Questar's Natural Gas Vehicle Program

April 19, 2011

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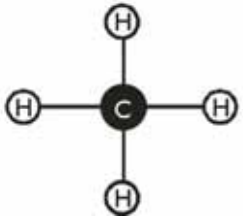
Motivators

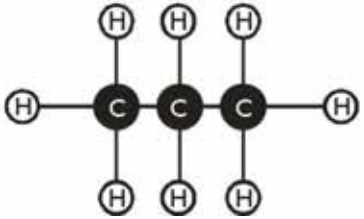
- Domestic Fuel, locally produced
- Renewable Fuel
- Reduces Foreign Dependency
- **Cleanest Fuel on Earth – Well to Wheel !**

Molecular Structures of Fuel

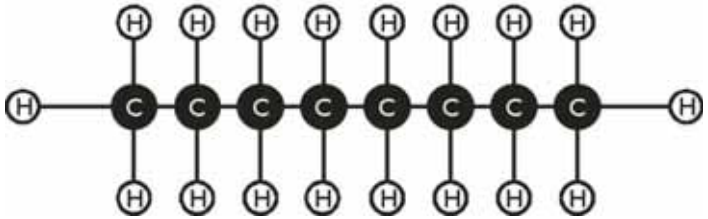
Methane CH_4



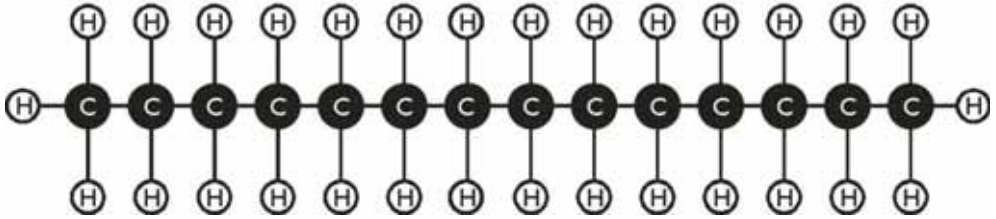
Propane (LPG) C_3H_8



Gasoline C_8H_{18}



Diesel $C_{14}H_{30}$



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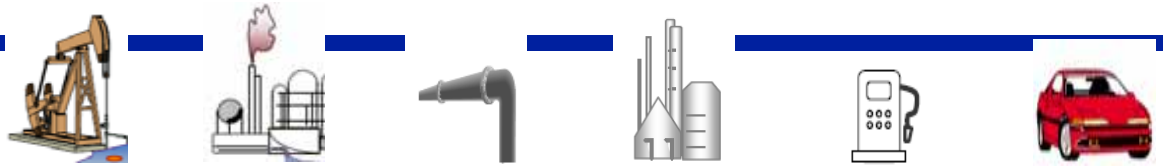
Fuel Life Cycle Emissions

Natural Gas Provides a Cleaner Solution

Comparison of GHG (gCO2e/MJ grams of Carbon Dioxide equivalent per megajoule)



	Extraction / Farming	Processing	Distribution	Production	Transport / Distribution	Vehicle Combustion	**Total Life Cycle**
Landfill Gas (RNG)	0.0	0.0	0.0	-44.9	4.0	57.3	**16.4**
Biodiesel	20.8	0.0	0.0	2.3	1.5	0.8	**25.4**
Natural Gas (CNG)	3.5	3.7	1.0	2.1	0.6	57.7	**68.6**
Natural Gas (LNG)	3.5	3.7	1.0	15.8	0.5	58.5	**83.1**
Corn Ethanol	5.8	31.4	2.3	48.8	2.6	-	**90.9**
Gasoline	6.9	13.8	1.1	-	0.4	72.9	**95.0**
Diesel	8.8	10.3	1.1	-	0.2	74.9	**95.3**
Electric	-	-	-	124.1	-	-	**124.1**

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Source: California Air Resources Board (California Well to Wheel Analysis), 2008

