

QUESTAR CORP
 Form 10-Q
 August 04, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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

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

333 South State Street, P.O. Box 45433, Salt Lake City, Utah 84145-0433
 (Address of principal executive offices)
 Registrants' telephone number, including area code (801) 324-5900
 Web site <http://www.questar.com>

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

Questar Corporation Yes No
 Questar Gas Company Yes No
 Questar Pipeline Company Yes No

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

Questar Corporation Yes No
 Questar Gas Company Yes No
 Questar Pipeline Company Yes No

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

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

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Questar Pipeline Company Smaller reporting company

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

Questar Corporation Yes No

Questar Gas Company Yes No

Questar Pipeline Company Yes No

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of June 30, 2016.

Questar Corporation without par value 175,440,133

Questar Gas Company \$2.50 per share par value 9,189,626

Questar Pipeline Company \$1.00 per share par value 6,550,843

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

QUESTAR CORPORATION
 QUESTAR GAS COMPANY
 QUESTAR PIPELINE COMPANY
 FORM 10-Q
 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016

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This Quarterly Report on Form 10-Q is a combined report being filed by three separate registrants: Questar Corporation (Questar or the Company), Questar Gas Company and Questar Pipeline Company. Questar Gas Company and Questar Pipeline Company are wholly-owned subsidiaries of Questar. Separate financial statements for Wexpro Company have not been included since Wexpro is not a registrant. See Note 9 to the accompanying financial statements for a summary of operations by line of business. Information contained herein related to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Item 1 of Part I of this Quarterly Report on Form 10-Q includes separate financial statements (i.e. statements of income, statements of comprehensive income, balance sheets and statements of cash flows, as applicable) for Questar Corporation, Questar Gas Company and Questar Pipeline Company. The notes accompanying the financial statements are presented on a combined basis for all three registrants. Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 2 of Part I is presented by line of business.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

QUESTAR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended		6 Months Ended		12 Months Ended	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
	(in millions, except per-share amounts)					
REVENUES						
Questar Gas	\$128.2	\$141.7	\$536.1	\$516.5	\$937.2	\$936.1
Wexpro	1.9	10.1	5.4	16.4	11.9	31.9
Questar Pipeline	42.9	46.5	85.9	93.3	180.5	187.4
Other	1.1	1.0	3.0	1.7	7.8	3.6
Total Revenues	174.1	199.3	630.4	627.9	1,137.4	1,159.0
OPERATING EXPENSES						
Cost of sales (excluding operating expenses shown separately)	(27.7)	(9.0)	130.8	122.8	183.2	185.2
Operating and maintenance	39.9	40.5	90.3	92.8	179.1	187.6
General and administrative	26.0	27.4	55.6	56.8	107.8	120.0
Pension settlement costs	—	—	—	—	16.7	—
Merger and restructuring costs	3.7	—	18.3	—	18.3	—
Production and other taxes	11.4	12.8	23.1	26.6	47.8	56.2
Depreciation, depletion and amortization	56.4	53.6	112.3	107.9	220.4	209.5
Abandonment and impairment	0.1	0.1	0.3	0.1	12.7	0.1
Total Operating Expenses	109.8	125.4	430.7	407.0	786.0	758.6
Net gain from asset sales	0.1	1.4	0.4	1.4	0.8	2.5
OPERATING INCOME	64.4	75.3	200.1	222.3	352.2	402.9
Interest and other income	1.1	1.5	2.1	2.9	3.4	6.5
Income from unconsolidated affiliate	0.9	1.0	1.9	1.9	3.7	3.6
Interest expense	(15.5)	(15.8)	(31.3)	(31.7)	(62.6)	(63.2)
INCOME BEFORE INCOME TAXES	50.9	62.0	172.8	195.4	296.7	349.8
Income taxes	(17.8)	(21.4)	(61.2)	(70.2)	(101.6)	(123.5)
NET INCOME	\$33.1	\$40.6	\$111.6	\$125.2	\$195.1	\$226.3
Earnings Per Common Share						
Basic	\$0.19	\$0.23	\$0.64	\$0.71	\$1.11	\$1.29
Diluted	0.19	0.23	0.64	0.71	1.11	1.28
Weighted-average common shares outstanding						
Used in basic calculation	176.0	176.4	175.9	176.3	175.9	176.1
Used in diluted calculation	176.2	176.6	176.2	176.5	176.1	176.4
Dividends per common share	\$0.22	\$0.21	\$0.44	\$0.42	\$0.86	\$0.80

See notes accompanying the financial statements

QUESTAR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,		12 Months Ended June 30,	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Net income	\$33.1	\$40.6	\$111.6	\$125.2	\$195.1	\$226.3
Other comprehensive income (loss):						
Pension and other postretirement benefits	4.0	6.0	8.0	12.0	21.6	(93.7)
Interest rate cash flow hedge amortization	0.1	0.2	0.3	0.4	0.5	0.6
Commodity cash flow hedge	(0.9)	(0.3)	(1.1)	(0.3)	(1.0)	(0.3)
Income taxes	(1.1)	(2.2)	(2.7)	(4.6)	(8.1)	35.9
Net other comprehensive income (loss)	2.1	3.7	4.5	7.5	13.0	(57.5)
COMPREHENSIVE INCOME	\$35.2	\$44.3	\$116.1	\$132.7	\$208.1	\$168.8

See notes accompanying the financial statements

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QUESTAR CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	June 30, 2016	June 30, 2015	Dec. 31, 2015
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$—	\$—	\$25.0
Accounts receivable, net	56.6	53.3	168.0
Unbilled gas accounts receivable	11.0	11.6	91.3
Gas stored underground	26.2	30.6	45.1
Materials and supplies	27.8	30.7	28.4
Current regulatory assets	21.0	57.1	70.0
Prepaid expenses and other	20.0	10.2	12.3
Total Current Assets	162.6	193.5	440.1
Property, Plant and Equipment	6,313.4	6,057.2	6,182.0
Accumulated depreciation, depletion and amortization	(2,424.2)	(2,272.5)	(2,333.3)
Net Property, Plant and Equipment	3,889.2	3,784.7	3,848.7
Investment in unconsolidated affiliate	23.5	24.3	23.9
Noncurrent regulatory assets	19.7	23.7	14.9
Other noncurrent assets	45.6	43.9	44.2
TOTAL ASSETS	\$4,140.6	\$4,070.1	\$4,371.8
LIABILITIES AND COMMON SHAREHOLDERS' EQUITY			
Current Liabilities			
Checks outstanding in excess of cash balances	\$4.0	\$2.5	\$—
Short-term debt	459.0	228.0	457.6
Accounts payable and accrued expenses	159.7	201.0	224.8
Current regulatory liabilities	34.2	2.6	6.4
Current portion of long-term debt and capital lease obligation	1.3	277.0	251.3
Total Current Liabilities	658.2	711.1	940.1
Long-term debt and capital lease obligation, less current portion	997.9	998.6	998.2
Deferred income taxes	783.7	707.3	779.5
Asset retirement obligations	71.4	70.6	67.6
Defined benefit pension plan and other postretirement benefits	108.7	125.1	123.0
Noncurrent regulatory liabilities	85.1	74.9	75.6
Customer contributions in aid of construction	23.1	27.4	23.7
Other noncurrent liabilities	52.2	46.3	49.0
COMMON SHAREHOLDERS' EQUITY			
Common stock	475.6	480.8	469.0
Retained earnings	1,065.5	1,021.8	1,031.4
Accumulated other comprehensive (loss)	(180.8)	(193.8)	(185.3)
Total Common Shareholders' Equity	1,360.3	1,308.8	1,315.1
TOTAL LIABILITIES AND COMMON SHAREHOLDERS' EQUITY	\$4,140.6	\$4,070.1	\$4,371.8
See notes accompanying the financial statements			

QUESTAR CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	6 Months Ended June 30,	
	2016	2015
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$ 111.6	\$ 125.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	118.2	111.3
Deferred income taxes	1.1	(7.2)
Abandonment and impairment	0.3	0.1
Share-based compensation	5.4	6.3
Net (gain) from asset sales	(0.4)	(1.4)
(Income) from unconsolidated affiliate	(1.9)	(1.9)
Distributions from unconsolidated affiliate and other	2.8	2.6
Changes in operating assets and liabilities	207.8	66.2
NET CASH PROVIDED BY OPERATING ACTIVITIES	444.9	301.2
INVESTING ACTIVITIES		
Property, plant and equipment purchased	(146.2)	(127.3)
Questar Gas acquisition of gas distribution system	—	(11.4)
Cash used in disposition of assets	(1.5)	(1.8)
Proceeds from disposition of assets	0.4	1.1
NET CASH USED IN INVESTING ACTIVITIES	(147.3)	(139.4)
FINANCING ACTIVITIES		
Common stock issued	3.9	1.5
Common stock repurchased	(2.8)	(4.1)
Short-term debt issued	250.0	—
Change in commercial paper, net	(248.6)	(119.0)
Checks outstanding in excess of cash balances	4.0	2.5
Long-term debt repaid	(250.0)	—
Capital lease obligation repaid	(0.6)	(0.6)
Revolver issuance costs paid	(1.2)	—
Dividends paid	(77.5)	(74.1)
Tax benefits from share-based compensation	0.2	—
NET CASH USED IN FINANCING ACTIVITIES	(322.6)	(193.8)
Change in cash and cash equivalents	(25.0)	(32.0)
Beginning cash and cash equivalents	25.0	32.0
Ending cash and cash equivalents	\$—	\$—

See notes accompanying the financial statements

QUESTAR GAS COMPANY
STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended		6 Months Ended		12 Months Ended	
	June 30,	2015	June 30,	2015	June 30,	2015
	2016		2016		2016	
	(in millions)					
REVENUES	\$128.2	\$141.7	\$536.1	\$516.5	\$937.2	\$936.1
OPERATING EXPENSES						
Cost of natural gas sold (excluding operating expenses shown separately)	67.8	84.0	324.7	317.6	565.2	580.6
Operating and maintenance	24.9	24.8	59.5	57.9	113.5	114.3
General and administrative	11.4	12.8	24.4	26.2	48.8	52.3
Depreciation and amortization	15.0	13.6	29.7	27.1	57.7	53.9
Other taxes	5.3	5.1	10.6	9.7	20.2	17.6
Total Operating Expenses	124.4	140.3	448.9	438.5	805.4	818.7
OPERATING INCOME	3.8	1.4	87.2	78.0	131.8	117.4
Interest and other income	0.9	1.2	1.9	2.3	4.4	5.6
Interest expense	(7.5)	(7.1)	(15.2)	(14.2)	(29.3)	(28.3)
INCOME (LOSS) BEFORE INCOME TAXES	(2.8)	(4.5)	73.9	66.1	106.9	94.7
Income taxes	1.2	1.7	(27.9)	(25.1)	(37.6)	(34.8)
NET INCOME (LOSS)	\$(1.6)	\$(2.8)	\$46.0	\$41.0	\$69.3	\$59.9

See notes accompanying the financial statements

QUESTAR GAS COMPANY
CONDENSED BALANCE SHEETS
(Unaudited)

	June 30, 2016	June 30, 2015	Dec. 31, 2015
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$—	\$—	\$10.5
Accounts receivable, net	36.6	29.6	112.0
Unbilled gas accounts receivable	11.0	11.6	91.0
Accounts receivable from affiliates	72.1	68.3	69.2
Gas stored underground	23.1	26.1	43.9
Materials and supplies	16.7	18.7	17.1
Current regulatory assets	20.6	56.3	69.8
Prepaid expenses and other	4.2	3.8	3.5
Total Current Assets	184.3	214.4	417.0
Property, Plant and Equipment	2,684.8	2,455.4	2,570.3
Accumulated depreciation and amortization	(827.6)	(799.9)	(812.2)
Net Property, Plant and Equipment	1,857.2	1,655.5	1,758.1
Noncurrent regulatory assets	16.5	19.8	11.9
Other noncurrent assets	5.7	5.7	5.7
TOTAL ASSETS	\$2,063.7	\$1,895.4	\$2,192.7
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY			
Current Liabilities			
Checks outstanding in excess of cash balances	\$5.1	\$4.1	\$—
Notes payable to Questar	129.0	59.7	273.3
Accounts payable and accrued expenses	81.2	106.7	122.5
Accounts payable to affiliates	69.7	77.8	74.5
Customer advances	13.7	18.0	34.3
Current regulatory liabilities	32.8	1.0	4.0
Total Current Liabilities	331.5	267.3	508.6
Long-term debt	531.4	531.0	531.2
Deferred income taxes	449.2	382.0	436.7
Noncurrent regulatory liabilities	74.7	65.5	65.6
Customer contributions in aid of construction	23.1	27.4	23.7
Other noncurrent liabilities	2.3	2.5	2.2
COMMON SHAREHOLDER'S EQUITY			
Common stock	23.0	23.0	23.0
Additional paid-in capital	267.6	266.1	266.8
Retained earnings	360.9	330.6	334.9
Total Common Shareholder's Equity	651.5	619.7	624.7
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	\$2,063.7	\$1,895.4	\$2,192.7

See notes accompanying the financial statements

QUESTAR GAS COMPANY
 CONDENSED STATEMENTS OF CASH FLOWS
 (Unaudited)

	6 Months Ended June 30,	
	2016	2015
	(in millions)	
OPERATING ACTIVITIES		
Net income	\$46.0	\$41.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32.6	29.9
Deferred income taxes	12.5	(1.8)
Share-based compensation	0.8	0.7
Changes in operating assets and liabilities	182.3	95.0
NET CASH PROVIDED BY OPERATING ACTIVITIES	274.2	164.8
INVESTING ACTIVITIES		
Property, plant and equipment purchased	(124.3)	(88.3)
Acquisition of gas distribution system	—	(11.4)
Cash used in disposition of assets	(1.2)	(1.4)
Proceeds from disposition of assets	0.1	0.1
Affiliated-company property, plant and equipment transfers	(0.1)	(0.1)
NET CASH USED IN INVESTING ACTIVITIES	(125.5)	(101.1)
FINANCING ACTIVITIES		
Change in notes payable to Questar	(144.3)	(59.6)
Checks outstanding in excess of cash balances	5.1	4.1
Dividends paid to Questar	(20.0)	(28.0)
NET CASH USED IN FINANCING ACTIVITIES	(159.2)	(83.5)
Change in cash and cash equivalents	(10.5)	(19.8)
Beginning cash and cash equivalents	10.5	19.8
Ending cash and cash equivalents	\$—	\$—

