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2012 MAR 30 AM 10:26

IDAHO PUBLIC
UTILITIES COMMISSION
March 29, 2012

Questar Gas Company
333 South State Street
PO Box 45360
Salt Lake City, UT 84145-0360
Fax 801 324 5935

Legal Department

VIA FEDERAL EXPRESS

Ms. Terri Carlock
Idaho Public Utilities Commission
472 West Washington
P.O. Box 83720
Boise, Idaho 83702

Re: Questar Gas Company's 2011 Questar Gas Company's 2011 Annual Report

Dear Ms. Carlock:

Enclosed are three originals of the Gas Utilities Annual Report for 2011. This is the report format presented by the State of Utah for reporting annual financial results for the utility. We are providing the same report to you to meet the State of Idaho's requirements. You will also find a copy of Questar Gas Company's internal financial report for 2011. We trust that this information will be adequate in fulfilling the Commission's financial needs.

Very truly yours,

JRN/gj
Enclosures

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2012 MAR 30 AM 10: 26

UTAH PUBLIC
UTILITIES COMMISSION



GAS UTILITIES

ANNUAL REPORT

OF

Questar Gas Company

Utah Business Entity Number: 558729-0142

TO THE

**PUBLIC SERVICE COMMISSION
OF UTAH**

For Calendar Year

2011

**GAS UTILITIES
Annual Report of Operations**

INSTRUCTIONS FOR FILING

1. **PURPOSE** - This form is a regulatory requirement designed to collect financial and other operating data from ALL regulated utilities operating in the State of Utah. This report is Mandatory under UCA § 54-3-22 & Rule R746-400.
2. **DATE DUE** - This report is for the period January 01 to December 31. A signed original and an electronic copy of this report are due at the Utah Division of Public Utilities by **March 31**.
3. **WHERE TO FILE** - The completed report is to be mailed or delivered to:

Mailing Address	Delivery Address
Utah Division of Public Utilities Box 146751 Salt Lake City, UT 84114-6751	Utah Division of Public Utilities 160 East 300 South, 4th Floor Salt Lake City, UT 84111
Email Address dennismiller@utah.gov	Questions 801-530-6657
4. One copy of the report should be retained by the respondent in its files.
5. Complete the report by a means which will result in a permanent record.
6. Each question should be completed fully and accurately, even if answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
7. For any question, section, or page which is not applicable to the respondent enter the words "Not Applicable" or "NA". Do not omit any pages.
8. Round all dollar figures to whole dollars.

**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:

March 31, 2012

Title:

Vice President and Controller

Phone Number:

(801)324-2403

Extension:**Fax Number:****Email:**

dave.curtis @questar.com

Please 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: 84145

Report Contact Person

Name: Jeff Callor Title: Director - Accounting

Phone Number: (801)324-5249 Extension: _____

Fax Number: _____ Email: jeff.callor@questar.com

Corporate Book Custodian

Name: Tom Jepperson Title: Corporate Secretary

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 S State Street
City: Salt Lake 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	Senior 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	*
Thomas C. Jepperson	333 S State SLC, UT 84145	Corporate Secretary	*
Anthony R. Ivins	333 S State SLC, UT 84145	Treasurer	*
*Information not currently available. See Questar Corporation's Annual Proxy Statement to be filed in April 2012.			

Number of board of directors meetings held during year.....	1
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 Corporation	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.

Hyde Park City Initial term of 20 years. At expiration, the franchise shall continue with same terms for up to 2 additional terms of 15 years each. \$50 consideration given. Smithfield City Initial term of 20 years. At expiration, the franchise shall continue with same terms for up to 2 additional terms of 15 years each. \$50 consideration given.

