

Proposed Merger of Questar and Dominion
Utah Technical Conference
Docket No. 16-057-01
April 28, 2016

Transparency

Collaboration

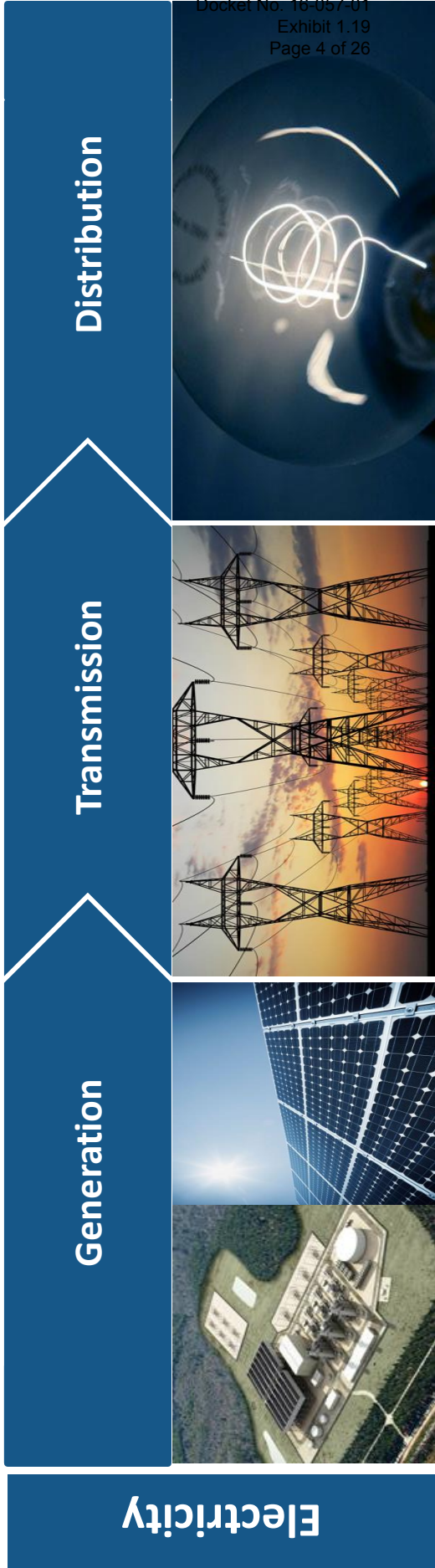
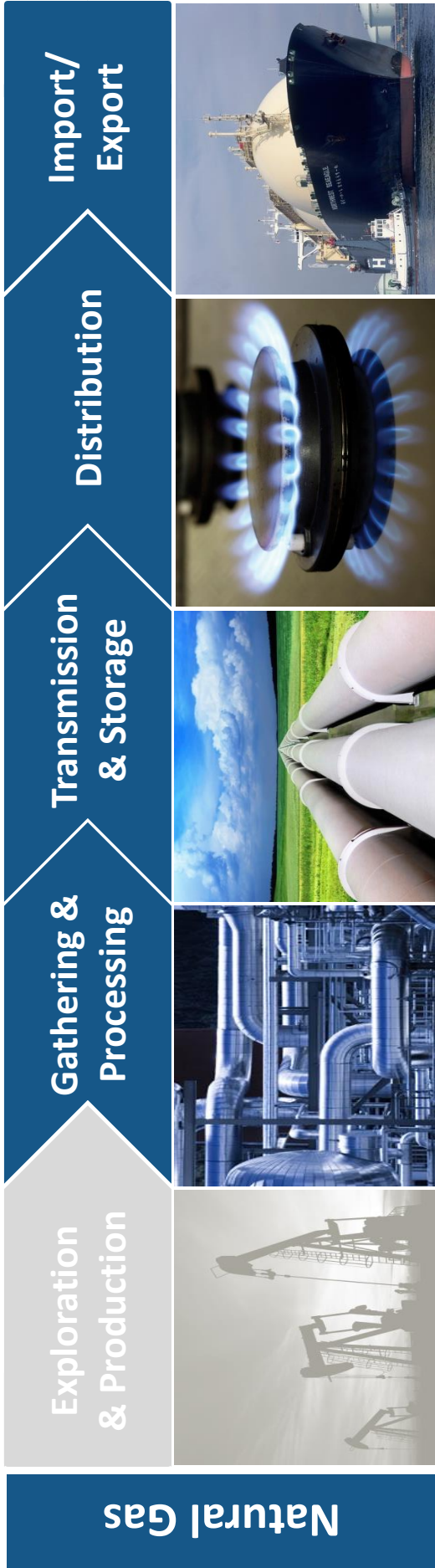
Open Communication

Local Management

WHY QUESTAR?

- ✓ **Compelling opportunity to combine premier regulated natural-gas asset profiles**
- ✓ **Complementary cultures with strong commitment to customers, communities and employees**
—*Focus on doing business with integrity and honesty to promote safety and reliability*
- ✓ **Utah, Wyoming, and Idaho are highly attractive places to do business**
—*Complements Dominion’s existing regional presence (Utah solar investment)*
- ✓ **Well positioned to capitalize on increasing Western regional natural gas needs**
—*Robust potential for long-term growth across all business units*
- ✓ **Additive to Dominion’s portfolio of high-quality, MLP-eligible assets**
—*Non-LDC assets are an ideal fit for Dominion’s 100%-controlled and majority-owned Master Limited Partnership*

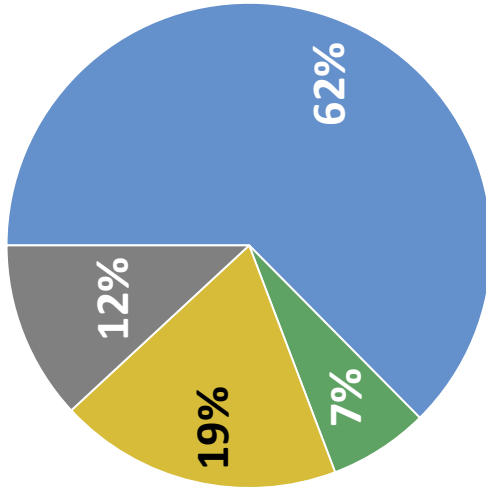
DOMINION'S OPERATIONS SPAN THE ENERGY VALUE CHAIN



