- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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 ORDER MEMORIALIZING BENCH RULING APPROVING SETTLEMENT STIPULATION

ISSUED: September 14, 2016

SHORT TITLE

Questar Corporation and Dominion Resources, Inc. Merger

SYNOPSIS

The Commission approves the settlement stipulation filed in this docket and the corresponding merger of public utility Questar Gas Company's parent, Questar Corporation, and Dominion Resources, Inc., by which Questar Corporation will become a wholly-owned subsidiary of Dominion Resources, Inc.

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APPEARANCES[1]

Colleen Larkin Bell Jenniffer Nelson Clark	For	Questar Gas Company
Gregory B. Monson Stoel Rives LLP	"	Questar Gas Company
Mark O. Webb Sharon L. Burr Lisa S. Booth	"	Dominion Resources, Inc.
Joseph K. Reid III McGuireWoods	"	Dominion Resources, Inc.
Brian W. Burnett Callister Nebeker & McCullough	"	Dominion Resources, Inc.
Patricia E. Schmid Utah Attorney General's Office	"	Division of Public Utilities
Rex Olsen Utah Attorney General's Office	"	Office of Consumer Services
Bryan Nalder Utah Attorney General's Office	"	Governor's Office of Energy Development
Stephen F. Mecham Stephen F. Mecham Law, PLLC	"	American Natural Gas Council, Inc.
Phillip J. Russell Hatch, James & Dodge, P.C.	"	Utah Association of Energy Users

[1] As of the August 22, 2016 hearing.

I. BACKGROUND AND PROCEDURAL HISTORY

On March 3, 2016, Questar Gas Company (Questar) and Dominion Resources, Inc. (Dominion) (Joint Applicants) filed a Joint Notice and Application for the approval of the merger of Questar Corporation and Dominion Resources, Inc. (Application) with the Public Service Commission of Utah (Commission).[2] The Application requests the Commission issue an order approving the merger whereby Questar Corporation will become a wholly-owned subsidiary of Dominion; issue an accounting order authorizing Questar to defer for possible future recovery in rates, if it elects to do so, the transition costs it incurs associated with the merger and the transaction costs associated with the integration of the two companies; and grant such other and further relief as may be deemed necessary. The following parties thereafter petitioned for and were granted intervention: Utah Association of Energy Users (UAE), Nucor Steel-Utah (Nucor), the Governor's Office of Energy Development (GOED), American Natural Gas Council, Inc. (ANGC), and Rocky Mountain Power (RMP).

The Commission issued a notice of filing and scheduling conference and, on March 18, 2016, issued a scheduling order in this docket. On August 15, 2016, Questar, Dominion, the Division of Public Utilities (Division), the Office of Consumer Services (Office), UAE, ANGC, and GOED (collectively, Parties) filed a Settlement Stipulation (Stipulation). The Stipulation is attached as an appendix to this order.

The Commission held a hearing on August 22, 2016 to consider the Stipulation at which the Joint Applicants, the Division, and the Office provided testimony supporting the Stipulation

[2] On June 16, 2016, the Joint Applicants filed a First Supplement to Joint Notice and Application.

and no party opposed it. Later that same day, the Commission held a public witness hearing at which no one appeared in opposition to the Stipulation. At the conclusion of the hearings, Questar, on behalf of the Joint Applicants, requested a bench order. The Commission granted Questar's motion approving the Stipulation. This Order memorializes that ruling.

II. PARTIES' POSITIONS

At the hearing the Joint Applicants testified that the Stipulation is in the public interest and will provide a net benefit to Questar's customers. According to the Joint Applicants the Stipulation includes important protections for ratepayers and is "an excellent package that provides the incentives, as well as the checks and the balances on Questar Gas itself."[3] The Joint Applicants represent the economic benefits include: 1) the $75 million contribution to the Questar Corporation pension fund, 2) the increased level of charitable giving, 3) withdrawal of Questar's current general rate case,[4] and 4) rates lower than they would be absent the merger due to organizational and operational efficiencies. The Joint Applicants represent ratepayer protections include: 1) ring fencing provisions regarding liability and credit issues, 2) hold harmless guarantees related to shared services and accounting matters, 3) the cap on the Operations & Maintenance (O&M) and Administrative & General (A&G) amount per customer, 4) updated customer satisfaction standards, and 5) increased reporting requirements. The Joint Applicants stress that the two companies are a good fit with respect to core values and common operating philosophies including "the important public attributes of safety, customer service,

[3] Hearing Transcript (298772-A) at 39, lines 5-7.
[4] Pursuant to Paragraph 33 of the Stipulation, on August 16, 2016 Questar petitioned to withdraw its general rate case in Docket No. 16-057-03, "*In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications*." On August 22, 2016, the Commission approved the petition.

operational excellence, and honest and ethical business practices."[5] Finally, the Joint Applicants request the Commission to approve the Stipulation as just and reasonable, and in the public interest.

The Division supports the Stipulation. The Division concludes that, "[w]ith the additional terms and commitments identified in this [S]tipulation, [the Joint Applicants] have demonstrated a net benefit to customers and that the requested merger is in the public interest."[6] The Division recommends the Commission approve the merger.

