

QUESTAR CORP
Form 10-Q
May 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. For the transition period from ___ to ___

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

180 East 100 South Street, P.O. Box 45433 Salt Lake City, Utah 84145-0433

(Address of principal executive offices)

Registrants telephone number, including area code **(801) 324-5000**

Web site **http://www.questar.com**

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Do not check non-accelerated filer if a smaller reporting company (Check one):

Questar Corporation	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Questar Pipeline Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Questar Gas Company	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

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

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Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of April 30, 2011:

Questar Corporation	without par value	177,482,251
Questar Pipeline Company	\$1.00 per share par value	6,550,843
Questar Gas Company	\$2.50 per share par value	9,189,626

Questar Pipeline Company and Questar Gas Company, as wholly-owned subsidiaries of a reporting company, meet the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format.

Questar Corporation

Questar Pipeline Company

Questar Gas Company

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For the Quarterly Period Ended March 31, 2011

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FILING FORMAT

This Quarterly Report on Form 10-Q is a combined report being filed by three separate registrants: Questar Corporation, Questar Pipeline Company and Questar Gas Company. Questar Pipeline Company and Questar Gas Company are wholly-owned subsidiaries of Questar Corporation. Separate financial statements for Wexpro Company have not been included since Wexpro is not a registrant. See Note 8 to the Accompanying Financial Statements for a summary of operations by line of business.

Part I - Financial information in this Quarterly Report on Form 10-Q includes separate financial statements (i.e. balance sheets, statements of income and statements of cash flows) for Questar Corporation, Questar Pipeline Company and Questar Gas Company. The Notes Accompanying the Financial Statements are presented on a

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combined basis for all three registrants. Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 2 is presented by line of business. Only Questar of the three registrants named herein is required to attach XBRL exhibits.

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

QUESTAR CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	3 Months Ended		12 Months Ended	
	March 31,		March 31,	
	2011	2010	2011	2010
	(in millions, except per share amounts)			
REVENUES				
Questar Gas	\$ 413.9	\$360.7	\$ 955.0	\$ 873.9
Questar Pipeline	48.3	47.7	197.8	179.6
Wexpro	7.8	6.2	26.2	21.6
Total Revenues	470.0	414.6	1,179.0	1,075.1
OPERATING EXPENSES				
Cost of sales (excluding operating expenses shown separately)	209.9	158.3	332.5	273.7
Operating and maintenance	51.4	51.8	175.4	172.9
General and administrative	33.0	26.2	115.3	97.2
Separation costs	-	-	11.5	-
Production and other taxes	13.6	14.6	49.6	44.4
Depreciation, depletion and amortization	39.4	38.9	153.9	149.4
Total Operating Expenses	347.3	289.8	838.2	737.6
Net gain from asset sales	0.1	-	0.5	0.1
OPERATING INCOME	122.8	124.8	341.3	337.6
Interest and other income	2.9	2.8	11.8	12.5
Income from unconsolidated affiliate	0.9	1.0	3.7	3.8
Interest expense	(16.0)	(14.3)	(58.8)	(57.8)
INCOME FROM CONTINUING OPERATIONS				
BEFORE INCOME TAXES	110.6	114.3	298.0	296.1
Income taxes	(40.7)	(42.1)	(108.0)	(108.7)
INCOME FROM CONTINUING OPERATIONS	69.9	72.2	190.0	187.4
Discontinued operations, net of income taxes	-	78.7	69.5	291.7

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Discontinued operations, noncontrolling interest	-	(0.6)	(0.7)	(2.7)
Total Discontinued Operations, Net Of Income Taxes	-	78.1	68.8	289.0
NET INCOME ATTRIBUTABLE TO QUESTAR	\$ 69.9	\$150.3	\$ 258.8	\$ 476.4
Earnings Per Common Share Attributable To Questar				
Basic from continuing operations	\$ 0.40	\$ 0.41	\$ 1.08	\$ 1.06
Basic from discontinued operations	-	0.45	0.39	1.67
Basic total	\$ 0.40	\$ 0.86	\$ 1.47	\$ 2.73
Diluted from continuing operations	\$ 0.39	\$ 0.41	\$ 1.06	\$ 1.06
Diluted from discontinued operations	-	0.44	0.39	1.64
Diluted total	\$ 0.39	\$ 0.85	\$ 1.45	\$ 2.70
Weighted-average common shares outstanding				
Used in basic calculation	177.0	174.9	176.2	174.4
Used in diluted calculation	178.5	177.2	178.5	176.6
Dividends per common share	\$0.1525	\$ 0.13	\$0.5625	\$ 0.51