CNG Pricing Over Time

- At inception, 1st Tariff, $0.617[3]/gge
- Lowest historical price $0.58 /gge
- June 1, 2010 price $0.96 /gge
- October 1, 2010 price $1.53 /gge
- January 1, 2011 price $1.1.29 gge
- April 1, 2011 price $1.272 gge

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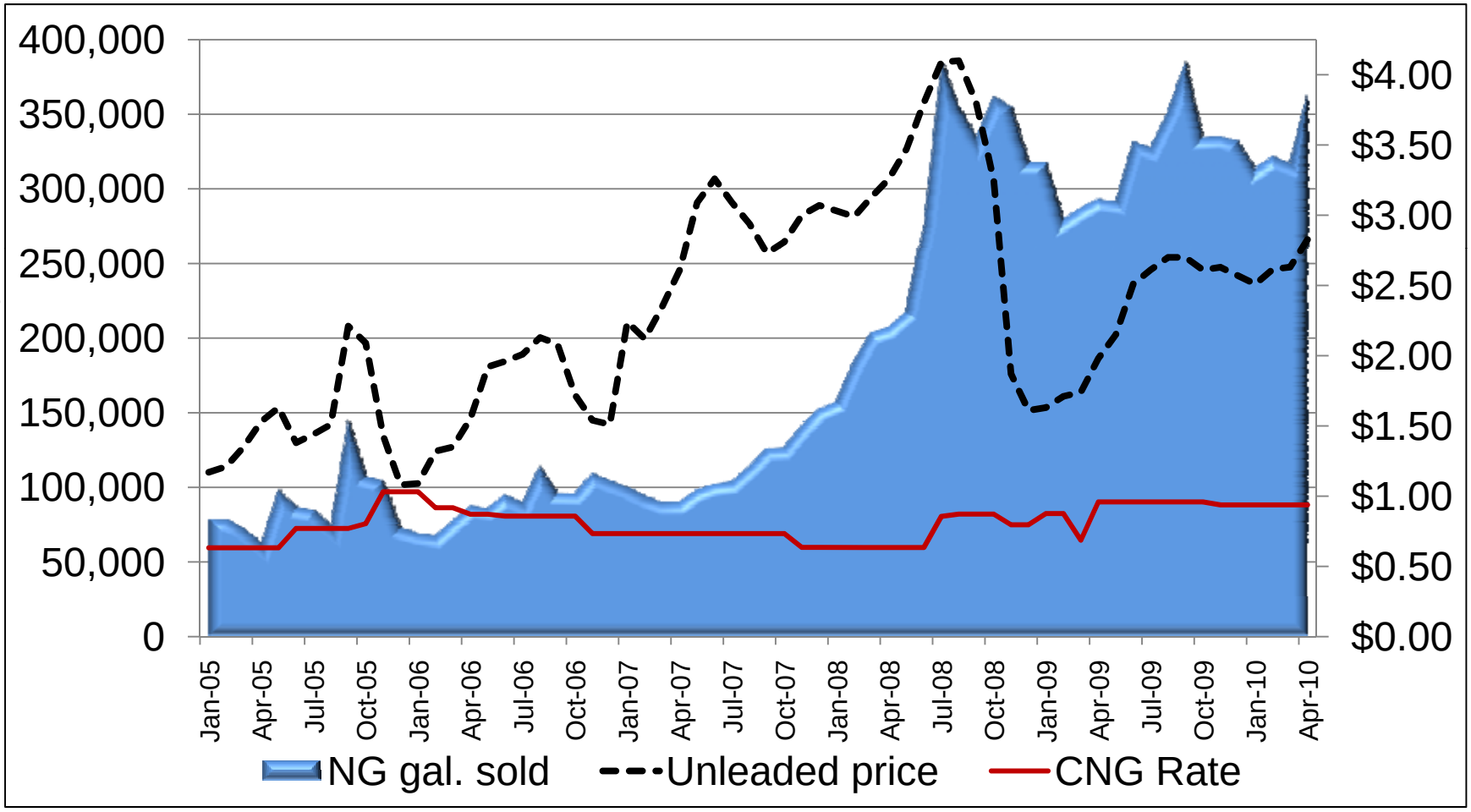
Utah CNG Demand



