

QUESTAR CORP  
Form 10-Q  
October 30, 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 September 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 ☒ 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 <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 September 30, 2014.

Questar Corporation	without par value	175,256,549
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Questar Gas Company	\$2.50 per share par value	9,189,626
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Questar Pipeline Company	\$1.00 per share par value	6,550,843
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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 SEPTEMBER 30, 2014

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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 September 30, 2014		2013		9 Months Ended September 30, 2014		2013		12 Months Ended September 30, 2014		2013	
	(in millions, except per-share amounts)											
REVENUES												
Questar Gas	\$100.7		\$89.4		\$642.0		\$647.8		\$979.4		\$928.8	
Wexpro	9.4		13.2		29.5		32.0		42.6		41.0	
Questar Pipeline	47.3		47.0		143.4		142.3		190.6		195.3	
Other	0.5		—		1.2		—		1.4		—	
Total Revenues	157.9		149.6		816.1		822.1		1,214.0		1,165.1	
OPERATING EXPENSES												
Cost of sales (excluding operating expenses shown separately)	(42.3	)	(35.0	)	81.6		157.4		210.1		250.6	
Operating and maintenance	39.2		36.4		136.1		122.2		188.2		169.8	
General and administrative	26.0		24.4		88.0		90.2		118.8		123.0	
Retirement incentive	—		—		—		—		—		4.9	
Production and other taxes	16.8		15.2		53.4		45.2		65.6		55.1	
Depreciation, depletion and amortization	50.8		47.4		162.9		143.4		214.3		189.4	
Abandonment and impairment	—		80.6		2.0		80.6		2.0		80.6	
Total Operating Expenses	90.5		169.0		524.0		639.0		799.0		873.4	
Net gain from asset sales	1.5		—		1.6		0.1		1.3		0.1	
OPERATING INCOME (LOSS)	68.9		(19.4	)	293.7		183.2		416.3		291.8	
Interest and other income	2.0		3.1		5.0		9.2		5.7		10.5	
Income from unconsolidated affiliate	0.9		0.9		2.7		2.8		3.6		3.7	
Interest expense	(15.7	)	(13.9	)	(47.3	)	(42.7	)	(61.5	)	(56.3	)
INCOME (LOSS) BEFORE INCOME TAXES	56.1		(29.3	)	254.1		152.5		364.1		249.7	
Income taxes	(17.5	)	10.1		(90.1	)	(59.4	)	(132.0	)	(92.8	)
NET INCOME (LOSS)	\$38.6		\$(19.2	)	\$164.0		\$93.1		\$232.1		\$156.9	
Earnings (Loss) Per Common Share												
Basic	\$0.22		\$(0.11	)	\$0.93		\$0.53		\$1.32		\$0.89	
Diluted	0.22		(0.11	)	0.93		0.53		1.32		0.89	
Weighted-average common shares outstanding												
Used in basic calculation	175.8		175.5		175.8		175.4		175.7		175.5	
Used in diluted calculation	176.1		175.5		176.1		176.1		176.0		176.1	
Dividends per common share	\$0.19		\$0.18		\$0.56		\$0.53		\$0.74		\$0.70	

See notes accompanying the financial statements

## QUESTAR CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	2014	2013	2014	2013	2014	2013
	(in millions)					
Net income (loss)	\$38.6	\$(19.2 )	\$164.0	\$93.1	\$232.1	\$156.9
Other comprehensive income (loss):						
Pension and other postretirement benefits	3.7	9.0	12.5	24.7	156.6	(28.1 )
Interest rate cash flow hedge amortization	0.1	0.1	0.4	0.4	0.5	0.4
Change in fair value of long-term investment	—	—	—	(0.1 )	—	(0.1 )
Income taxes	(1.3 )	(3.4 )	(4.9 )	(9.4 )	(60.2 )	10.8
Net other comprehensive income (loss)	2.5	5.7	8.0	15.6	96.9	(17.0 )
COMPREHENSIVE INCOME (LOSS)	\$41.1	\$(13.5 )	\$172.0	\$108.7	\$329.0	\$139.9

See notes accompanying the financial statements

QUESTAR CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	Sept. 30, 2014 (in millions)	Sept. 30, 2013	Dec. 31, 2013
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$7.3	\$—	\$16.0
Accounts receivable, net	57.3	58.0	123.8
Unbilled gas accounts receivable	12.8	11.7	93.4
Gas stored underground	69.3	59.4	40.0
Materials and supplies	25.2	24.0	23.7
Current regulatory assets	84.2	49.3	35.8
Prepaid expenses and other	6.3	6.0	9.5
Deferred income taxes - current	14.7	8.8	9.7
Total Current Assets	277.1	217.2	351.9
Property, Plant and Equipment	5,852.3	5,583.8	5,674.7
Accumulated depreciation, depletion and amortization	(2,185.2)	(2,037.9)	(2,071.7)
Net Property, Plant and Equipment	3,667.1	3,545.9	3,603.0
Investment in unconsolidated affiliate	24.9	25.8	25.6
Noncurrent regulatory assets	18.6	21.3	20.5
Other noncurrent assets	50.2	50.9	53.3
<b>TOTAL ASSETS</b>	<b>\$4,037.9</b>	<b>\$3,861.1</b>	<b>\$4,054.3</b>
<b>LIABILITIES AND COMMON SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Checks outstanding in excess of cash balances	\$—	\$1.6	\$—
Short-term debt	234.0	355.0	276.0
Accounts payable and accrued expenses	225.4	211.6	264.8
Current regulatory liabilities	11.0	1.8	14.1
Current portion of long-term debt and capital lease obligation	1.0	0.8	0.9
Total Current Liabilities	471.4	570.8	555.8
Long-term debt and capital lease obligation, less current portion	1,283.3	1,136.1	1,285.5
Deferred income taxes	718.5	645.9	707.2
Asset retirement obligations	69.2	65.9	67.7
Defined benefit pension plan and other postretirement benefits	73.3	257.3	113.2
Noncurrent regulatory liabilities	67.9	59.5	61.2
Customer contributions in aid of construction	29.6	31.5	29.1
Other noncurrent liabilities	45.4	35.5	35.8
<b>COMMON SHAREHOLDERS' EQUITY</b>			
Common stock	471.5	449.7	464.5
Retained earnings	941.6	839.6	876.1
Accumulated other comprehensive (loss)	(133.8)	(230.7)	(141.8)
Total Common Shareholders' Equity	1,279.3	1,058.6	1,198.8
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY</b>	<b>\$4,037.9</b>	<b>\$3,861.1</b>	<b>\$4,054.3</b>
See notes accompanying the financial statements			





QUESTAR CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	9 Months Ended Sept. 30,	
	2014	2013
	(in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 164.0	\$ 93.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	169.1	148.7
Deferred income taxes	1.4	37.2
Abandonment and impairment	2.0	80.6
Share-based compensation	8.5	7.7
Net (gain) from asset sales	(1.6)	) (0.1)
(Income) from unconsolidated affiliate	(2.7)	) (2.8)
Distributions from unconsolidated affiliate and other	4.1	4.2
Changes in operating assets and liabilities	17.7	55.4
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>362.5</b>	<b>424.0</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment	(235.3)	) (287.4)
Wexpro acquisition of producing properties	—	(106.7)
Cash used in disposition of assets	(2.6)	) (3.1)
Proceeds from disposition of assets	9.4	0.6
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(228.5)</b>	<b>) (396.6)</b>
<b>FINANCING ACTIVITIES</b>		
Common stock issued	1.0	2.2
Common stock repurchased	(3.8)	) (4.2)
Change in short-term debt	(42.0)	) 92.0
Checks outstanding in excess of cash balances	—	1.6
Long-term debt and capital lease obligation repaid	(0.7)	) (42.6)
Long-term debt issuance costs	—	(1.7)
Dividends paid	(98.5)	) (93.0)
Tax benefits from share-based compensation	1.3	1.5
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(142.7)</b>	<b>) (44.2)</b>
Change in cash and cash equivalents	(8.7)	) (16.8)
Beginning cash and cash equivalents	16.0	16.8
Ending cash and cash equivalents	\$ 7.3	\$ —

See notes accompanying the financial statements

QUESTAR GAS COMPANY  
STATEMENTS OF INCOME  
(Unaudited)

	3 Months Ended September 30, 2014      2013		9 Months Ended September 30, 2014      2013		12 Months Ended September 30, 2014      2013	
	(in millions)					
REVENUES						
From unaffiliated customers	\$100.7	\$89.4	\$642.0	\$647.8	\$979.4	\$928.8
From affiliated company	—	0.2	—	0.6	—	0.8
Total Revenues	100.7	89.6	642.0	648.4	979.4	929.6
OPERATING EXPENSES						
Cost of natural gas sold (excluding operating expenses shown separately)	56.8	50.1	398.6	424.2	625.0	601.1
Operating and maintenance	22.7	20.9	88.8	78.1	123.8	109.9
General and administrative	12.3	12.1	39.0	38.5	53.0	53.2
Retirement incentive	—	—	—	—	—	2.4
Depreciation and amortization	13.5	12.4	40.3	36.9	53.1	49.1
Other taxes	4.8	5.3	14.7	15.4	17.3	18.3
Total Operating Expenses	110.1	100.8	581.4	593.1	872.2	834.0
Net gain from asset sales	—	—	0.1	—	0.1	—
OPERATING INCOME (LOSS)	(9.4	) (11.2	) 60.7	55.3	107.3	95.6
Interest and other income	1.7	1.3	4.3	3.8	5.6	5.5
Interest expense	(7.1	) (5.3	) (21.2	) (16.7	) (26.8	) (21.7
INCOME (LOSS) BEFORE INCOME TAXES	(14.8	) (15.2	) 43.8	42.4	86.1	79.4
Income taxes	5.7	6.2	(16.6	) (15.6	) (32.9	) (28.8
NET INCOME (LOSS)	\$(9.1	) \$(9.0	) \$27.2	\$26.8	\$53.2	\$50.6

See notes accompanying the financial statements

QUESTAR GAS COMPANY  
CONDENSED BALANCE SHEETS  
(Unaudited)

	Sept. 30, 2014 (in millions)	Sept. 30, 2013	Dec. 31, 2013
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$—	\$—	\$8.8
Accounts receivable, net	27.6	24.2	88.9
Unbilled gas accounts receivable	12.8	11.7	93.4
Accounts receivable from affiliates	44.7	31.4	30.4
Gas stored underground	66.8	56.5	39.2
Materials and supplies	14.0	12.2	12.1
Current regulatory assets	82.6	45.5	30.2
Prepaid expenses and other	2.6	2.4	3.0
Deferred income taxes - current	3.0	1.5	2.9
Total Current Assets	254.1	185.4	308.9
Property, Plant and Equipment	2,315.1	2,147.8	2,203.0
Accumulated depreciation and amortization	(770.4)	(739.4)	(745.2)
Net Property, Plant and Equipment	1,544.7	1,408.4	1,457.8
Noncurrent regulatory assets	14.4	16.5	16.1
Goodwill	5.6	5.6	5.6
Other noncurrent assets	3.7	3.0	4.0
<b>TOTAL ASSETS</b>	<b>\$1,822.5</b>	<b>\$1,618.9</b>	<b>\$1,792.4</b>
<b>LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>			
Current Liabilities			
Checks outstanding in excess of cash balances	\$2.1	\$1.4	\$—
Notes payable to Questar	90.8	195.0	17.7
Accounts payable and accrued expenses	91.8	80.3	139.2
Accounts payable to affiliates	52.2	49.9	67.8
Customer advances	23.2	21.9	19.8
Current regulatory liabilities	10.4	0.5	11.1
Total Current Liabilities	270.5	349.0	255.6
Long-term debt	534.5	384.5	534.5
Deferred income taxes	348.5	330.7	340.7
Noncurrent regulatory liabilities	59.1	51.3	53.0
Customer contributions in aid of construction	29.6	31.5	29.1
Other noncurrent liabilities	2.8	3.0	3.2
<b>COMMON SHAREHOLDER'S EQUITY</b>			
Common stock	23.0	23.0	23.0
Additional paid-in capital	264.9	173.6	263.9
Retained earnings	289.6	272.3	289.4
Total Common Shareholder's Equity	577.5	468.9	576.3
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$1,822.5</b>	<b>\$1,618.9</b>	<b>\$1,792.4</b>
See notes accompanying the financial statements			



