

QUESTAR CORP
 Form 10-Q
 July 31, 2014

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, 2014

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

333 South State Street, P.O. Box 45433, Salt Lake City, Utah 84145-0433

(Address of principal executive offices)

Registrants' telephone number, including area code (801) 324-5900

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

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

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

Questar Corporation	Yes []	No [X]
Questar Gas Company	Yes []	No [X]
Questar Pipeline Company	Yes []	No [X]

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of June 30, 2014.

Questar Corporation	without par value	175,279,760
Questar Gas Company	\$2.50 per share par value	9,189,626
Questar Pipeline Company	\$1.00 per share par value	6,550,843

Questar Gas Company and Questar Pipeline 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 GAS COMPANY
 QUESTAR PIPELINE COMPANY
 FORM 10-Q
 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

TABLE OF CONTENTS

	Page	
<u>PART I.</u>	<u>FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u>	<u>FINANCIAL STATEMENTS (Unaudited)</u>	<u>3</u>
	<u>Questar Corporation</u>	
	<u>Consolidated Statements of Income</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Questar Gas Company</u>	
	<u>Statements of Income</u>	<u>7</u>
	<u>Condensed Balance Sheets</u>	<u>8</u>
	<u>Condensed Statements of Cash Flows</u>	<u>9</u>
	<u>Questar Pipeline Company</u>	
	<u>Consolidated Statements of Income</u>	<u>10</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>11</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>12</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>13</u>
	<u>Notes Accompanying the Financial Statements</u>	<u>14</u>
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>25</u>
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>36</u>
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	<u>36</u>
<u>PART II.</u>	<u>OTHER INFORMATION</u>	<u>37</u>
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	<u>37</u>
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>37</u>
<u>ITEM 6.</u>	<u>EXHIBITS</u>	<u>38</u>
	<u>SIGNATURES</u>	<u>39</u>
<u>FILING FORMAT</u>		

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This Quarterly Report on Form 10-Q is a combined report being filed by three separate registrants: Questar Corporation (Questar or the Company), Questar Gas Company and Questar Pipeline Company. Questar Gas Company and Questar Pipeline 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. Information contained herein related to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Item 1 of Part I of this Quarterly Report on Form 10-Q includes separate financial statements (i.e. statements of income, statements of comprehensive income, balance sheets and statements of cash flows, as applicable) for Questar Corporation, Questar Gas Company and Questar Pipeline Company. The notes accompanying the financial statements are presented on a combined basis for all three registrants. Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 2 of Part I is presented by line of business.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

QUESTAR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,		12 Months Ended June 30,	
	2014	2013	2014	2013	2014	2013
	(in millions, except per-share amounts)					
REVENUES						
Questar Gas	\$145.0	\$140.1	\$541.3	\$558.4	\$968.1	\$921.9
Wexpro	7.8	8.5	20.1	18.8	46.4	37.6
Questar Pipeline	48.1	47.0	96.1	95.3	190.3	197.8
Other	0.4	—	0.7	—	0.9	—
Total Revenues	201.3	195.6	658.2	672.5	1,205.7	1,157.3
OPERATING EXPENSES						
Cost of sales (excluding operating expenses shown separately)	(24.3)	(7.3)	123.9	192.4	217.4	243.5
Operating and maintenance	41.2	37.6	96.9	85.8	185.4	170.2
General and administrative	30.5	32.0	62.0	65.8	117.2	127.6
Retirement incentive	—	—	—	—	—	4.9
Production and other taxes	18.7	14.7	36.6	30.0	64.0	51.0
Depreciation, depletion and amortization	56.8	47.5	112.1	96.0	210.9	187.9
Abandonment and impairment	2.0	—	2.0	—	82.6	—
Total Operating Expenses	124.9	124.5	433.5	470.0	877.5	785.1
Net gain (loss) from asset sales	0.1	0.1	0.1	0.1	(0.2)	2.6
OPERATING INCOME	76.5	71.2	224.8	202.6	328.0	374.8
Interest and other income	1.2	3.1	3.0	6.1	6.8	9.1
Income from unconsolidated affiliate	0.9	1.0	1.8	1.9	3.6	3.8
Interest expense	(15.8)	(14.3)	(31.6)	(28.8)	(59.7)	(56.9)
INCOME BEFORE INCOME TAXES	62.8	61.0	198.0	181.8	278.7	330.8
Income taxes	(22.5)	(21.6)	(72.6)	(69.5)	(104.4)	(120.9)
NET INCOME	\$40.3	\$39.4	\$125.4	\$112.3	\$174.3	\$209.9
Earnings Per Common Share						
Basic	\$0.23	\$0.22	\$0.71	\$0.64	\$0.99	\$1.20
Diluted	0.23	0.22	0.71	0.64	0.99	1.19
Weighted-average common shares outstanding						
Used in basic calculation	175.8	175.5	175.7	175.4	175.7	175.3
Used in diluted calculation	176.1	176.3	176.1	176.2	176.1	176.1
Dividends per common share	\$0.19	\$0.18	\$0.37	\$0.35	\$0.73	\$0.69

