Proposed Merger of Questar and Dominion
Utah Technical Conference
Docket No. 16-057-01
April 28, 2016
DOMINION AND QUESTAR—A COMMON REGULATORY PHILOSOPHY

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

- State regulated electric: 62%
- State regulated gas\(^1\): 19%
- FERC regulated gas: 12%
- Other: 7%

Dominion Resources with Questar

- State regulated electric: 56%
- State regulated gas\(^1\): 20%
- FERC regulated gas: 13%
- Other: 11%

\(^1\) 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 system 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
Note: Map does not include Dominion’s solar facilities outside Utah
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
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

<table>
<thead>
<tr>
<th>Customer service standard</th>
<th>DEO</th>
<th>QGC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average speed of answer</td>
<td>34 seconds</td>
<td>29 seconds</td>
</tr>
<tr>
<td>Appointments met within 4-hour window</td>
<td>99.3%</td>
<td>97%</td>
</tr>
<tr>
<td>Gas service initiation within 5 days</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Customer complaint resolution</td>
<td>1 day</td>
<td>3 days</td>
</tr>
<tr>
<td>Emergency call response within 60 minutes</td>
<td>98%</td>
<td>98%</td>
</tr>
</tbody>
</table>

MAINTAINING CUSTOMER SERVICE
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
Existing operations teams remain in place

David Christian
CEO
Dominion Energy Infrastructure Group

Craig Wagstaff
SVP—Dominion
President—Dominion Questar

Colleen Bell
VP & General Manager
Dominion Questar
Gas

Brady Rasmussen
VP & General Manager
Dominion Wexpro

Dominion Resources Services, Inc.

HR, Legal, IT, Supply Chain, Regulation, Communication, Finance, Accounting, etc. (Organizationally reporting to Service Company leaders)
INTEGRATION FRAMEWORK

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

**Steering Committee**

- Executive Advisers
- Integration Leads
- Subject Matter Experts

**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**
- Questar Corporation
  - Questar Gas
  - Questar Pipeline
  - Wexpro

**Shared services teams**
- Human Resources
- Info Tech & Telecom
- Supply Chain & Facilities
- Regulatory / External affairs
- Finance / Risk Mgmt
- Tax
- Accounting
A sequential and staged approach to design and execution

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

**THE INTEGRATION PROCESS**

**Leadership & Framework Development**
- *Feb to Apr*
- *Plan the Effort*

**Analysis**
- *Apr to Jun*
- *Build the Facts*

**Design**
- *Jul to Aug*
- *Define the Future*

**Implementation Planning**
- *Aug to Close*
- *Prepare for Change*

**Implementation**
- *Ongoing*
- *Close Transaction*

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1 Timing is approximate and stages will have some overlap

**Key Stages**
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

Dominion Resources Inc. (DRI)

VEPCO
- Utility Generation
- Electric Transmission
- Electric Distribution

Dominion Gas Holdings (DGH)
- Dominion Transmission
- Dominion East Ohio
- Iroquois Pipeline (24.1%)

Dominion Questar
- Dominion Questar Gas
- Dominion Wexpro
- Dominion Questar Pipeline

Merchant Generation
- Atlantic Coast Pipeline (45.0%)
- Blue Racer (50.0%)
- Cove Point
- Hope Gas

MLP
- Dominion Carolina Gas
- Iroquois Pipeline (25.9%)

Preferred equity interest

Applicable Operating Segments
- Dominion Virginia Power
- Dominion Generation
- Dominion Energy
HOW WILL DOMINION QUESTAR GAS BE FINANCED?

Credit facilities: $5.5 billion

Variable sublimit²

CP market

“IRCA”

Variable sublimit

CP market

“IRCA”

Variable sublimit

CP market

“IRCA”

Money Pool

Other subsidiaries

Dominion Resources Inc. (DRI)

Virginia Power (VEPCO)

Dominion Gas Holdings (DGH)

Dominion Questar Gas

Equity and debt capital markets issuer

Debt capital market issuer

An IRCA is a one-way financing agreement that helps to protect the regulated subsidiary¹

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?

<table>
<thead>
<tr>
<th>At Announcement</th>
<th>Prior to Closing</th>
<th>At Closing</th>
<th>Permanent Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Credit Facility</strong></td>
<td>DRI Senior Notes</td>
<td>DRI Senior Notes</td>
<td>DRI Senior Notes</td>
</tr>
<tr>
<td>$0.50 (Bridge Commitment)</td>
<td><strong>$1.25</strong> (Mandatory Convertible)</td>
<td><strong>$1.25</strong> (Mandatory Convertible)</td>
<td><strong>$1.25</strong> (Mandatory Convertible)</td>
</tr>
<tr>
<td><strong>$2.70</strong> (Term Loan Commitment)</td>
<td><strong>$0.50</strong> (D equity (complete))</td>
<td><strong>$0.50</strong> (D Equity (complete))</td>
<td><strong>$0.50</strong> (D Equity (complete))</td>
</tr>
<tr>
<td><strong>$1.20</strong> (Term Loan Commitment)</td>
<td><strong>$1.20</strong> (Funded Term Loan (364 day))</td>
<td><strong>$1.20</strong></td>
<td><strong>MLP Drop Proceeds (Equity funded) $1.20</strong></td>
</tr>
</tbody>
</table>