QUESTAR GAS COMPANY  
CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)

	9 Months Ended Sept. 30,	
	2014	2013
	(in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$27.2	\$26.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44.2	40.7
Deferred income taxes	7.7	29.1
Share-based compensation	1.0	1.1
Net (gain) from asset sales	(0.1)	) —
Changes in operating assets and liabilities	2.6	49.9
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>82.6</b>	<b>147.6</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment	(138.2)	) (119.3)
Cash used in disposition of assets	(2.2)	) (2.5)
Proceeds from disposition of assets	0.8	0.3
Affiliated-company property, plant and equipment transfers	—	10.8
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(139.6)</b>	<b>) (110.7)</b>
<b>FINANCING ACTIVITIES</b>		
Change in notes payable to Questar	73.1	28.9
Checks outstanding in excess of cash balances	2.1	1.4
Long-term debt repaid	—	(42.0)
Dividends paid to Questar	(27.0)	) (26.6)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>48.2</b>	<b>(38.3)</b>
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 September 30, 2014      2013		9 Months Ended September 30, 2014      2013		12 Months Ended September 30, 2014      2013	
	(in millions)					
REVENUES						
From unaffiliated customers	\$47.3	\$47.0	\$143.4	\$142.3	\$190.6	\$195.3
From affiliated companies	17.7	17.6	54.7	54.8	76.6	74.0
Total Revenues	65.0	64.6	198.1	197.1	267.2	269.3
OPERATING EXPENSES						
Operating and maintenance	9.5	8.8	25.5	23.2	34.8	32.0
General and administrative	10.2	10.8	32.5	35.3	43.9	48.8
Retirement incentive	—	—	—	—	—	0.9
Depreciation and amortization	13.5	14.0	40.7	42.2	54.0	55.9
Asset impairment	—	80.6	—	80.6	—	80.6
Other taxes	2.4	2.5	7.1	7.4	9.0	9.2
Cost of sales (excluding operating expenses shown separately)	0.6	0.5	3.0	2.7	6.4	7.5
Total Operating Expenses	36.2	117.2	108.8	191.4	148.1	234.9
Net gain from asset sales	—	—	—	—	—	0.1
OPERATING INCOME (LOSS)	28.8	(52.6)	) 89.3	5.7	119.1	34.5
Interest and other income	0.3	0.6	0.7	1.2	1.3	1.5
Income from unconsolidated affiliate	0.9	0.9	2.7	2.8	3.6	3.7
Interest expense	(6.5)	) (6.5)	) (19.6)	) (19.5)	) (25.9)	) (26.0)
INCOME (LOSS) BEFORE INCOME TAXES	23.5	(57.6)	) 73.1	(9.8)	) 98.1	13.7
Income taxes	(8.6)	) 19.7	(26.8)	) 2.2	(36.0)	) (6.4)
NET INCOME (LOSS)	\$14.9	\$(37.9)	) \$46.3	\$(7.6)	) \$62.1	\$7.3

See notes accompanying the financial statements

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

	3 Months Ended September 30, 2014		2013		9 Months Ended September 30, 2014		2013		12 Months Ended September 30, 2014		2013	
	(in millions)											
Net income (loss)	\$14.9		\$(37.9	)	\$46.3		\$(7.6	)	\$62.1		\$7.3	
Other comprehensive income (loss):												
Interest rate cash flow hedge amortization	0.1		0.1		0.4		0.4		0.5		0.4	
Income taxes	—		—		(0.1	)	(0.1	)	(0.2	)	(0.1	)
Net other comprehensive income	0.1		0.1		0.3		0.3		0.3		0.3	
COMPREHENSIVE INCOME (LOSS)	\$15.0		\$(37.8	)	\$46.6		\$(7.3	)	\$62.4		\$7.6	

QUESTAR PIPELINE COMPANY  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited)

	Sept. 30, 2014 (in millions)	Sept. 30, 2013	Dec. 31, 2013
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$0.4	\$1.5	\$2.7
Notes receivable from Questar	35.2	36.6	29.4
Accounts receivable, net	17.3	17.8	18.5
Accounts receivable from affiliates	37.8	32.7	36.6
Gas stored underground	2.5	2.9	0.8
Materials and supplies	6.9	7.5	7.3
Current regulatory assets	1.6	3.8	5.6
Prepaid expenses and other	1.7	1.8	4.4
Deferred income taxes - current	1.8	1.6	1.8
Total Current Assets	105.2	106.2	107.1
Property, Plant and Equipment	1,824.0	1,766.1	1,774.3
Accumulated depreciation and amortization	(662.9)	(617.8)	(627.2)
Net Property, Plant and Equipment	1,161.1	1,148.3	1,147.1
Investment in unconsolidated affiliate	24.9	25.8	25.6
Goodwill	4.2	4.2	4.2
Noncurrent regulatory and other assets	7.2	8.2	7.7
<b>TOTAL ASSETS</b>	<b>\$1,302.6</b>	<b>\$1,292.7</b>	<b>\$1,291.7</b>
<b>LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>			
Current Liabilities			
Accounts payable and accrued expenses	\$41.1	\$35.9	\$25.6
Accounts payable to affiliates	3.6	3.7	9.4
Current regulatory liabilities	0.6	1.3	3.0
Total Current Liabilities	45.3	40.9	38.0
Long-term debt	458.8	458.8	458.9
Deferred income taxes	230.0	226.9	228.6
Noncurrent regulatory and other liabilities	16.1	13.9	13.9
<b>COMMON SHAREHOLDER'S EQUITY</b>			
Common stock	6.6	6.6	6.6
Additional paid-in capital	351.0	349.2	349.5
Retained earnings	217.4	219.3	219.1
Accumulated other comprehensive (loss)	(22.6)	(22.9)	(22.9)
Total Common Shareholder's Equity	552.4	552.2	552.3
<b>TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY</b>	<b>\$1,302.6</b>	<b>\$1,292.7</b>	<b>\$1,291.7</b>

See notes accompanying the financial statements





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

	9 Months Ended Sept. 30,	
	2014	2013
	(in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$46.3	\$(7.6)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	42.5	44.1
Deferred income taxes	1.3	(15.7)
Asset impairment	—	80.6
Share-based compensation	1.5	1.6
(Income) from unconsolidated affiliate	(2.7)	(2.8)
Distributions from unconsolidated affiliate and other	3.8	3.9
Changes in operating assets and liabilities	4.3	3.6
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>97.0</b>	<b>107.7</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment	(45.3)	(56.2)
Cash used in disposition of assets	(0.4)	(0.6)
Proceeds from disposition of assets	0.2	0.1
Affiliated-company property, plant and equipment transfers	—	(10.7)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(45.5)</b>	<b>(67.4)</b>
<b>FINANCING ACTIVITIES</b>		
Change in notes receivable from Questar	(5.8)	2.1
Dividends paid to Questar	(48.0)	(48.0)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(53.8)</b>	<b>(45.9)</b>
Change in cash and cash equivalents	(2.3)	(5.6)
Beginning cash and cash equivalents	2.7	7.1
Ending cash and cash equivalents	\$0.4	\$1.5

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, nine and 12 months ended September 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 September 30, 2014      2013 (in millions)		9 Months Ended September 30, 2014      2013		12 Months Ended September 30, 2014      2013	
Questar Gas						
Gas purchases	\$0.1	\$0.1	\$96.7	\$113.7	\$169.6	\$153.6
Operator service fee	82.3	68.2	265.8	215.2	345.2	284.7
Transportation and storage	18.1	18.5	58.8	58.6	80.3	79.7
Gathering	4.5	4.5	14.2	13.6	19.4	18.1
Royalties	14.9	11.0	50.5	32.4	62.4	41.0
Storage (injection) withdrawal, net	(39.0)	(37.3)	(27.6)	(18.1)	(10.3)	1.9
Purchased-gas account adjustment	(25.3)	(15.9)	(63.4)	5.1	(46.5)	17.2
Other	1.2	1.0	3.6	3.7	4.9	4.9
Total Questar Gas cost of natural gas sold	56.8	50.1	398.6	424.2	625.0	601.1
Elimination of Questar Gas cost of natural gas sold - affiliated companies	(99.9)	(85.6)	(320.6)	(269.5)	(422.0)	(358.0)
Total Questar Gas cost of natural gas sold - unaffiliated parties	(43.1)	(35.5)	78.0	154.7	203.0	243.1
Questar Pipeline						
Total Questar Pipeline cost of sales	0.6	0.5	3.0	2.7	6.4	7.5
Other cost of sales	0.2	—	0.6	—	0.7	—
Total cost of sales	\$(42.3)	\$(35.0)	\$81.6	\$157.4	\$210.1	\$250.6

### Note 3 - Earnings (Loss) Per Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period, which includes vested undistributed restricted stock units (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 dividends 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 are participating securities for the computation of basic EPS. The application of the two-class method had an insignificant impact on the calculation of both basic and diluted EPS. A reconciliation of the components of basic and diluted shares used in the EPS calculation follows:

	3 Months Ended September 30, 2014		9 Months Ended September 30, 2014		12 Months Ended September 30, 2014	
	2013		2013		2013	
	(in millions)					
Weighted-average basic common shares outstanding	175.8	175.5	175.8	175.4	175.7	175.5
Potential number of shares issuable under the Company's LTSIP	0.3	—	0.3	0.7	0.3	0.6
	176.1	175.5	176.1	176.1	176.0	176.1

Weighted-average diluted common shares  
outstanding

There were no potential shares included in the diluted EPS calculation for the third quarter of 2013 because any such shares would be anti-dilutive due to the net loss in the quarter.

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## Note 4 - Other Comprehensive Income

Comprehensive income (loss), as reported in Questar's Condensed Consolidated Statements of Comprehensive Income, is the sum of net income (loss) 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 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 (OPRB) costs are accrued, as the Company records interest expense for hedged interest payments and when the long-term investment is sold or otherwise realized.

