

QUESTAR CORP
Form U-3A-2
March 03, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form U-3A-2 FOR 2002

Statement by Holding Company Claiming Exemption

Under Rule U-2 From the Provisions of the Public

Utility Holding Company Act of 1935

To Be Filed Annually Prior to March 1

QUESTAR CORPORATION

(Exact name of registrant as specified in its charter)

File No. 69-292

hereby files with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935, and submits the following information:

1. Name, state of organization, location and nature of business of claimant and every subsidiary thereof, other than any exempt wholesale generator (EWG) or foreign utility company in which claimant directly or indirectly holds an interest.

Questar Corporation ("Questar" or the "Company") is a Utah corporation with its principal executive office and principal place of business at 180 East 100 South Street, P.O. Box 45433, Salt Lake City, Utah 84145-0433. On October 2, 1984, the Company filed an initial Form U-3A-2 with the Securities and Exchange Commission following a holding company reorganization in which Questar Gas Company ("Questar Gas") became a subsidiary of Questar. Questar subsequently filed a Form U-3A-2 on March 1, 1985, and on or before each subsequent March 1 to the present time.

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As a parent company, Questar provides certain administrative services, e.g., personnel, public relations, communications, tax, financial, and audit, to companies within the consolidated group. Questar has three primary direct subsidiaries: Questar Regulated Services Company, a Utah corporation ("Regulated Services"); Questar Market Resources, Inc., a Utah corporation ("Market Resources"); and Questar InfoComm, Inc., a Utah corporation ("Questar InfoComm"). The Company owns 100 percent of the common stock issued by each of these directly held subsidiaries.

Regulated Services has three subsidiaries: Questar Gas, a Utah corporation; Questar Pipeline Company, a Utah corporation ("Questar Pipeline"); and Questar Energy Services, Inc. ("QES"). Questar Gas is engaged in the retail distribution of natural gas in the states of Utah, Wyoming, and Idaho. Questar Gas also transports natural gas for industrial users in Utah and Wyoming. Questar Gas's activities in Utah and Wyoming are subject to regulation by the respective Public Service Commissions in those states. Pursuant to a special contract with the Idaho Public Utilities Commission, Questar Gas's natural gas service in Idaho is regulated by the Public Service Commission of Utah. Questar Gas's customers in Idaho are served under the provisions of its Utah tariff. Questar Pipeline currently transports and stores natural gas in interstate commerce in the Rocky Mountain states of Utah, Wyoming, and Colorado. It has the following subsidiaries: Questar Transportation Services Company, Questar Southern Trails Company, Questar Overthrust Pipeline Company, and Questar Overthrust Company. Each subsidiary is incorporated in Utah and conducts transmission or processing operations. QES performs energy management services and other activities.

Questar InfoComm owns data processing and communications systems, and performs data processing and communications services for other members of the consolidated group and third parties. It also owns a majority interest in Consonus, Inc., a Utah corporation that offers data security and related activities.

Market Resources engages in various businesses not subject to state utility regulation through several subsidiaries: Wexpro Company ("Wexpro"), which conducts oil and gas development and production activities on certain producing properties for the benefit of Questar Gas in the Rocky Mountain region; Questar Exploration and Production Company ("QEP"), which engages in oil and gas exploration and related development and production activities throughout the western and Midcontinent portions of the United States in its name and through Shenandoah Energy, Inc.; Questar Energy Trading Company ("QET"), which conducts energy marketing activities; and Questar Gas Management Company ("QGM"), which is engaged in gathering and field processing activities. Neither Market Resources nor any of its subsidiaries is a "public utility company," as such term is defined in the Act. All companies owned by Market Resources have their principal offices at 180 East 100 South Street, Salt Lake City, Utah, but the group also has offices in Denver, Colorado, Oklahoma City and Tulsa, Oklahoma.

With the exception of Questar Gas, none of the companies directly or indirectly owned by Questar is a "public utility company" as that term is defined in the Public Utility Holding Company Act of 1935, as amended (the "Act"). Questar's directly held subsidiaries have their principal executive offices at 180 East 100 South, Salt Lake City, Utah. Questar does not have any interest, direct or indirect, in any exempt wholesale generator or foreign utility company.

2. A brief description of the properties of claimant and each of its subsidiary public utility companies used for the generation, transmission, and distribution of electric energy for sale, or for the production, transmission, and distribution of natural or manufactured gas, indicating the location of principal generating plants, transmission lines, producing fields, gas manufacturing plants, and electric and gas distribution facilities, including all such properties which are outside the state in which claimant and its subsidiaries are organized and all transmission or pipelines which deliver or receive electric energy or gas at the borders of such state.

