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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Joint Notice and Application of Questar Gas Company and Dominion Resources, Inc. of Proposed Merger of Questar Corporation and Dominion Resources, Inc.	Docket No. 16-057-01 **JOINT NOTICE AND APPLICATION**

Questar Gas Company ("Questar Gas" or the "Company") and Dominion Resources, Inc. ("Dominion") hereby provide notice to the Public Service Commission of Utah ("Commission") of a proposed transaction whereby Questar Gas' parent, Questar Corporation, will become a wholly-owned subsidiary of Dominion (the "Merger"). To the extent the Commission believes approval of the Merger is required under Utah law, Questar Gas and Dominion hereby request an order of the Commission authorizing the Merger.

In this Joint Notice and Application ("Joint Application"), Questar Gas and Dominion provide detailed information regarding the Merger and its benefits to the Company's customers and the public in the state of Utah. Questar Gas and Dominion will cooperate in assuring that the Commission and interested parties are fully informed regarding the Merger. Accordingly, they are providing testimony and exhibits in support of this Joint Application. In addition, to the extent the Commission deems it necessary or useful, they will provide additional requested information in technical conferences and in response to discovery requests and will, if deemed necessary, participate in a hearing to provide further information and respond to questions of the Commission and interested parties.

In addition, Questar Gas requests the Commission to issue an accounting order authorizing it to defer transition costs incurred in connection with the Merger, if it chooses to do so, for later recovery if deemed appropriate by the Commission.

I. BACKGROUND

1. Questar Gas is a Utah corporation with its principal place of business at 333 South State Street, P.O. Box 45433, Salt Lake City, Utah 84145-0433. Questar Gas is a public utility engaged in the distribution of natural gas to nearly one million customers in the states of Utah,

Wyoming and Idaho. Its Utah and Idaho public utility activities are regulated by the Commission,[1] and the Company's rates, charges, and general conditions for natural gas service in Utah and Idaho are set forth in the Questar Gas Company Utah Natural Gas Tariff PSCU 400 ("Tariff").

2. Questar Gas is a wholly-owned subsidiary of Questar Corporation. Questar Corporation, a Utah corporation, is a publicly-held holding company whose common stock is traded on the New York Stock Exchange under the ticker STR. The other principal subsidiaries of Questar Corporation are Questar Pipeline Company ("Questar Pipeline") and Wexpro Company ("Wexpro").

3. Dominion is a Virginia corporation with its principal place of business at 120 Tredegar Street, P.O. Box 26532, Richmond, Virginia 23261-6532. Dominion is a publicly-held holding company whose common stock is traded on the New York Stock Exchange under the ticker D. It has the following wholly-owned public utility subsidiaries: The East Ohio Gas Company (which does business under the name "Dominion East Ohio"), Hope Gas, Inc. (which does business under the name "Dominion Hope"), and Virginia Electric and Power Company (which does business in Virginia under the name "Dominion Virginia Power" and in North Carolina under the name "Dominion North Carolina Power"). In addition, Dominion owns other subsidiaries in the energy industry, including a company with three solar power generation projects in Utah, descriptions of which are provided in more detail below.

4. Diamond Beehive Corp. ("Beehive") is a Utah corporation and a wholly-owned subsidiary of Dominion created solely to accomplish the Merger. Beehive is not a public utility in Utah or elsewhere.

[1] The Company's service to customers in Idaho is limited to Franklin County. Under the terms of an agreement between the Commission and the Idaho Public Utilities Commission, the rates and terms of service for these Idaho customers are determined by the Utah Commission.

5. Questar Gas and Dominion request that notices and communications with respect to this Joint Application be served upon the following:

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II. DESCRIPTION OF THE MERGER

6. On January 31, 2016, Dominion, Beehive and Questar Corporation entered into an Agreement and Plan of Merger ("Merger Agreement") setting forth the terms of the Merger. A copy of the Merger Agreement is attached to this Joint Application as Exhibit 1.1. The Merger, which is explained in detail in the Merger Agreement, may be fairly summarized as follows:

a. Beehive and Questar Corporation will merge, with Questar Corporation being the surviving entity (this surviving entity will be known as "Dominion Questar").

b. The initial articles of incorporation of Beehive as filed on January 27, 2016 are attached as Exhibit 1.2 to this Joint Application. Section 1.5 of the Merger Agreement provides for the subsequent amendment of such articles as well as the articles of incorporation and bylaws of Dominion Questar. Any such amendments will be filed with the Commission as an update to Exhibit 1.2.

c. Immediately following the time the Merger is effective as defined in the Merger Agreement ("Effective Time"), the director of Dominion Questar will be the person that was the director of Beehive immediately prior to the Effective Time. The name of the director of Beehive is provided in Exhibit 1.3 to this Joint Application. Subsequent to the Effective Time, changes to the directors of Dominion Questar may be made based upon integration efforts and Dominion's standard entity management conventions.

d. Immediately following the Effective Time, the officers of Dominion Questar will be those persons that were the officers of Questar Corporation immediately prior to the Effective Time. The names and positions of the officers of Questar Corporation are provided in Exhibit 1.4 to this Joint Application. Subsequent to the Effective Time, we expect changes to the officers of Dominion Questar to be made based upon integration efforts and Dominion's standard entity management conventions.

7. As provided by the Merger Agreement, upon consummation of the Merger: (i) each issued and outstanding share of common stock of Questar Corporation will be converted into and will thereafter represent solely the right to receive an amount in cash, without interest; and (ii) each issued and outstanding share of common stock of Beehive will be converted into and become one

validly issued, fully paid, and non-assessable share of common stock of Dominion Questar. Thus, as a result of the Merger: (i) Dominion (which currently owns all the stock of Beehive) will own all the stock of Dominion Questar; and (ii) the ownership of stock in Dominion will not be impacted.

8. Under the terms of the Merger Agreement, each share of Questar Corporation's common stock will be converted into the right to receive $25.00 in cash, without interest and less any applicable withholding taxes.

9. At the Effective Time, Questar Corporation will become Dominion Questar, a wholly-owned subsidiary of Dominion that will continue to exist as a separate legal entity.

