

QUESTAR CORP  
 Form 10-Q  
 April 28, 2016

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, 2016

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  No   
 Questar Gas Company Yes  No   
 Questar Pipeline Company Yes  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).

Questar Corporation Yes  No   
 Questar Gas Company Yes  No   
 Questar Pipeline Company Yes  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 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	Accelerated filer	Non-accelerated filer	Smaller reporting company
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Questar Gas Company	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Large accelerated filer	Accelerated filer	Non-accelerated filer	

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Questar Pipeline 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).

Questar Corporation Yes  No

Questar Gas Company Yes  No

Questar Pipeline Company Yes  No

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of March 31, 2016.

Questar Corporation without par value 175,397,041

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.

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QUESTAR CORPORATION  
 QUESTAR GAS COMPANY  
 QUESTAR PIPELINE COMPANY  
 FORM 10-Q  
 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>ITEM 1. 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. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>26</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>36</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>37</u>
<u>PART II OTHER INFORMATION</u>	<u>38</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>38</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>46</u>
<u>ITEM 6. EXHIBITS</u>	<u>46</u>
<u>SIGNATURES</u>	<u>47</u>
FILING FORMAT	

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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 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.

Questar 2016 Form 10-Q 2

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## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

QUESTAR CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	3 Months Ended		12 Months Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	(in millions, except per-share amounts)			
<b>REVENUES</b>				
Questar Gas	\$407.9	\$374.8	\$950.7	\$939.4
Wexpro	3.5	6.3	20.1	29.6
Questar Pipeline	43.0	46.8	184.1	189.0
Other	1.9	0.7	7.7	3.0
Total Revenues	456.3	428.6	1,162.6	1,161.0
<b>OPERATING EXPENSES</b>				
Cost of sales (excluding operating expenses shown separately)	158.5	131.8	201.9	169.9
Operating and maintenance	50.4	52.3	179.7	189.6
General and administrative	29.6	29.4	109.2	121.8
Pension settlement costs	—	—	16.7	—
Merger and restructuring costs	14.6	—	14.6	—
Production and other taxes	11.7	13.8	49.2	62.1
Depreciation, depletion and amortization	55.9	54.3	217.6	212.7
Abandonment and impairment	0.2	—	12.7	2.0
Total Operating Expenses	320.9	281.6	801.6	758.1
Net gain from asset sales	0.3	—	2.1	1.2
<b>OPERATING INCOME</b>	135.7	147.0	363.1	404.1
Interest and other income	1.0	1.4	3.8	6.2
Income from unconsolidated affiliate	1.0	0.9	3.8	3.5
Interest expense	(15.8 )	(15.9 )	(62.9 )	(63.2 )
<b>INCOME BEFORE INCOME TAXES</b>	121.9	133.4	307.8	350.6
Income taxes	(43.4 )	(48.8 )	(105.2 )	(124.6 )
<b>NET INCOME</b>	\$78.5	\$84.6	\$202.6	\$226.0
<b>Earnings Per Common Share</b>				
Basic	\$0.45	\$0.48	\$1.15	\$1.29
Diluted	0.45	0.48	1.15	1.28
Weighted-average common shares outstanding				
Used in basic calculation	175.8	176.2	175.9	176.0
Used in diluted calculation	176.1	176.5	176.1	176.3
Dividends per common share	\$0.22	\$0.21	\$0.85	\$0.78

See notes accompanying the financial statements



QUESTAR CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

	3 Months Ended March 31, 2016 2015		12 Months Ended March 31, 2016 2015	
	(in millions)			
Net income	\$78.5	\$84.6	\$202.6	\$226.0
Other comprehensive income (loss):				
Pension and other postretirement benefits	4.0	6.0	23.6	(95.2 )
Interest rate cash flow hedge amortization	0.2	0.2	0.6	0.5
Commodity cash flow hedge	(0.2 )	—	(0.4 )	—
Income taxes	(1.6 )	(2.4 )	(9.2 )	36.3
Net other comprehensive income (loss)	2.4	3.8	14.6	(58.4 )
COMPREHENSIVE INCOME	\$80.9	\$88.4	\$217.2	\$167.6

