

QUESTAR CORP
Form DEF 14A
April 04, 2005

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

QUESTAR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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QUESTAR CORPORATION

180 East 100 South

P. O. Box 45433

Salt Lake City, Utah 84145-0433

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on May 17, 2005

The Annual Meeting of Stockholders of Questar Corporation, a Utah corporation (the Company), will be held at 1140 West 200 South, Salt Lake City, Utah, on Tuesday, May 17, 2005, at 8:00 a.m. local time. The purpose of the meeting is to:

1.
Elect four directors, with three directors elected to serve three-year terms, and one director to serve a one-year term;
2.
Approve the Annual Management Incentive Plan II;
3.
Act on any other matters that may properly come before the meeting.

Only holders of common stock at the close of business on March 21, 2005, may vote at the Annual Meeting or any adjournment of it. If you have your shares registered in the name of a brokerage firm or trustee and plan to attend the meeting, please obtain a letter, account statement, or other evidence of your beneficial ownership of shares to facilitate your admittance to the meeting.

By Order of the
Board of Directors

/s/Abigail L. Jones

Abigail L. Jones
Corporate Secretary
Salt Lake City, Utah
April 4, 2005

YOUR VOTE IS IMPORTANT.

It is important that as many shares as possible be represented at the Annual Meeting. Please date, sign, and promptly return your white proxy card in the enclosed envelope (which requires no postage if mailed within the United States). Your proxy may be revoked by you at any time before it is voted.

QUESTAR CORPORATION

PROXY STATEMENT

May 17, 2005

The Board of Directors of Questar Corporation is soliciting proxies from its stockholders to be used at the Annual Meeting on Tuesday, May 17, 2005. This proxy statement contains information related to the Annual Meeting. At the Annual Meeting, holders of common stock will elect three directors of the Company for three-year terms that expire in May of 2008, and one director for a one-year term that expires in May of 2006. They will also approve a new performance-based plan. Information concerning the Annual Meeting and solicitation of proxies for it is presented in a question-and-answer format.

Q:

What am I voting on?

A:

You can cast your votes to elect three nominees for director positions to serve new three-year terms and one nominee to serve a one-year term. The nominees for new three-year terms are three incumbent directors: Phillips S. Baker, Jr.,

L. Richard Flury, and James A. Harmon. The nominee for the one-year term is M. W. Scoggins, who was appointed by the Board on February 8, 2005, to fill a vacancy created by the mandatory retirement of a director in 2004.

You are also being asked to approve an executive compensation plan, the Annual Management Incentive Plan II (Plan).

Q:

Who can vote?

A:

Stockholders who owned shares as of the close of business on March 21, 2005. Each holder is entitled to one vote for each share held on such date.

Q:

How do I vote?

A:

Sign and date each proxy card you receive and return it in the enclosed prepaid envelope. If you return your signed proxy card but do not indicate how you want to vote, your shares will be voted for the named nominees and for the Plan. You have the right to revoke your proxy by notifying the Company's Corporate Secretary prior to the meeting, by returning a later-dated proxy, or by voting in person at the Annual Meeting.

If you own shares through a broker or other nominee, you must return your proxy card to the broker. Your votes cannot be counted if you send the proxy directly to the Company.

Q:

What does it mean if I get more than one proxy card?

A:

It means that you hold shares registered in more than one account. Sign and return all proxies to make sure that all your votes are counted, but consider consolidating your accounts to minimize the administrative cost of sending materials to you.

Q:

Who is soliciting my proxy?

A:

Questar's Board of Directors.

Q:

Who is paying for the solicitation?

A:

The Company is paying for the solicitation of proxies and will reimburse banks, brokers, and other custodians for reasonable charges to forward proxy materials to beneficial holders.

Q:

What constitutes a quorum?

A:

On March 21, 2005, the Company had 84,797,445 shares of common stock. A majority of the shares, or 42,398,723 shares, constitutes a quorum. Once a quorum is present, the nominees will be elected upon receiving a plurality of the shares represented at the meeting and the Plan will be approved by receiving a majority of such shares. The Company's Bylaws provide that votes withheld from nominees will not be counted for purposes of determining whether a nominee receives a plurality of votes. Shares registered in the names of brokers for which proxies are voted for some but not all matters will be considered as voted only as to those matters actually voted. Abstentions, broker nonvotes, and instructions to withhold authority to vote for one or more of the nominees will result in such nominees receiving fewer votes. Such action, however, will not reduce the number of votes otherwise received by the nominee.