Questar Gas, which is a "gas utility company" for purposes of the Act, was distributing natural gas to 750,128 sales and transportation customers (defined as active meters) in Utah, southwestern Wyoming, and southeastern Idaho as of year-end 2002. Of these customers, 725,097 were located in Utah, 23,371 were located in southwestern Wyoming, and 1,660 were located in southeastern Idaho. Questar Gas owns and operates approximately 22,815 miles of street mains, service lines and interconnecting pipelines in its distribution system, including approximately 21,822 miles in its Utah distribution system.

Under the terms of a settlement agreement among Questar Gas, Wexpro and various state parties ending several years of litigation, Questar Gas owns the natural gas produced from gas reservoirs that were productive as of August 1, 1981. Most of these productive reservoirs are located in southwestern Wyoming and northwestern Colorado; most of the gas produced from such reservoirs is distributed to Questar Gas's retail natural gas customers. Gas owned by Questar Gas but produced from reservoirs outside the location of pipelines owned by Questar Pipeline is generally sold to or exchanged with other companies. Gas owned by Questar Gas plus gas attributed to royalty interest owners in the same reservoirs constituted 45 percent of Questar Gas's total gas supply in 2002 and is reflected in Questar Gas's rates at "cost-of-service" prices.

Questar Gas is directly responsible for all gas acquisition activities. Questar Pipeline transports the gas volumes purchased directly by Questar Gas and transports cost-of-service gas owned by Questar Gas and produced by Wexpro. Questar Gas takes delivery of gas from Questar Pipeline and an unaffiliated interstate pipeline at various points in Utah, Wyoming, and Colorado. Questar Gas does not currently own any interstate transmission lines or gas manufacturing plants. QET markets natural gas and electricity, but does not own any distribution facilities in connection with such activities.

3. The following information for the last calendar year with respect to claimant and each of its subsidiary public utility companies:

(a) Number of kwh of electric energy sold (at retail or wholesale) and Mcf of natural or manufactured gas distributed at retail.

During the 2002 calendar year, Questar Gas sold 101,525 thousand decatherms ("Mdth") of natural gas, including 90,796 Mdth at retail (defined as residential and commercial customers), and transported 46,459 Mdth of natural gas. (Questar Gas generally reports volumes in decatherms ("Dth"); a Dth is equal to ten therms or one million Btu. In Questar Gas's gas system, each thousand cubic feet of natural gas contains approximately 1.051 Dth.) For purposes of this report, Questar Gas's "retail" customers are general service or residential and commercial customers. The 10,729 Mdth difference between the total sales number and the retail sales number includes sales to industrial customers that are not involved in resale transactions and sales of natural gas to refueling stations that are resold for natural gas vehicles. Questar Gas's total revenues for 2002 were \$595,511,000, of which \$549,665,000 were attributable to its operations in Utah, \$22,616,000 were attributable to its operations in Wyoming, \$111,000 were attributable to its operations in Colorado, and \$1,033,000 were attributable to its operations in Idaho. (The one contract for service in Colorado expired before year-end 2002.) (Questar Gas's total 2002 revenues included \$22,085,000 in addition to revenues from gas deliveries.) Questar Gas did not distribute any manufactured gas during such calendar year. Questar Gas is the only public utility company among the Company's subsidiaries. Questar itself did not make any sales of natural or manufactured gas during 2002.

The Company itself did not sell any natural or manufactured gas.

(b) Number of kwh of electric energy and Mcf of natural or manufactured gas distributed at retail outside the state in which each such company is organized

During the 2002 calendar year, Questar Gas distributed at retail 3,469 Mdth of natural gas outside the state of Utah, its state of incorporation.

The Company itself did not distribute at retail any natural or manufactured gas.

(c) Number of kwh of electric energy and Mcf of natural or manufactured gas sold at wholesale outside the state in which each such company is organized, or at the state line.

During 2002, Questar Gas sold 504 Mdth of natural gas outside the state of Utah, or at the state line of such state, to industrial customers and to natural gas refueling stations. Questar Gas, during 2002, also transported 575 Mdth of natural gas for customers outside Utah. Questar Gas did not sell at wholesale any manufactured gas during 2002. Questar itself did not sell at wholesale any natural gas or manufactured gas during 2002.

