QUESTAR GAS CO
Form 10-K
February 22, 2013

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2012

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

333 South State Street, P.O. Box 45433, Salt Lake City, Utah 84145-0433
(Address of principal executive offices)

Registrants' telephone number, including area code (801) 324-5900
Web site http://www.questar.com

Securities registered pursuant to Section 12(b) of the Act:

Questar Corporation	Common stock without par value, listed on the New York Stock Exchange
Questar Gas Company	None
Questar Pipeline Company	None

Securities registered pursuant to Section 12(g) of the Act:

Questar Corporation	None
Questar Gas Company	None
Questar Pipeline Company	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Questar Corporation	Yes [X] No [ ]
Questar Gas Company	Yes [ ] No [X]
Questar Pipeline Company	Yes [ ] No [X]

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

Questar Corporation	Yes [X] No [ ]
Questar Gas Company	Yes [X] No [ ]
Questar Pipeline Company	Yes [X] No [ ]

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

Questar Corporation	Yes [X] No [ ]
Questar Gas Company	Yes [X] No [ ]
Questar Pipeline Company	Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Questar Corporation	[ ]
Questar Gas Company	[ ]
Questar Pipeline Company	[ ]

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

Questar Corporation	Large accelerated filer [X]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [ ]
Questar Gas Company	Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [X]	Smaller reporting company [ ]
Questar Pipeline Company	Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [X]	Smaller reporting company [ ]

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

Questar Corporation	Yes [ ] No [X]
Questar Gas Company	Yes [ ] No [X]
Questar Pipeline Company	Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2012). The aggregate market value was calculated by excluding all shares held by directors and executive officers of the registrant and three nonprofit foundations established by the registrant without conceding that all such persons are affiliates for purposes of federal securities laws.

Questar Corporation	$3.7 billion
Questar Gas Company	None

Questar Pipeline Company	None

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Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of January 31, 2013.

Questar Corporation	without par value	175,097,361
Questar Gas Company	$2.50 per share par value	9,189,626
Questar Pipeline Company	$1.00 per share par value	6,550,843

Documents Incorporated by Reference:
Portions of Questar Corporation's definitive Proxy Statement (the "Proxy Statement"), to be filed in connection with its May 10, 2013, Annual Meeting of Shareholders, are incorporated by reference into Part III of this Annual Report.

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

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FILING FORMAT

This Annual Report on Form 10-K is a combined report being filed by three separate registrants: Questar Corporation, Questar Gas Company and Questar Pipeline Company. Questar Gas Company and Questar Pipeline Company are wholly-owned subsidiaries of Questar Corporation. Separate financial statements for Wexpro Company have not been included since Wexpro is not a registrant. See Note 13 to the accompanying financial statements for a summary of operations by line of business. Information contained herein related to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Item 8 of Part II of this Annual Report on Form 10-K includes separate financial statements (i.e. statements of income, statements of comprehensive income, balance sheets, statements of equity and statements of cash flows) for Questar Corporation, Questar Gas Company and Questar Pipeline Company. The notes accompanying the financial statements are presented on a combined basis for all three registrants. Management's Discussion and Analysis of Financial Condition and Results of Operations included under Item 7 of Part II is presented by line of business.

Where You Can Find More Information

Questar Corporation (Questar or the Company) and two of its subsidiaries, Questar Gas Company (Questar Gas) and Questar Pipeline Company (Questar Pipeline), each file annual, quarterly, and current reports with the Securities and Exchange Commission (SEC). Questar also regularly files proxy statements and other documents with the SEC. These reports and other information can be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C., 20549-0213. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC also maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including Questar, Questar Gas and Questar Pipeline.

Investors can also access financial and other information via Questar's internet site at www.questar.com. Questar and each of its reporting subsidiaries make available, free of charge through the internet site, copies of Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to such reports and all reports filed by executive officers and directors under Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act), reporting transactions in Questar securities. Access to these reports is provided as soon as reasonably practical after such reports are electronically filed with the SEC. Information contained on or connected to Questar's internet site that is not directly incorporated by reference into the Company's Annual Report on Form 10-K should not be considered part of this report or any other filing made with the SEC.

Questar's internet site also contains copies of Statements of Responsibility for various board committees, including the Finance and Audit Committee, Corporate Governance Guidelines and Questar's Business Ethics and Compliance Policy.

Finally, you may request a copy of filings other than an exhibit to a filing, unless that exhibit is specifically incorporated by reference into that filing, at no cost by writing or calling Questar, 333 South State Street, P.O. Box 45433, Salt Lake City, UT, 84145-0433 (telephone number 801-324-5900).

Forward-Looking Statements

This Annual Report on Form 10-K may contain or incorporate by reference information that includes or is based upon "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. Forward-looking statements give expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, development efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

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

- the risk factors discussed in Part I, Item 1A of this Annual Report on Form 10-K;
- general economic conditions, including the performance of financial markets and interest rates;

- changes in energy commodity prices;
- changes in industry trends;
- changes in laws or regulations; and
- other factors, most of which are beyond the Company's control.

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

Glossary of Commonly Used Terms

B	Billion.
Barrel (bbl)	Equal to 42 U.S. gallons and is a common measure of volume of crude oil and other liquid hydrocarbons.
British Thermal Unit (Btu)	A measure of the amount of energy required to raise the temperature of a one-pound mass of water one degree Fahrenheit at sea level.
Conservation Enabling Tariff (CET)	A rate mechanism in Utah and Wyoming that decouples customer usage of natural gas from the non-gas revenues received by Questar Gas by specifying a margin for each customer per month. Differences between the CET margin and actual usage are deferred and recovered from or refunded to customers through future rate changes.
Cubic Foot (cf)	One standard cubic foot equals the volume of gas in one cubic foot measured at standard conditions - a temperature of 60 degrees Fahrenheit and a pressure of 30 inches of mercury (approximately 14.7 pounds per square inch).
Cubic Foot Equivalents (cfe)	Cubic foot of natural gas equivalents.
Decatherm (dth)	Ten therms. One dth equals one million Btu or approximately one Mcf.
Demand-Side Management (DSM)	Costs incurred by Questar Gas to promote energy conservation in the form of rebates and promotions. These DSM costs are recovered from customers through periodic rate adjustments.
Developed Reserves	Reserves of any category that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well. See 17 C.F.R. § 210.4-10(a)(6).
Development Well	A well drilled into a known producing formation in a previously discovered field.
Dry Hole	A well drilled and found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of production exceed expenses and taxes.
Exploratory Well	A well drilled into a previously untested geologic prospect to determine the presence of natural gas or oil.
FERC	Federal Energy Regulatory Commission.
Gallon (gal)	U.S. measure of a liquid volume equal to 4 quarts or 231 cubic inches.
Gas	All references to gas in this report refer to natural gas.
Gross	Gross natural gas and oil wells or gross acres are the total number of wells or acres in which the Company has a working interest.
Heating Degree Days	A measure of the number of degrees the average daily outside temperature is below 65 degrees Fahrenheit.
M	Thousand.
MM	Million.
Natural Gas Equivalents	Oil and NGL volumes are converted to natural gas equivalents using the ratio of one barrel of crude oil, condensate or NGL to 6,000 cubic feet of natural gas.
Natural Gas Liquids (NGL)	Liquid hydrocarbons that are extracted and separated from the natural gas stream. NGL products include ethane, propane, butane, natural gasoline and heavier hydrocarbons.

