

**RENEWAL CERTIFICATION APPLICATION OF
DOMINION ENERGY SOLUTIONS, INC. ("DES")
FOR CERTIFICATION BY THE PUBLIC UTILITIES COMMISSION OF OHIO
AS A COMPETITIVE RETAIL NATURAL GAS SUPPLIER**

Exhibit B-2 "Experience & Plans."

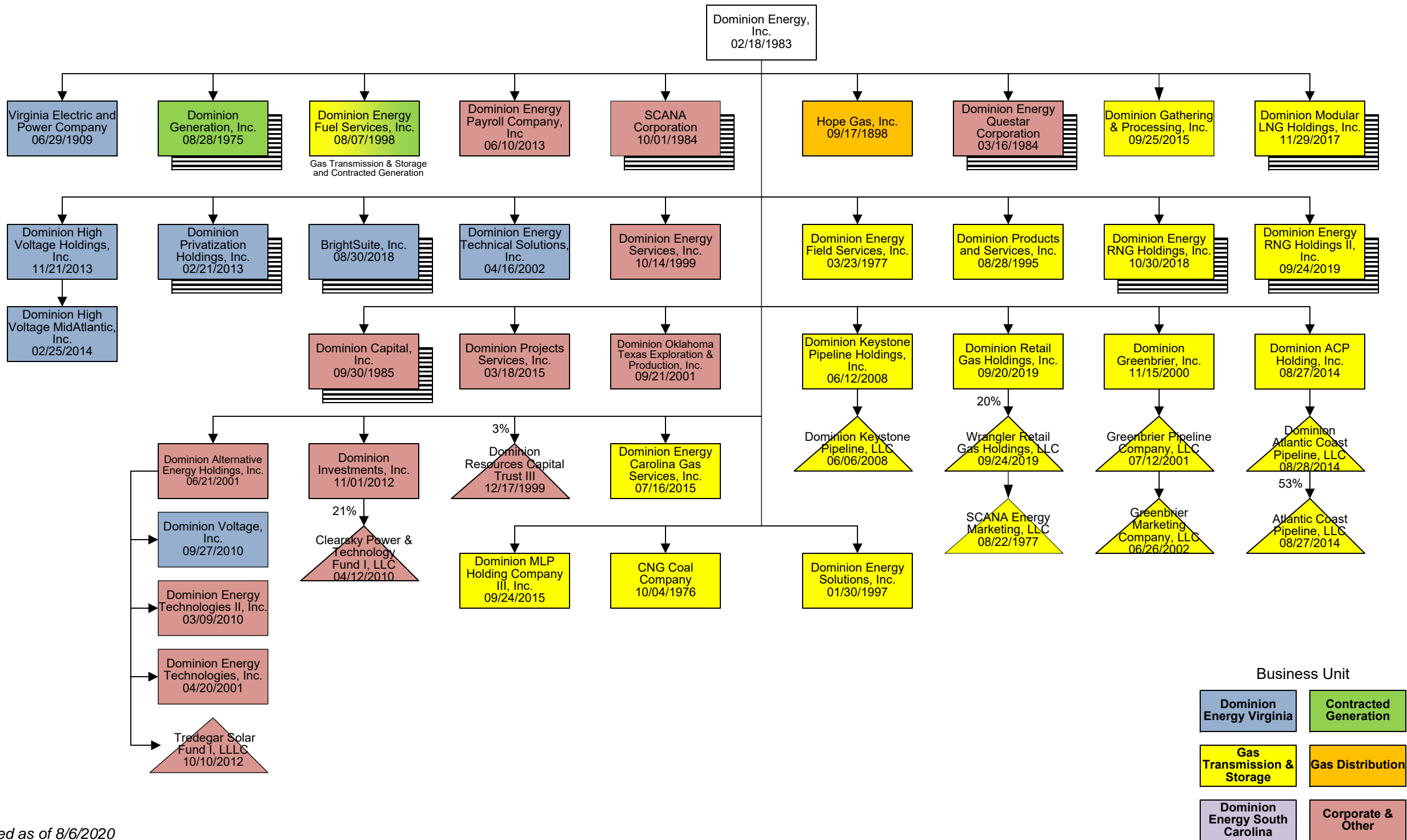
DES possesses extensive operational experience and expertise which enable it to reliably market natural gas to Ohio consumers under Ohio's natural gas retail choice programs. DES has been engaged in the direct sale of natural gas to Ohio consumers since 1997. It currently has approximately 190,000 primarily residential Ohio natural gas customers under contract.

Likewise, DES is a major participant in the Pennsylvania natural gas marketplace, having obtained its license to serve as natural gas supplier from the Pennsylvania Public Utility Commission in October 1999. The company serves approximately 151,000 natural gas customers in Pennsylvania. In 2010, DES began to market natural gas in New Jersey and currently serves approximately 3,400 customers in that state. DES began serving Virginia customers in 2011 and is currently serving approximately 17,000 Virginia customers. Finally, in 2016, DES began marketing in Maryland, where the company presently serves approximately 3,200 customers. DES is also a licensed natural gas supplier in Illinois and The District of Columbia although it is not currently active in those jurisdictions.

DES is fully equipped to handle all aspects of the natural gas retail choice marketing process in Ohio, which includes such functions as management of wholesale gas supply acquisition, scheduling on pipeline transmission and distribution systems, storage management, data administration, and customer service.

DES maintains a "cancel anytime without penalty" approach with regard to its existing natural gas retail sales contracts with Ohio residential and small commercial customers. As is currently the case, DES expects that billing for its services will be performed by the respective Ohio natural gas utilities. It is possible that DES will implement direct billing at some future point.

DES follows a customer dispute resolution procedure whereby customer complaints, either written or telephone, are first addressed by the company representative – typically a customer service employee – to whom the complaint is directed. If the customer service employee is unable to satisfactorily resolve the customer's complaint, the matter is referred to the supervisory level. With regard to customer complaints received by DES's outside call center vendor, Allconnect, Inc., such complaints that the vendor itself is unable to resolve are directed to the DES liaison for further handling. The Director Retail Gas Sales & Supply and in-house legal counsel may also be involved in the dispute resolution process.



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Exhibit D-1 "Operations."

Dominion Energy Solutions possesses extensive operational experience and expertise in delivering natural gas to all classes of customers under utility retail choice programs. As noted, it has been engaged in the direct access sale of natural gas since 1997.

As it has done in Ohio since 1997, Dominion Energy Solutions will continue to acquire natural gas for resale to retail customers in Ohio from various wholesale sources. Dominion Energy Solutions will continue to arrange for transmission and delivery, as well as applicable ancillary services, in connection with its procurement of natural gas for its Ohio customers.

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Exhibit D-2 "Key Technical Personnel"

Applicant has operated as a competitive natural gas supplier since 1997 in the states of Ohio and Pennsylvania. In that nineteen-year period, Applicant has gained considerable experience and expertise in the competitive retail supply business. Many Applicant's personnel – including managerial staff – who will be engaged in providing service to Ohio customers have in excess of sixteen years of natural gas experience in the marketing and operational areas and in excess of fourteen years working with GISB rules and practices. Applicant's managerial staff has been engaged in enterprise financial and administrative responsibilities for over eighteen years and possesses in excess of eighteen years of natural gas sales experience. Information on selected management personnel follows:

Diane Leopold, EVP & CO-Chief Operating Officer – Gas Distribution – GTS & DESC
diane.leopold@dominionenergy.com; 804-771-6990

Diane Leopold is Executive Vice President and Co-Chief Operating Officer – Dominion Energy, which serves more than 1.3 million customer accounts in Ohio and West Virginia including Dominion Gas Transmission and Cove Point LNG. Dominion Transmission, Inc. operates one of the largest underground storage complexes in the world.

Since joining the company in 1995, she has held various operational, project management, commercial and financial management roles in several business units. Recent positions include Senior Vice President – Business Development & Generation Construction and Senior Vice President – Dominion Transmission. She assumed her current post in January 2014.

Mark Fink, Director Gas Retail - Retail
mark.fink@dominionenergy.com; 804-787-6215

Mr. Fink has over 35 years' experience in the energy business, including the following positions:

Director, Gas Retail: 10 Months
Manager, Retail Gas Sales & Supply, Dominion Retail: 18 months
Manager, Retail Network Operations, Dominion Retail: 3 years
Energy Consulting Manager, Dominion Retail: 10 years

Prior to joining Dominion Retail in 2004, Mr. Fink held various technical and management positions within Dominion Energy in both regulated and unregulated areas including, customer service, energy conservation and program development.

P. Ian Arbogast, Director Financial & Business Services – Finance & Business SVCS – Dominion Transmission
p.ian.arbogast@dominionenergy.com; 804-787-6134

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Director Financial & Business Services – Finance & Business SVCS – Dominion Transmission;
1 year

Director, Retail Gas Sales & Supply, Dominion Retail, Inc.; 3 months

Director, Retail Gas Operations, Dominion Retail, Inc.; 8 months

Director, Financial Analysis – AES; 1 ½ years

Manager, Retail Finance, Dominion Resources, Inc.; 6 years

Manager, Retail Accounting, Dominion Resources, Inc.; 2 years

Lead Operational Accounting Analyst, Dominion Resources, Inc.; 2 ½ years

Prior to joining Dominion in 2004, Mr. Arbogast worked as a financial analyst for McKesson Pharmaceuticals. Mr. Arbogast has extensive experience in excess of ten years working with operations and other financial and administrative aspects of the natural gas business.

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number

001-08489

000-55337

001-37591

Exact name of registrants as specified in their charters

DOMINION ENERGY, INC.

VIRGINIA ELECTRIC AND POWER COMPANY

DOMINION ENERGY GAS HOLDINGS, LLC

VIRGINIA

(State or other jurisdiction of incorporation or organization)

120 TREDEGAR STREET

RICHMOND, VIRGINIA

(Address of principal executive offices)

(804) 819-2000

(Registrants' telephone number)

I.R.S. Employer
Identification Number

54-1229715

54-0418825

46-3639580

23219

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Registrant</u> | <u>Trading Symbol</u> | <u>Title of Each Class</u> | <u>Name of Each Exchange on Which Registered</u> |
|--|---------------------------|--|--|
| DOMINION ENERGY, INC. | D | Common Stock, no par value | New York Stock Exchange |
| | DRUA | 2016 Series A 5.25% Enhanced Junior Subordinated Notes | New York Stock Exchange |
| | DCUE | 2019 Series A Corporate Units | New York Stock Exchange |
| DOMINION ENERGY GAS HOLDINGS, LLC | | 2014 Series C 4.6% Senior Notes | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

VIRGINIA ELECTRIC AND POWER COMPANY

Common Stock, no par value

DOMINION ENERGY GAS HOLDINGS, LLC

Limited Liability Company Membership Interests

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Dominion Energy, Inc. Yes ☒ No ☐ Virginia Electric and Power Company Yes ☒ No ☐ Dominion Energy Gas Holdings, LLC Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Dominion Energy, Inc. Yes ☐ No ☒ Virginia Electric and Power Company Yes ☐ No ☒ Dominion Energy Gas Holdings, LLC Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Dominion Energy, Inc. Yes ☒ No ☐ Virginia Electric and Power Company Yes ☒ No ☐ Dominion Energy Gas Holdings, LLC Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Dominion Energy, Inc. Yes ☒ No ☐ Virginia Electric and Power Company Yes ☒ No ☐ Dominion Energy Gas Holdings, LLC Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Dominion Energy, Inc.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

Virginia Electric and Power Company

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
Emerging growth company ☐

Dominion Energy Gas Holdings, LLC

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Dominion Energy, Inc. Yes ☐ No ☒ Virginia Electric and Power Company Yes ☐ No ☒ Dominion Energy Gas Holdings, LLC Yes ☐ No ☒

The aggregate market value of Dominion Energy, Inc. common stock held by non-affiliates of Dominion Energy was approximately \$62.0 billion based on the closing price of Dominion Energy's common stock as reported on the New York Stock Exchange as of the last day of Dominion Energy's most recently completed second fiscal quarter. Dominion Energy is the sole holder of Virginia Electric and Power Company common stock. At February 14, 2020, Dominion Energy had 838,000,325 shares of common stock outstanding and Virginia Power had 274,723 shares of common stock outstanding. Dominion Energy Questar Corporation, a wholly-owned subsidiary of Dominion Energy, Inc., holds all of the membership interests of Dominion Energy Gas Holdings, LLC.

DOCUMENT INCORPORATED BY REFERENCE

Portions of Dominion Energy's 2020 Proxy Statement are incorporated by reference in Part III.

This combined Form 10-K represents separate filings by Dominion Energy, Inc., Virginia Electric and Power Company and Dominion Energy Gas Holdings, LLC. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Virginia Electric and Power Company and Dominion Energy Gas Holdings, LLC make no representations as to the information relating to Dominion Energy, Inc.'s other operations.

VIRGINIA ELECTRIC AND POWER COMPANY AND DOMINION ENERGY GAS HOLDINGS, LLC MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND ARE FILING THIS FORM 10-K UNDER THE REDUCED DISCLOSURE FORMAT.

Dominion Energy, Inc., Virginia Electric and Power Company and Dominion Energy Gas Holdings, LLC

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Glossary of Terms

The following abbreviations or acronyms used in this Form 10-K are defined below:

| Abbreviation or Acronym | Definition |
|---------------------------------|---|
| 2016 Equity Units | Dominion Energy's 2016 Series A Equity Units issued in August 2016, initially in the form of 2016 Series A Corporate Units, consisting of a stock purchase contract and a 1/40 interest in RSNs issued by Dominion Energy |
| 2019 Equity Units | Dominion Energy's 2019 Series A Equity Units issued in June 2019, initially in the form of 2019 Series A Corporate Units, consisting of a stock purchase contract and a 1/10 interest in a share of the Series A Preferred Stock |
| 2017 Tax Reform Act | An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017 |
| 2020 Proxy Statement | Dominion Energy 2020 Proxy Statement, File No. 001-08489 |
| ABO | Accumulated benefit obligation |
| ACE Rule | Affordable Clean Energy Rule |
| AFUDC | Allowance for funds used during construction |
| Align RNG | Align RNG, LLC, a joint venture between Dominion Energy and Smithfield Foods, Inc. |
| AMI | Advanced Metering Infrastructure |
| AOCI | Accumulated other comprehensive income (loss) |
| ARO | Asset retirement obligation |
| Atlantic Coast Pipeline | Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion Energy, Duke and Southern |
| Atlantic Coast Pipeline Project | An approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina which will be owned by Dominion Energy, Duke and Southern to be constructed and operated by DETI |
| BACT | Best available control technology |
| bcf | Billion cubic feet |
| bcfe | Billion cubic feet equivalent |
| Bear Garden | A 590 MW combined-cycle, natural gas-fired power station in Buckingham County, Virginia |
| Blue Racer | Blue Racer Midstream, LLC, a joint venture between Caiman Energy II, LLC and FR BR Holdings, LLC effective December 2018 |
| BP | BP Wind Energy North America Inc. |
| Brookfield | Brookfield Super-Core Infrastructure Partners, an infrastructure fund managed by Brookfield Asset Management Inc. |
| Brunswick County | A 1,376 MW combined-cycle, natural gas-fired power station in Brunswick County, Virginia |
| CAA | Clean Air Act |
| CAISO | California ISO |
| CAO | Chief Accounting Officer |
| CCR | Coal combustion residual |
| CEA | Commodity Exchange Act |
| CEO | Chief Executive Officer |
| CEP | Capital Expenditure Program, as established by House Bill 95, Ohio legislation enacted in 2011, deployed by East Ohio to recover certain costs associated with capital investment |
| CERCLA | Comprehensive Environmental Response, Compensation and Liability Act of 1980, also known as Superfund |
| CFO | Chief Financial Officer |
| CGN Committee | Compensation, Governance and Nominating Committee of Dominion Energy's Board of Directors |
| CNG | Consolidated Natural Gas Company |
| CO ₂ | Carbon dioxide |
| Colonial Trail West | A 142 MW utility-scale solar power station located in Surry County, Virginia |
| Companies | Dominion Energy, Virginia Power and Dominion Energy Gas, collectively |
| Contracted Generation | Contracted Generation operating segment |
| COO | Chief Operating Officer |
| Cooling degree days | Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, or 75 degrees Fahrenheit in DESC's service territory, calculated as the difference between 65 or 75 degrees, as applicable, and the average temperature for that day |
| Cove Point | Dominion Energy Cove Point LNG, LP |
| Cove Point LNG Facility | An LNG import/export and storage facility, including the Liquefaction Facility, located on the Chesapeake Bay in Lusby, Maryland |
| Cove Point Pipeline | A 136 mile natural gas pipeline that connects the Cove Point LNG Facility to interstate natural gas pipelines |
| CPCN | Certificate of Public Convenience and Necessity |
| CWA | Clean Water Act |
| DCP | The legal entity, Dominion Cove Point, LLC (formerly known as Dominion Cove Point, Inc.), one or more of its consolidated subsidiaries, or the entirety of Dominion Cove Point, LLC and its consolidated subsidiaries |

| Abbreviation or Acronym | Definition |
|-------------------------------------|--|
| DECC | Dominion Energy Carolina Gas Transmission, LLC |
| DECGS | Dominion Energy Carolina Gas Services, Inc. |
| DEQPS | Dominion Energy Questar Pipeline Services, Inc. |
| DES | Dominion Energy Services, Inc. |
| DESC | The legal entity, Dominion Energy South Carolina, Inc. (formerly known as South Carolina Electric & Gas Company), one or more of its consolidated entities or operating segment, or the entirety of Dominion Energy South Carolina, Inc. and its consolidated entities |
| DETI | Dominion Energy Transmission, Inc. |
| DGI | Dominion Generation, Inc. |
| DGP | Dominion Gathering and Processing, Inc. |
| DMLPHCII | Dominion MLP Holding Company II, LLC (formerly known as Dominion MLP Holding Company II, Inc.) |
| Dodd-Frank Act | The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 |
| DOE | U.S. Department of Energy |
| Dominion Energy | The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than Virginia Power and Dominion Energy Gas) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries |
| Dominion Energy Direct [®] | A dividend reinvestment and open enrollment direct stock purchase plan |
| Dominion Energy Gas | The legal entity, Dominion Energy Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Energy Gas Holdings, LLC and its consolidated subsidiaries |
| Dominion Energy Gas Restructuring | The acquisition of DCP and DMLPHCII from, and the disposition of East Ohio and DGP to, Dominion Energy by Dominion Energy Gas on November 6, 2019 |
| Dominion Energy Midstream | The legal entity, Dominion Energy Midstream Partners, LP, one or more of its consolidated subsidiaries, or the entirety of Dominion Energy Midstream Partners, LP and its consolidated subsidiaries |
| Dominion Energy Questar | The legal entity, Dominion Energy Questar Corporation, one or more of its consolidated subsidiaries (other than Dominion Energy Gas, effective November 2019), or the entirety of Dominion Energy Questar Corporation and its consolidated subsidiaries |
| Dominion Energy Questar Combination | Dominion Energy's acquisition of Dominion Energy Questar completed on September 16, 2016 pursuant to the terms of the agreement and plan of merger entered on January 31, 2016 |
| Dominion Energy Questar Pipeline | Dominion Energy Questar Pipeline, LLC, one or more of its consolidated subsidiaries, or the entirety of Dominion Energy Questar Pipeline, LLC and its consolidated subsidiaries |
| Dominion Energy South Carolina | Dominion Energy South Carolina operating segment |
| Dominion Energy Virginia | Dominion Energy Virginia operating segment |
| DSM | Demand-side management |
| Dth | Dekatherm |
| Duke | The legal entity, Duke Energy Corporation, one or more of its consolidated subsidiaries, or the entirety of Duke Energy Corporation and its consolidated subsidiaries |
| Eagle Solar | Eagle Solar, LLC, a wholly-owned subsidiary of DGI |
| East Ohio | The East Ohio Gas Company, doing business as Dominion Energy Ohio |
| Eastern Market Access Project | Project to provide 150,000 Dths/day of transportation service to help meet demand for natural gas for Washington Gas Light Company, a local gas utility serving customers in D.C., Virginia and Maryland |
| Energy Choice | Program authorized by the Ohio Commission which provides energy customers with the ability to shop for energy options from a group of suppliers certified by the Ohio Commission |
| EPA | U.S. Environmental Protection Agency |
| EPACT | Energy Policy Act of 2005 |
| EPS | Earnings per share |
| ERISA | Employee Retirement Income Security Act of 1974 |
| ESA | Endangered Species Act |
| Excess Tax Benefits | Benefits of tax deductions in excess of the compensation cost recognized for stock-based compensation |
| Export Customers | ST Cove Point, LLC, a joint venture of Sumitomo Corporation and Tokyo Gas Co., LTD., and GAIL Global (USA) LNG, LLC |
| Fairless | Fairless power station |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| FILOT | Fee in lieu of taxes |
| Fitch | Fitch Ratings Ltd. |
| Four Brothers | Four Brothers Solar, LLC, a limited liability company owned by Dominion Energy and Four Brothers Holdings, LLC, a subsidiary of GIP effective August 2018 |
| Fowler Ridge | Fowler I Holdings LLC, a wind-turbine facility joint venture with BP in Benton County, Indiana |
| FTRs | Financial transmission rights |
| GAAP | U.S. generally accepted accounting principles |
| Gal | Gallon |
| Gas Distribution | Gas Distribution operating segment |
| Gas Transmission & Storage | Gas Transmission & Storage operating segment |

| Abbreviation or Acronym | Definition |
|--|--|
| GENCO | South Carolina Generating Company, Inc. |
| GHG | Greenhouse gas |
| GIP | The legal entity, Global Infrastructure Partners, one or more of its consolidated subsidiaries (including, effective August 2018, Four Brothers Holdings, LLC, Granite Mountain Renewables, LLC and Iron Springs Renewables, LLC) or operating segments, or the entirety of Global Infrastructure Partners and its consolidated subsidiaries |
| Granite Mountain | Granite Mountain Holdings, LLC, a limited liability company owned by Dominion Energy and Granite Mountain Renewables, LLC, a subsidiary of GIP effective August 2018 |
| Green Mountain | Green Mountain Power Corporation |
| GreenHat | GreenHat Energy, LLC |
| Greensville County | A 1,588 MW combined-cycle, natural gas-fired power station in Greensville County, Virginia |
| GTSA | Virginia Grid Transformation and Security Act of 2018 |
| Heating degree days | Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, or 60 degrees Fahrenheit in DESC's service territory, calculated as the difference between 65 or 60 degrees, as applicable, and the average temperature for that day |
| Hope | Hope Gas, Inc., doing business as Dominion Energy West Virginia |
| Idaho Commission | Idaho Public Utilities Commission |
| IRCA | Intercompany revolving credit agreement |
| Iron Springs | Iron Springs Holdings, LLC, a limited liability company owned by Dominion Energy and Iron Springs Renewables, LLC, a subsidiary of GIP effective August 2018 |
| Iroquois | Iroquois Gas Transmission System, L.P. |
| IRS | Internal Revenue Service |
| ISO | Independent system operator |
| ISO-NE | ISO New England |
| July 2016 hybrids | Dominion Energy's 2016 Series A Enhanced Junior Subordinated Notes due 2076 |
| June 2006 hybrids | Dominion Energy's 2006 Series A Enhanced Junior Subordinated Notes due 2066 |
| Kewaunee | Kewaunee nuclear power station |
| kV | Kilovolt |
| LIBOR | London Interbank Offered Rate |
| LIFO | Last-in-first-out inventory method |
| Liquefaction Facility | A natural gas export/liquefaction facility at the Cove Point LNG Facility |
| LNG | Liquefied natural gas |
| LTIP | Long-term incentive program |
| Manchester | Manchester power station |
| Massachusetts Municipal | Massachusetts Municipal Wholesale Electric Company |
| MATS | Utility Mercury and Air Toxics Standard Rule |
| mcf | Thousand cubic feet |
| mcfe | Thousand cubic feet equivalent |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| MGD | Million gallons a day |
| Millstone | Millstone nuclear power station |
| Millstone 2019 power purchase agreements | Power purchase agreements with Eversource Energy and The United Illuminating Company for Millstone to provide nine million MWh per year of electricity for ten years |
| Moody's | Moody's Investors Service |
| Mtpa | Million metric tons per annum |
| MW | Megawatt |
| MWh | Megawatt hour |
| Natural Gas Rate Stabilization Act | Legislation effective February 2005 designed to improve and maintain natural gas service infrastructure to meet the needs of customers in South Carolina |
| NAV | Net asset value |
| NedPower | NedPower Mount Storm LLC, a wind-turbine facility joint venture between Dominion Energy and Shell WindEnergy, Inc. in Grant County, West Virginia |
| NEIL | Nuclear Electric Insurance Limited |
| NERC | North American Electric Reliability Corporation |
| NG | Collectively, North East Transmission Co., Inc. and National Grid IGTS Corp. |
| NGL | Natural gas liquid |
| NJNR | NJNR Pipeline Company |
| NND Project | V.C. Summer Units 2 and 3 nuclear development project under which DESC and Santee Cooper undertook to construct two Westinghouse AP1000 Advanced Passive Safety Nuclear Units in Jenkinsville, South Carolina |
| North Anna | North Anna nuclear power station |
| North Carolina Commission | North Carolina Utilities Commission |
| NO _x | Nitrogen oxide |
| NRC | U.S. Nuclear Regulatory Commission |

| Abbreviation or Acronym | Definition |
|-------------------------|--|
| NRG | The legal entity, NRG Energy, Inc., one or more of its consolidated subsidiaries (including, effective November 2016 through August 2018, Four Brothers Holdings, LLC, Granite Mountain Renewables, LLC and Iron Springs Renewables, LLC) or operating segments, or the entirety of NRG Energy, Inc. and its consolidated subsidiaries |
| NSPS | New Source Performance Standards |
| NYSE | New York Stock Exchange |
| October 2014 hybrids | Dominion Energy's 2014 Series A Enhanced Junior Subordinated Notes due 2054 |
| ODEC | Old Dominion Electric Cooperative |
| Ohio Commission | Public Utilities Commission of Ohio |
| Order 1000 | Order issued by FERC adopting requirements for electric transmission planning, cost allocation and development |
| PHMSA | Pipeline and Hazardous Materials Safety Administration |
| PIR | Pipeline Infrastructure Replacement program deployed by East Ohio |
| PJM | PJM Interconnection, L.L.C. |
| ppb | Parts-per-billion |
| Predecessor | Dominion Energy as the predecessor for accounting purposes for the period of Dominion Energy's ownership of DCP and DMLPHCII until the completion of the Dominion Energy Gas Restructuring |
| PREP | Pipeline Replacement and Expansion Program, a program of replacing, upgrading and expanding natural gas utility infrastructure deployed by Hope |
| PSD | Prevention of significant deterioration |
| PSNC | Public Service Company of North Carolina, Incorporated, doing business as Dominion Energy North Carolina |
| PURA | Connecticut's Public Utility Regulatory Authority |
| Questar Gas | Questar Gas Company, doing business as Dominion Energy Utah, Dominion Energy Wyoming and Dominion Energy Idaho |
| RCC | Replacement Capital Covenant |
| Regulation Act | Legislation effective July 1, 2007, that amended the Virginia Electric Utility Restructuring Act and fuel factor statute, which legislation is also known as the Virginia Electric Utility Regulation Act, as amended in 2015 and 2018 |
| RGGI | Regional Greenhouse Gas Initiative |
| RICO | Racketeer Influenced and Corrupt Organizations Act |
| Rider B | A rate adjustment clause associated with the recovery of costs related to the conversion of three of Virginia Power's coal-fired power stations to biomass |
| Rider BW | A rate adjustment clause associated with the recovery of costs related to Brunswick County |
| Rider E | A rate adjustment clause associated with the recovery of costs related to certain capital projects at Virginia Power's electric generating stations to comply with federal and state environmental laws and regulations |
| Rider GV | A rate adjustment clause associated with the recovery of costs related to Greenville County |
| Rider R | A rate adjustment clause associated with the recovery of costs related to Bear Garden |
| Rider S | A rate adjustment clause associated with the recovery of costs related to the Virginia City Hybrid Energy Center |
| Rider T1 | A rate adjustment clause to recover the difference between revenues produced from transmission rates included in base rates, and the new total revenue requirement developed annually for the rate years effective September 1 |
| Rider U | A rate adjustment clause associated with the recovery of costs of new underground distribution facilities |
| Rider US-2 | A rate adjustment clause associated with the recovery of costs related to Woodland Solar, Scott Solar and Whitehouse Solar |
| Rider US-3 | A rate adjustment clause associated with the recovery of costs related to Colonial Trail West and Spring Grove 1 |
| Rider US-4 | A rate adjustment clause associated with the recovery of costs related to Sadler Solar |
| Rider W | A rate adjustment clause associated with the recovery of costs related to Warren County |
| Riders C1A, C2A and C3A | Rate adjustment clauses associated with the recovery of costs related to certain DSM programs approved in DSM cases |
| ROE | Return on equity |
| ROIC | Return on invested capital |
| RSN | Remarketable subordinated note |
| RTEP | Regional transmission expansion plan |
| RTO | Regional transmission organization |
| Sadler Solar | An approximately 100 MW proposed utility-scale solar power station located in Greenville County, Virginia |
| SAFSTOR | A method of nuclear decommissioning, as defined by the NRC, in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use |
| SAIDI | System Average Interruption Duration Index, metric used to measure electric service reliability |
| Santee Cooper | South Carolina Public Service Authority |
| SBL Holdco | SBL Holdco, LLC, a wholly-owned subsidiary of DGI |
| SCANA | The legal entity, SCANA Corporation, one or more of its consolidated subsidiaries, or the entirety of SCANA Corporation and its consolidated subsidiaries |

| Abbreviation or Acronym | Definition |
|------------------------------------|--|
| SCANA Combination | Dominion Energy's acquisition of SCANA completed on January 1, 2019 pursuant to the terms of the agreement and plan of merger entered on January 2, 2018 between Dominion Energy and SCANA |
| SCANA Merger Approval Order | Final order issued by the South Carolina Commission on December 21, 2018 setting forth its approval of the SCANA Combination |
| SCDHEC | South Carolina Department of Health and Environmental Control |
| SCDOR | South Carolina Department of Revenue |
| Scott Solar | A 17 MW utility-scale solar power station in Powhatan County, Virginia |
| SEC | U.S. Securities and Exchange Commission |
| SEMI | SCANA Energy Marketing, Inc. |
| September 2006 hybrids | Dominion Energy's 2006 Series B Enhanced Junior Subordinated Notes due 2066 |
| SERC | Southeast Electric Reliability Council |
| Series A Preferred Stock | Dominion Energy's 1.75% Series A Cumulative Perpetual Convertible Preferred Stock, without par value, with a liquidation preference of \$1,000 per share |
| Series B Preferred Stock | Dominion Energy's 4.65% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, without par value, with a liquidation preference of \$1,000 per share |
| SO ₂ | Sulfur dioxide |
| South Carolina Commission | Public Service Commission of South Carolina |
| Southern | The legal entity, The Southern Company, one or more of its consolidated subsidiaries, or the entirety of The Southern Company and its consolidated subsidiaries |
| Spring Grove 1 | An approximately 98 MW proposed utility-scale solar power station located in Surry County, Virginia |
| Standard & Poor's | Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. |
| Summer | V.C. Summer nuclear power station |
| SunEdison | The legal entity, SunEdison, Inc., one or more of its consolidated subsidiaries, or the entirety of SunEdison, Inc. and its consolidated subsidiaries |
| Surry | Surry nuclear power station |
| Terra Nova Renewable Partners | A partnership comprised primarily of institutional investors advised by J.P. Morgan Asset Management—Global Real Assets |
| Three Cedars | Granite Mountain and Iron Springs, collectively |
| TransCanada | The legal entity, TransCanada Corporation, one or more of its consolidated subsidiaries or operating segments, or the entirety of TransCanada Corporation and its consolidated subsidiaries |
| TSR | Total shareholder return |
| Utah Commission | Utah Public Service Commission |
| VDEQ | Virginia Department of Environmental Quality |
| VEBA | Voluntary Employees' Beneficiary Association |
| VIE | Variable interest entity |
| Virginia City Hybrid Energy Center | A 610 MW baseload carbon-capture compatible, clean coal powered electric generation facility in Wise County, Virginia |
| Virginia Commission | Virginia State Corporation Commission |
| Virginia Power | The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segment, or the entirety of Virginia Electric and Power Company and its consolidated subsidiaries |
| VOC | Volatile organic compounds |
| Warren County | A 1,350 MW combined-cycle, natural gas-fired power station in Warren County, Virginia |
| WECTEC | WECTEC Global Project Services, Inc. (formerly known as Stone & Webster, Inc.), a wholly-owned subsidiary of Westinghouse |
| West Virginia Commission | Public Service Commission of West Virginia |
| Westinghouse | Westinghouse Electric Company LLC |
| Wexpro | The legal entity, Wexpro Company, one or more of its consolidated subsidiaries, or the entirety of Wexpro Company and its consolidated subsidiaries |
| Wexpro Agreement | An agreement which sets forth the rights of Questar Gas to receive certain benefits from Wexpro's operations, including cost-of-service gas |
| Wexpro II Agreement | An agreement with the states of Utah and Wyoming modeled after the Wexpro Agreement that allows for the addition of properties under the cost-of-service methodology for the benefit of Questar Gas customers |
| Whitehouse Solar | A 20 MW utility-scale solar power station in Louisa County, Virginia |
| White River Hub | White River Hub, LLC |
| Woodland Solar | A 19 MW utility-scale solar power station in Isle of Wight County, Virginia |
| Wrangler | Wrangler Retail Gas Holdings, LLC, a partnership between Dominion Energy and Interstate Gas Supply Inc. |
| Wyoming Commission | Wyoming Public Service Commission |

Item 1. Business

GENERAL

Dominion Energy, headquartered in Richmond, Virginia and incorporated in Virginia in 1983, is one of the nation's largest producers and transporters of energy. Dominion Energy's strategy is to be a leading sustainable provider of electricity, natural gas and related services to customers primarily in the eastern and Rocky Mountain regions of the U.S. As of December 31, 2019, Dominion Energy's portfolio of assets includes approximately 30,700 MW of electric generating capacity, 10,400 miles of electric transmission lines, 85,000 miles of electric distribution lines, 14,600 miles of natural gas transmission, gathering and storage pipelines and 103,400 miles of gas distribution pipeline, exclusive of service lines. As of December 31, 2019, Dominion Energy serves more than 7 million utility and retail energy customers and operates one of the nation's largest underground natural gas storage systems, with approximately 1 trillion cubic feet of storage capacity.

In January 2019, Dominion Energy completed the SCANA Combination in a stock-for-stock merger valued at \$13.4 billion. SCANA, which operates as a wholly-owned subsidiary of Dominion Energy, is primarily engaged in the generation, transmission and distribution of electricity in the central, southern and southwestern portions of South Carolina and in the distribution of natural gas in North Carolina and South Carolina. DESC, a wholly-owned subsidiary of SCANA, is consolidated by Dominion Energy and remains an SEC registrant. However, its Form 10-K is filed separately and is not combined herein.

Dominion Energy continues to focus on expanding and improving its regulated and long-term contracted electric and natural gas businesses while transitioning to a cleaner energy future. The \$26 billion growth capital plan for 2019 through 2023 includes a focus on upgrading the electric system in Virginia through investments in additional renewable generation facilities, strategic undergrounding and energy conservation programs. Renewable generation facilities are expected to include investments in utility-scale solar and offshore wind projects. In addition, Dominion Energy is currently seeking, or intends to seek, license extensions for its regulated nuclear power stations in Virginia. Other drivers for the growth capital expenditure plan include agriculture-waste-to-energy initiatives, the replacement of gas distribution pipeline, the construction of infrastructure to handle the increase in natural gas production from the Marcellus and Utica Shale formations, including investing in Atlantic Coast Pipeline which is focused on constructing an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina, to increase natural gas supplies in the region. Dominion Energy also plans to continue upgrading its gas and electric transmission and distribution networks while also meeting environmental requirements and standards set by various regulatory bodies.

Over the past decade, Dominion Energy has transitioned to a more regulated, less volatile earnings mix as evidenced by its capital investments in regulated infrastructure, including the SCANA Combination and Dominion Energy Questar Combination, and in infrastructure with output sold under long-term purchase agreements, as well as the divestiture of interests in certain merchant generating facilities and natural gas gathering and processing investments. Dominion Energy expects approximately 95% of

earnings from its primary operating segments to come from regulated and long-term contracted businesses. Dominion Energy's nonregulated operations include merchant generation and natural gas retail energy marketing operations. Dominion Energy's operations are conducted through various subsidiaries, including Virginia Power and Dominion Energy Gas.

Virginia Power, headquartered in Richmond, Virginia and incorporated in Virginia in 1909 as a Virginia public service corporation, is a wholly-owned subsidiary of Dominion Energy and a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. In Virginia, Virginia Power conducts business under the name "Dominion Energy Virginia" and primarily serves retail customers. In North Carolina, it conducts business under the name "Dominion Energy North Carolina" and serves retail customers located in the northeastern region of the state, excluding certain municipalities. In addition, Virginia Power sells and transmits electricity at wholesale prices to rural electric cooperatives, municipalities and into wholesale electricity markets. All of Virginia Power's stock is owned by Dominion Energy.

Dominion Energy Gas, a limited liability company formed in September 2013, is a wholly-owned subsidiary of Dominion Energy and a holding company. Following the Dominion Energy Gas Restructuring, Dominion Energy Gas serves as the intermediate parent company for Dominion Energy's FERC-regulated interstate natural gas transmission pipeline and underground storage systems in the eastern and Rocky Mountain regions of the U.S., as well as for the Cove Point LNG Facility. Dominion Energy Gas' principal operating subsidiaries include DETI, DECG, Dominion Energy Questar Pipeline and a controlling 75% interest in Cove Point. In addition, Dominion Energy Gas holds a 50% noncontrolling partnership interest in Iroquois, a FERC-regulated interstate natural gas pipeline. All of Dominion Energy Gas' membership interests are owned by Dominion Energy.

Amounts and information disclosed for Dominion Energy are inclusive of Virginia Power and/or Dominion Energy Gas, where applicable.

EMPLOYEES

At December 31, 2019, Dominion Energy had approximately 19,100 full-time employees, of which approximately 5,400 are subject to collective bargaining agreements, including approximately 6,000 full-time employees at Virginia Power, of which approximately 2,500 are subject to collective bargaining agreements and approximately 1,400 full-time employees at Dominion Energy Gas, of which approximately 700 are subject to collective bargaining agreements.

WHERE YOU CAN FIND MORE INFORMATION ABOUT THE COMPANIES

The Companies file their annual, quarterly and current reports, proxy statements and other information with the SEC. Their SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>.

The Companies make their SEC filings available, free of charge, including the annual report on Form 10-K, quarterly

reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, through Dominion Energy's website, <http://www.dominionenergy.com>, as soon as reasonably practicable after filing or furnishing the material to the SEC. Information contained on Dominion Energy's website, including but not limited to reports mentioned in *Environmental Strategy*, is not incorporated by reference in this report.

ACQUISITIONS AND DISPOSITIONS

The following are significant acquisitions and divestitures by the Companies during the last five years.

PENDING ACQUISITION OF INTEREST IN ATLANTIC COAST PIPELINE AND PIVOTAL LNG, INC.

In February 2020, Dominion Energy entered into agreements with Southern to acquire its 5% membership interest in Atlantic Coast Pipeline and its 100% ownership interest in Pivotal LNG, Inc., for approximately \$175 million in aggregate, plus certain purchase price adjustments. See Note 9 to the Consolidated Financial Statements for additional information.

ACQUISITION OF SCANA

In January 2019, Dominion Energy and SCANA completed a stock-for-stock merger valued at \$13.4 billion, inclusive of SCANA's outstanding debt, which totaled \$6.9 billion at closing. SCANA operates as a wholly-owned subsidiary of Dominion Energy. See Note 3 to the Consolidated Financial Statements for additional information.

PURCHASE OF DOMINION ENERGY MIDSTREAM UNITS

In January 2019, Dominion Energy acquired all outstanding partnership interests of Dominion Energy Midstream not owned by Dominion Energy through the issuance of 22.5 million shares of Dominion Energy common stock. See Note 20 to the Consolidated Financial Statements for additional information.

DOMINION ENERGY GAS RESTRUCTURING

In November 2019, Dominion Energy Gas finalized a restructuring whereby Dominion Energy's wholly-owned subsidiaries, DCP and DMLPHCII, were contributed to Dominion Energy Gas. In addition, Dominion Energy Gas' wholly-owned subsidiaries, East Ohio and DGP, were distributed to Dominion Energy. This restructuring was accounted for by Dominion Energy Gas as a reorganization of entities under common control. See Note 3 to the Consolidated Financial Statements for additional information.

SALE OF INTEREST IN COVE POINT

In December 2019, Dominion Energy completed the sale of a 25% noncontrolling interest in Cove Point to Brookfield in exchange for cash consideration of \$2.1 billion, subject to working capital adjustments. See Note 3 to the Consolidated Financial Statements for additional information.

ACQUISITION OF INTEREST IN WRANGLER

In December 2019, Dominion Energy acquired a 20% noncontrolling interest in Wrangler, a partnership with Interstate Gas Supply, Inc., along with \$301 million in cash as part of its initial contribution of certain retail energy marketing operations. See Note 9 to the Consolidated Financial Statements for additional information.

SALE OF CERTAIN MERCHANT GENERATION FACILITIES

In December 2018, Dominion Energy completed the sale of Fairless and Manchester for total consideration of \$1.2 billion, subject to customary closing adjustments. See Note 10 to the Consolidated Financial Statements for additional information.

SALE OF INTEREST IN BLUE RACER

In December 2018, Dominion Energy completed the sale of its 50% limited partner interest in Blue Racer for total consideration of \$1.2 billion. In addition, the purchaser agreed to pay additional consideration contingent upon the achievement of certain financial performance milestones of Blue Racer from 2019 through 2021. See Note 9 to the Consolidated Financial Statements for additional information.

ACQUISITION OF DOMINION ENERGY QUESTAR

In September 2016, Dominion Energy completed the Dominion Energy Questar Combination for total consideration of \$4.4 billion and Dominion Energy Questar became a wholly-owned subsidiary of Dominion Energy.

ACQUISITION OF WHOLLY-OWNED MERCHANT SOLAR PROJECTS

In 2019, Dominion Energy completed the acquisition of various merchant solar projects in North Carolina, South Carolina and Virginia. These projects are expected to cost a total of approximately \$425 million once constructed, including the initial acquisition cost, and generate approximately 241 MW combined.

Throughout 2017, Dominion Energy completed the acquisition of various merchant solar projects in California, North Carolina and Virginia for \$356 million. The projects cost \$541 million to construct, including the initial acquisition cost, and generate 259 MW.

Throughout 2016, Dominion Energy completed the acquisition of various merchant solar projects in North Carolina, South Carolina and Virginia for \$32 million. The projects cost \$421 million to construct, including the initial acquisition cost, and generate 221 MW.

Throughout 2015, Dominion Energy completed the acquisition of various merchant solar projects in California and Virginia for \$381 million. The projects cost \$588 million to construct, including the initial acquisition cost, and generate 182 MW.

See Note 3 and Note 10 to the Consolidated Financial Statements for additional information.

ACQUISITION OF VIRGINIA POWER SOLAR PROJECTS

In 2019, Virginia Power entered into agreements to acquire various solar development projects in Virginia. Four of these projects closed in 2019 and the fifth closed in January 2020 with a total expected cost of approximately \$765 million once constructed, including initial acquisition costs, and will generate approximately 448 MW combined.

In 2018, Virginia Power entered into agreements to acquire various solar development projects in North Carolina and Virginia. These projects closed in 2019 with a total cost of \$297 million, including initial acquisition costs, and generate 175 MW combined.

In 2017, Virginia Power entered into agreements to acquire various solar development projects in North Carolina. The projects closed in 2018 and 2019 with a total cost of \$282 million, including initial acquisition costs, and generate 155 MW combined.

See Note 10 to the Consolidated Financial Statements for additional information.

SALE OF CERTAIN RETAIL ENERGY MARKETING ASSETS

In October 2017, Dominion Energy entered into an agreement to sell certain assets associated with its nonregulated retail energy marketing operations for total consideration of \$143 million, subject to customary approvals and certain adjustments. In December 2017, the first phase of the agreement closed for \$79 million. In October 2018, the second phase of the agreement closed for \$63 million. Pursuant to the agreement, Dominion Energy entered into a commission agreement with the buyer upon the first closing in December 2017, under which the buyer will pay a commission in connection with the right to use Dominion Energy's brand in marketing materials and other services over a ten-year term. See Note 10 to the Consolidated Financial Statements for additional information.

ASSIGNMENT OF TOWER RENTAL PORTFOLIO

Virginia Power rents space on certain of its electric transmission towers to various wireless carriers for communications antennas and other equipment. In March 2017, Virginia Power sold its rental portfolio to Vertical Bridge Towers II, LLC for \$91 million in cash. See Note 10 to the Consolidated Financial Statements for additional information.

ACQUISITION OF NON-WHOLLY-OWNED MERCHANT SOLAR PROJECTS

In 2015, Dominion Energy acquired 50% of the units in Four Brothers and Three Cedars from SunEdison for \$107 million. In November 2016, NRG acquired the 50% of units in Four Brothers and Three Cedars previously held by SunEdison. In August 2018, NRG's ownership in Four Brothers and Three Cedars was transferred to GIP. The facilities began commercial operations in the third quarter of 2016, with generating capacity of 530 MW, at a cost of \$1.1 billion.

SALE OF INTEREST IN MERCHANT SOLAR PROJECTS

In September 2015, Dominion Energy signed an agreement to sell a noncontrolling interest (consisting of 33% of the equity interests) in all of its then wholly-owned merchant solar projects, 24 solar projects totaling 425 MW, to SunEdison. In December 2015, the sale of interest in 15 of the solar projects closed for \$184 million with the sale of interest in the remaining projects completed in January 2016 for \$117 million. Upon closing, SunEdison sold its interest in these projects to Terra Nova Renewable Partners.

DOMINION ENERGY MIDSTREAM ACQUISITION OF INTEREST IN IROQUOIS

In September 2015, Dominion Energy Midstream acquired from NG and NJNR a 25.93% noncontrolling partnership interest in Iroquois. The investment was recorded at \$216 million based on the value of Dominion Energy Midstream's common units at closing. The common units issued to NG and NJNR have been reflected as noncontrolling interest in Dominion Energy and Dominion Energy Gas' Consolidated Financial Statements.

ACQUISITION OF DECG

In January 2015, Dominion Energy completed the acquisition of 100% of the equity interests of DECG from SCANA for \$497 million in cash, as adjusted for working capital.

ASSIGNMENTS OF SHALE DEVELOPMENT RIGHTS

In December 2013, Dominion Energy Gas closed on agreements with natural gas producers to convey over time approximately 100,000 acres of Marcellus Shale development rights underneath several natural gas storage fields. The agreements provided for payments to Dominion Energy Gas, subject to customary adjustments, of up to approximately \$200 million over a period of nine years, and an overriding royalty interest in gas produced from that acreage. In March 2015, Dominion Energy Gas and a natural gas producer closed on an amendment to a December 2013 agreement, which included the immediate conveyance of approximately 9,000 acres of Marcellus Shale development rights and a two-year extension of the term of the original agreement. The conveyance of development rights resulted in the recognition of \$43 million of previously deferred revenue. In April 2016, Dominion Energy Gas and the natural gas producer closed on an amendment to the agreement, which included the immediate conveyance of a 32% partial interest in the remaining approximately 70,000 acres. This conveyance resulted in the recognition of the remaining \$35 million of previously deferred revenue. In August 2017, Dominion Energy Gas and a natural gas producer signed an amendment to the agreement, which included the finalization of contractual matters on previous conveyances, the conveyance of Dominion Energy Gas' remaining 68% interest in approximately 70,000 acres and the elimination of Dominion Energy Gas' overriding royalty interest in gas produced from all acreage. As a result of this amendment, Dominion Energy Gas received total consideration of \$130 million, with \$65 million received in November 2017 and \$65 million received in September 2018 in connection with the final conveyance.

In March 2015, Dominion Energy Gas conveyed to a natural gas producer approximately 11,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields and received proceeds of \$27 million and an overriding royalty interest in gas produced from the acreage.

In September 2015, Dominion Energy Gas closed on an agreement with a natural gas producer to convey approximately 16,000 acres of Utica and Point Pleasant Shale development rights underneath one of its natural gas storage fields. The agreement provided for a payment to Dominion Energy Gas, subject to customary adjustments, of \$52 million and an overriding royalty interest in gas produced from the acreage.

In November 2014, Dominion Energy Gas closed on an agreement with a natural gas producer to convey over time approximately 24,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields. The agreement provided for payments to Dominion Energy Gas, subject to customary adjustments, of approximately \$120 million over a period of four years, and an overriding royalty interest in gas produced from the acreage. In January 2018, Dominion Energy Gas and the natural gas producer closed on an amendment to the agreement, which included the conveyance of Dominion Energy Gas' remaining 50% interest in approximately 18,000 acres and the elimination of Dominion Energy Gas' overriding royalty interest in gas produced from all acreage for proceeds of \$28 million.

See Note 10 to the Consolidated Financial Statements for additional information on certain of these sales of Marcellus and Utica acreage.

OPERATING SEGMENTS

In December 2019, Dominion Energy strategically realigned its segments which resulted in the formation of five primary operating segments: Dominion Energy Virginia, Gas Transmission & Storage, Gas Distribution, Dominion Energy South Carolina and Contracted Generation. Dominion Energy also reports a Corporate and Other segment, which includes its corporate, service companies and other functions (including unallocated debt). In addition, Corporate and Other includes specific items attributable to Dominion Energy's other operating segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources.

Virginia Power manages its daily operations through its primary operating segment: Dominion Energy Virginia. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segments that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources.

Dominion Energy Gas manages its daily operations through its primary operating segment: Gas Transmission & Storage. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources and the effect of certain items recorded at Dominion Energy Gas as a result of Dominion Energy's basis in the net assets contributed.

While daily operations are managed through the operating segments previously discussed, assets remain wholly-owned by the Companies and their respective legal subsidiaries.

A description of the operations included in the Companies' primary operating segments is as follows:

| Primary Operating Segment | Description of Operations | Dominion Energy | Virginia Power | Dominion Energy Gas |
|--------------------------------|---|-----------------|----------------|---------------------|
| Dominion Energy Virginia | Regulated electric distribution | X | X | |
| | Regulated electric transmission | X | X | |
| | Regulated electric generation fleet ⁽¹⁾ | X | X | |
| Gas Transmission & Storage | Regulated gas transmission and storage | X | | X |
| | LNG terminalling and storage | X | | X |
| | Nonregulated retail energy marketing | X | | |
| Gas Distribution | Regulated gas distribution and storage ⁽³⁾ | X | | |
| Dominion Energy South Carolina | Regulated electric distribution | | X | |
| | Regulated electric transmission | | X | |
| | Regulated electric generation fleet | | X | |
| | Regulated gas distribution and storage | | X | |
| Contracted Generation | Merchant electric generation fleet | X | | |

⁽¹⁾ Includes Virginia Power's nonjurisdictional generation operations.

⁽²⁾ Includes gathering and processing activities.

⁽³⁾ Includes Wexpro's natural gas development and production operations.

Dominion Energy Virginia

The Dominion Energy Virginia Operating Segment is substantially composed of Virginia Power's regulated electric transmission, distribution (including customer service) and generation (regulated electric utility and its related energy supply) operations, which serve approximately 2.6 million residential, commercial, industrial and governmental customers in Virginia and North Carolina.

Virginia Power's growth capital plan includes spending approximately \$16 billion from 2019 through 2023 to upgrade or add new transmission lines, distribution lines, substations, and other facilities, as well as maintain existing and construct new generation capacity to meet growing electricity demand within its service territory in order to maintain reliability and regulatory compliance. The proposed infrastructure projects and investment commitments are intended to address both continued customer growth and increases in electricity consumption which are primarily driven by new and larger data center customers, as well as support its Subsequent License Renewal projects as it is seeking 20-year license extensions for the regulated nuclear fleet in Virginia. See Properties and Environmental Strategy for additional information on this and other utility projects.

Virginia Power has also created a ten-year plan to transform its electric grid into a smarter, stronger and greener grid. This plan will address the structural limitations of Virginia Power's distribution grid in a systematic manner in order to recognize and

accommodate fundamental changes and requirements in the energy industry. The objective is to address both customer and system needs by (i) achieving even higher levels of reliability and resiliency against natural and man-made threats, (ii) leveraging technology to enhance the customer experience and improve the operation of the system and (iii) safely and effectively integrating new utility-scale renewable generation and storage as well as customer-level distributed energy resources such as rooftop solar and battery storage. In 2019, the Virginia Commission approved a portion of this plan.

Revenue provided by electric distribution and generation operations is based primarily on rates established by the Virginia and North Carolina Commissions. Approximately 84% of revenue comes from serving Virginia jurisdictional customers. Base rates for the Virginia jurisdiction are set using a modified cost-of-service rate model, and are generally designed to allow an opportunity to recover the cost of providing utility service and earn a reasonable return on investments used to provide that service. Variability in earnings is driven primarily by changes in rates, weather, customer growth and other factors impacting consumption such as the economy and energy conservation, in addition to operating and maintenance expenditures. Electric operations continue to focus on improving service and experience levels while striving to reduce costs and link investments to operational results. SAIDI performance results, excluding major events, were 138 minutes for the three-year average ending 2019, up from the previous three-year average of 134 minutes. This increase is primarily due to increased storm activity.

Earnings may reflect variations in the timing or nature of expenses as compared to those contemplated in current rates, such as labor and benefit costs, capacity expenses, the timing, duration and costs of scheduled and unscheduled outages as well as the customer's ability to choose a generation service provider. The cost of fuel and purchased power is generally collected through fuel cost-recovery mechanisms established by regulators and does not materially impact net income. The cost of new generation facilities is generally recovered through rate adjustment clauses in Virginia. Variability in earnings from rate adjustment clauses reflects changes in the authorized ROE and the carrying amount of these facilities, which are largely driven by the timing and amount of capital investments, as well as depreciation. See Note 13 to the Consolidated Financial Statements for additional information.

Revenue provided by Virginia Power's electric transmission operations is based primarily on rates approved by FERC. The profitability of this business is dependent on its ability, through the rates it is permitted to charge, to recover costs and earn a reasonable ROIC. Variability in earnings primarily results from changes in rates and the timing of property additions, retirements and depreciation.

Virginia Power is a member of PJM, an RTO, and its electric transmission facilities are integrated into PJM wholesale electricity markets. Consistent with the increased authority given to NERC by EPACT, Virginia Power's electric transmission operations are committed to meeting NERC standards, modernizing its infrastructure and maintaining superior system reliability.

COMPETITION

There is no competition for electric distribution service within Virginia Power's service territory in Virginia and North Carolina

and no such competition is currently permitted. Historically, since its electric transmission facilities are integrated into PJM and electric transmission services are administered by PJM, there was no competition in relation to transmission service provided to customers within the PJM region. However, competition from non-incumbent PJM transmission owners for development, construction and ownership of certain transmission facilities in Virginia Power's service territory is permitted pursuant to Order 1000, subject to state and local siting and permitting approvals. This could result in additional competition to build and own transmission infrastructure in Virginia Power's service area in the future and could allow Dominion Energy to seek opportunities to build and own facilities in other service territories. Additionally, there is some competition for Virginia Power's generation operations for Virginia jurisdictional electric utility customers that meet certain size requirements or that seek to purchase 100% renewable energy from competitive suppliers. See *Electric* under *State Regulations* in *Regulation* for more information. Currently, North Carolina does not offer retail choice to electric customers.

Virginia Power's non-jurisdictional operations are not currently subject to significant competition as the output from these facilities is primarily sold under long-term power purchase agreements with terms generally ranging from 16 to 25 years. However, in the future, such operations may compete with other power generation facilities to serve certain large-scale customers after the power purchase agreements expire.

REGULATION

Virginia Power's electric distribution and generation operations, including the rates it may charge to jurisdictional customers, as well as wholesale electric transmission rates, tariffs and terms of service, are subject to regulation by the Virginia and North Carolina Commissions as well as FERC, the NRC, the EPA, the DOE and the Army Corps of Engineers. See *State Regulations* and *Federal Regulations* in *Regulation, Future Issues and Other Matters* in Item 7 MD&A and Notes 13 and 23 to the Consolidated Financial Statements for additional information.

PROPERTIES

For a description of existing facilities see Item 2. Properties.

As a part of PJM's RTEP process, PJM authorized the following material reliability projects (including Virginia Power's estimated cost):

- Mt. Storm-to-Valley (\$290 million);
- Gainesville-to-Haymarket (\$170 million);
- Idylwood -to-Tysons (\$125 million);
- Glebe substation and North Potomac Yard terminal station underground (\$125 million);
- Remington/Gordonsville/Pratts Area Improvement (including Remington-to-Gordonsville, and new Gordonsville substation transformer) (\$115 million);
- Idylwood substation (\$105 million);
- Harmony Village-to-White Stone (\$105 million);
- Elmont-to-Ladysmith (\$90 million);
- Lanexa-to-Northern Neck (\$90 million);
- Loudoun-to-Ox (\$70 million);
- Mt. Storm substation (\$70 million);
- Bristers-to-Chancellor (\$65 million); and
- Dooms-to-Valley (\$65 million).

Virginia Power is investing in transmission substation physical security and expects to invest an additional \$125 million to \$175 million through 2024 to strengthen its electrical system to better protect critical equipment, enhance its spare equipment process and create multiple levels of security.

Virginia legislation provides for the recovery of costs, subject to approval by the Virginia Commission, for Virginia Power to move approximately 4,000 miles of electric distribution lines underground. The program is designed to reduce restoration outage time by moving Virginia Power's most outage-prone overhead distribution lines underground, has an annual investment cap of approximately \$175 million and is expected to be completed by 2028. The Virginia Commission has approved four phases of the program encompassing approximately 1,350 miles of converted lines and \$545 million in capital spending (with \$523 million recoverable through Rider U).

Virginia Power is developing, financing and constructing new generation capacity to meet growing electricity demand within its service territory. Significant projects under construction or development are set forth below:

- Virginia Power plans to acquire or construct certain solar facilities in Virginia and North Carolina. See Notes 10 and 13 to the Consolidated Financial Statements for more information.
- Virginia Power continues to consider the construction of a third nuclear unit at a site located at North Anna. See *Future Issues and Other Matters* in Item 7 for more information on this project.
- Virginia Power is considering the construction of an approximately \$2 billion hydroelectric pumped storage facility in Southwest Virginia.
- Virginia Power has announced an approximately \$400 million project to replace approximately 1,500 diesel buses with electric buses at school districts in Virginia by 2025.
- In November 2018, Virginia Power received approval from the Virginia Commission for its petition seeking a prudency determination as provided in the GTSA with respect to the proposed Coastal Virginia Offshore Wind Pilot project, consisting of two 6 MW wind turbine generators located approximately 27 miles off the coast of Virginia Beach, Virginia in federal waters, and for a CPCN, for the generation tie line connecting the generators to shore. This project is expected to cost approximately \$300 million and to be placed into service by the end of 2020.
- In September 2019, Virginia Power filed an application with PJM for the Coastal Virginia Offshore Wind Commercial project to interconnect 2,640 MW of wind energy between 2024 and 2026 off the coast of Virginia as an expansion of the Coastal Virginia Offshore Wind Pilot project, expected to increase the total cost of the project by up to approximately \$8 billion.
- Virginia Power is considering the construction of simple cycle combustion turbines in Virginia. These projects are expected to be placed in service beginning 2023.

See Note 13 to the Consolidated Financial Statements for more information.

SOURCES OF ENERGY SUPPLY

Virginia Power uses a variety of fuels to power its electric generation fleet and purchases power for utility system load requirements and to satisfy physical forward sale requirements. Some of these agreements have fixed commitments and are included as

contractual obligations in *Future Cash Payments for Contractual Obligations and Planned Capital Expenditures* in Item 7. MD&A.

Presented below is a summary of Virginia Power's actual system output by energy source:

| Source | 2019 | 2018 | 2017 |
|--------------------------------|------|------|------|
| Natural gas | 41% | 33% | 32% |
| Nuclear ⁽¹⁾ | 29 | 29 | 32 |
| Purchased power, net | 17 | 19 | 14 |
| Coal ⁽²⁾ | 8 | 13 | 17 |
| Renewable/hydro ⁽³⁾ | 5 | 5 | 5 |
| Oil | — | 1 | — |
| Total | 100% | 100% | 100% |

(1) Excludes ODEC's 11.6% ownership interest in North Anna.

(2) Excludes ODEC's 50.0% ownership interest in the Clover power station.

(3) Includes solar and biomass.

Nuclear Fuel—Virginia Power primarily utilizes long-term contracts to support its nuclear fuel requirements. Worldwide market conditions are continuously evaluated to ensure a range of supply options at reasonable prices which are dependent on the market environment. Current agreements, inventories and spot market availability are expected to support current and planned fuel supply needs. Additional fuel is purchased as required to ensure optimal cost and inventory levels.

Fossil Fuel—Virginia Power primarily utilizes natural gas and coal in its fossil fuel plants. All recent fossil fuel plant construction involves natural gas generation.

Virginia Power's natural gas and oil supply is obtained from various sources including purchases from major and independent producers in the Mid-Continent and Gulf Coast regions, purchases from local producers in the Appalachian area and Marcellus and Utica regions, purchases from gas marketers and withdrawals from underground storage fields owned by Dominion Energy or third parties. Virginia Power manages a portfolio of natural gas transportation contracts (capacity) that provides for reliable natural gas deliveries to its gas turbine fleet, while minimizing costs.

Virginia Power's coal supply is obtained through long-term contracts and short-term spot agreements from domestic suppliers.

Biomass—Virginia Power's biomass supply is obtained through long-term contracts and short-term spot agreements from local suppliers.

Purchased Power—Virginia Power purchases electricity from the PJM spot market and through power purchase agreements with other suppliers to provide for utility system load requirements.

SEASONALITY

Virginia Power's earnings vary seasonally as a result of the impact of changes in temperature, the impact of storms and other catastrophic weather events, and the availability of alternative sources for heating on demand by residential and commercial customers. Generally, the demand for electricity peaks during the summer and winter months to meet cooling and heating needs, respectively. An increase in heating degree days for Virginia Power's electric utility-related operations does not produce the same increase in revenue as an increase in cooling degree days, due to seasonal pricing differentials and because alternative heating sources are more readily available.

NUCLEAR DECOMMISSIONING

Virginia Power has a total of four licensed, operating nuclear reactors at Surry and North Anna in Virginia.

Decommissioning involves the decontamination and removal of radioactive contaminants from a nuclear power station once operations have ceased, in accordance with standards established by the NRC. Amounts collected from ratepayers are placed into trusts and are invested to fund the expected future costs of decommissioning the Surry and North Anna units.

Virginia Power believes that the decommissioning funds and their expected earnings for the Surry and North Anna units will be sufficient to cover expected decommissioning costs, particularly when combined with future ratepayer collections and contributions to these decommissioning trusts, if such future collections and contributions are required. This reflects the long-term investment horizon, since the units will not be decommissioned for decades, and a positive long-term outlook for trust fund investment returns. Virginia Power will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirements, which may include, if needed, the use of parent company guarantees, surety bonding or other financial instruments recognized by the NRC.

The estimated cost to decommission Virginia Power's four nuclear units is reflected in the table below and is primarily based upon site-specific studies completed in 2019. These cost studies are generally completed every four to five years. The current cost estimates assume decommissioning activities will begin shortly after cessation of operations, which will occur when the operating licenses expire.

Under the current operating licenses, Virginia Power is scheduled to decommission the Surry and North Anna units during the period 2032 to 2078. NRC regulations allow licensees to apply for extension of an operating license in up to 20-year increments. In 2019, Virginia Power applied for renewal of its operating licenses for an additional 20 years for the two nuclear units at Surry. Under these renewal applications, the two nuclear units will be allowed to generate electricity through 2052 and 2053, if approved. Virginia Power expects to submit a license extension application for the two units at North Anna in 2020. Between the four units, Virginia Power estimates that it could spend approximately \$3 billion to \$4 billion over the next several years on the relicensing process. The existing regulatory framework in Virginia provides rate recovery mechanisms for such costs. The most recent site-specific study completed for Surry and North Anna was performed in 2019.

The estimated decommissioning costs, funds in trust and current license expiration dates for Surry and North Anna are shown in the following table:

| | NRC license expiration year | Most recent cost estimate (2019 dollars) ⁽¹⁾ | Funds in trusts at December 31, 2019 | 2019 contributions to trusts |
|-----------------------|--------------------------------------|--|---|------------------------------------|
| (dollars in millions) | | | | |
| Surry | | | | |
| Unit 1 | 2032 | \$ 803 | \$ 815 | \$ — |
| Unit 2 | 2033 | 794 | 803 | — |
| North Anna | | | | |
| Unit 1 ⁽²⁾ | 2038 | 720 | 651 | — |
| Unit 2 ⁽²⁾ | 2040 | 724 | 612 | — |
| Total | | \$3,041 | \$2,881 | \$— |

(1) The cost estimates shown above reflect reductions for the expected future recovery of certain spent fuel costs based on Virginia Power's contracts with the DOE for disposal of spent nuclear fuel consistent with the reductions reflected in Virginia Power's nuclear decommissioning AROs and includes the expectation that 20-year license extensions are approved for all units.

(2) North Anna is jointly owned by Virginia Power (88.4%) and ODEC (11.6%). However, Virginia Power is responsible for 89.26% of the decommissioning obligation. Amounts reflect 89.26% of the decommissioning cost for both of North Anna's units.

Also see Notes 9, 14 and 23 to the Consolidated Financial Statements for further information about nuclear decommissioning trust investments, AROs and nuclear decommissioning, respectively.

Gas Transmission & Storage

The Gas Transmission & Storage Operating Segment of Dominion Energy Gas includes FERC regulated interstate natural gas transmission pipeline and underground storage systems in the eastern and Rocky Mountain regions of the U.S. (primarily through DETI, DECG and Dominion Energy Questar Pipeline), LNG import/export and storage (through its 75% controlling interest in Cove Point) as well as a 50% noncontrolling partnership interest in Iroquois. See *Investments* below for additional information regarding the Iroquois investment.

The Gas Transmission & Storage Operating Segment of Dominion Energy also includes nonregulated retail natural gas marketing, development of renewable natural gas and LNG infrastructure and its investments in Atlantic Coast Pipeline, Align RNG and Wrangler. See *Investments* below for additional information regarding the Atlantic Coast Pipeline, Align RNG and Wrangler investments.

Gas Transmission & Storage's growth capital plan includes spending approximately \$4 billion from 2019 through 2023 to upgrade existing or add new infrastructure to meet growing energy needs within its service territory and maintain reliability. Demand for natural gas is expected to continue to grow as initiatives to transition to gas from more carbon-intensive fuels are implemented. This plan includes Dominion Energy's portion of spending for the Atlantic Coast Pipeline Project.

Earnings for the *Gas Transmission & Storage Operating Segment of Dominion Energy and Dominion Energy Gas* primarily result from rates established by FERC. Approximately 94% of Dominion Energy Gas' transmission capacity is subscribed including 91% under long-term contracts (two years or greater) and 3% on a year-to-year basis. Dominion Energy Gas' storage services are 100% subscribed with long-term contracts. Revenues derived from Dominion Energy Gas' pipeline operations are primarily from reservation charges for firm transportation and storage services as provided for in their FERC-approved tariffs. The profitability of these businesses is dependent on their ability, through the rates they are permitted to charge, to recover costs and earn a reasonable return on their capital investments.

Additionally, Dominion Energy Gas receives revenue from firm fee-based contractual arrangements, including negotiated rates, for certain LNG storage and terminalling services. The Liquefaction Facility has a firm contracted capacity for LNG loading onto ships of approximately 4.6 Mtpa (0.66 bcfe/day)

under normal operating conditions and after accounting for maintenance downtime. Variability in earnings results from changes in operating and maintenance expenditures, as well as changes in rates and the demand for services, which are dependent on weather, changes in commodity prices and the economy.

Dominion Energy's retail energy marketing operations compete in nonregulated energy markets. Dominion Energy has a large concentration of natural gas customers in markets where utilities have a long-standing commitment to customer choice.

COMPETITION

Gas Transmission & Storage Operating Segment—Dominion Energy and Dominion Energy Gas

Dominion Energy Gas' natural gas transmission operations compete with domestic and Canadian pipeline companies. Dominion Energy Gas also competes with gas marketers seeking to provide or arrange transportation, storage and other services. Alternative fuel sources, such as oil or coal, provide another level of competition. Although competition is based primarily on price, the array of services that can be provided to customers is also an important factor. The combination of capacity rights held on certain long-line pipelines, a large storage capability and the availability of numerous receipt and delivery points along its own pipeline system enable Dominion Energy Gas to tailor its services to meet the needs of individual customers.

Dominion Energy Gas' pipeline systems generate a substantial portion of their revenue from long-term firm contracts for transportation services and are therefore insulated from competitive factors during the terms of the contracts. When these long-term contracts expire, Dominion Energy Gas' pipeline system will face competitive pressures from similar facilities that serve the eastern and Rocky Mountain regions in terms of location, rates, terms of service, and flexibility and reliability of service.

Cove Point's gas transportation, LNG import and storage operations, as well as the Liquefaction Facility's capacity, are contracted primarily under long-term fixed reservation fee agreements. However, in the future Cove Point may compete with other independent terminal operators as well as major oil and gas companies on the basis of terminal location, services provided and price. Competition from terminal operators primarily comes from refiners and distribution companies with marketing and trading arms. In addition, the Liquefaction Facility may face competition on a global scale as international customers explore other options to meet their energy needs.

Gas Transmission & Storage Operating Segment—Dominion Energy

Dominion Energy's retail energy marketing operations compete against incumbent utilities and other energy marketers in nonregulated energy markets for natural gas, and provides service to approximately 380,000 customer accounts in five states. The heaviest concentration of customers in these markets is located in states where utilities have the advantage of long-standing commitment to customer choice, primarily Ohio and Pennsylvania.

REGULATION

Gas Transmission & Storage Operating Segment—Dominion Energy and Dominion Energy Gas

Dominion Energy Gas' natural gas transmission and storage operations, as well as its LNG import and storage operations are regulated primarily by FERC. See *Federal Regulations* in *Regulation* for more information.

PROPERTIES

For a description of existing facilities see Item 2. Properties .

The following significant projects are under construction or development to better serve customers or expand its service offerings.

Gas Transmission & Storage Operating Segment—Dominion Energy and Dominion Energy Gas

In August 2018, DETI executed a binding precedent agreement with a customer for the West Loop project. The project is expected to cost approximately \$95 million and provide 150,000 Dths per day of firm transportation service from Pennsylvania to Ohio for delivery to a proposed combined-cycle, natural gas-fired electric power generation facility to be located in Columbiana County, Ohio. In December 2018, DETI filed an application to request FERC authorization to construct, operate and maintain the project facilities, which are expected to be in service by the end of 2021.

In December 2014, DETI entered into a precedent agreement with Atlantic Coast Pipeline for the Supply Header project, a project to provide approximately 1,500,000 Dths per day of firm transportation service to various customers. Atlantic Coast Pipeline has continued to experience delays in obtaining permits necessary for construction and delays in construction due to judicial actions. As a result, project cost estimates are \$725 million to \$775 million, excluding financing costs. Project construction is expected to be completed by the end of 2021 with in-service in early 2022.

Gas Transmission & Storage Operating Segment—Dominion Energy

In November 2019, Dominion Energy entered into an arrangement with Vanguard Renewables to convert methane from U.S. dairy farms into clean, renewable natural gas that can heat homes, power businesses and fuel vehicles. Under this arrangement, Dominion Energy will own the projects and market the renewable natural gas, and Vanguard Renewables will design, develop and operate the projects. Dominion Energy plans to invest \$200 million into this project through 2024.

INVESTMENTS

Gas Transmission & Storage Operating Segment—Dominion Energy and Dominion Energy Gas

Iroquois— In September 2015, Dominion Energy, through Dominion Energy Midstream, acquired an additional 25.93% interest in Iroquois. In November 2019, following completion of the Dominion Energy Gas Restructuring, this 25.93% investment was transferred to Dominion Energy Gas which now holds a 50% interest in Iroquois, with TransCanada holding the remaining 50% interest. Iroquois owns and operates a 416-mile FERC regulated interstate natural gas pipeline providing service to local gas distribution companies, electric utilities and electric power generators, as well as marketers and other end-users, through interconnecting pipelines and exchanges. Iroquois' pipeline extends from the U.S.-Canadian border at Waddington, New York

through the state of Connecticut to South Commack, Long Island, New York and continuing on from Northport, Long Island, New York through the Long Island Sound to Hunts Point, Bronx, New York. In January 2020, Iroquois filed an application with FERC to expand certain existing compression stations in New York and Connecticut. The project is expected to cost approximately \$275 million and be placed in service by the end of 2023. See Note 9 to the Consolidated Financial Statements for further information about Dominion Energy's equity method investment in Iroquois.

Gas Transmission & Storage Operating Segment—Dominion Energy Atlantic Coast Pipeline —In September 2014, Dominion Energy, along with Duke and Southern, announced the formation of Atlantic Coast Pipeline. The Atlantic Coast Pipeline partnership agreement includes provisions to allow Dominion Energy an option to purchase additional ownership interest in Atlantic Coast Pipeline to maintain a leading ownership percentage. The members hold the following membership interests: Dominion Energy, 48%; Duke, 47%; and Southern, 5%. In February 2020, Dominion Energy entered an agreement to acquire Southern's 5% membership interest. Atlantic Coast Pipeline is focused on constructing an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina. Atlantic Coast Pipeline has executed agreements with customers for a substantial majority of the capacity of the Atlantic Coast Pipeline Project. See Future Issues and Other Matters in Item 7 for information on estimated project costs and in-service date and Note 9 to the Consolidated Financial Statements for further information about Dominion Energy's equity method investment in Atlantic Coast Pipeline.

Align RNG —In November 2018, Dominion Energy announced the formation of Align RNG, an equal partnership with Smithfield Foods, Inc. As announced in October 2019, Align RNG expects to invest \$500 million to develop assets to capture methane from hog farms across Virginia, North Carolina, Utah, Arizona and California and convert it into pipeline quality natural gas.

Wrangler —In September 2019, Dominion Energy, announced the formation of Wrangler, a nonregulated natural gas retail energy marketing business serving Georgia and other southeastern states in the U.S. Wrangler was created in partnership with Interstate Gas Supply, Inc., with Dominion Energy contributing its nonregulated retail energy marketing operations and Interstate Gas Supply, Inc. contributing cash. Dominion Energy has a 20% noncontrolling ownership interest in Wrangler. See Note 9 to the Consolidated Financial Statements for further information about Dominion Energy's equity method investment in Wrangler.

SOURCES OF ENERGY SUPPLY

Dominion Energy and Dominion Energy Gas' large underground natural gas storage network and the location of their pipeline systems are a significant link between the country's major interstate gas pipelines and large markets in the eastern and Rocky Mountain regions of the U.S. Dominion Energy and Dominion Energy Gas' pipelines are part of an interconnected gas transmission system, which provides access to supplies nationwide for local distribution companies, marketers, power generators and industrial and commercial customers.

Dominion Energy and Dominion Energy Gas' underground storage facilities play an important part in balancing gas supply with consumer demand and are essential to serving the eastern and Rocky Mountain regions. In addition, storage capacity is an important element in the effective management of both gas supply and pipeline transmission capacity.

The supply of gas to serve Dominion Energy's retail energy marketing customers is procured through Dominion Energy's energy marketing group and market wholesalers.

SEASONALITY

Due to the nature of Dominion Energy and Dominion Energy Gas' gas transmission and storage operations, seasonal fluctuations do not have a material impact on earnings.

The earnings of Dominion Energy's retail energy marketing operations, however vary seasonally as a result of the impact of changes in temperature. Generally, the demand for gas peaks during the winter months to meet heating needs.

Gas Distribution

The Gas Distribution Operating Segment of Dominion Energy includes Dominion Energy's regulated natural gas sales, transportation, gathering and distribution operations in Ohio, West Virginia, North Carolina, Utah, southwestern Wyoming and southeastern Idaho (through East Ohio, Hope, PSNC and Questar Gas) which collectively serve approximately 3.0 million residential, commercial and industrial customers.

Gas Distribution's growth capital plan includes spending approximately \$4 billion from 2019 through 2023 to upgrade existing or add new infrastructure to meet growing energy needs within its service territory and maintain reliability. Planned capital spending is driven by infrastructure needs from a growing customer base in states with expanding economies, replacing aging assets for reliability and safety and meeting demands for natural gas to support the transition from more carbon intensive fuels.

Earnings for the Gas Distribution Operating Segment of Dominion Energy primarily result from rates established by the Ohio, West Virginia, North Carolina, Utah, Wyoming and Idaho Commissions. The profitability of these businesses is dependent on their ability, through the rates they are permitted to charge, to recover costs and earn a reasonable return on their capital investments. Variability in earnings primarily results from changes in operating and maintenance expenditures, as well as changes in rates and the economy.

COMPETITION

Questar Gas and Hope do not currently face direct competition from other distributors of natural gas for residential and commercial customers in their service territories as state regulations in Utah, Wyoming and Idaho for Questar Gas, and West Virginia for Hope, do not allow customers to choose their provider at this time. See *State Regulations* in *Regulation* for additional information.

In Ohio, there has been no legislation enacted to require supplier choice for natural gas distribution consumers. However, East Ohio has offered an Energy Choice program to residential and commercial customers since October 2000. East Ohio has since taken various steps approved by the Ohio Commission toward exiting the merchant function, including restructuring its

commodity service and placing Energy Choice-eligible customers in a direct retail relationship with participating suppliers. Further, in April 2013, East Ohio fully exited the merchant function for its nonresidential customers, which are now required to choose a retail supplier or be assigned to one at a monthly variable rate set by the supplier. At December 31, 2019, approximately 1.1 million of East Ohio's 1.2 million Ohio customers were participating in the Energy Choice program.

Competition in PSNC's natural gas distribution operations is generally based on price and convenience. Large commercial and industrial customers often have the ability to switch from natural gas to an alternate fuel, such as propane or fuel oil. Natural gas competes with these alternate fuels based on price. As a result, any significant disparity between supply and demand, either of natural gas or of alternate fuels, and due either to production or delivery disruptions or other factors, will affect price and the ability to retain large commercial and industrial customers.

In all of Dominion Energy's gas service territories, electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential and commercial markets. Competition for heating as well as general household and small commercial energy needs generally occurs at the initial installation phase when the customer or builder makes the decision as to which types of equipment to install, as a result customers tend to use their chosen energy source for the life of the equipment.

REGULATION

Gas Distribution's operations, including the rates that it may charge customers, are regulated by the Ohio, West Virginia, North Carolina, Utah, Wyoming and Idaho Commissions as well as PHMSA and the U.S. Department of Transportation. See *State Regulations* in *Regulation* for more information.

PROPERTIES

For a description of existing facilities see Item 2. Properties.

Dominion Energy has the following significant projects under construction or development to better serve customers or expand its service offerings within its service territory.

East Ohio —In 2008, East Ohio began PIR, aimed at replacing approximately 25% of its pipeline system. In September 2016, the Ohio Commission approved a stipulation filed jointly by East Ohio and the Staff of the Ohio Commission to continue the PIR program and associated cost recovery for another five-year term beginning in 2017, and to permit East Ohio to increase its annual capital expenditures to \$200 million by 2018 with a 3% increase per year thereafter subject to the annual cost recovery rate increase caps proposed by East Ohio. See Note 13 in the Consolidated Financial Statements for further information.

Questar Gas —In 2010, Questar Gas began replacing aging high pressure infrastructure under a cost-tracking mechanism that allows it to place into rate base and earn a return on capital expenditures associated with a multi-year natural gas infrastructure-replacement program upon the completion of each project. At that time, the commission-allowed annual spending in the replacement program was approximately \$55 million.

In its 2014 Utah general rate case, Questar Gas received approval to include intermediate high pressure infrastructure in the replacement program and increase the annual spending limit to approximately \$65 million, adjusted annually using a gross domestic product inflation factor. At that time, 420 miles of high pressure pipe and 70 miles of intermediate high pressure pipe were identified to be replaced in the program over a 17-year period. Questar Gas has spent an average of \$68 million each year through 2019 under this program. The program is evaluated in each Utah general rate case. In February 2020, the Utah Commission approved the 2020 annual spending limit for the infrastructure replacement program to be \$72 million, adjusted annually thereafter using a gross domestic product inflation factor.

In April 2019, Questar Gas filed a request with the Utah Commission for pre-approval to construct an LNG storage facility with a liquefaction rate of 8.2 million cubic feet per day. In October 2019, the Utah Commission granted pre-approval to construct the LNG storage facility.

In 2018, legislation became effective in Utah which is designed to spur economic growth in rural communities without natural gas service. The legislation allows Questar Gas to spend up to \$50 million over three years, and up to \$125 million over five years, for expansion of distribution facilities to bring natural gas to residential and commercial customers in rural parts of Utah, subject to Utah Commission approval. See Note 13 to Consolidated Financial Statements for more information.

PSNC —The North Carolina Commission has authorized PSNC to use a tracker mechanism to recover the incurred capital investment and associated costs of complying with federal standards for pipeline integrity and safety requirements that are not in current base rates. Projected integrity management plant investment for the period 2020 to 2022 for which recovery is expected is approximately \$95 million.

In 2018, PSNC began constructing a high-pressure distribution pipeline that will span 35 miles and will provide enhanced safety to the corresponding service area. The project is expected to cost approximately \$80 million, excluding financing costs, and is anticipated to be placed into service by mid-2020. This project is expected to be recovered through the pipeline integrity tracker mechanism described above.

During 2019, PSNC began the construction of approximately 38 miles of transmission pipeline between Franklinton, North Carolina and Clayton, North Carolina, which will provide the capacity necessary to support the growing natural gas demand in PSNC's service territory. The project is expected to cost approximately \$165 million, excluding financing costs, and is anticipated to be placed into service in 2021.

SOURCES OF ENERGY SUPPLY

Dominion Energy's natural gas supply is obtained from various sources including purchases from major and independent producers in the Mid-Continent and Gulf Coast regions, local producers in the Appalachian area, gas marketers and, for Questar Gas specifically, from Wexpro and other producers in the Rocky Mountain region. Wexpro's gas development and production operations serve over half of Questar Gas' gas supply requirements in accordance with the Wexpro Agreement and the Wexpro II Agreement, comprehensive agreements with the states of Utah and Wyoming.

SEASONALITY

Gas Distribution's business earnings vary seasonally, as a result of the impact of changes in temperature on demand by residential and commercial customers for gas to meet heating needs. Historically, the majority of these earnings have been generated during the heating season, which is generally from November to March; however, implementation of rate mechanisms for transportation services for East Ohio, and gas sales for Questar Gas and PSNC have reduced the earnings impact of weather-related fluctuations.

Dominion Energy South Carolina

The Dominion Energy South Carolina Operating Segment is comprised of DESC's generation, transmission and distribution of electricity to approximately 740,000 customers in the central, southern and southwestern portions of South Carolina and the distribution of natural gas to approximately 390,000 residential, commercial and industrial customers in South Carolina.

DESC's growth capital plan includes spending approximately \$2 billion from 2019 through 2023 to upgrade existing or add new infrastructure to meet growing energy needs within its service territory and maintain reliability.

Revenue provided by DESC's electric distribution operations is based primarily on rates established by the South Carolina Commission. Variability in earnings is driven primarily by changes in rates, weather, customer growth and other factors impacting consumption such as the economy and energy conservation, in addition to operating and maintenance expenditures.

DESC's electric transmission operations serve its electric distribution operations as well as certain wholesale customers. Revenue provided by such electric transmission operations is based on a FERC-approved formula rate mechanism under DESC's open access transmission tariff or based on retail rates established by the South Carolina Commission.

Revenue provided by DESC's electric generation operations is primarily derived from the sale of electricity generated by its utility generation assets and is based on rates established by the South Carolina Commission. Variability in earnings may arise when revenues are impacted by factors not reflected in current rates, such as the impact of weather, customer demand or the timing and nature of expenses or outages.

Revenue provided by DESC's natural gas distribution operations primarily results from rates established by the South Carolina Commission. Variability in earnings results from changes in operating and maintenance expenditures, as well as changes in rates and the demand for services, the availability and prices of alternative fuels and the economy.

DESC is a member of the Virginia-Carolinas Reliability Group, one of several geographic divisions within the SERC. The SERC is one of seven regional entities with delegated authority from NERC for the purpose of proposing and enforcing reliability standards approved by NERC.

COMPETITION

There is no competition for electric distribution or generation service within DESC's retail electric service territory in South Carolina and no such competition is currently permitted. However, competition from third-party owners for development, construction and ownership of certain transmission facilities in DESC's service territory is permitted pursuant to Order 1000,

subject to state and local siting and permitting approvals. This could result in additional competition to build and own transmission infrastructure in DESC's service area in the future.

Competition in DESC's natural gas distribution operations is generally based on price and convenience. Large commercial and industrial customers often have the ability to switch from natural gas to an alternate fuel, such as propane or fuel oil. Natural gas competes with these alternate fuels based on price. As a result, any significant disparity between supply and demand, either of natural gas or of alternate fuels, and due either to production or delivery disruptions or other factors, will affect price and the ability to retain large commercial and industrial customers.

REGULATION

DESC's electric distribution service, including the rates it may charge to jurisdictional customers, is subject to regulation by the South Carolina Commission. DESC's electric generation operations are subject to regulation by the South Carolina Commission, FERC, the NRC, the EPA, the DOE and various other federal, state and local authorities. DESC's electric transmission service is primarily regulated by FERC and the DOE. DESC's gas distribution operations are subject to regulation by the South Carolina Commission, as well as PHMSA, the U.S. Department of Transportation and the South Carolina Office of Regulatory Staff for enforcement of federal and state pipeline safety requirements. See *State Regulations* and *Federal Regulations in Regulation* for more information.

PROPERTIES

For a description of existing facilities see Item 2. Properties.

DESC has the following significant projects under construction or development to better serve customers or expand its service offerings within its service territory:

In 2019, DESC began an initiative to upgrade its electric and gas systems to an AMI whereby over a million smart meters will be installed throughout its service area. This project is estimated to cost approximately \$140 million and will be completed by 2023.

SOURCES OF ENERGY SUPPLY

DESC uses a variety of fuels to power its electric generation fleet and purchases power for utility system load requirements. Presented below is a summary of DESC's actual system output by energy source:

| Source | 2019 | 2018 ⁽¹⁾ |
|--------------------------------|------|---------------------|
| Natural gas | 46% | 37% |
| Coal | 27 | 35 |
| Nuclear ⁽²⁾ | 23 | 20 |
| Renewable/hydro ⁽³⁾ | 4 | 8 |
| Total | 100% | 100% |

(1) Dominion Energy did not acquire DESC until January 2019. These amounts represent data obtained as part of the due diligence performed by Dominion Energy prior to the SCANA Combination.

(2) Excludes Santee Cooper's 33.3% undivided ownership interest in Summer.

(3) Includes solar.

Natural gas —DESC purchases natural gas under contracts with producers and marketers on both a short-term and long-term basis at market-based prices. The gas is delivered to

South Carolina through firm transportation agreements with various counterparties, which expire between 2021 and 2084.

Coal—DESC primarily obtains coal through short-term and long-term contracts with suppliers located in eastern Kentucky, Tennessee, Virginia and West Virginia. These contracts provide for approximately 2.1 million tons annually. These contracts expire at various times through 2020. Spot market purchases may occur when needed or when prices are believed to be favorable.

Nuclear—DESC primarily utilizes long-term contracts to support its nuclear fuel requirements. DESC, for itself and as agent for Santee Cooper, and Westinghouse are parties to a fuel alliance agreement and contracts for fuel fabrication and related services. Under these contracts, DESC supplies enriched products to Westinghouse, who in turn supplies nuclear fuel assemblies for Summer. Westinghouse is DESC's exclusive provider of such fuel assemblies on a cost-plus basis. The fuel assemblies to be delivered under the contracts are expected to supply the nuclear fuel requirements through 2033.

In addition, DESC has contracts covering its nuclear fuel needs for uranium, conversion services and enrichment services. These contracts have varying expiration dates through 2024. DESC believes that it will be able to renew these contracts as they expire or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services and that sufficient capacity for nuclear fuel supplies and processing exists to allow for normal operations of its nuclear generating unit. Current agreements, inventories and spot market availability are expected to support current and planned fuel supply needs. Additional fuel is purchased as required to ensure optimal fuel and inventory levels.

SEASONALITY

DESC's electric distribution and transmission business earnings vary seasonally, as a result of the impact of changes in temperature, the impact of storms and other catastrophic weather events and the availability of alternative sources for heating on demand by residential and commercial customers. Generally, the demand for electricity peaks during the summer and winter months to meet cooling and heating needs, respectively. An increase in heating degree days does not produce the same increase in revenue as an increase in cooling degree days, due to seasonal pricing differentials and because alternative heating sources are more readily available.

DESC's gas distribution and storage business earnings vary seasonally as a result of the impact of changes in temperature on demand by residential and commercial customers for gas to meet heating needs. The majority of these earnings are generated during the heating season, which is generally from November to March; however, South Carolina has certain rate mechanisms designed to reduce the impact of weather-related fluctuations.

NUCLEAR DECOMMISSIONING

DESC has a two-thirds interest in one licensed, operating nuclear reactor at Summer in South Carolina.

Decommissioning involves the decontamination and removal of radioactive contaminants from a nuclear power station once operations have ceased, in accordance with standards established by the NRC. Amounts collected from ratepayers are placed into trusts and are invested to fund the expected future costs of decommissioning Summer.

DESC believes that the decommissioning funds and their expected earnings will be sufficient to cover expected decommissioning costs, particularly when combined with future ratepayer collections and contributions to this trust. DESC will continue to monitor this trust to ensure that it meets the NRC minimum financial assurance requirements, which may include, if needed, the use of Dominion Energy guarantees, surety bonding or other financial instruments recognized by the NRC.

The estimated cost to DESC to decommission its 66.7% ownership in Summer is \$646 million (stated in 2019 dollars), which is primarily based upon site-specific studies completed in 2016. These cost studies are generally completed every four to five years. Santee Cooper is responsible for the remaining decommissioning costs, proportionate with its 33.3% ownership in Summer. The cost estimates assume decommissioning activities will begin shortly after cessation of operations, which will occur when the operating license expires. The cost estimate reflects reductions for the expected future recovery of certain spent nuclear fuel costs based on DESC's contracts with the DOE for disposal of spent nuclear fuel consistent with the reductions reflected in DESC's nuclear decommissioning ARO. At December 31, 2019, DESC had \$214 million in a trust for its proportionate share of these decommissioning activities.

The current operating license for Summer expires in 2042. NRC regulations allow licensees to apply for extension of an operating license in up to 20-year increments. DESC is considering an operating license renewal for Summer.

Contracted Generation

The Contracted Generation Operating Segment includes the operations of Millstone, and associated energy marketing and price risk activities, and Dominion Energy's long-term contracted renewable electric generation fleet as well as a 50% noncontrolling partnership interest in Fowler Ridge.

Contracted Generation's growth capital plan includes spending less than \$1 billion from 2019 through 2023 to expand its renewable generation fleet.

The Contracted Generation Operating Segment derives its earnings primarily from Dominion Energy's merchant generation assets, as well as from associated capacity and ancillary services. Variability in earnings provided by Millstone relates to changes in market-based prices received for electricity and capacity as well as the timing, duration and costs of scheduled and unscheduled outages. Approximately half of Millstone's output is sold under the Millstone 2019 power purchase agreements, which commenced in October 2019 following approval by PURA in 2019. Market-based prices for electricity are largely dependent on commodity prices and the demand for electricity. Capacity prices are dependent upon resource requirements in relation to the supply available (both existing and new) in the forward capacity auctions, which are held approximately three years in advance of the associated delivery year. Dominion Energy manages the electric price volatility of Millstone by hedging a substantial portion of its expected near-term energy sales not subject to the Millstone 2019 power purchase agreements with derivative instruments.

Dominion Energy's merchant generation fleet includes numerous renewable generation facilities, including solar generation and wind facilities in operation or development in nine states, including Virginia. The output of these facilities is primarily sold under long-term power purchase agreements with terms generally ranging from 15 to 25 years. Variability in earnings provided by these assets relates to changes in irradiance levels and wind speeds due to changes in weather. See Notes 3 and 10 to the Consolidated Financial Statements for additional information regarding certain solar projects.

COMPETITION

Contracted Generation's renewable generation projects are not currently subject to significant competition as the output from these facilities is primarily sold under long-term power purchase agreements with terms generally ranging from 15 to 25 years. However, in the future, such operations may compete with other power generation facilities to serve certain large-scale customers after the power purchase agreements expire. Competition for the merchant fleet is impacted by electricity and fuel prices, new market entrants, construction by others of generating assets and transmission capacity, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. These competitive factors may negatively impact the merchant fleet's ability to profit from the sale of electricity and related products and services.

Millstone is dependent on its ability to operate in a competitive environment and does not have a predetermined rate structure that provides for an ROIC. Millstone operates within a functioning RTO and primarily compete on the basis of price. Competitors include other generating assets bidding to operate within the RTO. Millstone competes in the wholesale market with other generators to sell a variety of products including energy, capacity and ancillary services. It is difficult to compare various types of generation given the wide range of fuels, fuel procurement strategies, efficiencies and operating characteristics of the fleet within any given RTO. However, Dominion Energy applies its expertise in operations, dispatch and risk management to maximize the degree to which its nonrenewable merchant fleet is competitive compared to similar assets within the region.

REGULATION

Dominion Energy's contracted generation fleet is subject to regulation by the NRC, the EPA, the DOE, the Army Corps of Engineers and other federal, state and local authorities. See *Regulation, Future Issues and Other Matters* in Item 7, MD&A and Notes 13 and 23 to the Consolidated Financial Statements for more information.

PROPERTIES

For a listing of facilities, see Item 2. Properties.

Dominion Energy plans to acquire or construct certain solar facilities in the Mid-Atlantic. See Note 10 to the Consolidated Financial Statements for more information.

INVESTMENTS

See Note 9 to the Consolidated Financial Statements for further information about Dominion Energy's equity method investment in Fowler Ridge.

SOURCES OF ENERGY SUPPLY

Contracted Generation's renewable fleet utilizes solar and wind energy to power its electric generation while Millstone utilizes nuclear fuel to power its electric generation. In addition, Dominion Energy occasionally purchases electricity from the ISO-NE spot market to satisfy physical forward sale requirements, as described below. Some of these agreements have fixed commitments and are included as contractual obligations in *Future Cash Payments for Contractual Obligations and Planned Capital Expenditures* in Item 7, MD&A.

Nuclear Fuel—Millstone primarily utilizes long-term contracts to support its nuclear fuel requirements. Worldwide market conditions are continuously evaluated to ensure a range of supply options at reasonable prices which are dependent on the market environment. Current agreements, inventories and spot market availability are expected to support current and planned fuel supply needs. Additional fuel is purchased as required to ensure optimal cost and inventory levels.

SEASONALITY

Sales of electricity for Contracted Generation typically vary seasonally as a result of the weather.

NUCLEAR DECOMMISSIONING

Dominion Energy has two licensed, operating nuclear reactors at Millstone in Connecticut. A third Millstone unit ceased operations before Dominion Energy acquired the power station. In May 2013, Dominion Energy ceased operations at its single Kewaunee unit in Wisconsin and commenced decommissioning activities using the SAFSTOR methodology. The planned decommissioning completion date is 2073, which is within the NRC allowed 60-year window.

As part of Dominion Energy's acquisition of both Millstone and Kewaunee, it acquired decommissioning funds for the related units. Any funds remaining in Kewaunee's trust after decommissioning is completed are required to be refunded to Wisconsin ratepayers. Dominion Energy believes that the amounts currently available in the decommissioning trusts and their expected earnings will be sufficient to cover expected decommissioning costs for the Millstone and Kewaunee units. Dominion Energy will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirements, which may include, if needed, the use of parent company guarantees, surety bonding or other financial instruments recognized by the NRC. The most recent site-specific studies completed for Millstone and for Kewaunee were performed in 2019 and 2018, respectively.

The estimated decommissioning costs, funds in trust and current license expiration dates for Millstone and Kewaunee are shown in the following table:

| | NRC license expiration year | Most recent cost estimate (2019 dollars) (1) | Funds in trusts at December 31, 2019 | 2019 contributions to trusts |
|-----------------------|--------------------------------------|--|---|------------------------------------|
| (dollars in millions) | | | | |
| Millstone | | | | |
| Unit 1 (2) | N/A | \$ 450 | \$ 622 | \$ — |
| Unit 2 | 2035 | 653 | 828 | — |
| Unit 3 (3) | 2045 | 741 | 813 | — |
| Kewaunee | | | | |
| Unit 1 (4) | N/A | 573 | 834 | — |
| Total | | \$2,417 | \$3,097 | \$ — |

(1) The cost estimates shown above reflect reductions for the expected future recovery of certain spent fuel costs based on Dominion Energy's contracts with the DOE for disposal of spent nuclear fuel consistent with the reductions reflected in Dominion Energy's nuclear decommissioning AROs.

(2) Unit 1 permanently ceased operations in 1998, before Dominion Energy's acquisition of Millstone.

(3) Millstone Unit 3 is jointly owned by Dominion Energy Nuclear Connecticut, Inc., with a 6.53% undivided interest in Unit 3 owned by Massachusetts Municipal and Green Mountain. Decommissioning cost is shown at Dominion Energy's ownership percentage. At December 31, 2019, the minority owners held \$49 million of trust funds related to Millstone Unit 3 that are not reflected in the table above.

(4) Permanently ceased operations in 2013.

Also see Notes 14 and 23 to the Consolidated Financial Statements for further information about AROs and nuclear decommissioning, respectively, and Note 9 to the Consolidated Financial Statements for information about nuclear decommissioning trust investments.

Corporate and Other

Corporate and Other Segment-Virginia Power and Dominion Energy Gas

Virginia Power and Dominion Energy Gas' Corporate and Other segments primarily include certain specific items attributable to their operating segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources.

Corporate and Other Segment-Dominion Energy

Dominion Energy's Corporate and Other segment includes its corporate, service company and other functions (including unallocated debt). In addition, Corporate and Other includes specific items attributable to Dominion Energy's operating segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources.

REGULATION

The Companies are subject to regulation by various federal, state and local authorities, including the state commissions of Virginia, North Carolina, South Carolina, Ohio, West Virginia, Georgia, Utah, Wyoming and Idaho, SEC, FERC, EPA, DOE, NRC, Army Corps of Engineers and the U.S. Department of Transportation.

State Regulations

ELECTRIC

Virginia Power and DESC's electric utility retail services are subject to regulation by the Virginia and North Carolina Commissions and the South Carolina Commission, respectively.

Virginia Power and DESC hold CPCNs which authorize them to maintain and operate their electric facilities already in operation and to sell electricity to customers. However, Virginia Power and DESC may not construct generating facilities or large capacity transmission lines without the prior approval of various state and federal government agencies. In addition, the Virginia Commission and the North Carolina Commission regulate Virginia Power's and the South Carolina Commission regulates DESC's transactions with affiliates and transfers of certain facilities. The Virginia, North Carolina and South Carolina Commissions also regulate the issuance of certain securities.

Electric Regulation in Virginia

The Regulation Act provides for a cost-of-service rate model and permits Virginia Power to seek recovery of costs for new generation projects, including pumped hydroelectricity generation and storage facilities as well as extensions of operating licenses of nuclear power generation facilities, FERC-approved transmission costs, underground distribution lines, certain environmental compliance, conservation and energy efficiency programs and renewable energy programs through stand-alone rate adjustment clauses, and also contains statutory provisions directing Virginia Power to file annual fuel cost recovery cases with the Virginia Commission. As amended, it provides for enhanced returns on capital expenditures on specific newly-proposed generation projects.

In March 2018, the GTSA reinstated base rate reviews on a triennial basis other than the first review, which will be a quadrennial review, occurring for Virginia Power in 2021 for the four successive 12-month test periods beginning January 1, 2017 and ending December 31, 2020.

In the triennial review proceedings, earnings that are more than 70 basis points above the utility's authorized ROE that might have been refunded to customers and served as the basis for a reduction in future rates, may be reduced by Virginia Commission-approved investment amounts in qualifying solar or wind generation facilities or electric distribution grid transformation projects that Virginia Power elects to include as a customer credit reinvestment offset. The legislation declares that electric distribution grid transformation projects are in the public interest and provides that Virginia Power may seek to recover the costs of such projects through a rate adjustment clause if not the subject of a customer credit reinvestment offset. Any costs that are the subject of a customer credit reinvestment offset may not be recovered in base rates for the service life of the projects and may not be included in base rates in future triennial review proceedings. In any triennial review in which the Virginia Commission determines that the utility's earnings are more than 70 basis points above its authorized ROE, base rates are subject to reduction prospectively and customer refunds would be due unless the total customer credit reinvestment offset elected by the utility equals or exceeds the amount of earnings in excess of the 70 basis points. In the 2021 review, any such rate reduction is limited to \$50 million.

See *Future Issues and Other Matters* in Item 7. MD&A and Note 13 to the Consolidated Financial Statements for additional information.

Electric Regulation in North Carolina

Virginia Power's retail electric base rates in North Carolina are regulated on a cost-of-service/rate-of -return basis subject to North Carolina statutes and the rules and procedures of the North Carolina Commission. North Carolina base rates are set by a process that allows Virginia Power to recover its operating costs and an ROIC. If retail electric earnings exceed the authorized ROE established by the North Carolina Commission, retail electric rates may be subject to review and possible reduction by the North Carolina Commission, which may decrease Virginia Power's future earnings. Additionally, if the North Carolina Commission does not allow recovery of costs incurred in providing service on a timely basis, Virginia Power's future earnings could be negatively impacted. Fuel rates are subject to revision under annual fuel cost adjustment proceedings.

Virginia Power's transmission service rates in North Carolina are regulated by the North Carolina Commission as part of Virginia Power's bundled retail service to North Carolina customers. See Note 13 to the Consolidated Financial Statements for additional information.

Electric Regulation in South Carolina

DESC's retail electric base rates in South Carolina are regulated on a cost-of-service/rate-of -return basis subject to South Carolina statutes and the rules and procedures of the South Carolina Commission. South Carolina base rates are set by a process that allows DESC to recover its operating costs and an ROIC. If retail electric earnings exceed the authorized ROE established by the South Carolina Commission, retail electric rates may be subject to review and possible reduction, which may decrease DESC's future earnings. Additionally, if the South Carolina Commission does not allow recovery of costs incurred in providing service on a timely basis, DESC's future earnings could be negatively impacted. Fuel costs are reviewed annually by the South Carolina Commission, as required by statute, and fuel rates are subject to revision in these annual fuel proceedings.

DESC offers to its retail electric customers several DSM programs designed to assist customers in reducing their demand for electricity and improving their energy efficiency. DESC submits annual filings to the South Carolina Commission related to these programs. As actual DSM program costs are incurred, they are deferred as regulatory assets and recovered through a rider approved by the South Carolina Commission. The rider also provides for recovery of any net lost revenues and for a shared savings incentive.

In connection with the SCANA Combination, DESC agreed not to file a general rate case with the South Carolina Commission with a requested rate effective date earlier than January 2021. Rate adjustments are permitted prior to 2021 for fuel and environmental costs, DSM costs and other rates routinely adjusted on an annual or biennial basis.

See Notes 3 and 13 to the Consolidated Financial Statements for additional information.

GAS

Questar Gas and Wexpro's natural gas development, production, transportation, and distribution services, including the rates it may charge its customers, are regulated by the state commissions of Utah, Wyoming and Idaho. East Ohio's natural gas distribution services, including the rates it may charge its customers, are regulated by the Ohio Commission. Hope's natural gas distribution services are regulated by the West Virginia Commission. DESC and PSNC's natural gas distribution services are regulated by the South Carolina Commission and North Carolina Commission, respectively.

Gas Regulation in Utah, Wyoming and Idaho

Questar Gas is subject to regulation of rates and other aspects of its business by the Utah, Wyoming and Idaho Commissions. The Idaho Commission has contracted with the Utah Commission for rate oversight of Questar Gas' operations in a small area of southeastern Idaho. When necessary, Questar Gas seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost-of-service by rate class. Base rates for Questar Gas are designed primarily based on rate design methodology in which the majority of operating costs are recovered through volumetric charges. The volumetric charges for the residential and small commercial customers in Utah and Wyoming are subject to revenue decoupling and adjusted for changes in usage per customer.

In addition to general rate increases, Questar Gas makes routine separate filings with the Utah and Wyoming Commissions to reflect changes in the costs of purchased gas. The majority of these purchased gas costs are subject to rate recovery through the Wexpro Agreement and Wexpro II Agreement. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The purchased gas recovery filings generally cover a prospective twelve-month period. Approved increases or decreases in gas cost recovery rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

The Utah and Wyoming Commissions have also approved several stand-alone cost recovery mechanisms to recover specified costs and a return for infrastructure projects between general base rate cases.

See Note 13 to the Consolidated Financial Statements for additional information.

Gas Regulation in Ohio

East Ohio is subject to regulation of rates and other aspects of its business by the Ohio Commission. When necessary, East Ohio seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost-of-service by rate class. A straight-fixed-variable rate design, in which the majority of operating costs are recovered through a monthly charge rather than a volumetric charge, is utilized to establish rates for a majority of East Ohio's customers pursuant to a 2008 rate case settlement.

In addition to general base rate increases, East Ohio makes routine filings with the Ohio Commission to reflect changes in the costs of gas purchased for operational balancing on its system. These purchased gas costs are subject to rate recovery through a

mechanism that ensures dollar for dollar recovery of prudently incurred costs. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The rider filings cover unrecovered gas costs plus prospective annual demand costs. Increases or decreases in gas cost rider rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

The Ohio Commission has also approved several stand-alone cost recovery mechanisms to recover specified costs and a return for infrastructure projects between general base rate cases. See Note 13 to the Consolidated Financial Statements for additional information.

Gas Regulation in West Virginia

Hope is subject to regulation of rates and other aspects of its business by the West Virginia Commission. When necessary, Hope seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost-of-service by rate class. Base rates for Hope are designed primarily based on rate design methodology in which the majority of operating costs are recovered through volumetric charges.

In addition to general rate increases, Hope makes routine separate filings with the West Virginia Commission to reflect changes in the costs of purchased gas. The majority of these purchased gas costs are subject to rate recovery through a mechanism that ensures dollar for dollar recovery of prudently incurred costs. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The purchased gas cost recovery filings generally cover a prospective twelve-month period. Approved increases or decreases in gas cost recovery rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

The West Virginia Commission has also approved a stand-alone cost recovery mechanism to recover specified costs and a return for infrastructure projects between general base rate cases. See Note 13 to the Consolidated Financial Statements for additional information.

Gas Regulation in North Carolina

PSNC is subject to regulation of rates and other aspects of its business by the North Carolina Commission. When necessary, PSNC seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost-of-service by rate class. Base rates for PSNC are designed primarily based on rate design methodology in which the majority of operating costs are recovered through volumetric charges. The volumetric charges for the residential and commercial customers are subject to revenue decoupling and adjusted for changes in usage per customer.

In addition to general rate increases, PSNC makes routine separate filings with the North Carolina Commission to reflect changes in the costs of purchased gas. PSNC's purchased gas adjustment allows it to recover from customers all prudently incurred gas costs, including transportation costs, and certain related uncollectible expenses. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The purchased gas recovery filings are made periodically to reflect prospective costs and recovery. Approved increases or decreases in

gas cost recovery rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

The North Carolina Commission has also approved a stand-alone cost recovery mechanism to recover specified costs and a return for infrastructure projects between general base rate cases.

In connection with the SCANA Combination, PSNC agreed not to file a general rate case with the North Carolina Commission with a requested rate effective date earlier than November 2021 other than for rate adjustments as described above.

See Notes 3 and 13 to the Consolidated Financial Statements for additional information.

Gas Regulation in South Carolina

DESC is subject to regulation of rates and other aspects of its natural gas distribution service by the South Carolina Commission. DESC provides retail natural gas service to customers in areas in which it has received authorization from the South Carolina Commission and in municipalities in which it holds a franchise. DESC's base rates can be adjusted annually, pursuant to the Natural Gas Rate Stabilization Act, for recovery of costs related to natural gas infrastructure. Base rates are set based on the cost-of-service by rate class approved by the South Carolina Commission in the latest general rate case. Base rates for DESC are based primarily on a rate design methodology in which the majority of operating costs are recovered through volumetric charges. DESC also utilizes a weather normalization adjustment to adjust its base rates during the winter billing months for residential and commercial customers to mitigate the effects of unusually cold or warm weather.

In addition, DESC's natural gas tariffs include a purchased gas adjustment that provides for the recovery of prudently incurred gas costs, including transportation costs. DESC is authorized to adjust its purchased gas rates monthly and makes routine filings with the South Carolina Commission to provide notification of changes in these rates. Costs that are under or over recovered are deferred as regulatory assets or liabilities, respectively, and considered in subsequent purchased gas adjustments. The purchased gas adjustment filings generally cover a prospective twelve-month period. Increases or decreases in purchased gas costs can result in corresponding changes in purchased gas adjustment rates and the revenue generated by those rates. The South Carolina Commission reviews DESC's gas purchasing policies and practices, including its administration of the purchased gas adjustment, annually.

See Notes 3 and 13 to the Consolidated Financial Statements for additional information.

Status of Competitive Retail Gas Services

Ohio has considered legislation regarding a competitive deregulation of natural gas sales at the retail level.

Since October 2000, East Ohio has offered the Energy Choice program, under which residential and commercial customers are encouraged to purchase gas directly from retail suppliers or through a community aggregation program. In October 2006, East Ohio restructured its commodity service by entering into gas purchase contracts with selected suppliers at a fixed price above the New York Mercantile Exchange month-end settlement and passing that gas cost to customers under the Standard Service

Offer program. Starting in April 2009, East Ohio buys natural gas under the Standard Service Offer program for customers not eligible to participate in the Energy Choice program and certain transitional customers only and places Energy Choice-eligible customers in a direct retail relationship with selected suppliers, which is designated on the customers' bills.

In January 2013, the Ohio Commission granted East Ohio's motion to fully exit the merchant function for its nonresidential customers, beginning in April 2013, which requires those customers to choose a retail supplier or be assigned to one at a monthly variable rate set by the supplier. At December 31, 2019, approximately 1.1 million of East Ohio's 1.2 million customers were participating in the Energy Choice program. Subject to the Ohio Commission's approval, East Ohio may eventually exit the gas merchant function in Ohio entirely and have all customers select an alternate gas supplier. East Ohio continues to be the provider of last resort in the event of default by a supplier. Large industrial customers in Ohio also source their own natural gas supplies.

Federal Regulations

FEDERAL ENERGY REGULATORY COMMISSION

Electric

Under the Federal Power Act, FERC regulates wholesale sales and transmission of electricity in interstate commerce by public utilities. Virginia Power purchases and sells electricity in the PJM wholesale market and sells electricity to wholesale purchasers in Virginia and North Carolina. Dominion Energy's merchant generators sell electricity in the PJM, CAISO and ISO-NE wholesale markets, and to wholesale purchasers in the states of Virginia, North Carolina, Indiana, Connecticut, Tennessee, Georgia, California, South Carolina and Utah, under Dominion Energy's market-based sales tariffs authorized by FERC or pursuant to FERC authority to sell as a qualified facility. DESC may make wholesale sales at market-based rates outside its balancing authority pursuant to its market-based sales tariff authorized by FERC. In addition, Virginia Power and DESC have FERC approval of tariffs to sell wholesale power at capped rates based on their respective embedded cost of generation. These cost-based sales tariffs could be used to sell to loads within or outside Virginia Power and DESC's service territories. Any such sales would be voluntary.

Dominion Energy, Virginia Power and DESC are subject to FERC's Standards of Conduct that govern conduct between transmission function employees of interstate gas and electricity transmission providers and the marketing function employees of their affiliates. The rule defines the scope of transmission and marketing-related functions that are covered by the standards and is designed to prevent transmission providers from giving their affiliates undue preferences.

Dominion Energy, Virginia Power and DESC are also subject to FERC's affiliate restrictions that (1) prohibit power sales between merchant plants and utility plants without first receiving FERC authorization, (2) require the merchant and utility plants to conduct their wholesale power sales operations separately, and (3) prohibit utilities from sharing market information with merchant plant operating personnel. The rules are designed to prohibit utilities from giving the merchant plants a competitive advantage.

EPACT included provisions to create an Electric Reliability Organization, which is required to promulgate mandatory reliability standards governing the operation of the bulk power system in the U.S. FERC has certified NERC as the Electric Reliability Organization and also issued an initial order approving many reliability standards that went into effect in 2007. Entities that violate standards will be subject to fines of up to \$1.2 million per day, per violation and can also be assessed non-monetary penalties, depending upon the nature and severity of the violation.

Dominion Energy, Virginia Power and DESC plan and operate their facilities in compliance with approved NERC reliability requirements. Dominion Energy and Virginia Power employees participate on various NERC committees, track the development and implementation of standards, and maintain proper compliance registration with NERC's regional organizations. Dominion Energy, Virginia Power and DESC anticipate incurring additional compliance expenditures over the next several years because of the implementation of new cybersecurity programs. In addition, NERC has redefined critical assets which expanded the number of assets subject to NERC reliability standards, including cybersecurity assets. NERC continues to develop additional requirements specifically regarding supply chain standards and control centers that impact the bulk electric system. While Dominion Energy Virginia Power and DESC expect to incur additional compliance costs in connection with NERC requirements and initiatives, such expenses are not expected to significantly affect results of operations.

In April 2008, FERC granted an application for Virginia Power's electric transmission operations to establish a forward-looking formula rate mechanism that updates transmission rates on an annual basis and approved an ROE effective as of January 1, 2008. The formula rate is designed to recover the expected revenue requirement for each calendar year and is updated based on actual costs. The FERC-approved formula method, which is based on projected costs, allows Virginia Power to earn a current return on its growing investment in electric transmission infrastructure.

In October 2011, FERC issued an order approving the settlement of DESC's formula rate that updates transmission rates on an annual basis, including its ROE. The formula rate is designed to recover the expected revenue requirement for the calendar year and is updated annually based on actual costs. This FERC accepted formula rate enables DESC to earn a return on its investment in electric transmission infrastructure.

Gas

FERC regulates the transportation and sale for resale of natural gas in interstate commerce under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978, as amended. Under the Natural Gas Act, FERC has authority over rates, terms and conditions of services performed by Dominion Energy Questar Pipeline, DETI, DECG, Iroquois and certain services performed by Cove Point. The operation of the Cove Point LNG Facility, including associated natural gas pipelines, the Liquefaction Facility and the import and export of LNG are also regulated by FERC.

Dominion Energy and Dominion Energy Gas' interstate gas transmission and storage activities are conducted on an open access basis, in accordance with certificates, tariffs and service agreements on file with FERC and FERC regulations.

Dominion Energy and Dominion Energy Gas operate in compliance with FERC standards of conduct, which prohibit the sharing of certain non-public transmission information or customer specific data by its interstate gas transmission and storage companies with non-transmission function employees. Pursuant to these standards of conduct, Dominion Energy and Dominion Energy Gas also make certain informational postings available on Dominion Energy's website.

See Note 13 to the Consolidated Financial Statements for additional information.

Safety Regulations

Dominion Energy and Dominion Energy Gas are also subject to the Pipeline Safety Improvement Act of 2002 and the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which mandate inspections of interstate and intrastate natural gas transmission and storage pipelines, particularly those located in areas of high-density population. Dominion Energy and Dominion Energy Gas have evaluated their natural gas transmission and storage properties, as required by the U.S. Department of Transportation regulations under these Acts, and have implemented a program of identification, testing and potential remediation activities. These activities are ongoing.