10. After the Effective Time, Questar Gas will be known as Dominion Questar Gas, will remain a direct, wholly-owned subsidiary of Dominion Questar and will continue to exist as a separate legal entity.

11. The resolution of the board of directors of Questar Corporation approving and authorizing the Merger is Exhibit 1.5 to this Joint Application.

12. The resolution of the board of directors of Dominion approving and authorizing the Merger is Exhibit 1.6 to this Joint Application.

III. FINANCIAL CONDITION OF QUESTAR GAS, QUESTAR CORPORATION AND DOMINION

13. Questar Gas' assets as of December 31, 2015 totaled $2.2 billion; revenues in 2015 were $918 million; and net income in 2015 was $64 million. Questar Gas' capital structure as of December 31, 2015 was 46 percent long-term debt and 54 percent equity (stated under generally accepted accounting principles ("GAAP")). Questar Gas' credit rating for its senior unsecured debt is A2 (stable) with Moody's and A (negative) with Standard & Poor's ("S&P"). Questar Gas'

2015 financial statements are provided on pages 55-60 of the Questar Corporation Annual Report on Form 10-K ("Questar 10-K"), Exhibit 1.7 to this Joint Application. Additionally, Exhibit 1.8 is a copy of the 2014 Gas Utility Annual Report previously filed with the Commission. When the 2015 Gas Utility Annual Report is complete, Exhibit 1.8 will be updated.

14. The authorized and outstanding securities issued by Questar Gas are described in Note 8 to the Financial Statements of Questar Gas on pages 80-82 of the Questar 10-K, Exhibit 1.7 to this Joint Application.

15. During the most recent five-year period, Questar Gas paid dividends to Questar Corporation in the amounts shown in Exhibit 1.9 to this Joint Application. Dominion intends to continue Questar Gas' practice of setting its dividend rates at levels that substantively maintain Questar Gas' current capital structure.

16. Questar Corporation's assets as of December 31, 2015 totaled $4.4 billion; revenues in 2015 were $1.1 billion; and net income in 2015 was $209 million. Questar Corporation's capital structure as of December 31, 2015 was 42 percent long-term debt and 58 percent equity (stated under GAAP). Questar Corporation's issuer credit rating is A (negative) with S&P. Questar Corporation's 2015 financial statements are provided on pages 47-54 of the Questar 10-K, Exhibit 1.7 to this Joint Application.

17. The authorized and outstanding securities issued by Questar Corporation are described in Note 8 to the Financial Statements of Questar Corporation on pages 80-82 of the Questar 10-K, Exhibit 1.7 to this Joint Application.

18. Questar Corporation's dividends to its shareholders during the most recent five-year period are shown in Exhibit 1.9 to this Joint Application.

19. Dominion's assets as of December 31, 2015 totaled $58.8 billion; revenues in 2015 were $11.7 billion; and net income attributable to Dominion in 2015 was $1.9 billion. Dominion's issuer credit rating is Baa2 (stable) with Moody's, BBB+ (stable) with Fitch and BBB+ (stable) with S&P. Dominion's financial statements are provided on pages 58-81 of the Dominion Annual Report on Form 10-K ("Dominion 10-K"), Exhibit 1.10 to this Joint Application.

20. Dominion's capital structure as of December 31, 2015 was 60.6 percent debt and 39.4 percent equity as calculated per Dominion's revolving credit agreement covenant, which in Dominion's view presents the most accurate picture of Dominion's capitalization as it takes into account the equity value of Dominion's equity-linked securities. Given Dominion's plan for the permanent financing of this transaction, that capital structure should not be materially impacted by the proposed Merger. After the Merger, Dominion expects to remain in compliance with its existing covenant by maintaining debt levels less than 65 percent of the total capital structure per the covenant methodology and will continue to maintain a financing mix which supports strong investment grade credit ratings. For reference based on the most recent audited financial statements (stated under GAAP) and prior to any adjustments, Dominion's capital structure at December 31, 2015 was 68.4 percent debt and 31.6 percent equity.

21. The authorized and outstanding securities issued by Dominion are described in Notes 16-19 (pages 125-136) to the Financial Statements of Dominion in the Dominion 10-K, Exhibit 1.10 to this Joint Application.

22. During the most recent five-year period, Dominion has been paying dividends to its shareholders in the amounts shown in Exhibit 1.11 to this Joint Application. There is no plan to change Dominion's dividend policy as a result of the Merger.

23. On a consolidated basis (Questar Corporation and Dominion) as of December 31, 2015, Dominion's pro forma combined assets would be approximately $66.2 billion and pro forma combined revenues would be $12.8 billion. Pro forma consolidated financial statements are provided as Exhibit 1.12 to this Joint Application.

24. Dominion's stable regulated operations, strong access to capital markets, ample liquidity, prudent capital structure, and experienced leadership team all contribute to its strong investment grade ratings. After announcement of the Merger, Moody's affirmed the existing long-term and short-term ratings and stable outlook for Dominion, and Fitch also affirmed the existing long-term and short-term ratings and stable outlook. S&P, which had rated Dominion one notch higher than Moody's, and Fitch, which since November 2014, had the Dominion family on a negative outlook, downgraded the credit rating of the Dominion family by one notch to BBB+ and revised their outlook to stable. Copies of the relevant portions of these credit reports are provided in Exhibit 1.13 to this Joint Application.

25. After announcement of the Merger, Moody's affirmed the existing long-term rating of A2 (stable) for Questar Gas. S&P also affirmed Questar Gas' rating of A, but changed the outlook to CreditWatch Negative which indicates the potential for a lower credit rating upon close of the proposed Merger. Copies of the relevant portions of these credit reports are provided in Exhibit 1.14 to this Joint Application. S&P's action is due to its use of a group rating methodology, where all core subsidiaries of a parent company receive the same corporate rating as the parent. It is common for S&P to take such action following an acquisition even though the credit profile of the surviving subsidiary has not materially changed. Dominion and Questar Corporation expect that S&P will maintain Questar Gas' existing Stand-Alone Credit Profile rating of ("a"). S&P's Stand-Alone Credit Profile rating is an indicator of the issuer's creditworthiness absent any

consideration of a parent or holding company and is an important factor that debt capital market investors consider in determining potential debt financing terms.

