

QUESTAR CORP
Form 10-Q
November 04, 2010

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 quarter ended September 30, 2010

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) 324-5699**

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 October 31, 2010:

Questar Corporation	without par value	176,055,735
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 Quarter Ended September 30, 2010

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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.

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 Condensed Consolidated 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 is presented by line of business. Only Questar of the three registrants named herein is required to attach XBRL exhibits.

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

QUESTAR CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	3 Months Ended		9 Months Ended		12 Months Ended	
	Sept. 30,		Sept. 30,		Sept. 30,	
	2009	2010	2009	2010	2009	2010
	2010	(recast)	(recast)	(recast)	(recast)	(recast)
	(in millions, except per share amounts)					
REVENUES						
Questar Gas	\$ 89.8	\$82.3	\$599.1	\$626.5	\$ 891.5	\$ 955.8
Questar Pipeline	49.3	43.4	145.2	128.4	190.0	171.2
Wexpro	6.1	5.2	16.6	11.0	23.4	13.3
Total Revenues	145.2	130.9	760.9	765.9	1,104.9	1,140.3
OPERATING EXPENSES						
Cost of sales (excluding operating expenses shown separately)	(23.2)	(22.1)	153.5	213.0	271.9	382.9
Operating and maintenance	36.8	31.7	127.9	114.1	181.4	156.4
General and administrative	27.2	23.7	78.4	69.8	102.0	93.3
Separation costs	-	-	11.5	-	11.5	-
Production and other taxes	11.9	10.1	39.7	32.8	49.3	41.8
Depreciation, depletion and amortization	38.2	36.2	114.5	108.3	153.3	143.1
Impairment	-	-	-	-	-	3.4
Total Operating Expenses	90.9	79.6	525.5	538.0	769.4	820.9
Net gain (loss) from asset sales	0.1	0.1	0.1	0.4	(0.1)	0.4
Operating Income	54.4	51.4	235.5	228.3	335.4	319.8
Interest and other income	2.9	3.0	8.3	9.2	11.6	15.4
Income from unconsolidated affiliate	0.9	0.9	2.8	2.8	3.8	3.3
Interest expense	(14.1)	(14.4)	(42.4)	(45.2)	(56.8)	(62.0)

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Income From Continuing Operations

Before Income Taxes	44.1	40.9	204.2	195.1	294.0	276.5
Income taxes	(16.4)	(14.1)	(75.6)	(70.0)	(110.0)	(98.2)
INCOME FROM CONTINUING OPERATIONS	27.7	26.8	128.6	125.1	184.0	178.3
Discontinued operations, net of income taxes	-	72.0	148.2	119.9	243.7	190.0
Discontinued operations, noncontrolling interest	-	(0.6)	(1.3)	(1.7)	(2.2)	(3.8)
Total Discontinued Operations, Net Of Income Taxes	-	71.4	146.9	118.2	241.5	186.2
NET INCOME ATTRIBUTABLE TO QUESTAR	\$27.7	\$98.2	\$275.5	\$243.3	\$425.5	\$364.5
Earnings Per Common Share Attributable To Questar						
Basic from continuing operations	\$0.15	\$0.16	\$0.73	\$0.72	\$1.04	\$1.03
Basic from discontinued operations	-	0.41	0.84	0.68	1.39	1.07
Basic total	\$0.15	\$0.57	\$1.57	\$1.40	\$2.43	\$2.10
Diluted from continuing operations	\$0.15	\$0.16	\$0.72	\$0.71	\$1.04	\$1.01
Diluted from discontinued operations	-	0.40	0.83	0.67	1.36	1.06
Diluted total	\$0.15	\$0.56	\$1.55	\$1.38	\$2.40	\$2.07
Weighted-average common shares outstanding						
Used in basic calculation	175.5	174.3	175.2	174.0	174.9	173.8
Used in diluted calculation	178.2	176.3	177.7	176.1	177.3	176.0
Dividends per common share	\$0.14	\$0.125	\$0.40	\$0.375	\$0.53	\$0.50
See notes accompanying the condensed consolidated financial statements						

