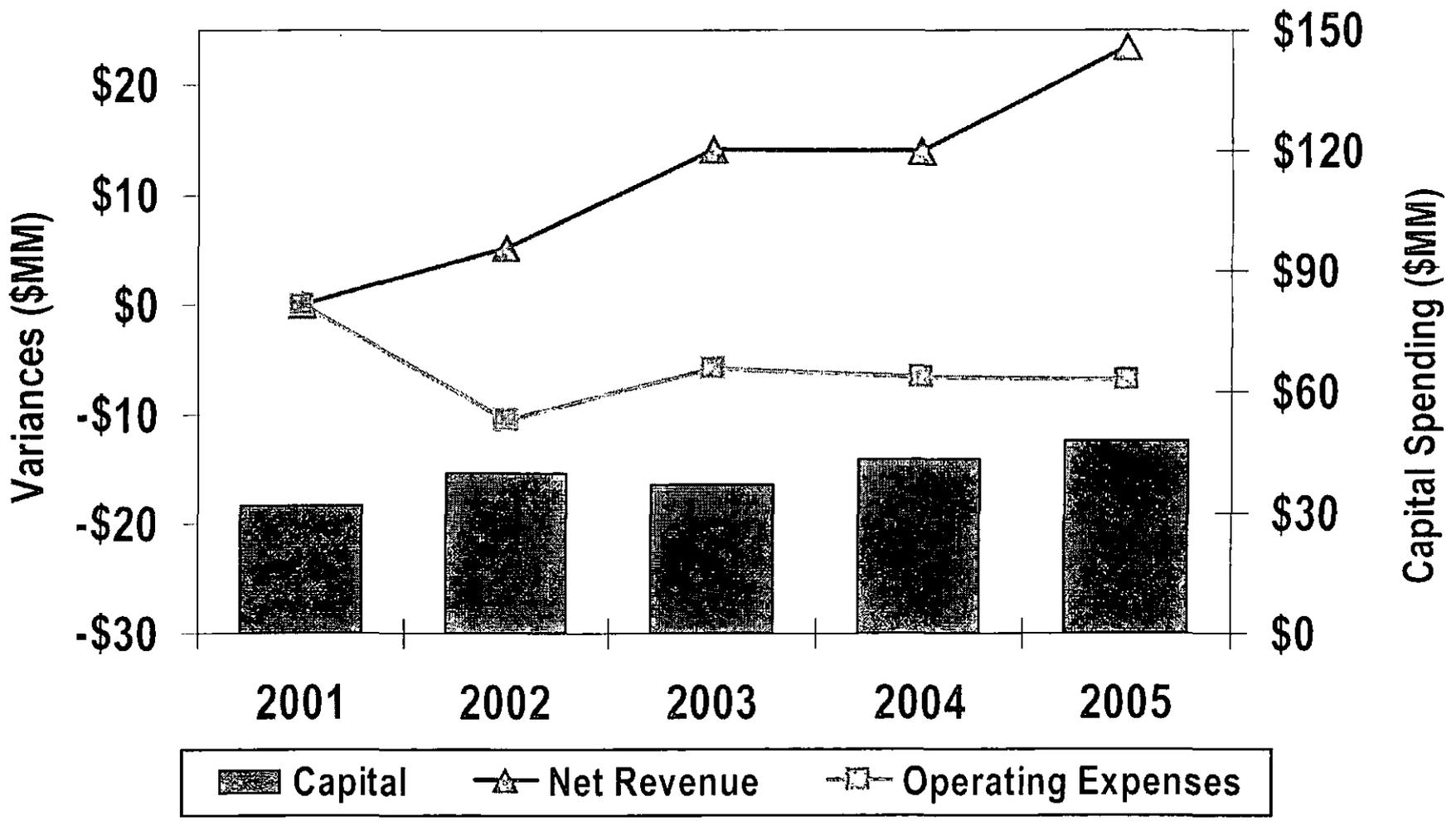
Equitable Resources Growth Drivers

- **Production organic growth**
 - Accelerate drilling of “conventional” wells
 - Pursue unconventional development alternatives
- **Increase “midstream” investment**
 - Support accelerated EQT drilling
 - “Appalachian Hub”; support EQT and third party drilling
- **LDC**
 - Continue efficiencies and PBR
 - Pursue high-value regional consolidation

Distribution Performance Based Rates

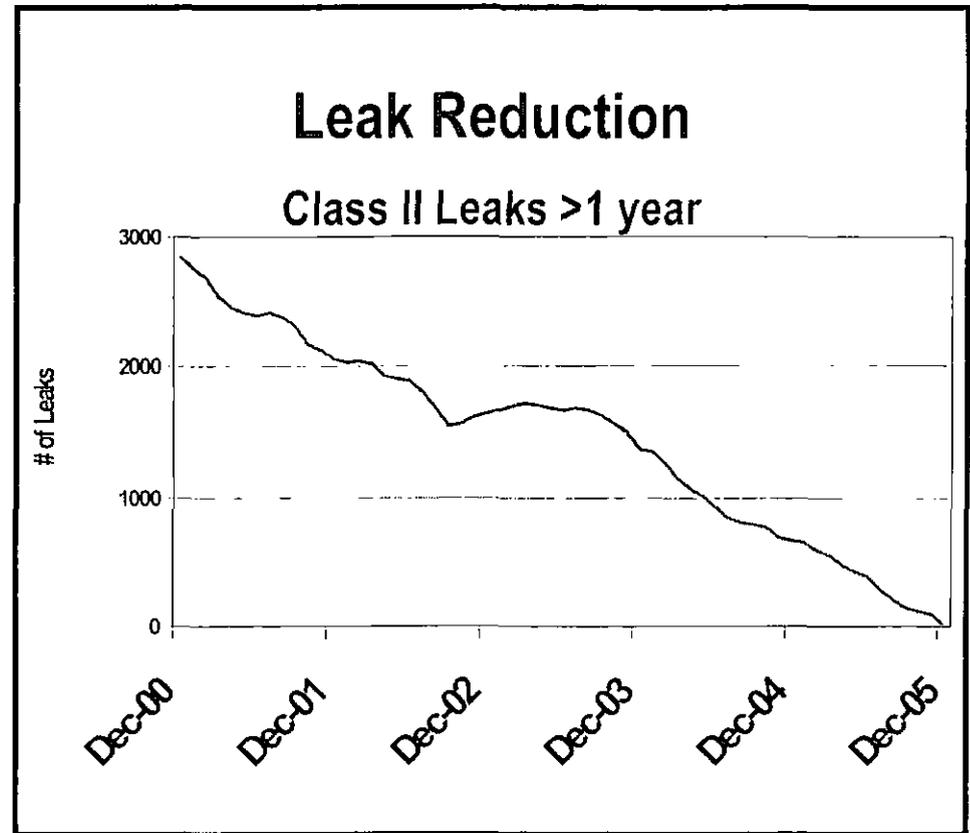
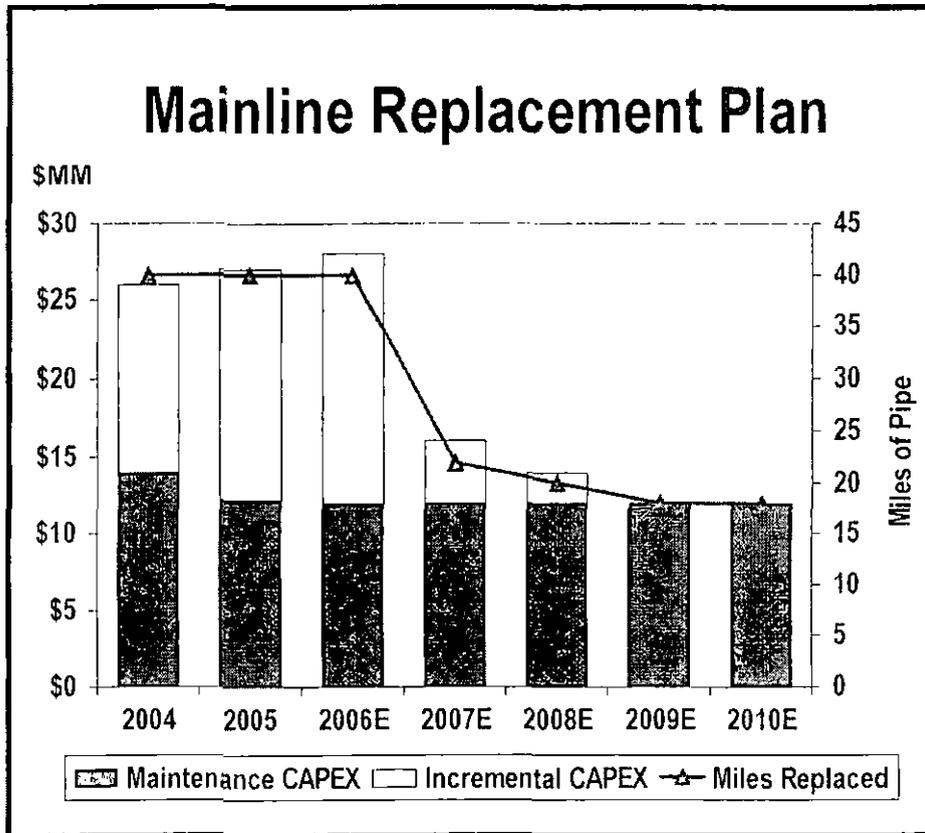
- **No base rate case since 1997**
 - Mainline replacement
 - Automated meter reading
 - Cost efficiencies
- **Transportation PBR since 2001**
 - Transportation cost reduction sharing
- **Asset management**
 - Unregulated gas sales to LDC customers

Distribution PBR Results



Distribution

Mainline Replacement / Leak Reduction

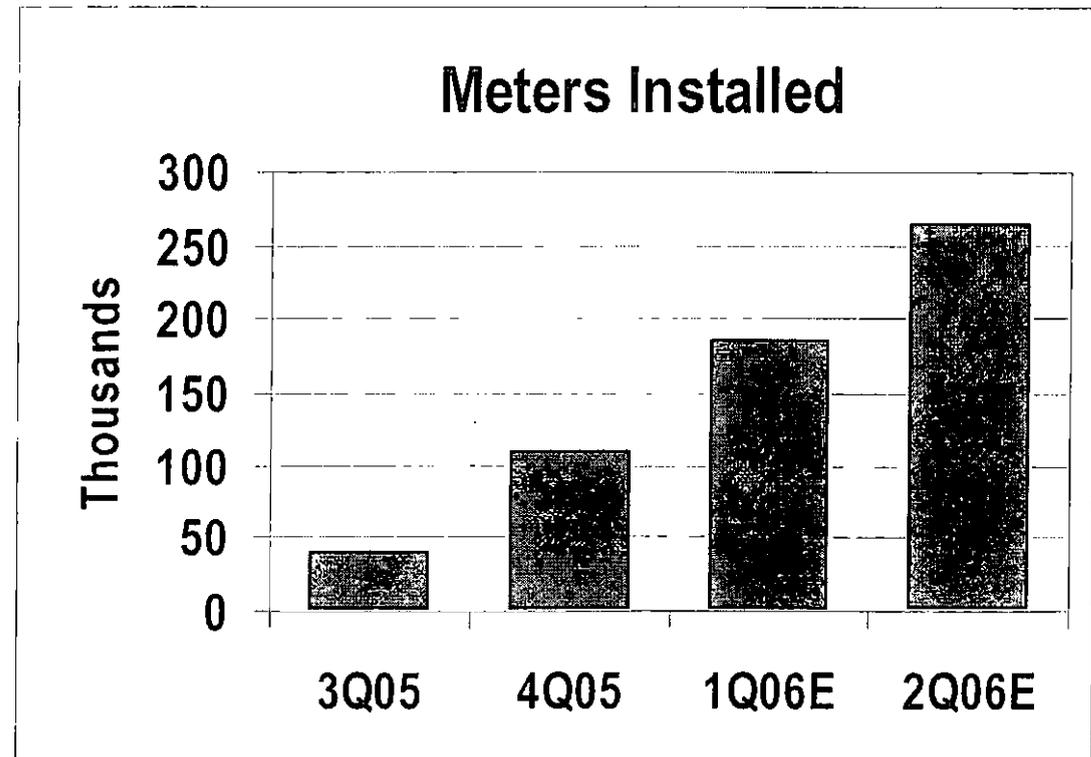


■ \$2-3 MM savings by 2008

Distribution Automated Meter Reading

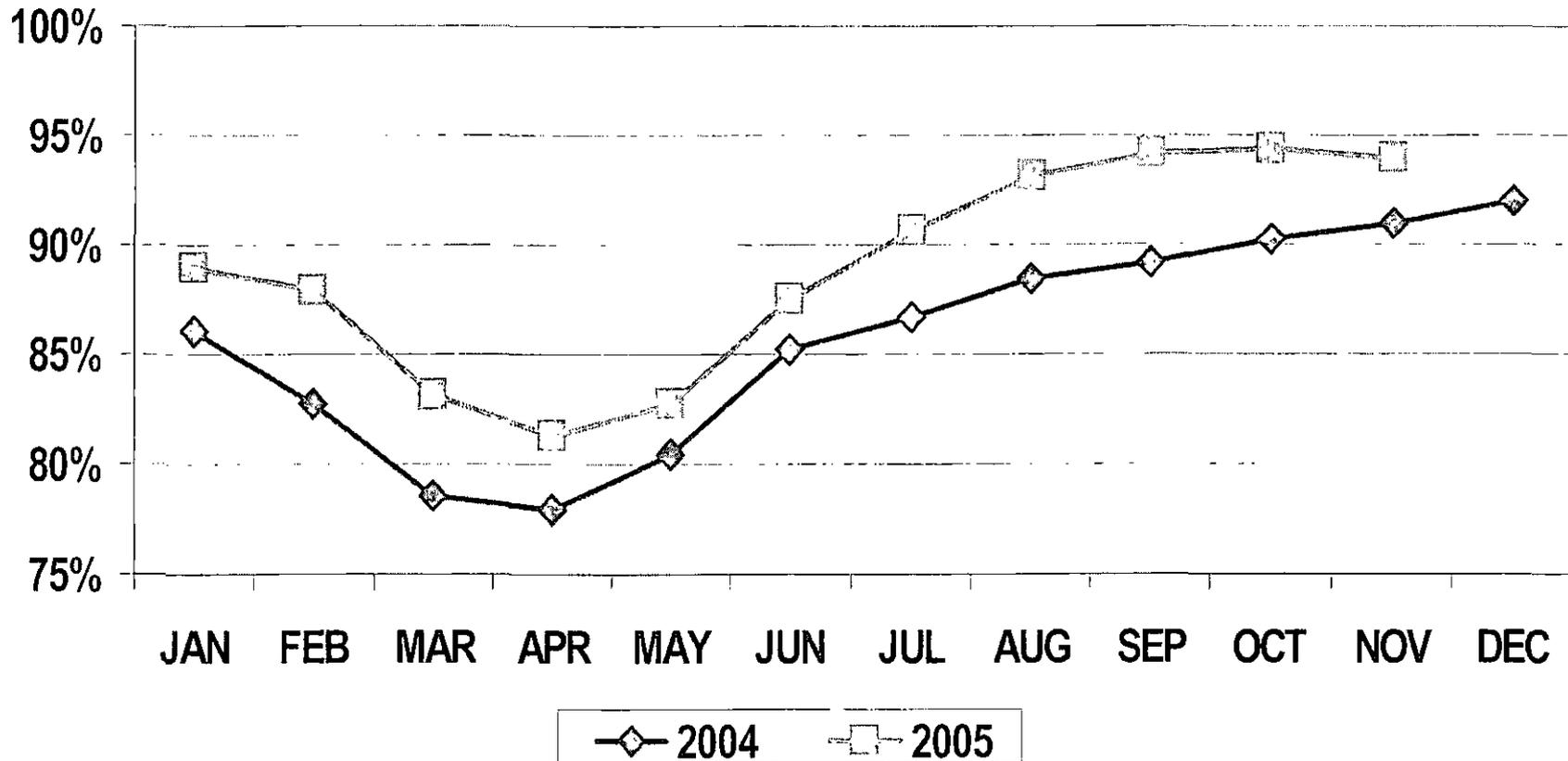
■ Highlights

- \$2MM+ annual savings
- On budget (\$17 MM)
- On schedule



Distribution Collections

% Collected within 60 Days from Bill Date



■ \$2-3 MM annual reduction in bad debt expense by 2008

Distribution

Regional Consolidation Benefits

- **Administrative costs**
 - Billing and call center
 - Corporate functions / IT
 - Regulatory

- **Operating costs**
 - Operation and maintenance
 - Leak repair
 - Mainline replacement

- **Revenue synergies**
 - Commercial and industrial
 - Gas supply flexibility
 - Storage and transportation service

