UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2018

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 Number	Exact name of registrant as specified in its charter, address of principal executive office and registrant's telephone number	I.R.S. Employer Identification Number
333-69210	**QUESTAR GAS COMPANY** **333 SOUTH STATE STREET** **SALT LAKE CITY, UTAH 84145** **(801) 324-5000**	**87-0155877**

State or other jurisdiction of incorporation or organization of the registrant: Utah

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☒	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Yes ☐ No ☒

Questar Gas Company does not have any voting or non-voting common equity held by non-affiliates. As of July 13, 2018, Questar Gas Company had 9,189,626 shares of common stock outstanding. Dominion Energy Questar Corporation (a wholly-owned subsidiary of Dominion Energy, Inc.) holds all of the outstanding stock of Questar Gas Company.

QUESTAR GAS COMPANY MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS FILING THIS FORM 10-Q UNDER THE REDUCED DISCLOSURE FORMAT.

GLOSSARY OF TERMS

The following abbreviations or acronyms used in this Form 10-Q are defined below:

Abbreviation or Acronym	Definition
2017 Tax Reform Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017
ARO	Asset retirement obligation
bcf	Billion cubic feet
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, also known as Superfund
CET	Conservation enabling tariff
CFO	Chief Financial Officer
DEQPS	Dominion Energy Questar Pipeline Services, Inc.
DES	Dominion Energy Services, Inc.
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than Dominion Energy Questar or Questar Gas) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries
Dominion Energy Gas	The legal entity, Dominion Energy Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Energy Gas Holdings, LLC and its consolidated subsidiaries
Dominion Energy Questar	The legal entity, Dominion Energy Questar Corporation, one or more of its consolidated subsidiaries (other than Questar Gas) or operating segment, or the entirety of Dominion Energy Questar Corporation and its consolidated subsidiaries
Dominion Energy Questar Combination	Dominion Energy's acquisition of Dominion Energy Questar completed on September 16, 2016 pursuant to the terms of the agreement and plan of merger entered on January 31, 2016
Dominion Energy Questar Pipeline	Dominion Energy Questar Pipeline, LLC, one or more of its consolidated subsidiaries, or the entirety of Dominion Energy Questar Pipeline, LLC and its consolidated subsidiaries
Dth	Dekatherm
EEP	Energy-efficiency program
EPA	U.S. Environmental Protection Agency
GAAP	U.S. generally accepted accounting principles
Gas Infrastructure	Gas Infrastructure Group operating segment
GHG	Greenhouse gas
Idaho Commission	Idaho Public Utilities Commission
IRCA	Intercompany revolving credit agreement
LNG	Liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Questar Gas	The legal entity Questar Gas Company
SEC	Securities and Exchange Commission
Utah Commission	Public Service Commission of Utah
VIE	Variable interest entity
Virginia Power	The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments, or the entirety of Virginia Electric and Power Company and its consolidated subsidiaries
Wexpro	The legal entity, Wexpro Company, one or more of its consolidated subsidiaries, or the entirety of Wexpro Company and its consolidated subsidiaries
Wyoming Commission	Wyoming Public Service Commission

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

QUESTAR GAS COMPANY
STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2018**	2017	**2018**	2017
Operating Revenue(1)	**$ 137.4**	$ 139.7	**$ 544.1**	$ 536.6
Operating Expenses				
Purchased gas(1)	**74.0**	75.5	**325.6**	316.8
Other operations and maintenance(1)	**35.5**	44.6	**80.5**	86.3
Depreciation and amortization	**18.7**	16.5	**37.3**	32.7
Other taxes	**6.3**	5.6	**12.7**	11.4
Total Operating Expenses	**134.5**	142.2	**456.1**	447.2
Income (loss) from operations	**2.9**	(2.5)	**88.0**	89.4
Other income	**1.0**	1.0	**1.8**	2.0
Interest and related charges(1)	**8.9**	8.5	**18.1**	17.0
Income (loss) from operations before income tax expense	**(5.0)**	(10.0)	**71.7**	74.4
Income tax expense (benefit)	**(2.2)**	(3.8)	**15.4**	28.4
Net Income (Loss)	**$ (2.8)**	$ (6.2)	**$ 56.3**	$ 46.0

(1) See Note 13 for amounts attributable to related parties.

The accompanying notes are an integral part of Questar Gas' Financial Statements.

QUESTAR GAS COMPANY
BALANCE SHEETS
(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2.5	$ 6.7
Customer receivables (less allowance for doubtful accounts of $2.1 and $1.7)	68.4	171.7
Other receivables	1.8	2.1
Affiliated receivables	0.1	1.5
Inventories at lower of average cost or market:		
Gas stored	28.2	52.9
Materials and supplies	23.3	25.2
Regulatory assets	5.5	16.6
Other[2]	5.6	5.3
Total current assets	135.4	282.0
Property, Plant and Equipment		
Property, plant and equipment	3,149.5	3,041.7
Accumulated depreciation and amortization	(770.6)	(745.8)
Total property, plant and equipment, net	2,378.9	2,295.9
Deferred Charges and Other Assets		
Pension and other postretirement benefit assets[2]	109.8	107.1
Other	18.5	12.8
Total deferred charges and other assets	128.3	119.9
Total assets	$ 2,642.6	$ 2,697.8

(1) Questar Gas' Balance Sheet at December 31, 2017 has been derived from the audited Balance Sheet at that date.
(2) See Note 13 for amounts attributable to related parties.

The accompanying notes are an integral part of Questar Gas' Financial Statements.

