



News Release

Questar Corporation

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QUESTAR GAS GRANTED RATE RELIEF

SALT LAKE CITY — The Utah Public Service Commission (PSC) today issued an order approving an increase of slightly more than 3% in Questar Gas's general rates effective Dec. 30, 2002. The PSC's action resulted from a rate-increase request filed by the company in May 2002 to reflect the rising costs of keeping pace with record customer growth and to maintain existing service levels.

The increase -- which totals \$11.2 million -- will raise the average monthly bill for the typical residential customer about \$2. The PSC also increased the company's allowed rate of return on equity from 11% to 11.2%.

"Questar Gas's financial underperformance in recent years stems primarily from two factors," said Questar Gas President and CEO Nick Rose. "First, Utah has been the only state in the country that set next year's rates based on last year's conditions. Because average natural gas consumption has been declining at a rate of about 3% per year, Utah's approach resulted in rates that did not allow Questar Gas to recover its costs. We are encouraged that in this case the

Commission has agreed to set next year's rates based primarily on year-end 2002 conditions.

This will reduce the amount of underrecovery -- so called regulatory lag -- and improve returns.

"However, the second factor in Questar Gas's poor financial performance is the allowed return on investment," said Rose. "In this rate case we presented compelling evidence that Questar Gas's authorized return is well below the returns that similarly well-run utilities are being allowed to earn in other states.

"The PSC's decision to increase the company's allowed rate of return to 11.2% is a step in the right direction," Rose continued. "The evidence clearly demonstrated that Questar Gas's returns have not been sufficiently competitive to attract the necessary capital to keep pace with Utah's growth. The PSC's action is an encouraging sign in that it recognizes the importance of a financially viable utility. However, we are disappointed that Questar Gas's allowed returns still remain well below those that other states are allowing similarly well-run utilities to earn. By virtually any measure, Questar Gas is one of the nation's most efficient utilities as evidenced by rates that are among the lowest in the nation.

"Questar Corporation over the past decade has invested \$650 million in Questar Gas, nearly doubling its investment. We've also cut costs and improved productivity. Today, Questar Gas is serving nearly twice as many customers with one-third fewer employees than in 1990. Our customers are clearly benefitting -- Questar Gas's rates are among the lowest in the country. But Questar Corporation in recent years has not been allowed to benefit from its increased investment and cost-cutting efforts. Questar Gas's net income today is about the same as it was in 1990."

Questar Gas's rates are divided into three parts: the costs of natural gas; the costs of moving the gas to market; and, finally, the costs of providing service to retail customers, which include the new investment necessary to serve a growing number of customers. It is this last part in which the company received an increase. The fluctuating costs of the natural gas itself and moving it to market are passed along to customers after separate rate proceedings usually held twice a year. In its most recent pass-through proceeding the company was granted a 1.1 percent decrease due to lower regional gas and transportation costs. This decrease goes into effect Jan. 1, 2003.

Questar Gas is a subsidiary of Questar Corp. (NYSE:STR), a \$2.9 billion diversified natural gas company headquartered in Salt Lake City. Through subsidiaries, it engages in gas and oil development and production; gas gathering, processing and marketing; interstate gas transmission and storage; retail gas distribution; retail energy services; and information systems and technologies.

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