Questar itself did not sell at wholesale any natural or manufactured gas.

(d) Number of kwh of electric energy and Mcf of natural or manufactured gas purchased outside the state in which each such company is organized or at the state line.

During the 2002 calendar year, Questar Gas purchased 35,706 Mdth of natural gas or approximately 35 percent of its total gas supply outside the state of Utah or at the state line. Questar itself did not purchase any gas volumes.

4. The following information for the reporting period with respect to claimant and each interest it holds directly or indirectly in an EWG or a foreign utility company, stating monetary amounts in United States dollars:

(a) Name, location, business address and description of the facilities used by the EWG or foreign utility company for the generation, transmission and distribution of electric energy for sale or for the distribution at retail of natural or manufactured gas.

None. Neither Questar nor any of its affiliates has any interest, direct or indirect, in any exempt wholesale generator or foreign utility company.

(b) Name of each system company that holds an interest in such EWG or foreign utility company; and description of the interest held.

None. Questar and its affiliates do not have any interest, direct or indirect, in any exempt wholesale generator or foreign utility company.

(c) Type and amount of capital invested, directly or indirectly, by the holding company claiming exemption; any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption; and any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding company claiming exemption or another system company, other than the EWG or foreign utility company.

None. Questar does not have any interest, direct or indirect, in any exempt wholesale generator or foreign utility company.

- (d) Capitalization and earnings of the EWG or foreign utility company during the reporting period.

None. Questar does not have any interest, direct or indirect, in any exempt wholesale generator or foreign utility company.

- (e) Identify any service, sales or construction contract(s) between the EWG or foreign utility company and a system company, and describe the services to be rendered or goods sold and fees or revenues under such agreement(s).

None. Questar does not have any interest, direct or indirect, in any exempt wholesale generator or foreign utility company.

UNDERTAKING

Questar hereby undertakes that it will not issue any shares of its authorized preferred stock unless, on a pro forma basis giving effect to such issuance, (1) consolidated earnings of Questar and its subsidiaries available for interest and dividends for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the issuance of such stock, determined in accordance with generally accepted accounting principles, would be at least one and one-half times the sum of the annual interest requirements on consolidated long-term debt of Questar (including current maturities and excluding interest charges on indebtedness to be retired by the application of proceeds from the issuance of such shares or in connection with the transaction in which such shares are issued) and the annual dividend requirements on shares of preferred stock of Questar and its subsidiaries; (2) the aggregate outstanding long-term debt (including current maturities) of Questar and its subsidiaries on a consolidated basis is less than or equal to 60 percent of the capitalization of Questar and its subsidiaries on a consolidated basis; and (3) Questar's common stock represents at least 35 percent of the capitalization of Questar and its subsidiaries on a consolidated basis. For purposes of the foregoing, consolidated earnings of Questar and its subsidiaries available for interest and dividends shall be determined on an after-tax basis and shall be the sum of income before extraordinary items and interest expense; pro forma income available for interest and dividends and pro forma interest charges shall include income and interest charges of businesses acquired, or proposed to be acquired, in conjunction with the issuance of Questar preferred stock, for the pro forma periods, regardless of whether the company acquired shall be accounted for on a pooling-of-interests basis or otherwise, provided that such earnings available for interest and dividends is determinable for the acquired business in accordance with generally accepted accounting principles; and consolidated capitalization shall include long-term debt (including current maturities), preferred stock and any premium thereon, and the sum of the common equity accounts of the company, all as prepared in accordance with generally accepted accounting principles.

Questar has not issued any shares of its authorized preferred stock and has no current plans to do so.

EXHIBIT A

A consolidating statement of income and surplus of the claimant and its subsidiary companies as of the close of such calendar year, together with a consolidating balance sheet of claimant and its subsidiary companies as of the close of such calendar year.

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The following exhibits are attached to and made a part of this filing:

- Exhibit A-1.1 Consolidating Statement of Income of Questar Corporation and Subsidiaries for the year-ended December 31, 2002.
- Exhibit A-1.2 Consolidating Statement of Income of Questar Market Resources, Inc. and Subsidiaries for the year-ended December 31, 2002.
- Exhibit A-2 Consolidated Statement of Common Shareholders' Equity, Questar Corporation and Subsidiaries as of December 31, 2002.
- Exhibit A-3.1 Consolidating Balance Sheet, Questar Corporation and Subsidiaries as of December 31, 2002.
- Exhibit A-3.2 Consolidating Balance Sheet, Questar Market Resources, Inc. and Subsidiaries as of December 31, 2002.