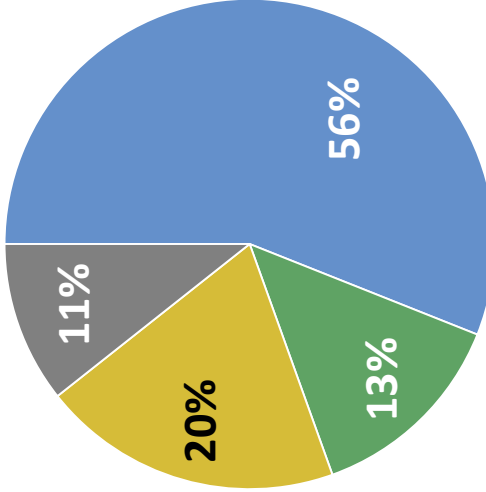
DOMINION'S PROFILE—A REGULATED FOCUS

EBITDA contribution (2015)

Dominion Resources



Dominion Resources with Questar



¹ Wexpro included in state regulated gas segment

DOMINION PROFILE¹

- **2015 Revenue: \$11.7 billion**
- **2015 Operating earnings: \$2.0 billion**
- **Total assets: \$58.8 billion²**
- **Employees: 14,700**
- **Market capitalization: ~\$42 billion³**
- **Energy infrastructure investment: ~\$16 billion (2016E—2020E)**
 - Gas: ~\$6.0 billion
 - Electric: More than \$10 billion



¹ Does not include Questar

² As of 12/31/2015

³ As of 4/27/2016

DOMINION'S OPERATING SEGMENTS

Dominion Energy



Gas Transmission

- ❖ Together with Gas Distribution, operates one of the largest natural gas storage systems in the U.S.
- ❖ **12,200 miles** of pipeline in eight states
- ❖ Cove Point LNG facility
- ❖ Well positioned in Marcellus and Utica Shale regions

Gas Distribution

- ❖ **22,000 miles** of distribution pipeline and **1.3 million** franchise retail natural gas customer accounts in OH & WV

Dominion Virginia Power



Electric Transmission

- ❖ **6,500 miles** of transmission lines
- ❖ Favorable regulatory environment

Electric Distribution

- ❖ **57,300 miles** of distribution lines
- ❖ **2.5 million** franchise retail customer accounts in VA and NC

Dominion Generation



Utility Generation

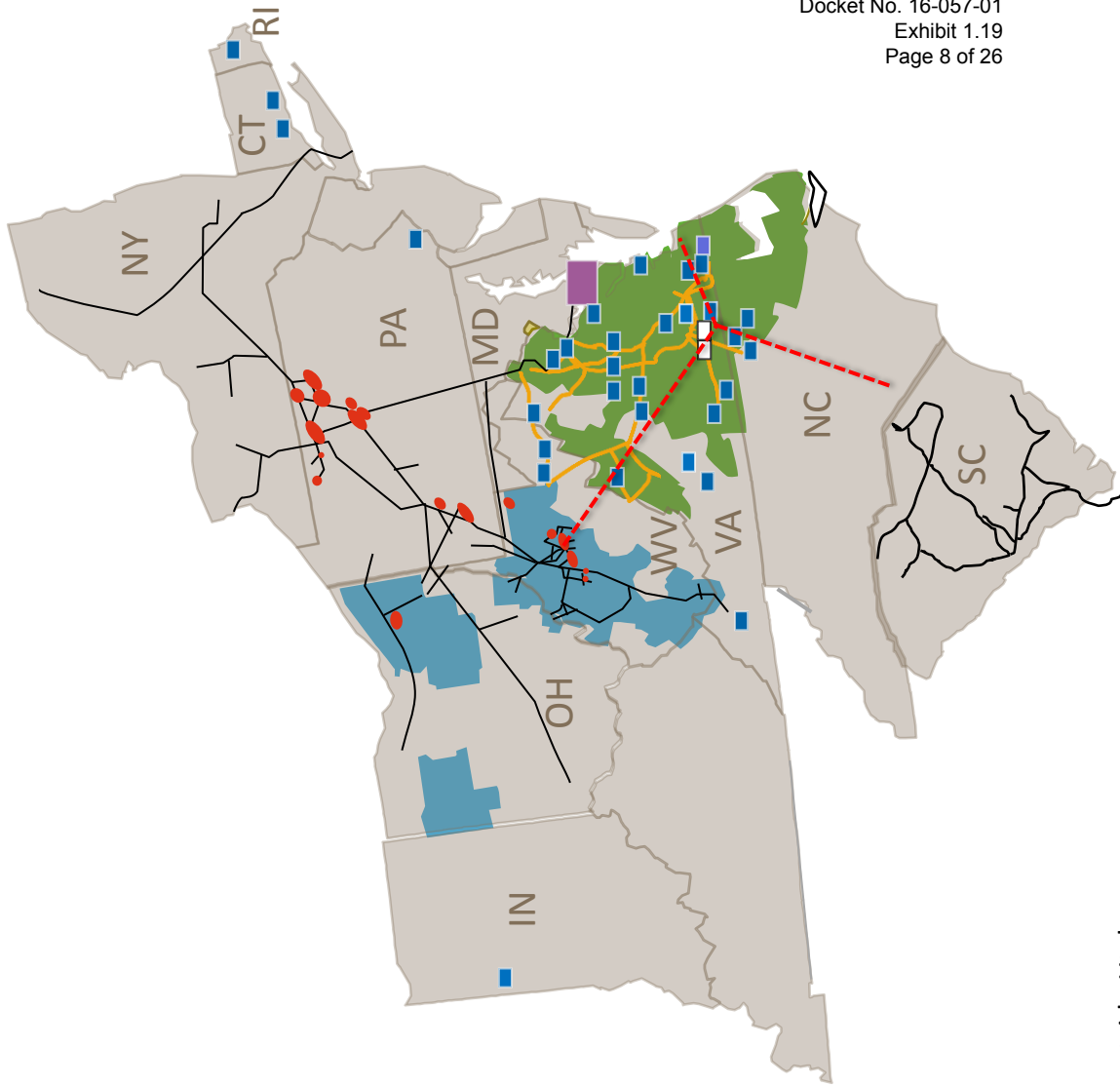
- ❖ **20,000 MW** of capacity
- ❖ Balanced, diverse fuel mix
- ❖ Favorable regulatory environment










Merchant Generation

- ❖ **4,300 MW** of capacity, including nuclear, gas and renewable power
- ❖ Active hedging program for energy revenue/margins

DOMINION FOOTPRINT

Utah Solar



	Electric service territory
	Electric transmission system
	Electric generation facilities
	Generation under development
	Natural gas service territory
	Natural gas transmission, gathering and storage pipeline
	Natural gas storage operated
	Proposed Atlantic Coast Pipeline
	Cove Point LNG Facility

