NATIONAL FUEL GAS CO

FORM 10-Q
(Quarterly Report)

Filed 02/11/03 for the Period Ending 12/31/02

Address	6363 MAIN STREET WILLIAMSVILLE, NY 14221-5887
Telephone	716-857-7000
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Symbol	NFG
SIC Code	4924 - Natural Gas Distribution
Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	09/30

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended December 31, 2002

Commission File Number 1-3880

National Fuel Gas Company

(Exact name of registrant as specified in its charter)

New Jersey	**13-1086010**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 Lafayette Square **Buffalo, New York**	**14203** (Zip Code)

(Address of principal executive offices)

(716) 857-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES __X__NO ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES __X__NO ____

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

Common Stock, $1 Par Value, outstanding at January 31, 2003: 80,586,337 shares.

Company or Group of Companies for which Report is Filed :

NATIONAL FUEL GAS COMPANY (Company or Registrant)

DIRECT SUBSIDIARIES:
National Fuel Gas Distribution Corporation (Distribution Corporation)
National Fuel Gas Supply Corporation (Supply Corporation)
Seneca Resources Corporation (Seneca)
Highland Forest Resources, Inc. (Highland)
Leidy Hub, Inc. (Leidy Hub)
Data-Track Account Services, Inc. (Data-Track)
National Fuel Resources, Inc. (NFR)
Horizon Energy Development, Inc. (Horizon)
Upstate Energy Inc. (Upstate)
Horizon Power, Inc. (Horizon Power)
Niagara Independence Marketing Company (NIM)
Seneca Independence Pipeline Company (SIP)

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o The Company has nothing to report under this item.

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

This Form 10-Q contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (MD&A), under the heading “Safe Harbor for Forward-Looking Statements.” Forward-looking statements are all statements other than statements of historical fact, including, without limitation, those statements that are designated with an asterisk (“*”) following the statement, as well as those statements that are identified by the use of the words “anticipates,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” and similar expressions.

Part I. Financial Information

Item 1. Financial Statements

National Fuel Gas Company
Consolidated Statements of Income and Earnings
Reinvested in the Business
(Unaudited)

(Thousands of Dollars, Except Per Common Share Amounts)	December 31, 2002	2001
INCOME		
Operating Revenues	$479,706	$392,327
Operating Expenses		
Purchased Gas	205,754	129,406
Fuel Used in Heat and Electric Generation	19,027	15,618
Operation and Maintenance	90,772	104,546
Property, Franchise and Other Taxes	18,877	17,205
Depreciation, Depletion and Amortization	45,648	44,045
Income Taxes	27,612	22,709
	407,690	333,529
Operating Income	72,016	58,798
Income (Loss) from Unconsolidated Subsidiaries	241	(57)
Other Income	1,825	2,190
Income Before Interest Charges and Minority Interest in Foreign Subsidiaries	74,082	60,931
Interest Charges		
Interest on Long-Term Debt	23,027	21,921
Other Interest	3,182	5,180
	26,209	27,101
Minority Interest in Foreign Subsidiaries	(939)	(623)
Income Before Cumulative Effect	46,934	33,207
Cumulative Effect of Change in Accounting	(638)	-
Net Income Available for Common Stock	46,296	33,207
EARNINGS REINVESTED IN THE BUSINESS		
Balance at October 1	549,397	513,488
	595,693	546,695
Dividends on Common Stock (2002 - $0.26; 2001 - $0.2525)	20,881	20,061
Balance at December 31	$574,812	$526,634
Earnings Per Common Share:		
Basic:		
Income Before Cumulative Effect	$0.58	$0.42
Cumulative Effect of Change in Accounting	(0.01)	-
Net Income Available for Common Stock	$0.57	$0.42
Diluted:		
Income Before Cumulative Effect	$0.58	$0.41
Cumulative Effect of Change in Accounting	(0.01)	-
Net Income Available for Common Stock	$0.57	$0.41
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	80,404,086	79,471,820
Used in Diluted Calculation	80,803,868	80,417,092

See Notes to Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Balance Sheets

(Thousands of Dollars)	December 31, 2002 (Unaudited)	September 30, 2002
ASSETS		
Property, Plant and Equipment	$4,577,729	$4,512,651
Less - Accumulated Depreciation, Depletion and Amortization	1,703,715	1,667,906
	2,874,014	2,844,745
Current Assets		
Cash and Temporary Cash Investments	26,648	22,216
Receivables - Net	173,801	95,510
Unbilled Utility Revenue	67,603	21,918
Gas Stored Underground	52,309	77,250
Materials and Supplies - at average cost	33,521	31,582
Unrecovered Purchased Gas Costs	14,500	12,431
Prepayments	35,847	41,354
Fair Value of Derivative Financial Instruments	2,746	3,807
	406,975	306,068
Other Assets		
Recoverable Future Taxes	82,385	82,385
Unamortized Debt Expense	20,061	20,635
Other Regulatory Assets	30,707	26,104
Deferred Charges	3,868	5,914
Other Investments	66,060	65,090
Investments in Unconsolidated Subsidiaries	16,397	16,753
Goodwill	8,255	8,255
Other	24,972	25,360
	252,705	250,496
	$3,533,694	$3,401,309

See Notes to Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Balance Sheets

(Thousands of Dollars)	December 31, 2002 (Unaudited)	September 30, 2002
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders' Equity		
Common Stock, $1 Par Value Authorized - 200,000,000 Shares; Issued And Outstanding - 80,460,851 Shares 80,264,734 Shares, Respectively	$ 80,461	$ 80,265
Paid in Capital	450,443	446,832
Earnings Reinvested in the Business	574,812	549,397
Total Common Shareholder Equity Before Items of Other Comprehensive Loss	1,105,716	1,076,494
Accumulated Other Comprehensive Loss	(68,319)	(69,636)
Total Comprehensive Shareholders' Equity	1,037,397	1,006,858
Long-Term Debt, Net of Current Portion	1,143,070	1,145,341
Total Capitalization	2,180,467	2,152,199
Minority Interest in Foreign Subsidiaries	30,364	28,785
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper	272,063	265,386
Current Portion of Long-Term Debt	160,830	160,564
Accounts Payable	140,747	100,886
Amounts Payable to Customers	1,511	-
Other Accruals and Current Liabilities	133,124	121,518
Fair Value of Derivative Financial Instruments	34,723	31,204
	742,998	679,558
Deferred Credits		
Accumulated Deferred Income Taxes	358,436	356,220
Taxes Refundable to Customers	15,596	15,596
Unamortized Investment Tax Credit	8,722	8,897
Other Regulatory Liabilities	82,145	82,676
Asset Retirement Obligation	36,723	-
Other Deferred Credits	78,243	77,378

	579,865	540,767
Commitments and Contingencies	-	-
	$3,533,694	$3,401,309

See Notes to Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

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

(Thousands of Dollars)	Three Months Ended December 31, 2002	2001
OPERATING ACTIVITIES		
Net Income Available for Common Stock	$46,296	$33,207
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Depletion and Amortization	45,648	44,045
Deferred Income Taxes	3,009	4,637
Cumulative Effect of Change in Accounting	638	-
(Income) Loss from Unconsolidated Subsidiaries, Net of Cash Distributions	356	412
Minority Interest in Foreign Subsidiaries	939	623
Other	(755)	1,070
Change in:		
Receivables and Unbilled Utility Revenue	(123,472)	(45,022)
Gas Stored Underground and Materials and Supplies	23,078	27,880
Unrecovered Purchased Gas Costs	(2,069)	(2,892)
Prepayments	5,511	10,550
Accounts Payable	39,296	(29,413)
Amounts Payable to Customers	1,511	(7,686)
Other Accruals and Current Liabilities	12,845	4,407
Other Assets	(4,227)	8,570
Other Liabilities	1,440	(1,713)
Net Cash Provided by Operating Activities	50,044	48,675
INVESTING ACTIVITIES		
Capital Expenditures	(32,604)	(60,795)
Investment in Partnerships	-	(383)
Other	915	15,848
Net Cash Used in Investing Activities	(31,689)	(45,330)
FINANCING ACTIVITIES		
Change in Notes Payable to Banks and Commercial Paper	6,654	(133,559)
Net Proceeds from Issuance of Long-Term Debt	-	148,977
Reduction of Long-Term Debt	(2,704)	(1,537)
Dividends Paid on Common Stock	(20,830)	(20,031)
Proceeds from Issuance of Common Stock	2,541	1,003
Net Cash Used in Financing Activities	(14,339)	(5,147)
Effect of Exchange Rates on Cash	416	185
Net Increase (Decrease) in Cash and Temporary Cash Investments	4,432	(1,617)
Cash and Temporary Cash Investments at October 1	22,216	36,227
Cash and Temporary Cash Investments at December 31	$26,648	$34,610

See Notes to Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

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

(Thousands of Dollars)	Three Months Ended December 31, 2002	2001
Net Income Available for Common Stock	$46,296	$33,207
Other Comprehensive Income (Loss), Before Tax:		
Foreign Currency Translation Adjustment	4,226	2,909
Unrealized Gain on Securities Available for Sale	439	465
Unrealized Gain (Loss) on Derivative Financial Instruments	(13,151)	21,094
Reclassification Adjustment for Realized (Gains) Losses on Derivative Financial Instruments in Net Income	7,631	(10,822)
Other Comprehensive Income (Loss), Before Tax	(855)	13,646

Income Tax Expense Related to Unrealized Gain on Securities Available for Sale Arising During the Period	154	162
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	(5,589)	7,846
Reclassification Adjustment for Income Tax (Expense) Benefit on Realized (Gains) Losses from Derivative Financial Instruments In Net Income	3,263	(4,254)
Income Taxes - Net	(2,172)	3,754
Other Comprehensive Income (Loss)	1,317	9,892
Comprehensive Income (Loss)	$47,613	$43,099

See Notes to Consolidated Financial Statements

National Fuel Gas Company

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation. The Company consolidates its majority owned entities. The equity method is used to account for minority owned entities. All significant intercompany balances and transactions are eliminated.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Quarterly Earnings. The Company, in its opinion, has included all adjustments that are necessary for a fair statement of the results of operations for the reported periods. The consolidated financial statements and notes thereto, included herein, should be read in conjunction with the financial statements and notes for the years ended September 30, 2002, 2001 and 2000 that are included in the Company's 2002 Form 10-K. The 2003 consolidated financial statements will be examined by the Company's independent accountants after the end of the fiscal year.