EXHIBIT B

An organization chart showing the relationship of each EWG or foreign utility company to associate companies in the holding-company system.

Not applicable. The Company does not have an interest in any exempt wholesale generator or foreign utility company.

The above-named Claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 28th day of February, 2003.

[corporate seal]

QUESTAR CORPORATION

Attest:

/s/Connie C. Holbrook

Connie C. Holbrook
Secretary

By: /s/S. E. Parks

S. E. Parks
Senior Vice President, Treasurer

and Chief Financial Officer

Name, title and address of officer to whom notices and correspondence concerning this statement should be addressed:

Connie C. Holbrook
 Senior Vice President, General Counsel & Secretary
 Questar Corporation
 180 East 100 South, P.O. Box 45433
 Salt Lake City, Utah 84145-0433

Exhibit A-1.1

QUESTAR CORPORATION AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2002

(Unaudited)

| | Questar | Questar Regulated Services | | | | | | Questar Corporation Consolidated |
|---|-------------------------------|----------------------------|-------------------------------|---------------|-------------------------------|--------------------------------|---------------------------|----------------------------------|
| | Market Resources Consolidated | Questar Gas | Questar Pipeline Consolidated | Questar Other | Questar InfoComm Consolidated | Corporate and Other Operations | Intercompany Transactions | |
| | (In Thousands) | | | | | | | |
| Revenues | | | | | | | | |
| From unaffiliated customers | \$522,476 | \$593,835 | \$66,275 | \$4,160 | \$13,635 | \$286 | | \$1,200,667 |
| From affiliated companies | 106,647 | 1,676 | 76,600 | 1,687 | 30,094 | 363 | (\$217,067) | |
| TOTAL REVENUES | 629,123 | 595,511 | 142,875 | 5,847 | 43,729 | 649 | (217,067) | 1,200,667 |
| Operating expenses | | | | | | | | |
| Cost of natural gas and other products sold | 202,132 | 370,294 | | 350 | 6,017 | | (183,051) | 395,742 |
| Operating and maintenance | 131,598 | 105,544 | 49,593 | 5,519 | 26,670 | (2,267) | (32,340) | 284,317 |
| Exploration | 6,086 | | | | | | | 6,086 |

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| | | | | | | | | |
|--|-----------------|-----------------|-----------------|--------------|------------------|----------------|------------------|------------------|
| Depreciation, depletion and amortization | 117,446 | 39,771 | 22,149 | 215 | 4,709 | 662 | | 184,952 |
| Abandonment and impairment of gas, oil and other properties | 11,183 | | | | | | | 11,183 |
| Other expenses | 30,234 | 9,548 | 4,948 | 104 | 180 | 854 | (1,676) | 44,192 |
| Total operating expenses | 498,679 | 525,157 | 76,690 | 6,188 | 37,576 | (751) | (217,067) | 926,472 |
| Operating income (loss) | 130,444 | 70,354 | 66,185 | (341) | 6,153 | 1,400 | | 274,195 |
| Interest and other income | 50,894 | 2,329 | 515 | 808 | 1,059 | 7,120 | (6,058) | 56,667 |
| Minority interest | 484 | | | | 17 | | | 501 |
| Earned from unconsolidated affiliates | 3,977 | | 7,800 | | | | | 11,777 |
| Debt expense | (34,705) | (22,495) | (23,995) | (229) | (647) | (5,108) | 6,058 | (81,121) |
| Income taxes | (53,165) | (17,789) | (17,897) | (78) | (1,209) | (988) | | (91,126) |
| Income before cumulative effect | 97,929 | 32,399 | 32,608 | 160 | 5,373 | 2,424 | | 170,893 |
| Cumulative effect of change in accounting for goodwill, net of \$2,010 attributed to minority interest | | | | | (15,297) | | | (15,297) |
| Net income (loss) | \$97,929 | \$32,399 | \$32,608 | \$160 | (\$9,924) | \$2,424 | | \$155,596 |

