Company Name: Dominion Resources
Company Ticker: D US
Date: 2016-02-01
Event Description: Q4 2015 Earnings Call

Market Cap: 41,780.51
Current PX: 70.18
YTD Change($): +2.54
YTD Change(%): +3.755

Bloomberg Estimates - EPS
Current Quarter: 0.990
Current Year: 3.850
Bloomberg Estimates - Sales
Current Quarter: 3517.500
Current Year: 13519.429

Q4 2015 Earnings Call

Company Participants

- Thomas E. Hamlin
- Thomas F. Farrell ll
- Mark F. McGettrick

Other Participants

- Dan L. Eggers
- Greg Gordon
- Steve Fleishman
- Jeremy B. Tonet
- Brian J. Chin
- Praful Mehta
- Stephen Calder Byrd
- Shahriar Pourreza
- Angie Storozynski
- Paul Patterson

MANAGEMENT DISCUSSION SECTION

Thomas E. Hamlin

GAAP and Non-GAAP Financial Measures

Also on this call, we will discuss some measures of our company's performance that differ from those recognized by GAAP

Reconciliation of our non-GAAP measures to most directly comparable GAAP financial measures we are able to calculate and report are contained in the earnings release kit and Dominion Midstream's press release

Thomas F. Farrell ll

Q4 Highlights

This morning Dominion Resources and Questar Corporation announced a definitive agreement to combine

Dominion will pay Questar's shareholder $25 per common share in cash plus the assumption of $1.6B in debt for total enterprise value of $6B.

As soon the receipt of all required regulatory approvals, the companies expect to close the transaction by the end of this year

Agreement

- We are very excited about adding Questar to the Dominion portfolio company
- This agreement is a combination of premium, integrated asset profiles and is well-aligned with Dominion's existing strategic focus and core energy infrastructure operations
  - These high-performing regulated assets will provide enhanced scale and diversification into constructive regulatory jurisdictions

Transaction, Equity and Regulated Gas Distribution Company

- Furthermore, the value to Dominion's investors from the transaction does not require a significant levering of our balance sheet
- The permanent financing will feature an equity component from both Dominion Resources and Dominion Midstream Partners, and will be supportive of management's commitment to our existing credit ratings targets
- Transaction is consistent with our announced growth strategy, specifically the acquisition and development of reasonably valued regulated MLP qualifying assets with stable, long-term cash profiles
- And in addition, in the case of Questar, a fast-growing, regulated gas distribution company in states that have a strong pro-business environment
  - We think it is an ideal combination for both Dominion shareholders, Dominion Midstream unitholders, and Questar's shareholders and all of our employees

Team and Customers

- Questar has a long history of doing business with integrity and honesty, and a strong commitment to its employees and the communities they serve
- It is a very well-managed company with strong commitment to safety, ethics and excellence, which are core values shared by the employees of Dominion
- As part of the Dominion team, Questar's customers can also count on a continuation of the high quality service they have enjoyed

Margins, Pipeline Operations and Solar Projects

- Questar's operations feature an excellent business risk profile
- Margins at its gas utility have been de-risked through constructive regulation, including revenue decoupling, weather normalization, an infrastructure replacement rider and gas cost pass-through, elements that we also share at Dominion East Ohio
- Its pipeline operations feature long-term contracts with creditworthy counterparties
- Its regulated gas supply business has operated under Commission-approved cost-of-service model for 35 years
  - Utah is one of the fastest growing states in the country, and is annually ranked among the best states in which to do business
- We have already committed approximately $1B in solar projects in Utah, which are under long-term contracts to electric utilities

Natural Gas Operations and Clean Power Plan

- Questar provides enhanced geographic diversity to Dominion's natural gas operations
- This is illustrated with a system map shown on slide eight
- While our Dominion transmission system is known as the Hub of the Mid-Atlantic, the Questar system is called the Hub of the Rockies, and a principal source of gas supply to the Western states
- We believe the value of the system will increase over time, as illustrated on slide nine
- As Utah and the surrounding Western states seek to comply with the requirements of the EPA's Clean Power Plan, as well as meet state-mandated renewable portfolio standards, compliance is highly likely to result in an increased reliance on low-emission gas-fired generation

EPS, MLP Eligible Assets and Acquisition

- The transaction also provides significant benefits to Dominion's investors
- It will be immediately accretive to EPS with limited impact on our balance sheet
- It provides a significant addition to Dominion's inventory of top-quality, low-risk MLP eligible assets
- We intend to finance a portion of the acquisition through a contribution of Questar Pipeline to Dominion Midstream Partners, taking advantage of the MLP's lower cost of capital, and diversifying our equity funding sources
  - DM investors will benefit significantly, as the acquisition will add over $425mm of EBITDA to Dominion's already extensive inventory of high-quality, MLP-eligible regulated assets