See notes accompanying the financial statements

Questar 2016 Form 10-Q 4

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QUESTAR CORPORATION  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

	March 31, 2016	March 31, 2015	Dec. 31, 2015
	(in millions)		
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$0.4	\$4.8	\$25.0
Accounts receivable, net	107.1	104.5	168.0
Unbilled gas accounts receivable	58.7	41.5	91.3
Gas stored underground	9.6	12.4	45.1
Materials and supplies	30.1	28.7	28.4
Current regulatory assets	20.3	43.0	70.0
Prepaid expenses and other	8.4	8.7	12.3
Total Current Assets	234.6	243.6	440.1
Property, Plant and Equipment	6,240.9	6,033.1	6,182.0
Accumulated depreciation, depletion and amortization	(2,380.4 )	(2,277.2 )	(2,333.3 )
Net Property, Plant and Equipment	3,860.5	3,755.9	3,848.7
Investment in unconsolidated affiliate	23.7	24.5	23.9
Noncurrent regulatory assets	14.4	17.3	9.3
Other noncurrent assets	46.0	43.4	44.2
<b>TOTAL ASSETS</b>	<b>\$4,179.2</b>	<b>\$4,084.7</b>	<b>\$4,366.2</b>
<b>LIABILITIES AND COMMON SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Short-term debt	\$458.5	\$214.0	\$457.6
Accounts payable and accrued expenses	177.2	200.5	224.8
Current regulatory liabilities	63.6	5.2	6.4
Current portion of long-term debt and capital lease obligation	1.2	277.4	251.3
Total Current Liabilities	700.5	697.1	940.1
Long-term debt and capital lease obligation, less current portion	992.7	992.5	992.6
Deferred income taxes	776.0	708.4	779.5
Asset retirement obligations	70.5	75.0	67.6
Defined benefit pension plan and other postretirement benefits	117.3	155.7	123.0
Noncurrent regulatory liabilities	82.1	72.5	75.6
Customer contributions in aid of construction	23.4	28.0	23.7
Other noncurrent liabilities	56.0	57.2	49.0
<b>COMMON SHAREHOLDERS' EQUITY</b>			
Common stock	472.4	477.6	469.0
Retained earnings	1,071.2	1,018.2	1,031.4
Accumulated other comprehensive (loss)	(182.9 )	(197.5 )	(185.3 )
Total Common Shareholders' Equity	1,360.7	1,298.3	1,315.1
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY</b>	<b>\$4,179.2</b>	<b>\$4,084.7</b>	<b>\$4,366.2</b>
See notes accompanying the financial statements			



QUESTAR CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	3 Months Ended March 31, 2016 2015 (in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$78.5	\$84.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	58.4	56.2
Deferred income taxes	(5.1 )	(3.8 )
Abandonment and impairment	0.2	—
Share-based compensation	2.7	3.2
Net (gain) from asset sales	(0.3 )	—
(Income) from unconsolidated affiliate	(1.0 )	(0.9 )
Distributions from unconsolidated affiliate and other	1.5	1.5
Changes in operating assets and liabilities	198.1	82.6
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>333.0</b>	<b>223.4</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(68.5 )	(66.1 )
Questar Gas acquisition of gas distribution system	—	(11.4 )
Cash used in disposition of assets	(0.9 )	(0.6 )
Proceeds from disposition of assets	0.3	0.2
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(69.1 )</b>	<b>(77.9 )</b>
<b>FINANCING ACTIVITIES</b>		
Common stock issued	3.5	1.3
Common stock repurchased	(2.8 )	(3.6 )
Change in short-term debt	0.9	(133.0)
Long-term debt repaid	(250.0)	—
Capital lease obligation repaid	(0.3 )	(0.3 )
Revolver issuance costs paid	(1.2 )	—
Dividends paid	(38.7 )	(37.1 )
Tax benefits from share-based compensation	0.1	—
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(288.5)</b>	<b>(172.7)</b>
Change in cash and cash equivalents	(24.6 )	(27.2 )
Beginning cash and cash equivalents	25.0	32.0
Ending cash and cash equivalents	\$0.4	\$4.8