Exhibit A-1.2

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2002

(Unaudited)

| | Questar Exp & Prod Consolidated | Shenandoah Energy Inc. Consolidated | Wexpro Company | Questar Energy Trading Con. | Questar Gas Management | Questar Market Resources | Intercompany Transactions | Questar Market Resources Consolidated |
|---|---------------------------------------|---|-------------------|--------------------------------------|------------------------------|--------------------------------|------------------------------|--|
| (In Thousands) | | | | | | | | |
| REVENUES | | | | | | | | |
| For unaffiliated customers | \$208,636 | \$62,207 | \$8,699 | \$212,264 | \$30,670 | | | \$522,476 |
| From affiliated companies | 90 | 1,172 | 94,827 | 116,486 | 20,908 | | (\$126,836) | 106,647 |
| TOTAL REVENUES | 208,726 | 63,379 | 103,526 | 328,750 | 51,578 | | (126,836) | 629,123 |
| Operating expenses | | | | | | | | |
| Cost of natural gas and other products sold | 3,836 | 501 | | 319,901 | 308 | | (122,414) | 202,132 |
| Operating and maintenance | 57,014 | 22,672 | 18,877 | 4,149 | 33,310 | (2) | (4,422) | 131,598 |
| Exploration | 4,231 | 1,855 | | | | | | 6,086 |
| Depreciation, depletion and amortization | 58,567 | 30,321 | 20,475 | 720 | 7,361 | 2 | | 117,446 |
| Abandonment and impairment of gas, oil and other properties | 9,223 | 1,960 | | | | | | 11,183 |
| | 13,961 | 3,560 | 12,050 | 49 | 614 | | | 30,234 |

| | | | | | | | | |
|------------------------------|----------|-----------|----------|---------|---------|-----------|-----------|----------|
| Other expenses | | | | | | | | |
| Total operating expenses | 146,832 | 60,869 | 51,402 | 324,819 | 41,593 | | (126,836) | 498,679 |
| Operating Income | 61,894 | 2,510 | 52,124 | 3,931 | 9,985 | | | 130,444 |
| Interest and other income | 52,709 | (88) | 555 | 236 | 2,882 | 26,862 | (32,262) | 50,894 |
| Minority interest | | | | 484 | | | | 484 |
| Earnings from unconsolidated | | | | | | | | |
| Affiliates | 40 | | | 207 | 3,730 | | | 3,977 |
| Debt expense | (11,931) | (14,236) | (4,570) | (1,843) | (2,125) | (32,262) | 32,262 | (34,705) |
| Income taxes | (33,339) | 4,023 | (17,318) | (1,180) | (5,353) | 2 | | (53,165) |
| Net income (loss) | \$69,373 | (\$7,791) | \$30,791 | \$1,835 | \$9,119 | (\$5,398) | | \$97,929 |

EXHIBIT A-2

QUESTAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

(Unaudited)

| | Common Stock | | Retained Earnings | Accumulated | Comprehensive Income |
|-----------------------------|--------------|-----------|-------------------|-----------------------------------|----------------------|
| | Shares | Amount | | Other Comprehensive Income (loss) | |
| Balances at January 1, 2000 | 81,418,853 | \$278,437 | \$577,022 | \$39,057 | |
| Issuance of common stock | 958,232 | 11,764 | | | |
| Purchase of common stock | (1,558,811) | (25,543) | | | |
| 2000 net income | | | 149,477 | | \$149,477 |

(Dollars in Thousands)

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| | | | | | |
|---|------------|----------|---------|----------|-----------|
| Payment of dividends | | | | | |
| of \$.685 per share | | | | (55,084) | |
| Income tax benefit associated with exercise of | | | | | |
| Nonqualified options and premature dispositions | | 3,972 | | | |
| Other comprehensive income | | | | | |
| Unrealized loss on securities available for sale, | | | | | |
| net of income tax benefit of \$16,767 | | | | (25,453) | (25,453) |
| Foreign currency translation adjustment, net of income tax benefit of \$949 | | | | (1,017) | (1,017) |
| Balances at December 31, 2000 | 80,818,274 | 268,630 | 671,415 | 12,587 | 123,007 |
| Issuance of common stock | 1,148,080 | 23,316 | | | |
| Purchase of common stock | (442,947) | (12,488) | | | |
| 2001 net income | | | 158,186 | | \$158,186 |
| Payment of dividends | | | | | |
| of \$.705 per share | | | | (57,193) | |
| Income tax benefit associated with exercise of | | | | | |
| nonqualified options and premature dispositions | | 2,839 | | | |
| Other comprehensive income | | | | | |
| Cumulative effect of accounting change for energy | | | | | |
| hedges, net of income tax benefit of \$41,624 | | | | (79,376) | (79,376) |
| Unrealized gain on energy hedging transactions, | | | | | |
| net of income tax benefit of \$15,424 | | | | 105,295 | 105,295 |
| Unrealized loss on securities available for sale, | | | | | |
| net of income tax benefit of \$6,565 | | | | (10,595) | (10,595) |
| Unrealized loss on interest rate swaps, net of income tax benefit of \$235 | | | | (392) | (392) |
| Foreign currency translation adjustment, net of income tax benefit of \$1,304 | | | | (1,443) | (1,443) |
| Balances at December 31, 2001 | 81,523,407 | 282,297 | 772,408 | 26,076 | \$171,675 |

