NATIONAL FUEL GAS CO
Form 10-Q
May 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from____ to_____
Commission File Number 1-3880

NATIONAL FUEL GAS COMPANY
(Exact name of registrant as specified in its charter)

New Jersey	13-1086010
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6363 Main Street	
Williamsville, New York	14221
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

Common stock, par value $1.00 per share, outstanding at April 30, 2016: 84,935,329 shares.

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GLOSSARY OF TERMS

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

National Fuel Gas Companies	
Company	The Registrant, the Registrant and its subsidiaries or the Registrant's subsidiaries as appropriate in the context of the disclosure
Distribution Corporation	National Fuel Gas Distribution Corporation
Empire	Empire Pipeline, Inc.
Midstream Corporation	National Fuel Gas Midstream Corporation
National Fuel	National Fuel Gas Company
NFR	National Fuel Resources, Inc.
Registrant	National Fuel Gas Company
Seneca	Seneca Resources Corporation
Supply Corporation	National Fuel Gas Supply Corporation

Regulatory Agencies	
CFTC	Commodity Futures Trading Commission
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
NYDEC	New York State Department of Environmental Conservation
NYPSC	State of New York Public Service Commission
PaDEP	Pennsylvania Department of Environmental Protection
PaPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission

Other	
2015 Form 10-K	The Company's Annual Report on Form 10-K for the year ended September 30, 2015
Bbl	Barrel (of oil)
Bcf	Billion cubic feet (of natural gas)
Bcfe (or Mcfe) – represents Bcf (or Mcf) Equivalent	The total heat value (Btu) of natural gas and oil expressed as a volume of natural gas. The Company uses a conversion formula of 1 barrel of oil = 6 Mcf of natural gas.
Btu	British thermal unit; the amount of heat needed to raise the temperature of one pound of water one degree Fahrenheit
Capital expenditure	Represents additions to property, plant, and equipment, or the amount of money a company spends to buy capital assets or upgrade its existing capital assets.
Cashout revenues	A cash resolution of a gas imbalance whereby a customer pays Supply Corporation and/or Empire for gas the customer receives in excess of amounts delivered into Supply Corporation's and Empire's systems by the customer's shipper.
Degree day	A measure of the coldness of the weather experienced, based on the extent to which the daily average temperature falls below a reference temperature, usually 65 degrees Fahrenheit.
Derivative	A financial instrument or other contract, the terms of which include an underlying variable (a price, interest rate, index rate, exchange rate, or other variable) and a notional amount (number of units, barrels, cubic feet, etc.). The terms also permit for the instrument or contract to be settled net and no initial net investment is required to enter into the financial instrument or contract. Examples include futures contracts, forward contracts, options, no cost collars and

	swaps.
Development costs	Costs incurred to obtain access to proved oil and gas reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas

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Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act.
Dth	Decatherm; one Dth of natural gas has a heating value of 1,000,000 British thermal units, approximately equal to the heating value of 1 Mcf of natural gas.
Exchange Act	Securities Exchange Act of 1934, as amended
Expenditures for long-lived assets	Includes capital expenditures, stock acquisitions and/or investments in partnerships.
Exploration costs	Costs incurred in identifying areas that may warrant examination, as well as costs incurred in examining specific areas, including drilling exploratory wells.
FERC 7(c) application	An application to the FERC under Section 7(c) of the federal Natural Gas Act for authority to construct, operate (and provide services through) facilities to transport or store natural gas in interstate commerce.
Firm transportation and/or storage	The transportation and/or storage service that a supplier of such service is obligated by contract to provide and for which the customer is obligated to pay whether or not the service is utilized.
GAAP	Accounting principles generally accepted in the United States of America
Goodwill	An intangible asset representing the difference between the fair value of a company and the price at which a company is purchased.
Hedging	A method of minimizing the impact of price, interest rate, and/or foreign currency exchange rate changes, often times through the use of derivative financial instruments.
Hub	Location where pipelines intersect enabling the trading, transportation, storage, exchange, lending and borrowing of natural gas.
ICE	Intercontinental Exchange. An exchange which maintains a futures market for crude oil and natural gas.
Interruptible transportation and/or storage	The transportation and/or storage service that, in accordance with contractual arrangements, can be interrupted by the supplier of such service, and for which the customer does not pay unless utilized.
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
Marcellus Shale	A Middle Devonian-age geological shale formation that is present nearly a mile or more below the surface in the Appalachian region of the United States, including much of Pennsylvania and southern New York.
Mbbl	Thousand barrels (of oil)
Mcf	Thousand cubic feet (of natural gas)
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
MDth	Thousand decatherms (of natural gas)
MMBtu	Million British thermal units (heating value of one decatherm of natural gas)
MMcf	Million cubic feet (of natural gas)
NEPA	National Environmental Policy Act of 1969, as amended
NGA	The Natural Gas Act of 1938, as amended; the federal law regulating interstate natural gas pipeline and storage companies, among other things, codified beginning at 15 U.S.C. Section 717.
NYMEX	New York Mercantile Exchange. An exchange which maintains a futures market for crude oil and natural gas.
Open Season	A bidding procedure used by pipelines to allocate firm transportation or storage capacity among prospective shippers, in which all bids submitted during a defined time period are evaluated as if they had been submitted simultaneously.
Precedent Agreement	