Regional Distribution Companies



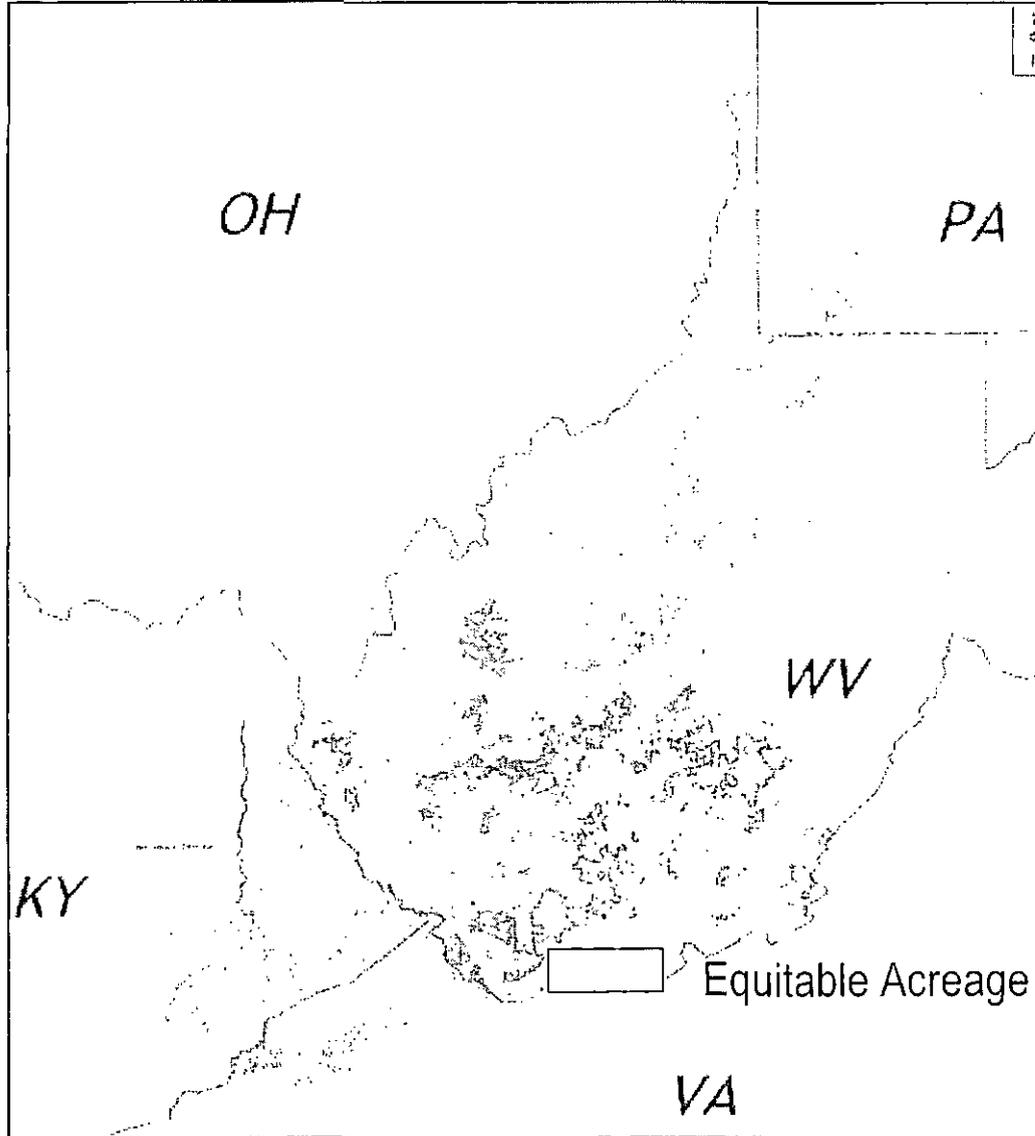
Distribution Summary

- **Improve operational efficiency**
 - Additional \$6-8 MM cost savings by 2008

- **PBR strategy working**

- **Will consider regional consolidation opportunities**

Production



Key Statistics

3.3 MM gross acres

2.4 Tcf proved reserves

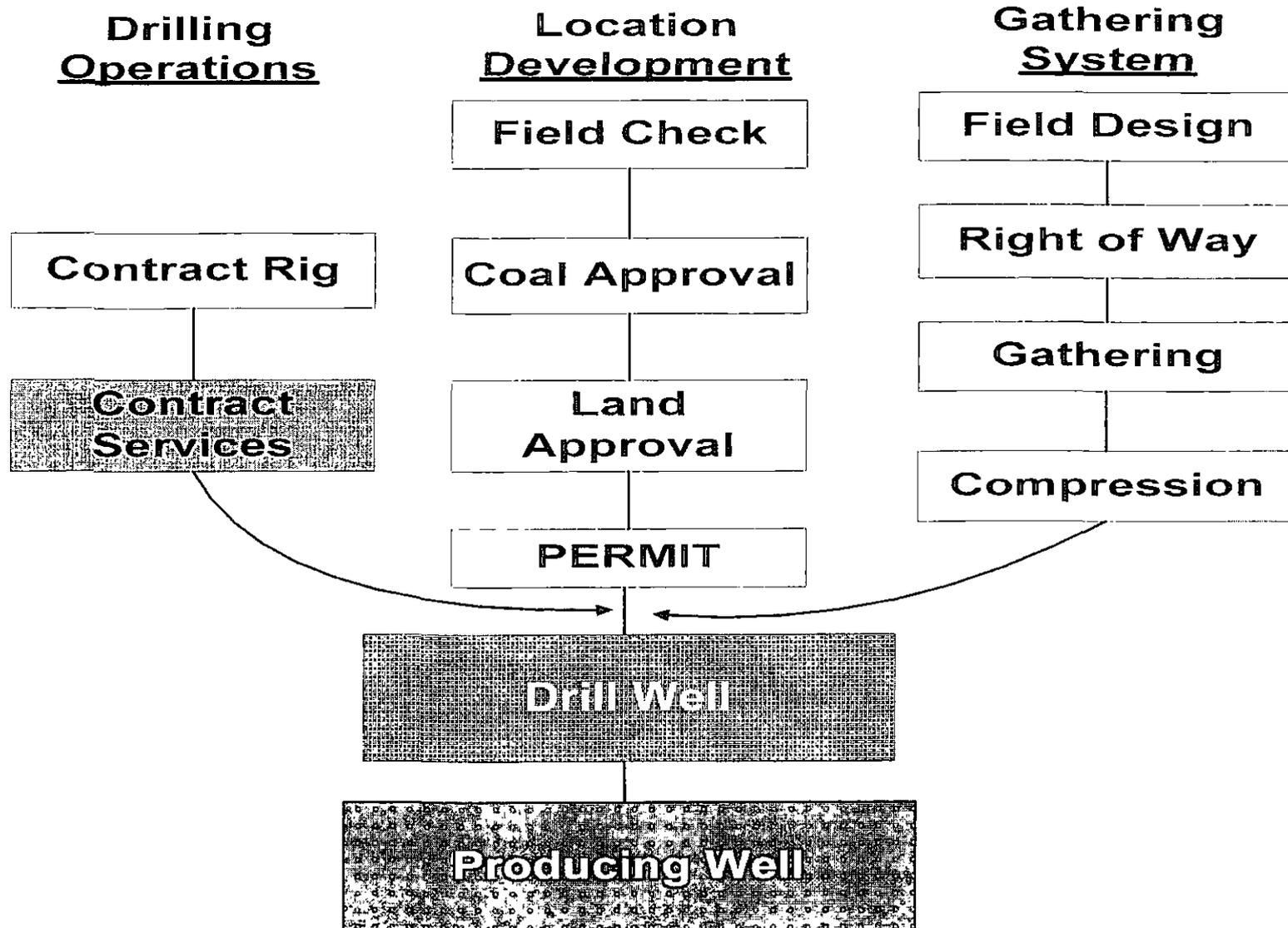
12,000 gross producing wells

Production Development Opportunity

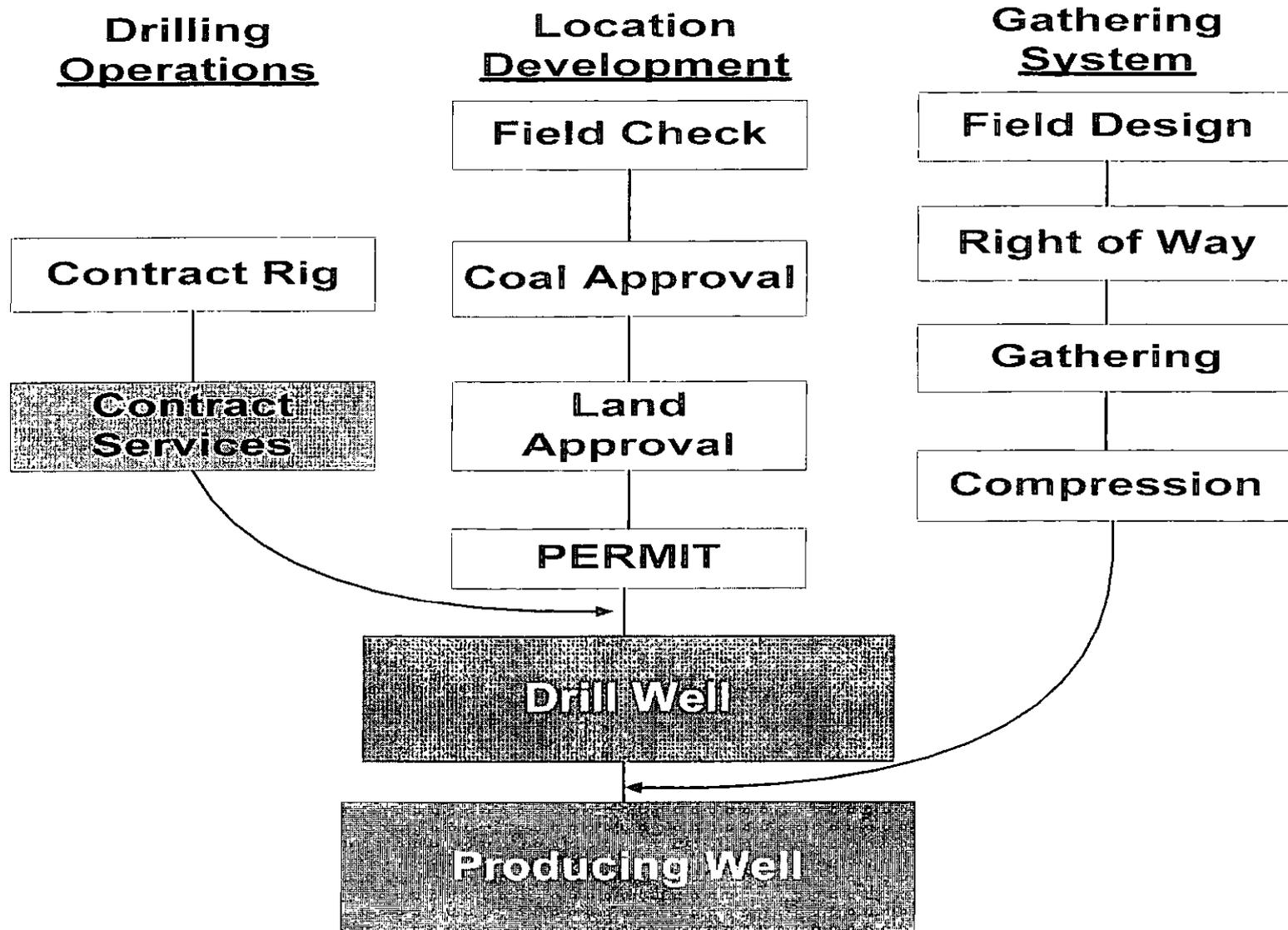
	2004 Reserves (Tcfe)	2005 Reserves (Tcfe)	Drilling Locations (gross)
Proved Developed	1.6	1.7	
Proved Undeveloped	0.5	0.7	2,515
Total Proved	2.1	2.4	2,515
Probable	0.7	0.4	1,876
Possible	0.8	0.7	3,466
Total	3.6	3.5	7,857