Net	Net gas and oil wells or net acres are determined by the sum of the fractional ownership working interest the Company has in those gross wells or acres.
Proved Reserves	Those quantities of natural gas, oil, condensate and NGL which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from known reservoirs under existing economic conditions, operating methods and government regulations. See 17 C.F.R. § 210.4-10(a)(22).
PSCU	Public Service Commission of Utah.
PSCW	Wyoming Public Service Commission.
Reserves	Estimated remaining quantities of natural gas, oil and related substances anticipated to be economically producible by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce. See 17 C.F.R. § 210.4-10(a)(26).
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.
Royalty	An economic interest in a gas and oil lease that gives the owner the right to receive a portion of the production from the leased acreage or of the proceeds of the sale thereof, but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner's royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.
SEC	U.S. Securities and Exchange Commission.
Undeveloped Reserves	Reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. See 17 C.F.R. § 210.4-10(a)(31).
Wexpro Agreement	A long-standing comprehensive agreement with the states of Utah and Wyoming. 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.
Wexpro II Agreement	A proposed agreement with the states of Utah and Wyoming modeled after the Wexpro Agreement that would allow for the expansion of properties under the cost-of-service methodology for the benefit of Questar Gas customers.
Working Interest	An economic interest in a gas and oil lease that gives the owner the right to drill, produce and conduct operating activities on the leased acreage and receive a share of any production.
Workover	Operations on a producing well to restore or increase production.

FORM 10-K
ANNUAL REPORT, 2012

PART I

ITEM 1. BUSINESS.

Nature of Business
Questar is a Rockies-based integrated natural gas holding company with three principal complementary lines of business operated through wholly-owned subsidiaries:

- Questar Gas provides retail natural gas distribution in Utah, Wyoming and Idaho.
- Wexpro Company (Wexpro) develops and produces natural gas from cost-of-service reserves for Questar Gas customers.
- Questar Pipeline operates interstate natural gas pipelines and storage facilities in the western United States and provides other energy services.

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

Questar is a holding company, as that term is defined in the Public Utility Holding Company Act of 2005 (PUHCA 2005), because Questar Gas, its subsidiary, is a natural gas utility company. Questar, however, has an exemption and waiver from provisions of the Act applicable to holding companies. Questar conducts all operations through subsidiaries. The parent holding company performs certain management, legal, financial, tax, administrative and other services for its subsidiaries.

The corporate organization structure and major subsidiaries are summarized below:

Questar Corporation

Questar Gas Company	Wexpro Company	Questar Pipeline Company
Retail Gas Distribution	Gas and Oil Development and Production	Interstate Gas Transportation and Storage

See Note 13 to the consolidated financial statements included in Item 8 of Part II of this Annual Report for financial information by line of business including, but not limited to, revenues from unaffiliated customers, operating income and identifiable assets. A discussion of the Company's lines of business follows.

RETAIL GAS DISTRIBUTION - Questar Gas
General: Questar Gas distributes natural gas as a public utility in Utah, southwestern Wyoming and a small portion of southeastern Idaho. It generated approximately 25% of the Company's operating income in 2012. Wexpro provides the majority of Questar Gas's gas supply and Questar Pipeline provides the majority of Questar Gas's transportation and storage services. As of December 31, 2012, Questar Gas was serving 930,760 sales and transportation customers. Questar Gas is the only non-municipal gas-distribution utility in Utah, where 97% of its customers are located. The

Public Service Commission of Utah, the Wyoming Public Service Commission and the Public Utility Commission of Idaho have granted Questar Gas the necessary regulatory approvals to serve these areas. Questar Gas also has long-term franchises granted by communities and counties within its service area.

Questar Gas's growth is tied to the economic growth of Utah and southwestern Wyoming. It has a market share of over 94% of residential space and water heating in its service area. During 2012, Questar Gas added 11,524 customers, a 1.3% increase.

Questar Gas faces the same risks as other local distribution companies. These risks include revenue variations based on seasonal changes in demand, changes in natural gas prices, availability of natural gas supplies, declining residential usage per customer, adequacy of distribution facilities and adverse regulatory decisions. Questar Gas's sales to residential and commercial customers are seasonal, with a substantial portion of such sales made during the heating season. The typical residential customer in Utah (defined as a customer using 80 dth per year) consumes more than 79% of total gas requirements in the coldest six months of the year. Questar Gas, however, has a weather-normalization mechanism for its general-service customers. This billing mechanism adjusts the non-gas portion of a customer's monthly bill as the actual heating-degree days in the billing cycle are warmer or colder than normal. This mechanism reduces volatility in any given customer's monthly bill from year to year and reduces volatility in Questar Gas gross margin.

Since 2006, Questar Gas has had a conservation enabling tariff (CET) to promote energy conservation. Under the CET, Questar Gas non-gas revenues are decoupled from the temperature-adjusted usage per customer. 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. These adjustments are limited to 5% of distribution non-gas revenues. Under the CET, Questar Gas recorded a $2.9 million revenue decrease in 2012 compared with a $3.6 million decrease in 2011 and a $2.9 million increase in 2010, which offset changes in customer usage.

Since 2007, Questar Gas has had a demand-side management (DSM) program. Under the DSM program, Questar Gas encourages the conservation of natural gas through advertising, rebates for efficient homes and appliances, and home energy audits. The costs related to the DSM program are deferred and recovered from customers through periodic rate adjustments. Questar Gas received revenues for recovery of DSM costs amounting to $36.6 million in 2012, compared to $39.9 million in 2011 and $39.1 million in 2010. As of December 31, 2012, Questar Gas had a regulatory asset of $11.0 million for DSM costs yet to be recovered from customers.

Questar Gas's gas-supply risk is partly mitigated by Wexpro cost-of-service gas supply. During 2012 Questar Gas satisfied 68% of its supply requirements with cost-of-service gas volumes. Wexpro produces cost-of-service gas, which is then gathered by Wexpro or third parties and transported by Questar Pipeline. See Item 2 of Part I and Note 17 to the financial statements included in Item 8 of Part II of this Annual Report for more information on the Company's cost-of-service proved reserves. Questar Gas also has a balanced and diversified portfolio of gas-supply contracts for volumes produced in Wyoming, Colorado, and Utah. In addition, Questar Gas has regulatory approval to pass through in its balancing account the economic results associated with hedging activities.