An agreement between a pipeline company and a potential customer to sign a service agreement after specified events (called "conditions precedent") happen, usually within a specified time.

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Proved developed reserves	Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved undeveloped (PUD) reserves	Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required to make these reserves productive.
Reserves	The unproduced but recoverable oil and/or gas in place in a formation which has been proven by production.
Revenue decoupling mechanism	A rate mechanism which adjusts customer rates to render a utility financially indifferent to throughput decreases resulting from conservation.
S&P	Standard & Poor's Rating Service
SAR	Stock appreciation right
Service agreement	The binding agreement by which the pipeline company agrees to provide service and the shipper agrees to pay for the service.
Stock acquisitions	Investments in corporations
VEBA	Voluntary Employees' Beneficiary Association
WNC	Weather normalization clause; a clause in utility rates which adjusts customer rates to allow a utility to recover its normal operating costs calculated at normal temperatures. If temperatures during the measured period are warmer than normal, customer rates are adjusted upward in order to recover projected operating costs. If temperatures during the measured period are colder than normal, customer rates are adjusted downward so that only the projected operating costs will be recovered.

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• The Company has nothing to report under this item.

All references to a certain year in this report are to the Company’s fiscal year ended September 30 of that year, unless otherwise noted.

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Part I. Financial Information

Item 1. Financial Statements
National Fuel Gas Company
Consolidated Statements of Income and Earnings
Reinvested in the Business
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
(Thousands of Dollars, Except Per Common Share Amounts)	2016	2015	2016	2015
INCOME				
Operating Revenues:				
Utility and Energy Marketing Revenues	$248,173	$374,141	$417,005	$640,380
Exploration and Production and Other Revenues	144,570	166,139	297,454	371,917
Pipeline and Storage and Gathering Revenues	56,389	55,847	109,868	107,739
	449,132	596,127	824,327	1,120,036
Operating Expenses:				
Purchased Gas	81,623	190,600	123,691	317,690
Operation and Maintenance:				
Utility and Energy Marketing	57,309	62,764	104,858	112,461
Exploration and Production and Other	42,964	50,906	88,539	94,401
Pipeline and Storage and Gathering	21,541	19,575	41,109	38,965
Property, Franchise and Other Taxes	21,305	24,916	41,662	45,845
Depreciation, Depletion and Amortization	63,947	82,687	134,498	185,433
Impairment of Oil and Gas Producing Properties	397,443	120,348	832,894	120,348
	686,132	551,796	1,367,251	915,143
Operating Income (Loss)	(237,000)	44,331	(542,924)	204,893
Other Income (Expense):				
Interest Income	278	46	2,077	1,303
Other Income	3,236	1,388	5,654	2,571
Interest Expense on Long-Term Debt	(28,994)	(22,376)	(59,366)	(44,687)
Other Interest Expense	(1,237)	(1,584)	(2,617)	(2,375)
Income (Loss) Before Income Taxes	(263,717)	21,805	(597,176)	161,705
Income Tax Expense (Benefit)	(116,030)	5,136	(260,380)	60,296
Net Income (Loss) Available for Common Stock	(147,687)	16,669	(336,796)	101,409
EARNINGS REINVESTED IN THE BUSINESS				
Balance at Beginning of Period	880,619	1,666,659	1,103,200	1,614,361
	732,932	1,683,328	766,404	1,715,770
Dividends on Common Stock	(33,533)	(32,488)	(67,005)	(64,930)
Balance at March 31	$699,399	$1,650,840	$699,399	$1,650,840
Earnings Per Common Share:				
Basic:				
Net Income (Loss) Available for Common Stock	$(1.74)	$0.20	$(3.97)	$1.20

