

QUESTAR CORP
Form PRE 14A
March 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-12

QUESTAR CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

PRELIMINARY PROXY MATERIALS SUBJECT TO COMPLETION

QUESTAR CORPORATION

180 East 100 South

P. O. Box 45433

Salt Lake City, Utah 84145-0433

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 19, 2009

The Annual Meeting of Shareholders of Questar Corporation, a Utah corporation (the Company or Questar), will be held at 1140 West 200 South, Salt Lake City, Utah, on Tuesday, May 19, 2009, at 8:00 a.m. local time. The purpose of the Annual Meeting is to:

1.

Elect three directors to serve three-year terms and one director to serve a one-year term;

2.

Ratify the selection of Ernst & Young LLP as the Company's independent auditor;

3.

Approve amendments to the Articles of Incorporation of the Company to provide for the staggered elimination of the Company's classified board structure and to remove the requirement that the Company have 13 directors;

4.

Approve amendments to the Articles of Incorporation of the Company to remove an outdated statutory reference and clarify the director liability standard;

5.

Approve amendments to the Articles of Incorporation to increase the number of authorized shares from 360,000,000 to 510,000,000 and to make certain other clarifying changes;

6.

Approve an amendment to the Articles of Incorporation to eliminate a provision imposing limits on preferred stock;

7.

Approve performance metrics and amendments to the Long-term Cash Incentive Plan;

8.

Vote on a shareholder proposal regarding majority voting in uncontested director elections;

9.

Vote on a shareholder proposal to hold an advisory vote on executive compensation; and

10.

Act on any other matters that may properly come before the meeting.

Only holders of common stock at the close of business on March 10, 2009, the record date of the Annual Meeting, may vote at the Annual Meeting or any adjournment or postponement thereof .. You may revoke your proxy at any time before it is voted. If you have shares registered in the name of a brokerage firm or trustee and plan to attend the meeting, please obtain a letter, account statement, or other evidence of your beneficial ownership of shares to facilitate your admittance to the meeting. This proxy statement is being provided to shareholders on or about April __, 2009.

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. You may vote over the Internet, as well as by telephone or by mailing a proxy card. Voting via the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting if you do not attend in person. Please review the instructions you received regarding each of these voting options. Voting over the Internet or by telephone is fast and convenient, and your vote is immediately tabulated. By using the Internet or telephone, you help reduce the Company's cost of postage and proxy tabulations.

By Order of the

Board of Directors

Abigail L. Jones

Corporate Secretary

Salt Lake City, Utah

April __, 2009

PRELIMINARY PROXY MATERIALS SUBJECT TO COMPLETION

QUESTAR CORPORATION

PROXY STATEMENT

The Board of Directors (the Board) of Questar Corporation (the Company or Questar) is soliciting proxies from its shareholders to be used at the Annual Meeting on Tuesday, May 19, 2009 (the Annual Meeting), or any postponement or adjournment thereof. This proxy statement contains information related to the Annual Meeting. At the Annual Meeting, holders of common stock will elect three directors of the Company for three-year terms that expire in 2012 and one director for a one-year term expiring in 2010. Shareholders will also vote on whether to ratify Ernst & Young LLP as the Company ' s independent auditor and whether to approve certain proposed amendments to the Company ' s Restated Articles of Incorporation , as amended (the Articles of Incorporation). Finally, shareholders will vote on whether to approve performance metrics and amendments to the Company's Long-term Cash Incentive Plan (LTCIP) and on two shareholder proposals. Information concerning the Annual Meeting, and solicitation of proxies for it, is presented in a question-and-answer format.

Q:

What is the Notice of Internet Availability of Proxy Materials that I received instead of a full set of proxy materials?

A:

In accordance with Securities and Exchange Commission (SEC) rules, we may now furnish proxy materials, including this proxy statement and our 2008 Annual Report to Shareholders, by providing access to these documents on the Internet instead of mailing a printed copy of our proxy materials to shareholders. Most shareholders have already received a Notice of Internet Availability of Proxy Materials (the Notice), which provides instructions for accessing our proxy materials on a Web site referred to in the Notice or for asking to receive printed copies of the proxy materials by mail or e-mail.

If you would like to receive a paper copy of the proxy materials for the Annual Meeting and for all future meetings, you should follow the instructions for requesting such materials included in the Notice. The delivery options that we have chosen this year will lower the Company's cost of delivery and reduce the environmental impact of printing.

Q:

What am I voting on?

A:

You are being asked to elect three directors of the Company for three-year terms that expire in 2012 and one director for a one-year term expiring in 2010. The nominees for three-year terms are Keith O. Rattie, M. W. Scoggins and Harris H. Simmons. The nominee for a one-year term is James A. Harmon. You will also vote on whether to ratify Ernst & Young LLP as the Company's independent auditor and whether to approve certain proposed amendments to the Articles of Incorporation that are more fully described in this proxy statement. Finally, you will vote on whether to approve performance metrics and amendments to the LTCIP and on two shareholder proposals.

Q:

Who can vote?

A:

Shareholders who owned shares as of the close of business on March 10, 2009, may vote at the Annual Meeting. Each holder is entitled to one vote for each share held on such date.

Q:

If I am a shareholder of record, how do I vote?

A.

You may vote via the Internet. You may vote by proxy over the Internet by following the instructions provided in the Notice.

You may vote via the telephone. You may submit your vote by proxy over the telephone by following the instructions provided with the proxy materials.

You may vote by mail. If you received a printed set of the proxy materials, you may submit your vote by completing and returning the separate proxy card in the prepaid and addressed envelope.

You may vote in person at the meeting. All shareholders of record may vote in person at the Annual Meeting. Written ballots will be passed out to anyone who wants to vote at the meeting.

Q:

If I am a shareholder of record, how will my shares be voted if I do not provide voting instructions?

A:

If you are a shareholder of record and you:

-

indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board; or

-

sign and return a proxy card without giving specific voting instructions,

then the named proxies will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement and in the discretion of the named proxies on any other matter presented at the Annual Meeting.

Q:

If my shares are held by a broker, bank or other nominee, how do I vote?

A:

If your shares are held in street name by a broker, bank or other nominee, please refer to the instructions provided by that broker, bank or nominee regarding how to vote or how to revoke your voting instructions.

Q:

How will my shares held in street name be voted if I do not provide voting instructions?

A:

New York Stock Exchange (NYSE) rules determine whether proposals presented at shareholder meetings are routine or not. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote on the proposal without receiving voting instructions from the owner. If a proposal is not routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote because the proposal is not routine and the owner does not provide instructions.

Pursuant to NYSE rules, if you are the street-name holder and you do not provide instructions to your broker on Item Nos. 1 through 5 and Item 7, your broker can vote your shares at its discretion on these matters. If you are a street-name holder and do not provide instructions to your broker on Item Nos. 6, 8 and 9, your broker may not vote your shares on these matters.

Q:

Who is soliciting my proxy?

A:

Questar's Board of Directors.

Q:

Who is paying for the solicitation?

A:

The Company is paying for the solicitation of proxies and will reimburse banks, brokers, and other custodians for reasonable charges to forward materials to beneficial holders. The initial solicitation of proxies by mail may be supplemented by telephone, fax, e-mail, Internet and personal solicitation by our directors, officers or other regular employees. No additional compensation for soliciting proxies will be paid to our directors, officers or other regular employees for their proxy solicitation efforts. The Company has hired Innisfree M&A Incorporated ("Innisfree") to assist it in the distribution of proxy materials and the solicitation of votes. The Company will pay Innisfree a base fee of \$15,000 plus customary costs and expenses for these services, and has agreed to indemnify Innisfree against certain liabilities arising out of or in connection with its engagement ..

Q:

What constitutes a quorum?

A:

On March 10, 2009, the Company had 173,870,988 shares of common stock issued and outstanding. A majority of the shares, or 86,354,495 shares, constitutes a quorum. Abstentions, withheld votes and broker non-votes are counted for determining whether a quorum is present.

Q:

What vote is required to approve each proposal?

A:

Election of Directors: Election of the director nominees named in Item No. 1 requires the affirmative vote of a plurality of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote. The candidates receiving the highest number of affirmative votes of the shares entitled to be voted will be elected as directors. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named in Item No. 1. Votes may be cast in favor of or withheld with respect to all of the director nominees, or any of them. Abstentions and broker non-votes will not be counted as having been voted and will have no effect on the outcome of the vote on the election of directors. Shareholders may not cumulate votes in the election of directors.

A:

Ratification of the Company's Independent Auditor: Ratification of the selection of Ernst & Young LLP as the Company's independent auditor for fiscal year 2009, as specified in Item No. 2, requires that more shares are voted in favor of the proposal than against the proposal. If this selection is not ratified by our shareholders, the Finance & Audit Committee may reconsider its recommendation. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of this proposal.

A:

Approval of Amendments to the Articles of Incorporation to Declassify the Board and Eliminate the Requirement to Have 13 Directors : The affirmative vote of 80% of the issued and outstanding capital stock of the Company entitled to vote at the Annual Meeting is required to approve the amendment to the Articles of Incorporation to declassify the Board and eliminate the requirement for the Board to have 13 directors, as described in Item No. 3. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of this proposal.

