

QUESTAR GAS CO  
Form 10-Q  
August 09, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2011

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. For the transition period from \_\_\_ to \_\_\_**

Exact name of registrant as specified in its charter	State or other jurisdiction or incorporation of organization	Commission File Number	(I.R.S. Employer Identification No.)
Questar Corporation	Utah	001-08796	87-0407509
Questar Pipeline Company	Utah	000-14147	87-0307414
Questar Gas Company	Utah	333-69210	87-0155877

**180 East 100 South Street, P.O. Box 45433 Salt Lake City, Utah 84145-0433**

(Address of principal executive offices)

Registrants telephone number, including area code **(801) 324-5000**

Web site **<http://www.questar.com>**

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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.

Questar Corporation	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Questar Pipeline Company	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Questar Gas Company	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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 (Section 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).

Questar Corporation	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Questar Pipeline Company	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Questar Gas Company	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Do not check non-accelerated filer if a smaller reporting company (Check one):

Questar Corporation	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Questar Pipeline Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Questar Gas Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Questar Corporation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Questar Pipeline Company	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Questar Gas Company	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>



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Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of July 31, 2011:

Questar Corporation	without par value	177,507,911
Questar Pipeline Company	\$1.00 per share par value	6,550,843
Questar Gas Company	\$2.50 per share par value	9,189,626

Questar Pipeline Company and Questar Gas Company, as wholly-owned subsidiaries of a reporting company, meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format.

**QUESTAR CORPORATION**

**QUESTAR PIPELINE COMPANY**

**QUESTAR GAS COMPANY**

**FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011**

TABLE OF CONTENTS

Page

**PART I.**

**FINANCIAL INFORMATION**

ITEM 1.

FINANCIAL STATEMENTS (Unaudited)

3

Questar Corporation

Consolidated Statements of Income

3

Condensed Consolidated Balance Sheets

4

Condensed Consolidated Statements of Cash Flows

5

Questar Pipeline Company

Consolidated Statements of Income

6

Condensed Consolidated Balance Sheets

7

Condensed Consolidated Statements of Cash Flows

8

Questar Gas Company

Statements of Income

9

Condensed Balance Sheets

10

Condensed Statements of Cash Flows

11

Notes

12

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

21

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

28

ITEM 4.

CONTROLS AND PROCEDURES

29

**PART II.**

**OTHER INFORMATION**

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

30

ITEM 6.

EXHIBITS

30

SIGNATURES

31

***FILING FORMAT***

This Quarterly Report on Form 10-Q is a combined report being filed by three separate registrants: Questar Corporation, Questar Pipeline Company and Questar Gas Company. Questar Pipeline Company and Questar Gas Company are wholly-owned subsidiaries of Questar Corporation. Separate financial statements for Wexpro Company have not been included since Wexpro is not a registrant. See Note 9 to the Accompanying Financial Statements for a summary of operations by line of business.

Part I - Financial information in this Quarterly Report on Form 10-Q includes separate financial statements (i.e. balance sheets, statements of income and statements of cash flows) for Questar Corporation, Questar Pipeline Company and Questar Gas Company. The Notes Accompanying the Financial Statements are presented on a

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combined basis for all three registrants. Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 2 is presented by line of business.