Q:

Who can attend the Annual Meeting?

A:

Any stockholder of record as of March 21, 2005, can attend. If you own shares through a nominee or trustee, please obtain a letter, account statement, or other evidence of your ownership of shares as of such date.

Q:

How will my vote be handled on other matters?

A:

Questar's Bylaws limit the matters presented at an Annual Meeting to those in the notice, those properly presented by the Board of Directors and those presented by stockholders so long as the stockholder gives the Corporate Secretary written notice of the matter at least 90 days but not more than 120 days before the meeting. We do not expect any other matter to come before the meeting. If any other matter is presented at the Annual Meeting, your signed proxy gives the named proxies authority to vote your shares. (See "Other Matters" on page 25 for a detailed discussion of the Company's Bylaw requirements.)

Q:

When are stockholder proposals due for the next Annual Meeting?

A:

To be considered for presentation at the Company's Annual Meeting scheduled for May of 2006 and included in the proxy statement, a stockholder proposal must be received at the Company's office no later than December 5, 2005.

ELECTION OF DIRECTORS

The Company's Restated Articles of Incorporation provide for a board of 13 directors, divided into three classes, approximately equal in number, elected to serve three-year terms.

The terms of four directors, Phillips S. Baker, Jr., Patrick J. Early, L. Richard Flury, and James A. Harmon, expire at this Annual Meeting. Three of these directors, Messrs. Baker, Flury, and Harmon, have been nominated for re-election as directors for the three-year terms that expire in May of 2008. Mr. Early, having reached mandatory retirement age, is not eligible for re-election. His retirement leaves a vacancy in the group of directors whose terms expire in 2008. M. W. Scoggins, who was appointed to the Board of Directors effective February 8, 2005, has been nominated for election as a director for a term expiring in 2006. Unless you give other instructions for your shares, the proxies will be voted for the nominees.

All of the nominees have advised the Company that they are willing to serve as directors. However, in the event that any nominee is unwilling or unable to serve as a director, the proxies named in the enclosed proxy may vote, at their discretion, for any other person.

Biographical information concerning the nominees and the current directors of the Company whose terms will continue after the Annual Meeting appear below. Unless otherwise indicated, the nominees have been engaged in the

same principal occupation for the past five years. Ages are correct as of the date of the proxy statement.

NOMINEES (Terms Expiring in 2008)

Mr. Phillips S. Baker, Jr., age 45, is the President, Chief Executive Officer and a director of Hecla Mining Company. He was appointed to serve as a director of the Company effective February 10, 2004. Mr. Baker served as Vice President of Hecla from May 2001 to November 2001, as Chief Financial Officer from May 2001 to June 2003, and as Chief Operating Officer from November 2001 to May 2003, before being named as Chief Executive Officer in May 2003. Prior to joining Hecla, he served as Vice President and Chief Financial Officer of Battle Mountain Gold Company from March 1998 to January 2001.

Mr. L. Richard Flury, age 57, retired as Chief Executive, Gas and Power for BP plc on December 31, 2001. He had served in this position from January 1999 to his retirement. Prior to working for BP plc and BP Amoco plc, Mr. Flury held a number of key management positions with Amoco Corp., including Chief Executive for worldwide exploration and production. He was first elected to the Board in May 2002. Mr. Flury also serves as a director of Chicago Bridge and Iron Company, N.V., and Callon Petroleum Company, and as a trustee of Thunderbird The Garvin School of International Management.

Mr. James A. Harmon, age 69, was reappointed to serve as a director in June 2001 after serving as Chairman and President of the Export-Import Bank of the United States. He previously served as a director of the Company from 1976 to 1997. He currently is Chairman of a financial advisory firm, Harmon & Co. LLC. Mr. Harmon is also the Chairman of World Resources Institute, a global policy and research institution. He is a member of the Board of Directors of the School of International and Public Affairs, Columbia University, Africare and the Center for Global Development and is a member of J. E. Robert Cos. Global Advisory Board and a member of the International Advisory Board of Alfa Capital. He is a Trustee Emeritus of Brown University and Barnard College and is a member of the Council on Foreign Relations.