The Companies are subject to a number of federal and state laws and regulations, including Occupational Safety and Health Administration, and comparable state statutes, whose purpose is to protect the health and safety of workers. The Companies have an internal safety, health and security program designed to monitor and enforce compliance with worker safety requirements, which is routinely reviewed and considered for improvement. The Companies believe that they are in material compliance with all applicable laws and regulations related to worker health and safety. Notwithstanding these preventive measures, incidents may occur that are outside of the Companies' control.

Environmental Regulations

Each of the Companies' operating segments is subject to substantial laws, regulations and compliance costs with respect to environmental matters. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of significant penalties for noncompliance, including fines, injunctive relief and other sanctions. The cost of complying with applicable environmental laws, regulations and rules is expected to be material to the Companies. If compliance expenditures and associated operating costs are not recoverable from customers through regulated rates (in regulated businesses) or market prices (in unregulated businesses), those costs could adversely affect future results of operations and cash flows. The Companies have applied for or obtained the necessary environmental permits for the construction and operation of their facilities. Many of these permits are subject to reissuance and continuing review. For a discussion of significant aspects of these matters, including current and planned capital expenditures relating to environmental compliance required to be discussed in this Item, see *Environmental Matters in Future Issues and Other Matters* in Item 7. MD&A. Additional information can also be found in Item 3. Legal Proceedings and Note 23 to the Consolidated Financial Statements.

GLOBAL CLIMATE CHANGE

The Companies support a federal climate change program that would provide a consistent, economy-wide approach to addressing this issue. Regardless of federal action, the Companies are reducing their GHG emissions while meeting the growing needs of their customers. Dominion Energy's CEO and operating segment CEOs are responsible for compliance with the laws and regulations governing environmental matters, including GHG emissions, and Dominion Energy's Board of Directors receives periodic updates on these matters. See *Environmental Strategy* below, *Environmental Matters in Future Issues and Other Matters* in Item 7. MD&A and Note 23 to the Consolidated Financial Statements for information on climate change legislation and regulation.

AIR

The CAA is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation's air quality. Regulated emissions include, but are not limited to, carbon, methane, VOC, NO_x, other GHGs, mercury, other toxic metals, hydrogen chloride, SO₂ and particulate matter. At a minimum, delegated states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of the Companies' facilities are subject to the CAA's permitting and other requirements.

WATER

The CWA is a comprehensive program requiring a broad range of regulatory tools including a permit program to authorize and regulate discharges to surface waters with strong enforcement mechanisms. The CWA and analogous state laws impose restrictions and strict controls regarding discharges of effluent into surface waters and require permits to be obtained from the EPA or the analogous state agency for those discharges. Containment berms and similar structures may be required to help prevent accidental releases. Dominion Energy must comply with applicable CWA requirements at its current and former operating facilities. Stormwater related to construction activities is also regulated under the CWA and by state and local stormwater management and erosion and sediment control laws. From time to time, Dominion Energy's projects and operations may impact tidal and non-tidal wetlands. In these instances, Dominion Energy must obtain authorization from the appropriate federal, state and local agencies prior to impacting wetlands. The authorizing agency may impose significant direct or indirect mitigation costs to compensate for such impacts to wetlands.

WASTE AND CHEMICAL MANAGEMENT

Dominion Energy is subject to various federal and state laws and implementing regulations governing the management, storage, treatment, reuse and disposal of waste materials and hazardous substances, including the Resource Conservation and Recovery Act of 1976, CERCLA, the Emergency Planning and Community Right-to-Know Act of 1986 and the Toxic Substances Control Act of 1976. Dominion Energy's operations and construction activities, including activities associated with oil and gas production and gas storage wells, generate waste. Across Dominion Energy, completion water is disposed at commercial disposal

facilities. Produced water is either hauled for disposal, evaporated or injected into company and third-party owned underground injection wells. Wells drilled in tight-gas-sand and shale reservoirs require hydraulic-fracture stimulation to achieve economic production rates and recoverable reserves. The majority of Wexpro's current and future production and reserve potential is derived from reservoirs that require hydraulic-fracture stimulation to be commercially viable. Currently, all well construction activities, including hydraulic-fracture stimulation and management and disposal of hydraulic fracturing fluids, are regulated by federal and state agencies that review and approve all aspects of gas- and oil-well design and operation.

PROTECTED SPECIES

The ESA and analogous state laws prohibit activities that can result in harm to specific species of plants and animals, as well as impacts to the habitat on which those species depend. In addition to ESA programs, the Migratory Bird Treaty Act of 1918 and Bald and Golden Eagle Protection Act establish broader prohibitions on harm to protected birds. Many of the Companies' facilities are subject to requirements of the ESA, Migratory Bird Treaty Act of 1918 and Bald and Golden Eagle Protection Act. The ESA and Bald and Golden Eagle Protection Act require potentially lengthy coordination with the state and federal agencies to ensure potentially affected species are protected. Ultimately, the suite of species protections may restrict company activities to certain times of year, project modifications may be necessary to avoid harm, or a permit may be needed for unavoidable taking of the species. The authorizing agency may impose mitigation requirements and costs to compensate for harm of a protected species or habitat loss. These requirements and time of year restrictions can result in adverse impacts on project plans and schedules such that the Companies' businesses may be materially affected.

OTHER REGULATIONS

Other significant environmental regulations to which the Companies are subject include federal and state laws protecting graves, sacred sites, historic sites and cultural resources, including those of American Indian tribal nations and tribal communities. These can result in compliance and mitigation costs as well as potential adverse effects on project plans and schedules such that the Companies' businesses may be materially affected.

Nuclear Regulatory Commission

All aspects of the operation and maintenance of Dominion Energy and Virginia Power's nuclear power stations are regulated by the NRC. Operating licenses issued by the NRC are subject to revocation, suspension or modification, and the operation of a nuclear unit may be suspended if the NRC determines that the public interest, health or safety so requires.

From time to time, the NRC adopts new requirements for the operation and maintenance of nuclear facilities. In many cases, these new regulations require changes in the design, operation and maintenance of existing nuclear facilities. If the NRC adopts such requirements in the future, it could result in substantial increases in the cost of operating and maintaining Dominion Energy and Virginia Power's nuclear generating units. See Note 23 to the Consolidated Financial Statements for further information.

The NRC also requires Dominion Energy and Virginia Power to decontaminate their nuclear facilities once operations cease. This process is referred to as decommissioning, and Dominion Energy and Virginia Power are required by the NRC to be financially prepared. For information on decommissioning trusts, see *Dominion Energy Virginia-Nuclear Decommissioning*, *Dominion Energy South Carolina-Nuclear Decommissioning*, and *Contracted Generation-Nuclear Decommissioning* above and Notes 3 and 9 to the Consolidated Financial Statements. See Notes 3 and 23 to the Consolidated Financial Statements for information on spent nuclear fuel.

ENVIRONMENTAL STRATEGY

The Companies' environmental strategy is a component of the overall long-term strategic planning overseen by the CEO and Board of Directors, including oversight by the sustainability and corporate responsibility board committee which was formed in 2018. The Companies are committed to ongoing industry leadership, delivering safe, reliable, clean and affordable energy while fully complying with all applicable environmental laws and regulations. Additionally, the Companies seek to build partnerships and engage with local communities, stakeholders and customers on environmental issues important to them, including environmental justice considerations such as fair treatment, inclusive involvement and effective communication. The Companies believe in being transparent about their environmental commitments, policies, including the Environmental Justice Policy adopted in 2018, and initiatives which have been disclosed in a Sustainability & Corporate Responsibility Report, Climate Report and other reports included on Dominion Energy's dedicated Environmental, Social and Governance website. The Companies are dedicated to meeting their customers' growing energy needs with innovative, sustainable solutions. The Companies are pursuing initiatives intended to reduce the GHG footprint of their customers and energy end-users, including a school bus electrification program in Virginia and two renewable natural gas partnerships in the agricultural sector. It is the Companies' belief that sustainable solutions should strive to balance the interdependent goals of environmental stewardship and economic effects. The integrated strategy to meet these objectives consists of three major elements:

- Reduction of GHG emissions;
- Energy infrastructure modernization, including natural gas and electric operations; and
- Conservation and energy efficiency.

Reduction of GHG Emissions

The Companies' integrated strategy has resulted in a reduction in GHG emissions and emission intensity. Dominion Energy has committed to cut methane emissions by 65% by 2030 and by 80% by 2040, in each case relative to 2010 emissions. Dominion Energy has further committed to achieve net zero carbon and methane emissions from its electric generation and natural gas infrastructure operations by 2050.

Over the past two decades, the Companies have made changes to the generation mix and to natural gas operations which have significantly improved environmental performance. For example,

Dominion Energy has reduced both its carbon emissions and its carbon intensity while generating electricity with an increasingly clean portfolio. From 2000 through 2018, Dominion Energy's carbon intensity decreased by 53%. This strategy has also resulted in measurable reductions of other air pollutants such as NO_x, SO₂ and mercury and reduced the amount of coal ash generated and the amount of water withdrawn. The principal components of the strategy include initiatives that address electric energy production and delivery, natural gas storage, transmission and delivery and energy management.

See *Operating Segments* for more information on certain of the projects described above.

CLEANER GENERATION

Renewable energy is an important component of a diverse and reliable energy mix. Dominion Energy has nearly 3,200 MW of solar generating capacity in operation or under development in nine states, including offtake agreements for Virginia Power's utility customers. Dominion Energy continues to add utility-scale solar capacity and currently has the fourth largest utility-owned solar fleet in the U.S. Backed by nearly \$2 billion of investment from 2018 through 2020, Dominion Energy has grown its solar fleet in Virginia and North Carolina to about 2,400 MW in service, in construction or under development.

The Coastal Virginia Offshore Wind Pilot project is a 12 MW offshore wind demonstration project that is currently under construction and will be commercially available before the end of 2020. The Coastal Virginia Offshore Wind Commercial project is a 2,640 MW offshore wind project that was announced in September 2019 with construction beginning in 2024 and an anticipated completion in 2026.

Preservation of the Companies' existing carbon-free baseload nuclear generation is also an important component of Dominion Energy's GHG emissions reduction strategy. Accordingly, Virginia Power has commenced the process to extend the operating licenses for its four nuclear units at Surry and North Anna.

See *Operating Segments* and Item 2. Properties for additional information, including Dominion Energy's merchant solar properties.

GHG EMISSIONS

Since 2000, Dominion Energy and Virginia Power have tracked the emissions of their electric generation fleet, which employs a mix of fuel and renewable energy sources. Comparing annual year 2018 to annual year 2000, the entire electric generating fleet (based on ownership percentage) reduced its average CO₂ emissions rate per MWh of energy produced from electric generation by approximately 53%. Comparing annual year 2018 to annual year 2000, the regulated electric generating fleet (based on ownership percentage) reduced its average CO₂ emissions rate per MWh of energy produced from electric generation by approximately 39%. Dominion Energy and Virginia Power's 2019 emission data is not yet available. Emissions data disclosed herein excludes the operations acquired in the SCANA Combination.

Dominion Energy also develops a comprehensive GHG inventory annually. For Dominion Energy and Virginia Power's electric generation operations, direct CO₂ equivalent emissions (based on ownership percentage) were 27.8 million metric tons and 24.6 million metric tons, respectively, in 2018, compared to 30.1 million metric tons and 26.5 million metric tons,

respectively, in 2017. The corresponding carbon intensity rates for Dominion Energy's electric generation operations were 0.276 metric tons CO₂ equivalent emissions per net MWh in 2018 and 0.295 metric tons CO₂ equivalent emissions per net MWh in 2017.

For regulated electric transmission and distribution operations, direct CO₂ equivalent emissions for 2018 were 39,900 metric tons, compared to 37,841 metric tons in 2017.

Dominion Energy's natural gas companies have been reporting GHG emissions to the EPA since 2011 under the GHG Reporting Program. In January 2016, the GHG Reporting Program was expanded to also include GHG inputs and emissions associated with natural gas gathering and boosting sources and transmission pipeline blowdowns for facilities that exceed 25,000 metric tons per year of CO₂ equivalent emissions. The sources within these new facilities were not previously covered under the rule and the first reports for these new sources were submitted to the EPA by March 31, 2017.

Dominion Energy's GHG inventory follows all methodologies specified in the EPA Mandatory Greenhouse Gas Reporting Rule, 40 Code of Federal Regulations Part 98 for calculating emissions. Total CO₂ equivalent emissions reported for Dominion Energy's natural gas assets, as estimated in Dominion Energy's corporate inventory, were 4.14 million metric tons in 2018. This estimate includes emissions reported under the GHG Reporting Program, as well as other emissions not required to be reported under the federal program. The 2018 corporate GHG inventory emission estimate includes Dominion Energy Questar Pipeline, Questar Gas and Wexpro Company for the entire calendar year. Dominion Energy's 2018 methane emissions reported under Subpart W of the Greenhouse Gas Reporting Rule are as follows:

| Subpart W Segment | Subpart W Total CH ₄ Emissions (mcf CH ₄) |
|----------------------------------|---|
| Distribution | 1,839,577 |
| Production | 736,188 |
| Transmission pipelines | 403,164 |
| Transmission compressor stations | 219,011 |
| Gathering and boosting | 219,056 |
| Storage | 88,973 |
| LNG import/export | 4,331 |
| Processing | 1,880 |

METHANE EMISSIONS

In July 2015, the EPA announced the next generation of its voluntary Natural Gas STAR Program, the Natural Gas STAR Methane Challenge Program. The program covers the entire natural gas sector from production to distribution, with more emphasis on transparency and increased reporting for both annual emissions and reductions achieved through implementation measures. Dominion Energy is a member of the Methane Challenge program and East Ohio, Hope, DETI and Questar Gas were founding partners. Dominion Energy is a member of the EPA's voluntary Natural Gas STAR program. Dominion Energy joined the One Future Coalition and participated in the 2018 and 2019 progress reports. One Future is an industry-led group and member companies pledge to limit methane emissions to below 1% of gas throughput across the entire natural gas value chain. The entities acquired in the SCANA Combination are expected to join the voluntary methane programs in 2020.

Dominion Energy and Dominion Energy Gas do not expect the costs related to these programs to have a material impact on their results of operations, financial condition and/or cash flows.

Energy Infrastructure Modernization

Dominion Energy's investment plan from 2019 through 2023 includes a focus on upgrading the electric system in Virginia through investments in additional renewable generation facilities, smart meters, customer information platform, intelligent grid devices and associated control systems, physical and cyber security investments, strategic undergrounding and energy conservation programs. Dominion Energy also plans to upgrade its gas and electric transmission and distribution networks and meet environmental requirements and standards set by various regulatory bodies. These enhancements are aimed at meeting Dominion Energy's continued goal of providing reliable service, to address increasing electricity consumption, and make Dominion Energy's system more responsive to customers' desire to more efficiently manage their energy consumption and more adaptive to renewable resources and battery technologies. See *Operating Segments* for additional information.

The Companies have also implemented infrastructure improvements and improved operational practices to reduce the GHG emissions from their natural gas facilities. Dominion Energy and Dominion Energy Gas, in connection with the investment plan, are also pursuing the construction or upgrade of regulated infrastructure in their natural gas businesses. The Companies have made voluntary commitments as part of the EPA Methane Challenge Program to continue to reduce methane emissions as part of these improvements. See *Operating Segments* for additional information, including natural gas infrastructure projects.

Conservation and Energy Efficiency

Conservation and load management play a significant role in meeting the growing demand for electricity and natural gas, while also helping to reduce the environmental footprint of Dominion Energy's customers. The Companies offer various energy efficiency programs in Virginia, North Carolina, Ohio, South Carolina, Utah and Wyoming designed to reduce energy consumption including programs such as:

- Energy audits and assessments;
- Incentives for customers to upgrade or install certain energy efficient measures and/or systems;
- Weatherization assistance to help income-eligible customers reduce their energy usage;
- Home energy planning, which provides homeowners with a step-by-step roadmap to efficiency improvements to reduce gas usage; and
- Rebates for installing high-efficiency equipment.

CYBERSECURITY

In an effort to reduce the likelihood and severity of cyber intrusions, the Companies have a comprehensive cybersecurity program designed to protect and preserve the confidentiality, integrity and availability of data and systems, including oversight by the Board of Directors as well as the financial and risk oversight board committee. The Companies are subject to mandatory cybersecurity regulatory requirements, interface regularly with a wide range of external organizations and participate in classified briefings to maintain an

awareness of current cybersecurity threats and vulnerabilities. The Companies' current security posture and regulatory compliance efforts are intended to address the evolving and changing cyber threats. See Item 1A. Risk Factors for additional information.

Item 1A. Risk Factors

The Companies' businesses are influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond their control. A number of these factors have been identified below. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see *Forward-Looking Statements* in Item 7. MD&A.

Regulatory, Legislative and Legal Risks

The rates of the Companies' electric transmission, distribution and generation operations and gas transmission, storage and distribution operations are subject to regulatory review. Revenue provided by the Companies' electric transmission, distribution and generation operations and by gas transmission and distribution operations is based primarily on rates approved by state and federal regulatory agencies. The profitability of the Companies' businesses is dependent on their ability, through the rates that they are permitted to charge, to recover costs and earn a reasonable rate of return on their capital investment.

At the federal level, Dominion Energy and Virginia Power's wholesale rates for electric transmission service and various rates and charges assessed by Dominion Energy and Dominion Energy Gas' natural gas transmission and storage businesses are regulated by FERC. Rates for electric transmission services are updated annually according to a FERC-approved formula rate mechanism, and may be subject to additional prospective adjustments and retroactive corrections. Rates for gas transmission and storage services are adjusted in rate cases periodically and must reflect recovery of costs plus a reasonable return on investment, in accordance with cost of service ratemaking. A failure by the Companies to support these rates could result in rate decreases from current rate levels, which could adversely affect the Companies' results of operations, cash flows and financial condition.

At the state level, Virginia Power's retail base rates, terms and conditions for generation and distribution services to customers in Virginia are reviewed by the Virginia Commission in a proceeding that involves the determination of Virginia Power's actual earned ROE during a historic test period, and the determination of Virginia Power's authorized ROE prospectively. Under certain circumstances described in the Regulation Act, Virginia Power may be required to refund a portion of its earnings to customers through a refund process and to reduce its rates.

In states other than Virginia, Dominion Energy and Virginia Power's retail electric base rates for generation and distribution services to customers are regulated on a cost-of-service/ rate-of-return basis subject to the statutes, rules and procedures of such states. Dominion Energy's rates for gas distribution to retail customers are similarly regulated at the state level. If retail electric or gas earnings exceed the returns established by state utility commissions, retail electric rates or gas rates may be subject to review and possible reduction, which may decrease the Companies' future earnings. Additionally, if any state utility commission

does not allow recovery through base rates, on a timely basis, of costs incurred in providing service, the Company's future earnings could be negatively impacted.

Under certain circumstances, state utility regulators may impose a moratorium on increases to retail base rates for a specified period of time, which could delay recovery of costs incurred in providing service. Additionally, governmental officials, stakeholders and advocacy groups may challenge any of these regulatory reviews. Such challenges may lengthen the time, complexity and costs associated with such regulatory reviews.

Through the SCANA Combination, Dominion Energy acquired SCANA and DESC which are subject to numerous legal proceedings and ongoing governmental investigations and examinations. SCANA and DESC are defendants in numerous federal and state legal proceedings and governmental investigations relating to the decision to abandon construction at the NND Project. Among other things, the lawsuits and investigations allege misrepresentation, failure to properly manage the NND Project, unfair trade practices and violation of anti-trust laws. Additionally, pursuant to the SCANA Merger Agreement and applicable indemnification agreements, SCANA is indemnifying former directors and officers of SCANA and DESC who are defendants in federal and state legal proceedings relating to the decision to abandon construction at the NND Project and the subsequent SCANA Combination. Among other things, the lawsuits allege breaches of various fiduciary duties.

The outcome of these legal proceedings, investigations and examinations, including settlements, is uncertain and may adversely affect Dominion Energy's financial condition or results of operation.

Dominion Energy and Virginia Power's generation business may be negatively affected by possible FERC actions that could change market design in the wholesale markets or affect pricing rules or revenue calculations in the RTO markets. Dominion Energy and Virginia Power's generation stations operating in RTO markets sell capacity, energy and ancillary services into wholesale electricity markets regulated by FERC. The wholesale markets allow these generation stations to take advantage of market price opportunities, but also expose them to market risk. Properly functioning competitive wholesale markets depend upon FERC's continuation of clearly identified market rules. From time to time FERC may investigate and authorize RTOs to make changes in market design. FERC also periodically reviews Dominion Energy's authority to sell at market-based rates. Material changes by FERC to the design of the wholesale markets or its interpretation of market rules, Dominion Energy or Virginia Power's authority to sell power at market-based rates, or changes to pricing rules or rules involving revenue calculations, could adversely impact the future results of Dominion Energy or Virginia Power's generation business. For example, in December 2019, FERC issued an order on PJM's Minimum Offer Price Rule proposals finding the PJM tariff unjust and unreasonable and directed PJM to expand the Minimum Offer Price Rule to all existing and new generation resources benefitting from a state subsidy to address the effects of state subsidies on new and existing resources on the PJM capacity market. The expanded Minimum Offer Price Rule will set a floor price on new and existing state subsidized resources that do not seek a FERC exemption, increasing their risk of failing to clear the capacity auction and

not obtaining a capacity payment and obligation. In addition, there have been changes to the interpretation and application of FERC's market manipulation rules. A failure to comply with these rules could lead to civil and criminal penalties.

The Companies are subject to complex governmental regulation, including tax regulation, that could adversely affect their results of operations and subject the Companies to monetary penalties. The Companies' operations are subject to extensive federal, state and local regulation and require numerous permits, approvals and certificates from various governmental agencies. Such laws and regulations govern the terms and conditions of the services we offer, our relationships with affiliates, protection of our critical electric infrastructure assets and pipeline safety, among other matters. These operations are also subject to legislation governing taxation at the federal, state and local level. They must also comply with environmental legislation and associated regulations. Management believes that the necessary approvals have been obtained for existing operations and that the businesses are conducted in accordance with applicable laws. The Companies' businesses are subject to regulatory regimes which could result in substantial monetary penalties if any of the Companies is found not to be in compliance, including mandatory reliability standards and interaction in the wholesale markets. New laws or regulations, the revision or reinterpretation of existing laws or regulations, changes in enforcement practices of regulators, or penalties imposed for non-compliance with existing laws or regulations may result in substantial additional expense. Recent legislative and regulatory changes that are impacting the Companies include the 2017 Tax Reform Act and tariffs imposed on imported solar panels by the U.S. government in 2018.

The 2017 Tax Reform Act could have a material impact on the Companies' operations, cash flows, and financial results. Excess accumulated deferred income taxes due to the reduction in the corporate income tax rates to 21% under the provisions of the 2017 Tax Reform Act have been recognized as regulatory liabilities and are expected to be shared with customers, generally through reductions in future rates or in the form of credits to customer bills. The 2017 Tax Reform Act includes provisions that stipulate how these excess deferred taxes may be passed back to customers for certain accelerated tax depreciation benefits. Potential reductions in future rates attributable to other, non-plant related excess deferred taxes may be determined by our regulators. The amount and timing of these reductions could be material to the Companies' results of operations, cash flows and/or financial condition.

Additionally, the 2017 Tax Reform Act contains provisions that limit the interest deduction on business interest to (1) business interest income, plus (2) 30 percent of the taxpayer's adjusted taxable income. Business interest and business interest income are defined as that allocable to a trade or business and not investment interest and income. Dominion Energy is a consolidated group with both regulated and nonregulated lines of businesses. In November 2018, the U.S. Department of Treasury issued proposed regulations defining interest as any amounts associated with the time value of money or use of funds. These proposed regulations provide guidance for purposes of the exception to the interest limitation for regulated public utilities, the application of the interest limitation to consolidated groups, such as Dominion Energy, and the interest limitation with respect

to partnerships and partners in those partnerships. It is unclear when that guidance may be finalized, or whether that guidance could result in a disallowance of a portion of our interest deductions in the future.

Environmental Risks

The Companies' operations and construction activities are subject to a number of environmental laws and regulations which impose significant compliance costs on the Companies. The Companies' operations and construction activities are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources, and health and safety. Compliance with these legal requirements requires the Companies to commit significant capital toward permitting, emission fees, environmental monitoring, installation and operation of environmental control equipment and purchase of allowances and/or offsets. Additionally, the Companies could be responsible for expenses relating to remediation and containment obligations, including at sites where they have been identified by a regulatory agency as a potentially responsible party. Expenditures relating to environmental compliance have been significant in the past, and the Companies expect that they will remain significant in the future. Certain facilities have become uneconomical to operate and have been shut down, converted to new fuel types or sold. These types of events could occur again in the future.

We expect that existing environmental laws and regulations may be revised and/or new laws may be adopted including regulation of GHG emissions which could have an impact on the Companies' business (risks relating to regulation of GHG emissions from existing fossil fuel-fired electric generating units are discussed in more detail below). In addition, further regulation of air quality and GHG emissions under the CAA have been imposed on the natural gas sector, including rules to limit methane leakage. The Companies are also subject to federal water and waste regulations, including regulations concerning cooling water intake structures, coal combustion by-product handling and disposal practices, wastewater discharges from steam electric generating stations, management and disposal of hydraulic fracturing fluids and the potential further regulation of polychlorinated biphenyls.

Compliance costs cannot be estimated with certainty due to the inability to predict the requirements and timing of implementation of any new environmental rules or regulations. Other factors which affect the ability to predict future environmental expenditures with certainty include the difficulty in estimating clean-up costs and quantifying liabilities under environmental laws that impose joint and several liabilities on all responsible parties. However, such expenditures, if material, could make the Companies' facilities uneconomical to operate, result in the impairment of assets, or otherwise adversely affect the Companies' results of operations, financial performance or liquidity.

Any additional federal and/or state requirements imposed on energy companies mandating limitations on GHG emissions or requiring efficiency improvements may result in compliance costs that alone or in combination could make some of the Companies' electric generation units or natural gas facilities uneconomical to maintain or operate.

The ACE Rule, which became effective in September 2019, is targeted at reducing CO₂ emissions from existing coal-fired power plants. The ACE

Rule requires states to develop plans by July 2022 to implement CO₂ performance standards. State plans must be approved by the EPA by January 2024. States are also contemplating regulations regarding GHG emissions. For example, the Virginia General Assembly is considering legislation which would authorize Virginia to directly join the RGGI program as a full participant. Compliance with the ACE Rule or other federal or state carbon regulations, such as the RGGI program, is expected to require increasing the energy efficiency of equipment at facilities, committing significant capital toward carbon reduction programs, purchase of allowances and/or emission offset credits, fuel switching, and/or retirement of high-emitting generation facilities and potential replacement with lower-emitting generation facilities. Given these developments and uncertainties, Dominion Energy and Virginia Power cannot estimate the aggregate effect of such requirements on their results of operations, financial condition or their customers. However, such expenditures, if material, could make Dominion Energy and Virginia Power's generation facilities uneconomical to operate, result in the impairment of assets, or otherwise adversely affect Dominion Energy or Virginia Power's results of operations, financial performance or liquidity.

There are also potential impacts on Dominion Energy and Dominion Energy Gas' natural gas businesses as federal or state GHG regulations may require GHG emission reductions from the natural gas sector which, in addition to resulting in increased costs, could affect demand for natural gas. Additionally, GHG requirements could result in increased demand for energy conservation and renewable products, which could impact the natural gas businesses.

Dominion Energy and Virginia Power are subject to risks associated with the disposal and storage of coal ash. Dominion Energy and Virginia Power historically produced and continue to produce coal ash, or CCRs, as a by-product of their coal-fired generation operations. The ash is stored and managed in impoundments (ash ponds) and landfills located at 11 different facilities, eight of which are at Virginia Power.

The EPA has issued regulations concerning the management and storage of CCRs, which Virginia has adopted. These CCR regulations require Dominion Energy and Virginia Power to make additional capital expenditures and increase operating and maintenance expenses. In addition, Dominion Energy and Virginia Power will incur expenses and other costs associated with closing, corrective action and ongoing monitoring of certain ash ponds. Dominion Energy and Virginia Power also may face litigation concerning their coal ash facilities.

Further, while Dominion Energy and Virginia Power operate their ash ponds and landfills in compliance with applicable state safety regulations, a release of coal ash with a significant environmental impact, such as the Dan River ash basin release by a neighboring utility, could result in remediation costs, civil and/or criminal penalties, claims, litigation, increased regulation and compliance costs, and reputational damage, and could impact the financial condition of Dominion Energy and/or Virginia Power.

Construction Risks

The Companies' infrastructure build and expansion plans often require regulatory approval, including environmental permits, before commencing construction and completing projects. The

Companies may not complete facility construction, pipeline, conversion or other infrastructure projects that they commence, or they may complete projects on materially different terms, costs or timing than initially estimated or anticipated, and they may not be able to achieve the intended benefits of any such project, if completed. Several facility construction, pipeline, electric transmission line, expansion, conversion and other infrastructure projects have been announced and additional projects may be considered in the future. The Companies compete for projects with companies of varying size and financial capabilities, including some that may have competitive advantages. Commencing construction on announced and future projects may require approvals from applicable state and federal agencies, and such approvals could include mitigation costs which may be material to the Companies. Projects may not be able to be completed on time or in accordance with our estimated costs as a result of weather conditions, delays in obtaining or failure to obtain regulatory approvals, delays in obtaining key materials, labor difficulties, difficulties with partners or potential partners, a decline in the credit strength of counterparties or vendors, or other factors beyond the Companies' control. For example, Atlantic Coast Pipeline has experienced certain delays in obtaining and maintaining permits necessary for construction along with construction delays due to judicial actions which has impacted the cost and schedule for the Atlantic Coast Pipeline Project. Even if facility construction, pipeline, expansion, electric transmission line, conversion and other infrastructure projects are completed, the total costs of the projects may be higher than anticipated and the performance of the business of the Companies following completion of the projects may not meet expectations. Start-up and operational issues can arise in connection with the commencement of commercial operations at our facilities. Such issues may include failure to meet specific operating parameters, which may require adjustments to meet or amend these operating parameters. Additionally, the Companies may not be able to timely and effectively integrate the projects into their operations and such integration may result in unforeseen operating difficulties or unanticipated costs. Further, regulators may disallow recovery of some of the costs of a project if they are deemed not to be prudently incurred. Any of these or other factors could adversely affect the Companies' ability to realize the anticipated benefits from the facility construction, pipeline, electric transmission line, expansion, conversion and other infrastructure projects.

The development, construction and commissioning of several large-scale infrastructure projects simultaneously involves significant execution risk. The Companies are currently simultaneously developing, constructing or commissioning several major projects, including the Atlantic Coast Pipeline Project, the Supply Header project and the Coastal Virginia Offshore Wind project. Several of the Companies' key projects are increasingly large-scale, complex and being constructed in constrained geographic areas or in difficult terrain, for example, the Atlantic Coast Pipeline Project. The advancement of the Companies' ventures is also affected by the interventions, litigation or other activities of stakeholder and advocacy groups, some of which oppose natural gas-related and energy infrastructure projects. For example, certain landowners and stakeholder groups oppose the Atlantic Coast Pipeline Project, which could impede construction activities or the

acquisition of rights-of-way and other land rights on a timely basis or on acceptable terms. Given that these projects provide the foundation for the Companies' strategic growth plan, if the Companies are unable to obtain or maintain the required approvals, develop the necessary technical expertise, allocate and coordinate sufficient resources, adhere to budgets and timelines, effectively handle public outreach efforts, or otherwise fail to successfully execute the projects, there could be an adverse impact to the Companies' financial position, results of operations and cash flows. Failure to comply with regulatory approval conditions or an adverse ruling in any future litigation could adversely affect the Companies' ability to execute their business plan.

The Companies are dependent on their contractors for the successful and timely completion of large-scale infrastructure projects. The construction of such projects is expected to take several years, is typically confined within a limited geographic area or difficult terrain and could be subject to delays, cost overruns, labor disputes and other factors that could cause the total cost of the project to exceed the anticipated amount and adversely affect the Companies' financial performance and/or impair the Companies' ability to execute the business plan for the project as scheduled.

Further, an inability to obtain financing or otherwise provide liquidity for the projects on acceptable terms could negatively affect the Companies' financial condition, cash flows, the projects' anticipated financial results and/or impair the Companies' ability to execute the business plan for the projects as scheduled.

Operational Risks

The Companies' financial performance and condition can be affected by changes in the weather, including the effects of global climate change. Fluctuations in weather can affect demand for the Companies' services. For example, milder than normal weather can reduce demand for electricity and gas transmission and distribution services. In addition, severe weather, including hurricanes, winter storms, earthquakes, floods and other natural disasters can stress systems, disrupt operation of the Companies' facilities and cause service outages, production delays and property damage that require incurring additional expenses. Changes in weather conditions can result in reduced water levels or changes in water temperatures that could adversely affect operations at some of the Companies' power stations. Furthermore, the Companies' operations could be adversely affected and their physical plant placed at greater risk of damage should changes in global climate produce, among other possible conditions, unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events, abnormal levels of precipitation and, for operations located on or near coastlines, a change in sea level or sea temperatures. Due to the location of Dominion Energy and Virginia Power's electric utility service territories and a number of its other facilities in the eastern portions of the states of South Carolina, North Carolina and Virginia which are frequently in the path of hurricanes, we experience the consequences of these weather events to a greater degree than many of our industry peers.

The Companies' operations are subject to operational hazards, equipment failures, supply chain disruptions and personnel issues which could negatively affect the Companies. Operation of the Companies' facilities involves risk, including the risk of potential breakdown or failure of equipment or processes due to

aging infrastructure, fuel supply, pipeline integrity or transportation disruptions, accidents, labor disputes or work stoppages by employees, acts of terrorism or sabotage, construction delays or cost overruns, shortages of or delays in obtaining equipment, material and labor, operational restrictions resulting from environmental limitations and governmental interventions, changes to the environment and performance below expected levels. The Companies' businesses are dependent upon sophisticated information technology systems and network infrastructure, the failure of which could prevent them from accomplishing critical business functions. Because the Companies' transmission facilities, pipelines and other facilities are interconnected with those of third parties, the operation of their facilities and pipelines could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties.

Operation of the Companies' facilities below expected capacity levels could result in lost revenues and increased expenses, including higher maintenance costs. Unplanned outages of the Companies' facilities and extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are an inherent risk of the Companies' business. Unplanned outages typically increase the Companies' operation and maintenance expenses and may reduce their revenues as a result of selling less output or may require the Companies to incur significant costs as a result of operating higher cost units or obtaining replacement output from third parties in the open market to satisfy forward energy and capacity or other contractual obligations. Moreover, if the Companies are unable to perform their contractual obligations, penalties or liability for damages could result.

In addition, there are many risks associated with the Companies' operations and the transportation, storage and processing of natural gas and NGLs, including nuclear accidents, fires, explosions, uncontrolled release of natural gas and other environmental hazards, pole strikes, electric contact cases, the collision of third party equipment with pipelines and avian and other wildlife impacts. Such incidents could result in loss of human life or injuries among employees, customers or the public in general, environmental pollution, damage or destruction of facilities or business interruptions and associated public or employee safety impacts, loss of revenues, increased liabilities, heightened regulatory scrutiny and reputational risk. Further, the location of pipelines and storage facilities, or generation, transmission, substations and distribution facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks.

Dominion Energy and Dominion Energy Gas conduct certain operations through partnership arrangements involving third-party investors that may limit our operational flexibility. Certain operations are conducted through partnership arrangements, such as Atlantic Coast Pipeline and Iroquois, to which Dominion Energy and Dominion Energy Gas have significant influence but do not control the operations of such entities. Accordingly, Dominion Energy and Dominion Energy Gas may have limited ability to influence, as they do not control, certain day to day activities affecting the operations and do not have unilateral control over decisions that may have a material financial impact on the partnership participants. Dominion Energy and Dominion Energy Gas also conduct

certain operations through entities, such as Cove Point and the owners of certain contracted generation solar facilities, to which Dominion Energy and Dominion Energy Gas maintain a controlling interest, but third-party investors hold certain protective rights. These rights may impact the ability of Dominion Energy and Dominion Energy Gas to make certain decisions, such as the retention or distribution of available cash, significant acquisitions or dispositions of assets or the ability to sell or transfer their ownership interests. In each case such partnership arrangements operate in accordance with their respective governance documents, and Dominion Energy and Dominion Energy Gas are dependent upon third parties satisfying their respective obligations, including, as applicable, funding of their required share of capital expenditures. Such third-party investors have their own interests and objectives which may differ from those of Dominion Energy and Dominion Energy Gas and, accordingly, disputes may arise amongst the owners of such partnership arrangements that may result in delays, litigation or operational impasses.

The Companies' financial results can be adversely affected by various factors driving supply and demand for electricity and gas and related services. Technological advances required by federal laws mandate new levels of energy efficiency in end-use devices, including lighting, furnaces and electric heat pumps and could lead to declines in per capita energy consumption. Additionally, certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by a fixed date. Further, Virginia Power's business model is premised upon the cost efficiency of the production, transmission and distribution of large-scale centralized utility generation. However, advances in distributed generation technologies, such as solar cells, gas microturbines, battery storage and fuel cells, may make these alternative generation methods competitive with large-scale utility generation, and change how customers acquire or use our services. Virginia Power has an exclusive franchise to serve retail electric customers in Virginia. However, Virginia's Retail Access Statutes allow certain electric generation customers exceptions to this franchise. As market conditions change, Virginia Power's customers may further pursue exceptions and Virginia Power's exclusive franchise may erode.

Reduced energy demand or significantly slowed growth in demand due to customer adoption of energy efficient technology, conservation, distributed generation, regional economic conditions, or the impact of additional compliance obligations, unless substantially offset through regulatory cost allocations, could adversely impact the value of the Companies' business activities.

The Companies may be materially adversely affected by negative publicity. From time to time, political and public sentiment in connection with significant transactions and infrastructure projects, such as the Atlantic Coast Pipeline, the SCANA Merger and the abandonment of the NND Project, may result in a significant amount of adverse press coverage and other adverse public statements affecting the Companies. Additionally, any failure by the Companies to realize voluntary targets set with respect to the reduction of GHG emissions or other long-term goals could lead to adverse press coverage and other adverse public statements affecting the Companies. Adverse press coverage and other adverse statements, whether or not driven by political or public sentiment, may also result in investigations by regulators, legislators and law enforcement officials or in legal claims.

Addressing any adverse publicity, governmental scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on the reputation of the Companies, on the morale and performance of their employees and on their relationships with their respective regulators, customers and commercial counterparties. It may also have a negative impact on the Companies' ability to take timely advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the Companies' business, financial condition and results of operations.

Dominion Energy's merchant generation business operates in a challenging market, which could adversely affect its results of operations and future growth. The success of Dominion Energy's contracted generation business depends upon favorable market conditions including the ability to sell power at prices sufficient to cover its operating costs. Dominion Energy operates in active wholesale markets that expose it to price volatility for electricity and nuclear fuel as well as the credit risk of counterparties. Dominion Energy attempts to manage its price risk by entering into long-term power purchase agreements with customers as well as hedging transactions, including short-term and long-term fixed price sales and purchase contracts.

In these wholesale markets, the spot market price of electricity for each hour is generally determined by the cost of supplying the next unit of electricity to the market during that hour. In many cases, the next unit of electricity supplied would be provided by generating stations that consume fossil fuels, primarily natural gas. Consequently, the open market wholesale price for electricity generally reflects the cost of natural gas plus the cost to convert the fuel to electricity. Therefore, changes in the price of natural gas generally affect the open market wholesale price of electricity. To the extent Dominion Energy does not enter into long-term power purchase agreements or otherwise effectively hedge its output, these changes in market prices could adversely affect its financial results.

Dominion Energy purchases nuclear fuel primarily under long-term contracts. Dominion Energy is exposed to nuclear fuel cost volatility for the portion of its nuclear fuel obtained through short-term contracts or on the spot market, including as a result of market supply shortages. Nuclear fuel prices can be volatile and the price that can be obtained for power produced may not change at the same rate as nuclear fuel costs, thus adversely impacting Dominion Energy's financial results. In addition, in the event that any of the contracted generation facilities experience a forced outage, Dominion Energy may not receive the level of revenue it anticipated.

Dominion Energy and Dominion Energy Gas may not be able to maintain, renew or replace their existing portfolio of customer contracts successfully, or on favorable terms. Upon contract expiration, customers may not elect to re-contract with Dominion Energy and Dominion Energy Gas as a result of a variety of factors, including the amount of competition in the industry, changes in the price of electricity or natural gas, their level of satisfaction with Dominion Energy and Dominion Energy Gas' services, the extent to which Dominion Energy and Dominion Energy Gas are able to successfully execute their business plans and the effect of the regulatory framework on customer demand. The failure to replace any such customer contracts on

similar terms or with counterparties with similar credit profiles could result in a loss of revenue for Dominion Energy and Dominion Energy Gas and related decreases in their earnings and cash flows.

Certain of Dominion Energy and Dominion Energy Gas' gas pipeline services are subject to long-term, fixed-price "negotiated rate" contracts that are not subject to adjustment, even if the cost to perform such services exceeds the revenues received from such contracts.

Under FERC policy, a regulated service provider and a customer may mutually agree to sign a contract for service at a "negotiated rate" which may be above or below the FERC regulated, cost-based recourse rate for that service. These "negotiated rate" contracts are not generally subject to adjustment for increased costs which could be produced by inflation or other factors relating to the specific facilities being used to perform the services. Any shortfall of revenue as a result of these "negotiated rate" contracts could decrease Dominion Energy and Dominion Energy Gas' earnings and cash flows.

Hostile cyber intrusions could severely impair the Companies' operations, lead to the disclosure of confidential information, damage the reputation of the Companies and otherwise have an adverse effect on the Companies' business. The Companies own assets deemed as critical infrastructure, the operation of which is dependent on information technology systems. Further, the computer systems that run the Companies' facilities are not completely isolated from external networks. There appears to be an increasing level of activity, sophistication and maturity of threat actors, in particular nation state actors, that wish to disrupt the U.S. bulk power system and the U.S. gas transmission or distribution system. Such parties could view the Companies' computer systems, software or networks as attractive targets for cyber attack. For example, malware has been designed to target software that runs the nation's critical infrastructure such as power transmission grids and gas pipelines. In addition, the Companies' businesses require that they and their vendors collect and maintain sensitive customer data, as well as confidential employee and shareholder information, which is subject to electronic theft or loss.

A successful cyber attack on the systems that control the Companies' electric generation, electric or gas transmission or distribution assets could severely disrupt business operations, preventing the Companies from serving customers or collecting revenues. The breach of certain business systems could affect the Companies' ability to correctly record, process and report financial information. A major cyber incident could result in significant expenses to investigate and repair security breaches or system damage and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to the Companies' reputation. In addition, the misappropriation, corruption or loss of personally identifiable information and other confidential data at the Companies or one of their vendors could lead to significant breach notification expenses and mitigation expenses such as credit monitoring. If a significant breach were to occur, the reputation of the Companies also could be adversely affected. While the Companies maintain property and casualty insurance, along with other contractual provisions, that may cover certain damage caused by potential cyber incidents, all damage and claims arising from such incidents may not be covered or may exceed the amount of any insurance available. For these reasons, a significant cyber incident could materially and adversely affect the Companies' business, financial condition and results of operations.

War, acts and threats of terrorism, intentional acts and other significant events could adversely affect the Companies' operations.

The Companies cannot predict the impact that any future terrorist attacks or retaliatory military or other action may have on the energy industry in general or on the Companies' businesses in particular. Any such future attacks or retaliatory action may adversely affect the Companies' operations in a variety of ways, including by disrupting the power, fuel and other markets in which the Companies operate or requiring the implementation of additional, more costly security guidelines and measures. The Companies' infrastructure facilities, including nuclear facilities and projects under construction, could be direct targets or indirect casualties of an act of terror or other physical attack. Any physical compromise of the Companies' facilities could adversely affect the Companies' ability to generate, purchase, transmit or distribute electricity, store, transmit or distribute natural gas, store or export LNG or otherwise operate their respective facilities in the most efficient manner or at all. In addition, the amount and scope of insurance coverage maintained against losses resulting from any such attack may not be sufficient to cover such losses or otherwise adequately compensate for any business disruptions that could result.

Instability in financial markets as a result of terrorism, war, intentional acts, pandemic, credit crises, recession or other factors could result in a significant decline in the U.S. economy and/or increase the cost or limit the availability of insurance or adversely impact the Companies' ability to access capital on acceptable terms.

Failure to attract and retain key executive officers and an appropriately qualified workforce could have an adverse effect on the Companies' operations. The Companies' business strategy is dependent on their ability to recruit, retain and motivate employees. The Companies' key executive officers are the CEO, CFO, Co-CEOs and presidents and those responsible for financial, operational, legal, regulatory and accounting functions. Competition for skilled management employees in these areas of the Companies' business operations is high. Certain events, such as an aging workforce, mismatch of skill set, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the length of time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the Companies' business. In addition, certain specialized knowledge is required of the Companies' technical employees for construction and operation of transmission, generation and distribution assets. The Companies' inability to attract and retain these employees could adversely affect their business and future operating results.

Dominion Energy may be unable to successfully integrate SCANA's businesses. Dominion Energy is devoting significant resources to integrating SCANA's businesses. While Dominion Energy has assumed that a certain level of transaction and integration expenses will be incurred, there are a number of factors beyond its control that could affect the total amount or the timing of its integration expenses. Potential complexities associated with integrating SCANA, including its utility businesses, while at the same time continuing to provide consistent, high quality services

and with integrating a company with different markets and customers could arise. Due to the complexities involved in integrating SCANA and its different markets and customers, it is possible that the process could result in the disruption of Dominion Energy's ongoing business or inconsistencies in its services, standards, controls, procedures and policies, any of which could adversely affect the ability of Dominion Energy to maintain or establish relationships with current and prospective customers, vendors and employees or could otherwise adversely affect the business and financial results of Dominion Energy.

Nuclear Generation Risks

Dominion Energy and Virginia Power have substantial ownership interests in and operate nuclear generating units; as a result, each may incur substantial costs and liabilities. Dominion Energy and Virginia Power's nuclear facilities are subject to operational, environmental, health and financial risks such as the on-site storage of spent nuclear fuel, the ability to dispose of such spent nuclear fuel, the ability to maintain adequate reserves for decommissioning, limitations on the amounts and types of insurance available, potential operational liabilities and extended outages, the costs of replacement power, the costs of maintenance and the costs of securing the facilities against possible terrorist attacks. Dominion Energy and Virginia Power maintain decommissioning trusts and external insurance coverage to minimize the financial exposure to these risks; however, it is possible that future decommissioning costs could exceed amounts in the decommissioning trusts and/or damages could exceed the amount of insurance coverage. If Dominion Energy and Virginia Power's decommissioning trust funds are insufficient, and they are not allowed to recover the additional costs incurred through insurance or regulatory mechanisms, their results of operations could be negatively impacted.

Dominion Energy and Virginia Power's nuclear facilities are also subject to complex government regulation which could negatively impact their results of operations. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generating facilities. In the event of noncompliance, the NRC has the authority to impose fines, set license conditions, shut down a nuclear unit, or take some combination of these actions, depending on its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could require Dominion Energy and Virginia Power to make substantial expenditures at their nuclear plants. In addition, although the Companies have no reason to anticipate a serious nuclear incident at their plants, if an incident did occur, it could materially and adversely affect their results of operations and/or financial condition. A major incident at a nuclear facility anywhere in the world, such as the nuclear events in Japan in 2011, could cause the NRC to adopt increased safety regulations or otherwise limit or restrict the operation or licensing of domestic nuclear units.

Financial, Economic and Market Risks

Exposure to counterparty performance may adversely affect the Companies' financial results of operations. The Companies are exposed to credit risks of their counterparties and the risk that one or more counterparties may fail or delay the performance of their contractual obligations, including but not limited to payment

for services. Some of Dominion Energy's and Dominion Energy Gas' operations are conducted through partnership arrangements, as noted above. Counterparties could fail or delay the performance of their contractual obligations for a number of reasons, including the effect of regulations on their operations. Defaults or failure to perform by customers, suppliers, contractors, joint venture partners, financial institutions or other third parties may adversely affect the Companies' financial results.

Dominion Energy and Dominion Energy Gas are exposed to counterparty credit risk relating to Cove Point's terminal services agreements for the Liquefaction Facility. While the counterparties' obligations are supported by parental guarantees and letters of credit, there is no assurance that such credit support would be sufficient to satisfy the obligations in the event of a counterparty default. In addition, if a controversy arises under either agreement resulting in a judgment in Cove Point's favor, Cove Point may need to seek to enforce a final U.S. court judgment in a foreign tribunal, which could involve a lengthy process.

Changing rating agency requirements could negatively affect the Companies' growth and business strategy. In order to maintain appropriate credit ratings to obtain needed credit at a reasonable cost in light of existing or future rating agency requirements, the Companies may find it necessary to take steps or change their business plans in ways that may adversely affect their growth and earnings. A reduction in the Companies' credit ratings could result in an increase in borrowing costs, loss of access to certain markets, or both, thus adversely affecting operating results and could require the Companies to post additional collateral in connection with some of its price risk management activities.

An inability to access financial markets and, in the case of Dominion Energy and Dominion Energy Gas, obtain cash from subsidiaries could adversely affect the execution of the Companies' business plans. The Companies rely on access to short-term money markets and longer-term capital markets as significant sources of funding and liquidity for business plans with increasing capital expenditure needs, normal working capital and collateral requirements related to hedges of future sales and purchases of energy-related commodities. Deterioration in the Companies' creditworthiness, as evaluated by credit rating agencies or otherwise, or declines in market reputation either for the Companies or their industry in general, or general financial market disruptions outside of the Companies' control could increase their cost of borrowing or restrict their ability to access one or more financial markets. Market disruptions could stem from general market disruption due to general credit market or political events, the planned phase out of LIBOR by the end of 2021 or reform or replacement of other benchmark rates, the failure of financial institutions on which the Companies rely or the bankruptcy of an unrelated company. Increased costs and restrictions on the Companies' ability to access financial markets may be severe enough to affect their ability to execute their business plans as scheduled.

Dominion Energy and Dominion Energy Gas are holding companies that conduct all of their operations through their respective subsidiaries. Accordingly, each entity's ability to execute its business plan is further subject to the earnings and cash flows of its subsidiaries and the ability of its subsidiaries to pay dividends or advance or repay funds to it, which may, from time to time, be subject to certain contractual restrictions or restrictions imposed by regulators.

Market performance, interest rates and other changes may decrease the value of Dominion Energy and Virginia Power's decommissioning trust funds and Dominion Energy and Dominion Energy Gas' benefit plan assets or increase Dominion Energy and Dominion Energy Gas' liabilities, which could then require significant additional funding. The performance of the capital markets affects the value of the assets that are held in trusts to satisfy future obligations to decommission Dominion Energy and Virginia Power's nuclear plants and under Dominion Energy and Dominion Energy Gas' pension and other postretirement benefit plans. The Companies have significant obligations in these areas and hold significant assets in these trusts. These assets are subject to market fluctuation and will yield uncertain returns, which may fall below expected return rates.

With respect to decommissioning trust funds, a decline in the market value of these assets may increase the funding requirements of the obligations to decommission Dominion Energy and Virginia Power's nuclear plants or require additional NRC-approved funding assurance.

A decline in the market value of the assets held in trusts to satisfy future obligations under Dominion Energy and Dominion Energy Gas' pension and other postretirement benefit plans may increase the funding requirements under such plans. Additionally, changes in interest rates will affect the liabilities under Dominion Energy and Dominion Energy Gas' pension and other postretirement benefit plans; as interest rates decrease, the liabilities increase, potentially requiring additional funding. Further, changes in demographics, including increased numbers of retirements or changes in mortality assumptions, may also increase the funding requirements of the obligations related to the pension and other postretirement benefit plans.

If the decommissioning trust funds and benefit plan assets are negatively impacted by market fluctuations or other factors, the Companies' results of operations, financial condition and/or cash flows could be negatively affected.

The use of derivative instruments could result in financial losses and liquidity constraints. The Companies use derivative instruments, including futures, swaps, forwards, options and FTRs, to manage commodity, currency and financial market risks. In addition, Dominion Energy and Dominion Energy Gas purchase and sell commodity-based contracts for hedging purposes.

The Dodd-Frank Act was enacted into law in July 2010 in an effort to improve regulation of financial markets. The CEA, as amended by Title VII of the Dodd-Frank Act, requires certain over-the-counter derivatives, or swaps, to be cleared through a derivatives clearing organization and, if the swap is subject to a clearing requirement, to be executed on a designated contract market or swap execution facility. Non-financial entities that use swaps to hedge or mitigate commercial risk, often referred to as end users, may elect the end-user exception to the CEA's clearing requirements. The Companies have elected to exempt their swaps from the CEA's clearing requirements. If, as a result of changes to the rulemaking process, the Companies' derivative activities are not exempted from the clearing, exchange trading or margin requirements, the Companies could be subject to higher costs due to decreased market liquidity or increased margin payments. In addition, the Companies' swap dealer counterparties may attempt to pass-through additional trading costs in connection with changes to or the elimination of rulemaking that implements Title VII of the Dodd-Frank Act.

Future impairments of goodwill or other intangible assets or long-lived assets may have a material adverse effect on the Companies' results. Goodwill is evaluated for impairment annually or more frequently if an event or circumstance occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other intangible assets and long-lived assets are evaluated for impairment on an annual basis or more frequently whenever events or circumstances indicate that an asset's carrying value may not be recoverable. If Dominion Energy or Dominion Energy Gas' goodwill, including the goodwill recorded by Dominion Energy in connection with the

SCANA Combination and the Dominion Energy Questar Combination, or the Companies' other intangible assets or long-lived assets are in the future determined to be impaired, the applicable Company may be required during the period in which the impairment is determined to record a noncash charge to earnings that may have a material adverse effect on the Company's results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2019, Dominion Energy owned its principal executive office in Richmond, Virginia and five other corporate offices. Dominion Energy also leases corporate offices in Richmond, Virginia and other cities in which its subsidiaries operate. Virginia Power and Dominion Energy Gas share Dominion Energy's principal office in Richmond, Virginia, which is owned by Dominion Energy. In addition, Virginia Power leases certain buildings and equipment.

Dominion Energy's assets consist primarily of its investments in its subsidiaries, the principal properties of which are described below.

Certain of Virginia Power's properties are subject to the lien of the Indenture of Mortgage securing its First and Refunding Mortgage Bonds. There were no bonds outstanding as of December 31, 2019; however, by leaving the indenture open, Virginia Power expects to retain the flexibility to issue mortgage bonds in the future. Certain of Dominion Energy's merchant generation facilities are also subject to liens. Additionally, DESC's bond indenture, which secures its First Mortgage Bonds, constitutes a direct mortgage lien on substantially all of its electric utility property.

DOMINION ENERGY VIRGINIA

Virginia Power has approximately 6,700 miles of electric transmission lines of 69 kV or more located in North Carolina, Virginia and West Virginia. Portions of Virginia Power's electric transmission lines cross national parks and forests under permits entitling the federal government to use, at specified charges, any surplus capacity that may exist in these lines. While Virginia Power owns and maintains its electric transmission facilities, they are a part of PJM, which coordinates the planning, operation, emergency assistance and exchange of capacity and energy for such facilities.

In addition, Virginia Power's electric distribution network includes approximately 58,400 miles of distribution lines, exclusive of service level lines, in Virginia and North Carolina. The grants for most of its electric lines contain rights-of-way that have been obtained from the apparent owners of real estate, but underlying titles have not been examined. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many electric lines are on publicly-owned property, where permission to operate can be revoked. In addition, Virginia Power owns 471 substations.

The following tables list Virginia Power's generating units and capability as of December 31, 2019.

VIRGINIA POWER UTILITY GENERATION

| Plant | Location | Net Summer Capability (MW) | Percentage Net Summer Capability |
|------------------------------------|--------------------------|-------------------------------|--|
| Gas | | | |
| Greensville County (CC) | Greensville County, VA | 1,629 | |
| Brunswick County (CC) | Brunswick County, VA | 1,376 | |
| Warren County (CC) | Warren County, VA | 1,370 | |
| Ladysmith (CT) | Ladysmith, VA | 783 | |
| Bear Garden (CC) | Buckingham County, VA | 622 | |
| Remington (CT) | Remington, VA | 622 | |
| Possum Point (CC) ⁽¹⁾ | Dumfries, VA | 573 | |
| Chesterfield (CC) | Chester, VA | 392 | |
| Elizabeth River (CT) | Chesapeake, VA | 330 | |
| Gordonsville Energy (CC) | Gordonsville, VA | 218 | |
| Gravel Neck (CT) | Surry, VA | 170 | |
| Darbytown (CT) | Richmond, VA | 168 | |
| Rosemary (CC) | Roanoke Rapids, NC | 160 | |
| Total Gas | | 8,413 | 40% |
| Coal | | | |
| Mt. Storm | Mt. Storm, WV | 1,621 | |
| Chesterfield | Chester, VA | 1,014 | |
| Virginia City Hybrid Energy Center | Wise County, VA | 610 | |
| Clover | Clover, VA | 439 ⁽²⁾ | |
| Total Coal | | 3,684 | 18 |
| Nuclear | | | |
| Surry | Surry, VA | 1,676 | |
| North Anna | Mineral, VA | 1,672 ⁽³⁾ | |
| Total Nuclear | | 3,348 | 16 |
| Oil | | | |
| Yorktown | Yorktown, VA | 790 | |
| Possum Point | Dumfries, VA | 770 | |
| Gravel Neck (CT) | Surry, VA | 198 | |
| Darbytown (CT) | Richmond, VA | 168 | |
| Possum Point (CT) | Dumfries, VA | 72 | |
| Low Moor (CT) | Covington, VA | 48 | |
| Northern Neck (CT) | Lively, VA | 47 | |
| Chesapeake (CT) | Chesapeake, VA | 39 | |
| Total Oil | | 2,132 | 10 |
| Hydro | | | |
| Bath County | Warm Springs, VA | 1,808 ⁽⁴⁾ | |
| Gaston | Roanoke Rapids, NC | 220 | |
| Roanoke Rapids | Roanoke Rapids, NC | 95 | |
| Other | | 1 | |
| Total Hydro | | 2,124 | 10 |
| Solar | | | |
| Colonial Trail West | Surry County, VA | 142 | |
| Whitehouse Solar | Louisa County, VA | 20 | |
| Woodland Solar | Isle of Wight County, VA | 19 | |
| Scott Solar | Powhatan, VA | 17 | |
| Total Solar | | 198 | 1 |
| Biomass | | | |
| Altavista | Altavista, VA | 51 | |
| Polyester | Hopewell, VA | 51 | |
| Southampton | Southampton, VA | 51 | |
| Total Biomass | | 153 | 1 |
| Various | | | |
| Mt. Storm (CT) | Mt. Storm, WV | 11 | — |
| Power Purchase Agreements | | 20,063 | |
| Total Utility Generation | | 20,845 | 100% |

Note: (CT) denotes combustion turbine and (CC) denotes combined cycle.

(1) Will be retired after meeting capacity obligation to PJM in 2021. See Note 2 to the Consolidated Financial Statements for additional information.

(2) Excludes 50% undivided interest owned by ODEC.

(3) Excludes 11.6% undivided interest owned by ODEC.

(4) Excludes 40% undivided interest owned by Allegheny Generating Company, a subsidiary of FirstEnergy Corp.

VIRGINIA POWER NON-JURISDICTIONAL GENERATION

| Plant | Location | Net Summer Capability (MW) |
|-----------------------------|-------------------------|----------------------------|
| Solar ⁽¹⁾ | | |
| Gutenberg | Garysburg, NC | 80 |
| Pecan | Pleasant Hill, NC | 75 |
| Gloucester | Gloucester County, VA | 20 |
| Montross | Westmoreland County, VA | 20 |
| Morgans Corner | Pasquotank County, NC | 20 |
| Remington | Fauquier County, VA | 20 |
| Oceana | Virginia Beach, VA | 18 |
| Hollyfield | Manquin, VA | 17 |
| Puller | Topping, VA | 15 |
| Total Solar | | 285 |

(1) All solar facilities are alternating current.

GAS TRANSMISSION & STORAGE

Dominion Energy Gas has approximately 7,900 miles, excluding interests held by others, of gas transmission, gathering and storage pipelines located in the states of Colorado, Georgia, Maryland, New York, Ohio, Pennsylvania, South Carolina, Utah, Virginia, West Virginia and Wyoming.

Cove Point's LNG Facility has an operational peak regasification daily send-out capacity of approximately 1.8 million Dths and an aggregate LNG storage capacity of approximately 14.6 bcf. In addition, Cove Point has a small liquefier that has the potential to create approximately 15,000 Dths/day. The Liquefaction Facility consists of one LNG train with a nameplate outlet capacity of 5.25 Mtpa. Cove Point has authorization from the DOE to export up to 0.77 Bcf/day (approximately 5.75 Mtpa) should the Liquefaction Facility perform better than expected.

The total designed capacity of the underground storage fields operated by Dominion Energy Gas is approximately 900 bcf. Certain storage fields are jointly-owned and operated by Dominion Energy Gas. The capacity of those fields owned by Dominion Energy Gas' partners totals approximately 240 bcf.

In total, Dominion Energy Gas has 111 compressor stations with approximately 1,200,000 installed compressor horsepower.

In addition to the pipeline network owned by Dominion Energy Gas, Dominion Energy has approximately 2,500 miles of gas transmission, gathering and storage pipelines located in the states of West Virginia, Ohio, Arizona and Pennsylvania.

GAS DISTRIBUTION

Gas Distribution's network is located in the states of Idaho, North Carolina, Ohio, Utah, West Virginia and Wyoming. This network includes approximately 3,700 miles of transmission pipeline and approximately 85,000 miles of distribution mains and related service facilities. The right-of-way grants for many natural gas pipelines have been obtained from the actual owners of real

estate, as underlying titles have been examined. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many natural gas pipelines are on publicly-owned property, where company rights and actions are determined on a case-by-case basis, with results that range from reimbursed relocation to revocation of permission to operate.

PSNC owns one LNG facility that stores the liquefied equivalent of 1.0 bcf of natural gas, can regasify approximately 10% of its storage capacity per day and can liquefy less than 1% of its storage capacity per day.

DOMINION ENERGY SOUTH CAROLINA

DESC has approximately 3,700 miles and 26,600 miles of electric transmission and distribution lines, respectively, exclusive of service level lines, in South Carolina. The grants for most of DESC's electric lines contain rights-of-way that have been obtained from the apparent owners of real estate, but underlying property titles have not been examined. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many electric lines are on publicly-owned property, where permission to operate can be revoked. In addition, DESC owns 439 substations.

DESC's natural gas system includes approximately 500 miles of transmission pipeline and approximately 18,400 miles of distribution mains and related service facilities.

DESC owns two LNG facilities, one located near Charleston, South Carolina, and the other in Salley, South Carolina. The Charleston facility can store the liquefied equivalent of 1.0 bcf of natural gas, can regasify approximately 6% of its storage capacity per day and can liquefy less than 1% of its storage capacity per day. The Salley facility can store the liquefied equivalent of 0.9 bcf of natural gas and can regasify approximately 10% of its storage capacity per day. The Salley facility has no liquefying capabilities.

The following table lists DESC's generating units and capability as of December 31, 2019.

| Plant | Location | Net Summer Capability (MW) | Percentage Net Summer Capability |
|--|------------------|----------------------------|----------------------------------|
| Gas | | | |
| Jasper (CC) ⁽¹⁾ | Hardeeville, SC | 852 | |
| Columbia Energy Center (CC) ⁽¹⁾ | Gaston, SC | 519 | |
| Urquhart (CC) ⁽¹⁾ | Beech Island, SC | 458 | |
| McMeekin | Irmo, SC | 250 | |
| Hagood (CT) ⁽¹⁾ | Charleston, SC | 126 | |
| Urquhart Unit 3 | Beech Island, SC | 95 | |
| Urquhart (CT) | Beech Island, SC | 87 | |
| Parr (CT) ⁽¹⁾ | Jenkinsville, SC | 60 | |
| Williams (CT) ⁽¹⁾ | Goose Creek, SC | 40 | |
| Coit (CT) ⁽¹⁾ | Columbia, SC | 26 | |
| Total Gas ⁽²⁾ | | 2,513 | 40% |
| Coal | | | |
| Wateree | Eastover, SC | 684 | |
| Williams | Goose Creek, SC | 605 | |
| Cope ⁽³⁾ | Cope, SC | 415 | |
| Total Coal | | 1,704 | 27 |
| Hydro | | | |
| Fairfield | Jenkinsville, SC | 576 | |
| Saluda | Irmo, SC | 190 | |
| Other | Various | 18 | |
| Total Hydro | | 784 | 13 |
| Nuclear | | | |
| Summer | Jenkinsville, SC | 650 ⁽⁴⁾ | |
| Total Nuclear | | 650 | 10 |
| Power Purchase Agreements | | 596 ⁽⁵⁾ | 10 |
| Total Utility Generation | | 6,247 | 100% |

Note: (CT) denotes combustion turbine and (CC) denotes combined cycle.

(1) Capable of burning fuel oil as a secondary source.

(2) Excludes the Hardeeville gas combustion turbine which currently does not have any net summer capability.

(3) Capable of burning natural gas as a secondary source.

(4) Excludes 33.3% undivided interest owned by Santee Cooper.

(5) Includes 143MW from agreements with certain solar facilities within Contracted Generation.

CONTRACTED GENERATION

The following table lists Contracted Generation's generating units and capability as of December 31, 2019.

| Plant | Location | Net Summer Capability (MW) | Percentage Net Summer Capability |
|---|-----------------------------|----------------------------|----------------------------------|
| Nuclear | | | |
| Millstone | Waterford, CT | 2,001 ⁽¹⁾ | |
| Total Nuclear | | 2,001 | 59% |
| Solar ⁽²⁾ | | | |
| Escalante I, II and III | Beaver County, UT | 120 ⁽³⁾ | |
| Amazon Solar Farm Virginia—Southampton | Newsoms, VA | 100 ⁽⁴⁾ | |
| Amazon Solar Farm Virginia—Accomack | Oak Hall, VA | 80 ⁽⁴⁾ | |
| Innovative Solar 37 | Morven, NC | 79 ⁽⁴⁾ | |
| Wilkinson | Pantego, NC | 74 | |
| Seabrook | Beaufort County, SC | 72 | |
| Moffett Solar 1 | Ridgeland, SC | 71 ⁽⁴⁾ | |
| Granite Mountain East and West | Iron County, UT | 65 ⁽³⁾ | |
| Summit Farms Solar | Moyock, NC | 60 ⁽⁴⁾ | |
| Enterprise | Iron County, UT | 40 ⁽³⁾ | |
| Iron Springs | Iron County, UT | 40 ⁽³⁾ | |
| Pavant Solar | Holden, UT | 34 ⁽⁵⁾ | |
| Camelot Solar | Mojave, CA | 30 ⁽⁵⁾ | |
| Midway II | Calipatria, CA | 30 ⁽⁴⁾ | |
| Indy I, II and III | Indianapolis, IN | 20 ⁽⁵⁾ | |
| Amazon Solar Farm Virginia—Buckingham | Cumberland, VA | 20 ⁽⁴⁾ | |
| Amazon Solar Farm Virginia—Correctional | Barhamsville, VA | 20 ⁽⁴⁾ | |
| Hecate Cherrydale | Cape Charles, VA | 20 ⁽⁴⁾ | |
| Amazon Solar Farm Virginia—Sappony | Stoney Creek, VA | 20 ⁽⁴⁾ | |
| Amazon Solar Farm Virginia—Scott II | Powhatan, VA | 20 ⁽⁴⁾ | |
| Cottonwood Solar | Kings and Kern Counties, CA | 16 ⁽⁵⁾ | |
| Adams East Solar | Tranquility, CA | 13 ⁽⁵⁾ | |
| Alamo Solar | San Bernardino, CA | 13 ⁽⁵⁾ | |
| CID Solar | Corcoran, CA | 13 ⁽⁵⁾ | |
| Imperial Valley Solar | Imperial, CA | 13 ⁽⁵⁾ | |
| Kansas Solar | Lenmore, CA | 13 ⁽⁵⁾ | |
| Kent South Solar | Lenmore, CA | 13 ⁽⁵⁾ | |
| Maricopa West Solar | Kern County, CA | 13 ⁽⁵⁾ | |
| Old River One Solar | Bakersfield, CA | 13 ⁽⁵⁾ | |
| Richland Solar | Jeffersonville, GA | 13 ⁽⁵⁾ | |
| West Antelope Solar | Lancaster, CA | 13 ⁽⁵⁾ | |
| Catalina 2 Solar | Kern County, CA | 12 ⁽⁵⁾ | |
| Mulberry Solar | Selmer, TN | 11 ⁽⁵⁾ | |
| Selmer Solar | Selmer, TN | 11 ⁽⁵⁾ | |
| Columbia 2 Solar | Mojave, CA | 10 ⁽⁵⁾ | |
| Hecate Energy Clarke County | White Post, VA | 10 ⁽⁴⁾ | |
| Ridgeland Solar Farm I | Ridgeland, SC | 10 ⁽⁴⁾ | |
| Other | Various | 43 ⁽⁴⁾⁽⁵⁾ | |
| Total Solar | | 1,268 | 37 |
| Wind | | | |
| Fowler Ridge ⁽⁶⁾ | Benton County, IN | 150 ⁽⁷⁾ | 4 |
| Total Merchant Generation | | 3,419 | 100% |

(1) Excludes 6.53% undivided interest in Unit 3 owned by Massachusetts Municipal and Green Mountain.

(2) All solar facilities are alternating current.

(3) Excludes 50% noncontrolling interest owned by GIP. Dominion Energy's interest is subject to a lien securing Dominion Solar Projects III, Inc.'s debt.

(4) Dominion Energy's interest is subject to a lien securing Eagle Solar's debt.

(5) Excludes 33% noncontrolling interest owned by Terra Nova Renewable Partners. Dominion Energy's interest is subject to a lien securing SBL Holdco's debt.

(6) Subject to a lien securing the facility's debt.

(7) Excludes 50% membership interest owned by BP.

Item 3. Legal Proceedings

From time to time, the Companies are alleged to be in violation or in default under orders, statutes, rules or regulations relating to the environment, compliance plans imposed upon or agreed to by the Companies, or permits issued by various local, state and/or federal agencies for the construction or operation of facilities. Administrative proceedings may also be pending on these matters. In addition, in the ordinary course of business, the Companies and their subsidiaries are involved in various legal proceedings.

See Notes 13 and 23 to the Consolidated Financial Statements and *Future Issues and Other Matters* in Item 7. MD&A, which information is incorporated herein by reference, for discussion of various legal, environmental and other regulatory proceedings to which the Companies are a party.

Item 4. Mine Safety Disclosures

Not applicable.

Information about our Executive Officers

Information concerning the executive officers of Dominion Energy, each of whom is elected annually, is as follows:

| Name and Age | Business Experience Past Five Years ⁽¹⁾ |
|----------------------------|--|
| Thomas F. Farrell, II (65) | Chairman of the Board of Directors, President and CEO from April 2007 to date. |
| Robert M. Blue (52) | Executive Vice President and Co-COO from December 2019 to date; Executive Vice President and President & CEO—Power Delivery Group from May 2017 to November 2019; Senior Vice President and President & CEO—Dominion Virginia Power from January 2017 to May 2017; Senior Vice President—Law, Regulation & Policy from February 2016 to December 2016; Senior Vice President—Regulation, Law, Energy Solutions and Policy from May 2015 to January 2016; President of Virginia Power from January 2014 to May 2015. |
| James R. Chapman (50) | Executive Vice President, CFO and Treasurer from January 2019 to date; Senior Vice President, CFO and Treasurer from November 2018 to December 2018; Senior Vice President—Mergers & Acquisitions and Treasurer from February 2016 to October 2018; Vice President—Corporate Finance and Mergers & Acquisitions and Assistant Treasurer from May 2015 to January 2016; Vice President—Corporate Finance and Mergers & Acquisitions from January 2015 to May 2015. |
| Diane Leopold (53) | Executive Vice President and Co-COO from December 2019 to date; Executive Vice President and President & CEO—Gas Infrastructure Group from May 2017 to November 2019; Senior Vice President and President & CEO—Dominion Energy from January 2017 to May 2017; President of DETI, East Ohio and DCP from January 2014 to date. |
| P. Rodney Blevins (55) | President—Dominion Energy South Carolina from December 2019 to date; President & Chief Executive Officer—Southeast Energy Group from January 2019 to November 2019; Senior Vice President and Chief Information Officer from January 2014 to December 2018. |
| Donald R. Raikes (57) | President—Gas Distribution of Dominion Energy from December 2019 to date and of Hope, East Ohio, PSNC, and Questar Gas from October 2019 to date; Senior Vice President—Gas Transmission Operations of DCP, Dominion Energy Midstream and Dominion Energy Questar Pipeline from February 2019 to September 2019; Senior Vice President—Dominion Midstream Operations of DCP, Dominion Energy Midstream and Dominion Energy Questar Pipeline from August 2017 to January 2019; Senior Vice President—Pipeline Customer Service & Business Development of DCP and DETI from May 2017 to August 2017; Senior Vice President—Customer Service and Business Development of DCP and DETI from November 2014 to May 2017. |
| Paul E. Ruppert (55) | President—Gas Transmission & Storage from December 2019 to date; President—Gas Transmission of DETI, Dominion Energy Questar Pipeline and DCP from August 2017 to November 2019; President—Dominion Midstream Operations of Dominion Energy Questar Pipeline and DCP from May 2017 to July 2017; Senior Vice President and President—Dominion Midstream Operations of Dominion Energy Midstream from January 2017 to July 2017; Senior Vice President—Dominion Midstream Operations of Dominion Energy Midstream from January 2016 to December 2016; Senior Vice President—Business Development & Generation Construction of Virginia Power from April 2012 to December 2015. |
| Daniel G. Stoddard (57) | Senior Vice President, Chief Nuclear Officer and President—Contracted Generation from December 2019 to date; Senior Vice President and Chief Nuclear Officer of Virginia Power from October 2016 to date; Senior Vice President—Nuclear Operations of Virginia Power from May 2011 to September 2016. |
| Carlos M. Brown (45) | Senior Vice President, General Counsel and Chief Compliance Officer from December 2019 to date; Senior Vice President and General Counsel from January 2019 to November 2019; Vice President and General Counsel from January 2017 to December 2018; Deputy General Counsel—Litigation, Labor, and Employment of DES from July 2016 to December 2016; Director—Power Generation Station II of DES from July 2015 to June 2016; Director—Alternative Energy Solutions Business Development & Commercialization of DES from January 2013 to June 2015. |
| William L. Murray (52) | Senior Vice President—Corporate Affairs & Communications from February 2019 to date; Vice President—State & Electric Public Policy of DES from May 2017 to January 2019; Senior Policy Director—Public Policy of DES from April 2016 to May 2017; Managing Director—Corporate Public Policy of DES from June 2007 to March 2016. |
| Michele L. Cardiff (52) | Vice President, Controller and CAO from April 2014 to date. |

(1) All positions held at Dominion Energy, unless otherwise noted. Any service listed for Virginia Power, DETI, East Ohio, Hope, PSNC, Questar Gas, Dominion Energy Midstream, Dominion Energy Questar Pipeline, DCP and DES reflects service at a subsidiary of Dominion Energy.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Dominion Energy

Dominion Energy's common stock is listed on the NYSE under the ticker symbol D. At February 14, 2020, there were approximately 134,000 record holders of Dominion Energy's common stock. The number of record holders is comprised of individual shareholder accounts maintained on Dominion Energy's transfer agent records and includes accounts with shares held in (1) certificate form, (2) book-entry in the Direct Registration System and (3) book-entry under Dominion Energy Direct[®]. Discussions of expected dividend payments required by this Item are contained in *Liquidity and Capital Resources* in Item 7. MD&A.

The following table presents certain information with respect to Dominion Energy's common stock repurchases during the fourth quarter of 2019:

DOMINION ENERGY PURCHASES OF EQUITY SECURITIES

| Period | Total Number of Shares (or Units) Purchased ⁽¹⁾ | Average Price Paid per Share (or Unit) ⁽²⁾ | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased under the Plans or Programs ⁽³⁾ |
|------------------|--|---|---|--|
| 10/1/19-10/31/19 | 31,435 | \$81.22 | — | 19,629,059 shares/\$1.18 billion |
| 11/1/19-11/30/19 | 401 | 83.08 | — | 19,629,059 shares/\$1.18 billion |
| 12/1/19-12/31/19 | 2,429 | 83.11 | — | 19,629,059 shares/\$1.18 billion |
| Total | 34,265 | \$81.38 | — | 19,629,059 shares/\$1.18 billion |

(1) Represents shares that were tendered by employees to satisfy tax withholding obligations on vested restricted stock.

(2) Represents the weighted-average price paid per share.

(3) The remaining repurchase authorization is pursuant to repurchase authority granted by the Dominion Energy Board of Directors in February 2005, as modified in June 2007. The aggregate authorization granted by the Dominion Energy Board of Directors was 86 million shares (as adjusted to reflect a two-for-one stock split distributed in November 2007) not to exceed \$4 billion.

Virginia Power

There is no established public trading market for Virginia Power's common stock, all of which is owned by Dominion Energy. Virginia Power intends to pay quarterly cash dividends in 2020 but is neither required to nor restricted, except as described in Note 21 to the Consolidated Financial Statements, from making such payments.

Dominion Energy Gas

All of Dominion Energy Gas' membership interests are owned by Dominion Energy. Dominion Energy Gas intends to pay quarterly cash dividends in 2020 but is neither required to nor restricted, except as described in Note 21 to the Consolidated Financial Statements, from making such payments.

Item 6. Selected Financial Data

The following table should be read in conjunction with the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Dominion Energy's Consolidated Financial Statements include the results of operations acquired in the SCANA Combination effective January 2019.

DOMINION ENERGY

| Year Ended December 31, (millions, except per share amounts) | 2019 ⁽¹⁾ | 2018 ⁽²⁾ | 2017 ⁽³⁾ | 2016 ⁽⁴⁾ | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|----------|
| Operating revenue | \$ 16,572 | \$13,366 | \$12,586 | \$11,737 | \$11,683 |
| Net income attributable to Dominion Energy | 1,358 | 2,447 | 2,999 | 2,123 | 1,899 |
| Net income attributable to Dominion Energy per common share-basic | 1.66 | 3.74 | 4.72 | 3.44 | 3.21 |
| Net income attributable to Dominion Energy per common share-diluted | 1.62 | 3.74 | 4.72 | 3.44 | 3.20 |
| Dividends declared per common share | 3.67 | 3.34 | 3.035 | 2.80 | 2.59 |
| Total assets | 103,823 | 77,914 | 76,585 | 71,610 | 58,648 |
| Long-term debt ⁽⁵⁾ | 33,824 | 31,144 | 30,948 | 30,231 | 23,468 |

(1) Includes merger and integration-related costs associated with the SCANA Combination of \$1.8 billion after-tax (inclusive of \$756 million after-tax charge for refunds of amounts previously collected for the NND Project, \$480 million after-tax charge for litigation acquired in the SCANA Combination and \$319 million after-tax charge related to a voluntary retirement program), \$585 million after-tax charges associated primarily with the planned early retirement of certain electric generation facilities, automated meter reading infrastructure and the termination of a contract with a non-utility generator, partially offset by a \$429 million after-tax net gain related to nuclear decommissioning trust funds.

(2) Includes \$568 million after-tax gains on sales of certain merchant generation facilities and equity method investments partially offset by \$164 million after-tax charge related to the impairment of certain gathering and processing assets and a \$160 million after-tax charge associated with Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers.

(3) Includes \$851 million of tax benefits resulting from the remeasurement of deferred income taxes to the new corporate income tax rate, partially offset by \$96 million of after-tax charges associated with equity method investments in wind-powered generation facilities.

(4) Includes a \$122 million after-tax charge related to future ash pond and landfill closure costs at certain utility generation facilities.

(5) Includes finance leases.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

MD&A discusses Dominion Energy’s results of operations and general financial condition and Virginia Power and Dominion Energy Gas’ results of operations. MD&A should be read in conjunction with Item 1. Business and the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data. Virginia Power and Dominion Energy Gas meet the conditions to file under the reduced disclosure format, and therefore have omitted certain sections of MD&A.

CONTENTS OF MD&A

MD&A consists of the following information:

- Forward-Looking Statements
- Accounting Matters—Dominion Energy
- Dominion Energy
 - Results of Operations
 - Segment Results of Operations
- Virginia Power
 - Results of Operations
- Dominion Energy Gas
 - Results of Operations
- Liquidity and Capital Resources—Dominion Energy
- Future Issues and Other Matters—Dominion Energy

FORWARD-LOOKING STATEMENTS

This report contains statements concerning the Companies’ expectations, plans, objectives, future financial performance and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify these forward-looking statements by such words as “anticipate,” “estimate,” “forecast,” “expect,” “believe,” “should,” “could,” “plan,” “may,” “continue,” “target” or other similar words.

The Companies make forward-looking statements with full knowledge that risks and uncertainties exist that may cause actual results to differ materially from predicted results. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additionally, other factors may cause actual results to differ materially from those indicated in any forward-looking statement. These factors include but are not limited to:

- Unusual weather conditions and their effect on energy sales to customers and energy commodity prices;
- Extreme weather events and other natural disasters, including, but not limited to, hurricanes, high winds, severe storms, earthquakes, flooding, climate changes and changes in water temperatures and availability that can cause outages and property damage to facilities;
- Federal, state and local legislative and regulatory developments, including changes in federal and state tax laws and regulations;
- Risks of operating businesses in regulated industries that are subject to changing regulatory structures;
- Changes to regulated electric rates collected by Dominion Energy and Virginia Power and regulated gas distribution, transportation and storage rates, including LNG storage, collected by Dominion Energy and Dominion Energy Gas;

- Changes in rules for RTOs and ISOs in which Dominion Energy and Virginia Power join and/or participate, including changes in rate designs, changes in FERC’s interpretation of market rules and new and evolving capacity models;
- Risks associated with Virginia Power’s membership and participation in PJM, including risks related to obligations created by the default of other participants;
- Risks associated with entities in which Dominion Energy and Dominion Energy Gas share ownership with third parties, including risks that result from lack of sole decision making authority, disputes that may arise between Dominion Energy and Dominion Energy Gas and third party participants and difficulties in exiting these arrangements;
- Changes in future levels of domestic and international natural gas production, supply or consumption;
- Fluctuations in future volumes of LNG imports or exports from the U.S. and other countries worldwide or demand for, purchases of, and prices related to natural gas or LNG;
- Timing and receipt of regulatory approvals necessary for planned construction or growth projects and compliance with conditions associated with such regulatory approvals;
- The inability to complete planned construction, conversion or growth projects at all, or with the outcomes or within the terms and time frames initially anticipated, including as a result of increased public involvement, intervention or litigation in such projects;
- Changes to federal, state and local environmental laws and regulations, including those related to climate change, the tightening of emission or discharge limits for GHGs and other substances, more extensive permitting requirements and the regulation of additional substances;
- Cost of environmental compliance, including those costs related to climate change;
- Changes in implementation and enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities;
- Difficulty in anticipating mitigation requirements associated with environmental and other regulatory approvals or related appeals;
- Unplanned outages at facilities in which the Companies have an ownership interest;
- The impact of operational hazards, including adverse developments with respect to pipeline and plant safety or integrity, equipment loss, malfunction or failure, operator error, and other catastrophic events;
- Risks associated with the operation of nuclear facilities, including costs associated with the disposal of spent nuclear fuel, decommissioning, plant maintenance and changes in existing regulations governing such facilities;
- Changes in operating, maintenance and construction costs;
- Domestic terrorism and other threats to the Companies’ physical and intangible assets, as well as threats to cybersecurity;
- Additional competition in industries in which the Companies operate, including in electric markets in which Dominion Energy’s merchant generation facilities operate and potential competition from the development and deployment of alternative energy sources, such as self-generation and distributed generation technologies, and availability of market alternatives to large commercial and industrial customers;

- Competition in the development, construction and ownership of certain electric transmission facilities in Dominion Energy and Virginia Power's service territory in connection with Order 1000;
- Changes in technology, particularly with respect to new, developing or alternative sources of generation and smart grid technologies;
- Changes in demand for the Companies' services, including industrial, commercial and residential growth or decline in the Companies' service areas, changes in supplies of natural gas delivered to Dominion Energy and Dominion Energy Gas' pipeline systems, failure to maintain or replace customer contracts on favorable terms, changes in customer growth or usage patterns, including as a result of energy conservation programs, the availability of energy efficient devices and the use of distributed generation methods;
- Receipt of approvals for, and timing of, closing dates for acquisitions and divestitures;
- Impacts of acquisitions, divestitures, transfers of assets to joint ventures and retirements of assets based on asset portfolio reviews;
- Adverse outcomes in litigation matters or regulatory proceedings, including matters acquired in the SCANA Combination;
- Counterparty credit and performance risk;
- Fluctuations in the value of investments held in nuclear decommissioning trusts by Dominion Energy and Virginia Power and in benefit plan trusts by Dominion Energy and Dominion Energy Gas;
- Fluctuations in energy-related commodity prices and the effect these could have on Dominion Energy's earnings and the Companies' liquidity position and the underlying value of their assets;
- Fluctuations in interest rates or foreign currency exchange rates;
- Changes in rating agency requirements or credit ratings and their effect on availability and cost of capital;
- Global capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;
- Political and economic conditions, including inflation and deflation;
- Employee workforce factors including collective bargaining agreements and labor negotiations with union employees; and
- Changes in financial or regulatory accounting principles or policies imposed by governing bodies.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Item 1A. Risk Factors.

The Companies' forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. The Companies caution the reader not to place undue reliance on their forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. The Companies undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

Dominion Energy has identified the following accounting policies, including certain inherent estimates, that as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved, could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Dominion Energy has discussed the development, selection and disclosure of each of these policies with the Audit Committee of its Board of Directors.

ACCOUNTING FOR REGULATED OPERATIONS

The accounting for Dominion Energy's regulated electric and gas operations differs from the accounting for nonregulated operations in that Dominion Energy is required to reflect the effect of rate regulation in its Consolidated Financial Statements. For regulated businesses subject to federal or state cost-of-service rate regulation, regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred.

Dominion Energy evaluates whether or not recovery of its regulatory assets through future rates is probable as well as whether a regulatory liability due to customers is probable and makes various assumptions in its analyses. These analyses are generally based on:

- Orders issued by regulatory commissions, legislation and judicial actions;
- Past experience;
- Discussions with applicable regulatory authorities and legal counsel;
- Forecasted earnings; and
- Considerations around the likelihood of impacts from events such as unusual weather conditions, extreme weather events and other natural disasters and unplanned outages of facilities.

If recovery of a regulatory asset is determined to be less than probable, it will be written off in the period such assessment is made. A regulatory liability, if considered probable, will be recorded in the period such assessment is made or reversed into earnings if no longer probable. See Notes 12 and 13 to the Consolidated Financial Statements for additional information.

ASSET RETIREMENT OBLIGATIONS

Dominion Energy recognizes liabilities for the expected cost of retiring tangible long-lived assets for which a legal obligation exists and the ARO can be reasonably estimated. These AROs are recognized at fair value as incurred or when sufficient information becomes available to determine fair value and are generally capitalized as part of the cost of the related long-lived assets. In the

absence of quoted market prices, Dominion Energy estimates the fair value of its AROs using present value techniques, in which it makes various assumptions including estimates of the amounts and timing of future cash flows associated with retirement activities, credit-adjusted risk free rates and cost escalation rates. The impact on measurements of new AROs or remeasurements of existing AROs, using different cost escalation or credit-adjusted risk free rates in the future, may be significant. When Dominion Energy revises any assumptions used to calculate the fair value of existing AROs, it adjusts the carrying amount of both the ARO liability and the related long-lived asset for assets that are in service; for assets that have ceased operations, Dominion Energy adjusts the carrying amount of the ARO liability with such changes recognized in income.

Dominion Energy's AROs include a significant balance related to the future decommissioning of its merchant and utility nuclear facilities. These nuclear decommissioning AROs are reported in Dominion Energy Virginia, Dominion Energy South Carolina and Contracted Generation. At December 31, 2019, Dominion Energy's nuclear decommissioning AROs totaled \$1.7 billion. The following discusses critical assumptions inherent in determining the fair value of AROs associated with Dominion Energy's nuclear decommissioning obligations.

Dominion Energy obtains from third-party specialists periodic site-specific base year cost studies in order to estimate the nature, cost and timing of planned decommissioning activities for its nuclear plants. These cost studies are based on relevant information available at the time they are performed; however, estimates of future cash flows for extended periods of time are by nature highly uncertain and may vary significantly from actual results. These cash flows include estimates on timing of decommissioning, which for regulated nuclear units factors in the probability of NRC approval for license extensions. In addition, Dominion Energy's cost estimates include cost escalation rates that are applied to the base year costs. Dominion Energy determines cost escalation rates, which represent projected cost increases over time due to both general inflation and increases in the cost of specific decommissioning activities, for each nuclear facility. The selection of these cost escalation rates is dependent on subjective factors which are considered to be critical assumptions.

INCOME TAXES

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities. The interpretation of tax laws, including the provisions of the 2017 Tax Reform Act, involves uncertainty, since tax authorities may interpret the laws differently. In addition, the states in which the Companies operate may or may not conform to some or all the provisions in the 2017 Tax Reform Act. Ultimate resolution or clarification of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material.

Given the uncertainty and judgment involved in the determination and filing of income taxes, there are standards for recognition and measurement in financial statements of positions taken or expected to be taken by an entity in its income tax returns. Positions taken by an entity in its income tax returns that are recognized in the financial statements must satisfy a more-likely-

than-not recognition threshold, assuming that the position will be examined by tax authorities with full knowledge of all relevant information. At December 31, 2019, Dominion Energy had \$175 million of unrecognized tax benefits. Changes in these unrecognized tax benefits may result from remeasurement of amounts expected to be realized, settlements with tax authorities and expiration of statutes of limitations.

Deferred income tax assets and liabilities are recorded representing future effects on income taxes for temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Dominion Energy evaluates quarterly the probability of realizing deferred tax assets by considering current and historical financial results, expectations for future taxable income and the availability of tax planning strategies that can be implemented, if necessary, to realize deferred tax assets. Failure to achieve forecasted taxable income or successfully implement tax planning strategies may affect the realization of deferred tax assets. Dominion Energy establishes a valuation allowance when it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized. At December 31, 2019, Dominion Energy had established \$161 million of valuation allowances.

The 2017 Tax Reform Act included a broad range of tax reform provisions affecting the Companies, including changes in corporate tax rates and business deductions. Many of these provisions differ significantly from prior U.S. tax law, resulting in pervasive financial reporting implications for the Companies. The 2017 Tax Reform Act included significant changes to the Internal Revenue Code of 1986, including amendments which significantly change the taxation of individuals and business entities and included specific provisions related to regulated public utilities. The more significant changes that impact the Companies included in the 2017 Tax Reform Act are (i) reducing the corporate federal income tax rate from 35% to 21%; (ii) effective in 2018, limiting the deductibility of interest expense to 30% of adjusted taxable income for certain businesses with any disallowed interest allowed to be carried forward indefinitely; (iii) permitting 100% expensing (100% bonus depreciation) for certain qualified property; (iv) eliminating the deduction for qualified domestic production activities; and (v) limiting the utilization of net operating losses arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward. The specific provisions related to regulated public utilities in the 2017 Tax Reform Act generally allow for the continued deductibility of interest expense, the exclusion from full expensing for tax purposes of certain property acquired and placed in service after September 27, 2017 and continued certain rate normalization requirements for accelerated depreciation benefits.

At the date of enactment, the Companies' deferred taxes were remeasured based upon the new tax rate expected to apply when temporary differences are realized or settled. For regulated operations, many of the changes in deferred taxes represented amounts probable of collection from or refund to customers, and were recorded as either an increase to a regulatory asset or liability. The 2017 Tax Reform Act included provisions that stipulate how these excess deferred taxes may be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of other deferred taxes will be determined by the Companies' regulators. For nonregulated operations, the changes in deferred taxes were recorded as an adjustment to deferred tax expense.

ACCOUNTING FOR DERIVATIVE CONTRACTS AND FINANCIAL INSTRUMENTS AT FAIR VALUE

Dominion Energy uses derivative contracts such as physical and financial forwards, futures, swaps, options and FTRs to manage commodity, interest rate and foreign currency exchange rate risks of its business operations. Derivative contracts, with certain exceptions, are reported in the Consolidated Balance Sheets at fair value. The majority of investments held in Dominion Energy's nuclear decommissioning and rabbi trusts and pension and other postretirement funds are also subject to fair value accounting. See Notes 6 and 22 to the Consolidated Financial Statements for further information on these fair value measurements.

Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, management seeks indicative price information from external sources, including broker quotes and industry publications. When evaluating pricing information provided by brokers and other pricing services, Dominion Energy considers whether the broker is willing and able to trade at the quoted price, if the broker quotes are based on an active market or an inactive market and the extent to which brokers are utilizing a particular model if pricing is not readily available. If pricing information from external sources is not available, or if Dominion Energy believes that observable pricing information is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, Dominion Energy must estimate prices based on available historical and near-term future price information and use of statistical methods, including regression analysis, that reflect its market assumptions.

Dominion Energy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

USE OF ESTIMATES IN GOODWILL IMPAIRMENT TESTING

As of December 31, 2019, Dominion Energy reported \$8.9 billion of goodwill in its Consolidated Balance Sheet. The majority of the balance relates to the SCANA Combination, as discussed in Note 3 to the Consolidated Financial Statements, the Dominion Energy Questar Combination in 2016 and the acquisition of the former CNG in 2000.

In April of each year, Dominion Energy tests its goodwill for potential impairment, and performs additional tests more frequently if an event occurs or circumstances change in the interim that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. In addition, in the fourth quarter of 2019, Dominion Energy performed impairment tests immediately before and after the realignment of its operating segments. The 2019, 2018 and 2017 annual tests and any interim tests did not result in the recognition of any goodwill impairment.

In general, Dominion Energy estimates the fair value of its reporting units by using a combination of discounted cash flows and other valuation techniques that use multiples of earnings for peer group companies and analyses of recent business combinations involving peer group companies. Fair value estimates are dependent on subjective factors such as Dominion Energy's estimate of future cash flows, the selection of appropriate discount and growth rates, and the selection of peer group companies and recent transactions. These underlying assumptions and estimates

are made as of a point in time; subsequent modifications, particularly changes in discount rates or growth rates inherent in Dominion Energy's estimates of future cash flows, could result in a future impairment of goodwill. Although Dominion Energy has consistently applied the same methods in developing the assumptions and estimates that underlie the fair value calculations, such as estimates of future cash flows, and based those estimates on relevant information available at the time, such cash flow estimates are highly uncertain by nature and may vary significantly from actual results. If the estimates of future cash flows used in the most recent tests had been 10% lower, the resulting fair values would have still been greater than the carrying values of each of those reporting units tested, indicating that no impairment was present.

See Note 11 to the Consolidated Financial Statements for additional information.

USE OF ESTIMATES IN LONG-LIVED ASSET AND EQUITY METHOD INVESTMENT IMPAIRMENT TESTING

Impairment testing for an individual or group of long-lived assets, including intangible assets with definite lives, and equity method investments is required when circumstances indicate those assets may be impaired. When a long-lived asset's carrying amount exceeds the undiscounted estimated future cash flows associated with the asset, the asset is considered impaired to the extent that the asset's fair value is less than its carrying amount. When an equity method investment's carrying amount exceeds its fair value, and the decline in value is deemed to be other-than-temporary, an impairment is recognized to the extent that the fair value is less than its carrying amount. Performing an impairment test on long-lived assets and equity method investments involves judgment in areas such as identifying if circumstances indicate an impairment may exist, identifying and grouping affected assets in the case of long-lived assets, and developing the undiscounted and discounted estimated future cash flows (used to estimate fair value in the absence of a market-based value) associated with the asset, including probability weighting such cash flows to reflect expectations about possible variations in their amounts or timing, expectations about the operations of the long-lived assets and equity method investments and the selection of an appropriate discount rate. When determining whether a long-lived asset or asset group has been impaired, management groups assets at the lowest level that has identifiable cash flows. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For example, estimates of future cash flows would contemplate factors which may change over time, such as the expected use of the asset or underlying assets of equity method investees, including future production and sales levels, expected fluctuations of prices of commodities sold and consumed and expected proceeds from dispositions. See Notes 6 and 9 to the Consolidated Financial Statements for a discussion of impairments related to certain long-lived assets and equity method investments.

As discussed in *Future Issues and Other Matters*, continued delays in obtaining and maintaining permits necessary for construction along with construction delays due to judicial actions have impacted the estimated cost and schedule for the Atlantic

Coast Pipeline Project. As a result, Dominion Energy evaluated the carrying amount of its equity method investment in Atlantic Coast Pipeline for an other-than-temporary impairment and determined that it was not impaired. Any significant changes affecting the discounted cash flow estimates associated with the Atlantic Coast Pipeline Project, such as future unfavorable judicial or regulatory actions resulting in further construction and in-service delays along with an increase in construction costs, could result in an impairment charge.

EMPLOYEE BENEFIT PLANS

Dominion Energy sponsors noncontributory defined benefit pension plans and other postretirement benefit plans for eligible active employees, retirees and qualifying dependents. The projected costs of providing benefits under these plans are dependent, in part, on historical information such as employee demographics, the level of contributions made to the plans and earnings on plan assets. Assumptions about the future, including the expected long-term rate of return on plan assets, discount rates applied to benefit obligations, mortality rates and the anticipated rate of increase in healthcare costs and participant compensation, also have a significant impact on employee benefit costs. The impact of changes in these factors, as well as differences between Dominion Energy's assumptions and actual experience, is generally recognized in the Consolidated Statements of Income over the remaining average service period of plan participants, rather than immediately.

The expected long-term rates of return on plan assets, discount rates, healthcare cost trend rates and mortality rates are critical assumptions. Dominion Energy determines the expected long-term rates of return on plan assets for pension plans and other postretirement benefit plans by using a combination of:

- Expected inflation and risk-free interest rate assumptions;
- Historical return analysis to determine long-term historic returns as well as historic risk premiums for various asset classes;
- Expected future risk premiums, asset classes' volatilities and correlations;
- Forward-looking return expectations derived from the yield on long-term bonds and the expected long-term returns of major capital market assumptions; and
- Investment allocation of plan assets. The strategic target asset allocation for Dominion Energy's pension funds is 28% U.S. equity, 18% non-U.S. equity, 35% fixed income, 3% real estate and 16% other alternative investments, such as private equity investments.

Strategic investment policies are established for Dominion Energy's prefunded benefit plans based upon periodic asset/liability studies. Factors considered in setting the investment policy include those mentioned above such as employee demographics, liability growth rates, future discount rates, the funded status of the plans and the expected long-term rate of return on plan assets. Deviations from the plans' strategic allocation are a function of Dominion Energy's assessments regarding short-term risk and reward opportunities in the capital markets and/or short-term market movements which result in the plans' actual asset allocations varying from the strategic target asset allocations. Through periodic rebalancing, actual allocations are brought back in line with the targets. Future asset/liability studies will focus on strategies to further reduce pension and other postretirement plan risk, while still achieving attractive levels of returns.

Dominion Energy develops non-investment related assumptions, which are then compared to the forecasts of an independent investment advisor to ensure reasonableness. An internal committee selects the final assumptions. Dominion Energy calculated its pension cost using an expected long-term rate of return on plan assets assumption that ranged from 7.00% to 8.65% for 2019 and 8.75% for 2018 and 2017. For 2020, the expected long-term rate of return for the pension cost assumption ranged from 7.00% to 8.60% for Dominion Energy's plans held as of December 31, 2019. Dominion Energy calculated its other postretirement benefit cost using an expected long-term rate of return on plan assets assumption of 8.50% for 2019, 2018 and 2017. For 2020, the expected long-term rate of return for other postretirement benefit cost assumption is 8.50%. The rate used in calculating other postretirement benefit cost is lower than the rate used in calculating pension cost because of differences in the relative amounts of various types of investments held as plan assets.

Dominion Energy determines discount rates from analyses of AA/Aa rated bonds with cash flows matching the expected payments to be made under its plans. The discount rates used to calculate pension cost and other postretirement benefit cost ranged from 3.57% to 4.43% for pension plans and 4.05% to 4.41% for other postretirement benefit plans in 2019, ranged from 3.80% to 3.81% for pension plans and 3.76% for other postretirement benefit plans in 2018 and ranged from 3.31% to 4.50% for pension plans and 3.92% to 4.47% for other postretirement benefit plans in 2017.

Dominion Energy selected a discount rate ranging from 3.47% to 3.63% for pension plans and 3.44% to 3.52% for other postretirement benefit plans for determining its December 31, 2019 projected benefit obligations.

Dominion Energy establishes the healthcare cost trend rate assumption based on analyses of various factors including the specific provisions of its medical plans, actual cost trends experienced and projected and demographics of plan participants. Dominion Energy's healthcare cost trend rate assumption as of December 31, 2019 ranged from 6.50% to 6.60% and is expected to gradually decrease to 5.00% by 2025 and continue at that rate for years thereafter.

The following table illustrates the effect on cost of changing the critical actuarial assumptions previously discussed for Dominion Energy's plans held as of December 31, 2019, while holding all other assumptions constant:

| | Increase in 2020 Net Periodic Cost | | |
|---|------------------------------------|------------------|-------------------------------|
| | Change in Actuarial Assumptions | Pension Benefits | Other Postretirement Benefits |
| (millions, except percentages) | | | |
| Discount Rate | (0.25)% | 19 | 2 |
| Long-Term rate of return on plan assets | (0.25)% | 23 | 5 |
| Health care cost trend rate | 1% | N/A | 20 |

In addition to the effects on cost, at December 31, 2019, a 0.25% decrease in the discount rate would increase Dominion Energy's projected pension benefit obligation by \$371 million and its accumulated postretirement benefit obligation by \$52 million, while a 1.00% increase in the healthcare cost trend rate would increase its accumulated postretirement benefit obligation by \$153 million.

See Note 22 to the Consolidated Financial Statements for additional information on Dominion Energy's employee benefit plans.

New Accounting Standards

See Note 2 to the Consolidated Financial Statements for a discussion of new accounting standards.

Dominion Energy

RESULTS OF OPERATIONS

Presented below is a summary of Dominion Energy's consolidated results:

| Year Ended December 31, (millions, except EPS) | 2019 | \$ Change | 2018 | \$ Change | 2017 |
|--|----------|-----------|----------|-----------|----------|
| Net Income attributable to Dominion Energy | \$ 1,358 | \$(1,089) | \$ 2,447 | \$(552) | \$ 2,999 |
| Diluted EPS | 1.62 | (2.12) | 3.74 | (0.98) | 4.72 |

Overview

2019 vs. 2018

Net Income attributable to Dominion Energy decreased 45%, primarily due to charges for refunds of amounts previously collected from retail electric customers of DESC for the NND Project, litigation acquired in the SCANA Combination, a voluntary retirement program, the planned early retirement of certain Virginia Power electric generation facilities and the absence of gains on the sales of certain equity method investments. These decreases were partially offset by an increase in net investment earnings on nuclear decommissioning trust funds and the operations acquired in the SCANA Combination.

2018 vs. 2017

Net income attributable to Dominion Energy decreased 18%, primarily due to the absence of benefits in 2017 resulting from the remeasurement of deferred income taxes to the new corporate income tax rate, an impairment charge on certain gathering and processing assets, a charge associated with Virginia legislation enacted in March 2018, decreased net investment earnings on nuclear decommissioning trust funds, lower renewable energy investment tax credits and a charge for disallowance of FERC-regulated plant. These decreases were partially offset by gains on the sales of certain merchant generation facilities and equity method investments, the commencement of commercial operations of the Liquefaction Facility and the absence of charges associated with equity method investments in wind-powered generation facilities.

Analysis of Consolidated Operations

Presented below are selected amounts related to Dominion Energy's results of operations:

| Year Ended December 31, (millions) | 2019 | \$ Change | 2018 | \$ Change | 2017 |
|--|-----------|-----------|-----------|-----------|-----------|
| Operating revenue | \$ 16,572 | \$ 3,206 | \$ 13,366 | \$ 780 | \$ 12,586 |
| Electric fuel and other energy-related purchases | 2,938 | 124 | 2,814 | 513 | 2,301 |
| Purchased electric capacity | 88 | (34) | 122 | 116 | 6 |
| Purchased gas | 1,536 | 891 | 645 | (56) | 701 |
| Net revenue | 12,010 | 2,225 | 9,785 | 207 | 9,578 |
| Other operations and maintenance | 4,428 | 970 | 3,458 | 258 | 3,200 |
| Depreciation, depletion and amortization | 2,655 | 655 | 2,000 | 95 | 1,905 |
| Other taxes | 1,040 | 337 | 703 | 35 | 668 |
| Impairment of assets and related charges | 1,535 | 1,132 | 403 | 388 | 15 |
| Gains on sales of assets | (162) | 218 | (380) | (233) | (147) |
| Other income | 986 | (35) | 1,021 | 663 | 358 |
| Interest and related charges | 1,773 | 280 | 1,493 | 288 | 1,205 |
| Income tax expense (benefit) | 351 | (229) | 580 | 610 | (30) |
| Noncontrolling interests | 18 | (84) | 102 | (19) | 121 |

An analysis of Dominion Energy's results of operations follows:

2019 vs. 2018

Net revenue increased 23%, primarily reflecting:

- A \$1.5 billion increase from the SCANA Combination, due to operations acquired (\$2.5 billion), partially offset by a \$1.0 billion charge for refunds of amounts previously collected from retail electric customers of DESC for the NND Project;
- A \$348 million increase from Virginia Power rate adjustment clauses;
- A \$257 million increase from the Liquefaction Facility, including terminalling services provided to the Export Customers (\$190 million), a decrease in credits associated with the start-up phase (\$44 million) and regulated gas transportation contracts to serve the Export Customers (\$23 million);
- The absence of a \$215 million charge associated with Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers;
- A \$74 million decrease in Virginia Power electric capacity expense related to the annual PJM capacity performance market effective June 2019 (\$63 million) and a contract termination with a non-utility generator (\$37 million), partially offset by the annual PJM capacity performance market effective June 2018 (\$26 million);
- A \$57 million increase due to favorable pricing at Millstone, including the effects of the Millstone 2019 power purchase agreements; and
- A \$40 million decrease in Virginia Power fuel costs due to the expiration of an energy supply contract.

These increases were partially offset by:

- A \$211 million decrease from the absence of certain merchant generation facilities sold in 2018;

- A \$99 million decrease in services performed for Atlantic Coast Pipeline; and
- A \$45 million decrease in sales to Virginia Power retail customers from lower heating degree days during the heating season, partially offset by a \$25 million increase from higher cooling degree days during the cooling season.

Other operations and maintenance increased 28%, primarily reflecting:

- A \$735 million increase from operations acquired in the SCANA Combination;
- An increase in merger and integration-related costs associated with the SCANA Combination (\$474 million), including a charge related to a voluntary retirement program (\$291 million);
- A \$116 million increase in certain Virginia Power transmission and generation-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income; and
- A \$38 million increase in operating expenses from the commercial operations of the Liquefaction Facility and costs associated with regulated gas transportation contracts to serve the Export Customers.

These increases were partially offset by:

- A \$113 million benefit from the revision of future ash pond and landfill closure costs as a result of Virginia legislation enacted in March 2019;
- A \$99 million decrease in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income;
- The absence of an \$81 million charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018; and
- A \$43 million decrease from the absence of certain merchant generation facilities sold in 2018.

Depreciation, depletion and amortization increased 33%, primarily due to property, plant and equipment acquired in the SCANA Combination (\$559 million), including amortization of NND Project costs (\$127 million), an increase from various growth projects being placed into service (\$134 million), including the Liquefaction Facility (\$28 million) and the absence of a benefit for the retroactive application of depreciation rates for regulated nuclear plants to comply with Virginia Commission requirements (\$31 million), partially offset by the planned early retirement of certain Virginia Power electric generation facilities and automated meter reading infrastructure (\$40 million) and the sale of certain merchant electric generation facilities in 2018 (\$37 million).

Other taxes increased 48%, primarily due to the SCANA Combination (\$258 million), an increase in property tax charges for growth projects placed into service (\$56 million) and a charge related to a voluntary retirement program (\$24 million).

Impairment of assets and related charges increased \$1.1 billion, primarily due to:

- Charges associated with litigation acquired in the SCANA Combination (\$641 million);

- A \$346 million charge related to the early retirement of certain Virginia Power electric generation facilities;
- A \$160 million charge related to Virginia Power's planned early retirement of certain automated meter reading infrastructure;
- A \$135 million charge related to Virginia Power's contract termination with a non-utility generator;
- A \$105 million charge for property, plant and equipment acquired in the SCANA Combination for which Dominion Energy committed to forgo recovery;
- A \$62 million charge related to the abandonment of a project at a Virginia Power electric generating facility; and
- The abandonment of certain property, plant and equipment (\$39 million); partially offset by
- The absence of a \$219 impairment charge on certain gathering and processing assets;
- The absence of a \$135 million charge for disallowance of FERC-regulated plant; and
- The absence of a \$37 million write-off associated with the Eastern Market Access Project.

Gains on sales of assets decreased 57%, primarily due to the absence of the sale of Fairless and Manchester (\$210 million) and the absence of gains related to agreements to convey shale development rights under natural gas storage fields (\$115 million), partially offset by an increase in gains on sales of nonregulated retail energy marketing assets (\$82 million).

Other income decreased 3%, primarily reflecting the absence of a gain on, and equity earnings from, the sale of Dominion Energy's 50% limited partnership interest in Blue Racer (\$603 million), a charge related to a voluntary retirement program (\$112 million) and the absence of a gain on the sale of Dominion Energy's 25% limited partnership interest in Catalyst Old River Hydroelectric Limited Partnership (\$87 million). These decreases were partially offset by an increase in net investment earnings on nuclear decommissioning trust funds (\$720 million) and an increase in equity earnings from Atlantic Coast Pipeline (\$50 million).

Interest and related charges increased 19%, primarily due to debt acquired in the SCANA Combination net of debt redeemed in 2019 (\$314 million), the absence of capitalization of interest expense associated with the Liquefaction Facility upon completion of construction (\$46 million), partially offset by the absence of charges associated with the early redemption of certain debt securities in 2018 (\$69 million).

Income tax expense decreased 39%, primarily due to lower pre-tax income (\$299 million), the impacts of changes in tax status of certain subsidiaries in connection with the Dominion Energy Gas Restructuring (\$48 million), higher investment tax credits (\$39 million) and the absence of 2017 Tax Reform Act impacts (\$46 million), partially offset by a charge for certain income tax-related regulatory assets acquired in the SCANA Combination for which Dominion Energy committed to forgo recovery (\$194 million) and the absence of a state legislative change (\$20 million).

Noncontrolling interests decreased 82%, primarily due to the acquisition of the public interest in Dominion Energy Midstream in January 2019.

2018 vs. 2017

Net revenue increased 2%, primarily reflecting:

- A \$500 million increase due to commencement of commercial operations of the Liquefaction Facility, including terminalling services provided to the Export Customers (\$508 million) and regulated gas transportation contracts to serve the Export Customers (\$58 million), partially offset by credits associated with the start-up phase of the Liquefaction Facility (\$66 million);
- An increase in sales to electric utility retail customers from an increase in heating degree days during the heating season of 2018 (\$71 million) and an increase in cooling degree days during the cooling season of 2018 (\$69 million);
- A \$130 million increase due to favorable pricing at merchant generation facilities;
- A \$92 million increase due to growth projects placed in service, other than the Liquefaction Facility;
- A \$74 million increase in services performed for Atlantic Coast Pipeline; and
- A \$46 million increase in sales to electric utility retail customers due to customer growth.

These increases were partially offset by:

- A \$325 million decrease for regulated electric generation and electric and gas distribution operations as a result of the 2017 Tax Reform Act;
- A \$215 million charge associated with Virginia legislation enacted in March 2018 that requires one-time rate credits of certain amounts to utility customers;
- A \$94 million increase in net electric capacity expense related to the annual PJM capacity performance market effective June 2017 (\$112 million) and the annual PJM capacity performance market effective June 2018 (\$39 million), partially offset by a benefit related to non-utility generators (\$57 million);
- An \$89 million decrease in rate adjustment clauses associated with electric utility operations, which includes the impacts of the 2017 Tax Reform Act; and
- A \$38 million decrease from scheduled declines in or expiration of certain DETI and Cove Point contracts.

Net revenue does not reflect an impact from a reduction in planned outage days at Millstone as there was an offsetting increase in unplanned outage days.

Other operations and maintenance increased 8%, primarily reflecting:

- A \$102 million increase in storm damage and service restoration costs in the regulated electric service territory;
- An \$81 million increase due to a charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018;
- A \$73 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income;
- A \$47 million increase in operating expenses from the commercial operations of the Liquefaction Facility and costs associated with regulated gas transportation contracts to serve the Export Customers; and

- A \$38 million increase in salaries, wages and benefits, partially offset by
- A \$74 million decrease from a reduction in planned outage days at certain merchant and utility generation facilities.

Depreciation, depletion and amortization increased 5%, primarily due to an increase from various growth projects being placed into service (\$187 million), including the Liquefaction Facility (\$81 million), partially offset by revised depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements (\$61 million).

Impairment of assets and related charges increased \$388 million, primarily due to a \$219 million impairment charge on certain gathering and processing assets, a \$135 million charge for disallowance of FERC-regulated plant and a \$37 million write-off associated with the Eastern Market Access Project.

Gains on sales of assets increased \$233 million, primarily due to the sale of Fairless and Manchester (\$210 million) and an increase in gains related to agreements to convey shale development rights under natural gas storage fields (\$46 million).

Other income increased \$663 million, primarily reflecting a gain on the sale of Dominion Energy's 50% limited partnership interest in Blue Racer (\$546 million), the absence of charges associated with equity method investments in wind-powered generation facilities (\$158 million), a gain on the sale of Dominion Energy's 25% limited partnership interest in Catalyst Old River Hydroelectric Limited Partnership (\$87 million) and a decrease in the non-service components of pension and other postretirement employee benefit credits capitalized to property, plant and equipment in 2018 (\$45 million), partially offset by a decrease in net investment earnings on nuclear decommissioning trust funds (\$209 million).

Interest and related charges increased 24%, primarily due to the absence of capitalization of interest expense associated with the Liquefaction Facility upon completion of construction (\$111 million), higher long-term debt interest expense resulting from net debt issuances in 2018 and 2017 (\$92 million) and charges associated with the early redemption of certain debt securities (\$69 million).

Income tax expense increased \$610 million, primarily due to the absence of benefits resulting from the remeasurement of deferred income taxes to the new corporate income tax rate (\$851 million) and lower renewable energy investment tax credits (\$138 million), partially offset by the reduced corporate income tax rate (\$414 million).

Outlook

Dominion Energy's 2020 net income is expected to increase on a per share basis as compared to 2019 primarily from the following:

- The absence of charges for refunds of amounts previously collected from retail electric customers of DESC for the NND Project;
- The absence of charges associated with the early retirement of certain Virginia Power electric generation facilities and automated meter reading infrastructure;
- A reduction in merger and integration-related costs associated with the SCANA Combination, including charges related to a voluntary retirement program;

Management's Discussion and Analysis of Financial Condition and Results of Operations, Continued

- A decrease in charges associated with litigation acquired in the SCANA Combination;
- Construction and operation of growth projects in gas transmission and distribution;
- Construction and operation of growth projects in electric utility operations;
- Lower depreciation on Virginia Power's nuclear plants associated with expected approval of license extensions from the NRC;
- Reduced interest expense as a result of early redemptions of long-term debt; and
- Delivery under the Millstone 2019 power purchase agreements for an entire year.

These increases are expected to be partially offset by the following:

- The absence of a benefit for the revision of future ash pond and landfill closure costs as a result of Virginia legislation enacted in March 2019;
- The noncontrolling 25% limited partnership interest in Cove Point sold in December 2019;
- An increase in planned outage days at Millstone; and
- Share dilution.