See notes accompanying the financial statements

Questar 2016 Form 10-Q 6

QUESTAR GAS COMPANY  
STATEMENTS OF INCOME  
(Unaudited)

	3 Months Ended		12 Months Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	(in millions)			
REVENUES	\$407.9	\$374.8	\$950.7	\$939.4
OPERATING EXPENSES				
Cost of natural gas sold (excluding operating expenses shown separately)	256.9	233.6	581.4	583.8
Operating and maintenance	34.6	33.1	113.4	115.8
General and administrative	13.0	13.4	50.2	52.4
Depreciation and amortization	14.7	13.5	56.3	53.9
Other taxes	5.3	4.6	20.0	17.3
Total Operating Expenses	324.5	298.2	821.3	823.2
Net gain from asset sales	—	—	—	0.1
OPERATING INCOME	83.4	76.6	129.4	116.3
Interest and other income	1.0	1.1	4.7	5.7
Interest expense	(7.7 )	(7.1 )	(28.9 )	(28.2 )
INCOME BEFORE INCOME TAXES	76.7	70.6	105.2	93.8
Income taxes	(29.1 )	(26.8 )	(37.1 )	(34.4 )
NET INCOME	\$47.6	\$43.8	\$68.1	\$59.4

See notes accompanying the financial statements

QUESTAR GAS COMPANY  
CONDENSED BALANCE SHEETS  
(Unaudited)

	March 31, 2016	March 31, 2015	Dec. 31, 2015
	(in millions)		
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$—	\$—	\$10.5
Accounts receivable, net	97.3	81.2	112.0
Unbilled gas accounts receivable	58.7	41.5	91.0
Accounts receivable from affiliates	71.5	56.3	69.2
Gas stored underground	7.1	9.5	43.9
Materials and supplies	18.8	17.3	17.1
Current regulatory assets	20.2	42.1	69.8
Prepaid expenses and other	2.9	2.4	3.5
Total Current Assets	276.5	250.3	417.0
Property, Plant and Equipment	2,618.8	2,400.7	2,570.3
Accumulated depreciation and amortization	(820.3 )	(791.5 )	(812.2 )
Net Property, Plant and Equipment	1,798.5	1,609.2	1,758.1
Noncurrent regulatory assets	13.5	16.1	8.1
Other noncurrent assets	5.6	5.7	5.7
<b>TOTAL ASSETS</b>	<b>\$2,094.1</b>	<b>\$1,881.3</b>	<b>\$2,188.9</b>
<b>LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>			
Current Liabilities			
Checks outstanding in excess of cash balances	\$0.7	\$0.4	\$—
Notes payable to Questar	140.5	35.8	273.3
Accounts payable and accrued expenses	79.7	126.0	122.5
Accounts payable to affiliates	75.3	71.4	74.5
Customer advances	9.8	9.5	34.3
Current regulatory liabilities	61.8	4.3	4.0
Total Current Liabilities	367.8	247.4	508.6
Long-term debt	527.6	526.8	527.4
Deferred income taxes	438.4	381.4	436.7
Noncurrent regulatory liabilities	71.9	63.3	65.6
Customer contributions in aid of construction	23.4	28.0	23.7
Other noncurrent liabilities	2.3	2.8	2.2
<b>COMMON SHAREHOLDER'S EQUITY</b>			
Common stock	23.0	23.0	23.0
Additional paid-in capital	267.2	265.7	266.8
Retained earnings	372.5	342.9	334.9
Total Common Shareholder's Equity	662.7	631.6	624.7
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$2,094.1</b>	<b>\$1,881.3</b>	<b>\$2,188.9</b>