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| | | | | | |
|--|------------|-----------|-----------|------------|-----------|
| Issuance of common stock | 590,822 | 10,280 | | | |
| Purchase of common stock | (60,469) | (1,594) | | | |
| 2002 net income | | | 155,596 | | 155,596 |
| Payment of dividends of \$.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 | | | |
| Other comprehensive income | | | | | |
| Change in unrealized loss on cash flow hedges | | | | | |
| net of income taxes of \$25,651 | | | (42,799) | | (42,799) |
| Minimum pension liability, net of income | | | | | |
| taxes of \$5,988 | | | (11,779) | | (11,779) |
| Unrealized loss on securities available for sale, | | | | | |
| net of income tax benefit of \$2,005 | | | (3,237) | | (3,237) |
| Unrealized loss on interest rate swaps, net of income tax benefit of \$235 | | | 392 | | 392 |
| Foreign currency translation adjustment, net of income tax benefit of \$2,375 | | | 2,688 | | 2,688 |
| Balances at December 31, 2002 | 82,053,760 | \$298,718 | \$868,702 | (\$28,659) | \$100,861 |

EXHIBIT A-3.1

QUESTAR CORPORATION AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2002

(Unaudited)

| | | | | Questar Regulated Services | | | Que |
|--------------|--------------|--------------|------------|----------------------------|--------------|-------|-------|
| Questar | Questar | Corporate | | Questar | Questar | | Ma |
| Corporation | Intercompany | InfoComm | and Other | Questar | Pipeline | | Reso |
| Consolidated | Transactions | Consolidated | Operations | Gas | Consolidated | Other | Conso |

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(In Thousands)

CURRENT ASSETS

| | | | | | | | | |
|---|----------|-------------|---------|---------|---------|---------|-------|----|
| Cash and cash equivalents | \$21,641 | | \$1,305 | \$2,362 | \$2,993 | \$4,153 | \$424 | \$ |
| Notes receivable from affiliates | | (\$242,400) | 4,600 | 137,800 | | | 4,400 | |
| Accounts and notes receivable | 194,286 | (33,901) | 4,168 | 10,228 | 90,738 | 9,584 | 6,982 | 1 |
| Fair value of energy price hedging contracts | 3,617 | | | | | | | |
| Inventories, at lower of average cost or market | 40,345 | | 45 | | 26,815 | 2,153 | 191 | |
| Prepaid expenses and other | 15,008 | | 875 | 1,183 | 1,474 | 3,287 | 224 | |
| Deferred income taxes - current | 5,047 | | | | 5,047 | | | |

| | | | | | | | | |
|-----------------------------|----------------|------------------|---------------|----------------|----------------|---------------|---------------|----------|
| TOTAL CURRENT ASSETS | 279,944 | (276,301) | 10,993 | 151,573 | 127,067 | 19,177 | 12,221 | 2 |
|-----------------------------|----------------|------------------|---------------|----------------|----------------|---------------|---------------|----------|

PROPERTY, PLANT AND EQUIPMENT

| | | | | | | | | |
|---|-----------|--|--------|-------|-----------|-----------|-------|-----|
| EQUIPMENT | 4,211,551 | | 61,024 | 8,860 | 1,193,553 | 1,020,838 | 9,631 | 1,9 |
| Less accumulated depreciation, depletion and amortization | 1,593,753 | | 37,883 | 3,952 | 513,485 | 316,433 | 5,011 | 7 |

