UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

or

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-3551

EQUITABLE RESOURCES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	**25-0464690**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

225 North Shore Drive, Pittsburgh, Pennsylvania 15212

(Address of principal executive offices, including zip code)

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

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

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

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

Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

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

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

Class	**Outstanding at September 30, 2006**
Common stock, no par value	120,722,379 shares

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Statements of Consolidated Income (Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
	(Thousands, except per share amounts)			
Operating revenues	$ 232,801	$ 229,372	$ 914,127	$ 860,842
Cost of sales	72,155	65,956	367,085	330,604
Net operating revenues	160,646	163,416	547,042	530,238
Operating expenses:				
Operation and maintenance	25,282	22,891	74,252	71,599
Production	16,176	15,327	47,965	44,523
Selling, general and administrative	32,904	47,245	90,659	101,364
Office consolidation impairment charges			(2,908)	7,835
Depreciation, depletion and amortization	25,149	23,264	74,163	69,573
Total operating expenses	99,511	108,727	284,131	294,894
Operating income	61,135	54,689	262,911	235,344
Gain on sale and tender of available-for-sale securities, net		19,438		80,257
Equity in earnings of nonconsolidated investments	70	216	120	413
Other income, net				1,195
Interest expense	12,290	10,932	35,242	33,107
Income from continuing operations before income taxes	48,915	63,411	227,789	284,102
Income taxes	17,120	17,600	79,726	105,547
Income from continuing operations	31,795	45,811	148,063	178,555
Income from discontinued operations, net of tax of $2,971 and $5,456 for the three and nine months ended September 30, 2005, respectively		680		8,661
Net income	$ 31,795	$ 46,491	$ 148,063	$ 187,216
Earnings per share of common stock:				
Basic:				
Weighted average common shares outstanding	120,172	121,181	119,929	121,359
Income from continuing operations	$ 0.26	$ 0.37	$ 1.23	$ 1.47
Income from discontinued operations		0.01		0.07
Net income	$ 0.26	$ 0.38	$ 1.23	$ 1.54
Diluted:				
Weighted average common shares outstanding	122,103	123,576	121,961	124,016
Income from continuing operations	$ 0.26	$ 0.37	$ 1.21	$ 1.44
Income from discontinued operations		0.01		0.07
Net income	$ 0.26	$ 0.38	$ 1.21	$ 1.51
Dividends declared per common share	$ 0.22	$ 0.21	$ 0.65	$ 0.63

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)

	Nine Months Ended September 30, 2006	2005
	(Thousands)	
Cash flows from operating activities:		
Net income	$ 148,063	$ 187,216
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Income from discontinued operations, net of tax		(8,661)
Provision for losses on accounts receivable	1,504	5,165
Depreciation, depletion, and amortization	74,163	69,573
Gain on sale and tender of available-for-sale securities, net		(80,257)
Office consolidation impairment charges	(2,908)	7,835
Deferred income taxes	15,435	(77,912)
Excess tax benefits from share-based payment arrangements	(6,090)	
Increase in inventory	(33,845)	(52,844)
Decrease in accounts receivable and unbilled revenues	176,283	78,255
Decrease (increase) in margin deposits	317,574	(512,982)
Decrease in accounts payable	(62,439)	(11,382)
Changes in other assets and liabilities	(77,284)	(23,324)
Total adjustments	402,393	(606,534)
Net cash provided by (used in) continuing operating activities	550,456	(419,318)
Net cash used in discontinued operating activities		(31,743)
Net cash provided by (used in) operating activities	550,456	(451,061)
Cash flows from investing activities:		
Capital expenditures	(253,490)	(193,679)
Investment in available-for-sale securities	(2,314)	(3,769)
Proceeds from sale of Kerr-McGee shares		394,901
Proceeds from sale of properties		141,991
Purchase of interest in Eastern Seven Partners, L.P.		(57,500)
Net cash (used in) provided by continuing investing activities	(255,804)	281,944
Net cash (used in) provided by discontinued investing activities	(724)	2,566
Net cash (used in) provided by investing activities	(256,528)	284,510
Cash flows from financing activities:		
Dividends paid	(78,290)	(74,615)
Purchase of treasury stock		(84,501)
Proceeds from exercises under employee compensation plans	17,002	23,808
Excess tax benefits from share-based payment arrangements	6,090	
Repayments and retirements of long-term debt	(3,000)	(10,000)
Proceeds from issuance of long-term debt		150,000
(Decrease) increase in short-term loans	(310,696)	142,003
Net cash (used in) provided by continuing financing activities	(368,894)	146,695
Net cash provided by discontinued financing activities		19,856
Net cash (used in) provided by financing activities	(368,894)	166,551
Net decrease in cash and cash equivalents	(74,966)	
Cash and cash equivalents at beginning of period	74,966	
Cash and cash equivalents at end of period	$	$
Cash paid during the period for:		
Interest, net of amount capitalized	$ 36,686	$ 40,984
Income taxes, net of refund	$ 38,717	$ 183,635

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

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EQUITABLE RESOURCES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

		September 30, 2006		December 31, 2005
		(Thousands)		
ASSETS				
Current assets:				
Cash and cash equivalents	$		$	74,966
Accounts receivable (less accumulated provision for doubtful accounts: September 30, 2006, $20,537; December 31, 2005, $23,329)		116,157		249,397
Unbilled revenues		14,411		58,958
Margin deposits with financial institutions		258		317,832
Inventory		323,766		289,921
Derivative instruments, at fair value		153,548		42,899
Prepaid expenses and other		69,962		60,732
Assets held for sale from discontinued operations				2,518
Total current assets		678,102		1,097,223
Equity in nonconsolidated investments		35,060		35,555
Property, plant and equipment		3,469,144		3,236,097
Less: accumulated depreciation and depletion		1,216,096		1,152,892
Net property, plant and equipment		2,253,048		2,083,205
Investments, available-for-sale		29,276		25,194
Other assets		94,973		101,108
Total assets	$	3,090,459	$	3,342,285
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Current portion of long-term debt	$	10,000	$	3,000
Short-term loans		54,604		365,300
Accounts payable		180,179		242,618
Derivative instruments, at fair value		656,827		1,264,204
Other current liabilities		165,714		217,374
Total current liabilities		1,067,324		2,092,496
Debentures and medium-term notes		753,434		763,434
Deferred income taxes and investment tax credits		302,726		24,042
Other credits		97,796		107,845
Common stockholders equity:				
Common stock, no par value, authorized 320,000 shares; shares issued: September 30, 2006 and December 31, 2005, 149,008		363,881		358,684
Treasury stock, shares at cost: September 30, 2006, 28,284; December 31, 2005, 29,102 (net of shares and cost held in trust for deferred compensation of 158, $2,705 and 142, $2,429)		(483,733)		(496,511)
Retained earnings		1,317,668		1,247,895
Accumulated other comprehensive loss		(328,637)		(755,600)
Total common stockholders equity		869,179		354,468
Total liabilities and stockholders equity	$	3,090,459	$	3,342,285

