BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| 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 |

**DIRECT TESTIMONY OF FRED G. WOOD, III**

**FOR JOINT APPLICANTS**

March 3, 2016

**Joint Application Exhibit 6.0**

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## I. INTRODUCTION

**Q. Please state your name and business address.**

A. My name is Fred G. Wood, III. My business address is 120 Tredegar Street, Richmond, Virginia 23219.

**Q. By whom are you employed and what is your position?**

A. I am employed by Dominion Resources, Inc. ("Dominion") and am the Senior Vice President Financial Management, for the Energy Infrastructure Group.

**Q. What are your qualifications to testify in this proceeding?**

A. I have listed my qualifications in Joint Application Exhibit 6.1.

**Q. Please identify the Exhibits you are sponsoring to the Joint Application.**

A. I am sponsoring Joint Application Exhibits 1.2, 1.3, 1.6, 1.10, 1.11, 1.12, 1.13 and 1.17.

**Q. What is the purpose of your testimony in this Docket?**

A. My testimony explains the proposed transaction ("Merger"), provides financial information supporting the proposed Merger in which Questar Gas Company's ("Questar Gas") parent, Questar Corporation ("Questar Corporation"), is becoming a wholly-owned subsidiary of Dominion. I will also discuss a number of the commitments Dominion is making and how Dominion's financial strength will benefit Questar Gas and its customers.

## II. DESCRIPTION OF THE MERGER

**Q. Please describe the Merger.**

A. On January 31, 2016, Dominion, Diamond Beehive Corp. (a Utah corporation and a wholly-owned subsidiary of Dominion created solely to accomplish the Merger;

hereinafter "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 the Joint Application as Exhibit 1.1. The Merger, which is explained in detail in the Merger Agreement, is 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 filed on January 27, 2016 are attached as Exhibit 1.2 to the 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 (the "Effective Time", essentially the time when all approvals for the Merger are complete), the director of Dominion Questar will be that person that was the director of Beehive immediately prior to the Effective Time. The name of the initial director of Beehive is provided in Exhibit 1.3 to the 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 the 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.

**Q. How will Questar Corporation stock be treated?**

A. 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; 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.

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.

**Q. What will happen to Questar Corporation?**

A. At the Effective Time, Questar Corporation will be known as Dominion Questar, a wholly-owned subsidiary of Dominion, which will continue to exist as a separate legal entity. 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.

**Q. Was the Merger approved by the Dominion board?**

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

## III. METHOD OF FINANCING THE MERGER

**Q. How does Dominion plan to finance the Merger?**

A. 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% 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.

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"), 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 Company ("Questar Pipeline") to Dominion Midstream in a transaction that will have no impact on the operations, services provided, or rates of Questar Pipeline.

As part of the Merger, Questar Corporation and its subsidiaries' existing indebtedness, which as of December 31, 2015 totals $1.7 billion[1], will remain outstanding at Questar Corporation, Questar Gas, and Questar Pipeline, respectively, all of which will become direct or indirect subsidiaries of Dominion.

[1] Questar's financial reports are included in the 10-K attached to the Application as Exhibit 1.7.

## IV. DOMINION'S FINANCIAL CONDITION AND ANTICIPATED MERGER RESULTS

**Q. Please describe Dominion's financial condition.**

A. Dominion is one of the nation's largest regulated energy infrastructure companies. Dominion is publicly traded on the New York Stock Exchange under the ticker "D" and as of December 31, 2015 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. As of December 31, 2015, Dominion had total assets of $58.8 billion and annual revenue of $11.7 billion.[2] Dominion's operations are heavily weighted (nearly 90%) to state and federally regulated energy infrastructure operations which are viewed favorably by equity and debt investors for their stable earnings and cash flows. Dominion and its issuing utility subsidiaries are Well-Known Seasoned Issuers (WKSI) under Security and Exchange Commission rules and are frequent issuers of public securities and as such maintain regular dialogue with public equity and debt investors. Dominion also maintains revolving credit facility capacity of $5.5 billion with commitments from 21 large financial institutions. Dominion's liquidity including total cash and cash equivalents on hand as of December 31, 2015 and availability under Dominion's expanded credit facilities (effective January 19, 2016) totaled $2.5 billion.

