

QUESTAR CORP  
Form 10-K/A  
May 24, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED **DECEMBER 31, 2003** OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_.

Commission File No. 1-8796

**QUESTAR CORPORATION**

(Exact name of registrant as specified in its charter)

*State of Utah*

87-0407509

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)

180 East 100 South, P.O. Box 45433, Salt Lake City, Utah

84145-0433

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code:

(801) 324-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Name of each exchange on

Title of each class

which registered

Common Stock, Without Par Value, with

New York Stock Exchange

Common Stock Purchase Rights

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrants' 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

The aggregate market value of the registrant's common stock, without par value, held by nonaffiliates on February 27, 2004, was \$2,955,413,593 (based on the closing price of such stock).\*

On February 27, 2004, 83,630,372 shares of the registrant's common stock, without par value, were outstanding.

Documents Incorporated by Reference. Portions of the definitive Proxy Statement for the 2004 Annual Meeting of Stockholders are incorporated by reference into Part III. The sections of the Proxy Statement labeled "Committee Report on Executive Compensation" and "Cumulative Total Shareholder Return" are expressly not incorporated into this document.

\*Calculated by excluding all shares held by directors and executive officers of registrant and three non-profit foundations established by Questar Corporation without conceding that all such persons are affiliates purposes of federal securities laws.

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## EXPLANATORY NOTE

Questar Corporation ("Questar" or the "Company") inadvertently neglected to include a conformed signature for the opinion rendered by Ernst & Young, LLP, when it filed its Annual Report on Form 10-K for 2003 with the Securities and Exchange Commission on March 12, 2004. Consequently, the Company is filing an opinion with a conformed signature for Ernst & Young, LLP, as part of Item 8, Financial Statements and Supplementary Data, which is set forth below in its entirety. Questar is not making any other changes to its financial statements. [This amendment is accurate as of the date of the Company's Form 10-K that was originally filed and has not been updated to reflect any events that occurred subsequent to March 12, 2004. The Company is including currently dated certifications as listed in a new Item 15.](#)

## FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements" within the meaning of Section 27(a) of the Securities Act of 1933, as amended, and Section 21(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "could," "expect," "intend," "project," "estimate," "anticipate," "believe," "forecast," or "continue" or the negative thereof or variations thereon or similar terminology. Although these statements are made in good faith and are reasonable representations of the Company's expected performance at the time, actual results may vary from management's stated expectations and projections due to a variety of factors.

Important assumptions and other significant factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include: changes in general economic conditions; changes in gas and oil prices and supplies; changes in rate-regulatory policies; regulation of the Wexpro Agreement; availability of gas and oil properties for sale or exploration and land-access issues; creditworthiness of counterparties to hedging contracts; rate of inflation and interest rates; assumptions used in business combinations; weather and other natural phenomena; the effect of environmental regulation; changes in customers' credit ratings; competition from other forms of energy, other pipelines and storage facilities; the effect of accounting policies issued periodically by accounting standard-setting bodies; terrorist attacks or acts of war; changes in the business or financial condition of the company; and changes in credit ratings for Questar and/or its subsidiaries.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

*Financial Statements:*

Report of Independent Auditors

Consolidated Statements of Income, three years ended December 31, 2003

Consolidated Balance Sheets at December 31, 2003 and 2002

Consolidated Statements of Common Shareholders' Equity, three years ended  
December 31, 2003

Consolidated Statements of Cash Flows, three years ended December 31, 2003

Notes to Consolidated Financial Statements

*Financial Statement Schedules:*

For the three years ended December 31, 2003

Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

ERNST & YOUNG LLP

Report of Independent Auditors

Shareholders and Board of Directors

Questar Corporation

We have audited the accompanying consolidated balance sheets of Questar Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Questar Corporation and subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 1, 3 and 7 to the financial statements, Questar Corporation and subsidiaries adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002 and Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, effective January 1, 2003.

Salt Lake City, Utah

/s/Ernst & Young LLP

February 10, 2004

Ernst &amp; Young LLP

QUESTAR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2003	2002	2001
	(in thousands, except per share amounts)		
<b>REVENUES</b>			
Market Resources	\$ 751,502	\$ 522,476	\$ 645,867
Natural gas transmission	74,981	66,275	49,402
Natural gas distribution	618,791	593,835	701,150
Corporate and other operations	17,914	18,081	42,931
<b>TOTAL REVENUES</b>	<b>1,463,188</b>	<b>1,200,667</b>	<b>1,439,350</b>
<b>OPERATING EXPENSES</b>			
Cost of natural gas and other products sold	542,441	395,742	675,011
Operating and maintenance	284,266	284,317	270,355
Depreciation, depletion and amortization	192,382	184,952	151,735
Distribution rate-refund obligation	24,939		
Exploration	4,498	6,086	6,986
Abandonment and impairment of gas, oil and related properties	4,151	11,183	5,171
Production and other taxes	70,681	44,192	55,985
<b>TOTAL OPERATING EXPENSES</b>	<b>1,123,358</b>	<b>926,472</b>	<b>1,165,243</b>
<b>OPERATING INCOME</b>	<b>339,830</b>	<b>274,195</b>	<b>274,107</b>
Interest and other income	7,435	56,667	35,298
Earnings from unconsolidated affiliates	5,008	11,777	159
Minority interest	222	501	1,725
Debt expense	(70,736)	(81,121)	(64,833)
<b>INCOME BEFORE INCOME TAXES</b>			
<b>AND CUMULATIVE EFFECT</b>	<b>281,759</b>	<b>262,019</b>	<b>246,456</b>
Income taxes	102,563	91,126	88,270
<b>INCOME BEFORE CUMULATIVE EFFECT</b>	<b>179,196</b>	<b>170,893</b>	<b>158,186</b>