Questar Gas has designed its distribution system and annual gas-supply plan to handle peak design-day demand, which is defined as the estimated volume of gas that firm customers could use when the weather is extremely cold. For the 2012-2013 heating season, Questar Gas had an estimated peak sales and firm-transportation design-day demand of 1,474 MMdth.

Questar Gas has long-term contracts with Questar Pipeline for transportation and storage capacity at the Clay Basin storage facility and three peak-day storage facilities. Questar Gas has a long-term storage contract with Ryckman Creek Resources. Questar Gas also has transportation contracts to take deliveries at several locations from Kern River Pipeline.

Competition, Customers and Growth: Questar Gas currently does not face direct competition from other distributors of natural gas for residential and commercial customers in its service territory. Natural gas has historically enjoyed a favorable price comparison with other energy sources used by residential and commercial customers with the occasional exception of electricity from coal-fired power plants. Questar Gas provides transportation service to large commercial and industrial customers who buy gas directly from other suppliers. Questar Gas faces the risk that it could lose transportation customers to competitors who may be able to connect and transport natural gas to large industrial customers. Certain large commercial and industrial customers of Questar Gas have elected to switch from sales service to transportation service.

Regulation: As a public utility Questar Gas is subject to the jurisdiction of the PSCU and PSCW. Natural gas sales and transportation services are provided under rate schedules approved by the two regulatory commissions. Questar Gas is authorized to earn a return on equity of 10.35% in Utah and 9.16% in Wyoming. Questar Gas is required to file a general rate case in Utah by mid-2013. 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. Both the PSCU and PSCW permit Questar Gas to recover gas costs through a balancing-account procedure and to reflect natural gas-price changes on a periodic basis, typically twice a year in the spring and the fall. Questar Gas has also received permission from the PSCU and PCSW to recover as part of its gas costs the specific costs associated with hedging activities.

Questar Gas's significant relationships with affiliates have allowed it to lower its costs and improve efficiency. These relationships are subject to scrutiny by regulators.

Questar Gas is subject to the requirements of the Pipeline Safety, Regulatory Certainty and Jobs Creation Act of 2011 and the Pipeline Safety Improvement Act of 2002. The PSCU has allowed Questar Gas to recover the costs of complying with these Acts.

GAS AND OIL DEVELOPMENT AND PRODUCTION - Wexpro

General: Wexpro develops, produces and delivers cost-of-service reserves for gas utility affiliate Questar Gas under the terms of the Wexpro Agreement, a long-standing comprehensive agreement with the states of Utah and Wyoming. In 2012, 88% of Wexpro's revenues were from its affiliate, Questar Gas. Wexpro generated 42% of the Company's operating income during the year ended December 31, 2012. Pursuant to the Wexpro Agreement, Wexpro recovers its costs and receives an unlevered, after-tax return of approximately 20% on its investment base. Wexpro's investment base is its investment in commercial wells and related facilities adjusted for working capital and reduced for deferred income taxes and accumulated depreciation, depletion and amortization. The term of the Wexpro Agreement coincides with the productive life of the gas and oil properties covered therein. Wexpro's investment base totaled $531.1 million at December 31, 2012. See Note 9 to the financial statements included in Item 8 of Part II of this Annual Report for more information on the Wexpro Agreement.

Wexpro delivers natural gas production to Questar Gas at cost-of-service. Cost-of-service gas satisfied approximately 68% of Questar Gas supply requirements during 2012. This percentage was higher in 2012 than previous years due to increased production and lower Questar Gas sales volumes driven by significantly warmer than normal weather. Wexpro sells crude oil production from certain oil-producing properties at market prices with the revenues used to recover operating expenses and to provide Wexpro a return on its investment. Any operating income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas customers, with Wexpro retaining 46%.

Wexpro's properties are located in the Rocky Mountain region, primarily in the Vermillion, Pinedale, Moxa Arch, and Uinta producing fields. In 2012, the Company drilled 45 wells in the Vermillion Basin and will suspend its Vermillion drilling program in the first quarter of 2013. The Company also participated in 19 non-operated wells drilled in Pinedale during 2012 and will continue to participate in wells drilled in the area during 2013. Advances in technology, including increased density drilling and multi-stage hydraulic fracture stimulation, have identified additional unexploited development potential on many properties.

Competition and Customers: Wexpro faces competition in its business, including the marketing of oil and NGL, and obtaining goods, services and labor. Its growth strategy depends, in part, on its ability to develop reserves in a low-cost and efficient manner.

Regulation: Wexpro operations are subject to various government controls and regulation at the federal, state and local levels. Wexpro must obtain permits to drill and produce; maintain bonding requirements to drill and operate wells; submit and implement spill-prevention plans; and file notices relating to the presence, use, and release of specified contaminants incidental to gas and oil production. Wexpro is also subject to various conservation matters, including the regulation of the size of drilling and spacing units, the number of wells that may be drilled in a unit and the unitization or pooling of gas and oil properties. In addition, the Utah Division of Public Utilities and the staff of the PSCW are entitled to monitor the performance of the Company and Wexpro under the Wexpro Agreement and have retained two monitors, an independent certified public accountant and an independent petroleum engineer, to review the performance of the agreement.

Most Wexpro leasehold acreage in the Rocky Mountain area is held under leases granted by the federal government and administered by federal agencies, principally the Bureau of Land Management (BLM). Current federal regulations restrict activities during certain times of the year on portions of Wexpro leaseholds due to wildlife activity and/or habitat. Wexpro, as the operator in the Vermillion area, and its third-party operator for the Pinedale area have worked with federal and state officials to obtain authorization for winter-drilling activities and have developed measures, such as drilling multiple wells from a single pad location, to minimize the impact of its activities on wildlife and wildlife habitat. Various wildlife species inhabit Wexpro leaseholds. The presence of wildlife, including species that are protected under the federal Endangered Species Act, could limit access to leases held by Wexpro on public lands.

In September 2008, the BLM issued a Record of Decision (ROD) on the Final Supplemental Environmental Impact Statement (FSEIS) for long-term development of natural gas resources in the Pinedale Anticline Project Area (PAPA). Under the ROD, Wexpro, through its third-party operator, is allowed to drill and complete wells year-round in one of five concentrated development areas defined in the PAPA. The ROD contains additional requirements and restrictions on development in the PAPA.

Wexpro II: In September 2012, Questar Gas filed for Commission approval in Utah and Wyoming of an agreement to potentially expand the properties under the cost-of-service pricing methodology for the benefit of Questar Gas customers. This agreement, referred to as Wexpro II, is modeled after the terms of the original Wexpro Agreement. If Wexpro II is approved by the PSCU and the PSCW (the Commissions), 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. Decisions from the Commissions are expected in the first half of 2013.