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

Equitable Resources, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

A. Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. In this report, unless the context requires otherwise, references to we, us, our, or the Company are intended to mean Equitable Resources, Inc. and its consolidated subsidiaries. In the opinion of management, these statements include all adjustments (consisting of only normal recurring accruals, unless otherwise disclosed in this Form 10-Q) necessary for a fair presentation of the financial position of Equitable Resources, Inc. and subsidiaries as of September 30, 2006, and the results of its operations and cash flows for the three and nine month periods ended September 30, 2006 and 2005.

Certain Condensed Consolidated Financial Statements and related footnote disclosures have been reclassified to reflect the operating results and cash flows of the discontinued NORESCO segment for the three and nine month periods ended September 30, 2005, as discontinued operations. Additionally, certain previously reported amounts have been reclassified to conform to the current year presentation.

The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

Due to the seasonal nature of the Company s natural gas distribution and energy marketing businesses and the volatility of natural gas prices, the interim statements for the three and nine month periods ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

For further information, refer to the consolidated financial statements and footnotes thereto included in Equitable Resources Annual Report on Form 10-K for the year ended December 31, 2005, as well as in Information Regarding Forward Looking Statements on page 17 of this document.

B. Segment Information

The Company reports its operations in two segments, which reflect its lines of business. The Equitable Utilities segment s operations comprise the sale and transportation of natural gas to customers at state-regulated rates, interstate pipeline gathering, transportation and storage of natural gas subject to federal regulation, the unregulated marketing of natural gas and limited trading activities. The Equitable Supply segment s activities comprise the development, production, gathering, marketing and sale of natural gas and a small amount of associated oil and the extraction and sale of natural gas liquids. In December 2005, the Company discontinued and sold the operations of its NORESCO segment, which provided energy efficiency solutions to customers including governmental, military, institutional, commercial and industrial end-users.

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

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

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Revenues from external customers:				
Equitable Utilities	$ 125,603	$ 113,712	$ 599,328	$ 550,684
Equitable Supply	120,991	127,252	362,767	352,736
Less: intersegment revenues (a)	(13,793)	(11,592)	(47,968)	(42,578)
Total	$ 232,801	$ 229,372	$ 914,127	$ 860,842
Total operating expenses:				
Equitable Utilities	$ 35,686	$ 43,641	$ 105,417	$ 116,920
Equitable Supply	57,761	47,351	162,111	144,312
Unallocated expenses	6,064	17,735	16,603	33,662
Total	$ 99,511	$ 108,727	$ 284,131	$ 294,894
Operating income:				
Equitable Utilities	$ 3,969	$ (7,477)	$ 78,858	$ 60,582
Equitable Supply	63,230	79,901	200,656	208,424
Unallocated expenses	(6,064)	(17,735)	(16,603)	(33,662)
Total	$ 61,135	$ 54,689	$ 262,911	$ 235,344
Reconciliation of operating income to net income:				
Equity in earnings of nonconsolidated investments:				
Equitable Supply	$ 71	$ 131	$ 53	$ 261
Unallocated	(1)	85	67	152
Total	$ 70	$ 216	$ 120	$ 413
Gain on sale and tender of available-for-sale securities, net		19,438		80,257
Other income, net (b)				1,195
Interest expense	12,290	10,932	35,242	33,107
Income taxes	17,120	17,600	79,726	105,547
Income from continuing operations	31,795	45,811	148,063	178,555
Income from discontinued operations, net of tax of $2,971 and $5,456 for the three and nine months ended September 30, 2005, respectively		680		8,661
Net income	$ 31,795	$ 46,491	$ 148,063	$ 187,216

	September 30, 2006	December 31, 2005
	(Thousands)	
Segment Assets:		
Equitable Utilities	$ 1,400,278	$ 1,412,215
Equitable Supply	1,651,991	1,844,883
Total operating segments	3,052,269	3,257,098
Headquarters assets, including cash and short-term investments	38,190	82,669
Total operating assets	3,090,459	3,339,767
Assets held for sale from discontinued operations		2,518
Total assets	$ 3,090,459	$ 3,342,285

	Three Months Ended September 30, 2006	2005	Nine Months Ended September 30, 2006	2005
Expenditures for segment assets:				
Equitable Utilities	$ 16,463	$ 18,710	$ 45,543	$ 40,283
Equitable Supply (c)	82,871	53,535	205,398	201,348
Unallocated expenditures	740	783	2,549	9,548
Total	$ 100,074	$ 73,028	$ 253,490	$ 251,179

(a) Intersegment revenues primarily represent sales from Equitable Supply to the unregulated marketing affiliate of Equitable Utilities.

(b) Unallocated other income, net for the nine months ended September 30, 2005 relates to pre-tax dividend income of $1.2 million for Kerr-McGee Corporation shares.

(c) Capital expenditures for the nine months ended September 30, 2005 include $57.5 million for the acquisition of the 99% limited partnership interest in Eastern Seven Partners, L.P.

C. Derivative Instruments

Natural Gas Hedging Instruments

The various derivative commodity instruments used by the Company to hedge its exposure to variability in expected future cash flows associated with the fluctuations in the price of natural gas related to the Company s forecasted sale of equity production and forecasted natural gas purchases and sales have been designated and qualify as cash flow hedges. Futures contracts obligate the Company to buy or sell a designated commodity at a future date for a specified price and quantity at a specified location. Swap agreements involve payments to or receipts from counterparties based on the differential between a fixed and variable price for the commodity. Collar agreements require the counterparty to pay the Company if the index price falls below the floor price and the Company to pay the counterparty if the index price rises above the cap price. Exchange-traded instruments are generally settled with offsetting positions. Over the Counter (OTC) arrangements require settlement in cash. The fair value of these derivative commodity instruments was a $153.5 million asset and a $624.9 million liability as of September 30, 2006, and a $36.0 million asset and a $1.2 billion liability as of December 31, 2005. These amounts are included in the Condensed Consolidated Balance Sheets as derivative instruments, at fair value. The net amount of derivative instruments, at fair value, changed from a net liability of $1.2 billion at December 31, 2005 to a net liability of $471.4 million at September 30, 2006, primarily as a result of the decrease in natural gas prices. The absolute quantities of the Company s derivative commodity instruments that have been designated and qualify as cash flow hedges totaled 434.9 Bcf and 383.5 Bcf as of September 30, 2006 and December 31, 2005, respectively, and primarily related to natural gas swaps. The open positions at September 30, 2006 had maturities extending through December 2013.