**Note:** All amounts in $ billion

**Equity content of 67%**
HOW DOES DOMINION’S MERGER FINANCING COMPARE TO OTHER RECENT UTILITY MERGERS?

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

<table>
<thead>
<tr>
<th>Merger</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questar &amp; Dominion</td>
<td>67%</td>
</tr>
<tr>
<td>Merger A</td>
<td>47%</td>
</tr>
<tr>
<td>Merger B</td>
<td>46%</td>
</tr>
<tr>
<td>Merger C</td>
<td>45%</td>
</tr>
<tr>
<td>Merger D</td>
<td>18%</td>
</tr>
<tr>
<td>Merger E</td>
<td>13%</td>
</tr>
</tbody>
</table>

Peer average: 34%
## HOW DO THE CREDIT AGENCIES EVALUATE DOMINION AND QUESTAR GAS?

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Ratings¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Moody's</strong></td>
<td></td>
</tr>
<tr>
<td>Rating based on credit</td>
<td>A2</td>
</tr>
<tr>
<td>worthiness of <strong>issuer</strong></td>
<td>Questar Gas (affirmed), VEPCO, DGH</td>
</tr>
<tr>
<td>A3</td>
<td>—</td>
</tr>
<tr>
<td>Baa1</td>
<td>—</td>
</tr>
<tr>
<td>Baa2</td>
<td>DRI</td>
</tr>
<tr>
<td><strong>Fitch</strong></td>
<td></td>
</tr>
<tr>
<td>Rating based on credit</td>
<td>A</td>
</tr>
<tr>
<td>worthiness of <strong>issuer</strong></td>
<td>VEPCO</td>
</tr>
<tr>
<td>A-</td>
<td>DGH</td>
</tr>
<tr>
<td>BBB+</td>
<td>DRI</td>
</tr>
<tr>
<td>Not rated</td>
<td>Questar Gas</td>
</tr>
<tr>
<td><strong>S&amp;P</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Issuer Rating:</strong></td>
<td>A</td>
</tr>
<tr>
<td>Rating based on credit</td>
<td>Questar Gas (current)</td>
</tr>
<tr>
<td>worthiness of <strong>consolidated group</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Anchor Rating:</strong></td>
<td>BBB+</td>
</tr>
<tr>
<td>Rating based on credit</td>
<td>Questar Gas (expected), VEPCO, DGH</td>
</tr>
<tr>
<td>worthiness of <strong>issuer</strong></td>
<td>BBB</td>
</tr>
<tr>
<td>a</td>
<td>DRI</td>
</tr>
<tr>
<td>a-</td>
<td>DRI, VEPCO</td>
</tr>
<tr>
<td>bbb</td>
<td>DGH</td>
</tr>
</tbody>
</table>

¹ Senior Unsecured ratings

Note: Dominion intends to solicit a Fitch rating for Questar Gas
Impact of change in Dominion Resources’ S&P consolidated rating

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Rating</th>
<th>Advantage to utility index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-rating change (avg)</td>
<td>A-</td>
<td>101 bps</td>
</tr>
<tr>
<td>Post-rating change (avg)</td>
<td>BBB+</td>
<td>110 bps</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Issuance date</th>
<th>Moody’s rating¹</th>
<th>S&amp;P rating¹</th>
<th>Issue size</th>
<th>Spread (bps)</th>
<th>Comparison to Q Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEPCO</td>
<td>1/3/2013</td>
<td>A3</td>
<td>A-</td>
<td>$500M</td>
<td>+93.0</td>
<td>27 bps lower</td>
</tr>
<tr>
<td>VEPCO</td>
<td>8/12/2013</td>
<td>A3</td>
<td>A-</td>
<td>$585M</td>
<td>+95.0</td>
<td>25 bps lower</td>
</tr>
<tr>
<td>DGH</td>
<td>10/17/2013</td>
<td>A3</td>
<td>A-</td>
<td>$400M</td>
<td>+112.0</td>
<td>8 bps lower</td>
</tr>
<tr>
<td>Questar Gas</td>
<td>12/20/2013</td>
<td>A3</td>
<td>A</td>
<td>$90M</td>
<td>+120.0</td>
<td>—</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>WAC¹</th>
<th>Select Questar peers</th>
<th>Select Dominion peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WAC comparison

- Questar vs. peer avg.: 30 basis points lower
- Dominion vs. peer avg.: 26 basis points lower
- Questar vs. Dominion: +101 basis points higher

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

<table>
<thead>
<tr>
<th>Process</th>
<th>Questar</th>
<th>Dominion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Resource Planning</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Energy efficiency collaboration</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Gas hedging program</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Infrastructure replacement programs</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Other examples</td>
<td>Wexpro II</td>
<td>Off-shore Wind</td>
</tr>
</tbody>
</table>
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