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Questar Gas Requests Rate Increase

SALT LAKE CITY — Questar Gas is requesting a 10.4 percent increase in its Utah natural gas rates to reflect higher gas-supply costs. If approved, the company anticipates this request will be partially offset by a recent Public Service Commission of Utah (PSCU) decision ordering Questar Gas to return to customers \$29 million in gas-processing expenses. The combined changes will increase the typical residential customer's monthly bill by about 6.5 percent or \$4.64 on Oct. 1, 2004.

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. "The price we're paying for supplies on the open market is higher than current rates cover," said Alan Allred, Questar Gas president and CEO. "This request is being made now so we can keep up with higher prices this winter.

"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 the gas instead of market prices," said Allred. "Without company-owned gas our customers would be facing an increase of about 26 percent. Our

ownership of gas reserves makes us unique in the industry. The cost to develop and produce this gas is considerably lower and more stable than the cost of gas we need to purchase from third-party suppliers.”

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.

The full impact of the 10.4 percent increase in gas costs will be reduced by about 4 percent as a result of the recent PSC order disallowing the inclusion of certain gas-processing costs in customer rates. The PSC’s order of a refund means most customers will see a line-item credit on their bills throughout the next 12 months titled “PSC-ordered gas-processing refund.”

The company is encouraging its customers to do a few things to help cope with fluctuating gas prices. “We encourage customers look for energy-saving tips on our Web site, Questargas.com, and to enroll in our Budget Plan. It is designed to help spread the annual cost of natural gas service evenly throughout the year,” said Allred.

“The higher price Questar Gas is paying for supplies on the open market is a result of policymakers’ reluctance to deal with our nation’s energy-supply access problem,” Allred added. “This has potentially serious consequences for the environment, economy and the natural gas industry. Federal and state policies must be enacted that stimulate development of the nation’s abundant natural gas resource base.”

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