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Cumulative effect of accounting change for asset-			
retirement obligations, net of income taxes of \$3,331	(5,580)		
Cumulative effect of accounting change for goodwill,			
net of \$2,010 attributed to minority interest		(15,297)	
NET INCOME	\$173,616	\$155,596	\$158,186
<b>BASIC EARNINGS PER COMMON SHARE</b>			
Income before cumulative effect	\$ 2.17	\$ 2.09	\$ 1.95
Cumulative effect	(0.07)	(0.19)	
Net income	\$ 2.10	\$ 1.90	\$ 1.95
<b>DILUTED EARNINGS PER COMMON SHARE</b>			
Income before cumulative effect	\$ 2.13	\$ 2.07	\$ 1.94
Cumulative effect	(0.07)	(0.19)	
Net income	\$ 2.06	\$ 1.88	\$ 1.94
Weighted-average common shares outstanding			
Used in basic calculation	82,697	81,782	81,097
Used in diluted calculation	84,190	82,573	81,658

See notes to consolidated financial statements

QUESTAR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31,	
	2003	2002
	(in thousands)	
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$13,905	\$21,641
Accounts receivable, net	199,378	154,498
Unbilled gas accounts receivable	49,722	39,788
Hedging collateral deposits	9,100	
Fair value of hedging contracts	3,861	3,617
Inventories, at lower of average cost or market		
Gas and oil storage	40,305	29,666
Materials and supplies	12,184	10,679
Prepaid expenses and other	16,356	15,008



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Purchased-gas adjustments	552	
Deferred income taxes current		5,047
TOTAL CURRENT ASSETS	345,363	279,944
NET PROPERTY, PLANT AND EQUIPMENT	2,768,529	2,617,798
INVESTMENT IN UNCONSOLIDATED AFFILIATES	36,393	23,617
OTHER ASSETS		
Goodwill	71,260	71,133
Regulatory assets	37,839	30,846
Intangible pension asset	14,652	16,911
Other noncurrent assets	35,019	27,601
TOTAL OTHER ASSETS	158,770	146,491
	\$3,309,055	\$3,067,850

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,	
	2003	2002
	(in thousands)	
CURRENT LIABILITIES		
Short-term debt	\$105,500	\$49,000
Accounts payable and accrued expenses		
Accounts and other payables	181,012	159,485
Production and other taxes	40,124	28,179
Distribution rate-refund obligation	24,939	
Federal income taxes	8,515	9,854
Interest	15,155	16,418
Deferred income taxes current	210	
Total accounts payable and accrued expenses	269,955	213,936
Fair value of hedging contracts	52,959	24,278
Purchased-gas adjustments		13,282
Current portion of long-term debt	55,011	10
TOTAL CURRENT LIABILITIES	483,425	300,506
LONG-TERM DEBT, less current portion	950,189	1,145,180
DEFERRED INCOME TAXES	442,839	377,717

DEFERRED INVESTMENT-TAX CREDITS	4,166	4,565
OTHER LONG-TERM LIABILITIES	66,332	48,166
ASSET-RETIREMENT OBLIGATIONS	61,358	
PENSION LIABILITY	31,617	42,930
MINORITY INTEREST	7,864	10,025
<b>COMMON SHAREHOLDERS' EQUITY</b>		
Common stock - without par value; 350,000,000 shares authorized; 83,233,951 outstanding at December 31, 2003, and 82,053,760 outstanding at December 31, 2002.	324,783	298,718
Retained earnings	977,780	868,702
Accumulated other comprehensive loss	(41,298)	(28,659)
<b>TOTAL COMMON SHAREHOLDERS' EQUITY</b>	<b>1,261,265</b>	<b>1,138,761</b>
	<b>\$3,309,055</b>	<b>\$3,067,850</b>

