

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 JUNE 30, 1995

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. 1-935

MOUNTAIN FUEL SUPPLY COMPANY
(Exact name of registrant as specified in its charter)

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

87-0155877
(I.R.S. Employer
Identification No.)

P.O. Box 45360, 180 East First South, Salt Lake City, Utah 84145-0360
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (801) 534-5555

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 July 31, 1995
Common Stock, \$2.50 par value	9,189,626 shares

MOUNTAIN FUEL SUPPLY COMPANY
STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended June 30, 1995		6 Months Ended June 30, 1995		12 Months Ended June 30, 1995	
	1994	1995	1994	1995	1994	1995
	(In Thousands)					
REVENUES	\$67,296	\$54,885	\$208,111	\$203,900	\$382,471	\$357,231
OPERATING EXPENSES						
Natural gas purchases	33,930	26,550	115,275	114,579	211,203	197,762
Operating and maintenance	23,807	23,985	48,570	47,726	94,938	94,556
Depreciation	5,924	6,168	12,797	12,127	25,419	24,458
Other taxes	2,821	3,177	6,178	6,687	9,080	10,339
TOTAL OPERATING EXPENSES	66,482	59,880	182,820	181,119	340,640	327,115
OPERATING INCOME (LOSS)	814	(4,995)	25,291	22,781	41,831	30,116
INTEREST AND OTHER INCOME	1,019	643	1,720	1,276	8,264	2,467
DEBT EXPENSE	(3,992)	(3,732)	(8,159)	(7,953)	(16,092)	(15,658)

INCOME (LOSS) BEFORE INCOME TAXES	(2,159)	(8,084)	18,852	16,104	34,003	16,925
INCOME TAXES (CREDIT)	(2,311)	(4,235)	5,639	4,855	8,687	3,222
NET INCOME (LOSS)	\$152	(\$3,849)	\$13,213	\$11,249	\$25,316	\$13,703

MOUNTAIN FUEL SUPPLY COMPANY
CONDENSED BALANCE SHEETS
(Unaudited)

	June 30, 1995	1994	December 31, 1994
(In Thousands)			
ASSETS			
Current assets			
Cash and short-term investments		\$1,347	\$2,529
Accounts receivable	\$40,315	38,622	74,220
Inventories	19,590	18,249	24,941
Other current assets	5,026	4,734	4,279
Total current assets	64,931	62,952	105,969
Property, plant and equipment	755,633	727,672	739,945
Less allowances for depreciation	293,512	278,793	280,162
Net property, plant and equipment	462,121	448,879	459,783
Other assets	22,375	25,211	24,523
	\$549,427	\$537,042	\$590,275

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities			
Checks outstanding in excess of cash balances	\$2,406		
Notes payable to Questar Corporation	8,400	\$16,900	\$53,500
Accounts payable and accrued expenses	38,052	42,833	49,070
Purchased-gas adjustments	32,372	26,106	17,071
Total current liabilities	81,230	85,839	119,641
Long-term debt	175,000	175,000	175,000
Other liabilities and deferred credits	21,126	27,110	21,283
Deferred income taxes and investment tax credits	57,436	58,178	62,566
Redeemable cumulative preferred stock	6,218	7,524	6,324
Common shareholder's equity			
Common stock	22,974	22,974	22,974
Additional paid-in capital	41,875	21,875	41,875
Retained earnings	143,568	138,542	140,612
Total common shareholder's equity	208,417	183,391	205,461
	\$549,427	\$537,042	\$590,275

MOUNTAIN FUEL SUPPLY COMPANY
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

6 Months Ended
June 30,
1995 1994
(In Thousands)

OPERATING ACTIVITIES		
Net income	\$13,213	\$11,249
Depreciation	14,132	13,323
Deferred income taxes and investment tax credits	(5,130)	314
	22,215	24,886
Change in operating assets and liabilities	44,783	27,524
NET CASH PROVIDED FROM OPERATING ACTIVITIES	66,998	52,410
INVESTING ACTIVITIES		
Capital expenditures	(16,952)	(19,075)
Proceeds from (costs of) the deposition of property, plant and equipment	482	(341)
CASH USED IN INVESTING ACTIVITIES	(16,470)	(19,416)
FINANCING ACTIVITIES		
Issuance of long-term debt		17,000
Redemption of preferred stock	(106)	(1)
Decrease in notes payable to Questar Corporation	(45,100)	(40,900)
Checks outstanding in excess of cash balances	2,406	
Payment of dividends	(10,257)	(10,058)
CASH USED IN FINANCING ACTIVITIES	(53,057)	(33,959)
DECREASE IN CASH AND SHORT-TERM INVESTMENTS	(\$2,529)	(\$965)

MOUNTAIN FUEL SUPPLY COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
June 30, 1995
(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-and six-month periods ended June 30, 1995, are not necessarily indicative of the results that may be expected for the year ending December 31, 1995. 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, 1994.