A:

Approval of Amendments to the Articles of Incorporation to Clarify the Director Liability Standard: The affirmative vote of 80% of the issued and outstanding capital stock of the Company entitled to vote at the Annual Meeting is required to approve the amendment to the Articles of Incorporation to clarify the director liability standard as described in Item No. 4. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of this proposal.

A:

Approval of Amendments to the Articles of Incorporation to Increase the Number of Authorized Shares and to Make Certain Other Clarifying Changes: Approval of the amendments to increase the number of authorized shares and to make certain other clarifying changes throughout the Articles of Incorporation, as described in Item No. 5 requires that more shares are voted in favor of the amendments than against them. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of this proposal.

A:

Approval of an Amendment to the Articles of Incorporation to Eliminate a Provision Imposing Limits on Preferred Stock: Approval of an amendment to eliminate a provision imposing limits on preferred stock as described in Item No. 6 requires that more shares are voted in favor of the amendment than against it. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of this proposal.

A:

Approval of Performance Metrics and Amendments to the LTCIP: Approval of the performance metrics and amendments to the LTCIP, as set forth in Item No. 6, requires that more shares are voted in favor of the item than against it. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of this proposal.

A.

Votes on Advisory Shareholder Proposals: Approval of the advisory shareholder proposals requires that more shares are voted in favor of the proposals than against them. Abstentions and broker non-votes will not be considered votes cast and will have no effect on the outcome of these proposals ..

Q:

How does the Board of Directors recommend that I vote?

A:

The Board of Directors recommends that you vote **FOR** Item Nos. 1 through 7, makes no voting recommendation on Item No. 8, and recommends that you vote **AGAINST** Item No. 9. If a shareholder does not specify the manner in which shares represented by a validly executed proxy are to be voted on Item No. 8, such shares will be treated as abstentions.

Q:

How will my vote be handled on other matters?

A:

The Company 's Bylaws limit the matters presented at the Annual Meeting to those in the notice, those properly presented by the Board of Directors, and those presented by shareholders so long as the shareholder gives the corporate secretary written notice of the matter at least 90 days but not more than 120 days prior to the anniversary date of the prior year 's annual meeting. (See "Other Matters" below for a detailed discussion of the Company's Bylaw requirements.) We do not expect any other matter to come before the Annual Meeting .. If any other matter is presented at the Annual Meeting, your signed proxy gives the named proxies authority to vote your shares at their discretion.

Q:

How do I revoke a proxy?

A:

You may revoke your proxy by submitting a new proxy with a later date, including a proxy given via the Internet or telephone, or by notifying the corporate secretary before the meeting by mail at the address shown on the Notice of Annual Meeting of Shareholders .. If you attend the Annual Meeting in person and vote by ballot, any previously-submitted proxy will be revoked.

Q:

Who may attend the Annual Meeting?

A:

Any shareholder of record as of March 10, 2009, may attend. If you own shares through a nominee or trustee, please obtain a letter, account statement, or other evidence of your ownership of shares as of such date .. Directions to the annual meeting can be obtained by contacting Abigail L. Jones at 801-324-5678 ..

Q:

When are shareholder proposals due for the next Annual Meeting?

A:

To be considered for presentation at the Company's 2010 Annual Meeting and included in the proxy statement pursuant to Rule 14a-8 (17 CFR 240.14a-8), a shareholder proposal must be received at the Company's office no later than December 9, 2009.

ITEM NO. 1 - ELECTION OF DIRECTORS

The Company's Restated Articles of Incorporation currently provide for a Board of 13 directors, divided into three classes approximately equal in number, elected to serve three-year terms .. The terms of four directors , James A. Harmon, Keith O. Rattie, M. W. Scoggins and Harris H. Simmons expire at this Annual Meeting.

Messrs. Rattie, Scoggins and Simmons have been nominated for three-year terms. Mr. Harmon, who has reached retirement age, has been nominated for a one-year term. In 2008, the Board decided to waive the retirement policy to allow Mr. Harmon to serve for a one year term ending in 2009 due to his continuing active involvement in business, financial and community affairs and his many contributions to the Board of Directors. This nomination also moved Mr. Harmon into the group of directors with terms expiring in 2009, making the classes of directors more equal in size, consistent with the Company s Articles of Incorporation and Bylaws. The Board has decided to again waive the retirement policy and nominate Mr. Harmon to serve for an additional one-year term ending in 2010. While this will result in a larger number of directors with terms expiring in 2010 compared to the other director groups, the Board has recommended the approval of amendments to the Company s Articles of Incorporation that would provide for the staggered elimination of the Company s classified board structure. If these amendments are not approved by the shareholders at this Annual Meeting, the Board will consider appropriate changes in connection with future nominations in order to make the director classes approximately equal in number.

All of the nominees have advised the Company that they are willing to serve as directors. However, in the event that any nominee is unwilling or unable to serve as a director, those named in the proxy may vote, at their discretion, for any other person.

Biographical information concerning the nominees, and the current directors of the Company whose terms will continue after the Annual Meeting appears below. Unless otherwise indicated, the nominees have been engaged in the same principal occupation for the past five years. Ages are correct as of the date of the proxy statement.

Nominees (Terms Expiring in 2012)

[Picture]

Mr. Keith O. Rattie, age 55, serves as the Company's chairman, president and chief executive officer. He has served as a director since 2001. He was named president effective February 1, 2001, chief executive officer May 1, 2002, and chairman May 20, 2003. He also serves as a director of ENSCO International, and Zions First National Bank. He is the past chairman of the Board of the Interstate Natural Gas Association of America.

[Picture]

Mr. M. W. Scoggins, age 61, has served as president of the Colorado School of Mines since June 2006. He retired as executive vice president of ExxonMobil Production Company in April 2004. He held that position from December 1999 until his retirement. He was first appointed to the Questar Board in 2005. He also serves as a director of Trico Marine Services, Inc. and Venoco, Inc., and is a member of the National Advisory Council of the United States Department of Energy's National Renewable Energy Laboratory.

[Picture]

Mr. Harris H. Simmons, 54, is chairman, president and chief executive officer of Zions Bancorporation and chairman of the Board of Zions First National Bank. Mr. Simmons has served as a director of the Company since 1992. He also serves as a director of O. C. Tanner Company and National Life Holding Company.

Nominee (Term Expiring in 2010)

[Picture]

Mr. James A. Harmon, age 73, was reappointed to serve as a Questar director in 2001 after serving as chairman and president of the Export-Import Bank of the United States. He previously served as a director of the Company from 1976 to 1997. He currently is chairman of a financial advisory firm, Harmon & Co. LLC, and is also chairman of the Caravel Fund (International) Ltd., an emerging-markets fund. Mr. Harmon is also the chairman of the World Resources Institute, a global policy and research institution. He is a member of the Board of Directors of the School of International and Public Affairs at Columbia University, and the Center for Global Development.

Continuing Directors (Present Terms Expire in 2010)

[Picture]

Ms. Teresa Beck, age 54, has served as a director of the Company since 1999. She was president of American Stores from 1998 to 1999, and was American Stores' chief financial officer from 1993 to 1998. She is a director of Lexmark International, Inc. and Amylin Pharmaceuticals, Inc. and a trustee of Intermountain Healthcare, The Nature

Conservancy and The Nature Conservancy of Utah. She serves on the University of Utah National Advisory Council.

[Picture]

Mr. R. D. Cash, age 66, served as the Company's chief executive officer from May 1984 to May 2002 and as the Company's chairman of the board from May 1985 to May 2003. Mr. Cash has been a director of the Company since 1977 and also serves as a director of Zions Bancorporation, National Fuel Gas Company, Associated Electric and Gas Insurance Services Limited, and the Texas Tech Foundation, Inc.

[Picture]

Mr. Robert E. McKee, III, age 62, has served as a director of the company since 2003. He was a senior oil advisor to the Coalition Provisional Authority and the Iraqi Oil Ministry in Iraq to assist with the rebuilding of its oil industry from September 1, 2003, to March 18, 2004. He retired on March 31, 2003, after 37 years with ConocoPhillips and Conoco, Inc., including 10 years as executive vice president, Exploration and Production (1992-2002). He is a director of Parker Drilling Company and the Post Oak Bank, and a member of the President's Council for the Colorado School of Mines. He is currently serving as chairman of Enventure Global Technology.

[Picture]

Mr. Gary G. Michael, age 68, has been a director of the Company since 1994. He served as chairman and chief executive officer of Albertsons, Inc. from

February 1991 to April 2001. He served as interim president of the University of Idaho from June 2003 until August 2004. He is a director of Idacorp Inc. and The Clorox Company.

[Picture]

Mr. Charles B. Stanley, age 50, serves as executive vice president and chief operating officer of the Company. He has served as a director of the Company since 2002. Mr. Stanley serves as president and chief executive officer of Questar Market Resources and of each company within that group, including Questar Exploration and Production, Questar Gas Management and Wexpro. He is a director of Hecla Mining Company, current president and director of the Independent Petroleum Association of Mountain States, and a board member of the American Exploration and Production Council.

