



News Release

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Questar Gas Requests Rate Increase

Supply costs have nearly doubled over the past six months

SALT LAKE CITY — Questar Gas is requesting a two-phase increase in its Utah natural gas rates to reflect the higher cost of gas it buys from other companies. If approved by the Utah Public Service Commission (PSC), the monthly bill for the typical residential customer will increase by about \$12.50 on July 1 and by another \$12.50 on October 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 and therefore no impact on the utility's profits. The company bases its requests on forecasts of what it will cost to buy natural gas supplies for customers. Since the last rate adjustment in November 2007, the market price for natural gas has nearly doubled. Current forecasts show Questar Gas's rates need to be increased by a total of 45 percent to cover future supply costs.

“Even with this increase, Questar Gas's natural gas rates will remain among the nation's lowest. Our commitment is to keep them there,” said Alan Allred, Questar Gas president and CEO. “However, like all other natural gas utilities, we now face higher purchased-gas costs. Although national supplies are increasing, demand for natural gas is also growing.

“We regret we must raise rates now, when family budgets are strained by higher gasoline and food prices. But we've held the line on rates as long as possible in the face of increased supply costs, and failure to reflect these costs now will result in larger and more painful increases later. To soften the impact on our customers, we're proposing to phase in the increase in two steps over the next several months,” said Allred. “With this first step, the intent is to collect only what we need to cover our costs to buy gas to meet customers' needs this summer. If

natural gas prices remain at or near current levels, we will need to implement the second phase this fall.”

About half of the natural gas Questar Gas provides customers comes from Questar-owned reserves. The cost to develop and deliver this gas is considerably lower and more stable than the cost of gas the utility needs to purchase from third-party suppliers. Without the benefit of lower-cost company-owned supplies, Questar Gas would be asking for more than a 70 percent increase – more in line with other gas utilities nationally.

“As a percentage of household budgets, the annual natural gas bill for a typical customer in 2008 is still about what it was 15 years ago,” said Allred. “And even with this increase, the cost to heat a typical Utah home will be about what it was in 2005, before the past four decreases. But we realize these facts are small comfort to customers facing large increases.

“Higher natural gas prices are the market’s way of sending a simple message: We need to produce more natural gas and use less,” said Allred. “U.S. natural gas production has begun to respond to higher prices. Production is up over the previous year, and capital spending by producers has jumped. In the meantime, we encourage customers to take advantage of programs offered to help reduce natural gas use.”

Those programs include:

- ThermWise energy-efficiency programs, designed to give customers incentives to take steps to save energy and money. More information can be found at www.ThermWise.com.

- Enrolling in Questar Gas’s Budget Plan, designed to help spread the annual cost of natural gas service evenly throughout the year. Customers can find more information in their July bills.

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