QST-G

GAS UTILITIES

ANNUAL REPORT

OF

Questar Gas Company

Utah Business Entity Number: 558729-0142

TO THE

PUBLIC SERVICE COMMISSION
OF UTAH

For Calendar Year

2013

ATTESTATION / CERTIFICATION OF RESPONSIBILITY

I certify that I have examined the information contained in this report submitted to the Utah Division of Public Utilities, and that, to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and represent an accurate statement of the affairs of the respondent company as of the date shown below.

Signature:			
Print Name:	David M. Curtis	**Date:**	April 15, 2014
Title:	Vice-President and Controller		
Phone Number:	(801)324-2403	**Extension:**	
Fax Number:		**Email:**	dave.curtis@questar.com

Pleas send one completed hard copy and email one copy to the following:
Hard copy to:

Utah Division of Public Utilities
Heber Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111-6751

Email copy to: (using State approved e-filing protocol.)

dennismiller@utah.gov

General Company & Contact Information

Company Name:	Questar Gas Company				
DBA Name (if different):					
FKA Name (if different):					
Address:	333 South State				
City:	Salt Lake City	**State:**	UT	**Zip:**	84145
Phone Number:	(801)324-5100	**Fax Number:**			
(800) Number:					

Principle Business Address:	333 South State				
City:	Salt Lake City	**State:**	UT	**Zip:**	84145

Corporate Book Address:	333 South State				
City:	Salt Lake City	**State:**	UT	**Zip:**	00008-4145

Report Contact Person

Name:	Connie Marshall	**Title:**	Director - Accounting
Phone Number:	(801)324-2471	**Extension:**	
Fax Number:		**Email:**	connie.marshall@questar.com

Corporate Book Custodian

Name:	Thomas C. Jepperson	**Title:**	General Counsel & EVP
Phone Number:	(801)324-2648	**Extension:**	
Fax Number:		**Email:**	tom.jepperson@questar.com

Contact Information

Attorney:

Name:	Colleen Bell	**Title:**	VP & Assistant General Counsel
Firm Name:	Questar Corporation		
Address:	333 South State		
City:	Salt Lake City	**State:** UT	**Zip:** 84145
Phone Number:	(801)324-5556	**Extension:**	
(800) Number:		**Fax Number:**	

Accountant:

Name:		**Title:**	
Firm Name:			
Address:			
City:		**State:**	**Zip:**
Phone Number:		**Extension:**	
(800) Number:		**Fax Number:**	

Other Contacts:

Name:		**Title:**	
Phone Number:		**Extension:**	
Fax Number:		**E-mail:**	

Name:		**Title:**	
Phone Number:		**Extension:**	
Fax Number:		**E-mail:**	

Name:		**Title:**	
Phone Number:		**Extension:**	
Fax Number:		**E-mail:**	

OFFICERS AND DIRECTORS

Report below the officers and directors of respondent at the end of the year. If there were any changes during the year, show name, title, and address of previous officer or director and date of change.

Name	Address	Official Title	Salary
Ronald W. Jibson	333 S State SLC, UT 84145	Director	*
Craig C. Wagstaff	333 S State SLC, UT 84145	Director	*
Kevin W. Hadlock	333 S State SLC, UT 84145	Director	*
Craig C. Wagstaff	333 S State SLC, UT 84145	Exec VP & General Mgr	*
David M. Curtis	333 S State SLC, UT 84145	VP & Controller	*
C. Scott Brown	333 S State SLC, UT 84145	Vp Operations	*
Kelly B. Maxfield	333 S State SLC, UT 84145	VP IT & Administration	*
Kevin W. Hadlock	333 S State SLC, UT 84145	VP & CFO	*
Julie Wray	333 S State SLC, UT 84145	Corporate Secretary	*
Anthony R. Ivins	333 S State SLC, UT 84145	Treasurer	*
Thomas C. Jepperson	333 S State SLC, UT 84145	General Counsel & EVP	

* See Questar Corporation's Annual Proxy Statement to be filed in April 2014.

Number of board of directors meetings held during year	2
Number of directors required to constitute a quorum	3
Total amount of directors' fees paid during year	$ -

STOCKHOLDERS

Report below the names and addresses of the stockholders who, at the end of the year, owned or held directly or indirectly 5 percent or more of the voting securities of the respondent.

Name	Address	No, of shares	Salary
Questar Coporation	333 S State SLC, UT 84145	9,189,626	

Total shares represented by above	100%
Total number of shares at end of year	9,189,626
Total number of stockholders at end of year	1

IMPORTANT CHANGES DURING THE YEAR

Give particulars concerning the following matters. Make the statements explicit and precise. Each inquiry must be answered. Only use "none" or "not applicable" if it correctly states the fact.

1. Important additions or changes in franchise rights, including the actual consideration, if any, given therefore.

NA

2. Important additions or extensions of the utility system such as new structures, exchanges, toll facilities, etc.

NA

COMPARATIVE BALANCE SHEETS
(Utah Operations Financial Statement in Accordance with GAAP)

Certificated entity only. Do not consolidate with other affiliated entities.

Account	Balance at beginning of year	Balance at end of year
1 Cash and cash equivalents	1,437,066	8,776,026
2 Federal income taxes receivable		2,767,089
3 Accounts and notes receivable	79,762,743	86,434,805
4 Unbilled gas accounts receivable	78,229,873	93,390,066
5 Deferred income taxes - current	1,542,347	2,906,377
6 Gas stored underground	38,347,749	39,172,683
7 Materials and supplies	13,460,632	12,080,748
8 Current regulatory assets	25,839,092	30,231,563
9 Prepaid expenses and other	3,060,571	3,035,038
10 Purchased gas adjustment	15,221,740	-
11 Total current assets	256,901,813	278,794,394
12 Construction Work in Progress	68,754,447	73,430,794
13 Property, plant and equipment	1,972,067,144	2,129,606,690
14 Less allowances for depreciation	762,767,981	(745,278,183)
15 Net property, plant and equipment	1,278,053,610	1,457,759,300
16 Other long-term assets		
17 Goodwill	5,652,450	5,652,450
18 Regulatory assets	16,337,780	16,129,514
19 Other long-term assets	3,165,332	3,938,584
20 Total Assets	1,560,110,985	1,762,274,242
21 Notes payable to affiliates	166,100,000	17,700,000
22 Notes pay - Current Port LT Debt	42,000,000	
23 Accounts payable and accrued expenses	122,978,689	161,426,990
24 Customer credit balance	30,222,062	19,796,785
25 Current regulatory liabilities	4,278,713	3,665,044
26 Interest payable	4,526,182	5,185,063
27 Other taxes payable	9,605,375	10,463,101
28 Purchased gas adjustment		7,432,556
29 Total current liabilities	379,711,021	225,669,538
30 Long-term debt, less current portion	384,500,000	534,500,000
31 Other liabilities	408,778	432,524
32 Asset retirement obligation	2,877,858	2,589,294
33 Deferred investment tax credits		
34 Deferred income taxes	301,647,201	340,725,134
35 Customer contributions-in-aid-of-construction	22,907,815	29,131,278
36 Regulatory and other noncurrent liabilities	496,150	53,033,058
37 Total Liabilities	1,092,548,823	1,186,080,826
38 Common stock	22,974,065	22,974,065
39 Additional paid-in capital	172,503,065	255,254,975
40 Retained earnings	272,085,033	289,363,035
41 Total shareholder's equity	467,562,163	576,193,416
42 Total liabilities and equity	1,560,110,985	1,762,274,242

COMPARATIVE STATEMENTS OF INCOME
(Utah Operations Financial Statement in Accordance with GAAP)

Certificated entity only. Do not consolidate with other affiliated entities.