QUESTAR GAS COMPANY
BALANCE SHEETS—(Continued)
(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	**$ —**	$ 120.0
Short-term debt	**67.5**	165.0
Affiliated current borrowings	**23.6**	75.0
Accounts payable	**28.7**	53.8
Accrued interest, payroll and taxes	**24.7**	15.6
Payables to affiliates	**54.2**	68.3
Regulatory liabilities	**57.6**	9.9
Contract liabilities	**11.4**	17.3
Other	**33.1**	27.2
Total current liabilities	**300.8**	552.1
Long-Term Debt	**745.2**	595.9
Deferred Credits and Other Liabilities		
Deferred income taxes	**261.5**	276.1
Regulatory liabilities	**444.0**	441.0
Other[2]	**109.7**	107.6
Total deferred credits and other liabilities	**815.2**	824.7
Total liabilities	**1,861.2**	1,972.7
Commitments and Contingencies (see Note 11)		
Equity		
Common stock - par value $2.50[3]	**23.0**	23.0
Additional paid-in capital	**272.5**	272.5
Retained earnings	**485.9**	429.6
Total common shareholder's equity	**781.4**	725.1
Total liabilities and shareholder's equity	**$ 2,642.6**	$ 2,697.8

(1) Questar Gas' Balance Sheet at December 31, 2017 has been derived from the audited Balance Sheet at that date.
(2) See Note 13 for amounts attributable to related parties.
(3) 50.0 million shares authorized; 9.2 million shares outstanding at June 30, 2018 and December 31, 2017.

The accompanying notes are an integral part of Questar Gas' Financial Statements.

QUESTAR GAS COMPANY
STATEMENTS OF CASH FLOWS
(Unaudited)

Six Months Ended June 30, (millions)	2018	2017
Operating Activities		
Net income	$ 56.3	$ 46.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37.3	32.7
Deferred income taxes	(16.7)	28.5
Other adjustments for non-cash items	(0.2)	0.5
Changes in operating assets and liabilities	150.5	65.0
Net cash provided by operating activities	227.2	172.7
Investing Activities		
Property, plant and equipment purchased	(110.1)	(75.4)
Other	(1.5)	0.2
Net cash used in investing activities	(111.6)	(75.2)
Financing Activities		
Repayment of short-term debt, net	(97.5)	(65.0)
Issuance of long-term debt	150.0	—
Repayment of long-term debt	(120.0)	—
Repayment of affiliated current borrowings, net	(51.4)	(38.0)
Other	(0.9)	—
Net cash used in financing activities	(119.8)	(103.0)
Decrease in cash and equivalents	(4.2)	(5.5)
Cash, restricted cash and equivalents at beginning of period(1)	6.7	7.6
Cash, restricted cash and equivalents at end of period(1)	$ 2.5	$ 2.1
Supplemental Cash Flow Information		
Significant noncash investing activities:		
Accrued capital expenditures	$ 13.1	$ 18.8

(1) No amounts were held in restricted cash and equivalents in any of the periods presented.

The accompanying notes are an integral part of Questar Gas' Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1. Nature of Operations

Questar Gas is a wholly-owned subsidiary of Dominion Energy Questar which is a wholly-owned subsidiary of Dominion Energy.

Questar Gas distributes natural gas as a public utility in Utah, southwestern Wyoming and a small portion of southeastern Idaho. The Utah, Wyoming and Idaho Commissions have granted Questar Gas the necessary regulatory approvals to serve these areas. Questar Gas also has long-term franchises granted by communities and counties within its service area.

Revenue generated by Questar Gas is based primarily on rates established by the Utah and Wyoming Commissions. The Idaho Commission has contracted with the Utah Commission for rate oversight of Questar Gas' operations in Idaho.

Wexpro, an affiliate, provides the majority of Questar Gas' natural gas supply and Dominion Energy Questar Pipeline, an affiliate, provides the majority of Questar Gas' transportation and storage services.

Note 2. Significant Accounting Policies

As permitted by the rules and regulations of the SEC, Questar Gas' accompanying unaudited Financial Statements contain certain condensed financial information and exclude certain footnote disclosures normally included in annual audited financial statements prepared in accordance with GAAP. These unaudited Financial Statements should be read in conjunction with the Financial Statements and Notes in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017.

In the opinion of management, the accompanying unaudited Financial Statements contain all adjustments necessary to present fairly its financial position at June 30, 2018, its results of operations for the three and six months ended June 30, 2018 and 2017 and its cash flows for the six months ended June 30, 2018 and 2017. Such adjustments are normal and recurring in nature unless otherwise noted.

Questar Gas makes certain estimates and assumptions in preparing its Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and cash flows for the periods presented. Actual results may differ from those estimates.

The results of operations for interim periods are not necessarily indicative of the results expected for the full year. Information for quarterly periods is affected by seasonal variations in sales, rate changes, purchased gas expenses and other factors.

Certain amounts in Questar Gas' 2017 Financial Statements and Notes have been reclassified to conform to the 2018 presentation for comparative purposes. The reclassifications did not affect Questar Gas' net income, total assets, liabilities, equity or cash flows.

The effect of the adoption of revised accounting guidance for revenue recognition from contracts with customers is described below. There have been no other significant changes from Note 2 to the Financial Statements in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017.

Operating Revenue

Operating revenue is recorded on the basis of services rendered, commodities delivered or contracts settled and includes amounts yet to be billed to customers. Questar Gas collects sales taxes; however, these amounts are excluded from revenue. Questar Gas' customer receivables include accrued unbilled revenue based on estimated amounts of natural gas delivered but not yet billed to its customers.

The primary types of sales and service activities reported as operating revenue for Questar Gas, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

Revenue from Contracts with Customers

- **Regulated gas sales** consist of state-regulated delivery of natural gas to residential, commercial and industrial customers;
- **Regulated gas transportation sales** consist of state-regulated transportation of natural gas for commercial and industrial customers to buy their own natural gas supply;
- **Other regulated revenue** consists primarily of miscellaneous product sales, connection fees and forfeited discounts; and
- **Other nonregulated revenue** consists primarily of sales of natural gas production at market-based rates and sales of extracted products.

Other Revenue

- **Other revenue** consists primarily of royalty revenues.

The primary types of sales and service activities reported as operating revenue for Questar Gas, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- **Regulated gas sales** consisted of delivery of natural gas to residential, commercial and industrial customers;
- **Gas transportation** consisted of transportation of gas for commercial and industrial customers who buy their own gas supply; and
- **Other** consisted of connection fees, royalties, miscellaneous product sales, etc.