IV. METHOD FOR FINANCING THE MERGER

26. Dominion has executed bridge and term loan acquisition financing agreements with a broad syndicate of leading financial institutions that, combined with Dominion's existing credit facility availability, provide immediate access to cumulative funds of up to $4.4 billion, sufficient to satisfy 100 percent of the amount required to fund the exchange of the shares of Questar Corporation for cash. As is customary for a transaction of this type, Dominion plans to use proceeds from permanent financings, some of which may occur prior to the Effective Time, to preclude the need for or replace any funds borrowed under these existing credit facility, bridge and term loan agreements.

27. Dominion's permanent financing plan is designed to support its existing credit ratings and consists of the issuance of equity, equity-linked securities (i.e., securities that convert to common equity in the future), and debt, at both Dominion and Dominion Midstream Partners, L.P. ("Dominion Midstream"), [2] a subsidiary of Dominion that provides incremental access to capital markets. After the Effective Time and subject to negotiation with Dominion Midstream, Dominion expects to contribute all or part of Questar Pipeline to Dominion Midstream in a transaction that will have no impact on the operations, services provided, or rates of Questar Pipeline.

[2] Dominion Midstream is a master limited partnership formed by Dominion in 2014. Dominion Midstream invests in a growing portfolio of natural gas terminaling, processing, storage, transportation and related assets. Dominion owns 100 percent of the general partner and 64.1 percent of the limited partner interests in Dominion Midstream.

28. As part of the Merger, Questar Corporation and Questar Corporation's subsidiaries' existing indebtedness, which, as of December 31, 2015, totaled $1.7 billion, will remain outstanding at Questar Corporation, Questar Gas and Questar Pipeline, respectively, all of which will become direct or indirect subsidiaries of Dominion. Dominion will provide liquidity to Dominion Questar Gas for seasonal working capital required in a manner consistent with Questar Corporation's past practice.

V. PLAN FOR OPERATING DOMINION QUESTAR GAS

29. Following the Merger, Dominion and Dominion Questar plan to operate Dominion Questar Gas in the same manner as it is operated today. Dominion's gas utility subsidiaries, like Questar Gas, have a track record for making capital investments required to provide safe and reliable service to customers. Safety in the workplace and in the community is Dominion's highest priority. Dominion also shares Questar Gas' dedication to customer service, a fact attested to by both organizations' customer satisfaction ratings. Dominion and Questar Gas also share a history of operating with integrity and a firm commitment to their employees and the communities they serve.

30. Following the Merger, Dominion Questar Gas will continue to receive certain shared or common services provided to it as part of a larger organization. These services have been provided by Questar Corporation. The current organizational structure of Questar Corporation is provided in Exhibit 1.15, page 1, to this Joint Application.

31. Questar Corporation currently employs 347 individuals. All of these employees perform shared or common services functions for all Questar Corporation business units, including Questar Gas. Some of these services (including investor relations, governance, finance, treasury,

tax, accounting, legal, information technology, telecommunications, insurance, purchasing, contracting, environmental management, safety, audit, and human resources) will be provided in the future through Dominion Resources Services, Inc. ("Dominion Services") rather than Questar Corporation by current Dominion Services employees or by current employees of Questar Corporation who move under Dominion Services after the Merger. Given economies of scale and Dominion's greater buying power, Questar Gas and Dominion anticipate that these changes may result in lower costs to Dominion Questar Gas for these services over time. However, the Joint Applicants have not yet determined the synergies that will result when these shared services are combined. The Joint Applicants will provide periodic status reports related to the combining of these services, beginning May 1, 2016. Dominion Questar Gas will reflect any resulting benefits to customers in its future general rate cases.

32. Although there is no plan to materially change the operations of Dominion Questar Gas following the Merger, Dominion Questar Gas may make appropriate future modifications to its assets, systems, procedures and services in compliance with applicable laws and regulations. Such changes may be made in the normal course of business in order to adopt new methods, materials or technology; to meet regulatory requirements; or to address changing customer expectations.

33. The current organizational structure of Questar Gas is provided in Exhibit 1.15, page 2, to this Joint Application. Dominion has no plan to change the organizational structure of Dominion Questar Gas operations as a result of the Merger. In the event Dominion and Questar Gas determine that a change in operational organizational structure will be beneficial to customers, Exhibit 1.15 will be updated.

34. Questar Gas is currently owned by Questar Corporation. Dominion Questar Gas will be a direct, wholly-owned subsidiary of Dominion Questar, formerly known as Questar Corporation, following the Merger.

35. Dominion has no plan to change the Utah operations of Dominion Questar Gas as a result of the Merger. A current organizational chart for the Utah operations of Questar Gas is attached as Exhibit 1.16 to this Joint Application. In the event Dominion and Questar Gas determine that a change in the operational structure will be beneficial to customers, Exhibit 1.16 will be updated.

36. For regulatory purposes, Questar Gas' accounting will continue to reflect assets at historical costs, approved depreciation rates and deferred income taxes based on original cost in accordance with the Uniform System of Accounts.

37. Questar Gas' Tariff is currently active and on file with the Commission. No changes will be made to Questar Gas' existing filed rates, rules, regulations and classifications under its existing Tariff as a result of the Merger. Dominion Questar Gas will file a revised Tariff following the Merger that changes only the name of the operating entity. To the extent necessary, changes to the Tariff will be made in the ordinary course.

38. All financial books and records of Dominion Questar Gas will be kept in Salt Lake City, Utah, and will continue to be available to the Commission, upon request, at Dominion Questar Gas' offices in Salt Lake City in accordance with current practice.

39. Dominion plans to maintain Questar Gas' existing proportions of debt and equity capital.

40. Joint Application Exhibit 1.17 contains charts showing the organization of Dominion prior to (pages 1-2) and after (pages 3-5) the Merger.

41. Questar Gas and Dominion share a common focus on installing, upgrading and maintaining facilities necessary for safe operations. This focus will not be diminished in any way as a result of the Merger. Dominion anticipates that the Merger will not change Questar Gas' plans for capital expenditures over the next five years. Questar Gas' current plan for capital expenditures over the next five years is shown in Exhibit 1.18 to this Joint Application. These plans will be updated over time to reflect customer growth and the requirements to provide safe and reliable service while minimizing costs to customers.