The earnings for the three months ended December 31, 2002 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2003. Most of the Utility segment's business is seasonal in nature and is influenced by weather conditions. Because of the seasonal nature of the Utility segment's heating business, earnings during the winter months normally represent a substantial part of the Utility segment's earnings for the entire fiscal year. The impact of abnormal weather on earnings during the heating season is partially reduced by the operation of a weather normalization clause (WNC) included in Distribution Corporation's New York tariff. The WNC is effective for October through May billings. Distribution Corporation's tariff for its Pennsylvania jurisdiction does not have a WNC. While the Pipeline and Storage segment's business is influenced by weather conditions, Supply Corporation's straight fixed-variable rate design, which allows for recovery of substantially all fixed costs in the demand or reservation charge, reduces the earnings impact of weather fluctuations.

Cumulative Effect of Change in Accounting. Effective October 1, 2002, the Company adopted the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost of increasing the carrying amount of the related long-lived asset. Over time, the liability is adjusted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. In the Company's case, SFAS 143 changed the accounting for plugging and abandonment costs associated with the Exploration and Production segment's crude oil and natural gas wells. In prior fiscal years, the Company accounted for plugging and abandonment costs using Securities and Exchange Commission full cost accounting rules. SFAS 143 was applied retroactively to prior years to determine the cumulative effect through October 1, 2002. This cumulative effect reduced earnings for the quarter ended December 31, 2002 by $0.6 million, net of income tax. If the new method of accounting for plugging and abandonment costs had been effective for the quarter ending December 31, 2001, there would not have been a material change to net income available for common stock for that quarter and the basic and diluted earnings per common share amounts that were reported would have remained the same.

Accounting for Goodwill. Effective October 1, 2002, the Company adopted FASB's Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). In accordance with SFAS 142, the Company stopped amortization of goodwill and will test for impairment on an annual basis. The Company will complete its initial impairment test by March 31, 2003. As shown on

the Consolidated Balance Sheet, the Company has $8.3 million in goodwill. While the quarter ended December 31, 2002 did not have any amortization expense associated with goodwill, the quarter ended December 31, 2001 had $138,867 of goodwill amortization expense.

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

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

Accumulated Other Comprehensive Income (Loss) . The components of Accumulated Other Comprehensive Income (Loss) are as follows (in thousands):

	At December 31, 2002	At September 30, 2002
Minimum Pension Liability Adjustment	$(34,435)	$(34,435)
Cumulative Foreign Currency Translation Adjustment	(10,589)	(14,815)
Net Unrealized Loss on Derivative Financial Instruments	(23,739)	(20,545)
Net Unrealized Gain on Securities Available for Sale	444	159
Accumulated Other Comprehensive Loss	$(68,319)	$(69,636)

Earnings Per Common Share . Basic earnings per common share is computed by dividing income available for common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The only potentially dilutive securities the Company has outstanding are stock options. The diluted weighted average shares outstanding shown on the Consolidated Statement of Income reflects the potential dilution as a result of these stock options as determined using the Treasury Stock Method. Stock options that are antidilutive are excluded from the calculation of diluted earnings per common share. For the quarters ended December 31, 2002 and 2001, 11,417,230 and 2,838,732 stock options, respectively, were excluded as being antidilutive.

Note 2 - Income Taxes

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

Three Months Ended
December 31,

	2002	2001
Operating Expenses:		
Current Income Taxes		
Federal	$18,794	$13,331
State	4,675	4,556
Foreign	1,134	185
Deferred Income Taxes		
Federal	1,196	2,023
State	(27)	51
Foreign	1,840	2,563
	27,612	22,709
Other Income:		
Deferred Investment Tax Credit	(174)	(174)
Minority Interest in Foreign Subsidiaries	(425)	(249)
Cumulative Effect of Change in Accounting	(354)	-
Total Income Taxes	$26,659	$22,286

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

	Three Months Ended December 31, 2002	2001
U.S.	$70,025	$49,236
Foreign	2,930	6,257
	$72,955	$55,493

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

	Three Months Ended December 31, 2002	2001
Income tax expense, computed at statutory rate of 35%	$25,534	$19,422
Increase (reduction) in taxes resulting from:		
State income taxes	3,021	2,995
Foreign tax differential	(1,404)	309
Miscellaneous	(492)	(440)
Total Income Taxes	$26,659	$22,286

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

	At December 31, 2002	At September 30, 2002
Deferred Tax Liabilities:		
Property, Plant and Equipment	$431,047	$417,673
Other	20,805	27,930
Total Deferred Tax Liabilities	451,852	445,603
Deferred Tax Assets:		
Other	(93,416)	(89,383)
Total Deferred Tax Assets	(93,416)	(89,383)
Total Net Deferred Income Taxes	$358,436	$356,220

Note 3 - Capitalization

Common Stock. During the three months ended December 31, 2002, the Company issued 199,561 shares of common stock under the Company’s stock and benefit plans. The Company also repurchased and cancelled 3,444 shares of common stock.

Note 4 - Commitments and Contingencies

Environmental Matters. The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and comply with regulatory policies and procedures. It is the Company’s policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs. At December 31, 2002, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites will be in the range of $5.1 million to $6.1 million. The minimum liability of $5.1 million has been recorded on the Consolidated Balance Sheet at December 31, 2002. Other than discussed in Note H of the 2002 Form 10-K (referred to below), the Company is currently not aware of any material additional exposure to environmental liabilities. However, adverse changes in environmental regulations or other factors could impact the Company.

For further discussion refer to Note H - Commitments and Contingencies under the heading “Environmental Matters” in Item 8 of the Company’s 2002 Form 10-K.

Other. The Company is involved in litigation arising in the normal course of business. Also in the normal course of business, the Company is involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While the resolution of such matters could have a material effect on earnings and cash flows in the period of resolution, none of these matters are expected to change materially the Company's present liquidity position, nor have a material adverse effect on the financial condition of the Company.

Note 5 – Business Segment Information . The Company has six reportable segments: Utility, Pipeline and Storage, Exploration and Production, International, Energy Marketing, and Timber. The breakdown of the Company's reportable segments is based upon a combination of factors including differences in products and services, regulatory environment and geographic factors.

The data presented in the tables below reflect the reportable segments and reconciliations to consolidated amounts. There have been no changes in the basis of segmentation nor in the basis of measuring segment profit or loss from those used in the 2002 Form 10-K. There have been no material changes in the amount of assets for any operating segment from the amounts disclosed in the 2002 Form 10-K.

Quarter Ended December 31, 2002 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	International	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$290,073	$21,435	$73,471	$37,790	$42,676	$13,789	$479,234	$472	$ -	$479,706
Intersegment Revenues	4,742	21,678	-	-	-	-	26,420	-	(26,420)	-
Segment Profit (Loss): Income Before Cumulative Effect of Change in Accounting	19,277	10,734	8,811	2,771	1,586	3,722	46,901	180	(147)	46,934

Quarter Ended December 31, 2001 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	International	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$222,355	$20,794	$75,000	$30,538	$32,785	$10,331	$391,803	$524	$ -	$392,327
Intersegment Revenues	5,633	22,151	-	-	-	-	27,784	1,844	(29,628)	-
Segment Profit (Loss): Net Income	18,041	10,014	1,441	993	1,948	1,538	33,975	5	(773)	33,207

Note 6 - Subsequent Event. On February 6, 2003, the Company acquired the Empire State Pipeline (Empire) from Duke Energy Corporation for $180.0 million in cash plus approximately $58.0 million of project debt. Empire is a 157-mile, 24-inch pipeline that begins at the United States/Canadian border at the Chippawa Channel of the Niagara River near Buffalo, New York, which is within the Company's service territory, and terminates in Central New York just north of Syracuse, New York. Empire can transport 525 million cubic feet of gas per day and currently has almost all of its capacity under contract, with a substantial portion being long-term contracts. The initial financing of the acquisition was accomplished through short-term borrowings. Long-term financing alternatives include issuing stock and selling non-regulated assets such as Timber acreage and Exploration and Production reserves. Presently, negotiations are ongoing for the sale of 70,000 acres of timber and the Company expects that a purchase agreement will be finalized soon.

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

RESULTS OF OPERATIONS

Critical Accounting Policies

For a complete discussion of critical accounting policies, refer to "Critical Accounting Policies" in Item 7 of the Company's 2002 Form 10-K. There have been no subsequent changes to that disclosure.

Earnings

The Company's earnings were $46.3 million, or $.57 per common share ($.57 per common share on a diluted basis), for the quarter ended December 31, 2002. This compares to earnings of $33.2 million, or $0.42 per common share ($0.41 per common share on a diluted basis), for the quarter ended December 31, 2001. However, earnings for the three months ended December 31, 2002 included a reduction to earnings in the amount of $0.6 million ($0.01 per common share on a basic and diluted basis) representing the cumulative effect of a change in accounting for plugging and abandonment costs in the Company's Exploration and Production segment. Earnings for the three months ended December 31, 2002 before the cumulative effect of a change in accounting were $46.9 million. The increase in earnings of $13.7 million (exclusive of the cumulative effect of change in accounting) is primarily the result of higher earnings in the Exploration and Production segment. Additional discussion of earnings in each of the business segments can be found in the business segment information that follows.