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	4,715,695	4,984,207
2 Accounts and notes receivable	166,802,624	151,333,102
3 Accounts/notes receivable from affiliates	4,479,411	1,433,384
4 Gas stored underground	43,289,915	40,267,239
5 Materials and supplies	7,877,627	12,236,214
6 Prepaid expenses and other	3,195,673	3,172,036
7 Gas stored underground	43,289,915	40,267,239
8 Materials and supplies	7,877,627	12,236,214
9 Total current assets	281,528,488	265,929,636
10 Construction Work in Progress	48,333,755	42,312,756
11 Property, plant and equipment	1,774,955,282	1,890,241,603
12 Less allowances for depreciation	-721,370,648	-749,550,296
13 Net property, plant and equipment	1,101,918,389	1,183,004,063
14 Other regulatory assets	50,634,466	35,747,893
15 Deferred income taxes	5,257,864	6,347,856
16 Unrecovered purchased gas costs	7,909,479	-14,195,092
17 Other deferred debits	8,779,020	8,030,882
18 Total deferred debits	72,580,829	35,931,539
19 Total Assets	1,456,027,705	1,484,865,238
20 Notes payable to affiliates	153,600,000	142,675,000
21 Matured long-term debt	2,000,000	91,500,000
22 Accounts payable and accrued expenses	96,430,754	100,073,749
23 Accounts payable to affiliates	40,263,100	41,862,684
24 Customer credit balance	6,776,566	8,832,709
25 Interest payable	5,822,325	5,787,876
26 Taxes payable	6,802,245	11,521,794
27 Misc current liabilities	8,761,462	8,394,700
28 Total current liabilities	320,456,452	410,648,512
29 Long-term debt, less current portion	368,000,000	276,500,000
30 Other liabilities	19,490,463	4,874,165
31 Deferred income taxes	232,777,489	259,506,358
32 Customer contributions-in-aid-of-construction	47,729,691	27,867,004
33 Regulatory and other noncurrent liabilities	898,012	682,955
34 Total long-term liabilities and deferred credits	668,895,655	569,430,482
35 Total Liabilities	989,352,107	980,078,994
36 Common stock	22,974,065	22,974,065
37 Additional paid-in capital	150,302,970	171,307,556
38 Retained earnings	242,231,019	258,001,169
39 Total shareholder's equity	415,508,054	452,282,790
40 Total liabilities and equity	1,093,165,171	1,030,107,972

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 Revenue	902,905,286	968,827,671
2 Operating Expenses	745,012,283	803,893,555
3 Maintenance Expenses	11,571,971	11,324,769
4 Depreciation and amortization	43,692,315	44,478,663
5 Taxes Other than Incomes Taxes	13,971,498	15,029,094
6 Income Taxes	-16,688,202	-16,431,134
7 Provision for Deferred Income Taxes	40,428,205	42,304,294
8 Total Utility Operating Expenses	837,988,070	900,599,241
9 Net Utility Operating Income	64,917,216	68,228,430
10 Other Income	7,141,279	6,023,057
11 Other Deductions	495,132	629,817
12 Taxes on Other Income and Deductions	1,450,141	1,611,180
13 Net Other Income and Deductions	5,196,006	3,782,060
14 Interest Charges	26,248,293	25,940,340
15 Income before Extraordinary Items	43,864,929	46,070,150
Extraordinary Items	0	0
16 Net income	43,864,929	46,070,150

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

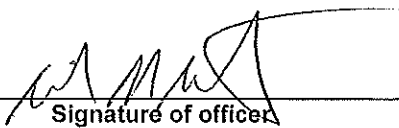
Certificated entity only. Do not consolidate with other affiliated entities.

Account	Amount for Preceding Year	Amount for Current Year
Operating Activities		
Net Income	43,864,928	46,070,150
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation, depletion and amortization	47,104,006	48,509,270
Deferred income taxes	43,923,161	25,287,994
Shared-based compensation	1,401,831	1,004,585
Net gain from asset sales	0	0
Income from unconsolidated affiliates	0	0
Loss on early extinguishment of debt	0	0
Changes in operating assets and liabilities		
Accounts receivable	(4,337,178)	18,515,550
Inventories	3,470,743	(1,335,911)
Prepaid expenses and other	553,048	23,637
Accounts payable and accrued expenses	(29,668,786)	11,617,059
Federal income taxes		
Purchased gas adjustments	(35,106,729)	22,104,572
Other assets	617,723	748,137
Regulatory assets(current)	1,797,570	14,886,572
Other liabilities	(5,826,674)	(34,205,536)
NET CASH (USED IN) PROVIDED FROM OPERATING	67,793,643	153,226,079
Investing Activities		
Capital expenditures		
Property, plant and equipment	(111,073,401)	(127,803,888)
Acquisition of other Noncurrent Assets	4,037,455	0
Total capital expenditures	(107,035,946)	(127,803,888)
Proceeds from disposition of assets	(1,008,987)	(1,928,679)
NET CASH (USED IN) PROVIDED FROM INVESTING	(108,044,933)	(129,732,567)
Financing Activities		
Common stock issued	0	20,000,000
Common stock repurchased	0	0
Long-term debt issued, net of issue costs	0	0
Long-term debt repaid	0	(2,000,000)
Change in short-term debt	66,600,000	(10,925,000)
Dividends paid	(28,800,000)	(30,300,000)
Excess tax benefits from share-based compensation	0	0
NET CASH(USED IN) PROVIDED FROM FINANCING	37,800,000	(23,225,000)
Change in cash and cash equivalents	(2,451,290)	268,512
Beginning cash and cash equivalents	7,166,987	4,715,695
Ending cash and cash equivalents	4,715,695	4,841,372

