

Dominion Energy, Inc.

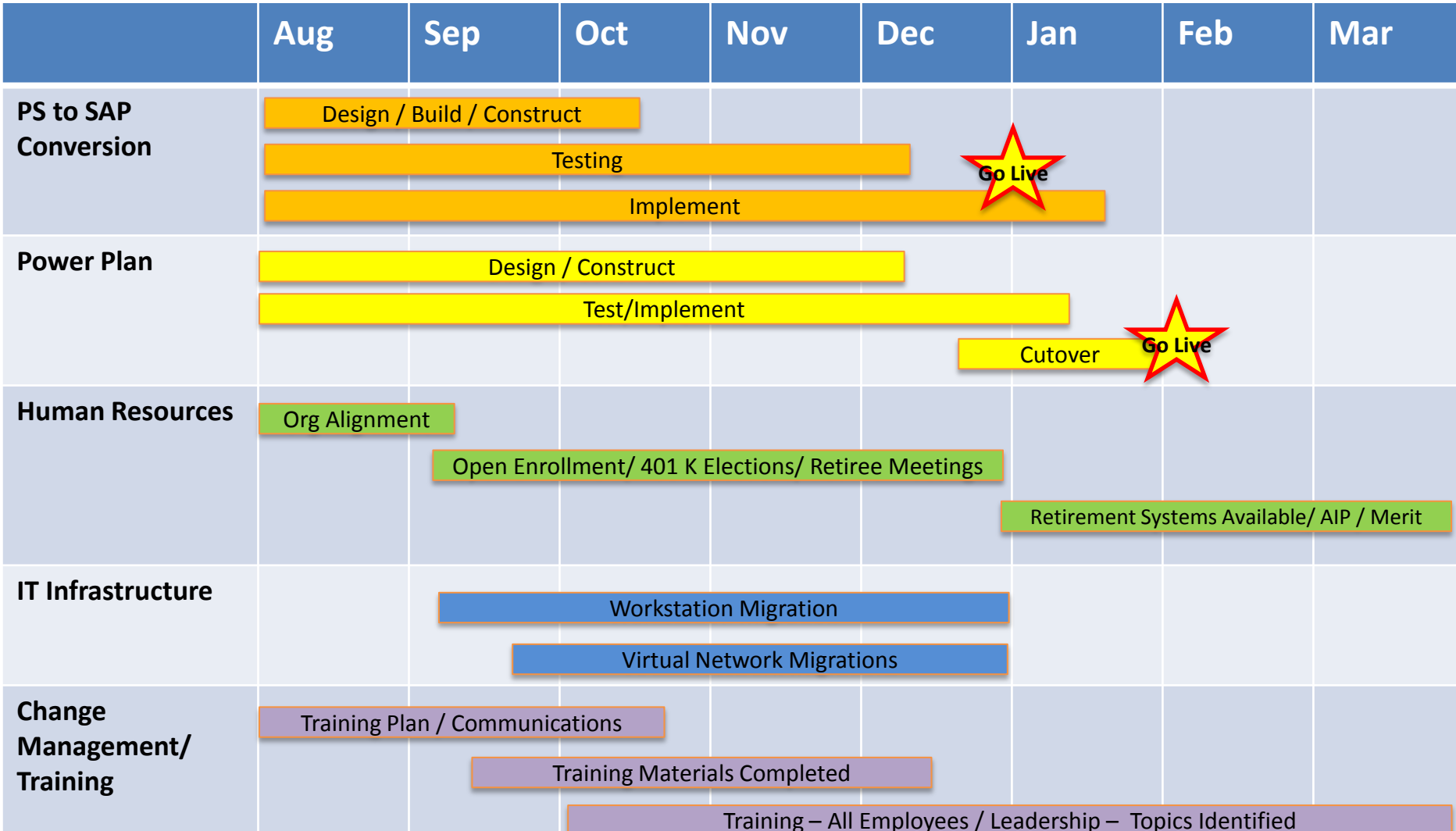
Allocations

October 23, 2017



**Dominion
Energy[®]**

Questar Integration – High Level Schedule

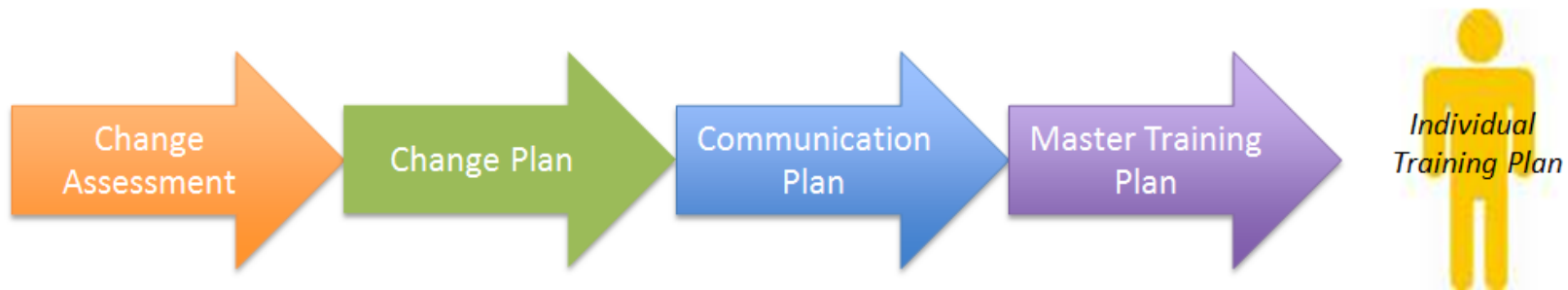


Integration – Implementation Phase

- **Teams are highly focused on go-live activities**
 - Employee Network Access
 - Employees are receiving workstations or Virtual Desktop Interfaces (VDI)
 - Expect completion end of November
 - PeopleSoft to SAP functional areas are in various stages of preparation for cutover
 - Development is almost completely done
 - Master data is in various stages of loading and validation
 - Expected to be complete Mid Nov
 - Functional testing, integration testing, and full data testing is planned and in some cases underway

Integration – Implementation Phase

- **Ensuring the employees prepared for cutover is high priority**
 - Change Management, communication, and training plans are down to the individual level



- Training has gone on since the merger finalized
- Focus now is what is needed by the end year end
 - Examples: Policies, Time entry, Pay polices, Cyber-security

Cost Allocation Commitment

No later than January 1, 2018 Dominion Questar Gas will present and review for informational purposes, Dominion Resources Inc., Cost Allocation Manual the Wyoming OCA and the Commission staff.

Dominion Questar will continue to use the current Distrigas methodology to allocate shared costs to subsidiaries until January 1, 2018, at which point will use Dominion Resources Services Cost Allocation Manual. [Merger Settlement Stipulation Paragraph 44]

Service Company Overview

Service Company Background

- Dominion Energy Services, Inc. (DES) was formed in 1999 to provide centralized services to DEI and its subsidiaries (affiliates of DES)
- Governed by Public Utility Holding Act of 2005 (Federal Energy Regulatory Commission)
- Maintains their records in accordance with detail required by state Commissions for regulated affiliates
- Currently follows and bills affiliates in accordance with the 'DES Services Agreement'