Earnings (Loss) by Segment

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Utility	$ 19,277	$ 18,041	$ 1,236
Pipeline and Storage	10,734	10,014	720
Exploration and Production (1)	8,173	1,441	6,732
International	2,771	993	1,778
Energy Marketing	1,586	1,948	(362)
Timber	3,722	1,538	2,184
Total Reportable Segments	46,263	33,975	12,288
All Other	180	5	175
Corporate	(147)	(773)	626
Total Consolidated (1)	$ 46,296	$ 33,207	$ 13,089

(1) Exclusive of the Cumulative Effect of Change in Accounting, earnings for the three months ended December 31, 2002 for the Exploration and Production segment and Total Consolidated would have been $8,811 and $46,934, respectively.

Utility

Utility Operating Revenues

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Retail Sales Revenues:			
Residential	$207,985	$164,836	$ 43,149
Commercial	34,840	25,994	8,846
Industrial	6,835	3,166	3,669
	249,660	193,996	55,664
Off-System Sales	26,308	11,345	14,963
Transportation	22,510	22,493	17
Other	(3,663)	154	(3,817)
	$294,815	$227,988	$ 66,827

Utility Throughput

Three Months Ended December 31 (million cubic feet) (MMcf)	2002	2001	Increase (Decrease)
Retail Sales:			
Residential	22,880	17,913	4,967
Commercial	4,095	3,117	978
Industrial	1,310	698	612
	28,285	21,728	6,557
Off-System Sales	5,267	3,949	1,318
Transportation	16,523	15,235	1,288
	50,075	40,912	9,163

Quarter Ended December 31, 2002 Compared with Quarter Ended December 31, 2001

Operating revenues for the Utility segment increased $66.8 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. The increase in revenues is primarily the result of an increase in sales volumes, as shown above, and an increase in the average cost of purchased gas ($5.67 and $4.91 per thousand cubic feet (Mcf) during the quarters ended December 31, 2002 and 2001, respectively). Purchased gas costs are recovered dollar for dollar in revenues. Colder weather, as shown in the table below, was the major factor for the increase in retail sales volumes and transportation volumes. Greater off-system sales volumes and higher gas prices for such sales contributed to an increase in off-system sales revenues; however, the margins resulting from off-system sales are minimal. The decrease in other revenues primarily reflects estimated refund provisions recorded in the quarters ended December 31, 2002 and 2001 amounting to $5.5 million and $1.6 million, respectively. These refund provisions were recorded in the Utility's New York jurisdiction under an earnings sharing mechanism. This earnings sharing mechanism, which is in accordance with the three-year rate settlement reached with the NYPSC that went into effect October 1, 2000 (New York Rate Settlement), requires the Utility to share with customers 50% of earnings above a predetermined amount. The final refund for the New York Rate Settlement will not be known until the end of 2003.

The Utility segment's earnings for the quarter ended December 31, 2002 were $19.3 million, an increase of $1.2 million when compared with the quarter ended December 31, 2001. The major factor for this increase was the impact of weather, which in the Pennsylvania jurisdiction was approximately 34% colder than last year's first quarter. The impact of weather variations on earnings in the New York jurisdiction is mitigated by that jurisdiction's weather normalization clause (WNC). The WNC in New York,

which covers the eight-month period from October through May, has had a stabilizing effect on earnings for the New York rate jurisdiction. In addition, in periods of colder than normal weather, the WNC benefits Distribution Corporation's New York customers. For the quarter ended December 31, 2002, the WNC resulted in a benefit to customers of $1.3 million since it was colder than normal. For the quarter ended December 31, 2001, the WNC preserved earnings of $4.5 million (after tax) for Distribution Corporation since it was warmer than normal. The refund provision discussed above partially offset the positive impact of colder weather in the Pennsylvania jurisdiction as the New York jurisdiction trued-up its cumulative refund provision under the earnings sharing mechanism in its New York Rate Settlement through December 31, 2002. As mentioned above, the final refund will not be known until the end of 2003.

Degree Days

Three Months Ended December 31	Normal	2002	2001	Percent Colder Than Normal	Percent Colder Than Prior Year
Buffalo	2,311	2,383	1,799	3.1	32.5
Erie	2,016	2,227	1,659	10.5	34.2

Pipeline and Storage

Pipeline and Storage Operating Revenues

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Firm Transportation	$21,813	$22,383	$ (570)
Interruptible Transportation	347	780	(433)
	22,160	23,163	(1,003)
Firm Storage Service	15,769	15,374	395
Other	5,184	4,408	776
	$43,113	$42,945	$ 168

Pipeline and Storage Throughput

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Firm Transportation	84,694	72,050	12,644
Interruptible Transportation	790	1,990	(1,200)
	85,484	74,040	11,444

Quarter Ended December 31, 2002 Compared with Quarter Ended December 31, 2001

Operating revenues for the Pipeline and Storage segment increased $.2 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. Higher revenues from unbundled pipeline sales and open access transportation and higher storage service revenues were largely offset by lower transportation revenues. Unbundled pipeline sales and open access transportation revenues are included in "Other" revenue in the table above. While transportation volumes increased, volume fluctuations generally do not have a significant impact on revenues as a result of Supply Corporation's straight fixed-variable rate design which allows for recovery of substantially all fixed costs in the demand or reservation charge.

Earnings in the Pipeline and Storage segment increased $.7 million from $10.0 million for the quarter ended December 31, 2001 to $10.7 million for the quarter ended December 31, 2002. The major factor for this increase was lower operation and maintenance expense.

Exploration and Production

Exploration and Production Operating Revenues

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Gas (after Hedging)	$35,762	$35,104	$ 658
Oil (after Hedging)	36,629	33,337	3,292
Gas Processing Plant	6,561	4,219	2,342
Other	(461)	5,442	(5,903)
Intrasegment Elimination *	(5,020)	(3,102)	(1,918)
	$73,471	$75,000	$(1,529)

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

Production Volumes

Three Months Ended December 31	2002	2001	Increase (Decrease)
Gas Production (million cubic feet)			
Gulf Coast	5,359	7,188	(1,829)
West Coast	1,196	1,246	(50)
Appalachia	1,088	1,058	30
Canada	1,506	1,831	(325)
	9,149	11,323	(2,174)
Oil Production (thousands of barrels)			
Gulf Coast	390	454	(64)
West Coast	736	748	(12)
Appalachia	2	2	-
Canada	640	755	(115)
	1,768	1,959	(191)

Average Prices

Three Months Ended December 31	2002	2001	Increase (Decrease)
Average Gas Price/Mcf			
Gulf Coast	$4.19	$2.41	$1.78
West Coast	$4.05	$2.35	$1.70
Appalachia	$3.62	$3.66	$(0.04)
Canada	$3.59	$2.07	$1.52
Weighted Average	$4.01	$2.47	$1.54
Weighted Average After Hedging	$3.91	$3.10	$0.81
Average Oil Price/barrel (bbl)			
Gulf Coast	$26.99	$19.16	$7.83
West Coast	$23.79	$15.35	$8.44
Appalachia	$27.47	$24.93	$2.54
Canada	$23.03	$14.40	$8.63
Weighted Average	$24.23	$15.88	$8.35
Weighted Average After Hedging	$20.72	$17.01	$3.71

Quarter Ended December 31, 2002 Compared with Quarter Ended December 31, 2001

Operating revenues for the Exploration and Production segment decreased $1.5 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. The main reason for this decrease is that the quarter ended December 31, 2001 included a positive mark-to-market adjustment associated with certain derivative financial instruments in the amount of $5.1 million that did not recur in the quarter ended December 31, 2002. The mark-to-market adjustment is reflected in the "Other" revenues decrease of $5.9 million shown in the table above. Offsetting this decrease, oil production revenue after hedging increased $3.3 million from the quarter ended December 31, 2001 as the weighted average price of oil after hedging increased 22%, and gas processing plant revenues increased $2.3 million due to higher gas prices. Gas production revenue after hedging also increased $0.7 million as the weighted average price of gas after hedging increased 26%. The revenue increase resulting from higher weighted average gas prices after hedging helped offset the revenue decrease associated with a 2.2 billion cubic feet (Bcf) decline in gas production. Most of this production decline occurred in the Gulf Coast of Mexico (a 1.8 Bcf decline). The Company had anticipated some of this decline in production due to its plan to phase out of that region. However, the production decline in the Gulf Coast of Mexico was amplified by the shutting-in of production during Hurricane Lili. As a result of the hurricane, some wells have not returned (and are not expected to return) to pre-hurricane production levels and certain anticipated production for fiscal 2003 will be delayed until fiscal 2004. As a result, the Company has revised its fiscal 2003 production estimates from 80 to 85 Bcf equivalent (Bcfe) to 76 to 81 Bcfe.*

The Exploration and Production segment's earnings for the quarter ended December 31, 2002 were $8.2 million compared with earnings of $1.4 million for the quarter ended December 31, 2001. However, as discussed above, earnings for the three months ended December 31, 2002 included a reduction to earnings in the amount of $0.6 million representing the cumulative effect of a change in accounting for plugging and abandonment costs. Exclusive of the cumulative effect, earnings in the Exploration and Production segment for the three months ended December 31, 2002 were $8.8 million. In the quarter ended December 31, 2001, this segment recorded a non-recurring net $3.3 million (after tax) non-cash charge to reserve for the Company's exposure to Enron Corp. ("Enron"). Exclusive of this non-cash charge, earnings in the Exploration and Production segment for the three months ended December 31, 2001 were $4.7 million. The increase in earnings of $4.1 million (exclusive of the cumulative effect of change in accounting and the non-cash Enron reserve) was largely due to higher oil and gas prices and lower workover expenses in the Gulf of Mexico.