MOUNTAIN FUEL SUPPLY COMPANY
MANAGEMENT'S ANALYSIS
June 30, 1995

Operating Results --

Following is a summary of operating information for the Company:

	3 Months Ended June 30, 1995		6 Months Ended June 30, 1995		12 Months Ended June 30, 1995	
	1995	1994	1995	1994	1995	1994
Natural gas volumes (in thousands of decatherms)						
Residential and commercial sales	13,935	9,768	43,513	39,906	77,840	68,840
Industrial sales	2,068	1,692	5,253	3,909	10,226	7,321
Transportation for industrial customers	13,952	10,020	31,561	23,291	59,652	47,558
Total deliveries	29,955	21,480	80,327	67,106	147,718	123,719

Natural gas revenue (per decatherm)						
Residential and commercial	\$3.97	\$4.55	\$4.20	\$4.54	\$4.25	\$4.55
Industrial sales	2.49	2.65	2.55	2.98	2.56	3.01
Transportation for industrial customers	0.10	0.12	0.10	0.12	0.10	0.11
Heating degree days						
Actual	895	523	3,112	2,830	5,272	4,786
Normal	741	741	3,484	3,484	5,801	5,282
Colder (warmer) than normal	21%	(29%)	(11%)	(19%)	(4%)	(9%)
Number of customers at end of period	575,450	553,350				

Revenues were higher in the 1995 periods when compared with the 1994 periods because of colder temperatures, a 4% increase in the number of customers, and increased sales and transportation to industrial customers. The colder temperatures, although warmer than normal for the 6- and 12-month periods ended June 30, 1995, caused an increase in the volumes of gas sold to residential and commercial customers, primarily for space heating purposes.

Volumes delivered to industrial customers increased 35% in the first half of 1995 compared with the same period of 1994 resulting in \$2,019,000 more revenues. Natural gas demand was higher for customers in the metals, chemical and electric generation industries. Margins from gas delivered to industrial customers are substantially lower than from gas sold to residential and commercial customers.

Mountain Fuel's natural gas purchases were higher in the 1995 periods when compared to the 1994 periods because increased volumes sold more than offset the effect of lower gas prices. Operating and maintenance expenses were 1% lower in the second quarter of 1995 compared to the second quarter of 1994 primarily due to lower labor costs as a result of an early retirement program. Operating and maintenance expenses were 2% higher in the first half of 1995 compared to the same period in 1994 because of the costs of serving more customers and inflation more than offset lower labor cost savings from the early retirement program, which occurred April 30, 1995.

Depreciation expense was 4% lower in the second quarter of 1995 because lower production of cost-of-service gas reserves reduced depreciation expense enough to offset the added depreciation from increased capital spending. Depreciation expense was higher in the 6- and 12-month periods of 1995 when compared to the same periods in the prior year as a result of increased production of cost-of-service gas reserves and capital spending.

Interest and other income increased in the 3- and 6-month periods of 1995 as a result of a carrying charge earned on an increasing volume of stored gas. Interest and other income for the 12-month period ended June 30, 1995 includes a \$5,589,000 one-time reduction of gas costs recorded in the fourth quarter of 1994.

The effective income tax rate was 29.9% for the first half of 1995, compared with 30.1% for the first half of 1994. The effective income tax rate was lower than the statutory income tax rate because of income tax credits. The Company recognized \$2,258,000 of tight-sands gas-production credits in the first half of 1995 and \$2,049,000 in the first half of 1994.

On August 11, 1995, the Public Service Commission of Utah approved a settlement of Mountain Fuel's general rate case subject to issuance of a final order. Mountain Fuel originally requested a \$9.6 million increase in rates. The settlement, which is scheduled to be in effect September 1, will allow the Company to implement a weather normalization adjustment and will provide about \$3.7 million in additional revenue through a new-premise fee and changes in the way capacity release revenues are recorded. The settlement does not specify an authorized return on equity, but increases Mountain Fuel's allowed return on rate base from 10.08% to between 10.22% and 10.34%.

Mountain Fuel continues to consolidate and restructure operations. Of the 169 eligible employees, 109 accepted the Company's offer of an early retirement effective April 30, 1995. The labor savings are to expected to average \$400,000 per month. Mountain Fuel is proceeding with plans to close four regional offices and reduce functions at six other

offices. The Company predicts that its investment in customer information system technology will enable it to increase efficiency in serving customers with fewer employees and offices.