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 OPRB	Interest rate cash flow hedges	Long-term invest.	Total	Pension and OPRB	Interest rate cash flow hedges	Long-term invest.	Total
	3 Months Ended September 30, 2014 (in millions)				3 Months Ended September 30, 2013			
AOCI at beginning of period	\$(113.7 )	\$(22.7 )	\$ 0.1	\$(136.3 )	\$(213.5 )	\$(23.0 )	\$ 0.1	\$(236.4 )
Reclassified from AOCI <sup>(1)</sup>	3.7	0.1	—	3.8	9.0	0.1	—	9.1
Income taxes								
Reclassified from AOCI <sup>(2)</sup>	(1.3 )	—	—	(1.3 )	(3.4 )	—	—	(3.4 )
Net other comprehensive income	2.4	0.1	—	2.5	5.6	0.1	—	5.7
AOCI at September 30,	\$(111.3 )	\$(22.6 )	\$ 0.1	\$(133.8 )	\$(207.9 )	\$(22.9 )	\$ 0.1	\$(230.7 )

	Pension and OPRB	Interest rate cash flow hedges	Long-term invest.	Total	Pension and OPRB	Interest rate cash flow hedges	Long-term invest.	Total
	9 Months Ended September 30, 2014 (in millions)				9 Months Ended September 30, 2013			
AOCI at beginning of period	\$(119.0 )	\$(22.9 )	\$ 0.1	\$(141.8 )	\$(223.2 )	\$(23.2 )	\$ 0.1	\$(246.3 )
OCI before reclassifications	—	—	—	—	—	—	(0.1 )	(0.1 )
Reclassified from AOCI <sup>(1)</sup>	12.5	0.4	—	12.9	24.7	0.4	—	25.1
Income taxes								
OCI before reclassifications	—	—	—	—	—	—	0.1	0.1
Reclassified from AOCI <sup>(2)</sup>	(4.8 )	(0.1 )	—	(4.9 )	(9.4 )	(0.1 )	—	(9.5 )
Total income taxes	(4.8 )	(0.1 )	—	(4.9 )	(9.4 )	(0.1 )	0.1	(9.4 )
Net other comprehensive income	7.7	0.3	—	8.0	15.3	0.3	—	15.6
AOCI at September 30,	\$(111.3 )	\$(22.6 )	\$ 0.1	\$(133.8 )	\$(207.9 )	\$(22.9 )	\$ 0.1	\$(230.7 )





	Pension and OPRB	Interest rate cash flow hedges	Long-term invest.	Total
	12 Months Ended September 30, 2014 (in millions)			
AOCI at beginning of period	\$(207.9 )	\$(22.9 )	\$ 0.1	\$(230.7 )
OCI before reclassifications	135.8	—	—	135.8
Reclassified from AOCI <sup>(1)</sup>	20.8	0.5	—	21.3
Income taxes				
OCI before reclassifications	(51.9 )	—	—	(51.9 )
Reclassified from AOCI <sup>(2)</sup>	(8.1 )	(0.2 )	—	(8.3 )
Total income taxes	(60.0 )	(0.2 )	—	(60.2 )
Net other comprehensive income	96.6	0.3	—	96.9
AOCI at September 30,	\$(111.3 )	\$(22.6 )	\$ 0.1	\$(133.8 )

<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.

<sup>(2)</sup> 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.

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.

Comprehensive income (loss), as reported in Questar Pipeline's Condensed Consolidated Statements of Comprehensive Income, is the sum of net income (loss) as reported in the Questar Pipeline Consolidated Statements of Income and net OCI. OCI includes interest rate cash flow hedges and the related income taxes. Income or loss is recognized as the company records interest expense for hedged interest payments. Disclosures above regarding interest rate cash flow hedges, including related income taxes and income statement reclassification effects, apply to Questar Pipeline.

#### Note 5 - 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:

	9 Months Ended September 30,	
	2014	2013
	(in millions)	
AROs at beginning of year	\$67.7	\$67.2
Accretion	2.5	2.4
Liabilities incurred	0.7	4.2
Revisions in estimated cash flows	0.4	(6.8)
Liabilities settled	(2.1)	(1.1)
AROs at September 30,	\$69.2	\$65.9

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 Agreement and Wexpro II Agreement 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 6 - 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. Fair value accounting standards also apply to certain nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis.

#### Questar

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 on Form 10-Q:

	Hierarchy Level of Fair Value Estimates	Carrying Amount Sept. 30, 2014 (in millions)	Estimated Fair Value Sept. 30, 2014	Carrying Amount Sept. 30, 2013	Estimated Fair Value Sept. 30, 2013	Carrying Amount Dec. 31, 2013	Estimated Fair Value Dec. 31, 2013
Financial assets							
Cash and cash equivalents	1	\$7.3	\$7.3	\$—	\$—	\$16.0	\$16.0
Long-term investment	1	15.8	15.8	16.8	16.8	17.3	17.3
Financial liabilities							
Checks outstanding in excess of cash balances	1	—	—	1.6	1.6	—	—
Short-term debt	1	234.0	234.0	355.0	355.0	276.0	276.0
Long-term debt	2	1,245.7	1,364.0	1,097.5	1,191.1	1,247.1	1,310.8

The carrying amounts of cash and cash equivalents, checks outstanding in excess of cash balances and short-term debt approximate fair value. The long-term investment is recorded at fair value and consists of money market and short-term bond index mutual funds held in Wexpro's trust (see Note 5). The fair value of the long-term investment is based on quoted prices for the underlying funds. The fair value of fixed-rate long-term debt is based on the discounted

present value of cash flows using the Company's current credit risk-adjusted borrowing rates.

### Questar Gas

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 Gas's financial statements in this Quarterly Report on Form 10-Q:

	Hierarchy Level of Fair Value Estimates	Carrying Amount Sept. 30, 2014 (in millions)	Estimated Fair Value	Carrying Amount Sept. 30, 2013	Estimated Fair Value	Carrying Amount Dec. 31, 2013	Estimated Fair Value
Financial assets							
Cash and cash equivalents	1	\$—	\$—	\$—	\$—	\$8.8	\$8.8
Financial liabilities							
Checks outstanding in excess of cash balances	1	2.1	2.1	1.4	1.4	—	—
Notes payable to Questar	1	90.8	90.8	195.0	195.0	17.7	17.7
Long-term debt	2	534.5	602.8	384.5	425.6	534.5	568.0

The carrying amounts of cash and cash equivalents and checks outstanding in excess of cash balances approximate fair value. The carrying amounts of notes payable to Questar approximate fair value because of their short maturities and market-based interest rates. The fair value of fixed-rate long-term debt is based on the discounted present value of cash flows using Questar Gas's current credit risk-adjusted borrowing rates.

### Questar Pipeline

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 Pipeline's financial statements in this Quarterly Report on Form 10-Q:

	Hierarchy Level of Fair Value Estimates	Carrying Amount Sept. 30, 2014 (in millions)	Estimated Fair Value	Carrying Amount Sept. 30, 2013	Estimated Fair Value	Carrying Amount Dec. 31, 2013	Estimated Fair Value
Financial assets							
Cash and cash equivalents	1	\$0.4	\$0.4	\$1.5	\$1.5	\$2.7	\$2.7
Notes receivable from Questar	1	35.2	35.2	36.6	36.6	29.4	29.4
Financial liabilities							
Long-term debt	2	458.8	505.0	458.8	505.5	458.9	486.0

The carrying amounts of cash and cash equivalents approximate fair value. The carrying amounts of notes receivable from Questar approximate fair value because of their short maturities and market-based interest rates. The fair value of fixed-rate long-term debt is based on the discounted present value of cash flows using Questar Pipeline's current credit risk-adjusted borrowing rates.

The Questar and Questar Pipeline Condensed Consolidated Balance Sheets included a nonrecurring fair value measurement at September 30, 2013 related to the impairment of the eastern segment of Questar Southern Trails Pipeline. The asset's fair value of zero was based on inputs that indicated overall negative future net cash flows. Questar Pipeline used a probability-weighted discounted cash flow analysis that included significant inputs such as Questar Pipeline's cost of capital and assumptions regarding future transportation rates and operating costs. Based on this analysis, Questar Pipeline determined that the asset was impaired. This is a Level 3 fair value measurement because the inputs are unobservable. See Note 12 for additional information.

Note 7 - Derivatives and Hedging

Questar and its subsidiaries may enter into derivative instruments to manage exposure to changes in current and future market interest rates. Questar Pipeline entered into forward starting swaps totaling \$150.0 million in the second and third quarters of 2011 in anticipation of issuing \$180.0 million of notes in December 2011. Settlement of these swaps required payments of

\$37.3 million in the fourth quarter of 2011 because of declines in interest rates. These swaps qualified as cash flow hedges and the settlement payments are being amortized to interest expense over the 30-year life of the debt. See the Condensed Consolidated Statements of Comprehensive Income and Note 4 for details regarding reclassifications of AOCI related to deferred interest rate cash flow hedge losses to interest expense for the three, nine and 12 months ended September 30, 2014 and September 30, 2013.

Reclassifications into earnings of amounts reported in AOCI will continue while interest expense is recorded for the hedged interest payments through maturity in 2041. Pre-tax net losses of \$0.6 million are expected to be reclassified from AOCI to the Consolidated Statements of Income in the next 12 months. As of September 30, 2014, the Company was not hedging any exposure to variability in future cash flows of forecasted transactions. There were no derivative assets or liabilities outstanding at September 30, 2014, September 30, 2013 or December 31, 2013.

#### Note 8 - Share-Based Compensation

Questar may issue stock options, restricted shares, RSUs and performance shares to certain of its officers, employees and non-employee directors under the LTSIP. Questar recognizes expense over time as the stock options, restricted shares, RSUs and performance shares vest. Total share-based compensation expense amounted to \$8.5 million for the first nine months of 2014 compared to \$7.7 million in 2013. Deferred share-based compensation, representing the unvested value of restricted share and RSU awards, amounted to \$6.8 million at September 30, 2014. Cash flow from income tax benefits in excess of recognized compensation expense amounted to \$1.3 million for the first nine months of 2014 compared to \$1.5 million for the same period in 2013. There were 4,041,007 shares available for future grants at September 30, 2014.

#### Stock Options

There were no unvested stock options at September 30, 2014. No stock options were granted or forfeited in the first nine months of 2014. Stock option transactions and balances under the terms of the LTSIP are summarized below:

	Options Outstanding	Exercise Price Range	Weighted-Average Exercise Price
Balance at December 31, 2013	717,840	\$7.84 - \$17.35	\$ 11.84
Exercised	(67,559 )	7.84 - 13.10	8.78
Balance at September 30, 2014	650,281	\$7.84 - \$17.35	\$ 12.16

Options Outstanding			Options Exercisable		
Range of exercise prices	Number outstanding at Sept. 30, 2014	Weighted-average remaining term in years	Weighted-average exercise price	Number exercisable at Sept. 30, 2014	Weighted-average exercise price
\$7.84 - \$11.40	341,948	1.3	\$10.90	341,948	\$10.90
13.10 - 17.35	308,333	1.8	13.55	308,333	13.55
	650,281	1.5	\$12.16	650,281	\$12.16

Certain officers, employees and non-employee directors of former subsidiary QEP Resources held 245,332 Questar stock options with a weighted-average exercise price of \$11.34 per share and a weighted-average remaining life of 1.7 years at September 30, 2014.

#### Restricted Shares

Restricted share grants typically vest in equal installments over a three-year period from the grant date. Several grants vest in a single installment after a specified period. The weighted-average remaining vesting period of unvested restricted shares at September 30, 2014, was 5 months. No restricted shares were granted in the first nine months of 2014.



Transactions involving restricted shares under the terms of the LTSIP are summarized below:

	Restricted Shares Outstanding	Price Range	Weighted-Average Price
Balance at December 31, 2013	392,327	\$15.22 - \$21.53	\$ 18.28
Vested	(284,154 )	15.22 - 21.53	17.85
Forfeited	(661 )	19.39 - 20.90	20.00
Balance at September 30, 2014	107,512	\$15.98 - \$21.53	\$ 19.41

#### Restricted Stock Units

Questar may grant RSUs to certain of its officers, employees and non-employee directors under the LTSIP. One share of Questar common stock will be distributed for each RSU at the time of vesting. RSU grants typically vest in equal installments over a three-year period from the grant date. Several grants vest in a single installment after a specified period. The weighted-average remaining vesting period of unvested RSUs at September 30, 2014, was 15 months. Transactions involving RSUs under the terms of the LTSIP are summarized below:

	RSUs Outstanding	Price Range	Weighted-Average Price
Balance at December 31, 2013	316,268	\$22.17 - \$25.44	\$ 23.62
Granted	353,540	22.81 - 24.70	23.60
Vested	(131,007 )	22.17 - 25.44	23.64
Forfeited	(10,225 )	23.60 - 23.62	23.60
Balance at September 30, 2014	528,576	\$22.17 - \$24.70	\$ 23.60

Questar may grant RSUs with deferred share distributions (deferred RSUs) to certain of its non-employee directors under the LTSIP. Grants of deferred RSUs typically vest in a single installment over a one-year period from the grant date. At September 30, 2014, Questar's outstanding deferred RSUs totaled 17,355 with a weighted-average price of \$23.60 per share. The weighted-average remaining vesting period of unvested deferred RSUs at September 30, 2014, was 5 months. One share of Questar common stock will be distributed for each vested deferred RSU (including accrued reinvested dividend equivalents) at the time of the grantees' separation from service.

#### Performance Shares

Questar may grant performance shares to certain of its officers under the terms of the LTSIP. The awards are designed to motivate and reward these officers for long-term Company performance and provide an incentive for them to remain with the Company. The target number of performance shares for each officer is subject to adjustment upward or downward based on the Company's total shareholder return relative to a specified peer group of companies over a three-year performance period. Each three-year performance period commences at the beginning of the year of grant. Distributions of performance shares, if any, take place in the quarter following the conclusion of the performance period, so long as such officer was employed by the Company or its affiliates as of the last day of the performance period.

For performance shares granted in 2012 and 2013, half of any award will be distributed in shares of Questar common stock and half in cash. Thereafter, any award will be distributed in shares, with no cash component. For share-settled performance share awards, the grant-date fair value of the awards is amortized to expense over the vesting period. The Monte Carlo simulation method is used to estimate the grant-date fair value of the performance share awards. The liability associated with awards to be settled in cash is adjusted to its estimated fair value through earnings on a quarterly basis. Equity- and liability-based performance share compensation expense amounted to \$2.0 million in the first nine months of 2014 and \$1.2 million in the first nine months of 2013. The weighted-average remaining vesting period of unvested performance shares at September 30, 2014, was 15 months.





Performance share transactions under the terms of the LTSIP are summarized below:

	Target Number of Performance Shares Outstanding	Grant-Date Fair Value Range	Weighted- Average Grant-Date Fair Value
Balance at December 31, 2013	387,879	\$18.23 - \$39.62	\$27.61
Granted	139,611	31.07 31.07	31.07
Payout adjustment <sup>(1)</sup>	(76,657)	) 18.23 18.23	18.23
Distributed <sup>(1)</sup>	(51,104)	) 18.23 18.23	18.23
Forfeited	(5,660)	) 25.42 - 39.62	33.06
Balance at September 30, 2014	394,069	\$25.42 - \$39.62	\$31.80

<sup>(1)</sup> Actual shares and cash distributed were determined by multiplying the target shares by 0.40 to reflect Questar's final total shareholder return ranking relative to the specified peer companies for the performance period from January 1, 2011 through December 31, 2013.

The above September 30, 2014 balance includes 6,475 vested target performance shares with a weighted-average grant-date fair value of \$30.08 and expected distribution dates ranging from the first quarter of 2015 through the first quarter of 2017.

#### Note 9 - Operations by Line of Business

Questar's three principal complementary lines of business include Questar Gas, which provides retail natural gas distribution in Utah, Wyoming and Idaho; Wexpro, which develops and produces natural gas from cost-of-service reserves for Questar Gas customers; and Questar Pipeline, which operates interstate natural gas pipelines and storage facilities. Line-of-business information is presented according to senior management's basis for evaluating performance and considering differences in the nature of products, services and regulation, among other factors.

Following is a summary of operations by line of business:

	3 Months Ended September 30, 2014      2013		9 Months Ended September 30, 2014      2013		12 Months Ended September 30, 2014      2013	
	(in millions)					
Revenues from Unaffiliated Customers						
Questar Gas	\$100.7	\$89.4	\$642.0	\$647.8	\$979.4	\$928.8
Wexpro	9.4	13.2	29.5	32.0	42.6	41.0
Questar Pipeline	47.3	47.0	143.4	142.3	190.6	195.3
Other	0.5	—	1.2	—	1.4	—
Total	\$157.9	\$149.6	\$816.1	\$822.1	\$1,214.0	\$1,165.1
Revenues from Affiliated Companies						
Questar Gas	\$—	\$0.2	\$—	\$0.6	\$—	\$0.8
Wexpro	82.3	68.1	266.3	215.2	345.9	284.7
Questar Pipeline	17.7	17.6	54.7	54.8	76.6	74.0
Total	\$100.0	\$85.9	\$321.0	\$270.6	\$422.5	\$359.5
Operating Income (Loss)						
Questar Gas	\$ (9.4)	\$ (11.2)	\$60.7	\$55.3	\$107.3	\$95.6
Wexpro	47.2	40.7	141.5	121.9	187.3	162.1
Questar Pipeline	28.8	(52.6)	89.3	5.7	119.1	34.5
Corporate and other	2.3	3.7	2.2	0.3	2.6	(0.4)
Total	\$68.9	\$ (19.4)	\$293.7	\$183.2	\$416.3	\$291.8
Net Income (Loss)						
Questar Gas	\$ (9.1)	\$ (9.0)	\$27.2	\$26.8	\$53.2	\$50.6
Wexpro	31.1	27.5	93.0	82.2	121.4	109.6
Questar Pipeline	14.9	(37.9)	46.3	(7.6)	62.1	7.3
Corporate and other	1.7	0.2	(2.5)	(8.3)	(4.6)	(10.6)
Total	\$38.6	\$ (19.2)	\$164.0	\$93.1	\$232.1	\$156.9

#### Note 10 - Employee Benefits

The Company has a noncontributory defined benefit pension plan covering a majority of its employees and postretirement medical and life insurance plans providing coverage to less than half of its employees. Employees hired or rehired after June 30, 2010, are not eligible for the noncontributory defined benefit pension plan and employees hired or rehired after December 31, 1996, are not eligible for the postretirement medical plan and are not eligible to receive basic life insurance once they retire.

Questar is subject to and complies with minimum-required and maximum-allowed annual contribution levels for its qualified pension plan, as determined by the Employee Retirement Income Security Act and the Internal Revenue Code. The 2014 estimated net cost for the qualified pension plan is \$13.6 million. The projected 2014 qualified pension plan funding is \$43.0 million.

The Company also has a nonqualified pension plan that covers a group of management employees in addition to the noncontributory qualified pension plan. The nonqualified pension plan provides for defined benefit payments upon retirement of the management employee, or to the spouse upon death of the management employee, above the benefit limit defined by the Internal Revenue Service (IRS) for the qualified plan. The nonqualified pension plan is unfunded;

claims are paid from the Company's general funds. The 2014 estimated net cost for the nonqualified pension plan is \$4.0 million.

Components of the qualified and nonqualified net periodic pension cost are listed in the table below:

	3 Months Ended September 30, 2014		9 Months Ended September 30, 2014		12 Months Ended September 30, 2014	
	2013		2013		2013	
	(in millions)					
Service cost	\$2.9	\$3.3	\$8.9	\$10.4	\$12.4	\$13.4
Interest cost	8.3	7.5	25.0	23.0	32.6	31.3
Expected return on plan assets	(11.4 )	(9.5 )	(32.7 )	(28.6 )	(42.2 )	(36.7 )
Prior service and other costs	0.1	0.2	0.4	0.8	0.7	0.8
Recognized net actuarial loss	3.7	8.0	11.6	21.7	18.8	30.4
Net pension cost	\$3.6	\$9.5	\$13.2	\$27.3	\$22.3	\$39.2

The Company currently estimates a \$2.1 million net cost for postretirement benefits other than pensions in 2014, before accretion of a regulatory liability. Net periodic postretirement benefit cost components are listed in the table below:

	3 Months Ended September 30, 2014		9 Months Ended September 30, 2014		12 Months Ended September 30, 2014	
	2013		2013		2013	
	(in millions)					
Service cost	\$0.2	\$0.2	\$0.5	\$0.6	\$0.6	\$0.8
Interest cost	0.9	0.9	2.9	2.8	3.8	3.8
Expected return on plan assets	(0.8 )	(0.6 )	(2.3 )	(1.9 )	(3.0 )	(2.5 )
Amortization of transition obligation	—	—	—	—	—	0.4
Recognized net actuarial loss (gain)	(0.1 )	0.8	0.5	2.2	1.3	3.1
Accretion of regulatory liability	0.2	0.2	0.6	0.5	0.6	0.3
Net postretirement benefit cost	\$0.4	\$1.5	\$2.2	\$4.2	\$3.3	\$5.9

#### Note 11 - Contingencies

On May 1, 2012, Questar Gas Company filed a legal action against QEP Field Services Company, a subsidiary of QEP Resources, Inc. The case, entitled Questar Gas Company v. QEP Field Services Company, was filed in the Third District Court in Salt Lake County, Utah. Questar Gas believes certain charges of QEP Field Services for gathering services exceed the amounts contemplated under a Gas Gathering Agreement, effective September 1, 1993, pertaining to certain gas produced by Wexpro Company under the Wexpro Agreement. Questar Gas is alleging breach of contract by QEP Field Services and is seeking an accounting, damages and a declaratory judgment relating to the services and charges under the Gas Gathering Agreement. The charges under the Gas Gathering Agreement are included in Questar Gas's rates as part of its purchased-gas costs. QEP Field Services filed an answer and counterclaim alleging that Questar Gas breached the Agreement by failing to allow QEP Field Services to gather and process gas from certain wells located in two fields in the state of Wyoming. Amended pleadings have been filed naming Wexpro Company as an additional plaintiff and counterclaim defendant and the following parties as successors in interest to QEP Field Services as defendants and counterclaimants: QEP Midstream Partners LP; QEP Midstream Partners GP, LLC; QEP Midstream Partners Operating, LLC; and QEPML Gathering I, LLC (QEP MLP Entities). QEP Field Services and Tesoro Logistics LP (Tesoro) entered into a Membership Interest Purchase Agreement dated October 19, 2014, to transfer QEP Field Services' interest in the QEP MLP Entities and related assets and liabilities of QEP Field Services to Tesoro, including control of this legal action. While Questar Gas and Wexpro intend to vigorously pursue their legal rights, the claims and counterclaims involve complex legal issues and uncertainties that make it difficult to predict the outcome of the case and therefore management cannot determine at this time whether this litigation may have an adverse material effect on their financial position, results of operations or cash flows.

Questar incurs environmental remediation costs related to both owned and previously-owned facilities, including transmission and production facilities, manufactured gas plant sites and a previously-owned chemical business.

Questar and each of its subsidiaries are involved in various commercial, environmental, and regulatory claims. Litigation and other legal proceedings arise in the ordinary course of business. Except as stated above concerning the QEP lawsuit,

management does not believe any of them individually or in the aggregate will have a material adverse effect on Questar's, Questar Gas's or Questar Pipeline's financial position, results of operations or cash flows.

A liability is recorded for a loss contingency when its occurrence is probable and its amount can be reasonably estimated. If some amount within a range of possible outcomes appears to be a better estimate than any other amount within the range, that amount is recorded. Otherwise, the minimum amount in the range is recorded. Disclosures are provided for contingencies reasonably likely to occur, which would have a material adverse effect on Questar's, Questar Gas's or Questar Pipeline's financial position, results of operations or cash flows. Some of the claims involve highly complex issues relating to liability, damages and other matters subject to substantial uncertainties and, therefore, the probability of liability or an estimate of loss cannot be reasonably determined.

