

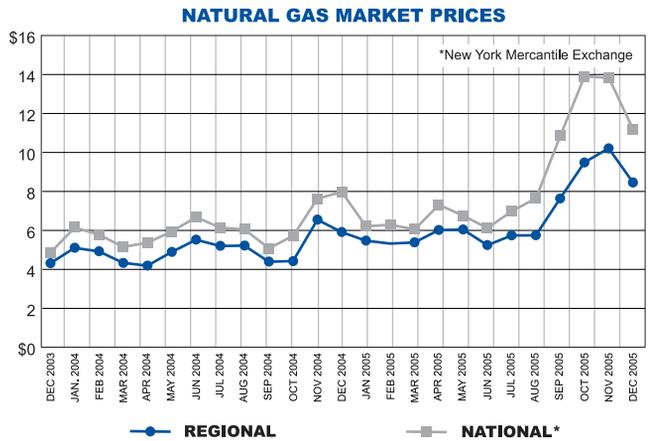
*A message from Alan Allred, Questar Gas president and CEO*

Dear Customer:

As you have seen, natural gas bills this winter are significantly higher than last year. Even with all the news about higher natural gas prices, reality doesn't set in until your bill is opened. Here are straight answers about the causes of higher gas prices:

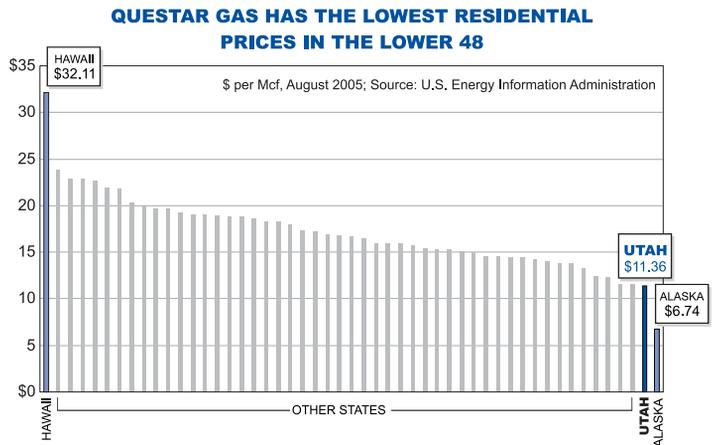
**WHY ARE GAS PRICES GOING UP?**

Natural gas price increases are due to limited supply and growing demand. Natural gas is in demand because it is a clean-burning, convenient, reliable energy source. At the same time, largely due to misguided environmental opposition, our nation has chosen to leave large amounts of natural gas resources off limits to development and production. On top of an already tight supply-and-demand market, the Gulf Coast hurricanes last fall damaged vital energy infrastructure and reduced supplies just before peak winter demand for natural gas. In fact some Gulf Coast supplies are still not producing. As a result, gas prices are up across the nation. As you can see, prices on the open market are volatile and have increased to record highs this year both nationally and locally. Typically, we adjust rates semiannually to reflect these changes. The most recent change was a 20.3 percent increase, which went into effect Nov. 1.



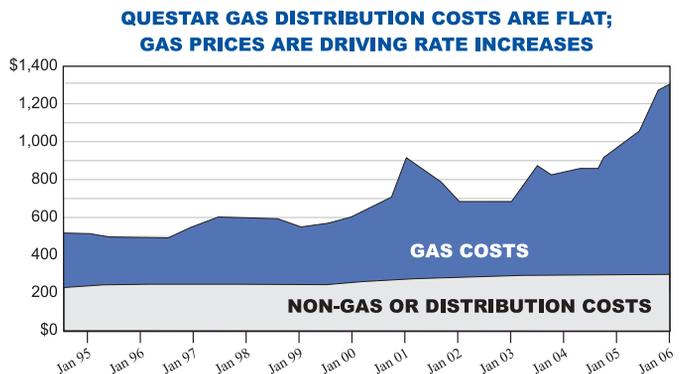
**HOW DO MARKET PRICES AFFECT MY BILL?**

Questar Gas buys about half of the gas you need on the open market. We resell it to customers for the same price, with no markup. However, Questar Gas is unique in the industry. The other half of the gas you need comes from company-owned supplies which we sell to customers at the price it costs us to produce. When combined with market gas, the overall price for customers to heat their homes is significantly lower than other areas of the country. In fact, the residential prices you pay are the lowest in the country except for Alaska which has abundant supplies and a geographically limited market.