See notes accompanying the financial statements

QUESTAR GAS COMPANY  
 CONDENSED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	3 Months Ended March 31, 2016 2015 (in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$47.6	\$43.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16.1	14.9
Deferred income taxes	1.7	(2.4 )
Share-based compensation	0.4	0.3
Changes in operating assets and liabilities	125.5	80.0
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>191.3</b>	<b>136.6</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(59.1 )	(43.0 )
Acquisition of gas distribution system	—	(11.4 )
Cash used in disposition of assets	(0.7 )	(0.5 )
Proceeds from disposition of assets	0.1	0.1
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(59.7 )</b>	<b>(54.8 )</b>
<b>FINANCING ACTIVITIES</b>		
Change in notes payable to Questar	(132.8)	(83.5 )
Checks outstanding in excess of cash balances	0.7	0.4
Dividends paid to Questar	(10.0 )	(18.5 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(142.1)</b>	<b>(101.6)</b>
Change in cash and cash equivalents	(10.5 )	(19.8 )
Beginning cash and cash equivalents	10.5	19.8
Ending cash and cash equivalents	\$—	\$—

See notes accompanying the financial statements

Questar 2016 Form 10-Q 9

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QUESTAR PIPELINE COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	3 Months Ended March 31, 2016 2015		12 Months Ended March 31, 2016 2015	
	(in millions)			
<b>REVENUES</b>				
From unaffiliated customers	\$43.0	\$46.8	\$184.1	\$189.0
From affiliated companies	19.3	19.4	75.0	73.8
Total Revenues	62.3	66.2	259.1	262.8
<b>OPERATING EXPENSES</b>				
Operating and maintenance	8.6	10.1	36.1	40.1
General and administrative	10.3	10.5	38.7	39.1
Depreciation and amortization	13.7	14.0	54.3	54.9
Other taxes	2.3	2.3	8.8	9.1
Cost of sales (excluding operating expenses shown separately)	0.1	1.9	7.1	4.2
Total Operating Expenses	35.0	38.8	145.0	147.4
Net gain (loss) from asset sales	0.3	—	0.5	(0.5 )
<b>OPERATING INCOME</b>	27.6	27.4	114.6	114.9
Interest and other income	0.1	0.2	0.8	1.1
Income from unconsolidated affiliate	1.0	0.9	3.8	3.5
Interest expense	(6.2 )	(6.6 )	(25.6 )	(26.2 )
<b>INCOME BEFORE INCOME TAXES</b>	22.5	21.9	93.6	93.3
Income taxes	(8.3 )	(8.0 )	(33.7 )	(34.5 )
<b>NET INCOME</b>	\$14.2	\$13.9	\$59.9	\$58.8

See notes accompanying the financial statements

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

	3 Months		12 Months	
	Ended		Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
	(in millions)			
Net income	\$14.2	\$13.9	\$59.9	\$58.8
Other comprehensive income (loss):				
Interest rate cash flow hedge amortization	0.2	0.2	0.6	0.5
Commodity cash flow hedge	(0.2 )	—	(0.4 )	—
Income taxes	(0.1 )	(0.1 )	(0.2 )	(0.1 )
Net other comprehensive income (loss)	(0.1 )	0.1	—	0.4
COMPREHENSIVE INCOME	\$14.1	\$14.0	\$59.9	\$59.2

See notes accompanying the financial statements

Questar 2016 Form 10-Q 11

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QUESTAR PIPELINE COMPANY  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

	March 31, 2016	March 31, 2015	Dec. 31, 2015
	(in millions)		
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$1.2	\$6.1	\$10.2
Notes receivable from Questar	33.2	35.9	6.0
Accounts receivable, net	17.2	16.8	29.6
Accounts receivable from affiliates	50.4	44.3	49.8
Gas stored underground, at lower of average cost or market	2.5	2.9	1.2
Materials and supplies, at lower of average cost or market	6.3	7.1	6.7
Current regulatory assets	0.1	0.9	0.2
Prepaid expenses and other	2.7	3.6	4.4
Total Current Assets	113.6	117.6	108.1
Property, Plant and Equipment	1,857.1	1,837.5	1,851.1
Accumulated depreciation and amortization	(722.8 )	(687.9 )	(709.7 )
Net Property, Plant and Equipment	1,134.3	1,149.6	1,141.4
Investment in unconsolidated affiliate	23.7	24.5	23.9
Noncurrent regulatory and other assets	5.1	5.5	5.3
<b>TOTAL ASSETS</b>	<b>\$1,276.7</b>	<b>\$1,297.2</b>	<b>\$1,278.7</b>
<b>LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>			
Current Liabilities			
Accounts payable and accrued expenses	\$20.7	\$33.9	\$16.1
Accounts payable to affiliates	8.6	3.4	15.8
Current regulatory liabilities	1.8	0.9	2.4
Current portion of long-term debt	—	25.1	—
Total Current Liabilities	31.1	63.3	34.3
Long-term debt, less current portion	429.4	428.8	429.2
Deferred income taxes	251.2	239.4	249.9
Noncurrent regulatory and other liabilities	17.4	16.0	16.3
<b>COMMON SHAREHOLDER'S EQUITY</b>			
Common stock	6.6	6.6	6.6
Additional paid-in capital	353.9	351.9	353.4
Retained earnings	209.5	213.6	211.3
Accumulated other comprehensive (loss)	(22.4 )	(22.4 )	(22.3 )
Total Common Shareholder's Equity	547.6	549.7	549.0
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$1,276.7</b>	<b>\$1,297.2</b>	<b>\$1,278.7</b>