- An agreement must be executed between DES and affiliates prior to receiving services
 - Services provided at cost to comply with state Commission's lower of cost or market standard

Services Billed by DES

1. Accounting	12. Supply Chain
2. Auditing	13. Rates
3. Legal and Regulatory	14. Research
4. Information Technology, Electronic Transmission and Computer Services	15. Tax
5. Software/ Hardware Pooling	16. Corporate Secretary
6. Human Resources	17. Investor Relations
7. Operations	18. Environmental Compliance
8. Executive and Administrative	19. Customer Services
9. Business Services	21. Treasury/ Finance
10. Risk Management	22. External Affairs
11. Corporate Planning	23. Office Space and Equipment

- Labor company
 - ‘House’ DES employees (approximately 2,700 employees) and captures all costs necessary to provide services to affiliates
 - Salaries, benefits, payroll taxes, 3rd party charges
- All costs are billed out on a monthly basis
- Services are billed to affiliates based on how employees charge their time
 - Direct time charging
 - Allocated time charging

Methods of Allocation

Service Department or Function	Pre-Merger Basis of Allocation	Post-Merger Basis of Allocation
Accounting Services Auditing Legal and Regulatory Operations Executive and Administration Rates Corporate Secretary Investor Relations Environmental Compliance Energy Marketing External Affairs	Distrigas Distrigas Distrigas Distrigas Distrigas Distrigas Distrigas Distrigas Headcount Distrigas Distrigas	Operating Expenses
Human Resources Security (function of Business Services) Office Space and Equipment	Headcount Headcount Distrigas	Headcount
Corporate Planning Treasury/ Finance	Distrigas	Total capitalization (debt and equity)
Client Services (function of Information Technology) Software/Hardware Pooling	Number of Computers	Number of Employee ID's
Telecommunications (function of Information Technology)	Number of telecomm units	Number of telecomm units
Data Operations (function of Information Technology)	Number of Transactions	Mainframe Usage