Revenues from gas sales are recognized over time, as the customers of Questar Gas consume the gas as it is delivered. Transportation contracts are primarily stand-ready service contracts that include fixed reservation and variable usage fees. Fixed fees are recognized ratably over the life of the contract, which is less than 12 months, as the stand-ready performance obligation is satisfied, while variable usage fees are recognized when Questar Gas has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance obligation completed to date. As a local distribution company, substantially all of Questar Gas' revenues are derived from performance obligations satisfied over time, rather than recognized at a single point in time, and are month-to-month contracts billed according to the terms of its tariff. Payment for most sales varies by contract type, but is typically due within a month of billing.

New Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued revised accounting guidance for revenue recognition from contracts with customers. Questar Gas adopted this revised accounting guidance for interim and annual reporting periods beginning January 1, 2018 using the modified retrospective method. The adoption of the revised standard had no impact on the amount of revenue recognized.

Note 3. Operating Revenue

Questar Gas' operating revenue, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, consists of the following:

(millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Regulated gas sales:		
Residential	$ 88.7	$ 392.0
Commercial	32.4	115.1
Industrial	1.4	3.4
Regulated gas transportation	6.2	13.7
Other regulated revenue	0.9	4.7
Other nonregulated revenue(1)	4.3	9.2
Total operating revenue from contracts with customers	133.9	538.1
Other revenue	3.5	6.0
Total operating revenue	$ 137.4	$ 544.1

(1) See Note 13 for amounts attributable to related parties.

Contract liabilities represent an entity's obligation to transfer goods or services to a customer for which the entity has received consideration, or the amount that is due, from the customer. At June 30, 2018 and December 31, 2017, Questar Gas' contract liability balances were $11.4 million and $17.3 million, respectively. During the six months ended June 30, 2018, Questar Gas recognized revenue of $17.3 million from the beginning contract liability balance as Questar Gas fulfilled its obligations to provide service to its customers.

Questar Gas' operating revenue, prior to the adoption of revised guidance for revenue recognition from contracts with customers, consisted of the following:

(millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Residential and commercial gas sales	$ 122.0	$ 500.5
Industrial gas sales	3.1	6.3
Gas transportation	6.3	13.2
Other(1)	8.3	16.6
Total operating revenue	$ 139.7	$ 536.6

(1) See Note 13 for amounts attributable to related parties.

Note 4. Income Taxes

For continuing operations, the statutory U.S. federal income tax rate reconciles to Questar Gas' effective income tax rate as follows:

Six Months Ended June 30,	2018	2017
U.S. statutory rate	**21.0%**	35.0%
Increases (reductions) resulting from:		
State taxes, net of federal benefit	**3.7**	3.1
Reversal of excess deferred income taxes	**(2.2)**	—
State legislative change	**(0.7)**	—
Other, net	**(0.3)**	—
Effective tax rate	**21.5%**	**38.1%**

The 2017 Tax Reform Act reduced the statutory federal income tax rate to 21% beginning in January 2018. Accordingly, current income taxes, and deferred income taxes that originate in 2018, are being recorded at the new 21% rate. Deferred taxes will reverse at the weighted average rate used to originate the deferred tax liability, which in some cases will be 35%. For the six months ended June 30, 2018, Questar Gas has recorded an estimate of the portion of excess deferred income tax amortization expected to occur in 2018. The reversal of these excess deferred income taxes will impact the effective tax rate, and may ultimately impact rates charged to customers. As described in Note 8 to the Financial Statements, Questar Gas decreased revenue and increased regulatory liabilities to offset these deferred tax impacts in accordance with applicable regulatory commission orders or formula rate mechanisms.

Questar Gas continues to evaluate the changes in accelerated depreciation for tax purposes and state conformity to the provisions of the 2017 Tax Reform Act. As of June 30, 2018, there have been no changes to the provisional amounts recorded at December 31, 2017. See Note 4 to the Financial Statements in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of the impacts of the 2017 Tax Reform Act.

Note 5. Fair Value Measurements

Questar Gas' fair value measurements are made in accordance with the policies discussed in Note 5 to the Financial Statements in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017. See Note 6 in this report for further information about Questar Gas' derivatives and hedge accounting activities.

Questar Gas enters into certain physical forwards, which are considered Level 3 as they have one or more inputs that are not observable and are significant to the valuation. The discounted cash flow method is used to value Level 3 physical forward contracts. The discounted cash flow model for forwards calculates mark-to-market valuations based on forward market prices, original transaction prices, volumes, risk-free rate of return, and credit spreads. For Level 3 fair value measurements, forward market prices are considered unobservable. The unobservable inputs are developed and substantiated using historical information, available market data, third-party data, and statistical analysis. Periodically, inputs to valuation models are reviewed and revised as needed, based on historical information, updated market data, market liquidity and relationships, and changes in third-party pricing sources.

The following table presents Questar Gas' quantitative information about Level 3 fair value measurements at June 30, 2018. The range and weighted average are presented in dollars for market price inputs.

	Fair Value (millions)	Valuation Techniques	Unobservable Input		Range	Weighted Average(1)
Assets						
Physical forwards:						
Natural gas(2)	$ 3.9	Discounted cash flow	Market price (per Dth)	(3)	1.7 - 3.4	2.5
Total assets	$ 3.9					

(1) Averages weighted by volume.
(2) Includes basis.
(3) Represents market prices beyond defined terms for Level 1 and 2.

Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

Significant Unobservable Inputs	Position	Change to Input	Impact on Fair Value Measurement
Market price	Buy	Increase (decrease)	Gain (loss)
Market price	Sell	Increase (decrease)	Loss (gain)

Recurring Fair Value Measurements

The following table presents Questar Gas' assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions.