Account	Amount for Preceding Year	Amount for Current Year
1 Operating Revenues	862,213,958	985,803,929
2 Utility Operating Expenses:		
3 Gas Purchases	533,332,123	650,552,084
4 Operating Expense	160,674,756	154,091,612
5 Maintenance Expense	11,917,551	11,527,623
6 Depreciation and Amortization	47,168,966	49,683,325
7 Taxes Other Than Income Taxes	16,184,150	18,061,994
8 Income Taxes	0	2,220,422
9 Income Taxes - Deferred	20,898,228	28,351,301
10 Total Utility Operating Expenses	790,175,773	914,488,360
11 Net Operating Income	72,038,184	71,315,569
12 Other Income	(737,366)	3,940,839
13 Other Income Deductions	(155,240)	(227,099)
14 Total Other Income and Deductions	(892,606)	3,713,740
15 Interest Charges	24,061,714	22,251,307
16 Net Income	47,083,864	52,778,002

COMPARATIVE STATEMENTS OF CASH FLOW (Utah Operations Financial Statement in Accordance with GAAP) Certificated entity only. Do not consolidate with other affiliated entities.		
Account	**Amount for Preceding Year**	**Amount for Current Year**
Operating Activities		
Net Income	47,083,864	52,778,002
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation, depletion and amortization	52,204,732	54,755,164
Deferred income taxes	45,832,057	37,713,903
Shared-based compensation	1,195,509	672,025
Changes in operating assets and liabilities		
Accounts receivable	(25,130,948)	(21,836,318)
Inventories	695,073	554,949
Prepaid expenses and other	23,468	25,533
Accounts payable and accrued expenses	11,266,735	17,520,639
Federal income taxes	1,528,456	(2,767,089)
Other taxes	(3,444,874)	857,726
Purchased gas adjustments	(26,056,364)	22,654,296
Other assets	(2,079,314)	(640,163)
Regulatory assets(current)	681,730	(4,392,471)
Regulatory liabilities(current)	918,245	(613,669)
Other liabilities	(3,144,277)	6,147,886
NET CASH (USED IN) PROVIDED FROM OPERATING	101,574,092	163,430,414
Investing Activities		
Capital expenditures		
Property, plant and equipment	(162,060,541)	(166,184,585)
Proceeds from disposition of assets	9,223,817	(3,630,413)
NET CASH (USED IN) PROVIDED FROM INVESTING	(152,836,724)	(169,814,998)
Financing Activities		
Common stock issued	0	90,681,227
Long-term debt issued, net of issue costs	148,790,491	148,942,318
Long-term debt repaid	(91,500,000)	(42,000,000)
Change in short-term debt	23,425,000	(148,400,000)
Dividends paid	(33,000,000)	(35,500,000)
Excess tax benefits from share-based compensation	0	0
NET CASH(USED IN) PROVIDED FROM FINANCING	47,715,491	13,723,545
Change in cash and cash equivalents	(3,547,142)	7,338,960
Beginning cash and cash equivalents	4,984,207	1,437,066
Ending cash and cash equivalents	1,437,066	8,776,026

NOTES TO FINANCIAL STATEMENTS

(Utah Operations Financial Statement in Accordance with GAAP)

Provide the notes to the financial statements and sign the certification below.

See Attached

Signature of officer

QUESTAR GAS COMPANY

The following are extracts of the notes to Questar's 2013 financial statements which are relevant to Questar Gas Company:

Note 1 - Summary of Significant Accounting Policies

Nature of Business

Questar Gas Company (Questar Gas) provides retail natural gas distribution in Utah, Wyoming and Idaho.

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

Revenue Recognition

Questar Gas records revenues in the period that gas is delivered, including gas delivered to residential and commercial customers but not billed as of the end of the accounting period. Unbilled gas deliveries are estimated for the period from the date meters are read to the end of the month. Approximately one-half month of revenue is estimated in any period. Gas costs and other variable costs are recorded on the same basis to ensure proper matching of revenues and expenses. Questar Gas's tariff allows for monthly adjustments to customer bills to approximate the effect of abnormal weather on non-gas revenues. The weather-normalization adjustment significantly reduces the impact of weather on gas-distribution earnings. The PSCU and PSCW approved a CET to promote energy conservation. Under the CET, Questar Gas non-gas revenues are decoupled from the volume of gas used by customers. The tariff specifies an allowed revenue per customer for each month with differences to be deferred and recovered from customers or refunded to customers through periodic rate adjustments. Rate adjustments occur every six months under the CET. The adjustments amortize deferred CET amounts over a 12-month period. These adjustments are limited to 5% of non-gas revenues.

Questar Gas allows customers the option of paying an estimated fixed monthly bill throughout the year on a budget-billing program. The estimated payments are adjusted to actual usage annually. Amounts collected from customers under this program in excess of gas deliveries are recorded on the Consolidated Balance Sheets as customer advances. The budget-billing option does not impact revenue recognition. Questar Gas may collect revenues subject to possible refunds and establish reserves pending final orders from regulatory agencies.

Cost of Sales

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. Questar Gas also obtains transportation and storage services from Questar Pipeline. These intercompany revenues and expenses are eliminated in the Questar Consolidated Statements of Income by reducing revenues and cost of sales. The underlying costs of Wexpro's production and Questar Pipeline's transportation and storage services are disclosed in other categories in the Consolidated Statements of Income, including operating and maintenance expense and depreciation, depletion and amortization expense. During the second and third quarters of the year, a significant portion of the natural gas from Wexpro production is injected into underground storage. This gas is withdrawn from storage as needed during the heating season in the first and fourth quarters. The cost of natural gas sold is credited with the value of natural gas as it is injected into storage and debited as it is withdrawn from storage. The reported balance in consolidated cost of sales may be a negative amount during the second and third quarters because of the entries to record injection of gas into storage and the elimination of intercompany transactions.