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QUESTAR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	Sept. 30, 2010	Sept. 30, 2009 (recast)	Dec. 31, 2009 (recast)
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 11.5
Federal income taxes receivable	22.7	37.1	3.3
Notes receivable	-	-	39.3
Accounts receivable, net	56.3	67.3	119.5
Unbilled-gas accounts receivable	13.9	19.5	86.9
Gas stored underground	53.9	53.3	42.9
Materials and supplies	18.7	22.7	19.9
Current regulatory assets	84.6	51.7	43.4
Prepaid expenses and other	8.5	10.1	8.6
Deferred income taxes - current	14.3	12.3	14.3
Current assets of discontinued operations	-	565.6	562.4
Total Current Assets	272.9	839.6	952.0
Property, Plant and Equipment	4,531.9	4,261.3	4,338.9
Accumulated depreciation, depletion and amortization	(1,726.0)	(1,603.5)	(1,625.3)
Net property, plant and equipment of discontinued operations	-	4,812.6	5,091.3
Net Property, Plant and Equipment	2,805.9	7,470.4	7,804.9
Investment in unconsolidated affiliate	28.2	28.7	28.1
Noncurrent regulatory assets	22.3	24.3	23.5
Other noncurrent assets	37.8	39.7	34.9
Noncurrent assets of discontinued operations	-	126.0	175.2
TOTAL ASSETS	\$3,167.1	\$8,528.7	\$9,018.6
LIABILITIES AND EQUITY			
Current Liabilities			
Checks outstanding in excess of cash balances	\$ 5.4	\$ 6.3	\$ -
Short-term debt	395.0	38.5	169.0
Notes payable	-	70.7	52.9
Accounts payable and accrued expenses	187.0	185.7	232.2
Current regulatory liabilities	6.0	37.1	30.7
Current portion of long-term debt	182.0	42.0	-
Current liabilities of discontinued operations	-	494.3	584.2

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Total Current Liabilities	775.4	874.6	1,069.0
Long-term debt, less current portion	649.1	831.2	831.2
Deferred income taxes	418.9	338.8	377.7
Asset retirement obligations	59.4	63.9	65.0
Defined benefit pension plan and other postretirement benefits	201.4	253.2	206.9
Other long-term liabilities	88.5	91.2	87.5
Noncurrent liabilities of discontinued operations	-	2,679.0	2,824.2
EQUITY			
Common stock	482.2	443.3	454.8
Retained earnings	617.1	2,950.3	3,077.7
Accumulated other comprehensive loss	(124.9)	(51.9)	(30.3)
TOTAL COMMON SHAREHOLDERS' EQUITY	974.4	3,341.7	3,502.2
Noncontrolling interest of discontinued operations	-	55.1	54.9
Total Equity	974.4	3,396.8	3,557.1
TOTAL LIABILITIES AND EQUITY	\$3,167.1	\$8,528.7	\$9,018.6

See notes accompanying the condensed consolidated financial statements

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QUESTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	9 Months Ended Sept. 30, 2009	
	2010	(recast)
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$276.8	\$245.0
Discontinued operations, net of income taxes	(148.2)	(119.9)
Adjustments to reconcile net income to net cash provided by operating activities by continuing operations		
Depreciation, depletion and amortization	120.5	113.7
Deferred income taxes	46.1	63.5
Share-based compensation	13.3	7.1
Net (gain) from asset sales	(0.1)	(0.4)
(Income) from unconsolidated affiliate	(2.8)	(2.8)
Distributions from unconsolidated affiliate	2.7	1.7
Changes in operating assets and liabilities	(24.7)	34.0
Net Cash Provided By Operations By Continuing Operations	283.6	341.9
INVESTING ACTIVITIES		
Property, plant and equipment	(210.2)	(216.6)
Equity investment in QEP Resources, Inc.	(250.0)	-
Cash used in disposition of assets	(1.4)	(1.2)
Proceeds from disposition of assets and other	0.6	2.0
Change in notes receivable	39.3	89.4
Distribution from QEP Resources, Inc.	15.7	-
Net Cash Used In Investing Activities By Continuing Operations	(406.0)	(126.4)
FINANCING ACTIVITIES		
Common stock issued	12.1	11.3
Common stock repurchased	(9.2)	(6.1)
Long-term debt issued, net of issuance costs	(3.0)	50.8
Long-term note payable	-	(50.0)
Change in short-term debt	226.0	(192.6)

