



News Release

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Local Natural Gas Costs Remain Stable

SALT LAKE CITY -- In response to reports of record-high natural gas prices in parts of the nation, Questar Gas Co. said its gas-supply costs remain relatively stable. The company said customers will see no rate increases due to rising gas costs at least through mid-2003.

Questar Gas – which serves 750,000 homes and businesses in Utah and portions of Wyoming and Idaho – said its favorable supply-cost situation reflects 1) availability of low-cost company-owned supplies, and 2) lower prices in the Rocky Mountain region.

Company-owned production represents about half of Questar Gas's total supply and is delivered to customers at "cost of service" – currently about \$2.50 per thousand cubic feet (Mcf). Cost of service includes the expenses associated with producing and transporting the gas.

"We are one of only a few utilities with significant company-owned gas supplies," said Alan K. Allred, incoming president and CEO of Questar Gas. "These company supplies are a tremendous advantage in maintaining stable rates, especially during periods of escalating market prices."

Questar Gas purchases the other half of its supplies from Rocky Mountain sources under contracts with varying terms. Rocky Mountain prices have been significantly below

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national prices. Some gas is purchased under contracts with fixed prices or price caps (under \$4 for March 2003). Other contracts use current-month market prices. Rockies prices for March delivery were \$5.60 per Mcf compared with \$9 for the NYMEX benchmark.

“It’s a simple case of supply and demand,” Allred said. “Rockies gas production has been outpacing both the regional market and the capacity of interstate pipelines that export gas to national markets.”

Questar Gas also purchases gas supplies during lower-price periods and stores them in underground facilities for winter delivery.

Company officials said current and planned interstate-pipeline-construction projects could increase Rockies gas demand and put upward pressure on regional prices in the second half of 2003. Questar Gas refills its storage reservoirs from April through November and pays prevailing regional prices. Changes in gas costs are passed through to customers on a dollar-for-dollar basis through periodic purchased-gas adjustment filings. In other words, there is no mark-up or profit for Questar Gas on the gas-cost portion of customers’ bills.

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