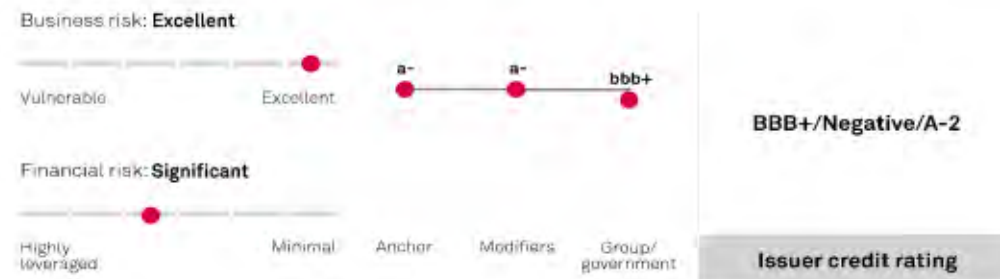


Questar Gas Co.

March 15, 2024

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Questar Gas Co. (Questar) is a low-risk regulated utility business that effectively manages its regulatory risk.	Limited business and regulatory diversity as a significant majority of its customer base is in Utah.
Strong access to gas supply, transportation, and storage.	High capital spending and negative discretionary cash flow indicates a need for external funding.

The sale of Questar to Enbridge Inc. is pending. On Sept. 5, 2023, Dominion Energy Inc. entered into separate definitive agreements with Enbridge to sell several gas assets, including Questar, for an aggregate purchase price of US\$14.0 billion. The Questar acquisition is expected to close

Questar Gas Co.

in 2024, subject to the satisfaction of closing conditions, including the receipt of required U.S. federal and state regulatory approvals. Should the transaction close as expected, we believe Questar will become integral to Enbridge's long-term strategy. We also expect Questar to likely receive support from Enbridge's senior management, considering the acquisition will add an additional 1.2 million customers. We will continue to monitor for developments related to the pending sale.

We expect credit quality will be supported by both the utility's low-risk operations and the constructive regulatory framework of Utah, Idaho, and Wyoming. We expect the utility to maintain its stable cash flow and credit quality with support from existing cost-recovery mechanisms for purchased gas cost and activities related to energy-efficiency and conservation enablement. We believe Questar achieves generally credit-supportive regulatory outcomes in the jurisdictions it operates in. In November 2023, the company received a \$1.6 million increase for 2024 rates in Wyoming, where it originally requested a \$2.1 million increase, with a 9.65% return on equity (ROE) premised on an equity layer of about 52%. This follows the company's most recent order before the Utah Commission, where the company received a rate order for 2023 rates that included a \$47.8 million increase in non-fuel rates with a return on equity (ROE) of 9.6% premised upon an equity layer of 51%. Questar had originally sought a rate increase of \$71 million.

Outlook

The negative outlook takes into account our current ratings and outlook on Enbridge and our expectation that Questar will be integral to Enbridge's long-term strategy should the transaction close as expected.

Downside scenario

We could lower the rating on Questar over the next 12 to 18 months if upon close of the transaction, Enbridge's ratings are lowered.

Upside scenario

We could affirm ratings and revise the outlook on Questar back to stable over the next 12 to 18 months if we take a similar rating action on Enbridge following the transaction's close. Such a move could occur if Enbridge is able to raise a substantial portion of the remainder of the capital to fund the acquisitions and reduce debt to EBITDA closer to 4.75x during the next 12 to 18 months.

Our Base-Case Scenario

Assumptions

- Continued cost recovery through approved rate cases in Utah that typically occur every three years;
- Regulatory construct remains intact in Wyoming and Idaho;
- Capital expenditures averaging about \$280 million per year across our outlook period;
- Negative discretionary cash flow, which indicates external funding needs; and

Questar Gas Co.

- All debt maturities to be refinanced.

Key metrics

Questar Gas Co.—Forecast summary*

Fiscal year ended Dec. 31						
	2021a	2022a	2023e	2024f	2025f	2026f
FFO to debt (%)	17	17.3	17-19	17-19	19-20	19-20
Debt to EBITDA (x)	4.6	4.4	3.5-4.5	3.5-4.5	3.5-4.5	3.5-4.5
FFO cash interest coverage (x)	7.0	5.9	4.5-5.5	4.5-5.5	5.0-6.0	5.0-6.0

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.