42. As the foregoing demonstrates, Questar Gas' customers, communities and regulators will see benefits from the ownership of Dominion Questar Gas by Dominion, an entity with greater financial strength and buying power, broader expertise in utility operations and business planning, and a shared focus on safety, reliability, customer service and efficiency of business operations over the long term.

VI. DOMINION'S IDENTITY, MANAGEMENT AND EXPERIENCE IN THE ENERGY INDUSTRY

A. Identity

43. Dominion, headquartered in Richmond, Virginia, is one of the nation's largest energy infrastructure companies. As of December 31, 2015, Dominion had a public equity market capitalization of over $40 billion. Dominion is a member of leading general and industry-specific equity market indices including the S&P 500, the Dow Jones Composite Average, and the Philadelphia Stock Exchange Utility Index. Dominion's operations are heavily weighted to state and federally regulated energy infrastructure operations. As of December 31, 2015, Dominion's portfolio of assets includes approximately 24,300 MW of electric generating capacity, 6,500 miles of electric transmission lines, 57,300 miles of electric distribution lines, 12,200 miles of natural

gas transmission, gathering and storage pipelines and over 22,000 miles of gas distribution pipelines, exclusive of service lines. As of December 31, 2015, Dominion serves over five million utility and retail energy customers in 14 states and operates one of the nation's largest underground natural gas storage systems, with approximately 933 billion cubic feet ("Bcf") of storage capacity. Dominion has approximately 14,700 full-time employees. As a holding company, Dominion owns direct and indirect subsidiaries which in turn own the properties through which their respective businesses are conducted.

44. Although the assets of its subsidiaries remain wholly within its legal subsidiaries (each of which has its own officers, directors and management teams), Dominion manages and reports on its consolidated operations through three primary operating segments: Dominion Virginia Power ("DVP"), Dominion Generation and Dominion Energy. The DVP operating segment includes Dominion's electric transmission and distribution operations, and the Dominion Generation operating segment includes Dominion's regulated and merchant electric generating fleet. The Dominion Energy operating segment, the segment through which the operations of Dominion Questar and its subsidiaries will be reported, currently includes the gas transmission and storage and gas gathering operations of Dominion Transmission, Inc., including producer service activities, as well as the gas distribution and storage services of The East Ohio Company and Hope Gas, Inc. The common leadership and management of the similarly situated businesses that comprise Dominion's operating segments provide significant value to each of the individual businesses through the sharing of best practices in such areas as operations, safety, customer service and environmental stewardship. In this way, each of Dominion's regulated gas subsidiaries benefits from the experience and knowledge of the collective group. In addition to its operating subsidiaries, Dominion has a centralized service company, Dominion Services. Support functions

housed at Dominion Services also provide significant benefits in areas such as environmental compliance and cyber security, as well as providing other centralized departments whose resources are available to all of the subsidiaries of Dominion.

45. Dominion's major regulated electric and natural gas subsidiaries are as follows:

a. **The East Ohio Gas Company ("Dominion East Ohio")** is a natural gas distribution company serving approximately 1.2 million retail customers in more than 400 eastern and western Ohio communities, including the cities of Cleveland, Akron, Canton, Youngstown, Marietta and Lima. Dominion East Ohio operates 19,632 miles of distribution lines, 994 miles of transmission and storage lines, 758 miles of jurisdictional gathering lines and 171 Bcf of underground storage capacity. In 2015 its natural gas throughput was 468.3 Bcf. It is regulated by the Public Utilities Commission of Ohio.

b. **Hope Gas, Inc. ("Dominion Hope")** is a natural gas distribution company serving approximately 112,000 retail customers in West Virginia, including the cities of Clarksburg, Parkersburg and Morgantown. Dominion Hope operates 3,146 miles of distribution lines. In 2015 its natural gas throughput was 29.0 Bcf. It is regulated by the West Virginia Public Service Commission.

c. **Dominion Transmission, Inc. ("Dominion Transmission")** is a natural gas pipeline company operating 7,600 miles of interstate gas transmission, gathering and storage pipelines in six states (Ohio, West Virginia, Pennsylvania, New York, Maryland and Virginia) and operating one of the largest underground natural gas storage systems in the United States with approximately 762 Bcf of storage capacity. Dominion Transmission has multiple links to other major natural gas pipelines and to markets in the Midwest, Mid-Atlantic and Northeast regions of the United States. It is regulated by the Federal Energy Regulatory Commission ("FERC").[3]

d. **Dominion Cove Point LNG LP ("Dominion Cove Point")** operates a FERC-regulated liquefied natural gas import, storage and shipping terminal on the Chesapeake Bay in southeastern Maryland with a storage capacity of 14.6 Bcf. Dominion Cove Point provides natural gas transportation with links to the major pipeline systems of Transco, Columbia Gas Transmission[4] and Dominion Transmission. Dominion completed an expansion project in 2009 that increased the facility's storage and vaporization capacity by 80 percent and in 2014 began construction of a $3.4-3.8 billion expansion designed to liquefy and export domestically-produced natural gas from the facility, thereby making it a bi-directional terminal. Dominion Cove Point also provides firm peaking services to local distribution companies in the Mid-Atlantic region.[5]

e. **Dominion Carolina Gas Transmission, LLC ("Dominion Carolina Gas")**, a natural gas pipeline company, operates approximately 1,500 miles of interstate gas transmission pipelines in South Carolina and Georgia serving wholesale and direct industrial customers throughout South Carolina. Dominion Carolina Gas is regulated by FERC and was acquired by Dominion in 2015.[6]

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[3] Dominion East Ohio, Dominion Hope and Dominion Transmission all became part of the Dominion family of companies through Dominion's acquisition of Consolidated Natural Gas in 2000. Dominion Gas Holdings, LLC ("Dominion Gas"), a limited liability company and holding company, serves as the intermediate parent company for Dominion East Ohio and Dominion Transmission and for a 24.72 percent stake in Iroquois that is described below.

[4] Transcontinental Gas Pipe Line Company, LLC ("Transco") is owned by Williams Partners, L.P.; Columbia Gas Transmission, LLC is owned by Columbia Pipeline Group, Inc.