See notes accompanying the financial statements

QUESTAR PIPELINE COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended June 30, 2016 2015		6 Months Ended June 30, 2016 2015		12 Months Ended June 30, 2016 2015	
	(in millions)					
REVENUES						
From unaffiliated customers	\$42.9	\$46.5	\$85.9	\$93.3	\$180.5	\$187.4
From affiliated companies	17.5	17.8	36.8	37.2	74.7	73.9
Total Revenues	60.4	64.3	122.7	130.5	255.2	261.3
OPERATING EXPENSES						
Operating and maintenance	9.0	8.9	17.6	19.0	36.2	39.8
General and administrative	8.9	10.5	19.2	21.0	37.1	40.1
Depreciation and amortization	13.7	13.7	27.4	27.7	54.3	55.0
Other taxes	2.2	2.1	4.5	4.4	8.9	8.8
Cost of sales (excluding operating expenses shown separately)	0.3	(0.2)	0.4	1.7	7.6	3.3
Total Operating Expenses	34.1	35.0	69.1	73.8	144.1	147.0
Net gain (loss) from asset sales	0.1	—	0.4	—	0.6	(0.5)
OPERATING INCOME	26.4	29.3	54.0	56.7	111.7	113.8
Interest and other income	0.2	0.2	0.3	0.4	0.8	1.2
Income from unconsolidated affiliate	0.9	1.0	1.9	1.9	3.7	3.6
Interest expense	(6.2)	(6.5)	(12.4)	(13.1)	(25.3)	(26.1)
INCOME BEFORE INCOME TAXES	21.3	24.0	43.8	45.9	90.9	92.5
Income taxes	(7.7)	(8.8)	(16.0)	(16.8)	(32.6)	(34.2)
NET INCOME	\$13.6	\$15.2	\$27.8	\$29.1	\$58.3	\$58.3

See notes accompanying the financial statements

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

	3 Months		6 Months		12 Months	
	Ended		Ended		Ended	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Net income	\$13.6	\$15.2	\$27.8	\$29.1	\$58.3	\$58.3
Other comprehensive income (loss):						
Interest rate cash flow hedge amortization	0.1	0.2	0.3	0.4	0.5	0.6
Commodity cash flow hedge	(0.9)	(0.3)	(1.1)	(0.3)	(1.0)	(0.3)
Income taxes	0.4	—	0.3	(0.1)	0.2	(0.1)
Net other comprehensive income (loss)	(0.4)	(0.1)	(0.5)	—	(0.3)	0.2
COMPREHENSIVE INCOME	\$13.2	\$15.1	\$27.3	\$29.1	\$58.0	\$58.5

See notes accompanying the financial statements

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QUESTAR PIPELINE COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	June 30, 2016	June 30, 2015	Dec. 31, 2015
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$1.6	\$1.0	\$10.2
Notes receivable from Questar	34.6	34.0	6.0
Accounts receivable, net	16.6	17.0	29.6
Accounts receivable from affiliates	51.9	47.1	49.8
Gas stored underground, at lower of average cost or market	3.1	4.5	1.2
Materials and supplies, at lower of average cost or market	6.5	7.4	6.7
Current regulatory assets	0.4	0.8	0.2
Prepaid expenses and other	3.0	2.8	4.4
Total Current Assets	117.7	114.6	108.1
Property, Plant and Equipment	1,860.4	1,843.6	1,851.1
Accumulated depreciation and amortization	(732.8)	(697.8)	(709.7)
Net Property, Plant and Equipment	1,127.6	1,145.8	1,141.4
Investment in unconsolidated affiliate	23.5	24.3	23.9
Noncurrent regulatory and other assets	7.4	8.0	7.1
TOTAL ASSETS	\$1,276.2	\$1,292.7	\$1,280.5
LIABILITIES AND COMMON SHAREHOLDER'S EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	\$16.8	\$21.8	\$16.1
Accounts payable to affiliates	12.3	9.1	15.8
Current regulatory liabilities	1.4	1.6	2.4
Current portion of long-term debt	—	25.1	—
Total Current Liabilities	30.5	57.6	34.3
Long-term debt, less current portion	431.2	430.9	431.0
Deferred income taxes	251.6	238.6	249.9
Noncurrent regulatory and other liabilities	17.7	16.0	16.3
COMMON SHAREHOLDER'S EQUITY			
Common stock	6.6	6.6	6.6
Additional paid-in capital	354.3	352.7	353.4
Retained earnings	207.1	212.8	211.3
Accumulated other comprehensive (loss)	(22.8)	(22.5)	(22.3)
Total Common Shareholder's Equity	545.2	549.6	549.0
TOTAL LIABILITIES AND COMMON SHAREHOLDER'S EQUITY	\$1,276.2	\$1,292.7	\$1,280.5

See notes accompanying the financial statements

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

	6 Months Ended June 30, 2016 2015 (in millions)	
OPERATING ACTIVITIES		
Net income	\$27.8	\$29.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28.6	28.9
Deferred income taxes	1.6	(1.1)
Share-based compensation	0.9	1.3
Net (gain) from asset sales	(0.4)	—
(Income) from unconsolidated affiliate	(1.9)	(1.9)
Distributions from unconsolidated affiliate and other	2.6	2.4
Changes in operating assets and liabilities	6.9	(5.9)
NET CASH PROVIDED BY OPERATING ACTIVITIES	66.1	52.8
INVESTING ACTIVITIES		
Property, plant and equipment purchased	(14.2)	(17.1)
Cash used in disposition of assets	(0.3)	(0.4)
Proceeds from disposition of assets	0.3	0.1
Affiliated-company property, plant and equipment transfers	0.1	0.1
NET CASH USED IN INVESTING ACTIVITIES	(14.1)	(17.3)
FINANCING ACTIVITIES		
Change in notes receivable from Questar	(28.6)	6.1
Dividends paid to Questar	(32.0)	(48.0)
NET CASH USED IN FINANCING ACTIVITIES	(60.6)	(41.9)
Change in cash and cash equivalents	(8.6)	(6.4)
Beginning cash and cash equivalents	10.2	7.4
Ending cash and cash equivalents	\$1.6	\$1.0

See notes accompanying the financial statements

QUESTAR CORPORATION
QUESTAR GAS COMPANY
QUESTAR PIPELINE COMPANY
NOTES ACCOMPANYING THE FINANCIAL STATEMENTS
(Unaudited)

The notes accompanying the financial statements apply to Questar Corporation, Questar Gas Company and Questar Pipeline Company unless otherwise noted.

Note 1 - Nature of Business

Questar Corporation (the Company) is a Rockies-based integrated natural gas company with three principal complementary and wholly-owned lines of business:

Questar Gas Company (Questar Gas) provides retail natural gas distribution in Utah, Wyoming and Idaho. Wexpro Company (Wexpro) develops and produces natural gas from cost-of-service reserves for Questar Gas customers.

Questar Pipeline Company (Questar Pipeline) operates interstate natural gas pipelines and storage facilities in the western United States and provides other energy services.

Questar is headquartered in Salt Lake City, Utah. Shares of Questar common stock trade on the New York Stock Exchange (NYSE:STR).

Note 2 - Proposed Merger with Dominion Resources

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

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

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

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

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

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

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

Note 3 - Basis of Presentation of Interim Financial Statements

The interim financial statements contain the accounts of Questar and its wholly-owned subsidiaries. The financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP), the instructions for Quarterly Reports on Form 10-Q and SEC Regulations S-X and S-K. All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements reflect all normal, recurring adjustments and accruals that are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the interim periods presented. Interim financial statements do not include all of the information and notes required by GAAP for audited annual financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of financial statements and notes in conformity with GAAP requires that management make estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Actual results could differ from estimates. The results of operations for the three, six and 12 months ended June 30, 2016, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

Certain reclassifications were made to prior year information to conform to the current year presentation. See Note 13 for further information.

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

Questar Gas obtains the majority of its gas supply from Wexpro's cost-of-service production and pays Wexpro an operator service fee based on the terms of the Wexpro Agreement and the Wexpro II Agreement (Wexpro agreements). Questar Gas also

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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		6 Months Ended		12 Months Ended	
	June 30, 2016	2015	June 30, 2016	2015	June 30, 2016	2015
	(in millions)					
Questar Gas						
Gas purchases	\$2.3	\$2.2	\$49.1	\$43.2	\$88.4	\$83.1
Operator service fee	78.9	75.5	158.7	160.3	317.4	326.5
Transportation and storage	17.4	18.1	39.7	40.3	78.6	79.2
Gathering	5.6	5.6	11.4	11.0	22.5	22.3
Royalties	4.6	6.9	10.3	18.8	24.8	43.3
Storage (injection) withdrawal, net	(15.9)	(16.7)	20.8	14.2	3.1	1.7
Purchased-gas account adjustment	(26.5)	(8.9)	32.1	27.3	25.3	19.6
Other	1.4	1.3	2.6	2.5	5.1	4.9
Total Questar Gas cost of natural gas sold	67.8	84.0	324.7	317.6	565.2	580.6
Elimination of Questar Gas cost of natural gas sold - affiliated companies	(96.2)	(93.2)	(195.2)	(197.2)	(391.5)	(399.9)
Total Questar Gas cost of natural gas sold - unaffiliated parties	(28.4)	(9.2)	129.5	120.4	173.7	180.7
Questar Pipeline						
Questar Pipeline cost of sales	0.3	(0.2)	0.4	1.7	7.6	3.3
Other cost of sales	0.4	0.4	0.9	0.7	1.9	1.2
Total cost of sales	\$(27.7)	\$(9.0)	\$130.8	\$122.8	\$183.2	\$185.2

Note 4 - Earnings Per Share

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

	3 Months Ended June 30, 2016		6 Months Ended June 30, 2015		12 Months Ended June 30, 2015	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Weighted-average basic common shares outstanding	176.0	176.4	175.9	176.3	175.9	176.1
Potential number of shares issuable under the Company's LTSIP	0.2	0.2	0.3	0.2	0.2	0.3
Weighted-average diluted common shares outstanding	176.2	176.6	176.2	176.5	176.1	176.4

Note 5 - Accumulated Other Comprehensive Income

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

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

	Pension and OPB	Interest rate cash flow hedges	Commodity cash flow hedges	Long-term investment	Total
3 Months Ended June 30, 2016					
	(in millions)				
AOCI at beginning of period	\$(160.6)	\$(22.1)	\$ (0.3)	\$ 0.1	\$(182.9)
OCI before reclassifications	—	—	(0.9)	—	(0.9)
Reclassified from AOCI ⁽¹⁾	4.0	0.1	—	—	4.1
Income taxes					
OCI before reclassifications	—	—	0.4	—	0.4
Reclassified from AOCI ⁽²⁾	(1.5)	—	—	—	(1.5)
Total income taxes	(1.5)	—	0.4	—	(1.1)
Net other comprehensive income (loss)	2.5	0.1	(0.5)	—	2.1
AOCI at end of period	\$(158.1)	\$(22.0)	\$ (0.8)	\$ 0.1	\$(180.8)

	Pension and OPB	Interest rate cash flow hedges	Commodity cash flow hedges	Long-term investment	Total
3 Months Ended June 30, 2015					
(in millions)					
AOCI at beginning of period	\$(175.2)	\$(22.4)	\$ —	\$ 0.1	\$(197.5)
OCI before reclassifications	—	—	(0.3)	—	(0.3)
Reclassified from AOCI ⁽¹⁾	6.0	0.2	—	—	6.2
Income taxes					
OCI before reclassifications	—	—	0.1	—	0.1
Reclassified from AOCI ⁽²⁾	(2.2)	(0.1)	—	—	(2.3)
Total income taxes	(2.2)	(0.1)	0.1	—	(2.2)
Net other comprehensive income (loss)	3.8	0.1	(0.2)	—	3.7
AOCI at end of period	\$(171.4)	\$(22.3)	\$ (0.2)	\$ 0.1	\$(193.8)

	Pension and OPB	Interest rate cash flow hedges	Commodity cash flow hedges	Long-term investment	Total
6 Months Ended June 30, 2016					
(in millions)					
AOCI at beginning of period	\$(163.1)	\$(22.2)	\$ (0.1)	\$ 0.1	\$(185.3)
OCI before reclassifications	—	—	(1.1)	—	(1.1)
Reclassified from AOCI ⁽¹⁾	8.0	0.3	—	—	8.3
Income taxes					
OCI before reclassifications	—	—	0.4	—	0.4
Reclassified from AOCI ⁽²⁾	(3.0)	(0.1)	—	—	(3.1)
Total income taxes	(3.0)	(0.1)	0.4	—	(2.7)
Net other comprehensive income (loss)	5.0	0.2	(0.7)	—	4.5
AOCI at end of period	\$(158.1)	\$(22.0)	\$ (0.8)	\$ 0.1	\$(180.8)

	Pension and OPB	Interest rate cash flow hedges	Commodity cash flow hedges	Long-term investment	Total
6 Months Ended June 30, 2015					
(in millions)					
AOCI at beginning of period	\$(178.9)	\$(22.5)	\$ —	\$ 0.1	\$(201.3)
OCI before reclassifications	—	—	(0.3)	—	(0.3)
Reclassified from AOCI ⁽¹⁾	12.0	0.4	—	—	12.4
Income taxes					
OCI before reclassifications	—	—	0.1	—	0.1
Reclassified from AOCI ⁽²⁾	(4.5)	(0.2)	—	—	(4.7)
Total income taxes	(4.5)	(0.2)	0.1	—	(4.6)
Net other comprehensive income (loss)	7.5	0.2	(0.2)	—	7.5
AOCI at end of period	\$(171.4)	\$(22.3)	\$ (0.2)	\$ 0.1	\$(193.8)

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

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(2) Income tax reclassifications related to interest rate cash flow hedge amounts are included in their entirety as credits to income taxes on the Consolidated Statements of Income.