The details of Questar's consolidated cost of sales are as follows:

	Year Ended December 31,		
	2013	2012	2011
		(in millions)	
Questar Gas			
Gas purchases	$ **186.6**	$ 104.2	$ 221.2
Operator service fee	**294.6**	274.0	253.4
Transportation and storage	**80.1**	79.6	78.4
Gathering	**18.8**	20.5	25.0
Royalties	**44.3**	32.0	38.9
Storage (injection) withdrawal, net	**(0.8)**	1.9	3.0
Purchased-gas account adjustment	**22.0**	16.1	20.6
Other	**5.0**	5.0	5.2
Total Questar Gas cost of natural gas sold	**650.6**	533.3	645.7
Elimination of Questar Gas cost of natural gas sold - affiliated parties	**(370.9)**	(347.7)	(327.3)
Total Questar Gas cost of natural gas sold - unaffiliated parties	**279.7**	185.6	318.4

Regulation

The Company applies the regulatory accounting principles to the rate-regulated businesses. Under these principles, the Company records regulatory assets and liabilities that would not be otherwise recorded under GAAP for non-rate-regulated entities. Regulatory assets and liabilities record probable future revenues or expenses associated with certain charges or credits that will be recovered from or refunded to customers through the rate-making process.

Questar Gas accounts for purchased-gas costs in accordance with procedures authorized by the 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. Questar Gas may hedge a portion of its natural gas supply to mitigate price fluctuations for gas-distribution customers. The regulatory commissions allow Questar Gas to record periodic mark-to-market adjustments for commodity-price derivatives in the purchased-gas adjustment account. Questar did not have any commodity-price derivatives at December 31, 2013 or 2012. See Note 11 for a description and comparison of regulatory assets and liabilities as of December 31, 2013 and 2012.

Cash and Cash Equivalents

Cash equivalents consist principally of repurchase agreements with maturities of three months or less. In almost all cases, the repurchase agreements are highly liquid investments in overnight securities made through commercial bank accounts that result in available funds the next business day.

Property, Plant and Equipment

Property, plant and equipment balances are stated at historical cost. Maintenance and repair costs are expensed as incurred.

Contributions in aid of construction

Customer contributions in aid of construction reduce plant unless the amounts are refundable to customers. Contributions for main-line extensions may be refundable to customers if additional customers connect to the main-line segment within five years. Refundable contributions are recorded as liabilities until refunded or the five-year period expires without additional customer connections. Amounts not refunded reduce plant. Capital expenditures in the Consolidated Statements of Cash Flows are reported net of non-refundable contributions.

Depreciation, depletion and amortization

Major categories of fixed assets in gas distribution, transportation and storage operations are grouped together and depreciated using a straight-line method. Gains and losses on asset disposals are recorded as adjustments in accumulated depreciation. The

Company has not capitalized future abandonment costs on a majority of its long-lived gas distribution and transportation assets due to a lack of a legal obligation to restore the area surrounding abandoned assets. In these cases, the regulatory agencies have opted to leave retired facilities in the ground undisturbed rather than excavate and dispose of the assets. Depreciation rates for Questar Gas and Questar Pipeline are established through rate proceedings.

The following represent average depreciation, depletion and amortization rates of the Company's capitalized costs:

	Year Ended December 31,		
	2013	2012	2011
Questar Gas distribution plant	**2.7 %**	2.8 %	2.8 %

Questar Gas's depreciation rates include a component for the cost of plant removal. Accordingly, Questar Gas recognizes cost of plant removal as depreciation expense. The related cost of removal accrual is reflected as a regulatory liability on the balance sheet. At the time property, plant and equipment is retired, removal expenses less salvage, are charged to the regulatory cost of plant removal accrual.

Impairment of Long-Lived Assets

Properties are evaluated on a specific-asset basis or in groups of similar assets, as applicable. Impairment is indicated when a triggering event occurs and the sum of the estimated undiscounted future net cash flows of an evaluated asset is less than the asset's carrying value. If impairment is indicated, fair value is estimated using a discounted cash flow approach using market interest rates or, if available, other market data. Cash flow estimates require forecasts and assumptions for many years into the future for a variety of factors, including commodity prices, commodity transportation rates and operating costs. There were no impairments in 2012 or 2011.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the amount paid over the fair value of net assets acquired in a business combination and is not subject to amortization. Goodwill and indefinite-lived intangible assets are tested for impairment at a minimum of once a year or when a triggering event occurs. The Company evaluates whether it is more likely than not that the carrying value of a reporting unit is greater than its fair value using events and circumstances such as economic conditions, industry changes, financial performance, etc. Fair value is measured using actively traded market values of other comparable companies in the same businesses. If the fair value of the reporting unit exceeds its carrying value then goodwill is considered not to be impaired. If the carrying value of the business unit is greater than the fair value, an impairment of goodwill is recognized equal to the excess of carrying amount of goodwill over its fair value.

Capitalized Interest and Allowance for Funds Used During Construction

The Company capitalizes interest costs when applicable. The FERC, PSCU and PSCW require the capitalization of an allowance for funds used during construction (AFUDC) for rate-regulated plant and equipment. The Wexpro Agreement requires capitalization of AFUDC on cost-of-service gas and oil development projects. Amounts recorded in the Consolidated Statements of Income for the capitalization of AFUDC and interest costs are disclosed in the table below:

	Year Ended December 31,		
	2013	2012	2011
Capitalized interest costs (recorded as a reduction of interest expense)			
Questar Gas	**$ 0.2**	$ 0.1	$ 0.1

N. Derivative Instruments and Hedging Activities

The Company may elect to designate a derivative instrument as a hedge of exposure to changes in fair value or cash flows. A derivative instrument qualifies as a hedge if all of the following tests are met:

- The item to be hedged exposes the Company to market risk.
- The derivative reduces the risk exposure and is designated as a hedge at the inception of the hedging relationship.

- At the inception of the hedge and throughout the hedge period, there is a high correlation between changes in the fair value of the derivative instrument and the fair value of the underlying hedged item.

If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of the change together with the offsetting gain or loss from the change in fair value of the hedged item. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of accumulated other comprehensive income (loss) (AOCI) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amount excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss, is reported currently in earnings. When a derivative instrument is designated as a cash flow hedge of a forecasted transaction that becomes probable of not occurring, the gain or loss on the derivative is immediately reclassified into earnings from AOCI.

Credit Risk

The Rocky Mountain region is the Company's primary market area. Exposure to credit risk may be affected by the concentration of customers in this region due to changes in economic or other conditions. Customers include individuals and numerous commercial and industrial enterprises that may react differently to changing conditions. Management believes that its credit-review procedures, loss reserves, customer deposits and collection procedures have adequately provided for usual and customary credit-related losses. Loss reserves are periodically reviewed for adequacy and may be established on a specific-case basis.

Bad debt expense associated with accounts receivable amounted to $0.2 million in 2013, $1.2 million in 2012 and $2.4 million in 2011. The allowance for bad debts was $1.7 million at December 31, 2013 and $3.1 million at December 31, 2012. Questar Gas's retail gas operations account for a majority of the bad debt expense. Questar Gas estimates bad debt expense as a percentage of general-service revenues with periodic adjustments. Uncollected accounts are generally written off six months after gas is delivered and interest is no longer accrued. Questar Gas recovers bad debt costs related to the gas-cost portion of rates in its Utah operations through a purchased-gas adjustment to rates.