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Change in notes payable	(52.9)	30.0
Checks outstanding in excess of cash balances	5.4	6.3
Dividends paid	(70.1)	(65.3)
Tax benefits from share-based compensation	2.6	1.3
Net Cash Provided By (Used in) Financing Activities From Continuing Operations	110.9	(214.3)
Cash Provided By (Used In) Continuing Operations	(11.5)	1.2
Cash provided by operations of discontinued operations	483.9	855.6
Cash used in investing activities of discontinued operations	(598.6)	(766.5)
Cash provided by (used in) financing activities of discontinued operations	95.4	(114.2)
Effect of change in cash and cash equivalents of discontinued operations	19.3	25.1
Change in cash and cash equivalents	(11.5)	1.2
Beginning cash and cash equivalents	11.5	(1.2)
Ending cash and cash equivalents	\$ -	\$ -
See notes accompanying the condensed consolidated financial statements		

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QUESTAR PIPELINE COMPANY
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	3 Months Ended		9 Months Ended		12 Months Ended	
	Sept. 30,		Sept. 30,		Sept. 30,	
	2010	2009	2010	2009	2010	2009
	(in millions)					
REVENUES						
From unaffiliated customers (recast)	\$49.3	\$43.4	\$145.2	\$128.4	\$190.0	\$171.2
From affiliated companies (recast)	18.2	17.5	55.5	53.6	74.1	71.2
Total Revenues	67.5	60.9	200.7	182.0	264.1	242.4
OPERATING EXPENSES						
Operating and maintenance	11.2	10.1	29.3	27.8	41.6	37.5
General and administrative	9.9	9.3	30.9	26.6	40.4	36.3
Depreciation and amortization	11.8	10.9	35.4	32.6	47.1	43.4
Impairment	-	-	-	-	-	3.4
Other taxes	2.2	2.2	7.0	6.6	9.0	8.1
Cost of goods sold (excluding operating expenses shown separately)	0.6	0.3	1.6	1.4	1.8	1.7
Total Operating Expenses	35.7	32.8	104.2	95.0	139.9	130.4
Net gain from asset sales	0.1	0.1	0.2	0.4	0.3	0.6
Operating Income	31.9	28.2	96.7	87.4	124.5	112.6
Interest and other income	-	0.5	0.3	1.1	1.7	5.1
Income from unconsolidated affiliate	0.9	0.9	2.8	2.8	3.8	3.3
Interest expense	(7.1)	(7.4)	(21.8)	(22.2)	(29.1)	(29.9)
Income Before Income Taxes	25.7	22.2	78.0	69.1	100.9	91.1
Income taxes	(9.4)	(8.1)	(28.6)	(25.3)	(37.1)	(33.3)
NET INCOME	\$16.3	\$14.1	\$ 49.4	\$43.8	\$ 63.8	\$57.8

See notes accompanying the condensed consolidated financial statements

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QUESTAR PIPELINE COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	Sept. 30, 2010	Sept. 30, 2009	Dec. 31, 2009
		(in millions)	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ 0.3	\$ 3.8
Notes receivable from Questar	66.5	103.0	42.7
Accounts receivable, net (recast)	19.6	14.5	19.3
Accounts receivable from affiliates (recast)	15.0		