The Company deferred net losses of $315.3 million and $741.0 million in accumulated other comprehensive loss, net of tax, as of September 30, 2006 and December 31, 2005, respectively, associated with the effective portion of the change in fair value of its derivative instruments designated as cash flow hedges. Assuming no change in price or new transactions, the Company estimates that approximately $61.6 million of net unrealized losses on its derivative commodity instruments reflected in accumulated other comprehensive loss, net of tax, as of September 30, 2006 will be recognized in earnings during the next twelve months. This recognition occurs through a reduction in the Company s net operating revenues resulting in the average hedged price becoming the realized sales price.

For the three months ended September 30, 2006 and 2005, ineffectiveness associated with the Company s derivative instruments designated as cash flow hedges increased earnings by approximately $0.4 million and $0.5 million, respectively. These amounts are included in operating revenues in the Statements of Consolidated Income.

The Company conducts trading activities through its unregulated marketing group. The function of the Company s trading business is to contribute to the Company s earnings by taking market positions within defined limits subject to the Company s corporate risk management policy.

The absolute notional quantities of the futures and swaps held for trading purposes at September 30, 2006 totaled 9.1 Bcf and 34.0 Bcf, respectively.

Below is a summary of the activity of the fair value of the Company s derivative commodity contracts with third parties held for trading purposes during the nine months ended September 30, 2006 (in thousands).

Fair value of contracts outstanding as of December 31, 2005	$	(330)
Contracts realized or otherwise settled		286
Other changes in fair value		(88)
Fair value of contracts outstanding as of September 30, 2006	$	(132)

The following table presents maturities and the fair valuation source for the Company s derivative commodity instruments that are held for trading purposes as of September 30, 2006.

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

Source of Fair Value	Maturity Less than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years (Thousands)	Maturity in Excess of 5 Years	Total Fair Value
Prices actively quoted (NYMEX) (1)	$ (20)	$	$	$	$ (20)
Prices provided by other external sources (2)	(131)	19			(112)
Net derivative (liabilities) assets	$ (151)	$ 19	$	$	$ (132)

(1) Contracts include futures and fixed price swaps

(2) Contracts include basis swaps

When the net fair value of any of the swap agreements represents a liability to the Company which is in excess of the agreed-upon threshold between the Company and the financial institution acting as counterparty, the counterparty requires the Company to remit funds to the counterparty as a margin deposit for the derivative liability which is in excess of the threshold amount. The Company recorded such deposits in the amount of $0.3 million as margin deposits with financial institutions in its Condensed Consolidated Balance Sheet as of September 30, 2006.

When the Company enters into exchange-traded natural gas contracts, exchanges require participants, including the Company, to remit funds to the corresponding broker as good-faith deposits to guard against the risks associated with changing market conditions. Participants must make such deposits based on an established initial margin requirement as well as the net liability position, if any, of the fair value of the associated contracts. The initial margin requirements are established by the exchanges based on prices, volatility and the time to expiration of the related contract and are subject to change at the exchanges discretion. The Company had no such margin deposits in its Condensed Consolidated Balance Sheet at September 30, 2006.

The fair value of derivative instruments assumed as part of the purchase of the limited partnership interest in Eastern Seven Partners, L.P. (ESP) in January 2005 was a $15.1 million liability at September 30, 2006. The fair value of derivative instruments associated with forecasted production at non-core gas properties sold in May 2005 was a $15.9 million liability at September 30, 2006. The Company does not treat these derivatives as hedging instruments under Statements of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). These amounts are included in the Condensed Consolidated Balance Sheet as derivative instruments, at fair value. See Note L for further discussion of the related transactions.

D. Investments

As of September 30, 2006, the investments classified by the Company as available-for-sale consist of approximately $29.3 million of equity securities intended to fund plugging and abandonment and other liabilities for which the Company self-insures.

Any unrealized gains or losses with respect to investments classified as available-for-sale are recognized within the Consolidated Balance Sheets as a component of equity, accumulated other comprehensive loss. The Company utilizes the specific identification method to determine the cost of all investment securities sold.

In September 2005, the Company sold approximately 0.4 million Kerr-McGee Corporation (Kerr-McGee) shares for total proceeds of $40.6 million. The sale of those shares resulted in a pre-tax gain to the Company of $19.4 million.

In May 2005, the Company terminated three variable share forward transactions. In connection with the termination, the Company incurred a termination cost of $95.8 million and sold 4.3 million Kerr-McGee shares to its three counterparties at an average price of $75.43 per share to cover its counterparties respective hedged positions. The Company received $227.4 million in pre-tax proceeds from the sale of the Kerr-McGee shares net of the termination cost. In addition, the Company unconditionally tendered 1.7 million Kerr-McGee shares at $85.00 per share to Kerr-McGee in connection with Kerr-McGee s Dutch auction tender offer to purchase its own shares. Accordingly, as a result of its tender of shares, the Company received approximately $49 million in pre-tax proceeds on the sale of approximately 0.6 million shares.

In April 2005, the Company sold approximately 1.0 million unhedged Kerr-McGee shares for total proceeds of $77.9 million. The sale of these remaining shares resulted in a pre-tax gain to the Company of $26.7 million.

In the first nine months of 2005, the Company recorded dividend income on its investment in Kerr-McGee of $1.2 million, which is recorded in other income, net on the Statement of Consolidated Income for the nine months ended September 30, 2005.