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

Following are extracts of the notes to Questar's 2011 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).

Use of Estimates

The preparation of financial statements and notes in conformity with GAAP requires that management formulate estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The Company also incorporates estimates of proved developed gas and oil reserves in the calculation of depreciation, depletion and amortization rates of its gas and oil properties. Changes in estimated quantities of its reserves could impact the Company's reported financial results as well as disclosures regarding the quantities of proved gas and oil reserves. Actual results could differ from these estimates.

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 a margin 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. The budget-billing option does not impact revenue recognition.

Regulation

Questar Gas is regulated by the PSCU and the PSCW. The Idaho Public Utilities Commission has contracted with the PSCU for rate oversight of Questar Gas operations in a small area of southeastern Idaho. These regulatory agencies establish rates for the sale of natural gas. The regulatory agencies also regulate, among other things, the extension and enlargement or abandonment of jurisdictional natural gas facilities. Regulation is intended to permit the recovery, through rates, of the cost of service, including a return on investment.

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 credits or charges 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, 2011 or 2010. See Note 10 for a description and comparison of regulatory assets and liabilities as of December 31, 2011 and 2010.

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-refunded contributions.

Depreciation, depletion and amortization

Depreciation, depletion and amortization for the remaining Company properties is based upon rates that will systematically charge the costs of assets against income over the estimated useful lives of those assets using a straight-line method. Depreciation rates for Questar Gas are established through rate proceedings.

Major categories of fixed assets in gas distribution operations are grouped together and depreciated on 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 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. The following represent average depreciation, depletion and amortization rates of the Company's capitalized costs:

	Year Ended December 31,		
	2011	2010	2009
Questar Gas distribution plant	2.8%	2.9%	3.0%

Questar Gas depreciation rates were reduced in 2010 due to an updated depreciation study that was implemented effective August 1, 2010, with the Utah general rate case. The change in rates will reduce annual depreciation expense by approximately \$3.6 million.

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 calculated using a discounted-cash-flow approach. Cash-flow estimates require forecasts and assumptions for many years into the future for a variety of factors, including commodity prices and operating costs. There were no impairments in 2011, 2010 or 2009.

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. If a triggering event occurs, the undiscounted net cash flows of the intangible asset or entity to which the goodwill relates are evaluated. Impairment is indicated if undiscounted cash flows are less than the carrying value of the assets. The amount of the impairment is measured using a discounted cash flow model considering future revenues, operating costs, a risk-adjusted discount rate and other factors.

Capitalized Interest and Allowance for Funds Used During Construction

The Company capitalizes interest costs when applicable. The PSCU and PSCW require the capitalization of funds used during construction (AFUDC) during the construction period of rate-regulated plant and equipment. Amounts recorded in the income statement for the capitalization of AFUDC and interest costs are disclosed in the table below:

	Year Ended December 31,		
	2011	2010	2009
	(in millions)		
Capitalized interest costs (recorded as a reduction of interest expense)			
Questar Gas	\$ 0.1	\$ 0.2	\$ 0.3

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 \$2.4 million in 2011, \$0.5 million in 2010 and \$3.4 million in 2009. The 2010 bad-debt expense was reduced by \$1.5 million from the settlement of a revenue dispute that had been previously accrued for in the allowance for bad debts. The allowance for bad-debt expenses was \$3.2 million at December 31, 2011 and 2010. 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. The Company has not capitalized future abandonment costs on a majority of its long-lived 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. If recording an ARO is warranted, 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 ARO estimates result from changes in expected cash flows or material changes in estimated retirement costs. Income or expense resulting from the settlement of ARO liabilities is included in net gain (loss) from asset sales on the 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 3 for further discussion on AROs.