SEGMENT RESULTS OF OPERATIONS

Segment results include the impact of intersegment revenues and expenses, which may result in intersegment profit or loss. In December 2019, Dominion Energy realigned its segments which resulted in the formation of five primary operating segments. The historical information presented herein has been recast to reflect the current segment presentation. Presented below is a summary of contributions by Dominion Energy's operating segments to net income attributable to Dominion Energy:

| Year Ended December 31, | 2019 | | 2018 | | 2017 | |
|--------------------------------|---|-------------|---|-------------|--|-------------|
| | Net income (loss) attributable to Dominion Energy | Diluted EPS | Net income (loss) attributable to Dominion Energy | Diluted EPS | Net income attributable to Dominion Energy | Diluted EPS |
| (millions, except EPS) | | | | | | |
| Dominion Energy Virginia | \$ 1,786 | \$2.21 | \$1,596 | \$2.44 | \$1,466 | \$2.30 |
| Gas Transmission & Storage | 934 | 1.16 | 844 | 1.29 | 552 | 0.87 |
| Gas Distribution | 488 | 0.60 | 373 | 0.57 | 351 | 0.55 |
| Dominion Energy South Carolina | 430 | 0.53 | — | — | — | — |
| Contracted Generation | 276 | 0.34 | 245 | 0.37 | 253 | 0.40 |
| Corporate and Other | (2,556) | (3.22) | (611) | (0.93) | 377 | 0.60 |
| Consolidated | \$ 1,358 | \$ 1.62 | \$ 2,447 | \$3.74 | \$2,999 | \$4.72 |

Dominion Energy Virginia

Presented below are operating statistics related to Dominion Energy Virginia's operations:

| Year Ended December 31, | 2019 | % Change | 2018 | % Change | 2017 |
|---|-------|----------|-------|----------|-------|
| Electricity delivered (million MWh) | 87.7 | —% | 87.8 | 5% | 83.4 |
| Electricity supplied (million MWh): | | | | | |
| Utility | 88.2 | — | 88.0 | 4 | 85.0 |
| Degree days (electric distribution and utility service area): | | | | | |
| Cooling | 2,031 | 1 | 2,019 | 12 | 1,801 |
| Heating | 3,259 | (10) | 3,608 | 16 | 3,104 |
| Average electric distribution customer accounts (thousands) | 2,626 | 1 | 2,600 | 1 | 2,574 |

Presented below, on an after-tax basis, are the key factors impacting Dominion Energy Virginia's net income contribution:

2019 VS. 2018

| | Amount | Increase (Decrease) EPS |
|---|---------|-------------------------|
| (millions, except EPS) | | |
| Regulated electric sales: | | |
| Weather | \$ (14) | \$(0.02) |
| Other | 9 | 0.01 |
| Rate adjustment clause equity return | 84 | 0.13 |
| Electric capacity | 54 | 0.08 |
| Expiration of energy supply contract | 30 | 0.05 |
| Renewable energy investment tax credits | (14) | (0.02) |
| Other | 41 | 0.06 |
| Share dilution | — | (0.52) |
| Change in net income contribution | \$190 | \$(0.23) |

2018 VS. 2017

| | Amount | Increase (Decrease) EPS |
|---|--------|-------------------------|
| (millions, except EPS) | | |
| Regulated electric sales: | | |
| Weather | \$ 86 | \$ 0.14 |
| Other | 43 | 0.07 |
| Rate adjustment clause equity return | 14 | 0.02 |
| Depreciation and amortization | 31 | 0.05 |
| Storm damage and service restoration | (19) | (0.03) |
| Planned outage costs | 12 | 0.02 |
| Electric capacity | (66) | (0.10) |
| Renewable energy investment tax credits | 34 | 0.05 |
| Other | (5) | (0.01) |
| Share dilution | — | (0.07) |
| Change in net income contribution | \$130 | \$ 0.14 |

Gas Transmission & Storage

Presented below are operating statistics related to Gas Transmission & Storage's operations:

| Year Ended December 31, | 2019 ⁽¹⁾ | % Change | 2018 | % Change | 2017 |
|---|---------------------|----------|------|----------|-------|
| Average retail energy marketing customer accounts (thousands) | 762 | 2% | 750 | (47)% | 1,405 |

(1) Includes SEMI effective January 2019 until December 2019.

Presented below, on an after-tax basis, are the key factors impacting Gas Transmission & Storage's net income contribution:

2019 VS. 2018

| | Increase (Decrease) | |
|---|---------------------|-----------|
| | Amount | EPS |
| (millions, except EPS) | | |
| Cove Point export contracts | \$172 | \$ 0.26 |
| Assignment of shale development rights | (83) | (0.12) |
| Interest expense, net | (60) | (0.09) |
| State legislative change | (18) | (0.03) |
| Noncontrolling interest | 62 | 0.09 |
| Atlantic Coast Pipeline equity earnings | 37 | 0.06 |
| Other | (20) | (0.03) |
| Share dilution | — | (0.27) |
| Change in net income contribution | \$ 90 | \$ (0.13) |

2018 VS. 2017

| | Increase (Decrease) | |
|--|---------------------|---------|
| | Amount | EPS |
| (millions, except EPS) | | |
| Transmission and storage growth projects | \$ 30 | \$ 0.05 |
| Cove Point export contracts | 259 | 0.41 |
| Cove Point import contracts | (12) | (0.02) |
| DETI contract declines | (20) | (0.03) |
| Assignment of shale development rights | 27 | 0.04 |
| 2017 Tax Reform Act impacts | 113 | 0.18 |
| Interest expense, net | (81) | (0.13) |
| State legislative change | 18 | 0.03 |
| Other | (42) | (0.07) |
| Share dilution | — | (0.04) |
| Change in net income contribution | \$ 292 | \$ 0.42 |

Gas Distribution

Presented below are selected operating statistics related to Gas Distribution's operations:

| Year Ended December 31, | 2019 ⁽¹⁾ | % Change | 2018 | % Change | 2017 |
|---|---------------------|----------|-------|----------|-------|
| Gas distribution throughput (bcf): | | | | | |
| Sales | 192 | 47% | 131 | 1% | 130 |
| Transportation | 811 | 12 | 725 | 11 | 654 |
| Heating degree days (gas distribution service area): | | | | | |
| North Carolina | 2,942 | | | | |
| Ohio and West Virginia | 5,355 | (6) | 5,693 | 15 | 4,930 |
| Utah, Wyoming and Idaho | 5,501 | 18 | 4,672 | (4) | 4,892 |
| Average gas distribution customer accounts (thousands): | | | | | |
| Sales | 1,857 | 48 | 1,258 | 1 | 1,240 |
| Transportation | 1,108 | 1 | 1,096 | 1 | 1,086 |

(1) Includes PSNC effective January 1, 2019.

Presented below, on an after-tax basis, are the key factors impacting Gas Distribution's net income contribution:

2019 VS. 2018

| | Increase (Decrease) | |
|--------------------------------------|---------------------|--------|
| | Amount | EPS |
| (millions, except EPS) | | |
| Regulated gas sales: | | |
| Weather | \$ (3) | \$ — |
| Other | (2) | — |
| Rate adjustment clause equity return | 16 | 0.02 |
| SCANA Combination | 87 | 0.13 |
| Other | 17 | 0.02 |
| Share dilution | — | (0.14) |
| Change in net income contribution | \$115 | \$0.03 |

2018 VS. 2017

| | Increase (Decrease) | |
|--------------------------------------|---------------------|---------|
| | Amount | EPS |
| (millions, except EPS) | | |
| Regulated gas sales: | | |
| Weather | \$ 7 | \$ 0.01 |
| Other | 2 | — |
| Rate adjustment clause equity return | 9 | 0.01 |
| 2017 Tax Reform Act impacts | 28 | 0.04 |
| Interest expense | (4) | — |
| Other | (20) | (0.02) |
| Share dilution | — | (0.02) |
| Change in net income contribution | \$22 | \$0.02 |

Dominion Energy South Carolina

Presented below are selected operating statistics related to Dominion Energy South Carolina's operations:

| Year Ended December 31, | 2019 |
|---|-------|
| Electricity delivered (million MWh) | 23.0 |
| Electricity supplied (million MWh) | 24.1 |
| Degree days (electric and gas distribution service areas): | |
| Cooling | 951 |
| Heating | 1,179 |
| Average electric distribution customer accounts (thousands) | 739 |
| Gas distribution throughput (bcf): | |
| Sales | 65 |
| Average gas distribution customer accounts (thousands) | 386 |

2019 VS. 2018

Presented below, on an after-tax basis, are the key factors impacting Dominion Energy South Carolina's net income contribution:

| | Increase (Decrease) | |
|------------------------|---------------------|--------|
| | Amount | EPS |
| (millions, except EPS) | | |
| SCANA Combination | \$430 | \$0.53 |

Contracted Generation

Presented below are selected operating statistics related to Contracted Generation's operations:

| Year Ended December 31, | 2019 | % Change | 2018 | % Change | 2017 |
|-------------------------------------|------|----------|------|----------|------|
| Electricity delivered (million MWh) | 20.2 | (30)% | 28.8 | —% | 28.9 |

Presented below, on an after-tax basis, are the key factors impacting Contracted Generation's net income contribution:

2019 VS. 2018

| | Increase (Decrease) | |
|--|---------------------|----------|
| | Amount | EPS |
| (millions, except EPS) | | |
| Margin | \$ 42 | \$ 0.06 |
| Renewable energy investment tax credits | 50 | 0.08 |
| Sale of certain electric generation facilities | (95) | (0.14) |
| Interest expense | 26 | 0.04 |
| Other | 8 | 0.01 |
| Share dilution | — | (0.08) |
| Change in net income contribution | \$ 31 | \$(0.03) |

2018 VS. 2017

| | Increase (Decrease) | |
|---|---------------------|----------|
| | Amount | EPS |
| (millions, except EPS) | | |
| Margin | \$101 | \$ 0.16 |
| Planned outage costs | 34 | 0.05 |
| Depreciation and amortization | (9) | (0.01) |
| Renewable energy investment tax credits | (172) | (0.28) |
| 2017 Tax Reform Act impacts | 45 | 0.07 |
| Other | (7) | (0.01) |
| Share dilution | — | (0.01) |
| Change in net income contribution | \$ (8) | \$(0.03) |

Corporate and Other

Presented below are the Corporate and Other segment's after-tax results:

| Year Ended December 31, | 2019 | 2018 | 2017 |
|--|------------|----------|---------|
| (millions, except EPS) | | | |
| Specific items attributable to operating segments | \$ (2,039) | \$ (88) | \$ 861 |
| Specific items attributable to Corporate and Other segment | (50) | (116) | (151) |
| Total specific items | (2,089) | (204) | 710 |
| Other corporate operations: | | | |
| 2017 Tax Reform Act impacts | — | (81) | — |
| Interest expense, net | (430) | (358) | (334) |
| Other | (37) | 32 | 1 |
| Total other corporate operations | (467) | (407) | (333) |
| Total net income (expense) | (2,556) | (611) | 377 |
| EPS impact | \$ (3.22) | \$(0.93) | \$ 0.60 |

TOTAL SPECIFIC ITEMS

Corporate and Other includes specific items attributable to Dominion Energy's primary operating segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources. See Note 26 to the Consolidated Financial Statements for discussion of these items in more detail. Corporate and Other also includes specific items attributable to the Corporate and Other segment. In 2019, this primarily included \$40 million of after-tax transaction and transition costs associated with the SCANA Combination. In 2018, this primarily included \$51 million of after-tax charges associated with the early redemption of certain debt securities and \$31 million of after-tax transaction and transition costs associated with the Dominion Energy Questar Combination and SCANA Combination. In 2017, this primarily included \$124 million of tax benefits resulting from the remeasurement of deferred income taxes to the new corporate income tax rate.

VIRGINIA POWER

RESULTS OF OPERATIONS

Presented below is a summary of Virginia Power's consolidated results:

| Year Ended December 31, | 2019 | \$ Change | 2018 | \$ Change | 2017 |
|-------------------------|---------|-----------|---------|-----------|---------|
| (millions) | | | | | |
| Net Income | \$1,149 | \$(133) | \$1,282 | \$(258) | \$1,540 |

Overview

2019 VS. 2018

Net income decreased 10%, primarily due to charges associated with the planned early retirement of certain electric generation facilities and automated meter reading infrastructure, a voluntary retirement program and a contract termination with a non-utility generator. These decreases were partially offset by increases related to higher rate adjustment clause equity returns, the revision of future ash pond and landfill closure costs as a result of Virginia legislation enacted in March 2019 and the absence of charges associated with Virginia legislation enacted in March 2018 and April 2018.

2018 VS. 2017

Net income decreased 17%, primarily due to a charge associated with Virginia legislation enacted in March 2018, an increase in storm damage and service restoration costs, a charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018 and an increase in net electric capacity expense, partially offset by an increase in heating and cooling degree days in the service territory.

Analysis of Consolidated Operations

Presented below are selected amounts related to Virginia Power's results of operations:

| Year Ended December 31, (millions) | 2019 | \$ Change | 2018 | \$ Change | 2017 |
|--|---------|-----------|---------|-----------|---------|
| Operating revenue | \$8,108 | \$ 489 | \$7,619 | \$ 63 | \$7,556 |
| Electric fuel and other energy-related purchases | 2,178 | (140) | 2,318 | 409 | 1,909 |
| Purchased electric capacity | 40 | (82) | 122 | 116 | 6 |
| Net revenue | 5,890 | 711 | 5,179 | (462) | 5,641 |
| Other operations and maintenance | 1,743 | 67 | 1,676 | 198 | 1,478 |
| Depreciation and amortization | 1,223 | 91 | 1,132 | (9) | 1,141 |
| Other taxes | 328 | 28 | 300 | 10 | 290 |
| Impairment of assets and other charges | 757 | 757 | — | — | — |
| Other income | 98 | 76 | 22 | (54) | 76 |
| Interest and related charges | 524 | 13 | 511 | 17 | 494 |
| Income tax expense | 264 | (36) | 300 | (474) | 774 |

An analysis of Virginia Power's results of operations follows:

2019 VS. 2018

Net revenue increased 14%, primarily reflecting:

- A \$348 million increase from rate adjustment clauses;
- The absence of a \$215 million charge associated with Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers;
- A \$74 million decrease in electric capacity expense primarily related to the annual PJM capacity performance market effective June 2019 (\$63 million) and a contract termination with a non-utility generator (\$37 million), partially offset by the annual PJM capacity performance market effective June 2018 (\$26 million); and
- A \$40 million decrease in fuel costs due to the expiration of an energy supply contract; partially offset by
- A \$45 million decrease in sales to retail customers from lower heating degree days during the heating season, partially offset by a \$25 million increase from higher cooling degree days during the cooling season.

Other operations and maintenance increased 4%, primarily reflecting:

- A \$190 million charge related to a voluntary retirement program; and
- A \$116 million increase in certain transmission and generation-related expenses. These expenses were primarily

recovered through state and FERC rates and did not impact net income; partially offset by

- A \$113 million benefit from the revision of future ash pond and landfill closure costs as a result of Virginia legislation enacted in March 2019;
- The absence of an \$81 million charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018; and
- A \$25 million decrease in storm damage and service restoration costs.

Depreciation and amortization increased 8%, primarily due to various projects being placed into service (\$92 million) and the absence of a benefit for the retroactive application of depreciation rates for regulated nuclear plants to comply with Virginia Commission requirements (\$31 million), partially offset by the absence of depreciation from certain electric generation facilities and automated meter reading infrastructure that were retired early (\$40 million).

Impairment of assets and other charges increased \$757 million, primarily reflecting:

- A \$346 million charge related to the early retirement of certain electric generation facilities;
- A \$160 million charge related to the planned early retirement of certain automated meter reading infrastructure;
- A \$135 million charge related to contract termination with a non-utility generator; and
- A \$62 million charge related to the abandonment of a project at an electric generating facility.

Other income increased \$76 million, primarily reflecting an increase in net investment earnings on nuclear decommissioning trust funds.

Income tax expense decreased 12%, primarily due to lower pretax income (\$29 million) and the absence of 2017 Tax Reform Act impacts (\$23 million), partially offset by lower investment tax credits (\$14 million).

2018 VS. 2017

Net revenue decreased 8%, primarily reflecting:

- A \$238 million decrease for regulated generation and distribution operations as a result of the 2017 Tax Reform Act;
- A \$215 million charge associated with Virginia legislation enacted in March 2018 that requires one-time rate credits of certain amounts to utility customers;
- A \$94 million increase in net electric capacity expense related to the annual PJM capacity performance market effective June 2017 (\$112 million) and the annual PJM capacity performance market effective June 2018 (\$39 million), partially offset by a benefit related to non-utility generators (\$57 million); and
- An \$89 million decrease from rate adjustment clauses, which includes the impacts of the 2017 Tax Reform Act; partially offset by
- An increase in sales to retail customers from an increase in heating degree days during the heating season of 2018 (\$71 million) and an increase in cooling degree days during the cooling season of 2018 (\$69 million); and
- A \$46 million increase in sales to retail customers due to customer growth.

Other operations and maintenance increased 13%, primarily reflecting:

- A \$102 million increase due to storm damage and service restoration costs; and
- An \$81 million increase due to a charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018; partially offset by
- A \$19 million decrease from a reduction in planned outage days at certain generation facilities.

Depreciation and amortization was substantially consistent as a decrease due to revised depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements (\$61 million) was substantially offset by various growth projects being placed into service (\$56 million).

Other income decreased 71%, primarily related to lower realized gains (including investment income) on nuclear decommissioning trust funds (\$23 million), the electric transmission tower rental portfolio, including the absence of the assignment of such amounts to Vertical Bridge Towers II, LLC (\$18 million) and the absence of interest income associated with the settlement of state income tax refund claims (\$11 million), partially offset by the absence of a charge associated with a customer settlement (\$16 million).

Income tax expense decreased 61%, primarily due to lower pre-tax income (\$256 million), the reduced corporate income tax rate (\$235 million) and higher renewable energy investment tax credits (\$35 million), partially offset by the absence of benefits resulting from the remeasurement of deferred income taxes to the new corporate income tax rate (\$93 million).

DOMINION ENERGY GAS

RESULTS OF OPERATIONS

Presented below is a summary of Dominion Energy Gas' consolidated results:

| Year Ended December 31, (millions) | 2019 | \$ Change | 2018 | \$ Change | 2017 |
|--|-------|-----------|-------|-----------|-------|
| Net income attributable to Dominion Energy Gas | \$721 | \$240 | \$481 | \$(222) | \$703 |

Overview

2019 VS. 2018

Net income attributable to Dominion Energy Gas increased 50%, primarily due to the absence of a charge for disallowance of FERC-regulated plant, the commercial operations of the Liquefaction Facility for the entire year, the absence of a write-off associated with the Eastern Market Access Project and the absence of an impairment charge on certain gathering and processing assets included in discontinued operations, partially offset by the absence of gains related to agreements to convey shale development rights under natural gas storage fields and a charge related to a voluntary retirement program.

2018 VS. 2017

Net income attributable to Dominion Energy Gas decreased 32%, primarily due to an impairment charge on certain gathering and processing assets included in discontinued operations, a charge for disallowance of FERC-regulated plant and the absence of benefits from the 2017 Tax Reform Act, partially offset by the commencement of commercial operations of the Liquefaction Facility, regulated natural gas transmission activities from growth projects placed into service and an increase in gains from agreements to convey shale development rights underneath several natural gas storage fields.

Analysis of Consolidated Operations

Presented below are selected amounts related to Dominion Energy Gas' results of operations:

| Year Ended December 31, (millions) | 2019 | \$ Change | 2018 | \$ Change | 2017 |
|--|---------|-----------|----------|-----------|----------|
| Operating revenue | \$2,169 | \$ 173 | \$ 1,996 | \$ 473 | \$ 1,523 |
| Purchased (excess) gas | 7 | 17 | (10) | (119) | 109 |
| Other energy-related purchases | 2 | (2) | 4 | — | 4 |
| Net revenue | 2,160 | 158 | 2,002 | 592 | 1,410 |
| Other operations and maintenance | 724 | 8 | 716 | 144 | 572 |
| Depreciation and amortization | 367 | 34 | 333 | 91 | 242 |
| Other taxes | 154 | 34 | 120 | 21 | 99 |
| Impairment of assets and related charges | 13 | (150) | 163 | 148 | 15 |
| Gains on sales of assets | (2) | 115 | (117) | (47) | (70) |
| Earnings from equity method investees | 43 | (11) | 54 | 7 | 47 |
| Other income | 166 | 77 | 89 | 27 | 62 |
| Interest and related charges | 311 | 137 | 174 | 114 | 60 |
| Income tax expense (benefit) | 101 | (23) | 124 | 189 | (65) |
| Net Income from discontinued operations | 141 | 117 | 24 | (139) | 163 |
| Noncontrolling interests | 121 | (54) | 175 | 49 | 126 |

An analysis of Dominion Energy Gas' results of operations follows:

2019 VS. 2018

Net revenue increased 8%, primarily reflecting:

- A \$257 million increase from the Liquefaction Facility, including terminalling services provided to the Export Customers (\$190 million), a decrease in credits associated with the start-up phase (\$44 million) and regulated gas transportation contracts to serve the Export Customers (\$23 million); and
- An \$18 million increase due to DETI contract changes; partially offset by
- A \$99 million decrease in services performed for Atlantic Coast Pipeline; and
- A \$42 million increase in net fuel carrying costs as a result of depressed natural gas market conditions.

Other operations and maintenance remained substantially consistent primarily reflecting:

- A \$45 million increase in operating expenses from the commercial operations of the Liquefaction Facility and costs associated with regulated gas transportation contracts to serve the Export Customers;
- A \$39 million charge related to a voluntary retirement program; and
- A \$10 million increase in salaries, wages and benefits and general administrative expenses; substantially offset by
- A \$99 million decrease in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income.

Depreciation and amortization increased 10%, primarily due to an increase from various growth projects being placed into service, including the Liquefaction Facility.

Other taxes increased 28%, primarily due to property taxes associated with the Liquefaction Facility.

Impairment of assets and related charges decreased 92%, primarily due to the absence of a charge for disallowance of FERC-regulated plant (\$127 million) and the absence of a write-off associated with the Eastern Market Access Project (\$37 million), partially offset by the abandonment of the Sweden Valley project (\$13 million).

Gains on sales of assets decreased 98%, primarily due to the absence of gains related to agreements to convey shale development rights under natural gas storage fields.

Earnings from equity method investees decreased 20%, primarily due to lower earnings from Iroquois.

Other income increased 87%, primarily due to interest income from Cove Point's promissory notes receivable from Dominion Energy issued in 2018.

Interest and related charges increased 79%, primarily due to Cove Point's term loan borrowings (\$78 million), the absence of capitalization of interest expense associated with the Liquefaction Facility upon completion of construction (\$46 million) and higher interest expense due to increased affiliate borrowings (\$10 million).

Income tax expense decreased 19%, primarily due to the impacts of changes in tax status of certain subsidiaries in connection with the Dominion Energy Gas Restructuring (\$48 million), partially offset by reductions in noncontrolling interest associated with Dominion Energy's purchase of Dominion Energy Midstream publicly held common units (\$9 million) and the absence of a state legislative change (\$15 million).

Noncontrolling interests decreased 31%, primarily due to the acquisition of the public interest in Dominion Energy Midstream in January 2019.

2018 VS. 2017

Net revenue increased 42%, primarily reflecting:

- A \$500 million increase due to commencement of commercial operations of the Liquefaction Facility, including terminalling services provided to the Export Customers (\$508 million) and regulated gas transportation contracts to serve the Export Customers (\$58 million), partially offset by credits associated with the start-up phase of the Liquefaction Facility (\$66 million);

- A \$74 million increase in services performed for Atlantic Coast Pipeline; and
- A \$57 million increase due to regulated natural gas transmission growth projects placed in service, other than the Liquefaction Facility; partially offset by
- A \$38 million decrease from scheduled declines in or expiration of certain DETI and Cove Point contracts.

Other operations and maintenance increased 25%, primarily reflecting:

- A \$73 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income;
- A \$47 million increase in operating expenses from the commercial operations of the Liquefaction Facility and costs associated with regulated gas transportation contracts to serve the Export Customers; and
- A \$13 million increase in salaries, wages and benefits and general administrative expenses.

Depreciation and amortization increased 38%, primarily due to an increase from various growth projects being placed into service, including the Liquefaction Facility.

Other taxes increased 21%, primarily due to property taxes associated with the Liquefaction Facility commencing commercial operations.

Impairment of assets and related charges increased \$148 million, primarily due to a charge for disallowance of FERC-regulated plant (\$127 million) and a write-off associated with the Eastern Market Access Project (\$37 million), partially offset by the absence of a charge to write-off the balance of a regulatory asset no longer considered probable of recovery (\$15 million).

Gains on sales of assets increased 67% primarily due to increased gains from agreements to convey shale development rights underneath several natural gas storage fields.

Earnings from equity method investees increased 15%, primarily due to higher earnings from unsubscribed capacity as a result of an increase in heating degree days at Iroquois.

Other income increased 44%, primarily due to interest income from Cove Point's promissory notes receivable from Dominion Energy issued in September 2018 (\$20 million) and a decrease in non-service components of pension and other postretirement employee benefit credits capitalized to property, plant and equipment in 2018 (\$13 million), partially offset by AFUDC on rate-regulated projects (\$7 million).

Interest and related charges increased \$114 million, primarily due to the absence of capitalization of interest expense associated with the Liquefaction Facility upon completion of construction (\$72 million) and Cove Point's term loan borrowings (\$36 million).

Income tax expense increased \$189 million, primarily due to the absence of benefits resulting from the remeasurement of deferred income taxes to the new corporate income tax rate (\$246 million), higher pre-tax income (\$37 million), the absence of a settlement with state tax authorities (\$5 million), partially offset by the reduced corporate income tax rate (\$90 million) and a state legislative change (\$10 million).

LIQUIDITY AND CAPITAL RESOURCES

Dominion Energy depends on both internal and external sources of liquidity to provide working capital and as a bridge to long-term debt financings. Short-term cash requirements not met by cash provided by operations are generally satisfied with proceeds from short-term borrowings. Long-term cash needs are met through issuances of debt and/or equity securities.

At December 31, 2019, Dominion Energy had \$5.1 billion of unused capacity under its credit facility. See additional discussion below under *Credit Facilities and Short-Term Debt*.

A summary of Dominion Energy's cash flows is presented below:

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|--|---------|---------|---------|
| Cash, restricted cash and equivalents at beginning of year | \$ 391 | \$ 185 | \$ 322 |
| Cash flows provided by (used in): | | | |
| Operating activities | 5,204 | 4,773 | 4,502 |
| Investing activities | (4,622) | (2,358) | (5,942) |
| Financing activities | (704) | (2,209) | 1,303 |
| Net increase (decrease) in cash, restricted cash and equivalents | (122) | 206 | (137) |
| Cash, restricted cash and equivalents at end of year | \$ 269 | \$ 391 | \$ 185 |

Operating Cash Flows

Net cash provided by Dominion Energy's operating activities increased \$431 million, primarily due to operations acquired in the SCANA Combination, the commercial operations of the Liquefaction Facility for the entire year and higher deferred fuel cost recoveries in the Virginia jurisdiction, partially offset by an increase in property tax payments, increased interest expense, higher customer rate refunds, a contract termination payment to a non-utility generator, an increase in merger and integration-related costs associated with the SCANA Combination, and a net decrease in other working capital items.

Dominion Energy believes that its operations provide a stable source of cash flow to contribute to planned levels of capital expenditures and maintain or grow the dividend on common shares. In December 2019, Dominion Energy's Board of Directors established an annual dividend rate for 2020 of \$3.76 per share of common stock, a 2.5% increase over the 2019 rate. Dividends are subject to declaration by the Board of Directors. In January 2020, Dominion Energy's Board of Directors declared dividends payable in March 2020 of 94 cents per share of common stock.

Dominion Energy's operations are subject to risks and uncertainties that may negatively impact the timing or amounts of operating cash flows, and which are discussed in Item 1A. Risk Factors.

CREDIT RISK

Dominion Energy's exposure to potential concentrations of credit risk results primarily from its energy marketing and price risk management activities. Presented below is a summary of Dominion Energy's credit exposure as of December 31, 2019 for these activities. Gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights.

| (millions) | Gross Credit Exposure | Credit Collateral | Net Credit Exposure |
|--|-----------------------|-------------------|---------------------|
| Investment grade ⁽¹⁾ | \$87 | \$— | \$87 |
| No external ratings: | | | |
| Internally rated—investment grade ⁽²⁾ | 119 | — | 119 |
| Internally rated—non-investment grade ⁽³⁾ | 27 | — | 27 |
| Total ⁽⁴⁾ | \$233 | \$— | \$233 |

(1) Designations as investment grade are based upon minimum credit ratings assigned by Moody's and Standard & Poor's. The five largest counterparty exposures, combined, for this category represented approximately 25% of the total net credit exposure.

(2) The five largest counterparty exposures, combined, for this category represented approximately 51% of the total net credit exposure.

(3) The five largest counterparty exposures, combined, for this category represented approximately 11% of the total net credit exposure.

(4) Excludes Millstone 2019 power purchase agreements.

Investing Cash Flows

Net cash used in Dominion Energy's investing activities increased \$2.3 billion, primarily due to a decrease in net proceeds from the sale of certain merchant generation facilities and interests in certain equity method investments and an increase in plant construction and other property additions, partially offset by cash and restricted cash acquired in the SCANA Combination.

Financing Cash Flows and Liquidity

Dominion Energy relies on capital markets as significant sources of funding for capital requirements not satisfied by cash provided by its operations. As discussed in *Credit Ratings*, Dominion Energy's ability to borrow funds or issue securities and the return demanded by investors are affected by credit ratings. In addition, the raising of external capital is subject to certain regulatory requirements, including registration with the SEC for certain issuances.

Dominion Energy currently meets the definition of a well-known seasoned issuer under SEC rules governing the registration, communications and offering processes under the Securities Act of 1933, as amended. The rules provide for a streamlined shelf registration process to provide registrants with timely access to capital. This allows Dominion Energy to use automatic shelf registration statements to register any offering of securities, other than those for exchange offers or business combination transactions.

From time to time, Dominion Energy may reduce its outstanding debt and level of interest expense through redemption of debt securities prior to maturity and repurchases in the open market, in privately negotiated transactions, through tender offers or otherwise.

Net cash used in Dominion Energy's financing activities decreased \$1.5 billion, primarily due to proceeds from the sale of a 25% noncontrolling limited partnership interest in Cove Point and the issuance of the 2019 Equity Units and the Series B Preferred Stock, partially offset by an increase in net debt repayments in 2019 compared to 2018 and higher common stock dividend payments.

CREDIT FACILITIES AND SHORT-TERM DEBT

Dominion Energy uses short-term debt to fund working capital requirements and as a bridge to long-term debt financings. The levels of borrowing may vary significantly during the course of the

year, depending upon the timing and amount of cash requirements not satisfied by cash from operations. In addition, Dominion Energy utilizes cash and letters of credit to fund collateral requirements. Collateral requirements are impacted by commodity prices, hedging levels, Dominion Energy's credit ratings and the credit quality of its counterparties.

In connection with commodity hedging activities, Dominion Energy is required to provide collateral to counterparties under some circumstances. Under certain collateral arrangements, Dominion Energy may satisfy these requirements by electing to either deposit cash, post letters of credit or, in some cases, utilize other forms of security. From time to time, Dominion Energy may vary the form of collateral provided to counterparties after weighing the costs and benefits of various factors associated with the different forms of collateral. These factors include short-term borrowing and short-term investment rates, the spread over these short-term rates at which Dominion Energy can issue commercial paper, balance sheet impacts, the costs and fees of alternative collateral postings with these and other counterparties and overall liquidity management objectives.

Dominion Energy's commercial paper and letters of credit outstanding, as well as capacity available under its credit facility, were as follows:

| | Facility Limit | Outstanding Commercial Paper ⁽¹⁾ | Outstanding Letters of Credit | Facility Capacity Available |
|--|-----------------|---|-------------------------------|-----------------------------|
| (millions) | | | | |
| At December 31, 2019 | | | | |
| Joint revolving credit facility ⁽²⁾ | \$ 6,000 | \$836 | \$89 | \$ 5,075 |

(1) The weighted-average interest rate of the outstanding commercial paper supported by Dominion Energy's credit facility was 2.10% at December 31, 2019.

(2) This credit facility matures in March 2023 and can be used by the borrowers under the credit facility to support bank borrowings and the issuance of commercial paper, as well as to support up to a combined \$2.0 billion of letters of credit.

In November 2017, Dominion Energy filed an SEC shelf registration statement for the sale of up to \$3.0 billion of variable denomination floating rate demand notes, called Dominion Energy Reliability Investment SM. The registration limits the principal amount that may be outstanding at any one time to \$1.0 billion. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Dominion Energy Reliability Investment Committee, or its designee, on a weekly basis. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Dominion Energy or at the investor's option at any time. The balance as of December 31, 2019 was \$75 million. The notes are short-term debt obligations on Dominion Energy's Consolidated Balance Sheets. The proceeds will be used for general corporate purposes and to repay debt.

In March 2019, DESC's \$700 million credit facility was terminated and DESC was added as a borrower to the joint revolving credit facility discussed above with Dominion Energy, Virginia Power, Dominion Energy Gas and Questar Gas. At December 31, 2019, the sub-limit for DESC was \$500 million.

South Carolina Fuel Company, Inc.'s credit facility was terminated in February 2019. SCANA and PSNC's credit facilities

were terminated in March 2019. Liquidity needs for these entities may be satisfied through short-term company borrowings from Dominion Energy.

In February 2019, Dominion Energy Midstream terminated its \$500 million revolving credit facility subsequent to repaying the outstanding balance of \$73 million, plus accrued interest.

In September 2019, Dominion Energy Questar borrowed \$3.0 billion under a 364-Day Term Loan Agreement that bore interest at a variable rate. The proceeds from the borrowing were used to repay the principal of Cove Point's \$3.0 billion term loan due in 2021. Dominion Energy provided a guarantee to support Dominion Energy Questar's obligation under the 364-Day Term Loan Agreement. In November and December 2019, principal of \$1.0 billion and \$2.0 billion, respectively, plus accrued interest was repaid.

LONG-TERM DEBT

During 2019, Dominion Energy issued the following long-term public debt:

| Type | Issuer | Principal (millions) | Rate | Maturity |
|--------------------|---------------------|----------------------|---------------|-------------|
| Senior notes | Dominion Energy | \$ 200 | 4.250% | 2028 |
| Senior notes | Dominion Energy | 400 | 4.600% | 2049 |
| Senior notes | Virginia Power | 500 | 2.875% | 2029 |
| Senior notes | Virginia Power | 550 | 3.300% | 2049 |
| Senior notes | Dominion Energy Gas | 600 | 2.500% | 2024 |
| Senior notes | Dominion Energy Gas | 600 | 3.000% | 2029 |
| Senior notes | Dominion Energy Gas | 300 | 3.900% | 2049 |
| Total notes issued | | \$ 3,150 | | |

During 2019, Dominion Energy also issued the following long-term private debt:

- In August 2019, Dominion Energy issued \$1.0 billion of 2.45% senior notes that mature in 2023 through a private placement. The proceeds were used for general corporate purposes and to repay short-term debt, including commercial paper.

During 2019, Dominion Energy also remarketed the following long-term debt:

- In May 2019, Virginia Power remarketed four series of tax-exempt bonds, with an aggregate outstanding principal of \$198 million to new investors. One of the bonds will bear interest at a coupon rate of 1.8% until April 2022, after which it will bear interest at a market rate to be determined at that time. Three of the bonds will bear interest at a coupon rate of 1.9% until June 2023, after which they will bear interest at a market rate to be determined at that time.
- In June 2019, Dominion Energy successfully remarketed its \$700 million 2016 Series A-1 2.0% RSNs due 2021 and \$700 million 2016 Series A-2 2.0% RSNs due 2024 pursuant to the terms of the 2016 Equity Units. In connection with the remarketing, the interest rates on the Series A-1 and Series A-2 notes were reset to 2.715% and 3.071%, respectively. Dominion Energy did not receive any proceeds from the remarketing.
- In October 2019, Dominion Energy Terminal Company remarketed its \$27 million Peninsula Ports Authority of Virginia Coal

Terminal Revenue Refunding Bonds, Series 2003 due in 2033 resulting in a reset of the interest rate from 1.55% to 1.70% until October 2022.

During 2019, Dominion Energy repaid, repurchased or redeemed the following long-term debt before its stated maturity:

- In February 2019, Dominion Energy Midstream repaid its \$300 million variable rate term loan agreement due in December 2019 at the principal outstanding plus accrued interest.
- In February and March 2019, DESC purchased certain of its first mortgage bonds having an aggregate purchase price of \$1.2 billion pursuant to tender offers. Also in March 2019, SCANA purchased certain of its medium term notes having an aggregate purchase price of \$300 million pursuant to a tender offer. Both DESC tender offers and the SCANA tender offer expired in the first quarter of 2019.
- In May 2019, Virginia Power redeemed its \$40 million 5.0% Economic Development Authority of the County of Chesterfield Pollution Control Refunding Revenue Bonds, Series 2009A, due in 2023 at the principal outstanding plus accrued interest.
- In May 2019, GENCO redeemed its 5.49% senior secured notes due in 2024 at the remaining principal outstanding of \$33 million plus accrued interest. In June 2019, the first mortgage lien on an electric generating facility that previously secured these notes was released.
- In June 2019, Dominion Energy purchased and canceled \$12 million and \$13 million of its June 2006 hybrids and September 2006 hybrids, respectively. All purchases were conducted in compliance with the applicable RCC.
- In September 2019, DESC purchased certain of its first mortgage bonds with an outstanding principal balance of \$552 million pursuant to a tender offer that expired in the third quarter of 2019.
- In November 2019, Dominion Energy Gas redeemed its \$450 million 2014 Series A 2.50% senior notes which would have otherwise matured in December 2019.

During 2019, Dominion Energy repaid, repurchased or redeemed \$9.1 billion of long-term debt, including redemption premiums.

In January 2020, SCANA provided notice to redeem its floating rate senior notes at the remaining principal outstanding of \$66 million plus accrued interest in March 2020. The notes would have otherwise matured in June 2034.

In February 2020, SCANA provided notice to redeem the remaining principal outstanding of \$183 million of its 4.75% medium-term notes and \$155 million of its 4.125% medium-term notes plus accrued interest and make-whole premiums in March 2020. The notes would have otherwise matured in May 2021 and February 2022, respectively.

In February 2020, in addition to the June 2019 purchases described above, Dominion Energy redeemed the remaining principal outstanding of \$111 million and \$286 million of its June 2006 hybrids and September 2006 hybrids, respectively, both of which would have otherwise matured in 2066. All purchases were conducted in compliance with the applicable RCC.

NONCONTROLLING INTEREST IN DOMINION ENERGY MIDSTREAM

In January 2019, Dominion Energy and Dominion Energy Midstream closed on an agreement and plan of merger pursuant to which Dominion Energy acquired each outstanding common unit representing limited partner interests in Dominion Energy Midstream not already owned by Dominion Energy through the issuance of 22.5 million shares of common stock valued at \$1.6 billion. Under the terms of the agreement and plan of merger, each publicly held outstanding common unit representing limited partner interests in Dominion Energy Midstream was converted into the right to receive 0.2492 shares of Dominion Energy common stock. Immediately prior to the closing, each Series A Preferred Unit representing limited partner interests in Dominion Energy Midstream was converted into common units representing limited partner interests in Dominion Energy Midstream in accordance with the terms of Dominion Energy Midstream's partnership agreement. See Note 20 to the Consolidated Financial Statements for more information.

ISSUANCE OF COMMON STOCK, PREFERRED STOCK AND OTHER EQUITY SECURITIES

Dominion Energy maintains Dominion Energy Direct[®] and a number of employee savings plans through which contributions may be invested in Dominion Energy's common stock. These shares may either be newly issued or purchased on the open market with proceeds contributed to these plans. Currently, Dominion Energy is issuing new shares of common stock for these direct stock purchase plans.

During 2019, Dominion Energy issued approximately 157 million shares of common stock, valued at \$11.4 billion, for acquisitions, settlements of stock purchase contracts and through various programs including Dominion Energy Direct[®] and an at-the-market program.

In January 2019, in connection with the SCANA Combination, Dominion Energy issued 95.6 million shares of Dominion Energy common stock, valued at \$6.8 billion, representing 0.6690 of a share of Dominion Energy common stock for each share of SCANA common stock outstanding at closing. SCANA's outstanding debt totaled \$6.9 billion at closing. Also in January 2019, Dominion Energy issued 22.5 million shares of common stock to acquire interests in Dominion Energy Midstream as noted above.

In December 2019, Dominion Energy contributed 6.1 million shares of its common stock valued at \$499 million to the qualified defined benefit pension plan. During 2020, Dominion Energy plans to issue shares for employee savings plans and direct stock purchase and dividend reinvestment plans.

During 2019, Dominion Energy received cash of \$309 million from the issuance of 4.0 million of such shares through Dominion Energy Direct[®] and employee savings plans.

In August 2019, Dominion Energy issued 18.5 million shares under the related stock purchase contracts entered into as part of Dominion Energy's 2016 Equity Units and received proceeds of \$1.4 billion.

In 2019, Dominion Energy issued 9.9 million shares and received cash proceeds of \$793 million, net of fees and commissions paid of \$8 million, through its at-the-market program. In

December 2019, Dominion Energy completed the program. See Note 20 to the Consolidated Financial Statements for a description of the at-the-market program.

In June 2019, Dominion Energy issued \$1.6 billion of 2019 Equity Units, initially in the form of 2019 Series A Corporate Units. The Corporate Units are listed on the NYSE under the symbol DCUE.

In December 2019, Dominion Energy issued 800,000 shares of Series B Preferred Stock and received proceeds of \$791 million.

REPURCHASE OF COMMON STOCK

Dominion Energy did not repurchase any shares in 2019 and does not plan to repurchase shares during 2020, except for shares tendered by employees to satisfy tax withholding obligations on vested restricted stock, which does not count against its stock repurchase authorization.

Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold securities. Dominion Energy believes that its current credit ratings provide sufficient access to the capital markets. However, disruptions in the banking and capital markets not specifically related to Dominion Energy may affect its ability to access these funding sources or cause an increase in the return required by investors. Dominion Energy's credit ratings affect its liquidity, cost of borrowing under credit facilities and collateral posting requirements under commodity contracts, as well as the rates at which it is able to offer its debt securities.

Both quantitative (financial strength) and qualitative (business or operating characteristics) factors are considered by the credit rating agencies in establishing an individual company's credit rating. Credit ratings should be evaluated independently and are subject to revision or withdrawal at any time by the assigning rating organization. The credit ratings for Dominion Energy are affected by its financial profile, mix of regulated and nonregulated businesses and respective cash flows, changes in methodologies used by the rating agencies and event risk, if applicable, such as major acquisitions or dispositions.

Credit ratings and outlooks as of February 25, 2020 follow:

| | Fitch | Moody's | Standard & Poor's |
|------------------------------------|---------------|---------------|-------------------|
| Dominion Energy | | | |
| Issuer | BBB+ | Baa2 | BBB+ |
| Senior unsecured debt securities | BBB+ | Baa2 | BBB |
| Junior subordinated notes | BBB | Baa3 | BBB |
| Enhanced junior subordinated notes | BBB- | Baa3 | BBB- |
| Preferred Stock | BBB- | Ba1 | BBB- |
| Commercial paper | F2 | P-2 | A-2 |
| Outlook | Stable | Stable | Stable |

A downgrade in an individual company's credit rating does not necessarily restrict its ability to raise short-term and long-term financing as long as its credit rating remains investment grade, but it could result in an increase in the cost of borrowing. Dominion Energy works closely with Fitch, Moody's and Standard & Poor's with the objective of achieving its targeted credit ratings. Dominion Energy may find it necessary to modify its

business plan to maintain or achieve appropriate credit ratings and such changes may adversely affect growth and EPS.

Debt Covenants

As part of borrowing funds and issuing debt (both short-term and long-term) or preferred securities, Dominion Energy must enter into enabling agreements. These agreements contain covenants that, in the event of default, could result in the acceleration of principal and interest payments; restrictions on distributions related to capital stock, including dividends, redemptions, repurchases, liquidation payments or guarantee payments; and in some cases, the termination of credit commitments unless a waiver of such requirements is agreed to by the lenders/security holders. These provisions are customary, with each agreement specifying which covenants apply. These provisions are not necessarily unique to Dominion Energy.

Some of the typical covenants include:

- The timely payment of principal and interest;
- Information requirements, including submitting financial reports and information about changes in Dominion Energy's credit ratings to lenders;
- Performance obligations, audits/inspections, continuation of the basic nature of business, restrictions on certain matters related to merger or consolidation and restrictions on disposition of all or substantially all assets;
- Compliance with collateral minimums or requirements related to mortgage bonds; and
- Limitations on liens.

Dominion Energy is required to pay annual commitment fees to maintain its credit facility. In addition, Dominion Energy's credit agreement contains various terms and conditions that could affect its ability to borrow under the facility. They include a maximum debt to total capital ratio and cross-default provisions.

As of December 31, 2019, the calculated total debt to total capital ratio, pursuant to the terms of the agreement, was as follows:

| Company | Maximum Allowed Ratio | Actual Ratio ⁽¹⁾ |
|------------------------|-----------------------|-----------------------------|
| Dominion Energy | 67.5% | 50.3% |

(1) *Indebtedness as defined by the bank agreements excludes certain junior subordinated notes reflected as long-term debt as well as AOCI reflected as equity in the Consolidated Balance Sheets.*

If Dominion Energy or any of its material subsidiaries fails to make payment on various debt obligations in excess of \$100 million, the lenders could require the defaulting company, if it is a borrower under Dominion Energy's credit facility, to accelerate its repayment of any outstanding borrowings and the lenders could terminate their commitments, if any, to lend funds to that company under the credit facility. In addition, if the defaulting company is Virginia Power, Dominion Energy's obligations to repay any outstanding borrowing under the credit facility could also be accelerated and the lenders' commitments to Dominion Energy could terminate.

Dominion Energy executed RCCs in connection with its issuance of the June 2006 hybrids and September 2006 hybrids. In February 2020, the RCCs were terminated subsequent to the redemption of the remaining principal outstanding of the June 2006 hybrids and the September 2006 hybrids. See Note 18 to the Consolidated Financial Statements for additional information.

Dominion Energy monitors these debt covenants on a regular basis in order to ensure that events of default will not occur. As of December 31, 2019, there have been no events of default under Dominion Energy's debt covenants.

Dividend Restrictions

Certain agreements associated with Dominion Energy's credit facility contain restrictions on the ratio of debt to total capitalization. These limitations did not restrict Dominion Energy's ability to pay dividends or receive dividends from its subsidiaries at December 31, 2019.

See Notes 19 and 21 to the Consolidated Financial Statements for a description of potential restrictions on dividend payments by Dominion Energy, including in connection with the deferral of contract adjustment payments associated with the 2019 Equity Units, which information is incorporated herein by reference, as well as the failure to declare and pay dividends on Series A Preferred Stock or Series B Preferred Stock.

Future Cash Payments for Contractual Obligations and Planned Capital Expenditures

CONTRACTUAL OBLIGATIONS

Dominion Energy is party to numerous contracts and arrangements obligating it to make cash payments in future years. These contracts include financing arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services and financial derivatives. Presented below is a table summarizing cash payments that may result from contracts to which Dominion Energy is a party as of December 31, 2019. For purchase obligations and other liabilities, amounts are based upon contract terms, including fixed and minimum quantities to be purchased at fixed or market-based prices. Actual cash payments will be based upon actual quantities purchased and prices paid and will likely differ from amounts presented below. The table excludes all amounts classified as current liabilities in the Consolidated Balance Sheets, other than current maturities of long-term debt, interest payable and certain derivative instruments. The majority of Dominion Energy's current liabilities will be paid in cash in 2020.

| | 2020 | 2021- 2022 | 2023- 2024 | 2025 and thereafter | Total |
|--|----------|---------------|---------------|------------------------|-----------|
| (millions) | | | | | |
| Long-term debt ⁽¹⁾ | \$ 2,325 | \$ 4,284 | \$ 5,256 | \$ 25,253 | \$ 37,118 |
| Interest payments ⁽²⁾ | 1,602 | 2,917 | 2,524 | 19,742 | 26,785 |
| Leases | | | | | |
| Operating Leases | 72 | 120 | 81 | 582 | 855 |
| Finance Leases | 34 | 60 | 45 | 9 | 148 |
| Purchase obligations ⁽³⁾ : | | | | | |
| Purchased electric capacity for utility operations | 59 | 116 | 114 | 664 | 953 |
| Fuel commitments for utility operations | 1,061 | 932 | 318 | 946 | 3,257 |
| Fuel commitments for nonregulated operations | 160 | 184 | 213 | 222 | 779 |
| Pipeline transportation and storage | 591 | 961 | 640 | 2,459 | 4,651 |
| Other ⁽⁴⁾ | 574 | 81 | 40 | — | 695 |
| Other long-term liabilities ⁽⁵⁾ : | | | | | |
| Other contractual obligations ⁽⁶⁾ | 29 | 44 | 14 | 56 | 143 |
| Total cash payments | \$ 6,507 | \$ 9,699 | \$ 9,245 | \$ 49,933 | \$ 75,384 |

(1) Based on stated maturity dates rather than the earlier redemption dates that could be elected by instrument holders.

(2) Includes interest payments over the terms of the debt and payments on stock purchase contracts. Interest is calculated using the applicable interest rate or forward interest rate curve at December 31, 2019 and outstanding principal for each instrument with the terms ending at each instrument's stated maturity. See Note 18 to the Consolidated Financial Statements. Does not reflect Dominion Energy's ability to defer stock purchase contract payments on the 2019 Equity Units, initially in the form of corporate units.

(3) Amounts exclude open purchase orders for services that are provided on demand, the timing of which cannot be determined.

(4) Includes capital, operations and maintenance commitments.

(5) Excludes regulatory liabilities, AROs and employee benefit plan obligations, which are not contractually fixed as to timing and amount. See Notes 12, 14 and 22 to the Consolidated Financial Statements. Due to uncertainty about the timing and amounts that will ultimately be paid, \$118 million of income taxes payable associated with unrecognized tax benefits are excluded. Deferred income taxes are also excluded since cash payments are based primarily on taxable income for each discrete fiscal year. See Note 5 to the Consolidated Financial Statements.

(6) Includes interest rate and foreign currency swap agreements.

PLANNED CAPITAL EXPENDITURES

Dominion Energy's planned capital expenditures are expected to total approximately \$8.2 billion, \$8.1 billion, and \$7.6 billion in 2020, 2021, and 2022, respectively. Dominion Energy's planned expenditures are expected to include construction and expansion of electric generation, including renewable energy, and natural gas distribution, transmission and storage facilities, construction improvements and expansion of electric transmission and distribution assets, purchases of nuclear fuel, maintenance, and contributions to Atlantic Coast Pipeline to fund Dominion Energy's portion of the Atlantic Coast Pipeline Project.

Dominion Energy expects to fund its capital expenditures with cash from operations and a combination of securities issuances and short-term borrowings. Planned capital expenditures include capital projects that are subject to approval by regulators and the Board of Directors.

See *Dominion Energy Virginia, Gas Transmission & Storage, Gas Distribution, Dominion Energy South Carolina and Contracted Generation -Properties* in Item 1. Business for a discussion of Dominion Energy's expansion plans.

The above estimates are based on a capital expenditures plan reviewed and endorsed by Dominion Energy's Board of Directors in late 2019 and are subject to continuing review and adjustment and actual capital expenditures may vary from these estimates. Dominion Energy may also choose to postpone or cancel certain planned capital expenditures in order to mitigate the need for future debt financings and equity issuances.

Use of Off-Balance Sheet Arrangements

LEASING ARRANGEMENT

In December 2019, Dominion Energy signed an agreement with a lessor to construct and lease a new corporate office property in Richmond, Virginia. The lessor is providing equity and has obtained financing commitments from debt investors, totaling \$465 million, to fund the estimated project costs. If Dominion Energy ultimately proceeds with the project through completion, it is not expected to be completed earlier than mid-2023. Dominion Energy has been appointed to act as the construction agent for the lessor, during which time Dominion Energy will request cash draws from the lessor and debt investors to fund all project costs. If the project is terminated under certain events of default, Dominion Energy could be required to pay up to 89.9% of the then funded amount. For specific full recourse events, Dominion Energy could be required to pay up to 100% of the then funded amount.

The 51-month lease term will commence once construction is substantially complete and the facility is able to be occupied. At the end of the initial lease term, Dominion Energy can (i) extend the term of the lease for an additional five years, subject to the approval of the participants, at current market terms, (ii) purchase the property for an amount equal to the project costs or, (iii) subject to certain terms and conditions, sell the property on behalf of the lessor to a third party using commercially reasonable efforts to obtain the highest cash purchase price for the property. If the project is sold and the proceeds from the sale are insufficient to repay the investors for the project costs, Dominion Energy may be required to make a payment to the lessor, up to 83% of project costs, for the difference between the project costs and sale proceeds.

Dominion Energy is not considered the owner during construction for financial accounting purposes and, therefore, will not reflect the construction activity in its consolidated financial statements. Dominion Energy expects to recognize a right-of-use asset and a corresponding finance lease liability at the commencement of the lease term. Dominion Energy will be considered the owner of the leased property for tax purposes, and as a result, will be entitled to tax deductions for depreciation and interest expense.

GUARANTEES

Dominion Energy primarily enters into guarantee arrangements on behalf of its consolidated subsidiaries. These arrangements are not subject to the provisions of FASB guidance that dictate a guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. In addition, Dominion Energy has provided a guarantee to support a portion of Atlantic Coast Pipeline's obligation under a \$3.4 billion revolving credit facility. See Note 23 to the Consolidated Financial Statements for additional information.

FUTURE ISSUES AND OTHER MATTERS

See Item 1. Business and Notes 13 and 23 to the Consolidated Financial Statements for additional information on various environmental, regulatory, legal and other matters that may impact future results of operations, financial condition and/or cash flows.

Environmental Matters

Dominion Energy is subject to costs resulting from a number of federal, state and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations. They can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations.

ENVIRONMENTAL PROTECTION AND MONITORING EXPENDITURES

Dominion Energy incurred \$260 million, \$198 million and \$200 million of expenses (including accretion and depreciation) during 2019, 2018 and 2017, respectively, in connection with environmental protection and monitoring activities. Dominion Energy expects these expenses to be approximately \$286 million and \$275 million in 2020 and 2021, respectively. In addition, capital expenditures related to environmental controls were \$134 million, \$104 million, and \$201 million for 2019, 2018 and 2017, respectively. Dominion Energy expects these expenditures to be approximately \$159 million and \$132 million for 2020 and 2021, respectively.

FUTURE ENVIRONMENTAL REGULATIONS

Climate Change

In December 2015, the Paris Agreement was formally adopted under the United Nations Framework Convention on Climate Change. A key element of the initial U.S. commitment to the agreement was the implementation of the Clean Power Plan, which the EPA has proposed to repeal. In June 2017, the Administration announced that the U.S. intends to file to withdraw from the Paris Agreement in 2019. Several states, including Virginia, subsequently announced a commitment to achieving the carbon reduction goals of the Paris Agreement. It is not possible at this time to predict the timing and impact of this withdrawal, or how any legal requirements in the U.S. at the federal, state or local levels pursuant to the Paris Agreement could impact the Companies' customers or the business.

State Actions Related to Air and GHG Emissions

In August 2017, the Ozone Transport Commission released a draft model rule for control of NO_x emissions from natural gas pipeline compressor fuel-fire prime movers. States within the ozone transport region, including states in which Dominion Energy has natural gas operations, are expected to develop reasonably achievable control technology rules for existing sources based on the Ozone Transport Commission model rule. States outside of the Ozone Transport Commission may also consider the model rules in setting new reasonably achievable control technology standards. Several states in which Dominion Energy operates, including Pennsylvania, New York, Maryland, Virginia and Ohio, are developing or have announced plans to develop state-specific regulations to control GHG emissions, including methane.

Dominion Energy cannot currently estimate the potential financial statement impacts related to these matters, but there could be a material impact to its financial condition and/or cash flows.

Water

In November 2019, the EPA released proposed revisions to the Effluent Limitations Guidelines rule that, if adopted, could extend the deadlines for compliance with certain standards at several facilities. While the impacts of this rule could be material to Dominion Energy's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina and Virginia provide rate recovery mechanisms that could substantially mitigate any such impacts for the regulated electric utilities.

PHMSA Regulation

The most recent reauthorization of PHMSA included new provisions on historical records research, maximum-allowed operating pressure validation, use of automated or remote-controlled valves on new or replaced lines, increased civil penalties and evaluation of expanding integrity management beyond high-consequence areas. PHMSA has not yet issued new rulemaking on most of these items.

Dodd-Frank Act

The Dodd-Frank Act was enacted into law in July 2010 in an effort to improve regulation of financial markets. The CEA, as amended by Title VII of the Dodd-Frank Act, requires certain over-the-counter derivatives, or swaps, to be cleared through a derivatives clearing organization and, if the swap is subject to a clearing requirement, to be executed on a designated contract market or swap execution facility. Non-financial entities that use swaps to hedge or mitigate commercial risk, often referred to as end users, may elect the end-user exception to the CEA's clearing requirements. Dominion Energy has elected to exempt its swaps from the CEA's clearing requirements. If, as a result of changes to the rulemaking process, Dominion Energy's derivative activities are not exempted from clearing, exchange trading or margin requirements, it could be subject to higher costs due to decreased market liquidity or increased margin payments. In addition, Dominion Energy's swap dealer counterparties may attempt to pass-through additional trading costs in connection with changes to or the elimination of rulemaking that implements Title VII of the Dodd-Frank Act. Due to the evolving rulemaking process, Dominion Energy is currently unable to assess the potential impact of the Dodd-Frank Act's derivative-related provisions on its financial condition, results of operations or cash flows.

Virginia Legislation

The 2020 General Assembly session in Virginia has included several proposals which, if ultimately enacted into law, could have a material impact on Dominion Energy's operations, as well as impacts on regulatory cost recovery. Items under consideration include environmental requirements such as joining RGGI or meeting mandatory renewable portfolio standards that could result in both the need to develop new renewable electric generation facilities and the closure of certain existing electric generation facilities, expanded use of distributed renewable generation resources and additional requirements related to

demand side management programs. Additionally, legislation has been proposed which may affect Dominion Energy's plans and/or cost recovery mechanisms for offshore wind development and replacing diesel school buses with electric school buses. Due to the evolving legislative process, Dominion Energy is unable to estimate the potential financial statement impacts related to matters currently under consideration by the Virginia General Assembly, but there could be a material impact to its results of operations, financial condition and/or cash flows.

Atlantic Coast Pipeline

In September 2014, Dominion Energy, along with Duke and Southern, announced the formation of Atlantic Coast Pipeline. Atlantic Coast Pipeline is focused on constructing an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina. Atlantic Coast Pipeline has continued to experience delays in obtaining and/or maintaining permits necessary for construction along with construction delays due to judicial actions. In February 2020, the Supreme Court of the U.S. heard oral arguments in Atlantic Coast Pipeline's case regarding the Appalachian Trail crossing and is expected to issue a ruling by June 2020. If a favorable ruling is not received, Atlantic Coast Pipeline is also evaluating possible legislative and administrative remedies to this issue. Given the legal challenges and ongoing discussions with customers, project construction is expected to be completed by the end of 2021, with full in-service in early 2022, with project costs estimated to be approximately \$8 billion, excluding financing costs. Atlantic Coast Pipeline has reached agreements in principle with major customers to amend the contracted rate to share in certain delay cost increases, pending certain regulatory approvals. Project construction activities, schedules and costs are subject to uncertainty due to permitting and/or work delays (including due to judicial or regulatory action), abnormal weather and other conditions that could result in cost or schedule modifications in the future, a suspension of AFUDC for Atlantic Coast Pipeline and/or impairment charges potentially material to Dominion Energy's cash flows, financial position and/or results of operations. See Note 9 to the Consolidated Financial Statements for more information.

North Anna

Virginia Power is considering the construction of a third nuclear unit at a site located at North Anna. If Virginia Power decides to build a new unit, it would require a Combined Construction Permit and Operating License from the NRC, approval of the Virginia Commission and certain environmental permits and other approvals. In June 2017, the NRC issued the Combined Construction Permit and Operating License. Virginia Power has not yet committed to building a new nuclear unit at North Anna.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The matters discussed in this Item may contain "forward-looking statements" as described in the introductory paragraphs of Item 7. MD&A. The reader's attention is directed to those paragraphs and Item 1A. Risk Factors for discussion of various risks and uncertainties that may impact the Companies.

MARKET RISK SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

The Companies' financial instruments, commodity contracts and related financial derivative instruments are exposed to potential losses due to adverse changes in commodity prices, interest rates and equity security prices as described below. Commodity price risk is present in Dominion Energy and Virginia Power's electric operations and Dominion Energy and Dominion Energy Gas' natural gas procurement and marketing operations due to the exposure to market shifts in prices received and paid for electricity, natural gas and other commodities. The Companies use commodity derivative contracts to manage price risk exposures for these operations. Interest rate risk is generally related to their outstanding debt and future issuances of debt. In addition, the Companies are exposed to investment price risk through various portfolios of equity and debt securities.

The following sensitivity analysis estimates the potential loss of future earnings or fair value from market risk sensitive instruments over a selected time period due to a 10% change in commodity prices or interest rates.

Commodity Price Risk

To manage price risk, Dominion Energy and Virginia Power hold commodity-based derivative instruments held for non-trading purposes associated with purchases and sales of electricity, natural gas and other energy-related products. Dominion Energy Gas' operations are contracted primarily under long-term fixed reservation agreements. Accordingly, management believes that Dominion Energy Gas is not subject to material commodity price risk.

The derivatives used to manage commodity price risk are executed within established policies and procedures and may include instruments such as futures, forwards, swaps, options and FTRs that are sensitive to changes in the related commodity prices. For sensitivity analysis purposes, the hypothetical change in market prices of commodity-based derivative instruments is determined based on models that consider the market prices of commodities in future periods, the volatility of the market prices in each period, as well as the time value factors of the derivative instruments. Prices and volatility are principally determined based on observable market prices.

A hypothetical 10% decrease in commodity prices would have resulted in a decrease in fair value of \$50 million and \$6 million of Dominion Energy's commodity-based derivative instruments as of December 31, 2019 and December 31, 2018, respectively.

A hypothetical 10% decrease in commodity prices of Virginia Power's commodity-based derivative instruments would have resulted in a decrease in fair value of \$54 million and \$51 million as of December 31, 2019 and December 31, 2018, respectively.

The impact of a change in energy commodity prices on the Companies' commodity-based derivative instruments at a point in time is not necessarily representative of the results that will be realized when the contracts are ultimately settled. Net losses from commodity-based financial derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction, such as revenue from physical sales of the commodity.

Interest Rate Risk

The Companies manage their interest rate risk exposure predominantly by maintaining a balance of fixed and variable rate debt. For variable rate debt outstanding for Dominion Energy, a hypothetical 10% increase in market interest rates would not have resulted in a material change in earnings at December 31, 2019 and would have resulted in a \$24 million decrease in earnings at December 31, 2018. For variable rate debt outstanding for Virginia Power, a hypothetical 10% increase in market interest rates would not have resulted in a material change in earnings at December 31, 2019 or December 31, 2018. For variable rate debt outstanding for Dominion Energy Gas, a hypothetical 10% increase in market interest rates would not have resulted in a material change in earnings at December 31, 2019 and would have resulted in a \$16 million decrease in earnings at December 31, 2018.

The Companies also use interest rate derivatives, including forward-starting swaps, interest rate swaps and interest rate lock agreements to manage interest rate risk. As of December 31, 2019, Dominion Energy, Virginia Power and Dominion Energy Gas had \$6.4 billion, \$1.9 billion and \$1.3 billion, respectively, in aggregate notional amounts of these interest rate derivatives outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of \$135 million, \$88 million and \$17 million, respectively, in the fair value of Dominion Energy, Virginia Power and Dominion Energy Gas' interest rate derivatives at December 31, 2019. As of December 31, 2018, Dominion Energy, Virginia Power and Dominion Energy Gas had \$6.6 billion, \$1.9 billion and \$1.4 billion, respectively, in aggregate notional amounts of these interest rate derivatives outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of \$142 million, \$94 million and \$17 million, respectively, in the fair value of Dominion Energy, Virginia Power and Dominion Energy Gas' interest rate derivatives at December 31, 2018.

Dominion Energy Gas holds foreign currency swaps with the purpose of hedging the foreign currency exchange risk associated with Euro denominated debt. As of December 31, 2019 and December 31, 2018, Dominion Energy and Dominion Energy Gas had € 250 million in aggregate notional amounts of these foreign currency swaps outstanding. A hypothetical 10% decrease in market interest rates would not have resulted in a material decrease in fair value of Dominion Energy Gas' foreign currency swaps at December 31, 2019 and would have resulted in a decrease of \$8 million in the fair value of Dominion Energy Gas' foreign currency swaps at December 31, 2018.

The impact of a change in interest rates on the Companies' interest rate-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when the contracts are ultimately settled. Net gains and/or losses from interest rate derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction.

Investment Price Risk

Dominion Energy and Virginia Power are subject to investment price risk due to securities held as investments in nuclear decommissioning and rabbi trust funds that are managed by third-party

investment managers. These trust funds primarily hold marketable securities that are reported in the Consolidated Balance Sheets at fair value.

Dominion Energy recognized net investment gains (including investment income) on nuclear decommissioning and rabbi trust investments of \$1 billion for the year ended December 31, 2019. Dominion Energy recognized net investment losses (including investment income) on nuclear decommissioning trust investments of \$135 million for the year ended December 31, 2018. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. Dominion Energy recorded, in AOCI and regulatory liabilities, a net increase in unrealized gains on debt investments of \$74 million for the year ended December 31, 2019 and recorded a net decrease in unrealized gains on debt investments of \$36 million for the year ended December 31, 2018.

Virginia Power recognized net investment gains (including investment income) on nuclear decommissioning trust investments of \$481 million for the year ended December 31, 2019. Virginia Power recognized net investment losses (including investment income) on nuclear decommissioning trust investments of \$44 million for the year ended December 31, 2018. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. Virginia Power recorded, in AOCI and regulatory liabilities, a net increase in unrealized gains on debt investments of \$30 million for the year ended December 31, 2019 and recorded a net decrease in unrealized gains on debt investments of \$21 million for the year ended December 31, 2018.

Dominion Energy sponsors pension and other postretirement employee benefit plans that hold investments in trusts to fund employee benefit payments. Virginia Power and Dominion Energy Gas employees participate in these plans. Dominion Energy's pension and other postretirement plan assets experienced aggregate actual returns (losses) of \$2.1 billion and \$(605) million in 2019 and 2018, respectively, versus expected returns of \$848 million and \$806 million, respectively. Dominion Energy Gas' pension and other postretirement plan assets for employees represented by collective bargaining units experienced aggregate actual returns (losses) of \$167 million and \$(129) million in 2019 and 2018, respectively, versus expected returns of \$70 million and \$178 million, respectively. Differences between actual and

expected returns on plan assets are accumulated and amortized during future periods. As such, any investment-related declines in these trusts will result in future increases in the net periodic cost recognized for such employee benefit plans and will be included in the determination of the amount of cash to be contributed to the employee benefit plans. A hypothetical 0.25% decrease in the assumed long-term rates of return on Dominion Energy's plan assets would result in an increase in net periodic cost of \$23 million and \$19 million as of December 31, 2019 and 2018, respectively, for pension benefits and \$5 million and \$4 million as of December 31, 2019 and 2018, respectively, for other postretirement benefits. A hypothetical 0.25% decrease in the assumed long-term rates of return on Dominion Energy Gas' plan assets, for employees represented by collective bargaining units, would result in an increase in net periodic cost of \$2 million and \$4 million as of December 31, 2019 and 2018, respectively, for pension benefits and \$1 million as of December 31, 2018 for other postretirement benefits. This hypothetical decrease would result in an immaterial change in net periodic cost to Dominion Energy Gas for other postretirement benefits as of December 31, 2019.

Risk Management Policies

The Companies have established operating procedures with corporate management to ensure that proper internal controls are maintained. In addition, Dominion Energy has established an independent function at the corporate level to monitor compliance with the credit and commodity risk management policies of all subsidiaries, including Virginia Power and Dominion Energy Gas. Dominion Energy maintains credit policies that include the evaluation of a prospective counterparty's financial condition, collateral requirements where deemed necessary and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. In addition, Dominion Energy also monitors the financial condition of existing counterparties on an ongoing basis. Based on these credit policies and the Companies' December 31, 2019 provision for credit losses, management believes that it is unlikely that a material adverse effect on the Companies' financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Dominion Energy, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Dominion Energy, Inc. and subsidiaries (“Dominion Energy”) at December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dominion Energy at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), Dominion Energy’s internal control over financial reporting at December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2020, expressed an unqualified opinion on Dominion Energy’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of Dominion Energy’s management. Our responsibility is to express an opinion on Dominion Energy’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to Dominion Energy in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit

committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Investments—Equity Method Investment Impairment Evaluation—Refer to Note 9 to the Consolidated Financial Statements

Critical Audit Matter Description

The investment balance of Dominion Energy’s equity method investment in Atlantic Coast Pipeline, LLC (“Atlantic Coast Pipeline”) was \$1.1 billion at December 31, 2019. The Atlantic Coast Pipeline project is the subject of challenges in federal courts, including, among others, challenges of the Atlantic Coast Pipeline project’s biological opinion and incidental take statement, permits providing right of way crossings of certain federal lands, the U.S. Army Corps of Engineers 404 permit, the air permit for a compressor station at Buckingham, Virginia, and the Federal Energy Regulatory Commission (“FERC”) order approving the Certificate of Public Convenience and Necessity. The delays in obtaining and maintaining permits necessary for construction along with construction delays due to judicial actions have impacted the cost and schedule for the Atlantic Coast Pipeline project; project construction is expected to be completed by the end of 2021, with full in-service in early 2022 with project costs estimated to be approximately \$8 billion, excluding financing costs. Atlantic Coast Pipeline has reached agreements in principle with major customers to amend the contracted rate to share in certain delay cost increases, pending certain regulatory approvals.

Dominion Energy evaluated the carrying amount of its equity method investment in Atlantic Coast Pipeline for an other-than-temporary impairment and determined that it was not impaired. The estimation of the fair value of Dominion Energy’s investment in Atlantic Coast Pipeline, contained in the other-than-temporary impairment evaluation, involved significant judgments related to the resolution of outstanding permitting issues within the project timeframe and the likelihood of obtaining amended contacts with the customers.

Auditing management’s judgments regarding the resolution of outstanding permitting issues within the project timeframe and the likelihood of obtaining amended contacts with the customers involved especially subjective and complex judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to this critical audit matter included the following, among others:

- We tested the effectiveness of controls over management’s impairment analysis, including determination of the judgments regarding the resolution of the outstanding permitting issues within the project timeframe and the likelihood of obtaining amended contacts with the customers.

- We evaluated the reasonableness of management’s permitting, project timeframe, and customer contract assumptions by:
 - Assessing the reasonableness of management’s plans to resolve outstanding permitting issues and the corresponding impact on project timeframes by inquiring with legal counsel and executive management and considering other potential outcomes.
 - Assessing the reasonableness of the various projected in-service dates by inquiring with Atlantic Coast Pipeline’s project managers and engineers and comparing the in-service dates to the project’s timeframe.
 - Obtaining and reading correspondence between Atlantic Coast Pipeline and the third-party pipeline construction contractor regarding the feasibility of the various projected in-service dates assumed by management.
 - Obtaining and reading correspondence, including draft terms, between Atlantic Coast Pipeline and major customers.
 - Searching for disconfirming evidence by listening to earnings calls, reading press releases, news articles and other publicly available information.
- We read and analyzed the minutes of the Board of Managers of Atlantic Coast Pipeline for discussions of changes in legal, regulatory, or business factors which could impact management’s assumptions of the resolution of the outstanding permitting issues within the project timeframe and the likelihood of obtaining amended contacts with the customers.

Preferred Stock—2019 Corporate Units—Refer to Notes 8 & 19 to the Consolidated Financial Statements

Critical Audit Matter Description

In June 2019, Dominion Energy issued \$1.6 billion of 2019 Equity Units, initially in the form of 2019 Series A Corporate Units (the “2019 Equity Units”). Each 2019 Series A Corporate Unit consists of a stock purchase contract and a 1/10, or 10% undivided beneficial ownership interest in one share of Series A Preferred Stock. Beginning in June 2022, the Series A Preferred Stock is convertible at the option of the holder into Dominion Energy common stock under a formula based upon the average closing price of Dominion Energy common stock prior to the conversion date. The Series A Preferred Stock is redeemable in cash by Dominion Energy beginning September 2022 at the liquidation preference. Settlement of any conversion is payable in cash, common stock, or a combination thereof, at Dominion Energy’s election.

The stock purchase contracts obligate the holders to purchase shares of Dominion Energy common stock in June 2022. The purchase price to be paid under the stock purchase contracts is \$100 per Corporate Unit and the number of shares to be purchased will be determined under a formula based on the average closing price of Dominion Energy common stock near the settlement date. The Series A Preferred Stock was pledged upon issuance as collateral to secure the purchase of common stock under the related stock purchase contracts. Dominion Energy identified no items that should be recorded as derivative instruments and

recorded the present value of the stock purchase contract payments as a liability offset to common stock and has recorded the Series A Preferred Stock within equity.

Given the complexity of the 2019 Equity Units structure and the judgments involved in applying the relevant accounting standards, auditing management’s conclusions on the balance sheet classification of the 2019 Equity Units involved the need for specialized skill and knowledge.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to this critical audit matter included the following, among others:

- We tested the effectiveness of controls over management’s technical accounting assessment of the balance sheet classification of the components of the 2019 Equity Units.
- We read the applicable agreements and compared the key terms from the agreements to management’s analysis of the transaction.
- With the assistance of professionals in our firm having expertise in accounting for debt and equity instruments, we evaluated management’s conclusions regarding the balance sheet classification of the components of the 2019 Equity Units through evaluation of the terms within the applicable agreements and considering the applicable generally accepted accounting standards.
- We evaluated Dominion Energy’s disclosures related to the financial statement impacts of the transaction.

Regulatory Assets and Liabilities—Impact of Rate Regulation on the Consolidated Financial Statements—Refer to Notes 2, 12 and 13 to the Consolidated Financial Statements

Critical Audit Matter Description

Dominion Energy, through its regulated electric and gas subsidiaries, is subject to rate regulation by certain state public utility commissions and FERC (collectively, the “relevant commissions”) which have jurisdiction with respect to the rates of electric utility and natural gas distribution and transmission companies. Management has determined its rate-regulated subsidiaries meet the requirements under accounting principles generally accepted in the United States of America to apply the specialized rules to account for the effects of cost-based rate regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant and equipment, net; regulatory assets; regulatory liabilities; operating revenues; other operations and maintenance expense; and depreciation, depletion and amortization expense, collectively, the “financial statement impacts of rate regulation.”

Revenue provided by Dominion Energy’s electric transmission, distribution and generation operations and its gas transmission and distribution operations is based primarily on rates approved by the relevant commissions. Further, Virginia Electric and Power Company’s (“Virginia Power”) retail base rates, terms and conditions for generation and distribution services to customers in Virginia are reviewed by the Virginia Commission in a proceeding that involves the determination of Virginia Power’s actual earned return on equity (“ROE”) during a historic test period, and the determination of Virginia Power’s authorized

ROE prospectively. Under certain circumstances, Virginia Power may be required to refund a portion of its earnings to customers.

When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred. Dominion Energy evaluates whether recovery of its regulatory assets through future rates is probable as well as whether a regulatory liability due to customers is probable and makes various assumptions in its analyses. These analyses are generally based on orders issued by regulatory commissions, legislation and judicial actions; past experience; discussions with applicable regulatory authorities and legal counsel; forecasted earnings; and considerations around the likelihood of impacts from events such as unusual weather conditions, extreme weather events, and other natural disasters, and unplanned outages of facilities.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about the financial statement impacts of rate regulation. Management judgments include assessing the likelihood of (1) recovery of its regulatory assets through future rates and (2) whether a regulatory liability is due to customers. Given management's accounting judgments are based on assumptions about the outcome of future decisions by the relevant commissions, auditing these judgments required specialized knowledge of the accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the assessment of whether recovery of regulatory assets through future rates or a regulatory liability due to customers is probable included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) recovery of regulatory assets through future rates, and (2) whether a regulatory liability is due to customers. We also tested the effectiveness of management's controls over the initial recognition of amounts as regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may impact the assessment of whether recovery of regulatory assets through future rates or a regulatory liability due to customers is probable.
- We evaluated Dominion Energy's disclosures related to the consolidated financial statement impacts of rate regulation.
- We read and evaluated orders issued by the relevant commissions, as well as relevant regulatory statutes, interpretations, procedural memorandums, filings made by interveners, existing laws and other publicly available information to assess whether this external information was properly considered by management in concluding upon the financial statement impacts of rate regulation.

- We considered the likelihood of (1) recovery of regulatory assets through future rates and (2) whether a regulatory liability is due to customers based on precedence established by the relevant commissions' previous orders and Dominion Energy's past experience with the relevant commissions.
- For regulatory matters in process, we inspected associated documents and testimony filed with the relevant commissions for any evidence that might contradict management's assertions.
- We read and analyzed the minutes of the Boards of Directors of Dominion Energy and Dominion Energy's rate-regulated subsidiaries for discussions of changes in legal, regulatory, or business factors which could impact management's conclusions with respect to the financial statement impacts of rate regulation.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 28, 2020

We have served as Dominion Energy's auditor since 1988.

Dominion Energy, Inc.

Consolidated Statements of Income

| Year Ended December 31, (millions, except per share amounts) | 2019 | 2018 | 2017 |
|---|-----------------|-----------------|-----------------|
| Operating Revenue ⁽¹⁾ | \$16,572 | \$13,366 | \$12,586 |
| Operating Expenses | | | |
| Electric fuel and other energy-related purchases | 2,938 | 2,814 | 2,301 |
| Purchased electric capacity | 88 | 122 | 6 |
| Purchased gas | 1,536 | 645 | 701 |
| Other operations and maintenance | 4,428 | 3,458 | 3,200 |
| Depreciation, depletion and amortization | 2,655 | 2,000 | 1,905 |
| Other taxes | 1,040 | 703 | 668 |
| Impairment of assets and related charges | 1,535 | 403 | 15 |
| Gains on sales of assets | (162) | (380) | (147) |
| Total operating expenses | 14,058 | 9,765 | 8,649 |
| Income from operations | 2,514 | 3,601 | 3,937 |
| Other income ⁽¹⁾ | 986 | 1,021 | 358 |
| Interest and related charges | 1,773 | 1,493 | 1,205 |
| Income from operations including noncontrolling interests before income tax expense (benefit) | 1,727 | 3,129 | 3,090 |
| Income tax expense (benefit) | 351 | 580 | (30) |
| Net Income Including Noncontrolling Interests | 1,376 | 2,549 | 3,120 |
| Noncontrolling Interests | 18 | 102 | 121 |
| Net Income Attributable to Dominion Energy | \$ 1,358 | \$ 2,447 | \$ 2,999 |
| Earnings Per Common Share | | | |
| Net income attributable to Dominion Energy—Basic | \$ 1.66 | \$ 3.74 | \$ 4.72 |
| Net income attributable to Dominion Energy—Diluted | \$ 1.62 | \$ 3.74 | \$ 4.72 |

(1) See Note 9 for amounts attributable to related parties.

The accompanying notes are an integral part of Dominion Energy's Consolidated Financial Statements.

Dominion Energy, Inc.

Consolidated Statements of Comprehensive Income

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|-----------------|----------|----------|
| Net Income Including Noncontrolling Interests | \$ 1,376 | \$ 2,549 | \$ 3,120 |
| Other comprehensive income (loss), net of taxes: | | | |
| Net deferred gains (losses) on derivatives-hedging activities, net of \$35, \$(10) and \$(3) tax | (110) | 30 | 8 |
| Changes in unrealized net gains (losses) on investment securities, net of \$(14), \$5 and \$(121) tax | 39 | (18) | 215 |
| Changes in net unrecognized pension and other postretirement benefit costs, net of \$(4), \$75 and \$32 tax | (22) | (215) | (69) |
| Amounts reclassified to net income: | | | |
| Net derivative (gains) losses-hedging activities, net of \$21, \$(35) and \$18 tax | (62) | 102 | (29) |
| Net realized (gains) losses on investment securities, net of \$1, \$(2) and \$21 tax | (4) | 5 | (37) |
| Net pension and other postretirement benefit costs, net of \$(23), \$(21) and \$(32) tax | 66 | 78 | 50 |
| Changes in other comprehensive gains (losses) from equity method investees, net of \$—, \$(1) and \$(2) tax | — | 1 | 3 |
| Total other comprehensive income (loss) | (93) | (17) | 141 |
| Comprehensive income including noncontrolling interests | 1,283 | 2,532 | 3,261 |
| Comprehensive income attributable to noncontrolling interests | 18 | 103 | 122 |
| Comprehensive income attributable to Dominion Energy | \$ 1,265 | \$ 2,429 | \$ 3,139 |

The accompanying notes are an integral part of Dominion Energy's Consolidated Financial Statements.

Dominion Energy, Inc.

Consolidated Balance Sheets

| At December 31, (millions) | 2019 | 2018 |
|---|-----------|-----------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 166 | \$ 268 |
| Customer receivables (less allowance for doubtful accounts of \$20 and \$14) | 2,278 | 1,749 |
| Other receivables (less allowance for doubtful accounts of \$3 and \$4 ⁽¹⁾) | 367 | 331 |
| Inventories: | | |
| Materials and supplies | 1,193 | 1,039 |
| Fossil fuel | 412 | 287 |
| Gas stored | 137 | 92 |
| Prepayments | 328 | 265 |
| Regulatory assets | 879 | 496 |
| Other | 328 | 634 |
| Total current assets | 6,088 | 5,161 |
| Investments | | |
| Nuclear decommissioning trust funds | 6,192 | 4,938 |
| Investment in equity method affiliates | 1,646 | 1,278 |
| Other | 379 | 344 |
| Total investments | 8,217 | 6,560 |
| Property, Plant and Equipment | | |
| Property, plant and equipment | 97,466 | 76,578 |
| Accumulated depreciation, depletion and amortization | (28,384) | (22,018) |
| Total property, plant and equipment, net | 69,082 | 54,560 |
| Deferred Charges and Other Assets | | |
| Goodwill | 8,946 | 6,410 |
| Pension and other postretirement benefit assets | 1,708 | 1,279 |
| Intangible assets, net | 791 | 670 |
| Regulatory assets | 7,687 | 2,676 |
| Other | 1,304 | 598 |
| Total deferred charges and other assets | 20,436 | 11,633 |
| Total assets | \$103,823 | \$ 77,914 |

(1) See Note 9 for amounts attributable to related parties.

| At December 31, (millions) | 2019 | 2018 |
|--|-----------|----------|
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Securities due within one year | \$ 3,162 | \$ 3,624 |
| Credit facility borrowings | — | 73 |
| Short-term debt | 911 | 334 |
| Accounts payable | 1,115 | 914 |
| Accrued interest, payroll and taxes | 1,323 | 836 |
| Regulatory liabilities | 497 | 356 |
| Reserves for SCANA legal proceedings | 696 | — |
| Other ⁽¹⁾ | 2,235 | 1,510 |
| Total current liabilities | 9,939 | 7,647 |
| Long-Term Debt | | |
| Long-term debt | 30,313 | 26,293 |
| Junior subordinated notes | 3,406 | 3,430 |
| Remarketable subordinated notes | — | 1,386 |
| Finance leases | 105 | 35 |
| Total long-term debt | 33,824 | 31,144 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes and investment tax credits | 6,277 | 5,116 |
| Regulatory liabilities | 11,001 | 6,840 |
| Asset retirement obligations | 4,866 | 2,250 |
| Pension and other postretirement benefit liability | 2,366 | 2,328 |
| Other ⁽¹⁾ | 1,517 | 541 |
| Total deferred credits and other liabilities | 26,027 | 17,075 |
| Total liabilities | 69,790 | 55,866 |
| Commitments and Contingencies (see Note 23) | | |
| Equity | | |
| Preferred stock (See Note 19) | 2,387 | — |
| Common stock – no par ⁽²⁾ | 23,824 | 12,588 |
| Retained earnings | 7,576 | 9,219 |
| Accumulated other comprehensive loss | (1,793) | (1,700) |
| Total shareholders' equity | 31,994 | 20,107 |
| Noncontrolling interests | 2,039 | 1,941 |
| Total equity | 34,033 | 22,048 |
| Total liabilities and equity | \$103,823 | \$77,914 |

(1) See Note 9 for amounts attributable to related parties.

(2) 1.8 billion shares authorized; 838 million shares and 681 million shares outstanding at December 31, 2019 and 2018, respectively.

The accompanying notes are an integral part of Dominion Energy's Consolidated Financial Statements.

Dominion Energy, Inc.

Consolidated Statements of Equity

| | Preferred Stock | | Common Stock | | Dominion Energy Shareholders' Accumulated Other Comprehensive Income (Loss) | | Total Shareholders' Equity | Noncontrolling Interests | Total Equity |
|---|-----------------|---------|--------------|----------|---|-----------|----------------------------|--------------------------|--------------|
| | Shares | Amount | Shares | Amount | Retained Earnings | | | | |
| (millions except per share amounts) | | | | | | | | | |
| December 31, 2016 | | | 628 | \$ 8,550 | \$ 6,854 | \$ (799) | \$14,605 | \$ 2,235 | \$16,840 |
| Net income including noncontrolling interests | | | | | 2,999 | | 2,999 | 121 | 3,120 |
| Contributions from NRG to Four Brothers and Three Cedars | | | | | | | — | 9 | 9 |
| Issuance of common stock | | | 17 | 1,302 | | | 1,302 | | 1,302 |
| Sale of Dominion Energy Midstream common units—net of offering costs | | | | | | | — | 18 | 18 |
| Stock awards (net of change in unearned compensation) | | | | 22 | | | 22 | | 22 |
| Dividends (\$3.035 per common share) and distributions | | | | | (1,931) | | (1,931) | (156) | (2,087) |
| Other comprehensive income, net of tax | | | | | | 140 | 140 | 1 | 141 |
| Other | | | | (9) | 14 | | 5 | | 5 |
| December 31, 2017 | | | 645 | \$ 9,865 | \$ 7,936 | \$ (659) | \$17,142 | \$ 2,228 | \$19,370 |
| Cumulative-effect of changes in accounting principles | | | | (127) | 1,029 | (1,023) | (121) | 127 | 6 |
| Net income including noncontrolling interests | | | | | 2,447 | | 2,447 | 102 | 2,549 |
| Issuance of common stock | | | 36 | 2,461 | | | 2,461 | | 2,461 |
| Sale of Dominion Energy Midstream common units—net of offering costs | | | | | | | — | 4 | 4 |
| Remeasurement of noncontrolling interest in Dominion Energy Midstream | | | | 375 | | | 375 | (375) | — |
| Stock awards (net of change in unearned compensation) | | | | 22 | | | 22 | | 22 |
| Dividends (\$3.34 per common share) and distributions | | | | | (2,185) | | (2,185) | (146) | (2,331) |
| Other comprehensive income (loss), net of tax | | | | | | (18) | (18) | 1 | (17) |
| Other | | | | (8) | (8) | | (16) | | (16) |
| December 31, 2018 | | | 681 | \$12,588 | \$ 9,219 | \$(1,700) | \$20,107 | \$ 1,941 | \$22,048 |
| Net income including noncontrolling interests | | | | | 1,358 | | 1,358 | 18 | 1,376 |
| Issuance of Stock | 2 | 2,387 | 39 | 3,014 | | | 5,401 | | 5,401 |
| Stock purchase contract component of 2019 Equity Units | | | | (264) | | | (264) | | (264) |
| Acquisition of SCANA | | | 96 | 6,818 | | | 6,818 | | 6,818 |
| Acquisition of public interest in Dominion Energy Midstream | | | 22 | 1,181 | | | 1,181 | (1,221) | (40) |
| Sale of interest in Cove Point | | | | 476 | | | 476 | 1,386 | 1,862 |
| Stock awards (net of change in unearned compensation) | | | | 24 | | | 24 | | 24 |
| Preferred stock dividends (See Note 19) | | | | | (17) | | (17) | | (17) |
| Common dividends (\$3.67 per common share) and distributions | | | | | (2,983) | | (2,983) | (85) | (3,068) |
| Other comprehensive loss, net of tax | | | | | | (93) | (93) | | (93) |
| Other | | | | (13) | (1) | | (14) | | (14) |
| December 31, 2019 | 2 | \$2,387 | 838 | \$23,824 | \$ 7,576 | \$(1,793) | \$31,994 | \$ 2,039 | \$34,033 |

The accompanying notes are an integral part of Dominion Energy's Consolidated Financial Statements

Dominion Energy, Inc.

Consolidated Statements of Cash Flows

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|--|----------|----------|----------|
| Operating Activities | | | |
| Net income including noncontrolling interests | \$ 1,376 | \$ 2,549 | \$ 3,120 |
| Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities: | | | |
| Depreciation, depletion and amortization (including nuclear fuel) | 2,977 | 2,280 | 2,202 |
| Deferred income taxes and investment tax credits | 216 | 517 | (3) |
| Proceeds from assignment of tower rental portfolio | — | — | 91 |
| Contribution to pension plan | (21) | — | (75) |
| Provision for refunds and rate credits to electric utility customers | 800 | 77 | — |
| Impairment of assets and other charges | 1,333 | 395 | 15 |
| Charge related to a voluntary retirement program | 320 | — | — |
| Gains on sales of assets and equity method investments | (167) | (1,006) | (148) |
| Net (gains) losses on nuclear decommissioning trusts funds and other investments | (626) | 102 | (117) |
| Charges associated with equity method investments | — | — | 158 |
| Charge (revision) for future ash pond and landfill closure costs | (113) | 81 | — |
| Other adjustments | (5) | 19 | 33 |
| Changes in: | | | |
| Accounts receivable | (71) | (110) | (103) |
| Inventories | (90) | (29) | 15 |
| Deferred fuel and purchased gas costs, net | 195 | (247) | (71) |
| Prepayments | (225) | (51) | (62) |
| Accounts payable | (225) | 67 | (89) |
| Accrued interest, payroll and taxes | (78) | (12) | 64 |
| Customer deposits | (101) | 54 | 15 |
| Margin deposit assets and liabilities | 60 | — | (10) |
| Net realized and unrealized changes related to derivative activities | 43 | 181 | 44 |
| Asset retirement obligations | 41 | (35) | (94) |
| Pension and other postretirement benefits | (148) | (114) | (177) |
| Other operating assets and liabilities | (287) | 55 | (306) |
| Net cash provided by operating activities | 5,204 | 4,773 | 4,502 |
| Investing Activities | | | |
| Plant construction and other property additions (including nuclear fuel) | (4,980) | (4,254) | (5,504) |
| Cash and restricted cash acquired in the SCANA Combination | 389 | — | — |
| Acquisition of solar development projects | (341) | (151) | (405) |
| Proceeds from sales of securities | 1,712 | 1,804 | 1,831 |
| Purchases of securities | (1,749) | (1,894) | (1,940) |
| Proceeds from sales of assets and equity method investments | 447 | 2,542 | 138 |
| Contributions to equity method affiliates | (209) | (428) | (370) |
| Distributions from equity method affiliates | 9 | 36 | 275 |
| Other | 100 | (13) | 33 |
| Net cash used in investing activities | (4,622) | (2,358) | (5,942) |
| Financing Activities | | | |
| Issuance (repayment) of short-term debt, net | 404 | (2,964) | 143 |
| Issuance of short-term notes | 3,000 | 1,450 | — |
| Repayment and repurchase of short-term notes | (3,000) | (1,450) | (250) |
| Credit facility borrowings | — | 73 | — |
| Repayment of credit facility borrowings | (113) | — | — |
| Issuance and remarketing of long-term debt | 4,374 | 6,362 | 3,880 |
| Repayment and repurchase of long-term debt (including redemption premiums) | (9,116) | (5,682) | (1,572) |
| Proceeds from sale of interest in Cove Point | 2,078 | — | — |
| Net proceeds from issuance of Dominion Energy Midstream common units | — | 4 | 18 |
| Issuance of 2019 Equity Units | 1,582 | — | — |
| Issuance of Series B Preferred Stock | 791 | — | — |
| Issuance of common stock | 2,515 | 2,461 | 1,302 |
| Common dividend payments | (2,983) | (2,185) | (1,931) |
| Other | (236) | (278) | (287) |
| Net cash provided by (used in) financing activities | (704) | (2,209) | 1,303 |
| Increase (decrease) in cash, restricted cash and equivalents | (122) | 206 | (137) |
| Cash, restricted cash and equivalents at beginning of period | 391 | 185 | 322 |
| Cash, restricted cash and equivalents at end of period | \$ 269 | \$ 391 | \$ 185 |
| Supplemental Cash Flow Information | | | |
| Cash paid during the year for: | | | |
| Interest and related charges, excluding capitalized amounts | \$ 1,643 | \$ 1,362 | 1,083 |
| Income taxes | 106 | 89 | 9 |
| Significant noncash investing and financing activities: ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ | | | |
| Accrued capital expenditures | 555 | 307 | 343 |
| Leases ⁽⁶⁾ | 157 | — | — |
| Receivables from sales of assets and equity method investments | 5 | 159 | — |
| Guarantee provided by equity method affiliate | — | — | 30 |

(1) See Note 2 for noncash investing and financing activities related to the adoption of a new accounting standard for leasing arrangements.

(2) See Note 3 for noncash investing and financing activities related to the SCANA Combination.

(3) See Note 5 for noncash activities related to the sale of a noncontrolling interest in Cove Point.

(4) See Note 9 for noncash investing activities related to the acquisition of a noncontrolling interest in Wrangler.

(5) See Notes 18, 19 and 20 for noncash financing activities related to the acquisition of the public interest in Dominion Energy Midstream, the remarketing of RSNs, the issuance of stock purchase contracts associated with the 2019 Equity Units and the contribution of stock to Dominion Energy's qualified defined benefit pension plan.

(6) Includes \$113 million of finance leases and \$44 million of operating leases.

The accompanying notes are an integral part of Dominion Energy's Consolidated Financial Statements.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of
Virginia Electric and Power Company

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Virginia Electric and Power Company (a wholly-owned subsidiary of Dominion Energy, Inc.) and subsidiaries (“Virginia Power”) at December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, common shareholder’s equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Virginia Power at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of Virginia Power’s management. Our responsibility is to express an opinion on Virginia Power’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Virginia Power in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Virginia Power is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Virginia Power’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 28, 2020

We have served as Virginia Power’s auditor since 1988.

Virginia Electric and Power Company

Consolidated Statements of Income

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|----------------|----------------|----------------|
| Operating Revenue ⁽¹⁾ | \$8,108 | \$7,619 | \$7,556 |
| Operating Expenses | | | |
| Electric fuel and other energy-related purchases ⁽¹⁾ | 2,178 | 2,318 | 1,909 |
| Purchased electric capacity | 40 | 122 | 6 |
| Other operations and maintenance: | | | |
| Affiliated suppliers | 367 | 305 | 309 |
| Other | 1,376 | 1,371 | 1,169 |
| Depreciation and amortization | 1,223 | 1,132 | 1,141 |
| Other taxes | 328 | 300 | 290 |
| Impairment of assets and other charges | 757 | — | — |
| Total operating expenses | 6,269 | 5,548 | 4,824 |
| Income from operations | 1,839 | 2,071 | 2,732 |
| Other income | 98 | 22 | 76 |
| Interest and related charges ⁽¹⁾ | 524 | 511 | 494 |
| Income from operations before income tax expense | 1,413 | 1,582 | 2,314 |
| Income tax expense | 264 | 300 | 774 |
| Net Income | \$1,149 | \$1,282 | \$1,540 |

(1) See Note 25 for amounts attributable to affiliates.

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

Virginia Electric and Power Company

Consolidated Statements of Comprehensive Income

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|----------|----------|----------|
| Net Income | \$ 1,149 | \$ 1,282 | \$ 1,540 |
| Other comprehensive income (loss), net of taxes: | | | |
| Net deferred gains (losses) on derivatives-hedging activities, net of \$8, \$(1) and \$3 tax | (22) | 1 | (5) |
| Changes in unrealized net gains (losses) on nuclear decommissioning trust funds, net of \$(2), \$— and \$(16) tax | 5 | — | 24 |
| Amounts reclassified to net income: | | | |
| Net derivative (gains) losses-hedging activities, net of \$—, \$— and \$— tax | 1 | 1 | 1 |
| Net realized (gains) losses on nuclear decommissioning trust funds, net of \$1, \$— and \$3 tax | (1) | — | (4) |
| Other comprehensive income (loss) | (17) | 2 | 16 |
| Comprehensive income | \$ 1,132 | \$ 1,284 | \$ 1,556 |

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

Virginia Electric and Power Company

Consolidated Balance Sheets

| At December 31, (millions) | 2019 | 2018 |
|--|-----------|-----------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 17 | \$ 29 |
| Customer receivables (less allowance for doubtful accounts of \$9 at both dates) | 1,163 | 999 |
| Other receivables (less allowance for doubtful accounts of \$2 and \$3) | 106 | 76 |
| Affiliated receivables | 27 | 101 |
| Inventories (average cost method): | | |
| Materials and supplies | 549 | 550 |
| Fossil fuel | 324 | 287 |
| Prepayments | 27 | 28 |
| Regulatory assets | 433 | 424 |
| Other ⁽¹⁾ | 30 | 77 |
| Total current assets | 2,676 | 2,571 |
| Investments | | |
| Nuclear decommissioning trust funds | 2,881 | 2,369 |
| Other | 3 | 3 |
| Total investments | 2,884 | 2,372 |
| Property, Plant and Equipment | | |
| Property, plant and equipment | 47,038 | 44,524 |
| Accumulated depreciation and amortization | (14,156) | (14,003) |
| Total property, plant and equipment, net | 32,882 | 30,521 |
| Deferred Charges and Other Assets | | |
| Pension and other postretirement benefit assets ⁽¹⁾ | 287 | 254 |
| Intangible assets, net | 271 | 250 |
| Regulatory assets | 1,863 | 737 |
| Other ⁽¹⁾ | 565 | 175 |
| Total deferred charges and other assets | 2,986 | 1,416 |
| Total assets | \$ 41,428 | \$ 36,880 |

(1) See Note 25 for amounts attributable to affiliates.

At December 31,
(millions)

2019 2018

LIABILITIES AND COMMON SHAREHOLDER'S EQUITY

Current Liabilities

| | | |
|---------------------------------------|-------|--------|
| Securities due within one year | \$ 4 | \$ 350 |
| Short-term debt | 243 | 314 |
| Accounts payable | 334 | 339 |
| Payables to affiliates | 210 | 209 |
| Affiliated current borrowings | 107 | 224 |
| Accrued interest, payroll and taxes | 253 | 248 |
| Asset retirement obligations | 340 | 245 |
| Regulatory liabilities | 167 | 299 |
| Derivative liabilities ⁽¹⁾ | 243 | 25 |
| Customer deposits | 121 | 121 |
| Other current liabilities | 450 | 441 |
| Total current liabilities | 2,472 | 2,815 |

Long-Term Debt

| | | |
|----------------------|--------|--------|
| Long-term debt | 12,325 | 11,320 |
| Finance leases | 16 | 1 |
| Total long-term debt | 12,341 | 11,321 |

Deferred Credits and Other Liabilities

| | | |
|---|--------|--------|
| Deferred income taxes and investment tax credits | 2,962 | 3,017 |
| Asset retirement obligations | 3,241 | 1,200 |
| Regulatory liabilities | 5,074 | 4,647 |
| Pension and other postretirement benefit liability ⁽¹⁾ | 782 | 632 |
| Other ⁽¹⁾ | 567 | 201 |
| Total deferred credits and other liabilities | 12,626 | 9,697 |
| Total liabilities | 27,439 | 23,833 |

Commitments and Contingencies (see Note 23)

Common Shareholder's Equity

| | | |
|--|-----------|-----------|
| Common stock – no par ⁽²⁾ | 5,738 | 5,738 |
| Other paid-in capital | 1,113 | 1,113 |
| Retained earnings | 7,167 | 6,208 |
| Accumulated other comprehensive loss | (29) | (12) |
| Total common shareholder's equity | 13,989 | 13,047 |
| Total liabilities and shareholder's equity | \$ 41,428 | \$ 36,880 |

(1) See Note 25 for amounts attributable to affiliates.

(2) 500,000 shares authorized; 274,723 shares outstanding at December 31, 2019 and 2018.

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

Virginia Electric and Power Company

Consolidated Statements of Common Shareholder's Equity

| | Shares | Common Stock Amount | Other Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|-------------|------------------------|-----------------------------|----------------------|--|----------|
| (millions, except for shares) | (thousands) | | | | | |
| December 31, 2016 | 275 | \$5,738 | \$1,113 | \$4,968 | \$46 | \$11,865 |
| Net income | | | | 1,540 | | 1,540 |
| Dividends | | | | (1,199) | | (1,199) |
| Other comprehensive income, net of tax | | | | | 16 | 16 |
| Other | | | | 2 | | 2 |
| December 31, 2017 | 275 | 5,738 | 1,113 | 5,311 | 62 | 12,224 |
| Cumulative-effect of changes in accounting principles | | | | 79 | (76) | 3 |
| Net income | | | | 1,282 | | 1,282 |
| Dividends | | | | (464) | | (464) |
| Other comprehensive income, net of tax | | | | | 2 | 2 |
| December 31, 2018 | 275 | 5,738 | 1,113 | 6,208 | (12) | 13,047 |
| Net income | | | | 1,149 | | 1,149 |
| Dividends | | | | (190) | | (190) |
| Other comprehensive loss, net of tax | | | | | (17) | (17) |
| December 31, 2019 | 275 | \$5,738 | \$1,113 | \$7,167 | \$(29) | \$13,989 |

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

Virginia Electric and Power Company

Consolidated Statements of Cash Flows

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|----------|----------|----------|
| Operating Activities | | | |
| Net income | \$ 1,149 | \$ 1,282 | \$ 1,540 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization (including nuclear fuel) | 1,392 | 1,309 | 1,333 |
| Deferred income taxes and investment tax credits | (80) | 224 | 269 |
| Proceeds from assignment of rental portfolio | — | — | 91 |
| Charge (revision) for future ash pond and landfill closure costs | (113) | 81 | — |
| Impairment of assets and other charges | 624 | — | — |
| Provision for rate credits to customers | — | 77 | — |
| Charge related to a voluntary retirement program | 116 | — | — |
| Other adjustments | (86) | (21) | (36) |
| Changes in: | | | |
| Accounts receivable | (196) | (60) | (27) |
| Affiliated receivables and payables | 75 | (14) | 125 |
| Inventories | (56) | 13 | 3 |
| Prepayments | 1 | (1) | 3 |
| Deferred fuel expenses, net | 243 | (269) | (59) |
| Accounts payable | (31) | (26) | (42) |
| Accrued interest, payroll and taxes | 5 | (8) | 17 |
| Net realized and unrealized changes related to derivative activities | 21 | 119 | 13 |
| Asset retirement obligations | 51 | (54) | (88) |
| Other operating assets and liabilities | (331) | 188 | (181) |
| Net cash provided by operating activities | 2,784 | 2,840 | 2,961 |
| Investing Activities | | | |
| Plant construction and other property additions | (2,642) | (2,228) | (2,496) |
| Purchases of nuclear fuel | (157) | (173) | (192) |
| Acquisition of solar development projects | (182) | (141) | (41) |
| Proceeds from sales of securities | 858 | 887 | 849 |
| Purchases of securities | (905) | (925) | (884) |
| Other | (37) | (63) | (41) |
| Net cash used in investing activities | (3,065) | (2,643) | (2,805) |
| Financing Activities | | | |
| Issuance (repayment) of short-term debt, net | (71) | (228) | 477 |
| Issuance (repayment) of affiliated current borrowings, net | (117) | 191 | (229) |
| Issuance and remarketing of long-term debt | 1,248 | 1,300 | 1,500 |
| Repayment and repurchase of long-term debt | (591) | (964) | (681) |
| Common dividend payments to parent | (190) | (464) | (1,199) |
| Other | (12) | (18) | (11) |
| Net cash provided by (used in) financing activities | 267 | (183) | (143) |
| Increase (decrease) in cash, restricted cash and equivalents | (14) | 14 | 13 |
| Cash, restricted cash and equivalents at beginning of year | 38 | 24 | 11 |
| Cash, restricted cash and equivalents at end of year | \$ 24 | \$ 38 | \$ 24 |
| Supplemental Cash Flow Information | | | |
| Cash paid during the year for: | | | |
| Interest and related charges, excluding capitalized amounts | \$ 495 | \$ 498 | \$ 458 |
| Income taxes | 272 | 128 | 362 |
| Significant noncash investing and financing activities: ⁽¹⁾ | | | |
| Accrued capital expenditures | 292 | 204 | 169 |
| Leases ⁽²⁾ | 55 | — | — |

(1) See Note 2 for noncash investing and financing activities related to the adoption of a new accounting standard for leasing arrangements.

(2) Includes \$20 million of finance leases and \$35 million of operating leases.

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of
Dominion Energy Gas Holdings, LLC

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Dominion Energy Gas Holdings, LLC (a wholly-owned subsidiary of Dominion Energy, Inc.) and subsidiaries (“Dominion Energy Gas”) at December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dominion Energy Gas at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of Dominion Energy Gas’ management. Our responsibility is to express an opinion on Dominion Energy Gas’ consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Dominion Energy Gas in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Dominion Energy Gas is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Dominion Energy Gas’ internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 28, 2020

We have served as Dominion Energy Gas’ auditor since 2012.

Dominion Energy Gas Holdings, LLC

Consolidated Statements of Income

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|----------------|----------------|----------------|
| Operating Revenue ⁽¹⁾ | \$2,169 | \$1,996 | \$1,523 |
| Operating Expenses | | | |
| Purchased (excess) gas ⁽¹⁾ | 7 | (10) | 109 |
| Other energy-related purchases | 2 | 4 | 4 |
| Other operations and maintenance: | | | |
| Affiliated suppliers | 168 | 132 | 123 |
| Other ⁽¹⁾ | 556 | 584 | 449 |
| Depreciation and amortization | 367 | 333 | 242 |
| Other taxes | 154 | 120 | 99 |
| Impairment of assets and related charges | 13 | 163 | 15 |
| Gains on sales of assets | (2) | (117) | (70) |
| Total operating expenses | 1,265 | 1,209 | 971 |
| Income from continuing operations | 904 | 787 | 552 |
| Earnings from equity method investees | 43 | 54 | 47 |
| Other income | 166 | 89 | 62 |
| Interest and related charges ⁽¹⁾ | 311 | 174 | 60 |
| Income from continuing operations before income tax expense | 802 | 756 | 601 |
| Income tax expense (benefit) | 101 | 124 | (65) |
| Net Income from Continuing Operations | 701 | 632 | 666 |
| Net Income from discontinued operations ⁽²⁾ | 141 | 24 | 163 |
| Net Income including noncontrolling interests | 842 | 656 | 829 |
| Noncontrolling interests | 121 | 175 | 126 |
| Net Income Attributable to Dominion Energy Gas | \$ 721 | \$ 481 | \$ 703 |

(1) See Note 25 for amounts attributable to related parties.

(2) Includes income tax expense of \$33 million, less than \$1 million and \$91 million in 2019, 2018 and 2017, respectively.

The accompanying notes are an integral part of Dominion Energy Gas' Consolidated Financial Statements.

Dominion Energy Gas Holdings, LLC

Consolidated Statements of Comprehensive Income

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|--------------|-------|-------|
| Net Income including noncontrolling interests | \$842 | \$656 | \$829 |
| Other comprehensive income (loss), net of taxes: | | | |
| Net deferred gains (losses) on derivatives-hedging activities, net of \$22, \$5 and \$(3) tax | (61) | (16) | 6 |
| Changes in net unrecognized pension benefit (costs) , net of \$(13), \$20 and \$(8) tax | 33 | (52) | 20 |
| Amounts reclassified to net income: | | | |
| Net derivative (gains) losses-hedging activities, net of \$(2), \$(7) and \$2 tax | 5 | 19 | (4) |
| Net pension and other postretirement benefit costs, net of \$(2), \$(2) and \$(2) tax | 5 | 4 | 4 |
| Total other comprehensive income (loss) | (18) | (45) | 26 |
| Comprehensive income including noncontrolling interests | 824 | 611 | 855 |
| Comprehensive income attributable to noncontrolling interests | 120 | 175 | 127 |
| Comprehensive income attributable to Dominion Energy Gas | \$704 | \$436 | \$728 |

The accompanying notes are an integral part of Dominion Energy Gas' Consolidated Financial Statements.

Dominion Energy Gas Holdings, LLC

Consolidated Balance Sheets

| At December 31, (millions) | 2019 | 2018 |
|---|----------|----------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 27 | \$ 99 |
| Customer receivables (less allowance for doubtful accounts of \$2 and less than \$1) ⁽¹⁾ | 173 | 187 |
| Other receivables ⁽¹⁾ | 26 | 18 |
| Affiliated receivables | 362 | 319 |
| Affiliated notes receivable | — | 819 |
| Inventories: | | |
| Materials and supplies | 120 | 95 |
| Gas stored | 2 | 2 |
| Prepayments | 73 | 77 |
| Gas imbalances ⁽¹⁾ | 52 | 187 |
| Current assets of discontinued operations | — | 444 |
| Other | 23 | 101 |
| Total current assets | 858 | 2,348 |
| Investments | | |
| Affiliated notes receivables | 3,437 | 4,317 |
| Investment in equity method affiliates | 312 | 339 |
| Total investments | 3,749 | 4,656 |
| Property, Plant and Equipment | | |
| Property, plant and equipment | 15,166 | 14,700 |
| Accumulated depreciation and amortization | (3,538) | (3,219) |
| Total property, plant and equipment, net | 11,628 | 11,481 |
| Deferred Charges and Other Assets | | |
| Goodwill | 1,471 | 1,471 |
| Intangible assets, net | 106 | 115 |
| Pension and other postretirement benefit assets ⁽¹⁾ | 840 | 705 |
| Regulatory assets | 40 | 52 |
| Other ⁽¹⁾ | 92 | 74 |
| Total deferred charges and other assets | 2,549 | 2,417 |
| Noncurrent Assets of Discontinued Operations | | |
| | — | 5,849 |
| Total assets | \$18,784 | \$26,751 |

(1) See Note 25 for amounts attributable to related parties.

| At December 31, (millions) | 2019 | 2018 |
|--|----------|----------|
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Securities due within one year | \$ 700 | \$ 748 |
| Credit facility borrowings | — | 73 |
| Short-term debt | 62 | 10 |
| Accounts payable | 59 | 76 |
| Payables to affiliates | 82 | 124 |
| Affiliated current borrowings | 260 | 3,097 |
| Accrued interest, payroll and taxes | 128 | 116 |
| Current liabilities of discontinued operations | — | 1,273 |
| Other ⁽¹⁾ | 161 | 238 |
| Total current liabilities | 1,452 | 5,755 |
| Long-Term Debt | | |
| Long-term debt | 4,821 | 7,022 |
| Finance leases | 5 | — |
| Total Long-Term Debt | 4,826 | 7,022 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes and investment tax credits | 1,288 | 1,330 |
| Regulatory liabilities | 800 | 765 |
| Other | 189 | 118 |
| Total deferred credits and other liabilities | 2,277 | 2,213 |
| Noncurrent Liabilities of Discontinued Operations | | |
| Total liabilities | 8,555 | 17,886 |
| Commitments and Contingencies (see Note 23) | | |
| Equity | | |
| Predecessor equity | — | 1,804 |
| Membership interests | 9,031 | 4,566 |
| Accumulated other comprehensive loss | (187) | (169) |
| Total members' equity | 8,844 | 6,201 |
| Noncontrolling interests | 1,385 | 2,664 |
| Total equity | 10,229 | 8,865 |
| Total liabilities and equity | \$18,784 | \$26,751 |

(1) See Note 25 for amounts attributable to related parties.

The accompanying notes are an integral part of Dominion Energy Gas' Consolidated Financial Statements.

Dominion Energy Gas Holdings, LLC

Consolidated Statements of Equity

| | Predecessor Equity | Membership Interests | Accumulated Other Comprehensive Income (Loss) | Total Members' Equity | Noncontrolling Interests | Total |
|---|-----------------------|-------------------------|--|-----------------------------|-----------------------------|----------|
| (millions) | | | | | | |
| December 31, 2016 | \$ 1,438 | \$3,659 | \$(123) | \$ 4,974 | \$ 2,713 | \$ 7,687 |
| Net income including noncontrolling interests | 88 | 615 | | 703 | 126 | 829 |
| Sale of Dominion Energy Midstream common units—net of offering costs | | | | — | 18 | 18 |
| Dividends and distributions | (19) | (15) | | (34) | (87) | (121) |
| Distributions to noncontrolling interests | (193) | | | (193) | 193 | — |
| Equity contributions from Dominion Energy | 44 | | | 44 | 7 | 51 |
| Other comprehensive income, net of tax | | | 25 | 25 | 1 | 26 |
| Other | 3 | 2 | | 5 | | 5 |
| December 31, 2017 | 1,361 | 4,261 | (98) | 5,524 | 2,971 | 8,495 |
| Cumulative-effect of changes in accounting principles | | 29 | (26) | 3 | | 3 |
| Net income including noncontrolling interests | 180 | 301 | | 481 | 175 | 656 |
| Sale of Dominion Energy Midstream common units—net of offering costs | | | | — | 4 | 4 |
| Remeasurement of noncontrolling interest in Dominion Energy Midstream | 375 | | | 375 | (375) | — |
| Dividends and distributions | (133) | (25) | | (158) | (138) | (296) |
| Distributions to noncontrolling interests | (27) | | | (27) | 27 | — |
| Equity contributions from Dominion Energy | 48 | | | 48 | | 48 |
| Other comprehensive loss, net of tax | | | (45) | (45) | | (45) |
| December 31, 2018 | 1,804 | 4,566 | (169) | 6,201 | 2,664 | 8,865 |
| Net income including noncontrolling interests | 232 | 489 | | 721 | 121 | 842 |
| Acquisition of public interest in Dominion Energy Midstream | 1,181 | | | 1,181 | (1,221) | (40) |
| Dividends and distributions | (457) | | | (457) | (179) | (636) |
| Equity contributions from Dominion Energy | 3,385 | | | 3,385 | | 3,385 |
| Dominion Energy Gas Restructuring | (6,145) | 3,978 | (1) | (2,168) | | (2,168) |
| Other comprehensive loss, net of tax | | | (17) | (17) | (1) | (18) |
| Other | | (2) | | (2) | 1 | (1) |
| December 31, 2019 | \$ — | \$9,031 | \$(187) | \$ 8,844 | \$ 1,385 | \$10,229 |

The accompanying notes are an integral part of Dominion Energy Gas' Consolidated Financial Statements.