See notes accompanying the financial statements

QUESTAR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	3 Months Ended		6 Months Ended		12 Months Ended	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
	(in millions)					
Net income	\$40.3	\$39.4	\$125.4	\$112.3	\$174.3	\$209.9
Other comprehensive income (loss):						
Pension and other postretirement benefits	4.5	7.9	8.8	15.7	161.9	(30.5)
Interest rate cash flow hedge amortization	0.1	0.1	0.3	0.3	0.5	0.5
Change in fair value of long-term investment	—	(0.1)	—	(0.1)	—	—
Income taxes	(1.8)	(3.0)	(3.6)	(6.0)	(62.3)	11.4
Net other comprehensive income (loss)	2.8	4.9	5.5	9.9	100.1	(18.6)
COMPREHENSIVE INCOME	\$43.1	\$44.3	\$130.9	\$122.2	\$274.4	\$191.3

See notes accompanying the financial statements

QUESTAR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2014	June 30, 2013	Dec. 31, 2013
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$—	\$—	\$16.0
Accounts receivable, net	72.5	86.5	123.8
Unbilled gas accounts receivable	15.4	12.4	93.4
Gas stored underground	29.6	19.5	40.0
Materials and supplies	24.6	26.0	23.7
Current regulatory assets	59.0	36.0	35.8
Prepaid expenses and other	9.6	9.8	9.5
Deferred income taxes - current	14.5	17.2	9.7
Total Current Assets	225.2	207.4	351.9
Property, Plant and Equipment	5,789.9	5,492.7	5,674.7
Accumulated depreciation, depletion and amortization	(2,158.4	) (2,039.8	) (2,071.7
Net Property, Plant and Equipment	3,631.5	3,452.9	3,603.0
Investment in unconsolidated affiliate	25.0	25.9	25.6
Noncurrent regulatory assets	18.5	20.4	20.5
Other noncurrent assets	51.0	49.5	53.3
TOTAL ASSETS	\$3,951.2	\$3,756.1	\$4,054.3
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY			
Current Liabilities			
Checks outstanding in excess of cash balances	\$0.9	\$0.5	\$—
Short-term debt	177.0	206.0	276.0
Accounts payable and accrued expenses	208.5	186.5	264.8
Current regulatory liabilities	13.6	8.0	14.1
Current portion of long-term debt and capital lease obligation	0.9	2.8	0.9
Total Current Liabilities	400.9	403.8	555.8
Long-term debt and capital lease obligation, less current portion	1,284.0	1,136.9	1,285.5
Deferred income taxes	711.0	667.4	707.2
Asset retirement obligations	69.4	62.4	67.7
Defined benefit pension plan and other postretirement benefits	78.5	264.9	113.2
Noncurrent regulatory liabilities	65.7	57.7	61.2
Customer contributions in aid of construction	30.1	26.9	29.1
Other noncurrent liabilities	42.1	34.4	35.8
COMMON SHAREHOLDERS' EQUITY			
Common stock	469.4	447.7	464.5
Retained earnings	936.4	890.4	876.1
Accumulated other comprehensive (loss)	(136.3	) (236.4	) (141.8
Total Common Shareholders' Equity	1,269.5	1,101.7	1,198.8
TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY	\$3,951.2	\$3,756.1	\$4,054.3
See notes accompanying the financial statements			

