

QUESTAR CORP
 Form 10-Q
 April 30, 2015

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 March 31, 2015

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 March 31, 2015.

Questar Corporation without par value 175,712,882

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 MARCH 31, 2015

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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. Separate financial statements for Wexpro Company have not been included since Wexpro is not a registrant. See Note 8 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 March 31,		12 Months Ended March 31,	
	2015	2014	2015	2014
	(in millions, except per-share amounts)			
REVENUES				
Questar Gas	\$374.8	\$396.3	\$939.4	\$963.2
Wexpro	6.3	12.3	29.6	47.1
Questar Pipeline	46.8	48.0	189.0	189.2
Other	0.7	0.3	3.0	0.5
Total Revenues	428.6	456.9	1,161.0	1,200.0
OPERATING EXPENSES				
Cost of sales (excluding operating expenses shown separately)	131.8	148.2	169.9	234.4
Operating and maintenance	52.3	56.9	189.6	186.7
General and administrative	29.4	30.3	121.8	113.8
Production and other taxes	13.8	17.9	62.1	60.0
Depreciation, depletion and amortization	54.3	55.3	212.7	201.6
Abandonment and impairment	—	—	2.0	80.6
Total Operating Expenses	281.6	308.6	758.1	877.1
Net gain (loss) from asset sales	—	—	1.2	(0.2)
OPERATING INCOME	147.0	148.3	404.1	322.7
Interest and other income	1.4	1.8	6.2	8.7
Income from unconsolidated affiliate	0.9	0.9	3.5	3.7
Interest expense	(15.9)	(15.8)	(63.2)	(58.2)
INCOME BEFORE INCOME TAXES	133.4	135.2	350.6	276.9
Income taxes	(48.8)	(50.1)	(124.6)	(103.5)
NET INCOME	\$84.6	\$85.1	\$226.0	\$173.4
Earnings Per Common Share				
Basic	\$0.48	\$0.48	\$1.29	\$0.98
Diluted	0.48	0.48	1.28	0.98
Weighted-average common shares outstanding				
Used in basic calculation	176.2	175.7	176.0	175.6
Used in diluted calculation	176.5	176.1	176.3	176.1
Dividends per common share	\$0.21	\$0.18	\$0.78	\$0.72

See notes accompanying the financial statements

QUESTAR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	3 Months Ended		12 Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
	(in millions)			
Net income	\$84.6	\$85.1	\$226.0	\$173.4
Other comprehensive income (loss):				
Pension and other postretirement benefits	6.0	4.3	(95.2)	165.3
Interest rate cash flow hedge amortization	0.2	0.2	0.5	0.5
Change in fair value of long-term investment	—	—	—	(0.1)
Income taxes	(2.4)	(1.8)	36.3	(63.5)
Net other comprehensive income (loss)	3.8	2.7	(58.4)	102.2
COMPREHENSIVE INCOME	\$88.4	\$87.8	\$167.6	\$275.6