Wexpro may acquire gas development properties that are in locations separate from its current operations or are not approved by the Commissions for inclusion in the Wexpro II arrangement. In these cases, Wexpro will develop these properties and sell the production in the market or through contracts with other customers.

INTERSTATE GAS TRANSPORTATION - Questar Pipeline

General: Questar Pipeline provides natural gas-transportation and underground-storage services in Utah, Wyoming and Colorado. Questar Pipeline and subsidiaries generated approximately 33% of the Company's operating income in 2012. As a "natural gas company" under the Natural Gas Act of 1938, Questar Pipeline and certain subsidiary pipeline companies are regulated by the FERC as to rates and charges for storage and transportation of natural gas in interstate commerce, construction of new facilities, extensions or abandonments of service and facilities, and accounting and other activities.

Questar Pipeline and its subsidiaries own 2,638 miles of interstate pipeline with total firm-capacity commitments of 5,039 Mdth per day. Questar Pipeline's core transportation system is strategically located near large reserves of natural gas in six major Rocky Mountain producing areas. Questar Pipeline transports natural gas from these producing areas to other major pipeline systems, Questar Gas's distribution system and other utility systems. In addition to this core system, Questar Pipeline, through wholly-owned subsidiaries, owns and operates the Overthrust Pipeline in southwestern Wyoming and the eastern segment of Southern Trails Pipeline, a 487-mile line that extends from the Blanco hub in the San Juan Basin to just inside the California state line near the Arizona border. An additional 96 miles of Southern Trails Pipeline in California is not in service. Questar Pipeline operates and owns 50% of the White River Hub in western Colorado. White River Hub facilities connect with six interstate-pipeline systems and a major processing plant near Meeker, Colorado.

Questar Pipeline owns and operates the Clay Basin storage facility, the largest underground-storage reservoir in the Rocky Mountain region. Through a subsidiary, Questar Pipeline also owns gathering lines and processing facilities near Price, Utah, through which it provides gas-processing services for third parties. A Questar Pipeline subsidiary also provides wellhead automation and measurement services for Rockies oil and gas producers.

Customers, Growth and Competition: Questar Pipeline's transportation system is nearly fully subscribed. The weighted-average remaining life of Questar Pipeline's firm contracts was 9.6 years as of December 31, 2012. All of Questar Pipeline's storage capacity is fully contracted with a weighted-average remaining life of 5.9 years as of December 31, 2012. Questar Pipeline faces the risk that it may not be able to recontract firm capacity at current terms when contract terms expire.

Questar Gas, an affiliated company, provides Questar Pipeline's largest share of transportation revenues. During 2012, Questar Pipeline transported 107.2 MMdth for Questar Gas compared to 116.9 MMdth in 2011. Questar Gas has reserved firm-transportation capacity of 916 Mdth per day during the heating season and 841 Mdth per day during off-peak months under long-term contracts. Questar Pipeline's primary transportation agreement with Questar Gas will expire on June 30, 2017. In 2012, 27% of Questar Pipeline's revenues were from its affiliate, Questar Gas.

Questar Pipeline also transported 785.4 MMdth during 2012, up 18% over 2011, for unaffiliated customers to pipelines owned by Kern River Pipeline, Northwest Pipeline, Colorado Interstate Gas, TransColorado, Wyoming Interstate Company, Rockies Express Pipeline, Ruby Pipeline and other systems. Rocky Mountain producers, marketers and end-users seek capacity on interstate pipelines that move gas to California, the Pacific Northwest or Midwestern markets. Questar Pipeline provides access for many producers to these third-party pipelines.

Questar Pipeline competes for market growth with other natural gas-transmission companies in the Rocky Mountain region and with other companies providing natural gas-storage services. In addition, Questar Pipeline faces growing competition from third-party gathering companies that build gathering lines to allow producers to make direct connections to competing pipeline systems.

Regulation: Questar Pipeline's natural gas-transportation and storage operations are regulated by the FERC under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978, as amended. The FERC has authority to set rates for natural gas transportation, storage and related services; set rules governing business relationships between the pipeline subsidiary and its affiliates; approve new pipeline and storage-facility construction; and establish policies and procedures for accounting, purchase, sale, abandonment and other activities. FERC policies may adversely affect Questar Pipeline profitability. Questar Pipeline maintains a rigorous compliance program to address all areas of FERC compliance including standards of conduct, market manipulation, shipper-must-have-title, bidding, capacity release, reporting, filings, postings and record retention. The Company annually trains Board members, executives, senior management and functional employees on standards-of-conduct rules.

Questar Pipeline is required to comply with the Pipeline Safety, Regulatory Certainty and Jobs Creation Act of 2011 and the Pipeline Safety Improvement Act of 2002. The 2011 Act is designed to examine and improve the state of pipeline safety regulations and gives enhanced safety authority to the Pipeline and Hazardous Materials Safety Administration (PHMSA) and will improve pipeline transportation by strengthening enforcement capabilities. The 2002 Act and the rules issued by the U.S. Department of Transportation require interstate pipelines and local distribution companies to implement a 10-year program of risk analysis, pipeline assessment and remedial repair for transportation pipelines located in high-consequence areas such as densely populated locations.

Strategic Evaluation: In the fourth quarter of 2012, Questar Pipeline initiated a strategic review of Questar Southern Trails Pipeline assets. Southern Trails Pipeline is currently operating in natural gas service at a loss with a reduction in transportation revenues as an expired contract was recontracted at a lower rate in the fourth quarter of 2012. Questar Pipeline and its advisers have distributed a confidential information memorandum to a number of interested parties. This memorandum outlines the possible conversion of the Southern Trails Pipeline to oil service that would move crude oil from the San Juan and Permian basins to refineries in the Los Angeles area. This evaluation of Southern Trails Pipeline is considering development of the project by Questar Pipeline, sale to a third party, joint venture, partnership or other alternatives. Questar Pipeline is evaluating a number of non-binding proposals from third parties, and expects to complete this evaluation by mid-2013.

Corporate and Other

Corporate employees provide compliance, legal, finance, tax, treasury, human resources, audit, information technology, purchasing, warehousing, fleet, communication and insurance services for Questar's subsidiaries.

Corporate and Other operations also include Questar Fueling Company (Questar Fueling). In 2012, Questar formed Questar Fueling to develop, own and operate natural gas fueling facilities, primarily for large trucks. While Questar Gas has owned and operated natural gas fueling facilities within its regulated service area, Questar Fueling is pursuing opportunities outside of this area. Questar Fueling has signed one contract for a fueling facility in Texas and is pursuing additional contracts with trucking companies. Questar Fueling will not earn revenues until fueling facilities are completed and in service.

Spinoff of QEP

On June 30, 2010, Questar distributed all of the shares of common stock of QEP (formerly Questar Market Resources) held by Questar to Questar shareholders in a tax-free, pro rata dividend (the Spinoff). Each Questar shareholder received one share of QEP common stock for each share of Questar common stock held (including fractional shares) at the close of business on the record date. In connection with the Spinoff, QEP distributed Wexpro, a wholly-owned subsidiary of QEP, to Questar. In addition, Questar contributed $250.0 million of equity to QEP prior to the Spinoff.