#### Note 12 - Asset Impairments

During the second quarter of 2014, Wexpro recorded a pre-tax abandonment and impairment charge of \$2.0 million for its share of the remaining investment in the Brady field. Wexpro concluded that the field had reached the end of its productive life because it was no longer economical to produce natural gas and oil.

During the third quarter of 2013, Questar Pipeline updated its five-year forecast for the eastern segment of Southern Trails Pipeline, which resulted in revised projections of higher operating expenses, including right-of-way and pipeline safety costs. Current and projected market rates for natural gas transportation between the San Juan Basin and California markets did not cover these increasing operating expenses. Because of changes in expected cash flows in the third quarter of 2013 and the lack of progress in selling or recontracting this pipeline, Questar Pipeline recorded a noncash impairment of its entire investment in the eastern segment of Southern Trails Pipeline of \$80.6 million, or \$52.4 million after income taxes. Questar Pipeline used a probability-weighted discounted cash flow analysis that included significant inputs such as Questar Pipeline's cost of capital and assumptions regarding future transportation rates and operating costs.

#### Note 13 - Wexpro Acquisition of Producing Properties and Inclusion in Wexpro II Agreement

On September 4, 2013, Wexpro completed the transaction announced in July 2013 to acquire an additional interest in natural gas-producing properties in the Trail Unit of southwestern Wyoming's Vermillion Basin (Trail acquisition). This acquisition was an addition to the company's existing Trail assets, which are governed by the 1981 Wexpro Agreement. In the first quarter of 2014, the Public Service Commission of Utah and the Wyoming Public Service Commission (the Commissions) approved the inclusion of these properties in the Wexpro II Agreement, effective February 1, 2014. The Wexpro II Agreement is modeled after the terms of the original Wexpro Agreement. Under the Wexpro II Agreement, Wexpro may acquire gas development properties and Questar Gas may submit an application to the Commissions to treat these properties similar to the original Wexpro properties. If the Commissions approve the applications, the gas will be developed for the benefit of Questar Gas customers. Wexpro will be entitled to a return on the acquisition costs based on Questar Gas's approved cost of capital. Future development investment will earn returns consistent with the original Wexpro Agreement.

#### Note 14 - Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU replaces most of the existing revenue guidance with a single set of principles, including changes in recognition and disclosure requirements. The guidance will be effective beginning January 1, 2017. Early adoption is not permitted. The new guidance must be applied retrospectively to each prior period presented or via a cumulative effect upon the date of initial application. The Company is currently evaluating the ASU's effect on its financial position, results of operations and cash flows, as

well as which transition approach it will take.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following information updates the discussion of Questar's financial condition provided in its 2013 Form 10-K and analyzes the changes in the results of operations between the three, nine and 12 months ended September 30, 2014 and 2013. For definitions of commonly used terms found in this Quarterly Report on Form 10-Q, please refer to the "Glossary of Commonly Used Terms" provided in Questar's 2013 Form 10-K.

### RESULTS OF OPERATIONS

Following are comparisons of net income (loss) by line of business:

	3 Months Ended Sept. 30, 2014			9 Months Ended Sept. 30, 2014			12 Months Ended Sept. 30, 2014		
	2013	Change		2013	Change		2013	Change	
	(in millions, except per-share amounts)								
Questar Gas	\$(9.1 )	\$(9.0 )	\$(0.1 )	\$27.2	\$26.8	\$0.4	\$53.2	\$50.6	\$2.6
Wexpro	31.1	27.5	3.6	93.0	82.2	10.8	121.4	109.6	11.8
Questar Pipeline <sup>(1)</sup>	14.9	(37.9 )	52.8	46.3	(7.6 )	53.9	62.1	7.3	54.8
Corporate and other	1.7	0.2	1.5	(2.5 )	(8.3 )	5.8	(4.6 )	(10.6 )	6.0
Net income (loss)	\$38.6	\$(19.2 )	\$57.8	\$164.0	\$93.1	\$70.9	\$232.1	\$156.9	\$75.2
Add: after-tax asset impairment charge <sup>(1)</sup>	—	52.4	(52.4 )	—	52.4	(52.4 )	—	52.4	(52.4 )
Adjusted earnings	\$38.6	\$33.2	\$5.4	\$164.0	\$145.5	\$18.5	\$232.1	\$209.3	\$22.8
Earnings (loss) per share - diluted	\$0.22	\$(0.11 )	\$0.33	\$0.93	\$0.53	\$0.40	\$1.32	\$0.89	\$0.43
Add: diluted loss per share attributable to impairment <sup>(1)</sup>	—	0.29	(0.29 )	—	0.29	(0.29 )	—	0.29	(0.29 )
Adjusted earnings per share - diluted	\$0.22	\$0.18	\$0.04	\$0.93	\$0.82	\$0.11	\$1.32	\$1.18	\$0.14
Weighted-average diluted shares	176.1	175.5	0.6	176.1	176.1	—	176.0	176.1	(0.1 )
Add: dilutive shares attributable to add-back of impairment <sup>(1)</sup>	—	0.4	(0.4 )	—	—	—	—	—	—
Adjusted weighted-average diluted shares	176.1	175.9	0.2	176.1	176.1	—	176.0	176.1	(0.1 )

<sup>(1)</sup> Third quarter 2013 impairment of the eastern segment of Questar Pipeline's Southern Trails Pipeline.

Management believes that the above non-GAAP financial measures, indicated by the word "Adjusted" in their captions, provide an indication of the Company's ongoing results of operations due to the one-time nature of the impairment (see Note 12).

### QUESTAR GAS

Questar Gas reported a net loss of \$9.1 million in the third quarter of 2014 compared to a net loss of \$9.0 million in the third quarter of 2013. Questar Gas net income was \$27.2 million in the first nine months of 2014 compared to \$26.8 million in the first nine months of 2013. Net income was \$53.2 million in the 12 months ended September 30, 2014, compared to \$50.6 million in the year-earlier period. Questar Gas, because of the seasonal nature of its business, typically reports income in the first and fourth quarters of the year and losses in the second and third quarters of the year.



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Following is a summary of Questar Gas financial and operating results:

	3 Months Ended Sept. 30, 2014 2013 Change (in millions)			9 Months Ended Sept. 30, 2014 2013 Change			12 Months Ended Sept. 30, 2014 2013 Change		
Net Income (Loss)									
Revenues									
Residential and commercial sales	\$79.5	\$71.4	\$8.1	\$580.3	\$593.5	\$(13.2 )	\$897.1	\$853.5	\$43.6
Industrial sales	6.7	6.9	(0.2 )	20.4	20.2	0.2	28.3	29.0	(0.7 )
Transportation for industrial customers	4.6	3.9	0.7	13.2	10.5	2.7	17.1	13.7	3.4
Service	1.0	1.0	—	3.8	3.8	—	4.8	4.7	0.1
Other	8.9	6.4	2.5	24.3	20.4	3.9	32.1	28.7	3.4
Total Revenues	100.7	89.6	11.1	642.0	648.4	(6.4 )	979.4	929.6	49.8
Cost of natural gas sold	56.8	50.1	6.7	398.6	424.2	(25.6 )	625.0	601.1	23.9
Margin	43.9	39.5	4.4	243.4	224.2	19.2	354.4	328.5	25.9
Other Operating Expenses									
Operating and maintenance	22.7	20.9	1.8	88.8	78.1	10.7	123.8	109.9	13.9
General and administrative	12.3	12.1	0.2	39.0	38.5	0.5	53.0	53.2	(0.2 )
Retirement incentive	—	—	—	—	—	—	—	2.4	(2.4 )
Depreciation and amortization	13.5	12.4	1.1	40.3	36.9	3.4	53.1	49.1	4.0
Other taxes	4.8	5.3	(0.5 )	14.7	15.4	(0.7 )	17.3	18.3	(1.0 )
Total Other Operating Expenses	53.3	50.7	2.6	182.8	168.9	13.9	247.2	232.9	14.3
Net gain from asset sales	—	—	—	0.1	—	0.1	0.1	—	0.1
OPERATING INCOME (LOSS)	(9.4 )	(11.2 )	1.8	60.7	55.3	5.4	107.3	95.6	11.7
Interest and other income	1.7	1.3	0.4	4.3	3.8	0.5	5.6	5.5	0.1
Interest expense	(7.1 )	(5.3 )	(1.8 )	(21.2 )	(16.7 )	(4.5 )	(26.8 )	(21.7 )	(5.1 )
Income taxes	5.7	6.2	(0.5 )	(16.6 )	(15.6 )	(1.0 )	(32.9 )	(28.8 )	(4.1 )
NET INCOME (LOSS)	\$(9.1 )	\$(9.0 )	\$(0.1 )	\$27.2	\$26.8	\$0.4	\$53.2	\$50.6	\$2.6
Operating Statistics									
Natural gas volumes (MMdth)									
Residential and commercial sales	7.4	7.2	0.2	65.8	75.4	(9.6 )	105.3	107.3	(2.0 )
Industrial sales	1.0	1.1	(0.1 )	3.1	3.2	(0.1 )	4.3	4.3	—
Transportation for industrial customers	21.9	16.3	5.6	60.5	45.9	14.6	79.1	62.1	17.0
Total industrial	22.9	17.4	5.5	63.6	49.1	14.5	83.4	66.4	17.0
Total deliveries	30.3	24.6	5.7	129.4	124.5	4.9	188.7	173.7	15.0
Natural gas revenue (per dth)									
Residential and commercial sales	\$10.70	\$9.86	\$0.84	\$8.82	\$7.87	\$0.95	\$8.52	\$7.95	\$0.57
Industrial sales	6.59	6.53	0.06	6.51	6.27	0.24	6.65	6.67	(0.02 )
Transportation for industrial customers	0.21	0.24	(0.03 )	0.22	0.23	(0.01 )	0.22	0.22	—
Colder (warmer) than normal temperatures	(60%)	(38%)	(22%)	(17%)	11%	(28%)	(9%)	—%	(9%)
	7.1	7.1	—	74.3	71.0	3.3	111.3	105.9	5.4

Temperature-adjusted usage per  
customer (dth)

Customers at Sept. 30, (in thousands)	955	939	16
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## Margin Analysis

Questar Gas margin (revenues minus gas costs) increased \$4.4 million in the third quarter of 2014 compared to the third quarter of 2013, increased \$19.2 million in the first nine months of 2014 compared to the first nine months of 2013 and increased \$25.9 million in the 12 months ended September 30, 2014, compared to the 12 months ended September 30, 2013. Following is a summary of major changes in Questar Gas margin:

	3 Months 2014 vs. 2013 (in millions)	9 Months 2014 vs. 2013	12 Months 2014 vs. 2013
Customer growth	\$0.6	\$3.1	\$4.5
Transportation	1.0	3.2	3.7
Change in rates	3.1	5.6	5.6
Infrastructure-replacement cost recovery	(1.3	) (2.8	) 0.1
Demand-side management cost recovery	0.8	10.5	14.4
Alternative fuel tax credit	(0.7	) (1.3	) (2.6
Recovery of gas-cost portion of bad-debt costs	0.7	0.7	—
Other	0.2	0.2	0.2
Increase	\$4.4	\$19.2	\$25.9

At September 30, 2014, Questar Gas served 954,754 customers, up 1.7% from 938,568 at September 30, 2013. Customer growth increased the margin by \$0.6 million in the third quarter of 2014, \$3.1 million in the first nine months of 2014 and \$4.5 million in the 12 months ended September 30, 2014.