Diluted:				
Net Income (Loss) Available for Common Stock	$(1.74)	$0.20	$(3.97)	$1.19
Weighted Average Common Shares Outstanding:				
Used in Basic Calculation	84,806,982	84,317,508	84,728,680	84,262,471
Used in Diluted Calculation	84,806,982	85,133,142	84,728,680	85,175,961
Dividends Per Common Share:				
Dividends Declared	$0.395	$0.385	$0.790	$0.770

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,		Six Months Ended March 31,	
(Thousands of Dollars)	2016	2015	2016	2015
Net Income (Loss) Available for Common Stock	$(147,687)	$16,669	$(336,796)	$101,409
Other Comprehensive Income (Loss), Before Tax:				
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(4)	265	(642)	(147)
Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	33,768	61,165	99,139	304,994
Reclassification Adjustment for Realized (Gains) Losses on Securities Available for Sale in Net Income	(388)	—	(388)	—
Reclassification Adjustment for Realized (Gains) Losses on Derivative Financial Instruments in Net Income	(61,235)	(54,130)	(118,405)	(78,395)
Other Comprehensive Income (Loss), Before Tax	(27,859)	7,300	(20,296)	226,452
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(16)	99	(207)	(61)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Derivative Financial Instruments Arising During the Period	14,190	25,902	34,866	128,851
Reclassification Adjustment for Income Tax Benefit (Expense) on Realized Losses (Gains) from Securities Available for Sale in Net Income	(163)	—	(163)	—
Reclassification Adjustment for Income Tax Benefit (Expense) on Realized Losses (Gains) from Derivative Financial Instruments in Net Income	(25,600)	(22,917)	(43,606)	(33,006)
Income Taxes – Net	(11,589)	3,084	(9,110)	95,784
Other Comprehensive Income (Loss)	(16,270)	4,216	(11,186)	130,668
Comprehensive Income (Loss)	$(163,957)	$20,885	$(347,982)	$232,077

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

(Thousands of Dollars)	March 31, 2016	September 30, 2015
ASSETS		
Property, Plant and Equipment	$9,451,538	$ 9,261,323
Less - Accumulated Depreciation, Depletion and Amortization	4,879,363	3,929,428
	4,572,175	5,331,895
Current Assets		
Cash and Temporary Cash Investments	93,700	113,596
Hedging Collateral Deposits	9,963	11,124
Receivables – Net of Allowance for Uncollectible Accounts of $34,236 and $29,029, Respectively	137,718	105,004
Unbilled Revenue	35,140	20,746
Gas Stored Underground	8,599	34,252
Materials and Supplies - at average cost	33,430	30,414
Unrecovered Purchased Gas Costs	1,245	—
Other Current Assets	56,714	60,665
	376,509	375,801
Other Assets		
Recoverable Future Taxes	172,417	168,214
Unamortized Debt Expense	1,953	2,218
Other Regulatory Assets	270,941	278,227
Deferred Charges	17,063	15,129
Other Investments	104,273	92,990
Goodwill	5,476	5,476
Prepaid Post-Retirement Benefit Costs	26,344	24,459
Fair Value of Derivative Financial Instruments	253,716	270,363
Other	157	167
	852,340	857,243
Total Assets	$5,801,024	$ 6,564,939