(millions)	Level 1	Level 2	Level 3	Total
At June 30, 2018				
Assets:				
Derivatives:				
Commodity	**$ —**	**$ —**	**$ 3.9**	**$ 3.9**
Total assets	**$ —**	**$ —**	**$ 3.9**	**$ 3.9**
At December 31, 2017				
Assets:				
Derivatives:				
Commodity	$ —	$ —	$ 2.4	$ 2.4
Total assets	$ —	$ —	$ 2.4	$ 2.4

The following table presents the net change in Questar Gas' assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2018**	2017	**2018**	2017
Beginning balance	**$ 1.4**	$ (1.3)	**$ 2.4**	$ —
Total realized and unrealized gains (losses):				
Included in earnings(1)	**—**	—	**0.1**	(0.1)
Included in regulatory assets/liabilities	**2.5**	1.0	**1.5**	(0.3)
Settlements	**—**	—	**(0.1)**	0.1
Purchases	**—**	0.1	**—**	0.1
Ending balance	**$ 3.9**	$ (0.2)	**$ 3.9**	$ (0.2)

(1) The gains and losses included in earnings were classified in purchased gas.

There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the three and six months ended June 30, 2018 and 2017.

Fair Value of Financial Instruments

Substantially all of Questar Gas' financial instruments are recorded at fair value, with the exception of the instruments described below, which are reported at historical cost. Estimated fair values have been determined using available market information and valuation methodologies considered appropriate by management. The carrying amount of cash and cash equivalents, customer and other receivables, affiliated receivables, short-term debt, affiliated current borrowings, accounts payable and payables to affiliates are representative of fair value because of the short-term nature of these instruments. For Questar Gas' financial instruments that are not recorded at fair value, the carrying amounts and estimated fair values are as follows:

	June 30, 2018		December 31, 2017	
(millions)	Carrying Amount	Estimated Fair Value(1)	Carrying Amount	Estimated Fair Value(1)
Long-term debt, including securities due within one year(2)	**$ 745.2**	**$ 784.5**	$ 715.9	$ 783.2

(1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value measurements are classified as Level 2.

(2) Carrying amount includes amounts which represent the unamortized debt issuance costs, discount or premium.

Note 6. Derivatives and Hedge Accounting Activities

Questar Gas' accounting policies, objectives and strategies for using derivative instruments are discussed in Note 2 to the Financial Statements in the Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017. See Note 5 in this report for further information about fair value measurements and associated valuation methods for derivatives.

Derivative assets and liabilities are presented gross on Questar Gas' Balance Sheets. Questar Gas' derivative contracts include over-the-counter transactions, which are bilateral contracts that are transacted directly with a counterparty. At June 30, 2018, substantially all of Questar Gas' derivative assets and liabilities were not subject to a master netting or similar arrangement.

Volumes

The following table presents the volume of Questar Gas' derivative activity at June 30, 2018. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Basis	**7.3**	**19.1**

Fair Value and Gains and Losses on Derivative Instruments

The following table presents the fair values of Questar Gas' derivatives and where they are presented in its Balance Sheets.

(millions)	Fair Value - Derivatives not under Hedge Accounting	Total Fair Value
At June 30, 2018		
ASSETS		
Current Assets		
Commodity	**$ 1.2**	**$ 1.2**
Total current derivative assets(1)	**1.2**	**1.2**
Noncurrent Assets		
Commodity	**2.7**	**2.7**
Total noncurrent derivative assets(2)	**2.7**	**2.7**
Total derivative assets	**$ 3.9**	**$ 3.9**
At December 31, 2017		
ASSETS		
Current Assets		
Commodity	$ 0.4	$ 0.4
Total current derivative assets(1)	0.4	0.4
Noncurrent Assets		
Commodity	2.0	2.0
Total noncurrent derivative assets(2)	2.0	2.0
Total derivative assets	$ 2.4	$ 2.4

(1) *Current derivative assets are presented in other current assets in Questar Gas'Balance Sheets.*

(2) *Noncurrent derivative assets are presented in other deferred charges and other assets in Questar Gas' Balance Sheets.*

The following table presents the gains and losses on Questar Gas' derivatives, as well as where the associated activity is presented in its Statements of Income.

Derivatives not designated as hedging instruments	Amount of Gain (Loss) Recognized in Income on Derivatives (1)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2018**	2017	**2018**	2017
Derivative Type and Location of Gains (Losses)				
Commodity(2)	**$ —**	$ —	**$ 0.1**	$ (0.5)
Total	**$ —**	$ —	**$ 0.1**	$ (0.5)

(1) *Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Questar Gas' Statements of Income.*

(2) *Amounts recorded in Questar Gas' Statements of Income are classified in purchased gas.*

Note 7. Regulatory Assets and Liabilities

Regulatory assets and liabilities include the following:

(millions)	June 30, 2018	December 31, 2017
Regulatory assets:		
Pipeline integrity costs(1)	**$ 2.0**	$ 2.0
EEP(2)	**1.9**	3.3
Deferred royalties(3)	**1.6**	—
Purchased gas adjustment(4)	**—**	10.7
Other	**—**	0.6
Regulatory assets-current	**5.5**	16.6
Deferred production imbalance(5)	**4.7**	—
Cost of reacquired debt(6)	**2.5**	2.7
Pipeline integrity costs(1)	**0.6**	0.6
Regulatory assets-noncurrent(7)	**7.8**	3.3
Total regulatory assets	**$ 13.3**	$ 19.9
Regulatory liabilities:		
Purchased gas adjustment(4)	**$ 31.6**	$ —
CET(8)	**10.5**	4.4
Cost-of-service impact of 2017 Tax Reform Act(9)	**9.6**	—
Cost of plant removal and AROs(10)	**4.2**	4.2
Other	**1.7**	1.3
Regulatory liabilities-current	**57.6**	9.9
Income taxes refundable through future rates(11)	**244.7**	244.9
Cost of plant removal and AROs(10)	**196.3**	194.0
Other	**3.0**	2.1
Regulatory liabilities-noncurrent	**444.0**	441.0
Total regulatory liabilities	**$ 501.6**	$ 450.9

(1) The costs of complying with pipeline-integrity regulations are recovered in rates subject to a Utah Commission order. Questar Gas is allowed to recover $7.0 million per year. Costs incurred in excess of this amount will be recovered in future rate changes.

(2) The EEP relates to funds expended for promoting the conservation of natural gas through advertising, rebates for efficient homes and appliances and home energy audits. Costs are recovered from customers through periodic rate adjustments. Costs incurred in excess of recoveries result in an asset; recoveries in excess of costs result in a liability.