NET PROPERTY, PLANT AND EQUIPMENT

| | | | | | | | | |
|---|-----------|-------------|--------|-----------|---------|---------|---------|-----|
| EQUIPMENT | 2,617,798 | | 23,141 | 4,908 | 680,068 | 704,405 | 4,620 | 1,2 |
| INVESTMENT IN UNCONSOLIDATED AFFILIATES | 23,617 | (1,724,639) | | 1,157,747 | | | 566,892 | |
| LONG-TERM NOTES RECEIVABLE | 5,048 | (5,000) | | 5,000 | | 1,586 | 3,462 | |
| GOODWILL | 71,133 | | | | 5,652 | 4,058 | | |
| OTHER ASSETS | 70,310 | | 8,979 | 19,050 | 19,004 | 17,798 | 2,692 | |

| | | | | | | | | |
|--|--------------------|----------------------|-----------------|--------------------|------------------|------------------|------------------|--------------|
| | \$3,067,850 | (\$2,005,940) | \$43,113 | \$1,338,278 | \$831,791 | \$747,024 | \$589,887 | \$1,5 |
|--|--------------------|----------------------|-----------------|--------------------|------------------|------------------|------------------|--------------|

CURRENT LIABILITIES

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| | | | | | | | | |
|--|------------------|--------------------|---------------|------------------|----------------|----------------|----------------|----------|
| Short-term loans | \$49,000 | | | \$49,000 | | | | |
| Notes payable to affiliates | | (\$242,400) | \$10,200 | 107,700 | \$36,400 | \$74,800 | \$3,400 | |
| Accounts payable and accrued expenses | 181,387 | (33,901) | 10,040 | 6,296 | 74,389 | 8,167 | 14,441 | 1 |
| Fair value of energy price hedging contracts | 24,278 | | | | | | | |
| Interest payable | 16,418 | | | | 5,556 | 1,743 | | |
| Federal income taxes payable | 9,854 | | (531) | (1,442) | 1,254 | (3,392) | (350) | |
| Other taxes payable | 28,179 | | 202 | (328) | 6,830 | (196) | (99) | |
| Purchased gas adjustment | 13,282 | | | | 13,282 | | | |
| TOTAL CURRENT LIABILITIES | 322,399 | (276,301) | 19,911 | 161,226 | 137,711 | 81,122 | 17,392 | 1 |
| LONG-TERM DEBT, less current portion | 1,145,180 | | | 122 | 285,000 | 310,058 | | 5 |
| LONG-TERM NOTES PAYABLE | | (5,000) | 5,000 | | | | | |
| OTHER LIABILITIES | 69,203 | | 239 | 46,471 | 532 | 7,939 | 1,343 | |
| DEFERRED INVESTMENT TAX CRED | 4,565 | | | | 4,565 | | | |
| DEFERRED INCOME TAXES | 377,717 | | (1,074) | (10,379) | 90,155 | 95,920 | (1,090) | 2 |
| MINORITY INTEREST | 10,025 | | 1,869 | | | | | |
| COMMON SHAREHOLDERS' EQUITY | | | | | | | | |
| Common stock | 298,718 | (34,349) | 277 | 298,956 | 22,974 | 6,551 | | |
| Additional paid-in capital | | (943,673) | 13,796 | 5,205 | 121,875 | 142,034 | 544,736 | 1 |
| Retained earnings | 868,702 | (763,497) | 3,095 | 865,336 | 168,979 | 103,400 | 27,506 | 4 |
| Other comprehensive income | (28,659) | 16,880 | | (28,659) | | | | (1 |
| TOTAL COMMON SHAREHOLDERS' EQUITY | 1,138,761 | (1,724,639) | 17,168 | 1,140,838 | 313,828 | 251,985 | 572,242 | 5 |

| | | | | | | | |
|-------------|---------------|----------|-------------|-----------|-----------|-----------|-------|
| \$3,067,850 | (\$2,005,940) | \$43,113 | \$1,338,278 | \$831,791 | \$747,024 | \$589,887 | \$1,5 |
|-------------|---------------|----------|-------------|-----------|-----------|-----------|-------|

EXHIBIT A-3.2

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

DECEMBER 31, 2002

(Unaudited)