[5] Dominion's general partner and preferred equity interests in Dominion Cove Point and Dominion Carolina Gas, as well as 25.93 percent ownership of Iroquois, are held by Dominion Midstream.

[6] *Ibid.*

f. **Iroquois Gas Transmission System L.P**. **("Iroquois")**, a limited partnership of three U.S. and Canadian energy companies, operates 416 miles of interstate transmission pipelines in Connecticut and New York and is regulated by FERC. Dominion currently holds a total of 50.65 percent of the ownership interests in Iroquois, which began operations in 1992.[7]

g. **Virginia Electric and Power Company ("Virginia Power")**, headquartered in Richmond, Virginia and incorporated in Virginia in 1909 as a public service corporation, is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina to approximately 2.5 million customer accounts. Virginia Power is regulated in Virginia by the Virginia State Corporation Commission and in North Carolina by the North Carolina Utilities Commission. Virginia Power operates approximately 18,450 MW of electric generation facilities, 6,500 miles of electric transmission lines and 57,300 miles of electric distribution lines. Virginia Power's electric transmission operations and its sales for resale of electric power in interstate commerce are regulated by FERC.

B. Experience in the Energy Industry

46. Dominion's regulated utilities share the same values as Questar Gas, including a focus on customer satisfaction, safety, a commitment to employees and the communities served and integrity in all aspects of their businesses.

47. Dominion's experience in owning and operating its public utility subsidiaries means that it comes to the Merger with a deep understanding of the responsibilities and general opportunities and challenges of current U.S. natural gas utilities and with directly applicable

[7] *Ibid.*

experience and knowledge about some of the specific opportunities and challenges now faced by Questar Gas. Through its other subsidiaries, Dominion also has significant experience in the gas transmission and storage industries and in all aspects of the electric industry.

48. Dominion understands and has extensive experience operating local natural gas distribution public service companies. Dominion currently operates two local distribution companies, Dominion East Ohio in Ohio and Dominion Hope in West Virginia. Together, Dominion East Ohio and Dominion Hope serve approximately 1.3 million residential, commercial and industrial customers through over 22,000 miles of gas distribution pipelines.

49. Dominion is also one of the nation's largest transporters of natural gas, with 12,200 miles of natural gas transmission, gathering and storage pipelines. Dominion operates one of the nation's largest natural gas storage systems with approximately 933 Bcf of storage capacity.

50. As mentioned previously, on a consolidated basis, Dominion manages and reports its natural gas transmission, distribution and storage businesses through its Dominion Energy operating segment. This approach allows Dominion to leverage knowledge and expertise and share best practices among the separate gas subsidiaries for the benefit of customers.

51. Dominion recognizes that the energy business, whether natural gas or electric, requires capital investment to ensure safe and reliable service to customers. Dominion is engaged in a $19 billion investment initiative in its gas and electric infrastructure—the largest electric and natural gas infrastructure build-out in its history. Beginning in 2008, Dominion East Ohio launched a major Pipeline Infrastructure Replacement Program—a 25-year plan to replace about 5,500 miles of aging pipeline serving its Ohio customers. Similarly, Dominion Hope has recently implemented a Pipeline Replacement and Expansion Program in West Virginia which is designed

to replace 1,043 miles of natural gas infrastructure over 50 years. Both of these programs will help maintain safe and reliable delivery of gas service to customers.

52. Dominion is fully dedicated to meeting customers' energy needs in a manner consistent with protecting the environment and supporting sustainability. In addition to complying with all applicable environmental laws and regulations, Dominion makes environmental concerns an integral part of its planning and decision-making process and devotes substantial resources to implement effective environmental and sustainability programs. From 2008 to 2014, Dominion's total equivalent carbon dioxide emissions, which include carbon dioxide, methane and nitrous oxides, have been reduced by approximately 37 percent. During that same period Dominion's carbon intensity rate—carbon emissions per unit of electric output from its generating fleet—declined by 28 percent. Of special emphasis in the natural gas business are methane emissions. Dominion has developed a comprehensive program for management of methane emissions through measurement, mitigation and disclosure. Dominion Transmission has been voluntarily participating in the EPA's Natural Gas STAR program for more than four years. Dominion Transmission's methane reduction program has resulted in more than 1.5 Bcf of methane emissions reductions since 2008 and continues to incorporate cost-effective best practices in engineering design to reduce methane emissions from new projects. Dominion East Ohio and Dominion Hope began participation in the Natural Gas STAR Program in 2014 and 2015, respectively.

53. Safety is another top priority for Dominion. From 2010-2015, there has been a 31.5 percent decline in OSHA recordable incidents and a 20.8 percent decline in lost day/restricted duty cases. For 2015, in about 30 million hours worked, Dominion employees recorded 110 workplace

OSHA-recordable injuries (an incidence rate of 0.74) and 56 workplace injuries resulting in lost days or reassignment of duties (a rate of 0.38). Dominion's ultimate goal is zero injuries.

54. Customers of regulated natural gas utilities expect safe, reliable and quality service. When service disruptions occur, the service teams at Dominion East Ohio and at Dominion Hope respond to customers' outage-related service requests as quickly and safely as possible. In 2015, Dominion East Ohio responded to 98.4 percent of all emergency calls within 60 minutes, and Dominion Hope responded within 60 minutes to 95.7 percent of all such calls. Dominion's local gas distribution companies have made significant investments in conservation and energy efficiency programs for the benefit of their customers.

55. Dominion recognizes that its natural gas and electric distribution companies are more than just public utilities, they are *public service* companies. Dominion believes that it is important that the local utility also be a contributor to, and be part of, the community it serves. In 2015, Dominion and its philanthropic arm, the Dominion Foundation, awarded more than $25 million in charitable grants to about 1,200 nonprofit organizations in the states served by Dominion companies, and Dominion employees donated more than 110,000 hours of volunteer service to their communities.

56. Supporting the men and women who have worn a U.S. military uniform in service to their country is also an important priority for Dominion. From 2010-2015, Dominion hired more than 740 veterans—almost 20 percent of new hires during that period. Approximately 1,600 Dominion employees are veterans, about 10 percent of the workforce. In 2015 Dominion hired 191 military veterans through its "Troops to Energy Jobs" program—20 percent of all new hires—to support their transition to civilian careers and address Dominion's need for skilled and disciplined workers.