Income Taxes

Questar and its subsidiaries file a consolidated federal income tax return. Questar Gas accounts for income tax expense on a separate return basis and records tax benefits as they are generated. Deferred income taxes are provided 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, 2011, 2010 and 2009. The federal income tax return for 2009 is currently under examination by the Internal Revenue Service. The 2010 federal income tax return was filed in September, 2011 and may be examined by the Internal Revenue Service. The 2011 federal tax return has not been filed and may also be examined by the Internal Revenue Service.

Under current federal tax statutes, taxpayers are allowed to deduct on their 2011 federal tax return 100% of their capital expenditures during 2011. The effects of 100% bonus depreciation and other significant book/tax differences will cause Questar to incur a net operating loss (NOL) for federal income tax purposes for the tax year ending 2011. The estimated NOL for 2011 is \$102.0 million, which will expire in 2031. It is anticipated that Questar will be able to utilize the NOL by offsetting it against future taxable income. See Note 7 for further discussion on income taxes.

Share-Based Compensation

Questar issues stock options, restricted shares, restricted stock units 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 restricted stock units 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. See Note 11 for further discussion on share-based compensation.

Recent Accounting Developments

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRSs)* to provide a consistent definition of fair value and ensure that fair value measurements and disclosure requirements are similar between U.S. GAAP and IFRSs. This guidance changes certain fair value measurement principles and enhances the disclosure requirements for fair value measurements. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2011 and are applied prospectively. Early adoption by public entities is not permitted. The Company does not expect adoption of ASU 2011-04 will have a material impact on the Company's financial position, results of operations or cash flows.

In June of 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220) Presentation of Comprehensive Income* which requires comprehensive income to be presented as either a continuous statement of comprehensive income or two separate but consecutive statements. However, the amendments do not change the items that must be reported in other comprehensive income. The amendments in this ASU are effective for interim and fiscal year periods beginning after December 15, 2011 and are to be applied retrospectively. The adoption of these standards will not impact the Company's financial results or disclosures but will have an impact on the presentation of comprehensive income when adopted.

Reclassifications

Certain reclassifications were made to prior-year financial statements to conform to the 2011 presentation.

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

Note 3 - Asset Retirement Obligations

Questar records AROs when there are legal obligations associated with the retirement of tangible, long-lived assets. At Questar, 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. 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 ARO estimates result from changes in expected cash flows or material changes in estimated retirement costs. 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.

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

	December 31,	
	2011	2010
	(in millions)	
Questar Gas	0.7	0.8
Total	\$ 0.7	\$ 0.8

Wexpro collects from Questar Gas and deposits in trust certain funds related to estimated ARO costs. The funds are recorded as other noncurrent assets and used to satisfy retirement obligations as the properties are abandoned. The accounting treatment of reclamation activities associated with AROs for properties administered under the Wexpro Agreement 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 provisions of 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 do not change existing guidance as to whether or not an instrument is carried at fair value. 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.

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.

On January 1, 2009, Questar Gas adopted, without material impact on the Financial Statements, fair value accounting standards related to nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis. Questar Gas did not have any assets or liabilities measured at fair value on a non-recurring basis at December 31, 2011 and 2010.

Questar Gas

The following table discloses the carrying amount and estimated fair value of certain financial instruments not disclosed in other notes to Questar Gas's Financial Statements in this Annual Report on Form 10-K:

	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	December 31, 2011		December 31, 2010	
	(in millions)			
<i>Financial assets</i>				
Cash and cash equivalents	\$ 5.0	\$ 5.0	\$ 4.7	\$ 4.7
<i>Financial liabilities</i>				

Notes payable to Questar	142.7	142.7	153.6	153.6
Long-term debt, including current portion	368.0	445.4	370.0	425.3

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 6 - Debt

Questar centrally manages cash. Questar makes loans to Questar Gas under a short-term borrowing arrangement. Amounts loaned earn an interest rate that is identical to the interest rate paid on amounts borrowed. The following table details the notes payable to Questar from Questar Gas and the associated interest rate.

