

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

QUESTAR PIPELINE CO

CIK: **764044** | IRS No.: **870307414** | State of Incorporation: **UT** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-14147** | Film No.: **94527726**
SIC: **4924** Natural gas distribution

Mailing Address

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SALT LAKE CITY UT 84147*

Business Address

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P O BOX 11450
SALT LAKE CITY UT 84147
8015302400*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 1994

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. 0-14147

QUESTAR PIPELINE COMPANY

(Exact name of registrant as specified in its charter)

STATE OF UTAH
(State or other jurisdiction of
incorporation or organization)

87-0307414
(I.R.S. Employer
Identification No.)

P.O. Box 11450, 79 South State Street, Salt Lake City, Utah 84147
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (801) 530-2400

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 X No

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 1994
Common Stock, \$1.00 par value shares	6,550,843

Registrant meets the conditions set forth in General Instruction H(a)(1) and (b) of Form 10-Q and is filing this Form 10-Q with the reduced disclosure format.

QUESTAR PIPELINE COMPANY
STATEMENTS OF INCOME
(Unaudited)

<TABLE>
<CAPTION>

	3 Months Ended March 31,		12 Months Ended March 31,	
	1994	1993	1994	1993
	(In Thousands of Dollars)			
<S>	<C>	<C>	<C>	<C>
REVENUES	\$27,750	\$78,151	\$121,227	\$210,893
OPERATING EXPENSES				
Natural gas purchases		45,169	10,853	96,796
Operating and maintenance	11,279	13,745	45,890	48,447
Depreciation	3,674	3,456	14,302	13,705
Other taxes	1,134	1,043	4,006	3,832
TOTAL OPERATING EXPENSES	16,087	63,413	75,051	162,780
OPERATING INCOME	11,663	14,738	46,176	48,113
INTEREST AND OTHER INCOME	226	85	2	912
INCOME FROM UNCONSOLIDATED AFFILIATES	69	18	179	34
DEBT EXPENSE	(3,203)	(3,314)	(13,003)	(13,779)
INCOME BEFORE INCOME TAXES	8,755	11,527	33,354	35,280
INCOME TAXES	3,247	4,145	11,953	12,431
NET INCOME	\$5,508	\$7,382	\$21,401	\$22,849

</TABLE>

QUESTAR PIPELINE COMPANY
CONDENSED BALANCE SHEETS
(Unaudited)

<TABLE>
<CAPTION>

	March 31,		December 31,
	1994	1993	1993
	(In Thousands)		
<S>	<C>	<C>	<C>
ASSETS			
Current assets			

Cash and short-term investments	\$2,004		\$1,341
Notes receivable from parent company		\$16,300	
Accounts receivable	11,221	41,365	11,191
Inventories	2,730	9,517	2,394
Other current assets	1,989	2,164	2,268
Total current assets	17,944	69,346	17,194
Property, plant and equipment	566,191	513,885	561,108
Less allowances for depreciation	193,365	178,898	189,279
Net property, plant and equipment	372,826	334,987	371,829
Investment in unconsolidated affiliates	7,214	6,824	7,145
Other assets	10,127	6,867	9,726
	\$408,111	\$418,024	\$405,894
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Checks outstanding in excess of cash balances		\$3,031	
Notes payable to affiliates	\$300		\$3,000
Accounts payable and accrued expenses	17,224	19,462	12,668
Purchased gas adjustments		12,390	
Total current liabilities	17,524	34,883	15,668
Long-term debt	134,492	134,473	134,487
Deferred credits	1,485	782	2,276
Deferred income taxes	67,474	65,651	67,335
Common shareholder's equity			
Common stock	6,551	6,551	6,551
Additional paid-in capital	57,034	57,034	57,034
Retained earnings	123,551	118,650	122,543
Total common shareholder's equity	187,136	182,235	186,128
	\$408,111	\$418,024	\$405,894

</TABLE>

QUESTAR PIPELINE COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

3 Months Ended
March 31,
1994 1993
(In Thousands)

<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$5,508	\$7,382
Depreciation	4,091	3,912

Deferred income taxes	139	2,045
Income from unconsolidated affiliates	(69)	(18)
	9,669	13,321
Change in operating assets and liabilities	3,282	12,909
NET CASH PROVIDED FROM OPERATING ACTIVITIES	12,951	26,230
INVESTING ACTIVITIES		
Capital expenditures		
Purchase of property, plant and equipment	(5,089)	(2,290)
Other investments		(153)
Total capital expenditures	(5,089)	(2,443)
Proceeds (uses) from disposition of property, plant and equipment	1	(73)
CASH USED IN INVESTING ACTIVITIES	(5,088)	(2,516)
FINANCING ACTIVITIES		
Decrease in notes payable to parent company	(2,700)	(7,500)
Increase in notes receivable from parent company		(16,300)
Payment of dividends	(4,500)	(4,000)
CASH USED IN FINANCING ACTIVITIES	(7,200)	(27,800)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS, AND CHECKS OUTSTANDING IN EXCESS OF CASH BALANCES	\$663	(\$4,086)

</TABLE>

QUESTAR PIPELINE COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
March 31, 1994
(Unaudited)

Note A - Basis of Presentation

The interim financial statements furnished reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Due to the seasonal nature of the business, the results of operations for the three-month period ended March 31, 1994, are not necessarily indicative of the results that may be expected for the year ending December 31, 1994. For further information refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1993.