Note: Map does not include Dominion's solar facilities outside Utah

DECISION-MAKING LEVELS AND PROCESSES

Dominion Questar Gas will be managed from an operations standpoint as a separate regional business under Dominion

Dominion Corporate and Board decisions

- Proper corporate governance including final budget approval

Dominion Energy decisions

- Consistency across local operations to enhance organizational efficiency
- Safety and compliance program design
- Final budget review

Local operating decisions

- Budget development
- Safety and compliance program implementation
- Operations, system reliability, and customer service
- Regulatory and other stakeholder relations

MAINTAINING CUSTOMER SERVICE

Questar Gas' customers, communities and regulators will see benefits from a shared focus on safety, reliability, customer service and efficiency

Dominion and Questar Gas' common focus on customer service can be seen in their similar performance on key metrics

2015 Performance results		
Customer service standard	DEO	QGC
Average speed of answer	34 seconds	29 seconds
Appointments met within 4-hour window	99.3%	97%
Gas service initiation within 5 days	100%	100%
Customer complaint resolution	1 day	3 days
Emergency call response within 60 minutes	98%	98%

COMMON CULTURE OF SHARING BEST PRACTICES

The combined company and its subsidiaries will benefit from the adoption of best practices across an expanded platform of service

Customer service

- Call center, billing, and advance metering technology
- Electronic bulletin board to confirm supply nominations

Pipeline operation

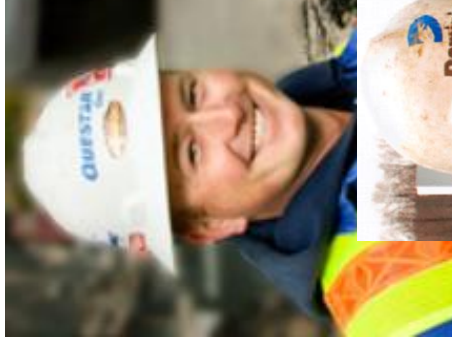
- Customer outage response
- Utilization of vacuum excavation technologies

Engineering and construction

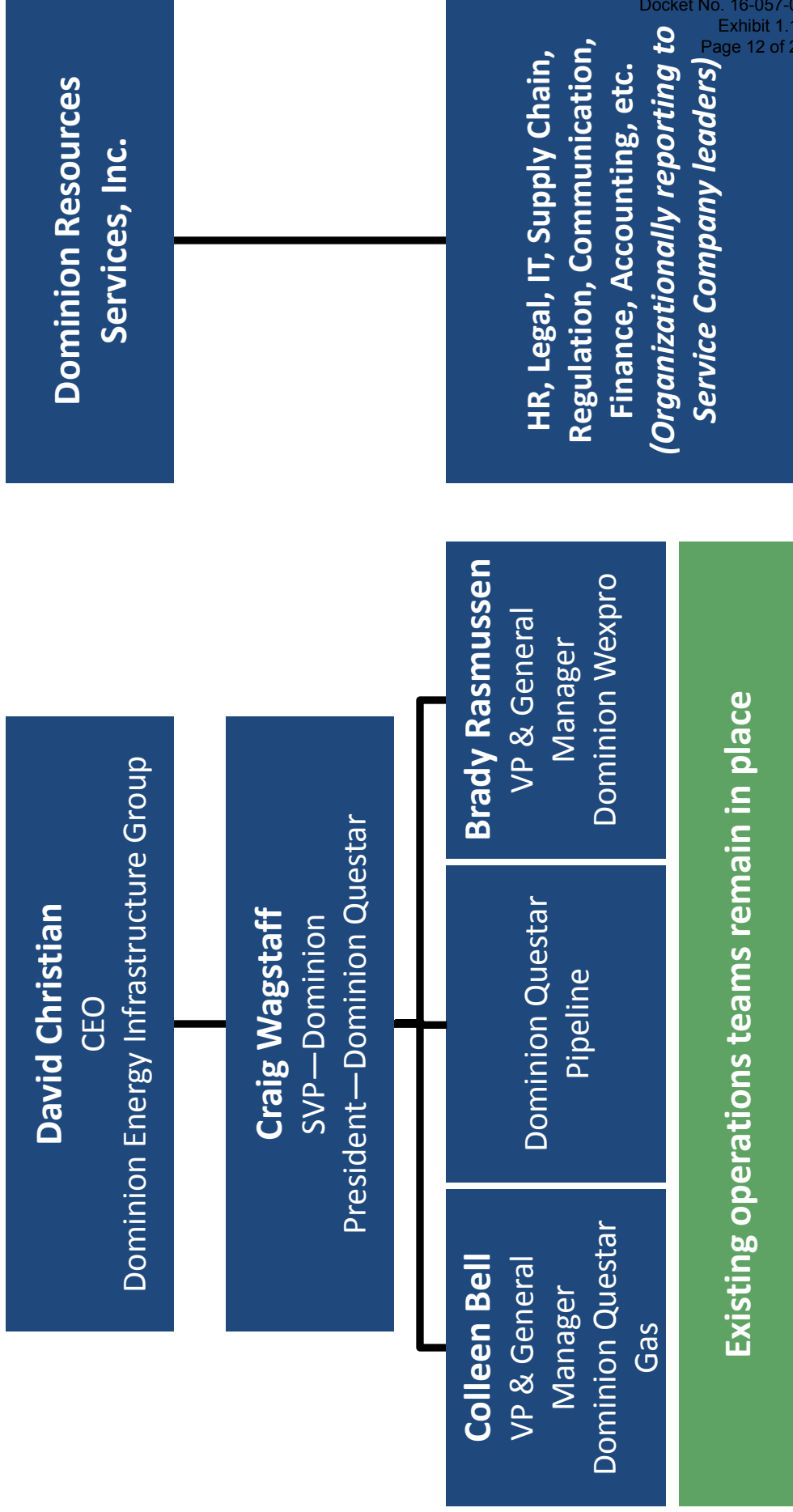
- Pipeline contractor diversity programs
- Asset data collection and GIS implementation

Employee safety and compliance

- Employee training in covered tasks
- Distribution/Transmission Integrity Management



