

EQUITABLE RESOURCES INC /PA/
Form 10-Q
May 01, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008

or

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-3551

EQUITABLE RESOURCES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or organization)

25-0464690

(IRS Employer Identification No.)

225 North Shore Drive, Pittsburgh, Pennsylvania 15212

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(Address of principal executive offices, including zip code)

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

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

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

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller reporting company

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

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

| Class | Outstanding at March 31, 2008 |
|----------------------------|----------------------------------|
| Common stock, no par value | 122,243,139 shares |

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Consolidated Income (Unaudited)

| | Three Months Ended March 31, | |
|---|--|-------------|
| | 2008 | 2007 |
| | (Thousands, except per share amounts) | |
| Operating revenues | \$ 535,774 | \$ 456,546 |
| Cost of sales | 271,178 | 220,012 |
| Net operating revenues | 264,596 | 236,534 |
| Operating expenses: | | |
| Operation and maintenance | 25,592 | 27,444 |
| Production | 16,520 | 16,230 |
| Exploration | 555 | 282 |
| Selling, general and administrative | 71,741 | 66,297 |
| Depreciation, depletion and amortization | 30,765 | 27,427 |
| Total operating expenses | 145,173 | 137,680 |
| Operating income | 119,423 | 98,854 |
| Gain on sale of available-for-sale securities | | 1,042 |
| Other income | 3,524 | 831 |
| Equity in earnings of nonconsolidated investments | 1,294 | 109 |
| Interest expense | 13,653 | 13,111 |
| Income before income taxes | 110,588 | 87,725 |
| Income taxes | 40,068 | 31,107 |
| Net income | \$ 70,520 | \$ 56,618 |
| Earnings per share of common stock: | | |
| Basic: | | |
| Weighted average common shares outstanding | 121,891 | 121,217 |
| Net income | \$ 0.58 | \$ 0.47 |
| Diluted: | | |
| Weighted average common shares outstanding | 122,927 | 122,757 |
| Net income | \$ 0.57 | \$ 0.46 |
| Dividends declared per common share | \$ 0.22 | \$ 0.22 |

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

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Condensed Consolidated Cash Flows (Unaudited)

| | Three Months Ended | | |
|---|---------------------------|-----------|-------------|
| | March 31, | | |
| | 2008 | | 2007 |
| | (Thousands) | | |
| Cash flows from operating activities: | | | |
| Net income | \$ | 70,520 | \$ 56,618 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Provision for losses on accounts receivable | | 2,490 | 450 |
| Depreciation, depletion, and amortization | | 30,765 | 27,427 |
| Gain on sale of available-for-sale securities | | | (1,042) |
| Other income | | (3,524) | (831) |
| Equity in earnings of nonconsolidated investments | | (1,294) | (109) |
| Deferred income taxes | | 48,507 | 1,007 |
| Excess tax benefits from share-based payment arrangements | | (708) | (3,631) |
| Decrease in inventory | | 139,037 | 119,306 |
| Increase in accounts receivable and unbilled revenues | | (68,106) | (24,922) |
| Increase in margin deposits | | (72,116) | (12,031) |
| Decrease in accounts payable | | (17,063) | (12,511) |
| Change in derivative instruments at fair value, net | | 14,808 | 39,727 |
| Changes in other assets and liabilities | | (37,283) | 36,012 |
| Net cash provided by operating activities | | 106,033 | 225,470 |
| Cash flows from investing activities: | | | |
| Capital expenditures | | (200,014) | (156,839) |
| Proceeds from sale of available-for-sale securities | | | 7,295 |
| Investment in available-for-sale securities | | (3,000) | (9,709) |
| Net cash used in investing activities | | (203,014) | (159,253) |
| Cash flows from financing activities: | | | |
| Dividends paid | | (26,889) | (26,765) |
| Proceeds from issuance of long-term debt | | 500,000 | |
| Debt issuance costs | | (6,645) | |
| Decrease in short-term loans | | (438,000) | (44,500) |
| Decrease in note payable to Nora Gathering, LLC | | (14,379) | |
| Proceeds from exercises under employee compensation plans | | 475 | 1,417 |
| Excess tax benefits from share-based payment arrangements | | 708 | 3,631 |
| Net cash provided by (used in) financing activities | | 15,270 | (66,217) |
| Net decrease in cash and cash equivalents | | (81,711) | |
| Cash and cash equivalents at beginning of period | | 81,711 | |
| Cash and cash equivalents at end of period | \$ | | \$ |
| Cash paid during the period for: | | | |
| Interest, net of amount capitalized | \$ | 12,765 | \$ 13,516 |
| Income taxes, net of refund | \$ | 6,855 | \$ 105 |

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

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

| | March 31, 2008 | December 31, 2007 |
|--|---------------------------|------------------------------|
| | (Thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ | \$ 81,711 |
| Accounts receivable (less accumulated provision for doubtful accounts: March 31, 2008, \$26,748; December 31, 2007, \$19,829) | 268,285 | 188,561 |
| Unbilled revenues | 34,636 | 48,744 |
| Margin deposits with financial institutions | 78,046 | 5,930 |
| Inventory | 144,448 | 283,485 |
| Derivative instruments, at fair value | 4,965 | 37,143 |
| Prepaid expenses and other | 135,158 | 96,673 |
| Total current assets | 665,538 | 742,247 |
| Equity in nonconsolidated investments | 136,501 | 135,366 |
| Property, plant and equipment | 4,406,597 | 4,207,402 |
| Less: accumulated depreciation and depletion | 1,314,518 | 1,287,911 |
| Net property, plant and equipment | 3,092,079 | 2,919,491 |
| Investments, available-for-sale | 35,796 | 35,675 |
| Other assets | 115,185 | 104,192 |
| Total assets | \$ 4,045,099 | \$ 3,936,971 |

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

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

| | March 31, 2008 | December 31, 2007 |
|--|---------------------------|------------------------------|
| | (Thousands) | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Short-term loans | \$ 12,000 | \$ 450,000 |
| Note payable to Nora Gathering, LLC | 14,950 | 29,329 |
| Accounts payable | 262,194 | 279,257 |
| Derivative instruments, at fair value | 672,101 | 516,626 |
| Other current liabilities | 244,053 | 244,096 |
| Total current liabilities | 1,205,298 | 1,519,308 |
| Long-term debt | 1,253,500 | 753,500 |
| Other non-current liabilities: | | |
| Deferred income taxes and investment tax credits | 380,881 | 400,465 |
| Unrecognized tax benefits | 53,804 | 50,845 |
| Pension and other post-retirement benefits | 40,466 | 41,768 |
| Other credits | 76,311 | 73,613 |
| Total other non-current liabilities | 551,462 | 566,691 |
| Total liabilities | 3,010,260 | 2,839,499 |
| Common stockholders equity: | | |