International

International Operating Revenues

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)

Heating	$28,155	$22,673	$ 5,482
Electricity	8,929	7,099	1,830
Other	706	766	(60)
	$37,790	$30,538	$ 7,252

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

International Heating and Electric Volumes

Three Months Ended December 31	2002	2001	Increase (Decrease)
Heating Sales (Gigajoules) (1)	3,234,863	3,231,692	3,171
Electricity Sales (megawatt hours)	284,089	261,681	22,408

(1) Gigajoules = one billion joules. A joule is a unit of energy.

Quarter Ended December 31, 2002 Compared with Quarter Ended December 31, 2001

Operating revenues for the International segment increased $7.3 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. The increase was primarily due to higher heating revenues and electricity revenues. Heating revenues increased due to higher rates (approximately 3%) and higher volumes. Electricity revenues increased due to a 9% increase in electric volumes, which more than offset a 3% rate decrease. Another factor in the overall increase in International segment revenues was an increase in the average value of the Czech Koruna (CZK) compared to the U.S. dollar.

The International segment's earnings for the quarter ended December 31, 2002 were $2.8 million, an increase of $1.8 million when compared with earnings of $1.0 million for the quarter ended December 31, 2001. The increase can largely be attributed to higher margins resulting from the increase in heating and electricity revenues and the increase in the average value of the CZK discussed above.

Energy Marketing

Energy Marketing Operating Revenues

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Natural Gas (after Hedging)	$42,674	$32,804	$9,870
Other	2	(19)	21
	$42,676	$32,785	$9,891

Energy Marketing Volumes

Three Months Ended December 31	2002	2001	Increase (Decrease)
Natural Gas - (MMcf)	7,674	7,190	484

Quarter Ended December 31, 2002 Compared with Quarter Ended December 31, 2001

Operating revenues for the Energy Marketing segment increased $9.9 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. This increase largely reflects higher gas sales revenue due to an increase in the price of natural gas.

The Energy Marketing segment’s earnings for the quarter ended December 31, 2002 were $1.6 million, a decrease of $0.3 million when compared with earnings of $1.9 million for the quarter ended December 31, 2001. This decrease is largely a result of lower margins on gas sales.

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

Timber

Timber Operating Revenues

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Log Sales	$7,720	$5,378	$2,342
Green Lumber Sales	1,582	1,644	(62)
Kiln Dry Lumber Sales	4,215	3,082	1,133
Other	272	227	45
Operating Revenues	$13,789	$10,331	$3,458

Timber Volumes (in Board Feet)

Three Months Ended December 31 (Thousands)	2002	2001	Increase (Decrease)
Log Sales	2,576	2,123	453
Green Lumber Sales	3,163	3,010	153
Kiln Dry Lumber Sales	2,774	1,972	802
	8,513	7,105	1,408

Quarter Ended December 31, 2002 Compared with Quarter Ended December 31, 2001

Operating revenues for the Timber segment increased $3.5 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. This increase is largely due to an increase in sales volume, specifically cherry logs and cherry lumber. Cherry logs and lumber command the highest price.

The Timber segment’s earnings for the quarter ended December 31, 2002 were $3.7 million, an increase of $2.2 million when compared with earnings of $1.5 million for the quarter ended December 31, 2001. Higher margin resulting from the increase in sales volume discussed above was the main factor in the earnings increase.

Income (Loss) from Unconsolidated Subsidiaries

The Company’s unconsolidated subsidiaries consist of equity method investments in Seneca Energy II, LLC (Seneca Energy), Model City Energy, LLC (Model City), and Energy Systems North East, LLC (ESNE). The Company has 50% ownership interests in each of these entities. Seneca Energy and Model City generate and sell electricity using methane gas obtained from landfills owned by outside parties. ESNE generates electricity from an 80-megawatt, combined cycle, natural gas-fired power plant in North East, Pennsylvania. ESNE sells its electricity into the New York power grid.

The Company recorded income of $0.2 million during the quarter ended December 31, 2002 related to its investments in the unconsolidated subsidiaries discussed above. This compares with a loss of $0.1 million recorded during the quarter ended December 31, 2001. The increase of $0.3 million is largely due to a $0.4 million increase in income from the Company’s investment in Seneca Energy.

Interest Charges

Interest on long-term debt increased $1.1 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. This increase can be attributed primarily to a higher average amount of long-term debt outstanding.

Other interest charges decreased $2.0 million for the quarter ended December 31, 2002 as compared with the quarter ended December 31, 2001. This decrease resulted mainly from a decrease in the average amount of short-term debt outstanding.

The increase in the average amount of long-term debt outstanding and the decrease in the average amount of short-term debt outstanding and the resulting impact on interest expense can be attributed to the November 2001 medium-term note issuance. In November 2001, the Company issued $150.0 million of 6.70% medium-term notes due in November 2011. Proceeds from the medium-term note issuance were used to reduce short-term borrowings.

CAPITAL RESOURCES AND LIQUIDITY

The Company’s primary source of cash during the three-month period ended December 31, 2002 consisted of cash provided by operating activities. This source of cash was supplemented by issuances of common stock under the Company’s stock and benefit plans, as well as by short-term borrowings.

Operating Cash Flow

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

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

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

The storage gas inventory normally declines during the first and second quarters of the year and is replenished during the third and fourth quarters. For storage gas inventory accounted for under the last-in, first-out (LIFO) method, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption “Other Accruals and Current Liabilities.” Such reserve is reduced as the inventory is replenished.

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

Net cash provided by operating activities totaled $50.0 million for the three months ended December 31, 2002, an increase of $1.3 million compared with the $48.7 million provided by operating activities for the three months ended December 31, 2001. Higher cash receipts from the sale of oil and

gas in the Exploration and Production segment due to higher oil and gas prices were largely offset by higher working capital requirements in the Utility segment due to higher gas prices.

Investing Cash Flow

Expenditures for Long-Lived Assets

Expenditures for long-lived assets include additions to property, plant and equipment.

The Company’s expenditures for long-lived assets totaled $32.6 million during the three months ended December 31, 2002. The table below presents these expenditures:

Three Months Ended December 31, 2002 (in millions of dollars)	Total Expenditures for Long-Lived Assets
Utility	$13.1
Pipeline and Storage	5.6
Exploration and Production	12.7
International	0.5
Timber	0.7
Energy Marketing	-
All Other	-
	$32.6

Utility

The majority of the Utility capital expenditures were made for replacement of mains and main extensions, as well as for the replacement of service lines.

Pipeline and Storage

The majority of the Pipeline and Storage capital expenditures were made for additions, improvements, and replacements to this segment’s transmission and storage systems.

February 6, 2003, the Company acquired the Empire State Pipeline (Empire) from Duke Energy Corporation for $180.0 million in cash plus approximately $58.0 million of project debt. Empire is a 157-mile, 24-inch pipeline that begins at the United States/Canadian border at the Chippawa Channel of the Niagara River near Buffalo, New York, which is within the Company’s service territory, and terminates in Central New York just north of Syracuse, New York. Empire can transport 525 million cublc feet of gas per day and currently has almost all of its capacity under contract, with a substantial portion being long-term contracts. The initial financing of the acquisition was accomplished through short-term borrowings. Long-term financing alternatives include issuing stock and selling non-regulated assets such as Timber acreage and Exploration and Production reserves.* Presently, negotiations are ongoing for the sale of 70,000 acres of timber and the Company expects that a purchase agreement will be finalized soon.*

The Company also continues to explore various opportunities to participate in transporting gas to the Northeast, either through Supply Corporation’s system or in partnership with others. This includes the proposed Northwinds Pipeline that the Company and TransCanada PipeLines Limited are pursuing. This project would be a 215-mile, 30-inch natural gas pipeline that would originate in Kirkwall, Ontario, cross into the United States near Buffalo, New York and follow a southerly route to its destination in the Ellisburg-Leidy area in Pennsylvania.* The Company did not incur any material costs associated with this project during the quarter ended December 31, 2002. The initial capacity of the pipeline would be approximately 500 million cubic feet of natural gas per day with the estimated cost of the pipeline ranging from $350-$400 million.* If the pipeline is constructed, it is possible that a significant amount of the construction costs would be financed by banks or other financial institutions with the pipeline serving as collateral for the financing arrangement.*

Exploration and Production

The Exploration and Production segment capital expenditures for the three months ended December 31, 2002 included approximately $12.2 million for on-shore drilling construction and recompletion costs for wells located in Louisiana, Texas, California and Canada as well as onshore geological and geophysical costs and fixed asset purchases. Of the $12.2 million amount, $7.1 million was spent on the Exploration and Production segment's Canadian properties. The Exploration and Production segment's capital expenditures also included approximately $0.5 million for Seneca's offshore program in the Gulf of Mexico.

International

The majority of the International segment capital expenditures were concentrated in improvements and replacements within the district heating and power generation plants in the Czech Republic.

Timber

The majority of the Timber segment capital expenditures were made for purchases of equipment for Highland's sawmill and kiln operations. As discussed above, negotiations are ongoing for the sale of 70,000 acres of timber and the Company expects that a purchase agreement will be finalized soon.*

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

Financing Cash Flow

Consolidated short-term debt increased $6.7 million during the first quarter of 2003. The Company continues to consider short-term debt an important source of cash for temporarily financing capital expenditures and investments in corporations and/or partnerships, gas-in-storage inventory, unrecovered purchased gas costs, exploration and development expenditures and other working capital needs. Fluctuations in these items can have a significant impact on the amount and timing of short-term debt. The Company has Securities and Exchange Commission (SEC) authorization under the Public Utility Holding Company Act of 1935, as amended, to borrow and have outstanding as much as $750.0

million of short-term debt at any time through December 31, 2005. The total amount available to be issued under the Company's commercial paper program is $200.0 million. The commercial paper program is backed by a committed $220 million, 364-day and 3-year credit facility. Under this committed credit facility, the Company agrees that its debt to capitalization ratio will not at the last day of any fiscal quarter, exceed .65 from September 30, 2002 through September 30, 2003, .625 from October 1, 2003 through September 30, 2004 and .60 from October 1, 2004 and thereafter. With regards to the Company's short-term notes payable to banks, the Company utilizes uncommitted bank lines of credit aggregating to $440.0 million. These uncommitted bank lines of credit are revocable at the option of the financial institutions and are reviewed on an annual basis. The Company anticipates that these lines of credit will continue to be renewed.* If a downgrade in the Company's commercial paper program credit ratings were to occur, access to the commercial paper markets might not be possible.* However, the Company expects that it could borrow under its uncommitted bank lines of credit or seek other liquidity sources, including cash provided by operations.* At December 31, 2002, the Company had outstanding short-term notes payable to banks and commercial paper of $152.3 million and $119.8 million, respectively.