	December 31,	
	2011	2010
	(in millions)	
<i>Questar Gas</i>		
Notes payable to Questar with variable-interest rates	\$ 142.7	\$ 153.6
Interest rate	0.41%	0.48%

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

The details of long-term debt are as follows:

	December 31,	
	2011	2010
	(in millions)	
<i>Questar Gas</i>		
5.00% to 6.91% Medium-term Notes due 2012 to 2018	\$ 218.0	\$ 218.0
6.89% Medium-term Notes due 2011	—	2.0
6.30% Notes due 2018	50.0	50.0
7.20% Notes due 2038	100.0	100.0
Total long-term debt Questar Gas	\$ 368.0	\$ 370.0

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

	Questar Gas	
	Years Ending December 31,	
	(in millions)	
2012	\$	91.5
2013		42.0

Note 7 - 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,		
	2011	2010	2009
	(in millions)		
<i>Federal</i>			
Current	\$ (10.5)	\$ (15.9)	\$ (8.3)
Deferred	36.8	40.2	31.6
<i>State</i>			
Current	(1.6)	(2.2)	(1.2)
Deferred	3.2	3.5	2.7
Deferred investment tax credit recognized	(0.4)	(0.4)	(0.4)
Total income tax expense	\$ 27.5	\$ 25.2	\$ 24.4

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,		
	2011	2010	2009
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	1.4	1.2	1.5
Amortize investment tax credits related to rate regulated assets	(0.5)	(0.5)	(0.6)
Other	1.5	0.8	1.1
Effective income tax rate	37.4 %	36.5 %	37.0 %

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

	December 31,	
	2011	2010
	(in millions)	
<i>Deferred tax liabilities</i>		
Property, plant and equipment	\$ 264.7	\$ 225.0
Employee benefits and compensation costs	9.7	5.3
Deferred tax liabilities - noncurrent	274.4	230.3
<i>Deferred tax assets</i>		
Net operating loss carryforward	14.6	—
Deferred tax assets - noncurrent	14.6	—
Deferred income taxes – noncurrent	\$ 259.8	\$ 230.3
<i>Deferred income taxes - current asset</i>	\$ 5.6	\$ 4.3
<i>Deferred income taxes - current liability</i>	—	3.0
Deferred income taxes - current	\$ 5.6	\$ 1.3

Note 8 - Commitments and Contingencies

Questar Gas is involved in various commercial and regulatory claims and litigation and other legal proceedings that arise in the ordinary course of its business. 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 damages can be reasonably estimated based on the anticipated most likely outcome. 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. No registrant currently has any such claims.

Commitments

Questar Gas

Historically, 40% to 50% of Questar Gas gas supply has been provided by cost-of-service reserves developed and produced by Wexpro. In 2011, 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 \$36.2 million in 2012, \$15.2 million in each of 2013 through 2015, and \$15.3 million in 2016 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 purchase agreements amounting to \$221.0 million in 2011, \$245.2 million in 2010 and \$225.3 million in 2009.

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 \$69.9 million in 2012, \$68.0 million in 2013, and \$64.5 million in 2014 through 2016. Questar Gas has third-party transportation commitments requiring yearly payments of \$28.8 million in 2012 through 2016.

Note 10 - Rate Regulation

The following table details regulatory assets and liabilities:

	December 31, 2011		December 31, 2010	
	Current	Noncurrent	Current	Noncurrent
(in millions)				
Regulatory assets:				
<i>Questar Gas</i>				
DSM	\$ 24.2	—	\$ 39.7	—
Purchased-gas adjustment	—	—	10.7	—
Deferred production taxes	2.3	—	2.3	—
Cost of reacquired debt	—	\$ 5.9	—	\$ 6.4
Pipeline integrity costs	—	6.5	—	5.6
ARO cost-of-service gas wells	—	2.7	—	3.0
Total Questar Gas regulatory assets	\$ 26.5	\$ 15.1	\$ 52.7	\$ 15.0