QUESTAR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	6 Months Ended June 30,		
	2014	2013	
	(in millions)		
OPERATING ACTIVITIES			
Net income	\$125.4	\$112.3	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	116.4	99.5	
Deferred income taxes	(4.6	) 53.7
Abandonment and impairment	2.0	—	
Share-based compensation	6.0	8.3	
Net (gain) from asset sales	(0.1) (0.1)
(Income) from unconsolidated affiliate	(1.8) (1.9)
Distributions from unconsolidated affiliate and other	2.9	3.0	
Changes in operating assets and liabilities	37.6	62.8	
NET CASH PROVIDED BY OPERATING ACTIVITIES	283.8	337.6	
INVESTING ACTIVITIES			
Property, plant and equipment	(134.4) (192.9)
Cash used in disposition of assets	(1.7) (2.2)
Proceeds from disposition of assets	0.8	0.5	
NET CASH USED IN INVESTING ACTIVITIES	(135.3) (194.6)
FINANCING ACTIVITIES			
Common stock issued	1.0	2.2	
Common stock repurchased	(2.9) (3.5)
Change in short-term debt	(99.0) (57.0)
Checks outstanding in excess of cash balances	0.9	0.5	
Long-term debt and capital lease obligation repaid	(0.5) (40.3)
Long-term debt issuance costs	—	(1.7)
Dividends paid	(65.0) (61.4)
Tax benefits from share-based compensation	1.0	1.4	
NET CASH USED IN FINANCING ACTIVITIES	(164.5) (159.8)
Change in cash and cash equivalents	(16.0) (16.8)
Beginning cash and cash equivalents	16.0	16.8	
Ending cash and cash equivalents	\$—	\$—	

See notes accompanying the financial statements

QUESTAR GAS COMPANY
STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended June 30, 2014		6 Months Ended June 30, 2014		12 Months Ended June 30, 2014	
	2013	2013	2013	2013	2013	2013
	(in millions)					
REVENUES						
From unaffiliated customers	\$145.0	\$140.1	\$541.3	\$558.4	\$968.1	\$921.9
From affiliated company	—	0.1	—	0.4	0.2	1.1
Total Revenues	145.0	140.2	541.3	558.8	968.3	923.0
OPERATING EXPENSES						
Cost of natural gas sold (excluding operating expenses shown separately)	87.2	83.5	341.8	374.1	618.3	595.7
Operating and maintenance	26.3	23.5	66.1	57.2	122.0	110.4
General and administrative	12.9	13.7	26.7	26.4	52.8	53.2
Retirement incentive	—	—	—	—	—	2.4
Depreciation and amortization	13.6	12.4	26.8	24.5	52.0	48.1
Other taxes	4.8	4.9	9.9	10.1	17.8	17.1
Total Operating Expenses	144.8	138.0	471.3	492.3	862.9	826.9
Net gain from asset sales	0.1	—	0.1	—	0.1	—
OPERATING INCOME	0.3	2.2	70.1	66.5	105.5	96.1
Interest and other income	1.3	1.3	2.6	2.5	5.2	5.6
Interest expense	(7.0)	(5.6)	(14.1)	(11.4)	(25.0)	(22.2)
INCOME (LOSS) BEFORE INCOME TAXES	(5.4)	(2.1)	58.6	57.6	85.7	79.5
Income taxes	2.1	0.9	(22.3)	(21.8)	(32.4)	(29.2)
NET INCOME (LOSS)	\$(3.3)	\$(1.2)	\$36.3	\$35.8	\$53.3	\$50.3

See notes accompanying the financial statements

QUESTAR GAS COMPANY
CONDENSED BALANCE SHEETS
(Unaudited)