The Company's present liquidity position is believed to be adequate to satisfy known demands.* Under the Company's existing indenture covenants, at December 31, 2002, the Company would have been permitted to issue up to a maximum of $230.0 million in additional long-term unsecured indebtedness at projected market interest rates (subject to the debt to capitalization ratio constraints noted in the previous paragraph) in addition to being able to issue new indebtedness to replace maturing debt.

The Company's indenture also contains certain cross-default provisions wherein the failure by the Company to pay the scheduled interest or principal on its outstanding short-term or long-term debt (if such failure is not cured) could trigger the obligation to re-pay the debt outstanding under said indenture. The Company believes that it has adequate committed credit facilities in place to protect against such defaults.*

The Company also has authorization from the SEC, under the Public Utility Holding Company Act of 1935, to issue long-term debt securities and equity securities in amounts not exceeding $1.5 billion at any one time outstanding during the order's authorization period, which extends to December 31, 2005. In January 2003, the Company registered and has available $800 million of debt and equity securities under the Securities Act of 1933.

The Company has entered into certain off-balance sheet financing arrangements. These financing arrangements are primarily operating and capital leases. The Company's consolidated subsidiaries have operating leases, the majority of which are with the Utility and the Pipeline and Storage segments, having a remaining lease commitment of approximately $30.4 million. These leases have been entered into for the use of vehicles, construction tools, meters, computer equipment and other items and are accounted for as operating leases. The Company's unconsolidated subsidiaries, which are accounted for under the equity method, have capital leases of electric generating equipment having a remaining lease commitment of approximately $9.5 million. The Company has guaranteed 50% or $4.8 million of these capital lease commitments.

The following table summarizes the Company's contractual financial commitments at December 31, 2002 and the twelve-month periods over which they occur:

	Payments by Expected Maturity Dates						
(Millions of Dollars)	2003	2004	2005	2006	2007	Thereafter	Total
Long-Term Debt	160.8	235.8	4.8	3.3	-	899.2	$1,303.9
Short-Term Bank Notes	152.3	-	-	-	-	-	152.3
Commercial Paper	119.8	-	-	-	-	-	119.8
Operating Lease Commitments	8.0	6.1	4.8	3.4	2.6	5.5	30.4
Capital Lease Commitments	0.6	0.6	0.8	0.7	0.6	1.5	4.8

The amounts and timing of the issuance and sale of debt and/or equity securities will depend on market conditions, indenture requirements, regulatory authorizations, and the requirements of the Company.

The Company is involved in litigation arising in the normal course of business. Also in the normal course of business, the Company is involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While the resolution of such matters could have a material effect on earnings and cash flows in the year of resolution, none of these matters, are expected to change materially the Company's present liquidity position, nor have a material adverse effect on the financial condition of the Company.

Market Risk Sensitive Instruments

For a complete discussion of market risk sensitive instruments, refer to "Market Risk Sensitive Instruments" in Item 7 of the Company's 2002 Form 10-K. There have been no subsequent material changes to the Company's exposure to market risk sensitive instruments.

RATE MATTERS

Utility Operation

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

New York Jurisdiction

On October 11, 2000, the NYPSC approved a settlement agreement (Agreement) between Distribution Corporation, Staff of the Department of Public Service, the New York State Consumer Protection Board and Multiple Intervenors (an advocate for large commercial and industrial customers) that establishes rates for a three-year period beginning October 1, 2000. For a complete discussion of this Agreement, refer to "Rate Matters" in Item 7 of the Company's 2002 Form 10-K. There have been no subsequent changes to that disclosure.

On September 20, 2001, the NYPSC issued an order under which Distribution Corporation was Ordered to Show Cause why an action for penalties up to $19 million should not be commenced against it for alleged violations of consumer protection requirements. According to the NYPSC, the alleged violations may have caused or contributed to the death of an individual in an unheated apartment. On December 3, 2001, Distribution Corporation filed its response (submitted under a seal of confidentiality imposed by the Supreme Court, Erie County designed to protect the personal privacy interests of the deceased individual) and requested that the NYPSC either close (dismiss) the Show Cause proceeding based on the evidence presented in Distribution's response, or hold investigatory hearings "to demonstrate that a penalty action is unwarranted." On July 25, 2002 the NYPSC issued an order granting Distribution Corporation's request for hearings, and referred the matter to an administrative law judge for scheduling. The Company believes and will continue to vigorously assert that the NYPSC's allegations lack merit.

Pennsylvania Jurisdiction

Distribution Corporation currently does not have a rate case on file with the Pennsylvania Public Utility Commission (PaPUC). On January 27, 2003, Distribution Corporation petitioned the PaPUC for a waiver of a rate case filing requirement relating to use of historic information for the purpose of establishing new rates. The purpose of the filing is to permit Distribution Corporation to file a rate case on or before April 1, 2003 using projections based on the fiscal year ended September 30, 2002. The outcome of Distribution Corporation's effort cannot be ascertained at this time.

Pipeline and Storage

Supply Corporation currently does not have a rate case on file with the FERC. Management will continue to monitor Supply Corporation's financial position to determine the necessity of filing a rate case in the future.

Other Matters

Environmental Matters. The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and comply with regulatory policies and procedures. It is the Company's policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs. At December 31, 2002, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites will be in the range of $5.1 million to $6.1 million.* The minimum liability of $5.1 million has been recorded on the Consolidated Balance Sheet at December 31, 2002. Other than discussed in Note H of the 2002 Form 10-K (referred to below), the Company is currently not aware of any material additional exposure to environmental liabilities. However, adverse changes in environmental regulations or other factors could impact the Company.*

For further discussion refer to Note H - Commitments and Contingencies under the heading "Environmental Matters" in Item 8 of the Company's 2002 Form 10-K.

Safe Harbor for Forward-Looking Statements. The Company is including the following cautionary statement in this Form 10-Q to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are also expressly qualified by these cautionary statements. Certain statements contained herein, including without limitation those which are designated with an asterisk ("*"), are forward-looking statements and accordingly involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The forward-looking statements contained herein are based on various assumptions, many of which are based, in turn, upon further assumptions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including, without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectations, beliefs or projections will result or be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements:

1. Changes in economic conditions, including economic disruptions caused by terrorist activities or acts of war;
2. Changes in demographic patterns and weather conditions;
3. Changes in availability and/or price of natural gas and oil;
4. Inability to obtain new customers or retain existing ones;
5. Significant changes in competitive factors affecting the Company;
6. Governmental/regulatory actions, initiatives and proceedings, including those affecting acquisitions, financings, allowed rates of return, industry and rate structure, franchise renewal, and environmental/safety requirements;
7. Unanticipated impacts of restructuring initiatives in the natural gas and electric industries;
8. Significant changes from expectations in actual capital expenditures and operating expenses and unanticipated project delays or changes in project costs;
9. The nature and projected profitability of pending and potential projects and other investments;
10. Occurrences affecting the Company's ability to obtain funds from operations, debt or equity to finance needed capital expenditures and other investments;
11. Uncertainty of oil and gas reserve estimates;
12. Ability to successfully identify and finance oil and gas property acquisitions and ability to operate and integrate existing and any subsequently acquired business or properties;
13. Ability to successfully identify, drill for and produce economically viable natural gas and oil reserves;
14. Significant changes from expectations in the Company's actual production levels for natural gas or oil;
15. Changes in the availability and/or price of derivative financial instruments;
16. Changes in the price of natural gas or oil and the related effect given the accounting treatment or valuation of financial instruments;
17. Inability of the various counterparties to meet their obligations with respect to the Company's financial instruments;
18. Regarding foreign operations, changes in trade and monetary policies, inflation and exchange rates, taxes, operating conditions, laws and regulations related to foreign operations, and political and governmental changes;
19. Significant changes in tax rates or policies or in rates of inflation or interest;
20. Significant changes in the Company's relationship with its employees or contractors and the potential adverse effects if labor disputes, grievances or shortages were to occur;
21. Changes in accounting principles or the application of such principles to the Company.
22. Changes in laws and regulations to which the Company is subject, including tax, environmental and employment laws and regulations; or
23. The cost and effects of legal and administrative claims against the Company.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the "Market Risk Sensitive Instruments" section in Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

The following information includes the evaluation of disclosure controls and procedures by the Company's Chief Executive Officer and Treasurer, along with any significant changes in internal controls of the Company.

Evaluation of disclosure controls and procedures

The term "disclosure controls and procedures" is defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934 (Exchange Act.) These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. The Company's Chief Executive Officer and Treasurer have evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days before the filing of this Quarterly Report on Form 10-Q (Evaluation Date), and, they have concluded that, as of the Evaluation Date, such controls and procedures were effective to accomplish those tasks

Changes in internal controls

The Company maintains a system of internal accounting controls that are designed to provide reasonable assurance that the Company's transactions are properly authorized, the Company's assets are safeguarded against unauthorized or improper use, and the Company's transactions are properly recorded and reported to permit preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the Evaluation Date, nor were there any significant deficiencies or material weaknesses in the Company's internal controls.