Company Description

Questar Gas Co. (which does business as Dominion Energy Utah, Dominion Energy Wyoming, and Dominion Energy Idaho in the respective states its service areas are located in) distributes natural gas to residential and commercial customers in Utah, southwestern Wyoming, and southeastern Idaho. Questar Gas serves approximately 1.2 million sales and transportation customers. Questar Gas is the only non-municipal gas distribution utility in Utah, where about 95% of its customers are located. The company is based in Salt Lake City. Questar Gas Co. is a subsidiary of Dominion Energy Inc.

Business Risk

Our business risk assessment of Questar reflects the utility's low-risk regulated natural gas distribution business, above-average size, and its effective management of regulatory risk.

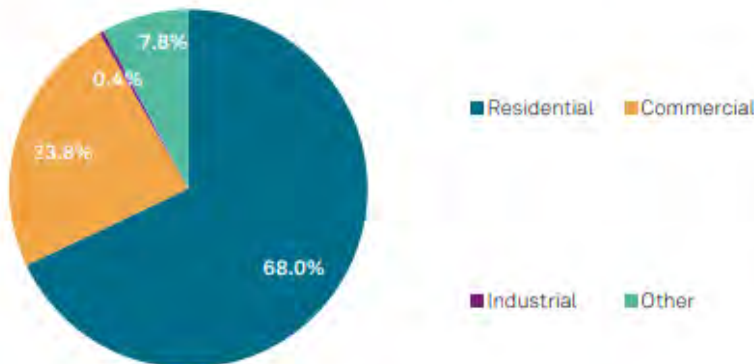
Questar effectively manages regulatory risk through a credit-supportive rate design, the use of multiple cost recovery mechanisms including a fuel cost adjustment, a weather normalization adjustment, decoupling, and an infrastructure cost-tracking adjustment. In Utah, its largest service territory, the company generally experiences credit-supportive rate outcomes.

Questar's cash flows are generally stable and largely insulated from fluctuations in gas prices, weather, and usage. Furthermore, most of the customer base is residential and commercial, providing an additional measure of cash flow stability. The company's business risk profile is marginally offset by lack of business or regulatory diversity.

Questar has access to gas supply (over half of the utility's supply) due to its relationship with Wexpro, a cost-of-service exploration and production operation company providing natural gas to Questar at its cost of service plus a return on its investments.

Questar Gas Co.

Questar Gas Co.'s gas revenue break up by customer class



Source: Questar Gas Co.'s annual report 2022.

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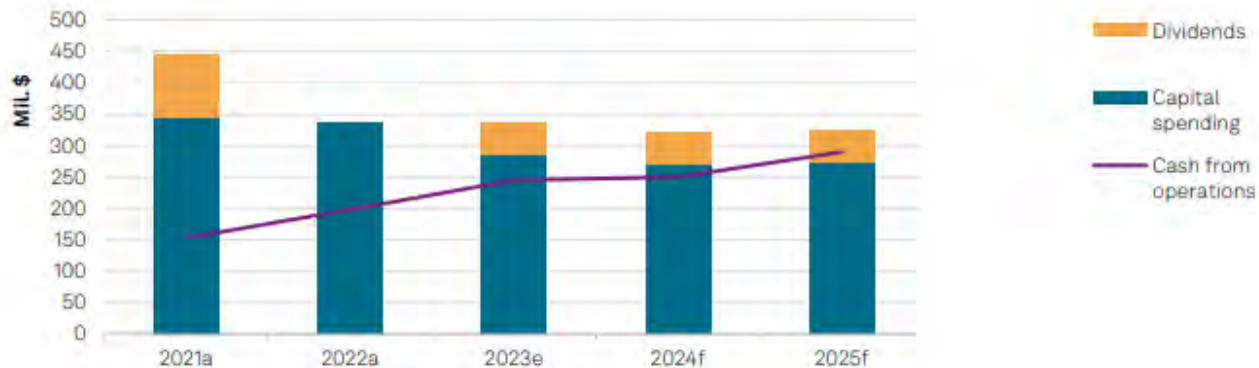
Financial Risk

We assess the company's financial measures using our medial volatility financial benchmarks, reflecting the company's steady cash flow and rate-regulated utility operations and effective regulatory risk management.