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

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

Note 6 - Asset Retirement Obligations

Questar records an asset retirement obligation (ARO) along with an increase to the carrying value of the related property, plant and equipment when there is a legal obligation associated with the retirement of a tangible long-lived asset. Questar's AROs apply primarily to abandonment costs associated with gas and oil wells, production facilities and certain other properties. The Company has not recorded AROs on a majority of its long-lived transportation and distribution assets because the Company does not have a legal obligation to restore the area surrounding abandoned assets. The fair value of retirement costs is estimated by Company personnel based on abandonment costs of similar properties available to field operations and depreciated over the life of the related assets. Revisions to estimates result from material changes in the expected timing or amount of cash flows associated with AROs. Income or expense resulting from the settlement of ARO liabilities sold 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:

	6 Months Ended June 30, 2016 2015 (in millions)	
AROs at beginning of year	\$67.6	\$69.3
Accretion	2.1	1.7
Liabilities incurred	0.2	0.5
Revisions in estimated cash flows	2.1	5.7
Liabilities settled	(0.6)	(6.6)
AROs at end of period	\$71.4	\$70.6

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

Note 7 - Fair Value Measurements

Questar complies with the accounting standards for fair value measurements and disclosures. The standards establish a fair value hierarchy. Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company had no assets or liabilities measured using Level 3 inputs at June 30, 2016, June 30, 2015, or December 31, 2015. Fair value accounting standards also apply to certain

nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis. At December 31, 2015, the Company recorded a pre-tax abandonment and impairment charge of \$12.1 million for the South Moxa leasehold. Thus, the South Moxa leasehold was reported at fair value on a nonrecurring basis at December 31, 2015. Questar did not have any assets or liabilities measured at fair value on a nonrecurring basis at June 30, 2016 or June 30, 2015.

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:

	Hierarchy Level of Fair Value Estimates	Estimated Carrying Fair Amount Value		Estimated Carrying Fair Amount Value	
		June 30, 2016	June 30, 2015	June 30, 2015	Dec. 31, 2015
(in millions)					
Financial assets					
Cash and cash equivalents	1	\$—	\$—	\$—	\$ 25.0
Long-term investment	1	16.6	16.7	16.7	14.1
Financial liabilities					
Checks outstanding in excess of cash balances	1	4.0	2.5	2.5	—
Short-term debt	1	459.0	228.0	228.0	457.6
Long-term debt, including current portion	2	962.0	1,237.8	1,205.5	1,212.3

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 6). 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:

	Hierarchy Level of Fair Value Estimates	Estimated Carrying Fair Amount Value		Estimated Carrying Fair Amount Value	
		June 30, 2016	June 30, 2015	June 30, 2015	Dec. 31, 2015
(in millions)					
Financial assets					
Cash and cash equivalents	1	\$—	\$—	\$—	\$ 10.5
Financial liabilities					
Checks outstanding in excess of cash balances	1	5.1	4.1	4.1	—
Notes payable to Questar	1	129.0	59.7	59.7	273.3
Long-term debt	2	536.5	531.0	581.5	531.2

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

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	Hierarchy Level of Fair Value Estimates	Estimated Carrying Amount Fair Value		Estimated Carrying Amount Fair Value		Estimated Carrying Amount Fair Value	
		June 30, 2016	June 30, 2015	June 30, 2015	June 30, 2015	Dec. 31, 2015	Dec. 31, 2015
(in millions)							
Financial assets							
Cash and cash equivalents	1	\$1.6	\$ 1.6	\$1.0	\$ 1.0	\$10.2	\$ 10.2
Notes receivable from Questar	1	34.6	34.6	34.0	34.0	6.0	6.0
Financial liabilities							
Long-term debt, including current portion	2	431.24	468.0	456.04	487.6	431.0	445.2

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.

Note 8 - 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 5 for details regarding reclassifications of AOCI related to deferred interest rate cash flow hedge losses to interest expense for the six months ended June 30, 2016 and June 30, 2015.

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. There was a \$1.3 million derivative liability at June 30, 2016, a \$0.2 million liability at December 31, 2015 and a \$0.3 million liability at June 30, 2015.

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 and provides other energy services. 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		6 Months Ended		12 Months Ended	
	June 30, 2016	2015	June 30, 2016	2015	June 30, 2016	2015
(in millions)						
Revenues from Unaffiliated Customers						
Questar Gas	\$128.2	\$141.7	\$536.1	\$516.5	\$937.2	\$936.1
Wexpro	1.9	10.1	5.4	16.4	11.9	31.9
Questar Pipeline	42.9	46.5	85.9	93.3	180.5	187.4
Other	1.1	1.0	3.0	1.7	7.8	3.6
Total	\$174.1	\$199.3	\$630.4	\$627.9	\$1,137.4	\$1,159.0
Revenues from Affiliated Companies						
Wexpro	\$78.9	\$75.6	\$158.7	\$160.4	\$317.4	\$326.7
Questar Pipeline	17.5	17.8	36.8	37.2	74.7	73.9
Total	\$96.4	\$93.4	\$195.5	\$197.6	\$392.1	\$400.6
Operating Income (Loss)						
Questar Gas	\$3.8	\$1.4	\$87.2	\$78.0	\$131.8	\$117.4
Wexpro	39.1	41.8	78.8	83.5	142.7	172.5
Questar Pipeline	26.4	29.3	54.0	56.7	111.7	113.8
Corporate and other	(4.9)	2.8	(19.9)	4.1	(34.0)	(0.8)
Total	\$64.4	\$75.3	\$200.1	\$222.3	\$352.2	\$402.9
Net Income (Loss)						
Questar Gas	\$(1.6)	\$(2.8)	\$46.0	\$41.0	\$69.3	\$59.9
Wexpro	26.1	27.9	52.3	55.6	95.6	116.5
Questar Pipeline	13.6	15.2	27.8	29.1	58.3	58.3
Corporate and other	(5.0)	0.3	(14.5)	(0.5)	(28.1)	(8.4)
Total	\$33.1	\$40.6	\$111.6	\$125.2	\$195.1	\$226.3

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 2016 estimated net cost for the qualified pension plan is \$8.1 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, above the benefit limit defined by the Internal Revenue Service (IRS) for the qualified plan. The nonqualified pension plan is unfunded; benefits are paid from the Company's general funds. The 2016 estimated net cost for the nonqualified pension plan is \$5.2 million.

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

	3 Months		6 Months		12 Months	
	Ended		Ended		Ended	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Service cost	\$3.1	\$3.4	\$6.1	\$6.8	\$13.1	\$12.6
Interest cost	8.1	8.1	16.3	16.2	32.8	32.9
Expected return on plan assets	(12.1)	(11.7)	(24.3)	(23.3)	(48.7)	(45.6)
Prior service cost	—	—	—	—	0.1	0.3
Recognized net actuarial loss	3.7	5.7	7.5	11.4	18.0	18.9
Settlement costs	1.1	—	1.1	—	17.8	—
Net pension cost	\$3.9	\$5.5	\$6.7	\$11.1	\$33.1	\$19.1

The Company currently estimates a \$2.4 million net cost for postretirement benefits other than pensions in 2016, before accretion of a regulatory liability. Net periodic postretirement benefit cost components are listed in the table below:

	3 Months		6 Months		12 Months	
	Ended		Ended		Ended	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Service cost	\$0.1	\$0.1	\$0.2	\$0.3	\$0.5	\$0.6
Interest cost	0.9	0.9	1.8	1.8	3.5	3.6
Expected return on plan assets	(0.7)	(0.8)	(1.4)	(1.6)	(3.0)	(3.1)
Recognized net actuarial loss	0.3	0.3	0.5	0.6	1.1	0.7
Accretion of regulatory liability	0.2	0.2	0.4	0.4	1.0	0.8
Net postretirement benefit cost	\$0.8	\$0.7	\$1.5	\$1.5	\$3.1	\$2.6

Note 11 - Contingencies

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. Management does not believe any such litigation or other legal proceedings arising in the ordinary course of business 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.

Litigation

The case related to operations entitled Questar Gas Company v. QEP Field Services Company that was filed in Third District Court in Salt Lake County, Utah on May 1, 2012, was settled on March 22, 2016. Questar Gas believes the settlement agreement reasonably resolves disputed issues regarding services and charges under the 1993 Gas

Gathering Agreement. The settlement agreement did not result in a material impact on Questar's or Questar Gas's results of operation, financial position or cash flows.

In February 2015, a trial was held in the case of Rocky Mountain Resources and Robert N. Floyd v. QEP Energy Company and Wexpro Company, Ninth Judicial District, County of Sublette, State of Wyoming, Case No. 2011-7816. Plaintiffs allege they are entitled to a 4% overriding royalty interest (ORRI) in a so-called replacement state oil and gas lease ultimately assigned to Wexpro and QEP Energy Company (QEP) in the Pinedale Field. Wexpro and QEP believe the former state leases subject to the

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ORRI expired and a new lease was issued by the State of Wyoming unburdened by the 4% ORRI. A jury decision was reached on February 13, 2015, that awarded the Plaintiffs \$14.1 million from Wexpro and \$16.2 million from QEP. Wexpro and QEP have filed an appeal of the case to the Wyoming Supreme Court and briefing began in May 2016 and will conclude in August 2016. Wexpro has accrued its estimate of liability in the case. Any additional royalties will be recovered from Questar Gas's customers.

Litigation Related to Proposed Merger

As more fully described in Note 2, Questar entered into an Agreement and Plan of Merger with Dominion Resources, Inc. ("Dominion Resources") and its wholly-owned subsidiary, Diamond Beehive Corp. on January 31, 2016, pursuant to which Questar shareholders have the right to receive \$25.00 per share in cash, subject to the satisfaction of specified conditions. If the Dominion Merger is completed, Questar will become a wholly-owned subsidiary of Dominion Resources.

As of August 3, 2016, six lawsuits challenging the Merger have been filed purportedly on behalf of Questar shareholders, of which four are pending in the Third District Court, Salt Lake County, Utah, and two are pending in the United States District Court of Utah, Central Division. Each of the lawsuits names Questar, Questar's directors, Dominion Resources and Diamond Beehive Corp. as defendants. The named plaintiffs in the four lawsuits pending in Third District Court are John Hansen, Eric Senatori, Shiva Stein and James E. Toth, and Teamsters Local 456 Pension Fund and Teamsters Local 456 Annuity Fund, respectively. The named plaintiffs in the two lawsuits pending in U.S. District Court are Kevin Hessel and Dan Ipson, respectively.

All of the lawsuits are purported shareholder class actions advancing substantially the same allegations that the Merger Agreement was adopted in violation of the fiduciary duties of Questar's directors and seeking injunctive relief to enjoin the Dominion Merger, as well as other remedies. All of the cases raise direct claims on behalf of Questar shareholders. In addition, one of the cases raises derivative claims on behalf of Questar.

On April 21, 2016, the Third District Court granted a request to consolidate all four cases pending in Third District Court into Teamsters Local 456 Pension Fund, et. al. v. Ronald W. Jibson, et. al. (Case No. 160900938). On April 22, 2016, the court appointed Teamsters Local 456 Pension Fund as lead plaintiff in the consolidated matter. The court also appointed lead counsel and liaison counsel. On May 5, 2016 the parties of the state action entered into a Memorandum of Understanding and reached an agreement-in-principle providing for settlement of the state action, subject to confirmatory discovery and court approval. The federal plaintiffs are not signatories to the MOU and their cases remain pending, although the federal plaintiffs have stated that they intend to dismiss the federal cases within five days of the approval of the settlement and entry of an Order and Final Judgment in the state cases.

The outcome of these lawsuits is uncertain, and additional lawsuits may be brought or additional claims advanced concerning the Merger. An adverse judgment for monetary damages could have an adverse effect on Questar's operations.

Note 12 - Asset Impairments

During the fourth quarter of 2015, Wexpro recorded a pre-tax abandonment and impairment charge of \$12.1 million for the South Moxa leasehold because current oil market prices do not support an oil drilling program.

Note 13 - Accounting Developments

In April 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing. This update is due to issues regarding performance obligations and licensing identified by the Transition Resource Group for

Revenue Recognition. The amendments in this update do not change the core principle of the guidance in Topic 606, Revenue from Contracts with Customers. Rather, the amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date for the amendments in this update is the same as ASU 2015-14 noted below. The Company is currently evaluating the ASU's effect on its financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The ASU was issued a part of the Board simplification initiative. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition to those simplifications, the amendments eliminate the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. This should not result in a change in practice because the

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guidance that is being superseded was never effective. the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the ASU's effect on its financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations. This updated is the result of feedback received by the Transition Resource Group for Revenue Recognition. The amendments in this update are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations as outlined in Topic 606. The effective date for the amendments in this update is the same as ASU 2015-14 noted below. The Company is currently evaluating the ASU's effect on its financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases. The ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification and creating Topic 842, Leases. The update mainly addresses issues with accounting for operating leases in the financial statements of lessees. As such, the amendments of this update do not fundamentally change lessor accounting. However, some changes have been made to lessor accounting to conform and align that guidance with the lessee guidance and other areas within generally accepted accounting principles. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the ASU's effect on its financial position, results of operations, cash flows and associated disclosures.

In January 2016, FASB issued ASU 2016-01, Financial Instruments-Overall. The ASU was developed to enhance the reporting model for financial instruments in order to provide users of financial statements with more decision-useful information. The update addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the ASU's effect on its financial position, results of operations, cash flows and associated disclosures.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The ASU simplifies the presentation of deferred income taxes. The update requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance will be effective for annual periods beginning after December 15, 2016. The Company has adopted this update for the current reporting period and has retrospectively reflected all deferred taxes as noncurrent for the periods presented.

In August 2015, the FASB issued ASU 2015-15, Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update). This update adds SEC staff guidance to the Codification that the SEC staff will not object to an entity presenting the costs of securing line-of-credit arrangements as an asset, regardless of whether there are any outstanding borrowings. The guidance was issued in response to questions that arose after the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs, in April 2015. There was no impact to the financial statements as a result of this update.