Regulatory liabilities:

<i>Questar Gas</i>				
Purchased-gas adjustment	\$ 10.8	—	—	—
CET	3.2	—	\$ 2.8	—
Other	0.2	—	—	—
Income taxes refundable to customers	—	\$ 0.7	—	\$ 0.9
Total Questar Gas regulatory liabilities	\$ 14.2	\$ 0.7	\$ 2.8	\$ 0.9

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:

- 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 11 years as of December 31, 2011.
- The DSM program asset represents funds expended for promoting the conservation of natural gas through advertising, rebates for efficient homes and appliances, and energy audits. These costs are deferred and recovered from customers through periodic rate adjustments.
- 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.
- Production taxes on cost-of-service gas production are recorded when the gas is produced and

- recovered from customers when taxes are paid, generally within 12 months.
- Certain deferred taxes from customers over the life of the related property, plant and equipment.
- Purchased-gas costs that are different from those provided for in present rates are accumulated and recovered or credited through future rate changes.
- The CET liability represents actual revenues received that are in excess of the allowed revenues. These amounts are refunded through periodic rate adjustments.
- Income taxes refundable to customers arise from adjustments to deferred taxes.

Rate Changes

On April 8, 2010, the PSCU approved a settlement in Questar Gas's Utah general rate case. The stipulation, effective August 1, 2010, authorized an increase in the utility's allowed return on equity from 10% to 10.35% and indefinitely extended the existing CET. In the stipulation, the PSCU approved an infrastructure cost-tracking mechanism that allows the company to place into rate base and earn on capital expenditures associated with a multi-year high-pressure natural gas feeder-line replacement program, and do it immediately upon the completion of each project. The stipulation agreement increased customer rates by \$5.0 million annually with the changes in rates effective August 1, 2010.

In November 2011, Questar Gas filed a general rate case in Wyoming, requesting an increase in rates of \$1.0 million and a 10.25% return on equity.

Note 11 - Share-Based Compensation

Questar issues stock options and restricted shares to certain officers, employees and non-employee directors under its LTSIP. To generally preserve the potential benefits under the LTSIP prior to the Spinoff, stock options and restricted share awards outstanding as of June 30, 2010, were adjusted and bifurcated into stock options and restricted share awards for both Questar and QEP, respectively. The exercise price of options and the grant-date prices of restricted shares were recast using the ratio of the June 30, 2010, closing prices of Questar, \$14.66 or 32.23%, and QEP, \$30.83 or 67.77%.

The Company uses the Black-Scholes-Merton mathematical model in estimating the fair value of stock options for accounting purposes. Fair value calculations rely upon subjective assumptions used in the mathematical model and may not be representative of future results. The Black-Scholes-Merton model was intended for measuring the value of options traded on an exchange. No stock options were granted in 2011.

Questar issues stock options and restricted shares to certain officers and employees of Questar Gas under its LTSIP and recognizes expense over time as the stock options or restricted shares vest. Questar Gas share-based compensation expense amounted to \$1.1 million in 2011 compared with \$1.4 million in 2010 and \$1.0 million in 2009.

The following table summarizes the stock options held under the LTSIP of Questar Gas at December 31, 2011:

Range of exercise prices	Options Outstanding			Options Exercisable		Unvested Options	
	Number outstanding at Dec. 31, 2011	Weighted-average remaining term in years	Weighted-average exercise price	Number exercisable at Dec. 31, 2011	Weighted-average exercise price	Number unvested at Dec. 31, 2011	Weighted-average exercise price
<i>Questar Gas</i> \$ 3.70 - \$13.10	99,046	1.6	\$ 5.66	91,047	\$ 5.07	7,999	\$ 12.39

The following table summarizes the restricted shares held under the LTSIP of Questar Gas at December 31, 2011. The weighted average vesting period of unvested restricted shares at December 31, 2011 was 14 months for Questar Gas.