E. Comprehensive Income (Loss)

Total comprehensive income (loss), net of tax, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(Thousands)			
Net income	$ 31,795	$ 46,491	$ 148,063	$ 187,216
Other comprehensive income (loss):				
Net change in cash flow hedges:				
Natural gas (Note C)	176,718	(398,818)	425,672	(642,645)
Interest rate	29	29	87	87
Unrealized gain (loss) on available-for-sale securities:				
Kerr-McGee		2,334		(14,411)
Other	838	218	1,204	111
Total comprehensive income (loss)	$ 209,380	$ (349,746)	$ 575,026	$ (469,642)

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

	September 30, 2006	December 31, 2005
	(Thousands)	
Net unrealized loss from hedging transactions	$ (316,045)	$ (741,804)
Unrealized gain on available-for-sale securities	2,774	1,570
Minimum pension liability adjustment	(15,366)	(15,366)
Accumulated other comprehensive loss	$ (328,637)	$ (755,600)

F. Share-Based Compensation

The Company adopted SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R) as of January 1, 2006. The Company previously accounted for share-based compensation transactions using the intrinsic value method of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). Under SFAS No. 123R, an entity must recognize the compensation cost related to employee services received in exchange for all forms of share-based payments to employees, including employee stock options, as an expense in its income statement. The compensation cost of the award is generally measured based on the grant-date fair value of the award.

The Company adopted SFAS No. 123R using the modified prospective method. Under the modified prospective method, compensation cost is recognized beginning with the effective date and prior period results are not restated. As such, compensation cost related to all share-based awards was recorded as selling, general and administrative expense in the Company s Statement of Consolidated Income for the nine months ended September 30, 2006.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123R to employee share-based awards for the three and nine months ended September 30, 2005.

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
	(Thousands)	
Net income, as reported	$ 46,491	$ 187,216
Add: Gross share-based employee compensation expense included in reported net income	16,352	33,455
Deduct: Income tax benefit from share-based employee compensation expense included in reported net income	(5,428)	(11,298)
Deduct: Total share-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(11,134)	(23,576)
Pro forma net income	$ 46,281	$ 185,797
Earnings per share:		
Basic, as reported	$ 0.38	$ 1.54
Basic, pro forma	$ 0.38	$ 1.53
Diluted, as reported	$ 0.38	$ 1.51
Diluted, pro forma	$ 0.37	$ 1.50

Adoption of SFAS No. 123R had the effect of reducing operating income and income from continuing operations before income taxes by $0.7 million for the nine month period ended September 30, 2006. Prior to the adoption of SFAS No. 123R, the Company presented all tax benefits for deductions resulting from the exercise of share-based awards as cash flows from operating activities in its Statements of Condensed Consolidated Cash Flows. SFAS No. 123R requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a cash flow from financing activities, rather than as a cash flow from operating activities. This requirement reduced cash flows from operating activities and increased cash flows from financing activities by $6.1 million for the nine months ended September 30, 2006. Total net cash flows were not impacted by the adoption of SFAS No. 123R.

Cash received from exercises under all share-based payment arrangements for employees and directors for the nine month periods ended September 30, 2006 and 2005, was $17.0 million and $23.8 million, respectively. The actual tax benefit realized for tax deductions from share-based payment arrangements for the nine month periods ended September 30, 2006 and 2005, was $7.9 million and $17.2 million, respectively.

The Company typically funds restricted share obligations from treasury stock at the date of grant and has a policy of issuing shares from treasury stock to satisfy option exercises.

Executive Performance Incentive Programs

The vesting of the units granted under the 2005 Executive Performance Incentive Program (2005 Program) will occur contingent upon a combination of the level of total shareholder return relative to a fixed group of peer companies and the Company s average absolute return on total capital during the four year performance period. The Company anticipates, based on current estimates, that a certain level of performance will be met. The 2005 Program expense for the nine months ended September 30, 2006 and 2005 was $15.6 million and $13.2 million, respectively, and is classified as selling, general and administrative expense in the Statements of Consolidated Income. A portion of the 2005

Program expense is included as an unallocated expense in deriving total operating income for segment reporting purposes. See Note B.

Restricted Stock Awards

The Company granted 93,200 and 75,400 restricted stock awards during the nine months ended September 30, 2006 and 2005, respectively, to key executives of the Company. These awards will be fully vested at the end of the three-year period commencing the date of grant. The fair value of each share is equal to the market price of the Company s common stock on the date of grant. The weighted average fair value of these restricted stock grants, based on the grant date fair value of the Company s stock, was $35.80 and $29.48, for the nine months ended September 30, 2006 and 2005, respectively. The total fair value of restricted stock awards vested during the nine months ended September 30, 2006 and 2005 was $1.5 million and $1.8 million, respectively. Compensation expense recorded by the Company related to restricted stock awards was $2.5 million and $2.0 million for the nine month periods ended September 30, 2006 and 2005, respectively.

As of September 30, 2006, there was $5.7 million of total unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted average period of approximately 12.5 months.

A summary of restricted stock activity as of September 30, 2006, and changes during the nine months then ended, is presented below:

Restricted Stock	**Non-Vested Shares**		**Weighted Average Fair Value**	**Weighted Average Remaining Contractual Term**		**Aggregate Fair Value**
Outstanding at January 1, 2006	520,435	$	22.82		$	11,877,895
Granted	93,200	$	35.80		$	3,336,425
Vested	(77,115)	$	18.91		$	(1,458,367)
Forfeited	(12,680)	$	28.86		$	(365,928)
Outstanding at September 30, 2006	523,840	$	25.56	12.5 months	$	13,390,025

Stock Options

The fair value of the Company s option grants was estimated at the dates of grant using a Black-Scholes option-pricing model with the assumptions indicated in the table below for the nine month periods ended September 30, 2006 and 2005. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is based on the historical dividend yield of the Company s stock. Expected volatilities are based on historical volatility of the Company s stock. The expected term of options granted represents the period of time that options granted are expected to be outstanding based on historical option exercise experience.

	Nine Months Ended September 30,	
	2006	**2005**
Risk-free interest rate	4.59% to 5.04%	3.74% to 4.34%
Dividend yield	2.34% to 2.38%	2.75% to 2.83%
Volatility factor	.212 to .226	.258 to .262
Expected term	7 years	7 years

The Company granted 56,257 and 68,898 stock options during the nine months ended September 30, 2006 and 2005, respectively, all of which comprised options granted for reload rights associated with previously-awarded options. The weighted average grant date fair value of these reload option grants was $9.07 and $7.65 for the nine month periods ended September 30, 2006 and 2005, respectively. The total intrinsic value of options exercised during the nine month periods ended September 30, 2006 and 2005 was $20.8 million and $46.0 million, respectively.

As of September 30, 2006, there was no unrecognized compensation cost related to outstanding nonvested stock options as all outstanding options were fully vested.