Under our base-case scenario, which includes annual capital spending averaging about \$280 million, dividend payments to its parent of about \$50 million each year and modest customer growth, we expect financial measures to consistently reflect a funds from operations (FFO) to debt ratio of about 17%-20% across our outlook period. We are anticipating a modest improvement in FFO to debt over the outlook period given the recent non-fuel rate base increase that Questar was approved for and that the company's capital spending plans are anticipated to remain relatively steady.

Questar Gas Co.

Questar Gas Co.--Cash flow forecast



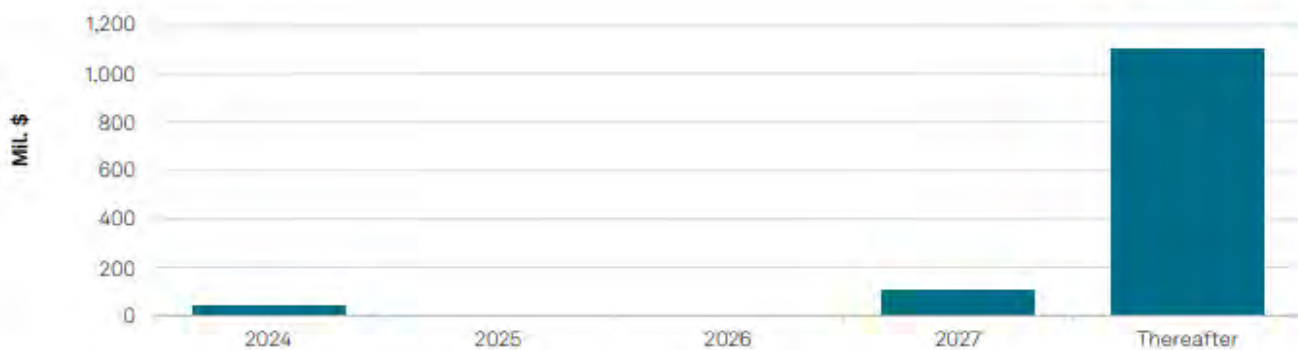
a--Actual, e--Estimate, f--Forecast. Source: Company filings.

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Debt maturities

Debt maturities

As of June 2023



Source: Questar Gas Co. financial statements.

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Questar Gas Co.

Questar Gas Co.--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	\$	\$	\$	\$	\$	\$
Revenues	947	918	929	929	1,006	1,318
EBITDA	215	217	227	264	273	294
Funds from operations (FFO)	204	141	200	198	214	225
Interest expense	36	41	36	41	42	51
Cash interest paid	34	37	32	37	36	46
Operating cash flow (OCF)	141	212	105	182	153	198
Capital expenditure	215	217	203	301	345	337
Free operating cash flow (FOCF)	(74)	(5)	(98)	(120)	(191)	(139)
Discretionary cash flow (DCF)	(74)	(5)	(98)	(120)	(291)	(139)
Cash and short-term investments	7	7	9	8	4	14
Gross available cash	7	7	9	8	4	14
Debt	958	778	886	1,016	1,257	1,303
Common equity	725	1,012	1,106	1,223	1,246	1,475
Adjusted ratios						
EBITDA margin (%)	22.7	23.6	24.4	28.4	27.1	22.3
Return on capital (%)	9.3	8.3	8.0	8.9	8.2	7.9
EBITDA interest coverage (x)	6.0	5.3	6.3	6.5	6.5	5.7
FFO cash interest coverage (x)	7.1	4.8	7.3	6.4	7.0	5.9
Debt/EBITDA (x)	4.5	3.6	3.9	3.8	4.6	4.4
FFO/debt (%)	21.3	18.1	22.6	19.5	17.0	17.3
OCF/debt (%)	14.7	27.2	11.9	17.9	12.2	15.2
FOCF/debt (%)	(7.8)	(0.7)	(11.0)	(11.8)	(15.2)	(10.6)
DCF/debt (%)	(7.8)	(0.7)	(11.0)	(11.8)	(23.2)	(10.6)