	June 30, 2014	June 30, 2013	Dec. 31, 2013
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$—	\$—	\$8.8
Notes receivable from Questar	3.0	—	—
Accounts receivable, net	45.5	49.5	88.9
Unbilled gas accounts receivable	15.4	12.4	93.4
Accounts receivable from affiliates	43.6	31.9	30.4
Gas stored underground	27.8	19.1	39.2
Materials and supplies	13.1	13.7	12.1
Current regulatory assets	55.1	31.0	30.2
Prepaid expenses and other	4.8	4.4	3.0
Deferred income taxes - current	2.9	5.7	2.9
Total Current Assets	211.2	167.7	308.9
Property, Plant and Equipment	2,269.0	2,097.8	2,203.0
Accumulated depreciation and amortization	(761.4	) (728.1	) (745.2
Net Property, Plant and Equipment	1,507.6	1,369.7	1,457.8
Noncurrent regulatory assets	15.0	16.1	16.1
Goodwill	5.6	5.6	5.6
Other noncurrent assets	4.0	3.0	4.0
TOTAL ASSETS	\$1,743.4	\$1,562.1	\$1,792.4
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY			
Current Liabilities			
Checks outstanding in excess of cash balances	\$4.8	\$3.4	\$—
Notes payable to Questar	—	137.3	17.7
Accounts payable and accrued expenses	91.1	73.7	139.2
Accounts payable to affiliates	65.1	55.1	67.8
Customer advances	9.2	9.0	19.8
Current regulatory liabilities	12.8	7.1	11.1
Current portion of long-term debt	—	2.0	—
Total Current Liabilities	183.0	287.6	255.6
Long-term debt, less current portion	534.5	384.5	534.5
Deferred income taxes	340.5	323.6	340.7
Noncurrent regulatory liabilities	57.1	49.6	53.0
Customer contributions in aid of construction	30.1	26.9	29.1
Other noncurrent liabilities	3.0	3.5	3.2
COMMON SHAREHOLDER'S EQUITY			
Common stock	23.0	23.0	23.0
Additional paid-in capital	264.5	173.2	263.9
Retained earnings	307.7	290.2	289.4
Total Common Shareholder's Equity	595.2	486.4	576.3
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	\$1,743.4	\$1,562.1	\$1,792.4

See notes accompanying the financial statements

Questar 2014 Form 10-Q

8

QUESTAR GAS COMPANY
 CONDENSED STATEMENTS OF CASH FLOWS
 (Unaudited)

	6 Months Ended June 30,	
	2014	2013
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$36.3	\$35.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29.4	26.9
Deferred income taxes	(0.2)	) 17.8
Share-based compensation	0.6	1.0
Net (gain) from asset sales	(0.1)) —
Changes in operating assets and liabilities	47.9	65.1
NET CASH PROVIDED BY OPERATING ACTIVITIES	113.9	146.6
INVESTING ACTIVITIES		
Property, plant and equipment	(87.8)	) (74.1)
Cash used in disposition of assets	(1.4)	) (1.8)
Proceeds from disposition of assets	0.4	0.2
Affiliated-company property, plant and equipment transfers	—	10.8
NET CASH USED IN INVESTING ACTIVITIES	(88.8)	) (64.9)
FINANCING ACTIVITIES		
Change in notes receivable from Questar	(3.0)) —
Change in notes payable to Questar	(17.7)	) (28.8)
Checks outstanding in excess of cash balances	4.8	3.4
Long-term debt repaid	—	(40.0)
Dividends paid to Questar	(18.0)	) (17.7)
NET CASH USED IN FINANCING ACTIVITIES	(33.9)	) (83.1)
Change in cash and cash equivalents	(8.8)	) (1.4)
Beginning cash and cash equivalents	8.8	1.4
Ending cash and cash equivalents	\$—	\$—

See notes accompanying the financial statements

QUESTAR PIPELINE COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended June 30, 2014		2013		6 Months Ended June 30, 2014		2013		12 Months Ended June 30, 2014		2013	
	(in millions)											
REVENUES												
From unaffiliated customers	\$48.1	\$47.0	\$96.1	\$95.3	\$190.3	\$197.8						
From affiliated companies	17.7	17.7	37.0	37.2	76.5	74.8						
Total Revenues	65.8	64.7	133.1	132.5	266.8	272.6						
OPERATING EXPENSES												
Operating and maintenance	7.9	7.0	16.0	14.4	34.1	32.3						
General and administrative	10.8	12.1	22.3	24.5	44.5	50.0						
Retirement incentive	—	—	—	—	—	0.9						
Depreciation and amortization	13.6	14.1	27.2	28.2	54.5	55.5						
Asset impairment	—	—	—	—	80.6	—						
Other taxes	2.4	2.4	4.7	4.9	9.1	9.1						
Cost of sales (excluding operating expenses shown separately)	0.7	1.0	2.4	2.2	6.3	7.7						
Total Operating Expenses	35.4	36.6	72.6	74.2	229.1	155.5						
Net gain from asset sales	—	—	—	—	—	2.6						
OPERATING INCOME	30.4	28.1	60.5	58.3	37.7	119.7						
Interest and other income	0.1	0.3	0.4	0.6	1.6	0.9						
Income from unconsolidated affiliate	0.9	1.0	1.8	1.9	3.6	3.8						
Interest expense	(6.6)	(6.5)	(13.1)	(13.0)	(25.9)	(26.1)						
INCOME BEFORE INCOME TAXES	24.8	22.9	49.6	47.8	17.0	98.3						
Income taxes	(9.1)	(8.4)	(18.2)	(17.5)	(7.7)	(36.0)						
NET INCOME	\$15.7	\$14.5	\$31.4	\$30.3	\$9.3	\$62.3						