| | Questar Market Resources Consolidated | Inter- Company Eliminations | Questar Market Resources | Wexpro Company | Questar E&P Consolidated | Shenandoah Energy Inc. Consolidated | Questar Energy Trading | Questar Gas Managemnt |
|---|--|-----------------------------------|--------------------------------|-------------------|--------------------------------|---|------------------------------|-----------------------------|
| (In Thousands) | | | | | | | | |
| CURRENT ASSETS | | | | | | | | |
| Cash and cash equivalents | \$10,404 | | \$ 199 | \$ 1,628 | \$ 1,850 | \$ (919) | \$ 5,580 | \$ 1,699 |
| Notes receivable from affiliates | 95,600 | (\$ 77,780) | 84,980 | 2,900 | 55,500 | 6,900 | 23,100 | |
| Accounts and notes receivable | 106,487 | (61,024) | 6,973 | 15,378 | 58,338 | 21,095 | 47,008 | 17,713 |
| Fair value of energy price hedging contracts | 3,617 | | | | | | 3,617 | |
| Inventories, at lower of average cost or market | 11,141 | | | 970 | 1,708 | 1,327 | 6,924 | 212 |
| Prepaid expenses and other | 7,965 | | 160 | 1,666 | 3,782 | 1,116 | 164 | 1,065 |
| Total Current Assets | 235,214 | (138,804) | 92,312 | 22,542 | 121,178 | 29,519 | 86,393 | 20,689 |
| Property, Plant & Equipment | 1,917,645 | | 36 | 428,597 | 781,205 | 483,869 | 34,254 | 189,684 |
| Less accumulated depreciation, | | | | | | | | |

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| | | | | | | | | |
|--|-------------|---------------|-------------|-----------|-----------|-----------|-----------|-----------|
| depletion and amortization | 716,989 | | 2 | 224,440 | 385,320 | 39,072 | 2,091 | 66,064 |
| Net Property, Plant & Equipment | 1,200,656 | | 34 | 204,157 | 395,885 | 444,797 | 32,163 | 123,620 |
| Investment in Unconsolidated Affiliates | 23,617 | (428,519) | 428,519 | | 212 | | 846 | 22,559 |
| Long-term Notes Receivable | | (542,800) | 542,800 | | | | | |
| Goodwill | 61,423 | | 61,423 | | | | | |
| Other Assets | 2,787 | | 1,991 | | 796 | | | |
| | \$1,523,697 | (\$1,110,123) | \$1,127,079 | \$226,699 | \$518,071 | \$474,316 | \$119,402 | \$166,868 |
| CURRENT LIABILITIES | | | | | | | | |
| Notes payable to affiliates | \$ 9,900 | (\$ 77,780) | | | \$ 77,780 | | | \$ 9,900 |
| Accounts payable and accrued expenses | 101,956 | (61,024) | \$ 119 | \$ 11,348 | 43,756 | \$ 19,407 | \$ 71,528 | 15,294 |
| Fair value of energy price hedging contracts | 24,278 | | | 253 | 18,412 | 3,540 | 2,073 | |
| Interest payable | 9,119 | | 9,119 | | | | | |
| Federal income taxes payable | 14,315 | | 1 | (154) | 5,453 | 7,551 | (191) | 1,655 |
| Other taxes payable | 21,770 | | () | 10,194 | 8,908 | 1,449 | 353 | 747 |
| Total Current Liabilities | 181,338 | (138,804) | 9,238 | 21,641 | 154,309 | 31,947 | 73,763 | 27,596 |
| Long-Term Debt, less current portion | 550,000 | | 550,000 | | | | | |
| Long-Term Notes Payable | | (542,800) | | 79,200 | 102,000 | 273,100 | 27,200 | 61,300 |
| Deferred Credits | 12,679 | | 580 | 2,343 | 3,647 | 1,747 | 78 | 4,269 |
| Deferred Income Taxes | 204,185 | | (78) | 35,319 | 50,905 | 84,087 | 3,656 | 30,577 |
| Minority Interest | 8,156 | | | | | | 8,156 | |
| COMMON SHAREHOLDER'S | | | | | | | | |

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EQUITY

| | | | | | | | | |
|-----------------------------------|-------------|---------------|-------------|-----------|-----------|-----------|-----------|-----------|
| Common stock | 4,309 | (28,516) | 4,309 | 22,517 | 5,999 | | | |
| Additional paid-in capital | 116,027 | (257,961) | 116,027 | | 143,499 | 96,131 | 1 | 18,329 |
| Retained earnings | 463,883 | (158,922) | 463,883 | 65,837 | 69,232 | (6,512) | 5,566 | 24,797 |
| Comprehensive income | (16,880) | 16,880 | (16,880) | (158) | (11,520) | (6,184) | 982 | |
| <hr/> | | | | | | | | |
| Total Common Shareholder's Equity | 567,339 | (428,519) | 567,339 | 88,196 | 207,210 | 83,435 | 6,549 | 43,126 |
| | \$1,523,697 | (\$1,110,123) | \$1,127,079 | \$226,699 | \$518,071 | \$474,316 | \$119,402 | \$166,868 |
| <hr/> | | | | | | | | |