At hearing the Division noted nine areas that factor into its support of the Stipulation: 1) Dominion will contribute $75 million to Dominion Questar's[7] defined benefit pension plan; 2) Questar will seek approval to withdraw its general rate case, filed in Docket No. 16-057-03, requesting a $22 million dollar rate increase, transaction costs will not be recovered through rates or charges from affiliated companies, transition/integration costs will not be deferred and will not be passed on to Utah customers without further review and Commission approval, and a new general rate case will not be filed before July 2019; 3) Dominion Questar Gas[8] will maintain its identified capital spending at pre-merger levels for the next several years; 4) Dominion has committed to maintain O&M and A&G cost per customer at the 2015 pre-merger level and to hold customers harmless from any increases in the total shared services costs caused by the merger; 5) Dominion has committed to maintain a strong investment-grade credit rating; 6) Dominion Questar Gas has made commitments regarding dividend notification and Dominion

[5] Hearing Transcript (298772-A) at 11, lines 14-16.
[6] *Id.* at 53, lines 7-11.
[7] Following the merger, "Questar Corporation" will be known as "Dominion Questar."
[8] We further note that following the merger, "Questar Gas" will be known as "Dominion Questar Gas."

has made commitments regarding financial information reporting; 7) the Stipulation includes provisions relating to the suspension of Conservation Enabling Tariff accrual caps until the next general rate case; 8) Dominion has made commitments to customer satisfaction standards including quarterly reporting, monitoring, and the development of remediation plans, if necessary; and 9) the Stipulation includes various ring fencing provisions, local control obligations including the commitment to maintain Dominion Questar's corporate headquarters in Salt Lake City, and the appointment of a "Special Bankruptcy Director" to serve as a member of the Board of Directors of Dominion Questar Gas. In summary, the Division is satisfied that Dominion and Questar Gas have demonstrated a net benefit to customers and that the merger is in the public interest. Accordingly, the Division recommends the Commission approve the merger.

The Office supports the Stipulation and asserts it is a reasonable resolution to the issues it identified in its direct testimony. More specifically, the Office identified the following provisions of the Stipulation that address net benefits: 1) transition or integration costs will not be deferred for future recovery and any transition costs still being incurred at the time of the next general rate case must be identified and justified; 2) the hold harmless conditions contained in Paragraphs 40, 41, and 43 of the Stipulation protect ratepayers from potential cost increases; 3) ring fencing provisions, in addition to those identified in the Joint Application, will both allow for efficient cooperation between the merging entities and mitigate risks associated with increased credit costs, affiliate transactions, and affiliate or subsidiary bankruptcy liability; and 4) Questar has agreed to a withdrawal of its general rate case. The Office asserts the Stipulation will result in just and reasonable rates, and is in the public interest. Accordingly, the Office recommends the Commission approve the Stipulation.

ANGC's attorney supported Paragraph 56 of the Stipulation, expressing ANGC's intent "to operate in good faith . . . and strive to reach resolution with the Company on . . . issues [involving ANGC]."[9]

UAE's attorney supported the Stipulation.[10]

III. JURISDICTION AND STANDARD OF REVIEW

Regarding the proposed merger, the Commission applies the legal standard articulated in the parties' March 10, 2016 filing;[11] namely that:

- Utah Code Ann. §§ 54-4-1, -25, -28, -29, and -30 may apply in determining whether our approval of the proposed merger is required by Utah law; and
- The relevant legal standards for approval are that:
    1. The merger is in the public interest, meaning it must provide a net positive benefit to the public; and
    2. The joint applicants have the necessary financial, managerial, and technical qualifications to operate the public utility.

In evaluating the Stipulation, we apply the standard set forth in Utah Code Ann. § 54-7-1 as discussed further below.

[9] Hearing Transcript (298772-A) at 58, lines 13-15.
[10] *See id.* at 58, lines 22-25.
[11] *See* Statement of Joint Applicants on Jurisdiction and Standard for Approval, filed March 10, 2016.

IV. DISCUSSION, FINDINGS, AND CONCLUSIONS

The Stipulation presents a settlement of many issues associated with the Application. The Parties represent a diversity of interests and the major customer groups. These Parties agree the Stipulation is in the public interest and the results are just and reasonable.[12] Further, no one opposes the Stipulation.

As set forth in Utah Code Ann. § 54-7-1, settlements of matters before the Commission are encouraged at any stage of a proceeding.[13] Pursuant to this statute, the Commission may approve a stipulation or settlement after considering the interests of the public and other affected persons, if it finds the stipulation or settlement in the public interest.[14] Likewise, in reviewing a settlement, the Commission may consider whether it was the result of good faith, arms-length negotiations.[15]

The Stipulation at issue is the product of mutual negotiation involving numerous parties with substantial interests. We find that the Application and testimony filed in this docket demonstrate the importance of the variety of interests that participated in the negotiation and execution of the Stipulation. We commend all the parties to this docket for responsibly pursuing the interests required by their roles and their stakeholders, and we find that the parties to the Stipulation have resolved many significant issues and have identified a process to continue to address additional differences.