Employees
At December 31, 2012, the Company had 1,738 employees, including 888 in Questar Gas, 143 in Wexpro, 340 in Questar Pipeline and 367 in Corporate.

Executive Officers of the Registrant

Primary Positions Held with the Company and Affiliates, Other Business Experience		
Ronald W. Jibson	59	Chairman, President and Chief Executive Officer, Questar (2012 to present); Chairman, President and Chief Executive Officer, Questar Gas (2010 to present); Chairman, Questar Pipeline and Wexpro (2010 to present). Previous titles with Questar: President and Chief Executive Officer, Questar (2010 to 2012); Senior Vice President, Questar (2008 to 2010); President, Chief Executive Officer and Director, Questar Gas (2008 to 2010); Executive Vice President, Questar Gas (2008 to 2010); Vice President, Operations, Questar Gas (2004 to 2008).
Kevin W. Hadlock	40	Executive Vice President and Chief Financial Officer, Questar (2011 to present); Director, Questar Gas, Wexpro and Questar Pipeline (2011 to present). Prior to joining Questar: Senior Vice President and Chief Financial Officer for Baltimore Gas and Electric Company, a subsidiary of the Constellation Energy Group (2008 to 2010); Vice President of Investor Relations and Financial Planning and Analysis for Constellation Energy Group (2007 to 2008)
Thomas C. Jepperson	58	Executive Vice President, General Counsel and Corporate Secretary, Questar (2010 to present). Previous titles with Questar: Vice President and General Counsel, Questar (2005 to 2010).
R. Allan Bradley	61	Executive Vice President, Questar (2010 to present); President and Chief Executive Officer, Questar Pipeline (2006 to present); President, Chief Operating Officer and Director, Questar Pipeline (2005 to present); Chairman of the White River Hub, LLC Management Committee (2008 to present). Previous titles with Questar: Senior Vice President, Questar (2005 to 2010);
James R. Livsey	59	Executive Vice President and Chief Operating Officer, Wexpro (2012 to present); Executive Vice President, Questar (2010 to present); Director, Wexpro (2010 to present). Previous titles with Questar: Executive Vice President and General Manager, Wexpro (2011 to 2012); Executive Vice President, Questar and General Manager, Wexpro (2010 to 2011); Vice President and General Manager, Wexpro (2003 to 2010).
Craig C. Wagstaff	49	Executive Vice President, Questar (2012 to present); Executive Vice President and Chief Operating Officer, Questar Gas (2012 to present); Director, Questar Gas (2010 to present). Previous titles with Questar: Senior Vice President, Questar (2011 to 2012); Senior Vice President and General Manager, Questar Gas (2011 to 2012); Vice President and General Manager, Questar Gas (2010 to 2011); General Manager, Customer Relations, Questar Gas (2006 to 2010).
David M. Curtis	57	Vice President and Corporate Controller (2011 to present); Vice President and Controller, Wexpro (2010 to present); Vice President and Controller, Questar Pipeline and Questar Gas (2003 to present).

Kimberley Heimsath	57	Vice President, Environmental, Health and Safety (2011 to present). Previous titles with Questar: General Manager Environmental, Health and Safety (2010 to 2011), Manager Environmental and Safety Services (2008 to 2010), Director Environmental and Safety Services (2005 to 2008).

There is no "family relationship" between any of the listed officers or between any of them and the Company's directors. The executive officers serve at the pleasure of the Board of Directors. There is no arrangement or understanding under which the officers were selected.

ITEM 1A. RISK FACTORS.

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

Risks Inherent in the Company's Business

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

Wexpro's rate of development of cost-of-service gas may vary depending upon market conditions. Wexpro develops cost-of-service gas and oil in accordance with accepted standards and prudent field-management and engineering practices. These standards and practices are influenced by gas and oil commodity prices and other market conditions. Historically, natural gas and oil prices have been volatile and will likely continue to be volatile. The Company cannot predict the future price of natural gas and oil because the factors that drive prices are beyond its control. Natural gas prices have declined significantly in 2011 and 2012. In the short-run, purchased gas may be available for Questar Gas customers at a lower price than cost-of-service gas. While the Company believes it can continue to develop natural gas properties at a competitive long-term cost to the consumer, low natural gas prices may impact the pace of that development.

Wexpro's rate of development of cost-of-service gas may be limited by growth in Questar Gas's sales volumes. The proportion of Questar Gas's gas supply needs met by Wexpro has increased due to successful development of the Vermillion Basin and continued development of the Pinedale field. Wexpro's 2012 share of the utility's gas supply also increased due to warm weather that significantly reduced overall Questar Gas sales volumes. Wexpro's gas-development program may be limited based on the volumes of cost-of-service gas it can supply to Questar Gas for the summer load and Questar Gas's ability to store gas during the summer for peak supply needs. Wexpro and Questar Gas are pursuing opportunities to use Wexpro cost-of-service gas for Questar Gas's industrial customers, although there is no assurance that this will be successful. Certain large commercial and industrial customers of Questar Gas have elected to switch from sales service to transportation service. This switching may reduce the volumes that Wexpro is able to supply to Questar Gas.

Gas and oil reserve estimates are imprecise and subject to revision. Wexpro's proved natural gas and oil reserve estimates are prepared annually by its reservoir engineers. Gas and oil reserve estimates are subject to numerous uncertainties inherent in estimating quantities of proved reserves, projecting future rates of production and timing of development expenditures. The accuracy of these estimates depends on the quality of available data and on engineering and geological interpretation and judgment. Reserve estimates are imprecise and will change as additional information becomes available. Ownership interests in properties may change due to claims of ownership rights. Estimates of economically recoverable reserves prepared by different engineers, or by the same engineers at different times may vary significantly. Results of subsequent drilling, testing and production may cause either upward or downward revisions of previous estimates. In addition, the estimation process also involves economic assumptions relating to commodity prices, production costs, severance and other taxes, capital expenditures and remediation costs. Changes in field development plans will impact the reporting of reserves because the Company limits the recording of proved undeveloped reserves to those that are expected to be developed within the next five years. Actual results most likely will vary from the estimates. Any significant variance from these assumptions could affect the recoverable quantities of reserves attributable to any particular property and the classifications of reserves.

Shortages of oilfield equipment, services and qualified personnel could impact results of operations. The demand for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and gas industry can fluctuate significantly, often in correlation with natural gas and oil prices, causing periodic shortages. There also have been regional shortages of drilling rigs and other equipment, as demand for specialized rigs and equipment has increased along with the number of wells being drilled. These factors also cause increases in costs for equipment, services and personnel. These cost increases could restrict the ability to drill wells and conduct operations, especially during periods of lower natural gas and oil prices. This may also delay the installation of gathering facilities for new production.