See notes accompanying the financial statements

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QUESTAR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

March 31, 2011 March 31, 2010 Dec. 31, 2010
(in millions)

ASSETS

Current Assets

Cash and cash equivalents	\$ -	\$ -	\$ 21.8
Notes receivable	-	53.0	-
Federal income taxes receivable	-	-	37.1
Accounts receivable, net	132.3	127.7	122.1
Unbilled gas accounts receivable	62.5	57.6	81.6
Gas stored underground	11.3	11.6	43.7
Materials and supplies	21.2	21.4	19.0
Current regulatory assets	33.4	38.1	53.5
Prepaid expenses and other	6.5	6.3	9.0
Deferred income taxes - current	14.8	14.3	11.8
Current assets of discontinued operations	-	684.6	-
Total Current Assets	282.0	1,014.6	399.6
Property, Plant and Equipment	4,694.4	4,379.5	4,642.8
Accumulated depreciation, depletion and amortization	(1,796.6)	(1,657.3)	(1,758.2)
Net property, plant and equipment of discontinued operations	-	5,222.0	-
Net Property, Plant and Equipment	2,897.8	7,944.2	2,884.6
Investment in unconsolidated affiliate	27.8	28.3	27.9
Noncurrent regulatory assets	20.6	22.4	21.7
Other noncurrent assets	39.3	35.3	39.8
Noncurrent assets of discontinued operations	-	282.9	-
TOTAL ASSETS	\$3,267.5	\$9,327.7	\$3,373.6

LIABILITIES AND EQUITY

Current Liabilities

Checks outstanding in excess of cash balances	\$1.6	\$0.8	\$-
Short-term debt	86.0	134.5	242.0
Notes payable	-	27.9	-
Accounts payable and accrued expenses	165.1	207.4	225.1
Current regulatory liabilities	38.5	10.6	6.0
Current portion of long-term debt	182.0	-	182.0
Current liabilities of discontinued operations	-	750.4	-

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Total Current Liabilities	473.2	1,131.6	655.1
Long-term debt, less current portion	898.5	831.2	898.5
Deferred income taxes	509.0	379.3	474.7
Asset retirement obligations	64.2	57.5	60.9
Defined benefit pension plan and other postretirement benefits	149.3	210.6	169.5
Customer contributions-in-aid-of-construction	45.7	50.9	45.5
Other long-term liabilities	37.9	37.3	33.3
Noncurrent liabilities of discontinued operations	-	2,749.6	-
EQUITY			
Common stock	503.7	462.5	493.0
Retained earnings	690.0	3,205.2	647.1
Accumulated other comprehensive income (loss)	(104.0)	157.7	(104.0)
TOTAL COMMON SHAREHOLDERS' EQUITY	1,089.7	3,825.4	1,036.1
Noncontrolling interest of discontinued operations	-	54.3	-
Total Equity	1,089.7	3,879.7	1,036.1
TOTAL LIABILITIES AND EQUITY	\$3,267.5	\$9,327.7	\$3,373.6
See notes accompanying the financial statements			

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QUESTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	3 Months Ended March 31,	
	2011	2010
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$ 69.9	\$150.9
Discontinued operations, net of income taxes	-	(78.7)
Adjustments to reconcile net income to net cash provided by operating activities by continuing operations:		
Depreciation, depletion and amortization	41.8	40.6
Deferred income taxes	31.3	1.6
Share-based compensation	3.5	2.8
Net (gain) from asset sales	(0.1)	-
(Income) from unconsolidated affiliate	(0.9)	(1.0)
Distribution from unconsolidated affiliate	1.0	0.8
Changes in operating assets and liabilities	82.3	26.5
Net Cash Provided By Operating Activities By Continuing Operations	228.8	143.5
INVESTING ACTIVITIES		
Property, plant and equipment	(76.0)	(60.9)
Cash used in disposition of assets	(0.5)	(0.2)
Change in notes receivable	-	(13.7)
Net Cash Used In Investing Activities By Continuing Operations	(76.5)	(74.8)
FINANCING ACTIVITIES		
Common stock issued	5.6	5.9
Common stock repurchased	(2.3)	(5.9)
Change in short-term debt	(156.0)	(34.5)
Change in notes payable	-	(25.0)
Checks outstanding in excess of cash balances	1.6	0.8
Dividends paid	(27.0)	(22.8)
Tax benefits from share-based compensation	4.0	1.3
Net Cash Used In Financing Activities By Continuing Operations	(174.1)	(80.2)
CASH USED IN CONTINUING OPERATIONS	(21.8)	(11.5)