NOMINEE (Term Expiring in 2006)

Mr. M. W. Scoggins, age 57, retired as Executive Vice President of ExxonMobil Production Company in April 2004. He had served in this position from December 1999 until his retirement. Prior to the merger of Mobil Corporation with Exxon Corporation in late 1999, Mr. Scoggins served as President of International E&P and Global Exploration, Chairman of the Upstream Governance Council, Member of the Executive Committee and an officer of Mobil Oil Corporation. He was first appointed to the Board in February 2005. He also serves as a director of Trico Marine Services and is a member of the Board of Trustees and the Petroleum Engineering Industry Advisory Board for the University of Tulsa.

CONTINUING DIRECTORS (Present Term Expires in 2006)

Mr. Robert E. Kadlec has a venture capital firm, Bentley Capital Corp. He is age 71 and has been a director of the Company since 1987. He is a director of International Forest Products Ltd., Eaton Power Corporation, and Vancouver International Airport Authority, and serves on the Board of Trustees for the Vancouver Police Foundation.

Mr. Keith O. Rattie serves as the Company's Chairman, President and Chief Executive Officer. He was named President effective February 1, 2001, Chief Executive Officer May 1, 2002, and Chairman May 20, 2003. Prior to his appointment, Mr. Rattie, age 51, served as Vice President and Senior Vice President of The Coastal Corporation from 1996 to January 30, 2001. He also serves as a director of Zions First National Bank, Chairman of the Board of the Interstate Natural Gas Association of America, and director of the Gas Technology Institute.

Mr. Harris H. Simmons is the Chairman, President and Chief Executive Officer of Zions Bancorporation and the Chairman of the Board of Zions First National Bank. He is age 50 and has served as a director of the Company since 1992. He is Chairman-Elect of the American Bankers Association, and serves as a director of O. C. Tanner Company.

CONTINUING DIRECTORS (Present Term Expires in 2007)

Ms. Teresa Beck, age 50, has served as a director of the Company since 1999. She was President of American Stores from 1998 to 1999, and was American Stores' Chief Financial Officer from 1993 to 1998. She is a director of Albertson's, Inc.; Lexmark International, Inc.; and ICOS Corporation and a trustee of Intermountain Health Care, the David Eccles School of Business at the University of Utah, and The Nature Conservancy of Utah.

Mr. R. D. Cash served as the Company's Chief Executive Officer from May 1984 to May 2002 and as the Company's Chairman of the Board from May 1985 to May 2003. He also served as President of the Company from May 1984 to February 2001. Mr. Cash, age 62, has been a director of the Company since 1977 and also serves as a director of Zions Bancorporation, National Fuel Gas Company, TODCO, Associated Electric and Gas Insurance Services Limited, and Texas Tech Foundation, Inc.

Mr. Robert E. McKee III, age 58, was appointed to serve as a director of the Company effective April 1, 2003. He served as a senior advisor for the occupying Coalition Provisional Authority in Iraq to assist with the rebuilding of its oil industry from October 1, 2003, to March 18, 2004. He retired on March 31, 2003, after 37 years with ConocoPhillips and Conoco, Inc., including 10 years as Executive Vice President, Exploration (1992-2002). During his career with Conoco, he also served as Senior Vice President of Dupont until October 1998. He is a director of Parker Drilling Company and the Post Oak Bank, a member of the President's Council for the Colorado School of Mines and a member of the advisory committee for the University of Texas engineering department. He is currently

serving as the Chairman of Enventure Global Technology (an expandable tubular technology company).

Mr. Gary G. Michael, age 64, has been a director of the Company since 1994. He served as Chairman and Chief Executive Officer of Albertson's, Inc. from February 1991 to April 2001. He served as Interim President of the University of Idaho from June 2003 until August 2004. He is a director of Office Max, Inc., Idacorp, Inc., Harrah's Entertainment, Inc., and The Clorox Company.

Mr. Charles B. Stanley, age 46, serves as Vice President of the Company. He has served as a director of the Company since November 1, 2002. Mr. Stanley has responsibility for the Company's Market Resources business segment, and is the President and Chief Executive Officer of each entity within that group, e.g. Questar Market Resources, Inc., Wexpro Company (management and development, cost-of-service properties), Questar Exploration and Production Company (oil and gas exploration and production), Questar Gas Management Company (gas gathering and processing) and Questar Energy Trading Company (wholesale marketing and storage).