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

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

Questar Pipeline's natural gas liquid revenues are expected to decline. Questar Pipeline earns NGL revenues from its processing plant and pipeline facilities. These revenues have declined in the last few years due to lower prices and the development of upstream facilities that extract NGL before the gas is transported on Questar Pipeline's system. These revenues are expected to decline further due to shifting of gas contracts that results in the delivery of the gas to upstream facilities.

Questar Pipeline's investment in Questar Southern Trails Pipeline may be impaired if other options are not successful. Questar Southern Trails Pipeline is currently operating in natural gas service at a loss with a reduction in transportation revenues as an expired contract was recontracted at a lower rate in the fourth quarter of 2012. In the fourth quarter of 2012, Questar Pipeline began a strategic evaluation of its Questar Southern Trails Pipeline assets. Questar Pipeline and its advisers have distributed a confidential information memorandum to a number of interested parties. This memorandum outlines the possible conversion of the pipeline to oil service that would move crude oil from the San Juan and Permian basins to refineries in the Los Angeles area. This evaluation of Southern Trails Pipeline is considering development of the project by Questar Pipeline, sale to a third party, joint venture, partnership, or other alternatives. Questar Pipeline is evaluating a number of non-binding proposals from third parties, and expects to complete this evaluation by mid-2013. Questar Pipeline may need to impair its investment in Southern Trails if the results of this strategic evaluation or other options for the use of Southern Trails are not successful.

Questar Gas's investment in infrastructure replacement will increase customer rates and could impact its competitive position. Questar Gas is investing significant capital to replace aging pipeline infrastructure. This significant investment is expected to continue over a number of years. Replacement of aging pipeline infrastructure will increase customer safety; however, Questar Gas's return on this investment and depreciation costs will continue to increase customer rates. Over time this may impact customer decisions on the use of natural gas versus other energy alternatives.

The legal dispute over gathering costs between Questar Gas and QEP Field Services may result in costs to shareholders. As disclosed in Note 8 to the financial statements included in Item 8 of Part II, Questar Gas and QEP Field Services are involved in a legal dispute over gathering costs. These gathering costs have been included in Questar Gas's rates as purchased gas costs. The outcome of this dispute and its resulting financial impact on Questar Gas are uncertain at this time.

Questar Fueling may be unable to profitably compete in the natural gas fueling market. Questar Fueling was created in 2012 to design, build and operate natural gas fueling facilities outside Questar Gas's market. This business is competitive and Questar Fueling's operations may not be profitable until it establishes itself as a credible player in the industry.

Operations involve numerous risks that might result in accidents, environmental harm and other operating risks and costs. Drilling is a high-risk activity. Operating risks include: fire, explosions and blow-outs; unexpected drilling conditions such as abnormally pressured formations; abandonment costs; pipe, cement or casing failures; environmental accidents such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, brine or well fluids (including groundwater contamination). The Company could incur substantial losses as a result of injury or loss of life; pollution or other environmental damage; damage to or destruction of property and equipment; regulatory investigation; fines or curtailment of operations; or legal fees and other expenses incurred in the prosecution or defense of litigation. As a working interest owner in wells operated by other companies, the Company may also be exposed to the risks enumerated above that are not within its care, custody or control.

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

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

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

Questar is dependent on bank credit arrangements and continued access to capital markets to successfully execute its operating strategies. Questar also relies on access to short-term commercial paper markets. The Company is dependent on these capital sources to provide financing for working capital and certain projects. The availability and cost of these credit sources can vary significantly; and these capital sources may not remain available or the Company may not be able to obtain capital at a reasonable cost in the future. In lieu of commercial paper issuance, the Company at times has utilized credit facilities with banks to meet short-term funding needs. Questar has a $500 million revolving credit arrangement with various banks. However, banks may be unable or unwilling to extend credit in the future. Questar's revolving credit arrangement and commercial-paper program are subject to variable interest rates. From time to time the Company may use interest-rate derivatives to fix the rate on a portion of its variable-rate debt. A downgrade of credit ratings could increase the interest cost of debt and decrease future availability of capital from banks and other sources. While management believes it is important to maintain investment-grade credit ratings to conduct the Company's businesses, the Company may not be able to keep investment-grade ratings.

The economic downturn increases credit risk. Questar has credit exposure in outstanding accounts receivable from customers in all segments of its business, which could become significant. Questar has tightened its credit procedures, for example, by requiring deposits or prepayments to help manage this risk. Questar aggressively pursues collection of past-due accounts receivable. Questar has also enhanced its review of customer credit risk.

Risks Related to Regulation

Questar is subject to complex federal, state and local environmental laws and regulations that could adversely affect its cost of doing business. Environmental laws and regulations are complex, change frequently and tend to become more restrictive over time. Some of the regulations with which Questar must comply include the National Environmental Policy Act, the Endangered Species Act, the Clean Air Act, the Clean Water Act, and the National Historic Preservation Act, as well as similar state laws.

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

The U.S. Environmental Protection Agency (EPA) has recently enacted air-quality regulations that particularly affect Questar Pipeline and Wexpro operations. These regulations will require the installation of additional pollution controls and extensive monitoring and reporting. The impact of these air quality regulations, along with greenhouse gas monitoring and reporting requirements, may result in increased costs for Questar.

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

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

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

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

Various federal agencies within the U.S. Department of the Interior, particularly the Minerals Management Service and the Bureau of Indian Affairs, along with each Native American tribe, promulgate and enforce regulations pertaining to gas and oil operations on Native American tribal lands. These regulations address such matters as lease provisions, drilling and production requirements, environmental standards and royalty considerations. In addition, each Native American tribe is a sovereign nation having the right to enforce laws and regulations independent from federal, state and local statutes and regulations. These tribal laws and regulations include various taxes, fees, requirements to employ Native American tribal members and other conditions that apply to lessees, operators and contractors conducting operations on Native American tribal lands. Lessees and operators conducting operations on tribal lands are generally subject to the Native American tribal court system. One or more of these factors may increase the Company's costs of doing business on Native American tribal lands and have an impact on the viability of its natural gas development, production, gathering, processing and transportation operations on such lands.

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

Questar may be exposed to certain regulatory and financial risks related to climate change. Federal and state courts and administrative agencies are addressing claims and demands related to climate change under various laws pertaining to the environment, energy use and development, and greenhouse-gas emissions. The EPA has adopted the Greenhouse Gas Reporting Rule for the measurement and reporting of greenhouse gases emitted from combustion at large facilities (emitting more than 25,000 metric tons/year of carbon dioxide equivalent) beginning in 2010. Questar's first report was filed with the EPA in September 2011. Reporting under this regulation was expanded to include measurement and reporting of greenhouse-gas emissions attributed to methane venting and leaking starting in 2011. This regulation requires measurement and monitoring in the natural gas producing basins in which Wexpro operates, as well as in Questar Pipeline's compressor stations, storage fields, and processing facilities. Questar Gas is responsible for reporting combustion emissions for all of its customers, as well as for measurement and monitoring of gate-station methane emissions. This rule has created a greenhouse gas inventory, which could be used for regulatory compliance purposes and to generate emissions fees or other potential charges.

