

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
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. 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 April 30, 1994
Common Stock, \$2.50 par value	9,189,626 shares

MOUNTAIN FUEL SUPPLY COMPANY
STATEMENTS OF INCOME
(Unaudited)

	3 Months Ended March 31, 1994		12 Months Ended March 31, 1994	
	1993	1994	1993	1994
	(In Thousands)			
REVENUES	\$149,015	\$177,983	\$373,423	\$383,396
OPERATING EXPENSES				
Natural gas purchases	88,029	109,020	209,148	221,769
Operating and maintenance	23,741	23,290	92,937	81,655
Depreciation	5,959	5,569	23,634	21,077
Other taxes	3,510	3,370	10,153	9,921
TOTAL OPERATING EXPENSES	121,239	141,249	335,872	334,422

OPERATING INCOME	27,776	36,734	37,551	48,974
INTEREST AND OTHER INCOME	633	229	2,096	1,650
DEBT EXPENSE	(4,221)	(3,954)	(15,690)	(15,264)
INCOME BEFORE INCOME TAXES	24,188	33,009	23,957	35,360
INCOME TAXES	9,090	12,544	4,255	8,554
NET INCOME	\$15,098	\$20,465	\$19,702	\$26,806

MOUNTAIN FUEL SUPPLY COMPANY
CONDENSED BALANCE SHEETS
(Unaudited)

	March 31, 1994	December 31, 1993	December 31, 1993
	(In Thousands)		
ASSETS			
Current assets			
Cash and short-term investments	\$1,118	\$2,570	\$2,312
Accounts receivable	77,111	55,804	81,668
Inventories	15,738	2,961	23,972
Other current assets	4,276	5,017	4,739
Total current assets	98,243	66,352	112,691
Property, plant and equipment	716,122	672,432	710,100
Less allowances for depreciation	273,527	253,575	267,314
Net property, plant and equipment	442,595	418,857	442,786
Other assets	25,264	23,765	25,550
	\$566,102	\$508,974	\$581,027
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Notes payable to parent company	\$27,300	\$2,300	\$57,800
Accounts payable and accrued expenses	60,622	61,368	64,748
Purchased-gas adjustments	42,468	33,511	25,727
Total current liabilities	130,390	97,179	148,275
Long-term debt, less current portion	158,000	158,000	158,000
Other liabilities and deferred credits	26,525	17	27,163
Deferred income taxes and investment tax credits	51,394	53,441	57,864
Redeemable cumulative preferred stock	7,524	8,726	7,525
Common shareholder's equity			
Common stock	22,974	22,974	22,974
Additional paid-in capital	21,875	21,875	21,875
Retained earnings	147,420	146,762	137,351
Total common shareholder's equity	192,269	191,611	182,200
	\$566,102	\$508,974	\$581,027

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

3 Months Ended
March 31,

	1994	1993
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	\$15,098	\$20,465
Depreciation	6,524	6,116
Deferred income taxes and investment tax credits	(6,470)	(6,741)
	15,152	19,840
Change in operating assets and liabilities	25,517	14,536
NET CASH PROVIDED FROM OPERATING ACTIVITIES	40,669	34,376
INVESTING ACTIVITIES		
Capital expenditures	(6,244)	(6,227)
Uses from disposition of property, plant and equipment	(89)	(135)
CASH USED IN INVESTING ACTIVITIES	(6,333)	(6,362)
FINANCING ACTIVITIES		
Issuance of long-term debt		91,000
Repayment of long-term debt		(99,126)
Redemption of preferred stock	(1)	
Decrease in notes payable to parent company	(30,500)	(16,600)
Payment of dividends	(5,029)	(4,680)
CASH USED IN FINANCING ACTIVITIES	(35,530)	(29,406)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(\$1,194)	(\$1,392)

MOUNTAIN FUEL SUPPLY 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 ended 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 \$1,538,000 liability was offset with a regulatory asset because the Company expects to include these costs in future rates.

MOUNTAIN FUEL SUPPLY COMPANY
MANAGEMENT'S ANALYSIS
March 31, 1994

Operating Results --

Following is a summary of operating information for the Company:

3 Months Ended		12 Months Ended	
March 31,		March 31,	
1994	1993	1994	1993

Natural gas volumes (in thousands of decatherms)				
Residential and commercial sales	30,138	36,433	73,074	73,194
Industrial sales	2,217	1,738	6,993	5,440
Transportation for industrial customers	13,271	17,014	49,362	53,694
Total deliveries	45,626	55,185	129,429	132,328
Natural gas revenue (per decatherm)				
Residential and commercial	\$4.54	\$4.56	\$4.53	\$4.67
Industrial sales	3.23	4.08	3.11	3.64
Transportation for industrial customers	0.12	0.10	0.12	0.11
Heating degree days				
Actual	2,307	3,167	5,213	5,649
Normal	2,743	2,963	5,583	5,803
Number of customers at end of period	553,507	533,881		

Heating degree days were 16% warmer than normal in the first quarter of 1994 compared with 7% colder than normal in the first quarter of 1993. This resulted in a 17% decrease in natural gas volumes sold to residential and commercial customers. The effect of warmer weather was partially offset by a 3.7% increase in the number of customers.

Volumes delivered to industrial customers decreased 17% in the first quarter of 1994 compared with the same quarter of 1993. Natural gas demand for electric generation and some other customers was lower because of the warmer weather. Usage by several major metal and chemical customers was also lower during the quarter.

Mountain Fuel's allowed return on equity for Utah operations was reduced from 12.1% to 11% effective January 1, 1994, by the Public Service Commission of Utah in a general rate case order. The Company also changed the way that revenues for residential and commercial customers are recorded from an "as-billed" to an "as-delivered" basis. This had the effect of decreasing earnings in the first quarter of 1994 by approximately \$2 million, and is expected to increase earnings for the remainder of the year.

Mountain Fuel's natural gas purchases were lower in the first quarter of 1994 compared with the first quarter of 1993 due to reduced volumes sold to residential and commercial customers. Natural gas purchases were lower in the 12 months ended March 31, 1994, compared with the year-earlier period due to reduced cost per decatherm of purchased and produced gas. Operating and maintenance expenses were level in the first quarter of 1994 compared with the first quarter of 1993; however, these expenses increased 14% in the 12 months ended March 31, 1994, over the 1993 period because of additional customers, expanded service territory and recording of postretirement medical expenses on an accrual basis.

The effective income tax rate was 37.6% in the first quarter of 1994, compared with 38.0% in the first quarter of 1993. The Company recognized \$999,000 of tight-sands gas-production credits in the first quarter of 1994 and \$589,000 in the first quarter of 1993. The increased credits were partially offset by 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 \$1,538,000 liability was offset with a regulatory asset because the Company expects to include these costs in future rates. Another utility has requested authorization from the Public Service Commission of Utah to amortize the liability over a five-year period. That docket is pending before the Commission. Mountain Fuel anticipates requesting similar regulatory treatment.

Liquidity and Capital Resources -

Net cash provided from operating activities was \$40,669,000 in the first quarter of 1994 compared with \$34,376,000 for the same period of 1993. The increase was due to changes in operating assets and liabilities,

primarily gas stored underground. Increases in cash flow from changes in operating assets and liabilities were partially offset by reduced net income.

Capital expenditures were \$6,244,000 in the first quarter of 1994, compared with \$6,227,000 in the corresponding 1993 period. Capital expenditures for the calendar year 1994 are estimated at \$51,400,000. These capital expenditures will be financed with funds from operations, borrowings under the medium-term note program, equity investment from Questar, and short-term borrowings from banks or Questar.

The Company had short-term line-of-credit arrangements with banks totaling \$500,000. As of March 31, 1994, \$27,300,000 was borrowed from Questar Corporation.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

On April 18, 1994, the Public Service Commission of Utah (the PSCU) held a public hearing to consider issues raised by Mountain Fuel Supply Company (Mountain Fuel or the Company) concerning the PSCU's order in the Company's general rate case. See the Company's Current Report on Form 8-K dated January 10, 1994 for details concerning the PSCU's order that authorized a return on equity of 11.0 percent and specified an annual decrease in the Company's rates of \$1.6 million. As a result of an approved stipulation, approximately \$2.1 million of costs reflected in Mountain Fuel's general rate case were added to its gas balancing account. Consequently, the net effect of the order and the transfer of general rate case costs was an annualized rate increase of \$500,000.

The PSCU's order required the Company to recognize \$2,011,000 in unbilled revenues each year for five years for ratemaking purposes. The PSCU did not allow any testimony on return on equity, but agreed to review the record on that issue.

As of the date of this report, the PSCU has not issued a decision with respect to the issues raised by Mountain Fuel on rehearing.

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibit has been filed as part of this report.

Exhibit No.	Exhibit
12.01.	Ratio of Earnings to Fixed Charges

(b) The Company filed a Current Report on Form 8-K dated January 10, 1994, disclosing the PSCU's order. No financial statements were filed with this Form 8-K.

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)

May 11, 1994

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

May 11, 1994

/s/ W. F. Edwards
W. F. Edwards

Vice President and Chief
Financial Officer

Exhibit 12.01

MOUNTAIN FUEL SUPPLY COMPANY
RATIO OF EARNINGS TO FIXED CHARGES

	12 Months Ended	
	March 31,	
	1994	1993
	(Dollars in Thousands)	
EARNINGS		
Income before income taxes	\$23,957	\$35,360
Plus debt expense	15,690	15,264
Plus allowance for borrowed funds used during construction	189	281
Plus interest portion of rental expense	121	99
	\$39,957	\$51,004
FIXED CHARGES		
Debt expense	\$15,690	\$15,264
Plus allowance for borrowed funds used during construction	189	281
Plus interest portion of rental expense	121	99
	\$16,000	\$15,644
RATIO OF EARNINGS TO FIXED CHARGES	2.50	3.26