Mark F. McGettrick

Financial Highlights

Questar Gas

- For those of you not familiar with Questar Corporation, we have summarized their business profile on slide 13
- Questar is a regulated Rockies-based integrated natural gas company headquartered in Salt Lake City, Utah
- Its operations consist of three primary business segments:

Customer Growth and ROEs

- Questar Gas is a regulated local distribution company serving about 1mm customers in Utah, Wyoming and Idaho
- Customer growth has averaged 2.5%, which is well above industry averages
- Authorized ROEs are 9.5% to 9.85% on $1.1B rate base, with a 52% equity component

Pipeline, Operating Assets and Regulated Gas Supply Business

- Questar Pipeline is a FERC-regulated transportation and storage system strategically located to deliver gas to the Western region of the country

- Its operating assets consist of 2,700 miles of pipeline and 56B cubic feet of storage capacity operating under long-term fixed-fee contracts with creditworthy counterparties
  - Authorized ROEs range from 11.4% to 13% and rate base is about $950mm
- Their Regulated Gas Supply business has been operating under a regulated cost-of-service plus return model for 35 years
  - Its $600mm rate base is 100% equity capitalized, with a 2015 average realized return of 17%
- Both the Pipeline Systems and the Regulated Gas Supply business are MLP eligible

Pro Forma Business Profile

- Slide 14 shows the pro forma business profile of the combined companies Regulated Gas Infrastructure businesses
- The acquisition increases our LDC rate base by nearly half and the number of customers by more than 75%
  - It increases our pipeline rate base by approximately 25%, and our pipeline network by one-third

EBITDA

- The impact on Dominion's EBITDA mix is shown on slide 15
- While remaining roughly 90% regulated, the Questar acquisition improves the balance between electric and gas operations
- Questar Corporation will become a wholly-owned subsidiary of Dominion Resources
- Upon completion of the acquisition around the first of next year
  - Questar Pipeline will be contributing to Dominion Midstream Partners probably in two steps

Questar Pipeline

- Slide 16 updates our planned drop schedule for DM from last year's analyst meeting
- The first contribution of Questar Pipeline will provide sufficient coverage for Dominion Midstream to meet its 2017 distribution growth targets, which remain at 22% per year
  - The second drop will improve the remaining investment in Questar Pipeline, which along with a small portion of the Cove Point asset will fulfill our distribution growth for 2018

Regulated Gas Supply Assets

- Any future drop of regulated gas supply assets will only be done in consultation with State regulators
- This will allow Dominion to keep its investment in the Blue Racer joint venture at the parent until 2020 or later, enhancing its value and the future contribution due to its strong organic growth, and reduce the Cove Point EBITDA drop into DM in 2018 while maintaining our 22% distribution growth
- Questar Pipeline business is a perfect match with the stable, long-term regulated cash flow profile of Dominion Midstream Partners

Financing Plan and EPS Growth Rate

- Slide 17 highlights our financing plan and the impact of Questar on our expected EPS growth rate
- Value to Dominion from this acquisition does not depend on any significant levering of our balance sheet
- We intend to prudently finance this transaction in line with our previously stated credit rating targets, using a combination of equity, mandatory convertibles, and debt at Dominion, in addition to equity at Dominion Midstream to finance the drop of the Pipeline business

Equity and Acquisition

- As a reminder, we still do not need or do not plan to need any equity at Dominion Midstream in 2016
- The acquisition is immediately accretive to Dominion's EPS and will support a 2017 growth target, while allowing us to achieve or even exceed the top end of our growth target for 2018
  - As Tom Farrell mentioned earlier, we are excited about this transaction, the value it creates for our Dominion shareholders and Dominion Midstream unitholders, and the opportunity it provides to continue to grow our gas infrastructure business
- We will take your questions in a few minutes, but first, I want to review our results for 2015 and our earnings guidance for 2016

Operating Earnings and Farmout Restructuring

- Dominion Resources reported operating earnings of $0.70 per share for Q4 2015, which was below our guidance range of $0.85 to $0.95 per share
- Extremely mild weather in December, the timing of a planned farmout restructuring, and a higher-than-expected effective tax rate due to bonus depreciation were the primary factors driving earnings below the range
  - While we have discussed our sensitivity to weather in prior calls, never had this the kind of impact that we saw in December