EPA’s Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule, which went into effect January 1, 2011, currently regulates greenhouse gases as a Clean Air Act pollutant at large new sources or at existing sources undergoing major modifications. Analysis of near-term capital projects indicates that these permitting regulations will not inhibit development or expansion of Questar services, unless the EPA reduces thresholds in the future.

While future climate-change regulation is possible, it is too early to predict how potential regulation will affect Questar's business, operations, or financial results. If forthcoming regulations recognize that use of natural gas in high-efficiency residential, commercial, transportation, industrial, and electricity generation applications is essential to lower U.S. greenhouse-gas emissions, use of natural gas in these applications could increase. Similarly, natural gas will be essential in ensuring electrical-grid reliability as reliance on intermittent renewable energy increases in the future. Use of natural gas as an alternative transportation fuel continues to grow, with Questar actively involved in expanding refueling infrastructure. On the other hand, federal regulation of carbon dioxide could increase the price of natural gas, restrict access to or the use of natural gas, and/or reduce natural gas demand. Federal, state, and local governments may pass laws mandating the use of alternative-energy sources, such as wind, solar, and geothermal energy. The increased use of alternative energy could reduce the future demand for natural gas. It is uncertain whether Questar's operations and properties are exposed to possible physical risks, such as severe weather patterns due to climate change, as a result of man-made greenhouse gases.

Questar is subject to changing U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration rules and regulations, which may increase costs. The Company is subject to PHMSA non-compliance risk due to significant legislative and regulatory developments in response to several major pipeline accidents in recent years. The reauthorization of the Pipeline Safety Act was signed by the President in January 2012. The new law includes significant new provisions on historical records research and maximum allowed operating pressure validation, use of automated or remote controlled valves on new or replaced lines, increased civil penalties and evaluation of expanding integrity management beyond high-consequence areas. PHMSA will be phasing in the new regulations over the next two years. PHMSA has already begun implementation of integrated compliance audits, which would require a focused effort by Questar Pipeline and Questar Gas to address the audit requests and potential findings and recommendations. Penalties associated with non-compliance could be substantial.

FERC regulates the transportation and storage of natural gas and natural gas markets. Questar Pipeline's natural gas transportation and storage operations are regulated by the FERC under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. The FERC has authority to: set rates for natural gas transportation, storage and related services; set rules governing business relationships between the pipeline subsidiary and its affiliates; approve new pipeline and storage-facility construction; and establish policies and procedures for accounting, purchase, sale, abandonment and other activities. FERC policies may adversely affect Questar Pipeline profitability. Over the past several years, FERC issued a number of orders related to market transparency that extend FERC oversight to many Questar subsidiaries. Order No. 704 requires all natural gas companies to report gas purchases and sales and their relationship to price reporting indexes. Order No. 712 defines changes in capacity release and asset management. Order No. 717 establishes new Standards of Conduct Rules. In addition to the orders, FERC released a policy statement on compliance in which it states that companies must have a "rigorous" FERC compliance program that extends to all subsidiaries, not just interstate pipelines. Since the enactment of the Energy Policy Act of 2005, granting FERC increased penalty authority for non-compliance, FERC has targeted various issues in the natural gas industry for compliance audits and investigations. In late 2010 FERC issued a revised policy statement on penalty guidelines. These guidelines identify mitigation measures companies can take to minimize or reduce the risk of a significant FERC compliance penalty.

State agencies regulate the distribution of natural gas. Questar Gas's natural gas-distribution business is regulated by the PSCU and the PSCW. These commissions set rates for distribution services and establish policies and procedures for services, accounting, purchase, sale and other activities. PSCU and PSCW policies and decisions may adversely affect Questar Gas profitability.

Questar is subject to health care reform regulations, which may increase costs. Questar incurs significant costs to provide health care benefits to employees and some retirees. These costs have increased at a rate greater than inflation over a number of years and are expected to continue to increase. The full impact of the Patient Protection and Affordable Care Act of 2010 will not affect the Company until 2014; however, the cost of compliance with the provisions of the Act is difficult to measure at this time.

Other Risks

Questar depends upon key operational and technical personnel. The successful implementation of the Company's business strategy depends, in part, on experienced operational and technical personnel, including key geologists, engineers and other professionals. Many of these key employees have the opportunity to retire within the next few years. In 2012, Questar offered a retirement incentive for those employees eligible for retirement. About 100 employees accepted this offer and will retire in early 2013. The retirement of these employees accelerates the need for succession planning and knowledge transfer to prepare future management and key employees for critical positions.

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

Questar faces risks of cyber-security attacks and loss of sensitive customer and employee data. Questar's operating and business systems may be vulnerable to an attack by individuals or organizations intending to disrupt business operations or obtain sensitive customer and employee data. In addition, this sensitive data may be disseminated through intentional or unintentional actions by employees, agents or vendors. The Company's operations and its ability to serve customers may be significantly impacted if its operating and business systems were unavailable. The cost to remedy an unintended dissemination of sensitive information may be significant. Questar mitigates these risks through a defense-in-depth approach that utilizes information technology security measures including system disaster-recovery procedures, intrusion-prevention systems, vulnerability management, network segmentation, internet scanning, anti-virus and malware scanning, system-access procedures and system-change-control procedures.

The underfunded status of the Company's defined benefit pension plans increases pension costs and may require large contributions, which may divert funds from other uses. As of December 31, 2012, the Company's defined benefit pension plans were $249.5 million underfunded. This is due in part to the historically low discount rate used to value plan liabilities. The underfunded status of the pension plans may require large contributions, which may divert funds from other uses by the Company. Over time, periods of declining interest rates and pension asset values may result in further reduction of the funding status of the plans and require additional contributions. Questar cannot predict whether these factors will require the Company to make contributions greater than current expectations.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

RETAIL GAS DISTRIBUTION - Questar Gas

Questar Gas distributes gas to customers along the Wasatch Front, the major populated area of Utah, the metropolitan Salt Lake area, Provo, and Ogden. It also serves customers throughout the state, including the cities of Price, Roosevelt, Park City, Logan, Vernal, Moab, Monticello, Fillmore, Cedar City and St. George. Questar Gas supplies natural gas to the southwestern Wyoming communities of Rock Springs, Green River, Evanston, Kemmerer and Diamondville, and the southeastern Idaho community of Preston. To supply these communities Questar Gas owns and operates distribution systems and has a total of 27,612 miles of street mains, service lines and interconnecting pipelines. Questar Gas has a major operations center in Salt Lake City, and has operations centers, field offices and service-center facilities in other parts of its service area.