See notes accompanying the financial statements

QUESTAR PIPELINE COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	3 Months Ended		6 Months Ended		12 Months Ended	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
	(in millions)					
Net income	\$15.7	\$14.5	\$31.4	\$30.3	\$9.3	\$62.3
Other comprehensive income (loss):						
Interest rate cash flow hedge amortization	0.1	0.1	0.3	0.3	0.5	0.5
Income taxes	—	—	(0.1	) (0.1	) (0.2	) (0.2
Net other comprehensive income	0.1	0.1	0.2	0.2	0.3	0.3
COMPREHENSIVE INCOME	\$15.8	\$14.6	\$31.6	\$30.5	\$9.6	\$62.6

See notes accompanying the financial statements

QUESTAR PIPELINE COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	June 30, 2014	June 30, 2013	Dec. 31, 2013
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$6.3	\$5.7	\$2.7
Notes receivable from Questar	53.8	34.4	29.4
Accounts receivable, net	17.5	18.6	18.5
Accounts receivable from affiliates	37.3	32.6	36.6
Materials and supplies	9.0	8.2	8.1
Current regulatory assets	3.9	5.0	5.6
Prepaid expenses and other	2.9	3.8	4.4
Deferred income taxes - current	1.8	1.6	1.8
Total Current Assets	132.5	109.9	107.1
Property, Plant and Equipment	1,801.2	1,868.6	1,774.3
Accumulated depreciation and amortization	(651.3	) (651.1	) (627.2
Net Property, Plant and Equipment	1,149.9	1,217.5	1,147.1
Investment in unconsolidated affiliate	25.0	25.9	25.6
Goodwill	4.2	4.2	4.2
Noncurrent regulatory and other assets	6.7	7.8	7.7
TOTAL ASSETS	\$1,318.3	\$1,365.3	\$1,291.7
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	\$36.7	\$32.4	\$25.6
Accounts payable to affiliates	24.7	5.0	9.4
Current regulatory liabilities	0.8	0.9	3.0
Total Current Liabilities	62.2	38.3	38.0
Long-term debt	458.8	458.9	458.9
Deferred income taxes	228.2	248.5	228.6
Noncurrent regulatory and other liabilities	16.2	14.3	13.9
COMMON SHAREHOLDER'S EQUITY			
Common stock	6.6	6.6	6.6
Additional paid-in capital	350.5	348.5	349.5
Retained earnings	218.5	273.2	219.1
Accumulated other comprehensive (loss)	(22.7	) (23.0	) (22.9
Total Common Shareholder's Equity	552.9	605.3	552.3
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	\$1,318.3	\$1,365.3	\$1,291.7

See notes accompanying the financial statements

QUESTAR PIPELINE COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	6 Months Ended June 30,	
	2014	2013
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$31.4	\$30.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28.4	29.6
Deferred income taxes	(0.5)	) 5.9
Share-based compensation	1.0	1.6
(Income) from unconsolidated affiliate	(1.8)	) (1.9)
Distributions from unconsolidated affiliate and other	2.7	2.8
Changes in operating assets and liabilities	16.2	1.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	77.4	69.6
INVESTING ACTIVITIES		
Property, plant and equipment	(17.2)	) (32.3)
Cash used in disposition of assets	(0.3)	) (0.4)
Proceeds from disposition of assets	0.1	0.1
Affiliated-company property, plant and equipment transfers	—	(10.7)
NET CASH USED IN INVESTING ACTIVITIES	(17.4)	) (43.3)
FINANCING ACTIVITIES		
Change in notes receivable from Questar	(24.4)	) 4.3
Dividends paid to Questar	(32.0)	) (32.0)
NET CASH USED IN FINANCING ACTIVITIES	(56.4)	) (27.7)
Change in cash and cash equivalents	3.6	(1.4)
Beginning cash and cash equivalents	2.7	7.1
Ending cash and cash equivalents	\$6.3	\$5.7

See notes accompanying the financial statements

QUESTAR CORPORATION
QUESTAR GAS COMPANY
QUESTAR PIPELINE COMPANY
NOTES ACCOMPANYING THE FINANCIAL STATEMENTS
(Unaudited)

The notes accompanying the financial statements apply to Questar Corporation, Questar Gas Company and Questar Pipeline Company unless otherwise noted.