**Q. What are Dominion's current credit ratings?**

A. Dominion's stable regulated operations, strong access to capital markets, ample liquidity, prudent capital structure, and experienced management team all contribute to its strong

[2] Dominion's financial reports are included in the 10-K attached to the Application as Exhibit 1.10.

investment grade ratings. Dominion's strong investment grade profile allows for cost-effective financing of its maintenance and growth capital investments. Current ratings information[3] for Dominion and its issuing utility subsidiaries (Virginia Electric and Power Company[4], and Dominion Gas Holdings[5]) is included in the table below:

| | Corp credit rating | Sr. Unsecured rating | Short-term/commercial paper rating | Outlook |
|---|---|---|---|---|
| Entity | Moody's/S&P /Fitch | Moody's/S&P /Fitch | Moody's/S&P /Fitch | Moody's/S&P /Fitch |
| Dominion Resources Inc. | Baa2/BBB+ /BBB+ | Baa2/BBB /BBB+ | P-2/A-2 /F2 | Stable/Stable /Stable |
| Virginia Electric and Power Company | A2/BBB+ /A- | A2/BBB+ /A | P-1/A-2 /F2 | Stable/Stable /Stable |
| Dominion Gas Holdings | A2/BBB+ /A- | A2/BBB+ /A- | P-1/A-2 /F2 | Stable/Stable /Stable |

**Q. What was Dominion's consolidated capital structure before the Merger and what will it be following the Merger?**

A. Dominion's capital structure as of December 31, 2015 was 60.6% debt and 39.4% equity as calculated per the terms of its revolving credit facility 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 existing 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 revolving credit facility covenant by

[3] The relevant credit reports are attached to the Application as Exhibit 1.13.
[4] Virginia Electric and Power Company ("VEPCO" or "Virginia Power") 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 (d/b/a in their respective states as "Dominion Virginia Power" and "Dominion North Carolina Power").
[5] Dominion Gas Holdings, LLC is a limited liability company and holding company subsidiary of Dominion that serves as the intermediate parent company for Dominion East Ohio, Dominion Transmission, and Dominion Iroquois, which holds a 24.72% interest in Iroquois Gas Transmission System L.P.

maintaining debt levels less than 65% 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 (GAAP) and prior to any adjustments, Dominion's capital structure was 68.4% debt and 31.6% equity.

**Q. What are Questar's current credit ratings?**

A. Much like Dominion, Questar's regulated operations, ample liquidity, prudent capital structure, and experienced management team all contribute to its strong investment grade ratings.

Current ratings information is included in the table below:

| | Corp credit rating | Sr. Unsecured rating | Short-term/commercial paper rating | Outlook |
|---|---|---|---|---|
| Entity | Moody's/S&P | Moody's/S&P | Moody's/S&P | Moody's/S&P |
| Questar Corp | —/A | —/A | P-1/A-1 | Review for Downgrade/CreditWatch Negative |
| Questar Gas | A2/A | A2/A | N/A | Stable/CreditWatch Negative |
| Questar Pipeline | A3/A | A3/A | N/A | Stable/CreditWatch Negative |

Note: Questar and its subsidiaries are not rated by Fitch.

**Q. How has the proposed Merger impacted Questar Corporation's and its subsidiaries' credit ratings?**

A. <u>Moody's</u>

Following the announcement of the proposed Merger, on February 1, 2016 Moody's affirmed both the ratings and the outlook of Questar Corporation's two principal subsidiaries: Questar Gas (A2/Stable) and Questar Pipeline (A3/Stable) indicating that "the affirmation and stable outlook for Questar Gas reflects a very strong regulatory environment in Utah…cost recovery mechanisms such as decoupling, weather normalization and infrastructure trackers…[and] highly supportive regulatory environments in Utah, Wyoming, and Idaho." Moody's placed Questar Corporation's short-term commercial paper rating (P-1) on review for downgrade. A downgrade to a P-2 rating, if it occurs, would still preserve Questar Corporation's access to the commercial paper market and bring the short-term rating in-line with Dominion's current short-term rating.