Cumulative Temperature Deviation and Bonus Depreciation

- Slide 20 shows the cumulative temperature deviation from normal for each December over the last 50 years
- The value for December 2015 is highlighted in red in the upper right-hand corner
- Not only was this the warmest December in the last 50 years, it was nearly twice this warm as the previous record experienced in 1984
  - Our analysis indicates that warm temperatures accounted for $0.08 to $0.10 per share during Q4
- Bonus depreciation will be a significant positive to our long-term cash position, but unfortunately, since the new law was retroactive back to January 1, it did not allow us to take $0.03 per share primarily from tax deductions anticipated in fourth quarter guidance

Earnings

- And finally, although we did not complete the planned farmout restructuring last quarter, we do anticipate completing a new farmout opportunity during CY2016

- The earnings shortfall in Q4 also follows full year 2015 operating EPS to be below our guidance range of $3.50 to $3.85 per share
- GAAP earnings were $3.20 for the year
- The principle differences between GAAP and operating earnings were charges associated with the Virginia legislation enacted in February that required a write-off of Virginia Power prior period deferred fuel costs and charges associated with future ash pond closures
  - A reconciliation of operating earnings to reported earnings can be found on Schedule 2 of the earnings release kit

EBITDA and Distribution

- For Q4 2015 Dominion Midstream Partners produced adjusted EBITDA of $23.6mm and distributable cash flow of $24.7mm, all consistent with management's expectations
- On January 21, Dominion Midstream's board of directors declared a distribution of $0.2135 per unit payable on February 15 to unitholders of record on February 5
  - This distribution represents a 7% increase over last quarter's payment and is consistent with our plan to achieve 22% annual distribution growth for LP units

Cash Flow and Treasury Activities

- Moving to cash flow and treasury activities at Dominion, funds from operations were $4.5B in 2015
- Net commercial paper and letters of credit outstanding at the end of the year were $3.1B.
- We had $4.5B of credit facilities at the time, taking into account cash and short-term investments ended the year with liquidity of $1.4B.
- In January we have increased our primary credit facility by $1B, taking our total credit lines to $5.5B.
- For statements of cash flow and liquidity, please see pages 13 and 24 of the earnings release kit

Bonus Depreciation, Dividend and Rate

- As I mentioned earlier, an extension of bonus depreciation was included in the recent federal spending authorization
- Dominion expects to be a significant cash beneficiary of bonus depreciations because of our large capital program
- We anticipate $2.5B cash flow benefit over the next several years
- And wrapping up our financing update, I would like to remind everyone that Dominion's Board of Directors authorized an 8.1% dividend increase in December for 2016
- The new annual rate is $2.80 per share

Guidance

Earnings, Revenues and DD&A Expenses

- Now, for earnings guidance for 2016
- Dominion's operating earnings guidance is $3.60 to $4.00 per share for 2016
- The midpoint of this range is 10% above the $3.44 earned in 2015
- Positive drivers for this increase are revenues from our growth projects, lower capacity expenses, higher capacity performance revenues and investment tax credits from our solar facilities
- Offsetting factors include higher DD&A expenses, interest costs and sheer dilution from the conversion of the mandatory convertible units

Q1

Earnings and Hedging

- Dominion's operating earnings guidance for Q1 2016 is $0.90 to $1.05 per share, compared to $0.99 per share for Q1 2015
- The midpoint of this range represents a 5% increase over the weather normalized $0.93 for Q1 2015
- As to hedging, you can find our hedge positions on page 26 of the earnings release kit
    - As of mid-January, we have hedged 91% of our expected 2016 production at Millstone, and 6% our expected 2017 production

Thomas F. Farrell ll

Highlights

Construction and Equipment

- Construction of the 1,358-megawatt combined-cycle facility in Brunswick County was about 96% complete at year-end
    - There are around 450 workers on site
- All major equipment has been installed and all three combustion turbines were successfully fired on natural gas during December
    - The facility is on time and on budget, with an expected mid-2016 commercial operation date

CPCN and Projects

- The hearing on our request for CPCN and rate rider for the proposed 1,588-megawatt Greensville County project was held on January 12
- A decision from the State Corporation Commission is expected in April
- The three-on-one combined-cycle facility is expected to achieve commercial operation in December 2018
    - We continue to execute on our merchant solar strategy
- Dominion completed eight projects in 2014, totaling 171 megawatts in California, Utah and Georgia
- Our projects for 2016 include 530 megawatts from two joint ventures located in Utah

- These projects are under long-term PPAs and are expected to be in service in Q3

Projects and Transmission Assets

- In November Dominion acquired an 80-megawatt project to be constructed on Virginia's Eastern shore, supported by a PPA with Amazon and scheduled for operations in Q4 this year
- In December and January, Dominion closed on our agreement for the sale of a 33% interest in 425 megawatts of our solar portfolio to SunEdison for approximately $300mm
- We have a number of electric transmission projects at various stages of regulatory approval and construction
    - During Q4, $398mm of transmission assets were placed into service, bringing the full year total to a record $1B.