Part II. Other Information

Item 1. Legal Proceedings

In an action instituted in the New York State Supreme Court, Chautauqua County on January 31, 2000 against Seneca Resources Corporation ("Seneca"), National Fuel Resources, Inc., and "National Fuel Gas Corporation," Donald J. and Margaret Ortel and Brian and Judith Rapp, "individually and on behalf of all those similarly situated," allege, in an amended complaint which adds National Fuel Gas Company as a party defendant (a) that Seneca underpaid royalties due under leases operated by it, and (b) that Seneca's co-defendants (i) fraudulenty participated in nd concealed such alleged underpayment, and (ii)

induced Seneca's alleged breach of such leases. Plaintiffs seek an accounting, declaratory and related injunctive relief, and compensatory and exemplary damages. Defendants have denied each of plaintiffs' material substantive allegations and set up twenty-five affirmative defenses in separate verified answers.

A motion was made by plaintiffs on July 15, 2002 to certify a class comprising all persons presently and formerly entitled to receive royalties on the sale of natural gas produced and sold from wells operated in New York by Seneca (and its predecessor Empire Exploration, Inc). On December 23, 2002, the court granted certification of the proposed class, as modified to exclude those leaseholders whose leases provide for calculation of royalties based upon a flat fee, or flat fee per cubic foot of gas produced. The court's order states that there are approximately 749 potential class members.

The Company believes, based on the information presently known, that the ultimate resolution of this matter will not be material to the consolidated financial condition, results of operations, or cash flow of the Company.* No assurances can be given, however, as to the ultimate outcome of this matter, and it is possible that the outcome could be material to results of operations or cash flow for a particular quarter or annual period.

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

The Company is involved in litigation arising in the normal course of business. Also in the normal course of business, the Company is involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While the resolution of such matters could have a material effect on earnings and cash flows in the period of resolution, none of these matters are expected to change materially the Company's present liquidity position, nor have a material adverse effect on the financial condition of the Company.

Item 2. Changes in Securities

On October 1, 2002, the Company issued a total of 2,160 unregistered shares of Company common stock to the nine non-employee directors of the Company, 240 shares to each such director. These shares were issued as partial consideration for the directors' services during the quarter ended December 31, 2002, pursuant to the Company's Retainer Policy for Non-Employee Directors. These transactions were exempt from registration by Section 4(2) of the Securities Act of 1933 as transactions not involving a public offering.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(3(ii)) National Fuel Gas Company By-Laws as amended on December 12, 2002

(12) Statements regarding Computation of Ratios:
Ratio of Earnings to Fixed Charges for the Twelve Months Ended December 31, 2002 and the Fiscal Years Ended September 30, 1998 through 2002.

(99) Additional Exhibits:

99.1 National Fuel Gas Company Consolidated Statement of Income for the Twelve Months Ended December 31, 2002 and 2001.

99.2 Written statements of Chief Executive Officer and Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

A report on Form 8-K dated September 12, 2002 was filed on October 3, 2002 to file an exhibit for an Underwriting Agreement among the Company, Goldman Sachs and Co. and Edward D. Jones & Co., L.P. This report also presented an exhibit for an Officer's Certificate establishing 6.50% notes due 2022. These exhibits were filed under Item 7, "Financial Statements and Exhibits."

A report on Form 8-K dated October 3, 2002 was filed on October 4, 2002 regarding a press release issued by the Company regarding its agreement to acquire the Empire State Pipeline from a subsidiary of Duke Energy Corporation. This information was filed under Item 5, "Other Events." Exhibits were filed under Item 7, "Financial Statements and Exhibits."

A report on Form 8-K dated October 24, 2002 was filed on October 28, 2002 regarding a press release issued by the Company, concerning earnings for the fiscal year ended September 30, 2002 as disclosed in a conference call on October 25, 2002. This Information was filed under Item 5, "Other Events." Exhibits were filed under Item 7, "Financial Statements and Exhibits."

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.

NATIONAL FUEL GAS COMPANY
(Registrant)

/s/Joseph P. Pawlowski

Joseph P. Pawlowski
Treasurer, Principal Financial Officer
and Principal Accounting Officer

Date: February 11, 2003

CERTIFICATION

I, Philip C. Ackerman, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2003

/s/ Philip C. Ackerman

Philip C. Ackerman
Chairman of the Board, President and
Chief Executive Officer

CERTIFICATION

I, Joseph P. Pawlowski, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 11, 2003

/s/ Joseph P. Pawlowski

Joseph P. Pawlowski
Treasurer and Principal Financial Officer

EXHIBIT INDEX
(Form 10-Q)

Exhibit 3	National Fuel Gas Company By Laws
Exhibit 12	Statements regarding Computation of Ratios:
	Ratio of Earnings to Fixed Charges for the Twelve Months Ended December 31, 2002 and the Fiscal Years Ended September 30, 1998 through 2002.
Exhibit 99.1	National Fuel Gas Company Consolidated Statement of Income for the Twelve Months Ended December 31, 2002 and 2001.
Exhibit 99.2	National Fuel Gas Company Statement Furnished Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

Exhibit 3, 1(ii)

Amended 2/21/85
6/19/86
7/07/88
6/14/90
6/18/92
12/8/93
6/09/94
9/19/96
1/01/97
3/20/97
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9/13/01
9/20/01
12/13/01
12/12/02

NATIONAL FUEL GAS COMPANY
BY-LAWS

ARTICLE I
Meeting of Stockholders

1. Meetings of stockholders may be held at such place, within or without the State of New Jersey, as may be fixed by the Board of Directors and stated in the notice of the meeting.

2. In 1999 and thereafter, the annual meeting of stockholders shall be held on the third Thursday in February in each year beginning at ten o'clock in the forenoon, local time, unless such day shall be on a holiday, in which event such meeting shall be held at the same hour on the next succeeding business day. In 1998, the Annual Meeting of Stockholders shall be held on Thursday, February 26, 1998 at ten o'clock in the forenoon, local time.

3. Except as otherwise provided by New Jersey law, written notice of the time, place and purpose or purposes of every meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at the meeting.

4. Unless otherwise provided by statute, all Special Meetings shall be called upon the written request of three or more directors or of stockholders owning one-fourth of the capital stock issued and outstanding.

5. Unless otherwise provided in the Company's Certificate of Incorporation or in New Jersey law, (i) the holders of shares entitled to cast a majority of the votes at any meeting of stockholders shall constitute a quorum at such meeting except that the votes that holders of any class or series of shares are entitled to cast shall not be counted in the determination of a quorum for action to be taken at a meeting with respect to which such class or series has no vote, and (ii) the holders of shares of any class or series entitled to cast a majority of the votes of such class or series entitled to vote separately on a specified item of business shall constitute a quorum of such class or series for the transaction of such specified item of business.

If a quorum shall not be so represented, the stockholders present at any meeting of stockholders shall have power to adjourn the meeting to another time at the same or at another place. If the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting, it shall not be necessary to give notice of the adjourned meeting unless after the adjournment the Board of Directors fixes a new record date for the adjourned meeting. In the event the Board of Directors fixes such a new record date, a notice of the adjourned meeting shall be given to each stockholder of record at the new record date entitled to notice under Article I paragraph 3 of these By-Laws.

6. At each election of Directors, the proxies and ballots shall be received and all questions respecting the qualification of voters shall be decided by two inspectors, who shall be appointed by the presiding officer of the meeting; provided however, that no candidate for election as Director shall act as inspector. Such inspectors shall be sworn faithfully to perform their duties and shall report in writing the results of the ballot.

7. A. Business transacted at an annual meeting of stockholders may include all such business as may properly come before the meeting. Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders:

(i) pursuant to the Corporation's notice of meeting;

(ii) by or at the direction of the Board of Directors; or

(iii) by any stockholder who was a stockholder of record at the time of giving of notice of the meeting, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 7.

B. For nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. Such stockholder's notice shall set forth:

(i) as to each person whom the stockholder proposes to nominate for election or reelection as a director:

(a) the name, age, business address of such person,

(b) the principal occupation of employment of such person,

(c) the class and number of shares of the Corporation which are owned beneficially by such person, and

(d) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case under applicable SEC regulations (as of February 1999, Regulation 14A under the Securities Exchange Act of 1934, as amended, and Rule 14a-11 thereunder), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected;

(ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

(a) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and

(b) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

C. To be timely, a stockholder's notice under this Section 7 must be delivered to the Secretary at the principal executive offices of the Corporation not less than 110 days prior to the date corresponding to the date on which the Corporation first mailed its proxy materials for the prior year's annual meeting of stockholders; provided , however , that if both:

(i) the date of the annual meeting is changed more than 30 days from the date corresponding to the date of the prior year's annual meeting; and

(ii) notice (or, if earlier, public disclosure of the date of the annual meeting) is given or made to the stockholders of the Corporation less than 120 days before the date corresponding to the date on which the Corporation first mailed its proxy materials for the prior year's meeting of stockholders; then

(iii) a stockholder's notice to be timely must be so received not later than the close of business on the tenth day following the date on which such notice (or, if earlier, such public disclosure of the date of the annual meeting) was mailed or made by the Corporation.

In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder’s notice under this Section 7.

D. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 7. Other than persons nominated by the full Board or any nominating committee thereof, only such persons who are nominated in accordance with the procedures set forth in this Section 7 shall be eligible to serve as directors. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 7 and, if any proposed nomination or business is not in compliance with this Section 7, to declare that such defective proposal or nomination shall be disregarded, unless otherwise provided by any applicable law.

E. Notwithstanding the foregoing provisions of this Section 7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 7. Nothing in this Section 7 shall be deemed to affect any rights of:

(i) the stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act; or

(ii) the holders of any series of Preferred Stock to elect directors under specified circumstances.