C. Background of Key Personnel

57. Dominion has a wealth of managerial experience. The chairman and principal officers of Dominion are as follows:

a. **Thomas F. Farrell, II** is chairman, president and chief executive officer ("CEO") of Dominion. Mr. Farrell joined Dominion in 1995, and has served as an officer of Dominion and many of its subsidiaries. He was executive vice president of Dominion from 1999 to 2003 and president and chief operating officer from January 2004 to December 2005. In January 2006, Mr. Farrell was named president and CEO of Dominion and was elected chairman of Dominion's board in April 2007.

b. **Mark F. McGettrick** is executive vice president and chief financial officer of Dominion. Mr. McGettrick joined Dominion in 1980 and has held a variety of management positions in Distribution Design, Accounting, Financial Planning, Customer Service and Generation. He previously served as president of Dominion Resources Services, Inc. and was chief executive officer of the Dominion Generation operating segment before assuming his current post in June 2009.

c. **David A. Christian** is chief executive officer of Dominion's Energy Infrastructure Group, responsible for the DVP and Dominion Energy business units, and CEO-DVP. Mr. Christian joined Virginia Power in 1976 and has held a variety of management positions with Dominion. Before being named CEO-Dominion Generation in June 2009, Mr. Christian was chief nuclear officer of the Dominion Nuclear business unit. He assumed his current post in January 2016.

d. **Paul D. Koonce** is CEO-Dominion Generation. He oversees more than 24,300 MW of regulated and merchant generation operations. Mr. Koonce, who has more than 30 years' experience in the energy marketplace, was CEO-Dominion's Energy Infrastructure Group and president-Dominion Virginia Power. Previously, he held management positions as CEO-DVP and CEO-Dominion Energy. He assumed his current post in January 2016.

e. **Carter M. Reid** is senior vice president, chief administrative and compliance officer and corporate secretary at Dominion. Ms. Reid joined Dominion as assistant general counsel in January 1996 and was named managing counsel in 2000. She became director-Executive Compensation in July 2003 and vice president-Governance and corporate secretary in October 2007. She was named vice president, general counsel, chief compliance officer and corporate secretary in January 2011 and became senior vice president-Administrative Services and corporate secretary in January 2013. Ms. Reid became senior vice president-Administrative Services, chief compliance officer and corporate secretary in July 2013 and assumed her current post in January 2014.

f. **Robert M. Blue** is senior vice president–Regulation, Law, Energy Solutions & Policy and president–Dominion Virginia Power. Mr. Blue joined Dominion in 2005 as managing director–State Affairs & Corporate Public Policy, and was later promoted to vice president–State & Federal Affairs. He was named senior vice president–Public Policy & Corporate Communications in May 2008 and became senior vice president–Public Policy & Environment in February 2010. He was named senior vice president–Law, Public Policy & Environment in January 2011 and president of Dominion Virginia Power in January 2014. Mr. Blue was named senior vice president-Regulation, Law, Energy Solutions & Policy in May 2015 and assumed his current post in January 2016.

g. **Diane Leopold** is president-Dominion Energy. Since joining Dominion in 1995, Ms. Leopold has held various operational, project management, commercial and financial management roles in several business units. Recent positions include senior vice president-Business Development & Generation Construction and senior vice president-Dominion Transmission. She assumed her current post in January 2014.

h. **Fred G. Wood, III** is senior vice president-Financial Management, Energy Infrastructure Group. Since joining Dominion in 1985, Mr. Wood has held various financial positions. Mr. Wood served as vice president, treasurer and chief financial officer of Dominion Energy from 1998 to 2000, and as senior vice president-Financial Management, Dominion Exploration & Production from 2000 to 2004 and senior vice president-Financial Management, Dominion Generation from 2004 through 2013. He assumed his current post in January 2014.

VII. COMMITMENTS AND BENEFITS

58. The Merger is in the public interest and will provide benefits to Questar Gas customers and to Utah. Questar Gas' management was fully involved in evaluating the Merger. Management considered the impact of the Merger on Questar Gas' customers, employees and communities and determined that the Merger was in their best interests. Dominion plans to operate Dominion Questar Gas in the same way as it is currently being operated and intends the Merger to be about growth, rather than cost reduction. Dominion plans to utilize Questar Corporation as its Western Region hub to supply the expanding needs for gas and electric energy infrastructure in the western United States. The Commission will continue to exercise its regulatory authority over Dominion Questar Gas in the same way it does today, thereby ensuring continued protection of the interests of Utah customers. Questar Gas and Dominion will adopt the following commitments and have the following understandings:

<u>Business</u>

a. Dominion will maintain Dominion Questar Gas' corporate headquarters in Salt Lake City, Utah.

b. Dominion will establish a new Western Region operating headquarters in Salt Lake City, Utah.

c. Dominion intends that its board of directors will take all necessary action, as soon as practical after the Effective Time, to appoint a mutually agreeable current member of the Questar Corporation board as a director to serve on Dominion's board of directors.

d. Dominion will take all necessary action to cause a mutually agreeable current member of the Questar Corporation board to be appointed as a director to serve on the board of directors of the general partner of Dominion Midstream at such time as all or part of Questar Pipeline is contributed to Dominion Midstream.

e. Dominion Questar Gas will be managed from an operations standpoint as a separate regional business under Dominion with responsibility for making decisions that achieve the objectives of customer satisfaction, reliable service, customer, public and employee safety, environmental stewardship, and collaborative and productive relationships with customers, regulators, other governmental entities and interested stakeholders.

f. Dominion intends to maintain Dominion Questar Gas' customer service at or better than current levels and will strive for continued improvements thereto.

g. Questar Gas and Dominion share a common focus on installing, upgrading and maintaining facilities necessary for safe and reliable operations. This focus will not be diminished in any way as a result of the Merger.

h. Dominion is committed to the environment and will maintain the environmental monitoring and maintenance programs of Dominion Questar Gas at or above current levels.

i. Dominion and its subsidiaries will continue to honor the Wexpro Stipulation and Agreement, the Wexpro II Agreement or the conditions approved in connection with inclusion of properties in the Wexpro II Agreement ("Wexpro Agreements") and the conditions and obligations provided therein. Dominion will not contribute Wexpro to Dominion Midstream or to any master limited partnership without Commission approval.