In August 2015, the FASB issued ASU 2015-14. This update defers the effective date of ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which the FASB issued in May of 2014, by one year. ASU 2014-09 replaces most of the existing revenue guidance with a single set of principles, including changes in recognition and disclosure requirements. The revised effective date will be January 1, 2018 and early adoption is permitted beginning January 1, 2017. The new guidance must be applied retrospectively for 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 or cash flows, as well as which transition approach it will take.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330). The ASU states that inventory should be measured at the lower of cost and net realizable value. The guidance will be effective beginning January 1, 2017 and will be applied prospectively. The Company is currently evaluating the ASU's effect on its financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30). The ASU simplifies the presentation of debt issuance costs by requiring that the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The guidance will be effective beginning January 1, 2016 and early adoption is permitted. The new guidance must be applied retrospectively for each prior period

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presented. The Company has adopted this update for the current reporting period and has retrospectively adjusted all periods presented. The prior period debt issuance costs (asset) were netted against the debt within the liability section of the balance sheet. The resulting effect on the balance sheet was a reduction in assets with a corresponding reduction in liabilities.

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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 2015 Form 10-K and analyzes the changes in the results of operations between the three, six and 12 months ended June 30, 2016 and 2015. For definitions of commonly used terms found in this Quarterly Report, please refer to the "Glossary of Commonly Used Terms" provided in Questar's 2015 Form 10-K.

RESULTS OF OPERATIONS

Following are comparisons of net income by line of business:

	3 Months Ended June 30,			6 Months Ended June 30,			12 Months Ended June 30,		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
	(in millions, except per-share amounts)								
Questar Gas	\$(1.6)	\$(2.8)	\$1.2	\$46.0	\$41.0	\$5.0	\$69.3	\$59.9	\$9.4
Wexpro ⁽³⁾	26.1	27.9	(1.8)	52.3	55.6	(3.3)	95.6	116.5	(20.9)
Questar Pipeline	13.6	15.2	(1.6)	27.8	29.1	(1.3)	58.3	58.3	—
Corporate and other ^{(1),(2)}	(5.0)	0.3	(5.3)	(14.5)	(0.5)	(14.0)	(28.1)	(8.4)	(19.7)
Net income	\$33.1	\$40.6	\$(7.5)	\$111.6	\$125.2	\$(13.6)	\$195.1	\$226.3	\$(31.2)
Add: after-tax merger and restructuring costs ⁽¹⁾	2.3	—	2.3	11.3	—	\$11.3	11.3	—	11.3
Add: after-tax pension settlement charge ⁽²⁾	—	—	—	—	—	\$—	10.3	—	10.3
Add: after-tax Wexpro's leasehold impairment charge ⁽³⁾	—	—	—	—	—	\$—	7.9	—	7.9
Adjusted earnings	\$35.4	\$40.6	\$(5.2)	\$122.9	\$125.2	\$(2.3)	\$224.6	\$226.3	\$(1.7)
Earnings per share - diluted	\$0.19	\$0.23	\$(0.04)	\$0.64	\$0.71	\$(0.07)	\$1.11	\$1.28	\$(0.17)
Add: diluted loss per share attributable to merger and restructuring costs ⁽¹⁾	0.01	—	0.01	0.06	—	0.06	0.06	—	0.06
Add: diluted loss per share attributable to pension settlement charge ⁽²⁾	—	—	—	—	—	—	0.06	—	0.06
Add: diluted loss per share attributable to Wexpro's leasehold impairment charge ⁽³⁾	—	—	—	—	—	—	0.05	—	0.05
Adjusted earnings per share - diluted	\$0.20	\$0.23	\$(0.03)	\$0.70	0.71	\$(0.01)	\$1.28	\$1.28	\$—
Weighted-average diluted shares	176.2	176.6	(0.4)	176.2	176.5	(0.3)	176.1	176.4	(0.3)

(1) First quarter 2016 costs associated with proposed Merger and restructuring costs.

(2) Fourth quarter 2015 pension settlement costs.

(3) Fourth quarter 2015 Wexpro's leasehold impairment.

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 because of the Merger and restructuring, pension settlement and impairment charges' infrequent and nonrecurring nature. Refer to Note 2, Note 10 and Note 12 to the financial statements included in Item 1 of Part I of this Quarterly Report for additional information on the proposed Merger and restructuring, pension settlement and impairments charges.

QUESTAR GAS

Questar Gas reported a net loss of \$1.6 million in the second quarter of 2016 compared to net loss of \$2.8 million in the second quarter of 2015. Questar Gas net income was \$46.0 million in the first half of 2016 compared to \$41.0 million in the first half of 2015. Net income was \$69.3 million in the 12 months ended June 30, 2016, compared to \$59.9 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 June 30,			6 Months Ended June 30,			12 Months Ended June 30,		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
(in millions)									
Net Income (Loss)									
Revenues									
Residential and commercial sales	\$112.9	\$124.9	\$(12.0)	\$504.6	\$481.1	\$23.5	\$870.8	\$856.0	\$14.8
Industrial sales	4.5	6.3	(1.8)	9.5	12.4	(2.9)	20.7	28.6	(7.9)
Transportation for industrial customers	5.7	4.7	1.0	11.7	10.0	1.7	22.9	19.3	3.6
Service	1.3	1.3	—	2.8	2.7	0.1	4.8	4.7	0.1
Other	3.8	4.5	(0.7)	7.5	10.3	(2.8)	18.0	27.5	(9.5)
Total Revenues	128.2	141.7	(13.5)	536.1	516.5	19.6	937.2	936.1	1.1
Cost of natural gas sold	67.8	84.0	(16.2)	324.7	317.6	7.1	565.2	580.6	(15.4)
Margin	60.4	57.7	2.7	211.4	198.9	12.5	372.0	355.5	16.5
Other Operating Expenses									
Operating and maintenance	24.9	24.8	0.1	59.5	57.9	1.6	113.5	114.3	(0.8)
General and administrative	11.4	12.8	(1.4)	24.4	26.2	(1.8)	48.8	52.3	(3.5)
Depreciation and amortization	15.0	13.6	1.4	29.7	27.1	2.6	57.7	53.9	3.8
Other taxes	5.3	5.1	0.2	10.6	9.7	0.9	20.2	17.6	2.6
Total Other Operating Expenses	56.6	56.3	0.3	124.2	120.9	3.3	240.2	238.1	2.1
Net gain (loss) from asset sales	—	—	—	—	—	—	—	—	—
OPERATING INCOME	3.8	1.4	2.4	87.2	78.0	9.2	131.8	117.4	14.4
Interest and other income	0.9	1.2	(0.3)	1.9	2.3	(0.4)	4.4	5.6	(1.2)
Interest expense	(7.5)	(7.1)	(0.4)	(15.2)	(14.2)	(1.0)	(29.3)	(28.3)	(1.0)
Income taxes	1.2	1.7	(0.5)	(27.9)	(25.1)	(2.8)	(37.6)	(34.8)	(2.8)
NET INCOME (LOSS)	\$(1.6)	\$(2.8)	\$1.2	\$46.0	\$41.0	\$5.0	\$69.3	\$59.9	\$9.4
Operating Statistics									
Natural gas volumes (MMdth)									
Residential and commercial sales	13.2	13.9	(0.7)	60.0	51.0	9.0	103.0	90.6	12.4
Industrial sales	0.7	0.9	(0.2)	1.4	1.8	(0.4)	2.9	4.0	(1.1)
Transportation for industrial customers	22.9	18.8	4.1	45.5	36.4	9.1	86.3	79.1	7.2
Total industrial	23.6	19.7	3.9	46.9	38.2	8.7	89.2	83.1	6.1
Total deliveries	36.8	33.6	3.2	106.9	89.2	17.7	192.2	173.7	18.5
Natural gas revenue (per dth)									
Residential and commercial sales	\$8.54	\$9.03	\$(0.49)	\$8.41	\$9.44	\$(1.03)	\$8.45	\$9.45	\$(1.00)
Industrial sales	6.44	6.55	(0.11)	6.74	6.87	(0.13)	7.21	7.38	(0.17)
Transportation for industrial customers	0.25	0.25	—	0.26	0.27	(0.01)	0.27	0.24	0.03
(Warmer) than normal temperatures	(36%)	(19%)	(17%)	(14%)	(23%)	9%	(14%)	(21%)	7%
Temperature-adjusted usage per customer (dth)	16.3	14.8	1.5	64.6	60.0	4.6	107.9	101.7	6.2
Customers at June 30, (in thousands)	999	979	20						

Margin Analysis

Questar Gas margin (revenues minus gas costs) increased \$2.7 million in the second quarter of 2016 compared to the second quarter of 2015, increased \$12.5 million in the first half of 2016 compared to the first half of 2015 and increased \$16.5 million in the 12 months ended June 30, 2016, compared to the 12 months ended June 30, 2015.

Following is a summary of major changes in Questar Gas margin:

	3 Months 2016 vs. 2015	6 Months 2016 vs. 2015	12 Months 2016 vs. 2015
	(in millions)		
Customer growth	\$0.9	\$ 4.0	\$ 6.9
Transportation	0.8	1.3	2.9
Infrastructure-replacement cost recovery	0.9	4.9	7.7
Energy-efficiency program cost recovery	0.3	1.9	(1.5)
Other	(0.2)	0.4	0.5
Increase	\$2.7	\$ 12.5	\$ 16.5

At June 30, 2016, Questar Gas served 998,933 customers, up 2.1% from 978,674 at June 30, 2015. Customer growth increased the margin by \$0.9 million in the second quarter of 2016, \$4.0 million in the first half of 2016 and \$6.9 million in the 12 months ended June 30, 2016.

Transportation service revenues increased the margin during the three-, six- and 12-month periods ended June 30, 2016 due to higher rates and higher transportation volumes in the 12-month period and higher volumes in the three- and six-month periods.

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 upon the completion of each project. A March 2014 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. This dollar threshold was met in November 2014. Thereafter, Questar Gas was able to recover program capital expenditures through the infrastructure-replacement mechanism. Questar Gas margin from the infrastructure-replacement program was \$0.9 million higher in the second quarter of 2016 than the second quarter of 2015, 4.9 million higher in the first half of 2016 compared to 2015 and \$7.7 million higher in the 12 months ended June 30, 2016 compared to the 12 months ended June 30, 2015.

Higher recovery of energy-efficiency program costs increased Questar Gas margin by \$0.3 million during the second quarter of 2016 and by \$1.9 million during the first half of 2016 compared to 2015 periods while lower recovery of energy-efficiency program costs decreased the margin by \$1.5 million in the 12-month period ended June 30, 2016. Energy-efficiency program costs are incurred to promote energy conservation by customers. Changes in the margin contribution from energy-efficiency program revenues are offset by equivalent changes in program expenses.

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.

On July 1, 2016, Questar Gas filed a general rate case in Utah requesting a \$22 million increase in rates and a continuation of an allowed return on equity of 9.85%. Hearings in the case are expected in the first quarter of 2017. Any changes in rates would be effective March 1, 2017.

Cost of Natural Gas Sold

Cost of natural gas sold decreased 19% in the second quarter of 2016, increased 2% in the first half of 2016 and decreased 3% in the 12 months ended June 30, 2016, compared to the same periods of 2015. The decrease in the three months ended June 30, 2016 was primarily due to lower volumes resulting from 17% warmer temperatures when compared to the same period last year and lower purchased gas prices. The decrease in the 12 months ended June 30, 2016 was primarily due to lower purchased gas prices. Questar Gas accounts for purchased-gas costs in accordance with procedures authorized by the Public Service Commission of Utah (PSCU) and the 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 June 30, 2016, Questar Gas had a \$29.0 million over-

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collected balance in the purchased-gas adjustment account representing amounts recovered from customers in excess of costs incurred. Questar Gas filed for a \$29.8 million gas cost reduction effective June 2016 to reduce the over-collected balance.

Other Expenses

Operating and maintenance expenses were flat in the second quarter of 2016, increased 3% in the first half of 2016 and decreased 1% in the 12 months ended June 30, 2016, compared to the same periods of 2015. The increase in the first half of the year included higher energy-efficiency program costs of \$1.9 million, while the decrease for 12 month period included lower energy-efficiency program costs of \$1.5 million. The energy-efficiency program costs are for the company's energy-efficiency program and are recovered from customers through periodic rate changes. Excluding energy-efficiency program charges, operating and maintenance expenses were relatively flat for all periods.

General and administrative expenses, including medical and pension related costs, decreased 11% in the second quarter of 2016 and 7% for the six- and 12-month periods ended June 30, 2016 compared to the same prior year periods. The decreases for the second quarter and first six months were due to lower third-party claims, lower corporate allocations and lower employee-related costs. The decrease for the 12 months ended was caused by lower corporate allocations and lower employee-related costs. Operating, maintenance, general and administrative expenses per customer, exclusive of energy-efficiency program costs, were \$137 in the 12 months ended June 30, 2016 and \$143 in the 12 months ended June 30, 2015.

Other taxes were 4% higher in the second quarter of 2016, 9% higher in the first half of 2016 and 15% higher in the 12 months ended June 30, 2016, compared to year-earlier periods. The increases were primarily due to higher property taxes.

Depreciation and amortization expense increased 10% in the second quarter of 2016, 10% in the first half of 2016 and 7% in the 12 months ended June 30, 2016 compared to the 2015 periods. The higher expense was caused by plant additions driven by customer growth and infrastructure replacements.

WEXPRO

Wexpro reported net income of \$26.1 million in the second quarter of 2016 compared to \$27.9 million in the second quarter of 2015. Wexpro earned \$52.3 million in the first half of 2016 compared to \$55.6 million in the first half of 2015 and \$95.6 million for the 12 months ended June 30, 2016, compared to \$116.5 million for the year-earlier period.