Questar 2011 Form 10-Q

2

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.**

## QUESTAR CORPORATION

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	3 Months Ended		6 Months Ended		12 Months Ended	
	June 30,		June 30,		June 30,	
	2011	2010	2011	2010	2011	2010
	(in millions, except per share amounts)					
<b>REVENUES</b>						
Questar Gas	<b>\$164.0</b>	\$148.6	<b>\$577.9</b>	\$509.3	<b>\$970.4</b>	\$884.0
Questar Pipeline	<b>50.5</b>	48.2	<b>98.8</b>	95.9	<b>200.1</b>	184.1
Wexpro	<b>8.4</b>	4.3	<b>16.2</b>	10.5	<b>30.3</b>	22.5
Total Revenues	<b>222.9</b>	201.1	<b>692.9</b>	615.7	<b>1,200.8</b>	1,090.6
<b>OPERATING EXPENSES</b>						
Cost of sales (excluding operating expenses shown separately)	<b>31.2</b>	18.4	<b>241.1</b>	176.7	<b>345.3</b>	273.0
Operating and maintenance	<b>39.8</b>	39.3	<b>91.2</b>	91.1	<b>175.9</b>	176.3
General and administrative	<b>26.2</b>	25.0	<b>59.2</b>	51.2	<b>116.5</b>	98.5
Separation costs	-	11.5	-	11.5	-	11.5
Production and other taxes	<b>13.1</b>	13.2	<b>26.7</b>	27.8	<b>49.5</b>	47.5
Depreciation, depletion and amortization	<b>38.9</b>	37.4	<b>78.3</b>	76.3	<b>155.4</b>	151.3
Total Operating Expenses	<b>149.2</b>	144.8	<b>496.5</b>	434.6	<b>842.6</b>	758.1
Net gain (loss) from asset sales	-	-	<b>0.1</b>	-	<b>0.5</b>	(0.1)
<b>OPERATING INCOME</b>	<b>73.7</b>	56.3	<b>196.5</b>	181.1	<b>358.7</b>	332.4
Interest and other income	<b>2.3</b>	2.6	<b>5.2</b>	5.4	<b>11.5</b>	11.7
Income from unconsolidated affiliate	<b>1.0</b>	0.9	<b>1.9</b>	1.9	<b>3.8</b>	3.8
Interest expense	<b>(14.8)</b>	(14.0)	<b>(30.8)</b>	(28.3)	<b>(59.6)</b>	(57.1)
<b>INCOME FROM CONTINUING OPERATIONS</b>						
BEFORE INCOME TAXES	<b>62.2</b>	45.8	<b>172.8</b>	160.1	<b>314.4</b>	290.8
Income taxes	<b>(21.9)</b>	(17.1)	<b>(62.6)</b>	(59.2)	<b>(112.8)</b>	(107.7)
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>40.3</b>	28.7	<b>110.2</b>	100.9	<b>201.6</b>	183.1
Discontinued operations, net of income taxes	-	69.5	-	148.2	-	315.7

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Discontinued operations, noncontrolling interest	-	(0.7)	-	(1.3)	-	(2.8)
Total Discontinued Operations, Net Of Income Taxes	-	68.8	-	146.9	-	312.9
NET INCOME ATTRIBUTABLE TO QUESTAR	<b>\$ 40.3</b>	\$ 97.5	<b>\$110.2</b>	\$247.8	<b>\$201.6</b>	\$496.0
Earnings Per Common Share Attributable To Questar						
Basic from continuing operations	<b>\$ 0.22</b>	\$ 0.17	<b>\$ 0.62</b>	\$ 0.58	<b>\$ 1.13</b>	\$ 1.05
Basic from discontinued operations	-	0.39	-	0.84	-	1.80
Basic total	<b>\$ 0.22</b>	\$ 0.56	<b>\$ 0.62</b>	\$ 1.42	<b>\$ 1.13</b>	\$ 2.85
Diluted from continuing operations	<b>\$ 0.22</b>	\$ 0.16	<b>\$ 0.62</b>	\$ 0.57	<b>\$ 1.13</b>	\$ 1.03
Diluted from discontinued operations	-	0.39	-	0.83	-	1.77
Diluted total	<b>\$ 0.22</b>	\$ 0.55	<b>\$ 0.62</b>	\$ 1.40	<b>\$ 1.13</b>	\$ 2.80
Weighted-average common shares outstanding						
Used in basic calculation	<b>177.5</b>	175.1	<b>177.2</b>	175.0	<b>177.0</b>	174.6
Used in diluted calculation	<b>178.8</b>	177.6	<b>178.7</b>	177.4	<b>179.0</b>	176.9
Dividends per common share	<b>\$0.1525</b>	\$ 0.13	<b>\$0.305</b>	\$ 0.26	<b>\$0.585</b>	\$0.515