Methods of Allocation

Service Department or Function	Pre-Merger Basis of Allocation	Post-Merger Basis of Allocation
Facility Services (function of Business Services)	Distrigas	Square footage of managed office space
Fleet Administration (function of Business Services)	Number of Vehicles	Number of vehicles
Risk Management	Direct	Insurance premiums
Supply Chain	Survey of Usage	Dollar value of purchases
Tax Department	Distrigas	Sum of the total income and total deductions as reported for FIT purposes on last return filed [Tax]
Aviation	N/A	Number of flight days for the previous two years for fixed costs [Aviation] combined with O&M for variable costs
Fixed Assets Accounting (function of Accounting)	Number of Transactions	Fixed assets added, retired or transferred during the previous year [Fixed Assets]
Accounts Payable [function of Accounting]	Number of Transactions	Number of A/P docs processed during the previous year [A/P invoices]

Cost Allocation Comparison

2015 Corporate Allocations

Pre-Merger/Actual

<u>Line</u>	<u>Charges by Allocation Type</u>	<u>QGC</u>	<u>QPC</u>	<u>Wexpro</u>	<u>QFC</u>	<u>Total</u>	<u>Pct</u>
1	Direct	10,553,096	6,743,443	4,985,930	1,409,743	23,692,212	23%
2	Convenience Payments	2,798,119	2,157,993	4,291,060	151,774	9,398,946	9%
3	Distrigas	20,092,771	12,072,653	11,399,144	236,349	43,800,916	43%
4	# Computers	3,987,262	1,300,656	285,553	2,510	5,575,981	5%
5	# Transactions	2,186,112	969,819	295,957	27,506	3,479,394	3%
6	Employees	4,395,632	1,678,637	654,959	-	6,729,228	7%
7	Survey of usage	1,797,725	581,039	208,353	16,947	2,604,064	3%
8	100% QGC	1,769,909	13,622	5,036	262	1,788,829	2%
9	80/20 (Quorum)	204,223	921,867	-	-	1,126,090	1%
10	Vehicles	620,515	154,559	64,076	4,291	843,440	1%
11	Square Footage	556,284	1,209,874	880,966		2,647,124	3%
12	TOTAL	48,961,647	27,804,162	23,071,034	1,849,383	101,686,226	100%
13	Percent of Total	48%	27%	23%	2%	100%	

2015 Corporate Allocations

Restated based on DES Methods*

<u>Line</u>	<u>Charges by Allocation Type</u>	<u>QGC</u>	<u>QPC</u>	<u>Wexpro</u>	<u>QFC</u>	<u>Total</u>	<u>Pct</u>
1	Direct	10,553,096	6,743,443	4,985,930	1,409,743	23,692,212	23%
2	Convenience Payments	2,798,119	2,157,993	4,291,060	151,774	9,398,946	9%
3	O&M	7,360,027	4,962,857	2,989,208	189,788	15,501,881	15%
4	Users	10,944,143	4,384,329	1,525,992	9,455	16,863,918	17%
5	Capitalization	1,809,362	2,151,380	741,653	11,856	4,714,251	5%
6	Headcount	2,714,212	608,409	327,832	-	3,650,453	4%
7	Flexcard Spend (Purchases)	1,607,038	728,397	122,209	-	2,457,644	2%
8	Telecom Units	592,962	366,441	344,262	6,998	1,310,663	1%
9	Square Footage	993,489	252,331	39,068	-	1,284,888	1%
10	Total Income & Total Deductions	773,094	219,102	208,170	7,627	1,207,993	1%
11	Vehicles	429,692	92,906	36,951	-	559,550	1%
12	Insurance Premiums	136,018	130,731	38,984	1,565	307,297	0%
13	Allocations from Fueling	6,009	3,799	3,904	72	13,784	0%
14	Incentive Accrual	6,360,167	3,926,749	3,855,638	79,644	14,222,197	14%
15	Building Services	2,278,808	2,273,771	1,926,417	21,552	6,500,548	6%
16	TOTAL	49,356,236	29,002,636	21,437,279	1,890,074	101,686,226	100%
17	Percent of Total	49%	29%	21%	2%	100%	

*Demonstrates a high-level estimated impact from the change in allocation methods – with all else being equal. Does not include merger synergies or changes in organizational design, and is not indicative of future results.