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Utah CNG Stations

1989 – Sandy & Salt Lake City (DNR)

1990 – Orem

1991 – Murray, Ogden, Salt Lake City Tesoro

1992 – Cedar City, Fillmore, St. George

1993 – School Bus Refueling Logan

1994 – Clearfield & Richfield

1995 – Park City, Price & Springville

2000 – Salt Lake Airport

2001 – West Jordan

2007 – Bountiful/Woods Cross, Brigham City

2009 – Upgrade the System

2010 – Hurricane, Vernal, Scipio & St. George

2011 – Further expansion to Heber, Lakepointe, Silver Creek, and two additional stations

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Government Support

- Federal Tax Incentives, including the DOE Clean Cities Grants for Stations
- Clean Vehicle Utah State Tax Credit
- Governor Clean Corridor Support
- HOV Lanes

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New Federal Tax Incentives Further Improve NGV's Life-Cycle Cost Advantage

Vehicle Tax Credit

Dedicated alternative fueled vehicles placed in service after December 31, 2005 qualify for up to 80% of the incremental cost. Credit value is on sliding scale based on vehicle weight.

- Light-Duty vehicles up to 8,500 lbs can qualify for up to $4,000;
- Medium-Duty vehicles up to 14,000 lbs qualify up to $8,000;
- Medium-Heavy-Duty vehicles up to 26,000 lbs qualify for up to $20,000;
- Heavy-Duty vehicles over 26,000 lbs qualify for up to $32,000.

Seller of vehicle can take credit if buyer is a tax exempt entity

- Tax exempt entities can negotiate with seller to capture value of tax credit
- This provision allows cities, municipalities and special district fleets like schools and other jurisdictional authorities to take advantage of incentives

Federal Motor Fuels Excise Tax Credit

New provision provides $.50 excise tax credit per gallon of Liquefied Natural Gas (LNG) or gasoline-gallon-equivalent of Compressed Natural Gas (CNG), payable to the seller, or if no sale occurs before use (e.g. fleet operates its own station), user can take credit.

- Credit took effect October 1, 2006
- Full credit will be paid in form of "rebate" regardless of amount of excise tax paid.
- Entities that operate their own stations get full credit as users of fuel before sale. Those who purchase from fuel provider will benefit from lower fuel costs from seller.
- New measure increases CNG and LPG motor fuels excise tax to same as gasoline ($.183) and LNG tax to same as diesel ($.243), which offsets some benefit of the tax credit for tax paying entities.

Alternative Fueling Station Credit

Federal tax credit equal to 50% of refueling equipment placed into service that year, with maximum $50,000 credit per year.

- Credit is in effect on equipment placed into service after December 31, 2005.
- The existing $100,000 tax deduction for refueling equipment is repealed
- Measure also provides $2,000 tax credit for home natual gas vehicle refueling appliance.