Dominion Energy Gas Holdings, LLC

Consolidated Statements of Cash Flows

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|---------|---------|---------|
| Operating Activities | | | |
| Net Income including noncontrolling interests | \$ 842 | \$ 656 | \$ 829 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 445 | 424 | 328 |
| Deferred income taxes and investment tax credits | (3) | 380 | (19) |
| Charge related to a voluntary retirement program | 20 | — | — |
| Gains on sales of assets | (7) | (109) | (70) |
| Impairment of assets and related charges | 13 | 385 | 15 |
| Other adjustments | 69 | 21 | 14 |
| Changes in: | | | |
| Accounts receivable | 69 | (101) | (4) |
| Affiliated receivables and payables | (51) | (310) | 26 |
| Inventories | (50) | (28) | (5) |
| Prepayments | 59 | (23) | (20) |
| Accounts payable | (109) | 1 | (7) |
| Accrued interest, payroll and taxes | (52) | 22 | 26 |
| Pension and other postretirement benefits | (142) | (153) | (143) |
| Other operating assets and liabilities | (37) | 30 | (13) |
| Net cash provided by operating activities | 1,066 | 1,195 | 957 |
| Investing Activities | | | |
| Plant construction and other property additions | (704) | (1,109) | (1,815) |
| Loan to Dominion Energy | (1,757) | — | — |
| Loan to East Ohio | (115) | — | — |
| Loan to Dominion Energy from Cove Point | — | (2,986) | — |
| Repayment of loan by Dominion Energy to Cove Point | 2,986 | — | — |
| Repayment of loan to East Ohio | 115 | — | — |
| Repayment of affiliated notes receivable, net | 647 | — | 32 |
| Proceeds from assignments of shale development rights | — | 109 | 70 |
| Other | (22) | (20) | (27) |
| Net cash provided by (used in) investing activities | 1,150 | (4,006) | (1,740) |
| Financing Activities | | | |
| Issuance (repayment) of short-term debt, net | 52 | (619) | 169 |
| Issuance (repayment) of affiliated current borrowings, net | (2,837) | 291 | 628 |
| Issuance of long-term debt | 1,500 | 3,750 | — |
| Issuance of affiliated long-term debt | 395 | — | — |
| Repayment of long-term debt | (3,750) | (255) | — |
| Repayment of affiliated long-term debt | (395) | — | — |
| Credit facility borrowings | — | 73 | — |
| Repayment of credit facility borrowings | (73) | — | — |
| Net proceeds from sale of Dominion Energy Midstream common units | — | 4 | 18 |
| Contributions from Dominion Energy | 3,385 | 25 | 25 |
| Dividends and distributions | (636) | (296) | (121) |
| Other | (16) | (21) | — |
| Net cash provided by (used in) financing activities | (2,375) | 2,952 | 719 |
| Increase (decrease) in cash, restricted cash and cash equivalents | (159) | 141 | (64) |
| Cash, restricted cash and equivalents at beginning of year | 198 | 57 | 121 |
| Cash, restricted cash and equivalents at end of year | \$ 39 | \$ 198 | \$ 57 |
| Supplemental Cash Flow Information | | | |
| Cash paid during the year for: | | | |
| Interest and related charges, excluding capitalized amounts | \$ 291 | \$ 162 | \$ 55 |
| Income taxes | 65 | 79 | 11 |
| Significant noncash investing and financing activities: ⁽¹⁾⁽²⁾ | | | |
| Accrued capital expenditures | 25 | 59 | 69 |
| Equity contributions from Dominion Energy | — | 23 | 26 |
| Finance leases | 6 | — | — |

(1) See Note 2 for noncash investing and financing activities related to the adoption of a new accounting standard for lease arrangements.

(2) See Notes 3 and 25 for noncash investing and financing activities related to the Dominion Energy Gas Restructuring and related-party transactions.

The accompanying notes are an integral part of Dominion Energy Gas' Consolidated Financial Statements.

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Combined Notes to Consolidated Financial Statements

NOTE 1. NATURE OF OPERATIONS

Dominion Energy, headquartered in Richmond, Virginia, is one of the nation's largest producers and transporters of energy. Dominion Energy's operations are conducted through various subsidiaries, including Virginia Power and Dominion Energy Gas. Dominion Energy's operations also include DESC, an equity investment in Atlantic Coast Pipeline and regulated gas distribution operations primarily in the eastern and Rocky Mountain regions of the U.S. Dominion Energy's nonregulated operations include merchant generation and retail energy marketing operations. See Note 3 for a description of operations acquired in the SCANA Combination.

Beginning December 2019, Dominion Energy manages its daily operations through five primary operating segments: Dominion Energy Virginia, Gas Transmission & Storage, Gas Distribution, Dominion Energy South Carolina and Contracted Generation. Dominion Energy also reports a Corporate and Other segment, which includes its corporate, service company and other functions (including unallocated debt). In addition, Corporate and Other includes specific items attributable to Dominion Energy's operating segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources.

Virginia Power is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and northeastern North Carolina. Virginia Power is a member of PJM, an RTO, and its electric transmission facilities are integrated into the PJM wholesale electricity markets. All of Virginia Power's stock is owned by Dominion Energy.

Beginning in December 2019, Virginia Power manages its daily operations through one primary operating segment: Dominion Energy Virginia. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources.

Dominion Energy Gas is a holding company that conducts business activities through FERC-regulated interstate natural gas transmission pipeline and underground storage systems in the eastern and Rocky Mountain regions of the U.S., as well as the Cove Point LNG Facility. In addition, Dominion Energy Gas owns a 50% noncontrolling interest in both Iroquois and White River Hub. See Note 3 for more information on the Dominion Energy Gas Restructuring. All of Dominion Energy Gas' membership interests are held by Dominion Energy.

Beginning in December 2019, Dominion Energy Gas manages its daily operations through one primary operating segment: Gas Transmission & Storage. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources and the effect of certain items recorded at Dominion Energy Gas as a result of Dominion Energy's basis in the net assets contributed. In addition, Corporate and Other includes the net impact of discontinued operations, which is discussed in Note 3.

See Note 26 for further discussion of the Companies' operating segments.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

General

The Companies make certain estimates and assumptions in preparing their Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and cash flows for the periods presented. Actual results may differ from those estimates.

The Companies' Consolidated Financial Statements include, after eliminating intercompany transactions and balances, their accounts, those of their respective majority-owned subsidiaries and non-wholly-owned entities in which they have a controlling financial interest. For certain partnership structures, income is allocated based on the liquidation value of the underlying contractual arrangements. At December 31, 2019 Dominion Energy owns 50% of the voting interests in Four Brothers and Three Cedars and has a controlling financial interest over the entities through its right to control operations. In August 2018, NRG's ownership interest in Four Brothers and Three Cedars was transferred to GIP. GIP's ownership interest in Four Brothers and Three Cedars, Terra Nova Renewable Partners' 33% interest in certain Dominion Energy's merchant solar projects, Brookfield's 25% interest in Cove Point and the non-Dominion Energy held interest in Dominion Energy Midstream (through January 2019) are reflected as noncontrolling interest in Dominion Energy's Consolidated Financial Statements. Terra Nova Renewable Partners has a future option to buy all or a portion of Dominion Energy's remaining 67% ownership in certain merchant projects upon the occurrence of certain events, none of which are expected to occur in 2020. Brookfield's 25 % interest in Cove Point and the public's ownership interest in Dominion Energy Midstream (through January 2019) are reflected as noncontrolling interest in Dominion Energy Gas' Consolidated Financial Statements.

The Companies report certain contracts, instruments and investments at fair value. See Note 6 for further information on fair value measurements.

The Companies consider acquisitions or dispositions in which substantially all of the fair value of the gross assets acquired or disposed of is concentrated into a single identifiable asset or group of similar identifiable assets to be an acquisition or a disposition of an asset, rather than a business. See Notes 3 and 10 for further information on such transactions.

Dominion Energy maintains pension and other postretirement benefit plans. Virginia Power and Dominion Energy Gas participate in certain of these plans. See Note 22 for further information on these plans.

Certain amounts in the Companies' 2018 and 2017 Consolidated Financial Statements and Notes have been reclassified to conform to the 2019 presentation for comparative purposes; however, such reclassifications did not affect the Companies' net income, total assets, liabilities, equity or cash flows.

Amounts disclosed for Dominion Energy are inclusive of Virginia Power and/or Dominion Energy Gas, where applicable.

Operating Revenue

Operating revenue is recorded on the basis of services rendered, commodities delivered, or contracts settled and includes amounts

yet to be billed to customers. Dominion Energy and Virginia Power collect sales, consumption and consumer utility taxes and Dominion Energy Gas collects sales taxes; however, these amounts are excluded from revenue. Dominion Energy's customer receivables at December 31, 2019 and 2018 included \$896 million and \$626 million, respectively, of accrued unbilled revenue based on estimated amounts of electricity and natural gas delivered but not yet billed to its utility customers. Virginia Power's customer receivables at December 31, 2019 and 2018 included \$512 million and \$392 million, respectively, of accrued unbilled revenue based on estimated amounts of electricity delivered but not yet billed to its customers. Dominion Energy Gas' customer receivables at December 31, 2019 and 2018 included \$104 million and \$101 million, respectively, of accrued unbilled revenue based on estimated amounts of natural gas delivered but not yet billed to its customers. See Note 25 for amounts attributable to related parties.

The primary types of sales and service activities reported as operating revenue for Dominion Energy, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

REVENUE FROM CONTRACTS WITH CUSTOMERS

- **Regulated electric sales** consist primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- **Nonregulated electric sales** consist primarily of sales of electricity at market-based rates and contracted fixed rates, and associated hedging activity;
- **Regulated gas sales** consist primarily of state-regulated natural gas sales and related distribution services;
- **Nonregulated gas sales** consist primarily of sales of natural gas production at market-based rates and contracted fixed prices, sales of gas purchased from third parties and associated hedging activity;
- **Regulated gas transportation and storage sales** consist of FERC-regulated sales of transmission and storage services and state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of gathering services;
- **Nonregulated gas transportation and storage sales** consist primarily of LNG terminalling services;
- **Other regulated revenue** consists primarily of miscellaneous service revenue from electric and gas distribution operations and sales of excess electric capacity and other commodities; and
- **Other nonregulated revenue** consists primarily of NGL gathering and processing, sales of NGL production and condensate, extracted products and associated hedging activity. Other nonregulated revenue also includes services performed for Atlantic Coast Pipeline, sales of energy-related products and services from Dominion Energy's retail energy marketing operations, service concession arrangements and gas processing and handling revenue.

OTHER REVENUE

- **Other revenue** consists primarily of alternative revenue programs, gains and losses from derivative instruments not subject to hedge accounting and lease revenues.

The primary types of sales and service activities reported as operating revenue for Dominion Energy, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- **Regulated electric sales** consisted primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- **Nonregulated electric sales** consisted primarily of sales of electricity at market-based rates and contracted fixed rates, and associated derivative activity;
- **Regulated gas sales** consisted primarily of state- and FERC-regulated natural gas sales and related distribution services and associated derivative activity;
- **Nonregulated gas sales** consisted primarily of sales of natural gas production at market-based rates and contracted fixed prices, sales of gas purchased from third parties, gas trading and marketing revenue and associated derivative activity;
- **Gas transportation and storage sales** consisted primarily of FERC-regulated sales of transmission and storage services. Also included were state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of gathering services; and
- **Other revenue** consisted primarily of sales of NGL production and condensate, extracted products and associated derivative activity. Other revenue also included miscellaneous service revenue from electric and gas distribution operations, sales of energy-related products and services from Dominion Energy's retail energy marketing operations and gas processing and handling revenue.

The primary types of sales and service activities reported as operating revenue for Virginia Power, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

REVENUE FROM CONTRACTS WITH CUSTOMERS

- **Regulated electric sales** consist primarily of state-regulated retail electric sales and federally-regulated wholesale electric sales and electric transmission services;
- **Other regulated revenue** consists primarily of sales of excess capacity and other commodities and miscellaneous service revenue from electric distribution operations; and
- **Other nonregulated revenue** consists primarily of sales to non-jurisdictional customers from certain solar facilities, revenue from renting space on certain electric transmission poles and distribution towers and service concession arrangements.

OTHER REVENUE

- **Other revenue** consists primarily of alternative revenue programs, gains and losses from derivative instruments not subject to hedge accounting and lease revenues.

The primary types of sales and service activities reported as operating revenue for Virginia Power, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- **Regulated electric sales** consisted primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services; and

- **Other revenue** consisted primarily of miscellaneous service revenue from electric distribution operations and miscellaneous revenue from generation operations, including sales of capacity and other commodities.

The primary types of sales and service activities reported as operating revenue for Dominion Energy Gas, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

REVENUE FROM CONTRACTS WITH CUSTOMERS

- **Regulated gas sales—wholesale** consist primarily of sales of natural gas to wholesale customers as permitted by FERC under DETI's operating tariff;
- **Nonregulated gas sales** consist primarily of sales of gas purchased from third parties and royalty revenues;
- **Regulated gas transportation and storage sales** consist of FERC-regulated sales of transmission and storage services;
- **Nonregulated gas transportation and storage sales** consist primarily of LNG terminalling services
- **Management service revenue** consists primarily of services performed for Atlantic Coast Pipeline;
- **Other regulated revenue** consists primarily of miscellaneous regulated revenues; and
- **Other nonregulated revenue** consists primarily of miscellaneous service revenue.

OTHER REVENUE

- **Other revenue** consists primarily of gains and losses from derivative instruments not subject to hedge accounting.

The primary types of sales and service activities reported as operating revenue for Dominion Energy Gas, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- **Regulated gas sales** consisted primarily of sales of natural gas to wholesale customers as permitted by FERC under DETI's operating tariff;
- **Nonregulated gas sales** consisted primarily of sales of natural gas production at market-based rates and contracted fixed prices and sales of gas purchased from third parties. Revenue from sales of gas production was recognized based on actual volumes of gas sold to purchasers and was reported net of royalties;
- **Gas transportation and storage sales** consisted primarily of FERC-regulated sales of transmission and storage services; and
- **Other revenue** consisted primarily of miscellaneous service revenue, gas processing and handling revenue.

Operating revenue for East Ohio and DGP consists primarily of state-regulated natural gas sales and related distribution services, state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of NGL gathering and processing activities, and is included in net income from discontinued operations in Dominion Energy Gas' Consolidated Statements of Income through November 6, 2019.

Dominion Energy and Virginia Power record refunds to customers as required by state commissions as a reduction to regulated electric sales or regulated gas sales, as applicable. Dominion Energy and Virginia Power's revenue accounted for under the

alternative revenue program guidance primarily consists of the equity return for under-recovery of certain riders. Alternative revenue programs compensate Dominion Energy and Virginia Power for certain projects and initiatives. Revenues arising from these programs are presented separately from revenue arising from contracts with customers in the categories above.

Revenues from electric and gas sales are recognized over time, as the customers of the Companies consume gas and electricity as it is delivered. Transportation and storage contracts are primarily stand-ready service contracts that include fixed reservation and variable usage fees. LNG terminalling services are also stand-ready service contracts, primarily consisting of fixed fees, offset by service credits associated with the start-up phase of the Liquefaction Facility. Fixed fees are recognized ratably over the life of the contract as the stand-ready performance obligation is satisfied, while variable usage fees are recognized when Dominion Energy and Dominion Energy Gas have a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance obligation completed to date. Sales of products and services, including NGLs, typically transfer control and are recognized as revenue upon delivery of the product or service. The customer is able to direct the use of, and obtain substantially all of the benefits from, the product at the time the product is delivered. The contract with the customer states the final terms of the sale, including the description, quantity and price of each product or service purchased. Payment for most sales and services varies by contract type, but is typically due within a month of billing.

Dominion Energy and Dominion Energy Gas typically receive or retain NGLs and natural gas from customers when providing natural gas processing, transportation or storage services. Dominion Energy and Dominion Energy Gas record the fair value of NGLs received during natural gas processing as service revenue recognized over time, and continue to recognize revenue from the subsequent sale of the NGLs to customers upon delivery. Dominion Energy and Dominion Energy Gas typically retain natural gas under certain transportation service arrangements that are intended to facilitate performance of the service and allow for natural losses that occur. As the intent of the allowance is to enable fulfillment of the contract rather than to provide compensation for services, the fuel allowance is not included in revenue.

Credit Risk

Credit risk is the risk of financial loss if counterparties fail to perform their contractual obligations. In order to minimize overall credit risk, credit policies are maintained, including the evaluation of counterparty financial condition, collateral requirements and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. In addition, counterparties may make available collateral, including letters of credit or cash held as margin deposits, as a result of exceeding agreed-upon credit limits, or may be required to prepay the transaction.

The Companies maintain a provision for credit losses based on factors surrounding the credit risk of their customers, historical trends and other information. Management believes, based on credit policies and the December 31, 2019 provision for credit losses, that it is unlikely that a material adverse effect on financial position, results of operations or cash flows would occur as a

result of counterparty nonperformance. Effective January 2020, expected credit losses will be estimated and recorded based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets held at amortized cost as well as expected credit losses on commitments with respect to financial guarantees.

Electric Fuel, Purchased Energy and Purchased Gas-Deferred Costs

Where permitted by regulatory authorities, the differences between Dominion Energy and Virginia Power's actual electric fuel and purchased energy expenses and Dominion Energy and Dominion Energy Gas' purchased gas expenses and the related levels of recovery for these expenses in current rates are deferred and matched against recoveries in future periods. The deferral of costs in excess of current period fuel rate recovery is recognized as a regulatory asset, while rate recovery in excess of current period fuel expenses is recognized as a regulatory liability.

Of the cost of fuel used in electric generation and energy purchases to serve Virginia utility customers, at December 31, 2019, approximately 84% is subject to Virginia Power's deferred fuel accounting, while substantially all of the remaining amount is subject to recovery through similar mechanisms.

Virtually all of East Ohio, Questar Gas, Hope, DESC and PSNC's natural gas purchases are either subject to deferral accounting or are recovered from the customer in the same accounting period as the sale.

Income Taxes

A consolidated federal income tax return is filed for Dominion Energy and its subsidiaries, including Virginia Power and Dominion Energy Gas' subsidiaries. In addition, where applicable, combined income tax returns for Dominion Energy and its subsidiaries are filed in various states; otherwise, separate state income tax returns are filed.

Although Dominion Energy Gas and certain of its subsidiaries are disregarded for income tax purposes, a provision for income taxes is recognized to reflect the inclusion of its business activities in the tax returns of its parent, Dominion Energy. Virginia Power and Dominion Energy Gas participate in intercompany tax sharing agreements with Dominion Energy and its subsidiaries. Current income taxes are based on taxable income or loss and credits determined on a separate company basis.

Under the agreements, if a subsidiary incurs a tax loss or earns a credit, recognition of current income tax benefits is limited to refunds of prior year taxes obtained by the carryback of the net operating loss or credit or to the extent the tax loss or credit is absorbed by the taxable income of other Dominion Energy consolidated group members. Otherwise, the net operating loss or credit is carried forward and is recognized as a deferred tax asset until realized.

The 2017 Tax Reform Act included a broad range of tax reform provisions affecting the Companies, including changes in corporate tax rates and business deductions. The 2017 Tax Reform Act reduces the corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. Deferred tax assets and liabilities are classified as noncurrent in the Consolidated Balance Sheets and measured at the enacted tax rate expected to apply when temporary differences are realized or

settled. Thus, at the date of enactment, federal deferred taxes were remeasured based upon the new 21% tax rate. The total effect of tax rate changes on deferred tax balances was recorded as a component of the income tax provision related to continuing operations for the period in which the law is enacted, even if the assets and liabilities relate to other components of the financial statements, such as items of accumulated other comprehensive income. For Dominion Energy subsidiaries that are not rate-regulated utilities, existing deferred income tax assets or liabilities were adjusted for the reduction in the corporate income tax rate and allocated to continuing operations. Dominion Energy's rate-regulated utility subsidiaries likewise were required to adjust deferred income tax assets and liabilities for the change in income tax rates. However, if it is probable that the effect of the change in income tax rates will be recovered or refunded in future rates, the regulated utility recorded a regulatory asset or liability instead of an increase or decrease to deferred income tax expense.

Accounting for income taxes involves an asset and liability approach. Deferred income tax assets and liabilities are provided, representing future effects on income taxes for temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Accordingly, deferred taxes are recognized for the future consequences of different treatments used for the reporting of transactions in financial accounting and income tax returns. The Companies establish a valuation allowance when it is more-likely-than-not that all, or a portion, of a deferred tax asset will not be realized. Where the treatment of temporary differences is different for rate-regulated operations, a regulatory asset is recognized if it is probable that future revenues will be provided for the payment of deferred tax liabilities.

The Companies recognize positions taken, or expected to be taken, in income tax returns that are more-likely-than-not to be realized, assuming that the position will be examined by tax authorities with full knowledge of all relevant information.

If it is not more-likely-than-not that a tax position, or some portion thereof, will be sustained, the related tax benefits are not recognized in the financial statements. Unrecognized tax benefits may result in an increase in income taxes payable, a reduction of income tax refunds receivable or changes in deferred taxes. Also, when uncertainty about the deductibility of an amount is limited to the timing of such deductibility, the increase in income taxes payable (or reduction in tax refunds receivable) is accompanied by a decrease in deferred tax liabilities. Except when such amounts are presented net with amounts receivable from or amounts prepaid to tax authorities, noncurrent income taxes payable related to unrecognized tax benefits are classified in other deferred credits and other liabilities on the Consolidated Balance Sheets and current payables are included in accrued interest, payroll and taxes on the Consolidated Balance Sheets.

The Companies recognize interest on underpayments and overpayments of income taxes in interest expense and other income, respectively. Penalties are also recognized in other income.

Interest expense for the Companies was immaterial in 2019 and 2018. Dominion Energy and Virginia Power both recognized interest income of \$11 million in 2017. Dominion Energy Gas' interest was immaterial in 2017. The Companies' penalties were immaterial in 2019, 2018 and 2017.

At December 31, 2019, Virginia Power had an income tax-related affiliated payable of \$35 million, comprised of \$15 million of federal income taxes and \$20 million of state income taxes due to Dominion Energy. Dominion Energy Gas also had a net affiliated receivable of \$209 million due from Dominion Energy, representing \$212 million of federal income taxes receivable and \$3 million of state income taxes payable to Dominion Energy. The net affiliated receivables are expected to be received from Dominion Energy.

In addition, Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2019 included \$10 million of state income taxes receivable. State income taxes receivable at Virginia Power were immaterial at December 31, 2019.

At December 31, 2018, Virginia Power had an income tax-related affiliated receivable of \$36 million, comprised of \$34 million of federal income taxes and \$2 million of state income taxes due from Dominion Energy. Dominion Energy Gas also had a net affiliated receivable of \$271 million due from Dominion Energy, representing \$277 million of federal income taxes receivable and \$6 million of state income taxes payable to Dominion Energy. Virginia Power's net affiliated receivables were received from Dominion Energy, and Dominion Energy Gas' affiliated receivables are expected to be received from Dominion Energy.

In addition, Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2018 included \$15 million of state income taxes receivable. State income taxes receivable at Virginia Power were immaterial at December 31, 2018.

Investment tax credits are recognized by nonregulated operations in the year qualifying property is placed in service. For regulated operations, investment tax credits are deferred and amortized over the service lives of the properties giving rise to the credits. Production tax credits are recognized as energy is generated and sold.

Cash, Restricted Cash and Equivalents

Cash, restricted cash and equivalents include cash on hand, cash in banks and temporary investments purchased with an original maturity of three months or less.

Current banking arrangements generally do not require checks to be funded until they are presented for payment. The following table illustrates the checks outstanding but not yet presented for payment and recorded in accounts payable for the Companies:

| At December 31, | 2019 | 2018 |
|---------------------|-------|-------|
| (millions) | | |
| Dominion Energy | \$ 29 | \$ 35 |
| Virginia Power | 9 | 16 |
| Dominion Energy Gas | 6 | 7 |

RESTRICTED CASH AND EQUIVALENTS

The Companies hold restricted cash and equivalent balances that primarily consist of amounts held for litigation settlements, customer deposits and future debt payments on SBL Holdco and Dominion Solar Projects III, Inc.'s term loan agreements and on Eagle Solar's senior note agreement.

The following table provides a reconciliation of the total cash, restricted cash and equivalents reported within the Companies' Consolidated Balance Sheets to the corresponding amounts reported within the Companies' Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017:

| | Cash, Restricted Cash and Equivalents at End/Beginning of Year | | | |
|--|---|----------------------|----------------------|----------------------|
| | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 |
| (millions) | | | | |
| Dominion Energy | | | | |
| Cash and cash equivalents | \$ 166 | \$ 268 | \$ 120 | \$ 261 |
| Restricted cash and equivalents ⁽¹⁾ | 103 | 123 | 65 | 61 |
| Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows | \$ 269 | \$ 391 | \$ 185 | \$ 322 |
| Virginia Power | | | | |
| Cash and cash equivalents | \$ 17 | \$ 29 | \$ 14 | \$ 11 |
| Restricted cash and equivalents ⁽¹⁾ | 7 | 9 | 10 | — |
| Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows | \$ 24 | \$ 38 | \$ 24 | \$ 11 |
| Dominion Energy Gas | | | | |
| Cash and cash equivalents | \$ 27 | \$ 108 | \$ 18 | \$ 76 |
| Restricted cash and equivalents ⁽¹⁾ | 12 | 90 | 39 | 45 |
| Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows | \$ 39 | \$ 198 | \$ 57 | \$ 121 |

(1) Restricted cash and equivalent balances are presented within other current assets in the Companies' Consolidated Balance Sheets.

(2) At December 31, 2018, 2017 and 2016, Dominion Energy Gas had \$9 million, \$3 million and \$14 million of cash and cash equivalents included in current assets of discontinued operations, respectively.

DISTRIBUTIONS FROM EQUITY METHOD INVESTEEES

Dominion Energy and Dominion Energy Gas each hold investments that are accounted for under the equity method of accounting. Dominion Energy and Dominion Energy Gas classify distributions from equity method investees as either cash flows from operating activities or cash flows from investing activities in the Consolidated Statements of Cash Flows according to the nature of the distribution. Distributions received are classified on the basis of the nature of the activity of the investee that generated the distribution

as either a return on investment (classified as cash flows from operating activities) or a return of an investment (classified as cash flows from investing activities) when such information is available to Dominion Energy and Dominion Energy Gas.

Derivative Instruments

The Companies are exposed to the impact of market fluctuations in the price of electricity, natural gas and other energy-related products they market and purchase, as well as interest rate and foreign currency exchange rate risks of their business operations. Dominion Energy uses derivative instruments such as physical and financial forwards, futures, swaps, options and FTRs to manage the commodity, interest rate and foreign currency exchange rate risks of its business operations. Virginia Power uses derivative instruments such as physical and financial forwards, futures, swaps, options and FTRs to manage commodity and interest rate risks. Dominion Energy Gas uses derivative instruments such as physical and financial forwards, futures and swaps to manage commodity, interest rate and foreign currency exchange rate risks.

All derivatives, except those for which an exception applies, are required to be reported in the Consolidated Balance Sheets at fair value. Derivative contracts representing unrealized gain positions and purchased options are reported as derivative assets. Derivative contracts representing unrealized losses and options sold are reported as derivative liabilities. One of the exceptions to fair value accounting, normal purchases and normal sales, may be elected when the contract satisfies certain criteria, including a requirement that physical delivery of the underlying commodity is probable. Expenses and revenues resulting from deliveries under normal purchase contracts and normal sales contracts, respectively, are included in earnings at the time of contract performance.

The Companies do not offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. Dominion Energy had margin assets of \$42 million and \$95 million associated with cash collateral at December 31, 2019 and 2018, respectively. Dominion Energy's margin liabilities of \$2 million and less than \$1 million associated with cash collateral at December 31, 2019 and 2018, respectively. Virginia Power had margin assets of less than \$1 million associated with cash collateral at December 31, 2019. Virginia Power had no margin assets associated with cash collateral at December 31, 2018 and no margin liabilities associated with cash collateral at December 31, 2019 and 2018. Dominion Energy Gas had no margin assets or liabilities associated with cash collateral at December 31, 2019 and 2018. See Note 7 for further information about derivatives.

To manage price risk, the Companies hold derivative instruments that are not designated as hedges for accounting purposes. However, to the extent the Companies do not hold offsetting positions for such derivatives, they believe these instruments represent economic hedges that mitigate their exposure to fluctuations in commodity prices. All income statement activity, including amounts realized upon settlement, is presented in operating revenue, operating expenses, interest and related charges or other income based on the nature of the underlying risk.

Changes in the fair value of derivative instruments result in the recognition of regulatory assets or regulatory liabilities for jurisdictions subject to cost-based rate regulation. Realized gains or losses on the derivative instruments are generally recognized when the related transactions impact earnings.

DERIVATIVE INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

In accordance with accounting guidance pertaining to derivatives and hedge accounting, the Companies designate a portion of their derivative instruments as either cash flow or fair value hedges for accounting purposes. For derivative instruments that are accounted for as cash flow hedges or fair value hedges, the cash flows from the derivatives and from the related hedged items are classified in operating cash flows.

Cash Flow Hedges -A majority of the Companies' hedge strategies represents cash flow hedges of the variable price risk associated with the purchase and sale of electricity, natural gas and NGLs. The Companies also use interest rate swaps to hedge their exposure to variable interest rates on long-term debt as well as foreign currency swaps to hedge their exposure to interest payments denominated in Euros. For transactions in which the Companies are hedging the variability of cash flows, changes in the fair value of the derivatives are reported in AOCI, to the extent they are effective at offsetting changes in the hedged item. Any derivative gains or losses reported in AOCI are reclassified to earnings when the forecasted item is included in earnings, or earlier, if it becomes probable that the forecasted transaction will not occur. For cash flow hedge transactions, hedge accounting is discontinued if the occurrence of the forecasted transaction is no longer probable.

Dominion Energy entered into interest rate derivative instruments to hedge its forecasted interest payments related to planned debt issuances in 2014. These interest rate derivatives were designated by Dominion Energy as cash flow hedges prior to the formation of Dominion Energy Gas. For the purposes of the Dominion Energy Gas financial statements, the derivative balances, AOCI balance, and any income statement impact related to these interest rate derivative instruments entered into by Dominion Energy have been, and will continue to be, included in the Dominion Energy Gas' Consolidated Financial Statements as the forecasted interest payments related to the debt issuances now occur at Dominion Energy Gas.

Fair Value Hedges -Dominion Energy has also designated interest rate swaps as fair value hedges on certain fixed rate long-term debt to manage interest rate exposure. For fair value hedge transactions, changes in the fair value of the derivative are generally offset currently in earnings by the recognition of changes in the hedged item's fair value. Hedge accounting is discontinued if the hedged item no longer qualifies for hedge accounting. See Note 6 for further information about fair value measurements and associated valuation methods for derivatives. See Note 7 for further information on derivatives.

Property, Plant and Equipment

Property, plant and equipment is recorded at lower of original cost or fair value, if impaired. Capitalized costs include labor, materials and other direct and indirect costs such as asset retirement costs, capitalized interest and, for certain operations subject

to cost-of-service rate regulation, AFUDC and overhead costs. The cost of repairs and maintenance, including minor additions and replacements, is generally charged to expense as it is incurred.

In 2019, 2018 and 2017, Dominion Energy capitalized interest costs and AFUDC to property, plant and equipment of \$89 million, \$134 million and \$236 million, respectively. In 2019, 2018 and 2017, Virginia Power capitalized AFUDC to property, plant and equipment of \$34 million, \$56 million and \$37 million, respectively. In 2019, 2018 and 2017, Dominion Energy Gas capitalized AFUDC to property, plant and equipment of \$31 million, \$25 million and \$34 million, respectively.

Under Virginia law, certain Virginia jurisdictional projects qualify for current recovery of AFUDC through rate adjustment clauses. AFUDC on these projects is calculated and recorded as a regulatory asset and is not capitalized to property, plant and equipment. In 2019, 2018 and 2017, Virginia Power recorded \$11 million, \$4 million and \$22 million of AFUDC related to these projects, respectively.

For property subject to cost-of-service rate regulation, including Dominion Energy and Virginia Power electric distribution, electric transmission and generation property, Dominion Energy natural gas distribution and Dominion Energy Gas natural gas transmission property, the undepreciated cost of such property, less salvage value, is generally charged to accumulated depreciation at retirement. Cost of removal collections from utility customers not representing AROs are recorded as regulatory liabilities. For property subject to cost-of-service rate regulation that will be abandoned significantly before the end of its useful life, the net carrying value is reclassified from plant-in-service when it becomes probable it will be abandoned and recorded as a regulatory asset for amounts expected to be collected through future rates.

In 2019, Virginia Power had the following charges, primarily recorded in impairment of assets and other charges in the Consolidated Statements of Income (reflected in the Corporate and Other segment), related to early retirements:

- In January 2019, Virginia Power committed to a plan to retire certain automated metering reading infrastructure associated with its electric operations before the end of its estimated useful life and replace such equipment with more current AMI technology. As a result, Virginia Power recorded a charge of \$160 million (\$119 million after-tax). This charge is considered a component of Virginia Power's base rates deemed recovered under the GTSA, subject to review as discussed in Note 13.
- In March 2019, Virginia Power committed to retire certain electric generating units before the end of their useful lives and completed the retirement of certain units at six facilities representing 1,292 MW of electric generating capacity, which had previously been placed in cold reserve. An additional unit at Possum Point power station will be retired after it meets its capacity obligation to PJM in 2021. As a result, Virginia Power recorded a charge of \$346 million (\$257 million after-tax). This charge is considered a component of Virginia Power's base rates deemed recovered under the GTSA, subject to review as discussed in Note 13.
- In May 2019, Virginia Power abandoned a coal rail project at its Mt. Storm generating facility. As a result, Virginia Power recorded a charge of \$62 million (\$46 million after-tax).

- In September 2019, Dominion Energy and Virginia Power abandoned certain property, plant and equipment before the end of its useful life. As a result, Dominion Energy recorded a charge of \$26 million (\$19 million after-tax) and Virginia Power recorded a charge of \$17 million (\$12 million after-tax).

For property that is not subject to cost-of-service rate regulation, including nonutility property, cost of removal not associated with AROs is charged to expense as incurred. The Companies also record gains and losses upon retirement based upon the difference between the proceeds received, if any, and the property's net book value at the retirement date.

Depreciation of property, plant and equipment is computed on the straight-line method based on projected service lives. The Companies' average composite depreciation rates on utility property, plant and equipment are as follows:

| Year Ended December 31, (percent) | 2019 | 2018 | 2017 |
|---|------|------|------|
| Dominion Energy | | | |
| Generation | 2.84 | 2.71 | 2.94 |
| Transmission | 2.47 | 2.54 | 2.55 |
| Distribution | 2.80 | 2.97 | 3.00 |
| Storage | 2.40 | 2.40 | 2.48 |
| General and other | 4.04 | 4.20 | 4.38 |
| Virginia Power | | | |
| Generation | 2.94 | 2.71 | 2.94 |
| Transmission | 2.54 | 2.52 | 2.54 |
| Distribution | 3.14 | 3.31 | 3.32 |
| General and other | 4.40 | 4.52 | 4.68 |
| Dominion Energy Gas ⁽¹⁾ | | | |
| Transmission | 2.43 | 2.66 | 2.67 |
| Storage | 2.53 | 2.42 | 2.51 |
| General and other | 4.59 | 4.18 | 5.08 |

(1) Excludes rates for depreciation reported as discontinued operations.

Virginia Power expects to receive an updated depreciation study for its nuclear plants in the first quarter of 2020, which is anticipated to reflect lower depreciation rates as a result of expected approval of license extensions from the NRC.

In 2018, Virginia Power revised depreciation rates for regulated nuclear plants to comply with Virginia Commission requirements. For the year ended December 31, 2018, this adjustment resulted in a decrease of \$60 million (\$44 million after-tax) in depreciation expense in Virginia Power's Consolidated Statement of Income and an increase to Dominion Energy's EPS of \$0.07 per share. This change resulted in an annual decrease in depreciation expense of \$30 million (\$23 million after-tax).

In 2017, Virginia Power revised the depreciation rates for its assets to reflect the results of a new depreciation study. This change resulted in an increase in annual depreciation expense of \$40 million (\$25 million after-tax) for 2017. Additionally, Dominion Energy revised the depreciable lives for its merchant generation assets, excluding Millstone, which resulted in a decrease in annual depreciation expense of \$26 million (\$16 million after-tax) for 2017.

Virginia Power's non-jurisdictional property, plant and equipment is depreciated using the straight-line method over an estimated useful life of 30 years.

Capitalized costs of development wells and leaseholds are amortized on a field-by-field basis using the unit-of-production method and the estimated proved developed or total proved gas and oil reserves, at a rate of \$1.80 and \$1.89 per mcf in 2019 and 2018, respectively.

Dominion Energy's nonutility property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| Asset | Estimated Useful Lives |
|---|------------------------|
| Merchant generation-nuclear | 44 years |
| Merchant generation-other | 15-30 years |
| Nonutility gas gathering and processing | 3-50 years |
| LNG facility | 40 years |
| General and other | 5-59 years |

Depreciation and amortization related to Virginia Power and Dominion Energy Gas' nonutility property, plant and equipment and exploration and production properties was immaterial for the years ended December 31, 2019, 2018 and 2017, except for Dominion Energy Gas' nonutility LNG facility which is depreciated using the straight-line method over an estimated useful life of 40 years.

Nuclear fuel used in electric generation is amortized over its estimated service life on a units-of-production basis. Dominion Energy and Virginia Power report the amortization of nuclear fuel in electric fuel and other energy-related purchases expense in their Consolidated Statements of Income and in depreciation and amortization in their Consolidated Statements of Cash Flows.

Long-Lived and Intangible Assets

The Companies perform an evaluation for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets or intangible assets with finite lives may not be recoverable. A long-lived or intangible asset is written down to fair value if the sum of its expected future undiscounted cash flows is less than its carrying amount. Intangible assets with finite lives are amortized over their estimated useful lives. See Note 6 for further discussion on the impairment of long-lived assets.

Regulatory Assets and Liabilities

The accounting for the Companies' regulated electric and gas operations differs from the accounting for nonregulated operations in that the Companies are required to reflect the effect of rate regulation in their Consolidated Financial Statements. For regulated businesses subject to federal or state cost-of-service rate regulation, regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred.

The Companies evaluate whether or not recovery of its regulatory assets through future rates is probable as well as whether a regulatory liability due to customers is probable and makes various assumptions in its analyses. These analyses are generally based on:

- Orders issued by regulatory commissions, legislation and judicial actions;

- Past experience;
- Discussions with applicable regulatory authorities and legal counsel;
- Forecasted earnings; and
- Considerations around the likelihood of impacts from events such as unusual weather conditions, extreme weather events and other natural disasters and unplanned outages of facilities.

Generally, regulatory assets and liabilities are amortized into income over the period authorized by the regulator. If recovery of a regulatory asset is determined to be less than probable, it will be written off in the period such assessment is made. A regulatory liability, if considered probable, will be recorded in the period such assessment is made or reversed into earnings if no longer probable. See Notes 12 and 13 to the Consolidated Financial Statements for additional information.

Leases

The Companies lease certain assets including vehicles, real estate, office equipment and other operational assets under both operating and finance leases. For the Companies' operating leases, rent expense is recognized on a straight-line basis over the term of the lease agreement, subject to regulatory framework. Rent expense associated with operating leases, short-term leases and variable leases is primarily recorded in other operations and maintenance expense in the Companies' Consolidated Statements of Income. Rent expense associated with finance leases results in the separate presentation of interest expense on the lease liability and amortization expense of the related right-of-use asset in the Companies' Consolidated Statements of Income.

Certain of the Companies' leases include one or more options to renew, with renewal terms that can extend the lease from one to 70 years. The exercise of renewal options is solely at the Companies' discretion and is included in the lease term if the option is reasonably certain to be exercised. A right-of-use asset and corresponding lease liability for leases with original lease terms of one year or less are not included in the Consolidated Balance Sheets, unless such leases contain renewal options that the Companies are reasonably certain will be exercised. Additionally, certain of the Companies' leases contain escalation clauses whereby payments are adjusted for consumer price or other indices or contain fixed dollar or percentage increases. The Companies also have leases with variable payments based upon usage of, or revenues associated with, the leased assets.

The determination of the discount rate utilized has a significant impact on the calculation of the present value of the lease liability included in the Companies' Consolidated Balance Sheets. For the Companies' fleet of leased vehicles, the discount rate is equal to the prevailing borrowing rate earned by the lessor. For the Companies' remaining leased assets, the discount rate implicit in the lease is generally unable to be determined from a lessee perspective. As such, the Companies use internally-developed incremental borrowing rates as a discount rate in the calculation of the present value of the lease liability. The incremental borrowing rates are determined based on an analysis of the Companies' publicly available unsecured borrowing rates, adjusted for a collateral discount, over various lengths of time that most closely correspond to the Companies' lease maturities.

In addition, Dominion Energy acts as lessor under certain power purchase agreements in which the counterparty or counterparties purchase substantially all of the output of certain solar facilities. These leases are considered operating in nature. For such leasing arrangements, rental revenue and an associated accounts receivable are recorded when the monthly output of the solar facility is determined. Depreciation on these solar facilities is computed on a straight-line basis over an estimated useful life of 30 years.

Asset Retirement Obligations

The Companies recognize AROs at fair value as incurred or when sufficient information becomes available to determine a reasonable estimate of the fair value of future retirement activities to be performed, for which a legal obligation exists. These amounts are generally capitalized as costs of the related tangible long-lived assets. Since relevant market information is not available, fair value is estimated using discounted cash flow analyses. Quarterly, the Companies assess their AROs to determine if circumstances indicate that estimates of the amounts or timing of future cash flows associated with retirement activities have changed. AROs are adjusted when significant changes in the amounts or timing of future cash flows are identified. Dominion Energy and Dominion Energy Gas report accretion of AROs and depreciation on asset retirement costs associated with their natural gas pipeline and storage well assets as an adjustment to the related regulatory liabilities when revenue is recoverable from customers for AROs. Dominion Energy and Virginia Power report accretion of AROs and depreciation on asset retirement costs associated with decommissioning its nuclear power stations as an adjustment to the regulatory liability for certain jurisdictions. Additionally, Dominion Energy and Virginia Power report accretion of AROs and depreciation on asset retirement costs associated with certain rider and prospective rider projects as an adjustment to the regulatory asset for certain jurisdictions. Accretion of all other AROs and depreciation of all other asset retirement costs are reported in other operations and maintenance expense and depreciation expense, respectively, in the Consolidated Statements of Income.

Debt Issuance Costs

The Companies defer and amortize debt issuance costs and debt premiums or discounts over the expected lives of the respective debt issues, considering maturity dates and, if applicable, redemption rights held by others. Deferred debt issuance costs are recorded as a reduction in long-term debt in the Consolidated Balance Sheets. Amortization of the issuance costs is reported as interest expense. Unamortized costs associated with redemptions of debt securities prior to stated maturity dates are generally recognized and recorded in interest expense immediately. As permitted by regulatory authorities, gains or losses resulting from the refinancing or redemption of debt allocable to utility operations subject to cost-based rate regulation are deferred and amortized.

Investments

DEBT AND EQUITY SECURITIES WITH READILY DETERMINABLE FAIR VALUES

Dominion Energy accounts for and classifies investments in debt securities as trading or available-for-sale securities. Virginia Power classifies investments in debt securities as available-for-sale securities.

- *Debt securities classified as trading securities* include securities held by Dominion Energy in rabbi trusts associated with cer

tain deferred compensation plans. These securities are reported in other investments in the Consolidated Balance Sheets at fair value with net realized and unrealized gains and losses included in other income in the Consolidated Statements of Income.

- *Debt securities classified as available-for-sale securities* include all other debt securities, primarily comprised of securities held in the nuclear decommissioning trusts. These investments are reported at fair value in nuclear decommissioning trust funds in the Consolidated Balance Sheets. Net realized and unrealized gains and losses (including any other-than-temporary impairments) on investments held in Virginia Power's nuclear decommissioning trusts are recorded to a regulatory liability for certain jurisdictions subject to cost-based regulation. For all other available-for-sale debt securities, including those held in Dominion Energy's merchant generation nuclear decommissioning trusts, net realized gains and losses (including any other-than-temporary impairments) are included in other income and unrealized gains and losses are reported as a component of AOCI, after-tax.

In determining realized gains and losses for debt securities, the cost basis of the security is based on the specific identification method.

Equity securities with readily determinable fair values include securities held by Dominion Energy in rabbi trusts associated with certain deferred compensation plans and securities held by Dominion Energy and Virginia Power in the nuclear decommissioning trusts. Dominion Energy and Virginia Power record all equity securities with a readily determinable fair value, or for which they are permitted to estimate fair value using NAV (or its equivalent), at fair value in nuclear decommissioning trust funds and other investments in the Consolidated Balance Sheets. However, Dominion Energy and Virginia Power may elect a measurement alternative for equity securities without a readily determinable fair value. Under the measurement alternative, equity securities are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Dominion Energy and Virginia Power qualitatively assess equity securities reported using the measurement alternative to determine whether an investment is impaired on an ongoing basis. Net realized and unrealized gains and losses on equity securities held in Virginia Power's nuclear decommissioning trusts are recorded to a regulatory liability for certain jurisdictions subject to cost-based regulation. For all other equity securities, including those held in Dominion Energy's merchant generation nuclear decommissioning trusts and rabbi trusts, net realized and unrealized gains and losses are included in other income in the Consolidated Statements of Income.

EQUITY SECURITIES WITHOUT READILY DETERMINABLE FAIR VALUES

The Companies account for illiquid and privately held securities without readily determinable fair values under either the equity method or cost method. Equity securities without readily determinable fair values include:

- *Equity method investments* when the Companies have the ability to exercise significant influence, but not control, over the

investee. Dominion Energy and Dominion Energy Gas' investments are included in investments in equity method affiliates in their Consolidated Balance Sheets. Dominion Energy and Dominion Energy Gas record equity method adjustments in other income and earnings from equity method investees, respectively, in their Consolidated Statements of Income, including their proportionate share of investee income or loss, gains or losses resulting from investee capital transactions, amortization of certain differences between the carrying value and the equity in the net assets of the investee at the date of investment and other adjustments required by the equity method.

- *Cost method investments* when Dominion Energy and Virginia Power do not have the ability to exercise significant influence over the investee. Dominion Energy and Virginia Power's investments are included in other investments and nuclear decommissioning trust funds. Cost method investments are reported at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

OTHER-THAN-TEMPORARY IMPAIRMENT

The Companies periodically review their investments in debt securities and equity method investments to determine whether a decline in fair value should be considered other-than-temporary. If a decline in the fair value of any security is determined to be other-than-temporary, the security is written down to its fair value at the end of the reporting period.

Decommissioning Trust Investments—Special Considerations for Debt Securities

- The recognition provisions of other-than-temporary impairment guidance apply only to debt securities classified as available-for-sale or held-to-maturity.
- Using information obtained from their nuclear decommissioning trust fixed-income investment managers, Dominion Energy and Virginia Power record in earnings any unrealized loss for a debt security when the manager intends to sell the debt security or it is more-likely-than-not that the manager will have to sell the debt security before recovery of its fair value up to its cost basis. If that is not the case, but the debt security is deemed to have experienced a credit loss, Dominion Energy and Virginia Power record the credit loss in earnings and any remaining portion of the unrealized loss in AOCI. Credit losses are evaluated primarily by considering the credit ratings of the issuer, prior instances of non-performance by the issuer and other factors.

Inventories

Materials and supplies and fossil fuel inventories are valued primarily using the weighted-average cost method. Stored gas inventory is valued using the weighted-average cost method, except for East Ohio gas distribution operations, which are valued using the LIFO method. Under the LIFO method, current stored gas inventory was valued at \$19 million and \$12 million at December 31, 2019 and December 31, 2018, respectively. Based on the average price of gas purchased during 2019 and 2018, the cost of replacing the current portion of stored gas inventory exceeded the amount stated on a LIFO basis by \$60 million and \$87 million, respectively. As a result of the Dominion Energy Gas

Restructuring, at December 31, 2018, East Ohio's stored gas inventory is reported in current assets of discontinued operations in the Consolidated Balance Sheets of Dominion Energy Gas.

Gas Imbalances

Natural gas imbalances occur when the physical amount of natural gas delivered from, or received by, a pipeline system or storage facility differs from the contractual amount of natural gas delivered or received. Dominion Energy and Dominion Energy Gas value these imbalances due to, or from, shippers and operators at an appropriate index price at period end, subject to the terms of its tariff for regulated entities. Imbalances are primarily settled in-kind. Imbalances due to Dominion Energy and Dominion Energy Gas from other parties are reported in other current assets and gas imbalances, respectively, and imbalances that Dominion Energy and Dominion Energy Gas owe to other parties are reported in other current liabilities in the Consolidated Balance Sheets.

Goodwill

Dominion Energy and Dominion Energy Gas evaluate goodwill for impairment annually as of April 1 and whenever an event occurs or circumstances change in the interim that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount.

New Accounting Standards

REVENUE RECOGNITION

In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The Companies adopted this revised accounting guidance for interim and annual reporting periods beginning January 1, 2018 using the modified retrospective method. Upon the adoption of the standard, Dominion Energy and Dominion Energy Gas recorded the cumulative-effect of a change in accounting principle of \$3 million to retained earnings and membership interests, respectively, and to establish a contract asset related to changes in the timing of revenue recognition for three existing contracts with customers at DETI.

As a result of adopting this revised accounting guidance, Dominion Energy records offsetting operating revenue and other energy-related purchases for non-cash consideration of performing processing and fractionation services related to NGLs. Such amounts at Dominion Energy were \$107 million, recorded in the Consolidated Statements of Income for the year ended December 31, 2018. No such amounts were recorded during the year ended December 31, 2017. Dominion Energy and Dominion Energy Gas no longer record offsetting operating revenue and purchased gas for fuel retained to offset costs on certain transportation and storage arrangements. Such amounts at Dominion Energy were \$111 million and at Dominion Energy Gas were \$71 million, recorded in the Consolidated Statements of Income for the year ended December 31, 2017.

FINANCIAL INSTRUMENTS

In January 2016, the FASB issued revised accounting guidance for the recognition, measurement, presentation and disclosure of financial instruments. The guidance became effective for the Companies' interim and annual reporting periods beginning

January 1, 2018 and the Companies adopted the standard using the modified retrospective method. Upon adoption of this guidance for equity securities held at January 1, 2018, Dominion Energy and Virginia Power recorded the cumulative-effect of a change in accounting principle to reclassify net unrealized gains from AOCI to retained earnings and to recognize equity securities previously categorized as cost method investments at fair value (using NAV) in nuclear decommissioning trust funds in the Consolidated Balance Sheets and a cumulative-effect adjustment to retained earnings. Dominion Energy and Virginia Power reclassified approximately \$1.1 billion (\$734 million after-tax) and \$119 million (\$73 million after-tax), respectively, of net unrealized gains from AOCI to retained earnings. Dominion Energy and Virginia Power also recorded approximately \$36 million (\$22 million after-tax) in net unrealized gains on equity securities previously classified as cost method investments, of which \$3 million was recorded to retained earnings and \$33 million was recorded to regulatory liabilities for net unrealized gains subject to cost-based regulation. As a result of adopting this revised accounting guidance, Dominion Energy recorded unrealized losses on equity securities, net of regulatory deferrals, of \$190 million (\$142 million after-tax) in other income in the Consolidated Statements of Income for the year ended December 31, 2018, resulting in an \$0.22 loss per share for the year ended December 31, 2018. Virginia Power recorded unrealized losses on equity securities, net of regulatory deferrals, of \$24 million (\$18 million after-tax) in other income in the Consolidated Statements of Income for the year ended December 31, 2018.

LEASES

In February 2016, the FASB issued revised accounting guidance for the recognition, measurement, presentation and disclosure of leasing arrangements. The update requires that a liability and corresponding right-of-use asset are recorded on the balance sheet for all leases, including those leases classified as operating leases, while also refining the definition of a lease. In addition, lessees are required to disclose key information about the amount, timing and uncertainty of cash flows arising from leasing arrangements. Lessor accounting remains largely unchanged.

The guidance became effective for the Companies' interim and annual reporting periods beginning January 1, 2019. The Companies adopted this revised accounting guidance using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the date of adoption. Under this approach, the Companies utilized the transition practical expedient to maintain historical presentation for periods before January 1, 2019. The Companies also applied the other practical expedients, which required no reassessment of whether existing contracts are or contain leases, no reassessment of lease classification for existing leases and no reassessment of existing or expired land easements that were not previously accounted for as leases. In connection with the adoption of this revised accounting guidance, Dominion Energy, Virginia Power and Dominion Energy Gas recorded \$504 million, \$209 million and \$64 million, respectively, of offsetting right-of-use assets and liabilities for operating leases in effect at the adoption date. As a result of the Dominion Energy Gas Restructuring, \$25 million of such right-of-use assets and liabilities for operating leases recorded

at Dominion Energy Gas were associated with discontinued operations. See Note 15 for additional information.

DERECOGNITION AND PARTIAL SALES OF NONFINANCIAL ASSETS

In February 2017, the FASB issued revised accounting guidance clarifying the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets. The guidance became effective for the Companies' interim and annual reporting periods beginning January 1, 2018, and the Companies adopted the standard using the modified retrospective method. Upon adoption of the standard, Dominion Energy recorded the cumulative-effect of a change in accounting principle to reclassify \$127 million from noncontrolling interests to common stock related to the sale of a noncontrolling interest in certain merchant solar projects completed in December 2015 and January 2016.

NET PERIODIC PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS

In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic pension and other postretirement benefit costs. This guidance became effective for the Companies beginning January 1, 2018 and requires that the service cost component of net periodic pension and other postretirement benefit costs be classified in the same line item as other compensation costs arising from services rendered by employees, while all other components of net periodic pension and other postretirement costs are classified outside of income from operations. In addition, only the service cost component remains eligible for capitalization during construction. These changes do not impact the accounting by participants in a multi-employer plan. The standard also recognizes that in the event that a regulator continues to require capitalization of all net periodic benefit costs prospectively, the difference would result in recognition of a regulatory asset or liability. For costs not capitalized for which regulators are expected to provide recovery, a regulatory asset will be established. As such, the amounts eligible for capitalization in the Consolidated Financial Statements of Virginia Power and Dominion Energy Gas, as subsidiary participants in Dominion Energy's multi-employer plans, will differ from the amounts eligible for capitalization in the Consolidated Financial Statements of Dominion Energy, the plan administrator. These differences will result in a regulatory asset or liability recorded in the Consolidated Financial Statements of Dominion Energy.

TAX REFORM

In December 2017, the staff of the SEC issued guidance which clarifies accounting for income taxes if information is not yet available or complete and provided for up to a one-year measurement period in which to complete the required analyses and accounting. The guidance described three scenarios associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply accounting for income taxes based on the provisions of the tax laws that were in effect immediately prior to the 2017 Tax

Reform Act being enacted. The Companies have accounted for the effects of the 2017 Tax Reform Act, although additional changes could occur as guidance is issued and finalized as described below. In addition, the major states in which the Companies operate have addressed conformity with some or all of the provisions of the 2017 Tax Reform Act, although some states have modified certain of these provisions.

In August 2018, the U.S. Department of Treasury issued proposed regulations addressing the availability of federal bonus depreciation for the period beginning after September 27, 2017 through December 31, 2017. The application of these changes decreased Dominion Energy's net operating loss carryforward utilization on its 2017 tax return. The impacts of proposed and final regulations issued in 2019 on the applicability of accelerated depreciation were immaterial at the Companies, as discussed in Note 5.

In November 2018, the U.S. Department of Treasury issued proposed regulations defining interest as any amounts associated with the time value of money or use of funds. These proposed regulations provide guidance for purposes of the exception to the interest limitation for regulated public utilities, the application of the interest limitation to consolidated groups, such as Dominion Energy, and the interest limitation with respect to partnerships and partners in those partnerships. It is unclear when the guidance may be finalized, or whether that guidance could result in a disallowance of a portion of the Companies' interest deductions in the future.

In February 2018, the FASB issued revised accounting guidance to provide clarification on the application of the 2017 Tax Reform Act for balances recorded within AOCI. The revised guidance provides for stranded amounts within AOCI from the impacts of the 2017 Tax Reform Act to be reclassified to retained earnings. The Companies adopted this guidance for interim and annual reporting periods beginning January 1, 2018 on a prospective basis. In connection with the adoption of this guidance, Dominion Energy reclassified a benefit of \$289 million from AOCI to retained earnings, Virginia Power reclassified a benefit of \$3 million from AOCI to retained earnings and Dominion Energy Gas reclassified a benefit of \$26 million from AOCI to membership interests. The amounts reclassified reflect the reduction in the federal income tax rate, and the federal benefit of state income taxes, on the components of the Companies' AOCI.

NOTE 3. ACQUISITIONS AND DISPOSITIONS

DOMINION ENERGY

Acquisition of SCANA

In January 2019, Dominion Energy issued 95.6 million shares of Dominion Energy common stock, valued at \$6.8 billion, representing 0.6690 of a share of Dominion Energy common stock for each share of SCANA common stock, in connection with the completion of the SCANA Combination. SCANA, through its regulated subsidiaries, is primarily engaged in the generation, transmission and distribution of electricity in the central, southern and southwestern portions of South Carolina and in the distribution of natural gas in North Carolina and South Carolina. In addition, at the closing of the SCANA Combination, SCANA

marketed natural gas to retail customers in the southeast U.S. Following completion of the SCANA Combination, SCANA operates as a wholly-owned subsidiary of Dominion Energy. In addition, SCANA's debt totaled \$6.9 billion at closing. The SCANA Combination expanded Dominion Energy's portfolio of regulated electric generation, transmission and distribution and regulated natural gas distribution infrastructure operations.

MERGER APPROVAL AND CONDITIONS

Merger Approval

The SCANA Combination required approval of SCANA's shareholders, FERC, the North Carolina Commission, the South Carolina Commission, the Georgia Public Service Commission and the NRC and clearance from the Federal Trade Commission under the Hart-Scott-Rodino Act. All such approvals were received prior to closing of the SCANA Combination.

Various parties filed petitions for rehearing or reconsideration of the SCANA Merger Approval Order. In January 2019, the South Carolina Commission issued an order (1) granting the request of various parties and finding that DESC was imprudent in its actions by not disclosing material information to the South Carolina Office of Regulatory Staff and the South Carolina Commission with regard to costs incurred subsequent to March 2015 and (2) denying the petitions for rehearing or reconsideration as to other issues raised in the various petitions. The deadline to appeal the SCANA Merger Approval Order and the order on rehearing expired in April 2019, and no party has sought appeal.

Refunds to Customers

As a condition to the SCANA Merger Approval Order, DESC will provide refunds and restitution of \$2.0 billion over 20 years with capital support from Dominion Energy.

In September and October 2017, DESC received proceeds totaling \$1.1 billion in full satisfaction of its share of a settlement agreement among DESC, Santee Cooper and Toshiba Corporation in connection with Westinghouse and WECTEC, both wholly-owned subsidiaries of Toshiba Corporation and responsible for the engineering and construction of the NND Project, filing for bankruptcy. The purchase price allocation below includes a previously established regulatory liability at DESC totaling \$1.1 billion, of which \$67 million was considered current, associated with the monetization of the bankruptcy settlement with Toshiba Corporation. In accordance with the terms of the SCANA Merger Approval Order, this regulatory liability, net of amounts that may be required to satisfy any liens against NND Project property, totaling \$1.0 billion will be refunded to DESC electric service customers over a 20-year period ending in 2039.

Additionally, in the first quarter of 2019, DESC recorded a reduction in operating revenue and a corresponding regulatory liability of \$1.0 billion, of which \$137 million was considered current, representing a refund of amounts previously collected from retail electric customers of DESC for the NND Project to be credited over an estimated 11-year period. As a result, Dominion Energy's Consolidated Statement of Income for the year ended December 31, 2019 includes a \$756 million after-tax charge.

NND Project

As a condition to the SCANA Merger Approval Order, DESC committed to excluding from rate recovery \$2.4 billion of costs related to the NND Project and \$180 million of costs associated with the purchase of the Columbia Energy Center power station. Regulatory assets included in SCANA's historical balance sheet at December 31, 2018 reflected these disallowances.

The remaining regulatory asset associated with the NND Project of \$2.8 billion, of which \$138 million was considered current, will be collected over a 20-year period, including a return on investment. In January 2019, DESC filed the NND Project rider in accordance with the terms of the SCANA Merger Approval Order for rates effective in February 2019 for DESC's retail electric customers. The South Carolina Commission approved this filing in January 2019.

Other Terms and Conditions

- DESC will not file an application for a general rate case with the South Carolina Commission with a requested effective date earlier than January 2021;
- PSNC will not file an application for a general rate case with the North Carolina Commission with a requested effective date earlier than April 2021;
- Dominion Energy has committed to increasing SCANA's historical level of corporate contributions to charities by \$1 million per year over five years;
- Dominion Energy will maintain DESC and PSNC's headquarters in Cayce, South Carolina and Gastonia, North Carolina, respectively; and
- Dominion Energy will seek to minimize reductions in local employment by allowing some DES employees supporting shared and common services functions and activities to be located in Cayce, South Carolina where it makes economic and practical sense to do so.

PURCHASE PRICE ALLOCATION

SCANA's assets acquired and liabilities assumed have been measured at estimated fair value at closing and are included in the Dominion Energy South Carolina, Gas Transmission & Storage and Gas Distribution operating segments. The majority of the operations acquired are subject to the rate setting authority of FERC and the North and South Carolina Commissions and are therefore accounted for pursuant to ASC 980, *Regulated Operations*. The fair values of SCANA's assets and liabilities subject to rate-setting and cost recovery provisions provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. As such, the fair values of these assets and liabilities equal their carrying values. Accordingly, neither the assets and liabilities acquired, nor the unaudited pro forma financial information, reflect any adjustments related to these amounts.

The fair value of SCANA's assets acquired and liabilities assumed that are not subject to the rate-setting provisions discussed above and the fair values of SCANA's investments accounted for under the equity method have been determined using the income approach and the market approach. The valuation of SCANA's long-term debt is considered a Level 2 fair value measurement. All other valuations are considered Level 3 fair value measurements due to the use of significant judgmental and unobservable inputs, including projected timing and amount of future cash flows and discount rates reflecting risk inherent in the future market prices.

The excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed is reflected as goodwill. The goodwill reflects the value associated with enhancing Dominion Energy's portfolio of regulated operations in the growing southeast region of the U.S. The goodwill recognized is not deductible for income tax purposes, and as such, no deferred taxes have been recorded related to goodwill.

The table below shows the allocation of the purchase price to the assets acquired and liabilities assumed at closing, which reflects certain adjustments related to income taxes, as discussed in Note 5, from the preliminary valuation recognized during the measurement period.

| | Amount |
|---|----------|
| (millions) | |
| Total current assets ⁽¹⁾ | \$ 1,782 |
| Investments ⁽²⁾ | 224 |
| Property, plant and equipment ⁽³⁾⁽⁴⁾ | 11,006 |
| Goodwill | 2,609 |
| Regulatory assets ⁽⁵⁾ | 3,940 |
| Other deferred charges and other assets, including intangible assets ⁽⁶⁾ | 430 |
| Total Assets | 19,991 |
| Total current liabilities ⁽⁷⁾ | 1,556 |
| Long-term debt | 6,707 |
| Deferred income taxes | 1,068 |
| Regulatory liabilities | 2,706 |
| Other deferred credits and other liabilities ⁽⁸⁾ | 1,115 |
| Total Liabilities | 13,152 |
| Total purchase price ⁽⁹⁾ | \$ 6,839 |

(1) Includes \$389 million of cash, restricted cash and equivalents, of which \$115 million is considered restricted.

(2) Includes \$31 million for equity method investments. The fair value adjustment on the equity method investments is considered to be equity method goodwill and is not amortized.

(3) Includes \$105 million of certain property, plant and equipment associated with the NND Project for which Dominion Energy committed to forgo recovery in accordance with the SCANA Merger Approval Order. As a result, Dominion Energy's Consolidated Statements of Income for the year ended December 31, 2019 include a charge of \$105 million (\$79 million after-tax), included in impairment of assets and other charges (reflected in the Corporate and Other segment).

(4) Nonregulated property, plant and equipment, excluding land, will be depreciated on a straight-line basis over the remaining useful lives of such property, primarily ranging from 5 to 78 years.

(5) Includes \$258 million of certain income tax-related regulatory assets associated with the NND Project for which Dominion Energy committed to forgo recovery in accordance with the SCANA Merger Approval Order. See Note 5 for additional information.

(6) Intangible assets have an estimated weighted-average amortization period of approximately five years.

(7) Includes \$40 million outstanding under letters of credit advances, which were repaid in January 2019, as well as \$173 million outstanding commercial paper under various credit facilities. As discussed in Note 17, all credit facilities were terminated in 2019.

(8) Includes a \$379 million pension and other postretirement benefit liability.

(9) Includes stock-based compensation awards with a fair value of \$21 million.

Results of Operations and Unaudited Pro Forma Information

The impact of the SCANA Combination on Dominion Energy's operating revenue and net income attributable to Dominion Energy in the Consolidated Statements of Income was an increase of \$3.1 billion and a decrease of \$1.1 billion for the year ended December 31, 2019, respectively.

Dominion Energy incurred merger and integration-related costs of \$646 million in the Consolidated Statements of Income for the year ended December 31, 2019. The amount for the year ended December 31, 2019 includes \$427 million for a charge related to a voluntary retirement program. See Note 22 for additional information. Of the remaining merger and integration-related costs, \$210 million was recorded in other operations and maintenance expense and \$9 million was recorded in interest and related charges in the Consolidated Statements of Income for the year ended December 31, 2019. During the year ended December 31, 2018, Dominion Energy incurred merger and integration-related costs of \$27 million, recorded primarily in other operations and maintenance expense in the Consolidated Statements of Income. These costs consist of professional fees, the charitable contribution commitment described above, employee-related expenses, certain financing costs and other miscellaneous costs.

The following unaudited pro forma financial information reflects the consolidated results of operations of Dominion Energy assuming the SCANA Combination had taken place on January 1, 2018. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of the combined company.

merchant solar projects by Dominion Energy.

| | 2019 ⁽¹⁾ | 2018 ⁽¹⁾ |
|--|---------------------|---------------------|
| (millions, except EPS) | | |
| Operating Revenue | \$ 17,579 | \$ 17,505 |
| Net income attributable to Dominion Energy | 3,266 | 2,081 |
| Earnings Per Common Share – Basic | \$ 4.04 | \$ 2.78 |
| Earnings Per Common Share – Diluted | \$ 4.00 | \$ 2.77 |

(1) Amounts include adjustments for non-recurring costs directly related to the SCANA Combination.

Sale of Interest In Cove Point

In October 2019, Dominion Energy signed an agreement to sell the 25% noncontrolling limited partnership interests in Cove Point not contributed to Dominion Energy Gas in the Dominion Energy Gas Restructuring to Brookfield. In December 2019, the sale was completed and Dominion Energy received cash consideration of \$2.1 billion, subject to working capital adjustments. The sale was accounted for by Dominion Energy following the guidance for a change in a parent company's ownership interest in a consolidated subsidiary. Because Dominion Energy controls Cove Point both before and after the sale of the noncontrolling interest, the changes in Dominion Energy's ownership interest in Cove Point was accounted for as an equity transaction and no gain or loss was recognized.

Acquisitions of Wholly-Owned Merchant Solar Projects

The following table presents significant completed acquisitions of wholly-owned

| Completed Acquisition Date | Seller | Number of Projects | Project Location | Project Name(s) | Initial Acquisition (millions) ⁽¹⁾ | Project Cost (millions) ⁽²⁾ | Date of Commercial Operations | MW Capacity |
|----------------------------|---|--------------------|------------------|---|---|--|-------------------------------|-------------|
| February 2017 | Community Energy Solar, LLC | 1 | Virginia | Amazon Solar Farm Virginia — Southhampton Midway II | \$ 29 | \$ 205 | December 2017 | 100 |
| March 2017 | Solar Frontier Americas Holding LLC | 1 ⁽³⁾ | California | IS37 | 77 | 78 | June 2017 | 30 |
| May 2017 | Cypress Creek Renewables, LLC | 1 | North Carolina | Clarke County | 154 | 160 | June 2017 | 79 |
| June 2017 | Hecate Energy Virginia C&C LLC | 1 | Virginia | Fremont, Moorings 2 | 16 | 16 | August 2017 | 10 |
| June 2017 | Strata Solar Development, LLC/Moorings Farm 2 Holdco, LLC | 2 | North Carolina | Cherrydale | 20 | 20 | November 2017 | 10 |
| September 2017 | Hecate Energy Virginia C&C LLC | 1 | Virginia | Clipperton, Pikeville | 40 | 41 | November 2017 | 20 |
| October 2017 | Strata Solar Development, LLC | 2 | North Carolina | | 20 | 21 | November 2017 | 10 |

(1) The purchase price was primarily allocated to property, plant and equipment.

(2) Includes acquisition cost.

(3) In April 2017, Dominion Energy discontinued efforts on the acquisition of the additional 20 MW solar project from Solar Frontier Americas Holding LLC.

In addition during 2016, Dominion Energy acquired 100% of the equity interests of seven solar projects in Virginia, North Carolina and South Carolina for an aggregate purchase price of \$32 million, all of which was allocated to property, plant and equipment. The projects cost \$421 million in total, including initial acquisition costs, and generate 221 MW combined. One of the projects commenced commercial operations in 2016 and the remaining projects commenced commercial operations in 2017.

Long-term power purchase, interconnection and operation and maintenance agreements have been executed for all of the projects described above. These projects are included in Contracted Generation. Dominion Energy has claimed federal investment tax credits on these solar projects.

Dominion Energy Gas

DOMINION ENERGY GAS RESTRUCTURING

The Dominion Energy Gas Restructuring is considered to be a reorganization of entities under common control. As a result, Dominion Energy Gas' basis in DCP and DMLPHCII, which includes the general partner of Dominion Energy Midstream, a controlling 75% interest in Cove Point, DECG, Dominion Energy Questar Pipeline, a 50% noncontrolling interest in White River Hub and a 25.93% noncontrolling interest in Iroquois, is equal to Dominion Energy's cost basis in the assets and liabilities of such entities since the applicable inception dates of common control. In November 2019, following completion of the Dominion Energy Gas Restructuring, DCP and DMLPHCII are wholly-owned subsidiaries of Dominion Energy Gas and therefore are consolidated by Dominion Energy Gas. The accompanying Consolidated Financial Statements and Notes of Dominion Energy Gas have been retrospectively adjusted to include the historical results and financial position of DCP and DMLPHCII. The 25% interest in Cove Point retained by Dominion Energy, and subsequently sold to Brookfield in December 2019, and the non-Dominion Energy held interest in Dominion Energy Midstream are reflected as noncontrolling interest.

The Dominion Energy Gas Restructuring includes the disposition of East Ohio and DGP by Dominion Energy Gas in November 2019. This restructuring represents a strategic shift in the operations of Dominion Energy Gas as Dominion Energy Gas' operations consist of LNG import/export and storage and regulated gas transmission and storage operations. As a result, the accompanying Consolidated Financial Statements and Notes of Dominion Energy Gas have been retrospectively adjusted to include the historical results and financial position of East Ohio and DGP as discontinued operations until November 2019, presented within the Corporate and Other segment. As the Dominion Energy Gas Restructuring is considered to be a reorganization of entities under common control, Dominion Energy Gas has reflected the disposition as an equity transaction.

The following table represents selected information regarding the results of operations of East Ohio, which are reported as discontinued operations in Dominion Energy Gas' Consolidated Statements of Income:

| | Period Ended November 6, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|----------------------------------|---------------------------------|---------------------------------|
| (millions) | | | |
| Operating revenue | \$594 | \$729 | \$728 |
| Depreciation and amortization | 73 | 76 | 71 |
| Other operating expenses | 399 | 444 | 428 |
| Other income | 61 | 72 | 50 |
| Interest and related charges | 33 | 37 | 33 |
| Income tax expense | 26 | 53 | 86 |
| Net income from discontinued operations | 124 | 191 | 160 |

The carrying amounts of major classes of assets and liabilities relating to East Ohio, which are reported as discontinued operations in Dominion Energy Gas' Consolidated Balance Sheets were as follows:

| | At December 31, 2018 |
|---|----------------------|
| (millions) | |
| Current assets of discontinued operations ⁽¹⁾ | \$ 423 |
| Investments | 2 |
| Property, plant and equipment, net | 3,669 |
| Regulatory assets | 711 |
| Other deferred charges and other assets, including goodwill and intangible assets | 1,275 |
| Noncurrent assets of discontinued operations | 5,657 |
| Current liabilities of discontinued operations | 1,262 |
| Long-term debt | 1,300 |
| Deferred income taxes and investment tax credits | 716 |
| Regulatory liabilities | 747 |
| Other deferred credits and liabilities | 108 |
| Noncurrent liabilities of discontinued operations | 2,871 |

(1) Includes cash and cash equivalents of \$9 million as of December 31, 2018.

Capital expenditures and significant noncash items relating to East Ohio included the following:

| | Period Ended November 6, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|--|----------------------------------|---------------------------------|---------------------------------|
| (millions) | | | |
| Capital expenditures | \$299 | \$352 | \$348 |
| Significant noncash items: | | | |
| Charge related to a voluntary retirement program | 20 | — | — |
| Accrued capital expenditures | 2 | 5 | 8 |

The following table represents selected information regarding the results of operations of DGP, which are reported as discontinued operations in Dominion Energy Gas' Consolidated Statements of Income:

| | Period Ended November 6, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|--|----------------------------------|---------------------------------|---------------------------------|
| (millions) | | | |
| Operating revenue | \$125 | \$ 220 | \$114 |
| Depreciation and amortization | 4 | 15 | 15 |
| Impairment of assets and related charges | — | 219 | — |
| Other operating expenses | 97 | 206 | 91 |
| Income tax expense (benefit) | 7 | (53) | 5 |
| Net income (loss) from discontinued operations | \$ 17 | \$(167) | \$ 3 |

Combined Notes to Consolidated Financial Statements, Continued

The carrying amounts of major classes of assets and liabilities relating to DGP, which are reported as discontinued operations in Dominion Energy Gas' Consolidated Balance Sheets were as follows:

| | At December 31, 2018 |
|---|----------------------|
| (millions) | |
| Current assets of discontinued operations ⁽¹⁾ | \$ 21 |
| Noncurrent assets of discontinued operations ⁽²⁾ | 192 |
| Current liabilities of discontinued operations | 11 |
| Noncurrent liabilities of discontinued operations | 25 |

(1) Includes cash and cash equivalents of less than \$1 million.

(2) Primarily property, plant and equipment, net.

Capital expenditures and significant noncash items of DGP included the following:

| | Period Ended November 6, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|--|----------------------------------|---------------------------------|---------------------------------|
| (millions) | | | |
| Capital expenditures | \$ 11 | \$ 6 | \$ 8 |
| Significant noncash items: | | | |
| Impairment of assets and related charges | — | (219) | — |

NOTE 4. OPERATING REVENUE

The Companies' operating revenue, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, consists of the following:

| Year Ended December 31, | 2019 | 2018 |
|---|-----------|-----------|
| (millions) | | |
| Dominion Energy | | |
| Regulated electric sales: | | |
| Residential | \$ 4,325 | \$ 3,413 |
| Commercial | 3,219 | 2,503 |
| Industrial | 683 | 490 |
| Government and other retail | 873 | 854 |
| Wholesale | 176 | 137 |
| Nonregulated electric sales | 926 | 1,294 |
| Regulated gas sales: | | |
| Residential | 1,343 | 818 |
| Commercial | 457 | 221 |
| Other | 117 | 36 |
| Nonregulated gas sales | 496 | 214 |
| Regulated gas transportation and storage: | | |
| FERC-regulated | 1,057 | 1,091 |
| State-regulated | 742 | 640 |
| Nonregulated gas transportation and storage | 676 | 442 |
| Other regulated revenues | 259 | 179 |
| Other nonregulated revenues ⁽¹⁾⁽²⁾ | 415 | 563 |
| Total operating revenue from contracts with customers | 15,764 | 12,895 |
| Other revenues ⁽²⁾⁽³⁾ | 808 | 471 |
| Total operating revenue | \$ 16,572 | \$ 13,366 |
| Virginia Power | | |
| Regulated electric sales: | | |
| Residential | \$ 3,657 | \$ 3,413 |
| Commercial | 2,712 | 2,503 |
| Industrial | 455 | 490 |
| Government and other retail | 823 | 854 |
| Wholesale | 128 | 137 |
| Other regulated revenues | 190 | 132 |
| Other nonregulated revenues ⁽¹⁾⁽²⁾ | 71 | 55 |
| Total operating revenue from contracts with customers | 8,036 | 7,584 |
| Other revenues ⁽¹⁾⁽³⁾ | 72 | 35 |
| Total operating revenue | \$ 8,108 | \$ 7,619 |
| Dominion Energy Gas | | |
| Regulated gas sales—wholesale | \$ 9 | \$ 25 |
| Nonregulated gas sales ⁽¹⁾ | 6 | 7 |
| Regulated gas transportation and storage | 1,300 | 1,249 |
| Nonregulated gas transportation and storage | 676 | 442 |
| Management service revenue ⁽¹⁾ | 162 | 257 |
| Other regulated revenues ⁽¹⁾⁽²⁾ | 7 | 19 |
| Other nonregulated revenues ⁽¹⁾⁽²⁾ | 5 | 3 |
| Total operating revenue from contracts with customers | 2,165 | 2,002 |
| Other revenues | 4 | (6) |
| Total operating revenue | \$ 2,169 | \$ 1,996 |

(1) See Notes 9 and 25 for amounts attributable to related parties and affiliates.

(2) Amounts above include sales which are considered to be goods transferred at a point in time. For the years ended December 31, 2019 and 2018, such amounts included \$171 million and \$241 million, respectively, at Dominion Energy and \$5 million and \$10 million, respectively, at Dominion Energy Gas, primarily consisting of NGL sales. Additionally, amounts above include sales of renewable energy credits. For the years ended December 31, 2019 and 2018, such sales were \$24 million and \$17 million, respectively, at Dominion Energy and \$17 million and \$11 million, respectively, at Virginia Power.

(3) Includes alternative revenue of \$66 million and \$52 million for the year ended December 31, 2019 at Dominion Energy and Virginia Power, respectively, and \$15 million for year ended December 31, 2018 at both Dominion Energy and Virginia Power.

The table below discloses the aggregate amount of the transaction price allocated to fixed-price performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period and when the Companies expect to recognize this revenue. These revenues relate to contracts containing fixed prices where the Companies will earn the associated revenue over time as they stand ready to perform services provided. This disclosure does not include revenue related to performance obligations that are part of a contract with original durations of one year or less. In addition, this disclosure does not include expected consideration related to performance obligations for which the Companies elect to recognize revenue in the amount they have a right to invoice.

| Revenue expected to be recognized on multi-year contracts in place at December 31, 2019 (millions) | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|--|----------|----------|----------|----------|----------|------------|-----------|
| Dominion Energy | \$ 1,569 | \$ 1,470 | \$ 1,363 | \$ 1,216 | \$ 1,104 | \$ 12,519 | \$ 19,241 |
| Virginia Power | 3 | 1 | — | — | — | — | 4 |
| Dominion Energy Gas | 1,723 | 1,624 | 1,495 | 1,325 | 1,185 | 12,783 | 20,135 |

Contract assets represent an entity's right to consideration in exchange for goods and services that the entity has transferred to a customer. At December 31, 2019 and 2018, Dominion Energy's contract asset balances were \$28 million and \$42 million, respectively. Dominion Energy Gas' contract asset balances were \$40 million and \$58 million at December 31, 2019 and 2018 respectively. Dominion Energy and Dominion Energy Gas' contract assets are recorded in other deferred charges and other assets in the Consolidated Balance Sheets. Contract liabilities represent an entity's obligation to transfer goods or services to a customer for which the entity has received consideration, or the amount that is due, from the customer. At December 31, 2019 and 2018, Dominion Energy's contract liability balances were \$123 million and \$106 million, respectively. At December 31, 2019 and 2018, Virginia Power's contract liability balances were \$24 million and \$22 million, respectively. At December 31, 2019 and 2018, Dominion Energy Gas' contract liability balances were \$20 million and \$28 million, respectively. The Companies' contract liabilities are recorded in other current liabilities and other deferred credits and other liabilities in the Consolidated Balance Sheets. The Companies' recognize revenue as they fulfill their obligations to provide service to their customers. During both the years ended December 31, 2019 and 2018, Dominion Energy recognized revenue of \$94 million from the beginning contract liability balance. During years ended December 31, 2019 and 2018, Virginia Power recognized revenue of \$22 million and \$25 million, respectively, from the beginning contract liability balance. For years ended December 31, 2019 and 2018, Dominion Energy Gas recognized revenue of \$8 million and \$3 million, respectively, from the beginning contract liability balance.

The Companies' operating revenue, prior to the adoption of revised guidance for revenue recognition from contracts with customers, consisted of the following:

| Year Ended December 31 (millions) | 2017 |
|-----------------------------------|-----------|
| Dominion Energy | |
| Electric sales: | |
| Regulated | \$ 7,383 |
| Nonregulated | 1,429 |
| Gas sales: | |
| Regulated | 1,067 |
| Nonregulated | 457 |
| Gas transportation and storage | 1,786 |
| Other | 464 |
| Total operating revenue | \$ 12,586 |
| Virginia Power | |
| Regulated electric sales | \$ 7,383 |
| Other | 173 |
| Total operating revenue | \$ 7,556 |
| Dominion Energy Gas | |
| Gas sales: | |
| Regulated | \$ 6 |
| Nonregulated | 6 |
| Gas transportation and storage | 1,291 |
| Other | 220 |
| Total operating revenue | \$ 1,523 |

NOTE 5. INCOME TAXES

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities. The interpretation of tax laws involves uncertainty, since tax authorities may interpret the laws differently. The Companies are routinely audited by federal and state tax authorities. Ultimate resolution of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material.

The 2017 Tax Reform Act included a broad range of tax reform provisions affecting the Companies as discussed in Note 2. The 2017 Tax Reform Act reduced the corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. At the date of enactment, deferred tax assets and liabilities were remeasured based upon the new 21% enacted tax rate expected to apply when temporary differences are realized or settled. The specific provisions related to regulated public utilities in the 2017 Tax Reform Act generally allow for the continued deductibility of interest expense, changed the tax depreciation of certain property acquired after September 27, 2017, and continued certain rate normalization requirements for accelerated depreciation benefits.

As indicated in Note 2, certain of the Companies' operations, including accounting for income taxes, are subject to regulatory accounting treatment. For regulated operations, many of the changes in deferred taxes represent amounts probable of collection from or refund to customers, and were recorded as either an increase to a regulatory asset or liability. The 2017 Tax Reform Act included provisions that stipulate how these excess deferred

taxes may be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of other deferred taxes may be determined by the Companies' regulators. See Note 13 for more information.

The Companies have accounted for the effects of the 2017 Tax Reform Act, although changes could occur as additional guidance is issued and finalized, particularly as it relates to the deductibility of interest expense in consolidated groups such as Dominion Energy. In addition, the major states in which the Companies operate have addressed conformity with some or all of the provisions of the 2017 Tax Reform Act, although some states have modified certain of these provisions. The changes in deferred taxes resulting from the 2017 Tax Reform Act, and the Companies' interpretations of proposed regulations issued in 2018 on the applicability of accelerated depreciation, were recorded as either an increase to a regulatory liability or as an adjustment to the deferred tax provision. The impacts of proposed and final regulations issued in 2019 on the applicability of accelerated depreciation were immaterial at the Companies.

Continuing Operations

Details of income tax expense for continuing operations including noncontrolling interests were as follows:

| | Dominion Energy | | | Virginia Power | | | Dominion Energy Gas | | |
|--|-----------------|---------|---------|----------------|-------|--------|---------------------|----------|---------|
| Year Ended December 31, (millions) | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Current: | | | | | | | | | |
| Federal | \$ 32 | \$ (45) | \$ (1) | \$ 286 | \$ 36 | \$ 432 | \$ 130 | \$ (227) | \$ 75 |
| State | 103 | 108 | (26) | 58 | 40 | 73 | 17 | 31 | 13 |
| Total current expense (benefit) | 135 | 63 | (27) | 344 | 76 | 505 | 147 | (196) | 88 |
| Deferred: | | | | | | | | | |
| Federal | | | | | | | | | |
| 2017 Tax Reform Act impact ⁽¹⁾ | — | 46 | (851) | — | 21 | (93) | — | (6) | (246) |
| Taxes before operating loss carryforwards, investment tax credits and tax reform | 182 | 436 | 739 | (128) | 199 | 319 | (36) | 343 | 88 |
| Tax utilization expense (benefit) of operating loss carryforwards | 119 | 92 | 174 | — | — | 4 | — | — | — |
| Investment tax credits | (51) | (56) | (200) | (34) | (51) | (23) | — | — | — |
| State | (93) | (1) | 132 | 22 | 55 | 59 | (10) | (17) | 5 |
| Total deferred expense (benefit) | 157 | 517 | (6) | (140) | 224 | 266 | (46) | 320 | (153) |
| Investment tax credit-gross deferral | 62 | 2 | 5 | 62 | 2 | 5 | — | — | — |
| Investment tax credit-amortization | (3) | (2) | (2) | (2) | (2) | (2) | — | — | — |
| Total income tax expense (benefit) | \$351 | \$580 | \$ (30) | \$ 264 | \$300 | \$774 | \$101 | \$ 124 | \$ (65) |

(1) The 2017 Tax Reform Act impact for Dominion Energy Gas includes an expense of \$8 million for the year ended December 31, 2018 and a benefit of \$93 million for the year ended December 31, 2017 arising from discontinued operations.

The 2017 Tax Reform Act reduced the statutory federal income tax rate to 21% beginning in January 2018. Accordingly, current and deferred income taxes are recorded at the new 21% rate.

In 2019, the Dominion Energy Gas Restructuring caused changes in tax status at certain of its subsidiaries. The impacts of the changes in tax status decreased deferred income tax expense by \$48 million at Dominion Energy and Dominion Energy Gas. In addition, Dominion Energy recognized a taxable gain resulting from the sale of a 25% noncontrolling interest in Cove Point. The direct tax effects of the transactions included a provision for current income taxes (\$362 million) and an offsetting benefit for deferred income taxes (\$147 million) and were charged to common shareholders' equity. The utilization of \$208 million federal tax credit carryforwards offsetting a portion of the federal tax liability from the transaction were also charged to common shareholders' equity. In total, the taxes recorded in common shareholders' equity resulting from this transaction were \$215 million.

In 2018, Dominion Energy had less than \$1 million of state deferred income tax expense as a result of the reversal of deferred taxes upon the sale of its interest in Blue Racer and Fairless and Manchester. Dominion Energy's current federal income taxes primarily include the recognition of a \$47 million benefit related to a carryback claim for specified liability losses involving prior tax years.

In 2017, the accounting for the reduction in the corporate income tax rate decreased deferred income tax expense by \$851 million at Dominion Energy, \$93 million at Virginia Power and \$246 million for Dominion Energy Gas for the year ending December 31, 2017. The decrease in deferred income taxes at Dominion Energy primarily relates to the remeasurement of deferred taxes on nonregulated operations and includes the effects at Virginia Power and Dominion Energy Gas. Virginia Power and Dominion Energy Gas have certain regulatory assets and liabilities that have not yet been charged or returned to customers through rates, or on which they do not earn a return, including unrecognized pension and other postretirement benefits. The remeasurement of the deferred taxes on these regulatory balances was charged

to continuing operations in 2017. For ratemaking purposes, Dominion Energy Gas' subsidiary DETI follows the cash method on pension contributions. Deferred taxes recorded on pension balances as required by GAAP are not included as a component of rates and therefore the remeasurement of these deferred taxes were charged to continuing operations in 2017.

DISCONTINUED OPERATIONS—DOMINION ENERGY GAS

Tax expense reported in discontinued operations for the period ended November 6, 2019 was \$33 million. Tax expense reported in discontinued operations for years ended December 31, 2018 and 2017 at Dominion Energy Gas was less than \$1 million and \$91 million, respectively. Tax expense for discontinued operations included benefits of utilizing an immaterial amount of operating loss carryforwards in 2018 and \$5 million in 2017.

CONTINUING OPERATIONS

For continuing operations including noncontrolling interests, the statutory U.S. federal income tax rate reconciles to the Companies' effective income tax rate as follows:

| Year Ended December 31, | Dominion Energy | | | Virginia Power | | | Dominion Energy Gas | | |
|--|-----------------|-------|--------|----------------|-------|-------|-----------------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| U.S. statutory rate | 21.0% | 21.0% | 35.0% | 21.0% | 21.0% | 35.0% | 21.0% | 21.0% | 35.0% |
| Increases (reductions) resulting from: | | | | | | | | | |
| State taxes, net of federal benefit | 1.3 | 3.0 | 2.0 | 4.5 | 4.7 | 3.7 | 2.5 | 3.2 | 2.6 |
| Investment tax credits | (5.7) | (1.9) | (6.3) | (2.9) | (3.5) | (0.8) | — | — | — |
| Production tax credits | (1.1) | (0.7) | (0.7) | (0.7) | (0.7) | (0.4) | — | — | — |
| Valuation allowances | 0.1 | 0.3 | 0.2 | — | — | — | (0.2) | — | 0.3 |
| Reversal of excess deferred income taxes | (2.0) | (2.0) | — | (3.1) | (3.2) | — | (0.8) | (0.6) | — |
| Federal legislative change | — | 1.5 | (27.5) | — | 1.3 | (4.0) | — | (0.5) | (41.0) |
| State legislative change | — | (0.6) | — | — | — | — | — | (2.0) | (0.7) |
| Write-off of regulatory assets | 10.9 | — | — | — | — | — | — | — | — |
| Change in tax status | (2.8) | — | — | — | — | — | (6.0) | — | — |
| AFUDC—equity | (1.8) | (0.8) | (1.4) | — | (0.5) | (0.6) | (0.5) | (0.3) | (0.9) |
| Employee stock ownership plan deduction | (0.7) | (0.4) | (0.6) | — | — | — | — | — | — |
| Other, net | 1.1 | (0.9) | (1.7) | (0.2) | (0.1) | 0.6 | (3.4) ⁽¹⁾ | (4.4) ⁽¹⁾ | (6.0) ⁽¹⁾ |
| Effective tax rate | 20.3% | 18.5% | (1.0)% | 18.6% | 19.0% | 33.5% | 12.6% | 16.4% | (10.7)% |

(1) Includes (3.2)%, (4.6)% and (6.7)% relating to the absence of tax on noncontrolling interest in 2019, 2018 and 2017, respectively.

For the Companies' rate-regulated entities, deferred taxes will reverse at the weighted average rate used to originate the deferred tax liability, which in some cases will be 35%. The Companies have recorded an estimate of excess deferred income tax amortization in 2019, and changes in estimates of amounts probable of collection from or return to customers. The reversal of these excess deferred income taxes will impact the effective tax rate, and may ultimately impact rates charged to customers. See Note 13 for current year developments.

In connection with the SCANA Combination, Dominion Energy committed to forgo, or limit, the recovery of certain income tax-related regulatory assets associated with the NND Project. Dominion Energy's effective tax rate reflects deferred income tax expense of \$194 million in satisfaction of this commitment. Dominion Energy's effective tax rate also reflects the changes in consolidated state income taxes resulting from the SCANA Combination.

In 2018, the Companies applied the provisions of proposed regulations addressing the availability of federal bonus depreciation for the period beginning after September 27, 2017 through December 31, 2017. The application of these changes increased Dominion Energy's 2017 net operating loss carryforward, the benefit of which will be recognized at the 21% rate. As a result, Dominion Energy's effective tax rate reflects a \$23 million increase to deferred income tax expense associated with the remeasurement of this deferred tax asset. The application of these proposed regulations at Dominion Energy Gas had no impact on income tax expense as the changes in, and remeasurement of, deferred tax liabilities increased regulatory liabilities by \$35 million, of which \$23 million is reflected in noncurrent liabilities of discontinued operations on the Consolidated Balance Sheets. The effects of these changes at Virginia Power were immaterial. These amounts and adjustments represent the Companies' best estimate based on available information, and could be subject to change based on additional guidance in yet to be finalized regulations. In addition, changes in estimates of amounts probable of return to or collection from customers increased deferred income tax expense at Virginia Power by \$23 million and increased regulatory liabilities by \$31 million. At Dominion Energy Gas similar changes in estimates decreased income tax expense by \$5 million and regulatory liabilities by \$8 million. In Dominion Energy Gas' discontinued operations, similar changes in estimates increased income tax expense by \$8 million, which is reflected in income tax expense from continuing operations in the Consolidated Statements of Income, and regulatory liabilities \$10 million, which are reflected in noncurrent liabilities of discontinued operations on the Consolidated Balance Sheets. These changes also impacted Dominion Energy. In addition, Dominion Energy and Dominion Energy Gas' effective tax rates reflect the impacts of a state legislative change enacted in the second quarter of 2018 that was retroactive to January 1, 2018.

In 2017, the Companies' effective tax rates reflect the net benefit of remeasurement of deferred taxes resulting from the lower corporate income tax rate promulgated by the 2017 Tax Reform Act, and the completion of audits by state tax authorities that resulted in the recognition of previously unrecognized tax benefits. At December 31, 2016, Virginia Power's unrecognized tax benefits included state refund claims for open tax years through 2011. Management believed settlement of the claims, including interest thereon, within the next twelve months was remote. In June 2017, Virginia Power received and accepted a cash offer to settle the refund claims. As a result of the settlement, Virginia Power decreased its unrecognized tax benefits by \$8 million, and recognized a \$2 million tax benefit, which impacted its effective tax rate. Also in connection with this settlement, Virginia Power realized interest income of \$11 million, which is reflected in other income in the Consolidated Statements of Income.

The Companies' deferred income taxes consist of the following:

| | Dominion Energy | | Virginia Power | | Dominion Energy Gas | |
|--|-----------------|----------|----------------|----------|---------------------|----------|
| At December 31, | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| (millions) | | | | | | |
| Deferred income taxes: | | | | | | |
| Total deferred income tax assets | \$ 3,736 | \$ 2,748 | \$ 1,207 | \$ 1,054 | \$ 206 | \$ 296 |
| Total deferred income tax liabilities | 9,883 | 7,813 | 4,058 | 4,020 | 1,494 | 1,626 |
| Total net deferred income tax liabilities | \$ 6,147 | \$ 5,065 | \$ 2,851 | \$ 2,966 | \$ 1,288 | \$ 1,330 |
| Total deferred income taxes: | | | | | | |
| Plant and equipment, primarily depreciation method and basis differences | \$ 6,616 | \$ 4,933 | \$ 3,359 | \$ 3,367 | \$ 742 | \$ 671 |
| Excess deferred income taxes | (1,306) | (993) | (672) | (678) | (149) | (156) |
| Unrecovered NND Project costs | 553 | — | — | — | — | — |
| DESC rate refund | (169) | — | — | — | — | — |
| Toshiba Settlement | (219) | — | — | — | — | — |
| Nuclear decommissioning | 909 | 815 | 290 | 273 | — | — |
| Deferred state income taxes | 863 | 626 | 302 | 284 | 199 | 203 |
| Federal benefit of deferred state income taxes | (184) | (132) | (63) | (60) | (42) | (43) |
| Deferred fuel, purchased energy and gas costs | 30 | 60 | 1 | 59 | — | (1) |
| Pension benefits | 174 | 81 | (153) | (132) | 154 | 134 |
| Other postretirement benefits | (37) | (5) | 62 | 55 | (6) | (3) |
| Loss and credit carryforwards | (1,832) | (1,546) | (280) | (183) | (1) | (5) |
| Valuation allowances | 161 | 158 | 5 | 5 | 1 | 6 |
| Partnership basis differences | 823 | 1,135 | — | — | 423 | 570 |
| Other | (235) | (67) | — | (24) | (33) | (46) |
| Total net deferred income tax liabilities | \$ 6,147 | \$ 5,065 | \$ 2,851 | \$ 2,966 | \$ 1,288 | \$ 1,330 |
| Deferred Investment Tax Credits – Regulated Operations | 130 | 51 | 111 | 51 | — | — |
| Total Deferred Taxes and Deferred Investment Tax Credits | \$ 6,277 | \$ 5,116 | \$ 2,962 | \$ 3,017 | \$ 1,288 | \$ 1,330 |

The most significant impact reflected for the 2017 Tax Reform Act is the adjustment of the net accumulated deferred income tax

liability for the reduction in the corporate income tax rate to 21%. In addition to amounts recognized in deferred income tax expense, the impacts of the 2017 Tax Reform Act decreased the accumulated deferred income tax liability by \$3.1 billion at Dominion Energy, \$1.9 billion at Virginia Power and \$0.8 billion at Dominion Energy Gas at December 31, 2017, of which \$0.4 billion is reflected in noncurrent liabilities of discontinued operations on the Consolidated Balance Sheets. At Dominion Energy, the December 31, 2017 balance sheet reflected the impact of the 2017 Tax Reform Act on our regulatory liabilities which increased our regulatory liabilities by \$4.2 billion, and created a corresponding deferred tax asset of \$1.1 billion. At Virginia Power, our regulatory liabilities increased \$2.6 billion, and created a deferred tax asset of \$0.7 billion. At Dominion Energy Gas, regulatory liabilities increased \$1.1 billion, of which \$0.5 billion is reflected in noncurrent liabilities of discontinued operations on the Consolidated Balance Sheets and created a deferred tax asset of \$0.3 billion, of which \$0.1 billion is reflected in noncurrent liabilities of discontinued operations on the Consolidated Balance Sheets. These adjustments had no impact on 2017 cash flows.

At December 31, 2019, Dominion Energy had the following deductible loss and credit carryforwards:

| | Deductible Amount | Deferred Tax Asset | Valuation Allowance | Expiration Period |
|------------------------------------|-------------------|--------------------|---------------------|-------------------|
| (millions) | | | | |
| Federal losses | \$ 1,361 | \$ 286 | \$ — | 2037 |
| Federal investment credits | — | 922 | — | 2035-2039 |
| Federal production credits | — | 126 | — | 2035-2039 |
| Other federal credits | — | 40 | — | 2035-2038 |
| State losses | 3,074 | 173 | (57) | 2020-2038 |
| State minimum tax credits | — | 165 | — | No expiration |
| State investment and other credits | — | 144 | (98) | 2020-2031 |
| Total | \$4,435 | \$ 1,856 | \$(155) | |

At December 31, 2019, Virginia Power had the following deductible loss and credit carryforwards:

| | Deductible Amount | Deferred Tax Asset | Valuation Allowance | Expiration Period |
|--------------------------------------|-------------------|--------------------|---------------------|-------------------|
| (millions) | | | | |
| Federal investment credits | \$ — | \$ 213 | \$ — | 2035-2039 |
| Federal production and other credits | — | 58 | — | 2035-2039 |
| State investment credits | — | 9 | (5) | 2024 |
| Total | \$ — | \$ 280 | \$(5) | |

At December 31, 2019, Dominion Energy Gas had immaterial deductible loss carryforwards and less than \$1 million of credit carryforwards that expire between 2032 and 2037.

A reconciliation of changes in the Companies' unrecognized tax benefits follows:

| | Dominion Energy | | | Virginia Power | | | Dominion Energy Gas | | |
|---------------------------------------|--------------------|------|-------|----------------|------|------|---------------------|------|------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| (millions) | | | | | | | | | |
| Balance at January 1 | \$ 44 | \$38 | \$ 64 | \$ 2 | \$ 4 | \$13 | \$2 | \$ 2 | \$9 |
| Acquired unrecognized tax benefits | 129 ⁽¹⁾ | — | — | — | — | — | — | — | — |
| Increases-prior period positions | — | 10 | 1 | — | — | — | — | — | — |
| Decreases-prior period positions | — | — | (9) | — | — | (1) | — | — | — |
| Increases-current period positions | 9 | 10 | 5 | — | — | — | — | — | — |
| Settlements with tax authorities | (7) | (6) | (23) | (2) | (1) | (8) | — | — | (7) |
| Expiration of statutes of limitations | — | (8) | — | — | (1) | — | — | — | — |
| Balance at December 31 | \$ 175 | \$44 | \$ 38 | \$ — | \$ 2 | \$ 4 | \$2 | \$ 2 | \$2 |

(1) Acquired unrecognized tax benefits reflect \$106 million plus increases in prior period positions of \$76 million and decreases in prior period positions of \$53 million that were recorded through purchase accounting.

Certain unrecognized tax benefits, or portions thereof, if recognized, would affect the effective tax rate. Changes in these unrecognized tax benefits may result from remeasurement of amounts expected to be realized, settlements with tax authorities and expiration of statutes of limitations. For Dominion Energy and its subsidiaries, these unrecognized tax benefits were \$141 million, \$37 million and \$31 million at December 31, 2019, 2018 and 2017, respectively. For Dominion Energy, the change in these unrecognized tax benefits increased income tax expense by \$3 million and \$5 million in 2019 and 2018, respectively, and decreased income tax expense by \$9 million in 2017. For Virginia Power, these unrecognized tax benefits were less than \$1 million, \$2 million, and \$3 million at December 31, 2019, 2018 and 2017, respectively. For Virginia Power, the change in these unrecognized tax benefits decreased income tax expense by \$2 million in 2019 and 2018, respectively, and \$6 million in 2017. For Dominion Energy Gas, these unrecognized tax benefits were \$2 million, at December 31, 2019, 2018 and 2017, respectively. For Dominion Energy Gas, the change in these unrecognized tax benefits decreased income tax expense by less than \$1 million in 2019 and 2018, respectively, and \$5 million in 2017.

Dominion Energy participates in the IRS Compliance Assurance Process which provides the opportunity to resolve complex tax matters with the IRS before filing its federal income tax returns, thus achieving certainty for such tax return filing positions agreed to by the IRS. In 2018, Dominion Energy submitted carryback claims for specified liability losses involving prior tax years. These claims are currently subject to IRS examination. With the exception of these claims, the IRS has completed its audit of tax years through 2018. The statute of limitations has not yet expired for tax year 2014 and years after 2015. Although Dominion Energy has not received a final letter indicating no changes to its taxable income for tax year 2018, no material adjustments are expected. The IRS examination of tax year 2019 is ongoing.

It is reasonably possible that settlement negotiations and expiration of statutes of limitations could result in a decrease in unrecognized tax benefits in 2020 by up to \$86 million for Dominion Energy and less than \$1 million for Dominion Energy Gas. If such changes were to occur, other than revisions of the accrual for interest on tax underpayments and overpayments, earnings could increase by up to \$23 million for Dominion Energy and less than \$1 million for Dominion Energy Gas.

Otherwise, with regard to 2019 and prior years, Dominion Energy, Virginia Power and Dominion Energy Gas cannot estimate the range of reasonably possible changes to unrecognized tax benefits that may occur in 2020.

For each of the major states in which Dominion Energy operates, the earliest tax year remaining open for examination is as follows:

| State | Earliest Open Tax Year |
|------------------------------|------------------------|
| Pennsylvania ⁽¹⁾ | 2012 |
| Connecticut | 2016 |
| Virginia ⁽²⁾ | 2016 |
| West Virginia ⁽¹⁾ | 2016 |
| New York ⁽¹⁾ | 2015 |
| Utah | 2016 |
| South Carolina | 2012 |

(1) Considered a major state for Dominion Energy Gas' operations.

(2) Considered a major state for Virginia Power's operations.

The Companies are also obligated to report adjustments resulting from IRS settlements to state tax authorities. In addition, if Dominion Energy utilizes operating losses or tax credits generated in years for which the statute of limitations has expired, such amounts are generally subject to examination.

NOTE 6. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. However, the use of a mid-market pricing convention (the mid-point between bid and ask prices) is permitted. Fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. This includes not only the credit standing of counterparties involved and the impact of credit enhancements but also the impact of the Companies' own nonperformance risk on their liabilities. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). Dominion Energy applies fair value measurements to certain assets and liabilities including commodity, interest rate, and foreign currency derivative instruments, and other investments including those held in nuclear decommissioning, Dominion Energy's rabbi, and pension and other postretirement benefit plan trusts, in accordance with the requirements discussed above. Virginia Power applies fair

value measurements to certain assets and liabilities including commodity and interest rate derivative instruments and other investments including those held in the nuclear decommissioning trust, in accordance with the requirements discussed above. Dominion Energy Gas applies fair value measurements to certain assets and liabilities including commodity, interest rate, and foreign currency derivative instruments and other investments including those held in pension and other postretirement benefit plan trusts, in accordance with the requirements described above. The Companies apply credit adjustments to their derivative fair values in accordance with the requirements described above.

Inputs and Assumptions

Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, price information is sought from external sources, including industry publications, and to a lesser extent, broker quotes. When evaluating pricing information provided by Designated Contract Market settlement pricing, other pricing services, or brokers, the Companies consider the ability to transact at the quoted price, i.e. if the quotes are based on an active market or an inactive market and to the extent which pricing models are used, if pricing is not readily available. If pricing information from external sources is not available, or if the Companies believe that observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases the unobservable inputs are developed and substantiated using historical information, available market data, third-party data, and statistical analysis. Periodically, inputs to valuation models are reviewed and revised as needed, based on historical information, updated market data, market liquidity and relationships, and changes in third-party sources.

For options and contracts with option-like characteristics where observable pricing information is not available from external sources, Dominion Energy and Virginia Power generally use a modified Black-Scholes Model that considers time value, the volatility of the underlying commodities and other relevant assumptions when estimating fair value. Dominion Energy and Virginia Power use other option models under special circumstances, including but not limited to Spread Approximation Model and a Swing Option Model. For contracts with unique characteristics, the Companies may estimate fair value using a discounted cash flow approach deemed appropriate in the circumstances and applied consistently from period to period. For individual contracts, the use of different valuation models or assumptions could have a significant effect on the contract's estimated fair value.

The inputs and assumptions used in measuring fair value include the following:

For commodity derivative contracts:

- Forward commodity prices
- Transaction prices
- Price volatility
- Price correlation
- Volumes
- Commodity location
- Interest rates
- Credit quality of counterparties and the Companies
- Credit enhancements
- Time value

For interest rate derivative contracts:

- Interest rate curves
- Credit quality of counterparties and the Companies
- Notional value
- Credit enhancements
- Time value

For foreign currency derivative contracts:

- Foreign currency forward exchange rates
- Interest rates
- Credit quality of counterparties and the Companies
- Notional value
- Credit enhancements
- Time value

For investments:

- Quoted securities prices and indices
- Securities trading information including volume and restrictions
- Maturity
- Interest rates
- Credit quality

Levels

The Companies also utilize the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets and liabilities that they have the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of financial instruments such as certain exchange-traded derivatives, and exchange-listed equities, U.S. and international equity securities, mutual funds and certain Treasury securities held in nuclear decommissioning trust funds for Dominion Energy and Virginia Power, benefit plan trust funds for Dominion Energy and Dominion Energy Gas, and rabbi trust funds for Dominion Energy.
- Level 2—Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include commodity forwards and swaps, interest rate swaps, foreign currency swaps and cash and cash equivalents, corporate debt instruments, government securities and other fixed income investments held in nuclear decommissioning trust funds for Dominion Energy and Virginia Power, benefit plan trust funds for Dominion Energy and Dominion Energy Gas and rabbi trust funds for Dominion Energy.
- Level 3—Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability. Instruments categorized in Level 3 for the Companies consist of long-dated commodity derivatives, FTRs, certain natural gas and power options and other modeled commodity derivatives.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In these cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Alternative investments, consisting of investments in partnerships, joint ventures and other alternative investments held in nuclear decommissioning and benefit plan trust funds, are generally valued using NAV based on the proportionate share of the fair value as determined by reference to the most recent audited fair value financial statements or fair value statements provided by the investment manager adjusted for any significant events occurring between the investment manager's and the Companies' measurement date. Alternative investments recorded at NAV are not classified in the fair value hierarchy.

Transfers out of Level 3 represent assets and liabilities that were previously classified as Level 3 for which the inputs became observable for classification in either Level 1 or Level 2. Because the activity and liquidity of commodity markets vary substantially

between regions and time periods, the availability of observable inputs for substantially the full term and value of the Companies' over-the-counter derivative contracts is subject to change.

Level 3 Valuations

The Companies enter into certain physical and financial forwards, futures, options and swaps, which are considered Level 3 as they have one or more inputs that are not observable and are significant to the valuation. The discounted cash flow method is used to value Level 3 physical and financial forwards and futures contracts. An option model is used to value Level 3 physical and financial options. The discounted cash flow model for forwards and futures calculates mark-to-market valuations based on forward market prices, original transaction prices, volumes, risk-free rate of return, and credit spreads. The option model calculates mark-to-market valuations using variations of the Black-Scholes option model. The inputs into the models are the forward market prices, implied price volatilities, risk-free rate of return, the option expiration dates, the option strike prices, the original sales prices, and volumes. For Level 3 fair value measurements, certain forward market prices and implied price volatilities are considered unobservable.

The following table presents Dominion Energy's quantitative information about Level 3 fair value measurements at December 31, 2019. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

| | Fair Value (millions) | Valuation Techniques | Unobservable Input | Range | Weighted Average ⁽¹⁾ |
|----------------------------------|--------------------------|----------------------|--|--------------------|------------------------------------|
| Assets | | | | | |
| Physical and financial forwards: | | | | | |
| Natural gas ⁽²⁾ | \$ 13 | Discounted cash flow | Market price (per Dth) ⁽³⁾ | (1) - 4 | — |
| FTRs | 6 | Discounted cash flow | Market price (per MWh) ⁽³⁾ | (1) - 5 | 1 |
| Total assets | \$ 19 | | | | |
| Liabilities | | | | | |
| Physical and financial forwards: | | | | | |
| Natural gas ⁽²⁾ | \$ 43 | Discounted cash flow | Market price (per Dth) ⁽³⁾ | (2) - 4 | (1) |
| FTRs | 5 | Discounted cash flow | Market price (per MWh) ⁽³⁾ | (4) - 4 | — |
| Physical options: | | | | | |
| Natural gas | 8 | Option model | Market price (per Dth) ⁽³⁾ Price volatility ⁽⁴⁾ | 1 - 4 24% - 66% | 3 37% |
| Total liabilities | \$ 56 | | | | |

(1) Averages weighted by volume.

(2) Includes basis.

(3) Represents market prices beyond defined terms for Levels 1 and 2.

(4) Represents volatilities unrepresented in published markets.

Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

| Significant Unobservable Inputs | Position | Change to Input | Impact on Fair Value Measurement |
|------------------------------------|----------|---------------------|-------------------------------------|
| Market price | Buy | Increase (decrease) | Gain (loss) |
| Market price | Sell | Increase (decrease) | Loss (gain) |
| Price volatility | Buy | Increase (decrease) | Gain (loss) |
| Price volatility | Sell | Increase (decrease) | Loss (gain) |

Nonrecurring Fair Value Measurements

DOMINION ENERGY

See Note 9 for information regarding an impairment charge recognized associated with Dominion Energy's equity method investment in Fowler Ridge. Also, see Note 9 for information regarding fair value measurements associated with Dominion Energy's sale of its interest in Blue Racer and acquisition of its interest in Wrangler.

ATLANTIC COAST PIPELINE GUARANTEE AGREEMENT

In October 2017, Dominion Energy entered into a guarantee agreement in connection with Atlantic Coast Pipeline's obligation under a \$3.4 billion revolving credit facility. See Note 23 for more information about the guarantee agreement associated with Atlantic Coast Pipeline's revolving credit facility. Dominion Energy recorded a liability of \$30 million, the fair value of the guarantee at inception, associated with the guarantee agreement. The fair value was estimated using a discounted cash flow method and is considered a Level 3 fair value measurement due to the use of a significant unobservable input related to the interest rate differential between the interest rate charged on the guaranteed revolving credit facility and the estimated interest rate that would have been charged had the loan not been guaranteed.

DOMINION ENERGY GAS

In the fourth quarter of 2018, subsequent to the announcement of the sale of Dominion Energy's interest in Blue Racer, Dominion Energy Gas conducted a review of strategic alternatives of its remaining gathering and processing assets at DGP. Based on an evaluation of DGP's long-lived assets for recoverability under a probability weighted approach, Dominion Energy Gas determined the assets were impaired. As a result of this evaluation, Dominion Energy Gas recorded a charge of \$219 million (\$165 million after-tax) in discontinued operations in its Consolidated Statements of Income (reflected in the Corporate and Other segment) to write down DGP's property, plant and equipment to its estimated fair value of \$190 million. This charge was recorded in impairment of assets and related charges in Dominion Energy's Consolidated Statements of Income (reflected in the Corporate and Other segment). The fair value of the property, plant and equipment was estimated using an income approach and market approach. The valuation is considered a Level 3 fair value measurement due to the use of significant judgmental and unobservable inputs, including projected timing and amount of future cash flows and discount rates reflecting risks inherent in the future cash flows and market prices.

Recurring Fair Value Measurements

Fair value measurements are separately disclosed by level within the fair value hierarchy with a separate reconciliation of fair value measurements categorized as Level 3. Fair value disclosures for assets held in Dominion Energy and Dominion Energy Gas' pension and other postretirement benefit plans are presented in Note 22.

DOMINION ENERGY

The following table presents Dominion Energy's assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|-----------------|-----------------|--------------|-----------------|
| (millions) | | | | |
| December 31, 2019 | | | | |
| Assets | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 55 | \$ 19 | \$ 74 |
| Interest rate | — | 11 | — | 11 |
| Foreign currency | — | 8 | — | 8 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S. | 4,195 | — | — | 4,195 |
| Fixed income: | | | | |
| Corporate debt instruments | — | 463 | — | 463 |
| Government securities | 473 | 719 | — | 1,192 |
| Cash equivalents and other | 19 | 1 | — | 20 |
| Total assets | \$ 4,687 | \$ 1,257 | \$ 19 | \$ 5,963 |
| Liabilities | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 75 | \$ 56 | \$ 131 |
| Interest rate | — | 606 | — | 606 |
| Foreign currency | — | 3 | — | 3 |
| Total liabilities | \$ — | \$ 684 | \$ 56 | \$ 740 |
| December 31, 2018 | | | | |
| Assets | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 180 | \$ 70 | \$ 250 |
| Interest rate | — | 18 | — | 18 |
| Foreign currency | — | 26 | — | 26 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S. | 3,277 | — | — | 3,277 |
| Fixed income: | | | | |
| Corporate debt instruments | — | 431 | — | 431 |
| Government securities | 455 | 688 | — | 1,143 |
| Cash equivalents and other | 11 | — | — | 11 |
| Total assets | \$ 3,743 | \$ 1,343 | \$ 70 | \$ 5,156 |
| Liabilities | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 129 | \$ 6 | \$ 135 |
| Interest rate | — | 142 | — | 142 |
| Foreign currency | — | 2 | — | 2 |
| Total liabilities | \$ — | \$ 273 | \$ 6 | \$ 279 |

(1) Includes investments held in the nuclear decommissioning and rabbi trusts. Excludes \$274 million and \$220 million of assets at December 31, 2019 and 2018, respectively, measured at fair value using NAV (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

The following table presents the net change in Dominion Energy's assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category:

| | 2019 | 2018 | 2017 |
|---|---------|--------|--------|
| (millions) | | | |
| Balance at January 1, | \$ 64 | \$ 150 | \$ 139 |
| Total realized and unrealized gains (losses): | | | |
| Included in earnings: | | | |
| Operating Revenue | (1) | (2) | 3 |
| Electric fuel and other energy-related purchases | (22) | (15) | (42) |
| Purchased gas | 2 | — | 1 |
| Included in other comprehensive income (loss) | — | 1 | (2) |
| Included in regulatory assets/liabilities | (90) | (44) | 42 |
| Settlements | 17 | (27) | 6 |
| Purchases | (10) | — | — |
| Sales | 6 | — | — |
| Transfers out of Level 3 | (3) | 1 | 3 |
| Balance at December 31, | \$ (37) | \$ 64 | \$ 150 |
| The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date: | | | |
| Operating Revenue | \$ — | \$ — | \$ 2 |

VIRGINIA POWER

The following table presents Virginia Power's quantitative information about Level 3 fair value measurements at December 31, 2019. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

| | Fair Value (millions) | Valuation Techniques | Unobservable Input | Range | Weighted Average ⁽¹⁾ |
|----------------------------------|--------------------------|----------------------|---------------------------------------|---------|------------------------------------|
| Assets | | | | | |
| Physical and financial forwards: | | | | | |
| Natural gas ⁽²⁾ | \$ 13 | Discounted cash flow | Market price (per Dth) ⁽³⁾ | (1) - 4 | — |
| FTRs | 6 | Discounted cash flow | Market price (per MWh) ⁽³⁾ | (1) - 5 | 1 |
| Total assets | \$ 19 | | | | |
| Liabilities | | | | | |
| Physical and financial forwards: | | | | | |
| Natural gas ⁽²⁾ | \$ 43 | Discounted cash flow | Market price (per Dth) ⁽³⁾ | (2) - 4 | (1) |
| FTRs | 5 | Discounted cash flow | Market price (per MWh) ⁽³⁾ | (4) - 4 | — |
| Physical options: | | | | | |
| Natural gas | 8 | Option model | Market price (per Dth) ⁽³⁾ | 1 - 4 | 3 |
| | | | Price volatility ⁽⁴⁾ | 24%—66% | 37% |
| Total liabilities | \$ 56 | | | | |

(1) Averages weighted by volume.