Employee Matters

j. Dominion will give employees of Dominion Questar and its subsidiaries due and fair consideration for other employment and promotion opportunities within the larger Dominion organization, both inside and outside of Utah, to the extent any such employment positions are re-aligned, reduced or eliminated in the future as a result of the Merger.

k. Dominion will use commercially reasonable efforts (subject to changes in interest rates or other actuarial factors and the plans' investment performance) to provide up to $75,000,000 toward the full funding of (i) Questar Corporation's ERISA-qualified defined-benefit pension plan in accordance with ERISA minimum funding requirements for ongoing plans, and (ii) Questar Corporation's nonqualified defined-benefit pension and postretirement medical and life insurance (other post employment benefit ("OPEB")) plans on a financial accounting basis, in each case by the end of the first fiscal year commencing on or after the Effective Time, subject to any maximum contribution levels or other restrictions under applicable law.

Regulatory

l. Officers and employees of Dominion will be available to testify before the Commission, providing information relevant to matters within the jurisdiction of the Commission upon the request of the Commission.

m. As part of this and future regulatory proceedings, Dominion Questar Gas will provide information about Dominion or its other subsidiaries relevant to matters within the Commission's jurisdiction to the Commission upon request of the Commission.

n. Dominion Questar Gas will maintain a complete set of books and records, including accounting records, for Dominion Questar Gas at its corporate office in Salt Lake City, Utah.

o. For regulatory purposes, Questar Gas' accounting will continue to reflect assets at historical costs, approved depreciation rates and deferred income taxes based on original cost in accordance with the Uniform System of Accounts.

p. The Merger will not result in any changes to Questar Gas' existing filed rates, rules, regulations and classifications under its existing Tariff on file with the Commission, except to revise the Tariff to change the name of the operating entity.

q. Dominion Questar Gas will maintain the billing requirements as described in Tariff.

r. Dominion Questar Gas will continue to follow the Commission's Integrated Resource Plan process and guidelines.

s. Dominion Questar Gas will maintain established gas-supply interchangeability Wobbe indices for Questar Gas' receipt points in compliance with Commission requirements.

t. Goods and services provided to Dominion Questar Gas by Dominion or its other subsidiaries will be provided at prices either (i) subject to regulation by regulators with jurisdiction over those subsidiaries or (ii) at the lower of cost or market. This commitment does not apply to goods or services provided to Dominion Questar Gas by Wexpro, which shall be provided pursuant to the terms of the Wexpro Agreements.

u. Dominion Questar Gas will not seek recovery of any acquisition premium (goodwill) cost or transaction costs associated with the Merger from its customers. Dominion will not record any portion of the cost to acquire or any goodwill associated with the Merger on Dominion Questar Gas' books and is planning to make the required accounting entries associated with the Merger on that basis.

v. Dominion Questar Gas may defer transition costs associated with the Merger and will only seek recovery of such transition costs to the extent that it can demonstrate that such costs result in a net benefit to customers.

<u>Financial</u>

w. Dominion, through Dominion Questar, will provide equity, as needed, to Dominion Questar Gas with the intent to maintain Questar Gas' current capital structure.

x. Dominion intends to maintain credit metrics that are supportive of strong investment-grade credit ratings for Dominion Questar Gas.

y. Neither Dominion nor its other subsidiaries will, without Commission approval, make loans to Dominion Questar Gas that bear interest at rates that are greater than (i) rates being paid at the time of such loan by Dominion or such other subsidiary on its own debt or (ii) rates available, at the time of such loan, on similar loans to Dominion Questar Gas from the market.

z. Dominion Questar Gas will only lend funds to Dominion in accordance with the current practice of Questar Gas whereby it occasionally provides short-term funds to Questar Corporation as seasonal working capital needs fluctuate.

aa. Dominion Questar Gas will not transfer material assets to or assume liabilities of Dominion or any other subsidiary of Dominion without Commission approval.

bb. Dominion Questar Gas will not transfer its debt to Dominion without Commission approval.

Community

cc. Dominion will increase Questar Corporation's historic level of corporate contributions to charities identified by local leadership that are within Dominion Questar Gas' service areas by $1,000,000 per year for at least five years and maintain or increase historic levels of community involvement, low income funding, and economic development efforts in Dominion Questar's current operation areas.

dd. Dominion will establish a newly-formed advisory board for its Western Region operations composed of regional-based business and community leaders. This Board will meet several times each year to receive information and provide feedback on community issues, government relations, environmental stewardship, economic development opportunities and other related activities that affect Dominion's and Questar Gas' local stakeholders, with such advisory board to include the current regional-based members of Questar Corporation's Board.

59. Dominion brings the following additional benefits to Questar Gas and its customers through the Merger:

a. The operations of the utility subsidiaries of Dominion provide demonstrable evidence that Dominion Questar Gas will continue its emphasis on key utility performance areas such as reasonable customer rates, reliable customer service, customer and employee safety, and commitment to employees and communities served.

b. Dominion Questar Gas will benefit by having an enhanced ability to finance capital investments that ensure safe, reliable and cost-effective operations across a growing customer base.

c. Dominion's long-term investment focus means that Dominion intends to own Dominion Questar Gas for the long term, lending stability to, and confidence in, Dominion Questar Gas' continued role as a dependable supplier of natural gas service at reasonable rates.

d. Questar Gas will benefit from being part of a corporate organization that has enhanced geographic, business, and regulatory diversity and greater financial and operational scale. Dominion brings business diversity to Questar Corporation and Questar Gas. In addition to Dominion's extensive experience in the natural gas industry, Dominion is a leader in all aspects of the electric industry. Dominion has invested in a variety of energy resources, including natural gas, coal, nuclear, wind, solar and biomass and can share best practices learned in operating across this diverse portfolio. Dominion has invested nearly $1 billion in solar generation projects in the Intermountain West. Dominion, through its energy subsidiaries, has an established record for formulating its policies and plans in customer or stakeholder processes. Dominion's operations in the Mid-Atlantic region also provide geographical diversity which will strengthen Questar Corporation and Questar Gas. A benefit of geographic diversity is that if a natural disaster were to occur in Dominion Questar Gas' service area after the Merger, Dominion Questar Gas would have access to resources such as call centers, operations and management outside the affected area.