Continuing Directors (Present Terms Expire in 2011)

[Picture]

Mr. Phillips S. Baker, Jr., age 49, is the president, chief executive officer and a director of Hecla Mining Company. Mr. Baker served as chief financial officer of Hecla from May 2001 to June 2003, and as chief operating officer from November 2001 to May 2003, before being named as chief executive officer in May 2003. He was appointed to serve as a director of Questar in 2004.

[Picture]

Mr. L. Richard Flury, age 61, retired as chief executive, Gas and Power for BP plc on December 31, 2001. He had served in that position from January 1999 to his retirement. Prior to working for BP plc and BP Amoco plc, Mr. Flury held a number of key management positions with Amoco Corp., including chief executive for worldwide exploration and production. He was first elected to Questar's Board in 2002. Mr. Flury also serves as a director of Chicago Bridge and Iron Company, N.V., and Callon Petroleum Company.

[Picture]

Mr. Bruce A. Williamson, age 49, is the chairman, chief executive officer and president of Dynegy Inc. Mr. Williamson was named Dynegy's president and chief executive officer and elected to that company's board of directors in October 2002, and elected chairman in May 2004. Mr. Williamson has served on Questar's board of directors since 2006.

GOVERNANCE INFORMATION

BOARD COMMITTEES

The Board has standing audit (Finance and Audit), nominating (Governance/Nominating), and compensation (Management Performance) committees that are each comprised solely of independent directors. Each committee has a charter. The charters, along with the Company's Business Ethics Policy and Corporate Governance Guidelines, are available on the Company's Web site (www.questar.com) and in print at the request of any shareholder. The following section contains information about Board Committees.

The table below sets forth members and chairs of the committees.

Management

Governance/

Name of Director **Finance/Audit**

Performance

Nominating

Executive

P. S. Baker Jr.

X

X

T. Beck

X

X

X

R. D. Cash

X

L. Richard Flury

X¹

X

X

J. A. Harmon

X

X

R. E. McKee III

X¹

X

X

G. G. Michael

X

X

K. O. Rattie

X

M. W. Scoggins

X

X¹

X

H. H. Simmons

X

X¹

C. B. Stanley

B. A. Williamson

X

X

Meetings held in 2008

6

5

2

0

¹ Chair

FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee reviews auditing, accounting, financial reporting, and internal control functions; appoints the Company's independent auditors; monitors financing requirements, dividend policy, and investor-relations activities; and oversees compliance activities. The Company's common stock is listed on the NYSE and is governed by its listing standards. The Committee has adopted a charter, referred to as a "Statement of Responsibilities," that is available on the Company's Web site at www.questar.com and in print at a shareholder's request. The Company's Board has determined that all members of the Committee meet the independence standards of Section 303.01(B)(2)(a) and (3) of the Rules of the NYSE.

MANAGEMENT PERFORMANCE COMMITTEE

The Management Performance Committee functions as the Company's compensation committee. The Committee oversees the Company's executive compensation program and benefit plans and policies; administers the Long-term Stock Incentive Plan, the Long-term Cash Incentive Plan, the Deferred Compensation Wrap Plan, the Supplemental Executive Retirement Plan (SERP), the Annual Management Incentive Plan and the Annual Management Incentive Plan II; oversees succession planning; and annually reviews the performance of and approves all compensation

decisions for officers, with a particular focus on the compensation decisions involving the chief executive officer and other officers listed in the Summary Compensation Table. The Committee submits its compensation decisions for named executive officers to the full Board for ratification. It frequently meets in executive sessions to discuss and determine compensation for officers. The Committee's Statement of Responsibilities is available on the Company's Web site at www.questar.com and in print at a shareholder's request.

The Committee, chaired by Mr. Flury, met five times in 2008. Prior to and during its February meeting, the Committee undertook a comprehensive review of executive performance and compensation to ascertain whether compensation for the Company's officers remains consistent with the objectives and practices described in more detail in the Compensation Discussion and Analysis.

The Committee retained Hewitt Associates, LLC. (Hewitt) as its consultant for 2008 executive compensation. Hewitt reports directly to the Committee which has sole authority to retain or dismiss advisors.

In October 2007, Hewitt met with the Committee and presented a report that included market data on the compensation of the named executive officers and qualitative analysis of that data. An executive session followed this presentation. In January 2008, Hewitt met with the Committee to review Mr. Rattie's recommendations on top officer compensation. The Committee subsequently met in executive session to discuss the recommendations and Hewitt's observations concerning Mr. Rattie's compensation. In February 2008, Hewitt met with the Committee again, both in regular and executive session, and discussed recommendations about total compensation for the named executive officers. The Committee reviewed the recommendations and determined the final salaries and incentive compensation for each officer. The Committee met in executive session to determine Mr. Rattie's compensation and reviewed market data provided by Hewitt relevant to his position. In determining the compensation for all named executive officers, the Committee discussed their performance, the Company's performance and other relevant factors.

The Committee has delegated to its Chair Mr. Flury authority to ratify grants of restricted stock for the purpose of retaining key employees, particularly in highly-competitive professional disciplines. The full Committee then reviews them at its next meeting. The Committee also authorized Mr. Rattie to grant restricted stock to new hires up to 25,000 total shares per year and up to 4,000 shares per grant. The full Committee then reviews the grants at its next meeting. The delegated authority does not apply to newly hired executive officers.

GOVERNANCE/NOMINATING COMMITTEE

The Governance/Nominating Committee, which functions as the Company's nominating committee, is responsible for governance activities, particularly Board and Committee evaluations and committee assignments. All members are independent directors. The Chair of the Committee is Dr. Scoggins. The Committee's Statement of

Responsibilities is available on the Company's Web site at www.questar.com and in print at a shareholder's request. The Statement of Responsibilities defines the criteria for director nominees, including nominees recommended by shareholders and self-nominees. These criteria provide a framework for evaluating all nominees as well as incumbent directors. The key criteria are: experience as a senior officer of a public company (*e.g.*, chief executive officer, president, chief financial officer, or extensive experience in finance or accounting); activity in business at least part-time with skills and experience necessary to serve as chair of a board committee; willingness to commit time and energy to service as a director; experience in the Company's lines of business or understanding of the Company's business environment; ability to exercise independent judgment and make analytical inquiries; reputation for integrity and good judgment; and geographical location (residence or business activity) in states where the Company has significant operations.

The Committee will consider shareholder nominations using the criteria listed above. Shareholders interested in submitting the names of candidates who satisfy most, if not all, of the criteria listed above should submit in writing the names and qualifications of the candidate(s) to the Chair of the Governance/Nominating Committee at the Company's address. Nomination letters addressed to the Chair of the Governance/Nominating Committee, at the Company's address, will be forwarded without screening.

EXECUTIVE COMMITTEE

The Executive Committee acts on behalf of the Board of Directors and handles special assignments. The Committee's Statement of Responsibilities is available on the Company's Web site at www.questar.com and in print at a shareholder's request. The Chairman of the Committee (currently Mr. Simmons) must be an independent director. The Chair functions as the Company's lead director, presiding over the executive sessions of the non-management directors who meet regularly. The lead director is nominated by the Governance/Nominating Committee and ratified by the full Board. The Nominating Committee has set the following criteria for the lead director:

1.
Independence as defined by the New York Stock Exchange;
2.
Experience on the Company's Board of Directors;
3.
Experience as Chair of the Board's other committees;
4.
Willingness to commit time and energy to service as lead director;
5.
Experience in the Company's lines of business or understanding of the Company's business environment;

6.

Ability to exercise independent judgment and make analytical inquiries; and

7.

Integrity and leadership skills.

INDEPENDENCE OF DIRECTORS

With the exception of Messrs. Rattie and Stanley, all of the Company's directors are independent as defined by the NYSE. The criteria applied by the Company in ascertaining independence are available on the Web site at www.questar.com and in print upon request of a shareholder. The Company takes the view that a director who has a relationship with a company or other entity that purchases gas from Questar Gas Company at regulated rates can still be considered independent. In determining which directors are independent, the Board considered Mr. Cash's service as president and chief executive officer of the Company until May 2002 and as chairman of the board until May 2003. Additionally, the Board considered that during 2008, the Company and its educational foundation contributed \$40,000 to the Colorado School of Mines, of which Dr. Scoggins is president, for scholarships and for the Department of Geology, and \$134,000 for a building project. Additionally, the Board considered that the Company entered into a two-year agreement with The Nature Conservancy (TNC) to perform habitat evaluation and mitigation consulting work. TNC will be paid \$1.11 million for that work. Ms. Beck is a trustee of TNC.

COMMUNICATIONS WITH DIRECTORS

Interested parties may communicate with the Board of Directors, including Mr. Harris H. Simmons (the lead director) or all non-management directors, by sending a letter in care of the corporate secretary at Questar Corporation, 180 East 100 South, P.O. Box 45433, Salt Lake City, Utah 84145-0433. The corporate secretary has the authority to discard any solicitations, advertisements, or other inappropriate communications, but will forward any other mail to the named director or group of directors. Any mail that is directed to the full Board will be forwarded to Mr. Rattie as chairman of the board.