Following is a summary of Wexpro financial and operating results:

	3 Months Ended June 30,			6 Months Ended June 30,			12 Months Ended June 30,		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
	(in millions)								
Net Income									
Revenues									
Operator service fee	\$78.0	\$74.6	\$3.4	\$159.2	\$159.1	\$0.1	\$313.4	\$326.2	\$(12.8)
Oil and NGL sales	2.4	3.7	(1.3)	3.8	6.4	(2.6)	8.8	18.2	(9.4)
Natural gas sales	0.4	3.1	(2.7)	1.0	7.0	(6.0)	6.3	8.3	(2.0)
Other	—	4.3	(4.3)	0.1	4.3	(4.2)	0.8	5.9	(5.1)
Total Revenues	80.8	85.7	(4.9)	164.1	176.8	(12.7)	329.3	358.6	(29.3)
Operating Expenses									
Operating and maintenance	5.8	5.8	—	11.8	14.1	(2.3)	25.1	29.4	(4.3)
Gathering and other handling	0.1	0.4	(0.3)	0.4	0.8	(0.4)	1.1	0.8	0.3
General and administrative	6.4	8.9	(2.5)	14.3	18.0	(3.7)	29.8	34.5	(4.7)
Production and other taxes	3.4	5.3	(1.9)	6.9	11.5	(4.6)	16.6	27.8	(11.2)
Depreciation, depletion and amortization	25.8	24.5	1.3	51.5	49.7	1.8	101.2	94.4	6.8
Exploration	0.1	0.3	(0.2)	0.1	0.5	(0.4)	0.3	2.1	(1.8)
Abandonment and impairment	0.1	0.1	—	0.3	0.1	0.2	12.7	0.1	12.6
Total Operating Expenses	41.7	45.3	(3.6)	85.3	94.7	(9.4)	186.8	189.1	(2.3)
Net gain from asset sales	—	1.4	(1.4)	—	1.4	(1.4)	0.2	3.0	(2.8)
OPERATING INCOME	39.1	41.8	(2.7)	78.8	83.5	(4.7)	142.7	172.5	(29.8)
Interest and other income	0.2	0.4	(0.2)	0.1	0.8	(0.7)	0.2	1.5	(1.3)
Interest expense	—	(0.1)	0.1	(0.1)	(0.1)	—	(0.2)	(0.2)	—
Income taxes	(13.2)	(14.2)	1.0	(26.5)	(28.6)	2.1	(47.1)	(57.3)	10.2
NET INCOME	\$26.1	\$27.9	\$(1.8)	\$52.3	\$55.6	\$(3.3)	\$95.6	\$116.5	\$(20.9)
Operating Statistics									
Production volumes									
Natural gas - cost-of-service deliveries (Bcf)	14.6	14.3	0.3	29.0	29.3	(0.3)	57.4	56.6	0.8
Natural gas - sales (Bcf)	0.2	1.2	(1.0)	0.5	2.4	(1.9)	2.5	2.7	(0.2)
Oil and NGL (Mbbbl)	101	106	(5)	211	233	(22)	442	511	(69)
Natural gas average sales price (per Mcf)	\$1.79	\$2.62	\$(0.83)	\$1.91	\$2.86	\$(0.95)	\$2.54	\$3.05	\$(0.51)
Oil and NGL average sales price (per bbl)	\$38.31	\$46.52	\$(8.21)	\$31.02	\$41.03	\$(10.01)	\$32.30	\$57.15	\$(24.85)
Investment base at June 30, (in millions)	\$607.2	\$629.5	\$(22.3)						

Revenues

Wexpro earned a 17.1% after-tax return on its average investment base for the 12 months ended June 30, 2016, compared to a return of 17.6% for the 12 months ended June 30, 2015. The decline in return was due to the addition of the Canyon Creek acquisition as a Wexpro II investment, which earns a lower return on the acquisition cost. Pursuant to the Wexpro agreements, Wexpro recovers its costs and receives an after-tax return on its investment base. Wexpro currently earns a return of 19.76% on gas development drilling of pre-2016 properties and a return of 7.64% on gas development drilling of post-2015 properties as well as 7.64% on acquisition costs of Wexpro II properties. Wexpro's investment base includes its costs of acquired properties and commercial wells and related facilities, adjusted for

working capital, deferred income taxes and accumulated depreciation, depletion and amortization. Property acquisition costs only pertain to properties that have been approved under the Wexpro II

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Agreement by the PSCU and PSCW (the Commissions). The investment base decreased by 4% in the 12 months ended June 30, 2016. The decrease was due to depreciation, depletion and amortization recorded during the period, offset by deferred income taxes and investment in commercial wells.

Following is a summary of changes in the Wexpro investment base:

	12 Months Ended June 30,	
	2016	2015
	(in millions)	
Beginning investment base	\$629.5	\$674.5
Property acquisitions	46.4	—
Successful development wells and related equipment	15.9	36.1
Depreciation, depletion and amortization	(92.8)	(88.2)
Change in deferred income taxes	8.2	7.1
Ending investment base	\$607.2	\$629.5

The 12 months ended June 30, 2016 investment base includes the cost of the December 2014 Canyon Creek acquisition. The Commissions authorized the inclusion of this acquisition in Wexpro II in the fourth quarter of 2015 (see below for more details).

Wexpro designs its annual drilling program to provide cost-of-service production that is, on average, at or below the current five-year Rockies-adjusted NYMEX forward price curve. Until natural gas prices increase, Wexpro's ability to grow its investment base is limited and it is likely that the investment base will continue to decrease due to depreciation, depletion and amortization amounts exceeding continued investment. For 2016, Wexpro plans to participate in seven third-party-operated wells to be drilled in Pinedale and expects to drill and complete six wells in Vermillion.

Wexpro produced 14.6 Bcf of cost-of-service natural gas for Questar Gas during the second quarter of 2016, up 2% from the second quarter of 2015, 29.0 Bcf in the first half of 2016, down 1% from the first half of 2015 and 57.4 Bcf in the 12 months ended June 30, 2016, up 1% compared to the 12 months ended June 30, 2015. Wexpro natural gas production currently provides the majority of Questar Gas's annual supply requirements.

Wexpro agreed 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 on the market 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. Wexpro remains below the 65% threshold which will decrease to 55% in 2020.

Revenues from oil and natural gas liquids (NGL) sales decreased 35% in the second quarter of 2016, 41% in the first half of 2016 and 52% in the 12 months ended June 30, 2016, compared to the year-earlier periods due to lower market prices and declining production volumes.

Revenues from natural gas sales decreased 87% in the second quarter of 2016, 86% in the first half of 2016 and 24% in the 12 months ended June 30, 2016 due to the transferring of the Canyon Creek properties under the Wexpro II agreement in the fourth quarter of 2015.

Other revenues consist primarily of gains on the sale of property that were credited back to Questar Gas customers through reductions of the operator service fee. In the second quarter of 2015, Wexpro sold its share of the Brady field, recognized a gain of \$1.4 million and credited \$3.8 million back to Questar Gas customers through a reduction in the operator service fee.

Expenses

Operating and maintenance expenses were flat during the second quarter of 2016, decreased 16% for the first half of 2016 and 15% for the 12 month period ended June 30, 2016, compared to prior year periods. The decreases were primarily due to lower water disposal and labor costs. The lease operating expense per Mcfe was \$0.38 in the first half of 2016 compared to \$0.42 in the first half of 2015.

General and administrative expenses, including medical and pension related costs, were lower in the three-, six- and 12-month periods ended June 30, 2016, compared to prior year periods. The decreases were due to lower employee and corporate allocated costs.

Production and other taxes were lower in the three-, six- and 12-month periods ended June 30, 2016, 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 5% in the second quarter, 4% in the first half of 2016 and 7% in the 12 months ended June 30, 2016, compared to the 2015 periods. The increases were largely due to the higher units of production ratio.

Property Acquisitions and Modifications to Wexpro Agreement

In December 2015, Wexpro acquired working interests in 75 producing wells and 112 future drilling locations in the Vermillion Basin in southwestern Wyoming for \$16 million.

During 2015 Wexpro and Questar Gas submitted an application to the Commissions for approval to include the acquired Canyon Creek properties under the terms of the Wexpro II Agreement. As part of this application, Wexpro proposed significant changes to its cost-of-service program to enable future cost-of-service gas production to be more competitive with market prices. The proposed changes to the cost-of-service program were subsequently modified by a Settlement Stipulation in November 2015.

As modified, the Wexpro Agreements include the Canyon Creek acquisition as a Wexpro II property and provide for the following changes to the cost-of-service program:

the return on post-2015 development drilling will be lowered to the Commission allowed rate of return on investment as defined in the Wexpro II Agreement (currently 7.64%), and the pre-2016 investment base and associated returns will not be affected;

Wexpro and Questar Gas will reduce the threshold of maximum combined production from Wexpro properties from 65% of Questar Gas's annual forecasted demand to 55% in 2020;

Dry-hole and non-commercial well costs will be shared on a 50%/50% basis between utility customers and Wexpro so long as the costs allocated to utility customers do not exceed 4.5% of Wexpro's annual development drilling program costs;

Wexpro will share in 50% of the savings when the annual price of cost-of-service production is lower than the annual average market price. However, Wexpro's 50% share of any annual savings will be limited so that Wexpro will not earn a return exceeding the return earned on gas development investment under the 1981 Wexpro Agreement.

Although Wexpro's pre-2016 investment base continues to earn the higher return described above, the pre-2016 investment base will continue to decline over time due to depreciation. Wexpro's post-2015 investment base will earn the lower return described above. Due to these factors, the Company expects Wexpro's overall earnings to decrease compared to prior years.

QUESTAR PIPELINE

Questar Pipeline reported second quarter 2016 net income of \$13.6 million, compared with net income of \$15.2 million in the second quarter of 2015. Questar Pipeline earned \$27.8 million in the first half of 2016, down from \$29.1 million in the first half of 2015 and earned \$58.3 million in both the 12 months ended June 30, 2016 and 2015.

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

	3 Months Ended June 30,			6 Months Ended June 30,			12 Months Ended June 30,		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
	(in millions)								
Net Income									
Revenues									
Transportation	\$46.1	\$48.7	\$(2.6)	\$94.4	\$99.1	\$(4.7)	\$189.9	\$197.0	\$(7.1)
Storage	9.4	9.2	0.2	19.0	18.7	0.3	37.7	37.4	0.3
NGL sales	0.6	0.7	(0.1)	0.8	1.3	(0.5)	2.0	4.1	(2.1)
Energy services	1.8	3.0	(1.2)	4.0	6.3	(2.3)	10.4	12.8	(2.4)
Natural gas sales	0.2	0.2	—	0.2	0.2	—	6.4	0.2	6.2
Other	2.3	2.5	(0.2)	4.3	4.9	(0.6)	8.8	9.8	(1.0)
Total Revenues	60.4	64.3	(3.9)	122.7	130.5	(7.8)	255.2	261.3	(6.1)
Operating Expenses									
Operating and maintenance	9.0	8.9	0.1	17.6	19.0	(1.4)	36.2	39.8	(3.6)
General and administrative	8.9	10.5	(1.6)	19.2	21.0	(1.8)	37.1	40.1	(3.0)
Depreciation and amortization	13.7	13.7	—	27.4	27.7	(0.3)	54.3	55.0	(0.7)
Other taxes	2.2	2.1	0.1	4.5	4.4	0.1	8.9	8.8	0.1
Cost of sales	0.3	(0.2)	0.5	0.4	1.7	(1.3)	7.6	3.3	4.3
Total Operating Expenses	34.1	35.0	(0.9)	69.1	73.8	(4.7)	144.1	147.0	(2.9)
Net gain (loss) from asset sales	0.1	—	0.1	0.4	—	0.4	0.6	(0.5)	1.1
OPERATING INCOME	26.4	29.3	(2.9)	54.0	56.7	(2.7)	111.7	113.8	(2.1)
Interest and other income	0.2	0.2	—	0.3	0.4	(0.1)	0.8	1.2	(0.4)
Income from unconsolidated affiliate	0.9	1.0	(0.1)	1.9	1.9	—	3.7	3.6	0.1
Interest expense	(6.2)	(6.5)	0.3	(12.4)	(13.1)	0.7	(25.3)	(26.1)	0.8
Income taxes	(7.7)	(8.8)	1.1	(16.0)	(16.8)	0.8	(32.6)	(34.2)	1.6
NET INCOME	\$13.6	\$15.2	\$(1.6)	\$27.8	\$29.1	\$(1.3)	\$58.3	\$58.3	\$—

Operating Statistics

Natural gas transportation volumes (MMdth)									
For unaffiliated customers	158.3	183.5	(25.2)	319.1	355.8	(36.7)	704.1	719.4	(15.3)
For Questar Gas	16.7	13.8	2.9	61.8	55.1	6.7	114.3	107.3	7.0
Total transportation	175.0	197.3	(22.3)	380.9	410.9	(30.0)	818.4	826.7	(8.3)
Transportation revenue (per dth)	\$0.26	\$0.25	\$0.01	\$0.25	\$0.24	\$0.01	\$0.23	\$0.24	\$(0.01)
Net firm-daily transportation demand at June 30, (in Mdth)	5,059	5,143	(84)						
Natural gas processing									
NGL sales (Mbbbl)	31	32	(1)	44	61	(17)	104	120	(16)
NGL average sales price (per bbl)	\$18.73	\$23.45	\$(4.72)	\$17.09	\$22.36	\$(5.27)	\$18.59	\$34.72	\$(16.13)

Revenues

As of June 30, 2016, Questar Pipeline had net firm transportation contracts of 5,059 Mdth per day, including 1,020 Mdth per day from Questar Pipeline's 50% ownership of White River Hub, compared with 5,143 Mdth per day as of June 30, 2015. Transportation revenues decreased in the in the three-, six- and 12-month periods ended June 30, 2016 compared to the prior year periods. The decreases are primarily due to reduced rates and contracted volumes on the Southern Trails Pipeline.

Questar Pipeline earns significant revenue from Questar Gas, 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 5.1 years. White River Hub's contracts have a weighted-average remaining life of 9.8 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 August 2018.

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 and an unregulated subsidiary that provides third-party processing services.

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.

Proceeds from NGL sales decreased 14% in the second quarter of 2016, 38% in the first half of 2016 and 51% in the 12 months ended June 30, 2016 compared to the prior year periods. For the second quarter and first half of 2016, net realized price per barrel decreased 20% and 24% respectively while volumes decreased 3% and 28% respectively when compared with the prior year periods. For the 12 months ended June 30, 2016, net realized price per barrel decreased 46% and volumes decreased 13% when compared with the prior year period.