Growth Plan

- Progress on our growth plan for Dominion Energy continues as well
- We are continuing to work for the commencement of construction on the Atlantic Coast Pipeline and the related Supply Header Project
- We made formal FERC filings for these projects in September
- Surveying and pipeline engineering is now over 90% complete
- We've also contracted for about 70% of the project materials
    - We plan to begin construction on both projects in Q4 this year and begin operations in November 2018

Cove Point Liquefaction Project

- Now an update on our Cove Point liquefaction project
- Overall, the project is approximately 56% complete as of yearend and there are about 1,600 workers on site
    - Engineering is 97% complete and all 34 of the construction packages have been approved by FERC.
- The project continues to be on time and on budget for a late 2017 in-service date
- We also have 13 energy growth projects underway with $1.2B of investment to move more than 2B cubic feet per day for customers by the end of 2018
- The Edgemoor project in South Carolina was placed into service in December and Western Access II project was placed into service in January
- In Q4, we received FERC approval for four pipeline expansion projects planned to be in service later this year or early next

Summary

So to summarize, we are very excited about our combination with Questar Corporation

It will be a premium, quality addition to Dominion and Dominion Midstream's portfolio

The combination provides geographic diversification to our natural gas operation and provides opportunities for future expansion

The transaction is consistent with Dominion and Dominion Midstream's strategic focus on regulated energy infrastructure businesses with MLP qualifying assets

The transaction is immediately accretive to Dominion's earnings and provides the substantial addition to our inventory of MLP-eligible operations

QUESTION AND ANSWER SECTION

<Q - Dan L. Eggers>: Just first off on the funding for Questar, can you give a little more breakdown of how you guys expect the differences between corporate debt, Dominion equity, the converts and DM equity to be broken down?

<A - Mark F. McGettrick>: Let me go ahead and outline it further. We didn't have a slide on it but I think that's important question. We appreciate you asking it. This is how we view this currently, again, market conditions could change, but we expect to issue about $1.5B of incremental DRI debt to support the transaction. We also anticipate issuing about $0.5B of Dominion equity. We'll do that either through a dribble or a block trade sometime between now and when we anticipate a closing on the transaction. And then the remainder of the takeout will be a combination of mandatory convertibles at Dominion, which has been a very popular financing vehicle for us with investors, and a drop into DM to support the 2017 EBITDA growth and distribution growth from a portion of the pipeline.

We have a bridge facility for all the financing. As part of that bridge facility, we have a term loan commitment that extends well beyond closing that gives us significant flexibility for the MLP and when we might drop that. Right now, we said in script that we have no plans and no need to have a drop into DM in 2016. And the equity that we would use from the pipeline drop in 2017 is consistent with what we've said would be the EBITDA drop all the way back to February for the distribution growth to go 22% in 2017. So again, $1.5B or so DRI debt, $0.5B DRI equity, and then the remainder a combination of mandatory convertibles at Dominion and MLP drop proceeds.

<Q - Dan L. Eggers>: If you think about the size, if it was an even split on the residual value for the non-DRI equity and debt, that $1 billion-plus of DM equity is pretty significant. How do you guys think about funding for that and the visibility of that raise given the relative size of DM today?

<A - Mark F. McGettrick>: I would not jump to the assumption, this is an even split. We'll have to see what the market opportunities are for both those instruments out there as we get closer. But I will tell you, Dan, that the DM currency that we IPO'ed last – a year ago October, I guess, is we had out there for about a year-and-a-half. We're actually buying a few shares back, as we disclosed earlier. There's little liquidity in the stock, and our large holders have told us they really want to see more liquidity. We are very confident that when we decide to come to market to support the 2017 drop that we can either do that in a private placement based on what we've been told by our holders, or in overnight transaction. So we're quite confident we can place [indiscernible] (26:58) to drop, and as we get closer, we'll determine what size of mandatory convertible vs. what size of MLP drop proceeds will be needed to fund the transaction. Keep in mind, again though, we have a term loan commitment well beyond closing that gives us tremendous flexibility on when we would make a DM drop in 2017.

<Q - Dan L. Eggers>: Just one last question. If we actually look at the full-year results for 2015 and we look at the guidance for 2016, when I compare midpoint of 2015 to midpoint of 2016 guidance range, it looks like more like a 3% year-on-year earnings growth. Can you just maybe dissect a little bit of why that number, the midpoint number is lower on a growth rate basis midpoint-to-midpoint for 2016 than maybe would have anticipated before?