Asset Retirement Obligations

Questar records an asset retirement obligation (ARO) 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 capitalized future abandonment costs 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. In these cases, the regulatory agencies have opted to leave retired facilities in the ground undisturbed rather than requiring the Company to excavate and dispose of the assets. Cost-of-service gas and oil AROs apply primarily to abandonment costs associated with gas and oil wells and certain other properties. The fair value of retirement costs is estimated by Company personnel based on abandonment costs of similar properties available to field operations and depreciated over the life of the related assets. Revisions to estimates result from material changes in the expected timing or amount of cash flows associated with AROs. Income or expense resulting from the settlement of ARO liabilities is included in net gain (loss) from asset sales on the Consolidated Statements of Income. The ARO liability is adjusted to present value each period through an accretion calculation using a credit-adjusted risk-free interest rate. See Note 4 for further discussion on AROs.

Income Taxes

Questar and its subsidiaries file a consolidated federal income tax return. Questar Gas accounts for income taxes on a separate return basis and record tax expenses and benefits as they are generated. Deferred income taxes are recorded for the temporary differences arising between the book and tax carrying amounts of assets and liabilities. These differences create taxable or tax-deductible amounts for future periods. Questar Gas uses the deferral method to account for investment tax credits as required by regulatory commissions. The Company records interest earned on income tax refunds in interest and other income and records penalties and interest charged on tax deficiencies in interest expense.

Accounting standards for income taxes specify the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold for a tax position to be reflected in the financial statements. If recognized, the tax benefit is measured as the largest amount of tax benefit that is more-likely-than-not to be realized upon ultimate settlement. Management has considered the amounts and the probabilities of the outcomes that could be realized upon ultimate settlement and believes that it is more-likely-than-not that the Company's recorded income tax benefits will be fully realized. There were no unrecognized tax benefits at the beginning or at the end of the years ended December 31, 2013, 2012 or 2011. The federal income tax return for 2012 is under examination by the Internal Revenue Service (IRS). The 2013 federal income tax return has not been filed.

For the 2013 and 2014 tax years, Questar was accepted into the CAP Maintenance program. The CAP employs real-time resolution to improve federal tax compliance by resolving all or most tax positions prior to filing the related tax return. Successful conclusion of the CAP allows the IRS to achieve an acceptable level of assurance regarding the accuracy of the taxpayer's filed tax return and to eliminate or substantially reduce the need for a traditional examination.

Current federal tax statutes allow taxpayers a deduction of bonus depreciation related to capital expenditures of 100% in 2011 and 50% in 2012 and 2013. The effects of bonus depreciation and other significant book/tax timing differences resulted in a net operating loss (NOL) carryforward for federal income tax purposes in 2012 of $30.0 million. Questar's estimated taxable income for 2013 is $153.8 million. The NOL carryforward from 2012 of $30.0 million is expected to be utilized on the 2013 federal income tax return.

Share-Based Compensation

Questar may issue stock options, restricted shares, RSUs and performance shares to certain officers, employees and non-employee directors under its LTSIP. The Company uses the Black-Scholes-Merton mathematical model in estimating the fair value of stock options and the Monte Carlo simulation method in estimating the fair value of performance shares for accounting purposes. The granting of restricted shares and RSUs results in recognition of compensation cost measured at the grant-date market price. Questar uses an accelerated method in recognizing share-based compensation costs with graded vesting periods.

Reclassifications

Certain reclassifications were made to prior year financial statements and notes to conform to the 2013 presentation. Questar Gas reclassified amounts received from customers for the cost of plant removal from accumulated depreciation to a regulatory liability for prior years. This reclassification did not impact net income or cash flows. The Company does not believe this change is material to prior year financial statements.

All dollar amounts in this Annual Report on Form 10-K are in millions, except per-share information and where otherwise noted.

Note 2 - Earnings Per Share

Long-Term Stock Incentive Plan

Questar may issue stock options, restricted shares and RSUs to certain officers, directors and employees under its LTSIP. Stock options for participants have terms ranging from five to ten years with a majority issued with a seven- to ten-year term. Options generally vest in three or four equal, annual installments. Restricted shares and RSUs vest in equal installments over a specified number of years after the grant date with the majority vesting in three years. Unvested restricted shares have voting and dividend rights; however, sale or transfer is restricted. RSUs do not have voting rights until shares are distributed, but they do have dividend equivalent rights. Most RSU dividend equivalents are paid in cash quarterly and vest immediately. Dividend equivalents on certain RSUs with deferred share distributions accrue quarterly and are subject to the same vesting, distribution and voting conditions of the underlying award.

Note 3 - Asset Retirement Obligations

Questar's consolidated AROs by line of business are summarized in the table below:

	December 31,	
	2013	2012
	(in millions)	
Questar Gas	$ **0.6**	$ 0.5

Wexpro collects from Questar Gas and deposits in trust certain funds related to estimated ARO costs. The funds are recorded as other noncurrent assets on the Consolidated Balance Sheets and are used to satisfy retirement obligations as the properties are abandoned. The accounting treatment of reclamation activities associated with AROs for properties administered under the Wexpro Agreement is defined in a guideline letter between Wexpro and the Utah Division of Public Utilities and the staff of the PSCW.

Note 4 - Fair Value Measurements

Questar complies with the accounting standards for fair value measurements and disclosures. These standards define fair value in applying GAAP, establish a framework for measuring fair value and expand disclosures about fair value measurements. 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 December 31, 2013 or 2012. Fair value accounting standards also apply to certain nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis.

Beginning in 2012, Questar adopted fair value accounting guidance issued in May 2011. The guidance did not result in any changes to the reported amounts of assets or liabilities, but did result in disclosure of the fair value hierarchy levels associated with fair value estimates for financial assets and liabilities not carried at fair value.

Questar primarily applies the market approach for recurring fair value measurements and maximizes its use of observable inputs and minimizes its use of unobservable inputs. Questar considers bid and ask prices for valuing the majority of its assets and liabilities measured and reported at fair value. In addition to using market data, Questar makes assumptions in valuing its assets and liabilities, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

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 Annual Report on Form 10-K:

	Hierarchy Level of Fair Value	**Carrying Amount**	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
		December 31, 2013		December 31, 2012	
			(in millions)		
Financial assets					
Cash and cash equivalents	1	$ **8.8**	$ **8.8**	$ 1.4	$ 1.4
Financial liabilities					
Notes payable to Questar	1	**17.7**	**17.7**	166.1	166.1
Long-term debt, including current	2	**534.5**	**568.0**	426.5	503.7

The carrying amounts of cash and cash equivalents and notes payable to Questar approximate fair value. 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.

Note 5 - Debt

The Company has a revolving credit facility with various banks to provide back-up credit liquidity support for its commercial paper program. Credit commitments under this revolving credit facility totaled $750.0 million at December 31, 2013, with no amounts borrowed. This revolving credit facility has interest-rate options generally below the prime interest rate and carries commitment fees on the unused balance. In April 2013, Questar amended and restated its revolving credit facility to increase its size from $500.0 million to $750.0 million and extend its maturity from August 31, 2016 to April 19, 2018. On October 29, 2012, the Company amended its revolving credit facility to enable Questar Gas to issue $150.0 million in the private placement market in December 2012. Under both amendments, consolidated funded debt cannot exceed 70% of consolidated capitalization. The Company was in compliance with this covenant at December 31, 2013.