Periodically, Questar Pipeline sells natural gas received from conditioning gas at Clay Basin. Generally, revenue received from the sale of natural gas approximates cost.

Expenses

Operating and maintenance expenses were relatively flat in the second quarter of 2016, decreased 7% in the first half of 2016 and 9% in the 12 months ended June 30, 2016, compared to the corresponding 2015 periods. The decreases were driven by cost-control initiatives and lower maintenance activity.

General and administrative expenses, including medical and pension related costs, decreased 15% in the second quarter of 2016, 9% in the first half of 2016 and 7% in the 12 months ended June 30, 2016, compared to the prior year periods. The decreases were driven by lower employee-related costs and lower corporate allocations. Operating, maintenance, general and administrative expenses per dth transported were \$0.10 in both the first half of 2016 the first half of 2015. Operating, maintenance, general and administrative expenses include processing and storage costs.

Depreciation and amortization expense was flat in the second quarter of 2016, and decreased 1% for both the six- and 12-month periods ended June 30, 2016, compared to the 2015 periods.

For the second quarter, cost of sales increased \$0.5 million over 2015 levels driven by the second quarter 2015 \$0.8 million recovery of the lower-of-cost-or-market adjustment recorded in the first quarter of 2015. For the first half of 2016, cost of sales decreased \$1.3 million as a result of the \$0.6 million net lower-of-cost-or-market adjustment recorded in 2015 and lower product sales due to declining demand during the 2016 period. For the 12 months ended June 30, 2016, cost of sales increased \$4.3 million. This increase was driven by the sale of 2.3 MMdth of natural gas partially offset by declining product sales. Questar Pipeline received this gas to settle the shortfall between NGL revenue and the cost of service for conditioning gas at Clay Basin.

Questar Southern Trails Pipeline

Questar Pipeline has begun a process to sell Questar Southern Trails Pipeline assets. Questar Pipeline's net book value of the western segment of Southern Trails Pipeline is approximately \$23 million. The eastern segment of Southern Trails Pipeline continues to operate at a loss. The Company recorded an impairment on the eastern segment of Southern Trails Pipeline in

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2013, reducing its book value to zero. Assuming the Company can identify a buyer and negotiate acceptable terms, the Company's objective is to sell the Questar Southern Trails Pipeline during 2016. There is no assurance that the Company will be successful in selling Questar Southern Trails Pipeline.

Other Consolidated Results

Corporate Earnings and Other

Corporate earnings decreased \$5.4 million in the second quarter of 2016, \$14.3 million in the first half of 2016 and \$20.4 million for the 12 months ended June 30, 2016, compared to the prior year periods. The decreases were primarily caused by costs associated with the proposed Merger with Dominion Resources, including financial advisor costs, legal costs, increases in the valuation of share-based deferred compensation and accelerated financing costs. See Note 2 to the financial statements included in Item 1 of Part I of this Quarterly Report.

Questar Fueling

Other consolidated results include losses from the start-up of Questar Fueling Company (Questar Fueling) operations. Questar Fueling builds, owns and operates compressed natural gas (CNG) fueling stations for fleet operators with medium- and heavy-duty trucks and tractors. These stations are customized to provide high-volume, high-speed CNG fueling for fleet operators and are also open to the general public. As of June 30, 2016, the company had 10 CNG stations in operation: Houston, DeSoto, San Antonio and Dallas, Texas; Topeka and Kansas City, Kansas, Phoenix, Arizona; Salt Lake City, Utah; Buttonwillow, California; and Denver Colorado. The company is planning and developing another station along a major transportation corridor in California. Questar Fueling net losses included in other consolidated results are presented below:

	3 Months		6 Months		12 Months	
	Ended		Ended		Ended	
	June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015
	(in millions)					
Questar Fueling net loss	\$(0.3)	\$(0.4)	\$(0.7)	\$(1.0)	\$(0.9)	\$(1.6)

Income Taxes

Questar's effective combined federal and state income tax rate was 35.4% in the first half of 2016 compared to 35.9% in the first half of 2015.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Net cash provided by operating activities increased by 48% for the first half of 2016 compared to the first half of 2015. The increase was due to higher cash payments from customers. Net cash provided by operating activities is presented below:

	6 Months Ended June		
	30,		
	2016	2015	Change
	(in millions)		
Net income	\$111.6	\$125.2	\$(13.6)
Noncash adjustments to net income	125.5	109.8	15.7
Changes in operating assets and liabilities	207.8	66.2	141.6
Net cash provided by operating activities	\$444.9	\$301.2	\$143.7

Investing Activities

Capital expenditures for the first half of 2016 and 2015 and a forecast for calendar year 2016 are presented below:

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	6 Months Ended June 30,		Forecast 12 Months Ending December 31, 2016
	2016	2015	2016
	(in millions)		
Questar Gas	\$124.3	\$99.7	\$ 240
Wexpro	7.3	15.2	85
Questar Pipeline	14.2	17.1	40
Corporate and other	0.4	6.5	10
Total capital expenditures, including acquisitions	\$146.2	\$138.5	\$ 375

Questar Gas's 2016 capital-spending forecast of about \$240 million includes investments for distribution-system upgrades, expansions, infrastructure replacements and expenditures to provide service to approximately 20,600 additional customers. Wexpro expects to invest about \$85 million in 2016 for developmental gas drilling and property acquisitions. Questar Pipeline's 2016 capital-spending forecast is about \$40 million, primarily for system upgrades and maintenance.

Financing Activities

In the first half of 2016, the Company increased short-term debt by \$1.4 million for continuing operations.

Questar issues commercial paper to meet short-term financing requirements. The commercial-paper program is supported by revolving credit facilities with various banks that provide back-up credit liquidity. Credit commitments under the revolving credit facilities totaled \$500 million under the multi-year credit facility and \$250 million under the 364-day facility at December 31, 2015, with no amounts borrowed. The credit facilities expire upon a change of control such as the proposed Merger with Dominion Resources. However, the Company has amended its credit facilities to allow for the continuation of the credit facilities for 30 days after the completion of the proposed Merger with Dominion Resources. Commercial paper outstanding amounted to \$209 million at June 30, 2016, compared with \$228 million a year earlier. Availability under the revolving credit facilities is reduced by outstanding commercial paper amounts, resulting in net availability under the facilities of \$541 million at June 30, 2016. Under the facilities, consolidated funded debt cannot exceed 70% of consolidated capitalization.

On February 24, 2016, the Company entered into a floating-rate one-year \$250 million term loan agreement and borrowed the full \$250 million pursuant to the terms of the agreement. These borrowings were used to repay outstanding commercial paper that was issued to repay the Company's 2.75% senior notes, which matured on February 1, 2016. All borrowings under the Agreement will be due and payable February 24, 2017. However, if the Company's proposed Merger with Dominion Resources is completed prior to the maturity date, it is expected that the term loan will be repaid within 30 days after completion of the transaction.

Questar Gas plans to issue \$100 million of long-term debt in the private-placement market during the second half of 2016.

The Company believes current credit commitments are adequate for its working capital and short-term financing requirements during 2016. The Company's short-term financing requirements are seasonal and typically peak at December 31 because of Questar Gas's gas-purchasing requirements. 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 June 30, 2016, combined short-term debt, long-term debt and capital lease obligations were 52% and equity was 48% of total capital.

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, 2015. During the six months ending June 30, 2016, 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 II, Item 1A of this quarterly report;
- 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 June 30, 2016. Based on such evaluation, such officers have concluded that, as of June 30, 2016, 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 June 30, 2016, 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 1A. RISK FACTORS.

Investors should read carefully the following factors as well as the cautionary statements referred to in "Forward-Looking Statements" herein. If any of the risks and uncertainties described below or elsewhere in this Quarterly Report actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

Risks Associated with the Proposed Merger with Dominion Resources

The proposed Merger with Dominion Resources is subject to approval. As disclosed in Item 1. Business, the Company and Dominion Resources entered into the Merger Agreement on January 31, 2016. Closing of the Merger is subject to the satisfaction or waiver of specified closing conditions, including (i) the approval of the Merger by the holders of a majority of the outstanding shares of Company Common Stock, (ii) the receipt of regulatory approvals required to consummate the Merger, including approvals from the Public Service Commission of Utah (if required) and the Public Service Commission of Wyoming, (iii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (which has occurred), (iv) the absence of any law, statute, ordinance, code, rule, regulation, ruling, decree, judgment, injunction or order of a governmental authority that prohibits the consummation of the Merger, and (v) other customary closing conditions, including (a) the accuracy of each party's representations and warranties (subject to customary materiality qualifiers), (b) each party's compliance in all material respects with its obligations and covenants contained in the Merger Agreement, and (c) the absence of a material adverse effect on the Company. In addition, the obligations of Parent and Merger Sub to consummate the Merger are subject to the required regulatory approvals not imposing or requiring any undertakings, terms, conditions, liabilities, obligations, commitments or sanctions, or any structural or remedial actions that constitute a company material adverse effect. On February 23, 2016, the Federal Trade Commission granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act with regards to the Merger. A shareholder vote was held and approval of the Merger was granted on May 12, 2016.

The Company may not receive the required statutory approvals and other clearances for the Merger, or they may not be received in a timely manner. If such approvals are received, they may impose terms, conditions or restrictions (i) that cause a failure of the closing conditions set forth in the Merger Agreement, or (ii) could have a detrimental impact on the combined company following completion of the Merger. A substantial delay in obtaining the required authorizations, approvals or consents or the imposition of unfavorable terms, conditions or restrictions could prevent the completion of the Merger. Even after the expiration of the waiting period under the Hart-Scott Rodino Act, government authorities could seek to block or challenge the Merger as they deem necessary or desirable in the public interest.

Failure to complete the Merger could adversely affect the Company's stock price and future business operations and financial results. Completion of the Merger is subject to risks as described above. If the Company is unable to complete the Merger, holders of Company common stock will not receive any payment for their shares pursuant to the Merger Agreement. The Company's ongoing business may be adversely affected and would be subject to a number of risks, including the following:

the Company would have paid significant transaction costs, and in certain circumstances, a termination fee to Dominion Resources of \$99 million, the attention of management may have been diverted to the Merger rather than to operations and the pursuit of other opportunities, the potential loss of key personnel as personnel may experience uncertainty about their future with the combined company, the Company will have been subject to certain restrictions on the conduct of business, which may prevent the Company from making certain acquisitions or dispositions or pursuing other business opportunities, and the trading price of the Company's stock may decline if the market believes the Merger may not be completed.

Failure to complete the Merger may result in negative publicity, additional litigation against the Company or its directors and officers, and a negative impression of the Company in the investment community. The occurrence of these events, individually

or in the aggregate, could have a material adverse effect on the results of operations or the price of the Company's common stock.

The Company's business will be impacted by the terms and conditions of the Merger Agreement. The Company made certain covenants in the Merger Agreement that will impact its business until the Merger is completed or the Merger Agreement terminates. These covenants limit the Company's ability to make significant changes to its business or pursue otherwise attractive business opportunities without the consent of Dominion Resources.

The Company will incur significant costs associated with the Merger. The Company expects to incur significant costs associated with the Merger for financial advisory services, legal services, revaluation of share-based compensation, acceleration of executive compensation and change in control payments. Some of these costs will be incurred even if the Merger is not completed.

The Company's business will be subject to uncertainties while the Merger is pending. Uncertainty about the effect of the Merger on employees, suppliers and customers may have an adverse effect on the Company. Although the Company intends to take steps to reduce any adverse effects, these uncertainties may impair the Company's abilities to attract, retain and motivate employees until the Merger is completed and for a period of time thereafter.

Litigation against the Company and its directors and officers challenging the Merger may prevent the Merger from being completed within the anticipated timeframe. The Company and/or its directors and officers have been named as defendants in class action lawsuits filed on behalf of public shareholders challenging the Merger and potentially seeking to enjoin the defendants from consummating the Merger on the agreed-upon terms. The outcome of these lawsuits is uncertain, and additional lawsuits may be brought or additional claims advanced concerning the Merger. An adverse judgment for monetary damages could have an adverse effect on Questar's operations. A preliminary injunction could delay or jeopardize the completion of the Merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the Merger.

Risks Inherent in the Company's Business

Low oil and natural gas prices impact the Company's earnings and ability to grow its Wexpro and Questar Pipeline businesses. Historically, natural gas and oil prices have been volatile and will likely continue to be volatile. The Company cannot predict the future price of natural gas and oil because the factors that drive prices are beyond its control. Under the Wexpro agreements, the pace of Wexpro's development will continue to be affected as long as market gas prices remain below Wexpro's cost of service.

Wexpro earns the majority of its revenues from the delivery of natural gas to Questar Gas under the Wexpro and Wexpro II agreements (Wexpro agreements). Pursuant to the Wexpro agreements, 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 by accumulated depreciation, depletion and amortization, and deferred income taxes.

Wexpro's earnings growth depends on its ability to maintain and grow its investment base, which in turn depends on Wexpro's ability to develop gas reserves through its annual drilling programs. Wexpro generally designs its drilling program to provide cost-of-service production that is, on average, at or below the current five-year Rockies-adjusted NYMEX forward price curve. Based on current market prices for natural gas, new drilling in Wexpro's properties under the existing agreements may be limited. Therefore, until gas prices increase, Wexpro's ability to grow its investment base will be limited, and it is likely that the investment base will continue to decrease due to depreciation, depletion and amortization. Any decrease in investment base will reduce Wexpro's earnings.

In addition to the impact on Wexpro's ability to increase its investment base, low oil and natural gas prices may have other adverse impacts on Questar's business. Low prices in the Rocky Mountain region are reducing drilling activity generally, which affects Questar Pipeline's opportunities to expand its pipeline system. Low prices also increase commodity price risk. Wexpro is exposed to some commodity price risk even though most of Wexpro's revenues are based on cost of service. Questar Pipeline has commodity price risk on NGL volumes recovered in its pipeline system.