[12] *See* Stipulation at 18, ¶ 58.
[13] *See* Utah Code Ann. § 54-7-1.
[14] *See Utah Dept. of Admin. Services v. Public Service Comm'n*, 658 P.2d 601, 613-14 (Utah 1983).
[15] *See id.* at 614 n.24.

No party has presented testimony or evidence in opposition to the Stipulation, and the Commission is unaware of any proper reason to preclude the underlying merger from moving forward. We find that the record and evidence in this docket support the unopposed representation of the parties in Paragraph 58 of the Stipulation, that settlement is in the public interest and that the results are just and reasonable.

Accordingly, based on the record evidence and consistent with our bench ruling issued at the conclusion of the public witness hearing, we find: 1) Dominion Resources, Inc. has the necessary financial, managerial, and technical qualifications to operate the public utility Questar Gas, and 2) the proposed merger, subject to the conditions expressed in the Application as modified by the Stipulation, will produce net benefits to ratepayers, is just and reasonable, and is in the public interest.

V. ORDER

Pursuant to our discussion, findings, and conclusions, we approve the proposed merger subject to the terms and conditions presented in the Joint Notice and Application (including the June 16, 2016 Supplement) as modified and supplemented by the Stipulation.

DATED at Salt Lake City, Utah, September 14, 2016.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#289041

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on September 14, 2016, a true and correct copy of the foregoing was served upon the following as indicated below:

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APPENDIX

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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 **SETTLEMENT STIPULATION**

Pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, and pursuant to the Contract for Regulatory Services between the Public Service Commission of Utah ("Commission") and the Idaho Public Utilities Commission dated April 6, 2016, Questar Gas Company ("Questar Gas") and Dominion Resources, Inc. ("Dominion") (together "Joint Applicants"); the Utah Division of Public Utilities ("Division"); the Utah Office of Consumer Services (the "OCS"); the Utah Association of Energy Users ("UAE"); the American Natural Gas Council, Inc. ("ANGC"); and the State of Utah, Governor's Office of Energy Development (collectively "Parties" or singly "Party") submit this Settlement Stipulation. The Parties are authorized to represent that the intervenors in this docket that have not entered into this Settlement Stipulation either do not oppose or take no position on this Settlement Stipulation. This Settlement Stipulation shall be effective upon the entry of a final order of approval by the Commission.

PROCEDURAL HISTORY

1. On January 31, 2016, Dominion, Diamond Beehive Corp. and Questar Corporation entered into an Agreement and Plan of Merger ("Merger Agreement") by which Questar Gas' parent, Questar Corporation, will become a wholly-owned subsidiary of Dominion (the "Merger").

2. On March 3, 2016, Questar Gas and Dominion filed a Joint Notice and Application of Questar Gas Company and Dominion of Proposed Merger of Questar Corporation and Dominion Resources, Inc. in Utah in Docket No. 16-057-01 ("Joint Notice and Application"). On March 3, 2016, Joint Applicants also filed a Joint Application for Approval of Proposed Merger of Questar Corporation and Dominion Resources, Inc. before the Wyoming Public Service Commission ("Wyoming Commission") in Docket Nos. 30010-150-GA-16 and 30025-1-GA-16 ("Wyoming Joint Application"). Both the Joint Notice and Application and Wyoming Joint Application were accompanied by pre-filed direct testimony of Craig C. Wagstaff, David M. Curtis, Thomas F. Farrell II, Diane Leopold, and Fred G. Wood III, along with substantial accompanying exhibits and information supportive of the Joint Notice and Application and the Wyoming Joint Application.

3. On March 3, 2016, Questar Gas also provided a Notice of Agreement and Plan of Merger between Questar Corporation and Dominion Resources, Inc. to the Idaho Public Utilities Commission.

4. On March 18, 2016, the Commission issued a Scheduling Order, Directive to Stipulate to Date for Technical Conference, and Notices of Hearing and Public Witness Hearing setting dates for filing testimony and hearings.

5. Since that time, the following parties have intervened: UAE; Nucor; the State of Utah, Governor's Office of Energy Development; Rocky Mountain Power; and the ANGC.

6. On April 28, 2016, a technical conference was held to discuss and provide information to the Division, OCS, interested parties, and the Commission and its staff related to the Merger.

7. On June 16, 2016, Joint Applicants filed a First Supplement to Joint Notice and Application ("First Supplement") providing additional information related to the Merger and the Joint Notice and Application.

8. On July 7, 2016, the OCS filed the Direct Testimony of Gavin Mangelson, Richard A. Baudino, and Lane Kollen, all with accompanying exhibits. On July 7, 2016, the Division filed the Direct Testimony of Douglas D. Wheelwright, Charles E. Peterson, and Kathleen Kelly, all with accompanying exhibits. On July 7, 2016, the ANGC filed the Direct Testimony of Curtis Chisolm.

9. The Division, OCS, UAE, ANGC, Wyoming Office of Consumer Advocate, and Wyoming Commission Staff have asked and Joint Applicants have responded to hundreds of data requests and inquiries.