<A - Mark F. McGettrick>: We're still targeting a 5% growth rate y-over-y. We're not as quite as fine-tuned as you are and others on midpoint-to-midpoint. What we try to do is give a range out there that guides to somewhere in the middle of the range. We use $0.05 increments, as you know. So as we look at $3.80 to $3.90 range, we think that's right in the 5% increase weather-normalized y-over-y, and as we get through the year, we will see if we can refine that range for you.

<Q - Greg Gordon>: I just want to be clear that when you said, you thought that this transaction was supportive of your EPS growth aspirations, and would get you towards the high-end of your growth aspiration by 2018, were referring to the 5% to 6% growth target through 2017 accelerating to 7% to 9% thereafter that you gave at Analyst Day in February. Is that right?

<A - Mark F. McGettrick>: We haven't given any specific number for 2018 in terms of percent growth. So right now I think the best data point is the 7% to 9%. And as we said in our prepared remarks, that with this acquisition and the Cove Point full year contribution, we would expect to be at the top of that range or potentially exceed it.

<Q - Greg Gordon>: And in the underlying sort of pro forma expectations for Questar, I know you just discussed the financing assumptions. Should we assume that you're basing your business – your base business case for Questar is based on their most recent public disclosures if you go back to their November analyst deck there, they have like $1.2B and the utility rate base growing 6% to 8% a year. They expect to earn their authorized return. They gave some details around the expected growth in infrastructure and returns on the FERC regulated transmission administering assets and a lot of detail around Wexpro. If we want to build our own forecast and merge it with yours, is that a fair place to start, or are there any significant changes or synergies that you're baking into those assumptions?

<A - Mark F. McGettrick>: I think on the distribution side we're very comfortable with that at 8%-plus growth. The pipeline, although it may – as you build your model, our view on the pipeline is, that is an asset that is significantly undervalued. And as Tom reviewed the slides today, the opportunities mid-term and long-term on a business due to the increased gas needs in the west to deal with carbon rules and renewable mandates, we think that number will grow more significantly over time.

And on the Wexpro gas supply side, we are taking a view on that business that we are only going to invest in capital that has been regulatory approved in the state. We view that as a gas reserve business similar to what many other companies are trying to get in their rate base, which they've had for 35 years. So we see that business as they've outlined it is [indiscernible] (31:15) over the next several years unless markets were to change, and the growth in the distribution pipeline business picking up.

<A - Thomas F. Farrell ll>: I would just add a thought about the pipelines that Mark mentioned with respect to coal. We spend a lot of time, as you know, at Dominion analyzing the Clean Power Plan, its impacts across the country, how important gas infrastructure is going to be, the compliance with Clean Power Plan. Atlantic Coast Pipeline is the key component of that in Virginia, North Carolina for now. And there is – Wyoming and Utah both are almost 80% coal-fired generation, provide electricity for their citizens. So I think there's a lot to look at in that region over the next decade.

<Q - Greg Gordon>: Switching back to the core, talking about the core business and the earnings guidance for 2016, there is a fairly large contribution I think coming from the success you've had building out your utility scale solar business. I mean, do you have visibility into 2017 on the solar business, or should we be expecting that that contribution is significantly smaller but more than compensated for by the accretion from core business investments plus the Questar deal?

<A - Mark F. McGettrick>: It's going to be considerably smaller than 2016. When we announced this deal we said it's a quarter of our 2017 growth rate, and because of that it will allow us to not rely as much on ITCs in 2017. For planning purposes, and this will be fine tuned, throughout the rest of this year into next year, but I would expect something in the $0.10 to $0.15 range in ITCs for 2017 which is a dramatic increase from 2016.

<Q - Steve Fleishman>: On that same question, what were 2015 actual ITCs, and then what's your projected 2016 ITCs in your forecast?

<A - Mark F. McGettrick>: 2015 EPS basis were about $0.24, and for 2016 they're going to be between $0.30 and $0.35.

<Q - Steve Fleishman>: You have generally kind of not wanted to talk about utility M&A so to speak, you focus very much on DM. Now, that you are doing a transaction that's more utility-ish, maybe you could give us a little bit more of your strategic thinking on utility M&A, why are you even doing it at all given you've got very good utility to begin with? And also just, should we view this as more kind of like an opportunistic thing or something that you plan to kind of continue to want to pursue strategically?

<A - Thomas F. Farrell ll>: I don't view it as being a utility-ish combination. What we've said since our investor conference in February that we will be actively looking for assets to add to our MLP. And we have been doing that, as you know, we added portion of the Iroquois pipeline to our portfolio. We added the Carolina Gas Transmission system. We were particularly attracted to Questar's assets, largely because of the pipeline. We're perfectly happy with the LDC, which is one of the fastest growing LDCs in the country. Utah has often been ranked as the number one state in which to do business, and Questar Gas is a fast-growing LDC. And it has very similar attributes to East Ohio Gas. But it was the MLP-eligible assets that particularly caught our attention. And after we took a hard look at the region's Clean Power Plan goals, or targets, that the EPA has imposed.