See notes accompanying the financial statements

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

	3 Months Ended March 31, 2016 2015 (in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$14.2	\$13.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14.3	14.5
Deferred income taxes	1.2	(0.2 )
Share-based compensation	0.5	0.5
Net (gain) from asset sales	(0.3 )	—
(Income) from unconsolidated affiliate	(1.0 )	(0.9 )
Distributions from unconsolidated affiliate and other	1.4	1.3
Changes in operating assets and liabilities	10.5	6.2
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>40.8</b>	<b>35.3</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(6.6 )	(8.7 )
Cash used in disposition of assets	(0.2 )	(0.1 )
Proceeds from disposition of assets	0.2	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6.6 )</b>	<b>(8.8 )</b>
<b>FINANCING ACTIVITIES</b>		
Change in notes receivable from Questar	(27.2 )	4.2
Dividends paid to Questar	(16.0 )	(32.0 )
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(43.2 )</b>	<b>(27.8 )</b>
Change in cash and cash equivalents	(9.0 )	(1.3 )
Beginning cash and cash equivalents	10.2	7.4
Ending cash and cash equivalents	\$1.2	\$6.1

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 (the Company) 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 - Proposed Merger with Dominion Resources

On January 31, 2016, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), by and among the Company, Dominion Resources, Inc., a Virginia corporation (“Parent”) and Diamond Beehive Corp., a Utah corporation and a direct wholly-owned subsidiary of Parent (“Merger Sub”).

The Merger Agreement provides for the merger of Merger Sub with and into the Company on the terms and subject to the conditions set forth in the Merger Agreement (the “Merger”), with the Company continuing as the surviving corporation in the Merger and becoming a direct, wholly-owned subsidiary of Parent. At the effective time of the Merger (the “Effective Time”), by virtue of the Merger and without any action on the part of the Company, Parent or Merger Sub or any holder of any shares of common stock, no par value per share, of the Company (the “Company Common Stock”) or any shares of capital stock of Merger Sub, each share of the Company Common Stock issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares and shares of Company Common Stock that are owned by Parent or Merger Sub or any of their respective subsidiaries, in each case immediately prior to the Effective Time) will be converted automatically into the right to receive \$25.00 in cash, without interest.

Closing of the Merger is subject to the satisfaction or waiver of specified closing conditions, including (i) the approval of the Merger by the holders of a majority of the outstanding shares of Company Common Stock, (ii) the receipt of regulatory approvals required to close the Merger, including approvals from the Public Service Commission of Utah (if required) and the Public Service Commission of Wyoming, (iii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iv) the absence of any law, statute, ordinance, code, rule, regulation, ruling, decree, judgment, injunction or order of a governmental authority that prohibits the consummation of the Merger, and (v) other customary closing conditions, including (a) the accuracy of each party’s representations and warranties (subject to customary materiality qualifiers), (b) each party’s compliance in all material respects with its obligations and covenants contained in the Merger Agreement, and (c) the absence of a material adverse effect on the Company. In addition, the obligations of Parent and Merger Sub to consummate the

Merger are subject to the required regulatory approvals not imposing or requiring any undertakings, terms, conditions, liabilities, obligations, commitments or sanctions, or any structural or remedial actions that constitute a Company Material Adverse Effect.