INFORMATION CONCERNING THE BOARD OF DIRECTORS

Board Committees

The Board has standing audit (Finance and Audit), nominating (Governance/Nominating), and compensation (Management Performance) committees that are each comprised solely of independent directors. Each committee has a charter that can be found on the Company's Web site (www.questar.com). The following section contains information about Board Committees.

The table below sets forth members and Chairs of the committees. The Chairs and some members of Committees changed effective May 18, 2004. This chart reflects the information as of that date, unless otherwise noted.

Name of Director	Finance/Audit	Management	Governance/	Executive
		Performance	Nominating	
P. S. Baker, Jr.	X		X	
T. Beck	X ¹		X	X
R. D. Cash				
P. J. Early		X	X	X ¹
L. Richard Flury	X	X	X	
J. A. Harmon	X	X	X	

R. E. Kadlec		X ¹		X
R. E. McKee III	X	X		
G. G. Michael	X		X ¹	X
K. O. Rattie				X
M. W. Scoggins	X ²			
H. H. Simmons	X		X	X
C. B. Stanley				
Meetings held in 2004	7	3	3	1

¹Chairman

²Member as of February 8, 2005.

Finance and Audit: Reviews auditing, accounting, financial reporting, and internal control functions; appoints the Company's outside auditors; monitors financing requirements, dividend policy, and investment relations activities; oversees compliance activities. The Company's common stock is listed on the New York Stock Exchange (NYSE) and is governed by its listing standards. The Committee has adopted a charter, officially referred to as a Statement of Responsibilities, which has been updated to reflect the requirements of the Sarbanes-Oxley Act of 2002 and the NYSE's new listing standards. The Company's Board has determined that all members of the Committee meet the independence standards of Section 303.01(B)(2)(a) and (3) of the Rules of the NYSE. The Committee's report begins on page 23.

Management Performance: Reviews the performance of top management, particularly Mr. Rattie, and salary and compensation arrangements paid to the Company's officers; administers the Long-term Stock Incentive Plan and Long-term Cash Incentive Plan; and makes recommendations about participants, performance objectives and awards under the Annual Management Incentive Plans adopted by the Company and its major operating subsidiaries. The Committee's report begins on page 18.

Governance/Nominating: Responsible for governance activities, particularly Board and Committee evaluations and Committee assignments. The Committee also recommends individuals for nomination to the Board of Directors and considers director candidates suggested by shareholders. All members are independent directors.

The Governance/Nominating Committee functions as the Company's nominating committee. This Committee is currently chaired by Gary G. Michael, a long-term member of the Board. The Committee's charter identifies the criteria established for nominees for directors, including nominees recommended by shareholders and self-nominees. These criteria are uniformly used as a framework for evaluating all nominees as well as incumbent directors and include the following: experience as senior officer, e.g., Chief Executive Officer, President, Chief Financial Officer,

of a public company or extensive experience in finance or accounting; active in business at least part-time with skills and experience necessary to serve as chair of Board Committee; willingness to commit time and energy to service as a director; experience in the Company's lines of business or understanding of the Company's business environment; ability to exercise independent judgment and make analytical inquiries; reputation for integrity and good judgment; and geographical location (residence or business activity) in states where the Company has significant operations.

In early 2005, the Board, acting on the Committee's recommendation, appointed M. W. Scoggins to fill the remainder of a term expiring in 2006. The Committee recommended Mr. Scoggins after evaluating several candidates identified in a formal search process conducted by a third party hired by the Committee and paid a fee for its service. Mr. Scoggins is a retired officer of ExxonMobil Production Company and has extensive experience in the exploration and production business. He has no prior relationships with any members of the Company's management. Mr. Scoggins also satisfies the key criteria relating to integrity and willingness to devote time and energy to the Company's business activities.

The Committee has never received nominations from shareholders, but will certainly consider them using the same criteria listed above. Shareholders interested in submitting the names of candidates who satisfy at least most of the criteria listed above should submit in writing the names and qualifications of the candidate(s) to the Chair of the Governance/Nominating Committee at the Company's general headquarters. Any nomination letters addressed to the Chair of the Governance/Nominating Committee, at the Company's address, will be forwarded without screening. Individuals so nominated will be reviewed using the criteria set forth above.