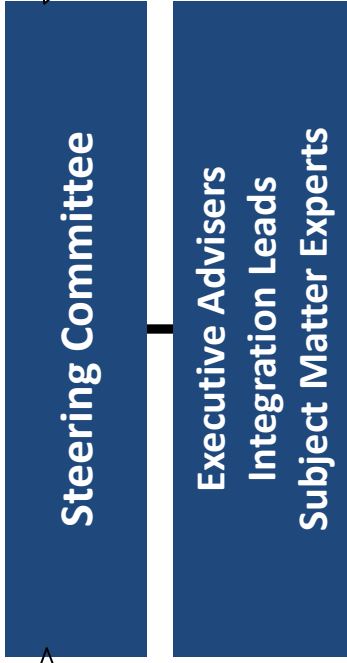
POST-MERGER LEADERSHIP



INTEGRATION FRAMEWORK

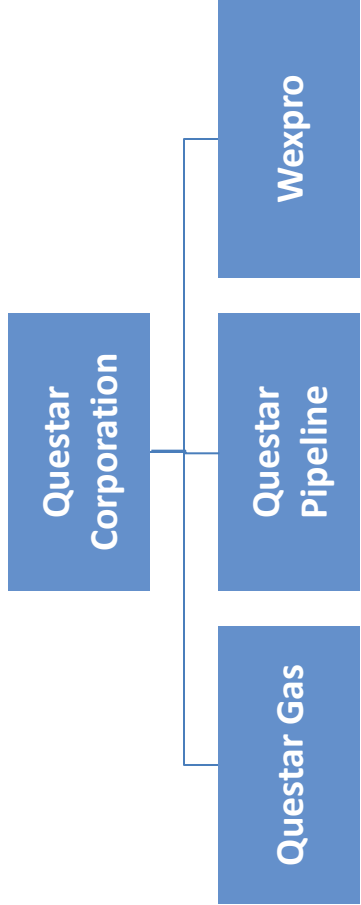
Groups of Dominion and Questar officers, senior managers, and other employees are aligned to plan, organize, coordinate, and execute organizational alignment

Questar
Ronald W. Jibson –
 Chairman, President and CEO
Craig C. Wagstaff –
 EVP and President, Questar Gas



Dominion
Thomas F. Farrell II –
 Chairman, President and CEO
Carter M. Reid –
 SVP, Chief Admin & Compliance Officer
 & Corp. Sec.
David Christian –
 CEO Energy Infrastructure Group

Operations teams



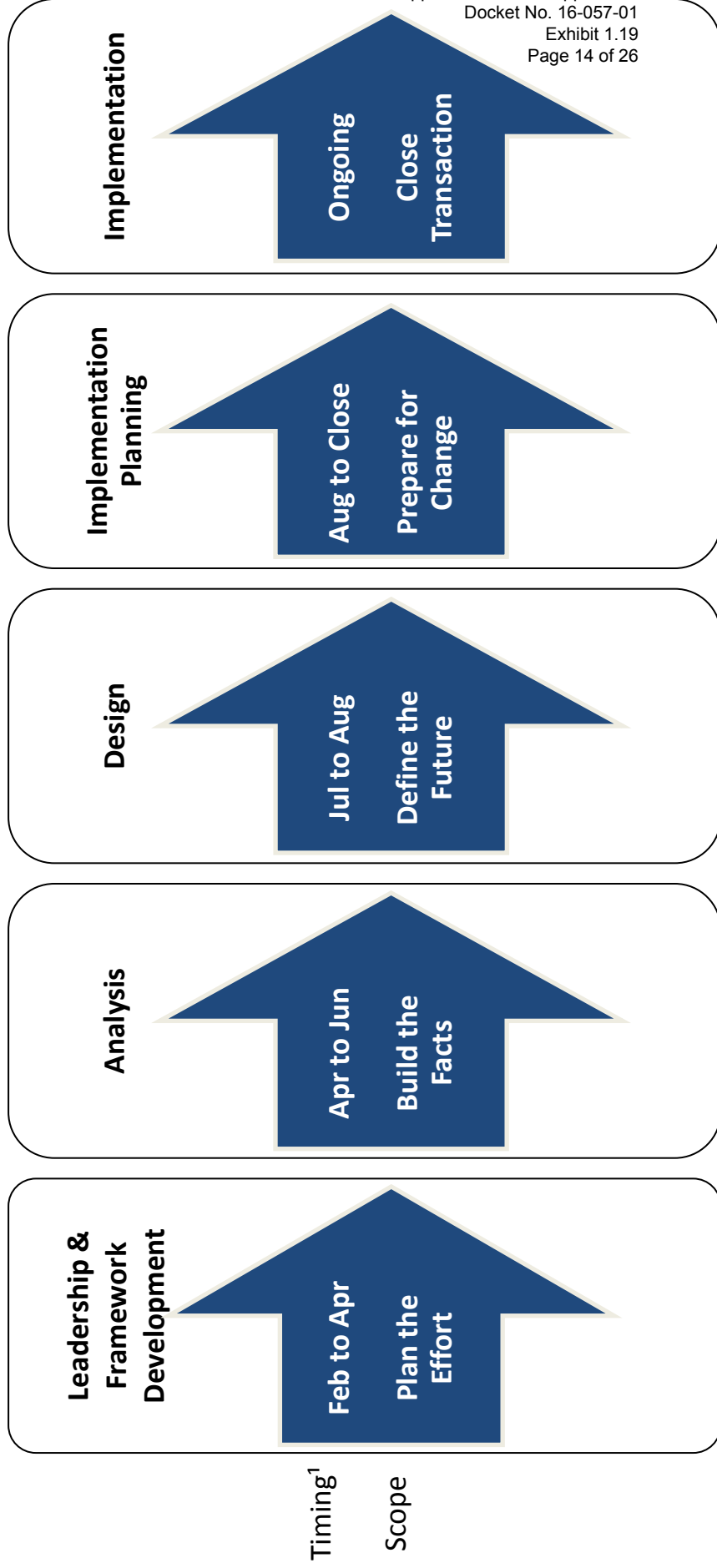
Shared services teams



THE INTEGRATION PROCESS

A sequential and staged approach to design and execution

Integration efforts will occur thoughtfully to maintain consistent, safe, reliable, and cost-effective service