ATTENDANCE AT MEETINGS

The Company's Board of Directors held seven meetings during 2008; Board Committees held a total of 13 meetings. All directors attended at least 75 percent of the meetings. The Company's directors had an overall attendance

percentage of 97 percent. The Company's directors are expected to attend the Company's Annual Meeting. All of the directors attended the Company's 2008 Annual Meeting.

DIRECTOR RETIREMENT POLICY

In May of 1992 the Board of Directors adopted a retirement policy that permits an outside director to continue serving in such position until the Annual Meeting following his or her 72nd birthday if that director is still actively engaged in business. The Company does not have a policy limiting the number of terms that any individual director may serve. For the 2009 election, the Board has waived this policy to allow Mr. Harmon to stand for election for a one-year term ending at the next Annual Meeting.

MANAGEMENT PERFORMANCE COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Management Performance Committee during January – May 2008 were Messrs. Flury, Harmon, McKee, Michael and Scoggins. During June – December 2008, the members were Messrs. Flury, Harmon, McKee, Michael and Scoggins and Ms. Beck. No member of this Committee was at any time during the 2008 fiscal year or at any other time an officer or employee of the Company. Additionally, no member of this Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K. No executive officer of the Company has served on the compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Management Performance Committee during the 2008 fiscal year.

CERTAIN RELATIONSHIPS AND RELATED-PERSON TRANSACTIONS

There are no relationships or related-person transactions between the Company and any of its directors or officers that are required to be disclosed pursuant to federal securities laws. The Company requires all executive officers and directors to report to the vice president, compliance, any event or anticipated event that might qualify as a related-person transaction pursuant to Section 404(b) of Regulation S-K. The vice president, compliance then reports those transactions to the Finance and Audit Committee. The Company also collects information from questionnaires sent to officers and directors early each year that would reveal related-person transactions. If a report or questionnaire shows a potential related-person transaction, it will be investigated in accordance with the Company's Business Ethics and Compliance Policy. The Company's Finance and Audit Committee will review pending and ongoing transactions to determine whether they conflict with the best interests of the Company, impact a director's independence or conflict with the Company's Business Ethics and Compliance Policy. If a related-person transaction is completed, the Committee will determine whether rescission of the transaction, disciplinary action or reevaluation of a director's independence is required.

SECURITY OWNERSHIP, DIRECTORS AND EXECUTIVE OFFICERS

The following table lists the shares of stock beneficially owned by each of the directors, each nominee, and each named executive officer and all directors and executive officers as a group as of February 27, 2009 (unless otherwise indicated). Except as noted, each person has sole voting and investment power over the shares shown in the table.

Amount and Nature of Common Stock Beneficially Owned:

	Number of Shares Owned	Right to Acquire ¹	Percent of Class ²	Phantom Stock Units ³
Phillips S. Baker, Jr. ⁵	12,397	0	*	0
Teresa Beck	4,054	52,400	*	33,375
R. D. Cash ^{5,6}	860,620	185,602	0.60%	6,100
L. Richard Flury ⁵	6,800	14,000	*	20,294
James A. Harmon ^{5,6}	103,903	14,000	*	12,372
Thomas C. Jepperson ^{4,5,6}	110,339	27,834	*	3,021
Robert E. McKee, III ⁶	6,133	14,000	*	17,477
Gary G. Michael ⁵	24,300	0	*	51,284
Jay B. Neese ^{4,5,6}	71,504	17,910	*	6,185
S. E. Parks ^{4,5,6}	289,624	354,200	0.37%	13,027
Keith O. Rattie ^{4,5,6,8}	245,312	906,668	0.66%	37,939

M. W. Scoggins	7,700	0	*	16,551
Harris H. Simmons ⁷	108,800	42,800	*	63,458
Charles B. Stanley ^{4,5,6}	103,797	454,000	0.32%	20,430
Bruce A. Williamson	6,000	0	*	11,545

All directors and executive officers (18 individuals including those listed above)	2,025,886	2,183,414	2.42%	324,010
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¹ Indicates shares that can be acquired by exercising stock options within 60 days of February 27, 2009.

² Unless otherwise listed, the percentage of shares owned is less than .10%. (The percentages do not include phantom stock units.) The percentages of beneficial ownership have been calculated in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934.

³ Phantom stock units are held through the various deferred compensation plans available to the Company's directors and officers. Although these plans only permit such units to be paid in the form of cash, investment in such units represents the same investment in the performance of the Company's common stock as investment in actual shares of common stock.

⁴ The Company's executive officers have shares held for their accounts in the 401(k) Plan. The number of shares opposite each of their names includes equivalent shares of stock through such Plan as of February 27, 2009, as follows: Mr. Rattie, 2,544 shares; Mr. Stanley, 8,987 shares; Mr. Parks, 50,563 shares; Mr. Neese 27,424 shares; and Mr. Jepperson 12,429 shares.

⁵ The number of shares includes shares of unvested restricted stock as of February 27, 2009, as follows: Mr. Rattie, 83,332 shares; Mr. Stanley, 62,666 shares; Mr. Parks, 26,832 shares; Mr. Jepperson, 8,732 shares; Mr. Neese, 15,000 shares; Mr. Baker, 5,815 shares; Mr. Cash, 5,815 shares; Mr. Flury, 2,800 shares, Mr. Harmon, 5,899 shares; and Mr. Michael, 2,800 shares. They receive dividends and have voting powers for the shares but cannot dispose of them until they vest.

⁶ Of the total shares reported for Mr. Cash, 137,966 shares are owned by his family's private foundation. Mr. Harmon

also has 4,000 shares which are owned by his family's private foundation for which he has voting and investment power. Some of Messrs. Rattie s, Neese , Jepperson s and Parks record shares are owned jointly with their spouses. All of the vested shares listed for Mr. Stanley are held in the CJ Trust of which he and his wife are trustees. Two hundred shares of common stock are held in the name of the McKee Family Trust.

⁷ Mr. Simmons is also a trustee for the Roy W. Simmons Marital Trust holding 3,200 shares and holds 38,400 shares in a margin account.

⁸ Mr. Rattie is the chairman of the Board of Trustees of the Questar Corporation Educational Foundation, the Questar Corporation Arts Foundation, and the Questar Corporation Native American Scholarship Foundation, three nonprofit corporations that own an aggregate of 141,608 shares of the Company's common stock as of February 27, 2009. As chairman, Mr. Rattie has voting power for such shares, but disclaims any beneficial ownership of the shares. The shares are not included in the total opposite his name.

SECURITY OWNERSHIP- PRINCIPAL HOLDERS

SECURITY OWNERSHIP, PRINCIPAL HOLDERS

The following table sets forth information, as of December 31, 2008, with respect to each person known by the Company to beneficially own at least five percent of its common stock.

Name and Address of

Shares and Nature of

Beneficial Owner

Beneficial Ownership

Percent of Class

The Vanguard Group, Inc.

8,842,697

5.1%

100 Vanguard Blvd.

Valley Forge, Pennsylvania 19335

¹In its Schedule 13G filed on February 13, 2009, The Vanguard Group, Inc. indicated that it had sole power to dispose of 8,842,697 shares and sole voting power over 198,324 shares.

EQUITY COMPENSATION PLAN INFORMATION

The following information is accurate as of December 31, 2008:

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	9,571,679	\$17.53	4,183,075
Equity compensation plans not approved by security holders	<u>0</u>	<u>0</u>	<u>0</u>
Total	9,571,679	\$17.53	4,183,075

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

OBJECTIVES

The Company's executive compensation program is designed to:

- Attract, motivate, and retain the management talent required to achieve Company objectives;
- Focus management efforts on both short-term and long-term drivers of shareholder value;
- Tie a significant portion of executive compensation to Company long-term stock-price performance and thus shareholder returns; and
- Foster a results-oriented culture while enhancing the Company's reputation for ethics and integrity.

COMPONENTS

Compensation for named executive officers is comprised of the following major components:

- Base salary;
- Annual Management Incentive Plan (AMIP) or Annual Management Incentive Plan II (AMIP II);
- Long-term Cash Incentive Plan (LTCIP);
- Restricted stock and/or stock-option grants under the Long-term Stock Incentive Plan (LTSIP);and
- Employee benefits, including retirement, health and welfare benefits.

COMPENSATION PHILOSOPHY & ROLE OF MANAGEMENT PERFORMANCE COMMITTEE

To attract, motivate and retain the executive talent required to achieve corporate objectives, the Committee believes it must offer key executives a competitive compensation package comprised of fixed and variable short-term and long-term components. The following table summarizes the role each component plays in the total compensation package:

Compensation Component

Role in Total Compensation

Base Salary

Provide a fixed and certain level of compensation to pay for an executive's responsibility, relative expertise and experience.

Annual Cash Incentive

Motivate and reward executives for achieving annual financial and operating goals that are aligned with shareholder and stakeholder interests.

AMIP or AMIP II

Long-term Incentives

Deliver the majority of named executive officer compensation through long-term incentives aligned with shareholder interests;

Restricted stock

Motivate and reward the achievement of long-term strategic Company objectives;

Long-term cash incentive

Stock options

Recognize and reward the Company's performance relative to industry peers over multi-year time periods;

Encourage long-term executive share ownership; and

Encourage executive retention by establishing multi-year incentive awards.