See notes accompanying the financial statements

Questar 2011 Form 10-Q

## QUESTAR CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	<b>June 30, 2011</b>	June 30, 2010	Dec. 31, 2010
	(in millions)		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 21.8
Federal income taxes receivable	-	-	37.1
Accounts receivable, net	<b>85.1</b>	82.8	122.1
Unbilled gas accounts receivable	<b>15.0</b>	15.3	81.6
Gas stored underground	<b>18.7</b>	20.7	43.7
Materials and supplies	<b>21.5</b>	19.8	19.0
Current regulatory assets	<b>33.2</b>	62.1	53.5
Prepaid expenses and other	<b>9.0</b>	8.0	9.0
Deferred income taxes - current	<b>14.8</b>	14.3	11.8
Total Current Assets	<b>197.3</b>	223.0	399.6
Property, Plant and Equipment	<b>4,759.8</b>	4,456.1	4,642.8
Accumulated depreciation, depletion and amortization	<b>(1,825.5)</b>	(1,689.6)	(1,758.2)
Net Property, Plant and Equipment	<b>2,934.3</b>	2,766.5	2,884.6
Investment in unconsolidated affiliate	<b>27.4</b>	28.2	27.9
Noncurrent regulatory assets	<b>20.5</b>	21.7	21.7
Other noncurrent assets	<b>41.9</b>	37.9	39.8
<b>TOTAL ASSETS</b>	<b>\$3,221.4</b>	\$3,077.3	\$3,373.6
<b>LIABILITIES AND COMMON SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Checks outstanding in excess of cash balances	\$ <b>4.5</b>	\$ 5.8	\$ -
Short-term debt	<b>137.0</b>	345.0	242.0
Accounts payable and accrued expenses	<b>136.0</b>	198.3	225.1
Current regulatory liabilities	<b>24.8</b>	7.2	6.0
Current portion of long-term debt	<b>82.0</b>	100.0	182.0
Total Current Liabilities	<b>384.3</b>	656.3	655.1
Long-term debt, less current portion	<b>901.8</b>	731.1	898.5
Deferred income taxes	<b>536.5</b>	396.4	474.7
Asset retirement obligations	<b>65.2</b>	58.3	60.9
Defined benefit pension plan and other postretirement benefits	<b>149.5</b>	179.2	169.5

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Customer contributions-in-aid-of-construction	<b>45.8</b>	51.3	45.5
Regulatory and other noncurrent liabilities	<b>32.2</b>	33.9	33.3
<b>COMMON SHAREHOLDERS EQUITY</b>			
Common stock	<b>506.4</b>	474.5	493.0
Retained earnings	<b>703.2</b>	597.7	647.1
Accumulated other comprehensive (loss)	<b>(103.5)</b>	(101.4)	(104.0)
Total Common Shareholders Equity	<b>1,106.1</b>	970.8	1,036.1
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDERS EQUITY</b>	<b>\$3,221.4</b>	\$3,077.3	\$3,373.6

See notes accompanying the financial statements

Questar 2011 Form 10-Q

## QUESTAR CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	6 Months Ended June 30,	
	<b>2011</b>	2010
	(in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	<b>\$110.2</b>	\$249.1
Discontinued operations, net of income taxes	-	(148.2)
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Depreciation, depletion and amortization	<b>83.1</b>	80.0
Deferred income taxes	<b>58.5</b>	9.1
Share-based compensation	<b>5.9</b>	9.6
Net (gain) from asset sales	<b>(0.1)</b>	-
(Income) from unconsolidated affiliate	<b>(1.9)</b>	(1.9)
Distribution from unconsolidated affiliate	<b>2.4</b>	1.8
(Gain) on interest rate swap	<b>(0.7)</b>	-
Changes in operating assets and liabilities	<b>112.0</b>	56.2
Net Cash Provided By Operating Activities From Continuing Operations	<b>369.4</b>	255.7
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment	<b>(143.4)</b>	(139.5)
Equity investment in QEP	-	(250.0)
Cash used in disposition of assets	<b>(1.1)</b>	(1.0)
Proceeds from disposition of assets	<b>0.2</b>	0.5
Change in notes receivable	-	39.3
Net Cash Used In Investing Activities By Continuing Operations	<b>(144.3)</b>	(350.7)
<b>FINANCING ACTIVITIES</b>		
Common stock issued	<b>5.6</b>	9.3
Common stock repurchased	<b>(2.6)</b>	(8.4)
Change in short-term debt	<b>(105.0)</b>	176.0
Change in notes payable	-	(52.9)
Long-term debt repaid	<b>(100.0)</b>	-
Long-term debt issuance costs	-	(2.9)

