

EXHIBIT __ (LK-2)

ADDITIONAL CONDITIONS RECOMMENDED BY

OFFICE OF CONSUMER SERVICES DESCRIBED IN OCS-2D

1. The Applicants shall hold harmless Questar Gas customers from costs resulting from the Merger, regardless of whether the costs are incurred directly by Questar Gas or incurred indirectly through affiliate charges from Questar Corporation, Dominion Service, Questar Pipeline, or Wexpro.
2. The Applicants shall provide positive net benefits to Questar Gas customers through specific and quantifiable net benefits, which include timely rate reductions to reflect achieved savings.
3. Dominion Questar Gas shall not seek recovery of any acquisition premium (goodwill) cost, excess of fair value over net book value, transaction cost, or transition cost that is not incurred to achieve savings due to the Merger from its customers. This includes costs incurred directly by Questar Gas and indirectly through charges from affiliates, including Questar Corporation, Dominion Service, Questar Pipeline, and Wexpro. Dominion Questar Gas shall not record any portion of the purchase costs, including goodwill and excess of fair value over net book value due to the Merger on its accounting books. Dominion Questar Gas shall not record any portion of the transaction costs or transition costs that are not incurred to achieve savings due to the Merger on its accounting books, or

if it is required to do so by Generally Accepted Accounting Principles (“GAAP”) or the Uniform System of Accounts, that it will do so in separately identifiable subaccounts.

- a. Transaction costs shall be defined as costs that are incurred in pursuing and executing the merger.
- b. Transaction costs shall include, but are not limited to:
 - Legal, consulting, and other professional advisor costs to initiate, prepare, consummate, and implement the Merger, including obtaining regulatory approvals, and compliance with regulatory conditions, although the response to OCS 2.24 indicates that Applicants do not agree that third party legal costs incurred in obtaining regulatory approvals are transaction costs.
 - Rebranding Questar Corporation, Questar Gas, Questar Pipeline, and Wexpro as affiliates of Dominion, including website, advertising, vehicles, signage, printing, stationery, etc., although the Applicants cite “signage” as a transition cost in the response to DPU 3.08.
 - Directors and Officers (“D&O”) tail insurance.
 - Executive change in control (severance) costs, which the Applicants have quantified at approximately \$15 million, according to the response to DPU 6.69.
 - Executive retention agreement costs.
 - Financing costs incurred to initially finance the merger, costs to subsequently refinance the Merger, and increases in financing costs, including short term debt, long-term debt, and common equity due to increased credit risks caused by the Merger.
 - Dominion Pipeline restructuring and refinancing costs.
- c. Transition costs shall be defined as costs incurred to integrate the Questar Corporation and Dominion holding companies, Questar Corporation and Dominion Service shared or common services and activities, the Dominion and Questar utilities, and other affiliates.
- d. Transition costs that are not incurred to achieve savings shall include, but are not limited to:
 - Day 1 integration (capital expenditures and expenses).
 - Post Day 1 integration (capital expenditures and expenses).
 - Technology integration (capital expenditures and expenses).
 - Employee severance costs, except for executive change in control (golden parachutes).
 - Employee relocation/transfer costs.
 - All other capital expenditures and expenses incurred to implement the Merger that are not defined as and included in Transaction costs.

4. Questar Gas shall not be allowed to defer transition costs. If the Commission chooses to approve the request to defer transition costs, then Questar Gas shall be allowed to defer transition costs incurred to achieve savings, subject to reduction for achieved savings not yet reflected in rate reductions to customers. The calculation of achieved savings shall be consistent with the definition of Merger Savings used to calculate the rate reduction for such savings, i.e., the difference between the O&M/A&G expenses in the 12 months ending the month prior to the closing and the same expenses in the 12 months starting in the month after the closing on a ratemaking basis, adjusted to remove expenses for reserve accruals (bad debt, storm damage, etc.) and unusual, abnormal, and nonrecurring expenses. In no event shall negative savings be used to increase the deferred transition costs.

5. Questar Gas shall timely reduce rates, either through a reduction in the base revenue requirement and rates or a surcredit rider, in the 13th month after the closing of the Merger and updated on the annual anniversary thereafter. The reduction shall be equal to the greater of \$10 million or the Merger Savings less an amortization over 10 years of the transition costs incurred to achieve savings, reduced by the Merger Savings achieved prior to the rate reduction. Merger Savings shall be defined as the reduction in operating (O&M and A&G) expenses calculated as the difference between the 12 months ending the month before the closing to the 12 months starting the month after the closing and updated on the annual anniversary thereafter. All expenses shall be calculated on a ratemaking basis and exclude all transition costs and all abnormal and nonrecurring costs. The Applicant shall file a report showing the calculation of the Merger Savings and Transition costs, including all workpapers and electronic workpapers in live format with all formulas intact. The rate

reduction shall go into effect, subject to adjustment after review and audit of the Merger Savings and Transition costs by the DPU.

6. Questar Gas shall hold customers harmless from any increases in costs related to the affiliate restructurings due to the Merger, including, but not limited to, the provision of shared or common services by Dominion Service and Questar Corporation, the contribution of Questar Pipeline to Dominion Midstream, and the change in income tax expense due to the Dominion Consolidated Federal Income Tax Allocation Agreement compared to the present Questar Corporation tax allocation approach as described in response to OCS 2.42.
7. Questar Gas shall hold customers harmless from any increases in costs related to the contribution of Questar Pipeline to Dominion Midstream and the extinguishment of any ADIT that existed prior to the transaction.
8. Questar Pipeline shall reduce its wholesale tariff rates to Questar Gas to reflect a 25% sharing of the income tax expense reduction for a minimum of 10 years.
9. Dominion and Questar Gas shall comply with the conditions relating to affiliates and affiliate transactions that were adopted by the Commission in the Scottish Power/PacifiCorp merger proceeding. These included limitations on the types of transactions, approvals for certain transactions, reporting requirements, and access to books and records, among others (see Stipulation at 3-5).

10. Dominion shall indemnify Questar Corporation, Questar Gas, Questar Pipeline, and Wexpro from all liability incurred by any other Dominion subsidiary or affiliate now or at any time in the future.
11. Dominion shall hold Questar Gas customers harmless from any cost increases due to the proposed new Western Region headquarters.
12. Dominion shall not reduce local staffing headcounts by more than 25% from the present levels due to consolidation of Questar Corporation and Dominion Service shared or common service activities. Staffing increases due to the new Western Regional headquarters may be counted in local staffing headcounts. Dominion shall give consideration to the retention or transfer of certain shared or common services in Salt Lake City rather than moving or consolidating such functions in Richmond.