(3) Royalties on cost-of-service gas produced are recovered from customers through future rates.

(4) Purchased gas costs that are different from those provided for in present rates are accumulated and recovered or credited through future rate changes.

(5) Production imbalances will be recovered from customers at the end of the related gas wells' useful life.

(6) Gains and losses on the reacquisition of debt by rate-regulated companies are deferred and amortized as interest expense over the would-be remaining life of the reacquired debt. The reacquired debt costs had a weighted-average life of approximately 4.6 years as of June 30, 2018.

(7) Noncurrent regulatory assets are presented in the other deferred charges and other assets in the Balance Sheets.

(8) The CET represents the difference between actual and allowed revenues. Any deficiency or excess in amounts collected is recovered or refunded through periodic rate adjustments.

(9) Balance refundable to customers related to the decrease in revenue requirements for recovery of income taxes. See Note 8 for more information.

(10) Cost of plant removal and AROs represent amounts recovered from customers for costs of future activities to remove assets that are expected to be incurred at the time of retirement.

(11) Amounts recorded to pass the effect of reduced income tax rates from the 2017 Tax Reform Act to customers in future periods, which will reverse at the weighted-average tax rate that was used to build the reserves over the remaining book life of the property.

Note 8. Regulatory Matters

As a public utility, Questar Gas is subject to the jurisdiction of the Utah Commission and the Wyoming Commission. Natural gas sales and transportation services are provided under rate schedules approved by the two regulatory commissions.

In March 2018, Questar Gas submitted a filing to the Wyoming Commission with a proposal to return the benefit of lower federal income tax rates to customers through a surcredit beginning in June 2018. Questar Gas has proposed to calculate the impact of the 2017 Tax Reform Act on excess deferred income taxes in a separate filing by the first quarter of 2019. This matter is pending.

In April 2018, Questar Gas submitted a filing to the Utah Commission to return the benefit of lower federal income tax rates to customers through a surcredit effective June 2018. In May 2018, the Utah Commission approved a stipulation to reduce the cost-of-service component of rates by $14.5 million annually beginning in June 2018. In addition, in July 2018 the Utah Commission approved a stipulation for Questar Gas to return $9.5 million to customers beginning in August 2018 for the cost-of-service component of rates collected from customers during the period January through May 2018. Questar Gas has proposed to calculate the impact of the 2017 Tax Reform Act on excess deferred income taxes in a separate filing to be submitted in the first quarter of 2019.

The determination of the amounts of any surcredits associated with the above mentioned March and July filings could be material to Questar Gas' operating cash flows. Questar Gas has recorded a reasonable estimate of net income taxes refundable through future rates in the jurisdictions in which it operates. Through actions by the Utah, Wyoming or Idaho Commissions, the estimates may be subject to changes that could have a material impact on Questar Gas' results of operations, financial condition and/or cash flows.

In the second quarter of 2018, Questar Gas filed a request with the Utah Commission for pre-approval to construct an LNG peaking storage facility with a liquefaction rate of 8.2 million cubic feet per day. This pre-approval process allows Questar Gas to receive a prudency determination from the Commission before making a capital investment in the facility. Under the preapproval statute, the Utah Commission has 180 days to make a prudency determination. Based on this timeline, a determination is expected by the end of October 2018.

In May 2018, Questar Gas submitted filings with both the Utah Commission and the Wyoming Commission for an approximately $86.0 million gas cost decrease reflecting forecasted decreases in commodity costs, combined with reductions in Wexpro's operator service fee related to the 2017 Tax Reform Act. The Utah Commission and the Wyoming Commission both approved the filings in May 2018 with rates effective June 2018.

Note 9. Variable Interest Entities

The primary beneficiary of a VIE is required to consolidate the VIE and to disclose certain information about its significant variable interest in the VIE. The primary beneficiary of a VIE is the entity that has both: (1) the power to direct activities that most significantly impact the entity's economic performance and (2) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE.

DEQPS, an affiliated VIE, provides operational services to certain Dominion Energy subsidiaries, including Questar Gas, as a subsidiary service company. Questar Gas purchased shared services from DEQPS of $0.3 million for both the three months ended June 30, 2018 and 2017, and $0.6 million and $0.7 million for the six months ended June 30, 2018 and 2017, respectively. The Balance Sheets at June 30, 2018 and December 31, 2017, included amounts due to DEQPS of less than $0.1 million at both dates.

Questar Gas entered into a service agreement with DES, an affiliated VIE, effective January 2018. DES provides accounting, legal, finance, and certain administrative and technical services to Dominion Energy and its subsidiaries including Questar Gas. Questar Gas purchased shared services from DES of $12.9 million for the three months ended June 30, 2018 and $25.1 million for the six months ended June 30, 2018. The Balance Sheet at June 30, 2018 included amounts due to DES of $4.2 million.

Questar Gas determined that it is not the primary beneficiary of DEQPS or DES as it does not have both the power to direct the activities that most significantly impact their economic performance nor the obligation to absorb losses and benefits which could be significant to it. Questar Gas has no obligation to absorb more than its allocated share of DEQPS and DES costs.

Note 10. Significant Financing Transactions

Credit Facilities and Short-term Debt

Questar Gas uses short-term debt to fund working capital requirements and as a bridge to long-term debt financings. The levels of borrowing may vary significantly during the course of the year, depending upon the timing and amount of cash requirements not satisfied by cash from operations.

In March 2018, Dominion Energy replaced its two existing joint revolving credit facilities with a $6.0 billion joint revolving credit facility. Questar Gas' short-term financing is supported through its access as co-borrower to the joint revolving credit facility with Dominion Energy, Virginia Power and Dominion Energy Gas. This credit facility can be used for working capital, as support for the combined commercial paper programs of Dominion Energy, Virginia Power, Dominion Energy Gas and Questar Gas and for other general corporate purposes.

At June 30, 2018, Questar Gas' share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, Virginia Power and Dominion Energy Gas, were as follows:

(millions)	Facility Limit(1)	Outstanding Commercial Paper	Outstanding Letters of Credit
Joint revolving credit facility(1)	$ 1,000.0	$ 67.5	$ —

(1) A maximum of $1.0 billion of the facility is available to Questar Gas, assuming adequate capacity is available after giving effect to uses by co-borrowers Dominion Energy, Virginia Power and Dominion Energy Gas. The sub-limit for Questar Gas is set within the facility limit but can be changed at the option of the borrowers multiple times per year. At June 30, 2018, the sub-limit for Questar Gas was $250.0 million. If Questar Gas has liquidity needs in excess of its sub-limit, the sub-limit may be changed or such needs may be satisfied through short-term intercompany borrowings from Dominion Energy. The maturity date for this facility is March 2023. This credit facility can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to $1.0 billion (or the sub-limit, whichever is less) of letters of credit.

Long-Term Debt

In April 2018, Questar Gas issued through private placement $50.0 million of 3.30% 12-year senior notes and $100.0 million of 3.97% 30-year senior notes that mature in 2030 and 2047, respectively. The proceeds were used for general corporate purposes and to repay short-term debt.

Questar Gas' short-term credit facility and long-term debt agreements contain customary covenants and default provisions. As of June 30, 2018, there were no events of default under these covenants.

Any new long-term debt issuance by Questar Gas is subject to approval by the Wyoming Commission.

Note 11. Commitments and Contingencies

As a result of issues generated in the ordinary course of business, Questar Gas is involved in legal proceedings before various courts and is periodically subject to governmental examinations (including by regulatory authorities), inquiries and investigations. Certain legal proceedings and governmental examinations involve demands for unspecified amounts of damages, are in an initial procedural phase, involve uncertainty as to the outcome of pending appeals or motions, or involve significant factual issues that need to be resolved, such that it is not possible for Questar Gas to estimate a range of possible loss. For such matters for which Questar Gas cannot estimate a range of possible loss, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the litigation or investigative processes such that Questar Gas is able to estimate a range of possible loss. For legal proceedings and governmental examinations for which Questar Gas is able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any accrued liability is recorded on a gross basis with a receivable also recorded for any probable insurance recoveries. Estimated ranges of loss are inclusive of legal fees and net of any anticipated insurance recoveries. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent Questar Gas' maximum possible loss exposure. The circumstances of such legal proceedings and governmental examinations will change from time to time and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial position, liquidity or results of operations of Questar Gas.

The CERCLA, as amended, provides for immediate response and removal actions coordinated by the EPA in the event of threatened releases of hazardous substances into the environment and authorizes the U.S. government either to clean up sites at which hazardous substances have created actual or potential environmental hazards or to order persons responsible for the situation to do so. Under the CERCLA, as amended, generators and transporters of hazardous substances, as well as past and present owners and operators of contaminated sites, can be jointly, severally and strictly liable for the cost of cleanup. These potentially responsible parties can be ordered to perform a cleanup, be sued for costs associated with an EPA-directed cleanup, voluntarily settle with the U.S. government concerning their liability for cleanup costs, or voluntarily begin a site investigation and site remediation under state oversight.

Questar Gas has determined that it is associated with two former manufactured gas plant sites that contain coal tar and other potentially harmful materials. None of the former sites with which Questar Gas is associated is under investigation by any state or federal environmental agency. Due to the uncertainty surrounding the sites, Questar Gas is unable to make an estimate of the potential financial statement impacts.

Note 12. Credit Risk

Questar Gas' accounting policies for credit risk are discussed in Note 18 to the Financial Statements in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017.

Questar Gas maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends and other information. Management believes, based on credit policies and the June 30, 2018 provision for credit losses, that it is unlikely that a material adverse effect on financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

Note 13. Related-Party Transactions

Questar Gas engages in related-party transactions primarily with affiliates Wexpro, for cost-of-service natural gas supply, and Dominion Energy Questar Pipeline, for transportation and storage services. Questar Gas' receivables and payables balances with affiliates are settled based on contractual terms or on a monthly basis, depending on the nature of the underlying transactions. A discussion of significant related-party transactions follows.

DES and other affiliates provide accounting, legal, finance and certain administrative and technical services to Questar Gas. These costs are included in other operations and maintenance in the Statements of Income on the basis of direct and allocated methods in accordance with Questar Gas' services agreements. Where costs incurred cannot be determined by specific identification, the costs are generally allocated based on each affiliated company's proportional share of revenues less product costs; property, plant and equipment; and labor costs for costs from Dominion Energy Questar and based on the proportional level of effort devoted by resources that is attributable to Questar Gas, determined by reference to number of employees, salaries and wages and other similar measures for the relevant DES service. Management believes that the allocation methods are reasonable. Questar Gas provides certain services to related parties, including technical services. The billed amounts of these services are allocated based on the specific nature of the charges. Management believes that the allocation methods are reasonable. The amounts of these services follow:

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2018**	2017	**2018**	2017
Affiliated operator service fee(1)	**$ 61.9**	$ 79.7	**$ 131.5**	$ 155.6
Transportation and storage services from affiliates(1)	**17.6**	17.3	**37.6**	36.9
Services provided by related parties	**14.2**	11.1	**28.8**	21.9
Services provided to related parties	**1.3**	1.4	**2.7**	2.9

(1) *The costs of these services were included in purchased gas in Questar Gas' Statements of Income.*

Questar Gas participates in certain Dominion Energy benefit plans as described in Note 16 to the Financial Statements in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017. At June 30, 2018 and December 31, 2017, amounts due from Dominion Energy associated with the benefit pension plan and included in pension and other postretirement benefit assets in the Balance Sheets were $109.8 million and $107.1 million, respectively. At June 30, 2018 and December 31, 2017, Questar Gas' amounts due to Dominion Energy associated with the health and welfare plan and included in other deferred credits and other liabilities in the Balance Sheets were $12.0 million and $14.9 million, respectively.

The Dominion Energy Questar Combination resulted in merger and restructuring costs of $6.4 million and $6.7 million for the three and six months ended June 30, 2017, respectively, charged from Dominion Energy Questar. These costs primarily consist of employee related costs allocated to Questar Gas and are included in other operations and maintenance in Questar Gas' Statements of Income.