See notes to consolidated financial statements

**QUESTAR CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY**

	Common Stock		Retained	Accumulated	Compre-
	Shares	Amount	Earnings	Other	hensive
				Comprehensive	Income
				Income (loss)	
	(dollars in thousands)				
<b>Balances at January 1, 2001</b>	80,818,274	\$268,630	\$671,415	\$12,587	
Issuance of common stock	1,148,080	21,371			
Purchase of common stock	(442,947)	(12,488)			
2001 net income			158,186		\$158,186
Dividends paid (\$.705 per share)			(57,193)		
Income tax benefit associated with exercise of					
		2,839			

nonqualified options and premature dispositions					
Amortization of restricted stock		1,945			
Other comprehensive income					
Cumulative effect of accounting change for					
energy hedges, net income taxes of \$41,624				(79,376)	(79,376)
Change in unrealized gain on energy hedges					
Net of income taxes of \$57,048				105,295	105,295
Unrealized loss on securities available for sale,					
Net of income taxes of \$6,565				(10,595)	(10,595)
Unrealized loss on interest rate swaps,					
Net of income taxes of \$235				(392)	(392)
Foreign currency translation adjustment,					
Net of income taxes of \$1,304				(1,443)	(1,443)
<b>Balances at December 31, 2001</b>	81,523,407	282,297	772,408	26,076	\$171,675
Issuance of common stock	590,822	9,151			
Purchase of common stock	(60,469)	(1,594)			
2002 net income			155,596		\$155,596
Dividends paid (\$.725 per share)			(59,302)		
Income tax benefit associated with exercise of					
nonqualified options and premature dispositions		1,642			
Adjustment of minority interest		6,093			
Amortization of restricted stock		1,129			
Other comprehensive income					
Change in unrealized loss on energy hedges					
net of income taxes of \$25,651				(42,799)	(42,799)

Minimum pension liability, net of income taxes of \$7,296				(11,779)	(11,779)
Unrealized loss on securities available for sale, net of income taxes of \$2,005				(3,237)	(3,237)
Unrealized gain on interest-rate swaps, net of income taxes of \$235				392	392
Foreign currency translation adjustment, net of income taxes of \$2,375				2,688	2,688
<b>Balances at December 31, 2002</b>	82,053,760	298,718	868,702	(28,659)	\$100,861
Issuance of common stock	1,293,439	21,855			
Purchase of common stock	(113,248)	(3,462)			
2003 net income			173,616		\$173,616
Dividends paid (\$.78 per share)			(64,538)		
Income tax benefit associated with exercise of nonqualified options and premature dispositions		4,462			
Amortization of restricted stock		2,041			
Acquisition of minority interest		1,169			
Other comprehensive income Change in unrealized loss on energy hedges, net of income taxes of \$9,429				(15,755)	(15,755)
Minimum pension liability, net of income taxes of \$1,930				3,116	3,116
<b>Balances at December 31, 2003</b>	83,233,951	\$324,783	\$977,780	(\$41,298)	\$160,977

See notes to consolidated  
financial statements

QUESTAR CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
<b>OPERATING ACTIVITIES</b>			
Net income	\$173,616	\$155,596	\$158,186
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation, depletion and amortization	201,809	194,369	159,042
Deferred income taxes and investment-tax credits	80,811	78,516	33,699
Amortization of restricted stock	2,041	1,129	1,945
Abandonment and impairment of gas, oil and related properties	4,151	11,183	5,171
Net (gain) loss from sales of properties and securities	525	(43,683)	(21,765)
Impairment of assets and securities available for sale		2,956	1,473
Earnings from unconsolidated affiliates, net of cash distributions	1,974	2,257	1,978
Minority interest and other	(166)	(590)	(1,725)
Cumulative effect of accounting changes	5,580	15,297	
	470,341	417,030	338,004
Changes in operating assets and liabilities			
Accounts receivable	(63,914)	6,537	119,344
Inventories	(12,144)	8,964	(8,434)
Energy-hedging contracts			(10,886)
Prepaid expenses and other	(1,348)	(374)	(2,785)
Accounts payable and accrued expenses	30,534	(16,724)	(83,594)
Distribution rate-refund obligation	24,939		
Federal income taxes	2,412	18,310	5,202
Purchased-gas adjustments	(13,834)	21,578	27,246
Other assets	2,977	10,399	3,436
Other liabilities	6,487	1,775	(10,075)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	446,450	467,495	377,458
<b>INVESTING ACTIVITIES</b>			
Capital expenditures			
Purchase of property, plant and equipment	(320,005)	(334,467)	(870,652)
Other investments	(15,411)	(23,333)	(113,434)

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Total capital expenditures	(335,416)	(357,800)	(984,086)
Proceeds from disposition of assets	10,975	280,645	49,034
NET CASH USED IN INVESTING ACTIVITIES	(324,441)	(77,155)	(935,052)
FINANCING ACTIVITIES			
Issuance of common stock	21,855	9,151	21,371
Purchase of Questar common stock	(3,462)	(1,594)	(12,488)
Issuance of long-term debt	110,000	325,000	645,000
Repayment of long-term debt	(249,990)	(179,120)	(357,799)
Increase (decrease) in short-term loans	56,500	(481,246)	321,107
(Increase) decrease in cash held in escrow		6,838	(1,010)
Other financing	(110)	272	716
Payment of dividends	(64,538)	(59,302)	(57,193)
NET CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES			