

QUESTAR CORP  
Form 11-K  
June 29, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 11-K**

(Mark One)

X

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR  
THE FISCAL YEAR ENDED DECEMBER 31, 2004 OR

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TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_.

Commission File No. 1-8796

**QUESTAR CORPORATION**  
**EMPLOYEE INVESTMENT PLAN**

Questar Corporation

180 East 100 South

P.O. Box 45433

Salt Lake City, Utah 84145-0433

#

**FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004.

Commission File Number 1-8796.

A.

The full title of the plan is the Questar Corporation Employee Investment Plan. The address of the plan is the same as that of the issuer named below.

B.

The name of the issuer of the securities held pursuant to the plan and the address of its principal executive office is: Questar Corporation, 180 East 100 South, P.O. Box 45433, Salt Lake City, Utah 84145-0433.

C.

Financial statements and schedules prepared in accordance with the Employee Retirement Income Security Act of 1974 for the fiscal year ended December 31, 2004, are attached as an exhibit to this Form 11-K.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the Questar Corporation Employee Benefits Committee have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

QUESTAR CORPORATION

EMPLOYEE INVESTMENT PLAN

Date: June 28, 2005

By: /s/Keith O. Rattie

Keith O. Rattie, Chairman

Employee Benefits Committee

#

Financial Statements and  
Supplemental Schedules

**Questar Corporation**  
**Employee Investment Plan**

*As of December 31, 2004 and 2003 and for the year ended December 31, 2004*

*with Report of Independent Registered Public Accounting Firm*

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**Questar Corporation**

**Employee Investment Plan**

**Financial Statements and**

**Supplemental Schedules**

**As of December 31, 2004 and 2003 and for the year ended December 31, 2004**

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**Report of Independent Registered Public Accounting Firm**

Employee Benefits Committee

Questar Corporation Employee Investment Plan

We have audited the accompanying statements of net assets available for benefits of the Questar Corporation Employee Investment Plan as of December 31, 2004 and 2003, and the related statement of changes in net assets available for benefits for the year ended December 31, 2004. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2004 and 2003, and the changes in its net assets available for benefits for the year ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule s of assets (held at end of year) as of December 31, 2004 and delinquent participant contributions for the year ended December 31, 2004 , are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule s are the responsibility of the Plan's management. The supplemental schedule s have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Ernst & Young LLP

Salt Lake City, Utah

June 10, 2005

## Questar Corporation

## Employee Investment Plan

## Statements of Net Assets Available for Benefits

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Investments at fair value:		
Questar Corporation common stock	<b>\$227,510,614</b>	\$162,361,435
Registered investment companies		
	<b>49,881,867</b>	36,109,928
Collective trust funds	<b>32,152,073</b>	23,347,368
Loans receivable from employees	<b>7,045,118</b>	5,688,241
	<b>316,589,672</b>	227,506,972
Contributions receivable from Questar Corporation	<b>395,529</b>	392,200
Interest receivable	<b>57,859</b>	30,762
Pending trades	<b>4,900</b>	
	<b>317,047,960</b>	227,929,934
<b>Liabilities</b>		
Pending trades		669
<b>Net assets available for benefits</b>	<b>\$317,047,960</b>	\$227,929,265

*See accompanying notes.*



## Questar Corporation

## Employee Investment Plan

## Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2004

**Additions**

Investment income:

Dividends and earnings	\$4,285,564
Interest income from employee loans	371,217
Net realized and unrealized appreciation in fair value of investments	79,206,180
	<b>83,862,961</b>

Contributions:

Participants	9,543,896
Employer	5,751,859
Rollover	150,362
Total contributions	15,446,117
Total additions	<b>99,309,078</b>

**Deductions**

Distributions	10,109,641
Trustee fees	80,742
Total deductions	<b>10,190,383</b>

Net increase 89,118,695

Net assets available for benefits at

beginning of year 227,929,265**Net assets available for benefits at end of year \$317,047,960**

*See accompanying notes.*

**Questar Corporation**

**Employee Investment Plan**

**Notes to Financial Statements**

**December 31, 2004**

**1. Description of the Plan**

The following description of the Questar Corporation Employee Investment Plan (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan for eligible employees of Questar Corporation and certain of its subsidiaries (Questar). The Plan is subject to the provisions of Section 401(a) of the Internal Revenue Code (the Code) and of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan also qualifies as an employee stock ownership plan (ESOP) as defined in Section 4975(e)(7) of the Code. The record keeper and trustee for the Plan is Wells Fargo Bank Minnesota, N.A. (Wells Fargo).

During 2004, employees were able to direct the investment of their contributions into the following funds: the 1) Questar Stock Fund, which consists of shares of Questar Corporation common stock and a cash reserve that is invested in the Wells Fargo Short-term Investment Money Market Fund (a collective trust fund); 2) Barclays U.S. Equity Market Index Fund (a collective trust fund), which attempts to provide total returns comparable to the returns of the Wilshire 5000 Index; 3) Fidelity Advisor Diversified International Fund, which seeks capital growth while investing at least 65% of its total assets in foreign securities; 4) Fidelity Advisor Mid Cap Fund, which seeks long-term capital appreciation by investing primarily in companies with market capitalization that fall within the range of companies in the S&P Mid Cap 400 Index; 5) MFS Massachusetts Investors Growth Stock Fund, which seeks long-term growth of capital and future income rather than current income; 6) MFS New Discovery Fund, which invests at least 65% of its total assets in emerging growth companies; 7) MFS Total Return Fund, which invests in a broad mix of fixed income and equity securities; 8) PIMCO Total Return Fund, which invests in corporate bonds, U.S. government securities, mortgage backed securities, and money market instruments with an average duration between three and six years; 9) Putnam International Growth Fund, which invests primarily in equity securities of companies located in countries outside of North America; 10) Van Kampen Comstock Fund, which invests primarily in common and preferred stocks and securities convertible into common and preferred stock; 11) Wells Fargo S&P 500 Index Fund (a collective trust fund), which invests in substantially the same stocks and percentages as the S&P 500 Index; and 12) Wells Fargo Stable Return Fund (a collective trust fund), which invests primarily in Guaranteed

Investment Contracts (GICs), GIC alternatives, marketable securities, and money market securities. During 2004, The MFS New Discovery Fund and the Putnam International Equity Fund were dropped from the Plan. In addition, three new funds were added to the Plan: 1) Baron Small Cap Fund which seeks capital appreciation by investing at least 80 percent of its assets in securities of smaller companies having a market value under \$2.5 billion; 2) Vanguard High-Yield Corporate Bond which seeks current income by investing at least 80 percent of its assets in high-

## **Questar Corporation**

### **Employee Investment Plan**

#### **Notes to Financial Statements (continued)**

##### **1. Description of the Plan (continued)**

yielding debt securities rated B or better, with the remainder in bonds rated less than B or that are unrated; and 3) Vanguard REIT Index Fund which seeks income and moderate long-term capital growth by investing at least 98 percent of its assets in stocks of real estate investment trusts (REITs) that are included in the Morgan Stanley REIT Index. Employees can change future contribution options at any time, but the effective date, which will be a payroll date, depends on the transmission of contribution information between Wells Fargo and Questar.

During 2004, participants were able to transfer all or part of their balances attributable to their own 401(k) contributions between any of the Plan investment funds, including the Questar Stock Fund, at any time. Participants were generally limited to one transfer per calendar month in or out of the employer contribution portion of the Questar Stock Fund. Participants who contributed to the Questar Stock Fund or any of the other investment funds in 2004 received employer matching contributions in the Questar Stock Fund on up to 6% of their eligible compensation contributed, at the following percentages: 100% on the first 3% and 60% on the next 3% of eligible contributions.

There is no service requirement for an eligible employee to participate in the Plan if scheduled to work a minimum of 1,000 hours per year. Employees can contribute up to the maximum 401(k) contribution, plus any make-up contribution, if they are eligible. The 401(k) contribution limit for 2003 and 2004 was \$12,000 and \$13,000 respectively, and the catch-up maximum contribution limit for each year was \$2,000 and \$3,000, respectively.

The Plan provides an additional \$200 annual employer non-matching contribution at the end of the Plan year in the form of shares of Questar stock to each employee of participating employers working a minimum of 1,000 hours per year and employed as of the first day of a Plan year and through the last day of such year. This contribution is made even if the eligible employee does not otherwise participate in the Plan.

Employees may borrow up to 50% of the value of their vested account balance, not to exceed \$50,000, with a minimum loan amount of \$1,000. The interest rate is fixed and is equal to prime plus one percent (which is a rate equal to what commercial lenders generally charge), and is set at the time the loan is made. Participants can elect loan repayment terms up to five years (ten years if the loan is to purchase or build a primary residence) and repayment is by payroll deduction. Upon employment termination, a participant can either elect to repay the loan or treat the loan as a taxable distribution.

**Questar Corporation**  
**Employee Investment Plan**

**Notes to Financial Statements (continued)**

**1. Description of the Plan (continued)**

Employees are allowed two outstanding loans (one residential and one other). Loan applications are processed every regular business day, and participants are charged a loan-processing fee of \$50 per loan, paid from loan proceeds.

The Plan provides for the direct rollover of amounts withdrawn from the Plan into individual retirement accounts or other qualified plans, if the participant so elects.

Upon retirement, death, disability, resignation, or other termination, a Plan participant's account (to the extent it has vested) becomes distributable. Distributions are payable as a lump sum and are made in cash for the investment funds and in whole shares of Questar common stock (fractional shares are paid in cash).

If a participant's whose account balance is less than \$5,000 fails to make an election, the balance will be distributed as soon as possible, but not earlier than 60 days after the date on which such participant is advised of the termination election choices. If the account balance is greater than \$5,000, the participant may elect to leave the account in the Plan until April 1 of the calendar year following the time the participant reaches age 70 ½ or dies.

A participant may also elect hardship withdrawals as defined in the Plan document in certain cases of financial need.

The rules for withdrawals of Questar shares and funds allocated to participants' accounts, as well as for distributions of such amounts upon termination of employment, disability or death are set forth in the Summary Plan Description of the Plan.

The Plan is subject to the diversification requirements imposed on ESOPs by the Tax Reform Act of 1986, and meets these requirements by allowing qualified participants to receive a diversification distribution of qualified shares of Questar stock. The shares that qualify for diversification are limited to the shares of Questar stock credited to accounts on or before December 31, 2002. In accordance with the Plan transfer rules, participants also have the opportunity to transfer out of the Questar Stock Fund and into any other investment option offered by the Plan.

Participants are always fully vested in all shares and funds purchased with their employee contributions and earnings thereon. Employees must have one year of service before any employer contributions are vested. Forfeited balances of terminated participants' non-vested accounts are used to offset future employer contributions. Amounts forfeited during 2004 were negligible. No Plan amendment or termination can reduce employees' interests in their accounts as of the date of the amendment or termination.

## **Questar Corporation**

### **Employee Investment Plan**

#### **Notes to Financial Statements (continued)**

#### **1.**

##### **Description of the Plan (continued)**

Legal, accounting, other administrative expenses (except commissions, collective trust fund management fees, and administrative fees included in the net asset valuations for the registered investment companies), and a portion of the trustee fees have been paid by Questar. Participants are required to pay some administrative fees directly, such as the \$50 loan processing fee. The trustee fees of \$80,742 listed on the Statement of Changes in Net Assets Available for Benefits were all paid by the participants and consisted of loan processing fees and collective trust fund management fees.

#### **2. Summary of Accounting Policies**

## **Use of Estimates**

The preparation of financial statements in conformity with U . S . generally accepted accounting principles requires the Plan s administrator to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from the estimates.

## **Investment Valuation and Income Recognition**

Investment in Questar common stock is stated at current value based on the closing market price on the last business day of the year as reported on the New York Stock Exchange. The registered investment companies are valued at published market prices, which represent the net asset value of shares held by the Plan at year-end. The fair value of participation units in the collective trust funds are based on the quoted market price of the underlying securities and the number of units owned by the Plan at year-end. Participant loans are valued at their outstanding balances, which approximates fair value. Purchases and sales of securities are recorded at their trade-date value. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Questar Stock Fund holds shares of Questar common stock, maintains a cash reserve and uses unitized-value accounting. The market value of the shares plus the cash reserve is converted to equivalent units for the fund. As a result, the equivalent unit value will be different than the underlying stock price.

**Questar Corporation**

**Employee Investment Plan**

**Notes to Financial Statements (continued)**

**2.**

**Summary of Accounting Policies (continued)**

**Dividends**

Employees can elect to receive cash dividends paid on shares of Questar stock held in their accounts. If no election is made, dividends are reinvested to purchase additional shares of Questar common stock. Currently reinvested dividend-shares are purchased through the Questar Corporation Dividend Reinvestment and Stock Purchase Plan at market value. Any shares purchased with dividends vest immediately, even if the participant does not yet have a vested right to the underlying shares.

**Distributions**

Distributions are recorded at prevailing prices at the distribution date. Differences between cost and current value at the time of distribution are included in the financial statements as realized gains or losses.

**3. Income Tax Status**

The Plan has received a determination letter from the Internal Revenue Service dated April 8, 2003, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation.

Subsequent to this determination by the Internal Revenue Service, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and that the related trust is exempt from

taxation.