Questar Gas had a $23.6 million balance under the IRCA with Dominion Energy as of June 30, 2018 and a $75.0 million balance at December 31, 2017. Interest charges related to Questar Gas' total borrowings from Dominion Energy were less than $0.1 million for both the three months ended June 30, 2018 and 2017 and were $0.2 million and less than $0.1 million for the six months ended June 30, 2018 and 2017, respectively.

Questar Gas maintains natural gas imbalances with Dominion Energy Questar Pipeline. The imbalances receivable from Dominion Energy Questar Pipeline were $0.8 million and $0.9 million at June 30, 2018 and December 31, 2017, respectively, included in other current assets in the Balance Sheets.

Note 14. Operating Segment

The Corporate and Other Segment primarily includes specific items attributable to Questar Gas' operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources.

The net expense for specific items in 2018 and 2017 primarily related to a $0.2 million ($0.2 million after-tax) and an $11.4 million ($7.1 million after-tax) charge for merger and restructuring costs associated with the Dominion Energy Questar Combination, respectively. These costs include employee related costs allocated to Questar Gas and are included in other operations and maintenance in Questar Gas' Statements of Income.

The following table presents segment information pertaining to Questar Gas' operations:

(millions)	Gas Infrastructure	Corporate and Other	Consolidated Total
Three Months Ended June 30, 2018			
Operating revenue	**$ 137.4**	**$ —**	**$ 137.4**
Net loss	**(2.8)**	**—**	**(2.8)**
Three Months Ended June 30, 2017			
Operating revenue	$ 139.7	$ —	$ 139.7
Net income (loss)	0.7	(6.9)	(6.2)
Six Months Ended June 30, 2018			
Operating revenue	**$ 544.1**	**$ —**	**$ 544.1**
Net income (loss)	**56.5**	**(0.2)**	**56.3**
Six Months Ended June 30, 2017			
Operating revenue	$ 536.6	$ —	$ 536.6
Net income (loss)	53.1	(7.1)	46.0

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MD&A discusses Questar Gas' results of operations and general financial condition. MD&A should be read in conjunction with Questar Gas' Financial Statements. Questar Gas meets the conditions to file under the reduced disclosure format, and therefore has omitted certain sections of MD&A.

Contents of MD&A

MD&A consists of the following information:

- Forward-Looking Statements
- Results of Operations
- Analysis of Operations

Forward-Looking Statements

This report contains statements concerning Questar Gas' expectations, plans, objectives, future financial performance and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify these forward-looking statements by such words as "anticipate," "estimate," "forecast," "expect," "believe," "should," "could," "plan," "may," "continue," "target" or other similar words.

Questar Gas makes forward-looking statements with full knowledge that risks and uncertainties exist that may cause actual results to differ materially from predicted results. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additionally, other factors may cause actual results to differ materially from those indicated in any forward-looking statement. These factors include but are not limited to:

- Unusual weather conditions and their effect on energy sales to customers and energy commodity prices;
- Extreme weather events and other natural disasters, including, but not limited to, severe storms, earthquakes and flooding that can cause system disruptions and property damage to facilities;
- Federal, state and local legislative and regulatory developments, including changes in federal and state tax laws and regulations, including provisions of the 2017 Tax Reform Act that became effective January 2018;
- Changes to federal, state and local environmental laws and regulations, including those related to climate change, the tightening of emission or discharge limits for GHGs and other substances, more extensive permitting requirements and the regulation of additional substances;
- Cost of environmental compliance, including those costs related to climate change;
- Changes in implementation and enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities;
- Difficulty in anticipating mitigation requirements associated with environmental and other regulatory approvals and/or associated appeals;
- Fluctuations in energy-related commodity prices and the effect these could have on Questar Gas' earnings, liquidity position and the underlying value of its assets;
- Unplanned system disruptions at Questar Gas facilities;
- Counterparty credit and performance risk;
- Global capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;
- Fluctuations in interest rates;
- Changes in rating agency requirements or credit ratings and their effect on availability and cost of capital;
- Changes in financial or regulatory accounting principles or policies imposed by governing bodies;
- Employee workforce factors;
- Risks of operating businesses in regulated industries that are subject to changing regulatory structures;

- Political and economic conditions, including inflation and deflation;
- Domestic terrorism and other threats to Questar Gas' physical and intangible assets, as well as threats to cybersecurity;
- Changes in demand for Questar Gas' services, including industrial, commercial and residential growth or decline in Questar Gas' service areas, failure to maintain or replace customer contracts on favorable terms, changes in customer growth or usage patterns, including as a result of energy conservation programs and the availability of energy efficient devices;
- Changes to regulated gas distribution and transportation rates collected by Questar Gas;
- Changes in operating, maintenance and construction costs;
- Timing and receipt of regulatory approvals necessary for planned projects and compliance with conditions associated with such regulatory approvals;
- The inability to complete planned projects within the terms and time frames initially anticipated, including as a result of public involvement or intervention in such projects;
- Adverse outcomes in litigation matters or regulatory proceedings; and
- The impact of operational hazards, including adverse developments with respect to pipeline safety or integrity, equipment loss, malfunction or failure, operator error, and other catastrophic events.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Item 1A. Risk Factors in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017.

Questar Gas' forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. Questar Gas cautions the reader not to place undue reliance on its forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. Questar Gas undertakes no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

Results of Operations

Presented below is a summary of Questar Gas' results:

	Second Quarter			Year-To-Date		
(millions)	**2018**	2017	$ Change	**2018**	2017	$ Change
Net income (loss)	**$ (2.8)**	$ (6.2)	$ 3.4	**$ 56.3**	$ 46.0	$ 10.3

Overview

Second Quarter 2018 vs. 2017

Net loss decreased 55%, primarily due to the absence of merger and restructuring costs partially offset by the impacts of the 2017 Tax Reform Act.

Year-To-Date 2018 vs. 2017

Net income increased 22%, primarily due to customer growth and decreased merger and restructuring costs.