- Does not include horizontal and deep drilling

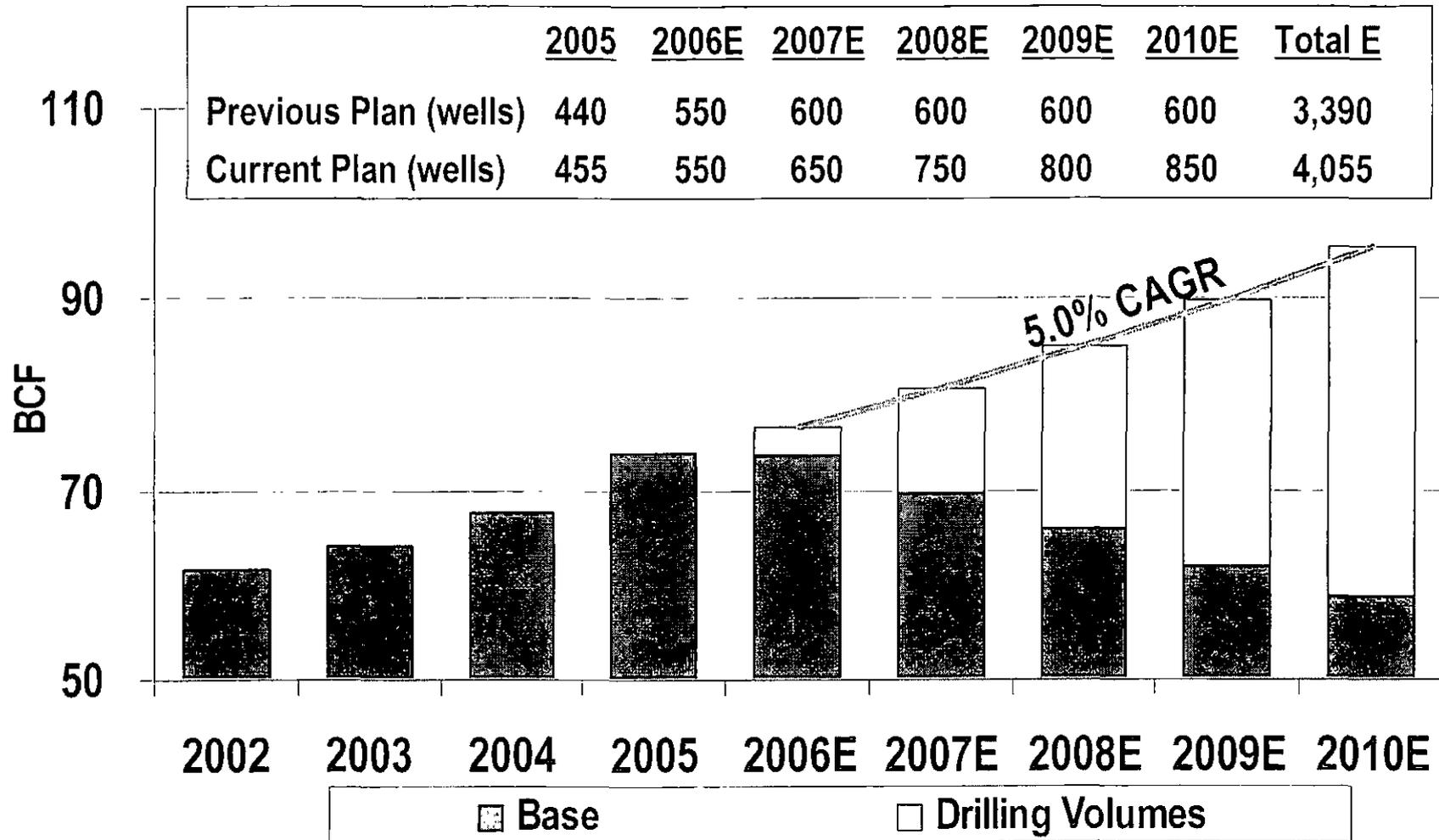
Production Just In Time Model



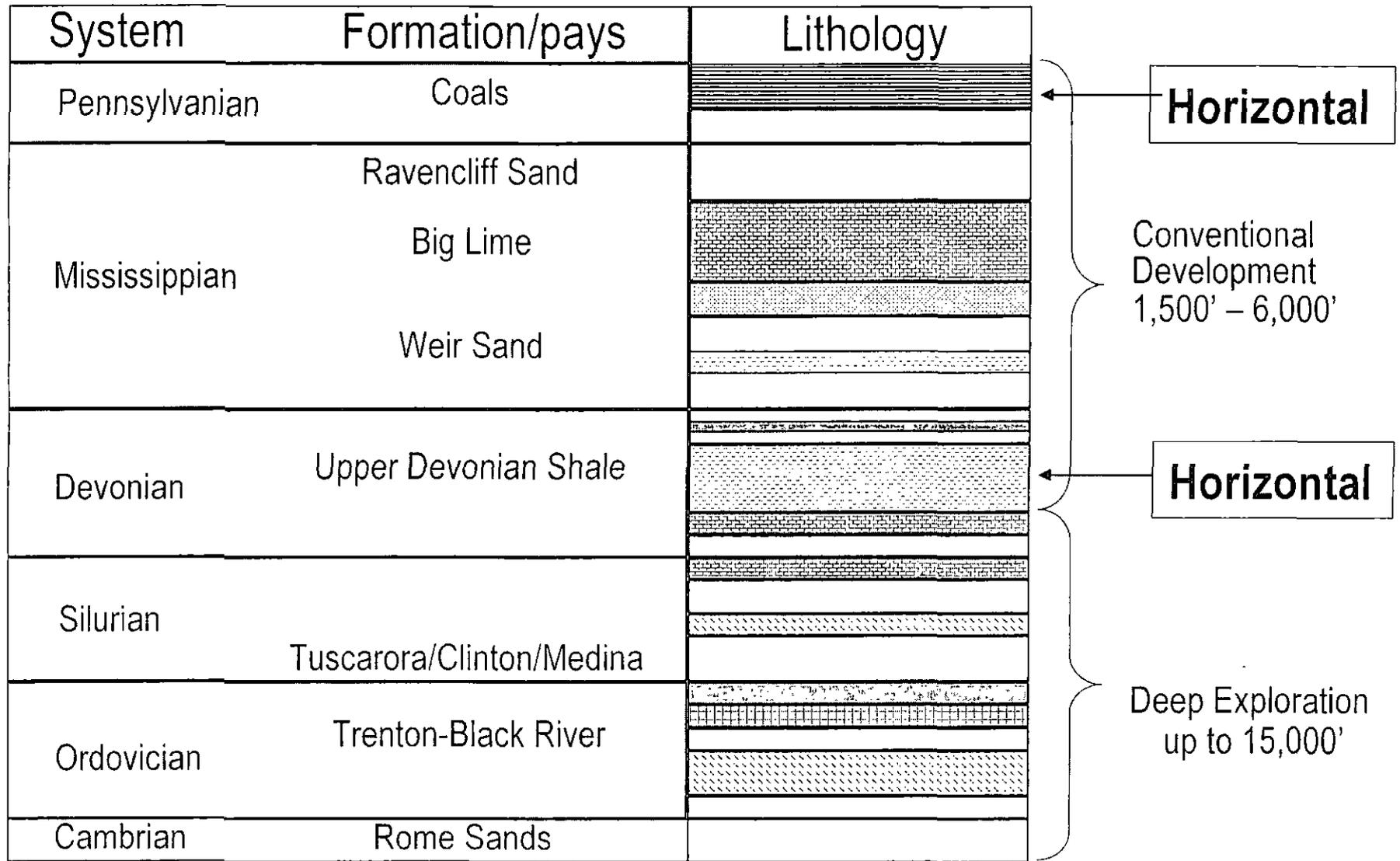
Production Development Maximization Model



Production Growth Potential

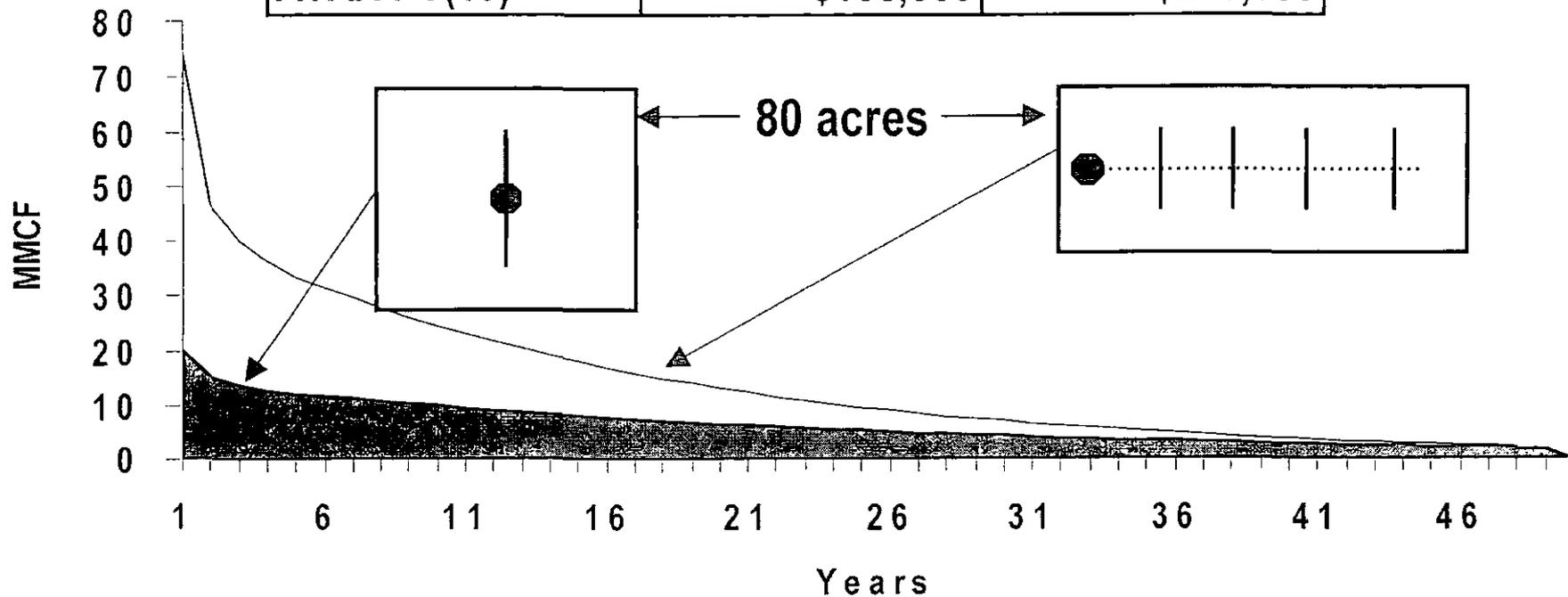


Production Unconventional Opportunities

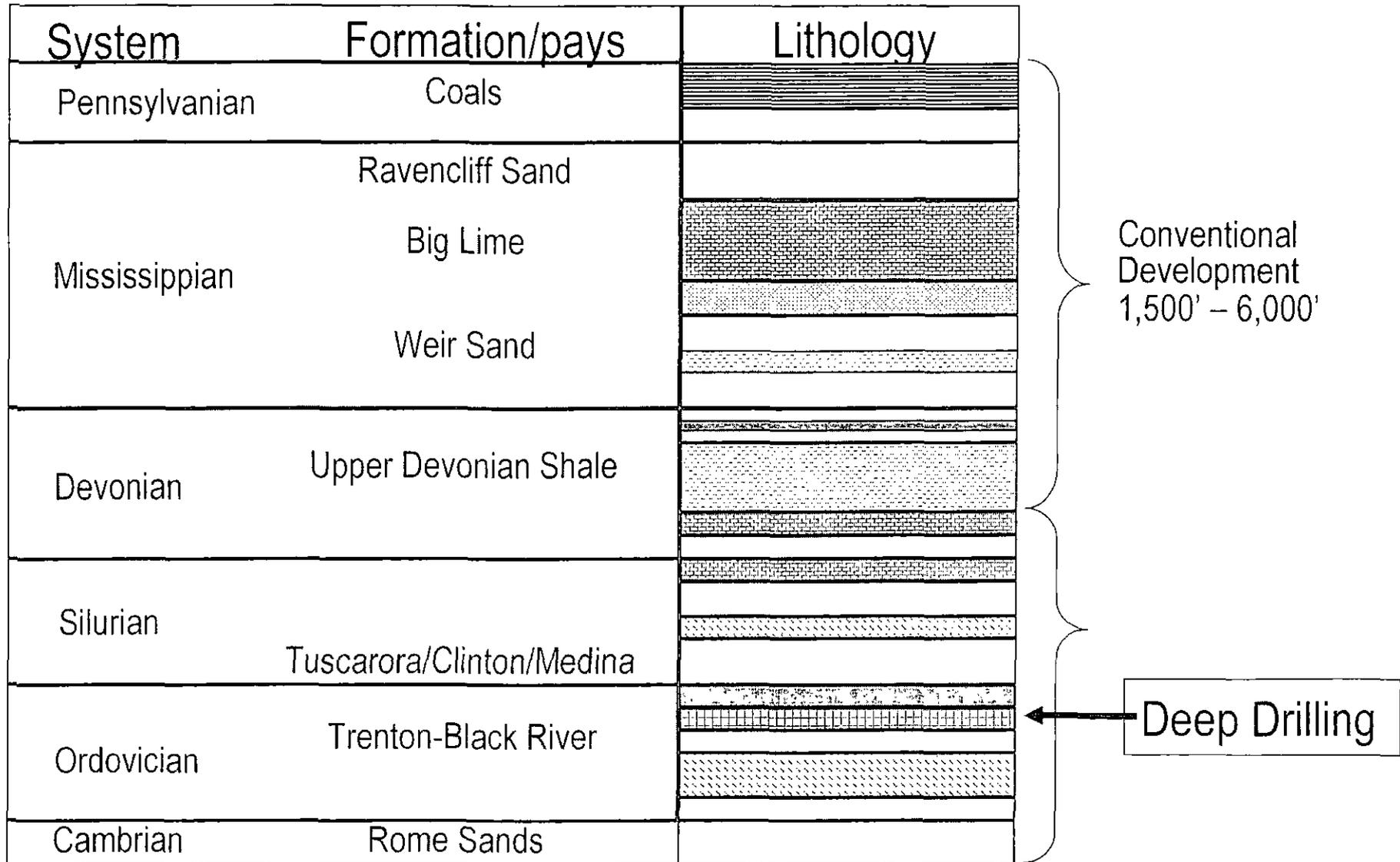


Horizontal Drilling Increased Recovery and Reserve Model

	Vertical	Horizontal
Reserves	0.3-0.5 bcf	0.5-1.0 bcf
Initial Production	75 mcf/d	420 mcf/d
Cost	\$0.4 MM	\$1.4 MM
R/P	20	13
ATAX PV(10)	\$106,000	\$263,000