Note B - Accounting for Postemployment Benefits

Effective January 1, 1994, the Company recorded a liability for postemployment disability and health care benefits in compliance with the Statement of Financial Accounting Standards No. 112. This did not have an effect on net income since the \$1,256,000 liability was offset with a regulatory asset because the Company expects to include these costs in future rates.

QUESTAR PIPELINE COMPANY
MANAGEMENT'S ANALYSIS
March 31, 1994

Operating Results --

Following is a summary of operating information for the Company:

<TABLE>

<CAPTION>

	3 Months Ended March 31,		12 Months Ended March 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Natural gas volumes (in thousands of decatherms)				
Transportation				
For Mountain Fuel	36,860	13,259	88,662	35,432
For other customers	31,203	38,871	141,520	168,153
Total transportation	68,063	52,130	230,182	203,585
Sales for resale to Mountain Fuel		21,039	3,298	42,285
Total system throughput	68,063	73,169	233,480	245,870
Gathering				
For Mountain Fuel	12,065	20,989	35,508	44,252
For other customers	11,783	7,590	52,529	31,020
Total gathering	23,848	28,579	88,037	75,272
Natural gas revenues (per decatherm)				
Transportation	\$0.23	\$0.23	\$0.24	\$0.22
Sales for resale		2.70	7.57	3.22
Gathering	0.23	0.22	0.22	0.24

</TABLE>

Questar Pipeline began operating under Federal Energy Regulatory Commission (FERC) Order 636 effective September 1, 1993. At that time Questar Pipeline unbundled its transportation, gathering and storage services and eliminated its sales-for-resale function. Under the Order 636 operating environment, firm transportation and gathering volumes do not have a significant impact on current operating results since 94% of the cost of service is recovered in the demand component of rates using the straight fixed-variable rate design. Since this demand component is collected equally each month of the year, revenues collected using the straight fixed-variable rate design in the high-volume first quarter are less than those collected under the rate design in effect during the first quarter of 1993. The straight fixed-variable rate design should result in increased revenues during the second and third quarters of 1994, compared to the same quarters of 1993.

Deliveries to Mountain Fuel (including transportation and sales for resale) were higher in the periods ended March 31, 1994, due to gas transported to storage reservoirs. Transportation for other customers was lower in the 1994 periods because Order 636 rate design changes reduced volumes for interruptible customers.

Gathering volumes for Mountain Fuel decreased in the first quarter of 1994; however, gathering for other customers increased. In April 1994, the FERC approved a gathering agreement between Questar Pipeline and Mountain Fuel, which will allocate 60% of the gathering cost of service to the demand component of rates and 40% to the commodity component. Gathering revenues will be increased in the second quarter of 1994, retroactive to September 1, 1993.

Operating and maintenance expenses were lower in the periods ended March 31, 1994, because of the transfer of activities to Mountain Fuel associated with the gas-purchase function and lower variable costs from the reduced system throughput. Depreciation expense was higher in the periods ended March 31, 1994, because of capital spending, primarily for storage and gathering activities.

The effective income tax rate of 37.1% in the first quarter of 1994 was higher than the 36.0% in the first quarter of 1993 because of an increase in the federal income tax rate to 35%.

Effective January 1, 1994, the Company recorded a liability for postemployment disability and health care benefits in compliance with the Statement of Financial Accounting Standards No. 112. This did not have an effect on net income since the \$1,256,000 liability was offset with a regulatory asset because the Company expects to include these costs in future rates.

Liquidity and Capital Resources --

Net cash provided from operating activities was \$12,951,000 for the first quarter of 1994 compared with \$26,230,000 for the same period of 1993. The decrease was due to lower net income, and reduced sources from deferred taxes and working capital. In the Order 636 operating environment, Questar Pipeline does not have the same seasonal changes in working capital as it did in the first quarter of 1993.

Capital expenditures were \$5,089,000 in the first quarter of 1994, compared with \$2,443,000 in the corresponding 1993 period. Capital expenditures for the calendar year 1994 are estimated at \$70,900,000. These capital expenditures will be financed with funds from operations and borrowings from banks or the parent corporation.

The Company had a short-term line-of-credit arrangement with a bank totaling \$200,000. As of March 31, 1994, Questar Pipeline had borrowed \$300,000 from Questar Corporation.

PART II OTHER INFORMATION

Questar Pipeline Company has nothing to disclose in this section of the report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUESTAR PIPELINE COMPANY
(Registrant)

May 11, 1994

/s/ A. J. Marushack
A. J. Marushack
President and Chief
Executive Officer

May 11, 1994

/s/ W. F. Edwards
W. F. Edwards
Vice President and Chief
Financial Officer