**DO HIGHER PRICES MEAN MORE PROFIT FOR QUESTAR GAS?**

No. We make money on delivering gas, not on the gas itself. Our rates have two components: (1) gas cost, and (2) non-gas or distribution costs, which include the costs of operating and maintaining the distribution system that delivers gas to you. Our allowed profit margin is included in the non-gas costs. As this chart shows, the price increases this winter are for gas costs. Over time, the non-gas costs have been remarkably stable. We are keeping these costs down by serving 65 percent more customers with 25 percent fewer employees than we did in 1990. In addition, state regulatory agencies such as the Public Service Commission of Utah, Utah Division of Public Utilities and the



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Committee of Consumer Services are diligent in reviewing our costs regularly. But neither Questar Gas nor these agencies can change regional or national gas prices Questar Gas must pay to purchase needed gas supplies.

#### WHAT EXACTLY AM I PAYING FOR IN MY BILL?

Your monthly gas bill has two main components: gas costs and non-gas or distribution costs. Gas costs make up about 78 percent of the typical customer's monthly bill. Every six months, the PSC reviews our gas-purchasing costs to make sure our rates are fair.

Distribution costs, which make up about 22 percent of the bill, are for operating and maintaining the distribution system. Questar Gas's profits are included in distribution costs. The increase in your bill is due to increases in purchased-gas costs.

#### HOW IS QUESTAR GAS HELPING?

We are maximizing the low cost company-owned supplies, delivering gas that is only a third the cost of market-priced gas.

In fact Wexpro, the Questar company that operates and develops company-owned production, is taking steps this winter to increase company-owned production by drilling and completing new wells. And we continue to increase Questar Gas efficiency with new technology and more efficient processes. We provide your natural gas service at prices that are the lowest in the lower 48 states. We offer payment programs to make budgeting and bill paying easier. Questar Gas supports the Red Cross REACH program, which helps income-eligible customers pay their bills. The company also advocates increasing federal financial help for these customers.

#### HOW CAN YOU LOWER YOUR BILL?

- Sign up for the Budget Plan and spread your annual billing amount into 12 equal monthly payments.
- Schedule a periodic inspection by a heating professional to ensure safe, efficient operation of your heating equipment.
- Change the furnace filter regularly to help keep clean air flowing throughout your home. If the filter becomes dirty or clogged, it will restrict airflow and cause the furnace or air conditioner to stay on longer – using more energy.
- Install a set-back thermostat.
- Seal leaks around doors and windows with caulk or weather stripping.
- Lower the temperature setting on your water heater to 120 degrees Fahrenheit or turn the dial from high to medium. If you're leaving home for a few days or more, turn the dial to low.
- Close vents and doors in unused rooms and close dampers on unused fireplaces. (Don't block openings that provide combustion air for space- and water-heating equipment.)
- Clean the clothes dryer lint screen between each load. A clean screen allows for a quick drying cycle.

For more information, to sign up for the Budget Plan or find more energy-saving tips, visit us online at [www.questargas.com](http://www.questargas.com) or call (800) 323-5517.

Sincerely,



Alan Allred  
President and CEO

The typical customer on the Budget Plan pays about \$107 each month. As you can see, half the gas we supply (our company-owned supplies) is priced significantly lower than the open-market gas. This is one benefit that sets us apart from other utility companies across the country.