10. On July 28, 2016, Joint Applicants submitted Rebuttal Testimony of Craig C. Wagstaff, David A. Christian, David M. Curtis, Fred G. Wood III, Maria E. (Gina) Jones, and James R. Chapman, and the OCS submitted the Rebuttal Testimony of Gavin Mangelson. On July 28, 2016, UAE filed comments in this docket.

11. During July and August of 2016, the Parties met to discuss settlement of the matters raised herein. The Parties have reached agreement as set forth below.

12. On August 1, 2016, Joint Applicants and the Wyoming Office of Consumer Advocate filed a Settlement Stipulation ("Wyoming Settlement Stipulation") in the Wyoming proceeding.

TERMS AND CONDITIONS

The Parties agree for purposes of settlement that the Joint Notice and Application should be granted and approved subject to the following commitments as set forth in the Joint Notice and Application filed on March 3, 2016 and the First Supplement filed on June 16, 2016 with the Commission in Docket No. 16-057-01 and as modified and supplemented herein, and should be imposed upon the Joint Applicants as agreed by the Parties and as a condition of the Commission's approval of the Merger.

1. After the time the Merger is effective as defined in the Merger Agreement ("Effective Time"), Questar Corporation will become a wholly-owned subsidiary of Dominion that will continue to exist as a separate legal entity (herein referred to as "Dominion Questar").

2. At the Effective Time, Questar Gas (herein referred to as "Dominion Questar Gas"), will remain a direct, wholly-owned subsidiary of Dominion Questar and will continue to exist as a separate legal entity with its own complete set of books and records.

Business

3. Dominion will maintain Dominion Questar Gas' corporate headquarters in Salt Lake City, Utah. Dominion commits that there are no plans to change the location of Dominion Questar Gas' corporate headquarters from Salt Lake City to another location for the foreseeable future.

4. Dominion will establish a new Western Region operating headquarters in Salt Lake City, Utah. No costs shall be allocated to Dominion Questar Gas customers associated with the new Western Region operating headquarters in Salt Lake City, Utah without approval by the Commission.

5. Dominion intends that its board of directors will take all necessary action, as soon as practicable after the Effective Time, to appoint a current member of the Questar Corporation board as a director to serve on Dominion's board of directors.

6. Dominion will take all necessary action to cause a 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 Partners, L.P. ("Dominion Midstream") as soon as practicable after such time as all or part of Questar Pipeline Company ("Questar Pipeline") is contributed to Dominion Midstream.

7. Dominion Questar Gas will be managed from an operations standpoint as a separate regional business under Dominion with responsibility for managing operations to achieve the objectives of customer satisfaction; reasonable rates; reliable service; customer, public, and employee safety; environmental stewardship; and collaborative and productive relationships with customers, regulators, other governmental entities, and interested stakeholders. Dominion Questar Gas will have its own local operating management located in Salt Lake City, Utah.

8. Questar Gas and Dominion share a common focus on installing, upgrading, and maintaining facilities necessary for safe and reliable operations. This focus will not be diminished in any way as a result of the Merger. Absent a material change in circumstances, Dominion Questar Gas will continue its planned total capital expenditure program with an estimated $209 million investment in 2017, $208 million investment in 2018, and $233 million investment in 2019 (excludes investment in peak shaving facility). Any variances to this plan will be supported by Dominion Questar Gas in its next general rate case. Dominion will maintain the environmental monitoring and maintenance programs of Dominion Questar Gas at or above current levels.

9. Dominion and its subsidiaries will continue to honor the Wexpro Stipulation and Agreement, the Wexpro II Agreement and the conditions approved in connection with inclusion of properties in the Wexpro II Agreement ("Wexpro Agreements") and the conditions and obligations provided therein. Dominion will not contribute Wexpro Company ("Wexpro") to Dominion Midstream or to any master limited partnership without the Commission's approval.

Employee Matters

10. Dominion will give employees of Dominion Questar and its subsidiaries due and fair consideration for other employment and promotion opportunities within the larger Dominion organization, both inside and outside of Utah, to the extent any such employment positions are re-aligned, reduced, or eliminated in the future as a result of the Merger.

11. Dominion, as a shareholders' cost, will contribute, within six months of the Effective Time, a total of $75,000,000 toward the full funding, on a financial accounting basis, of Questar Corporation's (i) ERISA-qualified defined-benefit pension plan in accordance with ERISA minimum funding requirements for ongoing plans, (ii) nonqualified defined-benefit pension plans, and (iii) postretirement medical and life insurance (other post-employment benefit ("OPEB")) plans, subject to any maximum contribution levels or other restrictions under applicable law, thereby reducing pension expenses over time in customer rates. Dominion represents that said $75,000,000 contribution, based on current plan funding, would be permissible and well within maximum contribution levels and other restrictions under applicable law.

Regulatory

12. Dominion and its affiliates commit to make officers and employees of Dominion reasonably available to testify before the Commission and provide information that is relevant to any matter within the jurisdiction of the Commission.

13. As part of this and future regulatory proceedings, Dominion Questar Gas will provide information in response to discovery or requests for information about Dominion or its subsidiaries that are relevant to matters within the Commission's jurisdiction.