(2) Includes basis.

(3) Represents market prices beyond defined terms for Levels 1 and 2.

(4) Represents volatilities unrepresented in published markets.

Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

| Significant Unobservable Inputs | Position | Change to Input | Impact on Fair Value Measurement |
|---------------------------------|----------|---------------------|----------------------------------|
| Market price | Buy | Increase (decrease) | Gain (loss) |
| Market price | Sell | Increase (decrease) | Loss (gain) |
| Price volatility | Buy | Increase (decrease) | Gain (loss) |
| Price volatility | Sell | Increase (decrease) | Loss (gain) |

The following table presents Virginia Power's assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|---------|---------|---------|---------|
| (millions) | | | | |
| December 31, 2019 | | | | |
| Assets | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 3 | \$19 | \$ 22 |
| Interest rate | — | 2 | — | 2 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S. | 1,920 | — | — | 1,920 |
| Fixed income: | | | | |
| Corporate debt instruments | — | 256 | — | 256 |
| Government securities | 186 | 361 | — | 547 |
| Cash equivalents and other | — | 1 | — | 1 |
| Total assets | \$2,106 | \$623 | \$19 | \$2,748 |
| Liabilities | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 47 | \$56 | \$ 103 |
| Interest rate | — | 363 | — | 363 |
| Total liabilities | \$ — | \$410 | \$56 | \$ 466 |
| December 31, 2018 | | | | |
| Assets | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 24 | \$66 | \$ 90 |
| Interest rate | — | 3 | — | 3 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S. | 1,476 | — | — | 1,476 |
| Fixed income: | | | | |
| Corporate debt instruments | — | 221 | — | 221 |
| Government securities | 164 | 343 | — | 507 |
| Total assets | \$1,640 | \$591 | \$66 | \$2,297 |
| Liabilities | | | | |
| Derivatives: | | | | |
| Commodity | \$ — | \$ 9 | \$ 6 | \$ 15 |
| Interest rate | — | 88 | — | 88 |
| Total liabilities | \$ — | \$ 97 | \$ 6 | \$ 103 |

(1) Includes investments held in the nuclear decommissioning trusts. Excludes \$159 million and \$160 million of assets at December 31, 2019 and 2018, respectively, measured at fair value using NAV (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

The following table presents the net change in Virginia Power's assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category:

| | 2019 | 2018 | 2017 |
|--|--------|-------|-------|
| (millions) | | | |
| Balance at January 1, | \$ 60 | \$147 | \$143 |
| Total realized and unrealized gains (losses): | | | |
| Included in earnings: | | | |
| Electric fuel and other energy-related purchases | (22) | (17) | (43) |
| Included in regulatory assets/liabilities | (88) | (45) | 40 |
| Settlements | 13 | (25) | 7 |
| Balance at December 31, | \$(37) | \$ 60 | \$147 |

There were no unrealized gains and losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the years ended December 31, 2019, 2018 and 2017.

DOMINION ENERGY GAS

The following table presents Dominion Energy Gas' assets and liabilities for derivatives that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------|---------|---------|-------|
| (millions) | | | | |
| December 31, 2019 | | | | |
| Assets | | | | |
| Foreign currency | \$ — | \$8 | \$ — | \$8 |
| Total assets | \$ — | \$8 | \$ — | \$8 |
| Liabilities | | | | |
| Interest rate | \$ — | \$83 | \$ — | \$83 |
| Foreign currency | — | 3 | — | 3 |
| Total liabilities | \$ — | \$86 | \$ — | \$86 |
| December 31, 2018 | | | | |
| Assets | | | | |
| Commodity | \$ — | \$3 | \$ — | \$3 |
| Interest rate | — | 2 | — | 2 |
| Foreign currency | — | 26 | — | 26 |
| Total assets | \$ — | \$31 | \$ — | \$31 |
| Liabilities | | | | |
| Interest rate | \$ — | \$17 | \$ — | \$17 |
| Foreign currency | — | 2 | — | 2 |
| Total liabilities | \$ — | \$ 19 | \$ — | \$ 19 |

The following table presents the net change in Dominion Energy Gas' derivative assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category. There were no changes in assets and liabilities measure at fair value on a recurring basis and included in the Level 3 fair value category during the year ended December 31, 2019.

| | 2018 | 2017 |
|---|-------|-------|
| (millions) | | |
| Balance at January 1, | \$(2) | \$(2) |
| Total realized and unrealized gains (losses): | | |
| Included in other comprehensive income (loss) | 1 | (3) |
| Transfers out of Level 3 | 1 | 3 |
| Balance at December 31, | \$ — | \$(2) |

There were no gains and losses included in earnings in the Level 3 fair value category for the years ended December 31, 2019, 2018 and 2017. There were no unrealized gains and losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the years ended December 31, 2019, 2018 and 2017.

Fair Value of Financial Instruments

Substantially all of the Companies' financial instruments are recorded at fair value, with the exception of the instruments described below, which are reported at historical cost. Estimated fair values have been determined using available market information and valuation methodologies considered appropriate by management. The carrying amount of cash, restricted cash and equivalents, customer and other receivables, affiliated receivables, short-term debt, affiliated current borrowings, payables to affiliates and accounts payable are representative of fair value because of the short-term nature of these instruments. For the Companies' financial instruments that are not recorded at fair value, the carrying amounts and estimated fair values are as follows:

| December 31, | 2019 | | 2018 | |
|--|-----------------|-------------------------------------|-----------------|-------------------------------------|
| | Carrying Amount | Estimated Fair Value ⁽¹⁾ | Carrying Amount | Estimated Fair Value ⁽¹⁾ |
| (millions) | | | | |
| Dominion Energy | | | | |
| Long-term debt ⁽²⁾ | \$ 32,055 | \$36,155 | \$29,952 | \$31,045 |
| Credit facility borrowings | — | — | 73 | 73 |
| Junior subordinated notes ⁽³⁾ | 4,797 | 4,953 | 3,430 | 3,358 |
| Remarketable subordinated notes ⁽³⁾ | — | — | 1,386 | 1,340 |
| Virginia Power | | | | |
| Long-term debt ⁽³⁾ | \$ 12,326 | \$14,281 | \$11,671 | \$12,400 |
| Dominion Energy Gas | | | | |
| Long-term debt ⁽⁴⁾ | \$ 5,520 | \$5,738 | \$ 7,770 | \$7,803 |
| Credit facility borrowings | — | — | 73 | 73 |

(1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. The carrying amount of debt issuances with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(2) Carrying amount includes current portions included in securities due within one year and amounts which represent the unamortized debt issuance costs, discount or premium, and foreign currency remeasurement adjustments. At December 31, 2019 and 2018, includes the valuation of certain fair value hedges associated with Dominion Energy's fixed rate debt of \$4 million and \$(20) million, respectively.

(3) Carrying amount includes current portions included in securities due within one year and amounts which represent the unamortized debt issuance costs, discount or premium.

(4) Carrying amount includes current portions included in securities due within one year and amounts which represent the unamortized debt issuance costs, discount or premium, and foreign currency remeasurement adjustments.

NOTE 7. DERIVATIVES AND HEDGE ACCOUNTING ACTIVITIES

See Note 2 for the Companies' accounting policies, objectives, and strategies for using derivative instruments. See Note 6 for further information about fair value measurements and associated valuation methods for derivatives.

Derivative assets and liabilities are presented gross on the Companies' Consolidated Balance Sheets. Dominion Energy's derivative contracts include both over-the-counter transactions and those that are executed on an exchange or other trading platform (exchange contracts) and centrally cleared. Virginia Power and Dominion Energy Gas' derivative contracts include over-the-counter transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Certain over-the-counter and exchange contracts contain contractual rights of setoff through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

In general, most over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral for over-the-counter and exchange contracts include cash, letters of credit, and, in some cases, other forms of security, none of which are subject to restrictions. Cash collateral is used in the table below to offset derivative assets and liabilities. Certain accounts receivable and accounts payable recognized on the Companies' Consolidated Balance Sheets, as well as letters of credit and other forms of security, all of which are not included in the tables below, are subject to offset under master netting or similar arrangements and would reduce the net exposure. See Note 24 for further information regarding credit-related contingent features for the Companies derivative instruments.

DOMINION ENERGY
Balance Sheet Presentation

The tables below present Dominion Energy's derivative asset and liability balances by type of financial instrument, if the gross amounts recognized in its Consolidated Balance Sheets were netted with derivative instruments and cash collateral received or paid:

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|--|--------------------------|--------------------------------|----------------|---|--------------------------|--------------------------------|----------------|
| | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | |
| | Gross Assets Presented in the Consolidated Balance Sheet (1) | Financial Instruments | Cash Collateral Received | Net Amounts | Gross Assets Presented in the Consolidated Balance Sheet (1) | Financial Instruments | Cash Collateral Received | Net Amounts |
| (millions) | | | | | | | | |
| Commodity contracts: | | | | | | | | |
| Over-the-counter | \$35 | \$21 | \$— | \$14 | \$175 | \$12 | \$— | \$163 |
| Exchange | 37 | 21 | — | 16 | 68 | 68 | — | — |
| Interest rate contracts: | | | | | | | | |
| Over-the-counter | 11 | 3 | — | 8 | 18 | 1 | — | 17 |
| Foreign currency contracts: | | | | | | | | |
| Over-the-counter | 8 | 8 | — | — | 26 | 2 | — | 24 |
| Total derivatives, subject to a master netting or similar arrangement | \$91 | \$53 | \$— | \$38 | \$287 | \$83 | \$— | \$204 |

(1) Excludes \$2 million and \$7 million of derivative assets at December 31, 2019 and 2018, respectively, which are not subject to master netting or similar arrangements.

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|---|--------------------------|----------------------------|----------------|--|--------------------------|----------------------------|----------------|
| | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | |
| | Gross Liabilities Presented in the Consolidated Balance Sheet (1) | Financial Instruments | Cash Collateral Paid | Net Amounts | Gross Liabilities Presented in the Consolidated Balance Sheet (1) | Financial Instruments | Cash Collateral Paid | Net Amounts |
| (millions) | | | | | | | | |
| Commodity contracts: | | | | | | | | |
| Over-the-counter | \$105 | \$21 | \$— | \$ 84 | \$ 19 | \$12 | \$— | \$ 7 |
| Exchange | 21 | 21 | — | — | 115 | 68 | 47 | — |
| Interest rate contracts: | | | | | | | | |
| Over-the-counter | 606 | 8 | 35 | 563 | 142 | 1 | — | 141 |
| Foreign currency contracts: | | | | | | | | |
| Over-the-counter | 3 | 3 | — | — | 2 | 2 | — | — |
| Total derivatives, subject to a master netting or similar arrangement | \$735 | \$53 | \$35 | \$647 | \$278 | \$83 | \$47 | \$148 |

(1) Excludes \$5 million and \$1 million of derivative liabilities at December 31, 2019 and 2018, respectively, which are not subject to master netting or similar arrangements.

Volumes

The following table presents the volume of Dominion Energy's derivative activity as of December 31, 2019. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

| | Current | Noncurrent |
|---------------------------------|-----------------|------------------|
| Natural Gas (bcf): | | |
| Fixed price ⁽¹⁾ | 79 | 34 |
| Basis | 227 | 495 |
| Electricity (MWh): | | |
| Fixed price ⁽¹⁾ | 3,810,015 | — |
| FTRs | 46,585,304 | — |
| Liquids (Gal) ⁽²⁾ | 52,374,000 | — |
| Interest rate ⁽³⁾ | \$2,450,000,000 | \$ 3,976,014,497 |
| Foreign currency ⁽³⁾ | —€ | 250,000,000€ |

(1) Includes options.

(2) Includes NGLs.

(3) Maturity is determined based on final settlement period.

AOCI

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion Energy's Consolidated Balance Sheet at December 31, 2019:

| | AOCI After-Tax | Amounts Expected to be Reclassified to Earnings During the Next 12 Months After-Tax | Maximum Term |
|------------------|-------------------|--|--------------|
| (millions) | | | |
| Commodities: | | | |
| Gas | \$ (4) | \$ (4) | 24 months |
| Electricity | 19 | 19 | 12 months |
| Other | 1 | 1 | 12 months |
| Interest rate | (426) | (64) | 384 months |
| Foreign currency | 3 | (2) | 78 months |
| Total | \$ (407) | \$ (50) | |

The amounts that will be reclassified from AOCI to earnings will generally be offset by the recognition of the hedged transactions (e.g., anticipated sales) in earnings, thereby achieving the realization of prices contemplated by the underlying risk management strategies and will vary from the expected amounts presented above as a result of changes in market prices, interest rates and foreign currency exchange rates.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings and presented in the same line item. Gains and losses on derivatives in fair value hedge relationships were immaterial for the years ended December 31, 2019, 2018 and 2017.

The following table presents the amounts recorded on the balance sheet related to cumulative basis adjustments for fair value hedges:

| Carrying Amount of the Hedged Asset (Liability) ⁽¹⁾ | | Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of the Hedged Assets (Liabilities) ⁽²⁾ | |
|--|-------------------|---|-------------------|
| December 31, 2019 | December 31, 2018 | December 31, 2019 | December 31, 2018 |
| (millions) | | | |
| Long-term debt | \$(1,154) | \$(1,631) | \$(4) |
| | | | \$20 |

(1) Includes \$(397) million and \$(892) million related to discontinued hedging relationships at December 31, 2019 and December 31, 2018, respectively.

(2) Includes \$3 million and \$8 million of hedging adjustments on discontinued hedging relationships at December 31, 2019 and December 31, 2018, respectively.

Fair Value and Gains and Losses on Derivative Instruments

The following tables present the fair values of Dominion Energy's derivatives and where they are presented in its Consolidated Balance Sheets:

| | Fair Value – Derivatives under Hedge Accounting | Fair Value – Derivatives not under Hedge Accounting | Total Fair Value |
|--|---|---|------------------------|
| (millions) | | | |
| At December 31, 2019 | | | |
| ASSETS | | | |
| Current Assets | | | |
| Commodity | \$ 30 | \$37 | \$ 67 |
| Interest rate | 1 | — | 1 |
| Total current derivative assets ⁽¹⁾ | 31 | 37 | 68 |
| Noncurrent Assets | | | |
| Commodity | 1 | 6 | 7 |
| Interest rate | 10 | — | 10 |
| Foreign currency | 8 | — | 8 |
| Total noncurrent derivative assets ⁽²⁾ | 19 | 6 | 25 |
| Total derivative assets | \$ 50 | \$43 | \$ 93 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Commodity | \$ 6 | \$77 | \$ 83 |
| Interest rate | 321 | 1 | 322 |
| Foreign currency | 3 | — | 3 |
| Total current derivative liabilities ⁽³⁾ | 330 | 78 | 408 |
| Noncurrent Liabilities | | | |
| Commodity | 1 | 47 | 48 |
| Interest rate | 267 | 17 | 284 |
| Total noncurrent derivative liabilities ⁽⁴⁾ | 268 | 64 | 332 |
| Total derivative liabilities | \$598 | \$142 | \$ 740 |
| At December 31, 2018 | | | |
| ASSETS | | | |
| Current Assets | | | |
| Commodity | \$ 55 | \$154 | \$ 209 |
| Interest rate | 14 | — | 14 |
| Total current derivative assets ⁽¹⁾ | 69 | 154 | 223 |
| Noncurrent Assets | | | |
| Commodity | 6 | 35 | 41 |
| Interest rate | 4 | — | 4 |
| Foreign currency | 26 | — | 26 |
| Total noncurrent derivative assets ⁽²⁾ | 36 | 35 | 71 |
| Total derivative assets | \$105 | \$189 | \$ 294 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Commodity | \$ 17 | \$112 | \$ 129 |
| Interest rate | 26 | — | 26 |
| Foreign currency | 2 | — | 2 |
| Total current derivative liabilities ⁽³⁾ | 45 | 112 | 157 |
| Noncurrent Liabilities | | | |
| Commodity | 5 | 1 | 6 |
| Interest rate | 116 | — | 116 |
| Total noncurrent derivative liabilities ⁽⁴⁾ | 121 | 1 | 122 |
| Total derivative liabilities | \$166 | \$113 | \$ 279 |

- (1) Current derivative assets are presented in other current assets in Dominion Energy's Consolidated Balance Sheets.
 (2) Noncurrent derivative assets are presented in other deferred charges and other assets in Dominion Energy's Consolidated Balance Sheets.
 (3) Current derivative liabilities are presented in other current liabilities in Dominion Energy's Consolidated Balance Sheets.
 (4) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Dominion Energy's Consolidated Balance Sheets.

The following tables present the gains and losses on Dominion Energy's derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Income:

| Derivatives in cash flow hedging relationships (millions) | Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) ⁽¹⁾ | Amount of Gain (Loss) Reclassified From AOCI to Income | Increase (Decrease) in Derivatives Subject to Regulatory Treatment ⁽²⁾ |
|--|--|--|--|
| Year Ended December 31, 2019 | | | |
| Derivative type and location of gains (losses): | | | |
| Commodity: | | | |
| Operating revenue | | \$146 | |
| Purchased gas | | (3) | |
| Total commodity | \$125 | \$143 | \$ — |
| Interest rate ⁽³⁾ | (252) | (54) | (255) |
| Foreign currency ⁽⁴⁾ | (18) | (6) | — |
| Total | \$(145) | \$ 83 | \$(255) |
| Year Ended December 31, 2018 | | | |
| Derivative type and location of gains (losses): | | | |
| Commodity: | | | |
| Operating revenue | | \$(90) | |
| Electric fuel and other energy-related purchases | | 14 | |
| Total commodity | \$ 64 | \$(76) | \$ — |
| Interest rate ⁽³⁾ | (18) | (48) | 39 |
| Foreign currency ⁽⁴⁾ | (6) | (13) | — |
| Total | \$ 40 | \$(137) | \$ 39 |
| Year Ended December 31, 2017 | | | |
| Derivative type and location of gains (losses): | | | |
| Commodity: | | | |
| Operating revenue | | \$ 81 | |
| Purchased gas | | (2) | |
| Total commodity | \$ 1 | \$ 79 | \$ — |
| Interest rate ⁽³⁾ | (8) | (52) | (58) |
| Foreign currency ⁽⁴⁾ | 18 | 20 | — |
| Total | \$ 11 | \$ 47 | \$ (58) |

- (1) Amounts deferred into AOCI have no associated effect in Dominion Energy's Consolidated Statements of Income.
 (2) Represents net derivative activity deferred into and amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion Energy's Consolidated Statements of Income.
 (3) Amounts recorded in Dominion Energy's Consolidated Statements of Income are classified in interest and related charges.
 (4) Amounts recorded in Dominion Energy's Consolidated Statements of Income are classified in other income.

| Derivatives not designated as hedging instruments Year Ended December 31, (millions) | Amount of Gain (Loss) Recognized in Income on Derivatives ⁽¹⁾ | | |
|--|---|--------|--------|
| | 2019 | 2018 | 2017 |
| Derivative type and location of gains (losses): | | | |
| Commodity: | | | |
| Operating revenue | \$ 45 | \$(28) | \$ 18 |
| Purchased gas | (28) | 11 | (3) |
| Electric fuel and other energy-related purchases | (46) | (9) | (59) |
| Other operations & maintenance | — | — | (1) |
| Interest rate | 3 | — | — |
| Total | \$(26) | \$(26) | \$(45) |

(1) Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion Energy's Consolidated Statements of Income.

VIRGINIA POWER

Balance Sheet Presentation

The tables below present Virginia Power's derivative asset and liability balances by type of financial instrument, if the gross amounts recognized in its Consolidated Balance Sheets were netted with derivative instruments and cash collateral received or paid:

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|--|--------------------------|--------------------------------|----------------|--|--------------------------|--------------------------------|----------------|
| | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | |
| (millions) | Gross Assets Presented in the Consolidated Balance Sheet ⁽¹⁾ | Financial Instruments | Cash Collateral Received | Net Amounts | Gross Assets Presented in the Consolidated Balance Sheet ⁽¹⁾ | Financial Instruments | Cash Collateral Received | Net Amounts |
| Commodity contracts: | | | | | | | | |
| Over-the-counter | \$19 | \$18 | \$— | \$1 | \$64 | \$6 | \$— | \$58 |
| Interest rate contracts: | | | | | | | | |
| Over-the-counter | 2 | — | — | 2 | 3 | — | — | 3 |
| Total derivatives, subject to a master netting or similar arrangement | \$21 | \$18 | \$— | \$3 | \$67 | \$6 | \$— | \$61 |

(1) Excludes \$3 million and \$26 million of derivative assets at December 31, 2019 and 2018, respectively, which are not subject to master netting or similar arrangements.

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|---|--------------------------|----------------------------|----------------|---|--------------------------|----------------------------|----------------|
| | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | |
| (millions) | Gross Liabilities Presented in the Consolidated Balance Sheet ⁽¹⁾ | Financial Instruments | Cash Collateral Paid | Net Amounts | Gross Liabilities Presented in the Consolidated Balance Sheet ⁽¹⁾ | Financial Instruments | Cash Collateral Paid | Net Amounts |
| Commodity contracts: | | | | | | | | |
| Over-the-counter | \$ 59 | \$18 | \$— | \$ 41 | \$ 6 | \$6 | \$— | \$— |
| Interest rate contracts: | | | | | | | | |
| Over-the-counter | 363 | — | — | 363 | 88 | — | — | 88 |
| Total derivatives, subject to a master netting or similar arrangement | \$422 | \$18 | \$— | \$404 | \$94 | \$6 | \$— | \$88 |

(1) Excludes \$44 million and \$9 million of derivative liabilities at December 31, 2019 and 2018, respectively, which are not subject to master netting or similar arrangements.

Volumes

The following table presents the volume of Virginia Power's derivative activity at December 31, 2019. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

| | Current | Noncurrent |
|------------------------------|---------------|---------------|
| Natural Gas (bcf): | | |
| Fixed price ⁽¹⁾ | 41 | 9 |
| Basis | 132 | 448 |
| Electricity (MWh): | | |
| FTRs | 46,585,304 | — |
| Interest rate ⁽²⁾ | \$900,000,000 | \$950,000,000 |

(1) Includes options.

(2) Maturity is determined based on final settlement period.

AOCI

The following table presents selected information related to losses on cash flow hedges included in AOCI in Virginia Power's Consolidated Balance Sheet at December 31, 2019:

| | AOCI After-Tax | Amounts Expected to be Reclassified to Earnings During the Next 12 Months After-Tax | Maximum Term |
|---------------|-------------------|--|-------------------|
| (millions) | | | |
| Interest rate | \$(34) | \$(1) | 384 months |
| Total | \$(34) | \$(1) | |

The amounts that will be reclassified from AOCI to earnings will generally be offset by the recognition of the hedged transactions (e.g., interest payments) in earnings, thereby achieving the realization of interest rates contemplated by the underlying risk management strategies and will vary from the expected amounts presented above as a result of changes in interest rates.

Fair Value and Gains and Losses on Derivative Instruments

The following tables present the fair values of Virginia Power's derivatives and where they are presented in its Consolidated Balance Sheets:

| | Fair Value – Derivatives under Hedge Accounting | Fair Value – Derivatives not under Hedge Accounting | Total Fair Value |
|---|---|---|------------------------|
| (millions) | | | |
| At December 31, 2019 | | | |
| ASSETS | | | |
| Current Assets | | | |
| Commodity | \$ — | \$ 20 | \$ 20 |
| Total current derivative assets ⁽¹⁾ | — | 20 | 20 |
| Noncurrent Assets | | | |
| Commodity | — | 2 | 2 |
| Interest rate | 2 | — | 2 |
| Total noncurrent derivative assets ⁽²⁾ | 2 | 2 | 4 |
| Total derivative assets | \$ 2 | \$ 22 | \$ 24 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Commodity | \$ — | \$ 58 | \$ 58 |
| Interest rate | 185 | — | 185 |
| Total current derivative liabilities | 185 | 58 | 243 |
| Noncurrent Liabilities | | | |
| Commodity | — | 45 | 45 |
| Interest rate | 178 | — | 178 |
| Total noncurrent derivatives liabilities ⁽³⁾ | 178 | 45 | 223 |
| Total derivative liabilities | \$363 | \$103 | \$466 |
| At December 31, 2018 | | | |
| ASSETS | | | |
| Current Assets | | | |
| Commodity | \$ — | \$ 60 | \$ 60 |
| Interest rate | 3 | — | 3 |
| Total current derivative assets ⁽¹⁾ | 3 | 60 | 63 |
| Noncurrent Assets | | | |
| Commodity | — | 30 | 30 |
| Total noncurrent derivative assets ⁽²⁾ | — | 30 | 30 |
| Total derivative assets | \$ 3 | \$ 90 | \$ 93 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Commodity | \$ — | \$ 15 | \$ 15 |
| Interest rate | 10 | — | 10 |
| Total current derivative liabilities | 10 | 15 | 25 |
| Noncurrent Liabilities | | | |
| Interest rate | 78 | — | 78 |
| Total noncurrent derivative liabilities ⁽³⁾ | 78 | — | 78 |
| Total derivative liabilities | \$ 88 | \$ 15 | \$103 |

(1) Current derivative assets are presented in other current assets in Virginia Power's Consolidated Balance Sheets.

(2) Noncurrent derivative assets are presented in other deferred charges and other assets in Virginia Power's Consolidated Balance Sheets.

(3) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Virginia Power's Consolidated Balance Sheets.

The following tables present the gains and losses on Virginia Power's derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Income:

| | Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) ⁽¹⁾ | Amount of Gain (Loss) Reclassified From AOCI to Income | Increase (Decrease) in Derivatives Subject to Regulatory Treatment ⁽²⁾ |
|---|--|--|--|
| Derivatives in cash flow hedging relationships (millions) | | | |
| Year Ended December 31, 2019 | | | |
| Derivative type and location of gains (losses): | | | |
| Interest rate ⁽³⁾ | \$ (30) | \$ (1) | \$ (259) |
| Total | \$ (30) | \$ (1) | \$ (259) |
| Year Ended December 31, 2018 | | | |
| Derivative type and location of gains (losses): | | | |
| Interest rate ⁽³⁾ | \$ 2 | \$ (1) | \$ 39 |
| Total | \$ 2 | \$ (1) | \$ 39 |
| Year Ended December 31, 2017 | | | |
| Derivative type and location of gains (losses): | | | |
| Interest rate ⁽³⁾ | \$ (8) | \$ (1) | \$ (58) |
| Total | \$ (8) | \$ (1) | \$ (58) |

(1) Amounts deferred into AOCI have no associated effect in Virginia Power's Consolidated Statements of Income.

(2) Represents net derivative activity deferred into and amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Virginia Power's Consolidated Statements of Income.

(3) Amounts recorded in Virginia Power's Consolidated Statements of Income are classified in interest and related charges.

| | Amount of Gain (Loss) Recognized in Income on Derivatives ⁽¹⁾ | | |
|---|--|------|---------|
| Derivatives not designated as hedging instruments | | | |
| Year Ended December 31, | 2019 | 2018 | 2017 |
| (millions) | | | |
| Derivative type and location of gains (losses): | | | |
| Commodity ⁽²⁾ | \$ (45) | \$2 | \$ (57) |
| Total | \$ (45) | \$2 | \$ (57) |

(1) Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Virginia Power's Consolidated Statements of Income.

(2) Amounts recorded in Virginia Power's Consolidated Statements of Income are classified in electric fuel and other energy-related purchases.

DOMINION ENERGY GAS**Balance Sheet Presentation**

The tables below present Dominion Energy Gas' derivative asset and liability balances by type of financial instrument, if the gross amounts recognized in its Consolidated Balance Sheets were netted with derivative instruments and cash collateral received or paid:

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|--|-----------------------|--------------------------|-------------|--|-----------------------|--------------------------|-------------|
| | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | |
| | Gross Assets Presented in the Consolidated Balance Sheet | Financial Instruments | Cash Collateral Received | Net Amounts | Gross Assets Presented in the Consolidated Balance Sheet | Financial Instruments | Cash Collateral Received | Net Amounts |
| (millions) | | | | | | | | |
| Commodity contracts: | | | | | | | | |
| Over-the-counter | \$ — | \$ — | \$ — | \$ — | \$ 3 | \$ — | \$ — | \$ 3 |
| Interest rate contracts: | | | | | | | | |
| Over-the-counter | — | — | — | — | 2 | — | — | 2 |
| Foreign currency contracts: | | | | | | | | |
| Over-the-counter | 8 | 8 | — | — | 26 | 2 | — | 24 |
| Total derivatives, subject to a master netting or similar arrangement | \$ 8 | \$ 8 | \$ — | \$ — | \$ 31 | \$ 2 | \$ — | \$ 29 |

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|---|-----------------------|----------------------|-------------|---|-----------------------|----------------------|-------------|
| | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | | Gross Amounts Not Offset in the Consolidated Balance Sheet | | | |
| | Gross Liabilities Presented in the Consolidated Balance Sheet | Financial Instruments | Cash Collateral Paid | Net Amounts | Gross Liabilities Presented in the Consolidated Balance Sheet | Financial Instruments | Cash Collateral Paid | Net Amounts |
| (millions) | | | | | | | | |
| Interest rate contracts: | | | | | | | | |
| Over-the-counter | \$ 83 | \$ 5 | \$ — | \$ 78 | \$ 17 | \$ — | \$ — | \$ 17 |
| Foreign currency contracts: | | | | | | | | |
| Over-the-counter | 3 | 3 | — | — | 2 | 2 | — | — |
| Total derivatives, subject to a master netting or similar arrangement | \$ 86 | \$ 8 | \$ — | \$ 78 | \$ 19 | \$ 2 | \$ — | \$ 17 |

Volumes

The following table presents the volume of Dominion Energy Gas' derivative activity at December 31, 2019. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

| | Current | Noncurrent |
|---------------------------------|---------------|-----------------|
| Interest rate ⁽¹⁾ | \$250,000,000 | \$1,050,000,000 |
| Foreign currency ⁽¹⁾ | € — | € 250,000,000 |

(1) Maturity is determined based on final settlement period.

A OCI

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2019:

| | AOCI After-Tax | Amounts Expected to be Reclassified to Earnings During the Next 12 Months After-Tax | Maximum Term |
|------------------|-------------------|---|--------------|
| (millions) | | | |
| Interest rate | \$(84) | \$ 15 | 300 months |
| Foreign currency | 3 | (2) | 78 months |
| Total | \$(81) | \$ 13 | |

The amounts that will be reclassified from AOCI to earnings will generally be offset by the recognition of the hedged transactions (e.g., anticipated sales) in earnings, thereby achieving the realization of prices contemplated by the underlying risk management strategies and will vary from the expected amounts presented above as a result of changes in market prices, interest rates, and foreign currency exchange rates.

Fair Value and Gains and Losses on Derivative Instruments

The following table presents the fair values of Dominion Energy Gas' derivatives and where they are presented in its Consolidated Balance Sheets:

| | Fair Value – Derivatives under Hedge Accounting | Fair Value – Derivatives not under Hedge Accounting | Total Fair Value |
|--|---|---|------------------------|
| (millions) | | | |
| At December 31, 2019 | | | |
| ASSETS | | | |
| Noncurrent Assets | | | |
| Foreign currency | \$ 8 | \$ — | \$ 8 |
| Total noncurrent derivative assets ⁽¹⁾ | 8 | — | 8 |
| Total derivative assets | \$ 8 | \$ — | \$ 8 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Interest rate | \$30 | \$ — | \$ 30 |
| Foreign currency | 3 | — | 3 |
| Total current derivative liabilities ⁽²⁾ | 33 | — | 33 |
| Noncurrent Liabilities | | | |
| Interest rate | 53 | — | 53 |
| Total noncurrent derivative liabilities ⁽³⁾ | 53 | — | 53 |
| Total derivative liabilities | \$86 | \$ — | \$ 86 |
| At December 31, 2018 | | | |
| ASSETS | | | |
| Current Assets | | | |
| Commodity | \$ 3 | \$ — | \$ 3 |
| Interest rate | 2 | — | 2 |
| Total current derivative assets ⁽⁴⁾ | 5 | — | 5 |
| Noncurrent Assets | | | |
| Foreign currency | 26 | — | 26 |
| Total noncurrent derivative assets ⁽¹⁾ | 26 | — | 26 |
| Total derivative assets | \$31 | \$ — | \$ 31 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Interest rate | \$ 9 | \$ — | \$ 9 |
| Foreign currency | 2 | — | 2 |
| Total current derivative liabilities ⁽²⁾ | 11 | — | 11 |
| Noncurrent Liabilities | | | |
| Interest rate | 8 | — | 8 |
| Total noncurrent derivative liabilities ⁽³⁾ | 8 | — | 8 |
| Total derivative liabilities | \$19 | \$ — | \$ 19 |

(1) Noncurrent derivative assets are presented in other deferred charges and other assets in Dominion Energy Gas' Consolidated Balance Sheets.

(2) Current derivative liabilities are presented in other current liabilities in Dominion Energy Gas' Consolidated Balance Sheets.

(3) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Dominion Energy Gas' Consolidated Balance Sheets.

(4) Current derivative assets include \$2 million in other current assets, with the remainder recorded in current assets of discontinued operations in Dominion Energy Gas' Consolidated Balance Sheets.

The following tables present the gains and losses on Dominion Energy Gas' derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Income:

| Derivatives in cash flow hedging relationships (millions) | Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) ⁽¹⁾ | Amount of Gain (Loss) Reclassified From AOCI to Income |
|--|--|--|
| Year Ended December 31, 2019 | | |
| Derivative type and location of gains (losses): | | |
| Commodity: | | |
| Net income from discontinued operations | | \$ 4 |
| Total commodity | \$ 1 | \$ 4 |
| Interest rate ⁽²⁾ | (68) | (5) |
| Foreign currency ⁽³⁾ | (18) | (6) |
| Total | \$ (85) | \$ (7) |
| Year Ended December 31, 2018 | | |
| Derivative type and location of gains (losses): | | |
| Commodity: | | |
| Net income from discontinued operations | | \$ (8) |
| Total commodity | \$ 1 | \$ (8) |
| Interest rate ⁽²⁾ | (16) | (5) |
| Foreign currency ⁽³⁾ | (6) | (13) |
| Total | \$ (21) | \$ (26) |
| Year Ended December 31, 2017 | | |
| Derivative type and location of gains (losses): | | |
| Commodity: | | |
| Net income from discontinued operations | | \$ (8) |
| Total commodity | \$ (10) | \$ (8) |
| Interest rate ⁽²⁾ | 1 | (6) |
| Foreign currency ⁽³⁾ | 18 | 20 |
| Total | \$ 9 | \$ 6 |

(1) Amounts deferred into AOCI have no associated effect in Dominion Energy Gas' Consolidated Statements of Income.

(2) Amounts recorded in Dominion Energy Gas' Consolidated Statements of Income are classified in interest and related charges.

(3) Amounts recorded in Dominion Energy Gas' Consolidated Statements of Income are classified in other income.

| Derivatives not designated as hedging instruments | Amount of Gain (Loss) Recognized in Income on Derivatives | | |
|--|--|--------|------|
| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
| Derivative type and location of gains (losses): | | | |
| Commodity | | | |
| Operating revenue | \$— | \$(11) | \$— |
| Total | \$— | \$(11) | \$— |

NOTE 8. EARNINGS PER SHARE

The following table presents the calculation of Dominion Energy's basic and diluted EPS:

| | 2019 | 2018 | 2017 |
|--|----------|----------|----------|
| (millions, except EPS) | | | |
| Net income attributable to Dominion Energy | \$ 1,358 | \$ 2,447 | \$ 2,999 |
| Preferred stock dividends (see Note 19) | (17) | — | — |
| Net income attributable to Dominion Energy – Basic | 1,341 | 2,447 | 2,999 |
| Dilutive effect of Series A Preferred Stock | (28) | — | — |
| Net income attributable to Dominion Energy – Diluted | 1,313 | 2,447 | 2,999 |
| Average shares of common stock outstanding – Basic | 808.8 | 654.2 | 636.0 |
| Net effect of dilutive securities ⁽¹⁾ | 0.1 | 0.7 | — |
| Average shares of common stock outstanding – Diluted | 808.9 | 654.9 | 636.0 |
| Earnings Per Common Share – Basic | \$ 1.66 | \$ 3.74 | \$ 4.72 |
| Earnings Per Common Share – Diluted | \$ 1.62 | \$ 3.74 | \$ 4.72 |

(1) Dilutive securities for 2018 consist primarily of forward sale agreements, effective April 2018 to December 2018. See Notes 17 and 19 for more information.

The 2019 Equity Units are potentially dilutive securities. The forward stock purchase contracts included within the 2019 Equity Units were excluded from the calculation of diluted EPS for the year ended December 31, 2019, as the dilutive stock price threshold was not met. The Series A Preferred Stock included within the 2019 Equity Units is excluded from the effect of dilutive securities within diluted EPS, but a fair value adjustment is reflected within net income attributable to Dominion Energy for the calculation of diluted EPS for the year ended December 31, 2019 based upon the expectation that the conversion will be settled in cash rather than through the issuance of Dominion Energy common stock. The 2016 Equity Units were potentially dilutive securities, but were excluded from the calculation of diluted EPS for the years ended December 31, 2019, 2018 and 2017 as the dilutive stock price threshold was not met. The Dominion Energy Midstream convertible preferred units were potentially dilutive securities but had no effect on the calculation of diluted EPS for the years ended December 31, 2018 and 2017. In calculating diluted EPS in connection with the Dominion Energy Midstream convertible preferred units, Dominion Energy applied the if-converted method.

NOTE 9. INVESTMENTS

DOMINION ENERGY

Equity and Debt Securities

RABBI TRUST SECURITIES

Equity and fixed income securities and cash equivalents in Dominion Energy's rabbi trusts and classified as trading totaled \$120 million and \$111 million at December 31, 2019 and 2018, respectively.

DECOMMISSIONING TRUST SECURITIES

Dominion Energy holds equity and fixed income securities, insurance contracts and cash equivalents in nuclear decommissioning trust funds to fund future decommissioning costs for its nuclear plants. Dominion Energy's decommissioning trust funds are summarized below:

| | Amortized Cost | Total Unrealized Gains | Total Unrealized Losses | Fair Value |
|---|-------------------|------------------------------|-------------------------------|---------------|
| (millions) | | | | |
| December 31, 2019 | | | | |
| Equity securities: ⁽¹⁾ | | | | |
| U.S. | \$ 1,807 | \$ 2,451 | \$ (20) | \$ 4,238 |
| Fixed income securities: ⁽²⁾ | | | | |
| Corporate debt instruments | 434 | 29 | — | 463 |
| Government securities | 1,108 | 39 | (2) | 1,145 |
| Common/collective trust funds | 115 | 4 | — | 119 |
| Insurance contracts | 214 | — | — | 214 |
| Cash equivalents and other ⁽³⁾ | 13 | — | — | 13 |
| Total | \$ 3,691 | \$ 2,523 | \$ (22) ⁽⁴⁾ | \$ 6,192 |
| December 31, 2018 | | | | |
| Equity securities: ⁽¹⁾ | | | | |
| U.S. | \$1,741 | \$1,640 | \$(51) | \$3,330 |
| Fixed income securities: ⁽²⁾ | | | | |
| Corporate debt instruments | 435 | 5 | (9) | 431 |
| Government securities | 1,092 | 17 | (12) | 1,097 |
| Common/collective trust funds | 76 | — | — | 76 |
| Cash equivalents and other | 4 | — | — | 4 |
| Total | \$3,348 | \$1,662 | \$(72) ⁽⁴⁾ | \$4,938 |

(1) Unrealized gains and losses on equity securities are included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

(2) Unrealized gains and losses on fixed income securities are included in AOCI and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

(3) Includes pending purchases of securities of \$1 million at December 31, 2019.

(4) The fair value of securities in an unrealized loss position was \$298 million and \$833 million at December 31, 2019 and 2018, respectively.

The portion of unrealized gains and losses that relates to equity securities held within Dominion Energy's nuclear decommissioning trusts is summarized below:

| Year Ended December 31, | 2019 | 2018 |
|--|-------|---------|
| (millions) | | |
| Net gains (losses) recognized during the period | \$919 | \$(245) |
| Less: Net gains recognized during the period on securities sold during the period | (80) | (58) |
| Unrealized gains (losses) recognized during the period on securities still held at December 31, 2019 and 2018 ⁽¹⁾ | \$839 | \$(303) |

(1) Included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

The fair value of Dominion Energy's fixed income securities with readily determinable fair values held in nuclear decommissioning trust funds at December 31, 2019 by contractual maturity is as follows:

| | Amount |
|--|---------|
| (millions) | |
| Due in one year or less | \$ 198 |
| Due after one year through five years | 412 |
| Due after five years through ten years | 390 |
| Due after ten years | 727 |
| Total | \$1,727 |

Presented below is selected information regarding Dominion Energy's equity and fixed income securities with readily determinable fair values held in nuclear decommissioning trust funds.

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---------------------------------------|----------|----------|----------|
| Proceeds from sales | \$ 1,712 | \$ 1,804 | \$ 1,831 |
| Realized gains ⁽¹⁾ | 195 | 140 | 166 |
| Realized losses ⁽¹⁾ | 96 | 91 | 71 |

(1) Includes realized gains and losses recorded to the nuclear decommissioning trust regulatory liability as discussed in Note 2.

Dominion Energy recorded other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds as follows:

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|------|-------|-------|
| Total other-than-temporary impairment losses ⁽¹⁾ | \$ 3 | \$ 30 | \$ 44 |
| Losses recorded to the nuclear decommissioning trust regulatory liability | — | — | (16) |
| Losses recognized in other comprehensive income (before taxes) | (3) | (30) | (5) |
| Net impairment losses recognized in earnings | \$ — | \$ — | \$ 23 |

(1) Amounts include other-than-temporary impairment losses for fixed income securities of \$5 million at December 31, 2017.

VIRGINIA POWER

Virginia Power holds equity and fixed income securities and cash equivalents in nuclear decommissioning trust funds to fund future decommissioning costs for its nuclear plants. Virginia Power's decommissioning trust funds are summarized below:

| (millions) | Amortized Cost | Total Unrealized Gains | Total Unrealized Losses | Fair Value |
|---|-------------------|------------------------------|-------------------------------|---------------|
| December 31, 2019 | | | | |
| Equity securities: ⁽¹⁾ | | | | |
| U.S. | \$894 | \$1,144 | \$(11) | \$2,027 |
| Fixed income securities: ⁽²⁾ | | | | |
| Corporate debt instruments | 241 | 15 | — | 256 |
| Government securities | 534 | 14 | (2) | 546 |
| Common/collective trust funds | 51 | — | — | 51 |
| Cash equivalents and other | 1 | — | — | 1 |
| Total | \$1,721 | \$1,173 | \$(13) ⁽⁴⁾ | \$2,881 |
| December 31, 2018 | | | | |
| Equity securities: ⁽¹⁾ | | | | |
| U.S. | \$ 858 | \$751 | \$(24) | \$1,585 |
| Fixed income securities: ⁽²⁾ | | | | |
| Corporate debt instruments | 224 | 2 | (5) | 221 |
| Government securities | 504 | 7 | (5) | 506 |
| Common/collective trust funds | 51 | — | — | 51 |
| Cash equivalents and other ⁽³⁾ | 6 | — | — | 6 |
| Total | \$1,643 | \$760 | \$(34) ⁽⁴⁾ | \$2,369 |

- (1) Unrealized gains and losses on equity securities, are included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.
(2) Unrealized gains and losses on fixed income securities are included in AOCI and the nuclear decommissioning trust regulatory liability as discussed in Note 2.
(3) Includes pending sales of securities of \$6 million at December 31, 2018.
(4) The fair value of securities in an unrealized loss position was \$185 million and \$404 million at December 31, 2019 and 2018, respectively.

The portion of unrealized gains and losses that relates to equity securities held within Virginia Power's nuclear decommissioning trusts is summarized below:

| Year Ended December 31, (millions) | 2019 | 2018 |
|--|-------|---------|
| Net gains (losses) recognized during the period | \$423 | \$(105) |
| Less: Net gains recognized during the period on securities sold during the period | (20) | (32) |
| Unrealized gains (losses) recognized during the period on securities still held at December 31, 2019 and 2018 ⁽¹⁾ | \$403 | \$(137) |

(1) Included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

The fair value of Virginia Power's fixed income securities with readily determinable fair values held in nuclear decommissioning trust funds at December 31, 2019, by contractual maturity is as follows:

| (millions) | Amount |
|--|--------|
| Due in one year or less | \$ 91 |
| Due after one year through five years | 175 |
| Due after five years through ten years | 206 |
| Due after ten years | 381 |
| Total | \$853 |

Presented below is selected information regarding Virginia Power's equity and fixed income securities with readily determinable fair values held in nuclear decommissioning trust funds.

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---------------------------------------|-------|-------|-------|
| Proceeds from sales | \$858 | \$887 | \$849 |
| Realized gains ⁽¹⁾ | 58 | 60 | 75 |
| Realized losses ⁽¹⁾ | 22 | 27 | 30 |

(1) Includes realized gains and losses recorded to the nuclear decommissioning trust regulatory liability as discussed in Note 2.

Virginia Power recorded other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds as follows:

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|---|------|-------|-------|
| Total other-than-temporary impairment losses ⁽¹⁾ | \$ 2 | \$ 15 | \$ 20 |
| Losses recorded to the nuclear decommissioning trust regulatory liability | — | — | (16) |
| Losses recognized in other comprehensive income (before taxes) | (2) | (15) | (2) |
| Net impairment losses recognized in earnings | \$ — | \$ — | \$ 2 |

(1) Amounts include other-than-temporary impairment losses for fixed income securities of \$2 million at December 31, 2017.

Equity Method Investments

DOMINION ENERGY

Investments that Dominion Energy account for under the equity method of accounting are as follows:

| Company | Ownership% | Investment Balance | | Description |
|----------------------------------|------------|--------------------|----------|---|
| As of December 31, (millions) | | 2019 | 2018 | |
| Atlantic Coast Pipeline | 48% | \$ 1,123 | \$ 820 | Gas transmission system |
| Iroquois | 50% | 276 | 302 | Gas transmission system |
| Fowler Ridge | 50% | 74 | 82 | Wind-powered merchant generation facility |
| Wrangler | 20% | 77 | — | Nonregulated retail energy marketing |
| Other ⁽¹⁾⁽²⁾ | various | 96 | 74 | |
| Total | | \$ 1,646 | \$ 1,278 | |

(1) Liability of less than \$1 million associated with NedPower recorded to other deferred credits and other liabilities, on the Consolidated Balance Sheets as of December 31, 2018. See additional discussion of NedPower below.

(2) Dominion Energy has an \$ 80 million unfunded commitment to be made to Align RNG by the end of 2022.

Dominion Energy's equity earnings on its investments totaled \$168 million, \$197 million and \$14 million in 2019, 2018 and 2017, respectively, included in other income in Dominion Energy's Consolidated Statements of Income. Dominion Energy received distributions from these investments of \$112 million, \$209 million and \$419 million in 2019, 2018 and 2017, respectively. As of December 31, 2019 and 2018, the net difference between the carrying amount of Dominion Energy's investments and its share of underlying equity in net assets was \$110 million and \$161 million, respectively. At December 31, 2019, these differences are comprised of \$159 million of equity method goodwill that is not being amortized and a net \$49 million basis difference from Dominion Energy's investments in Fowler, which is being amortized over the useful lives of the underlying assets, in Atlantic Coast Pipeline, which is being amortized over the term of its credit facility, and an unfunded commitment to be made to Align RNG. At December 31, 2018, these differences are comprised of \$146 million of equity method goodwill that is not being amortized and \$15 million related to basis differences from Dominion Energy's investments in wind projects, which are being amortized over the useful lives of the underlying assets, and in Atlantic Coast Pipeline, which is being amortized over the term of its credit facility.

ATLANTIC COAST PIPELINE

In September 2014, Dominion Energy, along with Duke and Southern, announced the formation of Atlantic Coast Pipeline. The Atlantic Coast Pipeline partnership agreement includes provisions to allow Dominion Energy an option to purchase additional ownership interest in Atlantic Coast Pipeline to maintain a leading ownership percentage. As of December 31, 2019, the members hold the following membership interests: Dominion Energy, 48%; Duke, 47%; and Southern, 5%.

Atlantic Coast Pipeline is focused on constructing an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina. Subsidiaries and affiliates of all three members plan to be customers of the pipeline under 20-year contracts. Atlantic Coast Pipeline is considered an equity method investment as Dominion Energy has the ability to exercise significant influence, but not control, over the investee. See Note 16 for more information.

Dominion Energy recorded contributions of \$186 million, \$414 million and \$310 million during 2019, 2018 and 2017, respectively, to Atlantic Coast Pipeline. At December 31, 2019, Dominion Energy had \$7 million of contributions payable to Atlantic Coast Pipeline included within other current liabilities in the Consolidated Balance Sheets.

Dominion Energy did not receive distributions from Atlantic Coast Pipeline during 2019 and received distributions of \$36 million and \$270 million during 2018 and 2017, respectively.

In October 2017, Dominion Energy entered into a guarantee agreement to support a portion of Atlantic Coast Pipeline's obligation under its credit facility. See Note 23 for more information.

The Atlantic Coast Pipeline Project is the subject of challenges in federal courts including, among others, challenges of the Atlantic Coast Pipeline Project's biological opinion and incidental take statement, permits providing right of way crossings of certain federal lands, the U.S. Army Corps of Engineers 404 permit, the air permit for a compressor station at Buckingham, Virginia, and the FERC order approving the CPCN. Each of these challenges alleges non-compliance on the part of federal and state permitting authorities and adverse ecological consequences if the Atlantic Coast Pipeline Project is permitted to proceed. Since December 2018, notable developments in these challenges include a stay in December 2018 issued by the U.S. Court of Appeals for the Fourth Circuit and the same court's July 2019 vacatur of the biological opinion and incidental take statement (which stay and subsequent vacatur halted most project construction activity), U.S. Court of Appeals for the Fourth Circuit decisions vacating the permits to cross certain federal forests and the air permit for a compressor station at Buckingham, Virginia, the U.S. Court of Appeals for the Fourth Circuit's remand to U.S. Army Corps of Engineers of Atlantic Coast Pipeline's Huntington District 404 verification and the U.S. Court of Appeals for the Fourth Circuit's remand to the National Park Service of Atlantic Coast Pipeline's Blue Ridge Parkway right-of-way. Atlantic Coast Pipeline continues to vigorously defend these challenges and is coordinating with the federal and state authorities to obtain new authorizations. Atlantic Coast Pipeline continues coordinating and working with U.S. Fish and Wildlife Service and other parties in

preparation for a reissuance of the biological opinion and incidental take statement. In June 2019, the Solicitor General of the U.S. and Atlantic Coast Pipeline filed petitions requesting that the Supreme Court of the U.S. hear the case regarding the Appalachian Trail crossing. In February 2020, the Supreme Court of the U.S. heard oral arguments in the case and is expected to issue a ruling no later than June 2020. If a favorable ruling is not received, Atlantic Coast Pipeline is also evaluating possible legislative and administrative remedies to this issue.

Given the legal challenges described above and ongoing discussions with customers, project construction is expected to be completed by the end of 2021, with full in-service in early 2022, with project costs estimated to be approximately \$8 billion, excluding financing costs. Atlantic Coast Pipeline has reached agreements in principle with major customers to amend the contracted rate to share in certain delay cost increases, pending certain regulatory approvals. Project construction activities, schedules and costs are also subject to uncertainty due to permitting and/or work delays (including due to judicial or regulatory action), abnormal weather and other conditions that could result in further cost or schedule modifications, a suspension of AFUDC for Atlantic Coast Pipeline and/or impairment charges potentially material to Dominion Energy's cash flows, financial position and/or results of operations.

In February 2020, Dominion Energy entered into agreements with Southern to acquire its 5% membership interest in Atlantic Coast Pipeline and its 100% ownership interest in Pivotal LNG, Inc., for approximately \$175 million in aggregate, plus certain purchase price adjustments. Pivotal LNG, Inc. includes a 50% noncontrolling interest in JAX LNG, LLC, an LNG supplier in Florida serving the growing marine and truck LNG markets. The acquisitions are expected to close by the second quarter of 2020. Following completion of the acquisition, Dominion Energy will own a 53% noncontrolling membership interest in Atlantic Coast Pipeline which will continue to be reflected as an equity method investment as the power to direct the activities most significant to Atlantic Coast Pipeline is shared with Duke.

BLUE RACER

In December 2018, Dominion Energy sold its 50% limited partnership interest in Blue Racer for up-front cash consideration of \$1.05 billion and additional consideration of \$150 million, subject to increase for interest costs effective March 2019, payable upon the purchaser's availability of cash. The additional consideration was recorded at a fair value of \$150 million on the date of sale following a discounted cash flow model and is included within other receivables in the Consolidated Balance Sheets at December 31, 2018. The valuation is considered a Level 3 fair value measurement due to the use of judgment and unobservable inputs, including projected timing and amount of future cash flows and a discount rate reflecting risks inherent in the future cash flows. As a result of the sale, Dominion Energy recognized a gain of \$546 million (\$390 million after-tax), included in other income in its Consolidated Statements of Income for the year ended December 31, 2018. In addition, the purchaser agreed to pay additional consideration contingent upon the achievement of certain financial performance milestones of Blue Racer from 2019 through 2021. Pursuant to the purchase agreement, the aggregate will not exceed \$300 million, which represents a gain contingency,

and, as a result, Dominion Energy will not recognize any additional gain unless such consideration is realizable. In the first quarter of 2019, Dominion Energy received \$151 million of additional consideration, including applicable interest, in connection with this sale. Blue Racer did not achieve the 2019 financial performance milestones set forth in the sale agreement.

FOWLER RIDGE & NEDPOWER

In the fourth quarter of 2017, Dominion Energy recorded a charge of \$126 million (\$76 million after-tax) in other income in its Consolidated Statements of Income reflecting its share of a long-lived asset impairment of property, plant and equipment recorded by NedPower, which resulted in losses in excess of Dominion Energy's investment balance. Dominion Energy recorded the excess losses due to its commitment to provide further financial support for NedPower, resulting in a liability of \$17 million at December 31, 2017, recorded to other deferred credits and other liabilities, on the Consolidated Balance Sheets.

As a result of the impairment recorded by NedPower, Dominion Energy evaluated its equity method investment in Fowler Ridge, a similar wind-powered merchant generation facility, determined its fair value was other than-temporarily impaired and recorded an impairment charge of \$32 million (\$20 million after-tax) in other income in its Consolidated Statements of Income. The fair value of \$81 million was estimated using a discounted cash flow method and is considered a Level 3 fair value measurement due to the use of significant unobservable inputs related to the timing and amount of future equity distributions based on the investee's future wind generation and operating costs.

WRANGLER

In September 2019, Dominion Energy entered into an agreement to form Wrangler, a partnership with Interstate Gas Supply, Inc. Wrangler will operate a nonregulated natural gas retail energy marketing business with Dominion Energy contributing its nonregulated retail energy marketing operations and Interstate Gas Supply, Inc. contributing cash. Dominion Energy has a 20% noncontrolling ownership interest in Wrangler which is accounted for as an equity method investment as Dominion Energy has the ability to exercise significant influence, but not control, over the investee.

The initial contribution, consisting of SEMI, closed in December 2019 for which Dominion Energy received \$301 million in cash proceeds and a 20% noncontrolling ownership interest in Wrangler with an initial fair value of \$75 million estimated using the market approach. This valuation is considered a Level 2 fair value measurement given that it is based on the agreed-upon sales price. In connection with the transaction, Dominion Energy recorded a gain of \$147 million, net of a \$73 million write-off of goodwill, presented in gains on sales of assets, and an associated tax expense of \$82 million, in the Consolidated Statement of Income. Over the next two years, under the terms of the agreement, Dominion Energy expects to contribute its remaining nonregulated retail energy marketing operations to Wrangler. As a result of these contributions, Dominion Energy will receive additional cash consideration which will be based upon future financial performance. When these future contributions occur, Dominion Energy expects to retain a 20% noncontrolling ownership interest in Wrangler.

As of December 31, 2019, \$41 million of assets associated with Dominion Energy's residential contracts to be contributed to Wrangler in December 2020 were classified as held for sale and were included in other current assets on the Consolidated Balance Sheet. The related disposal group is primarily comprised of customer receivables and inventories.

All activity relating to Wrangler is recorded within Gas Transmission & Storage.

OTHER – CATALYST OLD RIVER HYDROELECTRIC LIMITED PARTNERSHIP

In September 2018, Dominion Energy completed the sale of its 25% limited partnership interest in Catalyst Old River Hydroelectric Limited Partnership and received proceeds of \$91 million. The sale resulted in a gain of \$87 million (\$63 million after-tax), which is included in other income in Dominion Energy's Consolidated Statement of Income.

DOMINION ENERGY GAS

Investments that Dominion Energy Gas account for under the equity method of accounting are as follows:

| Company | Ownership% | Investment Balance | | Description |
|----------------------------------|------------|--------------------|-------|-------------------------|
| As of December 31, (millions) | | 2019 | 2018 | |
| Iroquois | 50% | \$276 | \$302 | Gas transmission system |
| White River Hub | 50% | 36 | 37 | Gas transmission system |
| Total | | \$312 | \$339 | |

Dominion Energy Gas' equity earnings on its investment totaled \$43 million, \$54 million and \$47 million in 2019, 2018 and 2017, respectively. Dominion Energy Gas received distributions from its investment of \$74 million, \$64 million and \$55 million in 2019, 2018 and 2017, respectively. As of December 31, 2019 and 2018, the carrying amount of Dominion Energy Gas' investment exceeded its share of underlying equity in net assets by \$146 million. The difference reflects equity method goodwill and is not being amortized.

Summarized financial information provided to Dominion Energy Gas by Iroquois for 100% of Iroquois at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017, is presented below.

| | At December 31, 2019 | At December 31, 2018 | |
|------------------------|----------------------|----------------------|-------|
| (millions) | | | |
| Current assets | \$ 79 | | \$112 |
| Noncurrent assets | 586 | | 588 |
| Current liabilities | 37 | | 165 |
| Noncurrent liabilities | 334 | | 193 |

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|------------------|---------------------------------|---------------------------------|---------------------------------|
| (millions) | | | |
| Revenues | \$180 | \$194 | \$194 |
| Operating income | 93 | 108 | 110 |
| Net income | 82 | 94 | 93 |

Summarized financial information provided to Dominion Energy Gas by White River Hub for 100% of White River Hub at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 is presented below.

| | At December 31, 2019 | At December 31, 2018 |
|---------------------|----------------------|----------------------|
| (millions) | | |
| Current assets | \$ 3 | \$ 3 |
| Noncurrent assets | 39 | 41 |
| Current liabilities | 2 | 2 |

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|------------------|---------------------------------|---------------------------------|---------------------------------|
| (millions) | | | |
| Revenues | \$10 | \$12 | \$10 |
| Operating income | 6 | 8 | 7 |
| Net income | 6 | 8 | 7 |

ATLANTIC COAST PIPELINE

DETI provides services to Atlantic Coast Pipeline which totaled \$103 million, \$203 million and \$129 million in 2019, 2018 and 2017, respectively, included in operating revenue in Dominion Energy and Dominion Energy Gas' Consolidated Statements of Income. Amounts receivable related to these services were \$7 million and \$13 million at December 31, 2019 and 2018, respectively, composed entirely of accrued unbilled revenue, included in other receivables in Dominion Energy Gas' Consolidated Balance Sheets.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Major classes of property, plant and equipment and their respective balances for the Companies are as follows:

| At December 31, (millions) | 2019 | 2018 |
|---|----------|----------|
| Dominion Energy | | |
| Utility: | | |
| Generation | \$25,317 | \$18,896 |
| Transmission | 20,486 | 16,666 |
| Distribution | 25,748 | 18,535 |
| Storage | 3,227 | 2,906 |
| Nuclear fuel | 2,296 | 1,626 |
| Oil and gas | 1,792 | 1,763 |
| General and other | 2,413 | 1,783 |
| Plant under construction | 2,956 | 2,348 |
| Total utility | 84,235 | 64,523 |
| Non-jurisdictional—including plant under construction | 854 | 407 |
| Nonutility: | | |
| Merchant generation-nuclear | 1,652 | 1,550 |
| Merchant generation-other | 3,985 | 3,802 |
| Nuclear fuel | 930 | 1,025 |
| Gas gathering and processing | 190 | 185 |
| LNG facility | 4,425 | 3,977 |
| Other—including plant under construction | 1,195 | 1,109 |
| Total nonutility | 12,377 | 11,648 |
| Total property, plant and equipment | \$97,466 | \$76,578 |
| Virginia Power | | |
| Utility: | | |
| Generation | \$19,552 | \$18,896 |
| Transmission | 10,229 | 9,391 |
| Distribution | 12,095 | 11,771 |
| Nuclear fuel | 1,688 | 1,626 |
| General and other | 825 | 820 |
| Plant under construction | 1,784 | 1,602 |
| Total utility | 46,173 | 44,106 |
| Non-jurisdictional—including plant under construction | 854 | 407 |
| Other | 11 | 11 |
| Total property, plant and equipment | \$47,038 | \$44,524 |
| Dominion Energy Gas | | |
| Utility: | | |
| Transmission | \$ 7,014 | \$ 6,790 |
| Storage | 2,799 | 2,615 |
| General and other | 219 | 210 |
| Plant under construction | 574 | 732 |
| Total utility | 10,606 | 10,347 |
| Nonutility: | | |
| LNG facility | 4,425 | 3,977 |
| Other—including plant under construction | 135 | 376 |
| Total nonutility | 4,560 | 4,353 |
| Total property, plant and equipment | \$15,166 | \$14,700 |

Jointly-Owned Power Stations

Dominion Energy and Virginia Power's proportionate share of jointly-owned power stations at December 31, 2019 is as follows

| | Bath County Pumped Storage Station ⁽¹⁾ | North Anna Units 1 and 2 ⁽¹⁾ | Clover Power Station ⁽¹⁾ | Millstone Unit 3 ⁽²⁾ | Summer Unit 1 ⁽²⁾ |
|--|---|--|---|------------------------------------|---------------------------------|
| (millions, except percentages) | | | | | |
| Ownership interest | 60% | 88.4% | 50% | 93.5% | 66.7% |
| Plant in service | 1,058 | 2,564 | 610 | 1,267 | 1,394 |
| Accumulated depreciation | (661) | (1,321) | (247) | (449) | (659) |
| Nuclear fuel | — | 793 | — | 483 | 608 |
| Accumulated amortization of nuclear fuel | — | (634) | — | (390) | (389) |
| Plant under construction | 7 | 143 | 5 | 87 | 77 |

(1) Units jointly owned by Virginia Power.

(2) Unit jointly owned by Dominion Energy.

The co-owners are obligated to pay their share of all future construction expenditures and operating costs of the jointly-owned facilities in the same proportion as their respective ownership interest. Dominion Energy and Virginia Power report their share of operating costs in the appropriate operating expense (electric fuel and other energy-related purchases, other operations and maintenance, depreciation, depletion and amortization and other taxes, etc.) in the Consolidated Statements of Income.

Sale of Certain Retail Energy Marketing Assets

In October 2017, Dominion Energy entered into an agreement to sell certain assets associated with its nonregulated retail energy marketing operations for total consideration of \$143 million, subject to customary approvals and certain adjustments. In December 2017, the first phase of the agreement closed for \$79 million, which resulted in the recognition of a \$78 million (\$48 million after-tax) benefit, included in gains on sales of assets in Dominion Energy's Consolidated Statements of Income. In October 2018, the second phase of the agreement closed for \$63 million, which resulted in the recognition of a \$65 million (\$49 million after-tax) benefit included in gains on sales of assets in Dominion Energy's Consolidated Statements of Income. Pursuant to the agreement, Dominion Energy entered into a commission agreement with the buyer upon the first closing in December 2017 under which the buyer will pay a commission in connection with the right to use Dominion Energy's brand in marketing materials and other services over a ten-year term.

Sale of Certain Merchant Generation Facilities

In December 2018, Dominion Energy completed the sale of Fairless and Manchester for total consideration of \$1.2 billion, subject to customary closing adjustments. Dominion Energy recognized a gain of \$210 million (\$198 million after-tax) included in gains on sales of assets in Dominion Energy's Consolidated Statements of Income. The after-tax gain reflects Dominion Energy's assessment and more-likely-than-not conclusion that the utilization of state tax incentives will reduce the income tax expense associated with the sale of these facilities.

Acquisition of Solar Projects

The following table presents acquisitions by Virginia Power of solar projects. Virginia Power has claimed or expects to claim federal investment tax credits on the projects.

| Date Agreement Entered | Date Agreement Closed | Project Location | Project Name | Project Cost (millions) ⁽¹⁾ | Date of Commercial Operations | MW Capacity |
|------------------------|-----------------------|------------------|--------------|--|-------------------------------|-------------|
| September 2017 | October 2018 | North Carolina | Pecan | \$140 | December 2018 | 75 |
| September 2017 | June 2019 | North Carolina | Gutenberg | 142 | September 2019 | 80 |
| June 2018 | February 2019 | Virginia | Gloucester | 37 | April 2019 | 20 |
| August 2018 | May 2019 | Virginia | Grasshopper | 130 | Expected 2020 | 80 |
| August 2018 | May 2019 | North Carolina | Chestnut | 130 | Expected 2020 | 75 |
| June 2019 | June 2019 | Virginia | Ft. Powhatan | 270 | Expected 2021 | 150 |
| June 2019 | August 2019 | Virginia | Belcher | 160 | Expected 2020 | 88 |
| August 2019 | November 2019 | Virginia | Bedford | 110 | Expected 2021 | 70 |
| October 2019 | October 2019 | Virginia | Maplewood | 190 | Expected 2022 | 120 |
| December 2019 | January 2020 | Virginia | Rochambeau | 35 | Expected 2021 | 20 |

(1) Includes acquisition costs.

The following table presents acquisitions by Dominion Energy of solar projects. Dominion Energy has claimed or expects to claim federal investment tax credits on the projects.

| Date Agreement Entered | Date Agreement Closed | Project Location | Project Name | Project Cost (millions) ⁽¹⁾ | Date of Commercial Operations | MW Capacity |
|------------------------|-----------------------|------------------|--------------|--|-------------------------------|-------------|
| August 2019 | August 2019 | Virginia | Greensville | \$130 | Expected 2020 | 80 |
| August 2019 | August 2019 | Virginia | Myrtle | 35 | Expected 2020 | 15 |
| September 2019 | September 2019 | South Carolina | Seabrook | 103 | December 2019 | 72 |
| November 2019 | November 2019 | North Carolina | Wilkinson | 153 | December 2019 | 74 |

(1) Includes acquisition costs.

Assignment of Tower Rental Portfolio

Virginia Power rents space on certain of its electric transmission towers to various wireless carriers for communications antennas and other equipment. In March 2017, Virginia Power sold its rental portfolio to Vertical Bridge Towers II, LLC for \$91 million in cash. The proceeds are subject to Virginia Power's FERC-regulated tariff, under which it is required to return half of the proceeds to customers. Virginia Power recorded \$7 million and \$6 million in operating revenue in 2019 and 2018, respectively, and \$11 million in other income in 2017, with \$22 million remaining to be recognized ratably through 2023.

Assignments of Shale Development Rights

In December 2013, Dominion Energy Gas closed on agreements with two natural gas producers to convey over time approximately 100,000 acres of Marcellus Shale development rights underneath several of its natural gas storage fields. The agreements provided for payments to Dominion Energy Gas, subject to customary adjustments, of approximately \$200 million over a period of nine years, and an overriding royalty interest in gas produced from the acreage. In 2013 through 2016, Dominion Energy Gas received approximately \$116 million of cash proceeds and through amendments closed on the immediate conveyance of approximately 9,000 acres and a 32% partial interest in the 70,000 acres of Marcellus Shale development rights, which resulted in the recognition of \$78 million of gains. In August 2017, Dominion Energy Gas and the natural gas producer signed an amendment to the agreement, which included the finalization of contractual matters on previous conveyances, the conveyance of Dominion Energy Gas' remaining 68% interest in approximately 70,000 acres and the elimination of Dominion Energy Gas' overriding

royalty interest in gas produced from all acreage. Dominion Energy Gas received total consideration of \$130 million, with \$65 million received in 2017 and \$65 million received in September 2018 in connection with the final conveyance. As a result of this amendment, in 2017, Dominion Energy Gas recognized a \$56 million (\$33 million after-tax) gain included in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income associated with the finalization of the contractual matters on previous conveyances, a \$9 million (\$5 million after-tax) gain included in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income associated with the elimination of its overriding royalty interest and in 2018, a \$65 million (\$47 million after-tax) gain included in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income associated with the final conveyance of acreage. In November 2014, Dominion Energy Gas closed an agreement with a natural gas producer to convey over time approximately 24,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields. The agreement provided for payments to Dominion Energy Gas, subject to customary adjustments, of approximately \$120 million over a period of four years, and an overriding royalty interest in gas produced from the acreage. In 2014 through 2016, Dominion Energy Gas received approximately \$70 million in proceeds on the conveyance of approximately 12,000 acres and as well as a 50% interest in approximately 4,000 acres along with an overriding royalty interest, which resulted in the recognition of \$70 million of gains. In July 2017, in connection with the existing agreement, Dominion Energy Gas conveyed an additional 50% interest in approximately 2,000 acres of Marcellus Shale development rights and received proceeds of \$5 million and an overriding royalty interest

in gas produced from the acreage. This transaction resulted in a \$5 million (\$3 million after-tax) gain. The gains are included in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income. In January 2018, Dominion Energy Gas and the natural gas producer closed on an amendment to the agreement, which included the conveyance of Dominion Energy Gas' remaining 50% interest in approximately 18,000 acres and the elimination of Dominion Energy Gas' overriding royalty interest in gas produced from all acreage. Dominion Energy Gas received proceeds of \$28 million, resulting in an approximately \$28 million (\$20 million after-tax) gain recorded in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income.

In March 2018, Dominion Energy Gas closed an agreement with a natural gas producer to convey approximately 11,000 acres of Utica and Point Pleasant Shale development rights underneath one of its natural gas storage fields. The agreement provided for a payment to Dominion Energy Gas, subject to customary adjustments, of

\$16 million. In March 2018, Dominion Energy Gas received cash proceeds of \$16 million associated with the conveyance of the acreage, resulting in a \$16 million (\$12 million after-tax) gain recorded in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income.

In June 2018, Dominion Energy Gas closed an amendment to an agreement with a natural gas producer for the elimination of Dominion Energy Gas' overriding royalty interest in gas produced from approximately 9,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields previously conveyed in December 2013. In June 2018, Dominion Energy Gas received proceeds of \$6 million associated with the transaction, resulting in a \$6 million (\$4 million after-tax) gain recorded in gains on sales of assets in Dominion Energy Gas' Consolidated Statements of Income.

All activity related to shale development rights is recorded within Gas Transmission & Storage.

NOTE 11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

During the fourth quarter of 2019, Dominion Energy realigned its segments which resulted in the formation of five primary operating segments and Dominion Energy Gas finalized a restructuring that was accounted for as a reorganization of entities under common control. The historical information presented herein has been recast to the current segment presentation and the current structure of Dominion Energy Gas. With respect to the segment realignment, goodwill has been reassigned to the affected reporting units and operating segments using a relative fair value allocation approach. The changes in Dominion Energy's and Dominion Energy Gas' carrying amount and segment allocation of goodwill are presented below:

| | Dominion Energy Virginia | Gas Transmission & Storage | Gas Distribution | Dominion Energy South Carolina | Contracted Generation | Corporate and Other | Total |
|---|--------------------------------|----------------------------------|---------------------|---|--------------------------|------------------------|----------|
| (millions) | | | | | | | |
| Dominion Energy | | | | | | | |
| Balance at December 31, 2017 ⁽¹⁾ | \$ 2,106 | \$ 1,561 | \$ 2,496 | \$ — | \$ 242 | \$ — | \$ 6,405 |
| Purchase Accounting Adjustment | — | 4 | 1 | — | — | — | 5 |
| Balance at December 31, 2018 ⁽¹⁾ | \$ 2,106 | \$ 1,565 | \$ 2,497 | \$ — | \$ 242 | \$ — | \$ 6,410 |
| SCANA Combination ⁽²⁾ | — | 73 | 1,015 | 1,521 | — | — | 2,609 |
| Contribution of SEMI to Wrangler ⁽³⁾ | — | (73) | — | — | — | — | (73) |
| Balance at December 31, 2019 ⁽¹⁾ | \$ 2,106 | \$ 1,565 | \$ 3,512 | \$ 1,521 | \$ 242 | \$ — | \$ 8,946 |
| Dominion Energy Gas | | | | | | | |
| Balance at December 31, 2017 ⁽¹⁾ | \$ — | \$ 1,466 | \$ — | \$ — | \$ — | \$ — | \$ 1,466 |
| Purchase Accounting Adjustment | — | 5 | — | — | — | — | 5 |
| Balance at December 31, 2018 ⁽¹⁾ | \$ — | \$ 1,471 | \$ — | \$ — | \$ — | \$ — | \$ 1,471 |
| No events affecting goodwill | — | — | — | — | — | — | — |
| Balance at December 31, 2019 ⁽¹⁾ | \$ — | \$ 1,471 | \$ — | \$ — | \$ — | \$ — | \$ 1,471 |

(1) Goodwill amounts do not contain any accumulated impairment losses.

(2) See Note 3 for discussion of Dominion Energy's acquisitions.

(3) See Note 9 for additional information.

Other Intangible Assets

The Companies' other intangible assets are subject to amortization over their estimated useful lives. Dominion Energy's amortization expense for intangible assets was \$106 million, \$82 million and \$80 million for 2019, 2018 and 2017, respectively. In 2019, in addition to intangible assets acquired in the SCANA Combination, Dominion Energy acquired \$120 million of intangible assets, primarily representing software and right-of-use assets, with an estimated weighted-average amortization period of approximately 10 years. Amortization expense for Virginia Power's intangible assets was \$30 million for 2019 and \$31 million for both 2018 and 2017. In 2019, Virginia Power acquired \$52 million of intangible assets, primarily representing software, with an estimated weighted-average amortization period of 8 years. Dominion Energy Gas' amortization expense for intangible assets was \$11 million for both 2019 and 2018 and \$9 million for 2017. In 2019, Dominion Energy Gas acquired \$7 million of intangible assets, primarily representing software and right-of-use assets, with an estimated weighted-average amortization period of approximately 29 years.

The components of intangible assets are as follows:

| | 2019 | | 2018 | |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| At December 31, (millions) | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Dominion Energy | | | | |
| Software, licenses and other | \$ 1,340 | \$549 | \$ 1,033 | \$363 |
| Virginia Power | | | | |
| Software, licenses and other | \$ 406 | \$135 | \$ 384 | \$134 |
| Dominion Energy Gas | | | | |
| Software, licenses and other | \$ 178 | \$ 72 | \$ 179 | \$ 64 |

Annual amortization expense for these intangible assets is estimated to be as follows:

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------------|------|------|------|------|------|
| (millions) | | | | | |
| Dominion Energy | \$88 | \$78 | \$70 | \$56 | \$49 |
| Virginia Power | \$25 | \$19 | \$15 | \$ 8 | \$ 6 |
| Dominion Energy Gas | \$ 9 | \$ 8 | \$ 8 | \$ 5 | \$ 4 |

NOTE 12. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities include the following:

| At December 31, (millions) | 2019 | 2018 |
|---|----------|----------|
| Dominion Energy | | |
| Regulatory assets: | | |
| Deferred cost of fuel used in electric generation ⁽¹⁾ | \$ 48 | \$ 174 |
| Deferred project costs and DSM programs for gas utilities ⁽²⁾ | 21 | 17 |
| Unrecovered gas costs ⁽³⁾ | 102 | 14 |
| Deferred rate adjustment clause costs for Virginia electric utility ⁽⁴⁾⁽⁵⁾ | 109 | 78 |
| Deferred nuclear refueling outage costs ⁽⁶⁾ | 68 | 69 |
| NND Project costs ⁽⁷⁾ | 138 | — |
| PJM transmission rates ⁽⁸⁾ | 121 | 45 |
| Other | 272 | 99 |
| Regulatory assets-current | 879 | 496 |
| Deferred cost of fuel used in electric generation ⁽¹⁾ | — | 83 |
| Pension and other postretirement benefit costs ⁽⁹⁾ | 1,431 | 1,497 |
| Deferred rate adjustment clause costs for Virginia electric utility ⁽⁴⁾⁽⁵⁾⁽¹⁰⁾ | 235 | 230 |
| PJM transmission rates ⁽⁸⁾ | 85 | 192 |
| Deferred project costs for gas utilities ⁽²⁾ | 521 | 335 |
| Interest rate hedges ⁽¹¹⁾ | 741 | 184 |
| AROs and related funding ⁽¹²⁾ | 311 | — |
| Cost of reacquired debt ⁽¹³⁾⁽¹⁴⁾ | 262 | 3 |
| NND Project costs ⁽⁷⁾ | 2,503 | — |
| Ash pond and landfill closure costs ⁽¹⁵⁾ | 1,016 | 27 |
| Other | 582 | 125 |
| Regulatory assets-noncurrent | 7,687 | 2,676 |
| Total regulatory assets | \$ 8,566 | \$ 3,172 |
| Regulatory liabilities: | | |
| Provision for future cost of removal and AROs ⁽¹⁶⁾ | \$ 142 | \$ 117 |
| Reserve for refunds and rate credits to electric utility customers ⁽¹⁷⁾ | 143 | 71 |
| Cost-of-service impact of 2017 Tax Reform Act ⁽¹⁸⁾ | 4 | 104 |
| Income taxes refundable through future rates ⁽¹⁹⁾ | 77 | — |
| Monetization of guarantee settlement ⁽²⁰⁾ | 67 | — |
| Other | 64 | 64 |
| Regulatory liabilities-current | 497 | 356 |
| Income taxes refundable through future rates ⁽¹⁹⁾ | 5,088 | 4,071 |
| Provision for future cost of removal and AROs ⁽¹⁶⁾ | 2,302 | 1,409 |
| Nuclear decommissioning trust ⁽²¹⁾ | 1,471 | 1,070 |
| Monetization of guarantee settlement ⁽²⁰⁾ | 970 | — |
| Reserve for refunds and rate credits to electric utility customers ⁽¹⁷⁾ | 656 | — |
| Overrecovered other postretirement benefit costs ⁽²²⁾ | 189 | 120 |
| Other | 325 | 170 |
| Regulatory liabilities-noncurrent | 11,001 | 6,840 |
| Total regulatory liabilities | \$11,498 | \$7,196 |

- (1) Reflects deferred fuel expenses for the Virginia, North Carolina and South Carolina jurisdictions of Dominion Energy's electric generation operations.
- (2) Primarily reflects amounts expected to be collected from or owed to gas customers in Dominion Energy's service territories associated with current and prospective rider projects, including CEP, PIR and pipeline integrity management. See Note 13 for more information.
- (3) Reflects unrecovered or overrecovered gas costs at regulated gas operations, which are recovered or refunded through filings with the applicable regulatory authority.

- (4) Reflects deferrals under Virginia Power's electric transmission FERC formula rate and the deferral of costs associated with certain current and prospective rider projects, net of income taxes refundable from the 2017 Tax Reform Act for Virginia Power. See Note 13 for more information.
- (5) As a result of actions from the Virginia Commission in the first quarter of 2019 regarding the ratemaking treatment of excess deferred taxes from the adoption of the 2017 Tax Reform Act for all existing rate adjustment clauses, Virginia Power recorded a \$29 million (\$22 million after-tax) charge in operating revenue in the Consolidated Statements of Income for amounts which are probable of being returned to customers.
- (6) Legislation enacted in Virginia in April 2014 requires Virginia Power to defer operation and maintenance costs incurred in connection with the refueling of any nuclear-powered generating plant. These deferred costs will be amortized over the refueling cycle, not to exceed 18 months.
- (7) Reflects expenditures by DESC associated with the NND Project, which pursuant to the SCANA Merger Approval Order, will be recovered from DESC electric service customers over a 20-year period ending in 2039. See Note 3 for more information.
- (8) Reflects amounts to be recovered through retail rates in Virginia for payments Virginia Power will make to PJM over a ten-year period ending 2028 under the terms of a FERC settlement agreement in May 2018 resolving a PJM cost allocation matter.
- (9) Represents unrecognized pension and other postretirement employee benefit costs expected to be recovered or refunded through future rates generally over the expected remaining service period of plan participants by certain of Dominion Energy's rate-regulated subsidiaries.
- (10) During 2019, Virginia Power recorded a charge of \$17 million (\$13 million after-tax) in impairment of assets and other charges (reflected in the Corporate and Other segment) to write-off the balance of a regulatory asset for which it is no longer seeking recovery.
- (11) Reflects interest rate hedges recoverable from or refundable to customers. Certain of these instruments are settled and any related payments are being amortized into interest expense over the life of the related debt, which has a weighted-average useful life of approximately 27 years as of December 31, 2019.
- (12) Represents deferred depreciation and accretion expense related to legal obligations associated with the future retirement of generation, transmission and distribution properties. The AROs primarily relate to DESC's electric generating facilities, including Summer, and are expected to be recovered over the related property lives and periods of decommissioning which may range up to approximately 105 years.
- (13) Costs of the reacquisition of debt are deferred and amortized as interest expense over the would-be remaining life of the reacquired debt. The reacquired debt costs had a weighted-average life of approximately 26 years as of December 31, 2019.
- (14) During 2019, DESC purchased certain of its first mortgage bonds as discussed in Note 18. As a result of these transactions, DESC incurred net costs, including write-offs of unamortized discount, premium and debt issuance costs, of \$270 million.
- (15) Primarily reflects legislation enacted in Virginia in March 2019 which requires any CCR unit located at certain Virginia Power stations to be closed by removing the CCRs to an approved landfill or through recycling for beneficial reuse. Subject to approval by the Virginia Commission, amounts are expected to be collected over a period between 15 and 18 years commencing no earlier than 2021. Virginia Power is entitled to collect carrying costs once expenditures have been made. See Note 23 for additional information.
- (16) Rates charged to customers by Dominion Energy's regulated businesses include a provision for the cost of future activities to remove assets that are expected to be incurred at the time of retirement.
- (17) Reflects amounts previously collected from retail electric customers of DESC for the NND Project to be credited over an estimated 11-year period in connection with the SCANA Merger Approval Order and Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers in Virginia. See Notes 3 and 13 for additional information.
- (18) Balance refundable to customers related to the decrease in revenue requirements for recovery of income taxes at the Companies' regulated electric generation and electric and natural gas distribution operations. See Notes 3 and 13 for additional information.
- (19) Amounts recorded to pass the effect of reduced income taxes from the 2017 Tax Reform Act to customers in future periods, which will reverse at the weighted average tax rate that was used to build the reserves over the remaining book life of the property, net of amounts to be recovered through future rates to pay income taxes that become payable when rate revenue is provided to recover AFUDC equity.

- (20) Reflects amounts to be refunded to DESC electric service customers over a 20-year period ending in 2039 associated with the monetization of a bankruptcy settlement agreement. See Note 3 for additional information.
- (21) Primarily reflects a regulatory liability representing amounts collected from Virginia jurisdictional customers and placed in external trusts (including income, losses and changes in fair value thereon, as applicable) for the future decommissioning of Dominion Energy's utility nuclear generation stations, in excess of the related AROs.
- (22) Reflects a regulatory liability for the collection of postretirement benefit costs allowed in rates in excess of expense incurred.

| At December 31, (millions) | 2019 | 2018 |
|--|----------|----------|
| Virginia Power | | |
| Regulatory assets: | | |
| Deferred cost of fuel used in electric generation ⁽¹⁾ | \$ 48 | \$ 174 |
| Deferred rate adjustment clause costs ⁽²⁾⁽³⁾ | 109 | 78 |
| Deferred nuclear refueling outage costs ⁽⁴⁾ | 68 | 69 |
| PJM transmission rates ⁽⁵⁾ | 121 | 45 |
| Other | 87 | 58 |
| Regulatory assets-current | 433 | 424 |
| Deferred rate adjustment clause costs ⁽²⁾⁽³⁾⁽⁶⁾ | 235 | 230 |
| PJM transmission rates ⁽⁵⁾ | 85 | 192 |
| Interest rate hedges ⁽⁷⁾ | 404 | 151 |
| Deferred cost of fuel used in electric generation ⁽¹⁾ | — | 83 |
| Ash pond and landfill closure costs ⁽⁸⁾ | 1,016 | 27 |
| Other | 123 | 54 |
| Regulatory assets-noncurrent | 1,863 | 737 |
| Total regulatory assets | \$ 2,296 | \$ 1,161 |
| Regulatory liabilities: | | |
| Provision for future cost of removal ⁽⁹⁾ | \$ 103 | \$ 92 |
| Cost-of-service impact of 2017 Tax Reform Act ⁽¹⁰⁾ | — | 95 |
| Reserve for rate credits to electric utility customers ⁽¹¹⁾ | — | 71 |
| Income taxes refundable through future rates ⁽¹²⁾ | 54 | — |
| Other | 10 | 41 |
| Regulatory liabilities-current | 167 | 299 |
| Income taxes refundable through future rates ⁽¹²⁾ | 2,438 | 2,579 |
| Nuclear decommissioning trust ⁽¹³⁾ | 1,471 | 1,070 |
| Provision for future cost of removal ⁽⁹⁾ | 1,054 | 940 |
| Other | 111 | 58 |
| Regulatory liabilities-noncurrent | 5,074 | 4,647 |
| Total regulatory liabilities | \$ 5,241 | \$ 4,946 |

- (1) Reflects deferred fuel expenses for the Virginia and North Carolina jurisdictions of Virginia Power's generation operations.
- (2) Reflects deferrals under Virginia Power's electric transmission FERC formula rate and the deferral of costs associated with certain current and prospective rider projects, net of income taxes refundable from the 2017 Tax Reform Act for Virginia Power. See Note 13 for more information.
- (3) As a result of actions from the Virginia Commission in the first quarter of 2019 regarding the ratemaking treatment of excess deferred taxes from the adoption of the 2017 Tax Reform Act for all existing rate adjustment clauses, Virginia Power recorded a \$29 million (\$22 million after-tax) charge in operating revenue in the Consolidated Statements of Income for amounts which are probable of being returned to customers.
- (4) Legislation enacted in Virginia in April 2014 requires Virginia Power to defer operation and maintenance costs incurred in connection with the refueling of any nuclear-powered generating plant. These deferred costs will be amortized over the refueling cycle, not to exceed 18 months.
- (5) Reflects amounts to be recovered through retail rates in Virginia for payments Virginia Power will make to PJM over a ten-year period ending 2028 under the terms of a FERC settlement agreement in May 2018 resolving a PJM cost allocation matter.

- (6) During 2019, Virginia Power recorded a charge of \$17 million (\$13 million after-tax) in impairment of assets and other charges (reflected in the Corporate and Other segment) to write-off the balance of a regulatory asset for which it is no longer seeking recovery.
- (7) Reflects interest rate hedges recoverable from or refundable to customers. Certain of these instruments are settled and any related payments are being amortized into interest expense over the life of the related debt, which has a weighted-average useful life of approximately 24 years as of December 31, 2019.
- (8) Primarily reflects legislation enacted in Virginia in March 2019 which requires any CCR unit located at certain Virginia Power stations to be closed by removing the CCR to an approved landfill or through recycling for beneficial reuse. Subject to approval by the Virginia Commission, amounts are expected to be collected over a period between 15 and 18 years commencing no earlier than 2021. Virginia Power is entitled to collect carrying costs once expenditures have been made. See Note 23 for additional information.
- (9) Rates charged to customers by Virginia Power's regulated businesses include a provision for the cost of future activities to remove assets that are expected to be incurred at the time of retirement.
- (10) Balance refundable to customers related to the decrease in revenue requirements for recovery of income taxes at regulated electric generation and distribution operations. See Note 13 for additional information.
- (11) Charge associated with Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers. See Note 13 for additional information.
- (12) Amounts recorded to pass the effect of reduced income taxes from the 2017 Tax Reform Act to customers in future periods, which will reverse at the weighted average tax rate that was used to build the reserves over the remaining book life of the property, net of amounts to be recovered through future rates to pay income taxes that become payable when rate revenue is provided to recover AFUDC equity.
- (13) Primarily reflects a regulatory liability representing amounts collected from Virginia jurisdictional customers and placed in external trusts (including income, losses and changes in fair value thereon) for the future decommissioning of Virginia Power's utility nuclear generation stations, in excess of the related AROs.

| At December 31, (millions) | 2019 | 2018 |
|--|-------|-------|
| Dominion Energy Gas | | |
| Regulatory assets: | | |
| Unrecovered gas costs ⁽¹⁾ | \$ 2 | \$ 1 |
| Other | 6 | 7 |
| Regulatory assets-current ⁽²⁾ | 8 | 8 |
| Unrecognized pension and other postretirement benefit costs ⁽³⁾ | — | 15 |
| Interest rate hedges ⁽⁴⁾ | 32 | 33 |
| Other | 8 | 4 |
| Regulatory assets-noncurrent | 40 | 52 |
| Total regulatory assets | \$ 48 | \$ 60 |
| Regulatory liabilities: | | |
| Provision for future cost of removal and AROs ⁽⁵⁾ | \$ 18 | \$ 9 |
| Overrecovered gas costs ⁽¹⁾ | 8 | 7 |
| Other | 15 | 8 |
| Regulatory liabilities-current ⁽⁶⁾ | 41 | 24 |
| Income taxes refundable through future rates ⁽⁷⁾ | 560 | 530 |
| Provision for future cost of removal and AROs ⁽⁶⁾ | 95 | 113 |
| Overrecovered other postretirement benefit costs ⁽⁸⁾ | 133 | 106 |
| Other | 12 | 16 |
| Regulatory liabilities-noncurrent | 800 | 765 |
| Total regulatory liabilities | \$841 | \$789 |

- (1) Reflects unrecovered or overrecovered gas costs at regulated gas operations, which are recovered or refunded through filings with the applicable regulatory authority.
- (2) Current regulatory assets are presented in other current assets in Dominion Energy Gas' Consolidated Balance Sheets.

- (3) Represents unrecognized pension and other postretirement employee benefit costs expected to be recovered or refunded through future rates generally over the expected remaining service period of plan participants by certain of Dominion Energy Gas' rate-regulated subsidiaries.
- (4) Reflects interest rate hedges recoverable from or refundable to customers. Certain of these instruments are settled and any related payments are being amortized into interest expense over the life of the related debt, which has a weighted average useful life of approximately 30 years.
- (5) Rates charged to customers by Dominion Energy Gas' regulated businesses include a provision for the cost of future activities to remove assets that are expected to be incurred at the time of retirement.
- (6) Current regulatory liabilities are presented in other current liabilities in Dominion Energy Gas' Consolidated Balance Sheets.
- (7) Amounts recorded to pass the effect of reduced income taxes from the 2017 Tax Reform Act to customers in future periods, which will reverse at the weighted average tax rate that was used to build the reserves over the remaining book life of the property, net of amounts to be recovered through future rates to pay income taxes that become payable when rate revenue is provided to recover AFUDC equity.
- (8) Reflects a regulatory liability for the collection of postretirement benefit costs allowed in rates in excess of expense incurred.

At December 31, 2019, Dominion Energy, Virginia Power and Dominion Energy Gas' regulatory assets include \$3.3 billion, \$1.8 billion and \$46 million, respectively, on which they do not expect to earn a return during the applicable recovery period. With the exception of certain items discussed above, the majority of these expenditures are expected to be recovered within the next two years.

NOTE 13. REGULATORY MATTERS

Regulatory Matters Involving Potential Loss Contingencies

As a result of issues generated in the ordinary course of business, the Companies are involved in various regulatory matters. Certain regulatory matters may ultimately result in a loss; however, as such matters are in an initial procedural phase, involve uncertainty as to the outcome of pending reviews or orders, and/or involve significant factual issues that need to be resolved, it is not possible for the Companies to estimate a range of possible loss. For regulatory matters that the Companies cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the regulatory process such that the Companies are able to estimate a range of possible loss. For regulatory matters that the Companies are able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any estimated range is based on currently available information, involves elements of judgment and significant uncertainties and may not represent the Companies' maximum possible loss exposure. The circumstances of such regulatory matters will change from time to time and actual results may vary significantly from the current estimate. For current matters not specifically reported below, management does not anticipate that the outcome from such matters would have a material effect on the Companies' financial position, liquidity or results of operations.

FERC — ELECTRIC

Under the Federal Power Act, FERC regulates wholesale sales and transmission of electricity in interstate commerce by public utilities. Virginia Power purchases and, under its market based rate authority, sells electricity in the PJM wholesale market and to

wholesale purchasers in Virginia and North Carolina. DESC sells electricity to wholesale purchasers in its balancing authority area under its electric cost based tariff and to wholesale purchasers outside of its balancing authority area under its market based rate authority. Dominion Energy's merchant generators sell electricity in the PJM, CAISO and ISO-NE wholesale markets, and to wholesale purchasers in the states of Virginia, North Carolina, Indiana, Connecticut, Tennessee, Georgia, California, South Carolina and Utah, under Dominion Energy's market-based sales tariffs authorized by FERC or pursuant to FERC authority to sell as a qualified facility. In addition, Virginia Power has FERC approval of a tariff to sell wholesale power at capped rates based on its embedded cost of generation. This cost-based sales tariff could be used to sell to loads within or outside Virginia Power's service territory. Any such sales would be voluntary.

Rates

In April 2008, FERC granted an application for Virginia Power's electric transmission operations to establish a forward-looking formula rate mechanism that updates transmission rates on an annual basis and approved an ROE effective as of January 1, 2008. The formula rate is designed to recover the expected revenue requirement for each calendar year and is updated based on actual costs. The FERC-approved formula method, which is based on projected costs, allows Virginia Power to earn a current return on its investment in electric transmission infrastructure.

In March 2010, ODEC and North Carolina Electric Membership Corporation filed a complaint with FERC against Virginia Power claiming, among other issues, that the incremental costs of undergrounding certain transmission line projects were unjust, unreasonable and unduly discriminatory or preferential and should be excluded from Virginia Power's transmission formula rate. A settlement of the other issues raised in the complaint was approved by FERC in May 2012.

In March 2014, FERC issued an order excluding from Virginia Power's transmission rates for wholesale transmission customers located outside Virginia the incremental costs of undergrounding certain transmission line projects. FERC found it is not just and reasonable for non-Virginia wholesale transmission customers to be allocated the incremental costs of undergrounding the facilities because the projects are a direct result of Virginia legislation and Virginia Commission pilot programs intended to benefit the citizens of Virginia. The order is retroactively effective as of March 2010 and will cause the reallocation of the costs charged to wholesale transmission customers with loads outside Virginia to wholesale transmission customers with loads in Virginia. FERC determined that there was not sufficient evidence on the record to determine the magnitude of the underground increment and held a hearing to determine the appropriate amount of undergrounding cost to be allocated to each wholesale transmission customer in Virginia.

In October 2017, FERC issued an order determining the calculation of the incremental costs of undergrounding the transmission projects and affirming that the costs are to be recovered from the wholesale transmission customers with loads located in Virginia. FERC directed Virginia Power to rebill all wholesale transmission customers retroactively to March 2010 within 30 days of when the proceeding becomes final and no longer subject to rehearing. In November 2017, Virginia Power,

North Carolina Electric Membership Corporation and the wholesale transmission customers filed petitions for rehearing. In July 2018, FERC denied the rehearing requests related to the October 2017 order determining the calculation of the undergrounding costs. Several parties have appealed FERC's decision to the U.S. Court of Appeals for the D.C. Circuit. In December 2019, the U.S. Court of Appeals for the D.C. Circuit denied the appeal.

In January 2019, FERC issued an order denying PJM's request to waive certain provisions of the PJM Tariff regarding the liquidation of a portfolio of FTRs owned by GreenHat who had defaulted on its financial obligations. As a result of FERC's order, PJM is required to use the existing tariff provisions to liquidate GreenHat's FTR portfolio and allocate the resulting costs to PJM members. In February 2019, PJM filed a request for clarification and rehearing with FERC. Also in February 2019, Virginia Power and certain other PJM members filed a request for rehearing with FERC. In June 2019, FERC established a hearing and settlement proceedings to address the issues raised in PJM's request for clarification and rehearing. In October 2019, PJM submitted a settlement offer to FERC which was approved by FERC in December 2019. Based on the terms of the settlement, the impact to Virginia Power is expected to be immaterial.

FERC—GAS

In July 2017, FERC audit staff communicated to DETI that it had substantially completed an audit of DETI's compliance with the accounting and reporting requirements of FERC's Uniform System of Accounts and provided a description of matters and preliminary recommendations. In November 2017, the FERC audit staff issued its audit report which could have the potential to result in adjustments which could be material to Dominion Energy and Dominion Energy Gas' results of operations. In December 2017, DETI provided its response to the audit report. DETI requested FERC review of contested findings and submitted its plan for compliance with the uncontested portions of the report. In connection with one uncontested issue, DETI recognized a charge of \$15 million (\$9 million after-tax) recorded within impairment of assets and related charges in Dominion Energy and Dominion Energy Gas' Consolidated Statements of Income (reflected in the Corporate and Other segment) during 2017 to write-off the balance of a regulatory asset, originally established in 2008, that is no longer considered probable of recovery. DETI recognized a charge of \$129 million (\$94 million after-tax) recorded primarily within impairment of assets and related charges in Dominion Energy and Dominion Energy Gas' Consolidated Statements of Income (reflected in the Corporate and Other segment) during 2018 for a disallowance of plant, originally established beginning in 2012, for the resolution of one matter with FERC. Pending final resolution of the audit process and a determination by FERC, management is unable to estimate the potential impact of the remaining finding and no amounts have been recognized.

2017 TAX REFORM ACT

Subsequent to the enactment of the 2017 Tax Reform Act, the Companies' state regulators issued orders requesting that public utilities evaluate the total tax impact on the entity's cost of service and accrue a regulatory liability attributable to the benefits of the reduction in the corporate income tax rate. Certain of the orders requested that the public utilities submit a

response to the state regulatory commissions detailing the total tax impact on the utility's cost of service.

The Companies began to reserve the impacts of the cost-of-service reduction as regulatory liabilities in January 2018 and will continue until rates are reset pursuant to state regulators' approvals. The Companies have recorded a reasonable estimate of net income taxes refundable through future rates in the jurisdictions in which they operate and are currently assessing these actions and decisions, which could have a material impact on the Companies' results of operations, financial condition and/or cash flows.

In September 2018, the Virginia Commission issued an order directing Virginia Power to submit a filing quantifying the impacts of the 2017 Tax Reform Act in advance of the April 1, 2019 implementation as required by legislation, which filing was submitted in October 2018. In January 2019, Virginia Power filed updated testimony with a proposed annual revenue reduction of approximately \$171 million. Additionally, Virginia Power proposed to issue a one-time bill credit to customers within 90 days of this effective date, to true-up the difference between the final revenue reduction for the period January 1, 2018 through March 31, 2019 and the \$125 million interim rate reduction implemented on July 1, 2018. In March 2019, the Virginia Commission issued an order approving an annual revenue reduction of approximately \$183 million effective April 2019 and ordered Virginia Power to implement the one-time customer credit on or before July 1, 2019. In the second quarter of 2019, Virginia Power refunded to customers \$132 million.

In August 2018, Virginia Power filed with FERC to waive protocols and begin reflecting projected tax reform benefits of approximately \$100 million through the transmission formula rate prior to the normal formula rate process. FERC granted the waiver and the amounts began being reflected in customer billings in November 2018 reflecting the adjustment effective January 1, 2018.

In October 2018, the North Carolina Commission issued an order requesting companies file to reduce base rates expeditiously. Virginia Power made its compliance filing in October 2018 and submitted an annual base rate revenue decrease of approximately \$14 million effective in early 2019. Virginia Power also proposed to issue a one-time bill credit in early 2019 for its 2018 tax savings collected provisionally from customers. In March 2019, the North Carolina Commission issued an order approving Virginia Power's proposed annual base rate revenue decrease and one-time bill credit. In the second quarter of 2019, Virginia Power refunded to customers \$13 million.

In March 2019, Questar Gas filed with the Utah and Wyoming Commissions as to the impact of excess deferred income taxes resulting from the 2017 Tax Reform Act. Questar Gas proposed to return the 2018 amortization of excess deferred income taxes to customers and to incorporate the remaining excess deferred income tax impact in its next general rate cases in each jurisdiction. In May 2019, the Utah Commission issued an order approving Questar Gas' proposal to pass back the 2018 amortization of excess deferred income taxes over twelve months beginning in June 2019. The matter with the Wyoming Commission is pending.

In October 2018, the Ohio Commission issued an order requiring rate-regulated utilities to file an application reflecting the

impact of the 2017 Tax Reform Act on current rates by January 1, 2019. In December 2018, East Ohio filed its application proposing an approach to establishing rates and charges by and through which to return tax reform benefits to its customers. In December 2019, the Ohio Commission issued an order approving customer credits of approximately \$600 million that will be shared with customers primarily over the remaining book life of the property to which the excess deferred income taxes relate. In addition, East Ohio will reduce rates approximately \$19 million per year to account for the 2017 Tax Reform Act's impact on its equity return component of rates charged to customers.

In connection with the SCANA Merger Approval Order, the South Carolina Commission approved DESC's provision of approximately \$100 million in bill credits related to the 2017 Tax Reform Act's impact on retail electric customer rates for the period beginning January 2018 through January 2019. These credits have been included in bills rendered on and after the first billing cycle of February 2019. In addition, the South Carolina Commission approved a tax rider whereby the effects of the reduction in the corporate income tax rate resulting from the 2017 Tax Reform Act will benefit retail electric customers. This tax rider reduced base rates to retail electric customers by approximately \$63 million in 2019 and is expected to reduce these rates by \$67 million in 2020.

In October 2018, the South Carolina Commission issued an order approving adjustment to DESC's natural gas rate schedules, under the terms of the Natural Gas Rate Stabilization Act, to reflect the reduction in the federal corporate tax rate arising from the 2017 Tax Reform Act. The approved natural gas rate schedules also included a tax reform rate rider to refund certain income tax amounts previously collected from customers. These lower rates, representing a \$20 million decreased revenue requirement, became effective for bills rendered on and after the first billing cycle in November 2018.

In December 2018, the North Carolina Commission issued an order approving PSNC's proposed adjustments to customer rates, representing a \$13 million decreased revenue requirement, to reflect the reduction in the federal corporate tax rate arising from the 2017 Tax Reform Act. These lower rates became effective for service rendered on and after January 1, 2019. Amounts collected in customer rates during 2018 and amounts arising from excess deferred income taxes have been recorded in regulatory liabilities and must be considered in PSNC's next general rate case proceeding or in three years, whichever is sooner. The reduction in the federal corporate tax rate and its impact on PSNC's various rate riders will be addressed in future proceedings related to those riders.

During 2018, Dominion Energy's FERC-regulated pipelines, including those accounted for as equity method investments, filed the Form 501-G with FERC. Dominion Energy Overthrust Pipeline, LLC, White River Hub, Dominion Energy Questar Pipeline, DETI, DECG, Cove Point and Iroquois have reached resolution through a FERC waiver or FERC terminating the 501-G proceeding, or through settlement, which did not result in a material impact to results of operations, financial condition and/or cash flows of Dominion Energy or Dominion Energy Gas.

Other Regulatory Matters

VIRGINIA REGULATION

The Regulation Act enacted in 2007 instituted a cost-of-service rate model, ending Virginia's planned transition to retail competition for electric supply service to most classes of customers.

The Regulation Act authorizes stand-alone rate adjustment clauses for recovery of costs for new generation projects, FERC-approved transmission costs, underground distribution lines, environmental compliance, conservation and energy efficiency programs, renewable energy programs and nuclear license renewals, and also contains statutory provisions directing Virginia Power to file annual fuel cost recovery cases with the Virginia Commission. As amended, it provides for enhanced returns on capital expenditures on specific newly-proposed generation projects.

If the Virginia Commission's future rate decisions, including actions relating to Virginia Power's rate adjustment clause filings, differ materially from Virginia Power's expectations, it may adversely affect its results of operations, financial condition and cash flows.

Grid Transformation and Security Act of 2018

In March 2018, the GTSA reinstated base rate reviews on a triennial basis, other than the first review which will be a quadrennial review, occurring for Virginia Power in 2021 for the four successive 12-month test periods beginning January 1, 2017 and ending December 31, 2020. This review for Virginia Power will occur one year earlier than under the Regulation Act legislation enacted in February 2015.

In the triennial review proceedings, earnings that are more than 70 basis points above the utility's authorized ROE that might have been refunded to customers and served as the basis for a reduction in future rates, may be reduced by Virginia Commission - approved investment amounts in qualifying solar or wind generation facilities or electric distribution grid transformation projects that Virginia Power elects to include in a customer credit reinvestment offset. The legislation declares that electric distribution grid transformation projects are in the public interest and provides that the costs of such projects may be recovered through a rate adjustment clause if not the subject of a customer credit reinvestment offset. Any costs that are the subject of a customer credit reinvestment offset may not be recovered in base rates for the service life of the projects and may not be included in base rates in future triennial review proceedings. In any triennial review in which the Virginia Commission determines that the utility's earnings are more than 70 basis points above its authorized ROE, base rates are subject to reduction prospectively and customer refunds would be due unless the total customer credit reinvestment offset elected by the utility equals or exceeds the amount of earnings in excess of the 70 basis points. In the 2021 review, any such rate reduction is limited to \$50 million.

The legislation also includes provisions requiring Virginia Power to provide current customers one-time rate credits totaling \$200 million and to reduce base rates to reflect reductions in income tax expense resulting from the 2017 Tax Reform Act. As a result, Virginia Power incurred a \$215 million (\$160 million after-tax) charge in connection with this legislation, including the impact on certain non-jurisdictional customers which follow Virginia Power's jurisdictional customer rate methodology. In July

2018 and January 2019, Virginia Power credited \$138 million and \$77 million, respectively, to current customers' bills.

In addition, Virginia Power reduced base rates on an annual basis by \$125 million effective July 2018, to reflect the estimated effect of the 2017 Tax Reform Act. In March 2019, the Virginia Commission directed an annual revenue reduction of \$183 million in rates for generation and distribution services pursuant to the GTSA effective April 2019.

In July 2018, Virginia Power filed a petition with the Virginia Commission for approval of the first three years of its ten-year plan for electric distribution grid transformation projects as authorized by the GTSA. During the first three years of the plan, Virginia Power proposed to focus on the following seven foundational components of the overall grid transformation plan: (i) smart meters; (ii) customer information platform; (iii) reliability and resilience; (iv) telecommunications infrastructure; (v) cyber and physical security; (vi) predictive analytics; and (vii) emerging technology. The total estimated capital investment during 2019-2021 was \$816 million and the proposed operations and maintenance expenses were \$102 million. In January 2019, the Virginia Commission issued its final order approving capital spending for the first three years of the plan totaling \$68 million on cyber and physical security and related telecommunications infrastructure (Phase IA). The Virginia Commission declined to approve the remainder of the proposed components for the first three years of the plan, the proposed spending for which was not found reasonable and prudent based on the record in the proceeding.

In September 2019, Virginia Power filed a revised plan which includes six components: (i) smart meters; (ii) customer information platform; (iii) grid improvement projects; (iv) telecommunications infrastructure; (v) cyber security; and (vi) a smart charging electric vehicle infrastructure pilot program (Phase IB). For Phase IB, the total proposed capital investment during 2019 - 2021 is \$503 million and the proposed operations and maintenance investment is \$78 million. This matter is pending.

Regulation Act

In March 2019, Virginia Power filed an application for the Virginia Commission to determine the general ROE for Virginia Power's non-transmission rate adjustment clauses and for purposes of determining Virginia Power's base rate earnings in the 2021 quadrennial review for the four successive 12-month test periods beginning January 1, 2017 and ending December 31, 2020. The application supported a 10.75% ROE for these rate adjustment clauses and quadrennial review period. In November 2019, the Virginia Commission approved a 9.2% general ROE for Virginia Power.

Virginia Fuel Expenses

In May 2019, Virginia Power filed its annual fuel factor with the Virginia Commission to recover an estimated \$1.5 billion in Virginia jurisdictional projected fuel expenses for the rate year beginning July 1, 2019 and the projected June 30, 2019 under recovered balance of \$124 million. Virginia Power's proposed fuel rate represented a fuel revenue decrease of \$192 million when applied to projected kilowatt-hour sales for the period July 1, 2019 to June 30, 2020. Subsequently in May 2019, Virginia Power revised its fuel factor filing to reduce the projected June 30, 2019

underrecovered balance to \$107 million and a fuel revenue decrease of \$254 million. In August 2019, the Virginia Commission approved Virginia Power's fuel rate.

In February 2020, Virginia Power filed its annual fuel factor with the Virginia Commission to recover an estimated \$1.2 billion in Virginia jurisdictional projected fuel expenses for the rate year beginning July 1, 2020 and a projected over-recovery of approximately \$81 million for the prior year balance as of June 30, 2020. Virginia Power requested that the new fuel factor rate be implemented on an interim basis two months early, beginning on May 1, 2020. Virginia Power's proposed fuel rate represents a fuel revenue decrease of approximately \$393 million when applied to projected kilowatt-hour sales for the rate year beginning May 1, 2020. This matter is pending.

Battery Storage Pilot

In August 2019, Virginia Power filed an application with the Virginia Commission to participate in a pilot program for electric power storage batteries, which includes three projects for deployment of battery energy storage systems. Virginia Power also requested an amended CPCN to construct and operate a battery energy storage system at Scott Solar. The projects are estimated to cost approximately \$35 million. In February 2020, the Virginia Commission approved the request.

Solar Facility Projects

- In July 2018, Virginia Power filed an application with the Virginia Commission for CPCNs to construct two solar facilities. Colonial Trail West and Spring Grove 1 are estimated to cost approximately \$410 million, excluding financing costs. Colonial Trail West commenced commercial operations in December 2019 and Spring Grove 1 is expected to commence commercial operations in the fourth quarter of 2020. Virginia Power also applied for approval of Rider US-3 associated with these projects with a proposed \$10 million total revenue requirement for the rate year beginning June 1, 2019. In January 2019, the Virginia Commission issued a final order granting CPCNs to construct the solar facilities, subject to a 20-year performance guarantee of the facilities at a 25% solar capacity factor when normalized for force majeure events. In April 2019, the Virginia Commission approved Rider US-3.
- In July 2019, Virginia Power filed an application with the Virginia Commission for a CPCN to construct Sadler Solar, which is estimated to cost approximately \$146 million, excluding financing costs. Sadler Solar is expected to commence commercial operations, subject to regulatory approvals associated with the project, in the fourth quarter of 2020. Virginia Power also applied for approval of Rider US-4 associated with this project with a proposed \$9 million total revenue requirement for the rate year beginning June 1, 2020. In January 2020, the Virginia Commission issued a final order granting the CPCN to construct Sadler Solar, subject to a 20-year performance guarantee of the facility at a 22% solar capacity factor when normalized for force majeure events. This matter regarding Rider US-4 is pending.

Rate Adjustment Clauses

Below is a discussion of significant riders associated with various Virginia Power projects:

- The Virginia Commission previously approved Rider T1 concerning transmission rates. In May 2019, Virginia Power

proposed a \$920 million total revenue requirement consisting of \$474 million for the transmission component of Virginia Power's base rates and \$446 million for Rider T1 for the rate year beginning September 1, 2019. This total revenue requirement represents a \$271 million increase versus the revenues to be produced during the rate year under current rates. In July 2019, the Virginia Commission approved the filing.

- The Virginia Commission previously approved Rider U in conjunction with cost recovery to move certain electric distribution facilities underground as authorized by Virginia legislation. In October 2019, the Virginia Commission approved Virginia Power's proposed fourth phase of conversions totaling \$123 million and a total \$52 million revenue requirement for the rate year beginning February 1, 2020 for continuing recovery of the previously approved phase conversions and the proposed fourth phase conversions.
- The Virginia Commission previously approved Riders C1A, C2A and C3A in connection with cost recovery for DSM programs. In December 2019, Virginia Power filed a petition to approve an additional 10 new energy efficiency programs and one new demand response DSM program for five years, subject to future extension, with a \$186 million cost cap, and proposed a total \$60 million revenue requirement for the rate year beginning September 1, 2020. This total revenue requirement represents an \$11 million increase over the previous year.
- In December 2018, Virginia Power filed a petition requesting approval of Rider E and proposed a \$114 million total revenue requirement for the rate year beginning November 1, 2019. In August 2019, the Virginia Commission issued an order approving in part and denying in part the petition. As a result, Virginia Power recorded a \$21 million (\$16 million after-tax) charge in impairment of assets and other charges in the Consolidated Statements of Income for the three and nine months ended September 30, 2019 to write-off certain disallowed environmental property, plant and equipment and regulatory assets. In August 2019, the Virginia Commission granted Virginia Power's petition for reconsideration of the disallowed amount and stayed the order issued earlier in August 2019. In October 2019, the Virginia Commission approved Virginia Power's request to implement a total revenue requirement of \$104 million on an interim basis, subject to true-up, pending resolution of the petition for reconsideration. In November 2019, the Virginia Commission denied the petition for reconsideration and the \$104 million total revenue requirement remains in effect.
- Additional significant riders associated with various Virginia Power projects are as follows:

| Rider Name | Application Date | Approval Date | Rate Year Beginning | Total Revenue Requirement (millions) | Increase (Decrease) Over Previous Year (millions) |
|------------|------------------|---------------|---------------------|--------------------------------------|---|
| Rider S | May 2019 | February 2020 | April 2020 | \$195 | \$(20) |
| Rider GV | May 2019 | February 2020 | April 2020 | 132 | 12 |
| Rider W | May 2019 | February 2020 | April 2020 | 106 | 1 |
| Rider R | May 2019 | February 2020 | April 2020 | 44 | (13) |
| Rider B | May 2019 | February 2020 | April 2020 | 32 | (6) |
| Rider US-3 | July 2019 | Pending | June 2020 | 31 | 21 |
| Rider BW | October 2019 | Pending | September 2020 | 120 | 1 |
| Rider US-2 | October 2019 | Pending | September 2020 | 10 | (5) |
| Rider E | January 2020 | Pending | November 2020 | 88 | (16) |

Coastal Virginia Offshore Wind Project

In November 2018, Virginia Power received approval from the Virginia Commission for its petition seeking a prudency determination as provided in the GTSA with respect to the proposed Coastal Virginia Offshore Wind Pilot project consisting of two 6

MW wind turbine generators located approximately 27 miles off the coast of Virginia Beach, Virginia in federal waters, and for a CPCN, for the generation tie line connecting the generators to shore. This project is expected to cost approximately \$300 million and to be placed into service by the end of 2020.

Electric Transmission Projects

In November 2013, the Virginia Commission issued an order granting Virginia Power a CPCN to construct approximately 7 miles of new overhead 500 kV transmission line from the existing Surry switching station in Surry County to a new Skiffes Creek switching station in James City County, and approximately 20 miles of new 230 kV transmission line in James City County, York County, and the City of Newport News from the proposed new Skiffes Creek switching station to Virginia

Power's existing Whealton substation in the City of Hampton. In February 2019, the transmission line project was placed into service. In March 2019, the U.S. Court of Appeals for the D.C. Circuit issued an order vacating the permit from the U.S. Army Corps of Engineers issued in July 2017 and ordered the U.S. Army Corps of Engineers to do a full environmental impact study of the project. In April 2019, Virginia Power and the U.S. Army Corps of Engineers filed petitions for rehearing with the U.S. Court of Appeals for the D.C. Circuit, asking that the permit from the U.S. Army Corps of Engineers remain in effect while an environmental impact study is performed. In May 2019, the U.S. Court of Appeals for the D.C. Circuit denied the request for rehearing and ordered the U.S. District Court for the D.C. Circuit to consider and issue a ruling on whether the permit should be vacated during the U.S. Army Corps of Engineers' preparation of an environmental impact statement. In November 2019, the U.S. District Court for the D.C. Circuit issued an order allowing the permit to remain in effect while an environmental impact study is performed. This matter is pending.