Production Unconventional Opportunities



Schematic Cross Section Appalachian Basin

South

North

Kentucky

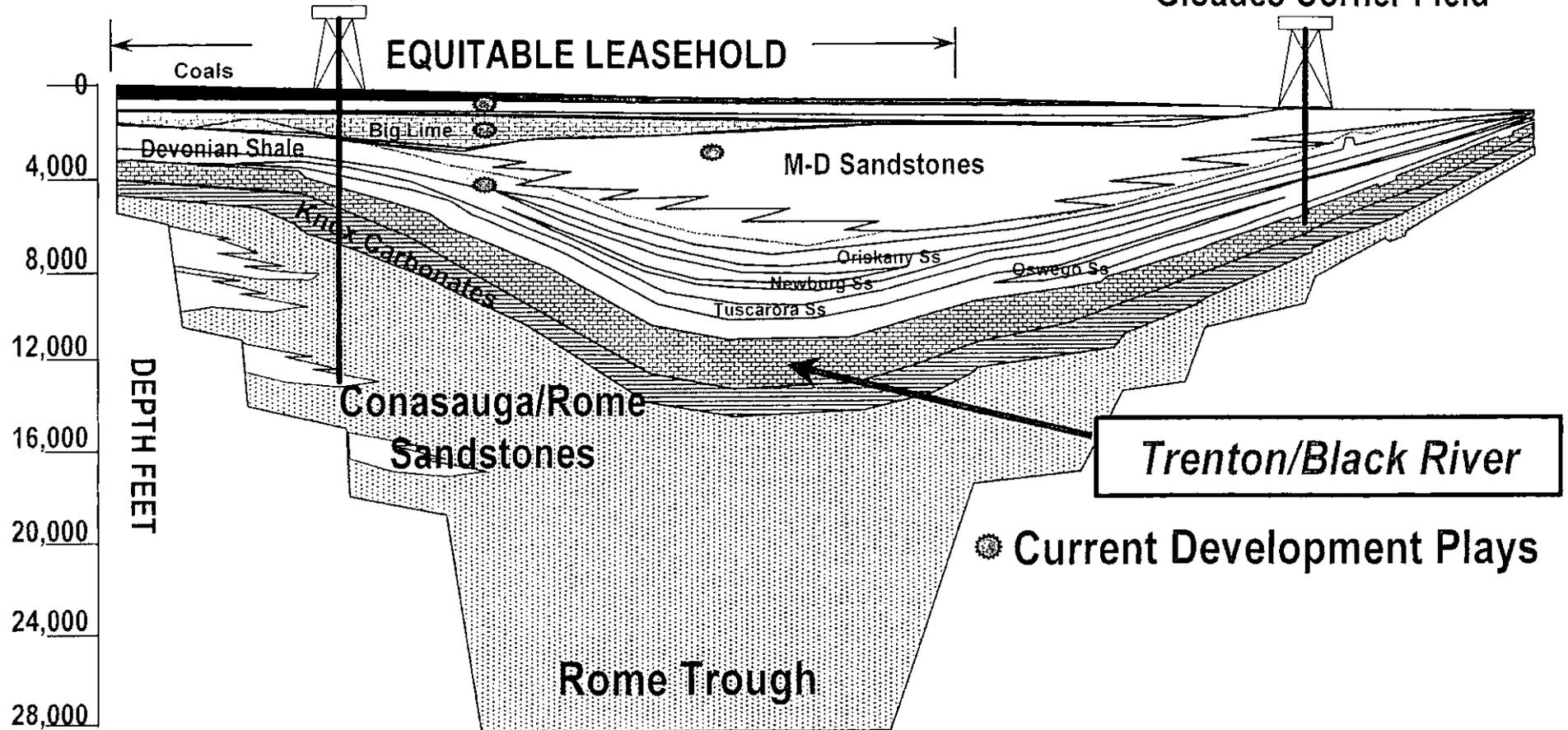
West Virginia

Pennsylvania

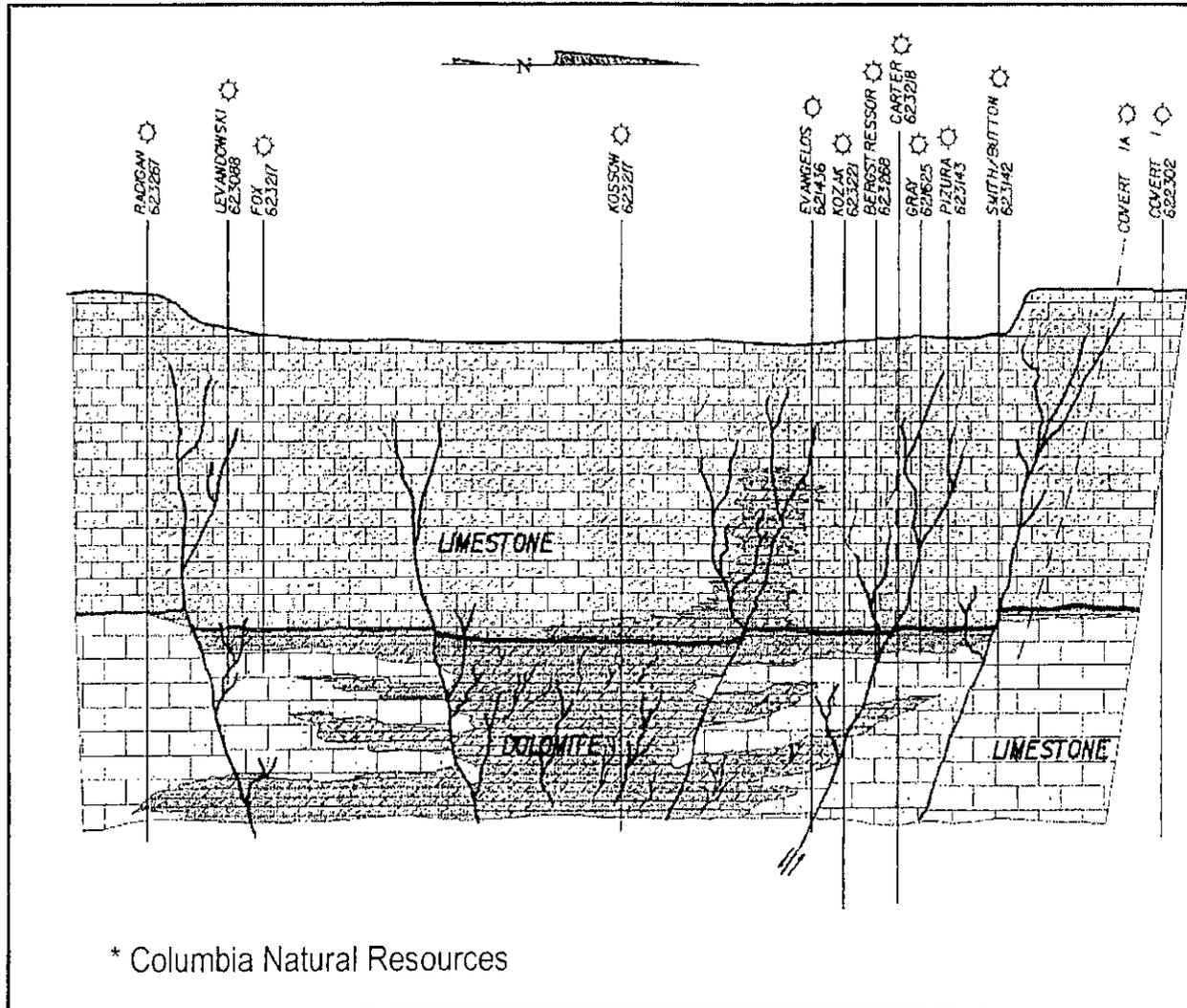
New York

McCoy #1

Gloades Corner Field



Trenton Black River Model Gloades Corner Field



Well Statistics

- 5-10 bcf reserves
- 5,000 mcf/d initial production
- \$3.0 MM cost
- R/P ≈ 3

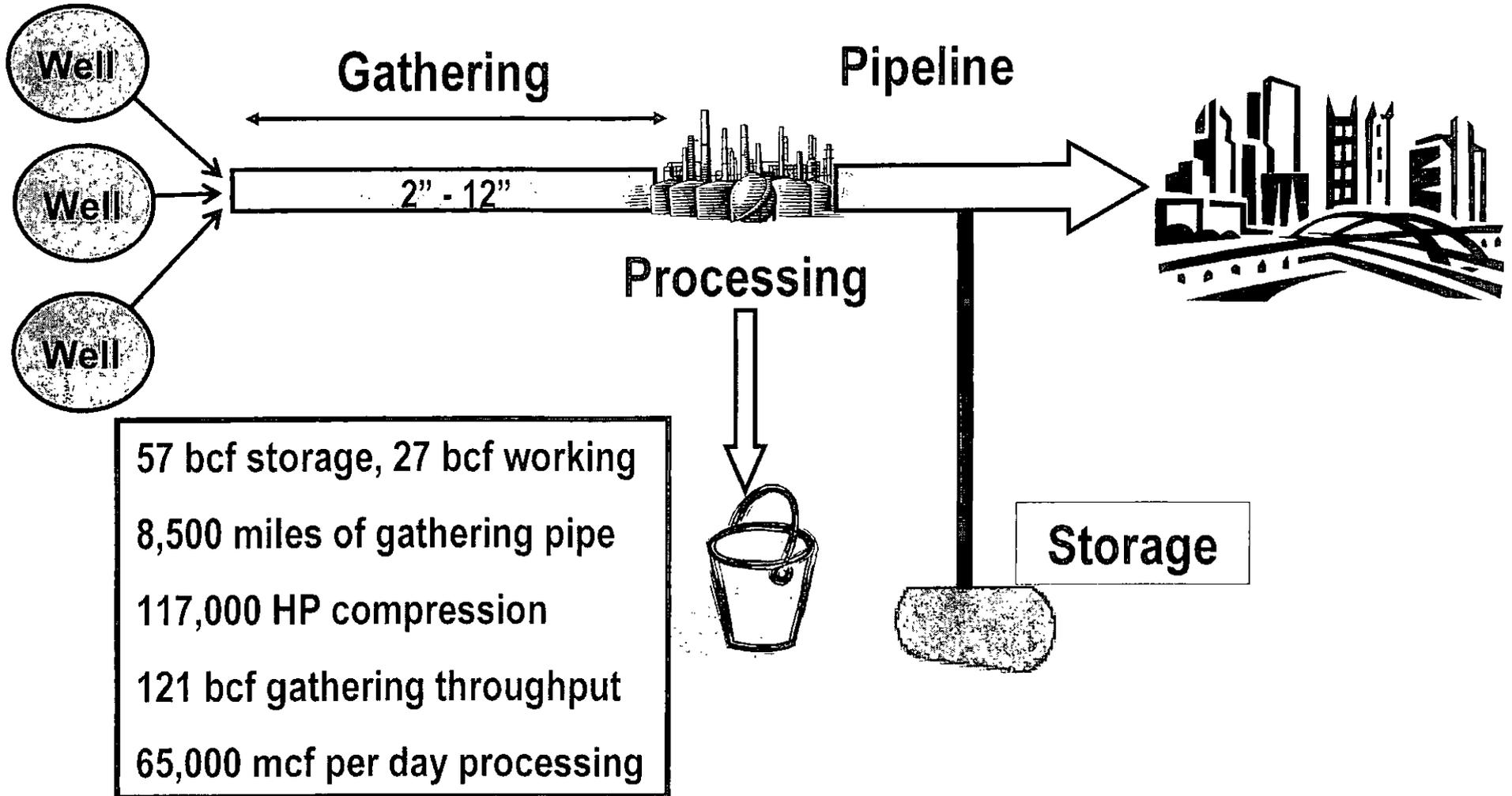
Production Summary

- Increase “conventional” drilling activity
- Improve performance of existing wells
- Maintain focus on unit costs
- Horizontal drilling – 2006
- Deep drilling potential – prepared to invest

Midstream Activities Between Well and City Gates

Production

Distribution



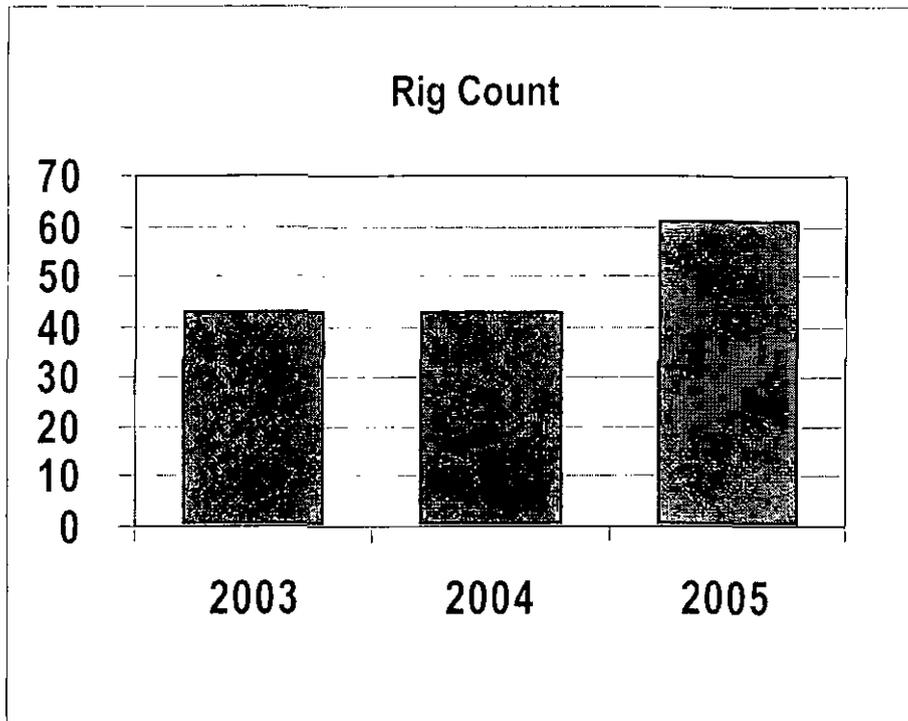
57 bcf storage, 27 bcf working
8,500 miles of gathering pipe
117,000 HP compression
121 bcf gathering throughput
65,000 mcf per day processing

Appalachian Midstream Challenges and Opportunities

- Complexity of gathering network
- Low pressure wells
- Old and constrained gathering infrastructure
- Thousands of sales points
- Hundreds of compressor stations
- Limited takeaway capacity
- Archaic technology

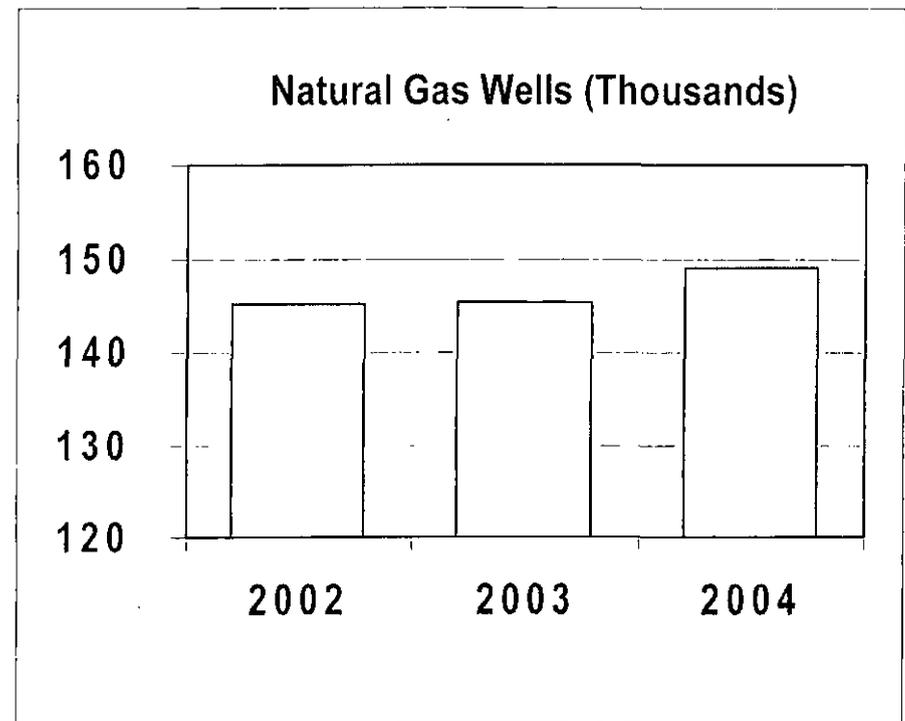
Appalachian Environment

■ Drilling Activity



* Source: Baker Hughes

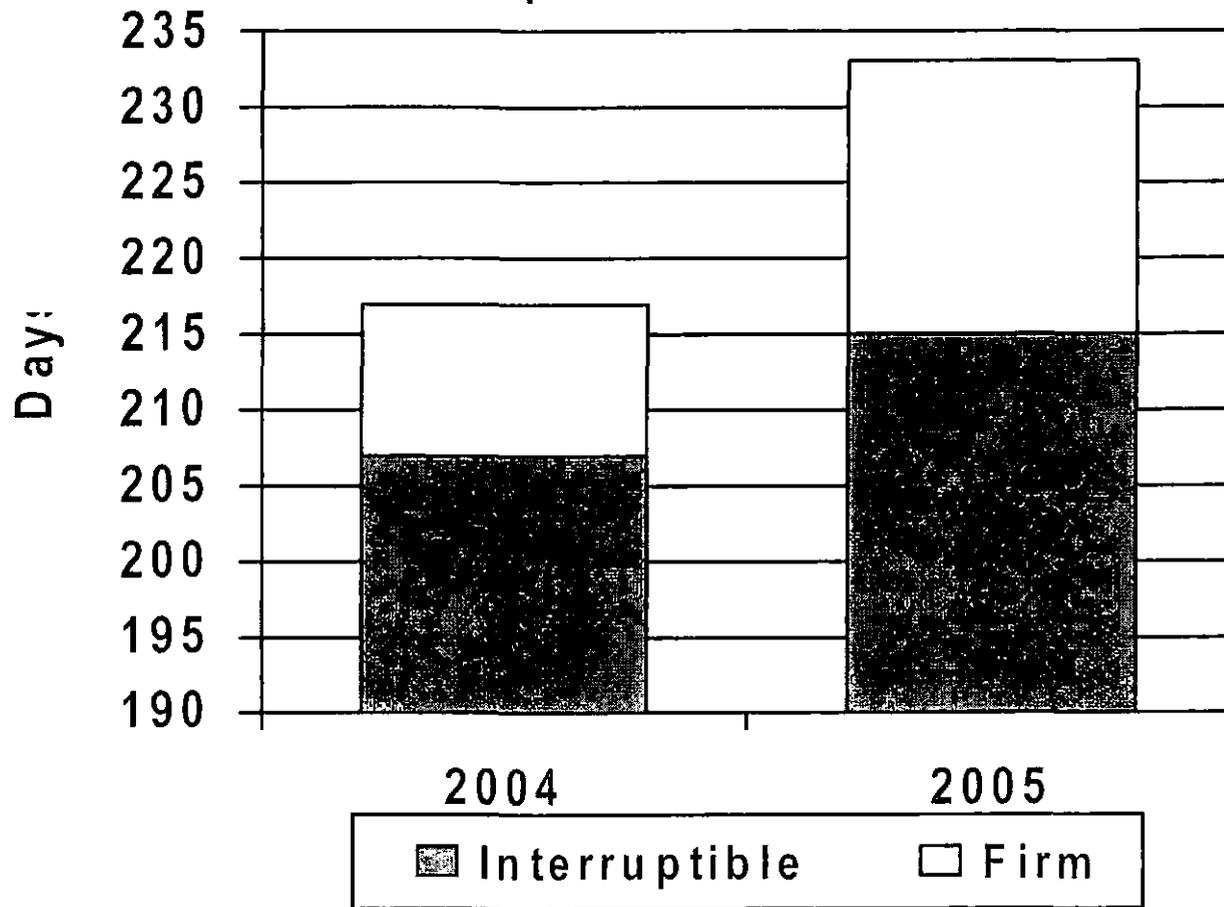
■ Producing Wells



* Source: EIA

Appalachian Environment

Columbia Transmission Pipeline Curtailment



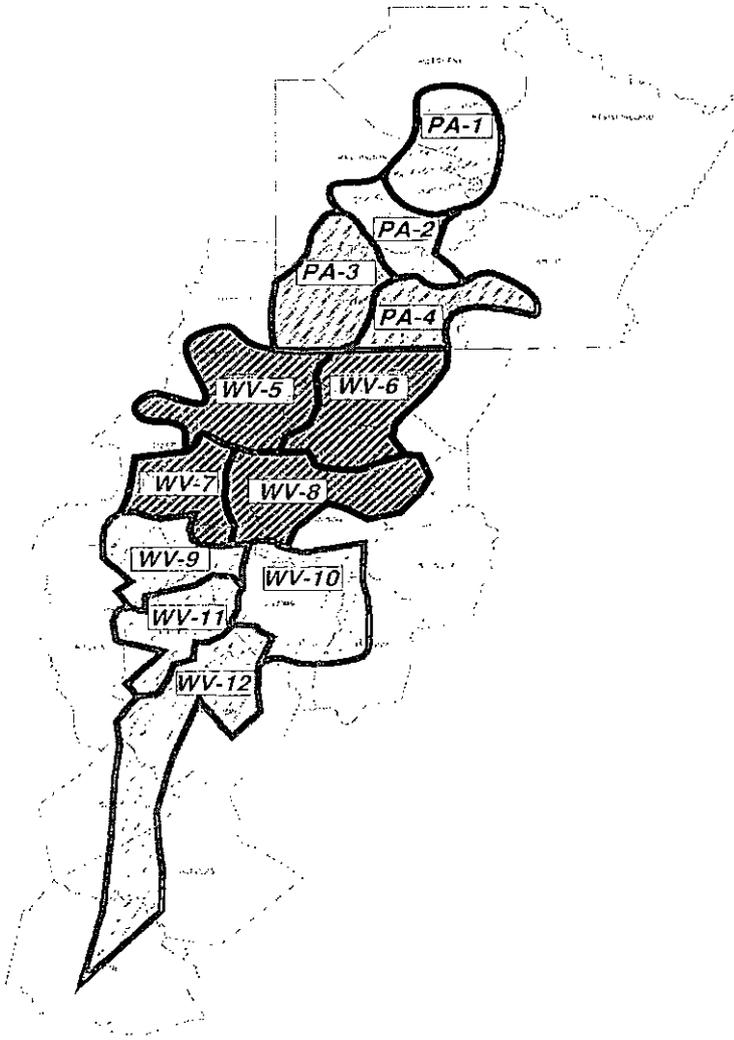
Midstream Strategy

- **Improve sales from EQT wells**
 - Segmented gathering systems
 - Increased metering/improved volume management
 - Reduced pressure
 - Reduced lost gas (L.U.F.)
 - Added firm transportation and storage capacity

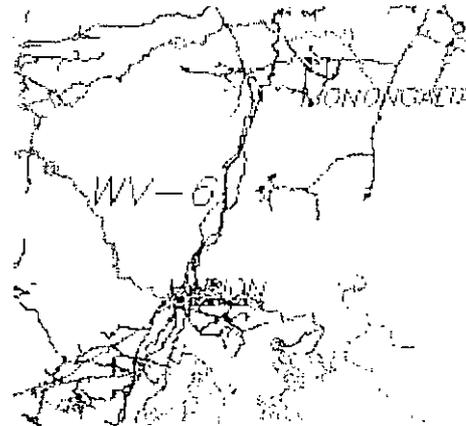
- **Expand midstream revenues**
 - Increase rates
 - Invest in new processing and pipeline capacity
 - Marketing