Reconciliation Of Questar Gas Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. \$)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2022									
Company reported amounts	1,362	1,475	1,318	293	200	44	294	205	-	344
Cash taxes paid	-	-	-	-	-	-	(22)	-	-	-
Cash interest paid	-	-	-	-	-	-	(40)	-	-	-
Accessible cash and liquid investments	(14)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	7	(7)	(7)	-	(7)
Asset-retirement obligations	6	-	-	0	0	0	-	-	-	-

Questar Gas Co.

Reconciliation Of Questar Gas Co. Reported Amounts With S&P Global Adjusted Amounts (Mil. \$)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Nonoperating income (expense)	-	-	-	-	9	-	-	-	-	-
Debt: other	(50)	-	-	-	-	-	-	-	-	-
Total adjustments	(58)	-	-	0	9	7	(68)	(7)	-	(7)
S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	1,303	1,475	1,318	294	209	51	225	198	-	337

Liquidity

We assess Questar's liquidity as adequate, with sources covering liquidity uses by 1.1x over the coming 12 months, and that its sources cover uses even if forecast consolidated EBITDA declines 10%. We believe the predictable regulatory framework for Questar provides manageable cash flow stability even in times of economic stress, supporting our use of slightly lower thresholds to assess liquidity. In addition, Questar can absorb high-impact, low-probability events, reflecting its committed access to up to \$250 million of DEI's joint credit facilities through 2026 and our belief that the company can lower its capital spending (averaging about \$280 million annually through 2025) during stressful periods, indicative of a limited need for refinancing under such conditions. Furthermore, our assessment reflects generally prudent risk management, sound relationships with its banking group, and a satisfactory standing in the credit markets (bond spreads in line with investment-grade peer utilities). Overall, we believe that the company should withstand adverse market circumstances over the next 12 months with sufficient liquidity to meet its obligations.

Principal liquidity sources

- Cash FFO of about \$263 million;
- Credit facility availability of \$250 million; and
- Minimal cash assumed.

Principal liquidity uses

- Assumed maintenance capital spending of about \$102 million; and
- Debt maturities of about \$367 million.

Environmental, Social, And Governance

ESG factors have a neutral influence on our credit rating analysis of Questar Gas Co.

Issue Ratings--Subordination Risk Analysis

Analytical conclusions

We rate the senior unsecured debt at Questar the same as the issuer credit rating because it is unsecured debt of a qualifying investment-grade regulated utility.

Questar Gas Co.

Rating Component Scores

Foreign currency issuer credit rating	BBB+/Negative/A-2
Local currency issuer credit rating	BBB+/Negative/A-2
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	A-
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	A-

Related Criteria

- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

Questar Gas Co.

- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of March 14, 2024)*

Questar Gas Co.

Issuer Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+

Issuer Credit Ratings History

19-Apr-2023	BBB+/Negative/A-2
03-Aug-2022	BBB+/Stable/A-2
07-Jul-2020	BBB+/Positive/A-2

Related Entities

Dominion Energy Inc.

Issuer Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated	BBB
Junior Subordinated	BBB-
Senior Unsecured	BBB

Dominion Energy South Carolina Inc.

Issuer Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	BBB-
Senior Secured	A

Dominion Resources Capital Trust III

Preference Stock	BBB-
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Public Service Co. of North Carolina Inc.

Issuer Credit Rating	BBB+/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+

SCANA Corp.

Issuer Credit Rating	BBB+/Negative/A-2
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South Carolina Fuel Co.

Questar Gas Co.

Ratings Detail (as of March 14, 2024)*

Issuer Credit Rating --/~/A-2

Virginia Electric & Power Co.

Issuer Credit Rating BBB+/Negative/A-2

Commercial Paper

Local Currency A-2

Preferred Stock BBB-

Senior Unsecured BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Questar Gas Co.

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