



News Release

Questar Corporation
180 East 100 South
P.O. Box 45433
Salt Lake City, UT 84145-0433

May 30, 2003
(UT)
Contact: Chad Jones
Office: (801) 324-5495

Questar Gas Requests Rate Increase

SALT LAKE CITY — Questar is requesting a 25 percent increase in its Utah natural gas rates to reflect higher gas-supply costs. If approved by the Utah Public Service Commission (PSC), the monthly bill for the typical residential customer will increase by about \$14.25 on July 1.

Questar Gas typically asks for PSC approval twice yearly to adjust rates to reflect changing supply costs, which are passed on to customers with no markup. Last summer's abundance of low-cost regional supplies made a rate change unnecessary, but higher national and regional prices are returning. Questar Gas customers will see higher prices, but company-owned gas will ensure that prices are not as high as in other areas.

“About half of the natural gas we provide customers comes from Questar Gas-owned reserves and is delivered to our customers at ‘cost-of-service’ pricing, which means the costs of producing and transporting the gas instead of market prices,” said Alan Allred, Questar Gas president and CEO. “Our ownership of gas reserves makes us unique in the industry. The cost to develop and deliver this gas is considerably lower and more stable than the cost of gas we need to purchase from third-party suppliers. Without the lower cost of company-owned supplies, the average Utah customer would spend an additional 22 percent over the next year for gas service.”

Questar Gas has had relatively stable natural gas-supply costs for the past 18 months, in contrast with national trends which, according to the U.S. Energy Information Administration (EIA), saw utilities across the nation ask for gas-cost increases of 25-40 percent. “Our customers benefit from natural gas rates that are among the lowest in the country,” said Allred. “However, they now face higher costs. Natural gas demand is growing nationwide, and supply is not keeping pace.

“In recent years, the Rockies region has been somewhat insulated from rising prices,” Allred said. “During the past decade, ours is the only region where supply has grown. Until recently, regional supply growth outpaced both regional demand and the capacity of interstate pipelines to export the gas to national markets. However, the recently completed Kern River Pipeline expansion allows more Rockies gas to reach gas-hungry markets in California and the Southwest. Regional prices have increased as we approach equilibrium with national prices.”

About two-thirds of a customer’s bill reflects the cost of the gas itself. The other third consists of non-gas costs such as system maintenance and other expenses related to delivering gas to customers. As a percentage of household budgets, the annual bill for a typical customer in 2003 is still about what it was 15 years ago.

Still, the company is encouraging its customers to do a few things to help cope with the supply-and-demand roller coaster. “We encourage customers to enroll in our Equal Payment Program (EPP). It is designed to help spread the annual cost of natural gas service evenly throughout the year. July is the month to sign up and customers can find more information in their June bills,” said Allred.

“But even more important in the long run will be customer support for a national energy

policy. “The nation has a natural gas supply problem. America got a wake-up call two years ago when a confluence of events – a cold winter, a hot summer and a surging economy – sent gas prices soaring. Today, the cycle is repeating -- demand is up and supply is down because the nation didn’t take action to increase supplies.

“We’re not running out of natural gas, and we’re not running out of places to look for natural gas in this country. However, we are running out of places where we are *allowed* to look for gas. The truth that must be confronted is that, as a matter of policy, this country has chosen not to develop much of its natural gas resource base. Many of our customers are unaware that this choice has been made on their behalf. The federal government manages nearly half of the land in the Intermountain West. Access restrictions and other impediments make it increasingly difficult to obtain permits to drill on this land. Opponents of gas development often exaggerate environmental concerns. The result is that we’re not adequately developing our most environmentally friendly fuel to keep pace with demand,” said Allred.

“Questar continues to support development of a national energy policy that recognizes natural gas as an abundant, domestic energy source that is good for our economy, the environment and society.

“The increasing demand for natural gas will undoubtedly lead to future price increases unless we open new access to this nation’s gas supplies,” Allred said. “We intend to keep our rates as low as possible and use our company-owned supplies to mitigate higher costs while ensuring reliable service.”

###