On February 23, 2016, the Federal Trade Commission granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act with regards to the Merger. On March 3, 2016, Questar and Parent jointly filed merger applications with the Public Service Commission of Utah and the Wyoming Public Service Commission and provided notice of the proposed Merger to the Idaho Public Utilities Commission. Hearings are scheduled in Utah and Wyoming during the third quarter. A shareholder vote on the Merger is scheduled for May 12, 2016.

The Merger Agreement also contains customary representations, warranties and covenants of both the Company and Parent. These covenants include, among others, an obligation on behalf of the Company to use reasonable best efforts to conduct its business in all material respects in the ordinary course until the Merger is consummated, subject to certain exceptions. The Company has made certain additional customary covenants, including, among others, subject to certain exceptions, (a) causing a meeting of the Company's shareholders to be held to consider approval of the Merger Agreement, and (b) a customary non-solicitation covenant prohibiting the Company from soliciting, providing non-public information or entering into discussions or negotiations concerning proposals relating to alternative business combination transactions, except as permitted under the Merger Agreement. In addition, the parties are required to use reasonable best efforts to obtain any required regulatory approvals.

The Merger Agreement may be terminated by each of the Company and Parent under certain circumstances, including if the Merger is not consummated by February 28, 2017 (subject to certain extension rights, up to a maximum of nine months, as specified in the Merger Agreement). The Merger Agreement contains certain termination rights for both Parent and the Company, and provides that, upon termination of the Merger Agreement under specified circumstances, Parent would be required to pay a termination fee of \$154 million to the Company (the "Parent Termination Fee") and the Company would be required to pay Parent a termination fee of \$99 million (the "Company Termination Fee"). The Company Termination Fee is payable under certain specified circumstances, including (i) termination of the Merger Agreement by the Company in order to enter into a definitive agreement with respect to certain business combinations, and (ii) termination of the Merger Agreement by Parent following a withdrawal by the Company Board of its recommendation of the Merger Agreement. The Company will also be required to pay Parent the Company Termination Fee in the event the Company signs an alternative transaction within twelve months following the termination of the Merger Agreement under certain specified circumstances. In addition, upon termination of the Merger Agreement in certain specified circumstances, the Company would be required to reimburse Parent for certain expenses incurred by Parent and its affiliates and representatives in connection with transaction, in an amount not to exceed \$5 million. The Parent Termination Fee is payable by the Parent in certain specified circumstances if the Merger Agreement is terminated under certain circumstances due to the failure to obtain certain regulatory approvals as a result of the imposition of a Burdensome Condition or the material breach by Parent of its obligations to obtain certain regulatory approvals.

### Note 3 - 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, 2015.

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 and 12 months ended March 31, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

Certain reclassifications were made to prior year information to conform to the current year presentation.

Questar and Questar Pipeline use the equity method to account for an investment in an unconsolidated affiliate where they do not have control, but have significant influence. The investment in the unconsolidated affiliate on the Condensed Consolidated Balance Sheets equals Questar Pipeline's proportionate share of equity reported by the unconsolidated affiliate. The investment is assessed for possible impairment when events indicate that the fair value of the investment may be below Questar Pipeline'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. White River Hub, LLC, a limited liability company and FERC-regulated transporter of natural gas, is the sole unconsolidated affiliate. Questar Pipeline owns 50% of White River Hub, LLC, and is the operator.

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 (Wexpro agreements). Questar Gas also obtains transportation and storage services from Questar Pipeline. These intercompany revenues and expenses are eliminated in