14. Dominion Questar Gas, Dominion Questar, and Wexpro will maintain access to a complete set of their books and records, including accounting records, as well as access to affiliate charges to Dominion Questar Gas, at their corporate offices in Salt Lake City, Utah.

15. Dominion commits to provide 30 days' notice to the Commission if it intends to create a corporate entity between Dominion Questar and Dominion Questar Gas.

16. For regulatory purposes, Dominion 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 and any relevant Commission orders.

17. Dominion Questar Gas will not seek any changes to existing filed rates, rules, regulations, and classifications under Questar Gas' Utah Natural Gas Tariff No. 400 ("Tariff") because of the Merger, before its next general rate case, except to revise the Tariff to change the name of the operating entity. The Company will file for a name change within 21 days of the Effective Time.

18. Dominion Questar Gas will continue to file annually and follow the Commission's Integrated Resource Plan process and guidelines.

19. Dominion Questar Gas will maintain established gas-supply interchangeability Wobbe indices for Questar Gas' receipt points and will be in compliance with the Commission's requirements.

20. Goods and services provided to Dominion Questar Gas by Dominion or its subsidiaries shall be priced consistent with the Affiliate Expense Standard set forth in Section 2.06 of the Tariff. Dominion Questar Gas will have the burden of proof to show that prices for goods and services provided by Dominion or its other subsidiaries to Dominion Questar Gas are just and reasonable.

21. Dominion Questar will not seek recovery of any acquisition premium (goodwill) or fair value in excess of net book value associated with the Merger from Dominion Questar Gas customers. Dominion will not record any goodwill or fair value in excess of net book value associated with the Merger on Dominion Questar Gas' books and will make the required accounting entries associated with the Merger on that basis. Dominion Questar will not seek recovery of any acquisition premium (goodwill) or fair value in excess of net book value associated with the Merger through allocation of cost to the affiliated companies of Dominion Questar.

22. Dominion Questar will not sell all or a majority of Dominion Questar Gas' common stock without Commission approval.

<u>Financial</u>

23. Dominion, through Dominion Questar, will provide equity funding, as needed, to Dominion Questar Gas in order to maintain an end-of-year common equity percentage of total capitalization in the range of 48-55 percent (48-55%) through December 31, 2019.

24. Dominion commits to use commercially reasonable efforts to maintain credit metrics that are supportive of strong investment-grade credit ratings (targeting the Single-A range) for Dominion Questar Gas. For the first four years following the Effective Time, in any rate proceeding where Dominion Questar Gas' rate of return is established or it seeks to reset the previously authorized rate of return on rate base, Dominion Questar Gas will demonstrate that its cost of debt proposed for recovery in rates is not greater than would have been incurred absent the Merger, and will hold customers harmless from any increases in the cost of debt caused by the Merger. Nothing in this provision shall limit the Parties, in any general rate proceeding, from presenting any arguments or evidence as to the appropriate rate of return for Dominion Questar Gas, consistent with the provisions of Paragraph 60 of this Settlement Stipulation.

25. Neither Dominion nor its other subsidiaries will, without the Commission's approval, make loans to Dominion Questar Gas that bear interest at rates that are greater than the lower of (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.

26. Dominion Questar Gas will not lend funds to Dominion or other Dominion entities, including Dominion Questar.

27. Dominion Questar Gas will not transfer material assets to or assume liabilities of Dominion or any other subsidiary of Dominion without the Commission's approval.

28. Dominion Questar Gas will not transfer its debt to Dominion, or any other subsidiary of Dominion, without the Commission's approval.

29. Dominion will continue to provide to Dominion Questar Gas no less than the same access to short-term debt, commercial paper, and other liquidity that Questar Corporation currently has in place for Questar Gas.

30. Dominion commits that Wexpro will not be a party to a money pool. To the extent that short-term working capital is required by Wexpro, it will be provided under the terms of a one-way intercompany note at the actual cost of that short-term debt at the Dominion level.

Community

31. Dominion, at shareholders' expense, will increase Questar Corporation's historic level of corporate contributions to charities identified by local leadership that are within Dominion Questar Gas' service areas by $1,000,000 per year for at least five years following the Effective Time. Dominion Questar Gas will maintain or increase each jurisdiction's historic level of community involvement, low income funding, and economic development efforts in Questar Gas' current operation areas.

32. Dominion, at shareholders' expense, will establish a newly-formed advisory board for its Western Region operations composed of regional-based business and community leaders. This board will meet and receive information and provide feedback on community issues, government relations, environmental stewardship, economic development opportunities, and other related activities that affect Dominion's and Dominion Questar Gas' local stakeholders.

Customer Rates

33. Within five (5) business days of the filing of this executed Settlement Stipulation, Questar Gas will petition to withdraw its pending application before the Commission in Docket No. 16-057-03 to increase annual non-gas distribution revenue by approximately $22 million.