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

	March 31, 2016	September 30, 2015
(Thousands of Dollars)		
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders' Equity		
Common Stock, $1 Par Value		
Authorized - 200,000,000 Shares; Issued And Outstanding – 84,892,747 Shares and 84,594,383 Shares, Respectively	$84,893	$ 84,594
Paid in Capital	756,001	744,274
Earnings Reinvested in the Business	699,399	1,103,200
Accumulated Other Comprehensive Income	82,186	93,372
Total Comprehensive Shareholders' Equity	1,622,479	2,025,440
Long-Term Debt, Net of Unamortized Discount and Debt Issuance Costs	2,085,123	2,084,009
Total Capitalization	3,707,602	4,109,449
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper	—	—
Current Portion of Long-Term Debt	—	—
Accounts Payable	111,054	180,388
Amounts Payable to Customers	42,217	56,778
Dividends Payable	33,533	33,415
Interest Payable on Long-Term Debt	34,900	36,200
Customer Advances	33	16,236
Customer Security Deposits	16,101	16,490
Other Accruals and Current Liabilities	104,925	96,557
Fair Value of Derivative Financial Instruments	9,864	10,076
	352,627	446,140
Deferred Credits		
Deferred Income Taxes	844,916	1,137,962
Taxes Refundable to Customers	93,674	89,448
Unamortized Investment Tax Credit	557	731
Cost of Removal Regulatory Liability	189,421	184,907
Other Regulatory Liabilities	101,104	108,617
Pension and Other Post-Retirement Liabilities	216,852	202,807
Asset Retirement Obligations	171,991	156,805
Other Deferred Credits	122,280	128,073
	1,740,795	2,009,350
Commitments and Contingencies (Note 6)	—	—
Total Capitalization and Liabilities	$5,801,024	$ 6,564,939

See Notes to Condensed Consolidated Financial Statements

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

(Thousands of Dollars)	Six Months Ended March 31, 2016	2015
OPERATING ACTIVITIES		
Net Income (Loss) Available for Common Stock	$(336,796)	$101,409
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Impairment of Oil and Gas Producing Properties	832,894	120,348
Depreciation, Depletion and Amortization	134,498	185,433
Deferred Income Taxes	(283,912)	10,351
Excess Tax Benefits Associated with Stock-Based Compensation Awards	(226)	(9,024)
Stock-Based Compensation	2,518	5,985
Other	6,106	4,709
Change in:		
Hedging Collateral Deposits	1,161	(12,992)
Receivables and Unbilled Revenue	(28,211)	(88,339)
Gas Stored Underground and Materials and Supplies	22,637	29,085
Unrecovered Purchased Gas Costs	(1,245)	—
Other Current Assets	4,177	4,184
Accounts Payable	(31,786)	62,832
Amounts Payable to Customers	(14,561)	11,051
Customer Advances	(16,203)	(18,735)
Customer Security Deposits	(389)	2,702
Other Accruals and Current Liabilities	22,420	53,491
Other Assets	3,754	1,826
Other Liabilities	(4,073)	43,186
Net Cash Provided by Operating Activities	312,763	507,502
INVESTING ACTIVITIES		
Capital Expenditures	(358,981)	(493,341)
Net Proceeds from Sale of Oil and Gas Producing Properties	104,938	—
Other	(18,249)	(1,262)
Net Cash Used in Investing Activities	(272,292)	(494,603)
FINANCING ACTIVITIES		
Changes in Notes Payable to Banks and Commercial Paper	—	71,900
Excess Tax Benefits Associated with Stock-Based Compensation Awards	226	9,024
Dividends Paid on Common Stock	(66,887)	(64,842)
Net Proceeds from Issuance of Common Stock	6,294	3,574
Net Cash (Used in) Provided by Financing Activities	(60,367)	19,656
Net Increase (Decrease) in Cash and Temporary Cash Investments	(19,896)	32,555
Cash and Temporary Cash Investments at October 1	113,596	36,886
Cash and Temporary Cash Investments at March 31	$93,700	$69,441

Supplemental Disclosure of Cash Flow Information		
Non-Cash Investing Activities:		
Non-Cash Capital Expenditures	$66,058	$94,484
Receivable from Sale of Oil and Gas Producing Properties	$10,297	$—

See Notes to Condensed Consolidated Financial Statements

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National Fuel Gas Company
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - Summary of Significant Accounting Policies

Principles of Consolidation. The Company consolidates all entities in which it has a controlling financial interest. All significant intercompany balances and transactions are eliminated. The Company uses proportionate consolidation when accounting for drilling arrangements related to oil and gas producing properties accounted for under the full cost method of accounting.

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

Reclassification. Due to the adoption of the authoritative guidance regarding the presentation of deferred income taxes, certain prior year amounts have been reclassified to conform with current year presentation. The Company reclassified Deferred Income Taxes of $137.2 million previously shown as Current Assets in the Company's 2015 Form 10-K to Deferred Income Taxes shown as Deferred Credits on the Consolidated Balance Sheet at September 30, 2015.