Executive: Acts on behalf of the Board of Directors and handles special assignments. The Chairman of the Committee (currently Mr. Early) must be an independent director and functions as the Company's lead director.

Independence of Directors

With the exception of Messrs. Cash, Rattie, and Stanley, all of the Company's directors are independent. In compliance with requirements of the Securities and Exchange Commission and the NYSE, the Board of Directors made this determination by applying the following rules:

(a)

No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company.)

(b)

A director who is an employee or whose immediate family member is an executive officer of the Company is not independent until three years after the end of such employment relationship.

(c)

A director who receives or whose immediate family member receives more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after ceasing to receive more than \$100,000 per year in such compensation.

(d)

A director who is affiliated with or employed by or whose immediate family member is affiliated with or employed in a professional capacity by a present or former internal or external auditor of the Company is not independent until three years after the end of the affiliation or the employment or auditing relationship.

(e)

A director who is employed or whose immediate family member is employed as an executive officer of another company where any of the Company's present executives serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship.

(f)

A director who is an executive officer or an employee or whose immediate family member is an executive officer of a company that: makes payment to or receives payment from the Company for property or services in an amount that, in any single fiscal year, exceeds the greater of \$1 million or 2 percent of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold.

Communications with Directors

Shareholders may communicate with the Board of Directors, including Patrick J. Early, the lead director, and including all non-management directors as a group, by sending a letter addressed to the full Board, Mr. Early, or the non-management directors in care of the Corporate Secretary at Questar Corporation, 180 East 100 South, P. O. Box 45433, Salt Lake City, Utah 84145-0433. The Corporate Secretary has the authority to discard any solicitations, advertisements, or other inappropriate communications, but will forward any mail to the named director or group of directors that isn't otherwise excluded. Any mail that is directed to the full Board will be forwarded to Mr. Rattie, as the Chairman of the Board.

Attendance at Meetings

The Company's Board of Directors held four regular meetings during 2004; Board Committees held a total of 14 meetings. With the exception of Mr. McKee, all directors attended at least 75 percent of the meetings. Mr. McKee attended 100 percent of the meetings after he returned from a special assignment with the U. S. Department of Defense in Iraq. The Company's directors had an overall attendance percentage of 91 percent. The Company's directors are expected to attend the Company's Annual Meeting. All of the directors attended the Company's 2004 Annual Meeting.

Directors Compensation

The Company's non-employee directors receive the following compensation for their service as directors:

Annual Retainer:	\$30,000 (quarterly installments of \$7,500)
Committee Retainers:	
Chair, Finance and Audit and Executive Committees	\$6,000
Chair, Management Performance and Governance/Nominating Committees	\$5,000
Committee Membership	\$4,000
Board Meeting Fee:	\$2,000 per Board meeting day
Committee Meeting Fee:	\$900 (\$1,100 for Chairman)
Telephone Attendance:	\$900 (Board Meeting)
	\$600 (Committee Meeting)
	\$800 (Chairman)

The total cash compensation earned by directors during 2004 ranged from \$38,000 to \$62,000. A significant portion of non-employee directors' total compensation is paid through equity grants.

Outside directors can defer the receipt of their fees and have such deferred fees credited with interest as if invested in long-term certificates of deposit or be accounted for with phantom shares of the Company's common stock.

On February 8, 2005, grants of restricted stock or phantom stock units were made to each of the Company's non-employee directors. The Committee Chairs received grants of 1,100 shares or phantom stock units, while the other directors received grants of 900 shares or phantom stock units. The grants vest over four years, with one-third vesting two years after grant, one-third vesting three years after grant, and the final one-third vesting four years after grant. Phantom stock units are paid in accordance with elections to defer fees for Board service. The restricted stock also vests on an accelerated basis in the event of the director's death, disability, mandatory retirement at age 72, or a change in control, but is lost in the event of a director's termination of service for any other reason. These grants were made pursuant to the Company's Long-term Stock Incentive Plan.

Outside directors can elect to receive their fees in shares of stock. The plan for providing payment of fees in stock has been approved by the Company's shareholders.

The Company has entered into individual indemnification agreements with all directors, including Messrs. Rattie and Stanley, indemnifying them as directors. The form of these agreements has been approved by the Company's stockholders.