Additional significant Virginia Power electric transmission projects approved or applied for are as follows:

| Description and Location of Project | Application Date | Approval Date | Type of Line | Miles of Lines | Cost Estimate (millions) |
|---|------------------|----------------|--------------|----------------|--------------------------|
| Rebuild and operate transmission line between Lanexa and the Northern Neck in Virginia | June 2018 | February 2019 | 230 kV | 3 | \$ 30 |
| Build a new substation and connect three existing transmission lines thereto in Fluvanna County, Virginia | October 2018 | June 2019 | 230 kV | <1 | 30 |
| Rebuild and operate the Glebe substation and relocate and operate in Arlington County, Virginia and the City of Alexandria, Virginia existing overhead line underground | March 2019 | September 2019 | 230 kV | <1 | 125 |
| Rebuild and operate transmission line between Valley, Virginia and Mt. Storm, West Virginia | April 2019 | November 2019 | 500 kV | 65 | 290 |
| Rebuild and operate transmission line between the Suffolk substation and the Virginia/North Carolina state line | May 2019 | November 2019 | 230 kV | 11 | 20 |
| Rebuild and operate five segments between the Loudoun and Ox stations | August 2019 | Pending | 230 kV | 19 | 70 |
| Build new Evergreen Mills switching station and line loops in Loudoun County, Virginia | December 2019 | Pending | 230 kV | 2 | 30 |
| Build new Lockridge substation and line loop in Loudoun County, Virginia | December 2019 | Pending | 230 kV | <1 | 35 |

NORTH CAROLINA REGULATION*North Carolina Base Rate Case*

In March 2019, Virginia Power filed its base rate case and schedules with the North Carolina Commission. Virginia Power proposed a non-fuel, base rate increase of \$27 million effective November 1, 2019 on an interim basis subject to refund, with any permanent rates ordered by the North Carolina Commission effective January 1, 2020. The base rate increase was proposed to recover the significant investments in generation, transmission and distribution infrastructure for the benefit of North Carolina customers. Virginia Power presented an earned return of 7.52% based upon a fully-adjusted test period, compared to its authorized 9.90% return, and proposed a 10.75% ROE. In September 2019, Virginia Power revised its filing to reduce the non-fuel base rate increase to \$24 million. In January 2020, the North Carolina Commission approved a 9.75% ROE and disallowed certain costs associated with coal ash remediation at Chesterfield power station. In February 2020, the North Carolina Commission issued its final order relating to base rates. Virginia Power is reviewing the order and assessing its options.

NORTH CAROLINA FUEL FILING

In August 2019, Virginia Power submitted its annual filing to the North Carolina Commission to adjust the fuel component of its electric rates. Virginia Power proposed a total \$18 million decrease to the fuel component of its electric rates for the rate year beginning February 1, 2020. In January 2020, the North Carolina Commission approved Virginia Power's proposed fuel change adjustment.

SOUTH CAROLINA REGULATION*DSM Programs*

DESC has approval for a DSM rider through which it recovers expenditures related to its DSM programs. In January 2019, DESC filed an application with the South Carolina Commission seeking approval to recover \$30 million of costs and net lost revenues associated with these programs, along with an incentive to invest in such programs. In April 2019, the South Carolina Commission approved the request for the rate year beginning with the first billing cycle of May 2019.

In January 2020, DESC filed an application with the South Carolina Commission seeking approval to recover \$40 million of costs and net lost revenues associated with these programs, along with an incentive to invest in such programs. This matter is pending.

Natural Gas Rate Stabilization Act

In June 2019, DESC filed with the South Carolina Commission its monitoring report for the 12-month period ended March 31, 2019 with a total revenue requirement of \$437 million. This represents a \$7 million overall increase to its natural gas rates under the terms of the Natural Gas Rate Stabilization Act effective for the rate year beginning November 2019. In October 2019, the South Carolina Commission approved a total revenue requirement of \$436 million effective with the first billing cycle of November 2019.

Cost of Fuel

DESC's retail electric rates include a cost of fuel component approved by the South Carolina Commission which may be adjusted periodically to reflect changes in the price of fuel purchased by DESC. In April 2019, the South Carolina Commission approved DESC's proposal to decrease the total fuel cost component of retail electric rates. DESC's proposal included maintaining its base fuel component at the current level to produce a projected under-recovered balance of \$35 million at the end of the 12-month period beginning with the first billing cycle of May 2019 and requested carrying costs for any base fuel under-collected balances, should they occur. DESC also proposed reducing its variable environmental component and maintaining or reducing its distributed energy resource components. Changes in rates became effective beginning with the first billing cycle of May 2019.

In February 2020, DESC filed a proposal with the South Carolina Commission to decrease the total fuel cost component of retail electric rates. DESC's proposed decrease would reduce annual base fuel component recoveries by approximately \$44 million and is projected to return to customers the existing over-collected balance while recovering DESC's current base fuel costs over the 12-month period beginning with the first billing cycle of May 2020. In addition, DESC proposed an increase to its variable environmental and distributed energy resource components. This matter is pending.

Electric Transmission Projects

In 2020, DESC expects to begin several electric transmission projects in connection with two new nuclear plants under development by Southern. These transmission projects are required to be in place prior to these plants beginning operations to maintain reliability. DESC anticipates the projects to go into service in phases, costing approximately \$75 million in aggregate. In February 2020, DESC filed an application with the South Carolina Commission requesting approval to construct and operate 28 miles of 230 kV transmission lines in Aiken County, South Carolina estimated to cost approximately \$30 million. This matter is pending.

OHIO REGULATION

PIR Program

In 2008, East Ohio began PIR, aimed at replacing approximately 25% of its pipeline system. In September 2016, the Ohio Commission approved a stipulation filed jointly by East Ohio and the Staff of the Ohio Commission to continue the PIR program and associated cost recovery for another five-year term, calendar years

2017 through 2021, and to permit East Ohio to increase its annual capital expenditures to \$200 million by 2018 and 3% per year thereafter subject to the cost recovery rate increase caps proposed by East Ohio.

In April 2019, the Ohio Commission approved East Ohio's application to adjust the PIR cost recovery rates for 2018 costs. The filing reflects gross plant investment for 2018 of \$202 million, cumulative gross plant investment of \$1.6 billion and a revenue requirement of \$190 million.

CEP Program

In 2011, East Ohio began CEP which enables East Ohio to defer depreciation expense, property tax expense and carrying costs at the debt rate of 6.5% on capital investments not covered by its PIR program to expand, upgrade or replace its pipeline system and information technology systems as well as investments necessary to comply with the Ohio Commission or other government regulation. In May 2019, East Ohio filed an application for an alternative rate plan to establish a CEP rider to recover existing CEP-related deferrals and to establish an ongoing recovery mechanism for future deferrals. The filing reflects cumulative gross plant investment of \$723 million through 2018 and a revenue requirement of \$83 million. This matter is pending.

WEST VIRGINIA REGULATION

PREP

In May 2019, Hope filed a PREP application with the West Virginia Commission requesting approval to recover PREP costs related to \$29 million and \$39 million of projected capital investment for 2019 and 2020, respectively. The application also includes a true-up of PREP costs related to the 2018 actual capital investment of \$30 million and sets forth \$10 million of annual PREP costs to be recovered in proposed rates effective November 1, 2019. In October 2019, the West Virginia Commission approved PREP rates effective November 1, 2019.

UTAH AND WYOMING REGULATION

LNG Storage Facility

In April 2019, Questar Gas filed a request with the Utah Commission for pre-approval to construct an LNG storage facility with a liquefaction rate of 8.2 million cubic feet per day. In October 2019, the Utah Commission granted pre-approval to construct the LNG storage facility.

Utah Base Rate Case

In July 2019, Questar Gas filed its base rate case and schedules with the Utah Commission. Questar Gas proposed a non-fuel, base rate increase of \$19 million effective March 2020. The base rate increase was proposed to recover the significant investment in distribution infrastructure for the benefit of Utah customers. Questar Gas presented an earned return of 9.05% based upon a fully-adjusted test period, compared to its authorized 9.85% return, and proposed a 10.5% ROE. In February 2020, the Utah Commission approved a non-fuel, base rate increase of \$3 million effective March 2020. This revenue requirement increase is based on an approved ROE of 9.50%.

Wyoming Base Rate Case

In November 2019, Questar Gas filed its base rate case and schedules with the Wyoming Commission. Questar Gas proposed a non-fuel, base rate increase of \$4 million effective September 2020. The

base rate increase was proposed to replace aging infrastructure and expand its system. Questar Gas presented an earned return of 7.46%, based upon a fully-adjusted test period, compared to its authorized 9.5% return, and proposed a 10.5% ROE. This matter is pending.

Rural Expansion Program

In December 2019, Questar Gas filed an application with the Utah Commission for a CPCN to construct natural gas infrastructure to extend service to Eureka, Utah. The project is expected to include 11 miles of high-pressure pipeline and up to 360 service lines and to be in service in late 2021. Questar Gas also requested approval of a rural expansion rate adjustment tracker to recover the construction costs of the project. This matter is pending.

FERC—GAS

Cove Point

In February 2019, Cove Point submitted its annual electric power cost adjustment to FERC requesting approval to recover \$24 million. FERC approved the adjustment in March 2019.

In June 2015, Cove Point executed two binding precedent agreements for the approximately \$150 million Eastern Market Access Project. In January 2018, Cove Point received FERC authorization to construct and operate the project facilities. In October 2018, Cove Point announced it was evaluating alternatives to a proposed Charles County, Maryland compressor station that was initially part of this project and in December 2018, after working with project customers for alternative solutions, decided not to pursue further construction at this location resulting in a revised project estimate of approximately \$45 million and a write-off of \$37 million (\$28 million after-tax). In May 2019, Cove Point filed an application for an amendment to vacate its FERC authorization for the Charles County, Maryland compressor station and revised its project scope. In August 2019, Cove Point received FERC authorization and the Eastern Market Access Project commenced commercial operations in September 2019.

In connection with the Eastern Market Access Project, in August 2019, Cove Point filed to update its annual electric power cost adjustment requesting FERC approval to recover \$25 million, representing an increase of \$1 million from the adjustment approved in March 2019. FERC approved the adjustment in August 2019.

In January 2020, pursuant to the terms of a previous settlement, Cove Point filed a general rate case for its FERC-jurisdictional services, with proposed rates to be effective March 1, 2020. Cove Point proposed an annual cost-of-service of approximately \$182 million. Cove Point anticipates that FERC will suspend the changes in rates for five months following the proposed effective date, until August 1, 2020.

DETI

In September 2019, DETI submitted its annual transportation cost rate adjustment to FERC requesting approval to recover \$38 million. Also in September 2019, DETI submitted its annual electric power cost adjustment to FERC requesting approval to recover \$10 million. In October 2019, FERC approved these adjustments.

In December 2019, DETI filed an application to request FERC authorization to construct, operate and maintain the Tri-West project to provide 120,000 Dth per day of firm transportation service in from Pennsylvania to Ohio for delivery to Tennessee Gas Pipeline Company. The project facilities are expected to cost approximately \$25 million and be in service by the end of 2020.

In August 2018, DETI executed a binding precedent agreement with a customer for the West Loop project. The project is expected to cost approximately \$95 million and provide 150,000 Dth per day of firm transportation service from Pennsylvania to Ohio for delivery to a proposed combined-cycle, natural gas-fired electric power generation facility to be located in Columbiana County, Ohio. In December 2018, DETI filed an application to request FERC authorization to construct, operate and maintain the project facilities, which are expected to be in service by the end of 2021. In December 2019, DETI received FERC authorization.

In January 2018, DETI filed an application to request FERC authorization to construct and operate certain facilities located in Ohio and Pennsylvania for the Sweden Valley project. In June 2019, DETI withdrew its application for the project due to certain regulatory delays. As a result of the project abandonment, during the second quarter of 2019, DETI recorded a charge of \$13 million (\$10 million after-tax), included in impairment of assets and other charges in Dominion Energy and Dominion Energy Gas' Consolidated Statements of Income (reflected in the Corporate and Other segment).

NOTE 14. ASSET RETIREMENT OBLIGATIONS

AROs represent obligations that result from laws, statutes, contracts and regulations related to the eventual retirement of certain of the Companies' long-lived assets. Dominion Energy and Virginia Power's AROs are primarily associated with the decommissioning of their nuclear generation facilities and ash pond and landfill closures. Dominion Energy Gas' AROs primarily include plugging and abandonment of gas and oil wells and the interim retirement of natural gas gathering, transmission, distribution and storage pipeline components.

The Companies have also identified, but not recognized, AROs related to the retirement of the Cove Point LNG Facility, Dominion Energy and Dominion Energy Gas' storage wells in their underground natural gas storage network, certain Virginia Power electric transmission and distribution assets located on property with easements, rights of way, franchises and lease agreements, Virginia Power's hydroelectric generation facilities and the abatement of certain asbestos not expected to be disturbed in Dominion Energy and Virginia Power's generation facilities. The Companies currently do not have sufficient information to estimate a reasonable range of expected retirement dates for any of these assets since the economic lives of these assets can be extended indefinitely through regular repair and maintenance and they currently have no plans to retire or dispose of any of these assets. As a result, a settlement date is not determinable for these assets and AROs for these assets will not be reflected in the Consolidated Financial Statements until sufficient information becomes available to determine a reasonable estimate of the fair value of the activities to be performed. The Companies continue to monitor operational and strategic developments to identify if sufficient information exists to reasonably estimate a retirement date for these assets.

The changes to AROs during 2018 and 2019 were as follows:

| | Amount |
|---|----------|
| (millions) | |
| Dominion Energy | |
| AROs at December 31, 2017 | \$ 2,432 |
| Obligations incurred during the period | 20 |
| Obligations settled during the period | (159) |
| Revisions in estimated cash flows ⁽²⁾ | 120 |
| Accretion | 119 |
| AROs at December 31, 2018 ⁽¹⁾ | \$ 2,532 |
| Obligations incurred during the period ⁽²⁾ | 2,413 |
| Obligations settled during the period | (137) |
| AROs acquired in the SCANA Combination | 577 |
| Revisions in estimated cash flows ⁽³⁾ | (324) |
| Accretion | 213 |
| AROs at December 31, 2019 ⁽¹⁾ | \$ 5,274 |
| Virginia Power | |
| AROs at December 31, 2017 | \$ 1,365 |
| Obligations incurred during the period | 14 |
| Obligations settled during the period | (119) |
| Revisions in estimated cash flows ⁽²⁾ | 120 |
| Accretion | 65 |
| AROs at December 31, 2018 | \$ 1,445 |
| Obligations incurred during the period ⁽²⁾ | 2,408 |
| Obligations settled during the period | (81) |
| Revisions in estimated cash flows ⁽³⁾ | (323) |
| Accretion | 132 |
| AROs at December 31, 2019 | \$ 3,581 |
| Dominion Energy Gas | |
| AROs at December 31, 2017 | \$ 85 |
| Obligations incurred during the period | 3 |
| Obligations settled during the period | (6) |
| Accretion | 6 |
| AROs at December 31, 2018 ⁽⁴⁾ | \$ 88 |
| Obligations settled during the period | (3) |
| Accretion | 4 |
| AROs at December 31, 2019 ⁽⁴⁾ | \$ 89 |

(1) Includes \$282 million and \$408 million reported in other current liabilities at December 31, 2018, and 2019, respectively.

(2) Reflects future ash pond and landfill closure costs at certain utility generation facilities. See Note 23 for further information.

(3) Reflects revisions to future ash pond and landfill closure costs at certain utility generation facilities as well as revisions for 20 year license extensions for regulated nuclear power stations in Virginia.

(4) Includes \$74 million and \$75 million reported in other deferred credits and other liabilities, with the remainder recorded in other current liabilities, at December 31, 2018 and 2019, respectively.

Dominion Energy's AROs at December 31, 2019 and 2018, include \$1.7 billion and \$1.6 billion, respectively, with \$0.8 billion and \$0.9 billion recorded by Virginia Power, related to the future decommissioning of their nuclear facilities. Dominion Energy and Virginia Power have established trusts dedicated to funding the future decommissioning activities. At December 31, 2019 and 2018, the aggregate fair value of Dominion Energy's trusts, consisting primarily of equity and debt securities, totaled \$6.2 billion and \$4.9 billion, respectively. At December 31, 2019 and 2018, the aggregate fair value of Virginia Power's trusts, consisting primarily of debt and equity securities, totaled \$2.9 billion and \$2.4 billion, respectively.

In addition, AROs at December 31, 2019 include \$2.6 billion related to Virginia Power's future ash pond and landfill closure costs. Regulatory mechanisms, primarily associated with legislation enacted in Virginia in March 2019, provide for recovery of costs to be incurred. See Notes 12 and 23 for additional information.

NOTE 15. LEASES

At December 31, 2019, the Companies had the following lease assets and liabilities recorded in the Consolidated Balance Sheets:

| | December 31, 2019 |
|--|-------------------|
| (millions) | |
| Dominion Energy | |
| Lease assets: | |
| Operating lease assets ⁽¹⁾ | \$ 499 |
| Finance lease assets ⁽²⁾ | 140 |
| Total lease assets | \$ 639 |
| Lease liabilities: | |
| Operating lease liabilities ⁽³⁾ | \$ 59 |
| Finance lease liabilities ⁽⁴⁾ | 29 |
| Total lease liabilities—current | 88 |
| Operating lease liabilities ⁽⁵⁾ | 442 |
| Finance lease liabilities | 105 |
| Total lease liabilities—noncurrent | 547 |
| Total lease liabilities | \$ 635 |
| Virginia Power | |
| Operating lease assets ⁽¹⁾ | \$ 212 |
| Finance lease assets ⁽²⁾ | 19 |
| Total lease assets | \$ 231 |
| Lease liabilities: | |
| Operating lease liabilities ⁽³⁾ | \$ 30 |
| Finance lease liabilities ⁽⁴⁾ | 3 |
| Total lease liabilities—current | 33 |
| Operating lease liabilities ⁽⁵⁾ | 180 |
| Finance lease liabilities | 16 |
| Total lease liabilities—noncurrent | 196 |
| Total lease liabilities | \$ 229 |
| Dominion Energy Gas | |
| Operating lease assets ⁽¹⁾ | \$ 37 |
| Finance lease assets ⁽²⁾ | 6 |
| Total lease assets | \$ 43 |
| Lease liabilities: | |
| Operating lease liabilities ⁽³⁾ | \$ 6 |
| Finance lease liabilities ⁽⁴⁾ | 1 |
| Total lease liabilities—current | 7 |
| Operating lease liabilities ⁽⁵⁾ | 29 |
| Finance lease liabilities | 5 |
| Total lease liabilities—noncurrent | 34 |
| Total lease liabilities | \$ 41 |

(1) Included in other deferred charges and other assets in the Companies' Consolidated Balance Sheets.

(2) Included in property, plant and equipment in the Companies' Consolidated Balance Sheets, net of \$27 million, \$4 million and \$1 million of accumulated amortization at Dominion Energy, Virginia Power and Dominion Energy Gas, respectively, at December 31, 2019.

(3) Included in other current liabilities in the Companies' Consolidated Balance Sheets.

(4) Included in securities due within one year in the Companies' Consolidated Balance Sheets.

(5) Included in other deferred credits and other liabilities in the Companies' Consolidated Balance Sheets.

In addition to the amounts disclosed above, Dominion Energy's Consolidated Balance Sheet at December 31, 2019 includes property plant and equipment and accumulated depreciation of \$2.8 billion and \$364 million, respectively, related to facilities subject to power purchase agreements under which Dominion Energy is the lessor.

For the year ended December 31, 2019, total lease cost associated with the Companies' leasing arrangements consisted of the following:

| | Year Ended December 31, 2019 |
|----------------------------|---------------------------------|
| (millions) | |
| Dominion Energy | |
| Finance lease cost: | |
| Amortization | \$ 20 |
| Interest | 4 |
| Operating lease cost | 87 |
| Short-term lease cost | 30 |
| Variable lease cost | 6 |
| Total lease cost | \$ 147 |
| Virginia Power | |
| Operating lease cost | \$ 41 |
| Short-term lease cost | 13 |
| Variable lease cost | 2 |
| Total lease cost | \$ 56 |
| Dominion Energy Gas | |
| Operating lease cost | \$ 7 |
| Short-term lease cost | 7 |
| Total lease cost | \$ 14 |

For the year ended December 31, 2019, cash paid for amounts included in the measurement of the lease liabilities consisted of the following amounts, included in the Companies' Consolidated Statements of Cash Flows:

| | Year Ended December 31, 2019 |
|---|------------------------------------|
| (millions) | |
| Dominion Energy | |
| Operating cash flows for finance leases | \$ 4 |
| Operating cash flows for operating leases | 121 |
| Financing cash flows for finance leases | 20 |
| Virginia Power | |
| Operating cash flows for operating leases | 56 |
| Dominion Energy Gas | |
| Operating cash flows for operating leases | 14 |

In addition to the amounts disclosed above, Dominion Energy's Consolidated Statement of Income for the year ended December 31, 2019 includes \$174 million of rental revenue included in operating revenue and \$94 million of depreciation expense, included in depreciation, depletion and amortization, related to facilities subject to power purchase agreements under which Dominion Energy is the lessor.

At December 31, 2019, the weighted average remaining lease term and weighted discount rate for the Companies' finance and operating leases were as follows:

| | December 31, 2019 |
|--|-------------------|
| Dominion Energy | |
| Weighted average remaining lease term—finance leases | 5 years |
| Weighted average remaining lease term—operating leases | 21 years |
| Weighted average discount rate—finance leases | 3.84% |
| Weighted average discount rate—operating leases | 4.47% |
| Virginia Power | |
| Weighted average remaining lease term—finance leases | 6 years |
| Weighted average remaining lease term—operating leases | 20 years |
| Weighted average discount rate—finance leases | 4.12% |
| Weighted average discount rate—operating leases | 4.29% |
| Dominion Energy Gas | |
| Weighted average remaining lease term—finance leases | 6 years |
| Weighted average remaining lease term—operating leases | 11 years |
| Weighted average discount rate—finance leases | 4.08% |
| Weighted average discount rate—operating leases | 4.37% |

The Companies' lease liabilities have the following maturities:

| Maturity of Lease Liabilities | Dominion Energy | | Virginia Power | | Dominion Energy Gas | |
|------------------------------------|-----------------|---------|----------------|---------|---------------------|---------|
| | Operating | Finance | Operating | Finance | Operating | Finance |
| (millions) | | | | | | |
| 2020 | \$ 72 | \$ 34 | \$ 34 | \$ 4 | \$ 7 | \$ 2 |
| 2021 | 65 | 31 | 30 | 4 | 6 | 1 |
| 2022 | 55 | 29 | 24 | 4 | 5 | 1 |
| 2023 | 45 | 26 | 19 | 3 | 4 | 1 |
| 2024 | 36 | 19 | 14 | 3 | 3 | 1 |
| After 2024 | 582 | 9 | 205 | 4 | 20 | 1 |
| Total undiscounted lease payments | 855 | 148 | 326 | 22 | 45 | 7 |
| Present value adjustment | (377) | (14) | (139) | (3) | (10) | (1) |
| Present value of lease liabilities | \$ 478 | \$ 134 | \$ 187 | \$ 19 | \$ 35 | \$ 6 |

Corporate Office Leasing Arrangements

In July 2016, Dominion Energy signed an agreement with a lessor to construct and lease a new corporate office property in Richmond, Virginia. The lessor provided equity and obtained financing commitments from debt investors, totaling \$365 million, which funded total project costs. The project became substantially complete in August 2019 at which point the facility was available for Dominion Energy's use and the five-year lease term commenced.

Upon commencement, the lease for the facility was classified as a finance lease. At the end of the initial lease term, Dominion Energy can (i) extend the term of the lease for an additional five years, subject to the approval of the participants, at current market terms, (ii) purchase the property for an amount equal to the project costs or, (iii) subject to certain terms and conditions, sell the property on behalf of the lessor to a third party using commercially reasonable efforts to obtain the highest cash purchase price for the

property. If the project is sold and the proceeds from the sale are insufficient to repay the investors for the project costs, Dominion Energy may be required to make a payment to the lessor, up to 87% of project costs, for the difference between the project costs and sale proceeds. No end-of-term options were deemed reasonably certain of exercise at commencement date. At commencement, Dominion Energy recorded a right-of-use asset and offsetting lease obligation of \$67 million, representing the present value of consideration over the five-year term at the rate implicit in the lease. Dominion Energy is considered the owner of the leased property for tax purposes, and as a result, is entitled to tax deductions for depreciation and interest expense.

In December 2019, Dominion Energy signed an agreement with a lessor to construct and lease a new corporate office property in Richmond, Virginia. The lessor is providing equity and has obtained financing commitments from debt investors, totaling \$465 million, to fund the estimated project costs. If Dominion Energy ultimately proceeds with the project through completion, it is not expected to be completed earlier than mid-2023. Dominion Energy has been appointed to act as the construction agent for the lessor, during which time Dominion Energy will request cash draws from the lessor and debt investors to fund all project costs. If the project is terminated under certain events of default, Dominion Energy could be required to pay up to 89.9% of the then funded amount. For specific full recourse events, Dominion Energy could be required to pay up to 100% of the then funded amount.

The 51-month lease term will commence once construction is substantially complete and the facility is able to be occupied. At the end of the initial lease term, Dominion Energy can (i) extend the term of the lease for an additional five years, subject to the approval of the participants, at current market terms, (ii) purchase the property for an amount equal to the project costs or, (iii) subject to certain terms and conditions, sell the property on behalf of the lessor to a third party using commercially reasonable efforts to obtain the highest cash purchase price for the property. If the project is sold and the proceeds from the sale are insufficient to repay the investors for the project costs, Dominion Energy may be required to make a payment to the lessor, up to 83% of project costs, for the difference between the project costs and sale proceeds.

Dominion Energy is not considered the owner during construction for financial accounting purposes and, therefore, will not reflect the construction activity in its consolidated financial statements. Dominion Energy expects to recognize a right-of-use asset and a corresponding finance lease liability at the commencement of the lease term. Dominion Energy will be considered the owner of the leased property for tax purposes, and as a result, will be entitled to tax deductions for depreciation and interest expense.

NOTE 16. VARIABLE INTEREST ENTITIES

The primary beneficiary of a VIE is required to consolidate the VIE and to disclose certain information about its significant variable interests in the VIE. The primary beneficiary of a VIE is the entity that has both 1) the power to direct the activities that most significantly impact the entity's economic performance and 2) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE.

DOMINION ENERGY

At December 31, 2019, Dominion Energy owns the manager and 67% of the membership interest in certain merchant solar facilities, as discussed in Note 2. Dominion Energy has concluded that these entities are VIEs due to the members lacking the characteristics of a controlling financial interest. In addition, in 2016 Dominion Energy created a wholly owned subsidiary, SBL Holdco, as a holding company of its interest in the VIE merchant solar facilities and accordingly SBL Holdco is a VIE. Dominion Energy is the primary beneficiary of SBL Holdco and the merchant solar facilities, as it has the power to direct the activities that most significantly impact their economic performance as well as the obligation to absorb losses and benefits which could be significant to them. Dominion Energy's securities due within one year and long-term debt include \$31 million and \$267 million, respectively, of debt issued by SBL Holdco net of issuance costs that is nonrecourse to Dominion Energy and is secured by SBL Holdco's interest in certain merchant solar facilities.

Dominion Energy owns a 48% membership interest in Atlantic Coast Pipeline. See Note 9 for more details regarding the nature of this entity. Dominion Energy concluded that Atlantic Coast Pipeline is a VIE because it has insufficient equity to finance its activities without additional subordinated financial support. Dominion Energy has concluded that it is not the primary beneficiary of Atlantic Coast Pipeline as it does not have the power to direct the activities of Atlantic Coast Pipeline that most significantly impact its economic performance, as the power to direct is shared among multiple unrelated parties. In February 2020, Dominion Energy entered an agreement to acquire Southern's 5% membership interest which is expected to close by the second quarter of 2020. Following completion of the acquisition, Dominion Energy will own a 53% noncontrolling membership interest in Atlantic Coast Pipeline which is not expected to change Dominion Energy's conclusion that it is not the primary beneficiary as the power to direct the activities most significant to Atlantic Coast Pipeline will be shared with Duke. Dominion Energy is obligated to provide capital contributions based on its ownership percentage. Dominion Energy's maximum exposure to loss is limited to its current and future investment as well as any obligations under a guarantee provided. See Note 23 for more information.

Dominion Energy previously concluded that Dominion Energy Midstream was a VIE due to the limited partners lacking the characteristics of a controlling financial interest and that it was the primary beneficiary as it had the power to direct the activities that most significantly impact the economic performance as well as to absorb losses and benefits which could be significant to Dominion Energy Midstream. In January 2019, Dominion Energy acquired all outstanding partnership interests not owned by Dominion Energy and Dominion Energy Midstream became a wholly-owned subsidiary of Dominion Energy. As a result, Dominion Energy concluded that Dominion Energy Midstream is no longer a VIE.

DOMINION ENERGY AND VIRGINIA POWER

Dominion Energy and Virginia Power's nuclear decommissioning trust funds and Dominion Energy's rabbi trusts hold investments in limited partnerships or similar type entities (see Note 9 for further details). Dominion Energy and Virginia Power concluded that these partnership investments are VIEs due to the limited partners lacking the characteristics of a controlling financial interest. Dominion Energy and Virginia Power have concluded neither is the primary beneficiary as they do not have the power to

direct the activities that most significantly impact these VIEs' economic performance. Dominion Energy and Virginia Power are obligated to provide capital contributions to the partnerships as required by each partnership agreement based on their ownership percentages. Dominion Energy and Virginia Power's maximum exposure to loss is limited to their current and future investments.

VIRGINIA POWER

Virginia Power had a long-term power and capacity contract with one non-utility generator with an aggregate summer generation capacity of approximately 218 MW. The contract contained certain variable pricing mechanisms in the form of partial fuel reimbursement that Virginia Power considered to be variable interests and for which Virginia Power had previously concluded if the generation facility were to be a VIE that it would not be the primary beneficiary. In May 2019, Virginia Power entered into an agreement and paid \$135 million to terminate the remaining contract with the non-utility generator. A \$135 million (\$100 million after-tax) charge was recorded in impairment of assets and other charges in Virginia Power's Consolidated Statements of Income during the second quarter of 2019. Virginia Power paid \$13 million, \$50 million, and \$86 million for electric capacity to non-utility generators and \$1 million, \$18 million and \$24 million for electric energy to non-utility generators for the years ended December 31, 2019, 2018 and 2017, respectively.

DOMINION ENERGY AND DOMINION ENERGY GAS

As part of the Dominion Energy Gas Restructuring, Dominion Energy contributed to Dominion Energy Gas a 75% controlling limited partner interest in Cove Point. In December 2019, Dominion Energy sold its retained 25% noncontrolling limited partner interest in Cove Point. Dominion Energy Gas concluded that Cove Point is a VIE due to the limited partners lacking the characteristics of a controlling financial interest. Dominion Energy Gas is the primary beneficiary of Cove Point as it has the power to direct the activities that most significantly impact its economic performance as well as the obligation to absorb losses and benefits which could be significant to it.

DOMINION ENERGY GAS

DETI has been engaged to oversee the construction of, and to subsequently operate and maintain, the projects undertaken by Atlantic Coast Pipeline based on the overall direction and oversight of Atlantic Coast Pipeline's members. An affiliate of DETI holds a membership interest in Atlantic Coast Pipeline, therefore DETI is considered to have a variable interest in Atlantic Coast Pipeline. The members of Atlantic Coast Pipeline hold the power to direct the construction, operations and maintenance activities of the entity. DETI has concluded it is not the primary beneficiary of Atlantic Coast Pipeline as it does not have the power to direct the activities of Atlantic Coast Pipeline that most significantly impact its economic performance. DETI has no obligation to absorb any losses of the VIE. See Note 25 for information about associated related party receivable balances.

Dominion Energy Gas purchased shared services from DECGS and DEQPS, affiliated VIEs, of \$49 million, \$45 million and \$45 million for the years ended December 31, 2019, 2018 and 2017, respectively. Dominion Energy Gas' Consolidated Balance Sheets included amounts due to DECGS and DEQPS of \$15 million and \$6 million at December 31, 2019 and at December 31, 2018, respectively. Dominion Energy

Gas determined that neither it nor any of its consolidated entities is the primary beneficiary of DECGS or DEQPS, as neither it nor any of its consolidated entities has both the power to direct the activities that most significantly impact their economic performance as well as the obligation to absorb losses and benefits which could be significant to them. DECGS and DEQPS provide marketing and operational services to Dominion Energy and its subsidiaries as subsidiary service companies. Neither Dominion Energy Gas nor any of its consolidated entities has any obligation to absorb more than its allocated share of DECGS or DEQPS costs.

VIRGINIA POWER AND DOMINION ENERGY GAS

Virginia Power and Dominion Energy Gas purchased shared services from DES, an affiliated VIE, of \$387 million and \$119 million, \$335 million and \$106 million, and \$340 million and \$106 million for the years ended December 31, 2019, 2018 and 2017, respectively. Virginia Power and Dominion Energy Gas' Consolidated Balance Sheets included amounts due to DES of \$102 million and \$27 million, respectively, at December 31, 2019, and \$107 million and \$43 million, respectively, at December 31, 2018, recorded in payables to affiliates in the Consolidated Balance Sheets. Virginia Power and Dominion Energy Gas determined that neither is the primary beneficiary of DES as neither has both the power to direct the activities that most significantly impact its economic performance as well as the obligation to absorb losses and benefits which could be significant to it. DES provides accounting, legal, finance and certain administrative and technical services to all Dominion Energy subsidiaries, including Virginia Power and Dominion Energy Gas. Virginia Power and Dominion Energy Gas have no obligation to absorb more than their allocated shares of DES costs.

NOTE 17. SHORT-TERM DEBT AND CREDIT AGREEMENTS

The Companies use short-term debt to fund working capital requirements and as a bridge to long-term debt financings. The levels of borrowing may vary significantly during the course of the year, depending upon the timing and amount of cash requirements not satisfied by cash from operations. In addition, Dominion Energy utilizes cash and letters of credit to fund collateral requirements. Collateral requirements are impacted by commodity prices, hedging levels, Dominion Energy's credit ratings and the credit quality of its counterparties.

DOMINION ENERGY

Dominion Energy's short-term financing is supported through its access to the joint revolving credit facility described below. Commercial paper and letters of credit outstanding, as well as capacity available under the credit facility were as follows:

| | Facility Limit | Outstanding Commercial Paper ⁽¹⁾ | Outstanding Letters of Credit | Facility Capacity Available |
|--|-------------------|---|-------------------------------------|-----------------------------------|
| (millions) | | | | |
| At December 31, 2019 | | | | |
| Joint revolving credit facility ⁽²⁾ | \$ 6,000 | \$836 | \$89 | \$ 5,075 |
| At December 31, 2018 | | | | |
| Joint revolving credit facility ⁽²⁾ | \$ 6,000 | \$324 | \$88 | \$ 5,588 |

- (1) The weighted-average interest rates of the outstanding commercial paper supported by Dominion Energy's credit facility was 2.10% and 2.93% at December 31, 2019 and 2018, respectively.
- (2) This credit facility matures in March 2023 and can be used by the borrowers under the credit facility to support bank borrowings and the issuance of commercial paper, as well as to support up to a combined \$2.0 billion of letters of credit.

In March 2019, DESC's \$700 million credit facility was terminated and DESC was added as a borrower to the joint revolving credit facility discussed above with Dominion Energy, Virginia Power, Dominion Energy Gas and Questar Gas. DESC's short-term financing is supported through its access as co-borrower to the facility. At December 31, 2019, the sub-limit for DESC was \$500 million.

Questar Gas' short-term financing is supported through its access as co-borrower to the joint revolving credit facility discussed above with Dominion Energy, Virginia Power, Dominion Energy Gas and DESC. At December 31, 2019, the sub-limit for Questar Gas was \$250 million.

South Carolina Fuel Company, Inc.'s credit facility was terminated in February 2019. SCANA and PSNC's credit facilities were terminated in March 2019. Liquidity needs for these entities may be satisfied through short-term intercompany borrowings from Dominion Energy.

In April 2019, DESC renewed its FERC authority through April 2020 to issue short-term indebtedness (pursuant to Section 204 of the Federal Power Act) in amounts not to exceed \$2.2 billion outstanding with maturity dates of one year or less. In addition, in April 2019, GENCO renewed its FERC authority through April 2020 to issue short-term indebtedness not to exceed \$200 million outstanding with maturity dates of one year or less. In January 2020, DESC and GENCO applied to FERC for a two-year short-term borrowing authorization. The applications are pending.

In addition to the credit facilities mentioned above, SBL Holdco has \$30 million of credit facilities which had an original stated maturity date of December 2017 with automatic one-year renewals through the maturity of the SBL Holdco term loan agreement in December 2023. Dominion Solar Projects III, Inc. has \$25 million of credit facilities which had an original stated maturity date of May 2018 with automatic one-year renewals through the maturity of the Dominion Solar Projects III, Inc. term loan agreement in May 2024. At December 31, 2019, no amounts were outstanding under either of these facilities.

In February 2019, Dominion Energy Midstream terminated its \$500 million revolving credit facility subsequent to repaying the outstanding balance of \$73 million, plus accrued interest.

In addition to the joint revolving credit facility mentioned above, Dominion Energy also has a credit facility with a maturity date in June 2020 which allows Dominion Energy to issue up to approximately \$21 million in letters of credit. At December 31, 2019, Dominion Energy had \$21 million in letters of credit outstanding under this agreement.

In September 2019, Dominion Energy Questar borrowed \$3.0 billion under a 364-Day Term Loan Agreement that accrued interest at a variable rate. The proceeds from the borrowing were used to repay the principal of Cove Point's \$3.0 billion term loan due in 2021. Dominion Energy provided a guarantee to support Dominion Energy Questar's obligation under the 364-Day Term Loan Agreement. In November and December 2019, principal of \$1.0 billion and \$2.0 billion, respectively, plus accrued interest was repaid.

VIRGINIA POWER

Virginia Power's short-term financing is supported through its access as co-borrower to the joint revolving credit facility. The credit facility can be used for working capital, as support for the combined commercial paper programs of the borrowers under the credit facility and for other general corporate purposes.

Virginia Power's share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, Dominion Energy Gas, Questar Gas and DESC were as follows:

| | Facility Limit | Outstanding Commercial Paper ⁽¹⁾ | Outstanding Letters of Credit |
|--|----------------|---|-------------------------------|
| (millions) | | | |
| At December 31, 2019 | | | |
| Joint revolving credit facility ⁽²⁾ | \$6,000 | \$243 | \$ 7 |
| At December 31, 2018 | | | |
| Joint revolving credit facility ⁽²⁾ | \$6,000 | \$314 | \$16 |

- (1) The weighted-average interest rates of the outstanding commercial paper supported by the credit facility was 2.10% and 2.94% at December 31, 2019 and 2018, respectively.
- (2) The full amount of the facility is available to Virginia Power, less any amounts outstanding to co-borrowers Dominion Energy, Dominion Energy Gas, Questar Gas and DESC. The sub-limit for Virginia Power is set within the facility limit but can be changed at the option of the borrowers under the credit facility multiple times per year. At December 31, 2019, the sub-limit for Virginia Power was \$1.5 billion. If Virginia Power has liquidity needs in excess of its sub-limit, the sub-limit may be changed or such needs may be satisfied through short-term intercompany borrowings from Dominion Energy. This credit facility matures in March 2023 and can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to \$2.0 billion (or the sub-limit, whichever is less) of letters of credit.

DOMINION ENERGY GAS

Dominion Energy Gas' short-term financing is supported by its access as co-borrower to the joint revolving credit facility. The credit facility can be used for working capital, as support for the combined commercial paper programs of the borrowers under the credit facility and for other general corporate purposes.

Dominion Energy Gas' share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, Virginia Power, Questar Gas and DESC were as follows:

| | Facility Limit | Outstanding Commercial Paper ⁽¹⁾ | Outstanding Letters of Credit |
|--|----------------|---|-------------------------------|
| (millions) | | | |
| At December 31, 2019 | | | |
| Joint revolving credit facility ⁽²⁾ | \$1,500 | \$62 | \$— |
| At December 31, 2018 | | | |
| Joint revolving credit facility ⁽²⁾ | \$1,500 | \$10 | \$— |

- (1) The weighted-average interest rates of the outstanding commercial paper supported by the credit facility was 1.98% and 2.58% at December 31, 2019 and 2018, respectively.
- (2) A maximum of \$1.5 billion of the facility is available to Dominion Energy Gas, assuming adequate capacity is available after giving effect to uses by co-borrowers Dominion Energy, Virginia Power, Questar Gas and DESC. The sub-limit for Dominion Energy Gas is set within the facility limit but can be changed at the option of the borrowers under the credit facility multiple times per year. At December 31, 2019, the sub-limit for Dominion Energy Gas was \$750 million. If Dominion Energy Gas has liquidity needs in excess of its sub-limit, the sub-limit may be changed or such needs may be satisfied through short-term intercompany borrowings from Dominion Energy. This credit facility matures in March 2023 and can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to \$1.5 billion (or the sub-limit, whichever is less) of letters of credit.

NOTE 18. LONG-TERM DEBT

| At December 31, (millions, except percentages) | 2019 Weighted- average Coupon (4) | 2019 | 2018 |
|---|---|------------------|------------------|
| Dominion Energy Gas Holdings, LLC: | | | |
| Unsecured senior notes: | | | |
| Variable rate, due 2021 | 2.49% | \$ 500 | \$ 500 |
| 2.5% to 4.8%, due 2019 to 2049 ⁽²⁾ | 3.44% | 4,631 | 3,587 |
| Cove Point, term loan, due 2021 ⁽³⁾ | | — | 3,000 |
| Dominion Energy Midstream: | | | |
| Term loan, variable rate, due 2019 | | — | 300 |
| Revolving credit agreement, variable rate, due 2021 ⁽⁴⁾ | | — | 73 |
| Dominion Energy Questar Pipeline, unsecured senior notes, 3.53% to 4.875%, due 2028 to 2041 | 4.23% | 430 | 430 |
| Dominion Energy Gas Holdings, LLC total principal | | \$ 5,561 | \$ 7,890 |
| Securities due within one year | 2.80% | (699) | (748) |
| Credit facility borrowings ⁽⁴⁾ | | — | (73) |
| Unamortized discount and debt issuance costs | | (41) | (47) |
| Finance leases | | 5 | — |
| Dominion Energy Gas Holdings, LLC total long-term debt | | \$ 4,826 | \$ 7,022 |
| Virginia Electric and Power Company: | | | |
| Unsecured senior notes: | | | |
| 2.75% to 8.875%, due 2019 to 2049 | 4.27% | \$ 11,789 | \$ 11,090 |
| Tax- exempt financings, 1.80% to 5.0%, due 2023 to 2041 ^{(5) (6)} | 2.02% | 625 | 664 |
| Virginia Electric and Power Company total principal | | \$ 12,414 | \$ 11,754 |
| Securities due within one year | 4.29% | (1) | (350) |
| Unamortized discount, premium and debt issuances costs, net | | (88) | (83) |
| Finance leases | | 16 | — |
| Virginia Electric and Power Company total long-term debt | | \$ 12,341 | \$ 11,321 |
| Dominion Energy, Inc.: | | | |
| Unsecured senior notes: | | | |
| Variable rates, due 2019 and 2020 | 2.31% | \$ 300 | \$ 800 |
| 1.6% to 7.0%, due 2019 to 2049 ⁽⁷⁾ | 4.15% | 7,688 | 7,488 |
| Unsecured junior subordinated notes: | | | |
| 2.579% to 4.104%, due 2019 to 2024 | 3.01% | 2,950 | 2,100 |
| Payable to affiliated trust, 8.4%, due 2031 | 8.40% | 10 | 10 |
| Enhanced junior subordinated notes: | | | |
| Variable rates, due 2066 ⁽⁸⁾ | 4.41% | 397 | 422 |
| 5.25% and 5.75%, due 2054 and 2076 | 5.48% | 1,485 | 1,485 |
| Remarketable subordinated notes, 2.0%, due 2021 and 2024 | | — | 1,400 |
| Questar Gas, unsecured senior notes, 2.98% to 7.20%, due 2024 to 2051 | 4.25% | 750 | 750 |
| SCANA: | | | |
| Unsecured medium term notes, 4.125% to 6.25%, due 2020 to 2022 ⁽⁹⁾⁽¹⁰⁾ | 5.06% | 508 | — |
| Unsecured senior notes, variable rate, due 2034 ⁽¹¹⁾ | 2.61% | 66 | — |
| PSNC, senior debentures and notes, 4.13% to 7.45%, due 2020 to 2047 | 5.05% | 700 | — |
| DESC: | | | |
| First mortgage bonds, 3.22% to 6.625%, due 2021 to 2065 ⁽¹²⁾ | 5.42% | 3,267 | — |
| Tax- exempt financings: ⁽¹³⁾ | | | |
| Variable rate due 2038 | 1.65% | 35 | — |
| GENCO, variable rates due 2038 ⁽¹⁴⁾ | 1.65% | 33 | — |
| 3.625% and 4.00%, due 2028 and 2033 | 3.90% | 54 | — |
| Other | 3.69% | 1 | — |
| Secured senior notes, 4.82%, due 2042 ⁽¹⁵⁾ | 4.82% | 345 | 362 |
| Term loans, variable rates, due 2023 and 2024 ⁽¹⁵⁾ | 4.24% | 527 | 582 |
| Tax- exempt financing, 1.7%, due 2033 | 1.70% | 27 | 27 |
| Dominion Energy Gas Holdings, LLC total principal (from above) | | 5,561 | 7,890 |
| Virginia Electric and Power Company total principal (from above) | | 12,414 | 11,754 |
| Dominion Energy, Inc. total principal | | \$ 37,118 | \$ 35,070 |
| Fair value hedge valuation ⁽¹⁶⁾ | | 4 | (20) |
| Securities due within one year ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾⁽¹⁷⁾ | 3.41% | (3,133) | (3,624) |
| Credit facility borrowings ⁽⁴⁾ | | — | (73) |
| Unamortized discount, premium and debt issuance costs, net | | (270) | (248) |
| Finance leases | | 105 | 39 |
| Dominion Energy, Inc. total long-term debt | | \$ 33,824 | \$ 31,144 |

- (1) Represents weighted-average coupon rates for debt outstanding as of December 31, 2019.
- (2) Amount includes foreign currency remeasurement adjustments.
- (3) In September 2019, Cove Point repaid its \$3.0 billion term loan due in 2021.
- (4) In February 2019, Dominion Energy Midstream repaid its \$300 million variable rate term loan due in December 2019 and terminated the credit facility due in March 2021 subsequent to repaying the \$73 million outstanding balance. As such, credit facility borrowings are presented within current liabilities in Dominion Energy Gas' Consolidated Balance Sheets at December 31, 2018.
- (5) These financings relate to certain pollution control equipment at Virginia Power's generating facilities.
- (6) In May 2019, Virginia Power redeemed its \$40 million 5.0% Economic Development Authority of the County of Chesterfield Pollution Control Refunding Revenue Bonds, Series 2009A, due in 2023 at the principal outstanding plus accrued interest.
- (7) Includes debt assumed by Dominion Energy from the merger of its former CNG subsidiary.
- (8) In February 2020, Dominion Energy purchased and cancelled the remaining \$111 million and \$286 million of its June 2006 hybrids and September 2006 hybrids, respectively, both of which would have otherwise matured in 2066. As such, these borrowings are presented within securities due within one year in Dominion Energy's Consolidated Balance Sheets at December 31, 2019.
- (9) In March 2019, SCANA purchased certain of its medium term notes having an aggregate purchase price of \$300 million pursuant to tender offer that expired in the first quarter of 2019.
- (10) In February 2020, SCANA provided notice to redeem the remaining principal outstanding of \$183 million of its 4.75% medium-term notes and \$155 million of its 4.125% medium-term notes plus accrued interest and make-whole premiums in March 2020. The notes would have otherwise matured in May 2021 and February 2022, respectively. As such, these borrowings are presented within securities due within one year in Dominion Energy's Consolidated Balance Sheets at December 31, 2019.
- (11) In January 2020, SCANA provided notice to redeem its floating rate senior notes at the remaining principal outstanding of \$66 million plus accrued interest in March 2020. The notes would have otherwise matured in June 2034. As such, these borrowings are presented within securities due within one year in Dominion Energy's Consolidated Balance Sheets at December 31, 2019.
- (12) In February, March and September 2019, DESC purchased certain of its first mortgage bonds having an aggregate purchase price of \$1.8 billion pursuant to tender offers. The February and March tender offers expired in the first quarter of 2019 and the September tender offer expired in the third quarter of 2019.
- (13) Industrial revenue bonds totaling \$68 million are secured by letters of credit that expire, subject to renewal, in the fourth quarter of 2020.
- (14) In May 2019, GENCO redeemed its 5.49% senior secured notes due in 2024 at the remaining principal outstanding of \$33 million plus accrued interest. In June 2019, the first mortgage lien on an electric generating facility that previously secured these notes was released.
- (15) Represents debt associated with Eagle Solar, SBL Holdco and Dominion Solar Projects III, Inc. The debt is nonrecourse to Dominion Energy and is secured by Eagle Solar's, SBL Holdco's and Dominion Solar Projects III, Inc.'s interest in certain solar facilities.
- (16) Represents the valuation of certain fair value hedges associated with Dominion Energy's fixed rate debt.
- (17) Includes \$20 million of estimated mandatory prepayments due within one year based on estimated cash flows in excess of debt service at SBL Holdco and Dominion Solar Projects III, Inc.

Based on stated maturity dates rather than early redemption dates that could be elected by instrument holders, the scheduled principal payments of long-term debt at December 31, 2019, were as follows:

| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|--|---------------|---------------|-------------|---------------|-----------------|-----------------|-----------------|
| (millions, except percentages) | | | | | | | |
| Dominion Energy Gas | \$ 700 | \$ 500 | \$ — | \$ 650 | \$ 1,050 | \$ 2,661 | \$ 5,561 |
| Weighted-average coupon | 2.80% | 2.49% | — | 3.29% | 2.97% | 3.95% | |
| Virginia Power | | | | | | | |
| Unsecured senior notes | \$ — | \$ — | \$ 750 | \$ 700 | \$ 350 | \$ 9,989 | \$ 11,789 |
| Tax-exempt financings | — | — | — | — | — | 625 | 625 |
| Total | \$ — | \$ — | \$ 750 | \$ 700 | \$ 350 | \$ 10,614 | \$ 12,414 |
| Weighted-average coupon | — | — | 3.15% | 2.75% | 3.45% | 4.35% | |
| Dominion Energy | | | | | | | |
| Term loans ⁽¹⁾ | \$ 35 | \$ 35 | \$ 34 | \$ 259 | \$ 164 | \$ — | \$ 527 |
| First mortgage bonds | — | 33 | — | — | — | 3,234 | 3,267 |
| Unsecured senior notes ⁽²⁾⁽³⁾ | 1,275 | 1,237 | 1,659 | 2,355 | 1,745 | 19,092 | 27,363 |
| Secured senior notes | 15 | 17 | 19 | 16 | 17 | 261 | 345 |
| Tax-exempt financings | — | — | — | — | — | 774 | 774 |
| Unsecured junior subordinated notes payable to affiliated trusts | — | — | — | — | — | 10 | 10 |
| Unsecured junior subordinated notes | 1,000 | 1,250 | — | — | 700 | — | 2,950 |
| Enhanced junior subordinated notes ⁽⁴⁾ | — | — | — | — | — | 1,882 | 1,882 |
| Total | \$ 2,325 | \$ 2,572 | \$ 1,712 | \$ 2,630 | \$ 2,626 | \$ 25,253 | \$ 37,118 |
| Weighted-average coupon | 3.09% | 3.15% | 3.10% | 2.95% | 3.19% | 4.62% | |

- (1) Excludes mandatory prepayments associated with SBL Holdco and Dominion Solar Projects III, Inc. based on cash flows in excess of debt service. At December 31, 2019, \$20 million of estimated mandatory prepayments due within one year were included in securities due within one year in Dominion Energy's Consolidated Balance Sheets.
- (2) In January 2020, SCANA provided notice to redeem its floating rate senior notes at the remaining principal outstanding of \$66 million plus accrued interest in March 2020. The notes would have otherwise matured in June 2034.
- (3) In February 2020, SCANA provided notice to redeem the remaining principal outstanding of \$183 million of its 4.75% medium-term notes and \$155 million of its 4.125% medium-term notes plus accrued interest and make-whole premiums in March 2020. The notes would have otherwise matured in May 2021 and February 2022, respectively.
- (4) In February 2020, Dominion Energy purchased and cancelled the remaining \$111 million and \$286 million of its June 2006 hybrids and September 2006 hybrids, respectively, both of which would have otherwise matured in 2066. As such, these borrowings are presented within current liabilities in Dominion Energy's Consolidated Balance Sheets at December 31, 2019.

The Companies' short-term credit facility and long-term debt agreements contain customary covenants and default provisions. As of December 31, 2019, there were no events of default under these covenants.

Senior Note Redemptions

In November 2018 and December 2018, Dominion Energy redeemed the following outstanding series of senior notes: 2011 Series A 4.45% Senior Notes due 2021, 2014 Series B 2.50% Senior Notes due 2019, 2014 Series C 3.625% Senior Notes due 2024 and 2018 Series A Floating Rate Senior Notes due 2020 with an aggregate outstanding principal of \$2.2 billion. The aggregate redemption price paid was \$2.2 billion and represents the principal amount outstanding, accrued and unpaid interest and the applicable make-whole premium of \$34 million. Total charges of \$69 million, including the make-whole premium, were recognized and recorded in interest expense in Dominion Energy's Consolidated Statements of Income.

Enhanced Junior Subordinated Notes

In June 2006 and September 2006, Dominion Energy issued \$300 million of June 2006 hybrids and \$500 million of September 2006 hybrids, respectively. The June 2006 hybrids and the September 2006 hybrids bore interest at the three-month LIBOR plus 2.825%, reset quarterly and at the three-month LIBOR plus 2.3%, reset quarterly, respectively. Dominion Energy executed RCCs in connection with its issuance of the June 2006 hybrids and the September 2006 hybrids. Under the terms of the RCCs, redemptions of the hybrids were subject to certain conditions. In 2019, Dominion Energy purchased and cancelled \$12 million and \$13 million of its June 2006 hybrids and September 2006 hybrids, respectively. In February 2020, Dominion Energy purchased and cancelled the remaining \$111 million and \$286 million of its June 2006 hybrids and September 2006 hybrids, respectively, both of which would have otherwise matured in 2066. All purchases were conducted in compliance with the applicable RCC, each of which was terminated in February 2020.

In October 2014, Dominion Energy issued \$685 million of October 2014 hybrids that will bear interest at 5.75% per year until October 1, 2024. Thereafter, they will bear interest at the three-month LIBOR plus 3.057%, reset quarterly.

In July 2016, Dominion Energy issued \$800 million of 5.25% July 2016 hybrids. The July 2016 hybrids are listed on the NYSE under the symbol DRUA.

Dominion Energy may defer interest payments on the hybrids on one or more occasions for up to 10 consecutive years. If the interest payments on the hybrids are deferred, Dominion Energy may not make distributions related to its capital stock, including dividends, redemptions, repurchases, liquidation payments or guarantee payments during the deferral period. Also, during the deferral period, Dominion Energy may not make any payments on or redeem or repurchase any debt securities that are equal in right of payment with, or subordinated to, the hybrids.

Remarketable Subordinated Notes

In July 2014, Dominion Energy issued \$1.0 billion of 2014 Series A 6.375% Equity Units, initially in the form of Corporate Units. In August 2016, Dominion Energy issued \$1.4 billion of 2016 Series A 6.75% Equity Units, initially in the form of Corporate

Units. The Corporate Units were listed on the NYSE under the symbols DCUC and DCUD, respectively.

Each 2014 Series A Corporate Unit consisted of a stock purchase contract and 1/20 interest in a RSN issued by Dominion Energy. Each 2016 Series A Corporate Unit consisted of a stock purchase contract, a 1/40 interest in a 2016 Series A-1 RSN issued by Dominion Energy and a 1/40 interest in a 2016 Series A-2 RSN issued by Dominion Energy. The stock purchase contracts obligated the holders to purchase shares of Dominion Energy common stock at a future settlement date prior to the relevant RSN maturity date. The purchase price paid under the stock purchase contracts was \$50 per Corporate Unit and the number of shares purchased was determined under a formula based upon the average closing price of Dominion Energy common stock near the settlement date. The RSNs were pledged as collateral to secure the purchase of common stock under the related stock purchase contracts.

In May 2017, Dominion Energy successfully remarketed the \$1.0 billion 2014 Series A 1.50% RSNs due 2020 pursuant to the terms of the related 2014 Equity Units. In connection with the remarketing, the interest rate on the junior subordinated notes was reset to 2.579%, payable on a semi-annual basis and Dominion Energy ceased to have the ability to redeem the notes at its option or defer interest payments.

In June 2019, Dominion Energy successfully remarketed the \$700 million 2016 Series A-1 2.0% RSNs due 2021 and \$700 million 2016 Series A-2 2.0% RSNs due 2024 pursuant to the terms of the related 2016 Equity Units. In connection with the remarketing, the interest rates on the Series A-1 and Series A-2 notes were reset to 2.715% and 3.071%, respectively, payable on a semi-annual basis, and Dominion Energy ceased to have the ability to redeem the notes at its option or defer interest payments.

At December 31, 2019, the securities are included in junior subordinated notes in Dominion Energy's Consolidated Balance Sheets. Dominion Energy did not receive any proceeds from the remarketings. Remarketing proceeds belonged to the investors holding the related equity units and were temporarily used to purchase a portfolio of treasury securities. Upon maturity of each portfolio, the proceeds were applied on behalf of investors on the related stock purchase contract settlement date to pay the purchase price to Dominion Energy for issuance of 12.5 million shares of its common stock in July 2017 and 18.5 million shares of its common stock in August 2019.

NOTE 19. PREFERRED STOCK

Dominion Energy is authorized to issue up to 20 million shares of preferred stock, which may be designated into separate classes. At December 31, 2019, Dominion Energy had issued and outstanding 2.4 million shares preferred stock, 1.6 million and 0.8 million of which were designated as the Series A Preferred Stock and the Series B Preferred Stock, respectively. No shares of preferred stock were outstanding at December 31, 2018.

DESC is authorized to issue up to 20 million shares of preferred stock. At December 31, 2019, DESC had issued and outstanding 1,000 shares of preferred stock, all of which were held by SCANA and are eliminated in consolidation.

2019 Corporate Units

In June 2019, Dominion Energy issued \$1.6 billion of 2019 Equity Units, initially in the form of 2019 Series A Corporate Units. The Corporate Units are listed on the NYSE under the symbol DCUE. The net proceeds were used for general corporate purposes and to repay short-term debt, including commercial paper.

Each 2019 Series A Corporate Unit consists of a stock purchase contract and a 1/10, or 10%, undivided beneficial ownership interest in one share of Series A Preferred Stock. Beginning in June 2022, the Series A Preferred Stock is convertible at the option of the holder into Dominion Energy common stock under a formula based upon the average closing price of Dominion Energy common stock prior to the conversion date. The Series A Preferred Stock is redeemable in cash by Dominion Energy beginning September 2022 at the liquidation preference. Settlement of any conversion is payable in cash, common stock or a combination thereof, at Dominion Energy's election.

The stock purchase contracts obligate the holders to purchase shares of Dominion Energy common stock in June 2022. The purchase price to be paid under the stock purchase contracts is \$100 per Corporate Unit and the number of shares to be purchased will be determined under a formula based upon the average closing price of Dominion Energy common stock near the settlement date. The Series A Preferred Stock was pledged upon issuance as collateral to secure the purchase of common stock under the related stock purchase contracts.

Dominion Energy pays cumulative dividends on the Series A Preferred Stock and quarterly contract adjustment payments on the stock purchase contracts, at the rates described below. Dominion Energy may elect to pay such dividends and/or payments in cash, shares of Dominion Energy common stock or a

combination of cash and shares of Dominion Energy common stock. Dominion Energy may defer the contract adjustment payments for one or more consecutive periods but generally not beyond the purchase contract settlement date. If payments are deferred, Dominion Energy may not make any distributions related to its capital stock, including dividends, redemptions, repurchases or liquidation payments. Also, during the deferral period, Dominion Energy may not make any payments on or redeem, repay or repurchase any debt securities that are equal in right of payment with, or subordinated to, the contract adjustment payments or make any payment on any guarantee of a security of a subsidiary if the guarantee ranks equal or junior to the contract adjustment payments. Unless all accumulated and unpaid dividends on the Series A Preferred Stock have been declared and paid, Dominion Energy may not make any distributions on any of its capital stock ranking equal or junior to the Series A Preferred Stock as to dividends or upon liquidation, as applicable, including dividends, redemptions, repurchases or liquidation payments. In such circumstances, Dominion Energy also may not make any contract adjustment payments or other similar types of payments, subject to certain exceptions.

Dominion Energy has recorded the present value of the stock purchase contract payments as a liability offset to common stock. Stock purchase contract payments are recorded against this liability. Accretion of the stock purchase contract liability is recorded as imputed interest expense. In calculating diluted EPS, Dominion Energy applies the treasury stock method to the stock purchase contracts and the if-converted method to the Series A Preferred Stock. Under the terms of the stock purchase contracts, assuming no anti-dilution or other adjustments, the maximum number of shares of common stock Dominion Energy will issue in June 2022 is 21.8 million.

Selected information about Dominion Energy's 2019 Equity Units is presented below:

| Issuance Date (millions except interest rates) | Units Issued | Total Net Proceeds ⁽¹⁾ | Total Preferred Stock ⁽²⁾ | Cumulative Dividend Rate | Stock Purchase Contract Annual Rate | Stock Purchase Contract Liability ⁽³⁾ | Stock Purchase Contract Settlement Date |
|---|-----------------|--------------------------------------|---|-----------------------------|---|---|---|
| 6/14/2019 | 16 | \$ 1,582 | \$1,610 | 1.75% | 5.5% | \$250 | 6/1/2022 |

(1) Issuance costs of \$28 million were recorded as a reduction to preferred stock (\$14 million) and common stock (\$14 million) in the Consolidated Balance Sheets.

(2) Dominion Energy recorded dividends of \$15 million (\$9.479 per share) for the year ended December 31, 2019.

(3) Payments of \$38 million were made in 2019. The stock purchase contract liability was \$212 million at December 31, 2019.

Series B Preferred Stock

In December 2019, Dominion Energy issued 800,000 shares of Series B Preferred Stock for \$791 million, net of \$9 million of issuance costs. The preferred stock has a liquidation preference of \$1,000 per share and currently pays a 4.65% dividend per share on the liquidation preference. Dividends are paid cumulatively on a semi-annual basis, commencing June 15, 2020. Dominion Energy recorded dividends of \$2 million (\$1.9375 per share) for the year ended December 31, 2019. The dividend rate for the Series B Preferred Stock will be reset every five years beginning on December 15, 2024 to equal the then-current five-year U.S. Treasury rate plus a spread of 2.993%. Unless all accumulated and unpaid dividends on the Series B Preferred Stock have been declared and paid, Dominion Energy may not make any dis

tributions on any of its capital stock ranking equal or junior to the Series B Preferred Stock as to dividends or upon liquidation, including through dividends, redemptions, repurchases or otherwise.

Dominion Energy may, at its option, redeem the Series B Preferred Stock in whole or in part on December 15, 2024 or on any subsequent fifth anniversary of such date at a price equal to \$1,000 per share plus any accumulated and unpaid dividends. Dominion Energy may also, at its option, redeem the Series B Preferred Stock in whole but not in part at a price equal to \$1,020 per share plus any accumulated and unpaid dividends at any time within a certain period of time following any change in the criteria ratings agencies use to assign equity credit to securities such as the Series B Preferred Stock that has certain adverse effects on the equity credit actually received by the Series B Preferred Stock.

Holders of the Series B Preferred Stock have no voting rights except in the limited circumstances provided for in the terms of the Series B Preferred Stock or as otherwise required by applicable law. The Series B Preferred Stock is not subject to any sinking fund or other obligation of ours to redeem, repurchase or retire the Series B Preferred Stock. The preferred stock contains no conversion rights.

Virginia Power

Virginia Power is authorized to issue up to 10 million shares of preferred stock, \$100 liquidation preference; however, none were issued and outstanding at December 31, 2019 or 2018.

NOTE 20. EQUITY

Common Stock

DOMINION ENERGY

During 2019, 2018 and 2017, Dominion Energy recorded, net of fees and commissions, \$11.0 billion, \$2.5 billion and \$1.3 billion from the issuance of approximately 157 million, 36 million and 17 million shares of common stock, respectively, for acquisitions, settlements of stock purchase contracts and through various programs including Dominion Energy Direct[®] and an at-the-market program.

Acquisitions

During 2019, Dominion Energy issued 95.6 million shares of common stock in connection with the acquisition of SCANA. At the time of issuance, these common stock shares were valued at \$6.8 billion. See Note 3 for further information on the issuance of Dominion Energy common stock in connection with the SCANA Combination.

In January 2019, Dominion Energy and Dominion Energy Midstream closed on an agreement and plan of merger pursuant to which Dominion Energy acquired each outstanding common unit representing limited partner interests in Dominion Energy Midstream not already owned by Dominion Energy through the issuance of 22.5 million shares of common stock valued at \$1.6 billion. Under the terms of the agreement and plan of merger, each publicly held outstanding common unit representing limited partner interests in Dominion Energy Midstream was converted into the right to receive 0.2492 shares of Dominion Energy common stock. Immediately prior to the closing, each Series A Preferred Unit representing limited partner interests in Dominion Energy Midstream was converted into common units representing limited partner interests in Dominion Energy Midstream in accordance with the terms of Dominion Energy Midstream's partnership agreement. The merger was accounted for by Dominion Energy following the guidance for a change in a parent company's ownership interest in a consolidated subsidiary. Because Dominion Energy controls Dominion Energy Midstream both before and after the merger, the changes in Dominion Energy's ownership interest in Dominion Energy Midstream were accounted for as an equity transaction and no gain or loss was recognized. In connection with the merger, Dominion Energy recognized \$40 million of income taxes in equity primarily attributable to establishing additional regulatory liabilities related to excess deferred income taxes and changes in state income taxes.

Subsequent to this activity, as a result of the Dominion Energy Gas Restructuring, Dominion Energy Gas is considered to have acquired all of the outstanding partnership interests of Dominion Energy Midstream and Dominion Energy Midstream became a wholly-owned subsidiary of Dominion Energy Gas.

Pension Plan Contribution

In December 2019, Dominion Energy contributed 6.1 million shares of its common stock valued at \$499 million to the qualified defined benefit pension plans. See Note 22 for further information regarding activity surrounding pension plan contributions.

Dominion Energy Direct[®]

Dominion Energy maintains Dominion Energy Direct[®] and a number of employee savings plans through which contributions may be invested in Dominion Energy's common stock. These shares may either be newly issued or purchased on the open market with proceeds contributed to these plans. Currently, Dominion Energy is issuing new shares of common stock for these direct stock purchase plans. During 2019, Dominion Energy received cash of \$309 million from the issuance of 4.0 million of such shares through Dominion Energy Direct[®] and employee savings plans.

Stock Purchase Contracts

In August 2019, Dominion Energy issued 18.5 million shares under the related stock purchase contracts entered into as part of Dominion Energy's 2016 Equity Units and received proceeds of \$1.4 billion. In 2017, Dominion Energy issued 12.5 million shares under the related stock purchase contracts entered into as part of Dominion Energy's 2014 Equity Units and received proceeds of \$1.0 billion. See Note 18 for further information surrounding these stock purchase contracts.

At-the-Market Program

In June 2017, Dominion Energy filed an SEC shelf registration for the sale of debt and equity securities including the ability to sell common stock through an at-the-market program. Also, in June 2017, Dominion Energy entered into three separate sales agency agreements to effect sales under the program and pursuant to which it may offer from time to time up to \$500 million aggregate amount of its common stock. Sales of common stock can be made by means of privately negotiated transactions, as transactions on the NYSE at market prices or in such other transactions as are agreed upon by Dominion Energy and the sales agents in conformance with applicable securities laws. In January 2018, Dominion Energy provided sales instructions to one of the sales agents and issued 6.6 million shares through at-the-market issuances and received cash proceeds of \$495 million, net of fees and commissions paid of \$5 million. Following these issuances, Dominion Energy had no remaining ability to issue stock under the 2017 sales agency agreements and completed the program. In February 2018, Dominion Energy entered into six separate sales agency agreements to effect sales under a new at-the-market program pursuant to which it may offer from time to time up to \$1.0 billion aggregate amount of its common stock. These agreements replaced the sales agency agreements entered into by Dominion Energy in June 2017. Sales of common stock can be made by means of private negotiated transactions, as transactions

on the NYSE at market prices or in such other transactions as are agreed upon by Dominion Energy and the sales agents in conformance with applicable securities laws. In the fourth quarter of 2018, Dominion Energy provided sales instructions to two of the sales agents and issued 2.7 million shares through at-the-market issuances and received cash proceeds of \$197 million, net of fees and commissions paid of \$2 million. In the first quarter of 2019, Dominion Energy provided sales instructions to one of the sales agents and issued 2.1 million shares and received cash proceeds of \$154 million, net of fees and commissions paid of \$2 million. In the fourth quarter of 2019, Dominion Energy provided sales instructions to two of the sales agents and issued 7.8 million shares and received cash proceeds of \$639 million, net of fees and commissions paid of \$6 million. Following these issuances, Dominion Energy had no remaining ability to issue stock under the 2018 sales agency agreements and completed the program.

Forward Sale Agreements

In 2018, Dominion Energy entered into separate forward sale agreements with Goldman Sachs & Co. LLC and Credit Suisse Capital LLC, as forward purchasers, and an underwriting agreement with Credit Suisse Securities (USA) LLC and Goldman Sachs & Co. LLC, as representatives of the several underwriters named therein, relating to an aggregate of 20 million shares of Dominion Energy common stock. The underwriting agreement granted the underwriters a 30-day option to purchase up to an additional three million shares of Dominion Energy common stock, which the underwriters exercised with respect to approximately 2.1 million shares in April 2018. Dominion Energy entered into separate forward sale agreements with the forward purchasers with respect to the additional shares. In December 2018, Dominion Energy received proceeds of \$1.4 billion (after deducting underwriting discounts, but before deducting expenses, and subject to forward price adjustments under the forward sale agreements) upon the physical settlement of 22.1 million shares.

Repurchase of Common Stock

Dominion Energy did not repurchase any shares in 2019 or 2018 and does not plan to repurchase shares during 2020, except for shares tendered by employees to satisfy tax withholding obligations on vested restricted stock, which do not count against its stock repurchase authorization.

VIRGINIA POWER

In 2019, 2018 and 2017, Virginia Power did not issue any shares of its common stock to Dominion Energy.

Noncontrolling Interests

Sale of Interest in Cove Point

In December 2019, Dominion Energy completed the sale of its 25% noncontrolling limited partnership interest in Cove Point to Brookfield in exchange for cash consideration of \$2.1 billion, subject to working capital adjustments. See Note 3 for further information on the sale of this interest.

Remeasurement of Dominion Energy Midstream Units

In May 2018, all of the subordinated units of Dominion Energy Midstream held by Dominion Energy were converted into common units on a 1:1 ratio following the payment of Dominion Energy Midstream's distribution for the first quarter of 2018. In

June 2018, Dominion Energy, as general partner, exercised an incentive distribution right reset as defined in Dominion Energy Midstream's partnership agreement and received 27 million common units representing limited partner interests in Dominion Energy Midstream. As a result of the increase in its ownership interest in Dominion Energy Midstream, Dominion Energy recorded a decrease in noncontrolling interest, and a corresponding increase in shareholders' equity, of \$375 million reflecting the change in the carrying value of the interest in the net assets of Dominion Energy Midstream held by others.

Accumulated Other Comprehensive Income (Loss)

Presented in the table below is a summary of AOCI by component:

| At December 31, (millions) | 2019 | 2018 |
|---|------------|------------|
| Dominion Energy | | |
| Net deferred losses on derivatives-hedging activities, net of \$135 and \$79 tax | \$ (407) | \$ (234) |
| Net unrealized gains on nuclear decommissioning trust funds, net of \$(13) and \$— tax | 37 | 2 |
| Net unrecognized pension and other postretirement benefit costs, net of \$492 and \$519 tax | (1,421) | (1,465) |
| Other comprehensive loss from equity method investees, net of \$1 and \$— tax | (2) | (2) |
| Total AOCI, including noncontrolling interests | \$ (1,793) | \$ (1,699) |
| Less other comprehensive income attributable to noncontrolling interests | — | 1 |
| Total AOCI, excluding noncontrolling interests | \$ (1,793) | \$ (1,700) |
| Virginia Power | | |
| Net deferred losses on derivatives-hedging activities, net of \$11 and \$4 tax | \$ (34) | \$ (13) |
| Net unrealized gains on nuclear decommissioning trust funds, net of \$(1) and \$— tax | 5 | 1 |
| Total AOCI | \$ (29) | \$ (12) |
| Dominion Energy Gas | | |
| Net deferred losses on derivatives-hedging activities, net of \$28 and \$8 tax | \$ (82) | \$ (25) |
| Net unrecognized pension costs, net of \$41 and \$56 tax | (106) | (144) |
| Total AOCI, including noncontrolling interests | (188) | (169) |
| Less other comprehensive income (loss) attributable to noncontrolling interests | (1) | — |
| Total AOCI, excluding noncontrolling interests | \$ (187) | \$ (169) |

DOMINION ENERGY

The following table presents Dominion Energy's changes in AOCI by component, net of tax:

| | Deferred gains and losses on derivatives-hedging activities | Unrealized gains and losses on investment securities | Unrecognized pension and other postretirement benefit costs | Other comprehensive loss from equity method investees | Total |
|---|---|--|---|---|-----------|
| (millions) | | | | | |
| Year Ended December 31, 2019 | | | | | |
| Beginning balance | \$(235) | \$ 2 | \$(1,465) | \$(2) | \$(1,700) |
| Other comprehensive income before reclassifications: gains (losses) | (110) | 39 | (22) | — | (93) |
| Amounts reclassified from AOCI: (gains) losses ⁽¹⁾ | (62) | (4) | 66 | — | — |
| Net current period other comprehensive income (loss) | (172) | 35 | 44 | — | (93) |
| Ending balance | \$(407) | \$37 | \$(1,421) | \$(2) | \$(1,793) |
| Year Ended December 31, 2018 | | | | | |
| Beginning balance | \$(302) | \$747 | \$(1,101) | \$(3) | \$(659) |
| Other comprehensive income before reclassifications: gains (losses) | 30 | (18) | (215) | 1 | (202) |
| Amounts reclassified from AOCI: (gains) losses ⁽¹⁾ | 102 | 5 | 78 | — | 185 |
| Net current period other comprehensive income (loss) | 132 | (13) | (137) | 1 | (17) |
| Cumulative-effect of changes in accounting principle | (64) | (732) | (227) | — | (1,023) |
| Less other comprehensive income (loss) attributable to noncontrolling interests | 1 | — | — | — | 1 |
| Ending balance | \$(235) | \$ 2 | \$(1,465) | \$(2) | \$(1,700) |

(1) See table below for details about these reclassifications.

The following table presents Dominion Energy's reclassifications out of AOCI by component:

| Details about AOCI components (millions) | Amounts reclassified from AOCI | Affected line item in the Consolidated Statements of Income |
|--|--------------------------------|---|
| Year Ended December 31, 2019 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | \$(146) | Operating revenue |
| Interest rate contracts | 3 | Purchased gas |
| Foreign currency contracts | 54 | Interest and related charges |
| Total | 6 | Other Income |
| Tax | (83) | |
| Total, net of tax | 21 | Income tax expense |
| Unrealized (gains) and losses on investment securities: | \$(62) | |
| Realized (gain) loss on sale of securities | | |
| Total | \$(5) | Other income |
| Tax | (5) | |
| Total, net of tax | 1 | Income tax expense |
| Unrecognized pension and other postretirement benefit costs: | \$(4) | |
| Amortization of prior-service costs (credits) | | |
| Total | \$24 | Other income |
| Amortization of actuarial losses | 113 | Other income |
| Total | 89 | |
| Tax | (23) | Income tax expense |
| Total, net of tax | \$66 | |
| Year Ended December 31, 2018 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | \$90 | Operating revenue |
| Interest rate contracts | (14) | Purchased gas |
| Foreign currency contracts | 48 | Interest and related charges |
| Total | 13 | Other Income |
| Tax | 137 | |
| Total, net of tax | (35) | Income tax expense |
| Unrealized (gains) and losses on investment securities: | \$102 | |
| Realized (gain) loss on sale of securities | | |
| Total | \$7 | Other income |
| Tax | 7 | |
| Total, net of tax | (2) | Income tax expense |
| Unrecognized pension and other postretirement benefit costs: | \$5 | |
| Prior-service costs (credits) | | |
| Total | \$(21) | Other income |
| Actuarial losses | 120 | Other income |
| Total | 99 | |
| Tax | (21) | Income tax expense |
| Total, net of tax | \$78 | |

VIRGINIA POWER

The following table presents Virginia Power's changes in AOCI by component, net of tax:

| | Deferred gains and losses on derivatives-hedging activities | Unrealized gains and losses on investment securities | Total |
|---|---|--|----------------|
| (millions) | | | |
| Year Ended December 31, 2019 | | | |
| Beginning balance | \$(13) | \$ 1 | \$(12) |
| Other comprehensive income before reclassifications: gains (losses) | (22) | 5 | (17) |
| Amounts reclassified from AOCI: (gains) losses ⁽¹⁾ | 1 | (1) | — |
| Net current period other comprehensive income (loss) | (21) | 4 | (17) |
| Ending balance | \$(34) | \$ 5 | \$(29) |
| Year Ended December 31, 2018 | | | |
| Beginning balance | \$(12) | \$ 74 | \$ 62 |
| Other comprehensive income before reclassifications: gains (losses) | 1 | — | 1 |
| Amounts reclassified from AOCI: gains (losses) ⁽¹⁾ | 1 | — | 1 |
| Net current period other comprehensive income (loss) | 2 | — | 2 |
| Cumulative-effect of changes in accounting principle | (3) | (73) | (76) |
| Ending balance | \$(13) | \$ 1 | \$ (12) |

(1) See table below for details about these reclassifications.

The following table presents Virginia Power's reclassifications out of AOCI by component:

| Details about AOCI components | Amounts reclassified from AOCI | Affected line item in the Consolidated Statements of Income |
|---|--------------------------------|---|
| (millions) | | |
| Year Ended December 31, 2019 | | |
| (Gains) losses on cash flow hedges: | | |
| Interest rate contracts | \$ 1 | Interest and related charges |
| Total | 1 | |
| Tax | — | Income tax expense |
| Total, net of tax | \$ 1 | |
| Unrealized (gains) and losses on investment securities: | | |
| Realized (gain) loss on sale of securities | \$ (2) | Other income |
| Impairment | — | Other income |
| Total | (2) | |
| Tax | 1 | Income tax expense |
| Total, net of tax | \$ (1) | |
| Year Ended December 31, 2018 | | |
| (Gains) losses on cash flow hedges: | | |
| Interest rate contracts | \$ 1 | Interest and related charges |
| Total | 1 | |
| Tax | — | Income tax expense |
| Total, net of tax | \$ 1 | |

DOMINION ENERGY GAS

The following table presents Dominion Energy Gas' changes in AOCI by component, net of tax:

| | Deferred gains and losses on derivatives-hedging activities | Unrecognized pension and other postretirement benefit costs | Total |
|--|---|---|-----------------|
| (millions) | | | |
| Year Ended December 31, 2019 | | | |
| Beginning balance | \$(25) | \$(144) | \$ (169) |
| Other comprehensive income before reclassifications: gains (losses) | (61) | 33 | (28) |
| Amounts reclassified from AOCI: (gains) losses ⁽¹⁾ | 5 | 5 | 10 |
| Net current period other comprehensive income (loss) | (56) | 38 | (18) |
| Dominion Energy Gas Restructuring | (1) | — | (1) |
| Less other comprehensive income attributable to noncontrolling interests | (1) | — | (1) |
| Ending balance | \$(81) | \$(106) | \$ (187) |
| Year Ended December 31, 2018 | | | |
| Beginning balance | \$(23) | \$(75) | \$ (98) |
| Other comprehensive income before reclassifications: gains (losses) | (16) | (52) | (68) |
| Amounts reclassified from AOCI: gains (losses) ⁽¹⁾ | 19 | 4 | 23 |
| Net current period other comprehensive income (loss) | 3 | (48) | (45) |
| Cumulative-effect of changes in accounting principle | (5) | (21) | (26) |
| Ending balance | \$(25) | \$(144) | \$(169) |

(1) See table below for details about these reclassifications.

The following table presents Dominion Energy Gas' reclassifications out of AOCI by component:

| Details about AOCI components (millions) | Amounts reclassified from AOCI | Affected line item in the Consolidated Statements of Income |
|---|--------------------------------------|--|
| Year Ended December 31, 2019 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | | Net income from discontinued operations |
| Interest rate contracts | \$ (4) | Interest and related charges |
| Foreign currency contracts | 5 | Other income |
| Total | 6 | |
| Tax | 7 | |
| Total, net of tax | (2) | Income tax expense |
| Unrecognized pension costs: | | |
| Actuarial losses | \$ 5 | Other income |
| Total | 7 | |
| Tax | (2) | Income tax expense |
| Total, net of tax | \$ 5 | |
| Year Ended December 31, 2018 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | | Net income from discontinued operations |
| Interest rate contracts | \$ 8 | Interest and related charges |
| Foreign currency contracts | 5 | Other income |
| Total | 13 | |
| Tax | 26 | |
| Total, net of tax | (7) | Income tax expense |
| Unrecognized pension costs: | | |
| Actuarial losses | \$ 19 | Other income |
| Total | 6 | |
| Tax | (2) | Income tax expense |
| Total, net of tax | \$ 4 | |

Stock-Based Awards

The 2014 Incentive Compensation Plan permits stock-based awards that include restricted stock, performance grants, goal-based stock, stock options and stock appreciation rights. The Non-Employee Directors Compensation Plan permits grants of restricted stock and stock options. Under provisions of these plans, employees and non-employee directors may be granted options to purchase common stock at a price not less than its fair market value at the date of grant with a maximum term of eight years. Option terms are set at the discretion of the CGN Committee of the Board of Directors or the Board of Directors itself, as provided under each plan. No options are outstanding under either plan. At December 31, 2019, approximately 21 million shares were available for future grants under these plans.

Goal-based stock awards are granted in lieu of cash-based performance grants to certain officers who have not achieved a certain targeted level of share ownership. As of December 31, 2019, unrecognized compensation cost related to nonvested goal-based stock awards was immaterial.

Dominion Energy measures and recognizes compensation expense relating to share-based payment transactions over the vesting period based on the fair value of the equity or liability instruments issued. Dominion Energy's results for the years ended December 31, 2019, 2018 and 2017 include \$46 million, \$48 million and \$45 million, respectively, of compensation costs and \$11 million, \$12 million and \$16 million, respectively of income tax benefits related to Dominion Energy's stock-based compensation arrangements. Stock-based compensation cost is reported in other operations and maintenance expense in Dominion Energy's Consolidated Statements of Income. Excess Tax Benefits are classified as a financing cash flow.

RESTRICTED STOCK

Restricted stock grants are made to officers under Dominion Energy's LTIP and may also be granted to certain key non-officer employees. The fair value of Dominion Energy's restricted stock awards is equal to the closing price of Dominion Energy's stock on the date of grant. New shares are issued for restricted stock awards on the date of grant and generally vest over a three-year service period. The following table provides a summary of restricted stock activity for the years ended December 31, 2019, 2018 and 2017:

| | Shares (thousands) | Weighted — average Grant Date Fair Value |
|--------------------------------|-----------------------|---|
| Nonvested at December 31, 2016 | 886 | \$71.40 |
| Granted | 454 | 74.24 |
| Vested | (287) | 68.90 |
| Cancelled and forfeited | (10) | 72.37 |
| Nonvested at December 31, 2017 | 1,043 | \$73.32 |
| Granted | 534 | 72.92 |
| Vested | (316) | 73.59 |
| Cancelled and forfeited | (53) | 74.25 |
| Nonvested at December 31, 2018 | 1,208 | \$73.03 |
| Granted | 614 | 76.49 |
| Vested | (324) | 71.75 |
| Cancelled and forfeited | (96) | 77.16 |
| Nonvested at December 31, 2019 | 1,402 | \$74.77 |

As of December 31, 2019, unrecognized compensation cost related to nonvested restricted stock awards totaled \$59 million and is expected to be recognized over a weighted-average period of 2.1 years. The fair value of restricted stock awards that vested was \$23 million, \$23 million and \$21 million in 2019, 2018 and 2017, respectively. Employees may elect to have shares of restricted stock withheld upon vesting to satisfy tax withholding obligations. The number of shares withheld will vary for each employee depending on the vesting date fair market value of Dominion Energy stock and the applicable federal, state and local tax withholding rates.

CASH-BASED PERFORMANCE GRANTS

Cash-based performance grants are made to Dominion Energy's officers under Dominion Energy's LTIP. The actual payout of cash-based performance grants will vary between zero and 200% of the targeted amount based on the level of performance metrics achieved.

In February 2017, two cash-based performance grants were made to officers as Dominion Energy transitioned from a two-year performance period to a three-year performance period. Payout of the two-year performance grant occurred in January 2019 based on the achievement of two performance metrics during 2017 and 2018: TSR relative to that of companies that are members of Dominion Energy's compensation peer group and ROIC with an additional partial payout based on Dominion Energy's price-earnings ratio relative to that of the members of Dominion Energy's compensation peer group. The total payout under the two-year grant was \$13 million. Payout of the three-year performance grant occurred in January 2020 based on the achievement of two performance metrics during 2017, 2018 and 2019: TSR relative to that of companies that are members of Dominion Energy's compensation peer group and ROIC with an additional partial payout based on Dominion Energy's price-earnings ratio relative to that of the members of Dominion Energy's compensation peer group. The total of the payout under the three-year grant was \$13 million and a liability of \$13 million had been accrued for the award.

In February 2018, a cash-based performance grant was made to officers. Payout of the performance grant is expected to occur by March 15, 2021 based on the achievement of two performance metrics during 2018, 2019 and 2020: TSR relative to that of companies that are members of Dominion Energy's compensation peer group and ROIC. There are additional opportunities to earn a portion of the award based on Dominion Energy's absolute TSR or relative price-earnings ratio performance. At December 31, 2019, the targeted amount of the three-year grant was \$15 million and a liability of \$8 million had been accrued for this award.

In February 2019, a cash-based performance grant was made to officers. Payout of the performance grant is expected to occur by March 15, 2022 based on the achievement of two performance metrics during 2019, 2020 and 2021: TSR relative to that of companies that are members of Dominion Energy's compensation peer group and ROIC. There are additional opportunities to earn a portion of the award based on Dominion Energy's absolute TSR or relative price-earnings ratio performance. At December 31, 2019, the targeted amount of the three-year grant was \$16 million and a liability of \$5 million had been accrued for this award.

NOTE 21. DIVIDEND RESTRICTIONS

The Virginia Commission may prohibit any public service company, including Virginia Power, from declaring or paying a dividend to an affiliate if found to be inconsistent with the public interest. At December 31, 2019, the Virginia Commission had not restricted the payment of dividends by Virginia Power.

The North Carolina Commission, in its order approving the SCANA Combination, limited cumulative dividends payable to Dominion Energy by Virginia Power and PSNC to (i) the amount of retained earnings at closing of the SCANA Combination plus (ii) any future earnings recorded by Virginia Power and PSNC after such date. In addition, notice to the North Carolina Commission is required if payment of dividends causes the equity component of Virginia Power and PSNC's capital structure to fall below 45%.

The Ohio Commission may prohibit any public service company, including East Ohio, from declaring or paying a dividend to

an affiliate if found to be detrimental to the public interest. At December 31, 2019, the Ohio Commission had not restricted the payment of dividends by East Ohio.

Pursuant to the SCANA Merger Approval Order, the amount of any DESC dividends paid must be reasonable and consistent with the long-term payout ratio of the electric utility industry and gas distribution industry. There is no specific restriction on the payment of dividends by DESC.

At December 31, 2019, DESC's retained earnings are below the balance established by the Federal Power Act as a reserve on earnings attributable to hydroelectric generation plants. As a result, DESC is prohibited from the payment of dividends without regulatory approval until the balance of its retained earnings increases.

The Utah Commission may prohibit any public service company, including Questar Gas, from declaring or paying a dividend to an affiliate if found to be detrimental to the public interest. At December 31, 2019, the Utah Commission had not restricted the payment of dividends by Questar Gas.

Certain agreements associated with the Companies' credit facility contain restrictions on the ratio of debt to total capitalization. These limitations did not restrict the Companies' ability to pay dividends or receive dividends from their subsidiaries at December 31, 2019.

In connection with the SCANA Combination, under the terms of the merger agreement, Dominion Energy could not declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of its capital stock, other than regular quarterly cash dividends from January 2018 through January 2019.

As part of the merger agreement with Dominion Energy Midstream from November 2018 through January 2019, Dominion Energy could not declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of its capital stock, other than regular quarterly cash dividends.

See Notes 18 and 19 for a description of potential restrictions on common stock dividend payments by Dominion Energy in connection with the deferral of contract adjustment payments on the 2019 Equity Units or a failure to pay dividends on the Series A Preferred Stock or Series B Preferred Stock.

NOTE 22. EMPLOYEE BENEFIT PLANS

Dominion Energy and Dominion Energy Gas—Defined Benefit Plans

Dominion Energy provides certain retirement benefits to eligible active employees, retirees and qualifying dependents. Dominion Energy Gas participates in a number of the Dominion Energy-sponsored retirement plans. Under the terms of its benefit plans, Dominion Energy reserves the right to change, modify or terminate the plans. From time to time in the past, benefits have changed, and some of these changes have reduced benefits.

Dominion Energy maintains qualified noncontributory defined benefit pension plans covering virtually all employees. Retirement benefits are based primarily on years of service, age and the employee's compensation. Dominion Energy's funding policy is to contribute annually an amount that is in accordance with the provisions of ERISA. The pension programs also provide

benefits to certain retired executives under company-sponsored nonqualified employee benefit plans. The nonqualified plans are funded through contributions to grantor trusts. Dominion Energy also provides retiree healthcare and life insurance benefits with annual employee premiums based on several factors such as age, retirement date and years of service.

Pension benefits for Dominion Energy Gas employees not represented by collective bargaining units are covered by the Dominion Energy Pension Plan, a defined benefit pension plan sponsored by Dominion Energy that provides benefits to multiple Dominion Energy subsidiaries. Pension benefits for Dominion Energy Gas employees represented by collective bargaining units are covered by a sep a rate pension plan that provides benefits to employees of both DETI and Hope. Employee compensation is the basis for allocating pension costs and obligations between DETI and Hope.

Retiree healthcare and life insurance benefits for Dominion Energy Gas employees not represented by collective bargaining units are covered by the Dominion Energy Retiree Health and Welfare Plan, a plan sponsored by Dominion Energy that provides certain retiree healthcare and life insurance benefits to multiple Dominion Energy subsidiaries. Retiree healthcare and life insurance benefits for Dominion Energy Gas employees represented by collective bargaining units are covered by a sep a rate other postretirement benefit plan that provides benefits to both DETI and Hope. Employee headcount is the basis for allocating other postretirement benefit costs and obligations between DETI and Hope.

Dominion Energy Gas included the separate pension and other postretirement benefit plans for East Ohio employees covered by collective bargaining units through November 2019, the effective date of the Dominion Energy Gas Restructuring. See Note 3 for more information on the Dominion Energy Gas Restructuring.

Pension and other postretirement benefit costs are affected by employee demographics (including age, compensation levels and years of service), the level of contributions made to the plans and earnings on plan assets. These costs may also be affected by changes in key assumptions, including expected long-term rates of return on plan assets, discount rates, healthcare cost trend rates, mortality rates and the rate of compensation increases.

Dominion Energy uses December 31 as the measurement date for all of its employee benefit plans, including those in which Dominion Energy Gas participates. Dominion Energy uses the market-related value of pension plan assets to determine the expected return on plan assets, a component of net periodic pension cost, for all pension plans, including those in which Dominion Energy Gas participates. The market-related value recognizes changes in fair value on a straight-line basis over a four-year period, which reduces year-to-year volatility. Changes in fair value are measured as the difference between the expected and actual plan asset returns, including dividends, interest and realized and unrealized investment gains and losses. Since the market-related value recognizes changes in fair value over a four-year period, the future market-related value of pension plan assets will be impacted as previously unrecognized changes in fair value are recognized.

Dominion Energy's pension and other postretirement benefit plans hold investments in trusts to fund employee benefit payments. Dominion Energy's pension and other postretirement plan assets experienced aggregate actual returns (losses) of \$2.1 billion and \$(605) million in 2019 and 2018, respectively, versus expected returns of \$848 million and \$806 million, respectively. Dominion Energy Gas' pension and other postretirement plan

assets for employees represented by collective bargaining units experienced aggregate actual returns (losses) of \$167 million and \$(129) million in 2019 and 2018, respectively, versus expected returns of \$70 million and \$178 million, respectively. Differences between actual and expected returns on plan assets are accumulated and amortized during future periods. As such, any investment-related declines in these trusts will result in future increases in the net periodic cost recognized for such employee benefit plans and will be included in the determination of the amount of cash to be contributed to the employee benefit plans.

Voluntary Retirement Program

In March 2019, the Companies announced a voluntary retirement program to employees that meet certain age and service requirements. The voluntary retirement program will not compromise safety or the Companies' ability to comply with applicable laws and regulations. In 2019, upon the determinations made concerning the number of employees that elected to participate in the program, Dominion Energy recorded a charge of \$427 million (\$319 million after-tax) included within other operations and maintenance expense (\$291 million), other taxes (\$24 million) and other income (\$112 million). Virginia Power recorded a charge of \$198 million (\$146 million after-tax) included within other operations and maintenance expense (\$190 million) and other taxes (\$8 million) and Dominion Energy Gas recorded a charge of \$74 million (\$58 million after-tax) included within other operations and maintenance expense (\$39 million), other taxes (\$2 million), other income (\$1 million) and discontinued operations (\$32 million) in the respective Consolidated Statements of Income.

In the second quarter of 2019, Dominion Energy and Dominion Energy Gas remeasured their pension and other postretirement benefit plans as a result of the voluntary retirement program. The remeasurement resulted in an increase in the pension benefit obligation of \$484 million and \$32 million and an increase in the fair value of the pension plan assets of \$671 million and \$146 million for Dominion Energy and Dominion Energy Gas, respectively. In addition, the remeasurement resulted in an increase in the accumulated postretirement benefit obligation of \$101 million and \$8 million and an increase in the fair value of the other postretirement benefit plan assets of \$156 million and \$29 million for Dominion Energy and Dominion Energy Gas, respectively. The impact of the remeasurement on net periodic benefit cost (credit) was recognized prospectively from the remeasurement date. The discount rate used for the remeasurement was 4.07%—4.10% for the Dominion Energy pension plans, 4.10% for Dominion Energy Gas pension plans, 4.05%—4.08% for the Dominion Energy other postretirement benefit plans, and 4.05% for the Dominion Energy Gas other postretirement benefit plans. All other assumptions used for the remeasurement were consistent with the measurement as of December 31, 2018.

In the third quarter of 2019, Dominion Energy remeasured a pension plan as a result of a settlement from the voluntary retirement program at SCANA. The settlement and related remeasurement resulted in an increase in the pension benefit obligation of \$37 million and an increase in the fair value of the pension plan assets of \$51 million for Dominion Energy. The impact of the remeasurement on net periodic benefit cost (credit) was recognized prospectively from the remeasurement date. The discount rate used for the remeasurement was 3.57%. All other assumptions used for the remeasurement were consistent with the measurement as of December 31, 2018.

FUNDED STATUS

The following table summarizes the changes in pension plan and other postretirement benefit plan obligations and plan assets and includes a statement of the plans' funded status for Dominion Energy and Dominion Energy Gas (for employees represented by collective bargaining units):

| Year Ended December 31, (millions, except percentages) | Pension Benefits | | Other Postretirement Benefits | |
|---|------------------|-------------|-------------------------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Dominion Energy | | | | |
| Changes in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 8,500 | \$ 9,052 | \$ 1,363 | \$ 1,529 |
| Dominion Energy SCANA Combination (See Note 3) | 854 | — | 253 | — |
| Service cost | 162 | 157 | 26 | 27 |
| Interest cost | 394 | 337 | 68 | 56 |
| Benefits paid | (470) | (358) | (96) | (87) |
| Actuarial (gains) losses during the year | 1,054 | (688) | 111 | (158) |
| Plan amendments | — | — | — | (4) |
| Settlements and curtailments ⁽¹⁾ | (48) | — | 44 | — |
| Benefit obligation at end of year | \$ 10,446 | \$ 8,500 | \$ 1,769 | \$ 1,363 |
| Changes in fair value of plan assets: | | | | |
| Fair value of plan assets at beginning of year | \$ 7,197 | \$ 8,062 | \$ 1,581 | \$ 1,729 |
| Dominion Energy SCANA Combination (See Note 3) | 727 | — | — | — |
| Actual return (loss) on plan assets | 1,747 | (513) | 349 | (92) |
| Employer contributions | 557 | 6 | 12 | 12 |
| Benefits paid | (470) | (358) | (62) | (68) |
| Settlements ⁽²⁾ | (127) | — | — | — |
| Fair value of plan assets at end of year | \$ 9,631 | \$ 7,197 | \$ 1,880 | \$ 1,581 |
| Funded status at end of year | \$ (815) | \$ (1,303) | \$ 111 | \$ 218 |
| Amounts recognized in the Consolidated Balance Sheets at December 31: | | | | |
| Noncurrent pension and other postretirement benefit assets | \$ 1,266 | \$ 1,003 | \$ 442 | \$ 276 |
| Other current liabilities | (29) | (34) | (17) | (2) |
| Noncurrent pension and other postretirement benefit liabilities | (2,052) | (2,272) | (314) | (56) |
| Net amount recognized | \$ (815) | \$ (1,303) | \$ 111 | \$ 218 |
| Significant assumptions used to determine benefit obligations as of December 31: | | | | |
| Discount rate | 3.47%–3.63% | 4.42%–4.43% | 3.44%–3.52% | 4.37%–4.38% |
| Weighted average rate of increase for compensation | 4.23% | 4.32% | n/a | n/a |
| Dominion Energy Gas | | | | |
| Changes in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 730 | \$ 773 | \$ 256 | \$ 290 |
| Dominion Energy Gas Restructuring (See Note 3) | (468) | — | (135) | — |
| Service cost | 6 | 18 | 1 | 4 |
| Interest cost | 11 | 29 | 5 | 11 |
| Benefits paid | (15) | (34) | (8) | (18) |
| Actuarial (gains) losses during the year | 30 | (56) | 1 | (27) |
| Plan amendments | — | — | — | (4) |
| Settlements and curtailments ⁽¹⁾ | 1 | — | 1 | — |
| Benefit obligation at end of year | \$ 295 | \$ 730 | \$ 121 | \$ 256 |
| Changes in fair value of plan assets: | | | | |
| Fair value of plan assets at beginning of year | \$ 1,656 | \$ 1,803 | \$ 311 | \$ 333 |
| Dominion Energy Gas Restructuring (See Note 3) | (1,084) | — | (126) | — |
| Actual return (loss) on plan assets | 129 | (113) | 38 | (16) |
| Employer contributions | — | — | 12 | 12 |
| Benefits paid | (15) | (34) | (8) | (18) |
| Fair value of plan assets at end of year | \$ 686 | \$ 1,656 | \$ 227 | \$ 311 |
| Funded status at end of year | \$ 391 | \$ 926 | \$ 106 | \$ 55 |
| Amounts recognized in the Consolidated Balance Sheets at December 31: | | | | |
| Noncurrent pension and other postretirement benefit assets | \$ 391 | \$ 310 | \$ 106 | \$ 63 |
| Noncurrent assets of discontinued operations | — | 616 | — | — |
| Noncurrent liabilities of discontinued operations | — | — | — | (8) |
| Net amount recognized | \$ 391 | \$ 926 | \$ 106 | \$ 55 |
| Significant assumptions used to determine benefit obligations as of December 31: | | | | |
| Discount rate | 3.63% | 4.42% | 3.44% | 4.37% |
| Weighted average rate of increase for compensation | 4.64% | 4.55% | n/a | n/a |

(1) 2019 amounts relate primarily to a settlement as a result of the voluntary retirement program.

The ABO for all of Dominion Energy's defined benefit pension plans was \$9.7 billion and \$7.8 billion at December 31, 2019 and 2018, respectively. The ABO for the defined benefit pension plans covering Dominion Energy Gas employees represented by collective bargaining units was \$279 million and \$689 million at December 31, 2019 and 2018, respectively.

Under its funding policies, Dominion Energy evaluates plan funding requirements annually, usually in the fourth quarter after receiving updated plan information from its actuary. Based on the funded status of each plan and other factors, Dominion Energy determines the amount of contributions for the current year, if any, at that time. During 2019, Dominion Energy made \$520 million of contributions to its qualified defined benefit pension plans, including 6.1 million shares of its common stock valued at \$499 million. The shares were contributed through a private placement, exempt from registration requirements, with an independent fiduciary and investment manager to a separate account within the qualified defined benefit pension plans. Dominion Energy also entered into a registration rights agreement with the independent fiduciary and investment manager pursuant to which Dominion Energy agreed to provide registrations rights on customary terms with respect to the shares. Dominion Energy Gas did not make any contributions to its qualified defined benefit pension plans in 2019. Dominion Energy expects to make \$29 million of the minimum required contributions in 2020, and no contributions are currently expected in 2020 for Dominion Energy Gas.

Certain regulatory authorities have held that amounts recovered in utility customers' rates for other postretirement benefits, in excess of benefits actually paid during the year, must be deposited in trust funds dedicated for the sole purpose of paying such benefits. Accordingly, certain of Dominion Energy's subsidiaries, including Dominion Energy Gas, fund other postretirement benefit costs through VEBAs. Dominion Energy's remaining subsidiaries do not prefund other postretirement benefit costs but instead pay claims as presented. Dominion Energy's contributions to VEBAs, all of which pertained to Dominion Energy Gas employees, totaled \$12 million for 2019 and 2018, and Dominion Energy expects to contribute approximately \$12 million to the Dominion Energy VEBAs in 2020, all of which pertains to Dominion Energy Gas employees.

Dominion Energy and Dominion Energy Gas do not expect any pension or other postretirement plan assets to be returned during 2020.

The following table provides information on the benefit obligations and fair value of plan assets for plans with a benefit obligation in excess of plan assets for Dominion Energy and Dominion Energy Gas (for employees represented by collective bargaining units):

| As of December 31, (millions) | Pension Benefits | | Other Postretirement Benefits | |
|----------------------------------|------------------|----------|-------------------------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| Dominion Energy | | | | |
| Benefit obligation | \$ 9,552 | \$ 7,705 | \$ 341 | \$ 164 |
| Fair value of plan assets | 7,471 | 5,398 | 10 | 136 |
| Dominion Energy Gas | | | | |
| Benefit obligation | \$ — | \$ — | \$ — | \$ 134 |
| Fair value of plan assets | — | — | — | 126 |

The following table provides information on the ABO and fair value of plan assets for Dominion Energy's pension plans with an ABO in excess of plan assets:

| As of December 31, (millions) | 2019 | 2018 |
|----------------------------------|----------|----------|
| Accumulated benefit obligation | \$ 8,852 | \$ 7,056 |
| Fair value of plan assets | 7,471 | 5,398 |

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for Dominion Energy and Dominion Energy Gas' (for employees represented by collective bargaining units) plans:

| (millions) | Estimated Future Benefit Payments | |
|----------------------------|-----------------------------------|-------------------------------|
| | Pension Benefits | Other Postretirement Benefits |
| Dominion Energy | | |
| 2020 | \$ 535 | \$ 120 |
| 2021 | 472 | 117 |
| 2022 | 511 | 116 |
| 2023 | 519 | 114 |
| 2024 | 536 | 113 |
| 2025-2029 | 2,792 | 528 |
| Dominion Energy Gas | | |
| 2020 | \$ 15 | \$ 8 |
| 2021 | 15 | 8 |
| 2022 | 15 | 8 |
| 2023 | 15 | 8 |
| 2024 | 15 | 8 |
| 2025-2029 | 79 | 36 |

PLAN ASSETS

Dominion Energy's overall objective for investing its pension and other postretirement plan assets is to achieve appropriate long-term rates of return commensurate with prudent levels of risk. As a participating employer in various pension plans sponsored by Dominion Energy, Dominion Energy Gas is subject to Dominion Energy's investment policies for such plans. To minimize risk, funds are broadly diversified among asset classes, investment strategies and investment advisors. The strategic target asset allocations for Dominion Energy's pension funds are 28% U.S. equity, 18% non-U.S. equity, 35% fixed income, 3% real estate and 16% other alternative investments. U.S. equity includes investments in large-cap, mid-cap and small-cap companies located in the U.S. Non-U.S. equity includes investments in large-cap and small-cap companies located outside of the U.S. including both developed and emerging markets. Fixed income includes corporate debt instruments of companies from diversified industries and U.S. Treasuries. The U.S. equity, non-U.S. equity and fixed income investments are in individual securities as well as mutual funds. Real estate includes equity real estate investment trusts and investments in partnerships. Other alternative investments include partnership investments in private equity, debt and hedge funds that follow several different strategies.

Dominion Energy also utilizes common/collective trust funds as an investment vehicle for its defined benefit plans. A common/collective trust fund is a pooled fund operated by a bank or trust company for investment of the assets of various organizations and individuals in a well-diversified portfolio. Common/collective trust funds are funds of grouped assets that follow various investment strategies.

Strategic investment policies are established for Dominion Energy's prefunded benefit plans based upon periodic asset/liability studies. Factors considered in setting the investment policy include employee demographics, liability growth rates, future discount rates, the funded status of the plans and the expected long-term rate of return on plan assets. Deviations from the plans' strategic allocation are a function of Dominion Energy's assessments regarding short-term risk and reward opportunities in the capital markets and/or short-term market movements which result in the plans' actual asset allocations varying

from the strategic target asset allocations. Through periodic rebalancing, actual allocations are brought back in line with the target. Future asset/liability studies will focus on strategies to further reduce pension and other postretirement plan risk, while still achieving attractive levels of returns. Financial derivatives may be used to obtain or manage market exposures and to hedge assets and liabilities.

For fair value measurement policies and procedures related to pension and other postretirement benefit plan assets, see Note 6.

The fair values of Dominion Energy and Dominion Energy Gas' (for employees represented by collective bargaining units) pension plan assets by asset category are as follows:

| At December 31, | | | | 2019 | | | | 2018 |
|---|----------|----------|---------|----------|----------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| (millions) | | | | | | | | |
| Dominion Energy | | | | | | | | |
| Cash and cash equivalents | \$ 22 | \$ 1 | \$ — | \$ 23 | \$ 17 | \$ 1 | \$ — | \$ 18 |
| Common and preferred stocks: | | | | | | | | |
| U.S. ⁽¹⁾ | 2,284 | — | — | 2,284 | 1,645 | — | — | 1,645 |
| International | 1,634 | — | — | 1,634 | 1,061 | — | — | 1,061 |
| Insurance contracts | — | 360 | — | 360 | — | 318 | — | 318 |
| Corporate debt instruments | 273 | 859 | — | 1,132 | 23 | 729 | — | 752 |
| Government securities | 58 | 757 | — | 815 | 25 | 605 | — | 630 |
| Total recorded at fair value | \$ 4,271 | \$ 1,977 | \$ — | \$ 6,248 | \$ 2,771 | \$ 1,653 | \$ — | \$ 4,424 |
| Assets recorded at NAV ⁽²⁾ : | | | | | | | | |
| Common/collective trust funds | | | | 2,355 | | | | 1,849 |
| Alternative investments: | | | | | | | | |
| Real estate funds | | | | 91 | | | | 108 |
| Private equity funds | | | | 787 | | | | 633 |
| Debt funds | | | | 159 | | | | 155 |
| Hedge funds | | | | 14 | | | | 17 |
| Total recorded at NAV | | | | \$ 3,406 | | | | \$ 2,762 |
| Total investments ⁽³⁾ | | | | \$ 9,654 | | | | \$ 7,186 |
| Dominion Energy Gas | | | | | | | | |
| Cash and cash equivalents | \$ 1 | \$ — | \$ — | \$ 1 | \$ 4 | \$ — | \$ — | \$ 4 |
| Common and preferred stocks: | | | | | | | | |
| U.S. | 177 | — | — | 177 | 378 | — | — | 378 |
| International | 114 | — | — | 114 | 244 | — | — | 244 |
| Insurance contracts | — | 28 | — | 28 | — | 73 | — | 73 |
| Corporate debt instruments | 3 | 66 | — | 69 | 5 | 168 | — | 173 |
| Government securities | 2 | 59 | — | 61 | 6 | 139 | — | 145 |
| Total recorded at fair value | \$ 297 | \$ 153 | \$ — | \$ 450 | \$ 637 | \$ 380 | \$ — | \$ 1,017 |
| Assets recorded at NAV ⁽²⁾ : | | | | | | | | |
| Common/collective trust funds | | | | 157 | | | | 425 |
| Alternative investments: | | | | | | | | |
| Real estate funds | | | | 7 | | | | 25 |
| Private equity funds | | | | 61 | | | | 146 |
| Debt funds | | | | 12 | | | | 36 |
| Hedge funds | | | | 1 | | | | 4 |
| Total recorded at NAV | | | | \$ 238 | | | | \$ 636 |
| Total investments ⁽⁴⁾ | | | | \$ 688 | | | | \$ 1,653 |

(1) Includes \$508 million of Dominion Energy common stock at December 31, 2019.

(2) These investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

(3) Excludes net assets related to pending sales of securities of \$52 million, net accrued income of \$24 million, and includes net assets related to pending purchases of securities of \$99 million at December 31, 2019. Excludes net assets related to pending sales of securities of \$12 million, net accrued income of \$21 million, and includes net assets related to pending purchases of securities of \$22 million at December 31, 2018.

(4) Excludes net assets related to pending sales of securities of \$2 million, net accrued income of \$2 million, and includes net assets related to pending purchases of securities of \$6 million at December 31, 2019. Excludes net assets related to pending sales of securities of \$3 million, net accrued income of \$5 million, and includes net assets related to pending purchases of securities of \$5 million at December 31, 2018.

Combined Notes to Consolidated Financial Statements, Continued

The fair values of Dominion Energy and Dominion Energy Gas' (for employees represented by collective bargaining units) other postretirement plan assets by asset category are as follows:

| At December 31, | | | | 2019 | | | | 2018 | | | |
|---|---------------|---------------|------------|-----------------|--------------|--------------|------------|-----------------|---------|---------|---------|
| (millions) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Dominion Energy | | | | | | | | | | | |
| Cash and cash equivalents | \$ 2 | \$ — | \$— | \$ 2 | \$ 1 | \$ 1 | \$— | \$ 2 | | | |
| Common and preferred stocks: | | | | | | | | | | | |
| U.S. | 719 | — | — | 719 | 554 | — | — | 554 | | | |
| International | 206 | — | — | 206 | 170 | — | — | 170 | | | |
| Insurance contracts | — | 21 | — | 21 | — | 19 | — | 19 | | | |
| Corporate debt instruments | 1 | 50 | — | 51 | 1 | 44 | — | 45 | | | |
| Government securities | 2 | 44 | — | 46 | 2 | 37 | — | 39 | | | |
| Total recorded at fair value | \$ 930 | \$ 115 | \$— | \$ 1,045 | \$728 | \$101 | \$— | \$ 829 | | | |
| Assets recorded at NAV ⁽¹⁾ : | | | | | | | | | | | |
| Common/collective trust funds | | | | 717 | | | | 650 | | | |
| Alternative investments: | | | | | | | | | | | |
| Real estate funds | | | | 8 | | | | 10 | | | |
| Private equity funds | | | | 100 | | | | 80 | | | |
| Debt funds | | | | 10 | | | | 10 | | | |
| Hedge funds | | | | 1 | | | | 1 | | | |
| Total recorded at NAV | | | | \$ 836 | | | | \$ 751 | | | |
| Total investments ⁽²⁾ | | | | \$ 1,881 | | | | \$ 1,580 | | | |
| Dominion Energy Gas | | | | | | | | | | | |
| Common and preferred stocks: | | | | | | | | | | | |
| U.S. | \$ 86 | \$ — | \$— | \$ 86 | \$113 | \$ — | \$— | \$ 113 | | | |
| International | 21 | — | — | 21 | 30 | — | — | 30 | | | |
| Total recorded at fair value | \$ 107 | \$ — | \$— | \$ 107 | \$143 | \$ — | \$— | \$ 143 | | | |
| Assets recorded at NAV ⁽¹⁾ : | | | | | | | | | | | |
| Common/collective trust funds | | | | 105 | | | | 148 | | | |
| Alternative investments: | | | | | | | | | | | |
| Real estate funds | | | | 1 | | | | 2 | | | |
| Private equity funds | | | | 14 | | | | 18 | | | |
| Debt funds | | | | — | | | | — | | | |
| Total recorded at NAV | | | | \$ 120 | | | | \$ 168 | | | |
| Total investments | | | | \$ 227 | | | | \$ 311 | | | |

(1) These investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

(2) Excludes net assets related to pending sales of securities of \$2 million, net accrued income of \$2 million, and includes net assets related to pending purchases of securities of \$5 million at December 31, 2019. Excludes net assets related to pending sales of securities of \$1 million, net accrued income of \$2 million, and includes net assets related to pending purchases of securities of \$2 million at December 31, 2018.

The Plan's investments are determined based on the fair values of the investments and the underlying investments, which have been determined as follows:

- *Cash and Cash Equivalents* —Investments are held primarily in short-term notes and treasury bills, which are valued at cost plus accrued interest.
- *Common and Preferred Stocks* —Investments are valued at the closing price reported on the active market on which the individual securities are traded.
- *Insurance Contracts* —Investments in Group Annuity Contracts with John Hancock were entered into after 1992 and are stated at fair value based on the fair value of the underlying securities as provided by the managers and include investments in U.S. government securities, corporate debt instruments, state and municipal debt securities.
- *Corporate Debt Instruments* —Investments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar instruments, the instrument is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.
- *Government Securities* —Investments are valued using pricing models maximizing the use of observable inputs for similar securities.
- *Common/Collective Trust Funds* —Common/collective trust funds invest in debt and equity securities and other instruments with characteristics similar to those of the funds' benchmarks. The primary objectives of the funds are to seek investment returns that approximate the overall performance of their benchmark indexes. These benchmarks are major equity indices, fixed income indices, and money market indices that focus on growth, income, and liquidity strategies, as applicable. Investments in common/collective trust funds are stated at the NAV as determined by the issuer of the common/collective trust funds and are based on the fair value of the underlying investments held by the fund less its liabilities. The NAV is used as a practical expedient to estimate fair value. The common/collective trust funds do not have any unfunded commitments, and do not have any applicable liquidation periods or defined terms/periods to be held. The majority of the common/collective trust funds have limited withdrawal or redemption rights during the term of the investment.
- *Alternative Investments* —Investments in real estate funds, private equity funds, debt funds and hedge funds are stated at fair value based on the NAV of the Plan's proportionate share of the partnership, joint venture or other alternative investment's fair value as determined by reference to audited financial statements or NAV statements provided by the investment manager. The NAV is used as a practical expedient to estimate fair value.