The Commission's granting of the petition to withdraw is a condition of this Settlement Stipulation. Contingent upon the consummation of the Merger, the Parties further agree that Dominion Questar Gas will not file a general rate case to adjust its base distribution non-gas rates, as shown in Questar Gas' existing Tariff, prior to July 1, 2019 or later than December 31, 2019, unless otherwise ordered by the Commission. Dominion Questar Gas will not file an application for a major plant addition with a rate-effective date prior to March 1, 2020, absent emergency circumstances, except to address the peak-hour needs set forth in Questar Gas' 2016-2017 Integrated Resource Plan (Docket No. 16-057-08). Dominion Questar Gas will bear the burden to demonstrate such emergency circumstances. Dominion Questar Gas will not seek a deferred accounting order prior to March 1, 2020, absent circumstances that are extraordinary and unforeseeable and that would have a material financial impact on Dominion Questar Gas. Dominion Questar Gas will bear the burden to demonstrate such material financial impact and extraordinary and unforeseeable circumstances.

34. The Parties agree that the Utah Conservation Enabling Tariff ("CET") accrual caps will be suspended until rates become effective in the next filed general rate case. To the extent that the balance in the CET accrual account is above the accrual cap, the incremental amount will not be assessed interest during the suspension period. The amortization cap will remain in place.

Compliance with the Law

35. Dominion and Dominion Questar Gas will continue to comply with all existing laws, rules, regulations, provisions of its Tariff, orders, and directives of the Commission, as applicable, following the Effective Time.

Integration Progress Report

36. Dominion Questar Gas will work with the Division and the OCS on a collaborative basis to develop reporting requirements for an Integration Progress Report on planned and accomplished activities relative to the Merger. The report will also identify and include associated transition and transaction costs. Dominion Questar Gas will file the first Integration Progress Report with the Commission on or before April 15, 2017 for the period ending December 2016 and will provide updates quarterly thereafter until the conclusion of the next general rate case.

Transaction Costs

37. Transaction costs associated with the Merger will not be recovered through rates of Dominion Questar Gas or recovered through charges from affiliated companies of Dominion Questar to Dominion Questar Gas. Transaction costs shall be defined as:

i. Legal, consulting, investment banker, and other professional advisor costs to initiate, prepare, consummate, and implement the Merger, including obtaining regulatory approvals.

ii. Rebranding costs, including website, advertising, vehicles, signage, printing, stationery, etc.

iii. Executive change in control costs (severance payments and accelerated vesting of share-based compensation).

iv. Financing costs related to the Merger, including bridge and permanent financing costs, executive retention payments, costs associated with shareholder meetings, and proxy statement related to Merger approval.

Transition Costs

38. Any transition or integration expenses arising from the Merger will not be deferred for future recovery from customers and will be expensed by Dominion Questar Gas and its affiliates as incurred during the transition period. Dominion Questar Gas' revenue requirement for the purpose of developing distribution non-gas base rates will be evaluated in the next general rate proceeding, and that filing shall identify all transition costs, if any, in the base period and the test period. Transition or integration costs that are capitalized and not expensed, including, but not limited to, information technology investments in new hardware and software, including related costs, to convert, conform, and/or integrate Questar Corporation and subsidiaries' systems into and with Dominion's systems, will be itemized and disclosed in the next general rate case. Dominion Questar Gas will have the burden of proof to show that the transition or integration costs are reasonable and result in a positive net benefit to customers.

Shared Services / Cost Allocation

39. Dominion Questar Gas will not seek recovery in its next general rate case of any increase in the aggregate total Operating, Maintenance, Administrative and General 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 caused by the Merger. This amount per customer for the 12 months ended December 2015 was $138.24. 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 Operating, Maintenance, Administrative and General Expenses for Questar Pipeline and Wexpro. Additional detail and the calculation of the 2015 baseline for Questar Gas, Questar Pipeline and Wexpro are shown in Attachment 1.

40. Joint Applicants shall hold customers harmless from any increases in the aggregate total costs for shared or common services provided by Dominion Questar Corporation and/or Dominion Resources Services Company, Inc. ("Dominion Resources Services") that are caused by the Merger.

41. Joint Applicants shall hold customers harmless for any changes in income taxes, and/or accumulated deferred income taxes, recoverable in Dominion Questar Gas rates caused by the Merger, to the extent that such action would be consistent with the tax normalization rules.

42. Questar Pipeline's rates will change only pursuant to proceedings before the Federal Energy Regulatory Commission ("FERC").

43. Joint Applicants shall hold customers harmless from any increases in Wexpro's shared services costs or income tax expense caused by the Merger.

44. No later than January 1, 2018, Dominion Questar Gas will present and review with the Division and the OCS, for informational purposes, a proposed methodology for allocation of shared services costs. Dominion Questar will use the current allocation methodologies, including Distrigas, to allocate shared services costs to its subsidiaries until January 1, 2018. Dominion Questar Gas may propose another allocation methodology for use after December 31, 2017, provided that it has presented such methodology for review as set forth above.

45. Dominion Questar Gas will work with the Division and the OCS on a collaborative basis to develop affiliate transactions reporting requirements and will file such information with the Commission beginning on July 1, 2018 for the 12 months ending December 31, 2017 and thereafter annually.