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Cash provided by operating activities of discontinued operations	-	222.0
Cash used in investing activities of discontinued operations	-	(263.4)
Cash provided by financing activities of discontinued operations	-	22.1
Effect of change in cash and cash equivalents of discontinued operations	-	19.3
Change in cash and cash equivalents	(21.8)	(11.5)
Beginning cash and cash equivalents	21.8	11.5
Ending cash and cash equivalents	\$ -	\$ -

See notes accompanying the financial statements

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QUESTAR PIPELINE COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended		12 Months Ended	
	March 31, 2011	2010	March 31, 2011	2010
	(in millions)			
REVENUES				
From unaffiliated customers	\$48.3	\$47.7	\$197.8	\$179.6
From affiliated companies	18.6	18.8	73.8	72.5
Total Revenues	66.9	66.5	271.6	252.1
OPERATING EXPENSES				
Operating and maintenance	8.6	7.8	42.2	39.8
General and administrative	13.1	10.6	43.5	38.1
Depreciation and amortization	12.3	11.8	47.9	45.3
Other taxes	3.1	2.4	9.7	8.7
Cost of goods sold (excluding operating expenses shown separately)	0.6	0.5	2.5	1.3
Total Operating Expenses	37.7	33.1	145.8	133.2
Net gain from asset sales	0.1	0.1	0.8	0.5
OPERATING INCOME	29.3	33.5	126.6	119.4
Interest and other income	0.9	0.1	1.2	2.3
Income from unconsolidated affiliate	0.9	1.0	3.7	3.8
Interest expense	(7.1)	(7.4)	(28.5)	(29.5)
INCOME BEFORE INCOME TAXES	24.0	27.2	103.0	96.0
Income taxes	(8.7)	(10.0)	(37.5)	(35.3)
NET INCOME	\$15.3	\$17.2	\$ 65.5	\$ 60.7

See notes accompanying the financial statements

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QUESTAR PIPELINE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2011	March 31, 2010	Dec. 31, 2010
		(in millions)	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 0.9	\$ -	\$ 5.3
Notes receivable from Questar	40.7	69.6	30.3
Accounts receivable, net	25.5	18.0	20.2
Accounts receivable from affiliates	19.4	15.0	16.2
Materials and supplies	8.1	6.3	7.2
Prepaid expenses and other	3.9	3.6	5.2
Deferred income taxes - current	1.2	0.7	1.2
Total Current Assets	99.7	113.2	85.6
Property, Plant and Equipment	1,721.0	1,606.8	1,711.1
Accumulated depreciation and amortization	(557.4)	(514.0)	(545.0)
Net Property, Plant and Equipment	1,163.6	1,092.8	1,166.1
Investment in unconsolidated affiliate	27.8	28.3	27.9
Goodwill	4.2	4.2	4.2
Regulatory and other noncurrent assets	9.1	11.0	9.6
TOTAL ASSETS	\$1,304.4	\$1,249.5	\$1,293.4
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	\$ 32.4	\$ 48.3	\$ 45.6
Accounts payable to affiliates	4.7	3.8	4.7
Current portion of long-term debt	180.0	-	180.0
Total Current Liabilities	217.1	52.1	230.3
Long-term debt, less current portion	280.9	461.2	280.9
Deferred income taxes	196.1	164.0	180.1
Regulatory and other noncurrent liabilities	15.4	14.9	15.3
COMMON SHAREHOLDER'S EQUITY			
Common stock	6.6	6.6	6.6
Additional paid-in capital	344.5	343.0	344.0
Retained earnings	243.8	207.7	236.2
Total Common Shareholder's Equity	594.9	557.3	586.8

TOTAL LIABILITIES AND COMMON SHAREHOLDER S EQUITY	\$1,304.4	\$1,249.5	\$1,293.4
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See notes accompanying the financial statements

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QUESTAR PIPELINE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	3 Months Ended March 31,	
	2011	2010
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$15.3	\$17.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13.1	