GAS AND OIL DEVELOPMENT AND PRODUCTION - Wexpro

Wexpro develops, produces and delivers cost-of-service natural gas for Questar Gas under the terms of the Wexpro Agreement. The estimates of proved reserves were made by Wexpro's reservoir engineers as of December 31, 2012. All reported reserves are located in the United States. Wexpro sells crude oil production from certain oil-producing properties at market prices. Wexpro recovers its cost and return on investment from the proceeds. Any residual operating income after recovery of Wexpro costs and return is shared 54% Questar Gas, 46% Wexpro. The following table sets forth estimated natural gas and oil reserves:

	December 31, 2012		
	Natural Gas	Oil and NGL	Natural Gas Equivalents

	(Bcf)	(Mbbl)	(Bcfe)
Proved developed reserves	523.9	4,967	553.7
Proved undeveloped reserves	173.3	1,202	180.5
Total proved reserves	697.2	6,169	734.2

Refer to Note 17 of the financial statements included in Item 8 of Part II of this Annual Report for additional information pertaining to the Company's reserves at the end of each of the last three years.

In addition to this filing, Wexpro will file reserves estimates as of December 31, 2012, with the Energy Information Administration of the U.S. Department of Energy on Form EIA-23. Although Wexpro uses the same technical and economic assumptions when it prepares the EIA-23, it is obligated to report reserves for the wells it operates, not for all wells in which it has an interest, and to include the reserves attributable to other owners in such wells.

Production

The following table sets forth the net production volumes and the production costs per Mcfe for the years ended December 31, 2012, 2011 and 2010:

	Year Ended December 31,		
	2012	2011	2010
Volumes produced			
Natural gas (Bcf)	57.5	50.5	50.2
Oil and NGL (Mbbl)	665	467	437
Total production (Bcfe)	61.5	53.3	52.9
Lifting costs (per Mcfe)			
Lease operating expense	$0.44	$0.42	$0.38
Production taxes	0.33	0.48	0.51
Total lifting costs	$0.77	$0.90	$0.89

Productive Wells

The following table summarizes the Company's productive wells as of December 31, 2012. All wells are located in the United States.

	Gas Wells	Oil Wells	Total
Gross	1,561	120	1,681
Net	679.6	39.2	718.8

Although many wells produce both gas and oil, a well is categorized as either a gas or an oil well based upon the ratio of gas to oil produced. Each gross well completed in more than one producing zone is counted as a single well. At the end of 2012, the Company had 13 gross wells with multiple completions.

Leasehold Acres

The following table summarizes developed and undeveloped leasehold acreage in which the Company owns a working interest as of December 31, 2012. Excluded from the table is acreage in which the Company's interest is limited to royalty, overriding-royalty and other similar interests. All leasehold acres are located in the United States.

	Developed Acres[1]		Undeveloped Acres[2]		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Wyoming	99,918	84,621	10,824	10,824	110,742	95,445
Colorado	29,734	25,874	—	—	29,734	25,874
Utah	14,013	13,773	—	—	14,013	13,773
Other	759	759	—	—	759	759
Total	144,424	125,027	10,824	10,824	155,248	135,851

[1] Developed acreage is acreage assigned to productive wells.

[2] Undeveloped acreage is leased acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas and oil regardless of whether such acreage contains proved reserves.

A portion of the leases summarized in the preceding table will expire at the end of their respective primary terms unless the existing leases are renewed or production has been obtained from the acreage subject to the lease prior to that date. Leases held by production remain in effect until production ceases. Leases on all of the undeveloped acreage in the above table expire in more than five years.

Drilling Activity
The following table summarizes the number of development wells drilled by Wexpro during the years indicated. Wexpro did not drill any exploratory wells.

	Productive			Dry		
	Year Ended December 31,					
	2012	2011	2010	2012	2011	2010
Net Wells Completed						
Development	43.5	43.7	28.9	2.7	1.0	1.0
Gross Wells Completed						
Development	74	81	44	3	1	1

INTERSTATE GAS TRANSPORTATION – Questar Pipeline
Questar Pipeline has firm-transportation contracts of 5,039 Mdth per day. These commitments include 1,926 Mdth per day for Questar Pipeline; 2,012 Mdth per day for Overthrust Pipeline; 81 Mdth per day for Southern Trails Pipeline; and 1,020 Mdth per day for Questar Pipeline's 50% ownership of White River Hub. Questar Pipeline's transportation system includes 2,638 miles of natural gas-transportation pipelines that interconnect with other pipelines. Its core system includes two segments, referred to as the northern system and southern system. The northern system extends from northwestern Colorado through southwestern Wyoming into northern Utah, while the southern system extends from western Colorado to Goshen, Utah. Questar Pipeline's natural gas-transportation-pipeline mileage includes: pipelines at storage fields and tap lines used to serve Questar Gas; 261 miles of Overthrust Pipeline, a wholly-owned subsidiary; and 487 miles of the Southern Trails Pipeline, a wholly-owned subsidiary; but does not include 96 miles of Southern Trails Pipeline that is not in service in southern California. Questar Pipeline's system ranges in diameter from lines that are less than four inches to 36-inches. Questar Pipeline also owns large-scale compressor stations, which boost the pressure of natural gas transported on its pipelines for delivery to utility customers and third-party pipelines.

Questar Pipeline also owns the Clay Basin storage facility in northeastern Utah, which has a certificated capacity of 120.2 Bcf, including 54.0 Bcf of working gas. Questar Pipeline also owns three smaller storage aquifers in northeastern Utah and western Wyoming. Through a subsidiary, Questar Pipeline also owns gathering lines and processing facilities near Price, Utah, which provide gas-processing services for third parties.

ITEM 3. LEGAL PROCEEDINGS.

In addition to the items referenced below, the Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations or other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service, and purchased-gas cost issues, among other things. While these normal-course matters could have a material effect on earnings and cash flows in the quarterly and annual period in which they are resolved, they are not expected to change materially the Company's present liquidity position, nor are they expected to have a material adverse effect on the financial condition of the Company.

Commitments and Contingencies
See Note 8 to the financial statements included in Item 8 of Part II of this Annual Report for information concerning commitments and contingencies.

Regulatory Proceedings

See Note 10 to the financial statements included in Item 8 of Part II of this Annual Report for information concerning various regulatory proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Five-Year Cumulative Total Return to Shareholders
The following table and graph compare the cumulative total return of the Company's common stock with the cumulative total returns of a new and old peer group of diversified natural gas companies selected by Questar, and of the S&P 500 stock index:

	2007	2008	2009	2010	2011	2012
Questar	$100.00	$61.06	$78.82	$97.07	$114.49	$117.78
S&P 500	100.00	63.01	79.68	91.68	93.62	