Questar centrally manages cash. Questar makes loans to Questar Gas and under a short-term borrowing arrangement. Amounts loaned earn an interest rate that is identical to the interest rate paid on amounts borrowed. The rate is adjusted monthly based on prevailing short-term market interest rates.

The following table details the notes payable to Questar from Questar Gas and the associated interest rates.

	December 31, **2013**	2012
	(in millions)	
Questar Gas		
Notes payable to Questar	$ **17.7**	$ 166.1
Interest rate at end of year	**0.30** '	0.39 '

All short- and long-term debt and the revolving credit facility are unsecured obligations and rank equally with all other unsecured liabilities. The terms of the Questar Corporation, Questar Gas and Questar Pipeline long-term debt obligations do not have dividend-payment restrictions.

In December 2013, Questar Gas issued $90.0 million of 30-year Senior Notes at 4.78% and $60.0 million of 35-year Senior Notes at 4.83% in the private placement market. The proceeds of approximately $149.0 million, after deducting estimated issuance costs, were used to repay existing indebtedness and for general corporate purposes.

In December 2012, Questar Gas issued $110.0 million of 15-year Senior Notes at 3.28% and $40.0 million of 12-year Senior Notes at 2.98% in the private placement market. The proceeds of approximately $148.8 million, after deducting estimated issuance costs, were used to refinance $91.5 million of long-term debt that matured in 2012, $40.0 million that matured in January 2013 and $2.0 million that matured in September 2013, and for general corporate purposes. These maturities had a weighted-average interest rate of 6.06%. The details of long-term debt are as follows:

Questar Gas		
5.00% and 6.89% Medium-term Notes due 2013	—	42.0
5.31% and 6.85% Medium-term Notes due 2017 and 2018	**84.5**	84.5
6.30% Notes due 2018	**50.0**	50.0
2.98% Notes due 2024	**40.0**	40.0
3.28% Notes due 2027	**110.0**	110.0
7.20% Notes due 2038	**100.0**	100.0
4.78% Notes due 2043	**90.0**	—
4.83% Notes due 2048	**60.0**	—
Total Questar Gas long-term debt	**534.5**	426.5

The aggregate maturities of Questar Gas long-term debt for the next five years are as follows:

	Questar Gas Years Ending December 31,
	(in millions)
2017	14.5
2018	120.0

Note 6 - Income Taxes

Questar Gas

Details of Questar Gas's income tax expense and deferred income taxes are provided in the following tables. The components of income tax expense were as follows:

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Federal			
Current	$ **6.0**	$ (18.7)	$ —
Deferred	**23.5**	45.1	26.3
State			
Current	**0.6**	—	(1.6)
Deferred	**2.0**	1.2	3.2
Deferred investment tax credit recognized	**(0.2)**	(0.4)	(0.4)
Total income tax expense	$ **31.9**	$ 27.2	$ 27.5

The difference between the statutory federal income tax rate and Questar Gas's effective income tax rate is explained as follows:

	Year Ended December 31,		
	2013	2012	2011
Federal income taxes statutory rate	**35.0 %**	35.0 %	35.0 %
Increase (decrease) in rate as a result of:			
State income taxes, net of federal income tax benefit	**2.1**	1.0	1.4
Amortization of investment tax credits related to rate-regulated assets	**(0.3)**	(0.4)	(0.5)
Other	**0.9**	1.0	1.5
Effective income tax rate	37.7 %	36.6 %	37.4 %

Significant components of Questar Gas's deferred income taxes were as follows:

	December 31,	
	2013	2012
	(in millions)	
Deferred income taxes - noncurrent		
Deferred tax liabilities		
Property, plant and equipment	**$ 322.6**	$ 293.0
Employee benefits	**14.0**	17.2
Other	**4.9**	3.4
Deferred tax liabilities - noncurrent	**341.5**	313.6
Deferred tax assets		
Deferred compensation	**0.8**	0.9
Net operating loss carryforward	**—**	11.1
Deferred tax assets - noncurrent	**0.8**	12.0
Net deferred income tax liability - noncurrent	**$ 340.7**	$ 301.6
Deferred income taxes - current		
Deferred tax assets - current	**$ 3.3**	$ 6.1
Deferred tax liabilities - current	**0.4**	4.6
Net deferred income tax asset - current	**$ 2.9**	$ 1.5

Note 7 - Commitments, Contingencies and Leases

On May 1, 2012, Questar Gas Company filed a legal action against QEP Field Services Company, a subsidiary of QEP Resources, Inc. The case, entitled *Questar Gas Company v. QEP Field Services Company*, was filed in the Third District Court in Salt Lake County, Utah. Questar Gas believes certain charges of QEP Field Services Company for gathering services exceed the amounts contemplated under a Gas Gathering Agreement, effective September 1, 1993, pertaining to certain gas produced by Wexpro Company under the Wexpro Agreement. Questar Gas is alleging breach of contract by QEP Field Services Company and is seeking an accounting, damages and a declaratory judgment relating to the services and charges under the Gas Gathering Agreement. The charges under the Gas Gathering Agreement are included in Questar Gas's rates as part of its purchased-gas costs. QEP Field Services Company filed an answer and counterclaim alleging that Questar Gas breached the Agreement by failing to allow QEP Field Services to gather and process gas from certain wells located in two fields in the state of Wyoming. While Questar Gas intends to vigorously pursue its legal rights, the claims and counterclaims involve complex legal issues and uncertainties that make it difficult to predict the outcome of the case and therefore management cannot determine at this time whether this litigation may have an adverse material effect on its financial position, results of operations or cash flows.

Questar Gas is involved in various commercial, environmental, and regulatory claims. Litigation and other legal proceedings arise in the ordinary course of business. Except as stated above concerning the QEP lawsuit, management does not believe any of them individually or in the aggregate will have a material adverse effect on Questar Gas'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 Gas'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.

Commitments

Questar Gas
Currently, more than half of Questar Gas's natural gas supply is provided by cost-of-service reserves developed and produced by Wexpro. In 2013, Questar Gas purchased the remainder of its gas supply from multiple third parties under index-based or fixed-price contracts. Questar Gas has commitments to purchase gas for $27.4 million in 2014, $21.0 million in 2015, $21.1 million in 2016, $25.3 million in 2017, and $29.4 million in 2018 based on current prices. Generally, at the conclusion of the heating season and after a bid process, new agreements for the next heating season are put in place. Questar Gas bought natural gas under third-party purchase agreements amounting to $186.5 million in 2013, $104.1 million in 2012 and $221.0 million in 2011.

In addition, Questar Gas stores gas during off-peak periods (typically during the summer) and withdraws gas from storage to meet peak gas demand (typically in the winter). The company has contracted for transportation and underground storage services with Questar Pipeline. Annual payments for these services amount to $74.4 million in 2014, $73.3 million in 2015 and 2016, $46.6 million in 2017, and $13.4 million in 2018. Questar Gas has third-party transportation and gathering commitments requiring yearly payments of $27.2 million in 2014 through 2017 and $24.2 million in 2018.