F. Business transacted at a special meeting of the stockholders shall be limited to the purposes set forth in the notice of the special meeting.

G. For purposes of this Section 7, the term "public disclosure" shall mean disclosure in a news release reported by the Dow Jones News Service, the Associated Press or a comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

8. At each meeting of stockholders, the chairman of the meeting shall fix and announce the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting and shall determine the order of business and all other matters of procedure. The Board of Directors may adopt by resolution such rules and regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with any such rules and regulations as adopted by the Board of Directors, the chairman of the meeting may establish rules, which need not be in writing, to maintain order and safety and for the conduct of the meeting. Without limiting the foregoing, the chairman of the meeting may:

A. Determine and declare to the meeting that any business is not properly before the meeting and therefore shall not be considered;

B. Restrict attendance at any time to bona fide shareholders of record and their proxies and other persons in attendance at the invitation of the chairman of the meeting;

C. Restrict dissemination of solicitation materials and use of audio or visual recording devices at the meeting;

D. Adjourn the meeting without a vote of the stockholders, whether or not there is a quorum present; and

E. Make rules governing speeches and debate, including time limits and access to microphones.

ARTICLE II
Board of Directors

1. The Board of Directors shall consist of (i) such number of directors, not less than seven nor more than eleven, as may be determined from time to time by resolution adopted by the affirmative vote of a majority of the entire Board of Directors, and (ii) such directors as may be elected by vote of the holders of shares of preferred stock, when and as provided in the Certificate of Incorporation of the Company. In order to qualify for election as a director, a nominee must be a shareholder of the Company.

2. Subject to the provisions of the Statutes of the State of New Jersey, the Certificate of Incorporation, and the By-Laws of the Corporation, the Board of Directors shall have full and complete management and control of the business and affairs of the Corporation.

3. The Board of Directors may hold its meetings or any adjournment thereof either in the State of New Jersey or elsewhere and keep the books of the Corporation at such places within or without the State of New Jersey as the Board of Directors may from time to time determine.

4. Meetings of the Board of Directors may be called at the direction of the Chairman of the Board, the President, or any three of the Directors for the time being in office.

5. Notice of any meetings of the Board of Directors shall be given to each Director by mailing the same to him at his last known address, as the same appears upon the records of the Corporation at least five days before the meeting or by telegraphing, telephoning or delivering the same to him personally at least one day before the meeting.

6. At any meeting of the Board of Directors, there may be transacted without special notice, any business within the powers of the Directors to transact, except that of which the Statutes of the State of New Jersey expressly require special notice shall be given.

7. A. A majority of the Directors in office shall constitute a quorum for the transaction of any business which may properly come before them. If a majority of said Directors shall not be present at any meeting, the Directors present shall have power to adjourn to a day certain, and notice of the adjourned meeting shall be given by mailing the same addressed to each Director at his address as the same appears upon the records of the Corporation, at least two days prior to the adjourned meeting, or by telegraphing, telephoning or delivering the same to him personally at least one day before said adjourned meeting. But, if a majority of the Board of Directors are present, the said meeting, or any adjourned meeting thereof, may be adjourned to a subsequent day; such adjournment may be without notice of such adjournment if such notice is not required by New Jersey Law (as of June 1997, N.J.S.A. 14A:6-10(2)).

B. Unless a greater vote is required by applicable law or by the Certificate of Incorporation of the Company or these By-laws (including, but not limited to, subparagraph C of this paragraph 7), any action approved by a majority of the votes of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

C. Anything in these By-laws to the contrary notwithstanding, any action taken by the Board of Directors pursuant to the terms of any Rights Plan (as hereinafter defined) of the Company shall, unless otherwise provided by the terms of the Rights Plan, be approved by the affirmative vote of three-fourths (3/4ths) of the entire Board of Directors. For purposes of these By-laws, the term "Rights Plan" shall mean any plan pursuant to which shareholders of the Company are, upon the occurrence of certain specified events (including, but not limited to, the acquisition by any person of a specified number of shares of capital stock of the corporation), entitled to purchase shares of capital stock or other securities of either the Company or the acquiring person at a discounted price.

8. A. The Corporation shall indemnify any person who is or was a director or officer of the Corporation, to the fullest extent permitted and in the manner provided by the laws of the State of New Jersey, including, without limitation, the indemnification permitted by N.J.S. 14A:3-5(8), against all liabilities (including amounts paid or incurred in satisfaction of settlements, judgments, fines and penalties) and expenses (including, without limitation, attorneys' fees and disbursements) imposed upon or incurred by such person in connection with any pending, threatened or completed civil, criminal, administrative or arbitrative action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding ("Proceeding") in which such person may be made, or threatened to be made, a party, or in which such person may become involved by reason of such person being or having been a director or officer of the Corporation, or of serving or having served at the request of the Corporation as a director, officer, trustee, employee or agent of, or in any other capacity with, another foreign or domestic corporation, or any partnership, joint venture, sole proprietorship, employee benefit plan, trust or other enterprise, whether or not for profit.

B. During the pendency of any such Proceeding, the Corporation shall, to the fullest extent permitted by law, promptly advance expenses (including, without limitation, attorneys' fees and disbursements) that are incurred, from time to time, in connection therewith by any such current or former director or officer of the Corporation, subject to the receipt by the Corporation of an undertaking of such person as required by law.

C. Nothing in this paragraph 8 shall restrict or limit the power of the Corporation to indemnify its employees, agents and other persons, to advance expenses (including attorneys' fees) on their behalf and to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation in connection with any Proceeding.

D. The indemnification provided by this paragraph 8 shall not exclude any other rights to which a person seeking indemnification may be entitled under the Certificate of Incorporation, By-Laws, agreement, vote of shareholders or otherwise. The indemnification provided by this paragraph 8 shall continue as to a person who has ceased to be a director or officer, and shall extend to the estate or personal representative of any deceased director or officer.

9. A. Each Director who is not a regular full-time employee of the Corporation or one or more of its subsidiaries, shall be paid an annual fee of $20,000 in cash and 1,200 shares of the common stock of the Corporation, payable in equal quarterly increments, in advance (i.e., as of the first business day of the quarter). There will be proration of payments during quarters in which such Director has only partial service. Each such share of stock of the Corporation will be non-transferable until the later of two years from its issuance or six months after such Director's cessation of service.

B. Each Director of the Corporation who is not a regular full-time employee of the Corporation or one or more of its subsidiaries shall also receive a fee of $1,500 for attendance at any meeting of the Board of Directors and a fee of $1,200 for attendance at any meeting of any committee of the Board of Directors. Also a Director who is not a regular full-time employee of the Corporation or one or more of its subsidiaries and who has been appointed as Chairman of any committee of the Board of Directors shall be paid an annual retainer fee of $7,500 for assuming these additional responsibilities. This retainer shall be paid July 1 of each year. Each Director shall be reimbursed for the travel expenses incurred by him or her in attending any meeting of the Board of Directors or any committee of the Board of Directors.

10. Any contract or other transaction between the Corporation or a subsidiary of the Corporation and any other entity shall not be void or voidable because a Director of the Corporation is interested therein if the Corporation has complied with the provisions of any then-applicable New Jersey statute(s) necessary or sufficient to make the transaction not void or voidable, including, as of June 1997, N.J.S.A. 14A:6-8(1).

ARTICLE III
Officers

1. At the first meeting after the annual election, the Board of Directors shall choose a Chairman of the Board and a President, both of whom shall be members of the Board of Directors, and one or more Vice Presidents, a Secretary, a Treasurer and a Controller, who need not be members of the Board of Directors, and who shall hold their respective offices until others are chosen and qualify in their stead. The offices of Secretary and Treasurer may be filled by the same person.

2. In its discretion, the Board of Directors may leave unfilled for such period as it may determine, any office except the offices of the President, Treasurer and Secretary.

3. The Chairman of the Board shall preside at all meetings of the Board of Directors and at stockholders' meetings.

4. The Chief Executive Officer shall, during the recess of the Board of Directors, have general control and management of the affairs and business of the Corporation.

5. In addition to the duties and responsibilities specified in the laws of the State of New Jersey and these By-Laws, the President shall perform such other duties as from time to time may be assigned to him or her by the Board of Directors, and shall preside at stockholders' meetings in the absence of the Chairman of the Board. In the absence of the Chairman of the Board, or in the event that there is a vacancy in the office of the Chairman of the Board, the President shall be the Chief Executive Officer of the Corporation and shall perform all the duties of the Chairman of the Board as well as those of President.

6. Each Vice President shall perform such duties as shall from time to time be assigned to him by the Board of Directors, the Chairman of the Board, or the President.

7. The Secretary, in addition to his statutory duties, shall give proper notice of all meetings of the stockholders and of the Board of Directors. He shall act as Secretary of all meetings of the stockholders and shall perform such other duties as shall from time to time be assigned to him by the Board of Directors or President.

8. The Treasurer, in addition to his statutory duties, shall keep full and accurate accounts of receipts and disbursements of the funds belonging to the Corporation, and shall cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may from time to time be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors whenever they may require it, account of all his transactions as Treasurer, and of the financial condition of the Corporation. He shall perform such other duties as shall be assigned to him by the Board or President, and shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors may from time to time require.

9. The Controller shall see that adequate records of all assets, liabilities and transactions of the Corporation are maintained; that adequate audits thereof, are currently and regularly made, and in conjunction with other officers, initiate and enforce measures and procedures whereby the business of the Corporation shall be conducted with maximum efficiency, safety and economy. He shall also perform all such other duties as usually pertain to the office of Controller. He shall be in all matters subject to the control of and responsible to the Board of Directors alone.

10. The Board of Directors may from time to time appoint such other officers and agents as they may deem necessary or advisable for the transaction of the business of the Corporation, who shall hold their offices during the pleasure of the Board of Directors and perform such duties as may from time to time be designated or assigned to them by said Board of Directors.