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Checks outstanding in excess of cash balances	<b>4.5</b>	5.8
Dividends paid	<b>(54.1)</b>	(45.5)
Tax benefits from share-based compensation	<b>4.7</b>	2.1
Net Cash Provided By (Used In) Financing Activities By Continuing Operations	<b>(246.9)</b>	83.5
<b>CASH USED IN CONTINUING OPERATIONS</b>	<b>(21.8)</b>	(11.5)
Cash provided by operating activities of discontinued operations	-	468.2
Cash used in investing activities of discontinued operations	-	(598.6)
Cash provided by financing activities of discontinued operations	-	111.1
Effect of change in cash and cash equivalents of discontinued operations	-	19.3
Change in cash and cash equivalents	<b>(21.8)</b>	(11.5)
Beginning cash and cash equivalents	<b>21.8</b>	11.5
Ending cash and cash equivalents	<b>\$ -</b>	<b>\$ -</b>
See notes accompanying the financial statements		

Questar 2011 Form 10-Q

QUESTAR PIPELINE COMPANY  
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	3 Months Ended		6 Months Ended		12 Months Ended	
	June 30,		June 30,		June 30,	
	2011	2010	2011	2010	2011	2010
	(in millions)					
<b>REVENUES</b>						
From unaffiliated customers	<b>\$50.5</b>	\$48.2	<b>\$98.8</b>	\$95.9	<b>\$200.1</b>	\$184.1
From affiliated companies	<b>18.7</b>	18.5	<b>37.3</b>	37.3	<b>74.0</b>	73.4
Total Revenues	<b>69.2</b>	66.7	<b>136.1</b>	133.2	<b>274.1</b>	257.5
<b>OPERATING EXPENSES</b>						
Operating and maintenance	<b>10.3</b>	10.3	<b>18.9</b>	18.1	<b>42.2</b>	40.5
General and administrative	<b>11.1</b>	10.4	<b>24.2</b>	21.0	<b>44.2</b>	39.8
Depreciation and amortization	<b>12.8</b>	11.8	<b>25.1</b>	23.6	<b>48.9</b>	46.2
Other taxes	<b>2.3</b>	2.4	<b>5.4</b>	4.8	<b>9.6</b>	9.0
Cost of goods sold (excluding operating expenses shown separately)	<b>1.0</b>	0.5	<b>1.6</b>	1.0	<b>3.0</b>	1.5
Total Operating Expenses	<b>37.5</b>	35.4	<b>75.2</b>	68.5	<b>147.9</b>	137.0
Net gain from asset sales	-	-	<b>0.1</b>	0.1	<b>0.8</b>	0.3
OPERATING INCOME	<b>31.7</b>	31.3	<b>61.0</b>	64.8	<b>127.0</b>	120.8
Interest and other income	<b>0.1</b>	0.2	<b>1.0</b>	0.3	<b>1.1</b>	2.2
Income from unconsolidated affiliate	<b>1.0</b>	0.9	<b>1.9</b>	1.9	<b>3.8</b>	3.8
Interest expense	<b>(6.8)</b>	(7.3)	<b>(13.9)</b>	(14.7)	<b>(28.0)</b>	(29.4)
INCOME BEFORE INCOME TAXES	<b>26.0</b>	25.1	<b>50.0</b>	52.3	<b>103.9</b>	97.4
Income taxes	<b>(9.4)</b>	(9.2)	<b>(18.1)</b>	(19.2)	<b>(37.7)</b>	(35.8)
NET INCOME	<b>\$16.6</b>	\$15.9	<b>\$31.9</b>	\$33.1	<b>\$ 66.2</b>	\$ 61.6

See notes accompanying the financial statements



QUESTAR PIPELINE COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

**June 30, 2011**

June 30, 2010

Dec. 31, 2010

(in millions)

ASSETS

Current Assets