Questar 2016 Form 10-Q 15

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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		12 Months Ended	
	March 31, 2016	2015	March 31, 2016	2015
	(in millions)			
Questar Gas				
Gas purchases	\$46.8	\$41.0	\$88.3	\$84.8
Operator service fee	79.8	84.8	314.0	345.4
Transportation and storage	22.3	22.2	79.3	79.7
Gathering	5.8	5.4	22.5	21.5
Royalties	5.7	11.9	27.1	54.7
Storage (injection) withdrawal, net	36.7	30.9	2.3	(3.2 )
Purchased-gas account adjustment	58.6	36.2	42.9	(4.0 )
Other	1.2	1.2	5.0	4.9
Total Questar Gas cost of natural gas sold	256.9	233.6	581.4	583.8
Elimination of Questar Gas cost of natural gas sold - affiliated companies	(99.0 )	(104.0 )	(388.5 )	(419.2 )
Total Questar Gas cost of natural gas sold - unaffiliated parties	157.9	129.6	192.9	164.6
Questar Pipeline				
Questar Pipeline cost of sales	0.1	1.9	7.1	4.2
Other cost of sales	0.5	0.3	1.9	1.1
Total cost of sales	\$158.5	\$131.8	\$201.9	\$169.9

#### Note 4 - Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period, which includes vested undistributed restricted stock units (RSUs) and vested undistributed deferred RSUs. Diluted EPS includes the potential increase in the number of outstanding shares that could result from the exercise of in-the-money stock options, the vesting of RSUs with forfeitable dividend equivalents and the distribution of performance shares that are part of the Company's Long-Term Stock Incentive Plan (LTSIP), less shares repurchased under the treasury stock method. Restricted shares and RSUs with nonforfeitable dividends or dividend equivalents are participating securities for the computation of basic EPS under the two-class method. The application of the two-class method has an insignificant impact on the calculation of Questar's basic and diluted EPS. A reconciliation of the components of basic and diluted shares used in the EPS calculation follows:

	3 Months Ended		12 Months Ended	
	March 31, 2016	2015	March 31, 2016	2015
	(in millions)			
Weighted-average basic common shares outstanding	175.8	176.2	175.9	176.0

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Potential number of shares issuable under the Company's LTSIP	0.3	0.3	0.2	0.3
Weighted-average diluted common shares outstanding	176.1	176.5	176.1	176.3

Questar 2016 Form 10-Q 16

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## Note 5 - Accumulated Other Comprehensive Income

Comprehensive income, as reported in Questar's Condensed Consolidated Statements of Comprehensive Income, is the sum of net income as reported in the Questar Consolidated Statements of Income and net other comprehensive income (loss) (OCI). OCI includes recognition of the under-funded position of pension and other postretirement benefit plans, interest rate and commodity-based cash flow hedges, changes in the fair value of long-term investment, and the related income taxes. Income or loss is recognized when the pension and other postretirement benefit (OPB) costs are accrued, as the Company records interest expense for hedged interest payments, as the Company reaches settlement of commodity-based hedges and when the long-term investment is sold.

Details of the changes in the components of consolidated accumulated other comprehensive income (loss) (AOCI), net of income taxes, as reported in Questar's Condensed Consolidated Balance Sheets, are shown in the tables below. The tables also disclose details of income taxes related to each component of OCI.

	Pension and OPB	Interest rate cash flow hedges	Commodity cash flow hedges	Long-term investment	Total
3 Months Ended March 31, 2016					
(in millions)					
AOCI at beginning of period	\$(163.1)	\$(22.2)	\$ (0.1 )	\$ 0.1	\$(185.3)
OCI before reclassifications	—	—	(0.2 )	—	(0.2 )
Reclassified from AOCI <sup>(1)(3)</sup>	4.0	0.2	—	—	4.2
Income taxes					
Reclassified from AOCI <sup>(2)(4)</sup>	(1.5 )	(0.1 )	—	—	(1.6 )
Total income taxes	(1.5 )	(0.1 )	—	—	(1.6 )
Net other comprehensive income (loss)	2.5	0.1	(0.2 )	—	2.4
AOCI at end of period	\$(160.6)	\$(22.1)	\$ (0.3 )	\$ 0.1	\$(182.9)

	Pension and OPB	Interest rate cash flow hedges	Long-term investment	Total
3 Months Ended March 31, 2015				
(in millions)				
AOCI at beginning of period	\$(178.9)	\$(22.5)	\$ 0.1	\$(201.3)
Reclassified from AOCI <sup>(1)</sup>	6.0	0.2	—	6.2
Income taxes				
Reclassified from AOCI <sup>(2)</sup>	(2.3 )	(0.1 )	—	(2.4 )
Total income taxes	(2.3 )	(0.1 )	—	(2.4 )
Net other comprehensive income	3.7	0.1	—	3.8
AOCI at end of period	\$(175.2)	\$(22.4)	\$ 0.1	\$(197.5)

<sup>(1)</sup> Interest rate cash flow hedge amounts are included in their entirety as charges to interest expense on the Consolidated Statements of Income.