Note 8 - Wexpro and Wexpro II Agreements

Wexpro's operations are subject to the terms of the Wexpro Agreement. The agreement was effective August 1, 1981, and sets forth the rights of Questar Gas to receive certain benefits from Wexpro's operations. The agreement was approved by the PSCU and PSCW in 1981 and affirmed by the Supreme Court of Utah in 1983. The Utah Division of Public Utilities and the staff of the PSCW are entitled to review the performance of Questar Gas and Wexpro under the Wexpro Agreement and have retained an independent certified public accountant and an independent petroleum engineer to monitor the performance of the agreement. Major provisions of the agreement are as follows:

Wexpro conducts gas-development drilling on a finite group of productive gas properties, as defined in the agreement, and bears any costs of dry holes. Natural gas produced from successful drilling on these properties is delivered to Questar Gas.

Wexpro operates certain natural gas properties for Questar Gas. Wexpro conducts developmental-oil drilling on productive oil properties and bears any costs of dry holes. Oil and NGL discovered from these properties is sold at market prices with the revenues used to recover operating expenses and to give Wexpro a return on its investment in successful wells. The after-tax rate of return is adjusted annually and is approximately 17.2%. Any operating income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas, with Wexpro retaining 46% and Questar Gas retaining 54%.

Any operating income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas, with Wexpro retaining 46%.

e. Amounts received by Questar Gas from the sharing of Wexpro's oil and NGL income are used to reduce natural gas costs to utility customers.

Wexpro II Agreement

Wexpro and Questar Gas have received approval of the PSCU and PSCW (the Commissions) for a Wexpro II Agreement to add properties under the cost-of-service pricing methodology for the benefit of Questar Gas customers. The agreement is modeled after the terms of the original Wexpro Agreement. Under the Wexpro II Agreement, Wexpro may acquire gas development properties and Questar Gas may submit an application to the Commissions to treat these properties similar to the original Wexpro properties. If the Commissions approve the applications, the gas will be developed for the benefit of Questar Gas customers. Wexpro will be entitled to a return on the acquisition costs based on Questar Gas's approved cost of capital. Future development costs will earn returns consistent with the original Wexpro Agreement.

In September 2013, Wexpro completed a transaction to acquire an additional interest in natural gas-producing properties in the Trail Unit of southwestern Wyoming's Vermillion Basin for $104.3 million, after post-closing adjustments (Trail acquisition). In January 2014, the Commissions approved a stipulation for inclusion of these properties in the Wexpro II Agreement. As part of this stipulation, Wexpro agreed to a provision to manage the combined production from the original Wexpro properties and the Trail acquisition to 65% of Questar Gas's annual forecasted demand. Beginning in June 2015 through May 2016 and for each subsequent 12-month period, if the combined annual production exceeds 65% of the forecasted demand and the cost-of-service price is greater than the Questar Gas purchased-gas price, an amount equal to the excess production times the excess price will be credited back to Questar Gas customers. Wexpro may also sell production to manage the 65% level and credit back to Questar Gas customers the higher of market price or the cost-of-service price times the sales volumes.

Note 9 - Rate Regulation

The following table details regulatory assets and liabilities:

	December 31, 2013		December 31, 2012	
	Current	Noncurrent	Current	Noncurrent
		(in millions)		
Regulatory assets:				
Questar Gas				
Purchased-gas adjustment	$ —	$ —	$ 15.2	$ —
DSM	11.2	—	11.0	—
Deferred production taxes	5.7	—	5.0	—
Deferred royalties	5.2	—	6.3	—
Contract withholding	8.1	—	3.5	—
Cost of reacquired debt	—	4.8	—	5.3
Pipeline integrity costs	—	9.3	—	8.7
ARO cost-of-service gas wells	—	2.0	—	2.4
Total Questar Gas regulatory assets	30.2	16.1	41.0	16.4
Regulatory liabilities:				
Questar Gas				
Purchased-gas adjustment	$ 7.4	$ —	$ —	$ —
CET	3.3	—	4.2	—
Cost of plant removal	—	52.7	—	46.2
Income taxes refundable to customers	—	0.3	—	0.5
Other	0.4	—	0.1	—
Total Questar Gas regulatory liabilities	11.1	53.0	4.3	46.7

Questar Gas records regulatory assets and liabilities. They recover the costs of assets but do not generally receive a return on these assets.

Following is a description of Questar Gas's regulatory assets and liabilities:

- Purchased-gas costs that are different from those provided for in present rates are accumulated and recovered or credited through future rate changes.
- The DSM program asset represents funds expended for promoting the conservation of natural gas through advertising, rebates for efficient homes and appliances, and home energy audits. These costs are deferred and recovered from customers through periodic rate adjustments.
- Production taxes and royalties on cost-of-service gas production are recorded when the gas is produced and recovered from customers when taxes and royalties are paid, generally within 12 months.
- Questar Gas recorded a regulatory asset for a disputed amount withheld from a supplier of gathering services. The amount withheld will be recovered from customers if it is determined that Questar Gas is required to pay the supplier.
- Gains and losses on the reacquisition of debt by rate-regulated companies are deferred and amortized as interest expense over the would-be remaining life of the reacquired debt. The reacquired debt costs had a weighted-average life of approximately 9 years as of December 31, 2013.
- The costs of complying with pipeline-integrity regulations are recovered in rates subject to a PSCU order. Questar Gas is allowed to recover $4.4 million per year. Costs incurred in excess of this amount will be recovered in future rate changes.

- A regulatory asset that represents future expenses related to abandonment of Wexpro-operated gas and oil wells. The regulatory asset will be reduced over an 18-year period following an amortization schedule that commenced January 1, 2003, or as cash is paid to plug and abandon wells.
- The CET liability represents actual revenues received that are in excess of the allowed revenues. These amounts are refunded through periodic rate adjustments.
- Cost of plant removal represents asset retirement costs recovered from customers for other than legal obligations.
- Income taxes refundable to customers arise from adjustments to deferred taxes, refunded over the life of the related property, plant and equipment.

Rate Changes

Questar Gas has an allowed return on equity of 10.35% in Utah. Questar Gas filed a general rate case in Utah in July 2013, requesting a $19 million increase in revenues and a continuation of its 10.35% authorized return on equity. Hearings were held in January 2014 and a decision in the case was received on February 21, 2014, which authorized an allowed return on equity of 9.85% and an annual increase in revenues of $7.6 million effective March 1, 2014. Questar Gas filed a general rate case in Wyoming in December 2011 and received an order in 2012, which increased rates by $0.6 million per year and authorized a return on equity of 9.16%.

Note 10 - Share-Based Compensation

Questar may issue stock options, restricted shares, RSUs and performance shares to certain officers, employees and non-employee directors under its LTSIP. Questar recognizes expense over time as the stock options, restricted shares, RSUs and performance shares vest.