Benefits

Provide a tax-efficient means for employees to build financial security in retirement;

Retirement

Provide minimum income protection against certain risks; and

Health care

Reward extended service with the Company.

Other security benefits (life, disability)

Termination Benefits

Provide a competitive level of income protection.

To ensure that executive compensation remains consistent with the Company's objectives, the Committee routinely:

-

Retains independent compensation consultants to: (a) review, critique and propose changes in compensation practice when necessary to maintain alignment with the above-listed objectives; (b) conduct and analyze market surveys; and (c) provide input on compensation actions for the Company's top officers;

-

Reviews and approves AMIP and AMIP II participants, objectives and performance targets for each major business unit;

-

Reviews the Company's consolidated financial results and the financial and operating results of the Company's major business units;

-

Evaluates the individual performance of the named executive officers;

-

Considers internal relative pay; and

-

Develops and approves annual and long-term compensation for the Company's executive officers.

The Committee, with help from its compensation consultant, Hewitt, regularly conducts market surveys to estimate the 25th, 50th and 75th percentiles for total compensation for executive officers. The Committee defines total compensation as: base salary + AMIP II (or AMIP) target + LTCIP target + grant-date value of restricted stock and/or stock options (Equity Awards). The Committee in general targets the market 50th percentile for each named executive officer. The Committee has not adopted a separate process for reviewing tally sheets of executive officer compensation. Instead, the Committee reviews total executive compensation on a regular basis several times during the year. The Committee analyzes each component of every named executive officer's compensation and examines total compensation for each such executive to ensure that the individual components and the total compensation satisfy the objectives described above. The Committee will continue to consider how it measures, evaluates and benchmarks all compensation components for executives. The intent is to ensure that each executive's compensation remains competitive within the relevant segment of the natural gas industry, adjusted as appropriate for individual

factors such as the officer's experience and expertise. In addition to market-survey data, the Committee considers job performance, responsibilities, and advancement potential when setting compensation for each of the named executive officers.

Mindful of the challenges in the current economic environment, in February 2009, the Board ratified a recommendation from Mr. Rattie to freeze the salaries and target bonuses of all executive officers, including Messrs. Rattie, Stanley, Neese, Parks and Jepperson. In addition, the Board opted to freeze the estimated current market value of long-term incentive grants to Messrs. Rattie, Stanley, Parks and Jepperson at about the same value as they received in 2008. The Board did not freeze Mr. Neese's long-term incentive compensation because of his recent promotion to executive management. The Board also placed a greater percentage of the named executive officers

total and long-term incentive compensation at risk by allocating a larger amount of the officer's long-term compensation to the LTCIP.

How the Company Determines the External Benchmarks for Named Executive Officers

The Company operates in four major segments of the natural gas industry: (a) exploration and production (E&P); (b) gas gathering and processing; (c) interstate natural gas pipelines; and (d) retail gas distribution. At any given time, the competitive environment for executive compensation may be significantly different in each of these four major segments. In 2008, when setting compensation for each key executive, the Committee, with advice from Hewitt, defined the relevant peer group for that executive. For example, because they had responsibilities for all business units, the peer groups for Messrs. Rattie, Parks and Jepperson included companies in all major segments of the natural gas industry. The peer group for Messrs. Stanley and Neese included predominantly E&P companies because they are officers of Market Resources, which conducts the Company's E&P activities. In recent years, the competition for executive talent in the E&P segment of the industry has been intense, resulting in a rapid increase in total compensation for E&P executives. The Committee considers the relative size of companies in the industry peer group in its evaluation of market data. The Committee also reviews its officer compensation in relation to general-industry peers, a group of companies, selected by Hewitt, in other industries with median revenue similar to Questar. The Committee does not base compensation decisions for named executive officers on the pay of general-industry peers; the Committee uses this group as an indicator of executive compensation trends and practices.

Industry Peer Companies – Corporate Peer, E&P and Gas and Pipeline Groups

To arrive at an estimate of peer compensation values, the Committee designated all of the companies listed below as peers for Messrs. Rattie, Parks and Jepperson. The Committee defined all of the companies listed as (1) to be peers for Messrs. Stanley and Neese.

AGL Resources, Inc.

Cabot Oil & Gas Corporation (1)

Cimarex Energy Company (1)

CMS Energy Corporation

Dominion Resources, Inc.

El Paso Corporation

EOG Resources, Inc. (1)

Forest Oil Corporation (1)

Great Plains Energy, Inc.

Newfield Exploration Company (1)

NiSource, Inc.

Noble Energy, Inc. (1)

ONEOK, Inc.

Pioneer Natural Resources Company (1)

Plains Exploration & Production Company (1)

SCANA Corporation

Southern Union Company

Southwestern Energy Company (1)

The Williams Companies, Inc. (1)

The Committee sets annual base salary, AMIP or AMIP II target, LTCIP target and equity awards for all key executives. Hewitt and the Human Resources Department assist the Committee in the collection and analysis of peer-company data. Mr. Rattie has input into the compensation for all named executive officers except himself.

BASE SALARIES

The Committee establishes base salaries for executives by considering their scope of responsibilities, performance, and competitive market compensation paid by other companies in the executive's peer group. The Committee reviews base salaries for the Company's named executive officers on at least an annual basis. When setting salaries, the Committee considers an estimate of the market 50th percentile for the executive's relevant peer group, along with individual factors and internal comparisons with other Company officers. The Committee uses proxy data and information provided by Hewitt to obtain information about the base salaries paid by peers. In 2008, the average base salary increase for named executive officers was 10.4%.

INCENTIVE COMPENSATION

The Company's named executive officers participate in either AMIP or AMIP II (AMIP II was originally approved by shareholders in 2005 and applies to those officers covered by Internal Revenue Code Section (IRC) 162(m)) and the LTCIP (originally approved by shareholders in 2004). Those officers also receive Equity Awards pursuant to the LTSIP (originally approved by shareholders in 2001). The Committee intends to put a substantial portion of each officer's compensation at risk. AMIP and AMIP II payouts are tied to annual financial and operating goals set by the Board at the beginning of the plan year. LTCIP payouts are tied to total shareholder returns relative to a pre-set group of peer companies over a three-year period. Together these programs motivate participating executives to focus on total shareholder return over the longer-term. AMIP, AMIP II and LTCIP are cash plans that can award amounts from zero to a predetermined maximum depending on the Company's results. The Committee believes that its approach effectively aligns the executive officers' interests with shareholder interests. The Committee has not implemented a clawback provision for incentive compensation, but has reviewed and will continue to review compensation trends as appropriate.

AMIP AND AMIP II

Under AMIP and AMIP II, the Company sets separate performance targets for each major business unit. The performance targets are the same for AMIP II and AMIP. These business-unit targets are tied to key consolidated financial and operating goals. Each year, the Committee reviews and approves the specific annual performance targets for the Company as a whole, and for each major subsidiary. The performance targets are set at the beginning of each year after a review of that year's budget and the prior-year actual results. Targets are generally at or above the Board-approved budget for the year.

2008 PERFORMANCE COMPONENTS AND TARGETS FOR BOTH AMIP AND AMIP II

Questar Market Resources		Target
Questar Corporation earnings per share		\$3.12
Business unit net income total ¹ (millions)		\$455.5
Questar Exploration and Production production volumes (Bcfe)		164
Questar Pipeline		Target
Questar Corporation earnings per share		\$3.12
Questar Pipeline net income (millions)		\$55
Achievement of specific strategies and operational initiatives	4 of 6 affirmative answers	
Questar Gas		Target
Questar Corporation earnings per share		\$3.12

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Questar Gas net income (millions)	\$36
Questar Gas customer satisfaction (1-7 scale)	6.15
Questar Gas annual operating and maintenance expenses per customer	\$138
Safety performance ²	3

¹ The Questar Exploration and Production component of Questar Market Resources net income was indexed to commodity prices of \$7.31 per Mcf for gas and \$80.03 per bbl for oil, the then-current market price for natural gas and oil on the date the Committee approved the annual incentive plan goals.

² Safety performance shows an average of injuries per 100 employees and preventable accidents per 1 million miles driven.

Mr. Rattie and Mr. Jepperson's AMIP II and Mr. Parks' AMIP payouts are based 50% on the results for Questar Market Resources and 25% each on the results for Questar Pipeline and Questar Gas. Mr. Stanley and Mr. Neese's AMIP II payouts are based on the results for Questar Market Resources.

The Company calculates an overall payout factor, which can range from zero to 200% based on each unit's actual results compared to the measures. Each officer's target bonus is multiplied by the respective payout factor to determine the payment. The maximum cash payment to any officer under the terms of AMIP II is capped at \$1 million for fiscal years 2005 through 2008 and \$1.5 million for fiscal years 2009 and later. This limit had the effect of capping Mr. Rattie's maximum AMIP II bonus at 111% of target for 2008. The limit also capped Mr. Stanley's bonus at 184% of target in 2008. The limit will have the effect of capping Mr. Rattie's 2009 AMIP II bonus at 167% of target. Each officer's target bonus is a percentage of his annual base salary in effect on March 1 of the performance year. The Committee, in its sole discretion, can reduce the cash award otherwise payable to an officer. Neither the Committee nor the Company may increase the cash award otherwise payable under the AMIP or AMIP II formula.