System Segmentation

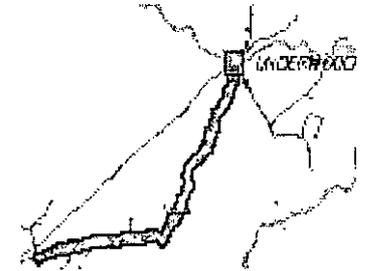
Gathering System



Operating Area



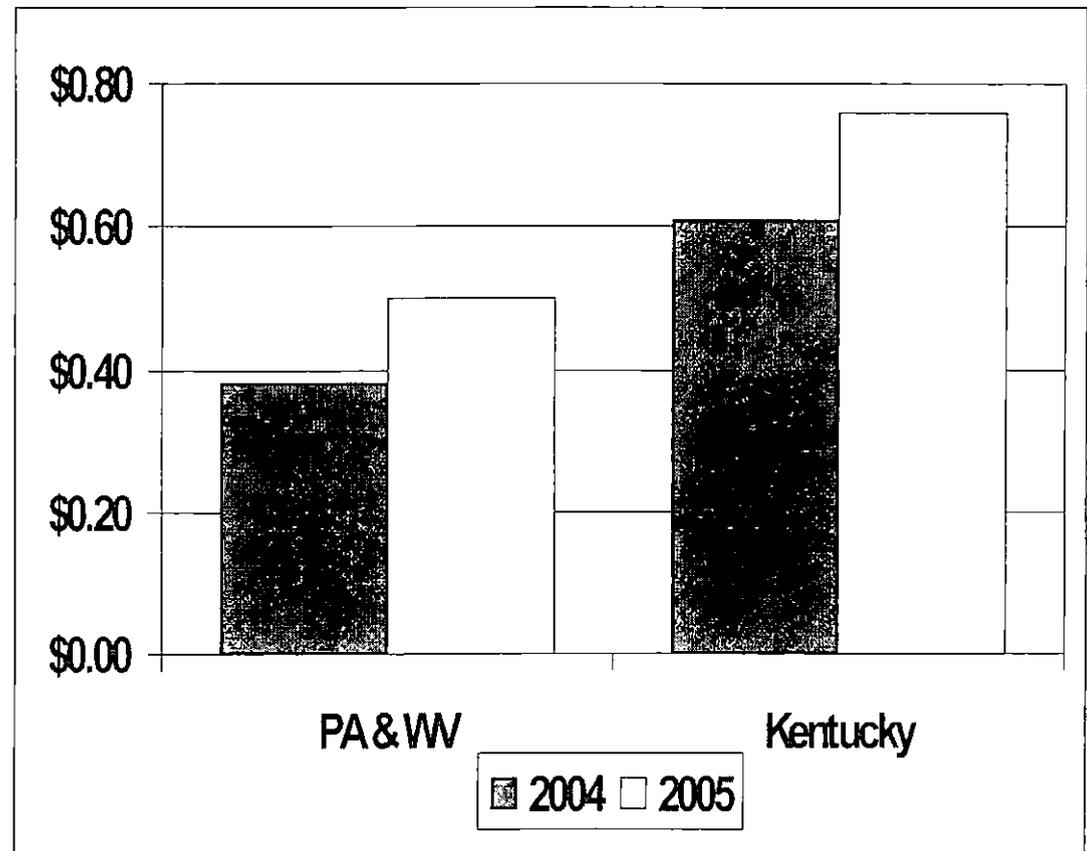
Segment



2005 Gathering Rate Increases

■ 2005 Value Driver

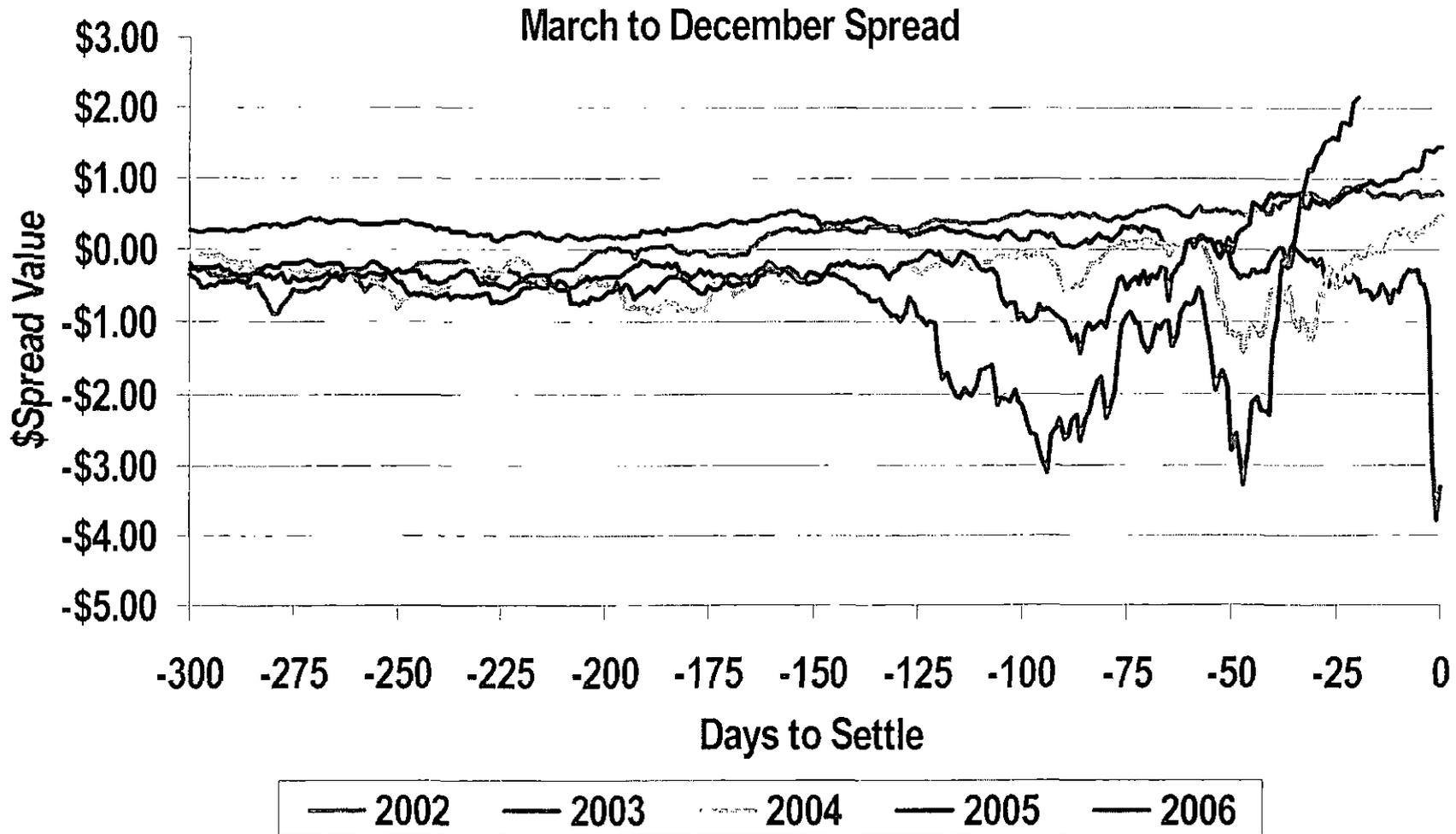
- Increased rates on 67% of 3rd party volumes
- Increased 3rd party rate by 20%



Marketing Activities

- **Third party services**
 - Commodity sales to C&I customers
 - Performance based rates
 - Market third party production
- **Operational support**
 - Market Equitable production
 - Curtailment mitigation
- **Asset management – transportation and storage**
 - Contract services
 - Parking and loaning

Marketing Spread Values



“Appalachian Hub”

Big Sandy Pipeline

Create capacity out of the basin to:

- Support drilling growth
- Mitigate curtailment
- Capitalize on 3rd party producer demand
- 70,000 dth/day

KY Hydro – Processing/Compression

Expand facilities:

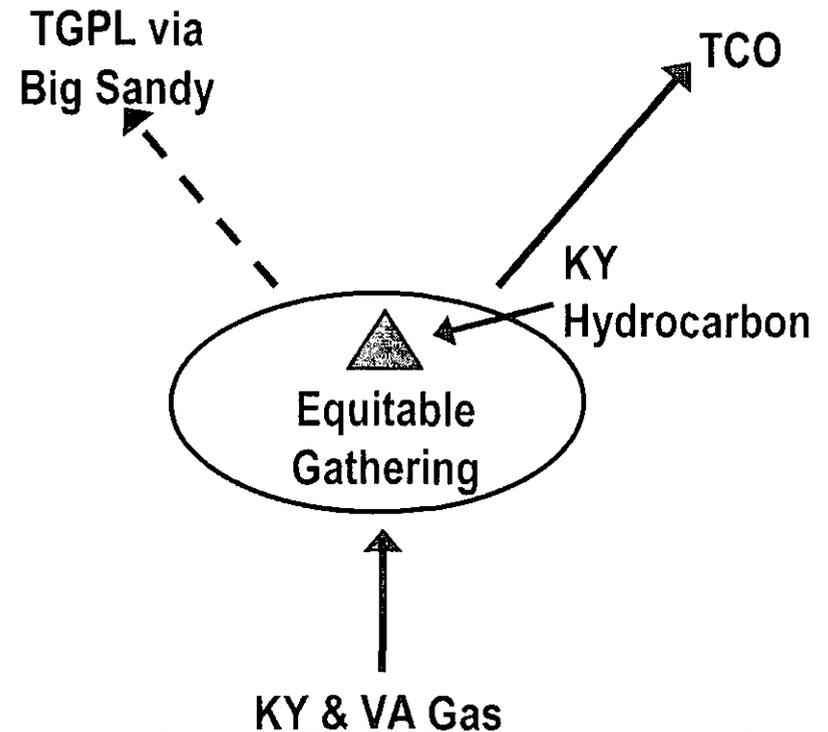
- From 65 to 100 mmcf/day
- Increase processing efficiency
- Increase compressor reliability

Big Sandy Pipeline

Capital \$83 MM
Project IRR 12%

Expand KY Hydro

Capital \$28 MM
Project IRR 10%



Midstream Summary

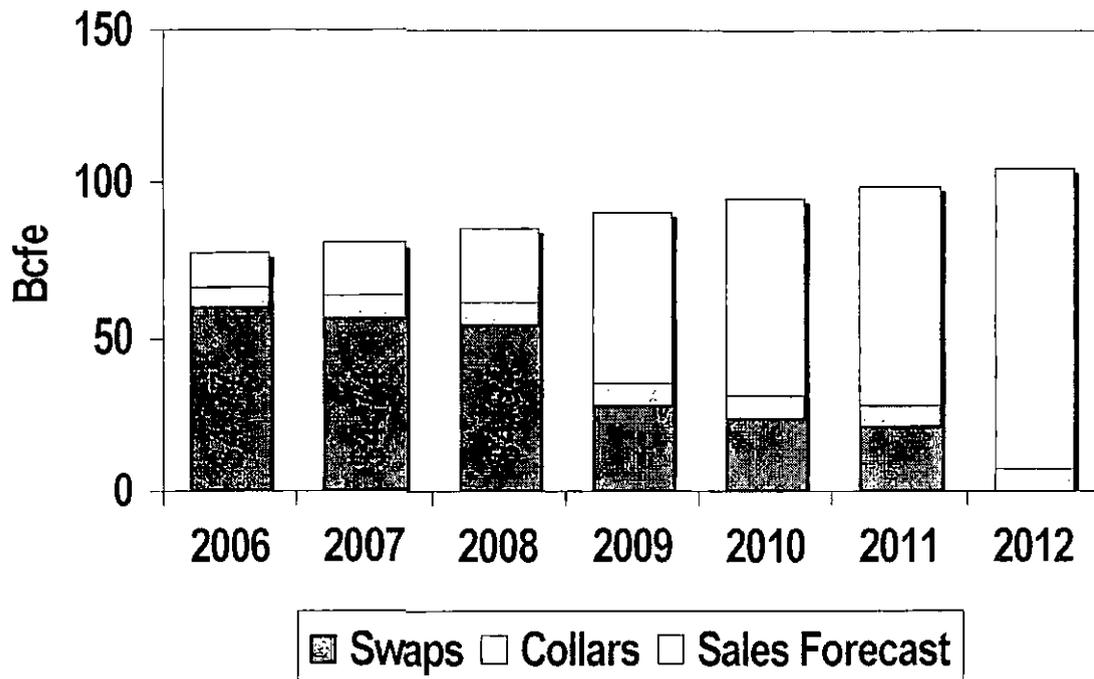
- **Continue operational improvements**
 - Increase throughput
 - Lower lost and unaccounted for gas
- **Commercial**
 - Increase gathering rates
 - Reduce external curtailments
 - Optimize storage assets
- **Develop “Appalachian hub”**
 - Big Sandy Pipeline
 - Kentucky Hydrocarbon Expansion

Equitable Resources Summary

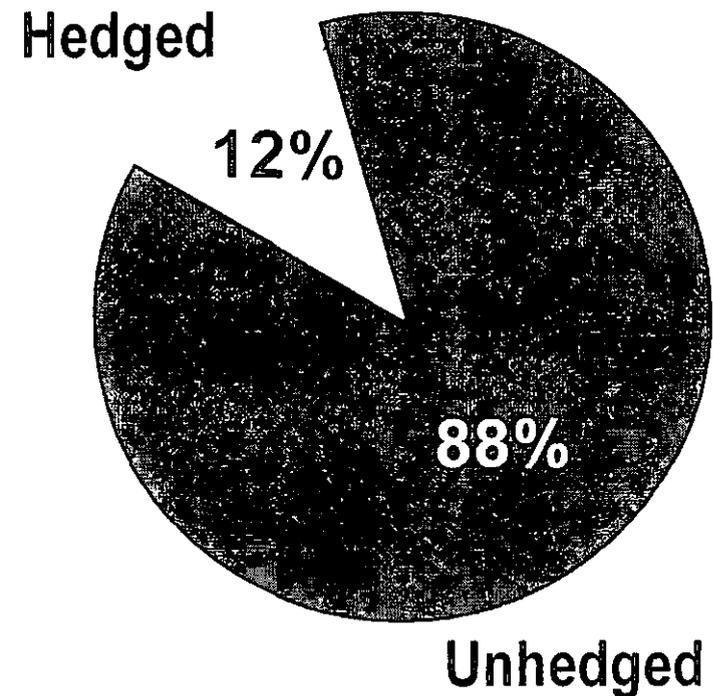
- **Commitment to superior performance**
 - ROTC, ROE, TSR and EPS growth
- **Accelerate conventional drilling**
- **Expand midstream investments**
- **Continue utility operational improvements**
- **Upside growth potential**
 - Participate in regional LDC consolidation
 - Unconventional development: horizontal and deep drilling