¹ Timing is approximate and stages will have some overlap

MERGER RELATED COSTS

✓ **Transaction costs**

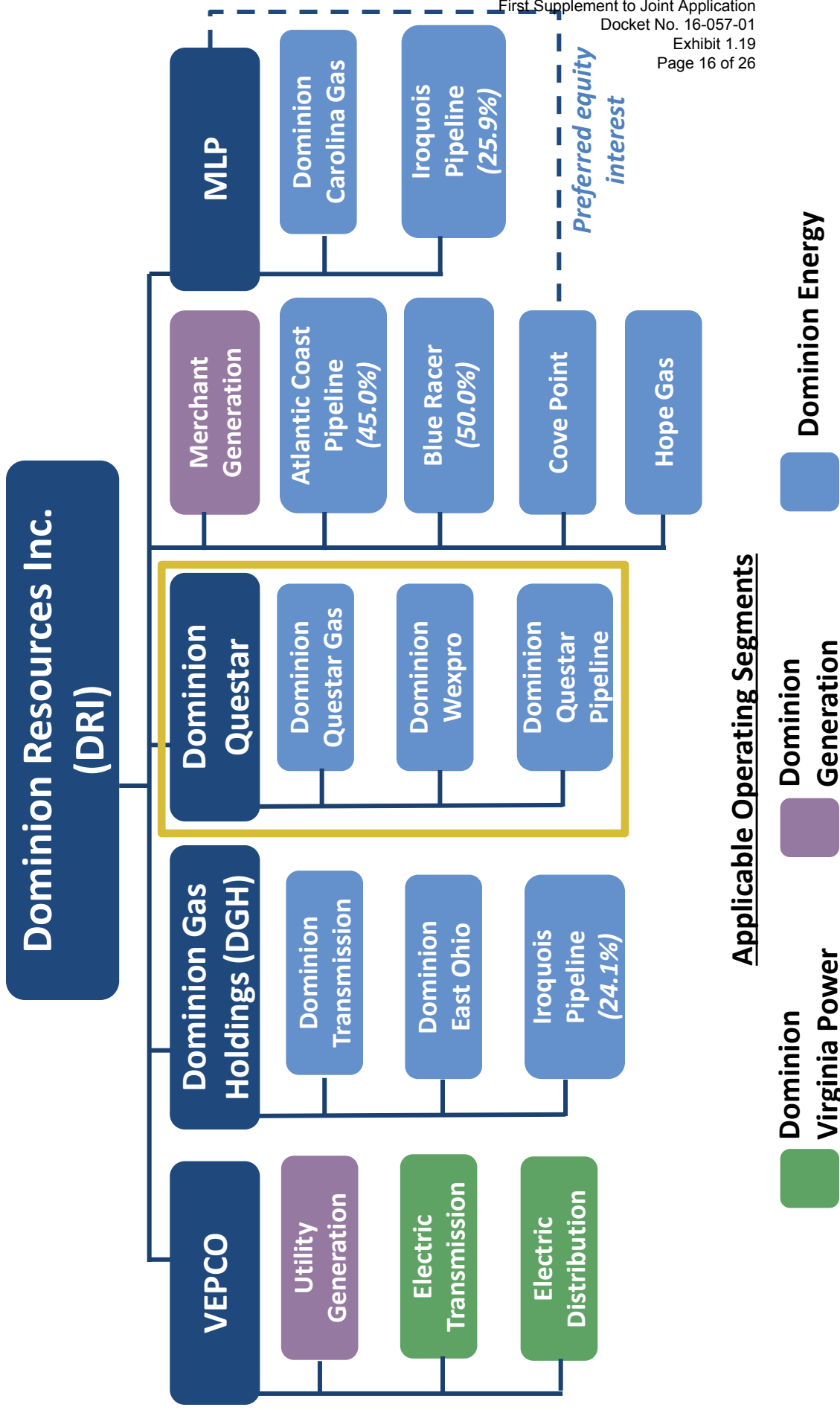
- *Financial advisor and legal fees, goodwill, etc.*
- *Company will not seek cost recovery for transaction costs*

✓ **Transition costs**

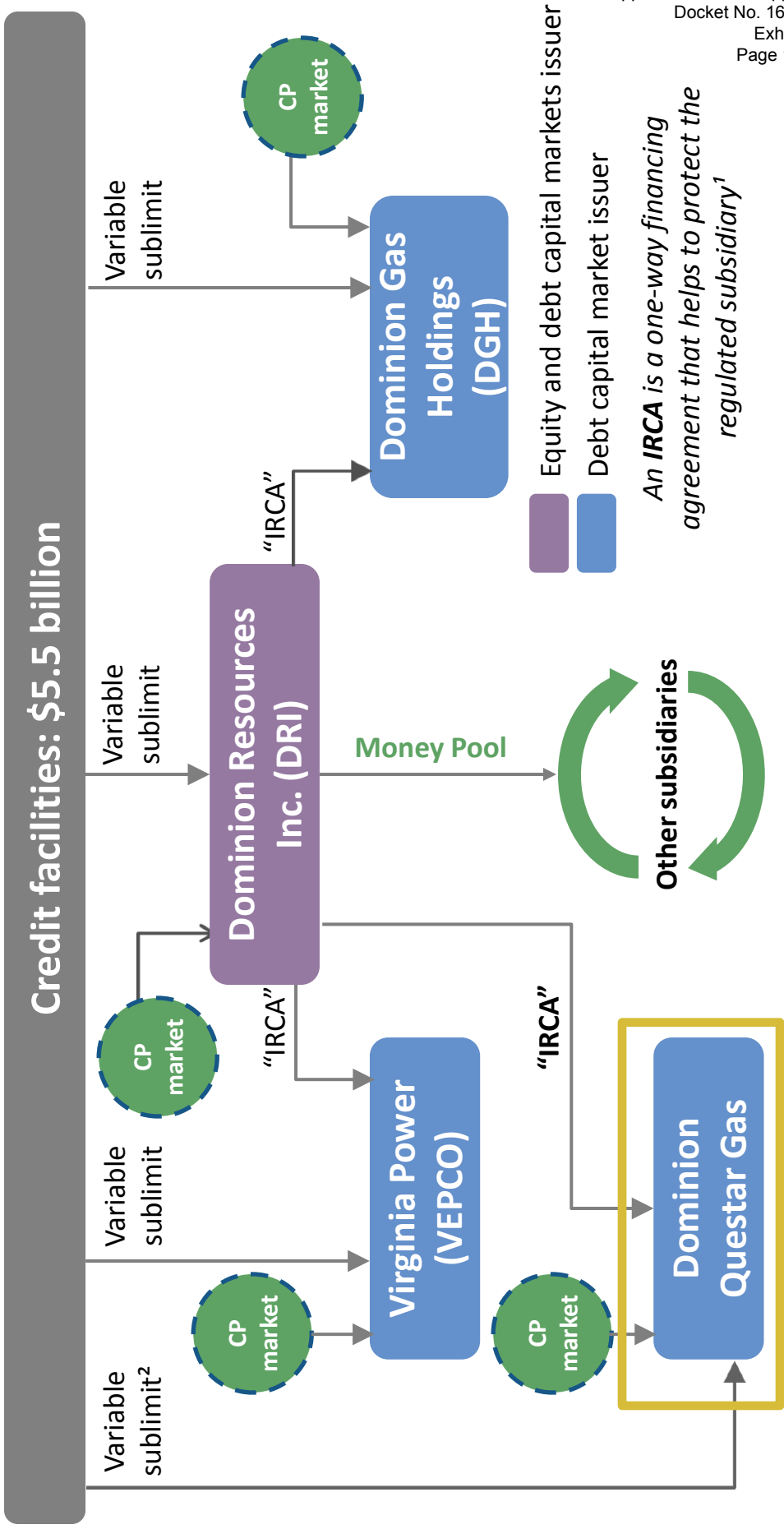
- *Integration of systems, changes to duplicative costs, severance payments, etc.*
- *Proposed deferral of transition costs if net benefit can be shown*

✓ **All costs remain subject to prudence review during rate proceedings**

DOMINION'S PRO FORMA STRUCTURE



HOW WILL DOMINION QUESTAR GAS BE FINANCED?