The 2008 AMIP or AMIP II targets were as follows for the named executive officers:

- Mr. Rattie

100%

- Mr. Stanley

90%*

- Mr. Parks

60%

- Mr. Neese

60%*

- Mr. Jepperson

60%

*This percentage includes the Market Resources Employee Incentive Plan (Market Resources EIP) which applies a 12.5% target. The Market Resources EIP applies to all employees (except those classified as temporary or occasional part-time) who work for Market Resources subsidiaries and are scheduled to work at least 20 hours per week.

In 2008, Market Resources payout was 200% of its target amount while Questar Pipeline paid out 114% of its target amount and Questar Gas paid out 118% of its target amount.

LONG-TERM CASH INCENTIVE PLAN

The LTCIP ties compensation for key executives to total shareholder return relative to a mix of peer companies over a longer-term (three-year) performance period. Payouts from the LTCIP, if any, are based on the Company's total shareholder return (TSR) compared with a group of peer companies. The peer group includes a mix of E&P, pipeline, utility and integrated natural gas companies as set forth below:

Cabot Oil and Gas Company

Noble Energy, Inc.

Chesapeake Energy Corporation

Northwest Natural Gas Company

El Paso Corporation

ONEOK, Inc.

Energen Corporation

Pioneer Natural Resources Company

EOG Resources, Inc.

Plains Exploration & Production Company

Equitable Resources, Inc.

St. Mary Land & Exploration Company

Forest Oil Corporation

Southwestern Energy Company

National Fuel Gas Company

Ultra Petroleum Corporation

Newfield Exploration Company

The Williams Companies, Inc.

This list may not be the same as the peer list used for total compensation shown earlier in this proxy statement, although both focus on direct industry peers. The Company uses a single peer group for all officers under the LTCIP. In contrast, when setting total annual and long-term incentive compensation, the Committee attempts to tailor compensation to a relevant peer group for each officer.

For performance periods beginning in 2007 and later, the Company calculates three-year TSR as the sum of the average December stock price in the last year of the performance period, plus dividends paid over the full performance period, divided by the average December stock price in the month prior to the start of the performance period. The average December stock price is the simple average closing price for each trading day in December. The Company then ranks its three-year TSR among the peer companies to determine the TSR Rank Multiplier. In 2007, the Committee modified the Plan design to include a stock-appreciation multiplier in the calculation for performance periods beginning in January 2007 and later. The payout based on rank is multiplied by the ratio of the Questar stock price at the end of the three-year period divided by the Questar stock price at the beginning of the three-year period. Participants earn the maximum bonus if the Company has the highest TSR of its peer group. Participants earn the target bonus if the Company's TSR ranks at the midpoint of the peer group. If the Company's TSR for the

performance period places it in the bottom third of the group, no bonus is paid under the LTCIP. There are currently three outstanding performance periods: 2007 through 2009, 2008 through 2010, and 2009 through 2011.

The calculation is as follows: Target Award x TSR Rank Multiplier x Stock Appreciation Multiplier = LTCIP Payout. The maximum payment under the LTCIP for any performance period is currently capped at \$1.5 million.

The Company made payments under the LTCIP to the named executive officers for the 2006-2008 period in February 2009, and the amounts are reflected in the Summary Compensation Table (along with amounts paid under AMIP or AMIP II) in column (g). The Company's average annual TSR for that period was 2.1%, which ranked ninth out of the 13 publicly-traded peer companies. One of those companies, People's Energy Company, ceased to be publicly traded. The payout calculation is based on the assumption that a company that ceased to be publicly traded ranked at the bottom of the list.

The Company is seeking to amend the LTCIP and to re-approve its performance metrics as described in Item 6 herein.

EQUITY AWARDS

The LTSIP is intended to (1) retain key executives and (2) ensure that executive officers have a significant incentive to manage the Company to maximize long-term shareholder returns. The value of the grant to each executive is tied to the Committee's estimate of the market 50th percentile, adjusted to take into account performance, retention, the executive's pay relative to other Company executives and other factors deemed by the Committee to be appropriate.

Restricted stock is the Company's primary equity incentive tool. However, the Committee has granted and will continue to grant stock options to key executives. In 2008, the Committee granted a stock option award to Mr. Rattie due to the performance-oriented nature of the award and the competitive market for executive talent. The Committee recommends and the Board approves our restricted stock and option grants, including those shown in the Grants of Plan-Based Awards table.

For awards granted in 2008, the vesting schedule of the restricted stock grants extends over a four-year period, starting the second year after the date of grant with one third of the shares vesting in each of the remaining three years. These shares do not automatically vest upon retirement.

The Company typically makes annual equity grants in February. The Committee did not consider or approve any equity grants for named executive officers in 2008 other than in February. The Company does not backdate stock options or alter the exercise price after the grant date. As set forth in the LTSIP, the Board sets the option price at the

time the option is granted, and that price cannot be less than the closing price of the Company's common stock on the date of grant.

The Committee established a stock-ownership guideline for each named executive officer that is a multiple of his base salary. Under the guidelines, all named executive officers are required to own shares having a value of at least three times their annual base salary and, in Mr. Rattie's case, eight times his base salary. These guidelines are intended to align the named executive officers' interests with those of shareholders, while allowing them some opportunity to diversify their holdings. Phantom stock units attributable to deferred compensation are counted toward the total.

The Company's Insider Trading Policy prohibits executive officers from short sales, selling options or derivatives covering the Company's securities, and other similar transactions.

EXECUTIVE SEVERANCE COMPENSATION PLAN

The named executive officers participate in the Company's Executive Severance Compensation Plan, which provides for benefits upon qualifying terminations of employment occurring on or within three years following a change in control of the Company. The Company and the Committee believe that this plan helps ensure that the Company attracts and retains the executive talent needed to achieve corporate objectives, particularly assuring that executives direct their attention to their duties, acting in the best interests of the shareholders, notwithstanding the possibility of a change in control. This plan is described, and estimates of payments to the named executives as of December 31, 2008, are set forth in the section entitled "Potential Payments upon Termination."

EMPLOYMENT CONTRACTS

Messrs. Rattie and Stanley entered into employment agreements when they joined the Company in 2001 and 2002 respectively. None of the other named executive officers has an employment contract.

Mr. Rattie signed a new employment contract effective February 1, 2004, which is on file with the SEC's EDGAR system as Exhibit 10.15 to the Company's 2003 Annual Report on Form 10-K, and amendments thereto are included as exhibits to the Company's Current Reports on Form 8-K filed on May 18, 2005, March 5, 2007 and January 6, 2009. The contract establishes Mr. Rattie's three-year employment period, which originally expired February 1, 2007, but was automatically extended. It also sets forth various termination scenarios (death or disability, with or without cause, and by the executive) and the methods of calculating the amounts due to Mr. Rattie under each of those scenarios. The contract includes certain restrictive covenants such as non-solicitation of employees and confidentiality that apply upon termination.

The Company's current agreement with Mr. Stanley became effective on February 1, 2004. It is on file with the SEC's EDGAR system as Exhibit 10.16 to the Company's 2003 Annual Report on Form 10-K, and amendments thereto are included as exhibits to the Company's Current Reports on Form 8-K filed on May 18, 2005 and January 6, 2009. The terms of Mr. Stanley's contract are substantially identical to Mr. Rattie's contract except for the amount of compensation, and Mr. Stanley's contract specifically limits him to receiving the higher of any payment received under the Company's Executive Severance Plan, or under his employment contract in the event of a change in control, but not both.

The amounts due to both officers under various termination scenarios, calculated as of December 31, 2008, are set forth in the section entitled "Potential Payments upon Termination."

QUALIFIED RETIREMENT PLANS

The Company maintains both a defined-contribution retirement plan (the 401(k) Plan) and a defined-benefit retirement plan (the Pension Plan). The named executive officers participate in both of these plans. These plans are described in the narrative to the "Retirement Plans" section.

OTHER BENEFITS

The named executive officers also receive or have the opportunity to participate in other benefit plans offered by the Company to most of its employees. These benefits include medical and dental coverage; participation in a cafeteria plan (which includes flexible health-care spending account and dependent-care spending account features); basic life insurance paid by the employer (providing one-times base salary); supplemental life insurance (up to four-times base salary, but not to exceed \$750,000); business-travel accident insurance; catastrophic accident insurance; participation in a long-term disability plan; and the employee-assistance program. The executive officers also receive paid time off, paid holidays, and are eligible to participate in the Company's short-term disability program, which provides benefits (such as continued salary payments) for leave up to 16 weeks due to the employee's serious health condition.

NONQUALIFIED DEFERRED COMPENSATION PLANS

The Company allows the named executive officers, along with certain other key employees, to defer the receipt of compensation under the Deferred Compensation Wrap Plan (Wrap Plan). The Company and the Committee believe that a deferred compensation program is necessary for hiring and retention purposes. The Wrap Plan includes both a deferred compensation program and a 401(k) supplemental program. The deferred compensation program of the Wrap Plan allows officers and certain key employees to defer a portion of their base salaries and actual cash bonuses until termination, death or disability. Most of the deferred amounts may be treated either as if invested in Company stock or as if invested in ten-year U.S. Treasury notes. A specified percentage of amounts deferred receive a matching contribution, which is treated as if invested in Company stock. The 401(k) supplemental program of the Wrap Plan allows officers and certain key employees whose compensation has reached the IRS-imposed limit (\$230,000 in 2008) to continue to defer 6% of their salary in excess of this limit and to receive a Company match on this deferred amount as if that amount had been invested in the 401(k) Plan, but for the compensation limit. The amounts deferred in this program and the Company match are treated as if invested in Company stock.