<u>Standard & Poor's</u>

Following the announcement of the proposed Merger, on February 1, 2016 Standard & Poor's affirmed Questar's existing ratings (including for Questar Corporation, Questar Gas, and Questar Pipeline), but placed those ratings on CreditWatch with negative implications. Standard & Poor's CreditWatch is an opinion of the potential direction in the rating and generally focuses on specific events and short-term trends. In this case, the negative watch indicates the potential for a lower credit rating upon the close of the transaction. It is important to note that Standard & Poor's action is due to its use of a group rating methodology, where all "core" subsidiaries of a parent company receive the same corporate credit rating as the parent. It is common for Standard & Poor's to take such action following an acquisition even though the credit profile of the surviving subsidiary has not materially changed. Because Dominion's current corporate credit rating of "BBB+" is lower than Questar Corporation's credit rating of "A" and because Questar and its subsidiaries will be core subsidiaries of Dominion, Standard & Poor's would be expected to reduce Questar and its subsidiaries ratings to align with those of Dominion Resources. Standard & Poor's indicated that "We expect Dominion's senior management will demonstrate strong commitment to Questar given Dominion's emphasis on maintaining the size and scope of its regulated utility and midstream energy operations … Questar operates in lines of business that are integral to the overall group's strategy and regulated utility and midstream energy operations."

**Q. What impact will the proposed Merger have on Questar Gas' Stand-Alone Credit Profile rating at Standard & Poor's?**

Standard & Poor's Stand-Alone Credit Profile rating is an indication 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. Dominion and Questar Corporation expect that Standard & Poor's will maintain Questar Gas' existing Stand-Alone Credit Profile rating of "a".

Maintaining strong investment grade ratings has been and will continue to be a core financial objective for Dominion and its subsidiaries.

**Q. How does Dominion handle financing with respect to its utility subsidiaries that issue public securities?**

A. Dominion's two issuing utility subsidiaries are Virginia Power and Dominion Gas Holdings, both of which are publically rated and issue third-party debt. These entities are financed through a combination of three sources: 1) operating cash flows, 2) third-party debt, and 3) intercompany debt and equity. Debt and equity transactions of Virginia Power require permission from, and periodic reporting to, the Virginia State Corporation Commission. Virginia Power and Dominion Gas Holdings make financing decisions to maintain targeted credit ratings.

**Q. How does Dominion plan to handle the financing of Questar Gas after the Merger takes place?**

A. Dominion views Questar Gas' existing capitalization as prudent and plans to maintain existing proportions of debt and equity capital.

**Q. Will the proposed Merger result in a change in Questar Gas' status as a stand-alone issuer of debt securities and SEC Registrant?**

A. No.

## V. FINANCIAL BENEFITS OF THE MERGER

**Q. Please provide a brief summary of the financial benefits of the Merger.**

A. Dominion expects that the Merger will provide the following financial benefits:

- 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;
- Questar Gas will benefit from participation in Dominion's services company 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;
- Questar Gas will benefit by having an enhanced ability to finance capital investment that ensures safe, reliable, and cost-effective operations across a growing customer base;
- Questar Gas will continue to maintain access to short-term funds which provide liquidity at cost-effective rates; and
- Questar Gas will benefit from the voluntary pension contribution (up to $75,000,000) that Dominion has committed to make as part of the Merger.

**Q. Please explain how Questar Gas will benefit from being part of a corporate organization that has enhanced geographic and regulatory diversity and greater financial and operational scale.**

A. Upon completion of the Merger, the combination of Dominion and Questar Corporation will represent the 4th largest U.S. regulated energy infrastructure company by public equity market capitalization with nearly 5 million total utility customers, approximately $66 billion of total assets, and $12.8 billion of total annual revenue.[6] See Joint Application Exhibit 1.12, The combined company will own and operate electric and gas utilities in 7 states across the Mid-Atlantic, Mid-West, and the Intermountain West regions of the United States. This scale is anticipated to provide the following benefits:

- As a national franchise with geographic diversity, the combined company and its subsidiaries will benefit from reduced risk concentration associated with specific state and regional performance;
- As a diverse portfolio of operations across the energy spectrum, the combined company and its subsidiaries will also benefit from reduced risk concentration to specific industry, commodity, or regulatory trends;
- 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;
- 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

[6] Based on 12/31/2015 results for Dominion and Questar Corporation.

practices across an expanded platform of service which stands to improve employee safety, increase customer service, and minimize operational costs; and

- 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 growth and reliability to the benefit of customers.