So this was a pipeline that's going to have a lot of growth opportunities and a very well-run, active-in-the-community, safety-conscious workforce at the LDC. So we're not looking all over the place trying to buy anything. We're looking for, as we said from the beginning, MLP-eligible assets. This takes care of – we don't need anything – we have with this – 2016 is already taken care of. This takes care of 2017, part of 2018. Blue Racer, if it's dropped, will be in the 2020s sometime. So Dominion Midstream Partners has now available to it a long, long runway of contracted long-term gas infrastructure assets with zero commodity risk in them. So I think it's a tremendous acquisition, also for the purpose of Dominion Midstream Partners, or unitholders. So all in all, I wouldn't necessarily view it as, like, we decided we were going to get interested in utility M&As. In fact, it's the same things that we have said since February.

<Q - Steve Fleishman>: And even with all the distress in midstream, it's still, there's still more to find in owning – doing this more through someone that's got a mix of utility midstream and not buying into direct midstream companies or assets?

<A - Thomas F. Farrell ll>: We found this when we think this is an outstanding acquisition for both, or combination for both Dominion and Dominion Midstream Partners. A lot of – as you know, there's a lot of distress, as you put it, in the midstream areas. This is a company that's distressed. It's very well run, and what we like particularly about it is the nature of the assets, long-term contracted.

<Q - Steve Fleishman>: And then the rating agencies – basically given your financing plan, have you gotten kind of confirmation of your ratings based on this, no changes?

<A - Mark F. McGettrick>: I think that you should expect the agencies – well, first of all, Steve, we met with agencies well ahead of the announcement to walk them through the plans and the metrics that this combination produce. And I expect both of them to come out very shortly with an opinion. I don't want to get out in front of them on that but we had very good discussions with them, and they clearly understand where we're going and the value of this transaction for us.

<Q - Jeremy B. Tonet>: Just a couple of questions from the DM side. I was wondering, would it be fair to think about this transaction as far as extending the runway of drops as opposed to trying to increase the load of drops in the near term, and how does it impact the equity funding plans for DM? It seems like there's still no equity in 2016, and your 2017 plans largely haven't been changed. Is that a fair way to think about things, because investors are concerned about capital market access and all of that, so just trying to help, just trying to think through these different topics.

<A - Mark F. McGettrick>: I think the way you look at it is exactly right. We do not have any equity needs for DM to support our distribution growth rate in 2016. And the Questar pipeline asset essentially will just replace a Blue Racer drop that we had already anticipated in 2017. And we will keep Blue Racer in reserve, so to speak, until 2020 or beyond. So it really doesn't change the DM plan in terms of equity needs going forward, and in the near term we are out of the market. And as I mentioned earlier, the structure of our bridge financing with the term loan at the close gives us a lot of flexibility to enter a midstream market at the most opportune time to support that distribution growth in 2017.

<Q - Jeremy B. Tonet>: And just wondering, as far as this transaction is concerned, it's geographically a bit different than where DM's other assets are. Can you help us think through the gives and takes of geographical diversification vs. attractiveness of the assets, or any thoughts there would be helpful.

<A - Thomas F. Farrell ll>: We said actually, people have asked us, we said all along that we were going to be looking for MLP-eligible assets. People would ask very logical questions. Does it need to be in your – are you looking for things that are geographically proximate? The answer was yes, but that it's preferred, but not required. That is the answer we've given since we started talking about this a year ago.

What's particularly interesting about Questar, in addition to the culture of the company, which very closely matches our own, is the hub concept. Dominion, our transmission system is the hub of the Mid-Atlantic. Almost every – well, every pipeline that comes into the Northeast hits our system somewhere. We move gas from the west, from the south, from Canada. All of it had mixes through our system, and then is redeployed to the east through our system and other systems.

Questar Pipeline provides that same service for the Northwest United States, and a large chunk of California. Almost a third of the gas of Western states goes through this pipeline system. So we're familiar with hubs. We see tremendous value in the hub system. And we think there's a lot of opportunity for growth through what will become, we hope soon, Dominion-Questar.

<Q - Jeremy B. Tonet>: And then just one last one if I could, as far as Southern Trails, if you're able to touch on what that opportunity could mean for you?

<A - Thomas F. Farrell ll>: I think we're going to have to leave Southern Trails to our colleagues at Questar.

<Q - Brian J. Chin>: On the bonus D&A question which affected your tax credits in Q4, is that a reversible item that will come back in 2016, or is that opportunity of $0.03 now gone?