Dominion Questar Gas will have adequate short-term liquidity and the ability to access debt capital markets as a standalone issuer for long-term funding needs

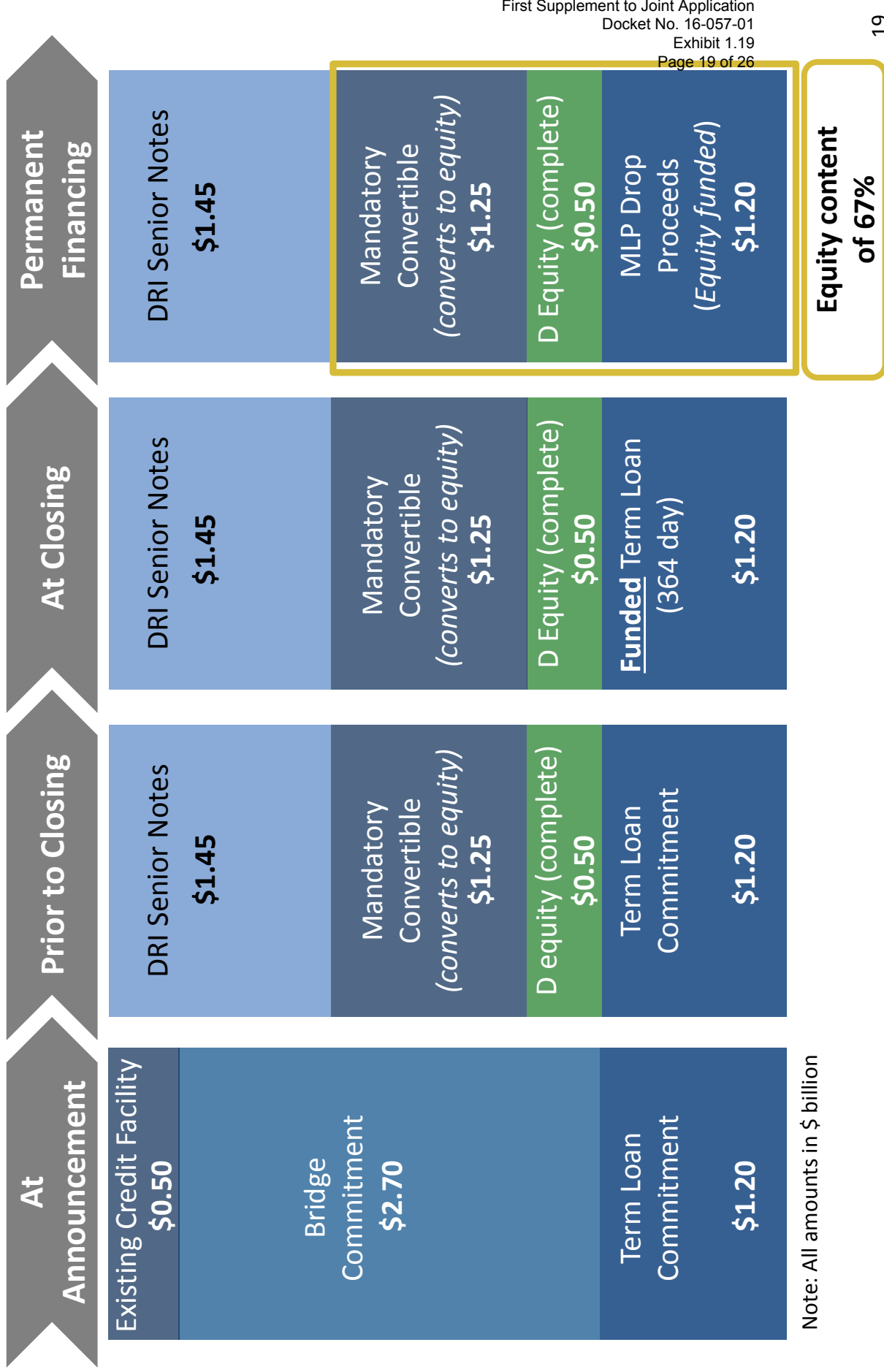
¹ IRCA = Intercompany revolving credit agreement

² Addition of Questar Gas as a direct borrower to existing facilities requires lender consent; upon receipt CP program will be established

HOW WILL DOMINION QUESTAR GAS BE “RING-FENCED”?

- ✓ **DRI and affiliates will not be able to borrow funds from Dominion Questar Gas (“IRCA”)**
- ✓ **Maintain status as a standalone issuer of long-term debt**
- ✓ **Maintain current debt and equity capital ratios**
- ✓ **Maintain credit metrics that support strong investment-grade credit ratings**
- ✓ **Maintain issuer credit ratings from independent credit rating agencies**
- ✓ **Standalone audited financial statements (books and records maintained in SLC)**
- ✓ **Maintain as a separate and distinct legal entity**
- ✓ **Maintain Utah Commission oversight of Dominion Questar Gas dividends**
- ✓ **Appoint a member of Questar’s Board of Directors to Dominion’s Board of Directors**