A summary of option activity as of September 30, 2006, and changes during the nine months then ended, is presented below:

Nonqualified Stock Options	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding at January 1, 2006	5,110,421	$	16.32			
Granted	56,257	$	35.93			
Exercised	(1,054,342)	$	17.06			
Forfeited	(4,716)	$	17.46			
Outstanding at September 30, 2006	4,107,620	$	16.40	5.0 years	$	76,416,624
Exercisable at September 30, 2006	4,107,620	$	16.40	5.0 years	$	76,416,624

Nonemployee Directors Stock Incentive Plan

At September 30, 2006, 160,904 options were outstanding under the 1999 Nonemployee Directors Stock Incentive Plan at prices ranging from $6.59 to $29.67 per share, and 537,200 options had been exercised under this plan since plan inception. The exercise price for each award is equal to the market price of the Company s common stock on the date of grant. Each option is subject to time-based vesting provisions and expires 5 to 10 years after date of grant.

The Company has also historically granted to non-employee directors stock units which vested upon award. The value of the stock units will be paid in cash on the earlier of the director s death or retirement from the Company s Board of Directors. A total of 72,960 non-employee director stock units were outstanding as of September 30, 2006. A total of 18,000 stock units were granted to non-employee directors during each of the nine month periods ended September 30, 2006 and 2005.

G. Income Taxes

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period. Separate effective income tax rates are calculated for net income from continuing operations and any other separately reported net income items, such as discontinued operations, extraordinary items and cumulative effects of accounting changes. The Company currently estimates the annual effective income tax rate from continuing operations as of September 30, 2006 to be 35.0%. The estimated annual effective income tax rate as of September 30, 2005 was 33.8%, excluding the tax benefit disallowances recorded in 2005 under Section 162(m) of the Internal Revenue Code.

H. Pension and Other Postretirement Benefit Plans

The Company s costs related to its defined benefit pension and other postretirement benefit plans for the three and nine months ended September 30, 2006 and 2005 were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended September 30,			
	2006	2005	2006	2005
	(Thousands)			
Components of net periodic benefit cost				
Service cost	$ 107	$ 225	$ 138	$ 135
Interest cost	1,097	1,379	725	792
Expected return on plan assets	(1,533)	(1,971)		
Amortization of prior service cost	92	192	(34)	(11)
Recognized net actuarial loss	267	209	536	552
Settlement loss	283	13,809		
Net periodic benefit cost	$ 313	$ 13,843	$ 1,365	$ 1,468

	Pension Benefits		Other Benefits	
	Nine Months Ended September 30,			
	2006	2005	2006	2005
	(Thousands)			
Components of net periodic benefit cost				
Service cost	$ 323	$ 675	$ 414	$ 405
Interest cost	3,291	4,513	2,175	2,376
Expected return on plan assets	(4,599)	(6,062)		
Amortization of prior service cost	278	575	(102)	(32)
Recognized net actuarial loss	801	698	1,608	1,655
Settlement loss	265	15,990		
Net periodic benefit cost	$ 359	$ 16,389	$ 4,095	$ 4,404

During the third quarter of 2005, the Company settled its pension obligation with the United Steelworkers of America, Local Union 12050 representing 182 employees. As a result of this settlement, which was accounted for under SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, the Company recognized a settlement expense of $12.7 million during the three months ended September 30, 2005. The settlement expense was primarily the result of accelerated recognition of unrecognized losses. As part of this settlement, the affected employees were provided the option to either roll over the lump-sum value of their pension benefit to the Company s defined contribution plan or to receive an insured monthly annuity benefit at the time they retire. Additionally, this pension settlement expense is a selling, general and administrative expense included within operating expense of the Equitable Utilities business segment (see Note B). As a result of the settlement, the Company s ongoing pension obligation decreased by $12.5 million.

I. Recently Issued Accounting Standards

Fair Value Measurements

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

Employers Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment to SFAS No. 87, Employers Accounting for Pensions, SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions and SFAS No. 132(R), Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106. SFAS No. 158 requires an employer to recognize a benefit plan s funded status in its statement of financial position, measure a benefit plan s assets and obligations as of the end of the employer s fiscal year and recognize the changes in the benefit plan s funded status in other comprehensive income in the year in which the changes occur. SFAS No. 158 s requirement to recognize the funded status of a benefit plan and the new disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer s fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company is currently evaluating the impact that SFAS No. 158 will have on its consolidated financial statements.

Accounting for Uncertain Tax Positions

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Tax Positions an Interpretation of FASB Statement No. 109. The Interpretation applies to all open tax positions accounted for in accordance with SFAS No. 109, Accounting for Income Taxes. This Interpretation is intended to result in increased relevance and comparability in financial reporting of income taxes and to provide more information about the uncertainty in income tax assets and liabilities. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of this Interpretation on the Company s financial position and results of operations.

Earnings Per Share

In September 2005, the FASB issued an exposure draft of a proposed amendment to SFAS No. 128, Earnings Per Share. The proposed amendment would clarify guidance for calculating earnings per share in regards to mandatorily convertible instruments, the treasury stock method, contracts that may be settled in cash or shares and contingently issuable shares. The FASB has delayed issuance of the final amendment until it completes additional deliberations. The Company will evaluate the impact of any change in accounting standard when the final interpretation is issued.

J. Discontinued Operations

In the fourth quarter of 2005, the Company sold its NORESCO domestic business for $82 million before customary purchase price adjustments.

In the second quarter of 2006, the Company completed the sale of the remaining interest in its investment in IGC/ERI Pan-Am Thermal Generating Limited (Pan Am), previously included in the NORESCO business segment, for total proceeds of $2.6 million.

Total operating revenues reclassified to discontinued operations for the three and nine month periods ended September 30, 2005 were $35.2 million and $112.5 million, respectively.

K. Office Consolidation / Impairment Charges

In May 2005, the Company completed the relocation of its corporate headquarters and other operations to a newly constructed office building located at the North Shore in Pittsburgh. The relocation resulted in the early termination of several operating leases and the early retirement of assets and leasehold improvements at several locations. In accordance with SFAS No. 146, Accounting for Costs associated with Exit or Disposal Activities, the Company recognized a loss of $5.3 million on the early termination of operating leases during the second quarter of 2005 for facilities deemed to have no economic benefit to the Company. The Company also recognized a loss on impairment of assets of $2.5 million during the nine months ended September 30, 2005 in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, associated with the office consolidations.