<A - Mark F. McGettrick>: It's gone for the foreseeable future, Brian. That was mainly around some manufacturing deductions. There were few other items, but they were mainly around manufacturing. And so until we become a taxpayer again, that is lost. And we don't expect to be a taxpayer for some time with the cash benefit I referenced earlier from bonus depreciation.

<Q - Brian J. Chin>: Secondly, can you also comment, what is the size of the term loan that you referenced with regards to that bridge financing for Questar?

<A - Mark F. McGettrick>: We're not going to disclose that right now. But I will tell you it's sizable and it gives us a lot of flexibility on equity drops, more than enough to cover whatever we might be planning.

<Q - Brian J. Chin>: And then last one for me, to what extent is the high-end comment for growth EPS in 2018 and accretive activity in 2017, to what extent is that dependent on DM capital market to access? So stated another way, could you still hit the mid-point of your prior 2017 and 2018 growth targets, if you didn't have, in a worst case scenario, Dominion Midstream capital market to access?

<A - Mark F. McGettrick>: I think for 2017 and 2018 it's not contingent much at all on those capital markets. I think we're comfortable that with the other drivers that we have we can meet the targets that we have out there. And again, the main drivers, as you know, is the Cove Point coming online, on time, and on schedule, and on budget, and then the closing of this transaction. So I think we feel in good shape no matter if DM markets are open or not.

<Q - Praful Mehta>: On the Questar deal, as you've talked about, you clearly didn't need to do it. So what I'm trying to understand is the premium that you've paid for the deal, let's say close to $1B, what are the changes relative to Questar's standalone plan, or in terms of synergies, what are the synergies that you're going to extract relative to the standalone plan that helps support a bridge to the $1B of premium?

<A - Thomas F. Farrell ll>: The transaction is – the premium, I think, particularly, we'll leave it up to you all to compare it to other transactions that have happened in the last year or so. I think it has compared very favorably with those. This transaction though is not – accretion does not come from synergies. It comes from the ability to use Dominion Midstream Partners' equity instruments, along with Dominion's equity instruments. I think that's important for the analyst community to understand and shareholders, that it's the availability of those tools, and the growth that we see and that we can help enhance at Questar over the next few years. So there is a lot of opportunities there that we think, when in combination, we can be additive.

<Q - Praful Mehta>: And then in terms of taxes, is there a tax saving that you can benefit from for the Questar assets that effectively are MLP-able for the part that is obviously owned by the unit holders; is there effectively a cash tax saving that you can get by dropping them down into the MLP?

<A - Mark F. McGettrick>: There is not.

<Q - Praful Mehta>: Relative to Questar's standalone plan, there is no benefit in cash tax?

<Q - Stephen Calder Byrd>: I had just two clarification questions. When we think about the EPS growth that you're guiding us to, would you mind just clarifying, is that off of a base that's the original 2015 guidance, or is that more like 5% to 6% off of the new 2016 guidance? I just want to kind of level set where we are.

<A - Mark F. McGettrick>: What year are we talking about, Stephen?

<Q - Stephen Calder Byrd>: I'm trying to project out earnings growth into 2017 and beyond.

<A - Mark F. McGettrick>: The 2017 number is off of the 2016 range that we provided. And it's consistent with what we've said previously in the 5% to 6% range.

<Q - Stephen Calder Byrd>: It's 5% to 6% off of the new 2016 base that you provided here today. Okay.

<Q - Stephen Calder Byrd>: And then just more mechanics around financing of the acquisition from the Dominion Midstream, and missed – sorry if this is obvious or been discussed in some way that I just missed. But when you think about this, it's a large amount of assets eligible for Dominion Midstream and it's a significant amount of capital. Should I be thinking about that as a usage of – a financing of Dominion Midstream prior to or at closing of the overall transaction, or would this be more over time those assets would go down to Dominion Midstream?

<A - Mark F. McGettrick>: If we weren't clear on it, I really – I'm glad you asked that. All we're focused on in terms of MLP qualifying assets out of Questar is the pipeline. We have targeted the pipeline to be dropped over two years, which just replaces existing Dominion assets that were targeted to be dropped, specifically Blue Racer. The gas supply Wexpro-eligible EBITDA, we do not plan on dropping into DM any time soon. It will be held in reserve at D. And again, with the pipeline asset at Questar, that will get us through 2017 and with a small contribution of Cove Point and the rest of the pipeline, it will get us through 2018. And then Cove Point and the EBITDA available from that asset that's left will get us through 2019 and into 2020. And then we have ACP and Blue Racer to grow on next as we move into the next decade.