Transportation service revenues increased the margin during the three-, nine- and 12-month periods ended September 30, 2014, due to higher deliveries for electric generation.

Effective March 1, 2014, Questar Gas increased its rates in Utah by \$7.6 million annually as a result of a general rate case filed in Utah in July 2013. The order in this rate case authorized an allowed return on equity of 9.85%.

On May 1, 2014, Questar Gas filed a general rate case in Wyoming requesting an increase in revenues of \$1.9 million and an authorized return on equity of 10.05%. Hearings in this case are expected in the fourth quarter of 2014. Any change in rates would be effective March 1, 2015.

Questar Gas benefits from a conservation enabling (revenue decoupling) tariff. Under this tariff, Questar Gas is allowed to earn a specified revenue for each general service customer per month. Differences between the allowed revenue and the amount billed to customers are recovered from customers or refunded to customers through future rate changes. Because of this tariff, changes in usage per customer do not impact the company's margin. In addition, a weather-normalization adjustment of customer bills offsets the revenue impact of temperature variations.

Questar Gas has an infrastructure cost-tracking mechanism that allows the company to place into rate base and earn on capital expenditures associated with a multi-year natural gas infrastructure-replacement program, and do it upon the completion of each project. The Utah general rate case reset the recovery of costs under the infrastructure-replacement program into general rates until Questar Gas invested \$84 million in new pipelines. Questar Gas margin from the infrastructure-replacement program was \$1.3 million lower in the third quarter of 2014 than the third quarter of 2013, \$2.8 million lower in the first nine months of 2014 compared to the first nine months of 2013 and flat in the 12 months ended September 30, 2014 compared to the 12 months ended September 30, 2013.

Higher recovery of demand-side management (DSM) costs increased Questar Gas margin during the three-, nine- and 12-month periods ended September 30, 2014. DSM costs are incurred to promote energy conservation by customers. Changes in the margin contribution from DSM recovery revenues are offset by equivalent changes in program

expenses.

#### Cost of Natural Gas Sold

Cost of natural gas sold increased 13% in the third quarter of 2014, decreased 6% in the first nine months of 2014 and increased 4% in the 12 months ended September 30, 2014, compared to the same periods of 2013. The increases in the third quarter and 12 months ended September 30, 2014 were primarily due to higher rates charged to customers for gas costs. The decrease for the first nine months of 2014 was due to lower volumes resulting from warmer weather. Questar Gas accounts for

purchased-gas costs in accordance with procedures authorized by the Public Service Commission of Utah (PSCU) and the Wyoming Public Service Commission (PSCW). Purchased-gas costs that are different from those provided for in present rates are accumulated and recovered or credited through future rate changes. As of September 30, 2014, Questar Gas had a \$56.4 million under-collected balance in the purchased-gas adjustment account representing costs incurred in excess of amounts recovered from customers. In October 2014, Questar Gas filed requests in Utah and Wyoming to reduce annualized gas costs collected from customers by \$29.3 million. Forecasted gas purchase costs are expected to decline during the upcoming heating season.

#### Other Expenses

Operating and maintenance expenses increased 9% in the third quarter of 2014, increased 14% in the first nine months of 2014 and increased 13% in the 12 months ended September 30, 2014, compared to the same periods of 2013. These increases included higher DSM costs of \$0.8 million, \$10.5 million and \$14.4 million for the three-, nine- and 12-month periods, respectively. The DSM costs are for the company's energy efficiency program and are recovered from customers through periodic rate changes. Excluding DSM charges, operating and maintenance expenses increased 5% in the third quarter of 2014 compared to the third quarter of 2013 and were essentially flat in the nine and 12 months ended September 30, 2014, compared to the prior year periods.

General and administrative expenses increased 2% in the third quarter of 2014, and were essentially flat in the nine and 12 months ended September 30, 2014, compared to the prior year periods. The increase in the quarter was due to higher corporate allocated costs. Operating, maintenance, general and administrative expenses per customer, exclusive of DSM costs, were \$143 in the 12 months ended September 30, 2014, compared to \$146 in the 12 months ended September 30, 2013.

Other taxes were 9% lower in the third quarter and decreased 5% in the nine and 12 months ended September 30, 2014, compared to year-earlier periods. The variances were due primarily to changes in property tax estimates.

Depreciation and amortization expense increased 9% in the third quarter and first nine months of 2014 and increased 8% in the 12 months ended September 30, 2014, compared to the 2013 periods. The higher expense was caused by plant additions driven by customer growth and infrastructure replacements.

#### Acquisition of Eagle Mountain City's Natural Gas System

In June 2014, Questar Gas reached an understanding with Eagle Mountain City to purchase the municipality's natural gas system in early 2015. The acquisition is contingent upon finalizing the purchase-agreement terms. The city has about 6,000 natural gas customers.

#### WEXPRO

Wexpro reported net income of \$31.1 million in the third quarter of 2014 compared to \$27.5 million in the third quarter of 2013, a 13% increase. Wexpro earned \$93.0 million in the first nine months of 2014 compared to \$82.2 million in the first nine months of 2013. Wexpro earned \$121.4 million for the 12 months ended September 30, 2014, compared to \$109.6 million for the year-earlier period.

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Following is a summary of Wexpro financial and operating results:

	3 Months Ended Sept. 30, 2014			9 Months Ended Sept. 30, 2014			12 Months Ended Sept. 30, 2014		
	2013	Change		2013	Change		2013	Change	
(in millions)									
Net Income									
Revenues									
Operator service fee	\$82.6	\$69.3	\$13.3	\$266.0	\$215.0	\$51.0	\$345.0	\$283.8	\$61.2
Oil and NGL sales	7.3	10.8	(3.5 )	25.5	30.9	(5.4 )	35.5	40.6	(5.1 )
Natural gas sales and other	1.8	1.2	0.6	4.3	1.3	3.0	8.0	1.3	6.7
Total Revenues	91.7	81.3	10.4	295.8	247.2	48.6	388.5	325.7	62.8
Operating Expenses									
Operating and maintenance	6.9	6.5	0.4	21.1	20.7	0.4	28.2	27.8	0.4
Gathering and other handling	—	0.2	(0.2 )	0.4	0.2	0.2	1.0	0.2	0.8
General and administrative	7.5	6.7	0.8	23.6	21.3	2.3	31.0	28.1	2.9
Retirement incentive	—	—	—	—	—	—	—	0.2	(0.2 )
Production and other taxes	9.2	6.9	2.3	30.5	21.0	9.5	37.8	25.7	12.1
Depreciation, depletion and amortization	22.4	20.1	2.3	78.2	61.6	16.6	102.4	80.8	21.6
Abandonment and impairment	—	—	—	2.0	—	2.0	2.0	—	2.0
Oil and NGL income sharing	—	0.2	(0.2 )	—	0.6	(0.6 )	—	0.8	(0.8 )
Total Operating Expenses	46.0	40.6	5.4	155.8	125.4	30.4	202.4	163.6	38.8
Net gain from asset sales	1.5	—	1.5	1.5	0.1	1.4	1.2	—	1.2
OPERATING INCOME	47.2	40.7	6.5	141.5	121.9	19.6	187.3	162.1	25.2
Interest and other income	0.3	1.4	(1.1 )	0.7	4.2	(3.5 )	1.5	5.2	(3.7 )
Interest expense	—	(0.1 )	0.1	—	(0.1 )	0.1	—	(0.1 )	0.1
Income taxes	(16.4 )	(14.5 )	(1.9 )	(49.2 )	(43.8 )	(5.4 )	(67.4 )	(57.6 )	(9.8 )
NET INCOME	\$31.1	\$27.5	\$3.6	\$93.0	\$82.2	\$10.8	\$121.4	\$109.6	\$11.8
Operating Statistics									
Production volumes									
Natural gas - cost-of-service deliveries (Bcf)	15.4	13.3	2.1	51.6	43.5	8.1	67.3	57.0	10.3
Natural gas - sales (Bcf)	0.1	0.4	(0.3 )	0.6	0.4	0.2	1.6	0.5	1.1
Oil and NGL (Mbbbl)	145	147	(2 )	454	458	(4 )	613	640	(27 )
Natural gas average sales price (per Mcf)	\$4.54	\$3.65	\$0.89	\$4.49	\$3.64	\$0.85	\$4.04	\$3.59	\$0.45
Oil and NGL average sales price (per bbl)	\$85.03	\$92.52	\$(7.49 )	\$86.27	\$86.05	\$0.22	\$85.23	\$83.61	\$1.62
Investment base at Sept. 30, (in millions)	\$664.6	\$545.9	\$118.7						

#### Revenues

Wexpro earned an 18.4% after-tax return on its average investment base for the 12 months ended September 30, 2014, compared to a return of 19.8% for the 12 months ended September 30, 2013. The decline in return was due to the addition of the Wexpro II investment, which earns a lower return on the acquisition cost. Wexpro 2014 operating results benefited from a higher average investment base compared to the prior year periods. Pursuant to the terms of the Wexpro Agreement and the Wexpro II Agreement, Wexpro recovers its costs and receives an after-tax return on its investment base. Wexpro's investment base includes its costs of acquired properties and commercial wells and related facilities, adjusted for working capital and reduced for deferred income taxes and accumulated depreciation,



depletion and amortization. The investment base grew by 22% in the 12 months ended September 30, 2014. The increase was due to investment in commercial wells and the addition of

the Trail acquisition properties to the investment base in the first quarter of 2014, partially offset by additional deferred income taxes and depreciation, depletion and amortization recorded during the period. Following is a summary of changes in the Wexpro investment base:

	12 Months Ended Sept. 30,	
	2014	2013
	(in millions)	
Beginning investment base	\$545.9	\$530.0
Property acquisitions	103.7	—
Successful development wells	122.9	104.1
Depreciation, depletion and amortization	(98.2)	(75.2)
Change in deferred income taxes	(9.7)	(13.0)
Ending investment base	\$664.6	\$545.9

Wexpro produced 15.4 Bcf of cost-of-service natural gas for Questar Gas during the third quarter of 2014, up 16% from the third quarter of 2013. Wexpro produced 51.6 Bcf of cost-of-service gas in the first nine months of 2014 compared to 43.5 Bcf in the first nine months of 2013. Wexpro produced 67.3 Bcf of cost-of-service gas in the 12 months ended September 30, 2014, compared to 57.0 Bcf in the 12 months ended September 30, 2013. Wexpro natural gas production currently provides about two-thirds of Questar Gas's annual supply requirements.

Revenues from oil and natural gas liquids (NGL) sales decreased 32% in the third quarter of 2014, decreased 17% in the first nine months of 2014, and decreased 13% in the 12 months ended September 30, 2014, compared to the year-earlier periods. The decreases were due to lower volumes of oil and NGL for which income is shared with Questar Gas customers pursuant to the Wexpro agreements. Revenues from natural gas sales were primarily attributable to production from the Trail acquisition prior to its February 1, 2014 inclusion in the Wexpro II Agreement. See below and Note 13.

#### Expenses

Operating and maintenance expenses were up 6% and 2% in the third quarter and first nine months of 2014, respectively, and were essentially unchanged for the 12-month period ended September 30, 2014, compared to prior year periods. The increases for the quarter and first nine months were due largely to higher natural gas production volumes. Lease operating expense per Mcfe was \$0.38 in the first nine months of 2014 compared to \$0.44 in the first nine months of 2013.

General and administrative expenses were higher in the three-, nine- and 12-month periods ended September 30, 2014, compared to prior year periods. The increases were due to higher employee and corporate allocated costs.

Production and other taxes were significantly higher in the three, nine and 12 months ended September 30, 2014, compared to prior year periods. The variability in production and other taxes is due to changes in the production volumes and the prices of natural gas, oil and NGL.