The Company furnishes Mr. Cash, as the retired Chairman of the Board, an office, telephone, and limited secretarial support in its Salt Lake City office.

Directors Retirement Policy

In May 1992, the Board of Directors adopted a retirement policy that permits an outside director to continue serving in such position until the annual meeting following his 72nd birthday if still actively engaged in business, financial, and community affairs. The Governance/Nominating Committee exercised its discretion to waive a policy limiting the service of retired Chief Executive Officers when it recommended that R. D. Cash be renominated to serve a new term as a director. There is no policy with respect to the number of terms that any individual director can serve.

Certain Relationships and Related Party Transactions

There are no relationships or related transactions between the Company and any of its directors that are required to be disclosed pursuant to federal securities laws.

SECURITY OWNERSHIP, DIRECTORS AND EXECUTIVE OFFICERS

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The following table lists the shares of stock beneficially owned by each of the directors, each nominee, and each executive officer named on page 12 and all directors and executive officers as a group as of March 1, 2005 (unless otherwise indicated). Except as noted, each person has sole voting and investment power over the shares shown in the table.

Amount and Nature of Common Stock Beneficially Owned

	Number of Shares Owned	Right to Acquire ¹	Percent of Class ²	Phantom Stock Units ³
Alan K. Allred ^{4,5,6}	49,313	107,500	.18%	782
Phillips S. Baker, Jr.	2,200	0	*	0
Teresa Beck	1,963	26,200	*	8,393
R. D. Cash ⁶	345,141	526,941	1.02%	39,382
Patrick J. Early	26,800	29,800	*	17,966
L. Richard Flury	2,000	7,000	*	3,570
James A. Harmon	81,428	13,400	.11%	5,912
Connie C. Holbrook ^{4,5}	177,405	92,926	.31%	8,306
Robert E. Kadlec ⁷	28,780	60,400	*	0
Robert E. McKee III ⁸	2,966	7,000	*	900
Gary G. Michael	10,000	8,000	*	19,363
S. E. Parks ^{4,5,6}	108,405	229,748	.39%	4,380
Keith O. Rattie ^{4,5,6,9}	93,964	380,000	.56%	10,202
M. W. Scoggins	3,000		*	900
Harris H. Simmons	20,000	55,800	*	23,045
Charles B. Stanley ^{4,5}	48,677	168,750	.25%	4,147
All directors and executive officers (19 individuals including those listed above)	1,074,629	1,820,301	3.6%	154,249

¹Shares that can be acquired by exercising stock options within 60 days of March 1, 2005.

²Unless otherwise listed, the percentage of shares owned is less than .10%. (The percentages do not include phantom stock units.) The percentages of beneficial ownership have been calculated in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934.

³Phantom stock units are held through the various deferred compensation plans available to the Company's directors and officers. Although these plans only permit such units to be paid in the form of cash, investment in such units represents the same investment in the performance of the Company's common stock as does investment in actual shares of common stock.

⁴The Company's executive officers have shares held for their accounts in the Company's Employee Investment Plan. The number of shares opposite each of their names includes equivalent shares of stock through such plan as of March 1, 2005, as follows: Mr. Rattie, 1,196 shares; Mr. Stanley, 2,743 shares; Mr. Parks, 22,916 shares; Mr. Allred, 22,021 shares; and Ms. Holbrook, 30,259 shares.

⁵Messrs. Rattie and Stanley were each granted shares of restricted stock when they were hired and in February of 2003. They, and the Company's other executive officers, acquired restricted shares of the Company's common stock in partial payment of bonuses earned under the Annual Management Incentive Plans for 2003 and received restricted stock grants in February of 2004. The number of shares opposite each of their names includes the following shares of restricted stock beneficially owned as of March 1, 2005: Mr. Rattie, 52,000 shares; Mr. Stanley, 33,000 shares; Mr. Allred, 8,700 shares; Mr. Parks, 7,000 shares; and Ms. Holbrook, 4,970 shares. The officers receive dividends on such shares and have voting powers for such shares, but cannot dispose of them until they vest.