Vehicles

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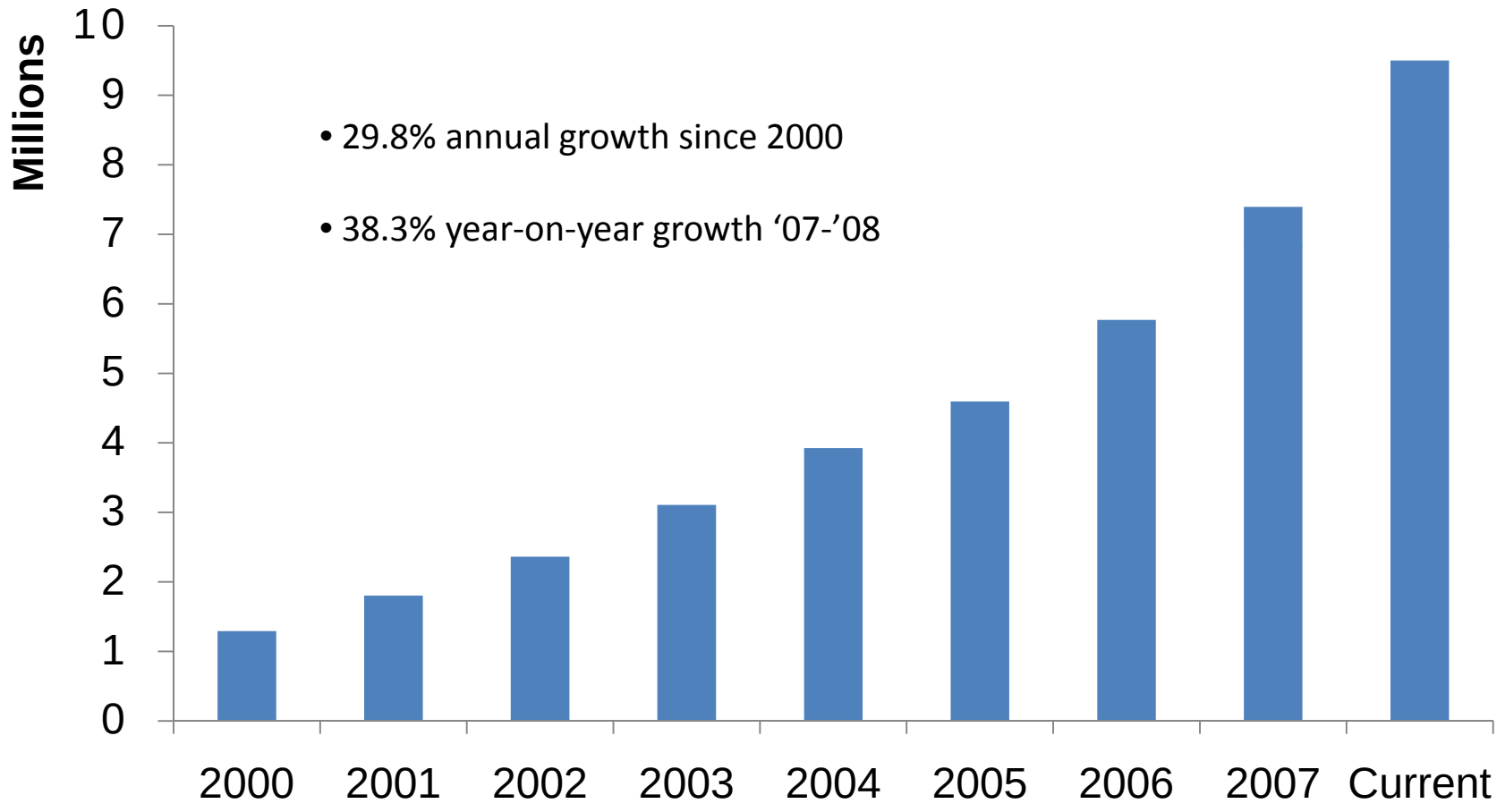
Who Offers NGV's?

Worldwide NGV growth



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Sources: IANGV

The U.S. should join the world in using existing NGV technology

	NGVs '02	NGVs '09	Stations '03	Stations '09
Pakistan	320,000	2,000,000	200	2,600
Argentina	780,000	1,746,000	1000	1,801
Brazil	353,000	1,588,000	535	1,688
Iran	800	1,000,000	*	764
India	84,000	650,000	116	325
Italy	370,000	580,000	490	700
China	36,000	400,000	270	1,260
United States	116,000	110,000	*	1,150
Worldwide	**2,362,000**	**9,612,000**	**6,455**	**10,238**

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Sources: IANGV, NGVAmerica

What will happen in 2011?