Combined Notes to Consolidated Financial Statements, Continued

NET PERIODIC BENEFIT (CREDIT) COST

The service cost component and non-service cost components of net periodic benefit (credit) cost are reflected in other operations and maintenance expense and other income, respectively, in the Consolidated Statements of Income. The components of the provision for net periodic benefit (credit) cost and amounts recognized in other comprehensive income and regulatory assets and liabilities for Dominion Energy and Dominion Energy Gas' (for employees represented by collective bargaining units) plans are as follows:

| Year Ended December 31, (millions, except percentages) | Pension Benefits | | | Other Postretirement Benefits | | |
|---|------------------|-------------|-------------|-------------------------------|----------|-------------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Dominion Energy | | | | | | |
| Service cost | \$ 162 | \$ 157 | \$ 138 | \$ 26 | \$ 27 | \$ 26 |
| Interest cost | 394 | 337 | 345 | 68 | 56 | 60 |
| Expected return on plan assets | (708) | (663) | (639) | (140) | (143) | (128) |
| Amortization of prior service (credit) cost | 1 | 1 | 1 | (52) | (52) | (51) |
| Amortization of net actuarial loss | 172 | 193 | 162 | 10 | 11 | 13 |
| Settlements and curtailments | 72 | — | — | 42 | — | — |
| Net periodic benefit (credit) cost | \$ 93 | \$ 25 | \$ 7 | \$ (46) | \$ (101) | \$ (80) |
| Changes in plan assets and benefit obligations recognized in other comprehensive income and regulatory assets and liabilities: | | | | | | |
| Current year net actuarial (gain) loss | \$ 16 | \$ 490 | \$ 142 | \$ (98) | \$ 78 | \$ 12 |
| Prior service (credit) cost | — | — | 5 | 2 | (4) | (73) |
| Settlements and curtailments | 6 | — | 1 | — | — | 2 |
| Less amounts included in net periodic benefit cost: | | | | | | |
| Amortization of net actuarial loss | (172) | (193) | (162) | (10) | (11) | (13) |
| Amortization of prior service credit (cost) | (1) | (1) | (1) | 52 | 52 | 51 |
| Total recognized in other comprehensive income and regulatory assets and liabilities | \$ (151) | \$ 296 | \$ (15) | \$ (54) | \$ 115 | \$ (21) |
| Significant assumptions used to determine periodic cost: | | | | | | |
| Discount rate | 3.57%-4.43% | 3.80%-3.81% | 3.31%-4.50% | 4.05% - 4.41% | 3.76% | 3.92%-4.47% |
| Expected long-term rate of return on plan assets | 7.00%-8.65% | 8.75% | 8.75% | 8.50% | 8.50% | 8.50% |
| Weighted average rate of increase for compensation | 4.20% | 4.09% | 4.09% | n/a | n/a | n/a |
| Healthcare cost trend rate ⁽¹⁾ | | | | 6.50% - 6.60% | 7.00% | 7.00% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) ⁽¹⁾ | | | | 5.00% | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate ⁽¹⁾ | | | | 2023-2025 | 2022 | 2021 |
| Dominion Energy Gas ⁽²⁾ | | | | | | |
| Service cost | \$ 6 | \$ 18 | \$ 15 | \$ 1 | \$ 4 | \$ 4 |
| Interest cost | 11 | 29 | 30 | 5 | 11 | 12 |
| Expected return on plan assets | (54) | (150) | (141) | (16) | (28) | (24) |
| Amortization of prior service (credit) cost | — | — | — | (5) | (4) | (3) |
| Amortization of net actuarial loss | 7 | 19 | 16 | 3 | 3 | 2 |
| Settlements and curtailments | 1 | — | — | 1 | — | — |
| Net periodic benefit (credit) cost | \$ (29) | \$ (84) | \$ (80) | \$ (11) | \$ (14) | \$ (9) |
| Changes in plan assets and benefit obligations recognized in other comprehensive income and regulatory assets and liabilities: | | | | | | |
| Current year net actuarial (gain) loss | \$ (46) | \$ 207 | \$ (75) | \$ (21) | \$ 16 | \$ 18 |
| Prior service cost | — | — | — | — | (4) | (61) |
| Less amounts included in net periodic benefit cost: | | | | | | |
| Amortization of net actuarial loss | (7) | (19) | (16) | (3) | (3) | (2) |
| Amortization of prior service credit (cost) | — | — | — | 5 | 4 | 3 |
| Total recognized in other comprehensive income and regulatory assets and liabilities | \$ (53) | \$ 188 | \$ (91) | \$ (19) | \$ 13 | \$ (42) |
| Significant assumptions used to determine periodic cost: | | | | | | |
| Discount rate | 4.10%-4.42% | 3.81% | 4.50% | 4.05%-4.37% | 3.81% | 4.47% |
| Expected long-term rate of return on plan assets | 8.65% | 8.75% | 8.75% | 8.50% | 8.50% | 8.50% |
| Weighted average rate of increase for compensation | 4.55% | 4.11% | 4.11% | n/a | n/a | n/a |
| Healthcare cost trend rate ⁽¹⁾ | | | | 6.50% | 7.00% | 7.00% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) ⁽¹⁾ | | | | 5.00% | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate ⁽¹⁾ | | | | 2025 | 2022 | 2021 |

(1) Assumptions used to determine net periodic cost for the following year.

(2) Amounts related to East Ohio are presented within discontinued operations.

The components of AOCI and regulatory assets and liabilities for Dominion Energy and Dominion Energy Gas^{*} (for employees represented by collective bargaining units) plans that have not been recognized as components of net periodic benefit (credit) cost are as follows:

| | Pension Benefits | | Other Postretirement Benefits | |
|-----------------------------|------------------|----------|-------------------------------|---------|
| At December 31, | 2019 | 2018 | 2019 | 2018 |
| (millions) | | | | |
| Dominion Energy | | | | |
| Net actuarial loss | \$ 3,327 | \$ 3,477 | \$ 241 | \$ 350 |
| Prior service (credit) cost | 5 | 7 | (339) | (393) |
| Total ⁽¹⁾ | \$ 3,332 | \$ 3,484 | \$ (98) | \$ (43) |
| Dominion Energy Gas | | | | |
| Net actuarial loss | \$ 150 | \$ 555 | \$ 44 | \$ 89 |
| Prior service (credit) cost | — | — | (49) | (52) |
| Total ⁽²⁾ | \$ 150 | \$ 555 | \$ (5) | \$ 37 |

(1) As of December 31, 2019, of the \$3.3 billion and \$(98) million related to pension benefits and other postretirement benefits, \$2.0 billion and \$(65) million, respectively, are included in AOCI, with the remainder included in regulatory assets and liabilities. As of December 31, 2018, of the \$3.5 billion and \$(43) million related to pension benefits and other postretirement benefits, \$2.0 billion and \$(41) million, respectively, are included in AOCI, with the remainder included in regulatory assets and liabilities.

(2) As of December 31, 2019, of the \$150 million related to pension benefits, \$147 million is included in AOCI, with the remainder included in regulatory assets and liabilities; the \$(5) million related to other postretirement benefits is included entirely in regulatory assets and liabilities. As of December 31, 2018, of the \$555 million related to pension benefits, \$200 million is included in AOCI, with the remainder included in noncurrent assets of discontinued operations; of the \$37 million related to other postretirement benefits, \$22 million is included in noncurrent assets of discontinued operations with the remainder included in regulatory assets and liabilities.

The following table provides the components of AOCI and regulatory assets and liabilities for Dominion Energy and Dominion Energy Gas^{*} (for employees represented by collective bargaining units) plans as of December 31, 2019 that are expected to be amortized as components of net periodic benefit (credit) cost in 2020:

| | Pension Benefits | Other Postretirement Benefits |
|-----------------------------|------------------|-------------------------------|
| (millions) | | |
| Dominion Energy | | |
| Net actuarial loss | \$194 | \$5 |
| Prior service (credit) cost | 1 | (50) |
| Dominion Energy Gas | | |
| Net actuarial loss | \$7 | \$2 |
| Prior service (credit) cost | — | (5) |

The expected long-term rates of return on plan assets, discount rates, healthcare cost trend rates and mortality are critical assumptions in determining net periodic benefit (credit) cost. Dominion Energy develops non-investment related assumptions, which are then compared to the forecasts of an independent investment advisor to ensure reasonableness. An internal committee selects the final assumptions used for Dominion Energy's pension and other postretirement plans, including those in which Dominion Energy Gas participates, including discount rates, expected long-term rates of return, healthcare cost trend rates and mortality rates.

Dominion Energy determines the expected long-term rates of return on plan assets for its pension plans and other postretirement benefit plans, including those in which Dominion Energy Gas participates, by using a combination of:

- Expected inflation and risk-free interest rate assumptions;
- Historical return analysis to determine long term historic returns as well as historic risk premiums for various asset classes;
- Expected future risk premiums, asset classes' volatilities and correlations;
- Forward-looking return expectations derived from the yield on long-term bonds and the expected long-term returns of major capital market assumptions; and
- Investment allocation of plan assets.

Dominion Energy determines discount rates from analyses of AA/Aa rated bonds with cash flows matching the expected payments to be made under its plans, including those in which Dominion Energy Gas participates.

Mortality rates are developed from actual and projected plan experience for postretirement benefit plans. Dominion Energy's actuary conducts an experience study periodically as part of the process to select its best estimate of mortality. Dominion Energy considers both standard mortality tables and improvement factors as well as the plans' actual experience when selecting a best estimate.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for Dominion Energy's retiree healthcare plans, including those in which Dominion Energy Gas participates. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for Dominion Energy and Dominion Energy Gas^{*} (for employees represented by collective bargaining units) other postretirement benefit plans:

| | Other Postretirement Benefits | |
|--|-------------------------------|-------------------------------|
| | One percentage point increase | One percentage point decrease |
| (millions) | | |
| Dominion Energy | | |
| Effect on net periodic cost for 2020 | \$20 | \$(11) |
| Effect on other postretirement benefit obligation at December 31, 2019 | 153 | (128) |
| Dominion Energy Gas | | |
| Effect on net periodic cost for 2020 | \$2 | \$(2) |
| Effect on other postretirement benefit obligation at December 31, 2019 | 14 | (12) |

Dominion Energy Gas (Employees Not Represented by Collective Bargaining Units) and Virginia Power—Participation in Defined Benefit Plans

Virginia Power employees and Dominion Energy Gas employees not represented by collective bargaining units are covered by the Dominion Energy Pension Plan described above. As participating employers, Virginia Power and Dominion Energy Gas are subject to Dominion Energy's funding policy, which is to contribute annually an amount that is in accordance with ERISA. During 2019, Virginia Power and Dominion Energy Gas made no contributions to the Dominion Energy Pension Plan, and no contributions to this plan are currently expected in 2020. Virginia Power's net periodic pension cost related to this plan was \$152 million, \$126 million and \$110 million in 2019, 2018 and 2017, respectively. Dominion Energy Gas' net periodic pension

credit related to this plan was \$(8) million, \$(35) million and \$(35) million in 2019, 2018 and 2017, respectively. Net periodic pension (credit) cost is reflected in other operations and maintenance expense in their respective Consolidated Statements of Income, except for \$(14) million, \$(21) million and \$(20) million of Dominion Energy Gas' costs in 2019, 2018 and 2017, respectively, that are recorded in net income from discontinued operations. The funded status of various Dominion Energy subsidiary groups and employee compensation are the basis for determining the share of total pension costs for participating Dominion Energy subsidiaries. See Note 25 for Virginia Power and Dominion Energy Gas amounts due to/from Dominion Energy related to this plan.

Retiree healthcare and life insurance benefits, for Virginia Power employees and for Dominion Energy Gas employees not represented by collective bargaining units, are covered by the Dominion Energy Retiree Health and Welfare Plan described above. Virginia Power's net periodic benefit (credit) cost related to this plan was \$(27) million, \$(51) million and \$(42) million in 2019, 2018 and 2017, respectively. Dominion Energy Gas' net periodic benefit (credit) cost related to this plan was \$(4) million, \$(8) million and \$(6) million for 2019, 2018 and 2017, respectively. Net periodic benefit (credit) cost is reflected in other operations and maintenance expenses in their respective Consolidated Statements of Income, except for less than \$(1) million, \$(2) million and \$(2) million of Dominion Energy Gas' costs in 2019, 2018 and 2017, respectively, that are recorded in net income from discontinued operations. Employee headcount is the basis for determining the share of total other postretirement benefit costs for participating Dominion Energy subsidiaries. See Note 25 for Virginia Power and Dominion Energy Gas amounts due to/from Dominion Energy related to this plan.

Dominion Energy holds investments in trusts to fund employee benefit payments for the pension and other postretirement benefit plans in which Virginia Power and Dominion Energy Gas' employees participate. Any investment-related declines in these trusts will result in future increases in the net periodic cost recognized for such employee benefit plans and will be included in the determination of the amount of cash that Virginia Power and Dominion Energy Gas will provide to Dominion Energy for their shares of employee benefit plan contributions.

Certain regulatory authorities have held that amounts recovered in rates for other postretirement benefits, in excess of benefits actually paid during the year, must be deposited in trust funds dedicated for the sole purpose of paying such benefits. Accordingly, Virginia Power and Dominion Energy Gas fund other postretirement benefit costs through VEBAs. During 2019 and 2018, Virginia Power and Dominion Energy Gas made no contributions to the VEBAs and does not expect to contribute to the VEBAs in 2020.

Defined Contribution Plans

Dominion Energy also sponsors defined contribution employee savings plans that cover substantially all employees. During 2019, 2018 and 2017, Dominion Energy recognized \$73 million, \$51 million and \$45 million, respectively, as employer matching contributions to these plans. Dominion Energy Gas participates in these employee savings plans, both specific to Dominion Energy

Gas and that cover multiple Dominion Energy subsidiaries. During 2019, 2018 and 2017, Dominion Energy Gas recognized \$4 million, \$8 million and \$8 million, respectively, as employer matching contributions to these plans. Virginia Power also participates in these employee savings plans. During 2019, 2018 and 2017, Virginia Power recognized \$20 million, \$20 million and \$19 million, respectively, as employer matching contributions to these plans.

NOTE 23. COMMITMENTS AND CONTINGENCIES

As a result of issues generated in the ordinary course of business, the Companies are involved in legal proceedings before various courts and are periodically subject to governmental examinations (including by regulatory authorities), inquiries and investigations. Certain legal proceedings and governmental examinations involve demands for unspecified amounts of damages, are in an initial procedural phase, involve uncertainty as to the outcome of pending appeals or motions, or involve significant factual issues that need to be resolved, such that it is not possible for the Companies to estimate a range of possible loss. For such matters that the Companies cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the litigation or investigative processes such that the Companies are able to estimate a range of possible loss. For legal proceedings and governmental examinations that the Companies are able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any accrued liability is recorded on a gross basis with a receivable also recorded for any probable insurance recoveries. Estimated ranges of loss are inclusive of legal fees and net of any anticipated insurance recoveries. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the Companies' maximum possible loss exposure. The circumstances of such legal proceedings and governmental examinations will change from time to time and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the Companies' financial position, liquidity or results of operations.

Environmental Matters

The Companies are subject to costs resulting from a number of federal, state and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations. They can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations.

AIR

CAA

The CAA, as amended, is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation's air quality. At a minimum, states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of the Companies' facilities are subject to the CAA's permitting and other requirements.

MATS

In February 2019, the EPA published a proposed rule to reverse its previous finding that it is appropriate and necessary to regulate toxic emissions from power plants. However, the emissions standards and other requirements of the MATS rule would remain in place as the EPA is not proposing to remove coal and oil-fired power plants from the list of sources that are regulated under MATS. Although litigation of the MATS rule and the outcome of the EPA's rulemaking are still pending, the regulation remains in effect and Dominion Energy and Virginia Power are complying with the applicable requirements of the rule and do not expect any adverse impacts to their operations at this time.

Ozone Standards

The EPA published final non-attainment designations for the October 2015 ozone standard in June 2018. States have until August 2021 to develop plans to address the new standard. Until the states have developed implementation plans for the standard, the Companies are unable to predict whether or to what extent the new rules will ultimately require additional controls. The expenditures required to implement additional controls could have a material impact on the Companies' results of operations and cash flows.

Oil and Gas NSPS

In August 2012, the EPA issued an NSPS impacting new and modified facilities in the natural gas production and gathering sectors and made revisions to the NSPS for natural gas processing and transmission facilities. These rules establish equipment performance specifications and emissions standards for control of VOC emissions for natural gas production wells, tanks, pneumatic controllers, and compressors in the upstream sector. In June 2016, the EPA issued another NSPS regulation, for the oil and natural gas sector, to regulate methane and VOC emissions from new and modified facilities in transmission and storage, gathering and boosting, production and processing facilities. All projects which commenced construction after September 2015 are required to comply with this regulation. In October 2018, the EPA published a proposed rule reconsidering and amending portions of the 2016 rule, including but not limited to, the fugitive emissions requirements at well sites and compressor stations. The amended portions of the 2016 rule were effective immediately upon publication. Until the proposed rule regarding reconsideration is final, Dominion Energy and Dominion Energy Gas are implementing the 2016 regulation. Dominion Energy and Dominion Energy Gas are still evaluating whether potential impacts on results of operations, financial condition and/or cash flows related to this matter will be material.

ACE Rule

In July 2019, the EPA published the final rule informally referred to as the ACE Rule, as a replacement for the Clean Power Plan. ACE Rule applies to existing coal-fired power plants. The final rule includes unit-specific performance standards based on the degree of emission reduction levels achievable from unit efficiency improvements to be determined by the permitting agency. The ACE Rule requires states to develop plans by July 2022, to implement these performance standards. These state plans must be approved by the EPA by January 2024. While the impacts of

this rule could be material to Dominion Energy and Virginia Power's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina and Virginia provide rate recovery mechanisms that could substantially mitigate any such impacts for the regulated electric utilities.

Carbon Regulations

In August 2016, the EPA issued a draft rule proposing to reaffirm that a source's obligation to obtain a PSD or Title V permit for GHGs is triggered only if such permitting requirements are first triggered by non-GHG, or conventional, pollutants that are regulated by the New Source Review program, and to set a significant emissions rate at 75,000 tons per year of CO₂ equivalent emissions under which a source would not be required to apply BACT for its GHG emissions. Until the EPA ultimately takes final action on this rulemaking, the Companies cannot predict the impact to their results of operations, financial condition and/or cash flows.

In December 2018, the EPA proposed revised Standards of Performance for Greenhouse Gas Emissions from New, Modified, and Reconstructed Stationary Sources. The proposed rule would amend the previous determination that the best system of emission reduction for newly constructed coal-fired steam generating units is no longer partial carbon capture and storage. Instead, the proposed revised best system of emission reduction for this source category is the most efficient demonstrated steam cycle (e.g., supercritical steam conditions for large units and subcritical steam conditions for small units) in combination with the best operating practices.

State Regulations

In May 2019, VDEQ issued a final rule establishing a state carbon regulation program with a 28.0 million ton initial state-wide carbon cap in 2020. The cap is reduced by approximately three percent per year through 2030, resulting in an ultimate cap of 19.6 million tons. The final rule includes a provision for VDEQ to delay implementation of the rule and possible adjustments to the baseline cap pending authorization from the General Assembly and Governor of Virginia. Once VDEQ is authorized to begin implementation of the rule, the impacts of this program could be material to Dominion Energy and Virginia Power's results of operations, financial condition and/or cash flows; however, the existing regulatory framework in Virginia provides rate recovery mechanisms that could substantially mitigate any such impact.

WATER

The CWA, as amended, is a comprehensive program requiring a broad range of regulatory tools including a permit program to authorize and regulate discharges to surface waters with strong enforcement mechanisms. The Companies must comply with applicable aspects of the CWA programs at their operating facilities.

Regulation 316(b)

In October 2014, the final regulations under Section 316(b) of the CWA that govern existing facilities and new units at existing facilities that employ a cooling water intake structure and that have flow levels exceeding a minimum threshold became effective.

The rule establishes a national standard for impingement based on seven compliance options, but forgoes the creation of a single technology standard for entrainment. Instead, the EPA has delegated entrainment technology decisions to state regulators. State regulators are to make case-by-case entrainment technology determinations after an examination of five mandatory facility-specific factors, including a social cost-benefit test, and six optional facility-specific factors. The rule governs all electric generating stations with water withdrawals above two MGD, with a heightened entrainment analysis for those facilities over 125 MGD. Dominion Energy and Virginia Power currently have 13 and seven facilities, respectively, that are subject to the final regulations. Dominion Energy anticipates that it may have to install impingement control technologies at certain of these stations that have once-through cooling systems. Dominion Energy and Virginia Power are currently evaluating the need or potential for entrainment controls under the final rule as these decisions will be made on a case-by-case basis after a thorough review of detailed biological, technology, cost and benefit studies. DESC is conducting studies and implementing plans as required by the rule to determine appropriate intake structure modifications at certain facilities to ensure compliance with this rule. While the impacts of this rule could be material to Dominion Energy and Virginia Power's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina and Virginia provide rate recovery mechanisms that could substantially mitigate any such impacts for the regulated electric utilities.

Effluent Limitations Guidelines

In September 2015, the EPA released a final rule to revise the Effluent Limitations Guidelines for the Steam Electric Power Generating Category. The final rule establishes updated standards for wastewater discharges that apply primarily at coal and oil steam generating stations. Affected facilities are required to convert from wet to dry or closed cycle coal ash management, improve existing wastewater treatment systems and/or install new wastewater treatment technologies in order to meet the new discharge limits. In April 2017, the EPA granted two separate petitions for reconsideration of the Effluent Limitations Guidelines final rule and stayed future compliance dates in the rule. Also in April 2017, the U.S. Court of Appeals for the Fifth Circuit granted the EPA's request for a stay of the pending consolidated litigation challenging the rule while the EPA addresses the petitions for reconsideration. In September 2017, the EPA signed a rule to postpone the earliest compliance dates for certain waste streams regulations in the Effluent Limitations Guidelines final rule from November 2018 to November 2020; however, the latest date for compliance for these regulations remains December 2023. While the impacts of this rule could be material to Dominion Energy and Virginia Power's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina and Virginia provide rate recovery mechanisms that could substantially mitigate any such impacts for the regulated electric utilities.

WASTE MANAGEMENT AND REMEDIATION

The operations of the Companies are subject to a variety of state and federal laws and regulations governing the management and

disposal of solid and hazardous waste, and release of hazardous substances associated with current and/or historical operations. The CERCLA, as amended, and similar state laws, may impose joint, several and strict liability for cleanup on potentially responsible parties who owned, operated or arranged for disposal at facilities affected by a release of hazardous substances. In addition, many states have created programs to incentivize voluntary remediation of sites where historical releases of hazardous substances are identified and property owners or responsible parties decide to initiate cleanups.

From time to time, Dominion Energy, Virginia Power or Dominion Energy Gas may be identified as a potentially responsible party in connection with the alleged release of hazardous substances or wastes at a site. Under applicable federal and state laws, the Companies could be responsible for costs associated with the investigation or remediation of impacted sites, or subject to contribution claims by other responsible parties for their costs incurred at such sites. The Companies also may identify, evaluate and remediate other potentially impacted sites under voluntary state programs. Remediation costs may be subject to reimbursement under the Companies' insurance policies, rate recovery mechanisms, or both. Except as described below, the Companies do not believe these matters will have a material effect on results of operations, financial condition and/or cash flows.

Dominion Energy has determined that it is associated with former manufactured gas plant sites, including certain sites associated with Virginia Power. At 11 sites associated with Dominion Energy, including certain sites acquired in the SCANA Combination, remediation work has been substantially completed under federal or state oversight. Where required, the sites are following state-approved groundwater monitoring programs. Dominion Energy has proposed or expects to propose remediation plans associated with three sites, including one at Virginia Power, and expects to conduct remediation activities primarily in 2020. As of December 31, 2019, Dominion Energy and Virginia Power have \$34 million and \$16 million, respectively, of reserves recorded, including a charge of \$16 million (\$12 million after-tax) that Virginia Power recorded in 2018, in other operations and maintenance expense in the Consolidated Statements of Income. In addition, for one site associated with Dominion Energy, an updated work plan submitted to SCDHEC in September 2018, would increase costs by approximately \$8 million if approved. Dominion Energy is associated with 13 additional sites, including two associated with Virginia Power, which are not under investigation by any state or federal environmental agency nor the subject of any current or proposed plans to perform remediation activities. Due to the uncertainty surrounding such sites, Dominion Energy and Virginia Power are unable to make an estimate of the potential financial statement impacts.

ASH POND AND LANDFILL CLOSURE COSTS

In April 2015, the EPA enacted a final rule regulating CCR landfills, existing ash ponds that still receive and manage CCRs, and inactive ash ponds that do not receive, but still store, CCRs. Dominion Energy currently operates inactive ash ponds, existing ash ponds and CCR landfills subject to the final rule at 11 different facilities, eight of which are at Virginia Power. This rule created a legal obligation for Dominion Energy and Virginia Power to retrofit or close all of its inactive and existing ash ponds over a

certain period of time, as well as perform required monitoring, corrective action, and post-closure care activities as necessary.

In December 2016, legislation was enacted that creates a framework for EPA- approved state CCR permit programs. In August 2017, the EPA issued interim guidance outlining the framework for state CCR program approval. The EPA has enforcement authority until state programs are approved. The EPA and states with approved programs both will have authority to enforce CCR requirements under their respective rules and programs. In September 2017, the EPA agreed to reconsider portions of the CCR rule in response to two petitions for reconsideration. In March 2018, the EPA proposed certain changes to the CCR rule related to issues remanded as part of the pending litigation and other issues the EPA is reconsidering. Several of the proposed changes would allow states with approved CCR permit programs additional flexibilities in implementing their programs. In July 2018, the EPA promulgated the first phase of changes to the CCR rule. Until all phases of the CCR rule are promulgated, Dominion Energy and Virginia Power cannot forecast potential incremental impacts or costs related to existing coal ash sites in connection with future implementation of the 2016 CCR legislation and reconsideration of the CCR rule. In August 2018, the U.S. Court of Appeals for the D.C. Circuit issued its decision in the pending challenges of the CCR rule, vacating and remanding to the EPA three provisions of the rule. Dominion Energy and Virginia Power do not expect the scope of the U.S. Court of Appeals for the D.C. Circuit's decision to impact their closure plans, but cannot forecast incremental impacts associated with any future changes to the CCR rule in connection with the court's remand.

In April 2017, the Governor of Virginia signed legislation into law that placed a moratorium on the VDEQ issuing solid waste permits for closure of ash ponds at Virginia Power's Bremono, Chesapeake, Chesterfield and Possum Point power stations until May 2018. The law also required Virginia Power to conduct an assessment of closure alternatives for the ash ponds at these four stations, to include an evaluation of excavation for recycling or off-site disposal, surface and groundwater conditions and safety. Virginia Power completed the assessments and provided the report on December 1, 2017. In April 2018, the Governor of Virginia signed legislation into law extending the existing permit moratorium until July 2019. The legislation also required Virginia Power to solicit and compile by November 2018, information from third parties on the suitability, cost and market demand for beneficiation or recycling of coal ash from these units. The coal ash recycling business plan was submitted to the legislature in November 2018. The extended moratorium does not apply to a permit required for an impoundment where CCRs have already been removed and placed in another impoundment on-site, are being removed from an impoundment, or are being processed in connection with a recycling or beneficial use project. In connection with this legislation, in the second quarter of 2018, Virginia Power recorded an increase to its ARO and a related environmental liability related to future ash pond and landfill closure costs of \$131 million, which resulted in an \$81 million (\$60 million after-tax) charge recorded in other operations and maintenance expense in its Consolidated Statement of Income, a \$46 million increase in property, plant and equipment associated with asset retirement costs and a \$4 million increase in regulatory assets.

In March 2019, the Governor of Virginia signed into law legislation which requires any CCR unit located at Virginia Power's Bremono, Chesapeake, Chesterfield or Possum Point power stations that stop accepting CCR prior to July 2019 be closed by removing the CCR to an approved landfill or through recycling for beneficial reuse. The legislation further requires that at least 6.8 million cubic yards of CCR be beneficially reused. Costs associated with the closure of these CCR units are recoverable through a rate adjustment clause approved by the Virginia Commission with a revenue requirement that cannot exceed \$225 million in any 12-month period. Associated costs that are allocated to customers outside of Virginia, and not actually recovered from such customers, are recoverable through the Virginia rate adjustment clause. In connection with this legislation, Virginia Power recorded a \$2.4 billion ARO related to the cost of landfills and beneficial reuse, with an offsetting increase to property, plant and equipment of \$1.3 billion for the Chesterfield power station and an increase primarily to regulatory assets for the remaining portion related to the Bremono, Chesapeake and Possum Point power stations during the first quarter of 2019. In addition, Virginia Power revised its estimated cash flows for the existing ARO related to future ash pond and landfill closure costs, which resulted in a decrease of \$202 million and a corresponding \$113 million (\$84 million after-tax) benefit in other operations and maintenance expense in the Consolidated Statement of Income in the first quarter of 2019.

Other Legal Matters

The Companies are defendants in a number of lawsuits and claims involving unrelated incidents of property damage and personal injury. Due to the uncertainty surrounding these matters, the Companies are unable to make an estimate of the potential financial statement impacts; however, they could have a material impact on results of operations, financial condition and/or cash flows.

SCANA LEGAL PROCEEDINGS

The following describes certain legal proceedings involving Dominion Energy, SCANA or DESC relating to events occurring before closing of the SCANA Combination. Dominion Energy intends to vigorously contest the lawsuits, claims and assessments which have been filed or initiated against SCANA and DESC. No reference to, or disclosure of, any proceeding, item or matter described below shall be construed as an admission or indication that such proceeding, item or matter is material. For certain of these matters, and unless otherwise noted therein, Dominion Energy is unable to estimate a reasonable range of possible loss and the related financial statement impacts, but for any such matter there could be a material impact to its results of operations, financial condition and/or cash flows. For the matters for which Dominion Energy is able to reasonably estimate a probable loss, Dominion Energy's Consolidated Balance Sheets include reserves of \$696 million and insurance receivables of \$111 million, included within other receivables at December 31, 2019. Dominion Energy's Consolidated Statements of Income for the year ended December 31, 2019 includes charges of \$641 million (\$480 million after-tax), included within impairment of assets and other charges, included within the Corporate and Other segment.

Ratepayer Class Actions

In May 2018, a consolidated complaint against DESC, SCANA and the State of South Carolina was filed in the State Court of Common Pleas in Hampton County, South Carolina (the DESC Ratepayer Case). In September 2018, the court certified this case as a class action. The plaintiffs allege, among other things, that DESC was negligent and unjustly enriched, breached alleged fiduciary and contractual duties and committed fraud and misrepresentation in failing to properly manage the NND Project, and that DESC committed unfair trade practices and violated state anti-trust laws. The plaintiffs sought a declaratory judgment that DESC may not charge its customers for any past or continuing costs of the NND Project, sought to have SCANA and DESC's assets frozen and all monies recovered from Toshiba Corporation and other sources be placed in a constructive trust for the benefit of ratepayers and sought specific performance of the alleged implied contract to construct the NND Project.

In December 2018, the State Court of Common Pleas in Hampton County entered an order granting preliminary approval of a class action settlement and a stay of pre-trial proceedings in the DESC Ratepayer Case. The settlement agreement, contingent upon the closing of the SCANA Combination, provided that SCANA and DESC would establish an escrow account and proceeds from the escrow account would be distributed to the class members, after payment of certain taxes, attorneys' fees and other expenses and administrative costs. The escrow account would include (1) up to \$2.0 billion, net of a credit of up to \$2.0 billion in future electric bill relief, which would inure to the benefit of the escrow account in favor of class members over a period of time established by the South Carolina Commission in its order related to matters before the South Carolina Commission related to the NND Project, (2) a cash payment of \$115 million and (3) the transfer of certain DESC-owned real estate or sales proceeds from the sale of such properties, which counsel for the DESC Ratepayer Class estimate to have an aggregate value between \$60 million and \$85 million. At the closing of the SCANA Combination, SCANA and DESC funded the cash payment portion of the escrow account. The court held a fairness hearing on the settlement in May 2019. In June 2019, the court entered an order granting final approval of the settlement, which order became effective July 2019. In July 2019, DESC transferred \$117 million representing the cash payment, plus accrued interest, to the plaintiffs. In addition, property, plant and equipment with a net recorded value of \$54 million is in the process of being transferred to the plaintiffs in coordination with the court-appointed real estate trustee to satisfy the settlement agreement.

In September 2017, a purported class action was filed by Santee Cooper ratepayers against Santee Cooper, DESC, Palmetto Electric Cooperative, Inc. and Central Electric Power Cooperative, Inc. in the State Court of Common Pleas in Hampton County, South Carolina (the Santee Cooper Ratepayer Case). The allegations are substantially similar to those in the DESC Ratepayer Case. The plaintiffs seek a declaratory judgment that the defendants may not charge the purported class for reimbursement for past or future costs of the NND Project. In March 2018, the plaintiffs filed an amended complaint including as additional named defendants, including certain then current and former directors of Santee Cooper and SCANA. In June 2018, Santee Cooper filed a Notice of Petition for Original Jurisdiction with the Supreme Court of

South Carolina. In December 2018, Santee Cooper filed its answer to the plaintiffs' fourth amended complaint and filed cross claims against DESC, which was denied. In October 2019, Santee Cooper voluntarily consented to stay its cross claims against DESC pending the outcome of the trial of the underlying case. In November 2019, DESC removed the case to the U.S. District Court for the District of South Carolina. In December 2019, the plaintiffs and Santee Cooper filed a motion to remand the case to state court. In January 2020, the case was remanded to state court. In February 2020, the parties executed a preliminary settlement term sheet relating to this matter as well as the Luquire Case and the Glibowski Case described below. The proposed settlement is expected to be \$520 million, of which Dominion Energy's portion is \$320 million. The parties are currently negotiating a settlement agreement based on the preliminary settlement term sheet that will be presented to the court for preliminary approval. This case is pending.

In July 2019, a similar purported class action was filed by certain Santee Cooper ratepayers against DESC, SCANA, Dominion Energy and former directors and officers of SCANA in the State Court of Common Pleas in Orangeburg, South Carolina (the Luquire Case). In August 2019, DESC, SCANA and Dominion Energy were voluntarily dismissed from the case. The claims are similar to the Santee Cooper Ratepayer Case. In February 2020, the parties executed a preliminary settlement term sheet as described above relating to this matter as well as the Santee Cooper Ratepayer Case and the Glibowski Case. This case is pending.

RICO Class Action

In January 2018, a purported class action was filed, and subsequently amended, against SCANA, DESC and certain former executive officers in the U.S. District Court for the District of South Carolina (the Glibowski Case). The plaintiff alleges, among other things, that SCANA, DESC and the individual defendants participated in an unlawful racketeering enterprise in violation of RICO and conspired to violate RICO by fraudulently inflating utility bills to generate unlawful proceeds. The DESC Ratepayer Class Action settlement described previously contemplates dismissal of claims by DESC ratepayers in this case against DESC, SCANA and their officers. In August 2019, the individual defendants filed motions to dismiss. In February 2020, the parties executed a preliminary settlement term sheet as described above relating to this matter as well as the Santee Cooper Ratepayer Case and the Luquire Case. This case is pending.

SCANA Shareholder Litigation

In September 2017, a purported class action was filed against SCANA and certain former executive officers and directors in the U.S. District Court for the District of South Carolina. Subsequent additional purported class actions were separately filed against all or nearly all of these defendants. In January 2018, the U.S. District Court for the District of South Carolina consolidated these suits, and the plaintiffs filed a consolidated amended complaint in March 2018. The plaintiffs allege, among other things, that the defendants violated §10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, and that the individually named defendants are liable under §20(a) of the same act. In June 2018, the defendants filed motions to dismiss. In March 2019, the U.S. District Court for the District of South Carolina granted in part and denied in part

the defendants' motions to dismiss. In December 2019, the parties executed a settlement agreement pursuant to which SCANA will pay \$192.5 million, up to \$32.5 million of which can be satisfied through the issuance of shares of Dominion Energy common stock, subject to approval by the U.S. District Court for the District of South Carolina. In February 2020, the U.S. District Court for the District of South Carolina granted preliminary approval of the settlement agreement, pending a fairness hearing.

In September 2017, a shareholder derivative action was filed against certain former executive officers and directors of SCANA in the State Court of Common Pleas in Richland County, South Carolina. In September 2018, this action was consolidated with another action in the Business Court Pilot Program in Richland County. The plaintiffs allege, among other things, that the defendants breached their fiduciary duties to shareholders by their gross mismanagement of the NND Project, and that the defendants were unjustly enriched by bonuses they were paid in connection with the project. The defendants have filed a motion to dismiss the consolidated action. In February 2019, one action was voluntarily dismissed. This case is pending.

In January 2018, a purported class action was filed against SCANA, Dominion Energy and certain former executive officers and directors of SCANA in the State Court of Common Pleas in Lexington County, South Carolina (the City of Warren Lawsuit). The plaintiff alleges, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that would unfairly deprive plaintiffs of the true value of their SCANA stock, and that Dominion Energy aided and abetted these actions. Among other remedies, the plaintiff seeks to enjoin and/or rescind the merger. In February 2018, Dominion Energy removed the case to the U.S. District Court for the District of South Carolina, and filed a Motion to Dismiss in March 2018. In June 2018, the case was remanded back to the State Court of Common Pleas in Lexington County. Dominion Energy appealed the decision to remand to the U.S. Court of Appeals for the Fourth Circuit, where the appeal was consolidated with a similar appeal in the Metzler Lawsuit discussed below. In June 2019, the U.S. Court of Appeals for the Fourth Circuit reversed the order remanding the case to state court. The case is pending in the U.S. District Court for the District of South Carolina.

In February 2018, a purported class action was filed against Dominion Energy and certain former directors of SCANA and DESC in the State Court of Common Pleas in Richland County, South Carolina (the Metzler Lawsuit). The allegations made and the relief sought by the plaintiffs are substantially similar to that described for the City of Warren Lawsuit. In February 2018, Dominion Energy removed the case to the U.S. District Court for the District of South Carolina, and filed a Motion to Dismiss in March 2018. In August 2018, the case was remanded back to the State Court of Common Pleas in Richland County. Dominion Energy appealed the decision to remand to the U.S. Court of Appeals for the Fourth Circuit, where the appeal was consolidated with the City of Warren Lawsuit. In June 2019, the U.S. Court of Appeals for the Fourth Circuit reversed the order remanding the case to state court. The case is pending in the U.S. District Court for the District of South Carolina.

In September 2019, the U.S. District Court for the District of South Carolina granted the plaintiffs' motion to consolidate the City of Warren Lawsuit and the Metzler Lawsuit. In October 2019, the plaintiffs filed an amended complaint against certain former directors and executive officers of SCANA and DESC,

which stated substantially similar allegations to those in the City of Warren Lawsuit and the Metzler Lawsuit. In November 2019, the defendants filed a motion to dismiss. This case is pending.

In May 2019, a case was filed against certain former executive officers and directors of SCANA in the State Court of Common Pleas in Richland County, South Carolina. The plaintiffs allege, among other things, that the defendants breached their fiduciary duties to shareholders by their gross mismanagement of the NND Project, were unjustly enriched by the bonuses they were paid in connection with the project and breached their fiduciary duties to secure and obtain the best price for the sale of SCANA. Also in May 2019, the case was removed to the U.S. District Court of South Carolina by the non-South Carolina defendants. In June 2019, the plaintiffs filed a motion to remand the case to state court. In January 2020, the case was remanded to state court. This case is pending.

Employment Class Actions and Indemnification

In August 2017, a case was filed in the U.S. District Court for the District of South Carolina on behalf of persons who were formerly employed at the NND Project. In July 2018, the court certified this case as a class action. In February 2019, certain of these plaintiffs filed an additional case, which case has been dismissed and the plaintiffs have joined the case filed August 2017. The plaintiffs allege, among other things, that SCANA, DESC, Fluor Corporation and Fluor Enterprises, Inc. violated the Worker Adjustment and Retraining Notification Act in connection with the decision to stop construction at the NND Project. The plaintiffs allege that the defendants failed to provide adequate advance written notice of their terminations of employment and are seeking damages, which could be as much as \$100 million for 100% of the NND Project.

In September 2018, a case was filed in the State Court of Common Pleas in Fairfield County, South Carolina by Fluor Enterprises, Inc. and Fluor Daniel Maintenance Services, Inc. against DESC and Santee Cooper. The plaintiffs make claims for indemnification, breach of contract and promissory estoppel arising from, among other things, the defendants' alleged failure and refusal to defend and indemnify the Fluor defendants in the aforementioned case. These cases are pending.

FILOT Litigation and Related Matters

In November 2017, Fairfield County filed a complaint and a motion for temporary injunction against DESC in the State Court of Common Pleas in Fairfield County, South Carolina, making allegations of breach of contract, fraud, negligent misrepresentation, breach of fiduciary duty, breach of implied duty of good faith and fair dealing and unfair trade practices related to DESC's termination of the FILOT agreement between DESC and Fairfield County related to the NND Project. The plaintiff sought a temporary and permanent injunction to prevent DESC from terminating the FILOT agreement. The plaintiff withdrew the motion for temporary injunction in December 2017. This case is pending.

Governmental Proceedings and Investigations

In June 2018, DESC received a notice of proposed assessment of approximately \$410 million, excluding interest, from the SCDOR following its audit of DESC's sales and use tax returns for the periods September 1, 2008 through December 31, 2017. The proposed assessment, which includes 100% of the NND Project, is based on the SCDOR's position that DESC's sales and

use tax exemption for the NND Project does not apply because the facility will not become operational. DESC has protested the proposed assessment, which remains pending.

In September and October 2017, SCANA was served with subpoenas issued by the U.S. Attorney's Office for the District of South Carolina and the Staff of the SEC's Division of Enforcement seeking documents related to the NND Project. In February 2020, the SEC filed a complaint against SCANA, two of its former executive officers and DESC in the U.S. District Court for the District of South Carolina alleging that the defendants violated federal securities laws by making false and misleading statements about the NND Project. In addition, the South Carolina Law Enforcement Division is conducting a criminal investigation into the handling of the NND Project by SCANA and DESC. These matters are pending. SCANA and DESC are cooperating fully with the investigations, including responding to additional subpoenas and document requests; however, Dominion Energy cannot currently predict whether or to what extent SCANA or DESC may incur a material liability.

Other Litigation

In December 2018, arbitration proceedings commenced between DESC and Cameco Corporation related to a supply agreement signed in May 2008. This agreement provides the terms and conditions under which DESC agreed to purchase uranium hexafluoride from Cameco Corporation over a period from 2010 to 2020. Cameco Corporation alleges that DESC violated this agreement by failing to purchase the stated quantities of uranium hexafluoride for the 2017 and 2018 delivery years. DESC denies that it is in breach of the agreement and believes that it has reduced its purchase quantity within the terms of the agreement. This matter is pending.

Abandoned NND Project

DESC, for itself and as agent for Santee Cooper, entered into an engineering, construction and procurement contract with Westinghouse and WECTEC in 2008 for the design and construction of the NND Project, of which DESC's ownership share is 55%. Various difficulties were encountered in connection with the project. The ability of Westinghouse and WECTEC to adhere to established budgets and construction schedules was affected by many variables, including unanticipated difficulties encountered in connection with project engineering and the construction of project components, constrained financial resources of the contractors, regulatory, legal, training and construction processes associated with securing approvals, permits and licenses and necessary amendments to them within projected time frames, the availability of labor and materials at estimated costs and the efficiency of project labor. There were also contractor and supplier performance issues, difficulties in timely meeting critical regulatory requirements, contract disputes, and changes in key contractors or subcontractors. These matters preceded the filing for bankruptcy protection by Westinghouse and WECTEC in March 2017, and were the subject of comprehensive analyses performed by SCANA and Santee Cooper.

Based on the results of SCANA's analysis, and in light of Santee Cooper's decision to suspend construction on the NND Project, in July 2017, SCANA determined to stop the construction of the units and to pursue recovery of costs incurred in connection with the construction under the abandonment provisions of the Base Load

Review Act or through other means. This decision by SCANA became the focus of numerous legislative, regulatory and legal proceedings. Some of these proceedings remain unresolved and are described above.

In September 2017, DESC, for itself and as agent for Santee Cooper, filed with the U.S. Bankruptcy Court for the Southern District of New York Proofs of Claim for unliquidated damages against each of Westinghouse and WECTEC. These Proofs of Claim were based upon the anticipatory repudiation and material breach by Westinghouse and WECTEC of the contract, and assert against Westinghouse and WECTEC any and all claims that are based thereon or that may be related thereto.

Westinghouse's reorganization plan was confirmed by the U.S. Bankruptcy Court for the Southern District of New York and became effective in August 2018. In connection with the effectiveness of the reorganization plan, the contract associated with the NND Project was deemed rejected. DESC is contesting approximately \$285 million of filed liens in Fairfield County, South Carolina. Most of these asserted liens are claims that relate to work performed by Westinghouse subcontractors before the Westinghouse bankruptcy, although some of them are claims arising from work performed after the Westinghouse bankruptcy.

Westinghouse has indicated that some unsecured creditors have sought or may seek amounts beyond what Westinghouse allocated when it submitted its reorganization plan to the U.S. Bankruptcy Court for the Southern District of New York. If any unsecured creditor is successful in its attempt to include its claim as part of the class of general unsecured creditors beyond the amounts in the bankruptcy reorganization plan allocated by Westinghouse, it is possible that the reorganization plan will not provide for payment in full or nearly in full to its pre-petition trade creditors. The shortfall could be significant.

DESC and Santee Cooper were responsible for amounts owed to Westinghouse for valid work performed by Westinghouse subcontractors on the NND Project after the Westinghouse bankruptcy filing until termination of the interim assessment agreement. In December 2019, DESC and Santee Cooper entered into a confidential settlement agreement with W Wind Down Co LLC resolving claims relating to the interim assessment agreement.

Further, some Westinghouse subcontractors who have made claims against Westinghouse in the bankruptcy proceeding also filed against DESC and Santee Cooper in South Carolina state court for damages. Many of these claimants have also asserted construction liens against the NND Project site. DESC also intends to oppose these claims and liens. With respect to claims of Westinghouse subcontractors, DESC believes there were sufficient amounts previously funded during the interim assessment agreement period to pay such validly asserted claims. With respect to the Westinghouse subcontractor claims which relate to other periods, DESC understands that such claims will be paid pursuant to Westinghouse's confirmed bankruptcy reorganization plan. DESC further understands that the amounts paid under the plan may satisfy such claims in full. Therefore, DESC believes that the Westinghouse subcontractors may be paid substantially (and potentially in full) by Westinghouse. While Dominion Energy cannot be assured that it will not have any exposure on account of unpaid Westinghouse subcontractor claims, which DESC is presently disputing, Dominion Energy believes it is unlikely that it will be required to make payments on account of such claims.

APPALACHIAN GATEWAY

Gas Producers Litigation

In connection with the Appalachian Gateway project, Dominion Energy Field Services, Inc. entered into contracts for firm purchase rights with a group of small gas producers. In June 2016, the gas producers filed a complaint in the Circuit Court of Marshall County, West Virginia against Dominion Energy, DETI and Dominion Energy Field Services, Inc., among other defendants, claiming that the contracts are unenforceable and seeking compensatory and punitive damages. During the third quarter of 2016, Dominion Energy, DETI and Dominion Energy Field Services, Inc. were served with the complaint. Also in the third quarter of 2016, Dominion Energy and DETI, with the consent of the other defendants, removed the case to the U.S. District Court for the Northern District of West Virginia. In October 2016, the defendants filed a motion to dismiss and the plaintiffs filed a motion to remand. In February 2017, the U.S. District Court entered an order remanding the matter to the Circuit Court of Marshall County, West Virginia. In March 2017, Dominion Energy was voluntarily dismissed from the case; however, DETI and Dominion Energy Field Services, Inc. remained parties to the matter. In April 2017, the case was transferred to the Business Court Division of West Virginia. In January 2018, the court granted the motion to dismiss filed by the defendants on two counts. In 2019, all claims were settled between Dominion Energy Field Services, Inc. and the gas producers, and all claims against DETI and Dominion Energy Field Services, Inc. were dismissed with no material impact to Dominion Energy or Dominion Energy Gas' results of operations, financial condition or cash flows.

FERC

FERC staff in the Office of Enforcement, Division of Investigations, conducted a non-public investigation of Virginia Power's offers of combustion turbines generators into the PJM day-ahead markets from April 2010 through September 2014. FERC staff notified Virginia Power of its preliminary findings relating to Virginia Power's alleged violation of FERC's rules in connection with these activities. Virginia Power provided its response to FERC staff's preliminary findings letter explaining why Virginia Power's conduct was lawful and refuting any allegation of wrongdoing. In May 2019, FERC issued an order approving an agreement between Virginia Power and FERC staff that settled any and all potential claims relating to the types of activities that were the subject of the investigation, under which Virginia Power neither admits nor denies the alleged violations and paid \$7 million in disgorgement to PJM and a \$7 million penalty to the U.S. Department of the Treasury.

Nuclear Matters

In March 2011, a magnitude 9.0 earthquake and subsequent tsunami caused significant damage at the Fukushima Daiichi nuclear power station in northeast Japan. These events resulted in significant nuclear safety reviews by the NRC and industry groups such as the Institute of Nuclear Power Operations. Like other U.S. nuclear operators, Dominion Energy has gathered supporting data and participated in industry initiatives focused on the ability to respond to and mitigate the consequences of, design-basis and beyond-design-basis events at its stations.

In July 2011, an NRC task force provided initial recommendations based on its review of the Fukushima Daiichi accident and in October 2011 the NRC staff prioritized these recommendations into Tiers 1, 2 and 3. Tier 1 recommendations consisted of actions which the NRC staff determined should be started without unnecessary delay. Tier 2 and 3 items consisted of items which could not be initiated in the near term because of resource restraints, the need for further technical assessment, or were dependent on activities related to the higher priority Tier 1 issues. In December 2011, the NRC Commissioners approved the agency staff's prioritization and recommendations, and that same month an appropriations act directed the NRC to require reevaluation of external hazards (not limited to seismic and flooding hazards) as soon as possible.

Based on the prioritized recommendations, in March 2012, the NRC issued orders and information requests requiring specific reviews and actions to all operating reactor licensees, construction permit holders and combined license holders based on the lessons learned from the Fukushima Daiichi event. The orders applicable to Dominion Energy requiring implementation of safety enhancements related to mitigation strategies for responding to extreme natural events resulting in the loss of power at plants, and enhancing spent fuel pool instrumentation have been implemented. The information requests issued by the NRC requested each reactor licensee to reevaluate the seismic and external flooding hazards at their facility using present-day methods and information, conduct walkdowns of their facility to ensure protection against these hazards in their current design basis, and to reevaluate their emergency communications systems and staffing levels. The walkdowns of each unit have been completed, audited by the NRC and found to be adequate. Reevaluation of the emergency communications systems and staffing levels was completed as part of the effort to comply with the orders. Reevaluation of the seismic hazards is complete and final with NRC acceptance received for all Dominion Energy facilities. Reevaluation of the external flooding hazards is complete for all Dominion Energy facilities. However, NRC acceptance of the external flooding hazards reevaluations for Millstone and Surry have not yet been received. NRC is expected to accept these external flooding hazards analyses in 2020. Dominion Energy and Virginia Power do not currently expect that compliance with the NRC's information requests will materially impact their financial position, results of operations or cash flows during the implementation period. The NRC staff has resolved the Tier 2 and Tier 3 recommendations and no additional future actions on the part of Dominion Energy are anticipated with respect to these recommendations. Therefore, Dominion Energy and Virginia Power do not expect material financial impacts related to compliance with Tier 2 and Tier 3 recommendations.

Nuclear Operations

NUCLEAR DECOMMISSIONING—MINIMUM FINANCIAL ASSURANCE

The NRC requires nuclear power plant owners to annually update minimum financial assurance amounts for the future decommissioning of their nuclear facilities. Decommissioning involves the decontamination and removal of radioactive contaminants from a nuclear power station once operations have ceased, in accordance with standards established by the NRC.

The 2019 calculation for the NRC minimum financial assurance amount, aggregated for Dominion Energy and Virginia Power's nuclear units, excluding joint owners' assurance amounts and Millstone Unit 1 and Kewaunee, as those units are in a decommissioning state, was \$2.8 billion and \$1.8 billion, respectively, and has been satisfied by a combination of the funds being collected and deposited in the nuclear decommissioning trusts and the real annual rate of return growth of the funds allowed by the NRC. The 2019 NRC minimum financial assurance amounts above were calculated using preliminary December 31, 2019 U.S. Bureau of Labor Statistics indices. Dominion Energy believes that the amounts currently available in its decommissioning trusts and their expected earnings will be sufficient to cover expected decommissioning costs for the Millstone and Kewaunee units. Virginia Power also believes that the decommissioning funds and their expected earnings for the Surry and North Anna units will be sufficient to cover decommissioning costs, particularly when combined with future ratepayer collections and contributions to these decommissioning trusts, if such future collections and contributions are required. This reflects a positive long-term outlook for trust fund investment returns as the decommissioning of the units will not be complete for decades. Dominion Energy and Virginia Power will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirement, which may include, if needed, the use of parent company guarantees, surety bonding or other financial instruments recognized by the NRC. See Note 9 for additional information on nuclear decommissioning trust investments.

NUCLEAR INSURANCE

The Price-Anderson Amendments Act of 1988 provides the public up to \$14.1 billion of liability protection on a per site, per nuclear incident basis, via obligations required of owners of nuclear power plants, and allows for an inflationary provision adjustment every five years. During the second quarter of 2019, the total liability protection per nuclear incident available to all participants in the Secondary Financial Protection Program decreased from \$14.1 billion to \$13.9 billion. This decrease does not impact Dominion Energy's responsibility per active unit under the Price-Anderson Amendments Act of 1988. Dominion Energy and Virginia Power have purchased \$450 million of coverage from commercial insurance pools for Millstone, Surry and North Anna with the remainder provided through the mandatory industry retrospective rating plan. In the event of a nuclear incident at any licensed nuclear reactor in the U.S., Dominion Energy and Virginia Power could be assessed up to \$138 million for each of their licensed reactors not to exceed \$21 million per year per reactor. There is no limit to the number of incidents for which this retrospective premium can be assessed. The NRC granted an exemption in March 2015 to remove Kewaunee from the Secondary Financial Protection program. This same exemption permitted Dominion Energy to reduce Kewaunee's required level of liability coverage to \$100 million. This reduction was implemented in January 2018, following the removal and storage of the spent nuclear fuel from the spent fuel pool. The current levels of nuclear property insurance coverage for Dominion Energy and Virginia Power's nuclear units are as follows:

| | Coverage |
|--------------------------------------|---------------|
| (billions) | |
| Dominion Energy | |
| Millstone | \$1.70 |
| Kewaunee | 0.05 |
| Summer | 2.75 |
| Virginia Power ⁽¹⁾ | |
| Surry | \$1.70 |
| North Anna | 1.70 |

(1) Surry and North Anna share a blanket property limit of \$200 million.

Dominion Energy and Virginia Power's nuclear property insurance coverage for Millstone, Surry and North Anna exceeds the NRC minimum requirement for nuclear power plant licensees of \$1.06 billion per reactor site. In March 2015, the NRC granted an exemption which allowed Kewaunee to reduce its property insurance limit to \$50 million. This reduction was implemented in January 2018, following the removal and storage of the spent nuclear fuel from the spent fuel pool. This includes coverage for premature decommissioning and functional total loss. The NRC requires that the proceeds from this insurance be used first, to return the reactor to and maintain it in a safe and stable condition and second, to decontaminate the reactor and station site in accordance with a plan approved by the NRC. Nuclear property insurance is provided by NEIL, a mutual insurance company, and is subject to retrospective premium assessments in any policy year in which losses exceed the funds available to the insurance company. Dominion Energy and Virginia Power's maximum retrospective premium assessment for the current policy period is \$81 million and \$50 million, respectively. Based on the severity of the incident, the Board of Directors of the nuclear insurer has the discretion to lower or eliminate the maximum retrospective premium assessment. Dominion Energy and Virginia Power have the financial responsibility for any losses that exceed the limits or for which insurance proceeds are not available because they must first be used for stabilization and decontamination.

Millstone and Virginia Power also purchase accidental outage insurance from NEIL to mitigate certain expenses, including replacement power costs, associated with the prolonged outage of a nuclear unit due to direct physical damage. Under this program, Dominion Energy and Virginia Power are subject to a retrospective premium assessment for any policy year in which losses exceed funds available to NEIL. Dominion Energy and Virginia Power's maximum retrospective premium assessment for the current policy period is \$31 million and \$10 million, respectively.

ODEC, a part owner of North Anna, and Massachusetts Municipal and Green Mountain, part owners of Millstone's Unit 3, are responsible to Dominion Energy and Virginia Power for their share of the nuclear decommissioning obligation and insurance premiums on applicable units, including any retrospective premium assessments and any losses not covered by insurance.

Under Price-Anderson, DESC (for itself and on behalf of Santee-Cooper) maintains agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at Summer. Price-Anderson provides funds up to \$14.0 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of \$450 million by American Nuclear Insurers with the remaining coverage provided by a mandatory program of

deferred premiums that could be assessed, after a nuclear incident, against all owners of commercial nuclear reactors. Each reactor licensee is liable for up to \$138 million per reactor owned for each nuclear incident occurring at any reactor in the U.S., provided that not more than \$21 million of the liability per reactor would be assessed per year. DESC's maximum assessment, based on its two-thirds ownership of Summer, would be \$92 million per incident, but not more than \$14 million per year. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years.

DESC currently maintains insurance policies (for itself and on behalf of Santee Cooper) with NEIL. The policies provide coverage to Summer for property damage and outage costs up to \$2.75 billion resulting from an event of nuclear origin and up to \$2.33 billion resulting from an event of a non-nuclear origin. The NEIL policies in aggregate, are subject to a maximum loss of \$2.75 billion for any single loss occurrence. The NEIL policies permit retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, DESC's portion of the retrospective premium assessment would not exceed \$24 million. DESC currently maintains an excess property insurance policy (for itself and on behalf of Santee Cooper) with the European Mutual Association for Nuclear Insurance. The policy provides coverage to Summer for property damage and outage costs up to \$415 million resulting from an event of a non-nuclear origin. The European Mutual Association for Nuclear Insurance policy permits retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, DESC's portion of the retrospective premium assessment would not exceed \$2 million.

To the extent that insurable claims for property damage, decontamination, repair and replacement and other costs and expenses arising from an incident at Summer exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that DESC's rates would not recover the cost of any purchased replacement power, DESC will retain the risk of loss as a self-insurer. DESC has no reason to anticipate a serious nuclear or other incident. However, if such an incident were to occur, it likely would have a material impact on DESC's results of operations, cash flows and financial position.

SPENT NUCLEAR FUEL

Dominion Energy and Virginia Power entered into contracts with the DOE for the disposal of spent nuclear fuel under provisions of the Nuclear Waste Policy Act of 1982. The DOE failed to begin accepting the spent fuel on January 31, 1998, the date provided by the Nuclear Waste Policy Act and by Dominion Energy and Virginia Power's contracts with the DOE. Dominion Energy and Virginia Power have previously received damages award payments and settlement payments related to these contracts.

By mutual agreement of the parties, the settlement agreements are extendable to provide for resolution of damages incurred after 2013. The settlement agreements for the Surry, North Anna and Millstone nuclear power stations have been extended to provide for periodic payments for damages incurred through December 31, 2019, and additional extensions are contemplated by the settlement agreements. A similar agreement for Summer extends until the DOE has accepted the same amount of spent fuel from the

facility as if it has fully performed its contractual obligations. In June 2018, a lawsuit for Kewaunee was filed in the U.S. Court of Federal Claims for recovery of spent nuclear fuel storage costs incurred for the period January 1, 2014 through December 31, 2017. In March 2019, Dominion Energy amended its filing for recovery of spent nuclear fuel storage to include costs incurred for the year ended December 31, 2018. This matter is pending.

In 2019, Virginia Power received payments of \$15 million for resolution of claims incurred at North Anna and Surry for the period of January 1, 2017 through December 31, 2017 and \$11 million for resolution of claims incurred at Millstone for the period of July 1, 2017 through June 30, 2018. In 2019, Dominion Energy received payment of \$3 million for resolution of its share of claims incurred at Summer for the period of January 1, 2018 through December 31, 2018.

In 2018, Virginia Power and Dominion Energy received payments of \$16 million for resolution of claims incurred at North Anna and Surry for the period of January 1, 2016 through December 31, 2016, and \$13 million for resolution of claims incurred at Millstone for the period of July 1, 2016 through June 30, 2017.

In 2017, Virginia Power and Dominion Energy received payments of \$22 million for resolution of claims incurred at North Anna and Surry for the period of January 1, 2015 through December 31, 2015, and \$14 million for resolution of claims incurred at Millstone for the period of July 1, 2015 through June 30, 2016.

Dominion Energy and Virginia Power continue to recognize receivables for certain spent nuclear fuel-related costs that they believe are probable of recovery from the DOE. Dominion Energy's receivables for spent nuclear fuel-related costs totaled \$52 million and \$49 million at December 31, 2019 and 2018, respectively. Virginia Power's receivables for spent nuclear fuel-related costs totaled \$35 million and \$30 million at December 31, 2019 and 2018, respectively.

Dominion Energy and Virginia Power will continue to manage their spent fuel until it is accepted by the DOE.

Long-Term Purchase Agreements

At December 31, 2019, Dominion Energy had the following long-term commitments that are noncancelable or are cancelable only under certain conditions, and that a third party has used to secure financing for the facility that will provide the contracted goods or services:

| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|--|------|------|------|------|------|------------|-------|
| (millions) | | | | | | | |
| Purchased electric capacity ⁽¹⁾ | \$45 | \$44 | \$44 | \$44 | \$44 | \$494 | \$715 |

(1) Commitments represent estimated amounts payable for energy under power purchase contracts with qualifying facilities which expire at various dates through 2046. Energy payments are generally based on fixed dollar amounts per month and totaled \$29 million for the year ended December 31, 2019.

Guarantees, Surety Bonds and Letters of Credit

In October 2017, Dominion Energy entered into a guarantee agreement to support a portion of Atlantic Coast Pipeline's obligation under a \$3.4 billion revolving credit facility with a

stated maturity date of October 2021. Dominion Energy's maximum potential loss exposure under the terms of the guarantee is limited to 48% of the outstanding borrowings under the revolving credit facility, an equal percentage to Dominion Energy's ownership in Atlantic Coast Pipeline. As of December 31, 2019, Atlantic Coast Pipeline has borrowed \$1.8 billion against the revolving credit facility and borrowed an additional \$27 million in January and February 2020. Dominion Energy's Consolidated Balance Sheet includes a liability of \$14 million and \$21 million associated with this guarantee agreement at December 31, 2019 and 2018, respectively.

In addition, at December 31, 2019, Dominion Energy had issued an additional \$27 million of guarantees, primarily to support other equity method investees. No amounts related to the other guarantees have been recorded.

Dominion Energy also enters into guarantee arrangements on behalf of its consolidated subsidiaries, primarily to facilitate their commercial transactions with third parties. If any of these subsidiaries fail to perform or pay under the contracts and the counterparties seek performance or payment, Dominion Energy would be obligated to satisfy such obligation. To the extent that a liability subject to a guarantee has been incurred by one of Dominion Energy's consolidated subsidiaries, that liability is included in the Consolidated Financial Statements. Dominion Energy is not required to recognize liabilities for guarantees issued on behalf of its subsidiaries unless it becomes probable that it will have to perform under the guarantees. Terms of the guarantees typically end once obligations have been paid. Dominion Energy currently believes it is unlikely that it would be required to perform or otherwise incur any losses associated with guarantees of its subsidiaries' obligations.

At December 31, 2019, Dominion Energy had issued the following subsidiary guarantees:

| | Maximum Exposure |
|---------------------------------------|------------------|
| (millions) | |
| Commodity transactions ⁽¹⁾ | \$ 2,215 |
| Nuclear obligations ⁽²⁾ | 182 |
| Cove Point ⁽³⁾ | 1,900 |
| Solar ⁽⁴⁾ | 477 |
| Other ⁽⁵⁾ | 377 |
| Total ⁽⁶⁾ | \$ 5,151 |

(1) Guarantees related to commodity commitments of certain subsidiaries. These guarantees were provided to counterparties in order to facilitate physical and financial transaction related commodities and services.

(2) Guarantees primarily related to certain DGI subsidiaries' regarding all aspects of running a nuclear facility.

(3) Guarantees related to Cove Point, in support of terminal services, transportation and construction. Cove Point has two guarantees that have no maximum limit and, therefore, are not included in this amount.

(4) Includes guarantees to facilitate the development of solar projects. Also includes guarantees entered into by DGI on behalf of certain subsidiaries to facilitate the acquisition and development of solar projects.

(5) Guarantees related to other miscellaneous contractual obligations such as leases, environmental obligations, construction projects and insurance programs. Due to the uncertainty of worker's compensation claims, the parental guarantee has no stated limit.

(6) Excludes Dominion Energy's guarantees for the new corporate office properties discussed further within Note 15.

Additionally, at December 31, 2019, Dominion Energy had purchased \$163 million of surety bonds, including \$77 million at Virginia Power and \$26 million at Dominion Energy Gas, and

authorized the issuance of letters of credit by financial institutions of \$89 million to facilitate commercial transactions by its subsidiaries with third parties. Under the terms of surety bonds, the Companies are obligated to indemnify the respective surety bond company for any amounts paid.

Indemnifications

As part of commercial contract negotiations in the normal course of business, the Companies may sometimes agree to make payments to compensate or indemnify other parties for possible future unfavorable financial consequences resulting from specified events. The specified events may involve an adverse judgment in a lawsuit or the imposition of additional taxes due to a change in tax law or interpretation of the tax law. The Companies are unable to develop an estimate of the maximum potential amount of any other future payments under these contracts because events that would obligate them have not yet occurred or, if any such event has occurred, they have not been notified of its occurrence. However, at December 31, 2019, the Companies believe any other future payments, if any, that could ultimately become payable under these contract provisions, would not have a material impact on their results of operations, cash flows or financial position.

NOTE 24. CREDIT RISK

DOMINION ENERGY

As a diversified energy company, Dominion Energy transacts primarily with major companies in the energy industry and with commercial and residential energy consumers. These transactions principally occur in the Northeast, mid-Atlantic, Midwest and Rocky Mountain and Southeast regions of the U.S. Dominion Energy does not believe that this geographic concentration contributes significantly to its overall exposure to credit risk. In addition, as a result of its large and diverse customer base, Dominion Energy is not exposed to a significant concentration of credit risk for receivables arising from electric and gas utility operations.

Dominion Energy's exposure to credit risk is concentrated primarily within its energy marketing and price risk management activities, as Dominion Energy transacts with a smaller, less diverse group of counterparties and transactions may involve large notional volumes and potentially volatile commodity prices. Energy marketing and price risk management activities include marketing of merchant generation output, structured transactions and the use of financial contracts for enterprise-wide hedging purposes. Gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights. Gross credit exposure is calculated prior to the application of any collateral. At December 31, 2019, Dominion Energy's credit exposure totaled \$233 million. Of this amount, investment grade counterparties, including those internally rated, represented 88%, and no single counterparty, whether investment grade or non-investment grade, exceeded \$61 million of exposure.

VIRGINIA POWER

Virginia Power sells electricity and provides distribution and transmission services to customers in Virginia and northeastern North Carolina. Management believes that this geographic concentration risk is mitigated by the diversity of Virginia Power's

customer base, which includes residential, commercial and industrial customers, as well as rural electric cooperatives and municipalities. Credit risk associated with trade accounts receivable from energy consumers is limited due to the large number of customers. Virginia Power's exposure to potential concentrations of credit risk results primarily from sales to wholesale customers. Virginia Power's gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights. Gross credit exposure is calculated prior to the application of collateral. At December 31, 2019, Virginia Power's credit exposure totaled \$71 million. Of this amount, investment grade counterparties, including those internally rated, represented 96%, and no single counterparty exceeded \$61 million of exposure.

DOMINION ENERGY GAS

Dominion Energy Gas transacts mainly with major companies in the energy industry. These transactions principally occur in the eastern and Rocky Mountain regions of the U.S. Dominion Energy Gas does not believe that this geographic concentration contributes to its overall exposure to credit risk. In addition, as a result of its large and diverse customer base, Dominion Energy Gas is not exposed to a significant concentration of credit risk for receivables arising from its regulated operations. Dominion Energy Gas' gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights. Gross credit exposure is calculated prior to the application of collateral. At December 31, 2019, Dominion Energy Gas' credit exposure totaled \$46 million. Of this amount, investment grade counterparties, including those internally rated, represented 81%, and no single counterparty, whether investment grade or non-investment grade, exceeded \$9 million of exposure.

Upon the Liquefaction Facility commencing commercial operations in April 2018, the majority of Cove Point's revenue and earnings are expected to be generated from annual reservation payments under certain terminalling, storage and transportation contracts with the Export Customers. If such agreements were terminated and Cove Point was unable to replace such agreements on comparable terms, there could be a material impact on results of operations, financial condition and/or cash flows.

The Export Customers comprised approximately 34% and 32% of Dominion Energy Gas' operating revenues for the years ended December 31, 2019 and 2018, respectively, with Dominion Energy Gas' largest customer representing approximately 17% and 12% of such amounts.

In 2019, DETI provided service to 296 customers with approximately 98% of its storage and transportation revenue being provided through firm services. The ten largest customers provided approximately 38% of the total storage and transportation revenue and the thirty largest provided approximately 72% of the total storage and transportation revenue.

Credit-Related Contingent Provisions

The majority of Dominion Energy's derivative instruments contain credit-related contingent provisions. These provisions require Dominion Energy to provide collateral upon the occurrence of specific events, primarily a credit rating downgrade. If the credit-related contingent features underlying these instruments that are in a liability position and not fully collateralized with cash were

fully triggered as of December 31, 2019 and 2018, Dominion Energy would have been required to post an additional \$10 million and \$1 million, respectively, of collateral to its counterparties. The collateral that would be required to be posted includes the impacts of any offsetting asset positions and any amounts already posted for derivatives, non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. Dominion Energy had posted no collateral at December 31, 2019 and 2018, related to derivatives with credit-related contingent provisions that are in a liability position and not fully collateralized with cash. The aggregate fair value of all derivative instruments with credit-related contingent provisions that are in a liability position and not fully collateralized with cash as of December 31, 2019 and 2018 was \$10 million and \$1 million, respectively, which does not include the impact of any offsetting asset positions.

If the credit-related contingent features underlying these instruments that are in a liability position and not fully collateralized with cash were fully triggered as of December 31, 2019, Virginia Power would have been required to post an additional \$8 million of collateral to its counterparties. Credit-related contingent provisions for Virginia Power were not material as of December 31, 2018.

Credit-related contingent provisions for Dominion Energy Gas were not material as of December 31, 2019 and 2018.

See Note 7 for further information about derivative instruments.

NOTE 25. RELATED-PARTY TRANSACTIONS

Virginia Power and Dominion Energy Gas engage in related party transactions primarily with other Dominion Energy subsidiaries (affiliates). Virginia Power and Dominion Energy Gas' receivable and payable balances with affiliates are settled based on contractual terms or on a monthly basis, depending on the nature of the underlying transactions. Virginia Power and Dominion Energy Gas are included in Dominion Energy's consolidated federal income tax return and, where applicable, combined income tax returns for Dominion Energy are filed in various states. See Note 2 for further information. Dominion Energy's transactions with equity method investments are described in Note 9. A discussion of significant related party transactions follows.

VIRGINIA POWER

TRANSACTIONS WITH AFFILIATES

Virginia Power transacts with affiliates for certain quantities of natural gas and other commodities in the ordinary course of business. Virginia Power also enters into certain commodity derivative contracts with affiliates. Virginia Power uses these contracts, which are principally comprised of forward commodity purchases, to manage commodity price risks associated with purchases of natural gas. See Notes 7 and 19 for more information. As of December 31, 2019, Virginia Power's derivative assets and liabilities with affiliates were \$3 million and \$53 million, respectively. As of December 31, 2018, Virginia Power's derivative assets and liabilities with affiliates were \$26 million and \$10 million, respectively.

Virginia Power participates in certain Dominion Energy benefit plans as described in Note 22. At December 31, 2019 and 2018, Virginia Power's amounts due to Dominion Energy associated with the Dominion Energy Pension Plan and

reflected in noncurrent pension and other postretirement benefit liabilities in the Consolidated Balance Sheets were \$782 million and \$632 million, respectively. At December 31, 2019 and 2018, Virginia Power's amounts due from Dominion Energy associated with the Dominion Energy Retiree Health and Welfare Plan and reflected in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were \$287 million and \$254 million, respectively.

DES and other affiliates provide accounting, legal, finance and certain administrative and technical services to Virginia Power. In addition, Virginia Power provides certain services to affiliates, including charges for facilities and equipment usage.

The financial statements for all years presented include costs for certain general, administrative and corporate expenses assigned by DES to Virginia Power on the basis of direct and allocated methods in accordance with Virginia Power's services agreements with DES. Where costs incurred cannot be determined by specific identification, the costs are allocated based on the proportional level of effort devoted by DES resources that is attributable to the entity, determined by reference to number of employees, salaries and wages and other similar measures for the relevant DES service. Management believes the assumptions and methodologies underlying the allocation of general corporate overhead expenses are reasonable.

Presented below are significant transactions with DES and other affiliates:

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|--|-------|-------|-------|
| Commodity purchases from affiliates | \$690 | \$930 | \$674 |
| Services provided by affiliates ⁽¹⁾ | 503 | 450 | 453 |
| Services provided to affiliates | 24 | 24 | 25 |

(1) Includes capitalized expenditures of \$133 million, \$145 million and \$144 million for the year ended December 31, 2019, 2018 and 2017, respectively.

Virginia Power has borrowed funds from Dominion Energy under short-term borrowing arrangements. There were \$107 million and \$224 million in short-term demand note borrowings from Dominion Energy as of December 31, 2019 and 2018, respectively. The weighted-average interest rate of these borrowings was 3.22% and 2.94% at December 31, 2019 and 2018, respectively. Virginia Power had no outstanding borrowings, net of repayments under the Dominion Energy money pool for its nonregulated subsidiaries as of December 31, 2019 and 2018. Interest charges related to Virginia Power's borrowings from Dominion Energy were immaterial for the years ended December 31, 2019, 2018 and 2017.

There were no issuances of Virginia Power's common stock to Dominion Energy in 2019, 2018 or 2017.

DOMINION ENERGY GAS

TRANSACTIONS WITH RELATED PARTIES

Dominion Energy Gas transacts with affiliates for certain quantities of natural gas and other commodities at market prices in the ordinary course of business. Additionally, Dominion Energy Gas provides transportation and storage services to affiliates. Dominion Energy Gas also enters into certain other contracts with affiliates, and related parties, including construction services, which are presented separately from contracts involving commodities or services. As of December 31, 2019 and 2018, Dominion Energy Gas did not

have any commodity derivative assets and liabilities. See Notes 7 and 20 for more information. See Note 9 for information regarding transactions with an affiliate. See Note 3 for information regarding the Dominion Energy Gas Restructuring, an affiliated transaction.

Dominion Energy Gas participates in certain Dominion Energy benefit plans as described in Note 22. At December 31, 2019 and 2018, Dominion Energy Gas' amounts due from Dominion Energy associated with the Dominion Energy Pension Plan and reflected in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were \$326 million and \$319 million, respectively. Dominion Energy Gas' amounts due from Dominion Energy associated with the Dominion Energy Retiree Health and Welfare Plan and reflected in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were \$17 million and \$13 million at December 31, 2019 and 2018, respectively.

DES, DECGS, DEQPS and other affiliates provide accounting, legal, finance and certain administrative and technical services to Dominion Energy Gas. Dominion Energy Gas provides certain services to related parties, including technical services.

The financial statements for all years presented include costs for certain general, administrative and corporate expenses assigned by DES, DECGS and DEQPS to Dominion Energy Gas on the basis of direct and allocated methods in accordance with Dominion Energy Gas' services agreements with DES, DECGS and DEQPS. Where costs incurred cannot be determined by specific identification, the costs are allocated based on the proportional level of effort devoted by DES, DECGS and DEQPS resources that is attributable to the entity, determined by reference to number of employees, salaries and wages and other similar measures for the relevant DES service. Management believes the assumptions and methodologies underlying the allocation of general corporate overhead expenses are reasonable. The costs of these services follow:

| Year Ended December 31, (millions) | 2019 | 2018 | 2017 |
|--|--------|--------|--------|
| Sales of natural gas and transportation and storage services | \$ 249 | \$ 168 | \$ 173 |
| Purchases of natural gas and transportation and storage services | 12 | — | 10 |
| Services provided by related parties ⁽¹⁾ | 226 | 169 | 193 |
| Services provided to related parties ⁽²⁾ | 164 | 260 | 190 |

(1) Includes capitalized expenditures of \$19 million, \$37 million and \$53 million for the year ended December 31, 2019, 2018 and 2017, respectively.

(2) Amounts primarily attributable to Atlantic Coast Pipeline, a related party VIE.

The following table presents affiliated and related party balances reflected in Dominion Energy Gas' Consolidated Balance Sheets:

| At December 31, (millions) | 2019 | 2018 |
|---|------|-------|
| Other receivables ⁽¹⁾ | \$ 7 | \$ 13 |
| Imbalances receivable from affiliates | 8 | 16 |
| Imbalances payable from affiliates ⁽²⁾ | 1 | 4 |
| Other deferred charges and other assets | 12 | — |

(1) Represents amounts due from Atlantic Coast Pipeline, a related party VIE.

(2) Amounts are presented in other current liabilities in Dominion Energy Gas' Consolidated Balance Sheets.

Affiliated receivables at December 31, 2019 and December 31, 2018 included \$22 million and \$7 million of accrued unbilled revenue, respectively. This revenue is based on estimated amounts of services provided but not yet billed to various affiliates.

Affiliated notes receivable from East Ohio and DGP borrowings under an IRCA with Dominion Energy Gas were \$704 million at December 31, 2018. Interest income on the IRCAs was \$14 million, \$15 million and \$5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

In 2016, DMLPHCII issued a five-year \$15.0 million promissory note to Dominion Energy. The interest rate is a fixed 2.75% per annum. Interest income earned on the promissory note was immaterial for the years ended December 31, 2019, 2018 and 2017.

In 2018, in connection with the closing of a \$3.0 billion term loan, Cove Point loaned Dominion Energy \$3.0 billion in exchange for a promissory note. The promissory note had an annual interest rate of 3.6% which was payable quarterly and was scheduled to mature in 2021. Interest income related to Dominion Energy's borrowing was \$82 million and \$21 million for the years ended December 31, 2019 and December 31, 2018, respectively, presented in other income in the Consolidated Statements of Income and accrued interest was immaterial at December 31, 2018, presented in affiliated receivables in the Consolidated Balance Sheets. In September 2019, Dominion Energy repaid the promissory note to Cove Point and the proceeds were used by Cove Point to repay its \$3.0 billion term loan.

In November 2019, Dominion Energy Gas issued a five-year promissory note to Dominion Energy under which it may lend up to \$3.0 billion. Dominion Energy Gas' affiliated notes receivable from Dominion Energy totaled \$1.8 billion at December 31, 2019. The promissory note has a fixed annual interest rate of 2.5% payable quarterly. Interest income on the promissory note was \$5 million for the year ended December 31, 2019.

At December 31, 2019 and 2018, Dominion Energy Gas' affiliated notes receivable from East Ohio totaled \$1.7 billion and \$1.4 billion, respectively. These promissory notes have fixed annual interest rates between 3.67% to 4.90% which are payable semi-annually. Interest income on these promissory notes was \$72 million for the year ended December 31, 2019 and \$64 million for both the years ended December 31, 2018 and 2017.

Dominion Energy Gas' borrowings under the IRCA with Dominion Energy totaled \$251 million and \$218 million as of December 31, 2019 and 2018, respectively. The weighted-average interest rate of these borrowings was 2.02% and 2.78% at December 31, 2019 and 2018, respectively. Interest charges related to Dominion Energy Gas' total borrowings from Dominion Energy were \$3 million for December 31, 2019 and less than \$1 million for December 31, 2018 and 2017, respectively.

DCP had borrowings under an IRCA with Dominion Energy of \$2.8 billion at December 31, 2018. The weighted-average interest rate for these borrowings was 3.43% at December 31, 2018. In October 2019, DCP repaid the outstanding balance and accrued interest utilizing funds from a capital contribution from Dominion Energy. Interest charges related to DCP's total borrowings from Dominion Energy totaled \$94 million, \$96 million and \$82 million for the years ended December 31, 2019, 2018 and 2017, respectively.

In addition, DCP had borrowings of \$9 million and \$57 million with DES as of December 31, 2019 and 2018 respectively. The weighted-average interest rate for these borrowings was 3.85% and 3.45% at December 31, 2019 and 2018, respectively. Interest related to DCP's total borrowings from DES totaled \$3 million, \$1 million and less than \$1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

DMLPHCII had borrowings under an IRCA with Dominion Energy of \$22 million December 31, 2018. The weighted-average interest rate for these borrowings was 3.43% at December 31, 2018. In October 2019, DMLPHCII repaid the outstanding balance and accrued interest utilizing funds from a capital contribution from Dominion Energy. Interest charges related to DMLPHCII's total borrowings from Dominion Energy were less than \$1 million for each of the years ended December 31, 2019, 2018 and 2017.

In the first quarter of 2019, Dominion Energy Midstream borrowed \$395 million from Dominion Energy under a \$400 million promissory note with Dominion Energy that was scheduled to mature in 2022. The interest rate was fixed 3.5% per annum. In October 2019, Dominion Energy Midstream repaid the outstanding balance and accrued interest utilizing funds from a capital contribution from Dominion Energy. Interest charges of \$10 million were incurred for the year ended December 31, 2019.

For the periods ending December 31, 2019, 2018 and 2017, Dominion Energy Gas, including entities acquired in the Dominion Energy Gas Restructuring, distributed \$603 million, \$230 million and \$239 million to Dominion Energy, respectively.

NOTE 26. OPERATING SEGMENTS

The Companies are organized primarily on the basis of products and services sold in the U.S. A description of the operations included in the Companies' primary operating segments is as follows:

| Primary Operating Segment | Description of Operations | Dominion Energy | Virginia Power | Dominion Energy Gas |
|--------------------------------|---|-----------------|----------------|---------------------|
| Dominion Energy Virginia | | X | X | |
| | Regulated electric distribution | | | |
| | Regulated electric transmission | X | X | |
| | Regulated electric generation fleet ⁽¹⁾ | X | X | |
| Gas | | X | | X |
| Transmission & Storage | | | | |
| | Regulated gas transmission and storage ⁽²⁾ | | | |
| | LNG terminalling and storage | X | | X |
| | Nonregulated retail energy marketing | X | | |
| Gas Distribution | | | | |
| Dominion Energy South Carolina | | X | | |
| | Regulated gas distribution and storage ⁽³⁾ | X | | |
| | Regulated electric distribution | | | |
| | Regulated electric transmission | X | | |
| | Regulated electric generation fleet | X | | |
| | Regulated gas distribution and storage | X | | |
| Contracted Generation | | X | | |
| | Merchant electric generation fleet | | | |

- (1) Includes Virginia Power's nonjurisdictional generation operations.
 (2) Includes gathering and processing activities.
 (3) Includes Wexpro's natural gas development and production operations.

In addition to the operating segments above, the Companies also report a Corporate and Other segment.

DOMINION ENERGY

The Corporate and Other Segment of Dominion Energy includes its corporate, service companies and other functions (including unallocated debt). In addition, Corporate and Other includes specific items attributable to Dominion Energy's operating segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources.

In 2019, Dominion Energy reported after-tax net expenses of \$2.6 billion in the Corporate and Other segment, with \$2.0 billion of the net expenses attributable to specific items related to its operating segments.

The net expenses for specific items in 2019 primarily related to the impact of the following items:

- A \$1.0 billion (\$756 million after-tax) charge for refunds of amounts previously collected from retail electric customers of DESC for the NND Project, attributable to Dominion Energy South Carolina;
- \$641 million (\$480 million after-tax) of charges associated with litigation acquired in the SCANA Combination, attributable to Dominion Energy South Carolina;
- \$484 million (\$315 million after-tax) of charges for merger and integration-related costs associated with the SCANA Combination, including a \$444 million (\$332 million after-tax) charge related to a voluntary retirement program, attributable to:
 - Dominion Energy Virginia (\$151 million after-tax);
 - Gas Distribution (\$56 million after-tax);
 - Dominion Energy South Carolina (\$75 million after-tax); and
 - Contracted Generation (\$38 million after-tax); partially offset by
 - Gas Transmission & Storage (\$5 million after-tax benefit);
- A \$346 million (\$257 million after-tax) charge related to the early retirement of certain Virginia Power electric generation facilities, attributable to Dominion Energy Virginia;
- A \$194 million tax charge for \$258 million of income tax-related regulatory assets acquired in the SCANA Combination for which Dominion Energy committed to forgo recovery, attributable to Dominion Energy South Carolina;
- A \$160 million (\$119 million after-tax) charge related to Virginia Power's planned early retirement of certain automated meter reading infrastructure, attributable to Dominion Energy Virginia;
- A \$135 million (\$100 million after-tax) charge related to Virginia Power's contract termination with a non-utility generator, attributable to Dominion Energy Virginia;
- A \$114 million (\$86 million after-tax) charge for property, plant and equipment acquired in the SCANA Combination primarily for which Dominion Energy committed to forgo recovery, attributable to Dominion Energy South Carolina; partially offset by

- A \$553 million (\$411 million after-tax) net gain related to investments in nuclear decommissioning trust funds attributable to:
 - Dominion Energy Virginia (\$49 million after-tax); and
 - Contracted Generation (\$362 million after-tax); and
- A \$113 million (\$84 million after-tax) benefit from the revision of future ash pond and landfill closure costs as a result of Virginia legislation enacted in March 2019, attributable to Dominion Energy Virginia.

In 2018, Dominion Energy reported after-tax net expenses of \$611 million in the Corporate and Other segment, with \$88 million of the net expenses attributable to specific items related to its operating segments.

The net expenses for specific items in 2018 primarily related to the impact of the following items:

- A \$219 million (\$164 million after-tax) charge related to the impairment of certain gathering and processing assets attributable to Gas Transmission & Storage;
- A \$215 million (\$160 million after-tax) charge associated with Virginia legislation enacted in March 2018 that requires one-time rate credits of certain amounts to utility customers, attributable to Dominion Energy Virginia;
- A \$170 million (\$134 million after-tax) net loss related to our investments in nuclear decommissioning trust funds attributable to:
 - Dominion Energy Virginia (\$14 million after-tax); and
 - Contracted Generation (\$120 million after-tax);
- A \$124 million (\$88 million after-tax) charge for disallowance of FERC-regulated plant attributable to Gas Transmission & Storage;
- An \$81 million (\$60 million after-tax) charge associated primarily with the asset retirement obligations for ash ponds and landfills at certain utility generation facilities in connection with the enactment of Virginia legislation in April 2018 attributable to Dominion Energy Virginia; and
- A \$70 million (\$52 million after-tax) charge associated with major storm damage and service restoration attributable to Dominion Energy Virginia; partially offset by
- An \$828 million (\$619 million after-tax) benefit associated with the sale of certain merchant generation facilities and equity method investments attributable to:
 - Contracted Generation (\$229 million after-tax); and
 - Gas Transmission & Storage (\$390 million after-tax).

In 2017, Dominion Energy reported after-tax net benefits of \$377 million in the Corporate and Other segment, with \$861 million of the net benefits attributable to specific items related to its operating segments.

The net benefits for specific items in 2017 primarily related to the impact of the following items:

- A \$1.0 billion tax benefit resulting from the remeasurement of deferred income taxes as a result of the 2017 Tax Reform Act, primarily attributable to:
 - Dominion Energy Virginia (\$83 million);
 - Gas Transmission & Storage (\$302 million);
 - Gas Distribution (\$56 million);
 - Contracted Generation (\$569 million); partially offset by
- \$158 million (\$96 million after-tax) of charges associated with equity method investments in wind-powered generation facilities, attributable to Contracted Generation.

The following table presents segment information pertaining to Dominion Energy's operations:

| Year Ended December 31, (millions) | Dominion Energy Virginia | Gas Transmission & Storage | Gas Distribution | Dominion Energy South Carolina | Contracted Generation | Corporate and Other | Adjustments & Eliminations | Consolidated Total |
|---|--------------------------------|----------------------------------|---------------------|---|--------------------------|------------------------|-------------------------------|-----------------------|
| 2019 | | | | | | | | |
| Total revenue from external customers | \$8,170 | \$3,074 | \$2,367 | \$2,948 | \$1,135 | \$(1,122) | \$ — | \$16,572 |
| Intersegment revenue | (13) | 247 | 18 | 4 | 15 | 1,199 | (1,470) | — |
| Total operating revenue | 8,157 | 3,321 | 2,385 | 2,952 | 1,150 | 77 | (1,470) | 16,572 |
| Depreciation, depletion and amortization | 1,216 | 400 | 335 | 452 | 179 | 73 | — | 2,655 |
| Equity in earnings of equity method investees | — | 161 | 2 | (4) | (1) | 10 | — | 168 |
| Interest income | 11 | 211 | 4 | 9 | 92 | 160 | (386) | 101 |
| Interest and related charges | 530 | 405 | 116 | 242 | 98 | 768 | (386) | 1,773 |
| Income tax expense (benefit) | 482 | 262 | 114 | 163 | 20 | (690) | — | 351 |
| Net income (loss) attributable to Dominion Energy | 1,786 | 934 | 488 | 430 | 276 | (2,556) | — | 1,358 |
| Investment in equity method investees | — | 1,517 | 32 | — | 74 | 23 | — | 1,646 |
| Capital expenditures | 3,002 | 431 | 848 | 562 | 367 | 111 | — | 5,321 |
| Total assets (billions) | 43.7 | 20.9 | 16.0 | 15.8 | 10.2 | 6.9 | (9.7) | 103.8 |
| 2018 | | | | | | | | |
| Total revenue from external customers | \$8,401 | \$1,867 | \$1,769 | \$ — | \$1,487 | \$ (249) | \$ 91 | \$13,366 |
| Intersegment revenue | (552) | 723 | 16 | — | 8 | 723 | (918) | — |
| Total operating revenue | 7,849 | 2,590 | 1,785 | — | 1,495 | 474 | (827) | 13,366 |
| Depreciation, depletion and amortization | 1,158 | 348 | 263 | — | 213 | 18 | — | 2,000 |
| Equity in earnings of equity method investees | — | 178 | — | — | 18 | 1 | — | 197 |
| Interest income | 10 | 143 | — | — | 80 | 122 | (271) | 84 |
| Interest and related charges | 516 | 262 | 79 | — | 124 | 784 | (272) | 1,493 |
| Income tax expense (benefit) | 380 | 236 | 95 | — | 75 | (206) | — | 580 |
| Net income (loss) attributable to Dominion Energy | 1,596 | 844 | 373 | — | 245 | (611) | — | 2,447 |
| Investment in equity method investees | — | 1,159 | — | — | 82 | 37 | — | 1,278 |
| Capital expenditures | 2,640 | 765 | 647 | — | 247 | 106 | — | 4,405 |
| Total assets (billions) | 39.1 | 22.6 | 11.8 | — | 9.0 | 8.3 | (12.9) | 77.9 |
| 2017 | | | | | | | | |
| Total revenue from external customers | \$8,254 | \$1,054 | \$1,778 | \$ — | \$1,345 | \$ (27) | \$ 182 | \$12,586 |
| Intersegment revenue | (688) | 946 | 17 | — | 9 | 724 | (1,008) | — |
| Total operating revenue | 7,566 | 2,000 | 1,795 | — | 1,354 | 697 | (826) | 12,586 |
| Depreciation, depletion and amortization | 1,141 | 260 | 258 | — | 200 | 46 | — | 1,905 |
| Equity in earnings of equity method investees | — | 158 | — | — | (171) | (5) | — | (18) |
| Interest income | 19 | 114 | — | — | 77 | 94 | (222) | 82 |
| Interest and related charges | 497 | 100 | 72 | — | 110 | 648 | (222) | 1,205 |
| Income tax expense (benefit) | 865 | 291 | 195 | — | (160) | (1,221) | — | (30) |
| Net income (loss) attributable to Dominion Energy | 1,466 | 552 | 351 | — | 253 | 377 | — | 2,999 |
| Capital expenditures | 2,726 | 1,489 | 452 | — | 979 | 263 | — | 5,909 |

Intersegment sales and transfers for Dominion Energy are based on contractual arrangements and may result in intersegment profit or loss that is eliminated in consolidation.

VIRGINIA POWER

The Corporate and Other Segment of Virginia Power primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources.

In 2019, Virginia Power reported after-tax net expenses of \$634 million in its Corporate and Other segment with \$627 million of the net expenses attributable to its operating segment.

The net expenses for specific items in 2019 primarily related to the impact of the following items:

- A \$346 million (\$257 million after-tax) charge related to the early retirement of certain electric generation facilities;
- A \$198 million (\$146 million after-tax) charge related to a voluntary retirement program;
- A \$160 million (\$119 million after-tax) charge related to the planned early retirement of certain automated meter reading infrastructure;
- A \$135 million (\$100 million after-tax) charge related to a contract termination with a non-utility generator; and
- A \$62 million (\$46 million after-tax) charge related to the abandonment of a project at an electric generating facility, partially offset by
- A \$113 million (\$84 million after-tax) benefit from the revision of future ash pond and landfill closure costs as a result of Virginia legislation enacted in March 2019.

The following table presents segment information pertaining to Virginia Power's operations:

| Year Ended December 31, (millions) | Dominion Energy Virginia | Corporate and Other | Consolidated Total |
|--|-----------------------------|------------------------|-----------------------|
| 2019 | | | |
| Operating revenue | \$8,137 | \$ (29) | \$8,108 |
| Depreciation and amortization | 1,215 | 8 | 1,223 |
| Interest income | 11 | — | 11 |
| Interest expense (benefit) and related charges | 529 | (5) | 524 |
| Income tax expense (benefit) | 481 | (217) | 264 |
| Net income (loss) | 1,783 | (634) | 1,149 |
| Capital expenditures | 2,981 | — | 2,981 |
| Total assets (billions) | 41.4 | — | 41.4 |
| 2018 | | | |
| Operating revenue | \$7,835 | \$(216) | \$7,619 |
| Depreciation and amortization | 1,157 | (25) | 1,132 |
| Interest income (expense) | 10 | — | 10 |
| Interest expense (benefit) and related charges | 516 | (5) | 511 |
| Income tax expense (benefit) | 378 | (78) | 300 |
| Net income (loss) | 1,594 | (312) | 1,282 |
| Capital expenditures | 2,542 | — | 2,542 |
| Total assets (billions) | 37.0 | (0.1) | 36.9 |
| 2017 | | | |
| Operating revenue | \$7,556 | \$ — | \$7,556 |
| Depreciation and amortization | 1,141 | — | 1,141 |
| Interest income (expense) | 19 | — | 19 |
| Interest expense (benefit) and related charges | 497 | (3) | 494 |
| Income tax expense (benefit) | 868 | (94) | 774 |
| Net income | 1,466 | 74 | 1,540 |
| Capital expenditures | 2,729 | — | 2,729 |

In 2018, Virginia Power reported after-tax net expenses of \$312 million in its Corporate and Other segment, all of which were attributable to its primary operating segment.

The net expenses for specific items in 2018 primarily related to the impact of the following items:

- A \$215 million (\$160 million after-tax) charge associated with Virginia legislation enacted in March 2018 that requires one-time rate credits of certain amounts to utility customers;
- An \$81 million (\$60 million after-tax) charge associated primarily with the asset retirement obligations for ash ponds and landfills at certain utility generation facilities in connection with the enactment of Virginia legislation in April 2018; and
- A \$70 million (\$52 million after-tax) charge associated with major storm damage and service restoration.

In 2017, Virginia Power reported an after-tax net benefit of \$74 million in its Corporate and Other segment, all of which was attributable to its primary operating segment.

The net benefit for specific items in 2017 primarily related to the impact of the following item:

- A \$93 million tax benefit resulting from the remeasurement of deferred income taxes as a result of the 2017 Tax Reform Act.

DOMINION ENERGY GAS

The Corporate and Other Segment of Dominion Energy Gas primarily includes specific items attributable to Dominion Energy Gas' operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources and the effect of certain items recorded at Dominion Energy Gas as a result of Dominion Energy's basis in the net assets contributed. In addition, Corporate and Other includes the net impact of discontinued operations, which are discussed in Note 3.

In 2019, Dominion Energy Gas reported an after-tax net benefit of \$127 million in its Corporate and Other segment, with \$12 million of net expense attributable to its operating segment.

The net expense for specific items in 2019 primarily related to the impact of the following items:

- A \$48 million tax benefit resulting from changes in tax status of certain subsidiaries in connection with the Dominion Energy Gas Restructuring ; and

- A \$42 million (\$31 million after-tax) charge related to a voluntary retirement program.

In 2018, Dominion Energy Gas reported after-tax net expenses of \$90 million in its Corporate and Other segment, with \$107 million of these net expenses attributable to its operating segment.

The net expense for specific items in 2018 primarily related to a \$124 million (\$88 million after-tax) charge for disallowance of FERC-regulated plant.

In 2017, Dominion Energy Gas reported an after-tax net benefit of \$389 million in its Corporate and Other segment, with \$156 million of the net benefit attributable to its operating segment.

The net benefit for specific items in 2017 primarily related to a \$169 million tax benefit resulting from the remeasurement of deferred income taxes as a result of the 2017 Tax Reform Act.

The following table presents segment information pertaining to Dominion Energy Gas' operations:

| Year Ended December 31, (millions) | Gas Transmission & Storage | Corporate and Other | Consolidated Total |
|---|----------------------------------|------------------------|-----------------------|
| 2019 | | | |
| Operating revenue | \$2,186 | \$ (17) | \$2,169 |
| Depreciation and amortization | 367 | — | 367 |
| Equity in earnings of equity method investees | 43 | — | 43 |
| Interest income | 105 | — | 105 |
| Interest and related charges | 309 | 2 | 311 |
| Income tax expense (benefit) | 170 | (69) | 101 |
| Net Income from discontinued operations | — | 141 | 141 |
| Net Income attributable to Dominion Energy Gas | 594 | 127 | 721 |
| Investment in equity method investees | 312 | — | 312 |
| Capital expenditures | 391 | 313 | 704 |
| Total assets (billions) | 18.8 | — | 18.8 |
| 2018 | | | |
| Operating revenue | \$1,996 | \$ — | \$1,996 |
| Depreciation and amortization | 333 | — | 333 |
| Equity in earnings of equity method investees | 54 | — | 54 |
| Interest income | 26 | — | 26 |
| Interest and related charges | 173 | 1 | 174 |
| Income tax expense (benefit) | 226 | (102) | 124 |
| Net Income from discontinued operations | — | 24 | 24 |
| Net Income (loss) attributable to Dominion Energy Gas | 571 | (90) | 481 |
| Investment in equity method investees | 339 | — | 339 |
| Capital expenditures | 749 | 360 | 1,109 |
| Total assets (billions) | 19.9 | 6.9 | 26.8 |
| 2017 | | | |
| Operating revenue | \$1,523 | \$ — | \$1,523 |
| Depreciation and amortization | 242 | — | 242 |
| Equity in earnings of equity method investees | 47 | — | 47 |
| Interest income | 4 | — | 4 |
| Interest and related charges | 60 | — | 60 |
| Income tax expense (benefit) | 189 | (254) | (65) |
| Net Income from discontinued operations | — | 163 | 163 |
| Net Income attributable to Dominion Energy Gas | 314 | 389 | 703 |
| Capital expenditures | 1,459 | 356 | 1,815 |

NOTE 27. QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of the Companies' quarterly results of operations for the years ended December 31, 2019 and 2018 follows. Amounts reflect all adjustments necessary in the opinion of management for a fair statement of the results for the interim periods. Results for interim periods may fluctuate as a result of weather conditions, changes in rates and other factors.

DOMINION ENERGY

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|------------------|-------------------|------------------|-------------------|
| (millions) | | | | |
| 2019 | | | | |
| Operating revenue | \$ 3,858 | \$ 3,970 | \$ 4,269 | \$ 4,475 |
| Income (loss) from operations | (482) | 461 | 1,314 | 1,221 |
| Net income (loss) including noncontrolling interests | (677) | 58 | 985 | 1,010 |
| Net income (loss) attributable to Dominion Energy | (680) | 54 | 975 | 1,009 |
| Basic EPS: | | | | |
| Net income (loss) attributable to Dominion Energy | (0.86) | 0.07 | 1.19 | 1.22 |
| Diluted EPS: | | | | |
| Net income (loss) attributable to Dominion Energy | (0.86) | 0.05 | 1.17 | 1.21 |
| Dividends per share (Series A Preferred Stock) | — | 0.729 | 4.375 | 4.375 |
| Dividends per share (Series B Preferred Stock) | — | — | — | 1.9375 |
| Dividends declared per common share | 0.9175 | 0.9175 | 0.9175 | 0.9175 |
| 2018 | | | | |
| Operating revenue | \$ 3,466 | \$ 3,088 | \$ 3,451 | \$ 3,361 |
| Income from operations | 875 | 742 | 1,150 | 834 |
| Net income including noncontrolling interests | 526 | 478 | 883 | 662 |
| Net income attributable to Dominion Energy | 503 | 449 | 854 | 641 |
| Basic EPS: | | | | |
| Net income attributable to Dominion Energy | 0.77 | 0.69 | 1.31 | 0.97 |
| Diluted EPS: | | | | |
| Net income attributable to Dominion Energy | 0.77 | 0.69 | 1.30 | 0.97 |
| Dividends declared per common share | 0.835 | 0.835 | 0.835 | 0.835 |

Dominion Energy's 2019 results include the impact of the following significant items:

- Fourth quarter results include a \$244 million after-tax charge related to litigation acquired in the SCANA Combination, offset by a \$150 million net gain related to nuclear decommissioning trust funds.

- Second quarter results include a \$316 million after-tax charge related to a voluntary retirement program, a \$100 million after-tax charge related to a contract termination with a non-utility generator and a \$75 million after-tax charge for litigation acquired in the SCANA Combination.
- First quarter results include \$1.3 billion of after-tax merger and integration-related costs related to the SCANA Combination (inclusive of a \$756 million after-tax charge for refunds of amounts previously collected from retail electric customers of DESC for the NND Project, a \$277 million after-tax charge for certain regulatory assets and property, plant and equipment acquired in the SCANA Combination for which Dominion Energy committed to forego recovery and \$134 million after-tax charge for litigation acquired in the SCANA Combination) and a \$409 million after-tax charge for the planned early retirement of certain Virginia Power electric generation facilities and automated metering reading infrastructure, partially offset by \$197 million after-tax net gain related to nuclear decommissioning trust funds and an \$84 million after-tax revision to future ash ponds and landfill closure costs.

Dominion Energy's 2018 results include the impact of the following significant items:

- Fourth quarter results include \$536 million of after-tax gains from the sale of certain merchant generation facilities and equity method investments partially offset by a \$164 million after-tax impairment charge for certain gathering and processing assets.
- Second quarter results include an \$89 million after-tax charge for disallowance of FERC-regulated plant.
- First quarter results include a \$160 million after-tax charge associated with Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers.

VIRGINIA POWER

Virginia Power's quarterly results of operations were as follows:

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|------------------------|------------------|-------------------|------------------|-------------------|
| (millions) | | | | |
| 2019 | | | | |
| Operating revenue | \$ 1,965 | \$ 1,938 | \$ 2,264 | \$ 1,941 |
| Income from operations | 122 | 238 | 820 | 659 |
| Net income | 20 | 100 | 602 | 427 |
| 2018 | | | | |
| Operating revenue | \$ 1,748 | \$ 1,829 | \$ 2,232 | \$ 1,810 |
| Income from operations | 364 | 533 | 756 | 418 |
| Net income | 184 | 339 | 520 | 239 |

Virginia Power's 2019 results include the impact of the following significant item:

- Second quarter results include a \$144 million after-tax charge related to a voluntary retirement program, a \$100 million after-tax charge related to a contract termination with a non-utility generator and a \$47 million after-tax charge for the abandonment of a project at an electric generation facility.
- First quarter results include a \$409 million after-tax charge for the planned early retirement of certain electric generation facilities and automated metering reading infrastructure, partially offset by an \$84 million after-tax revision to future ash ponds and landfill closure costs.

Virginia Power's 2018 results include the impact of the following significant item:

- First quarter results include a \$160 million after-tax charge associated with Virginia legislation enacted in March 2018 that required one-time rate credits of certain amounts to utility customers.

DOMINION ENERGY GAS

Dominion Energy Gas' quarterly results of operations were as follows:

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|------------------|-------------------|------------------|-------------------|
| (millions) | | | | |
| 2019 | | | | |
| Operating revenue | \$566 | \$530 | \$502 | \$571 |
| Income from continuing operations | 247 | 179 | 202 | 276 |
| Net income from continuing operations | 172 | 123 | 130 | 276 |
| Net income from discontinued operations | 54 | 26 | 45 | 16 |
| Net income including noncontrolling interests | 226 | 149 | 175 | 292 |
| Net income attributable to Dominion Energy Gas | 190 | 119 | 151 | 261 |
| 2018 | | | | |
| Operating revenue | \$389 | \$508 | \$533 | \$566 |
| Income from continuing operations | 167 | 90 | 302 | 228 |
| Net income from continuing operations | 157 | 84 | 209 | 182 |
| Net income (loss) from discontinued operations | 56 | 45 | 33 | (110) |
| Net income including noncontrolling interests | 213 | 129 | 242 | 72 |
| Net income attributable to Dominion Energy Gas | 180 | 83 | 191 | 27 |

Dominion Energy Gas's 2019 results include the impact of the following significant items:

- Second quarter results include a \$58 million after-tax charge related to a voluntary retirement program, including \$32 million in discontinued operations.

Dominion Energy Gas's 2018 results include the impact of the following significant items:

- Fourth quarter results include a \$165 million after-tax impairment charge for certain gathering and processing assets, included in discontinued operations.
- Second quarter results include an \$89 million after-tax charge for disallowance of FERC-regulated plant.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

DOMINION ENERGY

Senior management of Dominion Energy, including Dominion Energy's CEO and CFO, evaluated the effectiveness of Dominion Energy's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, Dominion Energy's CEO and CFO have concluded that Dominion Energy's disclosure controls and procedures are effective. There were no changes that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Dominion Energy's internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Dominion Energy understands and accepts responsibility for Dominion Energy's financial statements and related disclosures and the effectiveness of internal control over financial reporting (internal control). Dominion Energy continuously strives to identify opportunities to enhance the effectiveness and efficiency of internal control, just as Dominion Energy does throughout all aspects of its business.

Dominion Energy maintains a system of internal control designed to provide reasonable assurance, at a reasonable cost, that its assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed and recorded in accordance with established procedures. This system includes written policies, an organizational structure designed to ensure appropriate segregation of responsibilities, careful selection and training of qualified personnel and internal audits.

The Audit Committee of the Board of Directors of Dominion Energy, composed entirely of independent directors, meets periodically with the independent registered public accounting firm, the internal auditors and management to discuss auditing, internal control, and financial reporting matters of Dominion Energy and to ensure that each is properly discharging its responsibilities. Both the independent registered public accounting firm and the internal auditors periodically meet alone with the Audit Committee and have free access to the Audit Committee at any time.

SEC rules implementing Section 404 of the Sarbanes-Oxley Act of 2002 require Dominion Energy's 2019 Annual Report to contain a management's report and a report of the independent registered public accounting firm regarding the effectiveness of internal control. As a basis for the report, Dominion Energy tested and evaluated the design and operating effectiveness of internal controls. Based on its assessment as of December 31, 2019, Dominion Energy makes the following assertions:

Management is responsible for establishing and maintaining effective internal control over financial reporting of Dominion Energy.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management evaluated Dominion Energy's internal control over financial reporting as of December 31, 2019. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that Dominion Energy maintained effective internal control over financial reporting as of December 31, 2019.

Dominion Energy's independent registered public accounting firm is engaged to express an opinion on Dominion Energy's internal control over financial reporting, as stated in their report which is included herein.

In January 2019, Dominion Energy acquired SCANA. Dominion Energy excluded all of the acquired SCANA businesses from the scope of management's assessment of the effectiveness of Dominion Energy's internal control over financial reporting as of December 31, 2019. SCANA constituted 19% of Dominion Energy's total revenues for 2019 and 17% of Dominion Energy's total assets as of December 31, 2019.

February 28, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Dominion Energy, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Dominion Energy, Inc. and subsidiaries (“Dominion Energy”) at December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Dominion Energy maintained, in all material respects, effective internal control over financial reporting at December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements at and for the year ended December 31, 2019, of Dominion Energy and our report dated February 28, 2020, expressed an unqualified opinion on those consolidated financial statements.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting the legacy SCANA Corporation businesses (the “SCANA businesses”), which were acquired on January 1, 2019, and which constitute 19% of total revenues and 17% of total assets of the consolidated financial statement amounts at and for the year ended December 31, 2019. Accordingly, our audit did not include the internal control over financial reporting of SCANA businesses.

Basis for Opinion

Dominion Energy’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Dominion Energy’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to Dominion Energy in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 28, 2020

VIRGINIA POWER

Senior management of Virginia Power, including Virginia Power's CEO and CFO, evaluated the effectiveness of Virginia Power's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, Virginia Power's CEO and CFO have concluded that Virginia Power's disclosure controls and procedures are effective. There were no changes that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Virginia Power's internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Virginia Power understands and accepts responsibility for Virginia Power's financial statements and related disclosures and the effectiveness of internal control over financial reporting (internal control). Virginia Power continuously strives to identify opportunities to enhance the effectiveness and efficiency of internal control, just as it does throughout all aspects of its business.

Virginia Power maintains a system of internal control designed to provide reasonable assurance, at a reasonable cost, that its assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed and recorded in accordance with established procedures. This system includes written policies, an organizational structure designed to ensure appropriate segregation of responsibilities, careful selection and training of qualified personnel and internal audits.

The Board of Directors also serves as Virginia Power's Audit Committee and meets periodically with the independent registered public accounting firm, the internal auditors and management to discuss Virginia Power's auditing, internal accounting control and financial reporting matters and to ensure that each is properly discharging its responsibilities.

SEC rules implementing Section 404 of the Sarbanes-Oxley Act require Virginia Power's 2019 Annual Report to contain a management's report regarding the effectiveness of internal control. As a basis for the report, Virginia Power tested and evaluated the design and operating effectiveness of internal controls. Based on the assessment as of December 31, 2019, Virginia Power makes the following assertions:

Management is responsible for establishing and maintaining effective internal control over financial reporting of Virginia Power.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management evaluated Virginia Power's internal control over financial reporting as of December 31, 2019. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that Virginia Power maintained effective internal control over financial reporting as of December 31, 2019.

This annual report does not include an attestation report of Virginia Power's registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by Virginia Power's independent registered public accounting firm pursuant to a permanent exemption under the Dodd-Frank Act.

February 28, 2020

DOMINION ENERGY GAS

Senior management of Dominion Energy Gas, including Dominion Energy Gas' CEO and CFO, evaluated the effectiveness of Dominion Energy Gas' disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, Dominion Energy Gas' CEO and CFO have concluded that Dominion Energy Gas' disclosure controls and procedures are effective. There were no changes that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, Dominion Energy Gas' internal control over financial reporting.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Dominion Energy Gas understands and accepts responsibility for Dominion Energy Gas' financial statements and related disclosures and the effectiveness of internal control over financial reporting (internal control). Dominion Energy Gas continuously strives to identify opportunities to enhance the effectiveness and efficiency of internal control, just as it does throughout all aspects of its business.

Dominion Energy Gas maintains a system of internal control designed to provide reasonable assurance, at a reasonable cost, that its assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed and recorded in accordance with established procedures. This system includes written policies, an organizational structure designed to ensure appropriate segregation of responsibilities, careful selection and training of qualified personnel and internal audits.

The Board of Directors also serves as Dominion Energy Gas' Audit Committee and meets periodically with the independent registered public accounting firm, the internal auditors and management to discuss Dominion Energy Gas' auditing, internal accounting control and financial reporting matters and to ensure that each is properly discharging its responsibilities.

SEC rules implementing Section 404 of the Sarbanes-Oxley Act require Dominion Energy Gas' 2019 Annual Report to contain a management's report regarding the effectiveness of internal control. As a basis for the report, Dominion Energy Gas tested and evaluated the design and operating effectiveness of internal controls. Based on the assessment as of December 31, 2019, Dominion Energy Gas makes the following assertions:

Management is responsible for establishing and maintaining effective internal control over financial reporting of Dominion Energy Gas.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal

controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management evaluated Dominion Energy Gas' internal control over financial reporting as of December 31, 2019. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that Dominion Energy Gas maintained effective internal control over financial reporting as of December 31, 2019.

This annual report does not include an attestation report of Dominion Energy Gas' registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by Dominion Energy Gas' independent registered public accounting firm pursuant to a permanent exemption under the Dodd-Frank Act.

February 28, 2020

Item 9B. Other Information

Explanatory Note: The following information is furnished in this Form 10-K in lieu of being furnished pursuant to Item 2.02 in a Form 8-K. The date of the events reported below was February 28, 2020.

On February 11, 2020, Dominion Energy issued its 4th Quarter 2019 Earnings Release Kit reporting unaudited earnings determined in accordance with GAAP for the year ended December 31, 2019. On February 28, 2020, Dominion Energy issued a revised 4th Quarter 2019 Earnings Release Kit to reflect a reduction in reported earnings for the year ended December 31, 2019. The reduction relates to additional reserves taken for SCANA legal proceedings. The revised Earnings Release Kit reflecting the reduction in earnings is furnished with this Form 10-K as Exhibit 99.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

DOMINION ENERGY

The following information for Dominion Energy is incorporated by reference from the Dominion Energy 2020 Proxy Statement, which will be filed on or around March 26, 2020:

- Information regarding the directors required by this item is found under the heading *Election of Directors* .
- Information regarding compliance with Section 16 of the Securities Exchange Act of 1934, as amended, required by this item is found under the heading *Delinquent Section 16(a) Reports* .
- Information regarding the Dominion Energy Audit Committee Financial expert(s) required by this item is found under the heading *The Committees of the Board—Audit Committee* .
- Information regarding the Dominion Energy Audit Committee required by this item is found under the headings *The Committees of the Board—Audit Committee* and *Audit Committee Report* .
- Information regarding Dominion Energy’s Code of Ethics and Business Conduct required by this item is found under the heading *Other Information — Code of Ethics and Business Conduct* .

The information concerning the executive officers of Dominion Energy required by this item is included in Part I of this Form 10-K under the caption *Information about our Executive Officers* . Each executive officer of Dominion Energy is elected annually.

Item 11. Executive Compensation

DOMINION ENERGY

The following information about Dominion Energy is contained in the 2020 Proxy Statement and is incorporated by reference: the information regarding executive compensation contained under the headings *Compensation Discussion and Analysis* and *Executive Compensation Tables* ; the information regarding Compensation Committee interlocks contained under the heading *Compensation Committee Interlocks and Insider Participation* ; the information regarding the Compensation Committee review and discussions of Compensation Discussion and Analysis contained under the heading *Compensation, Governance and Nominating Committee Report* ; and the information regarding director compensation contained under the heading *Compensation of Non-Employee Directors* .

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

DOMINION ENERGY

The information concerning stock ownership by directors, executive officers and five percent beneficial owners contained under the heading *Securities Ownership* in the 2020 Proxy Statement is incorporated by reference.

The information regarding equity securities of Dominion Energy that are authorized for issuance under its equity compensation plans contained under the heading *Executive Compensation Tables—Equity Compensation Plans* in the 2020 Proxy Statement is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

DOMINION ENERGY

The information regarding related party transactions required by this item found under the heading *Other Information—Certain Relationships and Related Party Transactions*, and information regarding director independence found under the heading *Corporate Governance—Director Independence*, in the 2020 Proxy Statement is incorporated by reference.

Item 14. Principal Accountant Fees and Services

DOMINION ENERGY

The information concerning principal accountant fees and services contained under the heading *Auditor Fees and Pre-Approval Policy* in the 2020 Proxy Statement is incorporated by reference.