During the second quarter of 2006, the Company began to utilize certain of the leased space previously deemed to have no economic benefit to the Company to make space available for the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. transition planning activities. The Company reversed approximately $2.4 million of the associated early termination liability for these leases during the second quarter of 2006. Additionally, the Company recorded a $0.5 million reduction in the early termination liability during the second quarter of 2006 resulting from a revision of the amount of estimated cash flows for one of its operating leases.

L. Other Events

On April 5, 2006, the Federal Energy Regulatory Commission (FERC) approved a settlement to resolve all issues raised in Equitrans, L.P. s rate case filings. According to its terms, the settlement became effective on June 1, 2006. The settlement s approval, which was recognized in the first quarter of 2006, improved operating income by $6.9 million for the first quarter of 2006, including $5.4 million relating to years 2005 and prior.

On March 1, 2006, the Company entered into a definitive agreement to acquire Dominion Resources natural gas distribution assets in Pennsylvania and in West Virginia for approximately $970 million, subject to adjustments, in a cash transaction for the stock of The Peoples Natural Gas Company and Hope Gas, Inc. The Company plans to finance the transaction through a combination of equity and debt issuances and possibly hybrid issuances and/or asset sales.

The transaction requires approvals from the Pennsylvania Public Utility Commission (PA PUC) and the Public Service Commission of West Virginia (WV PSC) and is also under review by the Pennsylvania Attorney General and under the Hart-Scott-Rodino Act by the Federal Trade Commission (FTC). The PA PUC has adopted a procedural schedule with a recommended decision to be issued in the first quarter of 2007. The WV PSC has not adopted a procedural schedule at this time, but indications are that it will be similar to the PA PUC schedule. The Company is engaged in settlement negotiations with interveners in the PA PUC and WV PSC cases which may result in a resolution by the end of 2006. Similarly, the Company is complying with the information requests of the Pennsylvania Attorney General and the FTC and is targeting a timeframe consistent with that of the PA PUC and WV PSC. No assurance is given that the targeted timeframe will be achieved.

In January 2005, the Company purchased the 99% limited partnership interest in ESP for cash of $57.5 million and assumed liabilities of $47.3 million.

In May 2005, the Company sold certain non-core gas properties and associated gathering assets for proceeds of approximately $142 million after purchase price adjustments.

Management s Discussion and Analysis of Financial Condition and Results of Operations

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

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Disclosures in this Quarterly Report on Form 10-Q contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as should, anticipate, estimate, forecasts, approximate, expect, may, will, project, intend, plan, believe and other words of similar meaning in connection with any discussion operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this report include the matters discussed in the sections captioned Outlook in this Management s Discussion and Analysis of Financial Condition and Results of Operations, and the expectations of plans, strategies, objectives, and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company s drilling program, production and sales volumes, liquidity, capital expenditures and earnings and the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc. and the financing of that acquisition. A variety of factors could cause the Company s actual results to differ materially from the anticipated results or other expectations expressed in the Company s forward-looking statements. The risks and uncertainties that may affect the operations, performance and results of the Company s business and forward-looking statements include, but are not limited to, those set forth under Item 1A, Risk Factors of the Company s Form 10-K for the year ended December 31, 2005.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE OVERVIEW

Three Months Ended September 30, 2006

vs. Three Months Ended September 30, 2005

Equitable Resources consolidated income from continuing operations for the three months ended September 30, 2006 totaled $31.8 million, or $0.26 per diluted share, compared to $45.8 million, or $0.37 per diluted share, reported for the same period a year ago. This $14.0 million decrease in income from continuing operations from 2005 to 2006 was largely due to a decrease in the average well-head sales price, increased operating expenses at the Supply segment, transition costs at the Utility and a reduction in Energy Marketing revenues. These factors were partially offset by an increase in production sales volumes and an increase in revenues in the Pipeline business as a result of the Equitrans rate case settlement. In addition, 2005 consolidated income from continuing operations contained a number of unusual items, including a gain on the sale of Kerr-McGee shares, which was offset by a charge for increased long-term incentive expenses and a charge for the termination and settlement of a defined benefit pension plan.

Nine Months Ended September 30, 2006

vs. Nine Months Ended September 30, 2005

Equitable Resources consolidated income from continuing operations for the nine months ended September 30, 2006 totaled $148.1 million, or $1.21 per diluted share, compared to $178.6 million, or $1.44 per diluted share, reported for the same period a year ago. This $30.5 million decrease in income from continuing operations from 2005 to 2006 was largely due to the unusual factors in 2005. On a nine month basis, 2005 unusual items include the items explained above and an additional gain on the sale of Kerr-McGee shares partially offset by a negative tax impact related to a tax benefit disallowance under Section 162(m) of the Internal Revenue Code and office consolidation charges. Excluding the unusual items, income from continuing operations decreased from 2005 to 2006 due to an increase in operating costs at the Supply segment, a decrease in the average well-head sales price, decreased Distribution margins due to warmer weather and lower gas customer usage in the first quarter of 2006 and transition costs at the Utility. These factors were partially offset by revenues resulting from the Equitrans rate case, an increase in production sales volumes and a reduction in bad debt expense.

OUTLOOK

Due to the recent repeal of the Public Utility Holding Company Act of 1935 (PUHCA), the Company expects in the near future to file applications with the Pennsylvania Public Utility Commission and the Public Service Commission of West Virginia for approvals to reorganize as a holding company. The reorganization will reduce Equitable Gas Company s risk profile through the segregation of the utility assets and should provide greater flexibility in the financing of the Company s utility operations. In addition, the holding company structure should result in a more typical organizational structure for a company with both regulated and unregulated businesses.

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

EQUITABLE UTILITIES

OVERVIEW

Customer Payment Assistance Programs

The gas cost rates effective for Equitable Gas Company s residential and commercial tariff customers beginning October 1, 2005, included then-current high natural gas commodity prices, resulting in residential rates in the first nine months of 2006 as much as 40% higher than those in place in 2005. These increases presented a significant challenge to the Company s low-income customers, especially during the winter months. Under various government- and Company-managed programs, significant funds were provided to assist low-income customers in re-establishing and maintaining their service during the 2005-2006 winter heating season. These programs enabled Equitable Gas to improve its bad debt expense in the first nine months of 2006 as compared to the first nine months of 2005 despite the high natural gas commodity prices. In addition, due to continued improvements in collection data and analysis, the Company was able to reduce its overall reserve for uncollectible accounts during the third quarter of 2006. The Company will continue to closely monitor its collections rates and adjust its reserve for uncollectible accounts as necessary.