⁶Of the total shares reported for Mr. Cash, 37,043 shares are owned by his family's private foundation, and 7,534 shares are in family trusts for which Mr. Cash shares voting and investment control. Mr. Cash disclaims any economic interest in such shares. Mr. Allred owns his record shares with his spouse. Some of Mr. Parks' record shares are owned jointly with his spouse. Some of Mr. Rattie's non-restricted shares are owned jointly with his spouse.

⁷Mr. Kadlec's wife beneficially owns 400 shares of common stock. Mr. Kadlec has voting control and investment control over such shares. Such shares are included in the shares listed opposite his name.

⁸One hundred shares of common stock are held in the name of the McKee Family Trust.

⁹Mr. Rattie is the Chairman of the Board of Trustees of the Questar Corporation Educational Foundation, the Questar Corporation Arts Foundation, and the Questar Corporation Native American Scholarship Foundation, three nonprofit corporations that own an aggregate of 98,001 shares of the Company's common stock as of March 1, 2005. As Chairman, Mr. Rattie has voting power for such shares, but disclaims any beneficial ownership of the shares. The shares are not included in the total opposite his name.

SECURITY OWNERSHIP, PRINCIPAL HOLDERS

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The following table sets forth information, as of December 31, 2004, with respect to each person known by the Company to beneficially own at least five percent of its common stock.

Name and Address of Beneficial Owner	Shares and Nature of Beneficial Ownership	Percent of Class
Capital Research and Management Company 333 South Hope Street Los Angeles, California 90071	7,575,000 Investment Advisor ¹	8.9%

¹In its Schedule 13G dated February 9, 2005, Capital indicated that it had sole power to dispose of 7,575,000 shares but had no power, sole or shared, to vote any shares.

EQUITY COMPENSATION PLAN INFORMATION

The following information is accurate as of December 31, 2004.

Plan Category	(a)	(b)	(c)
	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))

Equity compensation plans approved by security holders	4,015,071	\$23.85	5,856,016
Equity compensation plans not approved by security holders	0	0	
Total	4,015,071	\$23.85	5,856,016

CERTAIN RELATIONSHIPS EXECUTIVE OFFICERS

Mr. R. Allan Bradley was appointed to serve as an executive officer of the Company and as the President and Chief Operating Officer of Questar Pipeline Company effective January 1, 2005. Prior to joining the Company, Mr. Bradley was the managing director and founding member of Ventura Energy LLC from 2002 to 2004. Ventura was hired by various subsidiaries of the Company beginning in October 2002 to assist with marketing the western segment of its Southern Trails Pipeline and other tasks. Pursuant to the terms of the consulting contracts with Ventura, the Company's subsidiaries paid \$316,599.63 for services rendered in 2004. Mr. Bradley formally resigned his affiliation with Ventura Energy in December 2004.

EXECUTIVE COMPENSATION

The following Summary Compensation Table lists compensation earned by Mr. Rattie and the other four most highly compensated executive officers during 2002, 2003, and 2004.

	Summary Compensation Table						
		Annual Compensation		Long-term Compensation		All Other Compensation	
<u>Name and Principal Position</u>	Year	Base Salary (\$)	Bonus (\$) ¹	Restricted Stock Awards (\$) ^{2,3}	Option Shares (#) ⁴	Contingent LTI Bonus (\$) ⁵	(\$) ^{6, 7 & 8}
Keith O. Rattie	2004	533,750	661,200	418,800	0	400,000	100,544
President and Chief Executive Officer	2003	501,667	535,650	813,300	150,000		86,937
	2002	442,917	209,200	0	140,000		61,140

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Charles B. Stanley	2004	382,292	389,973	314,100	0	350,000	121,790
President and Chief Executive Officer	2003	311,667	265,579	406,650	75,000		104,558
Questar Market Resources, Inc.	2002	255,417	61,723	502,514	175,000		99,326
Alan K. Allred	2004	272,667	125,580	165,000	0	100,000	22,375
President and Chief Executive Officer	2003	245,000	84,920	0	70,000		15,247
Questar Gas Company	2002	164,333	55,272	0	22,000		13,204
S. E. Parks	2004	263,958	210,200	122,150	0	75,000	29,468
Senior Vice President and Chief Financial Officer	2003	255,000	166,270	0	48,000		23,981
	2002	227,083	76,619	0	45,000		21,200
Connie C. Holbrook ⁹	2004	252,917	201,000	122,150	0	50,000	24,895