46. Costs that have been denied recovery by the Commission in prior orders, unless subject to regulation by another governmental agency, will continue to be excluded from rates absent further order from the Commission.

Customer Satisfaction Standards

47. Within 120 days of the Effective Time, Dominion Questar Gas will meet with the Division and the OCS on a collaborative basis and update Customer Satisfaction Standards, taking into account recent historical results. Dominion Questar Gas will report quarterly on its performance relative to the Customer Satisfaction Standards. Quarterly reporting will continue until Dominion Questar Gas' next general rate case filing. If the Dominion Questar Gas service levels become deficient, meaning they fall short of the Customer Satisfaction Standards as shown in the report, Dominion Questar Gas will file a remediation plan with the Commission explaining how it will improve and restore service to meet the Customer Satisfaction Standards.

Additional Ring Fencing Provisions

48. Dominion Questar Gas shall maintain separate long-term debt with its own debt rating supplied by at least two of the recognized debt rating agencies. Any of the debt used to capitalize Dominion Questar Gas shall be kept within the regulated utility.

49. Dominion Questar Gas shall establish and maintain its own bank accounts that are in its own name and direct access to exclusively committed credit facilities. Dominion shall provide Dominion Questar Gas with access to no less than $750,000,000 in short-term debt or commercial paper programs.

50. In connection with its notification to the Commission of dividends paid by Dominion Questar Gas, Dominion Questar Gas shall provide a cash flow summary and explicitly notify the Commission if payment of any dividend would result in its actual common equity

component of total capitalization falling below 45 percent (45%), using the method of calculating equity levels under the ratemaking precedents of the Commission. In addition, Dominion Questar Gas will make annual financial statements for Wexpro and Questar Pipeline available to regulators.

51. 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.

52. 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.

53. Dominion and Dominion Questar agree not to assert in any forum that the provisions of PUHCA or its successor PUHCA 2005 (EPAct 2005), or the related Ohio Power v. FERC case, preempt the Commission's jurisdiction over affiliated interest transactions and will explicitly waive any such defense in those proceedings. In the event that PUHCA or its successor PUHCA 2005 (EPAct 2005) is repealed or modified, Dominion and Dominion Questar agree not to seek any preemption under such subsequent modification or repeal.

54. The Joint Applicants commit to provide for and effect the appointment of a "Special Bankruptcy Director" to serve as a member of the Board of Directors of Dominion Questar Gas ("DQG Board"). Said Director shall be nominated by and retained from an independent entity such as CT Corporation (at Dominion shareholder expense) and shall not be employed by Dominion or any other Dominion affiliate. Said Director shall not participate in ordinary and routine activities of the DQG Board and shall have no voting rights except in the event of a vote by the DQG Board to approve a voluntary bankruptcy petition to be filed under Title 11 of the U.S. Code on behalf of Dominion Questar Gas. Notice of such vote shall be provided to the Special Bankruptcy Director and no voluntary bankruptcy petition on behalf of Dominion Questar Gas may be filed without the affirmative vote of the Special Bankruptcy Director. It is the intent of the Parties that the Special Bankruptcy Director will consider the interests of all relevant economic stakeholders, including without limitation the utility's customers, and the financial health and public service obligations of Dominion Questar Gas, in exercising his or her responsibilities, subject to applicable law. Concurrent with the notice to the Special Bankruptcy Director, Dominion Questar Gas will provide confidential notice to the Commission, Division and the OCS.

55. Dominion or Dominion Questar Gas shall provide notice to the Commission, the Division, and the OCS of any bankruptcy petition or other filing that petitions for Dominion or any of its subsidiaries to be declared bankrupt. If the petition is voluntary, the notice shall be provided within three (3) business days of the petition's filing. If the petition is involuntary, the notice shall be filed within three (3) business days after the day on which the petition is served upon the entity subject to the petition or prior to any hearing adjudicating the petition, whichever is soonest.

Other Provisions

56. The Joint Applicants agree that they will use commercially reasonable efforts in consultation with interested suppliers and marketers to coordinate an upstream nomination process with Kern River Gas Transmission Company similar to the process currently available with Questar Pipeline Company, which nomination process is generally described in the Joint Motion for Dismissal filed with the Commission on October 15, 2014 in Docket 14-057-19. Within 120 days following the Effective Time, representatives of Dominion and Dominion Questar Gas will meet with interested transportation customers, the Division, the OCS, and any other interested parties and will act in good faith to review concerns of transportation customers and will consider any proposal by interested transportation customers regarding direct access by marketers/transporters to such customers.

57. Dominion Questar Gas will notify customers of the Merger in the following ways:

i. A notice will be posted on Dominion Questar Gas' website within 5 days of the Effective Time notification.

ii. Notification will be published in the Gas Light News billing insert within 60 days of the Effective Time notification.

GENERAL

58. The Parties agree that settlement of those issues identified above is in the public interest and that the results are just and reasonable.

59. The Parties agree that no part of this Settlement Stipulation or the formulae or methods used in developing the same, or the relevant Commission orders approving the same shall in any manner be argued or considered as precedential in any future case. All negotiations

related to this Settlement Stipulation are privileged and confidential, and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Settlement Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Settlement Stipulation.