Earnings for Interim Periods. The Company, in its opinion, has included all adjustments (which consist of only normally recurring adjustments, unless otherwise disclosed in this Form 10-Q) that are necessary for a fair statement of the results of operations for the reported periods. The consolidated financial statements and notes thereto, included herein, should be read in conjunction with the financial statements and notes for the years ended September 30, 2015, 2014 and 2013 that are included in the Company's 2015 Form 10-K. The consolidated financial statements for the year ended September 30, 2016 will be audited by the Company's independent registered public accounting firm after the end of the fiscal year.

The earnings for the six months ended March 31, 2016 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2016. Most of the business of the Utility and Energy Marketing segments is seasonal in nature and is influenced by weather conditions. Due to the seasonal nature of the heating business in the Utility and Energy Marketing segments, earnings during the winter months normally represent a substantial part of the earnings that those segments are expected to achieve for the entire fiscal year. The Company’s business segments are discussed more fully in Note 7 – Business Segment Information.

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

Hedging Collateral Deposits. This is an account title for cash held in margin accounts funded by the Company to serve as collateral for hedging positions. In accordance with its accounting policy, the Company does not offset hedging collateral deposits paid or received against related derivative financial instruments liability or asset balances.

Gas Stored Underground. In the Utility segment, gas stored underground is carried at lower of cost or market, on a LIFO method. Gas stored underground normally declines during the first and second quarters of the year and is replenished during the third and fourth quarters. In the Utility segment, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption “Other Accruals and Current Liabilities.” Such reserve, which amounted to $17.5 million at March 31, 2016, is reduced to zero by September 30 of each year as the inventory is replenished.

Property, Plant and Equipment. In the Company’s Exploration and Production segment, oil and gas property acquisition, exploration and development costs are capitalized under the full cost method of accounting. Under this methodology, all costs associated with property acquisition, exploration and development activities are capitalized, including internal costs directly identified with acquisition, exploration and development activities. The internal costs that are capitalized do not include any costs related to production, general corporate overhead, or similar activities. The Company does not recognize any gain or loss on the sale or other disposition of oil and gas properties unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center.

Capitalized costs include costs related to unproved properties, which are excluded from amortization until proved reserves are found or it is determined that the unproved properties are impaired. Such costs amounted to $163.4 million and $176.3 million at March 31, 2016 and September 30, 2015, respectively. All costs related to unproved properties are reviewed quarterly to determine if impairment has occurred. The amount of any impairment is transferred to the pool of capitalized costs being amortized.

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Capitalized costs are subject to the SEC full cost ceiling test. The ceiling test, which is performed each quarter, determines a limit, or ceiling, on the amount of property acquisition, exploration and development costs that can be capitalized. The ceiling under this test represents (a) the present value of estimated future net cash flows, excluding future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, using a discount factor of 10%, which is computed by applying prices of oil and gas (as adjusted for hedging) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet, less estimated future expenditures, plus (b) the cost of unevaluated properties not being depleted, less (c) income tax effects related to the differences between the book and tax basis of the properties. The natural gas and oil prices used to calculate the full cost ceiling are based on an unweighted arithmetic average of the first day of the month oil and gas prices for each month within the twelve-month period prior to the end of the reporting period. If capitalized costs, net of accumulated depreciation, depletion and amortization and related deferred income taxes, exceed the ceiling at the end of any quarter, a permanent impairment is required to be charged to earnings in that quarter. The book value of the oil and gas properties exceeded the ceiling at December 31, 2015 as well as March 31, 2016. As such, the Company recognized pre-tax impairment charges of $397.4 million and $832.9 million for the quarter and six months ended March 31, 2016, respectively. Deferred income tax benefits of $166.9 million and $349.8 million related to the impairment charges were also recognized for the quarter and six months ended March 31, 2016, respectively. In adjusting estimated future cash flows for hedging under the ceiling test at December 31, 2015 and March 31, 2016, estimated future net cash flows were increased by $253.7 million and $252.1 million, respectively.