The named executive officers also participate in the Supplemental Executive Retirement Plan (SERP), a non-qualified plan, which allows for the receipt and deferral of retirement benefits once the named executive officer's compensation has reached the IRS-imposed limit (\$230,000 in 2008) and his compensation above the limit cannot be taken into account in determining the qualified pension benefits. The SERP is described in more detail under the Retirement Plans section of the Compensation Tables.

PERQUISITES

The Company limits the perquisites granted to officers and does not allow officers the personal use of the Company's cars or the Company's airplane or reimburse for country-club memberships, supplemental welfare benefit plans, or executive dining-room service. The Company will reimburse officers for up to 70% of costs associated with tax preparation and other personal financial advice up to a cap of \$3,000 per year (*i.e.*, a maximum reimbursement of \$2,100). During the calendar year of an officer's retirement, the limit is increased to 70% of cost up to a cap of \$6,000 (*i.e.*, a maximum reimbursement of \$4,200 in the year of retirement).

TAX CONSIDERATIONS

Section 162(m) of the IRC precludes the Company from deducting compensation paid in excess of \$1 million per year to any executive officer listed in the Summary Compensation Table except the chief financial officer. Performance-based compensation, however, is not subject to this deductibility limit. When structuring the compensation paid to the Company's named executives, the Committee considers the provisions of this federal tax rule. The Committee has in the past awarded, and may in the future award, compensation that is not deductible if, in the Committee's judgment, doing so is necessary to achieve an appropriate compensation structure.

COMPENSATION TABLES

SUMMARY COMPENSATION TABLE

The following table includes information about compensation for the chief executive officer, chief financial officer and the three other highest-paid executive officers of the Company.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity	Change in	All Other Compensation (\$) ⁵	Total (\$)
					Incentive Plan Compensa-	Pension Value and Nonqualified Deferred Compensation		
					tion	Earnings		

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			¹	¹	(g)	(\$) ⁴		
(a)	(b)	(c)	(e)	(f)		(h)	(i)	(j)
	2008	883,333	1,358,064	928,538	1,166,667 ²	498,257	28,548	4,863,407
Keith O. Rattie								
Chairman of the Board, President & Chief Executive Officer	2007	783,333	770,829	791,473	1,628,560	270,456	18,692	4,263,343
	2006	687,500	716,097	600,877	1,533,320	395,447	81,262	4,014,503
	2008	336,667	301,895	0	347,320 ²	408,143	17,394	1,411,419
Stephen E. Parks								
Senior Vice President & Chief Financial Officer	2007	318,333	165,559	0	476,895	179,569	17,154	1,157,510
	2006	308,333	233,430	17,234	395,660	450,947	26,966	1,432,570
	2008	700,000	1,168,487	739,374	1,307,500 ^{2, 3}	350,935	27,462	4,293,758
Charles B. Stanley								
Executive Vice President & Chief Operating Officer	2007	620,000	587,262	719,838	1,548,972	148,929	13,700	3,638,701
	2006	558,333	501,627	573,948	1,305,781	204,614	56,334	3,200,637
	2008	315,833	251,869	0	328,360 ²	477,412	17,394	1,390,868
Thomas C. Jepperson								
Vice President & General Counsel	2007	289,167	211,801	0	330,990	219,266	16,673	1,067,897
	2006	250,000	139,422	4,668	247,975	244,803	23,478	910,346
Jay B. Neese	2008	330,000	444,523	0	412,323 ^{2, 3}	319,255	26,608	1,532,709
Senior Vice President								

¹ The stock and option award values consist of the SFAS 123R expense recognized for all unvested share-based compensation. See Note 3 to the consolidated financial statements included in Item 8 of Part II of the Company's 2008

Form 10-K.

² Non-equity incentive plan compensation includes payments earned under AMIP or AMIP II, payments to Messrs. Stanley and Neese under the Market Resources EIP for the 2008 performance period, and payments earned under the LTCIP for the three-year performance period ending December 31, 2008. All programs resulted in payments in February 2009.

³ In addition to their payments under AMIP II, Mr. Stanley received a payment in February 2009 of \$174,167 under the terms of the 2008 Market Resources Employee Incentive Plan and Mr. Neese received a payment of \$82,156 under that Plan.

⁴ The amounts in Column (h) represent the actuarial increase in the present value of the named executive officer's benefits under the Pension Plan and the SERP. These estimates are determined using interest-rate and mortality-rate assumptions consistent with those used in preparing the consolidated financial statements included in Item 8 of Part II of the Company's 2008 Form 10-K.

⁵ List of items included in Column (i) of Summary Compensation Table:

	401(k) Employer Match	401(k) Employer Non- Matching Contribution	Paid Time- Off Sold	Total
	(\$)	(\$)	(\$)	
Keith O. Rattie	11,040	200	17,308	28,548
Stephen E. Parks	11,040	200	6,154	17,394
Charles B. Stanley	13,800	200	13,462	27,462
Thomas C. Jepperson	11,040	200	6,154	17,394
Jay B. Neese	13,800	200	12,608	26,608

GRANTS OF PLAN-BASED AWARDS FOR 2008

This table shows the plan-based awards granted to the named executives during 2008. For non-equity incentive plans, it sets forth the ranges of possible awards. For stock awards, the table shows the number of shares or option shares granted and the grant-date fair values of those awards.

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Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards:	All Other Option Awards:	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock & Option Awards
		Thres-hold ¹ (\$)	Target (\$)	Maximum (\$)	Number of Shares or Units (#)	Number of Securities Under-lying Options (#)	(\$/share)	(\$)
(a)	(b)	(c)	(d)	(e)	(i)	(j)	(k)	(l)
Keith O. Rattie	Feb.12, 2008	100,000 ²	400,000 ²	1,200,000 ²			53.83	1,614,900
		11,250 ³	900,000 ³	1,000,000 ³	40,000	30,000	53.83	2,153,200
Stephen ⁵ E. Parks	Feb.12, 2008				10,000		53.83	538,300
		2,550 ³	204,000 ³	408,000 ³				
Charles B. Stanley	Feb.12, 2008	100,000 ²	400,000 ²	1,200,000 ²	36,000		53.83	1,937,880
		27,125 ³	542,500 ³	1,000,000 ³				
Thomas C. Jepperson	Feb.12, 2008	7,000 ⁴	87,500 ⁴	175,000 ⁴				
		50,000 ²	200,000 ²	600,000 ²	5,400		53.83	290,682
		2,400 ³	192,000 ³	384,000 ³				
Jay B. Neese	Feb.12, 2008	62,500 ²	250,000 ²	750,000 ²				
		7,838 ³	156,750 ³	313,500 ³	10,000		53.83	538,300
		3,300 ⁴	41,250 ⁴	82,500 ⁴				

¹ It is possible for the award to be zero under both the LTCIP and AMIP/AMIP II if performance falls below the threshold levels.

² These numbers represent the range for the three-year performance period of 2008-2010 under the LTCIP. These amounts will be multiplied by the stock-price multiplier as described under "Long-Term Cash Incentive Plan" above. The amounts paid under the Plan for this performance period are subject to a cap of \$1.5 million.

³ This number represents the AMIP or AMIP II opportunities for the 2008 performance year. The amounts paid under AMIP II were subject to a cap of \$1 million.

⁴ Messrs. Stanley and Neese also participate in the Market Resources Employee Incentive Plan which is shown here.

⁵ Mr. Parks is not a participant in the 2008 1010 and 2009 2011 performance periods of the LTCIP.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2008

This table shows outstanding equity awards for the named executive officers. All values shown are as of December 31, 2008.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)
(a)	(b)	(c)	(e)	(f)	(g)	(h)
Keith O. Rattie	280,000 ¹		11.475	02/11/12		
	200,000 ¹		14.005	02/13/11		
	100,000 ¹		13.710	02/01/11		
	300,000 ¹		13.555	02/11/13		

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		200,000 ²	38.570	10/24/12		
		80,000 ³	41.075	02/13/15		
		30,000 ³	53.830	02/12/16		
					90,666 ⁴	2,963,872
	88,200 ¹		7.500	02/08/10		
	80,000 ¹		14.005	02/13/11		
Stephen E. Parks	90,000 ¹		11.475	02/11/12		
	96,000 ¹		13.555	02/11/13	20,998 ⁵	686,425
	150,000 ¹		13.555	02/11/13		
	112,000 ¹		11.475	02/11/12		
Charles B. Stanley	172,000 ¹		11.975	01/31/12		
		200,000 ²	38.570	10/24/12		
		60,000 ³	41.075	02/13/15	78,000 ⁴	2,549,820
	10,424 ¹		14.005	02/13/11		
Thomas C. Jepperson	8,612 ¹		11.475	02/11/12		
	8,798 ¹		13.555	02/11/13	17,066 ⁵	557,888
Jay B. Neese	17,910 ¹		13.555	02/11/13	29,000 ⁶	948,010

¹ The grant dates of these options were ten years prior to the expiration dates.