Revised terms of the Wexpro Agreements will impact Wexpro's earnings. In December 2014, Wexpro acquired an additional interest in its existing Wexpro-operated assets in the Canyon Creek Unit of southwestern Wyoming's Vermillion Basin. During 2015 Wexpro and Questar Gas submitted an application to the Commissions for approval to include the acquired Canyon Creek properties under the terms of the Wexpro II Agreement. As part of this application, Wexpro proposed significant changes to its

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cost-of-service program to enable future cost-of-service gas production to be more competitive with market prices. The proposed changes to the cost-of-service program were subsequently modified by a November 2015 Settlement Stipulation.

As modified, the Wexpro Agreements include the Canyon Creek acquisition as a Wexpro II property and provide for the following changes to the cost-of-service program:

the return on post-2015 development drilling will be lowered to the Commission allowed rate of return on investment as defined in the Wexpro II Agreement (currently 7.64%), and the pre-2016 investment base and associated returns will not be affected;

Wexpro and Questar Gas will reduce the threshold of maximum combined production from Wexpro properties from 65% of Questar Gas's annual forecasted demand to 55% in 2020;

Dry-hole and non-commercial well costs will be shared on a 50%/50% basis between utility customers and Wexpro so long as the costs allocated to utility customers do not exceed 4.5% of Wexpro's annual development drilling program costs;

Wexpro will share in 50% of the savings when the annual price of cost-of-service production is lower than the annual average market price. However Wexpro's 50% share of any annual savings will be limited so that Wexpro will not earn a return exceeding the return earned on gas development investment under the 1981 Wexpro Agreement.

Although Wexpro's pre-2016 investment base continues to earn the higher return described above, the pre-2016 investment base will continue to decline over time due to depreciation. Wexpro's post-2015 investment base will earn the lower return described above. Due to these factors, the Company expects Wexpro's overall earnings to decrease compared to prior years.

Wexpro may not be able to economically find and develop new reserves. Wexpro's earnings growth depends on its ability to develop gas reserves that are economically recoverable. Productive natural gas and oil reservoirs are generally characterized by declining production rates that vary depending on reservoir characteristics. Because of significant production decline rates in several of Wexpro's producing areas, substantial capital expenditures are required to develop gas reserves to replace those depleted by production.

Wexpro's rate of development of cost-of-service gas may be limited. The proportion of Questar Gas's natural gas supply needs met by Wexpro has increased due to successful development of the Vermillion Basin and continued development of the Pinedale field. As described below, however, Wexpro has agreed to manage its supply to 65% or less of Questar Gas's annual forecasted demand. This threshold will decrease to 55% in 2020. Therefore, future growth depends on growth in Questar Gas's sales volumes. In addition, even if Questar Gas's sales volumes increase, Wexpro's gas-development program may be limited based on the volumes of cost-of-service gas it can supply to Questar Gas for the summer load and Questar Gas's ability to store gas during the summer for peak supply needs.

Questar Gas's large customers may elect to switch from sales to transportation service and reduce Questar Gas's need for cost-of-service gas from Wexpro. Over the last few years, certain large commercial and industrial customers of Questar Gas have elected to switch from sales service to transportation service, which reduces the volume of gas required by Questar Gas and may reduce the volume of gas Questar Gas needs Wexpro to supply. If this trend continues and fewer industrial and commercial customers use cost-of-service gas provided by Wexpro, the results of operations for Wexpro and the Company may be adversely affected.

Wexpro has market price risk if production exceeds 65% of Questar Gas's forecasted demand. In September 2013, Wexpro completed the Trail acquisition. In the first quarter of 2014, the PSCU and the PSCW approved a stipulation for inclusion of the Trail acquisition properties in the Wexpro II Agreement. The stipulation allowed Wexpro to include the cost of the Trail properties in its investment base. As part of this stipulation, Wexpro agreed 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. The 65% threshold will decrease to 55% in 2020.

Gas and oil reserve estimates are imprecise and subject to revision. Wexpro's proved natural gas and oil reserve estimates are prepared annually by internal reservoir engineers. Gas and oil reserve estimates are subject to numerous uncertainties inherent in estimating quantities of proved reserves, projecting future rates of production and timing of development expenditures. The accuracy of these estimates depends on the quality of available data and on engineering and geological interpretation and judgment. Reserve estimates are imprecise and will change as additional information becomes available. Ownership interests in

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properties may change due to claims of ownership rights. Estimates of economically recoverable reserves prepared by different engineers, or by the same engineers at different times, may vary significantly. Results of subsequent drilling, testing and production may cause either upward or downward revisions of previous estimates. In addition, the estimation process involves economic assumptions relating to commodity prices, production costs, severance and other taxes, capital expenditures and remediation costs. Changes in field-development plans will impact the reporting of reserves because the Company limits the recording of proved undeveloped reserves to those that are expected to be developed within the next five years. Actual results most likely will vary from the estimates. Any significant variance from these assumptions could affect the recoverable quantities of reserves attributable to any particular property and the classifications of reserves.

Wexpro may acquire properties not subject to the Wexpro or Wexpro II agreements. Wexpro may acquire gas development properties that are in locations separate from its current operations or are not approved by the Commissions for inclusion in the Wexpro II Agreement. In these cases, Wexpro will develop these properties and sell the production in the market or through contracts with other customers. Wexpro would be subject to commodity-price risk and marketing risks for these properties.

Wexpro may not be successful in entering into cost-of-service arrangements with third parties. Wexpro plans to acquire gas properties outside of the Wexpro or Wexpro II agreements and sell the production to third parties under cost-of-service arrangements. Only a few other companies have entered into similar cost-of-service arrangements and Wexpro may not be successful in negotiating such arrangements with third parties and obtaining approval from applicable regulators.

Excess pipeline capacity in the Rocky Mountain area impacts Questar Pipeline's revenues. In the last few years development of natural gas reserves in the Rocky Mountain area has slowed due to low natural gas prices and development of reserves in areas closer to major markets. As a result, export pipeline capacity exceeds current production levels. This excess capacity may impact Questar Pipeline's ability to renew contracts at current terms as contracts expire. This excess capacity may also limit growth opportunities to develop new pipelines in the area.

Questar Pipeline's natural gas liquids revenues have declined. Questar Pipeline earns NGL revenues from its processing plant and pipeline facilities. These revenues have declined in the last few years due to lower prices and the development of upstream facilities that extract NGL before the gas is transported on Questar Pipeline's system.

Questar Pipeline's plans to sell Questar Southern Trails Pipeline may not be successful. Questar Pipeline has begun a process to sell Questar Southern Trails Pipeline assets. Questar Pipeline's net book value of the western segment of Southern Trails Pipeline is approximately \$23 million. Assuming the Company can identify a buyer and negotiate acceptable terms, the Company's objective is to sell the Questar Southern Trails Pipeline during 2016. There is no assurance that the Company will be successful in selling Questar Southern Trails Pipeline.

Questar Pipeline's investment in the eastern segment of Questar Southern Trails Pipeline has been impaired and the pipeline is operating at a loss. The eastern segment of Questar Southern Trails Pipeline is currently operating in natural gas service at a loss. Questar Pipeline recorded an impairment of its investment in the eastern segment of Southern Trails in the third quarter of 2013. Operating losses have increased as the basis differential between the San Juan basin and California markets has decreased. Questar Pipeline may incur additional costs to seek abandonment of this pipeline for natural gas service if it is unsuccessful in selling the pipeline.

Questar Gas's investment in infrastructure replacement will increase customer rates. Questar Gas is investing significant capital to replace aging pipeline infrastructure. This significant investment is expected to continue over a number of years. Replacement of aging pipeline infrastructure will increase customer safety; however, Questar Gas's return on this investment and depreciation costs will continue to increase customer rates. Over time, this may impact

customer decisions on the use of natural gas versus other energy alternatives.

Questar Fueling may be unable to profitably compete in the natural gas fueling market. Questar Fueling was created in 2012 to design, build and operate natural gas fueling facilities in a competitive market. Questar Fueling's operations may not be profitable until demand grows and it establishes itself as a credible player in the industry. Lower oil prices may reduce the incentive for trucking companies to switch from diesel to natural gas powered trucks.

Operations in all lines of business involve numerous risks that might result in accidents, environmental harm and other operating risks and costs. Drilling is a high-risk activity. Operating risks include: fire, explosions and blow-outs; unexpected drilling conditions such as abnormally pressured formations; abandonment costs; pipe, cement or casing failures; environmental accidents such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, brine or well fluids (including groundwater contamination). The Company could incur substantial losses as a result of injury or loss of life; pollution or other environmental damage; damage to or destruction of property and equipment; regulatory investigation; fines

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or curtailment of operations; and legal fees and other expenses incurred in the prosecution or defense of litigation. As a working interest owner in wells operated by other companies, the Company may also be exposed to the risks enumerated above that are not within its care, custody or control.

The Company's underground pipelines may be exposed to damage by third-party digging within the pipeline rights-of-way. Such damage may result in fires and explosions, which could cause injuries, loss of life and other damage. The Company works to educate contractors and other third parties, to mark rights-of-way with appropriate signs, and to encourage staking of pipeline locations before any digging.

There are also inherent operating risks and hazards in the Company's gas and oil production, processing, transportation, storage and distribution operations that could cause substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution, and impairment of operations. Certain Company pipelines have been in service for a number of years. As these pipelines age, the risk may increase of pipeline leakage or failure due to corrosion, fatigue, third-party damage, ground movement, or subsidence due to underground mining. The location of pipelines near populated areas, including residential areas, commercial business centers and industrial sites could increase the damages resulting from these risks. In spite of the Company's precautions, an event could cause considerable harm to people or property, and could have a material adverse effect on financial position and results of operations, particularly if the event is not fully covered by insurance. Accidents or other operating risks could further result in loss of service available to the Company's customers. Such circumstances could adversely impact the Company's ability to meet contractual obligations and retain customers.

The Company works to mitigate the risk of pipeline failures by assessing and replacing sections of more vulnerable pipelines and by implementing other measures as part of its pipeline integrity program. Questar cannot assure that these measures will be successful in avoiding serious accidents, explosions, injuries or death.

As is customary in the natural gas development and production, transportation and distribution industries, the Company maintains insurance against some, but not all, of these potential risks and losses. Questar cannot assure that insurance will be adequate to cover these losses or liabilities. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on the Company's financial condition and operations.

Questar is dependent on bank credit arrangements and continued access to capital markets to successfully execute its operating strategies. Questar relies on access to short-term commercial paper and long-term capital markets. The Company is dependent on these capital sources to provide financing for working capital and certain projects. The availability and cost of these credit sources can vary significantly; and these capital sources may not remain available or the Company may not be able to obtain capital at a reasonable cost in the future. In lieu of commercial paper issuance, the Company at times has utilized credit facilities with banks to meet short-term funding needs. Questar has a \$500 million revolving credit facility and a \$250 million 364-day credit facility with various banks. The credit facilities expire upon a change of control, such as the proposed Merger with Dominion Resources. However, the credit facilities have been amended to allow for the continuation of the credit facilities for 30 days after the completion of the proposed Merger with Dominion Resources. Banks may be unable or unwilling to extend credit in the future. Questar's revolving credit facilities term loan and commercial-paper program are subject to variable interest rates. From time to time the Company may use interest-rate derivatives to fix the rate on a portion of its variable-rate debt. A downgrade of credit ratings could increase the interest cost of debt and decrease future availability of capital from banks and other sources. While management believes it is important to maintain investment-grade credit ratings to conduct the Company's businesses, the Company may not be able to keep investment-grade ratings.

Questar is exposed to credit risk. Questar has credit exposure in outstanding accounts receivable from customers in all segments of its business, which could become significant. Credit risk may increase for certain customers and

counterparties in the current low oil and gas price environment. Certain customers of Questar Pipeline face significant financial stress in the current economic environment. Questar maintains credit procedures, for example, by requiring deposits or prepayments to help manage this risk. Questar aggressively pursues collection of past-due accounts receivable and monitors customer-specific credit risk.

Risks Related to Regulation

Questar is subject to complex federal, state and local environmental laws and regulations that could adversely affect its cost of doing business. Environmental laws and regulations are complex, change frequently and tend to become more restrictive over time. Some of the regulations with which Questar must comply include the National Environmental Policy Act; the Endangered Species Act; the Clean Air Act; the Clean Water Act; the National Historic Preservation Act; the Toxic Substance Control Act; the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation and

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Liability Act; the Emergency Planning and Community Right to Know Act; the Oil Pollution Act; as well as similar state and local laws that can be stricter than federal laws.

Federal and state agencies frequently impose conditions on the Company's activities. These restrictions have become more stringent over time and can limit or prevent natural gas and oil development and production on Wexpro's leaseholds or construction of new transmission or distribution pipelines and related facilities. For example, the United States Fish and Wildlife Service may designate critical habitat areas for certain listed threatened or endangered species. A critical habitat designation could result in further material restrictions to federal land use and private land use and could delay or prohibit land access or development. The listing of certain species as threatened and endangered, could have a material impact on the Company's operations in areas where such species are found. The Clean Water Act and similar state laws regulate discharges of storm water, wastewater, oil, and other pollutants to surface water bodies, such as lakes, rivers, wetlands, and streams. Accidental releases or failure to obtain permits for discharges could result in civil and criminal penalties, orders to cease such discharges, corrective actions, and other costs and damages. These laws also require the preparation and implementation of Spill Prevention, Control, and Countermeasure Plans in connection with on-site storage of significant quantities of oil.

The U.S. Environmental Protection Agency (EPA) has enacted air-quality regulations that particularly affect Questar Pipeline and Wexpro operations. These regulations require the installation of additional pollution controls and extensive monitoring and reporting. Some states have implemented air-quality rules that are stricter than the federal regulations, making it difficult to strategically plan for long-term pollution controls. The impact of these air-quality regulations, along with greenhouse gas monitoring and reporting requirements, may result in increased costs for Questar.

In addition, the Company is subject to federal and state hazard communications and community right-to-know statutes and regulations such as the Emergency Planning and Community Right-to-Know Act that require certain record-keeping and reporting of the use and release of hazardous substances.