Pipeline Rate Case Settlement

On April 5, 2006, the Federal Energy Regulatory Commission (FERC) approved a settlement to resolve all issues raised in Equitrans rate case filings. The settlement provides for the following:

An overall cost of service underlying the settled rates of $62.8 million, which was derived on a global basis; an expected annual revenue increase of $6.0 million and an expected operating income increase of $3.2 million

Replenishment of 7.1 Bcf of migrated base gas from prior periods

Consolidation of transmission assets into a single transmission system with a system-wide rate

Consolidation of gathering assets into a single gathering system with a system-wide rate

Tracking and recovery of ongoing Pipeline Safety Act and Security related costs

Redesigned contract storage services

Five-year rate moratorium on gathering rates

Three-year rate moratorium on transmission rates

According to its terms, the settlement became effective on June 1, 2006. The settlement s approval, which was recognized in the first quarter of 2006, improved operating income by $6.9 million for the three months ended March 31, 2006, including $5.4 million relating to years 2005 and prior. On-going increases related to the new rates and related contract negotiations resulted in additional net increases of pipeline operating income of $1.8 million in the third quarter 2006 compared to the same quarter in the prior year.

RESULTS OF OPERATIONS

EQUITABLE UTILITIES

	Three Months Ended September 30, 2006	2005	%	Nine Months Ended September 30, 2006	2005	%
OPERATIONAL DATA						
Heating degree days (30 year normal average: Qtr 124; YTD 3,759)	123	34	261.8	3,226	3,465	(6.9)
Residential sales and transportation volumes (MMcf)	1,307	1,292	1.2	14,168	16,838	(15.9)
Commercial and industrial volumes (MMcf)	4,109	3,153	30.3	17,859	18,258	(2.2)
Total throughput (MMcf) Distribution Operations	5,416	4,445	21.8	32,027	35,096	(8.7)
Net operating revenues (thousands):						
Distribution Operations (regulated):						
Residential	$ 11,887	$ 11,856	0.3	$ 65,054	$ 72,771	(10.6)
Commercial & industrial	7,026	4,903	43.3	29,694	33,553	(11.5)
Other	2,487	1,519	63.7	5,691	6,036	(5.7)
Total Distribution Operations	21,400	18,278	17.1	100,439	112,360	(10.6)
Pipeline Operations (regulated)	15,377	10,311	49.1	54,314	37,275	45.7
Energy Marketing	2,878	7,575	(62.0)	29,522	27,867	5.9
Total net operating revenues	$ 39,655	$ 36,164	9.7	$ 184,275	$ 177,502	3.8
Total operating expenses as a % of net operating revenues	89.99%	120.68%		57.21%	65.87%	
Operating income (thousands):						
Distribution Operations (regulated)	$ (4,043)	$ (16,362)	75.3	$ 25,528	$ 22,898	11.5
Pipeline Operations (regulated)	5,595	1,811	208.9	24,943	11,065	125.4
Energy Marketing	2,417	7,074	(65.8)	28,387	26,619	6.6
Total operating income	$ 3,969	$ (7,477)	153.1	$ 78,858	$ 60,582	30.2
Depreciation, depletion and amortization (DD&A):						
Distribution Operations	$ 4,987	$ 4,830	3.3	$ 14,874	$ 14,058	5.8
Pipeline Operations	2,158	2,154	0.2	6,559	6,260	4.8
Energy Marketing	10	18	(44.4)	47	56	(16.1)
Total DD&A	$ 7,155	$ 7,002	2.2	$ 21,480	$ 20,374	5.4
Capital expenditures (thousands)	$ 16,463	$ 18,710	(12.0)	$ 45,543	$ 40,283	13.1

	Three Months Ended September 30, 2006	2005	%	Nine Months Ended September 30, 2006	2005	%
FINANCIAL DATA (Thousands)						
Distribution revenues (regulated)	$ 39,330	$ 34,642	13.5	$ 322,633	$ 304,513	6.0
Pipeline revenues (regulated)	15,782	10,311	53.1	55,418	37,275	48.7
Marketing revenues	81,477	78,532	3.8	262,714	245,880	6.8
Less: intrasegment revenues	(10,986)	(9,773)	12.4	(41,437)	(36,984)	12.0
Total operating revenues	125,603	113,712	10.5	599,328	550,684	8.8
Purchased gas costs	85,948	77,548	10.8	415,053	373,182	11.2
Net operating revenues	39,655	36,164	9.7	184,275	177,502	3.8
Operating expenses:						
Operating and maintenance (O & M)	14,037	14,465	(3.0)	42,294	42,982	(1.6)
Selling, general and administrative (SG&A)	14,494	22,174	(34.6)	44,039	49,723	(11.4)
Office consolidation impairment charges				(2,396)	3,841	(162.4)
DD&A	7,155	7,002	2.2	21,480	20,374	5.4
Total operating expenses	35,686	43,641	(18.2)	105,417	116,920	(9.8)
Operating income	$ 3,969	$ (7,477)	153.1	$ 78,858	$ 60,582	30.2

Three Months Ended September 30, 2006

vs. Three Months Ended September 30, 2005

Equitable Utilities   operating income totaled $4.0 million for the three months ended September 30, 2006 compared to an operating loss of $7.5 million for the three months ended September 30, 2005. The $11.5 million increase in operating income is primarily due to a pension settlement charge in the third quarter of 2005 and increases in net operating margins in the distribution and pipeline divisions. These positive variances are partially offset by lower current quarter net operating marketing revenues and transition costs incurred in the third quarter of 2006 in planning for the pending acquisition of The Peoples Natural Gas Company and Hope Gas, Inc.

Net operating revenues for the three months ended September 30, 2006 were $39.7 million compared to $36.2 million for the same quarter in 2005. The $3.5 million increase was due to increased revenues in the Pipeline business as a result of the previously reported Equitrans rate case settlement and increases in commercial revenues and gathering revenues in the Distribution business. The commercial revenues included the settlement of a prior period measurement dispute with a commercial customer. Commercial and industrial volumes increased 30% compared to 2005 as the majority of the increase relates to a low margin, high volume customer. The increase in gathering revenues was due to increased gathering rates and volumes in the non-regulated gathering business. These positive variances were partially offset by decreases in marketing storage asset optimization opportunities realized in the lower natural gas commodity price environment and the recognition in the third quarter of 2005 of certain energy marketing revenues previously deferred.