Liquidity and Capital Resources -

Operating Activities:

Net cash provided from operating activities was \$66,998,000 in the first half of 1995 compared with \$52,410,000 for the same period of 1994. The increase was due to the effect of lower gas costs on the purchased gas cost adjustment account and higher net income.

Investing Activities:

Capital expenditures were \$16,952,000 in the first half of 1995, compared with \$19,075,000 in the corresponding 1994 period. Capital expenditures for calendar year 1995 are estimated at \$50,000,000.

Financing Activities:

Primary financing activities in the first half of both 1995 and 1994 were the repayment of loans to Questar Corporation from net cash provided from operations. 1995 capital expenditures will be financed from cash flow from operations and borrowings from Questar Corporation. During the second quarter of 1994 Mountain Fuel borrowed \$17,000,000 of 30-year notes.

The Company has a short-term line-of-credit arrangement with a bank totaling \$500,000. No amounts were borrowed under the short-term line-of-credit arrangement at June 30, 1995. In addition, its parent company loans funds to the Company under a short-term borrowing arrangement.

PART II OTHER INFORMATION

Item 5. Other Information.

a. On June 1, 1995, Mountain Fuel Supply Company (Mountain Fuel or the Company) filed a semi-annual application with the Public Service Commission of Wyoming (the PSCW) under the purchased gas adjustment provisions of the Company's Wyoming tariff. In the application, the Company requested authorization to reflect \$7,983,790 of costs in its Wyoming rates, reflecting an annualized revenue decrease of approximately 528,000 to core customers. Mountain Fuel cited a decrease in the cost of field-purchased gas and an increase in the level of Company-owned production as the two factors responsible for the overall decrease. The PSCW authorized Mountain Fuel to reflect the decreased costs in its rates to core customers as of July 1, 1995. The Company was also authorized to remove a negative surcharge from its rates and to make an appropriate credit or refund of overcollections in its gas cost balancing account in its year-end purchased gas adjustment filing.

b. The Company filed a comparable application with the Public Service Commission of Utah (the PSCU) on June 16, 1995. In this application, Mountain Fuel requested authorization to reflect \$188,688,007 of costs in its Utah rates, reflecting an annualized revenue decrease of approximately \$10,778,000. The Company also requested approval to terminate the gas cost credit reflected in customers' current rates and proposed, on a preliminary basis, to return the credit to customers directly (rather than through a annual amortization procedure). Finally, Mountain Fuel requested regulatory approval to reflect specified litigation expenses in its gas cost balancing account.

Under the terms of an interim order issued by the PSCU, the Company was authorized to reflect the requested decrease in its rates effective July 1, 1995. A public hearing has been set for September 6, 1995, to consider some issues raised in the case. Neither the Division of Public Utilities nor the Committee of Consumer Services--two state agencies involved in Mountain Fuel's rate cases--has raised any objections about Mountain Fuel's proposals.

c. On August 11, 1995, the PSCU approved, subject to a final order, a settlement agreement to resolve the issues raised in Mountain Fuel's general rate case. Under the terms of the settlement agreement,

which is expected to be effective September 1, 1995, the Company's annualized revenue deficiency is \$3.7 million. Approximately \$2 million of the \$3.7 million will be collected through new premise charges, with the remaining \$1.7 million attributable to a change in the method for crediting revenues collected when the Company "releases" pipeline capacity. The settlement agreement also permits Mountain Fuel to incorporate a weather normalization adjustment mechanism on a phased-in basis. (The Company estimates that approximately one-half of its general service load will be subject to the weather normalization adjustment during the 1994-95 heating season.) The settlement agreement does not specify an authorized return on equity, but increases Mountain Fuel's allowed return on rate base from 10.08 percent to a range of 10.22 to 10.34 percent.

The Company is pleased that the settlement agreement addresses two major problems--the impact of weather variations on its revenues and resulting net income and the costs associated with adding new customers--and also provides for an increase in allowed return.

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.

MOUNTAIN FUEL SUPPLY COMPANY
(Registrant)

August 11, 1995
(Date)

/s/D. N. Rose
D. N. Rose
President and Chief
Executive Officer

August 11, 1995
(Date)

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

<ARTICLE> 5

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The following schedule contains summarized financial information extracted from the Mountain Fuel Supply Company Statement of Income and Balance Sheet for the period ended June 30, 1995, and is qualified in its entirety by reference to such unaudited financial statements.

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