

January 7, 2016

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Subject: **December 31, 2015 ASC 715 Assumptions for the Questar Corporation Retirement Plan, Supplemental Executive Retirement Plan, Postretirement Welfare Plans, and Long-Term Disability Plan**

This memo summarizes each of the significant actuarial assumptions that we understand that Questar Corporation will use for the December 31, 2015 ASC 715 actuarial valuations of the Questar Corporation Retirement Plan, Supplemental Executive Retirement Plan, Postretirement Welfare Plans, and Long-Term Disability Plan. As discussed below, some of these assumptions are based in part on Towers Watson's recommendation and/or analysis. The memo will serve as documentation of the rationale for these valuation assumptions in accordance with our understanding of Actuarial Standards of Practice Nos. 4, 6, 27 and 35. All assumptions were selected based on information known at the measurement date and on the premises that the plan will continue and that no events will occur in 2016 that would cause a remeasurement that may cause Questar Corporation to select different assumptions.

Regardless of the level of assistance provided by Towers Watson, Questar Corporation is responsible for the selection of assumptions used for accounting purposes.

This memo addresses only the assumptions for which Towers Watson provided suggestions, recommendations or other input at year-end 2015. In particular, demographic assumptions that were selected in previous years and for which we know of no reason to believe a change is warranted are not included, but will be included in our formal valuation report.

Mortality Assumption

Questar Corporation has elected to use separate mortality rates for non-annuitants (based on the RP-2015 "Employees" table without collar or amount adjustments, using Scale MP-2015 with generational projection) and annuitants (based on the RP-2015 "Healthy Annuitants" table without collar or amount adjustments, using Scale MP-2015 with generational projection).

The mortality table was chosen after considering the mixed collar composition of the covered group. Mortality improvement was assumed generationally using Scale MP-2015. Mortality improvement was adjusted from the prior year because recent experience evidenced by the Society of Actuaries' study that produced the MP-2015 projection scale indicates that longevity has not been as aggressive as MP-2014 suggested.

Discount Rate

The discount rate selected is based on a RATE:Link 40-90 yield curve prepared by Towers Watson. RATE:Link calculates suggested discount rates based on a universe of AA-graded non-callable bonds. The steps in the calculation can be summarized as follows:

1. Categorize the bond universe by maturity, creating maturity groupings.
2. Determine the average yield for bonds between the 40th and 90th percentiles for each maturity group.
3. Generate a yield curve that best fits those average yields, then convert the yields to spot rates.
4. Match the projected benefit payments underlying the PBO to the spot rates, discount and determine their present value.
5. Determine the single discount rate that produces the same present value.

The following is a summary of the discount rates by plan:

Plan	12/31/2014 Selected Discount Rate	12/31/2015 Rate:Link 40-90 Rate	12/31/2015 Selected Discount Rate
Retirement Plan	4.10%	4.45%	4.50%
SERP	2.90%	3.09%	3.10%
Postretirement Welfare Plans	4.00%	4.33%	4.30%
Long-Term Disability	2.80%	3.03%	3.00%

Expected Long-term Rate of Return on Assets (EROA) Assumption

Questar Corporation has indicated an EROA of 7.00% for the 2016 fiscal year, compared to 7.00% that was selected for the 2015 fiscal year. This EROA represents an estimate of future experience for trust asset returns, reflecting the plan's current asset allocation, and current and expected future market conditions. This rate is net of administrative and investment expenses paid from the trust. No guidance in selecting this assumption was provided by Towers Watson.

Retirement and Termination Rates

Retirement and termination rates for actives are based on an experience study conducted in 2011. Annual consideration is given as to whether any conditions have changed that would be expected to produce different results in the future, or if experience differs significantly from expected.

Deferred vested participants are assumed to begin benefits at age 65 because the plan's experience is not considered to be credible, but deferred vested early commencement factors are not subsidized so that the difference between this approach and using assumed commencement rates at earlier ages is not expected to be significant. This is unchanged from the prior year.

For the SERP, retirement rates for Ron Jibson remains at age 65. No other changes were made to the retirement or termination rates.

For the Long-Term Disability Plan, termination rates are equal to the 1987 CGD Table, which values the probability of recovery from disability, as well as disabled life mortality.

Lump Sum Conversion Rate Assumption

Retirement Plan - Lump sum benefits are valued using an interest rate equal to the discount rate, and the 2016 PPA unisex, combined mortality table projected to the commencement year using Scale AA.

SERP – Lump sum benefits are valued using an interest rate of 3.60%, and the 1983 Group Annuity Mortality Table blended 50% males and 50% females.

Form of Payment for the Retirement Plan

The form of payment for active participants that are retiring assumes 60% take lump sums, and of the remaining 40% of participants, married participants take 50% joint and survivor annuities and single participants take single life annuities.

Compensation Increase Assumption

Questar Corporation selected an age-related compensation increase assumption, summarized below:

Age	Percentage
25	10.00%
30	8.50%
35	7.00%
40	5.70%
45	5.20%
50	4.70%
55	4.20%
60	3.70%
65	0.00%

No guidance was provided by Towers Watson. The resulting salary increase assumption is a composite rate that reflects both current conditions and future expectations.

Retiree Medical Trend Rates

Questar Corporation has selected a trend assumption of 7.00% in 2016, reducing 0.50% per year, reaching 4.50% in 2021 and after. Assumed increases represent an estimate of future experience, leading to select and ultimate assumed trend rates.

Participation

100% of eligible current actives and their spouses are assumed to elect coverage, with female spouses 3 years younger than their male spouses. This assumption does not significantly conflict with what would be reasonable based on the current plan design and future expectations of plan participation. Given the lack of credible experience for participation in this plan, there is not a different assumption that the plan sponsor believes to be a better estimate. However, annual consideration is given if experience differs significantly from expected.

Per Capita Claims Costs

Questar Corporation has selected the following per capita claims cost assumptions, based on the analysis shown below:

	Age	Average per capita medical claims cost
▶ Overall average	< 65	8,987
	>=65	2,976
▶ By age group	40-44	4,603
	45-49	5,312
	50-54	6,522
	55-59	7,831
	60-64	9,691
	65-69	2,637
	70-74	2,919
	75-79	3,142
	80-84	3,237
	85-89	3,231
	90-94	3,027
	>=95	2,832

Per capita claims cost assumptions were developed using claims and enrollment information for the 2016 plan year. Average per capita rates were distributed by age in accordance with the Towers Watson AGEDIST model.

Retiree Medical Pre-65 Maximum Company Contribution

The maximum annual company contribution for a retiree under age 65 increased from \$3,396 to \$3,864 for 2016. It is assumed that the maximum will revert back to normal level of \$3,396 for 2017 and beyond. The increase in liability from the 2016 increase will be treated as a plan change with the prior service cost base being amortized over the average future working lifetime of active participants.

Expected Contribution

For the Retirement Plan, a contribution equal to the annual expense amount made in equal monthly installments throughout the 2016 plan year is expected. No contributions are expected for the Postretirement Welfare Plans for the 2016 plan year.

If you have any questions regarding this memo, or if we have summarized any of Questar Corporation's assumption choices incorrectly, please call us.