Equitable Resources Risk Management

Hedge Position

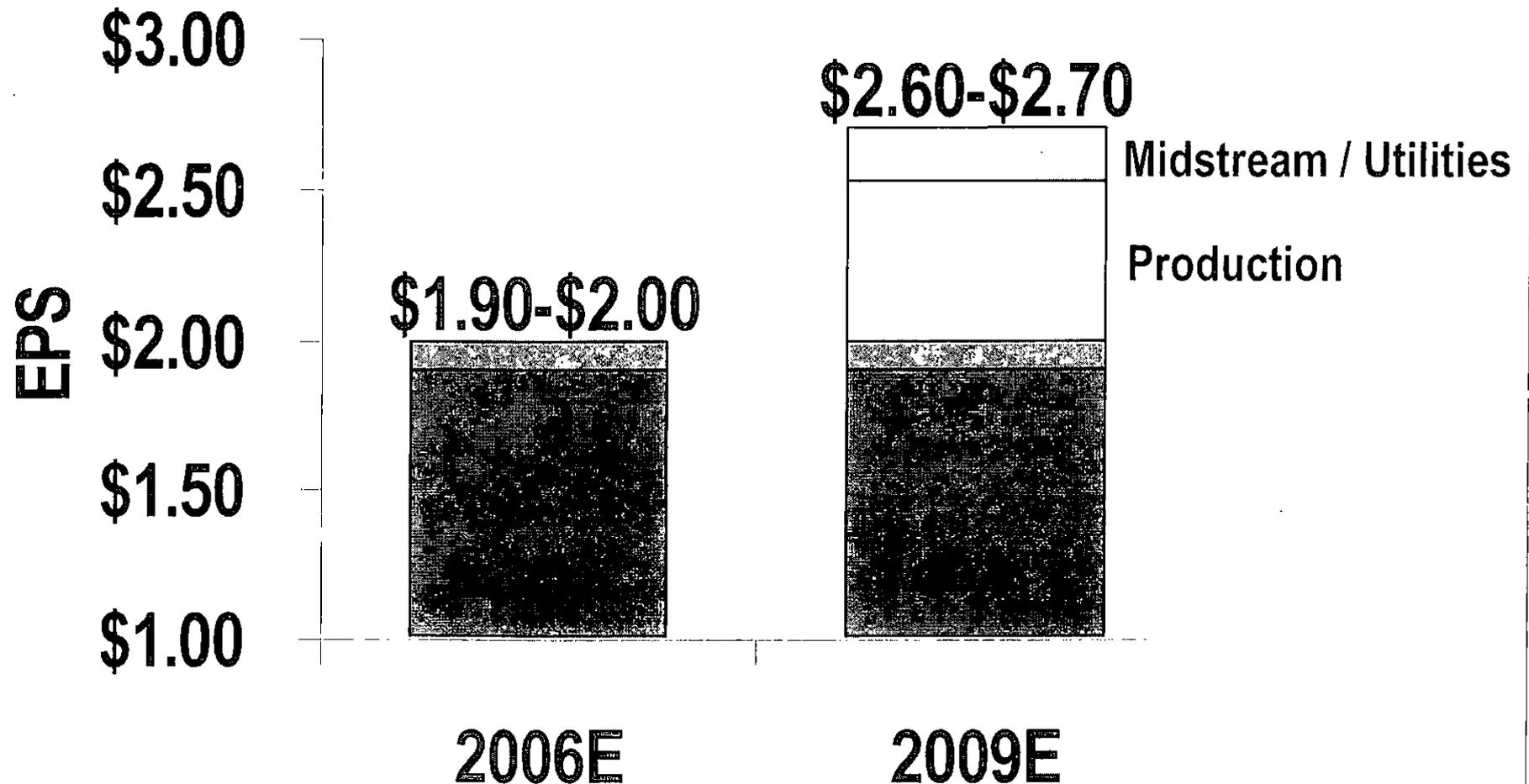


Proved Reserves



* Collars \$7.35/mcf floor, \$10.84/mcf ceiling

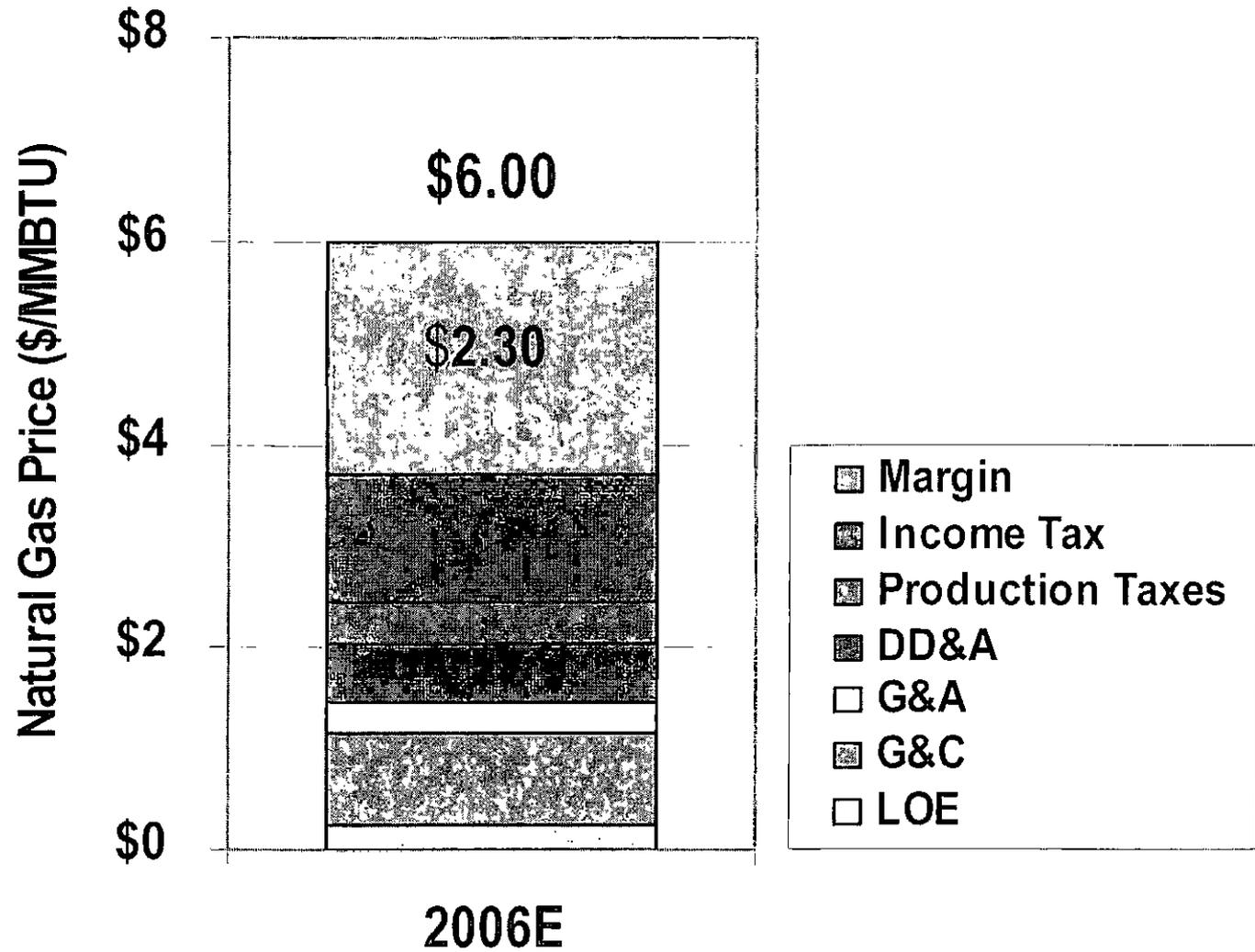
Equitable Resources EPS Growth Potential



* Assumes \$8.00 NYMEX Gas Price in 2009

Appendix

Production Unit Net Income



Stock Ownership Guidelines

<u>Position</u>	<u>Guideline*</u>	<u>Ownership Avg.</u>
Chairman, President and CEO:	Eight times	44
Vice Chairman:	Eight times	23
Other Officers:	Two-four times	7
Other Senior Level Employees:	One times	2

Executive Officers of the Company cannot sell shares or exercise options for cash if they are below ownership requirement.

120 employees have ownership guidelines.

* Multiple of base salary

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 7: Please provide a listing of all securities issuances for the Company and, if applicable, its parent projected for the next two years. The response should identify for each projected issuance the date, dollar amount, type of security, and effective cost rate.

Response: Equitable Resources, Inc. expects to fund its capital expenditures with debt, equity, and possibly other securities that have equity content. The Company is committed to maintaining a cost effective capital structure and intends to finance future cash requirements, excluding the portion of the future cash requirements financed by cash flows from operations, using capital markets transactions.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 8: Please identify all of the Company's and, if applicable, its parent's publicly underwritten common stock issuances written in the last five years. Identify which such issuances were related to mergers or acquisitions, and which were undertaken to fund facility investments in utility plant and equipment.

Response: Equitable Resources, Inc. did not issue common stock to the market for the years ended December 31, 2003 through December 31, 2007. On May 12, 2008, Equitable Resources, Inc. completed a public offering of 8,625,000 shares of its common stock, no par value, at an offering price to the public of \$67.75 per share. The over-allotment option to purchase 1,125,000 additional shares was exercised by the Underwriters and is included in the total shares sold. The Company intends to apply the net proceeds from the sale for general corporate purposes, including its natural gas drilling, development and infrastructure projects.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 9: Please identify any plan by the Company to refinance high cost long-term debt or preferred stock.

Response: The Company currently has no plans to refinance high cost long-term debt or preferred stock.

Item 10: Please provide copies of all securities analysts reports relating to the Company and/or its parent issued within the past 2 years.

Response:

Attached is one of the securities analysts reports.

Due to the volume of all reports for the last two years copies of the following will be supplied only upon request of the specific report.

2006

1-27-06 (Citigroup) EQT 2006 Guidance Lower
1-27-06 (Credit Suisse) EQT – Credit Suisse has
1-27-06 (Credit Suisse) EQT – Equitable Resources
1-27-06 (Wachovia C) EQT – Under Appreciated
1-30-06 (Lehman Bro) Equitable Resources –
1-4-06 (Credit Suisse) EQT – Equitable Resources
10-12-06 (Citigroup) EQT – Acquisition Adds \$
10-2-06 (JPMorgan) Equitable Resources – Best
10-26-06 (BMO Capita) Flash – Extremely Encouraging
10-26-06 (Citigroup) EQT – Horizontal Drilling
10-26-06 (Credit Sui) EQT – Credit Suisse has
10-26-06 (Credit Sui) Equitable Resources
10-26-06 (JPMorgan) Equitable Resources – Opera
10-26-06 (UBS Equiti) First Read – Equitable Res
10-27-06 (JPMorgan) Equitable Resources – Horiz
10-27-06 (Wachovia C) EQT – New Shine on an Old
10-30-06 (JPMorgan) Equitable Res – Revise
11-1-06 (Lehman Bro) Equitable Resources – New 1 of 3
11-13-06 (Morgan Sta) Equitable Resources – Init
2-24-06 (Banc of Am) Much More than Meets The
2-27-06 (Citigroup) EQT – E and P Undervalued – Ra
2-27-06 (Wachovia C) EQT – Pennsylvania Gas Pik
2-28-06 (Lehman Bro) Equitable Resources – Mids
3-2-06 (Citigroup) EQT – Flash – First Impres
3-2-06 (UBS Equiti) Equitable Resources – Acqu
3-2-06 (Banc of Am) Yet another Step in the R
3-3-06 (BMO Capita) EQT – Equitable to Buy Two
3-3-06 (Lehman Bro) Equitable Resources Patience
3-3-06 (Credit Sui) EQT – Credit Suisse has
3-3-06 (Credit Sui) EQT – Equitable Resources
3-6-06 (Wachovia C) EQT – A Smart Move By A Sm
4-27-06 (Lehman Bro) Equitable Resources – Nois

4-28-06 (BMO Capita) EQT – Earnings Below Estim
4-28-06 (UBS Equiti) Equitable Resources Weath
4-28-06 (Wachovia C) EQT – Lackluster Q1 But
5-1-06 (Lehman Bro) Equitable Resources – Retu
5-13-06 (Citigroup) EQT – Valuation UP \$1
6-16-06 (Wachovia C) EQT – Quick Trip With Murr
6-30-06 (JP Morgan) Equitable Resources – Rivis
7-25-06 (UBS Equiti) Equitable Resources EQT
7-27-06 (Credit Sui) EQT – Credit Suisse has
7-27-06 (Credit Sui) Equitable Reson (EQT)
7-27-06 (JP Morgan) Equitable Resources – All S
7-27-06 (UBS Equiti) Equitable Resources – Secon
7-28-06 (BMO Capita) EQT – 2H Catalysts
7-28-06 (Wachovia C) EQT – A Bigger Sandy
7-31-06 (Lehman Bro) Equitable Resources
11-28-06 (Edward Jones) Equitable Resources – Company Update
11-27-06 (Howard Weil) Equitable Resources – 3Q06 Earnings Review
10-26-06 (Edwards) Equitable Resources – EQT Reports Lackluster
10-26-06 (Lehman Bro) Equitable Resources – Q3 Misses,
10-24-06 (Howard Weil) Equitable Resources – Opportunity Ahead
9-6-06 (Edward Jones) Equitable Resources – Company Update
7-7-06 (Howard Weil) Equitable Resources – 2Q Earnings
7-27-06 (Edward Jones) Equitable Resources – Earnings Result
7-27-06 (Lehman Bro) Equitable Resources – Solid 2Q, Drill
5-30-06 (Edward Jones) Equitable Resources – Company Update
4-28-06 (Harris Nesbitt) Equitable Resources – Earnings Below Est
3-2-06 (Edward Jones) Equitable Resources – Company Update
3-3-06 (Harris Nesbitt) Equitable Resources – Equitable to Buy
3-2-06 (Edwards) Equitable Resources – EQT Acquisition Should
3-2-06 (Howard Weil) Equitable Resources – EQT to Buy D LDC
2-27-06 (Howard Weil) Equitable Resources – 2006 Analyst Meeting

2007

1-12-07 (JP Morgan) Equitable Resources – WV
1-21-07 (Citigroup) EQT - \$4.40 in LT EPS
1-24-07 (Lehman Bro) Equitable Resources
1-25-07 (Citigroup) Port Strat Excerpt – EQT
1-25-07 (JP Morgan) Equitable Resources – Slight
1-25-07 (UPS Equiti) First Read – Equitable Res
1-26-07 (JP Morgan) Equitable Res – Expan
1-26-07 (Wachovia C) EQT – Horizontal Bop
1-29-07 (Lehman Bro) Equitable Resources – Afte
10-1-07 (BMO Capita) EQT – An Equitable Split

10-11-07 (BMO Capita) EQT – Horizontal Wells Cou
10-11-07 (Credit Sui) Equitable (EQT) – A Day in
10-11-07 (SMH Capita) EQT – Tour of EQT's Large –S
10-11-07 (Wachovia C) EQT – The Only Thing Horiz
10-19-07 (JP Morgan) Equitable Resources – Reite
10-19-07 (SMH Capita) EQT – Lowering 2007 EPS
10-19-07 (UBS Equiti) Equitable Resource Drivi
10-24-07 (Lehman Bro) Equitable Resources Appa
10-25-07 (Credit Sui) Equitable Resources (EQG)
10-25-07 (Credit Sui) Equitable Resources (EQT)
10-25-07 (Deutsche) Equitable Resources Alert
10-25-07 (JPMorgan) Equitable Resources – In Lit
10-25-07 (UPS Equit) First Read – Equitable Res
10-26-07 (Citigroup) Flash – Equitable Resources
10-26-07 (UP Morgan) Equitable Resources – More
10-26-07 (SMH Capita) EQT – Improved Horizontal
10-26-07 (Wachovia C) EQT – High Class Problems
10-30-07 (Lehman Bro) Equitable Resources – Repo
10-31-07 (BMO Capita) EQT – 3Q07 Results; Moving
11-12-07 (Banc of Am) Initiating Coverage with
11-4-07 (Deutsche) Equitable Resources – Note
12-10-07 (Banc of Am) More Progress on Horizont
12-10-07 (Wachovia C) EQT – Derivative Call And
12-19-07 (Banc of Am) Management Meeting Highl
12-6-07 (Deutsch) Equitable Resources – Alert
2-12-07 (JP Morgan) Equitable Resources – PA ALJ
3-15-07 (BMP Capita) Flash – FTC Seeks to Block
3-15-07 (JP Morgan) Equitable Resources – FTC B
3-15-07 (UBS Equiti) First Read – Equitable Res
3-15-07 (Wachovia C) EQT – An Eastern Questar
3-16-07 (SMH Capita) EQT – Unprecedented FTC
3-29-0 (BMO Capita) Flash – 3P Reserves Show D
3-29-07 (Citigroup) Flash – Equitable Resources
3-29-07 (JP Morgan) Equitable Resources – Incre
3-29-07 (UBS Equiti) First Read – Equitable Res
3-30-07 (UBS Equiti) Global Daily Spark
3-8-07 (SMH Capita) EQT – Extreme Makeover Acc
4-13-07 (JP Morgan) Equitable Resources – PA PUC
4-16-07 (SMH Capita) EQTs Sale of Appalac
4-16-07 (UBS Equiti) First Read – Equitable Res
4-17-07 (BMO Capita) Flash – Equitable to Use P
4-17-07 (Wachovia C) EWT – A Very Nice Trade
4-2-07 (Wachovia C) EQT – Well Positioned in T
4-26-07 (UBS Equiti) First Read – Equitable Res

4-27-07 (BMO Capita) EQT – Promising Horizontal
4-2707 (Credit Sui) Equitable Resources (EQT)
4-27-07 (JP Morgan) Equitable Resources – Annou
4-3-07 (BMO Capita) EQT – Downgrading to MARKE
4-30-07 (Wachovia C) EQT – The Game Has Changed
5-14-07 (Credit Sui) EQT – FTC Green Light
5-14-07 (UBS Equiti) First Read – Equitable Resources
5-15-07 (BMO Capita) Pgh Court Throws Out
5-15-07 (JPMorgan) Equitable Resources – Judge
5-15-07 (SMH Capita) EQT – Acquisition of Domin
5-17-07 (JP Morgan) Equitable Resources – FTC A
5-2-07 (UBS Equiti) Equitable Res Equit
5-31-07 (Citigroup) Equitable Resources Inc
6-20-07 (JP Morgan) Nat Gas Distribution
6-5-07 (JP Morgan) EQT Res – People
7-25-07 (Lehman Bro) Equitable Resources – EPS
7-26-07 (BMO Capita) Flash – Comments Shed Light
7-26-07 (BMO Capita) More Capital Devoted to D
7-26-07 (Citigroup) Eqt Res Inc
7-26-07 (Credit Sui) Eqt Res (EQT)
7-26007 (Lehman Bro) Equitable Resources – 2Q I
7-26-07 (Morgan Sta) Equitable Resources – Hori
7-26-07 (UBS Equiti) First Read – Eqt Res
7-27-07 (JPMorgan) Eqt Res – Horiz
7-27-07 (Wachovia C) EQT – A step Back to Take
7-5-07 (JPMorgan) Eq Res – Ext
8-10-07 (SMH Capita) EQT – Recent Meting With
8-19-07 (Deutsche B) Eqt Res – Init
8-19-07 (Deutsche B) Eqt Res – Init
8-20-0 (Lehman bro) Eqt Res – Pote
8-21-07 (JPMorgan) Eqt Res – More
10-25-07 (Edward Jones) Equitable Resources – Earning Result
9-7-07 (Edward Jones) Equitable Resources – Rating Downgrad
7-27-07(Edwards) Equitable Resources – Once Again
6-29-07 (Edward Jones) Equitable Resources – Compen Update
4-26-07 (Edward Jones) Equitable Resources – Earnings Result
1-25-07 (Edward Jones) Equitable Resources – Earnings Result
1-26-07 (Edwards) Equitable Resources – Earnings in Line