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- (2) Income tax reclassifications related to interest rate cash flow hedge amounts are included in their entirety as credits to income taxes on the Consolidated Statements of Income.
- (3) Commodity cash flow hedge amounts are included in their entirety as an increase in Questar Pipeline revenue on the Consolidated Statements of Income.
- (4) Income tax reclassifications related to commodity cash flow hedge amounts are included in their entirety as charges to income taxes on the Consolidated Statements of Income.



Pension and other postretirement benefit AOCI reclassifications are included in the computation of net periodic pension and postretirement benefit costs. See Note 10 for additional details.

Disclosures regarding interest rate and commodity-based cash flow hedges, including income taxes and income statement reclassification effects, apply to Questar Pipeline.

#### Note 6 - Asset Retirement Obligations

Questar records an asset retirement obligation (ARO) along with an increase to the carrying value of the related property, plant and equipment when there is a legal obligation associated with the retirement of a tangible long-lived asset. Questar's AROs apply primarily to abandonment costs associated with gas and oil wells, production facilities and certain other properties. The Company has not recorded AROs on a majority of its long-lived transportation and distribution assets because the Company does not have a legal obligation to restore the area surrounding abandoned assets. The fair value of retirement costs is estimated by Company personnel based on abandonment costs of similar properties available to field operations and depreciated over the life of the related assets. Revisions to estimates result from material changes in the expected timing or amount of cash flows associated with AROs. Income or expense resulting from the settlement of ARO liabilities is included in net gain (loss) from asset sales on the Consolidated Statements of Income. The ARO liability is adjusted to present value each period through an accretion calculation using a credit-adjusted risk-free interest rate. Changes in Questar's AROs from the Condensed Consolidated Balance Sheets were as follows:

	3 Months Ended March 31, 2016 2015 (in millions)	
AROs at beginning of year	\$67.6	\$69.3
Accretion	1.0	0.8
Liabilities incurred	0.2	0.1
Revisions in estimated cash flows	2.1	5.7
Liabilities settled	(0.4 )	(0.9 )
AROs at end of period	\$70.5	\$75.0

Wexpro collects from Questar Gas and deposits in trust certain funds related to AROs. The funds are recorded as other noncurrent assets and used to satisfy retirement obligations as the properties are abandoned. The accounting treatment of reclamation activities associated with AROs for properties administered under the Wexpro agreements is defined in a guideline letter between Wexpro and the Utah Division of Public Utilities and the staff of the Wyoming Public Service Commission.

#### Note 7 - Fair Value Measurements

Questar complies with the accounting standards for fair value measurements and disclosures. The standards establish a fair value hierarchy. Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company had no assets or liabilities measured using Level 3 inputs at March 31, 2016, March 31, 2015, or December 31, 2015. Fair value accounting standards also apply to certain nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis. At December 31, 2015, the Company recorded a pre-tax abandonment and impairment charge of \$12.1 million for the South Moxa leasehold. Thus, the South Moxa leasehold was reported at fair value on a nonrecurring basis at December 31, 2015. Questar did

not have any assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2016 or March 31, 2015.

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The following table discloses the carrying amount, estimated fair value and level within the fair value hierarchy of certain financial instruments not disclosed in other notes to Questar's financial statements in this Quarterly Report:

Questar 2016 Form 10-Q 18

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Hierarchy Level of Fair Value Estimates	Estimated		Estimated		Estimated	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	March 31, 2016		March 31, 2015		Dec. 31, 2015	
	(in millions)					
Financial assets						
Cash and cash equivalents 1	\$0.4	\$ 0.4	\$4.8	\$ 4.8	\$25.0	\$ 25.0
Long-term investment						