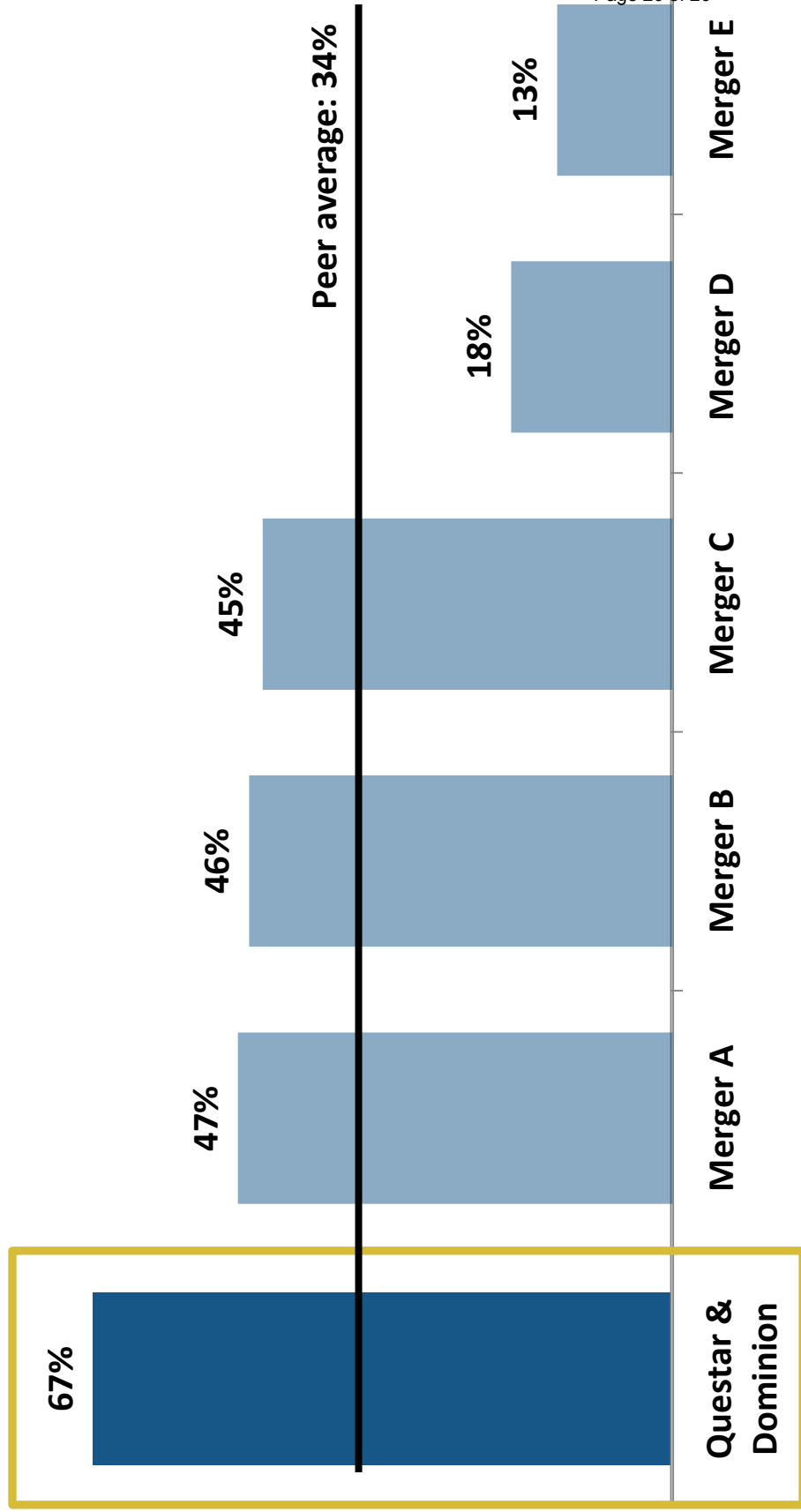
HOW WILL DOMINION FINANCE THE MERGER?



Note: All amounts in \$ billion

HOW DOES DOMINION'S MERGER FINANCING COMPARE TO OTHER RECENT UTILITY MERGERS?

Percentage of merger consideration initially funded with equity/equity-linked securities



HOW DO THE CREDIT AGENCIES EVALUATE DOMINION AND QUESTAR GAS?

Moody's

Methodology

Rating based on credit worthiness of issuer

Ratings¹

A2	Questar Gas (affirmed), VEPCO, DGH
A3	—
Baa1	—
Baa2	DRI

Fitch

Rating based on credit worthiness of issuer

A	VEPCO
A-	DGH
BBB+	DRI
Not rated	Questar Gas

S&P

Issuer Rating:

Rating based on credit worthiness of consolidated group

Anchor Rating:

Rating based on credit worthiness of issuer

A	Questar Gas (current)
BBB+	Questar Gas (expected), VEPCO, DGH
BBB	DRI
a	Questar Gas (current and expected)
a-	DRI, VEPCO
bbb	DGH

¹ Senior Unsecured ratings

Note: Dominion intends to solicit a Fitch rating for Questar Gas

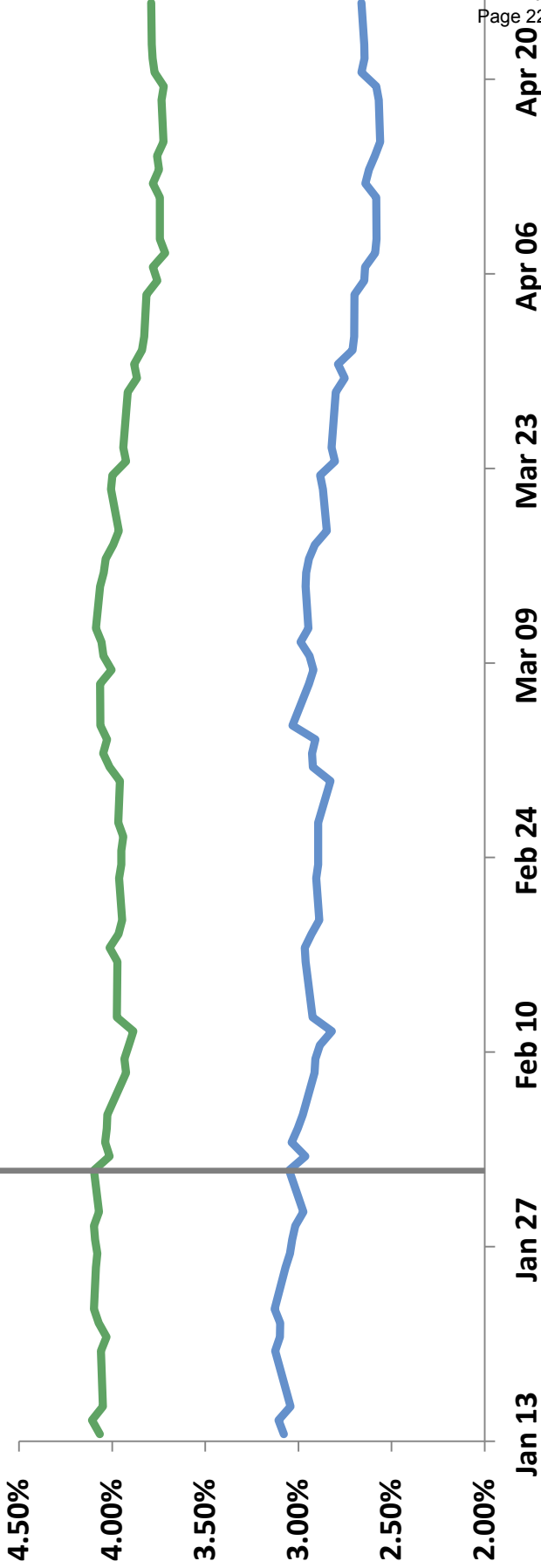
QUESTAR AND DOMINION BORROWING COSTS IN CONTEXT