2015 Corporate Allocations

Comparison*

	<u>QGC</u>	<u>QPC</u>	<u>Wexpro</u>	<u>QFC</u>	<u>Total</u>
Pre-Merger/Actual					
Direct	13,351,215	8,901,435	9,276,990	1,561,518	33,091,158
Allocated	35,610,432	18,902,727	13,794,044	287,865	68,595,068
Total	48,961,647	27,804,162	23,071,034	1,849,383	101,686,226
<i>% of Total</i>	48%	27%	23%	2%	100%
Restated based on DES Methods					
Direct	13,351,215	8,901,435	9,276,990	1,561,518	33,091,158
Allocated	36,005,021	20,101,201	12,160,289	328,557	68,595,068
Total	49,356,236	29,002,636	21,437,279	1,890,074	101,686,226
<i>% of Total</i>	49%	29%	21%	2%	100%
Increase/(Decrease)					
Direct	-	-	-	-	-
Allocated	394,589	1,198,474	(1,633,755)	40,691	0
Total	394,589	1,198,474	(1,633,755)	40,691	0
<i>% of Total</i>	0.4%	1.2%	-1.6%	0.0%	0.0%

*Demonstrates a high-level estimated impact from the change in allocation methods – with all else being equal. Does not include merger synergies or changes in organizational design, and is not indicative of future results.

2015 Charges by Department

Pre-Merger/Actual

<u>Line</u>	<u>Charges by Service</u>	<u>QGC</u>	<u>QPC</u>	<u>Wexpro</u>	<u>QFC</u>	<u>Total</u>	<u>Pct</u>
1	Convenience Payments	2,798,119	2,157,993	4,291,060	151,774	9,398,946	9%
2	Administration	7,682,236	3,669,627	2,302,361	47,142	13,701,366	13%
3	Compliance	2,827,229	1,624,232	1,407,080	12,585	5,871,127	6%
4	Corporate Officers	3,229,160	2,035,393	1,922,745	41,582	7,228,880	7%
5	Finance	5,537,921	3,116,760	1,869,801	65,303	10,589,785	10%
6	Fleet Operations	2,556,675	931,810	46,417	19,855	3,554,758	3%
7	Human Resources	2,024,208	704,352	2,966,885	-	5,695,446	6%
8	Legal	1,151,127	431,746	2,258,977	31,207	3,873,056	4%
9	IT	11,058,626	3,561,761	1,246,516	101,965	15,968,868	16%
10	Incentive Accrual	6,360,167	3,926,749	3,855,638	79,644	14,222,197	14%
11	Questar Fueling	8,984	5,481	3,904	1,198,827	1,217,196	1%
12	Telecommunications	3,727,195	5,638,258	899,650	99,499	10,364,603	10%
13	TOTAL	48,961,647	27,804,162	23,071,034	1,849,383	101,686,226	100%
14	Percent of Total	48%	27%	23%	2%	100%	

2015 Charges by Department

Restated based on DES Methods*

<u>Line</u>	<u>Charges by Service</u>	<u>QGC</u>	<u>QPC</u>	<u>Wexpro</u>	<u>QFC</u>	<u>Total</u>	<u>Pct</u>
1	Convenience Payments	2,798,119	2,157,993	4,291,060	151,774	9,398,946	9%
2	Administration	7,840,941	3,762,780	2,070,715	26,930	13,701,366	13%
3	Compliance	2,817,352	1,765,624	1,251,420	36,731	5,871,127	6%
4	Corporate Officers	3,423,049	2,345,003	1,372,551	88,277	7,228,880	7%
5	Finance	5,062,793	3,833,484	1,626,524	66,984	10,589,785	10%
6	Fleet Operations	2,589,207	911,984	36,951	16,616	3,554,758	3%
7	Human Resources	2,272,454	502,902	2,920,090	-	5,695,446	6%
8	Legal	1,216,634	555,185	2,057,908	43,329	3,873,056	4%
9	IT	11,239,341	3,597,195	1,050,869	81,463	15,968,868	16%
10	Incentive Accrual	6,360,167	3,926,749	3,855,638	79,644	14,222,197	14%
11	Questar Fueling	8,984	5,481	3,904	1,198,827	1,217,196	1%
12	Telecommunications	3,727,195	5,638,258	899,650	99,499	10,364,603	10%
13	TOTAL	49,356,236	29,002,636	21,437,279	1,890,074	101,686,226	100%
14	Percent of Total	49%	29%	21%	2%	100%	