² The grant dates of these options were seven years prior to the expiration dates and vest February 1, 2010.

³ The grant dates of these options were eight years prior to the expiration dates and vest in three equal installments starting two years after grant date.

⁴ These shares vest in three equal installments starting two years after the grant date except for shares granted in 2006, which vest in a single lump sum the third year after the grant date.

⁵ These shares vest generally as follows: 1) shares granted in 2005 and 2008 vest in three equal installments starting two years after the grant date; 2) all shares granted in 2006 vest the third year after grant date; and 3) shares granted in 2007 vest in three equal installments starting one year after the grant date.

⁶ These shares vest generally as follows: 1) shares granted in 2005 and 2008 vest in three equal installments starting two years after the grant date; 2) all shares granted in 2006 vest the third year after the grant date; and 3) shares granted in 2007 vest in three equal installments starting one year after the grant date except for a limited number of shares granted in October 2007, that vest in four equal installments starting two years after the grant date.

OPTION EXERCISES AND STOCK VESTED IN 2008

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) 1, 2 (c)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) 3 (e)
(a)	(b)	(c)	(d)	(e)
Keith O. Rattie	0	0	34,666	1,824,046
Stephen E. Parks	68,000	1,989,131	6,000	314,473
Charles B. Stanley	0	0	12,000	625,800
Thomas C. Jepperson	24,964	549,570	3,334	175,442
Jay B. Neese	0	0	6,000	315,260

¹ This column shows the value realized on exercise, but does not necessarily indicate a sale of the shares upon exercise.

² The value realized equals the difference between the option exercise price and the fair-market value on the date of exercise multiplied by the number of shares for which the option was exercised.

³ The value realized equals the market value on the vesting date multiplied by the number of shares vested.

RETIREMENT PLANS

The 401(k) Plan allows employees to defer and contribute a portion of their compensation up to the IRS-imposed maximum annual deferral amount. The Company provides matching contributions up to 6% of a participant's eligible compensation that is contributed. Messrs. Stanley and Neese, like all participating Market Resources employees, receive matching contributions on 100% of their contributions up to 6% of their eligible compensation. All other named executives receive a 100% match on their contributions up to the first three percent of eligible compensation, and a 60% match on the next 3% contributed, for an overall match of 80%. The employee deferrals and matching contributions are invested in mutual funds or other alternatives, including Company stock, as directed by the participant.

The Pension Plan is 100% funded by Company contributions. Funding is based on regulatory requirements using actuarial calculations. The formula provides for a basic annual benefit that is calculated by multiplying the employee's final average earnings by 1.3% and then multiplying such sum by the employee's years of service (to a maximum of 25). The final average earnings number is defined as the average annual earnings (including annual incentive payments, but not long-term incentive payments) for the three consecutive years with the highest earnings within the last ten years of employment. This basic benefit is increased for each year of service in excess of 25 (multiplying final average earnings by .5%). Participants may also receive a permanent supplemental benefit that is calculated by multiplying the difference between the participant's final average earnings and the "covered compensation" by a factor that varies by age. (The term "covered compensation" refers to the 35-year-average Social Security wage base tied to the year of a participant's birth). Employees who are at least age 55 with 10 years of service are eligible for and may commence early retirement with a reduction to their benefit by .2083% per month prior to age 62. Participants eligible for and taking early retirement prior to age 62 also receive a temporary supplement until age 62 that is tied to years of service. A participant vests in his or her benefit -- that is, the benefit that is accrued will not be forfeited back to the Plan -- when his or her employment includes five years of vesting service. An individual is credited with one year of vesting service for each 12-month period in which he or she worked at least 1,000 hours. Participants with a vested benefit who terminate employment before age 55 with ten years of service are considered "terminated vested" participants. Such participants may commence their benefit

under the Pension Plan as early as age 55, but such benefit is reduced by .5% per month prior to age 65. Notwithstanding the lump sum nature of the disclosure in the table below, if the present value of the accrued benefit exceeds \$5,000, benefits must be taken as a monthly annuity for the life of the participant and a survivor annuity for the participant's spouse or beneficiary, if applicable. Optional annuity forms of benefit payment are available. Mr. Parks is eligible for early retirement under the Pension Plan.

Federal tax laws limit both the amount of a participant's annual compensation that can be used to determine benefits under qualified retirement plans and the amount of benefits that can be paid to a participant from such plans. The 401(k) supplemental program of the Wrap Plan and the SERP, nonqualified plans, were adopted to compensate officers who are affected by these limits. The 401(k) supplemental program allows participants to defer up to 6% of their compensation in excess of the federal tax limit and receive the Company matching contribution on such deferral as if it had been contributed to the 401(k) Plan absent such limits (see the Nonqualified Deferred Compensation Table and corresponding notes for more discussion of the 401(k) Supplemental Program). The SERP provides retirement benefits equal to the difference between the benefits payable under the Pension Plan and the benefits that would be payable under such plan if the limits on the annual compensation were not applicable and if the participant had not voluntarily chosen to defer any compensation under the terms of the Company's Wrap Plan.

Any accrued SERP benefit as of December 31, 2004 was grandfathered under the provisions of the SERP in existence prior to January 1, 2005, which allowed for payment of a monthly annuity, a lump-sum payment, or limited annual installments beginning on or within five years of the participant's retirement date. Subject to the requirements of IRC Section 409A, any distributions of SERP benefits which accrued on or after January 1, 2005, are made in lump-sum cash payments or limited annual installments upon a date elected by the participant on or after the participant's termination, death or disability, but no earlier than age 55. All of the officers listed in the Summary Compensation Table have vested benefits under the 401(k) supplemental program and the SERP; all of the listed officers earned annual compensation in excess of the 2008 cap of \$230,000.

PENSION BENEFITS

Name	Plan ¹	Number of Years Credited Service (#) ²	Present Value of Accumulated Benefit (\$) ^{5, 6}	Payments
				During Last Fiscal Year (\$) (e)
(a)	(b)	(c)	(d)	(e)
Keith O. Rattie	Pension Plan	8.00	227,588	0
	SERP	8.00	1,715,341	0
Stephen E. Parks ^{3,}	Pension Plan	34.76	911,813	0

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	SERP	34.76	1,804,569	0
Charles B. Stanley	Pension Plan	7.00	140,961	0
	SERP	7.00	857,779	0
Thomas C. Jepperson ³	Pension Plan	20.76	591,630	0
	SERP	20.76	901,001	0
Jay B. Neese ³	Pension Plan	31.00	579,737	0
	SERP	31.00	946,229	0

¹ The Pension Plan is a defined-benefit plan qualified for favorable treatment under the IRC.

² Under the terms of the Pension Plan, if the participant has worked 1,000 hours with a participating company in the last year of service, a full year of credit is given. For less than 1,000 hours in a year of service, the calculation is based on 190 hours per month divided by 1,000 hours.

³ Messrs. Parks, Neese and Jepperson have amounts included as supplemental retirement benefits in lieu of vacation. When the Company changed its vacation policy as of January 1, 1997, each employee was credited with this benefit, which was calculated by multiplying the December 31, 1996, base salary by the hours accrued under the service-date vacation schedule in place prior to the change. These benefits are frozen and include \$4,587 for Mr. Parks, \$6,923 for Mr. Neese and \$1,616 for Mr. Jepperson.

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⁴ Mr. Parks is eligible for early retirement under the Pension Plan. The Pension Plan allows early retirement for employees who are at least age 55 with ten years of service. Early retirement results in a reduction of the basic benefit by 2.5% per year before age 62.

⁵ The benefit is calculated at age 62, the earliest age at which a participant may retire under the plan without any benefit reduction due to age.

⁶Assumptions for the Present Value of Accumulated Benefit Calculation

Based on an assumed retirement age of 62 and the year-end financial disclosure assumptions, that is:

-
- Discount rate: 6.50% for 12/31/08 and for 12/31/07;
-
- Post-normal retirement age (NRA) mortality: 12/31/08 RP 2000, projected to 2009; 12/31/07: 1983 GAM. Note that no mortality is assumed prior to NRA for proxy disclosure purposes;
-
- Marital status: 90% married, 10% single for male executives;
-
- Spouse age: spouse three years younger; and
-
- Form of payment: 50% joint & survivor annuity if married, single life annuity if single.

NONQUALIFIED DEFERRED COMPENSATION

Name	Contributions in Last FY (\$) ^{1,3}	Registrant Contributions in Last FY	Aggregate Earnings in Last FY	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last FYE
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		(\$)	(\$) ²	(\$)	(\$)
(a)	(b)	(c)	(d)	(e)	(f)
Keith O. Rattie	98,950	79,160	18,052	0	1,244,532
Stephen E. Parks	50,452	22,314	25,810	0	903,239
Charles B. Stanley	116,139	87,939	10,010	0	693,744
Thomas C. Jepperson	24,947	19,958	1,301	0	100,287