Restricted shares are valued at the grant-date market price and amortized to expense over the vesting period. Most restricted share grants vest in equal installments over a three-year period from the grant date. The weighted-average remaining vesting period of unvested restricted shares at December 31, 2013, was 7 months.

Starting in the first quarter of 2013, Questar granted RSUs to certain officers, employees and non-employee directors under its LTSIP. One share of Questar common stock will be distributed for each RSU at the time of vesting. RSUs are valued at the grant-date market price and amortized to expense over the vesting period. RSU grants typically vest in equal installments over a three-year period from the grant date. Several grants vest in a single installment after a specified period. The weighted-average remaining vesting period of unvested RSUs at December 31, 2013, was 14 months.

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

The Company uses the Monte Carlo simulation method in estimating the fair value of performance shares. Fair value estimates rely upon subjective assumptions used in the mathematical model and may not be representative of future results. The estimated fair value of performance shares granted and major assumptions used in the simulation at the date of grant are listed below:

	2013	2012	2011
		Performance Share Input Variables	
Fair value of performance shares at grant date	**$ 39.62**	$ 25.42	$ 18.23
Risk-free interest rate	**0.40 %**	0.35 %	1.32 %
Expected price volatility	**19.0 %**	22.0 %	31.3 %
Expected dividend yield	**2.88 %**	3.35 %	3.39 %
Expected life in years	**2.9**	2.9	2.9

The grant-date fair value of performance shares is amortized to expense over the vesting period. Half of any award will be distributed in shares of Questar common stock and half in cash.

The following table summarizes the stock options held under the LTSIP by Questar Gas officers and employees at December 31, 2013:

Options Outstanding				Options Exercisable	
Range of exercise prices	Number outstanding at Dec. 31, 2013	Weighted-average remaining term in years	Weighted-average exercise price	Number exercisable at Dec. 31, 2013	Weighted-average exercise price
Questar Gas					
$ 11.40 - $ 13.10	**17,000**	**2.6**	**$ 12.10**	**17,000**	**$ 12.10**

The following table summarizes the restricted shares held under the LTSIP by Questar Gas officers and employees at December 31, 2013. The weighted-average remaining vesting periods of unvested restricted shares at December 31, 2013, for Questar Gas were 6 months and 7 months, respectively.

	Restricted Shares Outstanding	Price Range	Weighted-Average Price
Questar Gas	**58,837**	**$ 13.10 - $ 19.39**	**$ 18.60**

The following table summarizes the RSUs held under the LTSIP by Questar Gas officers and employees at December 31, 2013. The weighted-average remaining vesting period of unvested RSUs at December 31, 2013, for Questar Gas was 14 months.

	RSUs Outstanding	Price Range	Weighted-Average Price
Questar Gas	**55,631**	**$ 22.17 - $ 23.62**	**$ 23.54**

The following table summarizes the target number of performance shares held under the LTSIP by Questar Gas officers at December 31, 2013. The weighted-average remaining vesting period of unvested performance shares at December 31, 2013, for Questar Gas was 18 months.

	Target Number of Performance Shares Outstanding	Grant-Date Fair Value Range	Weighted-Average Grant-Date Fair Value
Questar Gas	**34,326**	**$ 18.23 - $ 39.62**	**$ 27.91**

Note 11 - Employee Benefits

Defined Benefit Pension Plans and Other Postretirement 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 coverage once they retire.

Questar Gas participates in Questar's qualified and nonqualified pension plans as well as its postretirement medical and life plans. Questar Gas's pension plan and postretirement medical and life insurance assets and benefit obligations cannot be separately determined because plan assets are not segregated or restricted to meet the companies' pension and postretirement medical and life obligations. If the companies were to withdraw from the plans, the pension and other postretirement obligations for Questar Gas employees would be retained by the Questar plans. Pension and other postretirement benefit net cost and plan contribution information for Questar Gas is shown below:

	Pension			Other Postretirement Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2013	2012	2011	**2013**	2012	2011
			(in millions)			
Questar Gas						
Net periodic cost	$ **18.1**	$ 19.7	$ 13.4	$ **2.4**	$ 3.3	$ 2.3
Share of total plan contributions	**29.6**	39.4	27.1	**2.0**	1.9	2.2

Employee Investment Plan

The Employee Investment Plan (EIP) is a defined contribution pension plan that allows eligible employees to purchase shares of Questar common stock or other investments through payroll deduction at the fair market value on the transaction date. The Company currently contributes an overall match of 100% of employees' purchases up to a maximum of 6% of their qualifying earnings. To satisfy employee purchases of Questar stock, the EIP trustee may purchase Questar shares on the open market with cash received or Questar may issue new shares.

Questar Gas's EIP expense equaled its matching contribution of $3.4 million in 2013, $3.6 million in 2012 and $3.4 million in 2011.

Note 12 - Related-Party Transactions

Questar Gas

In 2013 Questar Gas provided technical services to affiliates. In 2012 and 2011 Questar Gas also provided communication services to affiliates. Questar Gas provided these services at its cost and charged $6.7 million in 2013, $13.6 million in 2012 and $14.0 million in 2011. The majority of these costs are allocated. The allocation methods are based on the specific nature of the charges. Management believes that the allocation methods are reasonable.

Questar Gas has reserved transportation capacity on Questar Pipeline's system for 916 Mdth per day during the heating season and 841 Mdth per day during off-peak months. Questar Gas periodically releases excess capacity and receives a credit from Questar Pipeline for the released capacity revenues and a portion of Questar Pipeline's interruptible transportation revenues. Questar Gas paid for transportation, storage and processing services provided by Questar Pipeline and a subsidiary amounting to $73.0 million in 2013, $73.6 million in 2012 and $73.7 million in 2011, which included demand charges. The costs of these services were included in the cost of natural gas sold.

Under the terms of the Wexpro Agreement, Questar Gas receives a portion of Wexpro's income from oil and NGL operations after recovery of Wexpro's operating expenses and a return on investment. This amount, which is included in revenues and reduces amounts billed to gas distribution customers, was $0.6 million in 2013, $2.5 million in 2012 and $3.3 million in 2011.

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 coverage once they retire.

Questar Gas participates in Questar's qualified and nonqualified pension plans as well as its postretirement medical and life plans. Questar Gas's pension plan and postretirement medical and life insurance assets and benefit obligations cannot be separately determined because plan assets are not segregated or restricted to meet the companies' pension and postretirement medical and life obligations. If the companies were to withdraw from the plans, the pension and other postretirement obligations for Questar Gas employees would be retained by the Questar plans. Pension and other postretirement benefit net cost and plan contribution information for Questar Gas is shown below:

	Pension Year Ended December 31,			Other Postretirement Benefits Year Ended December 31,		
	2013	2012	2011	**2013**	2012	2011
			(in millions)			
Questar Gas						
Net periodic cost	$ **18.1**	$ 19.7	$ 13.4	$ **2.4**	$ 3.3	$ 2.3
Share of total plan contributions	**29.6**	39.4	27.1	**2.0**	1.9	2.2

Employee Investment Plan

The Employee Investment Plan (EIP) is a defined contribution pension plan that allows eligible employees to purchase shares of Questar common stock or other investments through payroll deduction at the fair market value on the transaction date. The Company currently contributes an overall match of 100% of employees' purchases up to a maximum of 6% of their qualifying earnings. To satisfy employee purchases of Questar stock, the EIP trustee may purchase Questar shares on the open market with cash received or Questar may issue new shares.