e. Dominion has an established record of focusing on customer, employee and public safety similar to that already in place at Questar Gas. Dominion Questar Gas will be expected to continue that focus as part of the Dominion family.

f. Dominion and its subsidiaries have a demonstrated history of emphasizing the importance of positive relationships with customers, regulators, legislators, and consumer representatives.

g. Dominion Questar Gas will benefit from participation in the Dominion Service model wherein each of Dominion's operations has access to an array and level of services, support and economies of scale that are typically only available to a much larger company. As a result of its larger size and buying power, Dominion expects to be able, over time, to reduce administrative and operations and maintenance expenses incurred by Dominion Questar Gas.

h. With an enhanced national presence, the combined company and its subsidiaries will benefit from having a relevant and informed perspective and impact on energy policy discussions that stand to positively impact the quality, safety, reliability, and cost of the services offered to customers.

i. As one of the largest and safest operators of energy infrastructure assets, the combined company and its subsidiaries will benefit from the adoption of best practices across an expanded platform of service which stands to improve employee and public safety, increase customer service, and minimize operational costs.

j. As one of the largest and most active regulated energy infrastructure company participants in public equity and debt capital markets, the combined company and its subsidiaries will benefit from an enhanced ability to efficiently finance system growth and reliability to the benefit of customers.

60. The above-mentioned commitments, understandings and benefits will be of substantial value to Dominion Questar Gas' customers, employees and communities in future years and demonstrate that the Merger is clearly in the public interest.

VIII. OTHER MATTERS

A. Regulatory Filings

61. Questar Gas and Dominion are concurrently making filings in each of the three states in which Questar Gas provides retail natural gas service: Utah, Wyoming and Idaho.

62. Dominion is not required to obtain any other approvals of the Merger in the states where its public utility subsidiaries currently provide regulated natural gas or electric service.

63. Dominion and Questar made notification filings pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 on February 12, 2016 and received notice of early termination on February 22, 2016.

B. Impact on Other Public Utilities

64. Questar Gas and Dominion anticipate that the Merger will not have any impact on any other public utility. Following the Merger, Dominion Questar Gas will continue to operate in the same manner as it operates currently, utilizing the same Tariff and under the same contracts in effect currently.

C. Shareholder Approval

65. Questar Corporation's shareholders are required to approve the Merger. Questar Corporation will issue a proxy statement to its shareholders and schedule a special meeting of shareholders for the purpose of voting on the merger.

66. Dominion's shareholders are not required to approve the Merger.

IX. SUPPORTING TESTIMONY

67. This Joint Application is supported by testimony from the following witnesses:

a. Craig C. Wagstaff, President, Questar Gas. Mr. Wagstaff's Direct Testimony is Joint Applicants' Exhibit 2.0.

b. David M. Curtis, Vice President and Controller, Questar Corporation and Questar Gas. Mr. Curtis's Direct Testimony is Joint Applicants' Exhibit 3.0.

c. Thomas F. Farrell, II, Chairman, President and CEO, Dominion. Mr. Farrell's Direct Testimony is Joint Applicants' Exhibit 4.0.

d. Diane Leopold, President, Dominion Energy. Ms. Leopold's Direct Testimony is Joint Applicants' Exhibit 5.0.

e. Fred G. Wood, III, Senior Vice President Financial Management (Energy Infrastructure Group), Dominion. Mr. Wood's Direct Testimony is Joint Applicants' Exhibit 6.0.

X. TIME FOR PROCESSING THE JOINT APPLICATION

68. Dominion's proposed acquisition of Questar Corporation is an important transaction for Questar Gas' customers, employees and communities. In order to mitigate the ill-effects of uncertainty associated with the pendency of the Merger and expedite the delivery of the benefits of the Merger, Questar Gas and Dominion respectfully request, consistent with giving the Commission an opportunity to thoroughly review the Merger and satisfy itself that it is in the public interest, completion of the Commission's review and approval of the Merger as soon as reasonably possible.

69. Questar Gas and Dominion respectfully request that the Commission schedule a scheduling conference on the Joint Application as soon as possible and in any event within two weeks of the filing of this Joint Application.

XI. CONCLUSION

70. Dominion is a strong and well-financed company that makes safety its highest priority. It has made commitments that will be of substantial value to the customers, employees, communities and states served by Questar Gas. Included are commitments that will assure that Dominion Questar Gas remains a Utah-based company and that its operations will continue in the same manner. Dominion Questar Gas will continue its tradition of providing safe and reliable service at reasonable cost to its customers in Utah and other states. Regulation of Questar Gas will not be affected by the Merger. Dominion will make available increased financial and managerial resources to Dominion Questar Gas, and Dominion Questar Gas employees will receive the benefit of increased funding of their pension and OPEB plans. Dominion is committed to the environment and will maintain the environmental monitoring and maintenance programs of Dominion Questar Gas at or above current levels. Dominion will also increase charitable contributions in the communities served by Dominion Questar Gas and will maintain or increase historic levels of community involvement, low income funding, and economic development efforts in Dominion Questar's operation areas. Dominion anticipates that over time Dominion Questar Gas' costs may be lower than they would have been absent the Merger as a result of Dominion's size and buying power.

71. Dominion looks forward to being able to invest in the future of Questar Gas, focusing upon objectives of safety, customer satisfaction, reliable economic service,

environmental stewardship and collaborative and productive relationships with customers, regulators, other governmental entities and interested stakeholders. This Joint Application and the supporting testimony demonstrate that it is committed to these objectives.

WHEREFORE, Questar Gas and Dominion respectfully request that the Commission:

a. schedule a scheduling conference on this Joint Application as soon as possible and, in any event, within two weeks of the filing of this Joint Application;

b. issue an order approving the Merger whereby Questar Corporation will become a wholly-owned subsidiary of Dominion;

c. issue an accounting order authorizing Questar Gas to defer for possible future recovery in rates, if it elects to do so, the transition costs it incurs associated with the Merger; and

d. grant such other and further relief as may be deemed necessary.

DATED: March 3, 2016.

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