See notes accompanying the financial statements

QUESTAR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	Mar. 31, 2015	Mar. 31, 2014	Dec. 31, 2014
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$4.8	\$5.6	\$32.0
Accounts receivable, net	104.5	130.6	118.1
Unbilled gas accounts receivable	41.5	56.3	93.7
Gas stored underground	12.4	6.9	43.7
Materials and supplies	28.7	25.0	30.4
Current regulatory assets	43.0	29.8	79.6
Prepaid expenses and other	8.7	7.5	11.2
Deferred income taxes - current	8.2	14.5	5.8
Total Current Assets	251.8	276.2	414.5
Property, Plant and Equipment	6,033.1	5,723.5	5,961.5
Accumulated depreciation, depletion and amortization	(2,277.2	) (2,121.6	) (2,226.0
Net Property, Plant and Equipment	3,755.9	3,601.9	3,735.5
Investment in unconsolidated affiliate	24.5	25.2	24.7
Noncurrent regulatory assets	23.6	19.3	25.0
Other noncurrent assets	50.1	51.8	50.0
TOTAL ASSETS	\$4,105.9	\$3,974.4	\$4,249.7
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term debt	\$214.0	\$157.0	\$347.0
Accounts payable and accrued expenses	200.5	229.9	234.9
Current regulatory liabilities	5.2	17.2	13.4
Current portion of long-term debt and capital lease obligation	277.8	0.9	26.1
Total Current Liabilities	697.5	405.0	621.4
Long-term debt and capital lease obligation, less current portion	1,005.1	1,284.7	1,257.5
Deferred income taxes	716.6	712.6	715.6
Asset retirement obligations	75.0	68.6	69.3
Defined benefit pension plan and other postretirement benefits	155.7	108.5	185.7
Noncurrent regulatory liabilities	72.5	63.2	69.9
Customer contributions in aid of construction	28.0	32.0	29.2
Other noncurrent liabilities	57.2	43.6	54.9
COMMON SHAREHOLDERS' EQUITY			
Common stock	477.6	465.7	476.8
Retained earnings	1,018.2	929.6	970.7
Accumulated other comprehensive (loss)	(197.5	) (139.1	) (201.3
Total Common Shareholders' Equity	1,298.3	1,256.2	1,246.2
TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY	\$4,105.9	\$3,974.4	\$4,249.7

See notes accompanying the financial statements

QUESTAR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	3 Months Ended March 31,	
	2015	2014
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$84.6	\$85.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	56.2	57.2
Deferred income taxes	(3.8)	(1.2)
Share-based compensation	3.2	3.2
(Income) from unconsolidated affiliate	(0.9)	(0.9)
Distributions from unconsolidated affiliate and other	1.5	1.6
Changes in operating assets and liabilities	82.6	67.9
NET CASH PROVIDED BY OPERATING ACTIVITIES	223.4	212.9
INVESTING ACTIVITIES		
Property, plant and equipment	(66.1)	(69.7)
Questar Gas acquisition of gas distribution system	(11.4)	—
Cash used in disposition of assets	(0.6)	(0.9)
Proceeds from disposition of assets	0.2	—
NET CASH USED IN INVESTING ACTIVITIES	(77.9)	(70.6)
FINANCING ACTIVITIES		
Common stock issued	1.3	0.5
Common stock repurchased	(3.6)	(2.8)
Change in short-term debt	(133.0)	(119.0)
Capital lease obligation repaid	(0.3)	(0.3)
Dividends paid	(37.1)	(31.6)
Tax benefits from share-based compensation	—	0.5
NET CASH USED IN FINANCING ACTIVITIES	(172.7)	(152.7)
Change in cash and cash equivalents	(27.2)	(10.4)
Beginning cash and cash equivalents	32.0	16.0
Ending cash and cash equivalents	\$4.8	\$5.6

See notes accompanying the financial statements

QUESTAR GAS COMPANY
STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended March 31,		12 Months Ended March 31,	
	2015	2014	2015	2014
	(in millions)			
REVENUES				
From unaffiliated customers	\$374.8	\$396.3	\$939.4	\$963.2
From affiliated company	—	—	—	0.3
Total Revenues	374.8	396.3	939.4	963.5
OPERATING EXPENSES				
Cost of natural gas sold (excluding operating expenses shown separately)	233.6	254.6	583.8	614.6
Operating and maintenance	33.1	39.8	115.8	119.2
General and administrative	13.4	13.8	52.4	53.6
Depreciation and amortization	13.5	13.2	53.9	50.8
Other taxes	4.6	5.1	17.3	17.9
Total Operating Expenses	298.2	326.5	823.2	856.1
Net gain from asset sales	—	—	0.1	—
OPERATING INCOME	76.6	69.8	116.3	107.4
Interest and other income	1.1	1.3	5.7	5.2
Interest expense	(7.1)	) (7.1)	) (28.2)	) (23.6)
INCOME BEFORE INCOME TAXES	70.6	64.0	93.8	89.0
Income taxes	(26.8)	) (24.4)	) (34.4)	) (33.6)
NET INCOME	\$43.8	\$39.6	\$59.4	\$55.4

See notes accompanying the financial statements