Depreciation, depletion and amortization expense increased 11% in the third quarter of 2014 and increased 27% in the nine and 12 months ended September 30, 2014, compared to the 2013 periods. The increases were due to higher production volumes and investment in natural gas properties, wells and facilities. The year-to-date and 12-month increases also included \$3.2 million of additional depreciation expense in the second quarter of 2014 related to the impairment of the Brady field. This amount was included in the operator service fee for the second quarter of 2014.

In the second quarter of 2014, Wexpro recorded an abandonment and impairment charge of \$2.0 million for its share of the remaining investment in the Brady field since the field had reached the end of its productive life.

In the third quarter of 2014, Wexpro sold its investment in the Spearhead Ranch and Powell Pressure Maintenance oil fields in central Wyoming. Wexpro recorded a gain of \$1.5 million on this sale and credited \$1.8 million back to Questar Gas customers through a reduction in the operator service fee, for a total gain of \$3.3 million.

#### Wexpro II

Wexpro and Questar Gas have received approval of the PSCU and PSCW (the Commissions) for a Wexpro II Agreement to add properties under the cost-of-service pricing methodology for the benefit of Questar Gas customers. The agreement is modeled after the terms of the original Wexpro Agreement. Under the Wexpro II Agreement, Wexpro may acquire gas development properties and Questar Gas may submit an application to the Commissions to treat these properties similar to the original

Wexpro properties. If the Commissions approve the applications, the gas will be developed for the benefit of Questar Gas customers. Wexpro will be entitled to a return on the acquisition costs based on Questar Gas's approved cost of capital. Future development investment will earn returns consistent with the original Wexpro Agreement.

#### Acquisition of Producing Properties and Inclusion in Wexpro II

On September 4, 2013, Wexpro completed the transaction announced in July 2013 to acquire an additional interest in natural gas-producing properties in the Trail Unit of southwestern Wyoming's Vermillion Basin. In the first quarter of 2014, the Commissions approved a stipulation for inclusion of these properties in the Wexpro II Agreement, effective February 1, 2014. As part of this stipulation, Wexpro agreed to a provision to manage the combined production from the original Wexpro properties and the Trail acquisition to 65% of Questar Gas's annual forecasted demand.

Beginning in June 2015 through May 2016 and for each subsequent 12-month period, if the combined annual production exceeds 65% of the forecasted demand and the cost-of-service price is greater than the Questar Gas purchased-gas price, an amount equal to the excess production times the excess price will be credited back to Questar Gas customers. Wexpro may also sell production to manage the 65% level and credit back to Questar Gas customers the higher of market price or the cost-of-service price times the sales volumes.

#### QUESTAR PIPELINE

Questar Pipeline reported third quarter 2014 net income of \$14.9 million, compared with a net loss of \$37.9 million in the third quarter of 2013. Questar Pipeline earned \$46.3 million in the first nine months of 2014, compared with a \$7.6 million net loss in the first nine months of 2013. Questar Pipeline earned \$62.1 million and \$7.3 million in the 12 months ended September 30, 2014 and 2013, respectively. The significantly lower earnings in the 2013 periods were due primarily to a \$52.4 million after-tax write-down of the eastern segment of Southern Trails Pipeline in the third quarter of 2013.

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Following is a summary of Questar Pipeline financial and operating results:

	3 Months Ended Sept. 30, 2014			9 Months Ended Sept. 30, 2014			12 Months Ended Sept. 30, 2014		
	2013	Change		2013	Change		2013	Change	
	(in millions)								
Net Income (Loss)									
Revenues									
Transportation	\$48.3	\$47.9	\$0.4	\$146.0	\$145.1	\$0.9	\$195.5	\$193.9	\$1.6
Storage	9.3	9.1	0.2	28.1	28.0	0.1	37.4	37.6	(0.2 )
NGL sales - transportation	1.6	2.4	(0.8 )	5.7	6.1	(0.4 )	7.3	7.9	(0.6 )
NGL sales - field services	0.2	0.1	0.1	0.2	1.4	(1.2 )	0.7	2.7	(2.0 )
Energy services	3.2	3.3	(0.1 )	9.4	9.8	(0.4 )	12.3	13.8	(1.5 )
Natural gas sales	—	—	—	1.5	0.8	0.7	4.5	5.2	(0.7 )
Other	2.4	1.8	0.6	7.2	5.9	1.3	9.5	8.2	1.3
Total Revenues	65.0	64.6	0.4	198.1	197.1	1.0	267.2	269.3	(2.1 )
Operating Expenses									
Operating and maintenance	9.5	8.8	0.7	25.5	23.2	2.3	34.8	32.0	2.8
General and administrative	10.2	10.8	(0.6 )	32.5	35.3	(2.8 )	43.9	48.8	(4.9 )
Retirement incentive	—	—	—	—	—	—	—	0.9	(0.9 )
Depreciation and amortization	13.5	14.0	(0.5 )	40.7	42.2	(1.5 )	54.0	55.9	(1.9 )
Asset impairment	—	80.6	(80.6 )	—	80.6	(80.6 )	—	80.6	(80.6 )
Other taxes	2.4	2.5	(0.1 )	7.1	7.4	(0.3 )	9.0	9.2	(0.2 )
Cost of sales	0.6	0.5	0.1	3.0	2.7	0.3	6.4	7.5	(1.1 )
Total Operating Expenses	36.2	117.2	(81.0 )	108.8	191.4	(82.6 )	148.1	234.9	(86.8 )
Net gain from asset sales	—	—	—	—	—	—	—	0.1	(0.1 )
OPERATING INCOME (LOSS)	28.8	(52.6 )	81.4	89.3	5.7	83.6	119.1	34.5	84.6
Interest and other income	0.3	0.6	(0.3 )	0.7	1.2	(0.5 )	1.3	1.5	(0.2 )
Income from unconsolidated affiliate	0.9	0.9	—	2.7	2.8	(0.1 )	3.6	3.7	(0.1 )
Interest expense	(6.5 )	(6.5 )	—	(19.6 )	(19.5 )	(0.1 )	(25.9 )	(26.0 )	0.1
Income taxes	(8.6 )	19.7	(28.3 )	(26.8 )	2.2	(29.0 )	(36.0 )	(6.4 )	(29.6 )
NET INCOME (LOSS)	\$14.9	\$(37.9 )	\$52.8	\$46.3	\$(7.6 )	\$53.9	\$62.1	\$7.3	\$54.8

Operating Statistics

Natural gas transportation volumes (MMdth)									
For unaffiliated customers	186.1	193.5	(7.4 )	543.9	565.3	(21.4 )	732.0	769.3	(37.3 )
For Questar Gas	21.1	15.0	6.1	85.1	81.7	3.4	122.9	105.1	17.8
Total transportation	207.2	208.5	(1.3 )	629.0	647.0	(18.0 )	854.9	874.4	(19.5 )
Transportation revenue (per dth)	\$0.23	\$0.23	\$—	\$0.23	\$0.22	\$0.01	\$0.23	\$0.22	\$0.01
Net firm-daily transportation demand at Sept. 30, (in Mdth)	5,058	5,020	38						
Natural gas processing									
NGL sales (Mbbl)	31	42	(11 )	100	127	(27 )	136	179	(43 )
NGL average sales price (per bbl)	\$56.03	\$59.01	\$(2.98 )	\$58.70	\$58.66	\$0.04	\$59.10	\$58.31	\$0.79

Revenues

As of September 30, 2014, Questar Pipeline had net firm transportation contracts of 5,058 Mdth per day, including 1,020 Mdth per day from Questar Pipeline's 50% ownership of White River Hub, compared with 5,020 Mdth per day

as of September 30, 2013. Questar Pipeline earns more revenue from Questar Gas than from any other single customer, with contracts for 916 Mdth

per day during the heating season and 841 Mdth per day during off-peak months. The majority of Questar Gas transportation contracts extend through mid-2017. Rockies Express Pipeline has leased capacity on the Questar Overthrust Pipeline for 625 Mdth per day through 2027. Wyoming Interstate Company has contracts on Questar Overthrust Pipeline for 429 Mdth per day with a weighted-average remaining life of 6.8 years. White River Hub's contracts have a weighted-average remaining life of 11.6 years.

Questar Pipeline owns and operates the Clay Basin underground storage complex in eastern Utah. This facility is 100% subscribed under long-term contracts. In addition to Clay Basin, Questar Pipeline owns and operates three smaller aquifer gas storage facilities. Questar Gas has contracted for 26% of firm storage capacity at Clay Basin with contracts expiring in 2017, 2019 and 2020 and 100% of the firm storage capacity at the aquifer facilities with the contracts extending through 2018. Storage revenue was up 2% the third quarter of 2014 and was essentially flat in the nine and 12 months ended September 30, 2014, relative to the 2013 periods.

Questar Pipeline charges FERC-approved transportation and storage rates that are based on straight-fixed-variable rate design. Under this rate design, all fixed costs of providing service, including depreciation and return on investment, are recovered through the demand charge. About 95% of Questar Pipeline costs are fixed and recovered through these demand charges. Questar Pipeline's earnings are driven primarily by demand revenues from firm shippers.

Questar Pipeline has three primary sources of NGL revenue. These sources include two major regulated processing facilities (transportation NGL sales) and an unregulated subsidiary that provides third-party processing services (field services NGL sales).

Regulated processing facilities at Clay Basin condition gas to meet pipeline gas-quality specifications. These facilities are part of an agreement that allows Questar Pipeline to recover any shortfall between the NGL revenues and the cost of service for conditioning the gas. Other processing facilities on Questar Pipeline's transmission system are not subject to the Clay Basin gas processing agreement. NGL sales for the regulated operations decreased 33% in the third quarter of 2014, decreased 7% in the first nine months of 2014 and decreased 8% in the 12 months ended September 30, 2014, compared to the prior year periods. The decreases resulted primarily from lower volumes.

There were no significant NGL sales for the unregulated subsidiary in the third quarter of 2014 or 2013. Sales decreased 86% in the first nine months of 2014 and decreased 74% in the 12 months ended September 30, 2014, compared to the prior year periods. The low activity in the quarters and the decreases for the year-to-date and 12-month periods were due to upstream processing.

Energy services revenue was 3% lower in the third quarter of 2014, 4% lower in the first nine months of 2014 and 11% lower in the 12 months ended September 30, 2014 when compared to 2013 due to lower demand for products and services.

Periodically, Questar Pipeline sells natural gas to settle gas imbalances. Generally, revenue received from the sale of natural gas approximates cost; however Questar Pipeline realized a \$1.3 million gain on the sale of natural gas in the fourth quarter of 2012.

Other revenues increased in the three-, nine- and 12-month periods ended September 30, 2014, due to receipt of incentive payments under renegotiated processing agreements to manage gas interchangeability on Questar Pipeline's system and recovery of cost of service for conditioning gas at Clay Basin.

#### Expenses

Operating and maintenance expenses increased 8% in the third quarter of 2014, increased 10% in the first nine months of 2014 and increased 9% in the 12 months ended September 30, 2014, compared to the corresponding 2013 periods.

The increases were largely driven by higher maintenance and supplies expenses, including costs to comply with integrity management regulations.

General and administrative expenses decreased 6% in the third quarter of 2014, decreased 8% in the first nine months of 2014 and decreased 10% in the 12 months ended September 30, 2014, compared to the 2013 periods. The quarter and nine-month decreases were due to lower employee-related costs. The 12-month decrease was primarily due to lower employee-related and communication expenses. Operating, maintenance, general and administrative expenses per dth transported were \$0.09 in the first nine months of 2014, unchanged from the first nine months of 2013.