Analysis of Operations

Presented below are selected amounts related to Questar Gas' results of operations:

(millions)	Second Quarter 2018	Second Quarter 2017	Second Quarter $ Change	Year-To-Date 2018	Year-To-Date 2017	Year-To-Date $ Change
Operating revenue	**$ 137.4**	$ 139.7	$ (2.3)	**$ 544.1**	$ 536.6	$ 7.5
Purchased gas	**74.0**	75.5	(1.5)	**325.6**	316.8	8.8
Net revenue	**63.4**	64.2	(0.8)	**218.5**	219.8	(1.3)
Other operations and maintenance	**35.5**	44.6	(9.1)	**80.5**	86.3	(5.8)
Depreciation and amortization	**18.7**	16.5	2.2	**37.3**	32.7	4.6
Other taxes	**6.3**	5.6	0.7	**12.7**	11.4	1.3
Other income	**1.0**	1.0	—	**1.8**	2.0	(0.2)
Interest expense	**8.9**	8.5	0.4	**18.1**	17.0	1.1
Income tax expense (benefit)	**(2.2)**	(3.8)	1.6	**15.4**	28.4	(13.0)

An analysis of Questar Gas' results of operations follows:

Second Quarter 2018* vs. *2017

Net revenue decreased 1%, primarily reflecting a $4.3 million decrease due to the impacts of the 2017 Tax Reform Act on revenue, substantially offset by a $1.5 million increase in infrastructure-replacement cost recovery, a $1.4 million increase in customer growth, and a $0.6 million increase in EEP cost recovery.

Other operations and maintenance decreased 20%, primarily due to the absence of $11.1 million in merger and restructuring costs, partially offset by a $0.6 million increase in EEP costs.

Depreciation and amortization increased 13%, primarily due to infrastructure growth and replacement projects placed into service.

Other taxes increased 13%, primarily due to an increase in estimated property taxes as a result of infrastructure growth.

Income tax benefit decreased 42%, primarily due to lower pre-tax loss.

Year-To-Date 2018 vs. 2017

Net revenue decreased 1%, primarily reflecting a $13.1 million decrease due to the impacts of the 2017 Tax Reform Act on revenue, substantially offset by a $4.2 million increase in infrastructure-replacement cost recovery, a $4.0 million increase in customer growth, a $1.8 million increase in EEP cost recovery, and a $1.2 million increase due to the alternative fuel tax credit expected to be utilized in 2018.

Other operations and maintenance decreased 7%, primarily due to an $11.2 million decrease in merger and restructuring costs, partially offset by a $1.8 million increase in EEP cost recovery, a $1.6 million increase in employee related costs and a $0.6 million increase in line locating services.

Depreciation and amortization increased 14%, primarily due to infrastructure growth and replacement projects placed into service.

Other taxes increased 11%, primarily due to an increase in estimated property taxes as a result of infrastructure growth.

Income tax expense decreased 46%, primarily due to the lower corporate income tax rate ($11.0 million) and lower pre-tax income ($1.0 million).

ITEM 4. CONTROLS AND PROCEDURES

Senior management of Questar Gas, including Questar Gas' CEO and CFO, evaluated the effectiveness of Questar Gas' disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, Questar Gas' CEO and CFO have concluded that Questar Gas' disclosure controls and procedures are effective.

There were no changes that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Questar Gas' internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, Questar Gas is alleged to be in violation or in default under orders, statutes, rules or regulations relating to the environment, compliance plans imposed upon or agreed to by Questar Gas, or permits issued by various local, state and/or federal agencies for the construction or operation of facilities. Administrative proceedings may also be pending on these matters. In addition, in the ordinary course of business, Questar Gas is involved in various legal proceedings.

See the following for discussions on various environmental and other regulatory proceedings to which Questar Gas is a party, which information is incorporated herein by reference:

- Notes 10 and 17 to the Financial Statements in the Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017.
- Notes 8 and 11 to the Financial Statements in the Questar Gas' Form 10-Q for the quarter ended March 31, 2018.
- Notes 8 and 11 to the Financial Statements in this report.

ITEM 1A. RISK FACTORS

Questar Gas' business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond Questar Gas' control. A number of these factors have been identified in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes with regard to the risk factors previously disclosed in Questar Gas' Annual Report on Form 10-K for the year ended December 31, 2017. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see *Forward-Looking Statements* in MD&A in this report.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Consolidated Articles of Incorporation of Questar Gas Company (Exhibit 3.1, Form 8-K filed May 15, 2012, File No. 333-69210).
3.2	Bylaws of Questar Gas Company, effective as of October 17, 2016 (Exhibit 3.2, Form 10-Q for the quarter ended September 30, 2016 filed November 9, 2016, File No. 333-69210).
31.a	Certification by Chief Executive Officer of Questar Gas Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.b	Certification by Chief Financial Officer of Questar Gas Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certification to the Securities and Exchange Commission by Chief Executive of Officer and Chief Financial Officer of Questar Gas Company as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial statements from Questar Gas Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 2, 2018, formatted in XBRL: (i) Statements of Income, (ii) Balance Sheets, (iii) Statements of Cash Flows, and (iv) the Notes to Financial Statements.

SIGNATURE

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 GAS COMPANY
(Registrant)

August 2, 2018	/s/ Michele L. Cardiff
	Michele L. Cardiff
	Vice President, Controller and Chief Accounting Officer

Exhibit 31.a

I, Thomas F. Farrell, II, certify that:

1. I have reviewed this report on Form 10-Q of Questar Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ Thomas F. Farrell, II

Thomas F. Farrell, II
Chief Executive Officer

I, Mark F. McGettrick, certify that:

1. I have reviewed this report on Form 10-Q of Questar Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ Mark F. McGettrick
Mark F. McGettrick
Executive Vice President and
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Questar Gas Company (the “Company”), certify that:

1. the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (the “Report”), of the Company to which this certification is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)).

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of June 30, 2018, and for the period then ended.

/s/ Thomas F. Farrell, II
Thomas F. Farrell, II
Chief Executive Officer
August 2, 2018

/s/ Mark F. McGettrick
Mark F. McGettrick
Executive Vice President and
Chief Financial Officer
August 2, 2018