<Q - Shahriar Pourreza>: Can you just maybe just touch on real quick the Wexpro agreement? Any risks that you see there? And then there's some opportunities to grow under Wexpro too. Are those sort of under review now?

<A - Thomas F. Farrell ll>: The Wexpro agreement, as you know, there's been a form of Wexpro agreement with Utah, Wyoming and Idaho Commissions for 35 years. And they just very recently did a settlement of Wexpro II, as you know, it's got a different structure to it. It has a lower ROE in it, although you can, depending upon what's going on in the markets, you can return to that ROE.

Frankly, we're going to watch and see what happens with Wexpro. The core here for us is making sure we provide good service, reliable service to the folks in Utah, Idaho and Wyoming that are part of this system, that Wexpro has provided tremendous benefits to those customers over many years.

We don't see any risk, to answer your question, around the regulatory treatment of Wexpro. And the gas production business, the gas supply business, that's how we view it, we're not going to be going off into the E&P business. We'll maintain – it's our view the Wexpro business needs to be maintained for the benefit of the customers of Questar.

<Q - Shahriar Pourreza>: And just lastly, post-merger, do you see any segments that could be potentially opportunities to strategically divest that maybe it's non-core?

<Q - Angie Storozynski>: When I look out to 2017, what has changed, because you're saying that you can maintain your earnings growth projections in 2017, even though that transaction is accretive. So what the offset in your original business plan?

<A - Thomas F. Farrell ll>: There are a number of moving parts, Angie. One is, that the Blue Racer contribution is lower than what we had previously talked about. Second, that we knew in 2016 that we had a fairly large solar ITC number. And we haven't really determined what we were going to do with 2017 because the tax credit was going to go right away. So that – we're looking at other drivers to help that. Third is that, because of the capacity performance assumption if we have at the end of 2016 vs. 2017, the number is better for us in 2016 than it is 2017 in the original assumption. And then there is a few other items that drove us on the downside there. But it wasn't anything – one single thing that was really large. It was just a lot of assumptions that we made for the February meeting that market conditions have challenged that. And so this offer a good opportunity to kind of make sure we could stay on track.

<Q - Angie Storozynski>: And the Blue Racer's contributions are lower even though you're delaying the dropdown into DM. So...

<A - Thomas F. Farrell ll>: Blue Racer's contributions were lower really just based on –we had slowed Blue Racer down and limited the capital investments in that. The biggest driver was that we were going to have five processing plants online in 2015. We only have four right now. And we have the other one on hold until market conditions improve for 2016. We had expected a full year's contribution from that extra processing plant. We're still very bullish on Blue Racer over time. It will have very good y-over-y growth, but not as good growth as we show in the February Analyst Meeting.

<Q - Paul Patterson>: Just very quickly, I know that synergies aren't, if I understand correctly, what's driving the merger. But I would think at least on the corporate side, or at least the pipeline operations [ph] or stuff (54:24) that there'd be some. Do you guys have any numbers that you want to share with us in terms of what potential synergies there might be?

<A - Thomas F. Farrell ll>: There will be synergies of course, Paul, you're quite right. But my point was, that's not what drives the transaction. It doesn't drive the accretion of the transaction. And we don't have anything to disclose on that today.

<Q - Paul Patterson>: And then in terms of purchase accounting, I would assume because these are regulated assets there probably isn't much in the way of write ups or anything at the actual assets or contracts or anything. Am I wrong about that? Are there any significant write-ups that might impact EPS going forward?

<A - Mark F. McGettrick>: You're exactly right. These are all regulated assets. So we don't expect any purchase accounting impacts at all.

<Q - Paul Patterson>: And then just two quick ones. On the farm-outs, are you guys still comfortable with the projection of $450mm to $500mm that you guys had before on the farm-out projection?

<A - Mark F. McGettrick>: We're...

<A - Mark F. McGettrick>: And when we talked about that range, our only challenge to that range was when would it exactly happen? And some have happened quicker in 2015 in some areas that we write to and some are slower. Some folks have signed up and now they want to restructure to get more flexibility. So we said that was over five years, very comfortable with that. And we do have an assumption in for 2016 which we think is very manageable. So overall, we like it. I just can't tell you exactly year-on-year how it's going to fold. But it's going to be over the five-year period in the range that we discussed.

<Q - Paul Patterson>: And then coal ash, are we finished with that, do you think, in terms of the impairments we've seen associated with that?

<A - Mark F. McGettrick>: We have our best estimate out there currently. It's an evolving field. I think we have the permits necessary that we need now to deal with a number of these ash ponds [indiscernible] (56:27) with authorities. So I think that the best estimate we have at this point, could be tweaked, possibly, I don't think it will change a lot.