	Restricted Shares Outstanding	Price Range	Weighted-Average Price
<i>Questar Gas</i>	89,561	\$11.40 - \$17.97	\$ 16.40

Note 12 - Employee Benefits

Defined Benefit Pension Plan and Other Postretirement Benefits

The Company has defined benefit pension and life insurance plans covering a majority of its employees and a postretirement medical plan providing coverage to less than half of its employees. Employees hired after June 30, 2010 are not eligible for the defined benefit pension plan and employees hired after December 31, 1996, are not eligible for the postretirement medical plan and are not eligible to receive basic life coverage once they retire. The Company's Employee Benefits Committee (EBC) has oversight over investment of retirement-plan and postretirement-benefit assets. The EBC uses a third-party consultant to assist in setting targeted-policy ranges for the allocation of assets among various investment categories.

Questar Gas participates in Questar's pension and other postretirement benefit 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 company was to withdraw from the pension plan, the pension obligation for Questar Gas employees would be retained by the pension plan.

Questar Gas contributes to the Questar pension plans in amounts equal to yearly expenses. Questar Gas's pension expense was \$13.4 million in 2011, \$15.4 million in 2010 and \$13.3 million in 2009. Questar Gas's postretirement benefit expenses other than pensions were \$2.3 million in 2011, \$3.6 million in 2010 and \$3.8 million in 2009.

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 current fair market value on the transaction date. The Company currently contributes an overall match of 100% of

employees' pre-tax 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. The Company recognizes expense equal to its yearly contributions. Questar Gas's EIP expense equaled its matching contribution of \$3.4 million in 2011, \$3.9 million in 2010 and \$3.3 million in 2009.

Note 14 - Related-Party Transactions

Questar Gas

In 2011, 2010 and 2009 Questar Gas provided technical and communication services to affiliates. In 2010 and 2009 Questar Gas also provided administrative, accounting, legal, data-processing and regulatory support to affiliates. Questar Gas provided these services at its cost and charged \$14.0 million in 2011, \$25.9 million in 2010 and \$25.6 million in 2009. 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 for 881 MdtH per day. 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 \$73.7 million in 2011, \$73.5 million in 2010 and \$71.8 million in 2009, which included demand charges. The costs of these services were included in cost of natural gas sold.

Under the terms of the Wexpro Agreement, Questar Gas receives a portion of Wexpro's income from oil 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 \$3.3 million in 2011, \$1.1 million in 2010 and \$1.0 million in 2009. The amounts that Questar Gas paid Wexpro for the operation of cost-of-service gas properties were \$253.4 million in 2011, \$240.0 million in 2010 and \$225.0 million in 2009. Questar Gas reports these amounts in cost of natural gas sold.

Questar Gas has a lease with an affiliate for space in an office building located in Salt Lake City, Utah. Rent expense was \$1.1 million in 2011 and \$2.5 million in 2010 and 2009. The lease term ends on April 30, 2012, and payments through that date will be \$0.4 million.

Questar charged Questar Gas for certain administrative functions amounting to \$46.9 million in 2011, \$13.2 million in 2010 and \$8.4 million in 2009. These costs are included in operating expenses and are 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 Gas borrowed cash from Questar and incurred interest expense of \$0.3 million in 2011, \$0.4 million in 2010 and \$0.3 million in 2009. Questar Gas loaned excess funds to Questar and earned interest income of \$0.1 million in 2009.

Note 17 - Supplemental Gas and Oil Information (Unaudited)

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.

Wexpro has limited proved undeveloped reserves to acreage in areas directly offsetting a proved developed well. The Company annually reviews all proved undeveloped reserves to ensure an appropriate plan for development exists. All proved undeveloped reserves are converted to proved developed reserves within five years of the proved undeveloped reserve booking. At December, 2011, 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. In 2011, Wexpro converted 19% of total 2010 year-end proved undeveloped reserves to developed status.

Revisions of prior estimates reflect the addition of new proved undeveloped reserves associated with current 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 during 2011. These proved undeveloped reserve changes reflect the ongoing evaluation of Wexpro's asset portfolio and alignment with current-year changes to development plans. The Company's year-end development plans are consistent with SEC guidelines for proved undeveloped reserve development within five years.

	Natural Gas
	(Bcf)
Proved Reserves	
Balance at December 31, 2008	646.9
Balance at December 31, 2009	649.4
Balance at December 31, 2010	738.4
Balance at December 31, 2011	758.7