**Q. Please explain how Questar Gas will benefit from participation in Dominion's services company model.**

A. Dominion employs a services company model in which major corporate functions are centralized and then deployed for the benefit of subsidiaries. Departments such as investor relations, governance, finance, treasury, tax, accounting, legal, information technology, telecommunications, cyber-security, insurance, purchasing, contracting, environmental management, safety, audit, human resources, external affairs, and regulatory affairs all participate in Dominion's service company (Dominion Resources Services, Inc.). Through centralization, Dominion's service company is able to create economies of scale and provide a level of expertise, service, and resource that stand-alone departments at each subsidiary level would not be able to provide. As a result, Dominion's service company is able to provide reliable and cost-effective service to customers.

As a participant in the Dominion centralized services company model, Questar Gas and its customers will benefit from the efficiencies and economies of scale associated with the level of service and expertise associated with a much larger company. Direct and indirect savings that result from the services company model will accrue to the benefit of Questar Gas customers as is typical for operations that are subject to rate regulation.

**Q. Please explain how Questar Gas will benefit from an enhanced ability to finance capital investments that ensure safe, reliable, and efficient operations across a growing customer base.**

A. Dominion expects the Merger to provide Questar Gas with the following benefits associated with raising funds in an efficient and cost-effective manner to support capital investment:

- Expanded investor base: Dominion is an active utility issuer in the capital markets with a substantial following of equity and debt investors. As less frequent issuers with smaller transaction sizes, Questar Corporation and Questar Gas have a comparably smaller investor following which at times may result in lower investor interest and less competitive terms. As an example, Dominion and its subsidiaries' public debt is owned by unique investors that number in the thousands whereas Questar and its subsidiaries public debt is owned by unique investors that number in the hundreds. The borrowing rates and new issue premiums for smaller, less frequent debt issuers are typically higher than those of larger, more recognized "must-own" names. By way of comparison on the public equity side, Dominion is currently covered by 26 equity analysts while Questar Corporation is covered by 7 equity analysts. Public equity financings for issuers with expanded analyst coverage and broader equity ownership tend to see enhanced investor demand and better execution terms.
- Enhanced financial flexibility: As part of Dominion, Questar Gas (and Questar Corporation) will be able to take advantage of the larger size of Dominion capital market transactions. For example, investor demand is typically stronger for bond offerings of $250 million or larger. Dominion and its subsidiaries have offered 24 bonds in excess of $250 million over the past three years; whereas, Questar

Corporation and its subsidiaries haven't offered any bonds of $250 million or larger over the past three years. Transaction sizes lower than this $250 million threshold typically involve a pricing premium as compared to larger, comparably-rated transactions.

- <u>Superior access to capital markets especially during periods of market distress or volatility</u>: Dominion Questar Gas will benefit from improved access to capital, especially in challenging or volatile market conditions when debt investors tend to favor larger, "bell weather" issuers that maintain significant liquidity and tend to be more active participants in the capital markets. In the past 10 years, the capital markets have experienced numerous periods of volatility where smaller issuers have been disadvantaged relative to larger issuers.

**Q. Please explain how Questar Gas will benefit from continued access to short-term funds.**

A. After the Merger, Questar Gas will continue to benefit from access to the commercial paper market in the same manner that it currently utilizes to finance short-term capital needs on a cost-advantaged and efficient basis. Dominion and its issuing utility subsidiaries are frequent issuers in the commercial paper market and Dominion Questar Corporation will provide liquidity to Questar Gas for seasonal working capital and other needs in a manner consistent with Questar Corporation's past practice.

**Q. How will Questar Gas benefit from Dominion's contribution to Questar's pension and OPEB plans?**

A. As part of the Merger, Dominion has committed to voluntarily provide up to $75,000,000 to Questar's pension and OPEB plans, which are currently in an underfunded status. Employee benefits, which help to attract and retain an effective workforce, are costs associated with providing efficient, reliable and safe service to customers. This includes prudently incurred pension and post-retirement benefit costs, which are a component of cost of service and, subject to utility commission oversight, recoverable through rates. As a portion of Questar Corporation's pension and OPEB under-funding obligation is reasonably allocable to Questar Gas operations, Dominion's contribution effectively reduces the pension expenses that would otherwise be passed through to customers. This represents a significant benefit to both Questar Gas customers in the form of avoided expense but also to Questar Gas employees who stand to benefit from less risk associated with the under-funded post-retirement benefit plans.