Impact of change in Dominion Resources' S&P consolidated rating

Timeframe	Rating	Advantage to utility index
Pre-rating change (avg)	A-	101 bps
Post-rating change (avg)	BBB+	110 bps

— VEPCO¹ — Utility Index

2/1/2016: S&P rating change



The change in rating at VEPCO (driven by S&P's strict consolidated family method) had a limited impact on VEPCO's absolute and relative debt yields

¹ VEPCO bond maturing in January 2026

QUESTAR AND DOMINION BORROWING COSTS IN CONTEXT

Recent (2013) regulated subsidiary long-term debt issuance

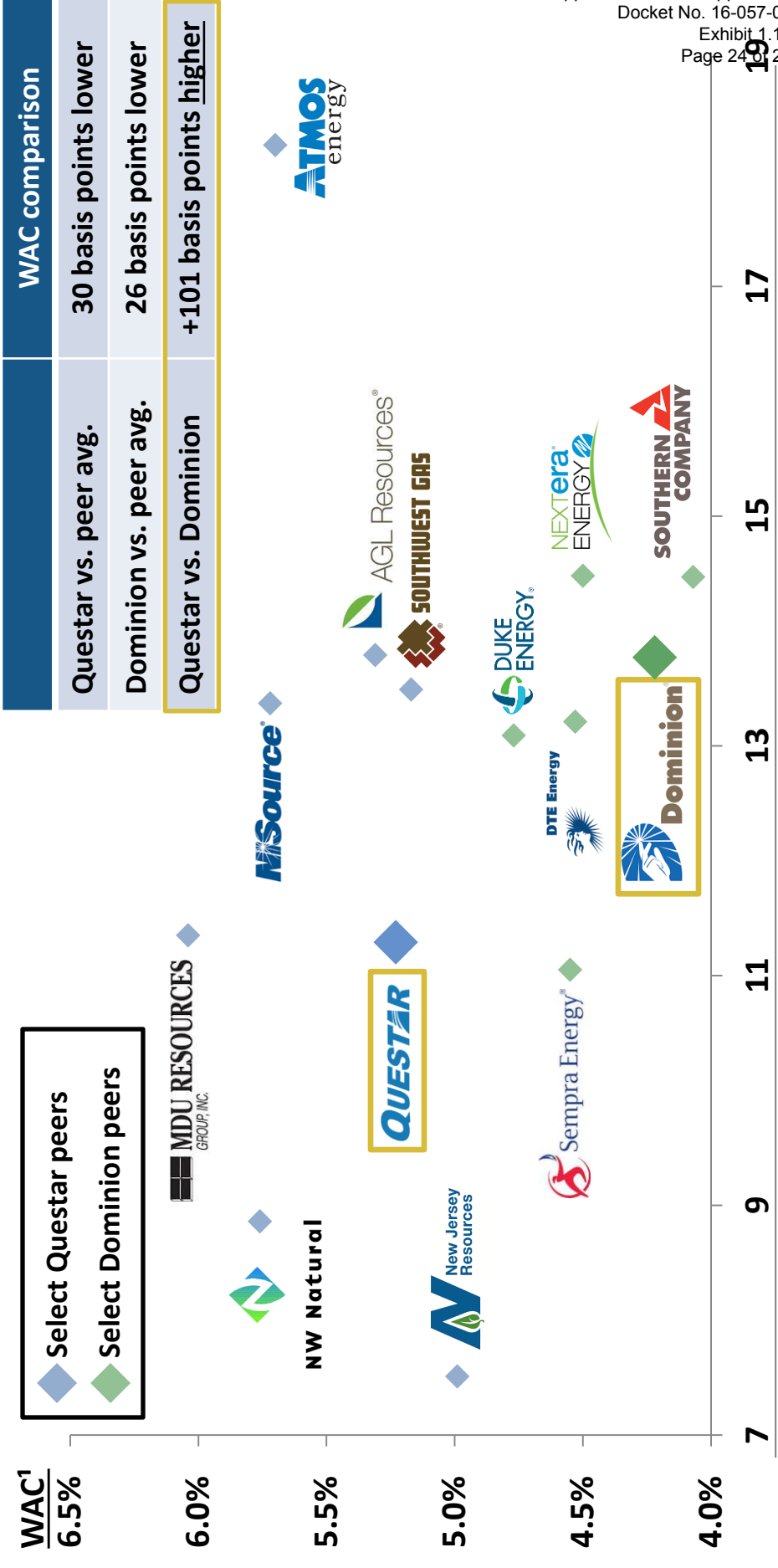
Issuer	Issuance date	Moody's rating ¹	S&P rating ¹	Issue size	Spread (bps)	Comparison to Q Gas
VEPCO	1/3/2013	A3	A-	\$500M	+93.0	27 bps lower
VEPCO	8/12/2013	A3	A-	\$585M	+95.0	25 bps lower
DGH	10/17/2013	A3	A-	\$400M	+112.0	8 bps lower
Questar Gas	12/20/2013	A3	A	\$90M	+120.0	—
Average						20 bps lower

Dominion subsidiaries priced debt 20 basis points cheaper (on average) than Questar Gas despite identical Moody's ratings and lower S&P ratings

¹ Represent ratings at time of issuance in 2013

QUESTAR AND DOMINION BORROWING COSTS IN CONTEXT

Weighted-average cost of debt and weighted-average life of debt of select utility companies



Source: Bloomberg

¹ Weighted-average cost of debt based on coupon of funded debt

² Weighted-average life of debt based on remaining duration of funded and unfunded debt

COMMON FOCUS ON CUSTOMERS AND STAKEHOLDERS

Questar and Dominion are similar in their approach to formulating policies and plans in customer and stakeholder processes

Process	Questar	Dominion
Integrated Resource Planning	✓	✓
Energy efficiency collaboration	✓	✓
Gas hedging program	✓	✓
Infrastructure replacement programs	✓	✓
Other examples	Wexpro II	Off-shore Wind

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