11. If the office of the Chairman of the Board, the President, Vice President, Secretary, Treasurer, or Controller or one or more of them becomes vacant for any reason whatsoever, the Board of Directors at any duly convened meeting may, by a majority vote of those present, fill such vacancy and the person elected shall hold office for the unexpired term of such office and until his successor shall be chosen.

12. All officers and agents chosen or appointed by the Board of Directors shall be subject to removal by the Board of Directors at any time with or without cause, and in the case of the absence of any officer or agent of the Corporation, or for any other reason that may seem sufficient to the Board of Directors, the said Board of Directors subject to the limitations herein contained and the statutes in such case made and provided, may, without removal, delegate his powers and duties to any other officer or suitable person for such period as it shall deem proper.

13. All duly authorized bonds and debentures of the Corporation shall be signed on behalf of the Corporation by its Chairman of the Board or its President, or one of its Vice Presidents or, if so provided by resolution of the Board of Directors, by one or more of such officers and such other officer or officers designated by the Board of Directors; any or all such signatures may be manual or facsimile signatures, the signature on interest coupons attached to any said bonds or debentures shall be a facsimile signature; and the corporate seal or a facsimile of such seal may be impressed, affixed, imprinted or otherwise reproduced on said bonds and debentures and, if attested, shall be attested by the Corporation's Secretary or Assistant Secretary by manual or facsimile signature. In case any person whose signature (manual or facsimile) appears upon any said bond or debenture or coupons attached thereto shall cease to be an officer of the Corporation, or shall cease to be the officer specified thereon, before the bonds or debentures so signed shall have been authenticated by the trustee under the indenture or other instrument pursuant to which the bonds or debentures are delivered or sold, such bonds or debentures or coupons may nevertheless be adopted by the Corporation, without further action by the Board of Directors, and authenticated and delivered and sold as though the person or persons who so signed or attested such bonds or debentures or coupons had not ceased to be an officer of the Corporation or the officer specified thereof; and any bonds or debentures may be signed as aforesaid; and the seal of the Corporation impressed, affixed, imprinted or otherwise reproduced thereon may be attested on behalf of the Corporation as aforesaid, and coupons attached may be signed as aforesaid by such persons as at the actual date of the execution of the bonds or debentures or coupons shall be the proper officers of the Corporations, although at the time of the date of the bonds or debentures, such persons may not have been officers of the Corporation.

ARTICLE IV
Executive Committee

1. The Directors may appoint an executive committee and one or more other committees of not less than three members to be chosen from among the members of the Board of Directors. Such committees may meet at such times and places as the committee shall, by resolution, determine and it shall make its own rules of procedure. A majority of the members of any such committee shall constitute a quorum.

2. Except as otherwise provided by Board resolution or statute (as of June 1997, N.J.S.A. 14A:6-9(1)), each such committee shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation at any time when the Board of Directors are not in session. Each such committee shall, however, be subject to the specific directions of the Board of Directors.

3. Each such committee shall keep regular minutes of their transactions and shall cause them to be recorded in books to be kept for that purpose in the office of the Corporation, and shall report the same to the Board of Directors at their regular meetings.

ARTICLE V
Transfer of Shares

1. Except as otherwise provided by statute, shares evidenced by certificates shall be transferred on the books of the Corporation only by the holder thereof in person or by his attorney upon the surrender and cancellation of the certificate or certificates of a like number of shares, except in the case of lost or destroyed certificates, and in that case only after the receipt of a satisfactory bond.

2. The Board of Directors may appoint a transfer agent and a registrar of transfers, and may, in the case of shares represented by certificates, require all stock certificates to bear the signature of either or both.

ARTICLE VI
Fiscal Year

1. The fiscal year of the Corporation shall begin on the 1st day of October in each calendar year and end on the 30th day of September of the next succeeding year.

ARTICLE VII
Dividends and Working Capital

1. Before declaring any dividends or making any distribution of profits, the Directors may set apart out of the net profits or out of the surplus of the Corporation as a reserve fund to be used as working capital or for any other proper purpose, such sum or sums as the Directors shall in their discretion deem just and proper and most for the benefit of the Corporation.

2. Dividends upon the capital stock of the Corporation when declared shall be payable on dates to be determined by the Board of Directors.

ARTICLE VIII
Closing of Transfer Books and
Fixing A Record Book

The Board of Directors may close the stock transfer books of the Corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect.

In lieu of so closing the stock transfer books, the Board of Directors may fix, in advance, a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion or exchange of capital stock, and in such case only stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or allotment of rights or exercise of such rights, as the case may be, and notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

ARTICLE IX
Waiver of Notice

1. Any notice required to be given by these By-Laws may be waived by the person entitled thereto.

ARTICLE X
Seal

1. The common corporate seal is and until otherwise ordered by the Board of Directors shall be an impression upon paper or wax bearing the words - "NATIONAL FUEL GAS COMPANY, NEW JERSEY, INCORPORATED 1902".

ARTICLE XI
Amendment of By-Laws

1. Except as otherwise provided by statute, the Board of Directors shall have power to make, alter or repeal the By-Laws of the Corporation by a vote of a majority of all the Directors at any duly convened meeting of the Board, but any By-Laws so made or otherwise promulgated may be altered or repealed and new By-Laws made by the stockholders at any duly convened meeting thereof.

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES UNAUDITED

	For the Twelve Months Ended December 31, 2002	Fiscal Year Ended September 30			
		2002	2001	2000	1999
EARNINGS:					
Income Before Interest Charges and Minority Interest in Foreign Subsidiaries (2)	$235,288	$222,137	$172,060	$226,696	$202,512
Allowance for Borrowed Funds Used in Construction	467	446	438	424	303
Federal Income Tax	15,049	8,637	71,625	22,143	44,583
State Income Tax	1,503	1,385	21,330	13,067	6,215
Deferred Inc. Taxes - Net (3)	60,392	62,018	(55,844)	41,858	14,030
Investment Tax Credit - Net	(703)	(702)	(353)	(1,051)	(729)
Rentals (1)	5,055	4,906	4,893	4,561	4,281
	$317,051	$298,827	$214,149	$307,698	$271,195
FIXED CHARGES:					
Interest & Amortization of Premium and Discount of Funded Debt	$91,649	$90,543	$81,851	$67,195	$65,402
Interest on Commercial Paper and Short-Term Notes Payable	4,810	6,218	21,733	23,840	17,319
Other Interest (2)	6,842	7,410	2,072	7,495	2,835
Rentals (1)	5,055	4,906	4,893	4,561	4,281
	$108,356	$109,077	$110,549	$103,091	$89,837
RATIO OF EARNINGS TO FIXED CHARGES	**2.93**	**2.74**	**1.94**	**2.98**	**3.02**

Notes:

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

(2) The twelve months ended December 31, 2002 and fiscal 2002, 2001, 2000, 1999, and 1998 reflect the reclassification of $1,927, $1,927, $1,927, $1,979, $1,927 and $1,839 representing the loss on reacquired debt amortized during each period, from Other Interest Charges to Operation Expense.

(3) Deferred Income Taxes - Net for twelve months ended December 31, 2002 and fiscal 1998 excludes the cumulative effect of change in accounting.

Exhibit 99.1

NATIONAL FUEL GAS
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

	Twelve Months Ended December 31	
	2002	2001
	(Thousands of Dollars)	
INCOME		
Operating Revenues	$ 1,551,875	$ 1,899,951
Operating Expenses		
Purchased Gas	539,205	868,297
Fuel Used in Heat and Electric Generation	54,043	54,522
Operation and Maintenance	380,384	367,572
Property, Franchise and Other Taxes	73,826	79,482
Depreciation, Depletion and Amortization	182,271	179,823
Impairment of Oil and Gas Producing Properties	0	180,781
Income Taxes - Net	76,938	26,458
	1,306,667	1,756,935
Operating Income	245,208	143,016
Operations of Unconsolidated Subsidiaries:		
Income (Loss)	521	1,561
Impairment of Investment in Partnership	(15,167)	-
	(14,646)	1,561
Other Income	6,653	7,054
Income Before Interest Charges and Minority Interest in Foreign Subsidiaries	237,215	151,631
Interest Charges		
Interest on Long-Term Debt	91,649	84,714
Other Interest	13,111	20,146
	104,760	104,860
Minority Interest in Foreign Subsidiaries	(1,046)	(1,050)
Income Before Cumulative Effect	131,409	45,721
Cumulative Effect of Change in Accounting	(638)	-
Net Income Available for Common Stock	$ 130,771	$ 45,721
Earnings Per Common Share:		
Basic:		
Income Before Cumulative Effective	$ 1.64	$ 0.58
Cumulative Effect of Change in Accounting	(0.01)	-
Net Income Available for Common Stock	$ 1.63	$ 0.58
Diluted:		
Income Before Cumulative Effective	$ 1.63	$ 0.57
Cumulative Effect of Change in Accounting	(0.01)	0.00
Net Income Available for Common Stock	$ 1.62	$ 0.57
Weighted Average Common Shares Outstanding:		
Used in **Basic** Calculation	80,056,410	79,236,494
Used in **Diluted** Calculation	80,631,294	80,703,659

Exhibit 99.2

NATIONAL FUEL GAS COMPANY

Statement Furnished Pursuant to Section 906
of Sarbanes - Oxley Act of 2002

Each of the undersigned, PHILIP. C. ACKERMAN, the Chairman of the Board, President and Chief Executive Officer, and JOSEPH P. PAWLOWSKI, the Treasurer and Principal Financial Officer of NATIONAL FUEL GAS COMPANY (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2002 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 11th day of February, 2003.

/s/ Philip C. Ackerman

Chairman of the Board, President and
Chief Executive Officer

/s/ Joseph P. Pawlowski

Treasurer and Principal Financial Officer