

QUESTAR CORP
Form 11-K
June 25, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 OR

OR

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, 2002.

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 are: 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, 2002, 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 by its duly authorized chairman.

QUESTAR CORPORATION
EMPLOYEE INVESTMENT PLAN

June 25, 2003

/s/ Keith O. Rattie

Keith O. Rattie, Chairman

Financial Statements and
Supplemental Schedules
Questar Corporation
Employee Investment Plan

As of December 31, 2002 and 2001 and for the year ended December 31, 2002
with Report of Independent Auditors

Questar Corporation
Employee Investment Plan
Financial Statements and
Supplemental Schedules

As of December 31, 2002 and 2001 and for the year ended December 31, 2002

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REPORT OF INDEPENDENT AUDITORS

Employee Benefits Committee
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, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion of these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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, 2002 and 2001, and the changes in its net assets available for benefits for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2002, and the reportable transactions for the year then ended, 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules 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.

Salt Lake City, Utah
 June 6, 2003

/s/Ernst & Young LLP
 Ernst & Young LLP

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Questar Corporation
 Employee Investment Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2002	2001
Assets		
Investments at fair value:		
Questar Corporation common stock	\$136,999,245	\$119,848,669
Registered investment companies	19,981,300	27,469,384
Collective trust funds	11,407,963	
Merrill Lynch Retirement Preservation Trust		1,768,937
Loans receivable from employees	5,024,319	5,674,826
Short-term investment	2,636,985	779,609
	<u>176,049,851</u>	<u>155,541,425</u>
Contributions receivable from Questar Corporation	402,400	131,636
Interest receivable	4,016	11,127
	<u>176,456,267</u>	<u>155,684,188</u>
Liabilities		
Pending trades	39,135	
	<u>39,135</u>	
Net assets available for benefits	<u>\$176,417,132</u>	<u>\$155,684,188</u>

See accompanying notes.

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Questar Corporation
Employee Investment Plan

Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2002

Additions	
Dividends and earnings	\$3,650,268
Interest income from employee loans	436,196
Contributions:	
Participants	9,114,245
Employer	5,588,072
Total contributions	<u>14,702,317</u>
Total additions	<u>18,788,781</u>
Deductions	
Benefits paid to participants	5,303,524
Trustee fees and commissions	34,675
Total deductions	<u>5,338,199</u>
Net realized and unrealized appreciation of fair value of investments	<u>7,282,362</u>
Net increase	20,732,944
Net assets available for benefits at beginning of year	155,684,188

Net assets available for benefits at end of year

\$176,417,132

See accompanying notes.

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Questar Corporation
Employee Investment Plan

Notes to Financial Statements

December 31, 2002

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 Plan Document for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan for 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 of January 1, 2002, the Plan was amended to qualify as an employee stock ownership plan (ESOP) as defined in the Code, Section 4975(e)(7). Also effective January 1, 2002, the record keeper for the plan is Wells Fargo Bank Minnesota, N.A. (Wells Fargo), and various other Plan changes were made.

During 2001, in addition to Questar Corporation common stock, employees were able to direct the investment of their contributions into the following funds: the 1) Merrill Lynch Retirement Preservation Trust, which invests primarily in a broadly diversified portfolio of guaranteed investment contracts (GICs) and in obligations of U.S. government and government-agency securities; 2) Fidelity Magellan Fund, which invests

primarily in common stocks; 3) Fidelity Puritan Fund, which invests primarily in common stocks and bonds; 4) Fidelity Intermediate Bond Fund, which invests primarily in high and upper-medium grade fixed-income obligations; 5) Vanguard 500 Portfolio Index Fund, which invests primarily in common stocks as it seeks to replicate the Standard & Poor's 500 Composite Price Index; 6) Vanguard Total International Portfolio Fund, which invests in a combination of the European, Pacific, and Emerging Markets Vanguard International Equity Index Funds; and 7) Vanguard Index Trust-Small Capitalization Stock Portfolio Fund, which invests in a diversified group of small-sized companies as it attempts to track the performance of the Russell 2000 Index.

Beginning in 2002, 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 Wells Fargo Short-term Investment Money Market; 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) MFS Massachusetts Investors Growth Stock Fund, which seeks long-term growth of capital and future income rather than current income; 4) MFS New Discovery Fund, which invests at least 65% of its total assets in emerging growth companies; 5) MFS Total Return Fund, which invests in a broad mix of fixed income and equity securities; 6) PIMCO Total Return Fund, which invests in corporate bonds, U.S. government securities, mortgage backed securities, and money market

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instruments with an average duration between three and six years; 7) Putnam International Growth Fund, which invests primarily in equity securities of companies located in countries outside of North America; 8) Van Kampen Comstock Fund, which invests primarily in common and preferred stocks and securities convertible into common and preferred stock; 9) Wells Fargo S&P 500 Index Fund (a collective trust fund), which invests in the same stocks and in substantially the same percentages as the S&P 500 Index; and 10) Wells Fargo Stable Return Fund (a collective trust fund), which invests primarily in GICs, GIC alternatives, marketable securities, and money market securities. Employees can change contribution percentages at any time, but the effective date, which will be a payroll date, depends on transmission of information between Wells Fargo and Questar.

Participants are able to transfer all or part of their 401(k) account balance between any of the Plan investment funds, including Questar stock. Beginning in 2002, employees can transfer their existing balances at any time. Prior to 2003, the Plan did not permit the transfer of any portion of a participant's account balance attributable to employer contributions. However, effective January 1, 2003, employees with three years of service can also transfer employer contributions within the Plan. Participants are limited to one transfer per calendar month in or out of the Questar stock fund. Participants who contributed to the stock fund or any of the other investment funds received employer matching contributions in the form of Questar shares 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.

Employees of participating employers are eligible to participate in the Plan immediately upon hire if scheduled to work a minimum of 20 hours per week. Beginning in the year 2002, employees can contribute up

to the maximum 401(k) contribution, plus any make-up contribution, if they are eligible. The 401(k) limit for 2002 and 2003 is \$11,000 and \$12,000, respectively, and the make-up maximum contribution limit for each year is \$1,000 and \$2,000, respectively.

The Plan provides an additional \$200 annual employer 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 20 hours per week and employed on the first and the last day of the Plan year. This contribution is made irrespective of whether the eligible employee otherwise participates in the Plan.

Employees have the opportunity to borrow up to 50% of the value of their Plan 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, set at the time the loan is made. The participant can elect loan repayment terms up to a maximum of five years (ten years if the loan is to purchase or build a primary residence) and repayment is by payroll deductions. Upon termination of employment, the participant can either elect to repay the loan or treat the loan as a taxable distribution.

Beginning in 2002, employees are allowed a maximum of 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 to the trustee of the participant's Individual Retirement Account or other qualified plan, if the participant so elects.

Upon retirement, death, or disability, resignation, or other termination, a Plan participant's account (to the extent it has vested) becomes distributable. Benefits are payable as a lump sum after all adjustments then required under the Plan have been made.

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1. Description of the Plan (continued)

If a participant 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 his termination election choices. In the event of a participant's death, payment to a beneficiary may be deferred for up to five years unless the beneficiary is the deceased participant's surviving spouse in which case the beneficiary may elect to delay distribution until the date the participant would have reached age 70-1/2.

If an account balance of a former participant is greater than \$5,000, a distribution will not be made without the participant's consent until death, or if earlier, April 1 of the calendar year following the later of: a) the calendar year in which the participant attains age 70-1/2; or b) the calendar year in which the participant terminates employment, provided the participant is not a five percent owner of the Company. Distribution shall be made by April 1 of such year.

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

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