Questar Gas's EIP expense equaled its matching contribution of $3.4 million in 2013, $3.6 million in 2012 and $3.4 million in 2011. Questar Pipeline's EIP expense equaled its matching contribution of $1.4 million in 2013, 2012 and 2011.

Note 12 - Related-Party Transactions

Questar Gas

In 2013 Questar Gas provided technical services to affiliates. In 2012 and 2011 Questar Gas also provided communication services to affiliates. Questar Gas provided these services at its cost and charged $6.7 million in 2013, $13.6 million in 2012 and $14.0 million in 2011. The majority of these costs are allocated. The allocation methods are based on the specific nature of the charges. Management believes that the allocation methods are reasonable.

Questar Gas has reserved transportation capacity on Questar Pipeline's system for 916 Mdth per day during the heating season and 841 Mdth per day during off-peak months. Questar Gas periodically releases excess capacity and receives a credit from Questar Pipeline for the released capacity revenues and a portion of Questar Pipeline's interruptible transportation revenues. Questar Gas paid for transportation, storage and processing services provided by Questar Pipeline and a subsidiary amounting to $73.0 million in 2013, $73.6 million in 2012 and $73.7 million in 2011, which included demand charges. The costs of these services were included in the cost of natural gas sold.

Under the terms of the Wexpro Agreement, Questar Gas receives a portion of Wexpro's income from oil and NGL operations after recovery of Wexpro's operating expenses and a return on investment. This amount, which is included in revenues and reduces amounts billed to gas distribution customers, was $0.6 million in 2013, $2.5 million in 2012 and $3.3 million in 2011.

The amounts that Questar Gas paid Wexpro for the operation of cost-of-service gas properties were $294.6 million in 2013, $274.0 million in 2012 and $253.4 million in 2011. Questar Gas reports these amounts in the cost of natural gas sold.

Questar Gas had a lease with an affiliate for space in an office building located in Salt Lake City, Utah, which expired on April 30, 2012. Rent expense was $0.4 million in 2012 and $1.1 million in 2011.

Questar charged Questar Gas for certain administrative functions amounting to $48.4 million in 2013, $49.3 million in 2012 and $47.4 million in 2011. These costs are included in operating expenses and are generally allocated based on each affiliated company's proportional share of revenues less product costs; property, plant and equipment; and labor costs. Management believes that the allocation method is reasonable.

Questar Pipeline charged Questar Gas for communication services amounting to $3.7 million in 2013. These costs are included in operating expenses and are allocated based on usage.

Questar Gas borrowed cash from Questar and incurred interest expense of $0.5 million in 2013, $0.6 million in 2012 and $0.3 million in 2011.

Note 13 - Supplemental Gas and Oil Information (Unaudited)

Capitalized Costs of Cost-of-Service Activities

Capitalized costs of cost-of-service gas and oil properties net of the related accumulated depreciation, depletion and amortization are shown below:

	December 31,	
	2013	2012
Questar Gas	**7.2**	7.8

Estimated Quantities of Cost-of-Service Proved Gas and Oil Reserves

Estimates of cost-of-service proved gas and oil reserves have been prepared in accordance with professional engineering standards and the Company's established internal controls. The estimates were prepared by Wexpro's reservoir engineers, individuals who possess professional qualifications and demonstrated competency in reserves estimation and evaluation. Because gas reserves managed, developed and produced by Wexpro are delivered to Questar Gas at cost of service, SEC guidelines with respect to standard economic assumptions are not applicable. The SEC acknowledges this potential circumstance and provides that companies may give appropriate recognition to differences arising because of the effect of the rate-making process. Accordingly, in cases where differences arise because of the effect of the rate-making process, Wexpro uses a minimum-producing rate or maximum well-life limit to determine the ultimate quantity of reserves attributable to each well.

The Company annually reviews all proved undeveloped reserves to ensure an appropriate plan for development exists. All proved undeveloped reserves are converted to prove developed reserves within five years of the proved undeveloped reserve booking. At December, 2013, all of the Company's proved undeveloped reserves were scheduled to be developed within five years from the date such locations were initially disclosed as proved undeveloped reserves. Wexpro converted 42% of prior year-end proved undeveloped reserves to developed status in 2013, 15% in 2012 and 19% in 2011.

Revisions of prior estimates reflect the addition of new proved undeveloped reserves associated with current five-year development plans, revisions to prior proved undeveloped reserves, revisions to infill drilling development plans, as well as the transfer of proved undeveloped reserves to unproved reserve categories due to changes in development plans. The negative revisions reflected in the 2013 cost-of-service reserve estimates are due in part to an increase in well spacing in the Pinedale field based on 2013 drilling results.

In establishing reserves, the SEC allows the use of techniques that have been field tested and demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation. In general, the Company uses numerous data elements and analysis techniques in the estimation of proved reserves. These data elements and techniques include, but are not limited to, production tests, well performance data, decline curve analysis, wireline logs, core data, pressure transient analysis, seismic data and interpretation, and material balance calculations. The Company utilizes these reliable technologies to book proved reserves, however, no reserves were recorded from increasing recovery factor estimates or from extending down-dip reservoir limits associated with the use of reliable technology.

Wexpro's estimates of proved reserves were made by the Company's engineers and are the responsibility of management. The Company requires that reserve estimates be made by qualified reserves estimators (QREs), as defined by the Society of Petroleum Engineers' standards. The QREs interact with engineering, land, and geoscience personnel to obtain the necessary data for projecting future production, costs, net revenues and ultimate recoverable reserves. Management approves the QREs' reserve estimates annually. All QREs receive ongoing education on the fundamentals of SEC reserves reporting through internal and external training over the policies for estimating and recording reserves in compliance with applicable SEC definitions and guidance.

Estimated quantities of cost-of-service proved gas and oil reserves are set forth below:

	Natural Gas (Bcf)
Proved Reserves	
Balances at December 31, 2010	738.4
Balances at December 31, 2011	758.7
Balances at December 31, 2012	697.2
Balances at December 31, 2013	**811.2**

Financial Statement Schedule:

QUESTAR GAS COMPANY
Schedule of Valuation and Qualifying Accounts

Column A Description	Column B Beginning Balance	Column C Amounts charged to expense	Column D Deductions for accounts written off and other	Column E Ending Balance
		(in millions)		
Year Ended December 31, 2013				
Allowance for bad debts	**$ 2.8**	**$ 0.2**	**$ (1.6)**	**$ 1.4**
Year Ended December 31, 2012				
Allowance for bad debts	2.9	1.1	(1.2)	2.8
Year Ended December 31, 2011				
Allowance for bad debts	2.9	2.4	(2.4)	2.9