60. Nothing in this Settlement Stipulation or Commission approval of this Settlement Stipulation shall constitute an approval, pre-approval or determination of prudence or cost-recovery as to any expenditures, the prudence or appropriateness of any particular capital structure or cost of capital, or any other ratemaking issue other than as expressly provided in the Settlement Stipulation. Dominion Questar Gas shall retain its burden to demonstrate the prudence of its expenditures and the justness and reasonableness of any rates it proposes in the future, and all Parties will retain all rights to challenge or propose adjustments to Dominion Questar Gas' request for any change in its rates in any regulatory proceeding.

61. Questar Gas, Dominion, the Division, and the OCS each will make one or more witnesses available to explain and support this Settlement Stipulation to the Commission. Such witnesses will be available for examination. As applied to the Division, and the OCS, the explanation and support shall be consistent with their statutory authorities and responsibilities, and nothing in this Settlement Stipulation shall abrogate the authority and responsibilities of the Division under Utah Code Ann. § 54-4-4. So that the records in these dockets are complete, all Parties' filed testimony, exhibits, and the Joint Notice and Application and its exhibits, and the First Supplement and its exhibits shall be submitted as evidence.

62. The Parties agree that if any person challenges the approval of this Settlement Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Settlement Stipulation, each Party will use its best efforts to support the terms and conditions of the Settlement Stipulation. As applied to the Division, and the OCS, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authorities and responsibilities. In the event any person seeks judicial review of the Commission's order approving this Settlement Stipulation, no Party shall take a position in that judicial review opposed to the Settlement Stipulation.

63. Except with regard to the obligations of the Parties under Paragraphs 59, 61 and 62, of this Settlement Stipulation, this Settlement Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Settlement Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Settlement Stipulation or impose any material change or condition on approval of this Settlement Stipulation, or if the Commission's approval of this Settlement Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Settlement Stipulation consistent with the order. No Party shall withdraw from the Settlement Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Settlement Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Settlement Stipulation,

and no Party shall be bound or prejudiced by the terms and conditions of the Settlement Stipulation.

64. This Settlement Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

65. The Parties acknowledge that the Wyoming Settlement Stipulation has been signed by parties in Wyoming and is pending approval by the Wyoming Commission. The Parties agree to a "most favored nation clause." If the Wyoming Commission approves the Merger subject to terms or conditions not contained in this Settlement Stipulation, and the Joint Applicants accept those terms or conditions, then the Joint Applicants agree to provide those applicable benefits and protections in Utah.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission issue an order approving this Settlement Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: August 15, 2016.

Utah Division of Public Utilities

Utah Office of Consumer Services

Questar Gas Company

Thomas P. Wohlfarth

Dominion Resources, Inc.

Utah Association of Energy Users

American Natural Gas Council, Inc.

Idaho Public Utilities Commission Staff

Laura Nelson

State of Utah, Governor's Office of Energy Development

RELIEF REQUESTED

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Utah Division of Public Utilities	*Utah Office of Consumer Services*
Questar Gas Company	
Dominion Resources, Inc.	*Utah Association of Energy Users*
American Natural Gas Council, Inc.	8.15.16 *Idaho Public Utilities Commission Staff*
State of Utah, Governor's Office of Energy Development	

Questar Gas Company

12 Months Ended 2015 O&M and A&G per customer

(Annual Results of Operations)

	(A)		(B)
1	Production	$	(497,458.97)
2	Distribution		58,606,964
3	Customer Accounts (Excl. Bad Debt)		23,090,544
4	Customer Service/Information (Excl. EE)		5,159,033
5	Administrative & General		50,550,710
6	Bad Debt		2,093,764
7	Energy Efficiency		23,482,897
8	**Total O&M and A&G**	$	162,486,453
9	LESS Bad Debt		(2,093,764)
10	LESS Energy Efficiency		(23,482,897)
11	Adjusted O&M and A&G	$	136,909,792
12	Year End Customers		990,383
13	O&M and A&G/Customer (Line 11 divided by 12)	$	138.24

Wexpro

12 Months Ended 2015 O&M and A&G

(Audited Financial Statements)

14	Operating & Maintenance Expense		25,700,000
15	Administrative & General Expense		29,200,000
16	**Total O&M and A&G**	$	**54,900,000**

Questar Pipeline Company

12 Months Ended 2015 O&M and A&G

(FERC Form 2 pages 320-325)

17	Production Expenses		(13,426,373)	1/
18	Natural Gas Storage, Terminaling and Processing Expenses		11,741,717	2/
19	Transmission Expenses		36,147,778	3/
20	Customer Service and Informational Expenses		40,711	4/
21	Administrative & General Expense		26,957,963	5/
22	**Total O&M and A&G**	$	**61,461,796**	

1/ FERC Form No. 2, page 320, line 97
2/ FERC Form No. 2, page 321, line 125
3/ FERC Form No. 2, page 323, line, 201
4/ FERC Form No. 2, page 235, line 244
5/ FERC Form No. 2, page 235, line 267

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Joint Notice and Application Settlement Stipulation was served upon the following persons by email on August 15, 2016:

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