**Q. What are the financial benefits of the Merger to Dominion?**

A. The regulated and growth oriented profile of Questar Corporation and its subsidiaries aligns well with Dominion's long-term strategic focus on high-performing, regulated energy infrastructure operations and supports Dominion's long-term financial objectives. The combination of Dominion and Questar will add geographic diversity, enhance operational and financial scale, and improve Dominion's balance between electric and gas operations.

**Q. Does Dominion expect to create savings by reducing costs of Dominion Questar Gas?**

A. As discussed in Dominion Witness Thomas F. Farrell II's testimony, Dominion intends the Merger to be about growth, rather than cost reductions and plans to utilize Dominion Questar as its Western regional hub to supply the expanding needs for both gas and electric energy infrastructure in the western United States.

Dominion has no plan to change the organizational structure of Dominion Questar Gas operations as a result of the Merger and Dominion does not expect material changes to the manner in which Questar Gas provides service to its customers. Dominion Questar Gas will continue to receive certain shared or common services provided to it as part of a larger organization. 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 beginning May 1, 2016. Dominion Questar Gas will reflect any resulting benefits to customers in its future general rate cases.

## VI. FINANCIAL COMMITMENTS AND UNDERSTANDINGS

**Q. Is Dominion willing to make commitments and to provide assurances that will address potential concerns of the Commission and interested parties?**

A. Yes. I am sponsoring some, but not all, of the commitments being made by Dominion in the Joint Application. Those other commitments are sponsored by Dominion Witnesses Diane Leopold and Thomas F. Farrell II. I believe that the commitments I sponsor below will benefit Questar Gas, its employees, its customers, and the communities served by Questar Gas.

**Q. Please list those commitments.**

A. The commitments that Dominion is making and which I am sponsoring are:

- 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.
- 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.

- 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.
- 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.
- 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.
- 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.
- Dominion, through Dominion Questar, will provide equity, as needed, to Dominion Questar Gas with the intent to maintain Questar Gas' current capital structure.
- Dominion intends to maintain credit metrics that are supportive of strong investment grade credit ratings for Dominion Questar Gas.
- Dominion Questar Gas will not transfer its debt to Dominion without Commission approval.
- Dominion Questar Gas will not transfer material assets to or assume liabilities of Dominion or any other subsidiary of Dominion without Commission approval.

- 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.
- 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.
- 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.
- 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.
- 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 good or services provided to Dominion Questar Gas by Wexpro, which shall be provided pursuant to the terms of 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").
- 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 (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.

**Q. Will these commitments reduce risks and produce benefits to Dominion Questar Gas?**

A. Yes. Many of the commitments that Dominion is making will help insulate and protect Dominion Questar Gas' credit quality from issues that may arise at Dominion or any of its other subsidiaries, while still allowing Dominion Questar Gas to enjoy the benefits that will result from the Merger.

## VII. CONCLUSION

**Q. Would you please summarize your testimony?**

A. Yes. I believe that the Merger will bring positive benefits to Dominion Questar Gas and its customers, and will serve the public interest. Dominion Questar Gas and its customers will benefit from the enhanced scale of managerial and financial resources that Dominion will provide, and the Commission can be assured that Dominion Questar Gas will continue to provide efficient, reliable and safe service at a reasonable cost through the various commitments made by Dominion. Dominion is also providing a benefit by committing to make contributions to employee retirement benefit plans. Dominion looks forward to being able to invest in the future of Dominion Questar Gas.

**Q. Does this conclude your testimony?**

A. Yes.

Commonwealth of Virginia )<br>
) ss.<br>
County of ___________ )

I, Fred G. Wood, III, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. The exhibits attached to the testimony were prepared by me or under my direction and supervision, or to the best of my knowledge are true and correct copies of the documents they purport to be.

_________________________________________

Fred G. Wood, III

SUBSCRIBED AND SWORN TO this _____________.

_________________________________________

Notary Public