Operating expenses totaled $35.7 million for the three months ended September 30, 2006 compared to $43.6 million for the three months ended September 30, 2005. Excluding a $12.7 million pension settlement charge recognized in 2005 and $3.7 million of transition expenses in 2006 in planning for the pending acquisition discussed above, operating expenses increased $1.1 million. The increase was primarily due to $1.2 million in the pipeline business as a result of the first quarter rate case settlement which was partially offset by a decrease in bad debt expense as the provision for uncollectible accounts was reduced. The Company   s improved collection data and analysis, coupled with the regulatory and other assistance provided to assist low income customers, has allowed the Company to realize this improvement despite increased rates and customer bills.

Capital expenditures totaled $16.5 million for the three months ended September 30, 2006 compared to $18.7 million for the three months ended September 30, 2005. The $2.2 million decrease was due to decreased expenditures for the automated meter reading program, which began in the second quarter of 2005 as installation of the devices was substantially completed at the end of the third quarter of 2006, partially offset by capital expenditures of $2.5 million in the third quarter of 2006 in planning relating to the pending acquisition.

Nine Months Ended September 30, 2006

vs. Nine Months Ended September 30, 2005

Equitable Utilities operating income totaled $78.9 million for the nine months ended September 30, 2006 compared to $60.6 million for the nine months ended September 30, 2005. The $18.3 million increase in operating income is primarily due to an increase in pipeline net operating revenues, a pension settlement charge in the third quarter of 2005, a positive operating impact from office consolidation impairment charges recorded in the second quarter of 2005 and a partial reversal of those charges in the second quarter of 2006 and a reduction in bad debt expense. These positive variances were partially offset by a reduction in distribution margins, transition costs incurred in 2006 in planning for the pending acquisition and postretirement benefit expenses recognized in 2006 as a result of the Equitrans rate case settlement.

Net operating revenues for the nine months ended September 30, 2006 were $184.3 million compared to $177.5 million for the same period in 2005. The $6.8 million increase was due to increased revenues in the Pipeline business as a result of the previously reported Equitrans rate case settlement partially offset by decreases in Distribution net operating revenues. Lower residential net operating revenues were primarily due to decreased throughput from warmer weather and lower customer usage in 2006 as a result of conservation due to customers sensitivity to high commodity prices. Lower net operating revenues from commercial and industrial customers resulted as warmer weather produced high levels of gas inventory and low commodity margins.

Operating expenses totaled $105.4 million for the nine months ended September 30, 2006 compared to $116.9 million for the nine months ended September 30, 2005. The $11.5 million decrease in operating expenses was primarily attributable to the $12.7 million pension settlement charge in the third quarter of 2005 as previously discussed, the $6.2 million positive impact from office consolidation impairment charges recorded in the second quarter of 2005 and a partial reversal of those charges in the second quarter of 2006 as previously discussed, and a $4.4 million decrease in bad debt expense as the provision for uncollectible accounts was reduced. These positive variances were partially offset by $6.4 million of transition costs incurred in 2006 in planning for the pending acquisition and $3.5 million of postretirement benefit expenses recognized in 2006 as a result of the Equitrans rate case settlement.

Capital expenditures totaled $45.5 million for the nine months ended September 30, 2006 compared to $40.3 million for the nine months ended September 30, 2005. The $5.2 million increase was primarily due to increased expenditures for the automated meter reading program, which began in the second quarter of 2005 as installation of the devices was substantially completed at the end of the third quarter of 2006 and $2.5 million of capital expenditures in planning relating to the pending acquisition.

OUTLOOK

Equitable Utilities business strategy is focused on effectively managing its gas distribution assets, optimizing its return on assets, selectively growing its gas distribution business through acquisition and developing a portfolio of closely related, unregulated businesses with an emphasis on risk management and earnings contribution. On March 1, 2006, the Company entered into a definitive agreement to acquire Dominion Resources natural gas distribution assets in Pennsylvania and in West Virginia for approximately $970 million, subject to adjustments, in a cash transaction for the stock of The Peoples Natural Gas Company and Hope Gas, Inc. The transaction requires approvals from the Pennsylvania Public Utility Commission (PA PUC) and the Public Service Commission of West Virginia (WV PSC) and is also under review by the Pennsylvania Attorney General and under the Hart-Scott-Rodino Act by the Federal Trade Commission (FTC). The PA PUC has adopted a procedural schedule with a recommended decision to be issued in the first quarter of 2007. The WV PSC has not adopted a procedural schedule at this time, but indications are that it will be similar to the PA PUC schedule. Several parties have intervened in the state regulatory cases, including governmental representatives, consumer advocates and commercial interests. The Company is engaged in settlement negotiations with the interveners in the PA PUC and WV PSC cases which may result in a resolution by the end of 2006. Similarly, the Company is complying with the information requests of the Pennsylvania Attorney General and the FTC and is targeting a timeframe consistent with that of the PA PUC and WV PSC. No assurance is given that the targeted timeframe will be achieved. The assets to be acquired will increase the number of customers by 475,000 or 173%, total storage capacity by 33 Bcf or 60%, miles of gathering pipelines by 936 miles, gathered volumes by 40%, and miles of high pressure transmission by 466 or 42%. Transition activities have commenced at Equitable Utilities to plan for the integration of The Peoples Natural Gas Company and Hope Gas, Inc. s assets, resources and business processes into Equitable Resources. The Company incurred $6.4 million of transition planning costs through September 30, 2006. Based on the work completed to date, the Company expects that the conversion activities will continue at a slightly increased monthly rate and increase Equitable Utilities operating expenses in the fourth quarter of 2006 in anticipation of closing the transaction.

The gas cost rates effective for Equitable Gas residential and commercial tariff customers beginning October 1, 2006 include lower natural gas commodity prices in comparison with the prior year resulting in expected average residential bills being 20% lower than those in 2005.

EQUITABLE SUPPLY

OVERVIEW

In May 2005, the Company sold certain non-core gas properties and associated gathering assets for proceeds of approximately $142 million after purchase price adjustments. The unit of production depletion rate (or DD&A rate) decreased by $0.04 per Mcfe prospectively as a result of this transaction.

RESULTS OF OPERATIONS

EQUITABLE SUPPLY

	Three Months Ended September 30, 2006	2005	%	Nine Months Ended September 30, 2006	2005	%
OPERATIONAL DATA						
Capital expenditures (thousands) (a)	$ 82,871	$ 53,535	54.8	$ 205,398	$ 201,348	2.0