Depreciation and amortization expense decreased 4% in the third quarter and first nine months of 2014 and decreased 3% in the 12 months ended September 30, 2014, compared to the 2013 periods. The modest decreases resulted from lower average property, plant and equipment due to the impairment of the eastern segment of Southern Trails Pipeline.

## Questar Southern Trails Pipeline

Questar Pipeline continues development work with its partner, a unit of Spectra Energy, on the Inland California Express (ICE) project to potentially recommission the western segment of Southern Trails Pipeline to transport crude oil. The western segment extends 96 miles from Whitewater to Long Beach, California. The project would include the development of a rail terminal to offload up to 120,000 barrels per day of crude into the pipeline for delivery to refineries in Southern California. The partners continue to market the project and are currently working with refiners to outline the general framework for potential service agreements. To meet a 2017 in-service target date, the partners are working to finalize selection of a preferred unloading terminal site, complete preliminary engineering and submit conditional land-use applications in the next few months.

During the third quarter of 2013, Questar Pipeline updated its five-year forecast for the eastern segment of Southern Trails Pipeline, which resulted in revised projections of higher operating expenses, including right-of-way and pipeline safety costs. Current and projected market rates for natural gas transportation between the San Juan Basin and California markets did not cover these increasing operating expenses over the forecast period. Because of changes in expected cash flows in the third quarter of 2013 and the lack of progress in selling or recontracting this pipeline, Questar Pipeline recorded a noncash impairment of its entire investment in the eastern segment of Southern Trails Pipeline of \$80.6 million, or \$52.4 million after income taxes.

## Other Consolidated Results

## Questar Fueling

Other consolidated results include losses from the start-up of Questar Fueling Company (Questar Fueling) operations. Questar Fueling began work in 2012 to build a network of compressed natural gas (CNG) fueling stations specifically designed for the medium- and heavy-duty vehicle market, but also open to members of the general public who drive natural gas vehicles. In 2013, the company opened two CNG stations: Houston, Texas and Topeka, Kansas. In the first 10 months of 2014, the company opened three more CNG stations: DeSoto and Dallas, Texas and Kansas City, Kansas. In December 2014 or January 2015, Questar Fueling will open two more stations: Salt Lake City, Utah and San Antonio, Texas. Four other CNG stations are under development and scheduled to open later in 2015: Phoenix, Arizona; Bakersfield, California; Killingly, Connecticut; and Las Vegas, Nevada. Questar Fueling net losses included in other consolidated results are presented below:

	3 Months Ended September 30, 2014		3 Months Ended September 30, 2013		9 Months Ended September 30, 2014		9 Months Ended September 30, 2013		12 Months Ended September 30, 2014		12 Months Ended September 30, 2013	
	(in millions)											
Questar Fueling net loss	\$ (0.3	)	\$ (0.1	)	\$ (0.9	)	\$ (0.5	)	\$ (1.2	)	\$ (0.7	)

## Interest Expense

Consolidated interest expense was 11% higher in the first nine months of 2014 compared to the first nine months of 2013 due to higher long-term debt balances.

## Income Taxes

Questar's effective combined federal and state income tax rate was 35.5% in the first nine months of 2014 compared to 39.0% in the first nine months of 2013. The lower rate in 2014 was due to the recording of research and development credits included on its 2013 federal income tax return filed in September 2014. The higher rate in the first nine months of 2013 was due to adjustments to the 2013 state income taxes for the consolidated Questar return

that were in excess of state income taxes calculated on a separate return basis for the operating companies.

Retirement Incentive

In 2012 Questar offered a retirement incentive to eligible employees of six months additional salary. Approximately 100 employees accepted this offer and retired in early 2013. The \$4.9 million incentive cost was recognized in the fourth quarter of 2012.

## LIQUIDITY AND CAPITAL RESOURCES

## Operating Activities

Net cash provided by operating activities decreased 15% in the first nine months of 2014 compared to the first nine months of 2013 due primarily to tax law changes related to bonus depreciation and changes in regulatory assets and liabilities. Net cash provided by operating activities is presented below:

	9 Months Ended Sept. 30,		
	2014	2013	Change
	(in millions)		
Net income	\$164.0	\$93.1	\$70.9
Noncash adjustments to net income	180.8	275.5	(94.7 )
Changes in operating assets and liabilities	17.7	55.4	(37.7 )
Net cash provided by operating activities	\$362.5	\$424.0	\$(61.5 )

## Investing Activities

Capital expenditures for the first nine months of 2014 and 2013 and a forecast for calendar year 2014 are presented below:

	9 Months Ended Sept. 30,		Forecast 12 Months Ending December 31,
	2014	2013	2014
	(in millions)		
Questar Gas	\$138.2	\$119.3	\$170
Wexpro	35.0	212.0	100
Questar Pipeline	45.3	56.2	70
Corporate and other	16.8	6.6	30
Total capital expenditures	\$235.3	\$394.1	\$370

Questar Gas's 2014 capital-spending forecast of about \$170 million includes investments to provide service to approximately 16,300 additional customers, distribution-system upgrades and expansions, and infrastructure replacements of about \$65 million. The 2013 Wexpro capital expenditure amount includes the cost of the Trail acquisition. Wexpro expects to spend about \$100 million in 2014 for developmental gas drilling and property acquisitions. Questar Pipeline's 2014 capital-spending forecast is about \$70 million, primarily for pipeline replacements.

## Financing Activities

In the first nine months of 2014, the Company reduced short-term debt by \$42.0 million from the excess of net cash provided by operating activities over net cash used in investing activities.

Questar issues commercial paper to meet short-term financing requirements. The commercial-paper program is supported by a five-year revolving credit facility with various banks that provides back-up credit liquidity. Credit commitments under the revolving credit facility totaled \$750.0 million at September 30, 2014, with no amounts borrowed. Commercial paper outstanding amounted to \$234.0 million at September 30, 2014, compared with \$355.0 million a year earlier.

In December 2013, Questar Gas issued \$90 million of 30-year notes with an interest rate of 4.78% and \$60 million of 35-year notes with an interest rate of 4.83%. Proceeds from the debt issuance were used to repay existing indebtedness and for general corporate purposes.

The Company believes current credit commitments are adequate for its working capital and short-term financing requirements during 2014. The Company also believes it will have adequate access to long-term capital based on current credit markets and its investment-grade credit ratings.

At September 30, 2014, combined short-term debt, long-term debt and capital lease obligation were 54% and equity was 46% of total capital. The Company does not expect the ratio of debt in the capital structure to materially change over the next several years, except for seasonal variation in short-term debt for working capital requirements.

Questar has approval to repurchase up to 1 million shares of its common stock per year to offset share dilution from shares issued under Company incentive plans. Questar has made repurchases totaling \$0.2 million under this program in the first nine months of 2014. There were no repurchases under the program in 2013.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Information regarding quantitative and qualitative disclosures about market risk is disclosed in Part I, Item 1A and Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013. During the nine months ended September 30, 2014, there were no material changes in quantitative and qualitative disclosures about market risk.

#### Forward-Looking Statements

This quarterly report may contain or incorporate by reference information that includes or is based upon "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, development efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations, and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Among factors that could cause actual results to differ materially are:

the risk factors discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013;

general economic conditions, including the performance of financial markets and interest rates;

changes in energy commodity prices;

changes in industry trends;

actions of regulators;

changes in laws or regulations; and

other factors, most of which are beyond the Company's control.

Questar undertakes no obligation to publicly correct or update the forward-looking statements in this quarterly report, in other documents, or on the internet site to reflect future events or circumstances. All such statements are expressly qualified by this cautionary statement.

### ITEM 4. CONTROLS AND PROCEDURES.

#### Evaluation of Disclosure Controls and Procedures.

The Chief Executive Officers and Chief Financial Officer of Questar, Questar Gas and Questar Pipeline have evaluated the effectiveness of the disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2014. Based on such

evaluation, such officers have concluded that, as of September 30, 2014, Questar's, Questar Gas's and Questar Pipeline's disclosure controls and procedures are effective.

**Changes in Internal Controls.**

There were no changes in Questar's, Questar Gas's and Questar Pipeline's internal controls over financial reporting that occurred during the quarter ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, Questar's, Questar Gas's and Questar Pipeline's internal control over financial reporting.

## PART II—OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS.

Information regarding reportable legal proceedings is contained in Note 11 to the financial statements included in Item 1 of Part I of this Quarterly Report.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Questar had no unregistered sales of equity securities during the third quarter of 2014. The following table sets forth the Company's purchases of common stock registered under Section 12 of the Securities Exchange Act of 1934 that occurred during the quarter ended September 30, 2014:

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs <sup>(2)</sup>	Maximum number of shares that may yet be purchased under the plans or programs
Month #1 July 1, 2014 through July 31, 2014	465	\$23.58	—	1,000,000
Month #2 August 1, 2014 through August 31, 2014	10,355	\$21.97	10,355	989,645
Month #3 September 1, 2014 through September 30, 2014	27,869	\$23.62	—	989,645
Total	38,689	\$23.18	10,355	

<sup>(1)</sup> There were 465 shares purchased in Month #1 and 27,869 shares purchased in Month #3 in conjunction with tax-payment elections under the Company's Long-term Stock Incentive Plan and rollover shares used in exercising stock options. There were no such share purchases in Month #2.

<sup>(2)</sup> Questar's Board of Directors authorized Questar to acquire, or cause to be acquired after January 1, 2013, up to 1 million shares of common stock, on an annual basis, in the name and on behalf of the Company in the open market and negotiated purchases from time to time, in accordance with all applicable Security and Exchange rules.

## ITEM 6. EXHIBITS.

A list of exhibits being filed as part of this report is set forth in the Exhibit Index, which immediately precedes the exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

QUESTAR CORPORATION  
QUESTAR GAS COMPANY  
QUESTAR PIPELINE COMPANY  
(Registrants)

October 30, 2014      /s/ Ronald W. Jibson  
Ronald W. Jibson  
Chairman, President and Chief Executive Officer, Questar  
and Questar Gas

October 30, 2014      /s/ R. Allan Bradley  
R. Allan Bradley  
President and Chief Executive Officer, Questar Pipeline

October 30, 2014      /s/ Kevin W. Hadlock  
Kevin W. Hadlock  
Executive Vice President and Chief Financial Officer,  
Questar, Questar Gas and Questar Pipeline



Exhibit Index

Exhibit No. Description

EXHIBIT 31 - SECTION 302 CERTIFICATIONS

Questar Corporation

- |      |  |
|------|--|
| 31.1 | Questar Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Questar Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

Questar Gas Company

- |      |  |
|------|--|
| 31.3 | Questar Gas Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.4 | Questar Gas Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

Questar Pipeline Company

- |      |   |
|------|---|
| 31.5 | Questar Pipeline Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.6 | Questar Pipeline Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

EXHIBIT 32 - SECTION 906 CERTIFICATIONS

Questar Corporation

- |      |  |
|------|--|
| 32.1 | Questar Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002. |
|------|--|

Questar Gas Company

- |      |  |
|------|--|
| 32.2 | Questar Gas Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002. |
|------|--|

Questar Pipeline Company

- |      |   |
|------|---|
| 32.3 | Questar Pipeline Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002. |
|------|---|

EXHIBIT 101 - INTERACTIVE DATA FILE

- |         |                |
|---------|----------------|
| 101.INS | XBRL Instance. |
| 101.SCH | XBRL Taxonomy. |

101.CAL XBRL Calculations.

101.DEF XBRL Definitions.

101.LAB XBRL Labels.

101.PRE XBRL Presentation.

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