On December 1, 2015, Seneca and IOG - CRV Marcellus, LLC (IOG), an affiliate of IOG Capital, LP, and funds managed by affiliates of Fortress Investment Group, LLC, executed a joint development agreement that allows IOG to participate in the development of certain oil and gas interests owned by Seneca in Elk, McKean and Cameron Counties, Pennsylvania. Under the terms of the agreement, Seneca and IOG will jointly participate in a program that will develop up to 80 Marcellus wells, with Seneca serving as program operator. IOG will hold an 80% working interest and is obligated to participate in the first 42 wells, and has a one-time option to participate in the remaining 38 wells that can be exercised on or before July 1, 2016. With respect to the first 42 wells, IOG has committed to fund up to $231 million to develop the joint wells. As of March 31, 2016, Seneca had received $104.9 million of cash and had recorded a $10.3 million receivable in recognition of IOG funding that is due to Seneca for costs previously incurred to develop a portion of the first 42 wells. The cash proceeds and receivable were recorded by Seneca as a $115.2 million reduction of property, plant and equipment. As the fee-owner of the property’s mineral rights, Seneca retains a 7.5% royalty interest and the remaining 20% working interest (26% net revenue interest) in the first 42 wells. If IOG exercises its option to participate in the remaining 38 wells, IOG has agreed to fund up to an additional $211 million to develop such joint wells. Seneca will retain a 10% royalty and the remaining 20% working interest (28% net revenue interest) in the remaining 38 wells. Seneca’s working interest under the agreement will increase to 85% after IOG achieves a 15% internal rate of return.

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Accumulated Other Comprehensive Income (Loss). The components of Accumulated Other Comprehensive Income (Loss) and changes for the quarter and six months ended March 31, 2016 and 2015, net of related tax effect, are as follows (amounts in parentheses indicate debits) (in thousands):

	Gains and Losses on Derivative Financial Instruments	Gains and Losses on Securities Available for Sale	Funded Status of the Pension and Other Post-Retirement Benefit Plans	Total
Three Months Ended March 31, 2016				
Balance at January 1, 2016	$ 162,728	$ 5,522	$ (69,794)	$ 98,456
Other Comprehensive Gains and Losses Before Reclassifications	19,578	12	—	19,590
Amounts Reclassified From Other Comprehensive Income (Loss)	(35,635)	(225)	—	(35,860)
Balance at March 31, 2016	$ 146,671	$ 5,309	$ (69,794)	$ 82,186
Six Months Ended March 31, 2016				
Balance at October 1, 2015	$ 157,197	$ 5,969	$ (69,794)	$ 93,372
Other Comprehensive Gains and Losses Before Reclassifications	64,273	(435)	—	63,838
Amounts Reclassified From Other Comprehensive Income (Loss)	(74,799)	(225)	—	(75,024)
Balance at March 31, 2016	$ 146,671	$ 5,309	$ (69,794)	$ 82,186
Three Months Ended March 31, 2015				
Balance at January 1, 2015	$ 170,363	$ 8,130	$ (56,020)	$ 122,473
Other Comprehensive Gains and Losses Before Reclassifications	35,263	166	—	35,429
Amounts Reclassified From Other Comprehensive Income (Loss)	(31,213)	—	—	(31,213)
Balance at March 31, 2015	$ 174,413	$ 8,296	$ (56,020)	$ 126,689
Six Months Ended March 31, 2015				
Balance at October 1, 2014	$ 43,659	$ 8,382	$ (56,020)	$ (3,979)
Other Comprehensive Gains and Losses Before Reclassifications	176,143	(86)	—	176,057
Amounts Reclassified From Other Comprehensive Income (Loss)	(45,389)	—	—	(45,389)
Balance at March 31, 2015	$ 174,413	$ 8,296	$ (56,020)	$ 126,689

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Reclassifications Out of Accumulated Other Comprehensive Income (Loss). The details about the reclassification adjustments out of accumulated other comprehensive income (loss) for the quarter and six months ended March 31, 2016 and 2015 are as follows (amounts in parentheses indicate debits to the income statement) (in thousands):

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Income				Affected Line Item in the Statement Where Net Income (Loss) is Presented
	Three Months Ended March 31,		Six Months Ended March 31,		
	2016	2015	2016	2015	
Gains (Losses) on Derivative Financial Instrument Cash Flow Hedges:					
Commodity Contracts	$57,914	$53,471	$114,242	$73,508	Operating Revenues
Commodity Contracts	3,530	659	4,450	4,887	Purchased Gas
Foreign Currency Contracts	(209)	—	(287)	—	Operation and Maintenance Expense
Gains (Losses) on Securities Available for Sale	388	—	388	—	Other Income
	61,623	54,130	118,793	78,395	Total Before Income Tax
	(25,763)	(22,917)	(43,769)	(33,006)	Income Tax Expense
	$35,860	$31,213	$75,024	$45,389	Net of Tax

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

	At March 31, 2016	At September 30, 2015
Prepayments		