-Stimulus Funding Along with Favorable Natural Gas Prices

-Municipal, Transit and Waste Fleets Will Continue to Grow

-Infrastructure Will Expand

-Project Development from the Clean Cities Grants

-Expanded OEM Options Including Conversions

-Continued Strong Collaboration with LDC's and Producers

-NATGAS Act 2 (H.R. 1180)

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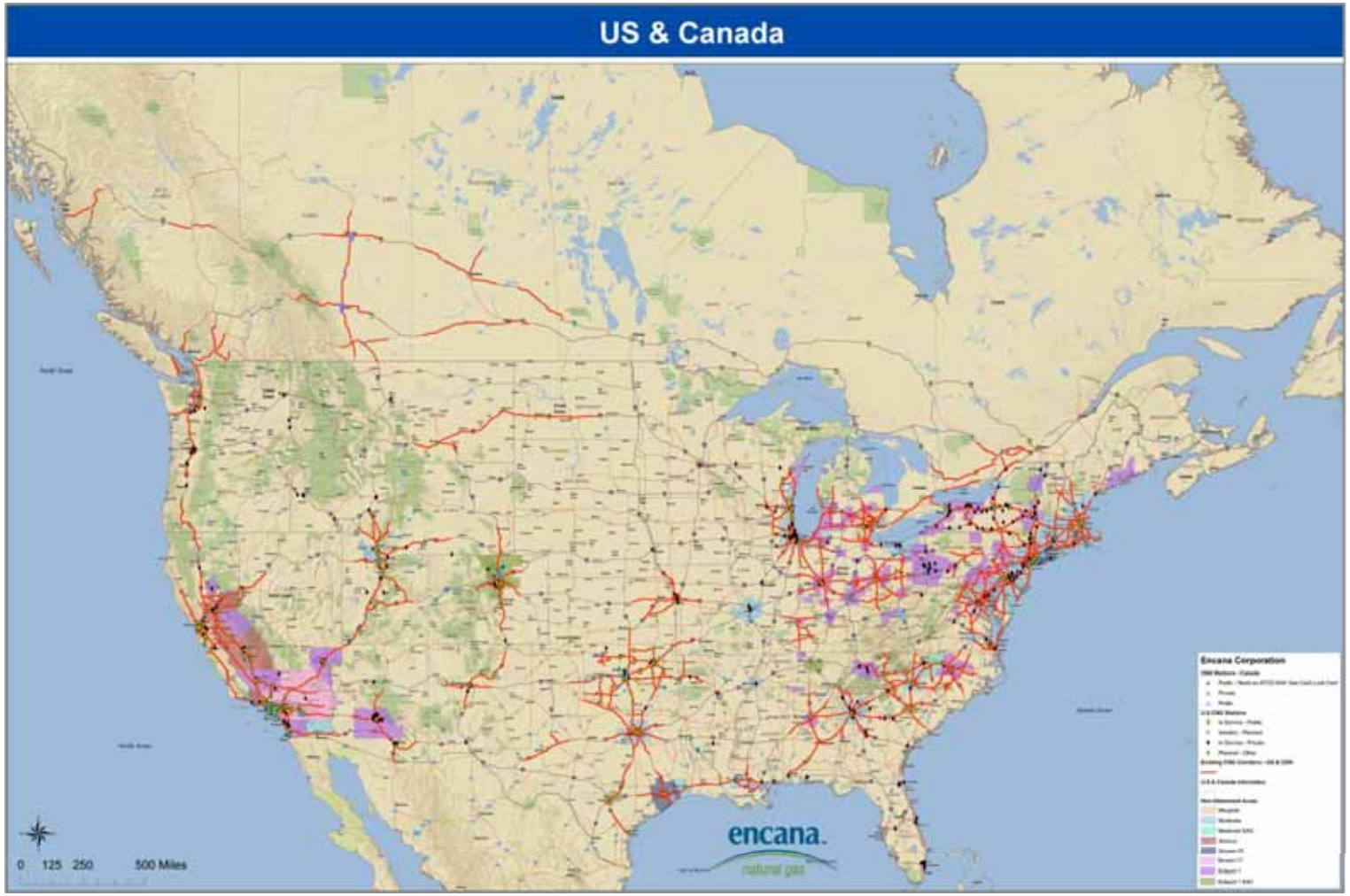
North America



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Questions ?

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