Certain environmental groups oppose drilling on some of Wexpro's federal and state leases. These groups sometimes sue federal and state agencies for alleged procedural violations in an attempt to stop, limit or delay natural gas and oil development on public lands.

All wells drilled in tight-gas-sand and shale reservoirs require hydraulic-fracture stimulation to achieve economic production rates and recoverable reserves. The majority of Wexpro's current and future production and reserve potential is derived from reservoirs that require hydraulic-fracture stimulation to be commercially viable. Currently, all well construction activities, including hydraulic-fracture stimulation, are regulated by federal and state agencies that review and approve all aspects of gas- and oil-well design and operation. New environmental initiatives, proposed federal and state legislation, and rule-making pertaining to hydraulic-fracture stimulation could increase Wexpro's costs, restrict its access to natural gas reserves and impose additional permitting and reporting requirements. These potential restrictions on the use of hydraulic-fracture stimulation could materially affect the Company's ability to develop gas and oil reserves. The Company believes its well design and completion procedures are appropriate to protect the environment. Questar supports disclosure of the contents of hydraulic-fracturing fluids and submits information on the chemicals used in hydraulic-fracture stimulation on Company-operated wells through the national disclosure registry FracFocus (fracfocus.org).

In addition to the costs of compliance, substantial costs may be incurred to evaluate and take corrective actions at both owned and previously-owned facilities. These facilities include a previously-owned chemical business, manufactured gas plant sites, and transmission and production facilities. Accidental spills and leaks requiring cleanup may occur in the ordinary course of business. As standards change, the Company may incur significant costs in cases where past operations followed practices that were considered acceptable at the time but now require remedial work to meet current standards. Significant expenditures may result from remedial activities, injunctions and/or penalties.

Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming, and may result in delays in the commencement or continuation of Wexpro's natural gas development and production operations and Questar Pipeline's construction projects. Further, the public may comment on and otherwise engage in the permitting process, including court intervention. Accordingly, needed permits may not be issued, or if issued, may not be issued in a timely fashion, or may involve requirements that restrict Questar's ability to conduct its operations or to do so profitably.

Questar may be exposed to certain regulatory and financial risks related to climate change. Federal and state courts and administrative agencies are addressing claims and demands related to climate change under various laws pertaining to the environment, energy use and development, and greenhouse-gas emissions. The EPA adopted the Greenhouse Gas Reporting Rule for the measurement and reporting of greenhouse gases emitted from combustion at large facilities (emitting more than

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25,000 metric tons/year of carbon dioxide equivalent). Questar has been reporting annual greenhouse gas emissions to the EPA since the 2010 emission year. This regulation requires measurement and monitoring in the natural gas producing basins in which Wexpro operates, as well as in Questar Pipeline's compressor stations, storage fields, and processing facilities. Additionally, Questar Gas reports combustion emissions for all of its customers, as well as gate-station methane emissions. This rule has created a greenhouse gas inventory, which could be used for regulatory compliance purposes and to generate emissions fees or other potential charges.

In 2015, the federal government issued a "blueprint" outlining the policies it will adopt to address methane emissions from the oil and gas industry. The blueprint announces an overall goal to cut methane emissions by 45% from 2012 levels by 2025. This will occur through a combination of regulatory and voluntary initiatives that will be finalized in the near future. It is too early to predict how these new requirements will affect Questar's business, operations, or financial results.

The EPA has finalized rules under the Clean Air Act to reduce carbon dioxide emissions from existing fossil fuel fired electric generating power plants. These rules require states to adopt plans to reduce carbon dioxide emission by 32% from 2005 levels by 2030. Questar believes these rules provide an opportunity to further promote the energy efficiency and emissions savings benefits of natural gas.

If forthcoming climate change regulations recognize that use of natural gas in high-efficiency residential, commercial, transportation, industrial and electricity-generation applications is essential to reduce U.S. greenhouse-gas emissions, use of natural gas in these applications should increase. Similarly, natural gas will be essential in ensuring electrical-grid reliability as reliance on intermittent renewable energy increases in the future. Use of natural gas as an alternative transportation fuel has slowed as the price of oil has declined. On the other hand, federal regulation of methane and carbon dioxide could increase the price of natural gas, restrict access to or the use of natural gas, and/or reduce natural gas demand. The impact on the environment of natural gas drilling, production and transportation continues to be analyzed and debated, which could influence future laws and regulations. Federal, state, and local governments may pass laws mandating the use of alternative-energy sources, such as wind, solar, and geothermal energy. The increased use of alternative energy could reduce the future demand for natural gas. It is uncertain whether Questar's operations and properties are exposed to possible physical risks, such as severe weather patterns due to climate change, as a result of man-made greenhouse gases.

Questar is subject to changing U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration and state rules and regulations, which may increase costs. The Company is subject to PHMSA non-compliance risk due to significant legislative mandates and pending rulemaking. The reauthorization of the Pipeline Safety Act was approved by the Senate Commerce Committee in December 2015 with five amendments. The House Transportation and Infrastructure committee and the House Energy and Commerce committee are both working on versions of the reauthorization. The final consensus version of the bill is expected to be finalized later in 2016. It may include significant new or restated mandates, including emergency order authority for PHMSA. One of these amendments included the requirement for PHMSA to establish rules for improving the safety of underground natural gas storage facilities. It is possible that Congress and PHMSA will issue emergency regulation to hasten industry adoption of natural gas storage integrity management programs. This would increase costs to the Company.

In response to the last reauthorization in 2011, PHMSA recently released a Notice of Proposed Rulemaking (NPRM) to answer many of the congressional mandates required in that bill. This NPRM entitled "Safety of Gas Transmission Pipelines" is the most significant pipeline safety rule change since the Pipeline Safety Act was first enacted in 1970. Included in the NPRM are requirements for expanding integrity management beyond High Consequence Areas to Moderate Consequence Areas and highway crossings, expanding Management of Change requirements to all transmission lines, increasing records requirements and integrity verification for legacy pipe, increasing requirements for material documentation, enhancing MAOP verification requirements, changing corrosion control and repairs, and

requiring coating control surveys. Also included are new requirements for gathering pipelines. The cost to conform to these and other rules could be substantial.

PHMSA completed several audits of Questar Pipeline facilities and records in the last three years with only minor findings and no proposed fines or corrective action orders. Questar Pipeline is currently in an integrated audit with PHMSA, which will take several weeks to complete. Auditors from the states of Utah, Wyoming and Idaho continue to inspect Questar Gas's records, facilities and practices but have issued only minor findings and no fines. Penalties associated with non-compliance could be substantial if violations and corrective-action orders are issued. The Company expects to continue to incur significant costs to upgrade or re-certify infrastructure to meet changing regulations and legislative mandates or to respond to escalating information requests.

FERC regulates the transportation and storage of natural gas and natural gas markets. Questar Pipeline's natural gas transportation and storage operations are regulated by the FERC under the Natural Gas Act of 1938 and the Natural Gas Policy

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Act of 1978. The FERC has authority to: set rates for natural gas transportation, storage and related services; set rules governing business relationships between the pipeline subsidiary and its affiliates; approve new pipeline and storage-facility construction; and establish policies and procedures for accounting, purchases, sales, abandonments and other activities. FERC policies may adversely affect Questar Pipeline's profitability. Over the past several years, the FERC has issued a number of orders related to market transparency that extend FERC oversight to many Questar subsidiaries. Order No. 704 requires all natural gas companies to report gas purchases and sales and their relationship to price reporting indexes. Order No. 712 defines changes in capacity release and asset management. Order No. 717 establishes new Standards of Conduct Rules. In addition to the orders, the FERC released a policy statement on compliance in which it states that companies must have a "rigorous" FERC compliance program that extends to all subsidiaries, not just interstate pipelines. Since the enactment of the Energy Policy Act of 2005, granting the FERC increased penalty authority for non-compliance, the FERC has targeted various issues in the natural gas industry for compliance audits and investigations. In late 2010 the FERC issued a revised policy statement on penalty guidelines. These guidelines identify mitigation measures companies can take to minimize the risk of a significant FERC compliance penalty. The best mitigation measure a company can implement is a rigorous FERC compliance program with oversight by a Chief FERC Compliance Officer. This has been implemented by Questar. However, even a rigorous compliance program is no guarantee that FERC compliance issues will not arise.

State agencies regulate the distribution of natural gas. Questar Gas's natural gas distribution business is regulated by the PSCU and the PSCW. These commissions set rates for distribution services and establish policies and procedures for services, accounting, purchases, sales and other activities. PSCU and PSCW policies and decisions including an authorized return on equity and disallowed costs may adversely affect the Company's profitability. Authorized returns on equity have declined for Questar Gas and throughout the United States with the decline in interest rates, and may decline further for Questar Gas in future rate cases.

Questar is subject to health care reform regulations, which may increase costs. Questar incurs significant costs to provide health care benefits to employees and some retirees. These costs have increased at a rate greater than inflation over a number of years and are expected to continue to increase.

Other Risks

Questar depends upon key operational and technical personnel. The successful implementation of the Company's business strategy depends, in part, on experienced operational and technical personnel, including key geologists, engineers and other professionals. Many of these key employees have the opportunity to retire within the next few years. The retirement of employees has accelerated the need for succession planning and knowledge transfer to prepare future management and key employees for critical positions.

General economic and other conditions impact Questar's results. Questar's results may be negatively affected by the following: changes in global economic conditions; changes in regulation; creditworthiness of customers and suppliers; rate of inflation and interest rates; weather and natural disasters; competition from other forms of energy, other pipelines and storage facilities; ability to renegotiate contracts, which could ultimately result in the impairment of assets; effects of accounting policies issued periodically by accounting standard-setting bodies; terrorist attacks or acts of war; changes in business or financial condition; changes in credit ratings; and availability of financing. Slower economic growth in markets served by Questar businesses may adversely impact the Company's operating results.

Questar faces risks of cyber-security attacks and loss of sensitive customer and employee data. Questar may be vulnerable to cyber-attacks by individuals or organizations intending to disrupt business operations or obtain sensitive customer and employee data. In addition, this sensitive data may be disseminated through intentional or unintentional actions by employees, agents or vendors. The Company's operations and its ability to serve customers may be significantly impacted if its operating and business systems were unavailable. The cost to remedy an unintended

dissemination of sensitive information may be significant. Questar mitigates these risks through a defense-in-depth approach utilizing information technology security measures including system disaster-recovery procedures, intrusion-prevention systems, vulnerability management, network segmentation, internet scanning, anti-virus and malware scanning, system-access procedures and system-change-control procedures.

The underfunded status of the Company's defined benefit pension plans and postretirement medical and life insurance plans increases costs and may require large contributions, which may divert funds from other uses. As of December 31, 2015, the Company's defined benefit pension plans were \$86.8 million underfunded and its postretirement medical and life insurance plans were \$41.9 million underfunded. The level of underfunding decreased in 2015 because of contributions and an increase in the discount rate used to value the liabilities and changes in mortality tables partially offset by lower asset returns. The underfunded status of the plans may require large contributions, which may divert funds from other uses by the Company.

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Over time, periods of declining interest rates and asset values may result in further reduction of the funding status of the plans and require additional contributions. Questar cannot predict whether these factors will require the Company to make contributions greater than current expectations. Employees hired or rehired after June 30, 2010, are not eligible for the defined benefit pension plans 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 coverage once they retire.

Failure of the Company's controls and procedures to detect misstatement of financial results or fraud could negatively impact operating results and harm the Company's reputation. Questar's management, including its Chief Executive Officer and Chief Financial Officer, cannot ensure and do not expect that the Company's internal controls over financial reporting, including disclosure controls, will prevent or detect all possible errors and fraud. A control system, no matter how well designed and implemented, can provide only reasonable assurance that the purpose and intent of the control system are achieved. The design and application of a control system is based, in part, on judgments about the likelihood of future events. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with Company policies. Because of inherent limitations in a control system, misstatements due to error or fraud may occur without detection.

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

Questar had no unregistered sales of equity securities during the second quarter of 2016. 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 June 30, 2016:

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽²⁾	Maximum number of shares that may yet be purchased under the plans or programs
Month #1 April 1, 2016 through April 30, 2016	—	\$ —	—	1,000,000
Month #2 May 1, 2016 through May 31, 2016	302	\$ 25.18	—	1,000,000
Month #3 June 1, 2016 through June 30, 2016	2,166	\$ 25.03	—	1,000,000
Total	2,468	\$ 25.05	—	

⁽¹⁾ There were 302 shares purchased in Month #2 and 2,166 shares purchased in Month #3 in conjunction with tax-payment elections under the Company's Long-term Stock Incentive Plan.

⁽²⁾ 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.

The exhibits filed as part of this report are listed on the Exhibit Index immediately following the signatures.

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)

/s/ Ronald W. Jibson
August 3, 2016 Ronald W. Jibson
Chairman, President and Chief Executive Officer, Questar

/s/ Craig C. Wagstaff
August 3, 2016 Craig C. Wagstaff
President, Questar Gas

/s/ Micheal G. Dunn
August 3, 2016 Micheal G. Dunn
President, Questar Pipeline

/s/ David M. Curtis
August 3, 2016 David M. Curtis
Vice President Controller and Acting Chief Financial Officer, Questar, Questar Gas and Questar Pipeline

Exhibit Index

Exhibit No. Description

EXHIBIT 10 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Questar Corporation

- 10.1 Questar Gas Company, a wholly owned subsidiary of Questar Corporation, entered into a Second Amendment to Gas Gathering Agreement with QEPM Gathering I, LLC (Exhibit 10.1 of Questar Corporation's Current Report on Form 8-K filed March 24, 2016).
- 10.2 Questar Corporation entered into a floating-rate one-year \$250 million Term Loan Agreement (Exhibit 10.1 of Questar Corporation's Current Report on Form 8-K filed February 26, 2016).

Questar Gas Company

- 10.3 Questar Gas Company, a wholly owned subsidiary of Questar Corporation, entered into a Second Amendment to Gas Gathering Agreement with QEPM Gathering I, LLC (Exhibit 10.1 of Questar Gas Company's Current Report on Form 8-K filed March 24, 2016).

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

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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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