#### **4. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

**Questar Corporation**

**Employee Investment Plan**

**Notes to Financial Statements (continued)**

**5. Investments**

The Plan's investments appreciated in fair value during 2004 as follows :

	<b>Net Realized and Unrealized Appreciation in Fair Value of Investments</b>
Questar Corporation common stock	<b>\$72,737,975</b>
Shares of registered investment companies	<b>4,447,405</b>
Collective trust funds	<b>2,020,800</b>
	<b>\$79,206,180</b>

Investments that represent 5% or more of the fair value of the Plan's net assets are as follows:

**December 31,**

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**2004**

**2003**

Questar Corporation common stock

**\$227,510,614**

\$162,361,435

Wells Fargo S&P 500 Index Fund

**16,180,397**

13,003,188

**Questar Corporation**

**Employee Investment Plan**

**Notes to Financial Statements (continued)**

**6 . Differences Between Financial Statements and Form 5500**

A reconciliation of net assets available for benefits per the financial statements to the Form 5500 is as follows:

	<b>As of December 31,</b>	
	<b>2004</b>	<b>2003</b>
Net assets available for benefits per the financial statements	<b>\$317,047,960</b>	<b>\$227,929,265</b>
Amounts allocated to withdrawn participants	<b>(39,554)</b>	
Net assets available for benefits per the Form 5500	<b>\$317,008,406</b>	<b>\$227,929,265</b>

A reconciliation of distributions to participants per the financial statements to the Form 5500 is as follows:

	<b>Year ended December 31, 2004</b>
Distributions to participants per the financial statements	<b>\$10,109,641</b>
Amounts allocated on Form 5500 to withdrawn participants	<b>39,554</b>
Distributions to participants per the Form 5500	<b>\$10,149,195</b>

Amounts allocated to participants who have withdrawn from the Plan are recorded on the Form 5500 as distributions that have been processed and approved for payment, but not yet paid prior to year-end.

## **7 . Party-in-Interest Transactions**

During 2004, the Plan received dividends of \$3,706,630 on shares of Questar common stock held in the Plan. Purchases and in-kind contributions of Questar common stock amounted to \$9,837,073, and transactions involving sales and distributions of Questar common stock were \$17,425,869 during 2004.

**Questar Corporation**  
**Employee Investment Plan**

**Schedule H, Line 4a - Schedule of Delinquent**

**Participant Contributions**

**Year ended December 31, 2004**

Participant Contributions Transferred Late to Plan	Total that Constitute Nonexempt Prohibited Transactions
\$33.25	\$33.25

**Questar Corporation**  
**Employee Investment Plan**

**Schedule H, Line 4i - Schedule of Assets**

**(Held at End of Year)**

**December 31, 2004**

**(c)**

(a)	(b)	(c)	(d)	(e)
Identity of Issue, Borrower, Lessor or Similar Party	Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current Value	
* Common Stock:				
Questar Corp.	4,464,494 shares of common stock	1	\$227,510,614	
Registered Investment Companies, Collective Trust Funds, and Money Market Funds:				
Barclays	U.S. Equity Market Index Fund, 52,907 units	1	1,638,526	
Baron	Small Cap Fund, 206,554 units	1	4,560,703	
Fidelity	Advisor Diversified International Fund , 284,314 units	1	5,310,990	
Fidelity	Advisor Mid Cap Fund, 160,630 units	1	4,025,379	
MFS	Massachusetts Investors Growth Stock Fund, 784,318 units	1	9,694,172	

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MFS	Total Return Fund, 576,575 units	1	9,225,193
PIMCO	Total Return Fund, 514,456 units	1	5,489,241
Van Kampen	Comstock Fund, 436,247 units	1	8,074,936
Vanguard	High Yield Corporate Bond, 150,664 units	1	970,277
Vanguard	REIT Index Fund, 134,770 units	1	2,530,976
* Wells Fargo	S&P 500 Index Fund, 432,631 units	1	16,180,397
* Wells Fargo	Short-term Investment Money Market	1	4,124,670
* Wells Fargo	Stable Return Fund, 273,656 units	1	10,208,480
* Participant loans	Interest rates range from 5.00% to 10.50% maturing through 2014		7,045,118
			\$316,589,672

<sup>1</sup> Investments are participant-directed, thus cost information is not applicable.

\* Indicates party-in-interest to the Plan.



**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 33-4436, No. 33-48169 and 333- 89486) pertaining to the Questar Corporation Employee Investment Plan of our report dated June 10, 2005, with respect to the financial statements and schedules of the Questar Corporation Employee Investment Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2004.

/s/ Ernst & Young LLP

Ernst & Young LLP

Salt Lake City, Utah

June 24, 2005