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2015 Charges by Department

Comparison*

<u>Line</u>	<u>Charges by Service</u>	<u>QGC</u>	<u>QPC</u>	<u>Wexpro</u>	<u>QFC</u>	<u>Total</u>	<u>Pct</u>
1	Convenience Payments	-	-	-	-	-	0%
2	Administration	158,705	93,153	(231,646)	(20,212)	-	0%
3	Compliance	(9,877)	141,392	(155,661)	24,146	-	0%
4	Corporate Officers	193,889	309,610	(550,194)	46,695	-	0%
5	Finance	(475,128)	716,724	(243,277)	1,681	-	0%
6	Fleet Operations	32,532	(19,827)	(9,466)	(3,239)	-	0%
7	Human Resources	248,246	(201,450)	(46,796)	-	-	0%
8	Legal	65,507	123,439	(201,068)	12,122	-	0%
9	IT	180,715	35,434	(195,646)	(20,502)	-	0%
10	Incentive Accrual	-	-	-	-	-	0%
11	Questar Fueling	-	-	-	-	-	0%
12	Telecommunications	-	-	-	-	-	0%
13	TOTAL	394,589	1,198,474	(1,633,755)	40,691	-	0%
14	Percent of Total	0.4%	1.2%	-1.6%	0.0%	0.0%	

*Demonstrates a high-level estimated impact from the change in allocation methods – with all else being equal. Does not include merger synergies or changes in organizational design, and is not indicative of future results.

Assigned and Allocated Costs

Dominion Questar Gas will clearly reflect all of its costs and investments in its financial reports, including costs and assets that are directly assigned or allocated to it from another subsidiary of Dominion. An audit trail will be maintained so that allocable costs can be specifically identified.

[Merger Settlement Stipulation Paragraph 52]

Access to Information

Upon request, Dominion and all of its affiliates and subsidiaries must provide the Commission, the Division, and the OCS, including their auditors and authorized agents, and intervenors in rate proceedings, as appropriate, with reasonable access to transactional, accounting and other information, including personnel necessary to explain the requested information, regarding any costs directly or indirectly allocated to Dominion Questar Gas. Dominion and Dominion Questar Gas commit to maintain access to the requested books and records in Salt Lake City, Utah, or, at the option of the Division, or the OCS, Dominion Questar Gas agrees to pay reasonable travel costs to the location of the requested documents and personnel; such travel costs will not be passed on to Dominion Questar Gas customers. [Merger Settlement Stipulation Paragraph 51]

O&M and A&G per Customer Commitment

“Dominion Questar Gas will not seek recovery in its next general rate case of any increase in the aggregate total Operating, Maintenance (O&M), Administrative and General (G&A) expenses (excluding energy efficiency and bad debt costs) per customer over the 12 months ended December 2015 baseline level, unless it can demonstrate that the increase in such total expenses was not a result of the merger. The aggregate total of O&M and G&A expenses per customer for the 12 months ended December 2015 was \$138.24 in Utah. For the first four calendar years following the Effective Time, Dominion Questar Gas will provide, on an annual basis, a baseline comparison between 2015 and the current year for O&M and G&A expenses for Questar Pipeline and Wexpro. “

[Merger Settlement Stipulation Paragraph 39]

O&M and A&G per Customer

Line	O&M and A&G Per Customer	2015	2016	12 months June 2017
1	Production	\$ (497,459)	\$ (950,343)	\$ (924,2225)
2	Distribution	58,606,964	58,448,083	56,854,691
3	Customer Accounts	23,090,544	21,276,019	18,346,248
4	Customer Service/Information	5,159,033	5,018,702	4,298,013
5	Administrative & General	50,550,710	47,078,875	42,498,291
6	Bad Debt	2,093,764	2,121,551	2,107,691
7	Energy Efficiency	23,482,897	23,923,726	20,820,794
8	Total O&M and A&G	\$ 162,486,453	\$ 156,916,614	\$ 144,001,505
			-	
9	LESS Bad Debt	(2,093,764)	(2,121,551)	(2,107,691)
10	LESS Energy Efficiency	(23,482,897)	(23,923,726)	(20,820,794)
11	Adjusted O&M and A&G	\$ 136,909,792	\$ 130,871,336	\$ 121,073,020
12	Year End Customers	990,383	1,007,667	1,021,551
13	O&M and A&G/Customer (Line 11 divided by 12)	\$ 138.24	\$ 129.88	\$ 118.52

2016 & 2017 costs are not indicative of future costs because of changes in DES and Questar Corp organizations.