Note 1 - Nature of Business

Questar Corporation is a Rockies-based integrated natural gas company with three principal complementary and wholly-owned lines of business:

• Questar Gas Company (Questar Gas) provides retail natural gas distribution in Utah, Wyoming and Idaho.

• Wexpro Company (Wexpro) develops and produces natural gas from cost-of-service reserves for Questar Gas customers.

• Questar Pipeline Company (Questar Pipeline) operates interstate natural gas pipelines and storage facilities in the western United States and provides other energy services.

Questar is headquartered in Salt Lake City, Utah. Shares of Questar common stock trade on the New York Stock Exchange (NYSE:STR).

Note 2 - Basis of Presentation of Interim Financial Statements

The interim financial statements contain the accounts of Questar and its wholly-owned subsidiaries. The financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP), the instructions for Quarterly Reports on Form 10-Q and SEC Regulations S-X and S-K. All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements reflect all normal, recurring adjustments and accruals that are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the interim periods presented. Interim financial statements do not include all of the information and notes required by GAAP for audited annual financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The preparation of financial statements and notes in conformity with GAAP requires that management make estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Actual results could differ from estimates. The results of operations for the three, six and 12 months ended June 30, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

Certain reclassifications were made to prior year information to conform to the current year presentation. Questar and Questar Gas reclassified amounts received from customers for the cost of plant removal from accumulated depreciation to a regulatory liability for the prior year. These reclassifications did not impact net income or cash flows. The Company does not believe these changes are material to prior year financial statements.

Questar uses the equity method to account for its investment in an unconsolidated affiliate where it does not have control, but has significant influence. White River Hub, LLC is a limited liability company and FERC-regulated

transporter of natural gas. Questar Pipeline owns 50% of White River Hub, LLC and is the operator. Generally, the investment in White River Hub, LLC on the Company's balance sheets equals the Company's proportionate share of equity reported by White River Hub, LLC. The investment is assessed for possible impairment when events indicate that the fair value of the investment may be below the Company's carrying value. When such a condition is deemed to be other-than-temporary, the carrying value of the investment is written down to its fair value, and the amount of the write-down is included in the determination of net income.

Questar Gas obtains the majority of its gas supply from Wexpro's cost-of-service production and pays Wexpro an operator service fee based on the terms of the Wexpro Agreement and the Wexpro II Agreement. Questar Gas also obtains transportation and storage services from Questar Pipeline. These intercompany revenues and expenses are eliminated in the Questar Consolidated Statements of Income by reducing revenues and cost of sales. The underlying costs of Wexpro's production and Questar Pipeline's transportation and storage services are disclosed in other categories in the Consolidated Statements of Income, including operating and maintenance expense and depreciation, depletion and amortization expense. During the second

and third quarters of the year, a significant portion of the natural gas from Wexpro production is injected into underground storage. This gas is withdrawn from storage as needed during the heating season in the first and fourth quarters. The cost of natural gas sold is credited with the value of natural gas as it is injected into storage and debited as it is withdrawn from storage. The reported balance in consolidated cost of sales may be a negative amount during the second and third quarters because of the entries to record injection of gas into storage and the elimination of intercompany transactions. The details of Questar's consolidated cost of sales are as follows:

	3 Months Ended June 30,		6 Months Ended June 30,		12 Months Ended June 30,	
	2014	2013	2014	2013	2014	2013
	(in millions)					
Questar Gas						
Gas purchases	\$3.9	\$10.3	\$96.6	\$113.6	\$169.6	\$153.5
Operator service fee	94.4	74.2	183.5	147.0	331.1	285.8
Transportation and storage	18.6	18.1	40.7	40.1	80.7	80.2
Gathering	4.8	4.5	9.7	9.1	19.4	