2008

1-10-08 (BMO Capita) Presents at BMO Capita M
1-15-08 (Banc of Am) Terminates Utility Acquis
1-15-08 (BMO Capita) Peoples Hope Acquisition

1-15-08 (Citigroup) Flash – EQT – EQT Cancels \$
1-15-08 (Credit Sui) Eqt Resour (EQT)
1-15-08 (Deutsche) Equitable Resources Alert
1-15-08 (UBS Equiti) First Red – Equitable Resources
1-16-08 (Lehman Bro) Equitable Resources – Revi
1-22-08 (Citigroup) EQT _ Gas Fundamental Sti
1-26-08 (Banc of Am) Investing for the Future
1-31-08 (BMO Capita) Increases Horizontal Drill
1-31-08 (Citigroup) Flash – EQT – Proved Rsvs
1-31-08 (Deutsche) Equitable Resources – Lift
1-31-08 (JPMorgan) Equitable Res – Focus
1-31-08 (Lehman Bro) Equitable Resources – Q4
1-31-08 (Morgan Stanley) Equitable Resources – Quick
1-31-08 (UBS Equiti) First Read- Equitable Res
2-1-08 (Banc of Am) Impressive Reserve Growth
2-1-08 (Morgan Stanley) Equitable Resources – Stro
2-1-08 (BMO Capita) EQT – Raising Price Target
2-1-08 (Wachovia C) EQT – The Pipe Wags the D
2-20-08 (Credit Sui) EQT – Dropping Coverage
2-20-08 (JPMorgan) Equitable Resources - Posit
3-10-08 (Wachovia C) EQT – Analyst Day Preview
3-11-08 (Banc of Am) Analyst Meeting Highlight
3-11-08 (BMO Capita) Marcellus Effort Ramping
3-12-08 (Deutsche B) Equitable Resources – Anal
3-12-08 (JPMorgan) Equitable Resources – New Info
3-12-08 (Citigroup) EQT – High Resource Potent
3-13-08 (UBS) Equitable Resources EQT"s
3-13—8 (Wachovia C) EQT – Thoughts on Analyst
3-13-08 (Wachovia C) Late Packet
3-17-08 (Lehman Bro) Equitable Resurces Anal
3-17-08 (Lehman Bro) Equitable Resurces – Revi
1-18-08 (JPMorgan) Pipeline of Events – Date to Watch
1-31-08 (Edward Jones) Equitable Resources – Investment Summary
4-7-08 (BMO Capita) Announces 200K Prospective
4-16-08 (RBC Capital) Appalachian Powerhouse
4-25-08 (Morgan Stanley) Equitable Resources - Revi
5-1-08 1 (Lehman Bro) Equitable Resources Q1
5-1-08 1 (UBS Equiti) First Read - Equitable Res
5-1-08 4 (Banc of Am) First Quarter Results
5-1-08 8 (Deutsche B) Equitable Resources Alert
5-1-08 8 (JPMorgan) Equitable Resources-Negative
5-1-08 9 (Banc of Am) First Quarter Results-Q1
5-2-08 1 (Lehman Bro) Equitable Resoruces - 1Q
5-2-08 4 (JPMorgan) Equitable Resources-New I

5-2-08 5 (RBC Capita) EandP Segment Continues to
5-13-08 (Lehman Bro) Equitable Resources - Revi
5-19-08 (Morgan Sta) Equitable Resources - Disc

Equitable Resources Inc (EQT)

HOLD (2)
Low Risk (L)

EQT: 2006 Guidance Lower Than Anticipated; Target Price Remains \$37

Mkt Cap: \$4,726 mil.

January 27, 2006

SUMMARY

INTEGRATED NATURAL GAS & GAS UTILITIES

Faisal Khan, CFA

+1-212-816-2825
faisal.khan@citigroup.com

Sebastian Iannariello

+1-212-816-0436

- **Stock Price Decline:** Equitable was down 4% yesterday owing to lower than anticipated 2006 guidance of between \$1.90 and \$2.00 per share. Our estimate was \$2.14 excluding NORESKO (\$0.08 per share). We believe the difference from our '06 estimate is about 2.0 Bcf of production (\$0.09 per share), lower marketing earnings (\$0.05 per share) and higher DD&A owing to a larger than expected capex budget.
- **4Q'05 Earnings:** Equitable reported recurring 4Q'05 EPS of \$0.55 per share after adjusting for the gain on sale of Kerr-McGee stock, pension charges and a tax disallowance. Our estimate was \$0.55 per share compared to \$0.42 last year. Higher realized natural gas prices caused the year over year increase.
- **Production Results:** 4Q'05 production was 18.4 Bcfe, slightly lower than 3Q'05 production but 9% higher than 4Q'04. Cash costs in the quarter were \$1.11 per Mcf compared to \$0.87 last year.

United States

FUNDAMENTALS

P/E (12/06E).....	18.2x
P/E (12/07E).....	16.3x
TEV/EBITDA (12/06E).....	10.8x
TEV/EBITDA (12/07E).....	9.7x
Book Value/Share (12/06E).....	\$3.02
Price/Book Value.....	12.5x
Revenue (12/06E).....	\$1,342.5 mil.
Proj. Long-Term EPS Growth.....	10%
ROE (12/06E).....	79.7%
Long-Term Debt to Capital(a).....	70.4%
EQT is in the S&P 400® Index.	

(a) Data as of most recent quarter

SHARE DATA

Price (1/25/06).....	\$37.81
52-Week Range.....	\$39.35-\$28.16
Shares Outstanding(a).....	125.0 mil.
Div(E) (Cur/Prev).....	\$0.84/\$0.84

RECOMMENDATION

Rating (Cur/Prev).....	2L/2L
Target Price (Cur/Prev).....	\$37.00/\$37.00
Expected Share Price Return.....	(2.1%)
Expected Dividend Yield.....	2.2%
Expected Total Return.....	0.1%

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/05A	Actual	\$0.61A	\$0.30A	\$0.34A	\$0.55A	\$1.80A
12/06E	Current	\$0.63E	\$0.39E	\$0.42E	\$0.63E	\$2.08E
	Previous	\$0.71E	\$0.43E	\$0.45E	\$0.62E	\$2.22E
12/07E	Current	\$0.75E	\$0.46E	\$0.46E	\$0.65E	\$2.32E
	Previous	\$0.77E	\$0.48E	\$0.48E	\$0.64E	\$2.37E
12/08E	Current	\$0.76E	\$0.50E	\$0.53E	\$0.72E	\$2.50E
	Previous	\$0.78E	\$0.52E	\$0.54E	\$0.70E	\$2.54E

First Call Consensus EPS: 12/06E \$1.77; 12/07E \$2.06; 12/08E \$2.38

OPINION

Utility Conservation: According to management, EQT experienced about 2% customer conservation on a weather normalized basis. This compares to our annual estimates of about 1% annually, which has been the industry norm for the last few decades. Overall utility

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earnings were actually up 3% in the quarter over last year largely on weather that was 13% colder than last year. EQT's bad debt expense in 4Q'05 was only \$1.3 million higher than 2004 despite natural gas prices being 99% higher than last year. We attribute this success to a new customer information system, EQT's automated meter reading (AMR) initiative and recent changes in Pennsylvania law that allow winter terminations for customers above a certain income levels.

Upcoming Analyst Meeting: On February 24th, EQT will host an analyst meeting in New York. We expect positive developments from the meeting mostly pertaining to midstream and pipeline projects that should add another layer of earnings to EQT's long-term forecast. We also expect more information on EQT's horizontal drilling effort into the Devonian Shale and coal seams in Virginia.

Estimates & Valuation: We are revising our 2006, 2007 and 2008 earnings per share estimates downward to \$2.08, \$2.32 and \$2.50 reflecting lower marketing and trading earnings than 2005, the sale of NORESCO partially offset by higher pipeline earnings from EQT's announced \$83 million project. Our 2006 estimate differs from EQT because we continue to use Citigroup's 2006 natural gas price estimate of \$10.00 per Mcf while EQT is using the current 12 month strip of \$9.13 per Mcf. Our valuation remains unchanged at \$37 per share.

VALUATION

We used multiple valuation scenarios to reach our target price of \$37.00 per share.

Figure 1. Valuation Pyramid Analysis



Source: Citigroup Investment Research

Figure 2. Valuation Break Down

Net Asset Value	\$42.99
Discounted Cash Flow	\$34.31
DCF @ Current Strip	\$38.81
Long-term Price to Earnings Multiple	\$31.24
EBITDA to Enterprise Value Multiple	\$24.64
Average Value	\$34.40
x Discount Rate	.6%
12-Month Target Price	\$36.62

Source: Citigroup Investment Research

Net Asset Value

Our net asset value analysis attempts to incorporate what we believe is the liquidation value of a company's assets.

We use a multiple of 1.5 times rate base for EQT's gas utility and pipeline assets. This multiple is based on acquisitions we have observed over the last decade in the pipeline and gas utility sectors.

We value EQT's gathering, marketing and construction business units on varying multiples of EBITDA.

We value EQT's proved developed reserves at \$2.03 per Mcf and proved undeveloped reserves at \$1.18 per Mcf. Our \$1.18 per Mcf estimate reflects development costs of \$0.85 per Mcf. We believe our estimates incorporate our long-term view of natural gas prices of

\$5.50 per Mcf and taxable gains. Interestingly enough EQT bought its Western Appalachia assets from Statoil for \$0.57 per Mcf (1.1 Tcf for \$630 million).

We value the probable and possible reserves at \$1.18 per Mcf but we probability weight those reserves at 70% and 30%. We believe this is reasonable, because, it is theoretically possible to drill those wells and get the gas out of the ground. We also value EQT's unevaluated acreage at \$150 per acre.

In our opinion, our NAV analysis of \$42.72 per share illustrates how much leverage the company has to a larger drilling program.

Figure 3. Net Asset Value

\$ in millions, except per-share data

Asset	Value per Unit	Unit	Capacity	Value
Transmission				
Equitrans & Carnegie Pipeline	\$171.2	Rate Base	1.5x	256.8
Distribution				
Gas Utilities	\$516.4	Rate Base	1.5x	774.5
			Subtotal	1,031.3
Exploration & Production				
Nat. Gas / Oil Proved-Developed	1,572	\$2.03	mcf	3,191.4
Nat. Gas / Oil Proved-Undeveloped	530	\$1.18	mcf	624.9
	2,102			
Probable Reserves - 70% Risk Factor	490	\$1.18	mcf	578.2
Possible Reserves - 30% Risk Factor	270	\$1.18	mcf	318.6
	760			
	<i>Implied Value per Proved Reserves</i>		\$2.24	
Unevaluated Acreage	1,530,000	\$150.0	acre	229.5
			Subtotal	4,942.5
Other				
Marketing	\$39.8	05 EBITDA	6.5x	258.6
Gathering	\$47.4	05 EBITDA	7.5x	355.4
NORESCO Proceeds				82.0
			Subtotal	696.0
Total Value of Hard Assets				\$6,669.9
Total Cash (Restricted & Available)				\$0.0
Asset Sale				\$0.0
Net Proceeds from KMG Sales				\$37.8
Margin Account				\$0.0
Total Debt from Balance Sheet				(\$1,285.9)
Implied Value of Equity				\$5,421.8
Net Asset Value per Common Share				\$42.99

Source: Citigroup Investment Research

Discounted Cash Flow

We have two DCF analyses. One at the current natural gas strip, \$38.81 per share and one at our Citigroup natural gas price forecasts, \$34.31 per share.

We use ten years of cash flow estimates and the residual value of EQT's assets at the end of ten years. Our capex budget is based on EQT's drilling program, gathering infrastructure build-out and advanced metering installation at the utility.

We use an adjusted beta of 0.59, an equity risk premium of 3.8% and a bond spread of 50 basis points on EQT's debt to the ten-year treasury yield to reach a weighted average cost of capital (WACC) of 6.5%.

EQT's cash flows discounted back to today yield \$1.9 billion in value. The residual values of the assets make up \$3.7 billion of our DCF, which is 65% of our total enterprise value. The largest component of our residual value is the natural gas reserves of \$2.8 billion. We take 2.9 trillion cubic feet (TCF) and multiply these reserves by \$1.75 per Mcf and discount the aggregate value back to today. This method assumes that EQT is able to replace production over the next decade, which we believe is reasonable given EQT's 1.5 million unevaluated acres.

Our DCF would have upside if EQT were to accelerate its drilling program beyond its current rate.

Traditional Trading Multiples (EBITDA and P/E)

Using a long-term trailing price to earnings multiple of 15.0 times, which we derive from historical data over the last 10 years from a peer group of 29 companies in the natural gas sector, yields a price of \$29.81 per share on our new 2007 estimate. Using an 8.0 times trailing enterprise-value-to-EBITDA multiple on our new 2007 EBITDA estimate yields a price of \$23.99 per share. We discount our estimates back to today.

RISKS

We rate Equitable Resources Low Risk. Our risk rating takes into account EQT's low risk and low cost natural gas reserve base, a stable earnings stream from utility assets, a constructive relationship with state regulators, a low net-debt to total capitalization and natural gas production that is mostly hedged over the next few years.

Our estimates are based on the company delivering on its stated drilling objectives and cost cutting initiatives at the utility. To the extent that the company is not able to deliver on its objectives, our valuation could become impaired.

The company's E&P business relies on it having availability to drilling rigs. Currently, the market remains tight for rigs and costs continue to rise. While we include some level of inflation for drilling costs, these costs could rise at a faster rate and reduce our earnings estimates.

Commodity prices remain volatile. While, the company has hedged a large portion of its production over the next three years, stockholders' expectations of future natural gas prices will have an impact on EQT stock.

Mr. Gerber, CEO, and Mr. Porges, Executive VP of Finance and Administration are largely credited with delivering superior shareholder value over the last five years. If one of these members of management were to leave, we may revisit our valuation thesis.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. Likewise, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

INVESTMENT THESIS

Our Hold rating takes into the account EQT's ability to continue to deliver consistent, long-term earnings growth with a focus on capital discipline balanced by the stock's current valuation. We estimate EQT can deliver 10% earnings growth over the next five years through share buybacks, increased natural gas production and the gradual roll-off of production hedges. We believe this long-term growth will continue to deliver long-term price appreciation in the stock; however, we now believe this growth is fully embedded in the current stock price.

COMPANY DESCRIPTION

Equitable is a regional integrated natural gas company with operations in the state of Pennsylvania and surrounding areas. The company operates three business units: (1) Equitable Utilities, which consists of a regulated natural gas delivery business with primary operations in Pennsylvania, an interstate pipeline company with operations in Pennsylvania and surrounding states and an energy marketing business; and (2) Equitable Supply, a natural gas production and gathering business that focuses on long-lived, low risk natural gas development in the Appalachian Mountains.

ANALYST CERTIFICATION

APPENDIX A-1

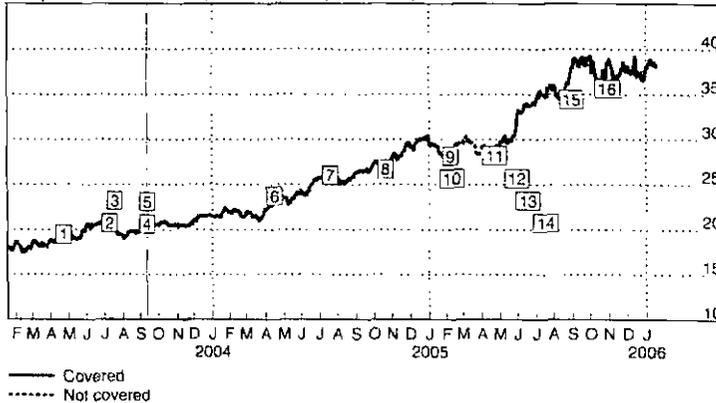
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IMPORTANT DISCLOSURES

Equitable Resources Inc (EQT)

Ratings and Target Price History - Fundamental Research

Analyst: Faisal Khan, CFA (covered since April 26 2005)



#	Date	Rating	Target Price	Closing Price
1:	23 Apr 03	2M	*19.50	19.24
2:	10 Jul 03	2M	*21.00	20.25
3:	18 Jul 03	2M	*22.50	20.14
4:	12 Sep 03	Stock rating system changed		
5:	12 Sep 03	*2M	*22.00	20.11
6:	16 Apr 04	2M	*24.00	23.25
7:	21 Jul 04	2M	*26.00	25.77
8:	21 Oct 04	2M	*28.00	27.53
9:	8 Feb 05	2M	*29.00	26.91
10:	10 Feb 05	Coverage suspended		
11:	25 Apr 05	*1L	*31.00	29.12
12:	1 Jun 05	1L	*34.00	32.79
13:	17 Jun 05	*2L	34.00	33.69
14:	19 Jul 05	2L	*36.00	34.80
15:	31 Aug 05	2L	*37.00	37.70
16:	31 Oct 05	2L	37.00	38.65

*Indicates change.

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The Firm is a market maker in the publicly traded equity securities of Equitable Resources Inc.

Citigroup Investment Research Ratings Distribution

Data current as of 31 December 2005

	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (2784)	42%	41%	17%
% of companies in each rating category that are investment banking clients	47%	48%	37%
Integrated Natural Gas & Gas Utilities -- North America (14)	43%	57%	0%
% of companies in each rating category that are investment banking clients	33%	63%	0%

Guide to Fundamental Research Investment Ratings:

Citigroup Investment Research's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

Investment ratings are a function of Citigroup Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are: Buy (1) (expected total

return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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OTHER DISCLOSURES

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ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 11: If applicable, please supply a listing of all common equity infusions from the parent to the Company over the past five years. In each case, identify date and dollar amount.

Response: Not applicable. The Company operates as a division of Equitable Resources, Inc.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 12: If applicable, please identify the company's common dividend payments to its parent for each of the last five years.

Response: Not applicable. The Company operates as a division of Equitable Resources, Inc.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 13: Please provide the latest year-by-year financial projections for the Company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies.

(Information should be treated in a confidential manner.)

Response: The financial projections of the Company are confidential and will be made available to the Public Utility Commission and regulatory parties upon request, subject to the execution of a confidentiality agreement.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 14: Please provide the Company's five-year construction budget.

Response: The Company does not prepare a five-year construction budget. Attached is Equitable Gas Company's Pennsylvania Division Capital Budget for the years 2004 – 2008.

**EQUITABLE GAS COMPANY PA DIVISION
2004 CAPITAL BUDGET**

SUBCLASS	CATEGORY / DESCRIPTION	AMOUNT
	PRODUCTION PLANT	
0102	Producing Gas Wells	\$ 100,000
	TOTAL PRODUCTION PLANT	\$ 100,000
	TRANSMISSION PLANT	
0304	Compressor Stations	\$ 1,129,800
	TOTAL TRANSMISSION PLANT	\$ 1,129,800
	DISTRIBUTION PLANT	
0421	New Business Mainline Extensions	\$ 3,500,000
0422	Mainline Replacement	17,600,000
0424	Measuring and Regulating Stations	420,000
0431	New Business Service Lines	1,240,000
0432	Service Line Replacements / Retirements	5,930,000
0441	Purchase New Meters and Regulators	1,095,000
0442	New Business Meter Installations	200,000
	TOTAL DISTRIBUTION PLANT	\$ 29,985,000
	GENERAL PLANT	
0502	Tools and Equipment	\$ 259,400
0508	Computer Related Projects	4,282,000
	TOTAL GENERAL PLANT	\$ 4,541,400
	TELECOMMUNICATIONS PLANT	
0601	Replacement of Facilities	\$ 125,000
	TOTAL TELECOMMUNICATIONS PLANT	\$ 125,000
	AUTOMOTIVE PLANT	
0701	Replacements	\$ 800,000
	TOTAL AUTOMOTIVE PLANT	\$ 800,000
	TOTAL PA DIVISION CAPITAL BUDGET	\$ 36,681,200

**EQUITABLE GAS COMPANY PA DIVISION
2005 CAPITAL BUDGET**

SUBCLASS	CATEGORY / DESCRIPTION	AMOUNT
	TRANSMISSION PLANT	
0304	Compressor Stations	\$ 469,500
	TOTAL TRANSMISSION PLANT	\$ 469,500
	DISTRIBUTION PLANT	
0421	New Business Mainline Extensions	\$ 5,192,000
0422	Mainline Replacement	18,705,000
0424	Measuring and Regulating Stations	1,960,000
0431	New Business Service Lines	1,225,000
0432	Service Line Replacements / Retirements	7,930,000
0441	Purchase New Meters and Regulators	750,000
0442	New Business Meter Installations	195,000
	TOTAL DISTRIBUTION PLANT	\$ 35,957,000
	GENERAL PLANT	
0502	Tools and Equipment	\$ 212,500
0505	Office Furniture and Equipment	12,500
0508	Computer Related Projects	19,780,000
	TOTAL GENERAL PLANT	\$ 20,005,000
	TELECOMMUNICATIONS PLANT	
0601	Replacement of Facilities	\$ 200,000
	TOTAL TELECOMMUNICATIONS PLANT	\$ 200,000
	AUTOMOTIVE PLANT	
0701	Replacements	\$ 1,113,000
	TOTAL AUTOMOTIVE PLANT	\$ 1,113,000
	TOTAL PA DIVISION CAPITAL BUDGET	<u>\$ 57,744,500</u>

**EQUITABLE GAS COMPANY PA DIVISION
2006 CAPITAL BUDGET**

<u>SUBCLASS</u>	<u>CATEGORY / DESCRIPTION</u>	<u>AMOUNT</u>
	PRODUCTION & GATHERING	
0105	Compressor Stations	\$ 1,299,000
	TOTAL PRODUCTION & GATHERING	1,299,000
	TRANSMISSION PLANT	
0302	Transmission Lines	\$ 308,000
0304	Compressor Stations	8,976,000
	TOTAL TRANSMISSION PLANT	\$ 9,284,000
	DISTRIBUTION PLANT	
0421	New Business Mainline Extensions	\$ 3,100,000
0422	Mainline Replacement	18,217,000
0424	Measuring and Regulating Stations	1,795,000
0431	New Business Service Lines	1,290,000
0432	Service Line Replacements / Retirements	6,930,000
0441	Purchase New Meters and Regulators	710,000
0442	New Business Meter Installations	315,000
	TOTAL DISTRIBUTION PLANT	\$ 32,357,000
	GENERAL PLANT	
0502	Tools and Equipment	\$ 160,000
0505	Office Furniture and Equipment	10,000
0508	Computer Related Projects	3,097,000
	TOTAL GENERAL PLANT	\$ 3,267,000
	TELECOMMUNICATIONS PLANT	
0601	Replacement of Facilities	\$ 150,000
	TOTAL TELECOMMUNICATIONS PLANT	\$ 150,000
	AUTOMOTIVE PLANT	
0701	Replacements	\$ 2,495,500
	TOTAL AUTOMOTIVE PLANT	\$ 2,495,500
	TOTAL PA DIVISION CAPITAL BUDGET	<u>\$ 48,852,500</u>

**EQUITABLE GAS COMPANY PA DIVISION
2007 CAPITAL BUDGET**

SUBCLASS	CATEGORY / DESCRIPTION	AMOUNT
	PRODUCTION & GATHERING	
0304	Compressor Stations	\$ 3,000,000
	TOTAL PRODUCTION & GATHERING PLANT	\$ 3,000,000
	TRANSMISSION PLANT	
0304	Compressor Stations	\$ 786,000
	TOTAL TRANSMISSION PLANT	\$ 786,000
	DISTRIBUTION PLANT	
0421	New Business Mainline Extensions	\$ 3,100,000
0422	Mainline Replacement	17,103,800
0424	Measuring and Regulating Stations	691,000
0431	New Business Service Lines	1,509,000
0432	Service Line Replacements / Retirements	2,330,000
0441	Purchase New Meters and Regulators	1,383,000
0442	New Business Meter Installations	354,000
	TOTAL DISTRIBUTION PLANT	\$ 26,470,800
	GENERAL PLANT	
0502	Tools and Equipment	\$ 309,000
0505	Office Furniture and Equipment	-
0508	Computer Related Projects	1,967,000
	TOTAL GENERAL PLANT	\$ 2,276,000
	AUTOMOTIVE PLANT	
0701	Replacements	\$ 1,987,400
	TOTAL AUTOMOTIVE PLANT	\$ 1,987,400
	TOTAL PA DIVISION CAPITAL BUDGET	\$ 34,520,200

**EQUITABLE GAS COMPANY PA DIVISION
2008 CAPITAL BUDGET**

SUBCLASS	CATEGORY / DESCRIPTION	AMOUNT
PRODUCTION & GATHERING		
0104	Measuring and Regulating Stations	\$ 405,000
0105	Compressor Stations	14,150,000
TOTAL PRODUCTION & GATHERING PLANT		\$ 14,555,000
TRANSMISSION PLANT		
0304	Compressor Stations	\$ 771,000
TOTAL TRANSMISSION PLANT		\$ 771,000
DISTRIBUTION PLANT		
0421	New Business Mainline Extensions	\$ 3,100,000
0422	Mainline Replacement	17,868,000
0424	Measuring and Regulating Stations	518,000
0431	New Business Service Lines	1,601,000
0432	Service Line Replacements / Retirements	3,380,000
0441	Purchase New Meters and Regulators	958,000
0442	New Business Meter Installations	384,000
TOTAL DISTRIBUTION PLANT		\$ 27,809,000
GENERAL PLANT		
0502	Tools and Equipment	\$ 595,000
0506	Buildings - General	65,000
0508	Computer Related Projects	4,335,466
TOTAL GENERAL PLANT		\$ 4,995,466
TELECOMMUNICATIONS PLANT		
0601	Replacement of Facilities	\$ 172,000
TOTAL TELECOMMUNICATIONS PLANT		\$ 172,000
AUTOMOTIVE PLANT		
0701	Replacements	\$ 2,301,700
TOTAL AUTOMOTIVE PLANT		\$ 2,301,700
TOTAL PA DIVISION CAPITAL BUDGET		\$ 50,604,166

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 15: Please identify the Company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

Response: See Exhibit II, Item II-A-1 for historical and projected capitalization to March 31, 2008 for the Company and the parent (consolidated including subsidiaries).

Equitable Resources, Inc. does not have formal capital structure targets, but the Company is committed to maintaining a cost effective capital structure.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 16: For each month, of the most recent 24 months, please supply the Company's

- a. short-term debt balance;
- b. short-term debt interest rate;
- c. balance of construction work in progress; and
- d. balance of construction work in progress which is eligible for AFUDC accrual.

Response: See attached.

Equitable Gas Company
 Response to Standard Data Requests
 RATE OF RETURN INTERROGATORIES

Item 16: For each month, of the most recent 24 months, please supply the Company's
 a. short-term debt balance;
 b. short-term debt interest rate;
 c. balance of construction work in progress; and
 d. balance of construction work in progress which is eligible for AFUDC accrual

Response:

Month/Year	a. Short-Term Debt	b. Short-Term Interest Rate	c. Balance for Construction Work in Progress	d. Balance for Construction Work In Progress Eligible for AFUDC Accrual
01/2006	84,506,000	5.53%	11,684,504.7	8,551,674.7
02/2006	84,506,000	5.53%	12,630,413.9	9,477,440.1
03/2006	84,506,000	5.53%	14,337,622.5	10,304,010.3
04/2006	84,506,000	5.97%	14,942,820.4	10,501,214.2
05/2006	84,506,000	5.97%	13,453,305.1	8,912,216.1
06/2006	84,506,000	5.97%	12,335,064.7	8,995,877.2
07/2006	84,506,000	6.41%	13,959,672.1	9,181,547.2
08/2006	84,506,000	6.41%	14,774,469.2	9,825,947.3
09/2006	84,506,000	6.41%	17,565,774.2	10,475,509.4
10/2006	84,506,000	6.30%	19,534,549.8	11,318,584.6
11/2006	84,506,000	6.30%	20,893,132.9	11,789,297.6
12/2006	84,506,000	6.30%	21,055,738.1	13,426,123.3
01/2007	151,506,000	6.25%	12,665,213.5	9,004,958.3
02/2007	151,506,000	6.25%	13,106,307.5	8,568,327.9
03/2007	151,506,000	6.25%	16,418,045.1	8,801,252.3
04/2007	151,506,000	6.28%	14,818,489.7	8,637,227.7
05/2007	151,506,000	6.28%	15,378,519.6	9,079,648.6
06/2007	151,506,000	6.28%	15,392,303.4	8,485,763.6
07/2007	151,506,000	6.31%	17,181,184.7	10,292,516.8
08/2007	151,506,000	6.31%	17,132,288.8	10,205,027.5
09/2007	151,506,000	6.31%	19,480,426.2	11,770,353.2
10/2007	151,506,000	6.21%	20,231,259.7	12,304,689.4
11/2007	151,506,000	6.21%	19,019,748.9	13,414,731.4
12/2007	151,506,000	6.21%	11,823,493.6	8,425,103.5
01/2008	151,506,000	4.82%	12,222,116.4	8,864,407.3
02/2008	151,506,000	4.82%	13,025,935.0	8,614,239.0
03/2008	194,078,031	4.82%	14,497,704.5	9,818,007.8

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 17: If applicable, please provide the currently authorized returns on equity for each of the parent's utility subsidiaries of the same industry type as the Company. In each case identify the approximate date when the current return on equity was approved by the state commission.

Response: The Company's authorized return on equity of 11 percent for the Kentucky Division was approved by the Kentucky Public Service Commission on April 12, 1993. The Company's authorized return on equity for the West Virginia Division of 12 percent was agreed upon in a rate case settlement on September 12, 1991.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 18: Has the Utility reacquired or repurchased any debt within the last five years? If so, provide a summary of each gain or loss on reacquired debt, the date on which the utility commenced amortization of such a gain or loss, the regulatory commission decision addressing the treatment of such gain or loss on reacquired debt, if any, on interest expense.

Response:

In February 2003, Equitable Resources, Inc. (the Company) issued \$200 million of Notes with a stated interest rate of 5.15% and a maturity date of March 2018. A portion of the proceeds from the issuance was used to redeem the Company's entire \$125 million of 7.35% Trust Preferred Capital Securities on April 23, 2003. No gain or loss was incurred as a result of this redemption.

Effective September 30, 2003, the Company offered all holders of its 5.15% Notes due 2018 the opportunity to exchange their Notes for a new issue of registered Notes pursuant to a Registration Statement on Form S-4. The exchange Notes were identical in all material respects to the Notes being exchanged, except that the exchange Notes did not have terms restricting their transfer or any terms related to registration rights. All original Notes were exchanged for the new issue of registered Notes as of December 31, 2003.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 19: Fully identify all debt (other than instruments traded in public markets) owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

Response: None.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 20: Provide a summary statement of all stock dividends, splits, or par value changes during the two (2) year calendar period preceding the rate case filing.

Response: On September 1, 2005, Equitable Resources, Inc. effected a two-for-one stock split payable to shareholders of record on August 12, 2005.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 21: If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and system—consolidated, the reasons for this claim must be fully stated and supported.

Response: Please refer to the direct testimony and exhibits of F. J. Hanley, which is Equitable Statement Number 5.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 22: To the extent not provided in SDR III-A.13, supply projected capital requirements and sources of the filing utility. Its parent and system—consolidated—for the test year and each of three (3) comparable future years.

Response: See Exhibit II, Item 53.53 II -A-5.

Equitable Gas Company
Response to Standard Data Requests
RATE OF RETURN INTERROGATORIES

Item 23: To the extent not provided elsewhere, supply financial data of Company and/or parent for the last five (5) years.

- a. Times interest earned ratio – pre and post tax basis.
- b. Preferred stock dividend coverage ratio – post tax basis.
- c. Times fixed charges earned ratio – pre tax basis.
- d. Dividend payout ratio.
- e. AFUDC as a percent of earnings available for common equity.
- f. Construction work in progress as a percent of net utility plant.
- g. Effective income tax rate.
- h. Internal cash generations as a percent of total capital requirements.

Response: Please see the attached schedules for the financial data of Equitable Resources, Inc. and Equitable Gas Company.

Equitable Resources, Inc.
Financial Data for last five years

	Year ended December 31,				
	2007	2006	2005	2004	2003
a. Times interest earned ratio (1)					
Pre-tax	9.43	7.72	10.19	11.67	7.06
Post-tax	6.40	5.45	6.77	8.03	4.99
b. Preferred stock dividend coverage ratio	N/A	N/A	N/A	N/A	N/A
c. Ratio of earnings to fixed charges - Pre-tax (1)	7.8	7.3	9.7	11.2	6.7
d. Dividend payout ratio (1) (2)	0.42	0.49	0.39	0.30	0.37
e. AFUDC as a percent of earnings available for common equity	N/A	N/A	N/A	N/A	N/A
f. Construction work in progress as a percent of net utility plant	N/A	N/A	N/A	N/A	N/A
g. Effective income tax rate	35.9%	33.7%	37.2%	34.2%	34.2%
h. Internal cash generations as a percent of total capital requirements (1) (3)	54.9%	153.3%	-95.0%	114.5%	48.1%

(1) Excludes results from discontinued operations and cumulative effect of accounting change

(2) All per share amounts have been adjusted for the two-for-one stock split effected on September 1, 2005

(3) Calculated as net cash provided by/used in operating activities divided by capital expenditures