VIRGINIA POWER AND DOMINION ENERGY GAS

The following table presents fees paid to Deloitte & Touche LLP for services related to Virginia Power and Dominion Energy Gas for the fiscal years ended December 31, 2019 and 2018.

| Type of Fees (millions) | 2019 | 2018 |
|----------------------------|--------|--------|
| Virginia Power | | |
| Audit fees | \$2.13 | \$1.68 |
| Audit-related fees | — | — |
| Tax fees | — | — |
| All other fees | — | — |
| Total Fees | \$2.13 | \$1.68 |
| Dominion Energy Gas | | |
| Audit fees | \$2.31 | \$0.97 |
| Audit-related fees | 0.26 | 0.26 |
| Tax fees | — | — |
| All other fees | — | — |
| Total Fees | \$2.57 | \$1.23 |

Audit fees represent fees of Deloitte & Touche LLP for the audit of Virginia Power and Dominion Energy Gas' annual consolidated financial statements, the review of financial statements included in Virginia Power and Dominion Energy Gas' quarterly Form 10-Q reports, and the services that an independent auditor would customarily provide in connection with subsidiary audits, statutory requirements, regulatory filings, and similar engagements for the fiscal year, such as comfort letters, attest services, consents, and assistance with review of documents filed with the SEC.

Audit-related fees consist of assurance and related services that are reasonably related to the performance of the audit or review of Virginia Power and Dominion Energy Gas' consolidated financial statements or internal control over financial reporting. This category may include fees related to the performance of audits and attest services not required by statute or regulations, due diligence related to mergers, acquisitions, and investments, and accounting consultations about the application of GAAP to proposed transactions.

Virginia Power and Dominion Energy Gas' Boards of Directors have adopted the Dominion Energy Audit Committee pre-approval policy for their independent auditor's services and fees and have delegated the execution of this policy to the Dominion Energy Audit Committee. In accordance with this delegation, each year the Dominion Energy Audit Committee pre-approves a schedule that details the services to be provided for the following year and an estimated charge for such services. At its December 2019 meeting, the Dominion Energy Audit Committee approved schedules of services and fees for 2020 inclusive of Virginia Power and Dominion Energy Gas. In accordance with the pre-approval policy, any changes to the pre-approved schedule may be pre-approved by the Dominion Energy Audit Committee or a delegated member of the Dominion Energy Audit Committee.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) Certain documents are filed as part of this Form 10-K and are incorporated by reference and found on the pages noted.

1. Financial Statements

See Index on page 69.

2. All schedules are omitted because they are not applicable, or the required information is either not material or is shown in the financial statements or the related notes.

3. Exhibits (incorporated by reference unless otherwise noted)

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|---|-----------------|----------------|---------------------|
| 2.1 | Agreement and Plan of Merger by and among Dominion Energy, Inc., Sedona Corp. and SCANA Corporation, dated as of January 2, 2018 (Exhibit 2.1, Form 8-K filed January 5, 2018, File No. 1-8489). | X | | |
| 3.1.a | Dominion Energy, Inc. Articles of Incorporation, as restated, effective December 13, 2019 (Exhibit 3.1, Form 8-K filed December 13, 2019, File No. 1-8489). | X | | |
| 3.1.b | Virginia Electric and Power Company Amended and Restated Articles of Incorporation, as in effect on October 30, 2014 (Exhibit 3.1.b, Form 10-Q filed November 3, 2014, File No. 1-2255). | | X | |
| 3.1.c | Articles of Organization of Dominion Energy Gas Holdings, LLC (Exhibit 3.1, Form S-4 filed April 4, 2014, File No. 333-195066). | | | X |
| 3.1.d | Articles of Amendment to the Articles of Organization of Dominion Energy Gas Holdings, LLC (Exhibit 3.1, Form 8-K filed May 16, 2017, File No. 1-37591). | | | X |
| 3.2.a | Dominion Energy, Inc. Bylaws, as amended and restated, effective September 26, 2019 (Exhibit 3.2, Form 8-K filed October 2, 2019, File No. 1-8489). | X | | |
| 3.2.b | Virginia Electric and Power Company Amended and Restated Bylaws, effective June 1, 2009 (Exhibit 3.1, Form 8-K filed June 3, 2009, File No. 1-2255). | | X | |
| 3.2.c | Operating Agreement of Dominion Energy Gas Holdings, LLC as amended and restated, Effective November 5, 2019 (Exhibit 3.1, Form 8-K filed November 12, 2019, File No. 001-37591). | | | X |
| 4 | Dominion Energy, Inc., Virginia Electric and Power Company and Dominion Energy Gas Holdings, LLC agree to furnish to the Securities and Exchange Commission upon request any other instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of any of their total consolidated assets. | X | X | X |
| 4.1.a | See Exhibit 3.1.a above. | X | | |
| 4.1.b | See Exhibit 3.1.b above. | | X | |
| 4.2 | Indenture of Mortgage of Virginia Electric and Power Company, dated November 1, 1935, as supplemented and modified by Fifty-Eighth Supplemental Indenture (Exhibit 4(ii), Form 10-K for the fiscal year ended December 31, 1985, File No. 1-2255); Ninety-Second Supplemental Indenture, dated as of July 1, 2012 (Exhibit 4.1, Form 10-Q for the quarter ended June 30, 2012 filed August 1, 2012, File No. 1-2255). | X | X | |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|---|-----------------|----------------|---------------------|
| 4.3 | <u>Form of Senior Indenture, dated June 1, 1998, between Virginia Electric and Power Company and The Bank of New York Mellon (as successor trustee to JP Morgan Chase Bank (formerly The Chase Manhattan Bank)), as Trustee (Exhibit 4(iii), Form S-3 Registration Statement filed February 27, 1998, File No. 333-47119); Form of Thirteenth Supplemental Indenture, dated as of January 1, 2006 (Exhibit 4.3, Form 8-K filed January 12, 2006, File No. 1-2255); Form of Fourteenth Supplemental Indenture, dated May 1, 2007 (Exhibit 4.2, Form 8-K filed May 16, 2007, File No. 1-2255); Form of Seventeenth Supplemental Indenture, dated November 1, 2007 (Exhibit 4.3, Form 8-K filed November 30, 2007, File No. 1-2255); Form of Nineteenth Supplemental and Amending Indenture, dated November 1, 2008 (Exhibit 4.2, Form 8-K filed November 5, 2008, File No. 1-2255); Form of Twentieth Supplemental Indenture, dated June 1, 2009 (Exhibit 4.3, Form 8-K filed June 24, 2009, File No. 1-2255); Form of Twenty-First Supplemental Indenture, dated August 1, 2010 (Exhibit 4.3, Form 8-K filed September 1, 2010, File No. 1-2255); Twenty-Second Supplemental Indenture, dated as of January 1, 2012 (Exhibit 4.3, Form 8-K filed January 12, 2012, File No. 1-2255); Twenty-Fourth Supplemental Indenture, dated as of January 1, 2013 (Exhibit 4.4, Form 8-K filed January 8, 2013, File No. 1-2255); Twenty-Fifth Supplemental Indenture, dated as of March 1, 2013 (Exhibit 4.3, Form 8-K filed March 14, 2013, File No. 1-2255); Twenty-Sixth Supplemental Indenture, dated as of August 1, 2013 (Exhibit 4.3, Form 8-K filed August 15, 2013, File No. 1-2255); Twenty-Seventh Supplemental Indenture, dated February 1, 2014 (Exhibit 4.3, Form 8-K filed February 7, 2014, File No. 1-2255); Twenty-Eighth Supplemental Indenture, dated February 1, 2014 (Exhibit 4.4, Form 8-K filed February 7, 2014, File No. 1-2255); Twenty-Ninth Supplemental Indenture, dated May 1, 2015 (Exhibit 4.3, Form 8-K filed May 13, 2015, File No. 1-02255); Thirtieth Supplemental Indenture, dated May 1, 2015 (Exhibit 4.4, Form 8-K filed May 13, 2015, File No. 1-02255); Thirty-First Supplemental Indenture, dated January 1, 2016 (Exhibit 4.3, Form 8-K filed January 14, 2016, File No. 000-55337); Thirty-Second Supplemental Indenture, dated November 1, 2016 (Exhibit 4.3, Form 8-K filed November 16, 2016, File No. 000-55337); Thirty-Third Supplemental Indenture, dated November 1, 2016 (Exhibit 4.4, Form 8-K filed November 16, 2016, File No. 000-55337); Thirty-Fourth Supplemental Indenture, dated March 1, 2017 (Exhibit 4.3, Form 8-K filed March 16, 2017, File No. 000-55337).</u> | X | X | |
| 4.4 | <u>Senior Indenture, dated as of September 1, 2017, between Virginia Electric and Power Company and U.S. Bank National Association, as Trustee (Exhibit 4.1, Form 8-K filed September 13, 2017, File No.000-55337); First Supplemental Indenture, dated as of September 1, 2017 (Exhibit 4.2, Form 8-K filed September 13, 2017, File No.000-55337); Second Supplemental Indenture, dated as of March 1, 2018 (Exhibit 4.2, Form 8-K filed March 22, 2018, File No. 000-55337); Third Supplemental Indenture, dated as of November 1, 2018 (Exhibit 4.2, Form 8-K filed November 28, 2018, File No. 000-55337); Fourth Supplemental Indenture, dated as of July 1, 2019 (Exhibit 4.2, Form 8-K filed July 10, 2019, File No. 00-55337); Fifth Supplemental Indenture, dated as of December 1, 2019 (Exhibit 4.2, Form 8-K filed December 5, 2019, File No. 000-55337).</u> | X | X | |
| 4.5 | <u>Indenture, Junior Subordinated Debentures, dated December 1, 1997, between Dominion Resources, Inc. and The Bank of New York Mellon (as successor trustee to JP Morgan Chase Bank (formerly The Chase Manhattan Bank)) as supplemented by a Form of Second Supplemental Indenture, dated January 1, 2001 (Exhibit 4.6, Form 8-K filed January 12, 2001, File No. 1-8489).</u> | X | | |
| 4.6 | <u>Indenture, dated April 1, 1995, between Consolidated Natural Gas Company and The Bank of New York Mellon (as successor trustee to United States Trust Company of New York) (Exhibit (4), Certificate of Notification No. 1 filed April 19, 1995, File No. 70-8107); Securities Resolution No. 2 effective as of October 16, 1996 (Exhibit 2, Form 8-A filed October 18, 1996, File No. 1-3196 and relating to the 6²/8% Debentures Due October 15, 2026); Securities Resolution No. 4 effective as of December 9, 1997 (Exhibit 2, Form 8-A filed December 12, 1997, File No. 1-3196 and relating to the 6.80% Debentures Due December 15, 2027).</u> | X | | |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|---|-----------------|----------------|---------------------|
| 4.7 | <u>Form of Senior Indenture, dated June 1, 2000, between Dominion Resources, Inc. and The Bank of New York Mellon (as successor trustee to JP Morgan Chase Bank (formerly The Chase Manhattan Bank)), as Trustee (Exhibit 4(iii), Form S-3 Registration Statement filed December 21, 1999, File No. 333-93187); Form of Sixteenth Supplemental Indenture, dated December 1, 2002 (Exhibit 4.3, Form 8-K filed December 13, 2002, File No. 1-8489); Form of Twenty-First Supplemental Indenture, dated March 1, 2003 (Exhibits 4.3, Form 8-K filed March 4, 2003, File No. 1-8489); Form of Twenty-Second Supplemental Indenture, dated July 1, 2003 (Exhibit 4.2, Form 8-K filed July 22, 2003, File No. 1-8489); Form of Twenty-Ninth Supplemental Indenture, dated June 1, 2005 (Exhibit 4.3, Form 8-K filed June 17, 2005, File No. 1-8489); Form of Thirty-Sixth Supplemental Indentures, dated June 1, 2008 (Exhibit 4.3, Form 8-K filed June 16, 2008, File No. 1-8489); Form of Thirty-Ninth Supplemental Indenture, dated August 1, 2009 (Exhibit 4.3, Form 8-K filed August 12, 2009, File No. 1-8489); Forty-Third Supplemental Indenture, dated August 1, 2011 (Exhibit 4.3, Form 8-K, filed August 5, 2011, File No. 1-8489); Forty-Sixth Supplemental Indenture, dated September 1, 2012 (Exhibit 4.4, Form 8-K, filed September 13, 2012, File No. 1-8489); Forty-Seventh Supplemental Indenture, dated September 1, 2012 (Exhibit 4.5, Form 8-K, filed September 13, 2012, File No. 1-8489); Fifty-First Supplemental Indenture, dated November 1, 2014 (Exhibit 4.5, Form 8-K, filed November 25, 2014, File No. 1-8489).</u> | X | | |
| 4.8 | <u>Indenture, dated as of June 1, 2015, between Dominion Resources, Inc. and Deutsche Bank Trust Company Americas, as Trustee (Exhibit 4.1, Form 8-K filed June 15, 2015, File No. 1-8489); Second Supplemental Indenture, dated as of September 1, 2015 (Exhibit 4.2, Form 8-K filed September 24, 2015, File No. 1-8489); Fourth Supplemental Indenture, dated as of August 1, 2016 (Exhibit 4.2, Form 8-K filed August 9, 2016, File No. 1-8489); Fifth Supplemental Indenture, dated as of August 1, 2016 (Exhibit 4.3, Form 8-K filed August 9, 2016, File No. 1-8489); Sixth Supplemental Indenture, dated as of August 1, 2016 (Exhibit 4.4, Form 8-K filed August 9, 2016, File No. 1-8489); Ninth Supplemental Indenture, dated as of January 1, 2017 (Exhibit 4.2, Form 8-K filed January 12, 2017, File No. 1-8489); Tenth Supplemental Indenture, dated as of January 1, 2017 (Exhibit 4.3, Form 8-K filed January 12, 2017, File No. 1-8489); Eleventh Supplemental Indenture, dated as of March 1, 2017 (Exhibit 4.3, Form 10-Q filed May 4, 2017, File No. 1-8489); Twelfth Supplemental Indenture, dated as of June 1, 2017 (Exhibit 4.2, Form 10-Q filed August 3, 2017, File No. 1-8489); Thirteenth Supplemental Indenture, dated December 1, 2017 (Exhibit 4.8, Form 10-K for the fiscal year ended December 31, 2017 filed February 27, 2018, File No. 1-8489); Fourteenth Supplemental Indenture, dated May 1, 2018 (Exhibit 4.2, Form 10-Q filed August 2, 2018, File No. 1-8489); Fifteenth Supplemental Indenture, dated June 1, 2018 (Exhibit 4.2, Form 8-K, filed June 5, 2018, File No. 1-8489); Sixteenth Supplemental Indenture, dated March 1, 2019 (Exhibit 4.2, Form 8-K filed March 13, 2019, File No. 1-8489); Seventeenth Supplemental Indenture, dated as of August 1, 2019 (Exhibit 4.2, Form 10-Q filed November 1, 2019, File No. 1-8489).</u> | X | | |
| 4.9 | <u>Junior Subordinated Indenture II, dated June 1, 2006, between Dominion Resources, Inc. and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A.), as Trustee (Exhibit 4.1, Form 10-Q for the quarter ended June 30, 2006 filed August 3, 2006, File No. 1-8489); First Supplemental Indenture dated as of June 1, 2006 (Exhibit 4.2, Form 10-Q for the quarter ended June 30, 2006 filed August 3, 2006, File No. 1-8489); Second Supplemental Indenture, dated as of September 1, 2006 (Exhibit 4.2, Form 10-Q for the quarter ended September 30, 2006 filed November 1, 2006, File No. 1-8489); Third Supplemental and Amending Indenture, dated as of June 1, 2009 (Exhibit 4.2, Form 8-K filed June 15, 2009, File No. 1-8489); Sixth Supplemental Indenture, dated as of June 1, 2014 (Exhibit 4.3, Form 8-K filed July 1, 2014, File No. 1-8489); Seventh Supplemental Indenture, dated as of September 1, 2014 (Exhibit 4.3, Form 8-K filed October 3, 2013, File No. 1-8489); Eighth Supplemental Indenture, dated March 7, 2016 (Exhibit 4.4, Form 8-K filed March 7, 2016, File No. 1-8489); Ninth Supplemental Indenture, dated May 26, 2016 (Exhibit 4.4, Form 8-K filed May 26, 2016, File No. 1-8489); Tenth Supplemental Indenture, dated July 1, 2016 (Exhibit 4.3, Form 8-K filed July 19, 2016, File No. 1-8489); Eleventh Supplemental Indenture, dated August 1, 2016 (Exhibit 4.3, Form 8-K filed August 15, 2016, File No. 1-8489); Twelfth Supplemental Indenture, dated August 1, 2016 (Exhibit 4.4, Form 8-K filed August 15, 2016, File No. 1-8489); Thirteenth Supplemental Indenture, dated May 18, 2017 (Exhibit 4.4, Form 8-K filed May 18, 2017, File No. 1-8489); Fourteenth Supplemental Indenture, dated June 27, 2019 (Exhibit 4.5, Form 8-K filed June 27, 2019, File No. 1-8489); Fifteenth Supplemental Indenture, dated June 27, 2019 (Exhibit 4.6, Form 8-K filed June 27, 2019, File No. 1-8489).</u> | X | | |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|---|-----------------|----------------|---------------------|
| 4.10 | <u>Replacement Capital Covenant entered into by Dominion Resources, Inc. dated June 23, 2006 (Exhibit 4.3, Form 10-Q for the quarter ended June 30, 2006 filed August 3, 2006, File No. 1-8489), as amended by Amendment No. 1 to Replacement Capital Covenant dated September 26, 2011 (Exhibit 4.2, Form 10-Q for the quarter ended September 30, 2011 filed October 28, 2011, File No. 1-8489).</u> | X | | |
| 4.11 | <u>Replacement Capital Covenant entered into by Dominion Resources, Inc. dated September 29, 2006 (Exhibit 4.3, Form 10-Q for the quarter ended September 30, 2006 filed November 1, 2006, File No. 1-8489), as amended by Amendment No. 1 to Replacement Capital Covenant dated September 26, 2011 (Exhibit 4.3, Form 10-Q for the quarter ended September 30, 2011 filed October 28, 2011, File No. 1-8489).</u> | X | | |
| 4.12 | <u>2016 Series A Purchase Contract and Pledge Agreement, dated August 15, 2016, between the Company and Deutsche Bank Trust Company Americas, as Purchase Contract Agent, Collateral Agent, Custodial Agent and Securities Intermediary (Exhibit 4.7, Form 8-K filed August 15, 2016, File No. 1-8489).</u> | X | | |
| 4.13 | <u>Indenture, dated as of October 1, 2013, between Dominion Gas Holdings, LLC and Deutsche Bank Trust Company Americas, as Trustee (Exhibit 4.1, Form S-4 filed April 4, 2014, File No. 333-195066); Second Supplemental Indenture, dated as of October 1, 2013 (Exhibit 4.3, Form S-4 filed April 4, 2014, File No. 333-195066); Third Supplemental Indenture, dated as of October 1, 2013 (Exhibit 4.4, Form S-4 filed April 4, 2014, File No. 333-195066); Fourth Supplemental Indenture, dated as of December 1, 2014 (Exhibit 4.2, Form 8-K filed December 8, 2014, File No. 333-195066); Fifth Supplemental Indenture, dated as of December 1, 2014 (Exhibit 4.3, Form 8-K filed December 8, 2014, File No. 333-195066); Sixth Supplemental Indenture, dated as of December 1, 2014 (Exhibit 4.4, Form 8-K filed December 8, 2014, File No. 333-195066); Seventh Supplemental Indenture, dated as of November 1, 2015 (Exhibit 4.2, Form 8-K filed November 17, 2015, File No. 001-37591); Eighth Supplemental Indenture, dated as of May 1, 2016 (Exhibit 4.1.a, Form 10-Q filed August 3, 2016, File No. 1-37591); Ninth Supplemental Indenture, dated as of June 1, 2016 (Exhibit 4.1.b, Form 10-Q filed August 3, 2016, File No. 1-37591); Tenth Supplemental Indenture, dated as of June 1, 2016 (Exhibit 4.1.c, Form 10-Q filed August 3, 2016, File No. 1-37591); Eleventh Supplemental Indenture, dated June 1, 2018 (Exhibit 4.2, Form 8-K filed June 19, 2018, File No. 1-37591); Twelfth Supplemental Indenture, dated November 1, 2019 (Exhibit 4.2, Form 8-K filed November 21, 2019, File No. 1-37591); Thirteenth Supplemental Indenture, dated November 1, 2019 (Exhibit 4.3, Form 8-K filed November 21, 2019, File No. 1-37591); Fourteenth Supplemental Indenture, dated November 1, 2019 (Exhibit 4.4, Form 8-K filed November 21, 2019, File No. 1-37591).</u> | X | X | |
| 4.14 | <u>2019 Series A Purchase Contract and Pledge Agreement, dated June 14, 2019, among the Dominion Energy, Inc., Deutsche Bank Trust Company Americas, in its capacity as the purchase contract agent, and HSBC Bank USA, National Association, in its capacity as the collateral agent, custodial agent and securities intermediary (Exhibit 3.1, Form 8-K filed June 14, 2019, File No. 1-8489).</u> | X | | |
| 4.15 | <u>Registration Rights Agreement, dated December 16, 2019, by and between Dominion Energy, Inc. and Gallagher Fiduciary Advisors, LLC on behalf of the Dominion Energy, Inc. Defined Benefit Master Trust (Exhibit 4.1, Form 8-K filed December 20, 2019, File No. 1-8489).</u> | X | | |
| 4.16 | <u>Description of Dominion Energy, Inc.'s Common Stock (filed herewith).</u> | X | | |
| 4.17 | <u>Description of Dominion Energy, Inc.'s 2016 Series A 5.25% Enhanced Junior Subordinated Notes due 2076 (filed herewith).</u> | X | | |
| 4.18 | <u>Description of Dominion Energy, Inc.'s 2019 Series A Corporate Units (filed herewith).</u> | X | | |
| 4.19 | <u>Description of Virginia Electric and Power Company's Common Stock (filed herewith).</u> | | X | |
| 4.20 | <u>Description of Dominion Energy Gas Holdings, LLC's Limited Liability Company Membership Interests (filed herewith).</u> | | | X |
| 4.21 | <u>Description of Dominion Energy Gas Holdings, LLC's 2014 Series C 4.6% Senior Notes due 2044 (filed herewith).</u> | | | X |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|--|-----------------|----------------|---------------------|
| 10.1 | <u>\$6,000,000,000 Fourth Amended and Restated Revolving Credit Agreement, dated March 22, 2019, among Dominion Energy, Inc., Virginia Electric and Power Company, Dominion Energy Gas Holdings, LLC, Questar Gas Company, South Carolina Electric & Gas Company, JPMorgan Chase Bank, N.A., as Administrative Agent, Mizuho Bank, Ltd., Bank of America, N.A., The Bank of Nova Scotia and Wells Fargo Bank, N.A., as Syndication Agents, and other lenders named therein (Exhibit 10.1, Form 8-K filed March 26, 2019, File No. 1-8489).</u> | X | X | X |
| 10.2 | <u>Inter-Company Credit Agreement, dated October 17, 2013, between Dominion Resources, Inc. and Dominion Gas Holdings, LLC (Exhibit 10.2, Form S-4 filed April 4, 2014, File No. 333-195066).</u> | X | | X |
| 10.3 | <u>DRS Services Agreement, dated January 1, 2003, between Dominion Resources, Inc. and Dominion Resources Services, Inc. (Exhibit 10.1, Form 10-K for the fiscal year ended December 31, 2011 filed February 28, 2012, File No. 1-8489).</u> | X | | |
| 10.4 | <u>DRS Services Agreement, dated January 1, 2012, between Dominion Resources Services, Inc. and Virginia Electric and Power Company (Exhibit 10.2, Form 10-K for the fiscal year ended December 31, 2011 filed February 28, 2012, File No. 1-8489 and File No. 1-2255).</u> | | X | |
| 10.5 | <u>DRS Services Agreement, dated September 12, 2013, between Dominion Gas Holdings, LLC and Dominion Resources Services, Inc. (Exhibit 10.3, Form S-4 filed April 4, 2014, File No. 333-195066).</u> | | | X |
| 10.6 | <u>DRS Services Agreement, dated January 1, 2003, between Dominion Transmission Inc. and Dominion Resources Services, Inc. (Exhibit 10.4, Form S-4 filed April 4, 2014, File No. 333-195066).</u> | | | X |
| 10.7 | <u>DRS Services Agreement, dated January 1, 2003, between Dominion Iroquois, Inc. and Dominion Resources Services, Inc. (Exhibit 10.6, Form S-4 filed April 4, 2014, File No. 333-195066).</u> | | | X |
| 10.8 | <u>Agreement between PJM Interconnection, L.L.C. and Virginia Electric and Power Company (Exhibit 10.1, Form 8-K filed April 26, 2005, File No. 1-2255 and File No. 1-8489).</u> | X | X | |
| 10.9 | <u>Form of Settlement Agreement in the form of a proposed Consent Decree among the United States of America, on behalf of the United States Environmental Protection Agency, the State of New York, the State of New Jersey, the State of Connecticut, the Commonwealth of Virginia and the State of West Virginia and Virginia Electric and Power Company (Exhibit 10, Form 10-Q for the quarter ended March 31, 2003 filed May 9, 2003, File No. 1-8489 and File No. 1-2255).</u> | X | X | |
| 10.10* | <u>Dominion Resources, Inc. Executive Supplemental Retirement Plan, as amended and restated effective December 17, 2004 (Exhibit 10.5, Form 8-K filed December 23, 2004, File No. 1-8489), as amended September 26, 2014 (Exhibit 10.1, Form 10-Q for the fiscal quarter ended September 30, 2014 filed November 3, 2014).</u> | X | X | X |
| 10.11* | <u>Form of Employment Continuity Agreement for certain officers of Dominion Resources, Inc. and Virginia Electric and Power Company, amended and restated July 15, 2003 (Exhibit 10.1, Form 10-Q for the quarter ended June 30, 2003 filed August 11, 2003, File No. 1-8489 and File No. 1-2255), as amended March 31, 2006 (Exhibit 10.1, Form 8-K filed April 4, 2006, File No. 1-8489).</u> | X | X | X |
| 10.12* | <u>Form of Employment Continuity Agreement for certain officers of Dominion Resources, Inc. and Virginia Electric and Power Company dated January 24, 2013 (effective for certain officers elected subsequent to February 1, 2013) (Exhibit 10.9, Form 10-K for the fiscal year ended December 31, 2013 filed February 28, 2014, File No. 1-8489 and File No. 1-2255).</u> | X | X | X |
| 10.13* | <u>Dominion Resources, Inc. Retirement Benefit Restoration Plan, as amended and restated effective December 17, 2004 (Exhibit 10.6, Form 8-K filed December 23, 2004, File No. 1-8489), as amended September 26, 2014 (Exhibit 10.2, Form 10-Q for the fiscal quarter ended September 30, 2014 filed November 3, 2014).</u> | X | X | X |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|---|-----------------|----------------|---------------------|
| 10.14* | <u>Dominion Resources, Inc. Executives' Deferred Compensation Plan, amended and restated effective December 31, 2004 (Exhibit 10.7, Form 8-K filed December 23, 2004, File No. 1-8489).</u> | X | X | X |
| 10.15* | <u>Dominion Resources, Inc. New Executive Supplemental Retirement Plan, as amended and restated effective July 1, 2013 (Exhibit 10.2, Form 10-Q for the quarter ended June 30, 2013 filed August 6, 2013 File No. 1-8489), as amended September 26, 2014 (Exhibit 10.3, Form 10-Q for the fiscal quarter ended September 30, 2014 filed November 3, 2014), as amended effective October 1, 2019 (Exhibit 10.1, Form 8-K filed October 2, 2019, File No. 1-8489).</u> | X | X | X |
| 10.16* | <u>Dominion Resources, Inc. New Retirement Benefit Restoration Plan, as amended and restated effective January 1, 2009 (Exhibit 10.17, Form 10-K for the fiscal year ended December 31, 2008 filed February 26, 2009, File No. 1-8489 and Exhibit 10.20, Form 10-K for the fiscal year ended December 31, 2008 filed February 26, 2009, File No. 1-2255), as amended September 26, 2014 (Exhibit 10.4, Form 10-Q for the fiscal quarter ended September 30, 2014 filed November 3, 2014).</u> | X | X | X |
| 10.17* | <u>Dominion Resources, Inc. Stock Accumulation Plan for Outside Directors, amended as of February 27, 2004 (Exhibit 10.15, Form 10-K for the fiscal year ended December 31, 2003 filed March 1, 2004, File No. 1-8489) as amended effective December 31, 2004 (Exhibit 10.1, Form 8-K filed December 23, 2004, File No. 1-8489).</u> | X | | |
| 10.18* | <u>Dominion Resources, Inc. Directors Stock Compensation Plan, as amended February 27, 2004 (Exhibit 10.16, Form 10-K for the fiscal year ended December 31, 2003 filed March 1, 2004, File No. 1-8489) as amended effective December 31, 2004 (Exhibit 10.2, Form 8-K filed December 23, 2004, File No. 1-8489).</u> | X | | |
| 10.19* | <u>Dominion Resources, Inc. Non-Employee Directors' Compensation Plan, effective January 1, 2005, as amended and restated effective December 17, 2009 (Exhibit 10.18, Form 10-K filed for the fiscal year ended December 31, 2009 filed February 26, 2010, File No. 1-8489).</u> | X | | |
| 10.20* | <u>Dominion Resources, Inc. Executive Stock Purchase Tool Kit, effective September 1, 2001, amended and restated May 7, 2014 (Exhibit 10.4, Form 10-Q for the fiscal quarter ended June 30, 2014 filed July 30, 2014, File No. 1-8489 and File No. 1-2250).</u> | X | X | X |
| 10.21* | <u>Letter agreement between Dominion Resources, Inc. and Thomas F. Farrell, II, dated February 27, 2003 (Exhibit 10.24, Form 10-K for the fiscal year ended December 31, 2002 filed March 20, 2003, File No. 1-8489), as amended December 16, 2005 (Exhibit 10.1, Form 8-K filed December 16, 2005, File No. 1-8489).</u> | X | X | X |
| 10.22* | <u>Supplemental Retirement Agreement dated October 22, 2003 between Dominion Resources, Inc. and Paul D. Koonce (Exhibit 10.18, Form 10-K for the fiscal year ended December 31, 2003 filed March 1, 2004, File No. 1-2255).</u> | X | X | X |
| 10.23* | <u>Form of Advancement of Expenses for certain directors and officers of Dominion Resources, Inc., approved by the Dominion Resources, Inc. Board of Directors on October 24, 2008 (Exhibit 10.2, Form 10-Q for the quarter ended September 30, 2008 filed October 30, 2008, File No. 1-8489 and Exhibit 10.3, Form 10-Q for the quarter ended September 30, 2008 filed October 30, 2008, File No. 1-2255).</u> | X | X | X |
| 10.24* | <u>Dominion Resources, Inc. 2014 Incentive Compensation Plan, effective May 7, 2014 (Exhibit 10.1, Form 8-K filed May 7, 2014, File No. 1-8489).</u> | X | X | X |
| 10.25* | <u>Form of Restricted Stock Award Agreement under the 2016 Long-Term Incentive Program approved January 21, 2016 (Exhibit 10.48, Form 10-K for the fiscal year ended December 31, 2015 filed February 26, 2016, File No. 1-8489).</u> | X | X | X |
| 10.26* | <u>Form of Restricted Stock Award Agreement under the 2017 Long-Term Incentive Program approved January 24, 2017 (Exhibit 10.46, Form 10-K for the fiscal year ended December 31, 2016 filed February 28, 2017, File No. 1-8489).</u> | X | X | X |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|--|-----------------|----------------|---------------------|
| 10.27* | 2017 Performance Grant Plan under the 2014 Incentive Compensation Plan approved January 24, 2017 (Exhibit 10.3, Form 10-Q for the quarter ended March 31, 2017 filed May 4, 2017, File No. 1-8489). | X | X | X |
| 10.28* | 2018 Performance Grant Plan under the 2018 Long-Term Incentive Program approved January 25, 2018 (Exhibit 10.43, Form 10-K for the fiscal year ended December 31, 2017, filed February 27, 2018, File No. 1-8489). | X | X | X |
| 10.29* | Form of Restricted Stock Award Agreement under the 2018 Long-Term Incentive Program approved January 25, 2018 (Exhibit 10.44, Form 10-K for the fiscal year ended December 31, 2017, filed February 27, 2018, File No. 1-8489). | X | X | X |
| 10.30* | 2019 Performance Grant Plan under the 2019 Long-Term Incentive Program approved January 24, 2019 (Exhibit 10.42, Form 10-K for the fiscal year ended December 31, 2018, filed February 28, 2019, File No. 1-8489). | X | X | X |
| 10.31* | 2019 Goal-Based Stock Award Agreement under the 2019 Long-Term Incentive Program approved January 24, 2019 (Exhibit 10.43, Form 10-K for the fiscal year ended December 31, 2018, filed February 28, 2019, File No. 1-8489). | X | X | X |
| 10.32* | Form of Restricted Stock Award Agreement under the 2019 Long-Term Incentive Program approved January 24, 2019 (Exhibit 10.42, Form 10-K for the fiscal year ended December 31, 2018, filed February 28, 2019, File No. 1-8489). | X | X | X |
| 10.33* | 2020 Performance Grant Plan under the 2020 Long-Term Incentive Program approved January 23, 2020 (filed herewith). | X | X | X |
| 10.34* | 2020 Goal-Based Stock Award Agreement under the 2020 Long-Term Incentive Program approved January 23, 2020 (filed herewith). | X | X | X |
| 10.35* | Form of Restricted Stock Award Agreement under the 2020 Long-Term Incentive Program approved January 23, 2020 (filed herewith). | X | X | X |
| 21 | Subsidiaries of Dominion Energy, Inc. (filed herewith). | X | | |
| 23 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm for Dominion Energy, Inc., Virginia Electric and Power Company and Dominion Energy Gas Holdings, LLC (filed herewith). | X | X | X |
| 31.a | Certification by Chief Executive Officer of Dominion Energy, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). | X | | |
| 31.b | Certification by Chief Financial Officer of Dominion Energy, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). | X | | |
| 31.c | Certification by Chief Executive Officer of Virginia Electric and Power Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). | | X | |
| 31.d | Certification by Chief Financial Officer of Virginia Electric and Power Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). | | X | |
| 31.e | Certification by Chief Executive Officer of Dominion Energy Gas Holdings, LLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). | | | X |
| 31.f | Certification by Chief Financial Officer of Dominion Energy Gas Holdings, LLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). | | | X |
| 32.a | Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Dominion Energy, Inc. as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). | X | | |
| 32.b | Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Virginia Electric and Power Company as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). | | X | |

| Exhibit Number | Description | Dominion Energy | Virginia Power | Dominion Energy Gas |
|----------------|---|-----------------|----------------|---------------------|
| 32.c | Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Dominion Energy Gas Holdings, LLC as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). | | | X |
| 99 | Dominion Energy, Inc. Earnings Release Kit (furnished herewith). | X | | |
| 101 | The following financial statements from Dominion Energy, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 28, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements. The following financial statements from Virginia Electric and Power Company's Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 28, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Common Shareholder's Equity (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements. The following financial statements from Dominion Energy Gas Holdings, LLC's Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 28, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements. | X | X | X |
| 104 | Cover Page Interactive Data File formatted in iXBRL (Inline eXtensible Business Reporting Language) and contained in Exhibit 101. | X | X | X |

* Indicates management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

Signatures

Dominion Energy

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOMINION ENERGY, INC.

By: /s/ Thomas F. Farrell, II
(Thomas F. Farrell, II, Chairman, President and Chief Executive Officer)

Date: February 28, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February, 2020.

| Signature | Title |
|--|---|
| <u>/s/ Thomas F. Farrell, II</u> Thomas F. Farrell, II | Chairman of the Board of Directors, President and Chief Executive Officer |
| <u>/s/ James A. Bennett</u> James A. Bennett | Director |
| <u>/s/ Helen E. Dragas</u> Helen E. Dragas | Director |
| <u>/s/ James O. Ellis, Jr.</u> James O. Ellis, Jr. | Director |
| <u>/s/ D. Maybank Hagood</u> D. Maybank Hagood | Director |
| <u>/s/ John W. Harris</u> John W. Harris | Director |
| <u>/s/ Ronald W. Jibson</u> Ronald W. Jibson | Director |
| <u>/s/ Mark J. Kington</u> Mark J. Kington | Director |
| <u>/s/ Joseph M. Rigby</u> Joseph M. Rigby | Director |
| <u>/s/ Pamela J. Royal</u> Pamela J. Royal | Director |
| <u>/s/ Robert H. Spilman, Jr.</u> Robert H. Spilman, Jr. | Director |
| <u>/s/ Susan N. Story</u> Susan N. Story | Director |
| <u>/s/ Michael E. Szymanczyk</u> Michael E. Szymanczyk | Director |
| <u>/s/ James R. Chapman</u> James R. Chapman | Executive Vice President, Chief Financial Officer and Treasurer |
| <u>/s/ Michele L. Cardiff</u> Michele L. Cardiff | Vice President, Controller and Chief Accounting Officer |

Virginia Power

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIRGINIA ELECTRIC AND POWER COMPANY

By: /s/ Thomas F. Farrell, II
**(Thomas F. Farrell, II, Chairman of the Board
of Directors and Chief Executive Officer)**

Date: February 28, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February, 2020.

| Signature | Title |
|--|---|
| <u>/s/ Thomas F. Farrell, II</u> Thomas F. Farrell, II | Chairman of the Board of Directors and Chief Executive Officer |
| <u>/s/ Robert M. Blue</u> Robert M. Blue | Director |
| <u>/s/ Carlos M. Brown</u> Carlos M. Brown | Director |
| <u>/s/ James R. Chapman</u> James R. Chapman | Executive Vice President, Chief Financial Officer and Treasurer |
| <u>/s/ Michele L. Cardiff</u> Michele L. Cardiff | Vice President, Controller and Chief Accounting Officer |

Dominion Energy Gas

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOMINION ENERGY GAS HOLDINGS, LLC

By: /s/ Thomas F. Farrell, II
**(Thomas F. Farrell, II, Chairman of the Board
of Directors and Chief Executive Officer)**

Date: February 28, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February, 2020.

| Signature | Title |
|---|---|
| <div>/s/ Thomas F. Farrell, II</div> <div>Thomas F. Farrell, II</div> | Chairman of the Board of Directors and Chief Executive Officer |
| <div>/s/ Carlos M. Brown</div> <div>Carlos M. Brown</div> | Director |
| <div>/s/ James R. Chapman</div> <div>James R. Chapman</div> | Director, Executive Vice President, Chief Financial Officer and Treasurer |
| <div>/s/ Michele L. Cardiff</div> <div>Michele L. Cardiff</div> | Vice President, Controller and Chief Accounting Officer |

**DESCRIPTION OF DOMINION ENERGY, INC.
COMMON STOCK**

The following description of our common stock, which is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, is a summary and is qualified in its entirety by reference to our articles of incorporation and bylaws, which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read our articles of incorporation and bylaws, as well as applicable provisions of the Virginia Stock Corporation Act, for more information.

References herein to “we,” “our,” “us,” the “Company” or “Dominion Energy” refer to Dominion Energy, Inc., a Virginia corporation.

Authorized Shares

We are authorized to issue 1.77 billion shares of capital stock, consisting of 20 million shares of preferred stock and 1.75 billion shares of common stock, without par value. No holder of shares of our common stock or preferred stock has any preemptive rights.

Listing

Our outstanding shares of common stock are listed on the New York Stock Exchange under the symbol “D.” Any additional common stock we issue will also be listed on the New York Stock Exchange.

Dividends

Common shareholders may receive dividends when declared by our board of directors. Dividends may be paid in cash, stock or other form. In certain cases, common shareholders may not receive dividends until we have satisfied our obligations to any preferred shareholders. Under certain circumstances, our indentures or other agreements to which we are a party may also restrict our ability to pay cash dividends.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock will be available for future issuance without shareholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Fully Paid

All outstanding shares of common stock are fully paid and non-assessable. Any additional common stock we issue will also be fully paid and non-assessable.

Voting Rights

Each share of common stock is entitled to one vote in the election of directors and other matters. Common shareholders are not entitled to cumulative voting rights.

Other Rights

We will notify common shareholders of any shareholders’ meetings according to applicable law. If we liquidate, dissolve or wind up our business, either voluntarily or not, common shareholders will share equally in the assets remaining after we pay our creditors and preferred shareholders.

Transfer Agent and Registrar

Broadridge Corporate Issuer Solutions, Inc. currently serves as transfer agent, registrar and dividend paying agent for our common stock.

Preferred Stock

Our board of directors can, without approval of shareholders, issue one or more series of preferred stock. The board can also determine the number of shares of each series and the rights, preferences and limitations of each series including the dividend rights, voting rights, conversion rights, redemption rights and any liquidation preferences, the number of shares constituting each series and the terms and conditions of issue. In some cases, the issuance of preferred stock could delay a change in control of the Company and make it harder to remove present management. Under certain circumstances, preferred stock could also restrict dividend payments to holders of our common stock.

The preferred stock will, when issued, be fully paid and non-assessable. Unless otherwise specified in the terms of the applicable series, shares of preferred stock of a given series will rank on a parity in all respects with any outstanding preferred stock we may have and will have priority over our common stock as to dividends and distributions of assets. Therefore, the rights of any preferred stock may limit the rights of the holders of our common stock and preferred stock.

On June 14, 2019, we issued approximately 1.6 million shares of 1.75% Series A Cumulative Perpetual Convertible Preferred Stock, without par value (the “Series A Preferred Stock”), as a component of our 2019 Series A Equity Units. On December 13, 2019, we issued 800,000 shares of 4.65% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, without par value (the “Series B Preferred Stock” and, together with the Series A Preferred Stock, the “Preferred Stock”).

Certain terms of the Preferred Stock are described below and the full terms of the Preferred Stock are set forth in Article IIIA, in the case of the Series A Preferred Stock, and Article IIIB, in the case of the Series B Preferred Stock, of our articles of incorporation.

Ranking

The Preferred Stock ranks senior to all classes or series of our common stock and any other class or series of junior stock with respect to dividends rights and rights upon any liquidation, winding-up or dissolution.

Liquidation Preference

If we liquidate, dissolve or wind up, holders of shares of Preferred Stock will have the right to receive \$1,000 per share, plus accumulated and unpaid dividends, if any (whether or not authorized or declared) up to, but excluding, the date of payment, before any payment is made to holders of our common stock and any other class or series of capital stock ranking junior to the Preferred Stock as to liquidation rights, but subject to the prior payment in full of all of our liabilities and the preferences of any senior stock.

Dividends and Restrictions on Common Dividends

Dividends are payable on the Series A Preferred Stock quarterly in arrears and on the Series B Preferred Stock semi-annually in arrears, in each case when, as and if declared by our board of directors. However, dividends on both the Series A Preferred Stock and the Series B Preferred Stock accumulate regardless of whether such dividends are declared by the board of directors, permitted under Virginia law or prohibited by any agreement to which we are a party. In the case of the Series A Preferred Stock, any accumulated and unpaid dividends will accrue additional dividends at the then-current dividend rate until paid, compounded quarterly, to, but excluding the payment date. We may pay dividends on the Series A Preferred Stock in cash, shares of our common stock or a combination of cash and shares of our common stock. Dividends on the Series B Preferred Stock are payable only in cash.

As long as shares of the Series A Preferred Stock and/or Series B Preferred Stock remain outstanding, unless all accumulated and unpaid dividends (including, in the case of the Series A Preferred Stock, any compounded dividends thereon) for all preceding dividends periods have been declared and paid, or a sufficient sum or number of shares of common stock has been set apart for the payment of such dividends, we are not permitted to (i) declare and pay

dividends on any capital stock ranking, as to dividends, on parity with or junior to the Preferred Stock, such as the common stock, or (ii) redeem, purchase or otherwise acquire any capital stock ranking, as to dividends or upon liquidation, on parity with or junior to the Preferred Stock, such as the common stock, subject, in the case of both clauses (i) and (ii), to certain exceptions as described in the terms of the Series A Preferred Stock and the Series B Preferred Stock, respectively.

Voting Rights

Holders of shares of Preferred Stock generally have no voting rights, except as otherwise required by Virginia law. However, if dividends on any shares of Series A Preferred Stock have not been declared and paid in full for six or more quarterly dividend periods, whether or not consecutive, or if dividends on any shares of Series B Preferred Stock have not been declared and paid in full for the equivalent of three semi-annual dividend periods, whether or not consecutive, holders of the outstanding shares of Series A Preferred Stock and outstanding shares of Series B Preferred Stock, together with holders of any other series of our preferred stock ranking equally with the Series A Preferred Stock and Series B Preferred Stock as to payment of dividends and upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of two additional directors to our board to serve until all accumulated unpaid dividends have been paid or declared with a sufficient sum or, in the case of the Series A Preferred Stock, number of shares of common stock set aside for payment.

Virginia Stock Corporation Act and our Articles of Incorporation and Bylaws

General

We are a Virginia corporation subject to the Virginia Stock Corporation Act (the “Virginia Act”). Provisions of the Virginia Act, in addition to provisions of our articles of incorporation and bylaws, address corporate governance issues, including the rights of shareholders. Some of these provisions could hinder management changes while others could have an anti- takeover effect. This anti-takeover effect may, in some circumstances, reduce the control premium that might otherwise be reflected in the value of our common stock.

Certain key provisions of the Virginia Act and our articles of incorporation and bylaws are summarized below.

Business Combinations

Our articles of incorporation require that any merger, share exchange or sale of substantially all of our assets be approved by a majority of the votes entitled to be cast on the matter by each voting group entitled to vote on the matter. Abstentions and broker non-votes will have no effect on the outcome.

Article 14 of the Virginia Act contains several provisions relating to transactions with interested shareholders. Interested shareholders are holders of more than 10% of any class of a corporation’s outstanding voting shares. Transactions between a corporation and an interested shareholder are referred to as affiliated transactions. The Virginia Act requires that material affiliated transactions must be approved by at least two-thirds of the shareholders not including the interested shareholder. Affiliated transactions requiring this two-thirds approval include mergers, share exchanges, material dispositions of corporate assets, dissolution or any reclassification of securities or merger of the corporation with any of its subsidiaries which increases the percentage of voting shares owned by an interested shareholder by more than five percent.

For three years following the time that a shareholder becomes an interested shareholder, a Virginia corporation cannot engage in an affiliated transaction with the interested shareholder without approval of two-thirds of the disinterested voting shares, and majority approval of disinterested directors. A disinterested director is a director who was a director on the date on which an interested shareholder became an interested shareholder or was recommended for election or elected by a majority of the disinterested directors then on the board. After three years, an affiliated transaction must be approved by either two-thirds of disinterested voting shares or a majority of disinterested directors.

The provisions of the Virginia Act relating to affiliated transactions do not apply if a majority of disinterested directors approve the acquisition of shares making a person an interested shareholder.

The Virginia Act permits corporations to opt out of the affiliated transactions provisions. We have not opted out.

The Virginia Act also contains provisions regulating certain control share acquisitions, which are transactions causing the voting strength of any person acquiring beneficial ownership of shares of a public corporation in Virginia to meet or exceed certain threshold voting percentages (20%, 33 1/3%, or 50%). Shares acquired in a control share acquisition have no voting rights unless the voting rights are granted by a majority vote of all outstanding shares other than those held by the acquiring person or any officer or employee-director of the corporation. The acquiring person may require that a special meeting of the shareholders be held to consider the grant of voting rights to the shares acquired in the control share acquisition.

Our bylaws give us the right to redeem the shares purchased by an acquiring person in a control share acquisition. We can do this if the acquiring person fails to deliver a statement to us listing information required by the Virginia Act or if our shareholders vote not to grant voting rights to the acquiring person.

The Virginia Act permits corporations to opt out of the control share acquisition provisions. We have not opted out.

Directors' Duties

The standards of conduct for directors of Virginia corporations are listed in Section 13.1-690 of the Virginia Act. Directors must discharge their duties in accordance with their good faith business judgment of the best interests of the corporation. Directors may rely on the advice or acts of others, including officers, employees, attorneys, accountants and board committees if they have a good faith belief in their competence. Directors' actions are not subject to a reasonableness or prudent person standard. Virginia's federal and state courts have focused on the process involved with directors' decision-making and are generally supportive of directors if they have based their decision on an informed process. These elements of Virginia law could make it more difficult to take over a Virginia corporation than corporations in other states.

Board of Directors

Members of our board of directors serve one-year terms and are elected annually. Except when the number of nominees exceeds the number of directors to be elected (a contested election), directors are elected by majority vote. In the case of a contested election, directors are elected by a plurality vote. Directors may be removed from office for cause if the number of votes cast to remove the director constitutes a majority of the votes entitled to be cast at an election of directors of the voting group by which the director was elected.

Shareholder Proposals and Director Nominations

Our shareholders can submit shareholder proposals and nominate candidates for the board of directors if the shareholders follow advance notice procedures described in our bylaws.

To nominate directors, shareholders must submit a written notice to our corporate secretary at least 60 days before a scheduled meeting. The notice must include the name and address of the shareholder and of the nominee, a description of any arrangements between the shareholder and the nominee, information about the nominee required by the Securities and Exchange Commission, the written consent of the nominee to serve as a director and other information.

Shareholder proposals must be submitted to our corporate secretary at least 90 days before the first anniversary of the date of our last annual meeting. The notice must include a description of the proposal, the reasons for presenting the proposal at the annual meeting, the text of any resolutions to be presented, the shareholder's name and address and number of shares held and any material interest of the shareholder in the proposal.

Director nominations and shareholder proposals that are late or that do not include all required information may be rejected. This could prevent shareholders from bringing certain matters before an annual or special meeting, including making nominations for directors.

Proxy Access

Our bylaws permit a shareholder, or a group of up to 20 shareholders, owning 3% or more of our outstanding common stock continuously for at least three years, to nominate and include in our annual meeting proxy materials director candidates to occupy up to two or 20% of our board seats (whichever is greater), provided that such shareholder or group of shareholders satisfies the requirements set forth in the bylaws.

Meetings of Shareholders and Action by Written Consent

Under our bylaws, meetings of the shareholders may be called by the chairman of the board, the vice chairman, the president or a majority of our board of directors. Special meetings of shareholders will also be held whenever called by the Corporate Secretary, upon the written request of shareholders owning continuously for a period of at least one year prior to the date of such request more than 25% of all of our outstanding shares of common stock.

Under the Virginia Act, action required or permitted to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by all the shareholders entitled to vote on the action. In addition, the Virginia Act provides that the articles of incorporation of a corporation may authorize action by shareholders by less than unanimous written consent provided that the taking of such action is consistent with any requirements that may be set forth in the corporation's articles of incorporation, bylaws or the Virginia Act provision. In the case of a public corporation, the inclusion of such a provision in the articles of incorporation must be approved by more than two-thirds of any voting group entitled to vote on the amendment.

The Virginia Act further provides that less than unanimous written consents is not available at any public corporation whose articles of incorporation or bylaws allow a special meeting to be called by shareholders (or a group of shareholders) holding 30% or fewer of all votes entitled to be cast. Therefore, before our shareholders may have the right to act by less than unanimous written consent, our board and more than two-thirds of the holders of our common stock would need to approve an amendment to our articles of incorporation to add such a provision and the bylaws would need to be amended to increase the percentage of shareholders required to call a special meeting above 30%. The board currently does not intend to approve either of these actions.

These provisions could have the effect of delaying until the next annual shareholders' meeting shareholder consideration of actions which are favored by the holders of up to 25% of our outstanding shares of common stock, because such holders would be able to consider such action as shareholders, such as electing new directors or approving a merger, only at a duly called shareholders' meeting and would not own sufficient shares of our common stock to request the calling of a special meeting.

Amendment of Articles

Generally, our articles of incorporation may only be amended or repealed by a majority of the votes entitled to be cast on the matter by each voting group entitled to vote on the matter.

Indemnification

Under our articles of incorporation, we indemnify our officers and directors to the fullest extent permitted under Virginia law against all liabilities incurred in connection with their service to us. We have also entered into agreements relating to the advancement of expenses for certain of our directors and officers in advance of a final disposition of proceedings or the making of any determination of eligibility for indemnification pursuant to our articles of incorporation.

Limitation of Liability

Our articles of incorporation provide that our directors and officers will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors or officers, unless they violated their duty of loyalty to us or our shareholders, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper personal benefit from their action as directors or officers. This provision applies only to claims against directors or officers arising out of their role as directors or officers and not in any other capacity. Directors and officers remain liable for violations of the federal securities laws and we retain the right to pursue legal remedies other than monetary damages, such as an injunction or rescission for breach of the officer's or director's duty of care.

**DESCRIPTION OF DOMINION ENERGY, INC.
2016 SERIES A 5.25% ENHANCED JUNIOR SUBORDINATED NOTES DUE 2076**

The following description of our 2016 Series A 5.25% Enhanced Junior Subordinated Notes due 2076, which are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, is a summary and is qualified in its entirety by reference to the Junior Subordinated Indenture II, dated June 1, 2006 (the "Subordinated Indenture II"), between us and The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A., as trustee (the "Indenture Trustee"), as supplemented and amended by the Third Supplemental and Amending Indenture, dated as of June 1, 2009 (the "Third Supplemental Indenture"), among us, the Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A., as the original trustee, and Deutsche Bank Trust Company Americas, as series trustee (the "Series Trustee") and as further supplemented by the Tenth Supplemental Indenture, dated July 1, 2016 (the "Tenth Supplemental Indenture"), between us and the Series Trustee, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Subordinated Indenture II, the Third Supplemental Indenture and the Tenth Supplemental Indenture for more information.

References herein to "we," "our," "us," the "Company" or "Dominion Energy" refer to Dominion Energy, Inc., a Virginia corporation.

General

On July 19, 2016, Dominion Energy issued \$800,000,000 aggregate principal amount of 2016 Series A 5.25% Enhanced Junior Subordinated Notes due 2076 (the "Junior Subordinated Notes"). The Junior Subordinated Notes were issued in denominations of \$25 and integral multiples thereof. The Junior Subordinated Notes are held in book-entry form in the name of DTC or its nominee. We may "reopen" this series of Junior Subordinated Notes and issue additional Junior Subordinated Notes of this series without the consent of the holders of the Junior Subordinated Notes.

Maturity

The Junior Subordinated Notes mature on July 30, 2076.

Ranking

The Junior Subordinated Notes are subordinate and junior in right of payment, to the extent set forth in the Subordinated Indenture II, to all Priority Indebtedness as defined below. If:

- we make a payment or distribution of any of our assets to creditors upon our dissolution, winding-up, liquidation or reorganization, whether in bankruptcy, insolvency or otherwise;
- a default beyond any grace period has occurred and is continuing with respect to the payment of principal, interest or any other monetary amounts due and payable on any Priority Indebtedness; or
- the maturity of any Priority Indebtedness has been accelerated because of a default on that Priority Indebtedness,

then the holders of Priority Indebtedness generally will have the right to receive payment, in the first instance above, of all amounts due or to become due upon that Priority Indebtedness, and, in the second and third instances above, of all amounts due on that Priority Indebtedness, or we will make provision for those payments, in each instance above before the holders of any Junior Subordinated Notes have the right to receive any payments of principal or interest on their Junior Subordinated Notes.

Priority Indebtedness means, with respect to the Junior Subordinated Notes, the principal, premium, interest and any other payment in respect of any of the following:

- all of our current and future indebtedness for borrowed or purchase money whether or not evidenced by notes, debentures, bonds or other similar written instruments;
- our obligations under synthetic leases, finance leases and capitalized leases;

- our obligations for reimbursement under letters of credit, banker's acceptances, security purchase facilities or similar facilities issued for our account;
- any of our other indebtedness or obligations with respect to derivative contracts, including commodity contracts, interest rate, commodity and currency swap agreements, forward contracts and other similar agreements or arrangements; and
- all indebtedness of others of the kinds described in the preceding categories which we have assumed or guaranteed,

other than obligations ranking on a parity with the Junior Subordinated Notes or ranking junior to the Junior Subordinated Notes.

Priority Indebtedness does not include trade accounts payable, accrued liabilities arising in the ordinary course of business, indebtedness to our subsidiaries or indebtedness evidenced by other junior subordinated notes issued under the Subordinated Indenture II.

Priority Indebtedness is entitled to the benefits of the subordination provisions in the Subordinated Indenture II irrespective of the amendment, modification or waiver of any term of the Priority Indebtedness. We may not amend the Subordinated Indenture II or the Junior Subordinated Notes to change the subordination of any outstanding Priority Indebtedness without the consent of each holder of Priority Indebtedness that the amendment would adversely affect.

As of December 31, 2019, we had approximately \$8.0 billion principal amount of outstanding long-term debt on an unconsolidated basis (including securities due within one year and junior subordinated debentures issued under our Subordinated Indenture dated as of December 1, 1997) that are senior to the Junior Subordinated Notes.

Because we are a holding company and conduct all of our operations through our subsidiaries, our ability to meet our obligations under the Junior Subordinated Notes is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to us. Holders of the Junior Subordinated Notes generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debtholders, secured creditors, taxing authorities and guarantee holders, and any preferred security holders of our subsidiaries. As of December 31, 2019, our subsidiaries had approximately \$24.3 billion principal amount of outstanding long-term debt (including securities due within one year).

There are no terms in the Subordinated Indenture II or the Junior Subordinated Notes that limit our ability to incur additional indebtedness or our subsidiaries' ability to incur additional indebtedness or issue preferred securities. We and our subsidiaries expect to incur additional indebtedness from time to time that will be senior to the Junior Subordinated Notes.

Interest

The Junior Subordinated Notes bear interest at 5.25% per year.

Subject to our right to defer interest payments as described below, interest on the Junior Subordinated Notes is payable quarterly in arrears on January 30, April 30, July 30 and October 30 of each year. The amount of interest payable for any quarterly interest accrual period is computed on the basis of a 360-day year consisting of twelve 30-day months.

The term "interest" includes quarterly interest payments and applicable interest on interest payments accrued but not paid on the applicable interest payment date.

If an interest payment date or a redemption date of the Junior Subordinated Notes falls on a day that is not a business day, the payment of interest and/or principal payable on that date will be made on the next succeeding business day, and no interest on such payment will accrue for the period from and after the interest payment date or the redemption date, as applicable.

So long as the Junior Subordinated Notes remain in book-entry only form, the record date for each interest payment date is the close of business on the business day before the applicable interest payment date. If the Junior Subordinated Notes are not in book-entry only form, the record date for each interest payment date will be the close of business on the fifteenth calendar day (whether or not a business day) before the applicable interest payment date.

A “business day” is any day that is not a Saturday, a Sunday, a day on which banks in New York City are authorized or obligated by law or executive order to remain closed, or a day on which the Corporate Trust Office of the Series Trustee is closed for business.

Option to Defer Interest Payments

So long as there is no event of default with respect to the Junior Subordinated Notes under the Subordinated Indenture II, at our option, we may, on one or more occasions, defer payment of all or part of the current and accrued interest otherwise due on the Junior Subordinated Notes for a period of up to 10 consecutive years (each period, commencing on the date that the first such interest payment would otherwise have been made, an Optional Deferral Period). In other words, we may declare at our discretion up to a 10-year interest payment moratorium on the Junior Subordinated Notes and may choose to do that on more than one occasion. A deferral of interest payments may not end on a date other than an Interest Payment Date and may not extend beyond the maturity date of the Junior Subordinated Notes (which is July 30, 2076), and we may not begin a new Optional Deferral Period and may not pay current interest on the Junior Subordinated Notes until we have paid all accrued interest on the Junior Subordinated Notes from the previous Optional Deferral Period.

Any deferred interest on the Junior Subordinated Notes will accrue additional interest at a rate equal to the interest rate applicable to the Junior Subordinated Notes, to the extent permitted by applicable law. Once we pay all deferred interest payments on the Junior Subordinated Notes, including any additional interest accrued on the deferred interest, we can again defer interest payments on the Junior Subordinated Notes as described above, but not beyond the maturity date of the Junior Subordinated Notes.

We will give the Series Trustee written notice of our election to begin an Optional Deferral Period at least one business day before the record date for the next interest payment date which shall contain an instruction for the Series Trustee to forward such notice to the holders of the Junior Subordinated Notes. However, our failure to pay interest on any interest payment date will itself constitute the commencement of an Optional Deferral Period unless we pay such interest within five business days after the interest payment date, whether or not we provide a notice of deferral.

Certain Limitations during an Optional Deferred Period

Unless we have paid all accrued and payable interest on the Junior Subordinated Notes and are not deferring any interest payments on the Junior Subordinated Notes at such time, subject to several exceptions, we will not and our subsidiaries will not do any of the following:

- (i) declare or pay any dividends or distributions, or redeem, purchase, acquire, or make a liquidation payment on any of our capital stock;
- (ii) make any payment of principal of, or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities that rank on a parity with, or junior to, the Junior Subordinated Notes (including debt securities of other series issued under the Subordinated Indenture II); or
- (iii) make any guarantee payments on any guarantee of debt securities if the guarantee ranks on a parity with or junior to the Junior Subordinated Notes.

However, the foregoing provisions shall not prevent or restrict us from making:

- (a) purchases, redemptions or other acquisitions of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of our obligations pursuant to any contract or security outstanding on the date that the payment of interest is deferred requiring us to purchase, redeem or acquire our capital stock;
- (b) any payment, repayment, redemption, purchase, acquisition or declaration of dividend described in clause (i) above as a result of a reclassification of our capital stock, or the exchange or conversion of all or a portion of one class or series of our capital stock for another class or series of our capital stock;

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- (c) the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of our capital stock or the security being converted or exchanged, or in connection with the settlement of stock purchase contracts outstanding on the date that the payment of interest is deferred or with any split, reclassification or similar transaction;
 - (d) dividends or distributions paid or made in our capital stock (or rights to acquire our capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for shares of our capital stock) and distributions in connection with the settlement of stock purchase contracts outstanding on the date that the payment of interest is deferred;
 - (e) redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan outstanding on the date that the payment of interest is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;
 - (f) payments on the Junior Subordinated Notes, any trust preferred securities, subordinated debentures, junior subordinated debentures or junior subordinated notes, or any guarantees of any of the foregoing, in each case that rank equal in right of payment to the Junior Subordinated Notes, so long as the amount of payments made on account of such securities or guarantees is paid on all such securities and guarantees then outstanding on a pro rata basis in proportion to the full payment to which each series of such securities and guarantees is then entitled if paid in full;
 - (g) any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity securities that, if not made, would cause us to breach the terms of the instrument governing such parity securities; or
 - (h) make any regularly scheduled dividend or distribution payments declared prior to the date that the applicable Optional Deferral Period commences.

Agreement by Holders to Certain Tax Treatment

Each holder of the Junior Subordinated Notes has or will, by accepting the Junior Subordinated Notes or a beneficial interest therein, be deemed to have agreed that the holder intends that the Junior Subordinated Notes constitute debt and will treat the Junior Subordinated Notes as debt for United States federal, state and local tax purposes.

No Sinking Fund, Conversion or Amortization

The Junior Subordinated Notes are not entitled to the benefit of any sinking fund and are not subject to conversion or amortization.

No Defeasance

The Junior Subordinated Notes are not subject to defeasance.

Redemption

The Junior Subordinated Notes may be redeemed before their maturity:

- in whole or in part on one or more occasions on or after July 30, 2021, at 100% of their principal amount, plus accrued and unpaid interest,
- in whole, but not in part, before July 30, 2021, at 100% of their principal amount, plus accrued and unpaid interest, upon the occurrence of a Tax Event (see “—Right to Redeem at Tax Event” below), or
- in whole, but not in part, on one or more occasions before July 30, 2021, at 102% of their principal amount, plus accrued and unpaid interest, at any time within 90 days after the conclusion of any review or appeal process instituted by us following the occurrence and continuation of a Rating Agency Event (see “—Right to Redeem at Rating Agency Event” below).

Subject to the provisions of the Subordinated Indenture II, notice of any redemption of the Junior Subordinated Notes will be mailed not less than 20 days nor more than 60 days prior to the redemption date. Unless we default in payment of the applicable redemption price, on and after the redemption date interest shall cease to accrue on such Junior Subordinated Notes called for redemption.

Right to Redeem at Tax Event

The Junior Subordinated Notes are redeemable, in whole, but not in part, before July 30, 2021, at 100% of their principal amount, plus accrued and unpaid interest, upon the occurrence of a Tax Event (as defined below).

“Tax Event” means the receipt by us of an opinion of counsel experienced in such tax matters to the effect that, as a result of (a) any amendment to, clarification of, or change (including any announced prospective change) in the laws or treaties of the United States or any political subdivisions or taxing authorities, or any regulations under such laws or treaties, (b) any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to issue or adopt any such administrative pronouncement, ruling, regulatory procedure or regulation), (c) any amendment to, clarification of, or change in the official position or the interpretation of any administrative action or judicial decision or any interpretation or pronouncement that provides for a position with respect to an administrative action or judicial decision that differs from the theretofore generally accepted position, in each case by any legislative body, court, governmental authority or regulatory body, irrespective of the time or manner in which such amendment, clarification or change is introduced or made known, or (d) threatened challenge asserted in writing in connection with an audit of us or any of our subsidiaries, or a publicly-known threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Junior Subordinated Notes, which amendment, clarification, or change is effective, or which administrative action is taken or which judicial decision, interpretation or pronouncement is issued or threatened challenge is asserted or becomes publicly-known, in each case after the date of this prospectus supplement, there is more than an insubstantial risk that interest payable by us on the Junior Subordinated Notes is not deductible, or within 90 days would not be deductible, in whole or in part, by us for United States Federal income tax purposes.

Right to Redeem at Rating Agency Event

The Junior Subordinated Notes are redeemable in whole, but not in part, before July 30, 2021 at 102% of their principal amount, plus accrued and unpaid interest, at any time within 90 days after the conclusion of any review or appeal process instituted by us following the occurrence and continuation of a Rating Agency Event (as defined below).

“Rating Agency Event” means a change in the methodology employed by any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act (sometimes referred to in this prospectus supplement as a “rating agency”) that currently publishes a rating for us in assigning equity credit to securities such as the Junior Subordinated Notes, as such methodology is in effect on the date of issuance of this prospectus supplement (the current criteria), which change results in:

- the length of time for which such current criteria are scheduled to be in effect being shortened with respect to the Junior Subordinated Notes, or
- a lower or higher equity credit being assigned by such rating agency to the Junior Subordinated Notes as of the date of such change than the equity credit that would have been assigned to the Junior Subordinated Notes as of the date of such change by such rating agency pursuant to its current criteria.

Events of Default; Waiver; Acceleration; Compliance

The following are events of default under the Subordinated Indenture II:

- our failure to pay principal when due;
- our failure to pay interest when due and payable that continues for 30 days (subject to our right to optionally defer interest payments as described above under —Option to Defer Interest Payments);
- our failure to perform other covenants that continues beyond 90 days after the applicable trustee or holders of not less than 25% in principal amount of the Junior Subordinated Notes and any other series of securities issued under the Subordinated Indenture II so benefited give written notice of default; or
- certain events of bankruptcy, insolvency or reorganization.

An event of default with respect to a particular series of securities issued under the Subordinated Indenture II, such as the Junior Subordinated Notes, does not necessarily constitute an event of default for another series of securities issued under the Subordinated Indenture II.

In the case of a general covenant default described above, the applicable trustee may extend the grace period. In addition, if holders of a particular series of securities under the Subordinated Indenture II have given a notice of default, then holders of at least the same percentage of securities of that series, together with the applicable trustee, may also extend the grace period. The grace period will be automatically extended if we have initiated and are diligently pursuing corrective action.

The holders of a majority of the outstanding securities of all series under the Subordinated Indenture II with respect to which a default has occurred and is continuing may waive a default for all those series, except a default in the payment of principal or interest, or any premium, on any such securities or a default with respect to a covenant or provision which cannot be amended or modified without the consent of the holder of each outstanding security of the series affected. In addition, under certain circumstances, the holders of a majority of the outstanding securities of any series under the Subordinated Indenture II may waive in advance, for that series, our compliance with certain restrictive provisions of the Subordinated Indenture II.

If an event of default (other than certain events of bankruptcy) occurs under the Subordinated Indenture II, the applicable trustee or the holders of 25% of the principal amount of the Junior Subordinated Notes have the right to declare the principal amount of the Junior Subordinated Notes and any accrued interest thereon, immediately due and payable. If this happens, subject to certain conditions, the holders of a majority of the aggregate principal amount of the Junior Subordinated Notes can void the declaration.

If an event of default consisting of certain events of bankruptcy occurs under the Subordinated Indenture II, the principal amount of all the outstanding Junior Subordinated Notes and other series of securities issued under the Subordinated Indenture II will automatically, and without any declaration or other action on the part of the trustee or any holder, become immediately due and payable.

The applicable trustee may withhold notice to the holders of Junior Subordinated Notes or other series of securities issued under the Subordinated Indenture II of any default (except in the payment of principal or interest) if it considers the withholding of notice to be in the best interests of the holders. Other than its duties in case of a default, the applicable trustee is not obligated to exercise any of its rights or powers under the Subordinated Indenture II at the request, order or direction of any holders, unless the holders offer the applicable trustee reasonable indemnity. If they provide this reasonable indemnification, the holders of a majority in principal amount of any series of securities issued under the Subordinated Indenture II may direct the time, method and place of conducting any proceeding or any remedy available to the applicable trustee, or exercising any power conferred upon the applicable trustee, for any series of securities issued under the Subordinated Indenture II. However, the applicable trustee must give holders notice of any default to the extent provided by the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”).

We have agreed to provide to the Indenture Trustee an annual certificate as to our compliance with the conditions and covenants in the Subordinated Indenture II or as to the occurrence of a default in the fulfillment of any such obligation.

Modification

Under the Subordinated Indenture II, our rights and obligations and the rights of the holders may generally be modified with the consent of the holders of a majority in aggregate principal amount of the outstanding securities of each series affected by the modification. No modification of the principal or interest payment terms, and no modification reducing the percentage required for modifications, is effective against any holder without its consent.

We may also enter into supplemental indentures to amend the Subordinated Indenture II for certain specified purposes without the consent of holders, including to cure ambiguities in the terms of the securities issued thereunder, to maintain the qualification of the Subordinated Indenture II under the Trust Indenture Act or to add additional covenants or events of default to the Subordinated Indenture II.

Consolidation, Merger or Sale

The Subordinated Indenture II provides that we may not merge or consolidate with any other corporation or sell or convey all or substantially all of our assets to any person or acquire all or substantially all of the assets of another person unless (i) either we are the continuing corporation, or the successor corporation (if other than us) is a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia and such corporation expressly assumes the due and punctual payment of the principal of and interest and other amounts due on the securities outstanding under the Subordinated Indenture II, and the due and punctual performance and observance of all of the covenants and conditions of the Subordinated Indenture II to be performed by us by supplemental indenture in form satisfactory to the applicable trustee, executed and delivered to the applicable trustee by such corporation, and (ii) we or such successor corporation, as the case may be, will not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition.

In case of any such consolidation, merger or conveyance, such successor corporation will succeed to and be substituted for us, with the same effect as if it had been named as us in the Subordinated Indenture II, and in the event of such conveyance, we will be discharged of all of our obligations and covenants under the Subordinated Indenture II and any outstanding securities issued thereunder.

Satisfaction; Discharge

We may discharge all our obligations (except those described below) to holders of the securities issued under the Subordinated Indenture II, which securities have not already been delivered to the applicable trustee for cancellation and which either have become due and payable or are by their terms due and payable within one year, or are to be called for redemption within one year, by depositing with the applicable trustee an amount certified to be sufficient to pay when due the principal, interest and premium, if any, on all outstanding securities. However, certain of our obligations under the Subordinated Indenture II will survive, including with respect to the following:

- remaining rights to register the transfer, conversion, substitution or exchange of securities of the applicable series;
- rights of holders to receive payments of principal of, and any interest on, the Debt Securities of the applicable series, and other rights, duties and obligations of the holders of Debt Securities with respect to any amounts deposited with the applicable trustee; and
- the rights, obligations and immunities of the applicable trustee under the Subordinated Indenture II.

The Indenture Trustee and the Series Trustee

The Indenture Trustee under the Subordinated Indenture II is The Bank of New York Mellon (successor to JPMorgan Chase Bank, N.A.). We and certain of our affiliates maintain deposit accounts and banking relationships with The Bank of New York Mellon. The Bank of New York Mellon also serves as trustee under other indentures under which securities of certain of our affiliates are outstanding. The Bank of New York Mellon and its affiliates have purchased, and are likely to purchase in the future, our securities and securities of our affiliates.

The Series Trustee for the Junior Subordinated Notes is Deutsche Bank Trust Company Americas. The Series Trustee administers its corporate trust business at 60 Wall Street, 24th Floor, New York, NY 10005. We and certain of our affiliates maintain banking relationships with Deutsche Bank Trust Company Americas. Deutsche Bank Trust Company Americas also serves as trustee under other indentures under which we and certain of our affiliates have issued securities. Deutsche Bank Trust Company Americas and its affiliates have purchased, and are likely to purchase in the future, our securities and securities of our affiliates.

Governing Law

The Subordinated Indenture II and the Junior Subordinated Notes are governed by, and will be construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

**DESCRIPTION OF DOMINION ENERGY, INC.
2019 SERIES A CORPORATE UNITS**

The following description of our 2019 Series A Corporate Units, which are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, is a summary and is qualified in its entirety by reference to the 2019 Series A Purchase Contract and Pledge Agreement, dated June 14, 2019 (the “purchase contract and pledge agreement”), among us, Deutsche Bank Trust Company Americas, as the purchase contract agent (the “purchase contract agent”), and HSBC Bank USA, National Association, as the collateral agent (the “collateral agent”), custodial agent (the “custodial agent”) and securities intermediary (the “securities intermediary”), and our articles of incorporation. The purchase contract and pledge agreement and our articles of incorporation are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the purchase contract and pledge agreement and the applicable sections of our articles of incorporation for more information.

References herein to “we,” “our,” “us,” the “Company” or “Dominion Energy” refer to Dominion Energy, Inc., a Virginia corporation. References herein to “you” or “your” refer to a holder of a 2019 Series A Corporate Unit or other applicable security.

Description of the Equity Units

General

In June 2019, under the purchase contract and pledge agreement, we issued 16,100,000 2019 Series A Equity Units (“Equity Units”), initially in the form of 16,100,000 2019 Series A Corporate Units (“Corporate Units”). Each Corporate Unit has a stated amount of \$100.

Each Corporate Unit consists of:

(1) a purchase contract under which:

- the holder agrees to purchase from us on June 1, 2022, which we refer to as the “purchase contract settlement date,” and we agree to sell to the holder, unless the purchase contract terminates prior to that date as described under “Description of the Purchase Contracts—Termination” or is settled early as described under “Description of the Purchase Contracts—Early Settlement” or “— Early Settlement Upon a Fundamental Change,” for \$100, a number of shares of our common stock equal to the applicable settlement rate described under “Description of the Purchase Contracts—Purchase of Common Stock,” “— Early Settlement” or “— Early Settlement Upon a Fundamental Change,” as the case may be, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares as described under “— Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares;” and
- we pay to the holder quarterly contract adjustment payments at the rate of 5.50% of the stated amount of \$100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election; and

(2) either:

- a 1/10, or 10%, undivided beneficial ownership in one share of 1.75% Series A Cumulative Perpetual Convertible Preferred Stock, without par value, with a liquidation preference of \$1,000 per share (the “convertible preferred stock”), issued by us; or
- following a successful optional remarketing, the applicable ownership interest in a portfolio of U.S. Treasury securities, which we refer to as the “Treasury portfolio.”

“Applicable ownership interest” means, with respect to a Corporate Unit and the U.S. Treasury securities in the Treasury portfolio, (1) a 1/10, or 10%, undivided beneficial ownership interest in \$1,000 face amount of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that matures on or prior to the purchase contract settlement date and (2) a 0.04375% undivided beneficial ownership interest in \$1,000 face amount

of U.S. Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that mature on or prior to the purchase contract settlement date, which results in an amount equal to the dividend payment that would have been due in respect of the convertible preferred stock on such date (without giving effect to any increase of the dividend rate following a successful remarketing, and whether or not such dividend is authorized or declared).

The fair market value of the Corporate Units we issue is recorded in our financial statements based on an allocation between the purchase contracts and the convertible preferred stock in proportion to their respective fair market values at the time of issuance. Under the purchase contract and pledge agreement, you are deemed to have agreed to allocate the entire purchase price to your convertible preferred stock.

As long as a unit is in the form of a Corporate Unit, any ownership interest in a share of convertible preferred stock or, solely with respect to the Treasury securities described in clause (1) of the definition applicable ownership interest, any applicable ownership interest in the Treasury portfolio forming a part of the Corporate Unit will be pledged to us through the collateral agent to secure your obligation to purchase our common stock under the related purchase contract.

Creating Treasury Units by Substituting a Treasury Security for Convertible Preferred Stock

Each holder of 10 Corporate Units may create, at any time other than (i) if we elect to conduct an optional remarketing, during the period from 5:00 p.m., New York City time, on the second business day immediately preceding the first day of any optional remarketing period until the settlement date of such remarketing or the date we announce that no successful optional remarketing has occurred during the optional remarketing period, (ii) following any successful remarketing and (iii) after 5:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period (we refer to each such period as a “blackout period”), 10 2019 Series A Treasury Units (“Treasury Units”) by substituting for the share of convertible preferred stock that is a component of 10 Corporate Units a zero-coupon U.S. Treasury security with a principal amount of \$1,000 that matures on or prior to June 1, 2022 (e.g., CUSIP No. 912820V46), which we refer to as a “Treasury security.” This substitution would create 10 Treasury Units, and the related share of convertible preferred stock would be released to the holder and would be separately tradable from the Treasury Units. Because the convertible preferred stock is issued with a liquidation preference of \$1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units.

Each Treasury Unit will consist of:

- (1) a purchase contract under which:
 - the holder agrees to purchase from us on the purchase contract settlement date, unless the purchase contract terminates prior to that date as described under “Description of the Purchase Contracts— Termination” or is settled early as described under “Description of the Purchase Contracts—Early Settlement” or “— Early Settlement Upon a Fundamental Change,” for \$100, a number of shares of our common stock equal to the applicable settlement rate, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares; and
 - we will pay to the holder quarterly contract adjustment payments at the rate of 5.50% of the stated amount of \$100 per year, subject to our right to defer such contract adjustment payments, payable in cash, shares of our common stock or a combination thereof, at our election; and
- (2) a 1/10 undivided beneficial ownership interest in a Treasury security.

The term “business day” means any day other than a Saturday or a Sunday or any other day on which banking institutions and trust companies in New York City, New York are authorized or required by law or executive order to remain closed.

To create 10 Treasury Units, a holder is required to:

- deposit with the collateral agent a Treasury security, which must be purchased in the open market at the expense of the Corporate Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited the Treasury security with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the Treasury security, the collateral agent will release the related share of convertible preferred stock from the pledge and deliver it to the transfer agent on behalf of the holder, free and clear of our security interest. The purchase contract agent or transfer agent, as applicable, then will:

- cancel the 10 Corporate Units;
- transfer the related share of convertible preferred stock to the holder; and
- deliver 10 Treasury Units to the holder.

The Treasury Unit holder's beneficial ownership interest in the Treasury security will be pledged to us through the collateral agent to secure the holder's obligation to purchase our common stock under the related purchase contracts. The share of convertible preferred stock thereafter will trade and be transferable separately from the Treasury Units.

Holders who create Treasury Units or recreate Corporate Units, as discussed below, will be responsible for any taxes, governmental charges or other fees or expenses (including reasonable fees and expenses of the collateral agent and its counsel) payable in connection with substitutions of collateral. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Miscellaneous."

Recreating Corporate Units from Treasury Units

Each holder of 10 Treasury Units has the right, at any time other than during a blackout period, to substitute for the related Treasury security held by the collateral agent one share of convertible preferred stock for each such 10 Treasury Units. This substitution would recreate Corporate Units and the applicable Treasury security would be released to the holder. Because the convertible preferred stock has a liquidation preference of \$1,000 per share, holders of Treasury Units may make the substitution only in integral multiples of 10 Treasury Units.

To recreate 10 Corporate Units, a holder is required to:

- deposit with the collateral agent one share of convertible preferred stock, which must be purchased in the open market at the expense of the Treasury Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 10 Treasury Units, accompanied by a notice stating that the holder of the Treasury Units has deposited one share of convertible preferred stock with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related Treasury security.

Promptly following receipt of written instructions from the purchase contract agent and receipt of the share of convertible preferred stock, the collateral agent will release the related Treasury security from the pledge and promptly instruct the securities intermediary to transfer such Treasury security to the purchase contract agent on behalf of the holder, free and clear of our security interest. The purchase contract agent then will:

- cancel the 10 Treasury Units;
- transfer the related Treasury security to the holder; and
- deliver 10 Corporate Units to the holder.

The share of convertible preferred stock will be substituted for the Treasury security and will be pledged to us through the collateral agent to secure the holder's obligation to purchase shares of our common stock under the related purchase contracts. The Treasury security thereafter will trade and be transferable separately from the Corporate Units.

Creating Cash Settled Units from Corporate Units

Each holder of 10 Corporate Units may create, only during the period after the date we give notice of the final remarketing period and prior to 5:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period, 2019 Series A Cash Settled Units ("Cash Settled Units") by substituting for a share of convertible preferred stock that is a component of the Corporate Units \$1,000 in cash. This substitution

would create 10 Cash Settled Units, and the related share of convertible preferred stock would be released to the holder and would be separately tradable from the Cash Settled Units. Because the convertible preferred stock has a liquidation preference of \$1,000 per share, holders of Corporate Units may make this substitution only in integral multiples of 10 Corporate Units. Holders of Cash Settled Units do not have the right to recreate Corporate Units or create Treasury Units.

Each Cash Settled Unit will consist of:

- (1) a purchase contract under which:
 - the holder agrees to purchase from us on the purchase contract settlement date, unless the purchase contract terminates prior to that date as described under “Description of the Purchase Contracts— Termination” or is settled early as described under “— Early Settlement Upon a Fundamental Change” below, for \$100, a number of shares of our common stock equal to the applicable settlement rate, *plus*, in the case of an early settlement upon a fundamental change, an additional make-whole amount of shares; and
 - we will pay to the holder the final quarterly contract adjustment payment due on the purchase contract settlement date (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon), payable in cash, shares of our common stock or a combination thereof, at our election; and
- (2) \$100 in cash.

To create 10 Cash Settled Units, a holder is required to:

- deposit with the collateral agent \$1,000 in cash; and
- transfer to the purchase contract agent 10 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited \$1,000 in cash with the collateral agent, and requesting that the purchase contract agent instruct the collateral agent in writing to release the related share of convertible preferred stock.

Promptly following receipt of written instructions from the purchase contract agent and receipt of cash, the collateral agent will release the related share of convertible preferred stock from the pledge and deliver it to the transfer agent on behalf of the holder, free and clear of our security interest. The purchase contract agent or transfer agent, as applicable, then will:

- cancel the 10 Corporate Units;
- transfer the related share of convertible preferred stock to the holder; and
- deliver 10 Cash Settled Units to the holder.

The cash will be substituted for the share of convertible preferred stock and will be pledged to us through the collateral agent to secure the holder’s obligation to purchase shares of our common stock under the related purchase contract. Cash held as a component of the Cash Settled Unit will be held in a non-interest bearing account as set forth in the purchase contract and pledge agreement. The share of convertible preferred stock thereafter will trade separately from the Cash Settled Units.

Holders who create Cash Settled Units, as discussed below, will be responsible for any taxes, governmental charges or other fees or expenses (including reasonable fees and expenses of the collateral agent and its counsel) payable in connection with substitutions of collateral. See “Certain Provisions of the Purchase Contract and Pledge Agreement—Miscellaneous.”

Current Payments

Holders of Corporate Units and Treasury Units will receive quarterly contract adjustment payments payable by us at the rate of 5.50% per year on the stated amount of \$100 per Equity Unit until the earliest of the purchase contract settlement date, the fundamental change early settlement date (in the case of a fundamental change where the holder has elected to settle its purchase contracts early in connection with such fundamental change as described in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change”) and the most recent quarterly payment date on or before an early settlement as described in “Description of the Purchase Contracts—Early

Settlement.” Holders of Cash Settled Units will receive the final quarterly contract adjustment payment payable by us on the final contract adjustment payment date. In addition, holders of Corporate Units will receive, when, as and if declared by our board of directors, quarterly cash distributions consisting of dividends on the convertible preferred stock attributable to such Corporate Units (and distributions on the applicable ownership interest in the Treasury portfolio if the convertible preferred stock has been replaced by the Treasury portfolio), equivalent to a rate of 1.75% per annum on the liquidation preference of the convertible preferred stock. Any contract adjustment payments and distributions in respect of dividends on the convertible preferred stock may be paid in cash, shares of our common stock or a combination thereof, at our election, as described herein. There will be no distributions in respect of the Treasury securities that are a component of the Treasury Units or the cash that is a component of the Cash Settled Units, but to the extent that such holders of Treasury Units or Cash Settled Units, as the case may be, continue to hold the shares of convertible preferred stock that were released to them when such Treasury Units or Cash Settled Units were created, such holders will continue to receive, when, as and if declared by our board of directors, quarterly dividend payments on their separate shares of convertible preferred stock for as long as they continue to hold such shares.

We will make all contract adjustment payments quarterly in arrears on March 1, June 1, September 1 and December 1 of each year (except where such date is not a business day, in which case contract adjustment payments will be payable as of the next subsequent business day, without adjustment).

We have the right to defer payment of quarterly contract adjustment payments as described under “Description of the Purchase Contracts—Contract Adjustment Payments.” We are not obligated to declare or pay dividends on the convertible preferred stock, as described under “Description of the Convertible Preferred Stock—Dividends,” except that we will pay all accumulated and unpaid dividends on the convertible preferred stock (whether or not declared) on the June 1, 2022 dividend payment date, unless such payment is not permitted under Virginia law (a “dividend deficiency event”).

Listing

The Corporate Units are listed on the New York Stock Exchange under the symbol “DCUE.” Unless and until substitution has been made as described above, none of the convertible preferred stock component of a Corporate Unit, the Treasury security component of a Treasury Unit nor the cash component of a Cash Settled Unit will trade separately from Corporate Units, Treasury Units or Cash Settled Units. The convertible preferred stock component will trade as a unit with the purchase contract component of the Corporate Units, the Treasury security component will trade as a unit with the purchase contract component of the Treasury Units and the cash component will trade as a unit with the purchase contract component of the Cash Settled Units. In addition, if Treasury Units, Cash Settled Units or shares of convertible preferred stock are separately traded to a sufficient extent that the applicable exchange listing requirements are met, we may, but have no obligation to, cause the Treasury Units, Cash Settled Units or convertible preferred stock to be listed on the exchange on which the Corporate Units are then listed, including, if applicable, the New York Stock Exchange.

Voting and Certain Other Rights

Holders of purchase contracts forming part of the Corporate Units, Treasury Units, or Cash Settled Units, in their capacities as such holders, have no voting or other rights in respect of our common stock. Holders of shares of convertible preferred stock, whether or not part of a Corporate Unit, have only the limited voting rights described in “Description of the Convertible Preferred Stock—Limited Voting Rights.”

Description of the Purchase Contracts

Purchase of Common Stock

Each purchase contract that is a part of a Corporate Unit, a Treasury Unit or a Cash Settled Unit obligates its holder to purchase, and us to sell, on the purchase contract settlement date (unless the purchase contract terminates prior to that date as described under “—Termination” or is settled early at the holder’s option as described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change”), for \$100 in cash, a number of shares of our common stock equal to the settlement rate (together with cash, if applicable, in lieu of any fractional shares of common stock in the manner described below). The number of shares of our common stock issuable upon settlement of each purchase contract on the purchase contract settlement date (which we call the “settlement rate”) will be rounded to the nearest ten-thousandth of a share and determined as follows, subject to adjustment as described under “—Anti-dilution Adjustments” below:

- (1) If the applicable market value of our common stock is less than or equal to \$73.91, which we refer to as the “reference price,” the settlement rate will be 1.3529 shares of our common stock (which we refer to as the “maximum settlement rate”).

Accordingly, if the market price for our common stock decreases from the date of this prospectus supplement and during the market value averaging period (described below), the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be less than the stated amount of \$100, assuming that the market price on the purchase contract settlement date is the same as the applicable market value of the common stock.

- (2) If the applicable market value of our common stock is greater than the reference price, the settlement rate will be a number of shares of our common stock equal to \$100 *divided by* that applicable market value.

Accordingly, if the market price for the common stock increases from the date of this prospectus supplement and during the market value averaging period, the aggregate market value of the shares of common stock issued upon settlement of each purchase contract will be equal to the stated amount of \$100, assuming that the market price of the common stock on the purchase contract settlement date is the same as the applicable market value of the common stock.

The initial reference price noted above equals the closing price of our common stock on the New York Stock Exchange on the date of the pricing of our offering of the Equity Units.

If you elect to settle your purchase contract early in the manner described under “—Early Settlement,” the number of shares of our common stock issuable upon settlement of such purchase contract will be equal to 85% of the settlement rate determined in the manner set forth above but over a 20 consecutive trading day period beginning on the trading day immediately following the day you exercise your early settlement right, which we refer to as the “early settlement averaging period.” If you elect to settle your purchase contract early upon a fundamental change, the number of shares of our common stock issuable upon settlement will be determined as described under “—Early Settlement Upon a Fundamental Change.”

The “applicable market value” of our common stock means the average of the daily VWAPs of our common stock during the market value averaging period.

The “market value averaging period” means the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately preceding the purchase contract settlement date.

The “daily VWP” of our common stock means, for each relevant trading day, the per share volume weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg page “D <EQUITY> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of our common stock on such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by us).

A “trading day” means (a) a day (i) on which the New York Stock Exchange, or, if our common stock is not then listed on the New York Stock Exchange, the principal exchange or quotation system on which our common stock is listed or admitted for trading, is scheduled to be open for business and (ii) on which there has not occurred or does not exist a market disruption event, or (b) if our common stock is not so listed or admitted for trading, a “trading day” means a business day.

A “market disruption event” means (i) a failure by the primary U.S. national or regional securities exchange or market on which our common stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any scheduled trading day for our common stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in our common stock or in any options contracts or futures contracts relating to our common stock.

If a market disruption event occurs on any scheduled trading day during the market value averaging period or any early settlement averaging period, we will notify investors on the calendar day on which such event occurs.

If 20 trading days for our common stock have not occurred during the period from, and including, the first day of the market value averaging period to, and including, the second scheduled trading day immediately prior to the purchase contract settlement date, all remaining trading days in the market value averaging period will be deemed to occur on that second scheduled trading day immediately prior to the purchase contract settlement date, and the daily VWAP of our common stock for each of those remaining trading days will be the daily VWAP of our common stock on that second scheduled trading day or, if such day is not a trading day, the closing price as of such day.

We will not issue any fractional shares of our common stock upon settlement of a purchase contract. Instead of a fractional share, the holder will receive an amount of cash equal to the percentage of a whole share represented by such fractional share *multiplied by* the closing price of our common stock on the trading day immediately preceding the purchase contract settlement date (or the trading day immediately preceding the relevant date for delivery of shares of our common stock, in the case of early settlement). If, however, a holder surrenders for settlement more than one purchase contract on the same date, then the number of shares of our common stock issuable pursuant to such purchase contracts will be computed based upon the aggregate number of purchase contracts surrendered on such date or, if the Equity Units are held in global book-entry form, based on such other aggregate number of purchase contracts being surrendered by the holder on the same date as DTC may otherwise request.

The “closing price” per share of our common stock means, on any date of determination, the closing sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “closing price” will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If our common stock is not so quoted, the “closing price” will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

Unless:

- a holder has settled the related purchase contracts early by delivery of cash to the purchase contract agent in the manner described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change”; or
- an event described under “—Termination” has occurred,

then, on the purchase contract settlement date,

- in the case of Corporate Units where there has been a successful remarketing, the portion of the proceeds from the final remarketing or the maturity of the Treasury portfolio from an earlier optional remarketing, as applicable, equal to \$1,000 *multiplied by* the number of shares of the convertible preferred stock underlying the Corporate Units that were remarketed will automatically be applied to satisfy in full the holder’s obligations to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders whose shares of convertible preferred stock were remarketed;
- in the case of Corporate Units where there has not been a successful remarketing (i) except in the case of a dividend deficiency event, on June 1, 2022, we will pay each holder all accumulated and unpaid dividends (whether or not declared) on the convertible preferred stock to, but excluding, the June 1, 2022 dividend payment date as described under “—Final Remarketing” and (ii) immediately following such payment, each holder will be deemed to have automatically delivered to us on the purchase contract settlement date the ownership interests in the shares of convertible preferred stock that are a part of such Corporate Units (unless such holder shall have elected to settle the related purchase contracts in cash as described under “—Final Remarketing”) to satisfy in full the holder’s obligations to purchase our common stock under the related purchase contracts;

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- in the case of Treasury Units, the cash proceeds of the related Treasury securities, when paid at maturity, will automatically be applied to satisfy in full the holder's obligation to purchase our common stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of the Treasury Units; and
 - in the case of Cash Settled Units, the cash component of such units will automatically be applied to satisfy in full the holder's obligation to purchase our common stock under the related purchase contracts.

Our common stock will then be issued and delivered to the holder or the holder's designee, promptly following presentation and surrender of the certificate evidencing the Corporate Units, the Treasury Units or the Cash Settled Units, if in certificated form, and payment by the holder of any transfer or similar taxes payable in connection with the issuance of our common stock to any person other than the holder.

Prior to the settlement of a purchase contract, the shares of our common stock underlying each purchase contract will not be outstanding, and the holder of a purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of our common stock by virtue of holding such purchase contract.

By purchasing a Corporate Unit, a Treasury Unit or a Cash Settled Unit, a holder is deemed to have, among other things:

- irrevocably appointed the purchase contract agent as its attorney-in-fact to enter into and perform the purchase contract and the related purchase contract and pledge agreement in the name of and on behalf of such holder; and
- agreed to be bound by the terms and provisions of the Corporate Units, Treasury Units and Cash Settled Units and perform its obligations under the related purchase contract and the purchase contract and pledge agreement.

In addition, each beneficial owner of an Equity Unit, by acceptance of the beneficial interest therein, is deemed to have agreed to treat itself as the owner of the related convertible preferred stock, applicable interest in the Treasury portfolio, Treasury securities or cash, as the case may be.

Remarketing

We will enter into a remarketing agreement with a nationally recognized investment banking firm, as remarketing agent. Pursuant to the remarketing agreement, remarketing of the convertible preferred stock underlying the Corporate Units and any separate shares of convertible preferred stock whose holders have elected to participate in the remarketing will be attempted as described below. We refer to each of an "optional remarketing" and the "final remarketing" (each as defined below) as a "remarketing." No remarketing will occur if a termination event has occurred or, in the case of an optional remarketing, certain other events have occurred as described below.

As described under "Description of the Convertible Preferred Stock—Remarketing," in connection with a successful remarketing, (i) the dividend rate on the convertible preferred stock may be increased as described below, (ii) the conversion rate of the convertible preferred stock may be increased as described below and (iii) dividends will continue to be payable quarterly in arrears, when, as and if declared by our board of directors, commencing on the March 1, June 1, September 1 or December 1 immediately following the remarketing settlement date.

During any blackout period you do not have the right to:

- settle a purchase contract early;
- create Treasury Units;
- create Cash Settled Units; or
- recreate Corporate Units from Treasury Units.

We will use commercially reasonable efforts to ensure that a registration statement with regard to the full amount of the convertible preferred stock to be remarketed will be effective in a form that may be used by the remarketing agent in connection with the remarketing process (unless such registration statement is not required under the applicable laws and regulations that are in effect at that time or unless we conduct any remarketing in accordance with an exemption under the securities laws).

Optional Remarketing

Unless (i) a termination event has occurred, (ii) there are any accumulated and unpaid dividends on the convertible preferred stock in respect of prior dividend periods or (iii) we have not declared a dividend payable on the March 1, 2022 dividend payment date, we may elect, at our option, to remarket the convertible preferred stock during a period (which we call the “optional remarketing window”) beginning on and including February 25, 2022 and ending on and including May 13, 2022. Any remarketing in the optional remarketing window will occur during a fifteen-business day remarketing period (which we call an “optional remarketing period”) consisting of fifteen sequential possible remarketing dates selected by us and will include shares of convertible preferred stock underlying Corporate Units and other shares of convertible preferred stock of holders that have elected to include those shares in the remarketing as described under “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units.” We may attempt remarketings during multiple optional remarketing periods in the optional remarketing window so long as we give to the depositary 15 calendar days’ notice prior to the first day of any optional remarketing period as described below. We refer to a remarketing that occurs during the optional remarketing window as an “optional remarketing” and the date we price the convertible preferred stock offered in an optional remarketing as the “optional remarketing date.”

If we elect to conduct an optional remarketing, the remarketing agent will use its reasonable best efforts to obtain a price (i) for shares of convertible preferred stock that are components of Corporate Units, that results in proceeds of at least 100% of the Treasury portfolio purchase price described below and (ii) for shares of convertible preferred stock that are not part of Corporate Units, at least equal to the separate convertible preferred stock purchase price (as defined in “Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units”). To obtain that price, we may increase the dividend rate on the convertible preferred stock, as described under “Description of the Convertible Preferred Stock—Increased Dividend Rate and Increased Conversion Rate.” In addition, if, on the date of any successful remarketing, the closing price of our common stock on such date is less than the reference price, the conversion rate for the convertible preferred stock will increase to an amount equal to \$1,000, *divided by* 120% of the closing price of our common stock on the date of such remarketing (rounded to the nearest ten-thousandth share). If, however, on the date of any successful remarketing, the closing price of our common stock on such date is greater than or equal to the reference price, we will not change the conversion rate for the convertible preferred stock. We will not decrease the dividend rate or the conversion rate in connection with a successful remarketing.

Notwithstanding the foregoing, in no event will the increased conversion rate for the convertible preferred stock exceed 45.1000 shares of common stock per share of convertible preferred stock (which is approximately equal to four times the initial conversion rate for the convertible preferred stock), subject to adjustment in the same manner as the conversion rate as set forth under “Description of the Convertible Preferred Stock—Conversion Rate Adjustments.”

We will request that the depositary notify its participants holding Corporate Units, Treasury Units, and separate shares of convertible preferred stock of our election to conduct an optional remarketing no later than 15 calendar days prior to the date we begin the optional remarketing.

Following a successful optional remarketing of the convertible preferred stock, the remarketing agent will purchase the Treasury portfolio at the Treasury portfolio purchase price (as defined below), and deduct such price from the proceeds of the optional remarketing. Any remaining proceeds will be promptly remitted after the optional remarketing settlement date by the remarketing agent for the benefit of the holders whose shares of convertible preferred stock were remarketed.

If we elect to conduct an optional remarketing and such remarketing is successful:

- settlement of the remarketed convertible preferred stock will occur on the second business day following the optional remarketing date, or such other date we and the remarketing agent agree to (we refer to such settlement date as the “optional remarketing settlement date”);
- the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not the holders of such shares elected to participate in the remarketing) will be increased, if applicable, on the optional remarketing settlement date;

- any terms of the remarketed convertible preferred stock modified by us in accordance with the preferred stock articles of amendment will become effective on the optional remarketing settlement date, if applicable;
- dividends will continue to be payable on the convertible preferred stock quarterly, when, as and if declared by our board of directors;
- your Corporate Units will consist of a purchase contract and the applicable ownership interest in the Treasury portfolio, as described above; and
- you may no longer create Treasury Units or Cash Settled Units or recreate Corporate Units from Treasury Units.

If we do not elect to conduct an optional remarketing in the optional remarketing window, or no optional remarketing succeeds for any reason, the shares of convertible preferred stock will continue to be components of the Corporate Units or will continue to be held separately and the remarketing agent will use its reasonable best efforts to remarket the convertible preferred stock during the final remarketing period as described below.

For the purposes of a successful optional remarketing, “Treasury portfolio purchase price” means the lowest aggregate ask-side price quoted by a primary U.S. government securities dealer to the quotation agent selected by us between 9:00 a.m. and 4:00 p.m., New York City time, on the optional remarketing date for the purchase of the Treasury portfolio for settlement on the optional remarketing settlement date.

Following a successful optional remarketing, the remarketing agent will purchase, at the Treasury portfolio purchase price, the Treasury portfolio. If U.S. Treasury securities (or principal or interest strips thereof) that are to be included in the Treasury portfolio in connection with a successful optional remarketing have a yield that is less than zero, the Treasury portfolio will consist of an amount in cash equal to the aggregate principal amount at maturity of the U.S. Treasury securities described in the description of the Treasury portfolio under “Description of the Equity Units.” If the provisions set forth in this paragraph apply, references in this prospectus supplement to a “Treasury security” and “U.S. Treasury securities (or principal or interest strips thereof)” in connection with the Treasury portfolio will, thereafter, be deemed to be references to such amount in cash. Neither we, the purchase contract agent, the collateral agent nor anyone else will be required to invest that cash.

The applicable ownership interests in the Treasury portfolio will be substituted for the shares of convertible preferred stock that are components of the Corporate Units and, solely with respect to the Treasury securities described in clause (1) of the definition of applicable ownership interest, such applicable ownership interests will be pledged to us through the collateral agent to secure the Corporate Unit holders’ obligations under the purchase contracts. On the purchase contract settlement date, a portion of the proceeds from the Treasury portfolio equal to \$1,000 *multiplied by* the number of shares of convertible preferred stock that are components of the Corporate Units at the time of remarketing will automatically be applied to satisfy the Corporate Unit holders’ obligations to purchase our common stock under the purchase contracts. In addition, proceeds from the Treasury portfolio equal to the dividend payment that would have been attributable to the shares of convertible preferred stock that were components of the Corporate Units at the time of the remarketing (whether or not declared) will be paid on the purchase contract settlement date, which is the same date as the first originally scheduled dividend payment date after the optional remarketing settlement date.

If we elect to remarket the convertible preferred stock during an optional remarketing period and a successful remarketing has not occurred on or prior to the last day of the optional remarketing period, we will cause a notice of the failed remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the optional remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service. We will similarly cause a notice of a successful remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the date of such successful remarketing.

Final Remarketing

Unless (i) a termination event has occurred or (ii) the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units as a result of a successful optional remarketing, the remarketing agent will remarket the shares of convertible preferred stock that are components of the Corporate Units and any separate shares of convertible preferred stock whose holders have elected to participate in the remarketing as described under

“Description of the Convertible Preferred Stock—Remarketing of Shares That Are Not Included in Corporate Units,” during each day of the five business day period ending on May 27, 2022 (the second business day immediately preceding the purchase contract settlement date) until the remarketing is successful. We refer to such period as the “final remarketing period,” the remarketing during this period as the “final remarketing” and the date we price the convertible preferred stock offered in the final marketing as the “final remarketing date.”

The remarketing agent will use its reasonable best efforts to obtain, and the remarketing will be considered successful if the remarketing agent is able to obtain, a price that results in proceeds of at least \$1,000 *multiplied by* the aggregate number of shares of convertible preferred stock being remarketed. To obtain that price, we may increase the dividend rate on the convertible preferred stock as described under “Description of the Convertible Preferred Stock—Increased Dividend Rate and Increased Conversion Rate.” In addition, if, on the date of any successful remarketing, the closing price of our common stock on such date is less than the reference price, the conversion rate for the convertible preferred stock will increase to an amount equal to \$1,000, *divided by* 120% of the closing price of our common stock on the date of such remarketing (rounded to the nearest ten-thousandth share). If, however, on the date of any successful remarketing, the closing price of our common stock on such date is greater than or equal to the reference price, we will not change the conversion rate for the convertible preferred stock. Notwithstanding the foregoing, in no event will the increased conversion rate for the convertible preferred stock exceed 45.1000 shares of common stock per share of convertible preferred stock (which is approximately equal to four times the initial conversion rate for the convertible preferred stock), subject to adjustment in the same manner as the conversion rate as set forth under “Description of the Convertible Preferred Stock—Conversion Rate Adjustments.” We will request that the depositary notify its participants holding Corporate Units, Treasury Units and separate shares of convertible preferred stock of the remarketing no later than May 5, 2022. In our notice of a final remarketing, we will set forth the dates of the final remarketing period, applicable procedures for holders of separate shares of convertible preferred stock to participate in the final remarketing, the applicable procedures for holders of Corporate Units to create Treasury Units or Cash Settled Units, the applicable procedures for holders of Corporate Units to settle their purchase contracts early and any other applicable procedures, including the procedures that must be followed by a holder of an ownership interest in a share of convertible preferred stock that is a part of a Corporate Unit in the case of a failed final remarketing if such holder wishes not to have its ownership interests in shares of convertible preferred stock automatically delivered to us as described in this prospectus supplement in satisfaction of its obligation under the related purchase contracts.

We have the right to postpone the final remarketing in our absolute discretion on any day prior to the last business day of the final remarketing period.

If the final remarketing is successful:

- settlement of the remarketed convertible preferred stock will occur on the purchase contract settlement date;
- except in the case of a dividend deficiency event, we will pay all accumulated and unpaid dividends (including compounded dividends thereon), whether or not declared, on the purchase contract settlement date to the holders of the convertible preferred stock as of the close of business on the immediately preceding record date;
- the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not the holder of such shares elected to participate in the remarketing) will be increased, if applicable, effective on the purchase contract settlement date;
- any terms of the remarketed convertible preferred stock modified by us in accordance with the preferred stock articles of amendment will become effective on the final remarketing settlement date, if applicable;
- dividends will continue to be payable on the convertible preferred stock quarterly, when, as and if declared by our board of directors;
- a portion of the proceeds from the remarketing equal to \$1,000 *multiplied by* the number of shares of convertible preferred stock underlying Corporate Units that were remarketed will automatically be applied to satisfy in full the Corporate Unit holders’ obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date;
- a portion of the proceeds from the remarketing equal to \$1,000 *multiplied by* the number of separate shares of convertible preferred stock whose holders have elected to participate in the remarketing will be remitted by the remarketing agent for the benefit of such holders on the purchase contract settlement date; and

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- any remaining proceeds will be promptly remitted after the purchase contract settlement date by the remarketing agent for the benefit of the holders whose shares of convertible preferred stock were remarketed.

If (1) despite using its reasonable best efforts, the remarketing agent cannot remarket the related convertible preferred stock on or prior to the last day of the final remarketing period, at a price equal to or greater than \$1,000 *multiplied by* the aggregate number of shares of convertible preferred stock being remarketed or (2) the final remarketing has not occurred on or prior to the last day of the final remarketing period because a condition precedent to the remarketing has not been fulfilled, in each case resulting in a failed remarketing, the ownership interests in the shares of convertible preferred stock held as a part of Corporate Units will be automatically delivered to us, on the purchase contract settlement date, in full satisfaction of the Corporate Unit holder's obligation to purchase our common stock under the related purchase contract, unless the holder has elected otherwise, as set forth under "Description of the Convertible Preferred Stock—Automatic Settlement Upon Failed Final Remarketing." Notwithstanding the foregoing, except in the case of a dividend deficiency event, all accumulated and unpaid dividends (including compounded dividends thereon) will be paid on the purchase contract settlement date to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date, whether or not declared. If a dividend deficiency event occurs, following the final remarketing (whether successful or failed), we shall have no obligation to pay the then accumulated but unpaid dividends on the convertible preferred stock on the purchase contract settlement date to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date. However, the right to receive such accumulated but unpaid dividends (including compounded dividends thereon) shall continue to exist (and shall continue to compound) with respect to such convertible preferred stock notwithstanding such remarketing, and such dividends shall be payable to the holders of such convertible preferred stock as of the record date for the dividend payment date on which such dividends are subsequently declared and paid (if ever).

If a successful remarketing has not occurred on or prior to the last day of the final remarketing period, we will cause a notice of the failed remarketing of the convertible preferred stock to be published before 9:00 a.m., New York City time, on the business day immediately following the last date of the final remarketing period. This notice will be validly published by making a timely release to any appropriate news agency, including, without limitation, Bloomberg Business News and the Dow Jones News Service.

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may elect to settle the related purchase contracts at any time prior to the close of business on the scheduled trading day immediately preceding the first day of the market value averaging period, other than during a blackout period. In the case of Corporate Units and Treasury Units, such early settlement may only be made in integral multiples of 10 Corporate Units or 10 Treasury Units, as applicable. If the Treasury portfolio has replaced the shares of convertible preferred stock that are components of the Corporate Units, holders of the Corporate Units may settle early only in integral multiples of such number of Corporate Units as may be determined by the remarketing agent upon a successful optional remarketing of convertible preferred stock.

In order to settle purchase contracts early, a holder of Equity Units must deliver to the purchase contract agent (1) a completed "Election to Settle Early" form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form and (2) a cash payment in immediately available funds in an amount equal to:

- \$100 times the number of purchase contracts being settled; *plus*
- if the "early settlement date" (as defined below) for any purchase contract occurs during the period from the close of business on any contract adjustment payment record date to the opening of business on the related payment date, an amount equal to the contract adjustment payments payable on the payment date with respect to the purchase contracts being settled, unless we have elected to defer the contract adjustment payments payable on such date.

So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depositary, procedures for early settlement will also be governed by standing arrangements between the depositary and the purchase contract agent.

The early settlement right is also subject to the condition that, if we determine that it is required under U.S. federal securities laws, we have a registration statement under the Securities Act in effect and an available prospectus covering the shares of common stock and other securities, if any, deliverable upon settlement of a purchase contract. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering those shares of common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to provide such a prospectus, and the early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so).

Upon early settlement, except as described below in “—Early Settlement Upon a Fundamental Change,” we will issue, for each purchase contract being settled, 85% of the number of shares of our common stock that would be deliverable for each purchase contract as described in “—Purchase of Common Stock” above as if the “applicable market value” were the average of the daily VWAPs of our common stock during the early settlement averaging period.

We will cause the related shares of convertible preferred stock or applicable ownership interests in the Treasury portfolio or Treasury securities, as the case may be, underlying the Equity Units and securing such purchase contract to be released from the pledge under the purchase contract and pledge agreement, and delivered within two business days following the early settlement date, to the purchase contract agent or stock transfer agent, as applicable, on behalf of the holder, free and clear of our security interest. In addition, we will issue the number of shares of our common stock to be issued upon settlement of the purchase contract within two business days following the last day of the early settlement averaging period, to the holder through the transfer agent for our common stock. Upon early settlement, the holder will be entitled to receive any accrued and unpaid contract adjustment payments (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon) to, but excluding, the quarterly payment date immediately preceding the early settlement date. The holder’s right to receive future contract adjustment payments will terminate (except for contract adjustment payments payable to the holders of record on the applicable record date), and no adjustment will be made to or for the holder on account of any amounts accrued in respect of contract adjustment payments since the most recent quarterly payment date.

If the purchase contract agent receives a completed “Election to Settle Early” form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form, and payment of \$100 for each purchase contract being settled prior to 5:00 p.m., New York City time, on any business day and all conditions to early settlement have been satisfied, then that day will be considered the “early settlement date.” If the purchase contract agent receives the foregoing on or after 5:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the “early settlement date.”

Early Settlement Upon a Fundamental Change

If a fundamental change (as defined below) occurs prior to the purchase contract settlement date, then, following the fundamental change, each holder of a purchase contract, subject to certain conditions described in this prospectus supplement, will have the right to settle the purchase contract early on the fundamental change early settlement date (as defined below) at the settlement rate determined as if the applicable market value equaled the stock price (as defined below under “—Calculation of Make-Whole Shares”), *plus* an additional number of shares determined as set forth below (such additional number referred to as the “make-whole shares”). We refer to this right as the “fundamental change early settlement right.”

A “fundamental change” will be deemed to have occurred if any of the following occurs:

- (1) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of shares of our common stock representing more than 50% of the voting power of our common stock;
- (2) (A) we are involved in a consolidation with or merger into any other person, or any merger of another person into us, or any other similar transaction or series of related transactions (other than a merger, consolidation or similar transaction that does not result in the conversion or exchange of outstanding shares of our common stock), in each case, in which 90% or more of the outstanding shares of our common stock are exchanged

for or converted into cash, securities or other property, greater than 10% of the value of which consists of cash, securities or other property that is not (or will not be upon or immediately following the effectiveness of such consolidation, merger or other transaction) common stock listed on the New York Stock Exchange, the NASDAQ Global Select Market or the NASDAQ Global Market (or any of their respective successors) or (B) the consummation of any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of our consolidated assets to any person other than one of our subsidiaries;

- (3) our common stock ceases to be listed on at least one of the New York Stock Exchange, the NASDAQ Global Select Market and the NASDAQ Global Market (or any of their respective successors); or
- (4) our shareholders approve our liquidation, dissolution or termination.

The fundamental change early settlement right is subject to the condition that at such time, if so required under U.S. federal securities laws, there is in effect a registration statement and an available prospectus covering shares of our common stock and other securities, if any, to be delivered pursuant to the purchase contracts being settled. We have agreed that, if required under U.S. federal securities laws, we will use our commercially reasonable efforts to (1) have a registration statement in effect covering our common stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement upon a fundamental change (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, we will not be required to provide such a prospectus, and the fundamental change early settlement right will not be available, until we have publicly disclosed such transaction or development, *provided* that we will use our commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so). The fundamental change early settlement date will be postponed by the number of days during the period on which no such registration statement is effective, except that the fundamental change early settlement date will not be postponed beyond the purchase contract settlement date. If, but for the exception contained in the immediately preceding sentence, the fundamental change early settlement date would occur on or after the purchase contract settlement date, we will deliver to any holder of purchase contracts on the purchase contract settlement date the applicable number of make-whole shares in addition to a number of shares equal to the settlement rate, determined as if the applicable market value were equal to the stock price (as defined below under “—Calculation of Make-Whole Shares”) in such fundamental change.

We will provide each holder of Equity Units with a notice of a fundamental change within five business days after the effective date of the fundamental change. The notice will specify:

- (1) a date on which the fundamental change early settlement will occur (the “fundamental change early settlement date,”) which shall be at least 10 business days after the effective date of such fundamental change but, subject to the foregoing, no later than the earlier of (x) 20 business days after the effective date of such fundamental change and (y) one business day prior to (i) the first day of the commencement of an optional remarketing period, or (ii) if we have not specified an optional remarketing period or the optional remarketing is not successful, the first day of the commencement of the final remarketing period or, if the final remarketing is not successful, the purchase contract settlement date;
- (2) the date by which holders must exercise the fundamental change early settlement right;
- (3) the applicable settlement rate and number of make-whole shares;
- (4) the amount and kind (per share of common stock) of the cash, securities and other consideration receivable by the holder upon settlement; and
- (5) the amount of accrued and unpaid contract adjustment payments (including any deferred contract adjustment payments and compounded contract adjustment payments thereon), if any, that will be paid upon settlement to holders exercising the fundamental change early settlement right. Notwithstanding the foregoing, if the final remarketing period begins less than 10 business days following the occurrence of a fundamental change, the notice will specify the purchase contract settlement date as the fundamental change early settlement date.

To exercise the fundamental change early settlement right, a holder must, no later than the second business day prior to the fundamental change early settlement date:

- deliver to the purchase contract agent a completed “Election to Settle Early Following a Fundamental Change” form;

- So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depositary, procedures for fundamental change early settlement will also be governed by standing arrangements between the depositary and the purchase contract agent.

The holder will also receive on the fundamental change early settlement date the shares of convertible preferred stock or the applicable ownership interest in the Treasury portfolio or Treasury securities underlying the Corporate Units or Treasury Units, as the case may be, with respect to which such holder is effecting a fundamental change early settlement, which, in each case, shall have been released from the pledge under the purchase contract and pledge agreement and delivered to the purchase contract agent or transfer agent, as applicable, on behalf of the holder, free and clear of our security interest. In the case of Corporate Units, if such holder has elected to settle the purchase contracts with cash, such holder will also receive on the fundamental change early settlement date the aggregate number of shares of convertible preferred stock underlying the Corporate Units. If a holder does not elect to exercise the fundamental change early settlement right, its Corporate Units or Treasury Units will remain outstanding and subject to normal settlement on the purchase contract settlement date.

Calculation of Make-Whole Shares.

- in the case of a fundamental change described in clause (2) of the definition of fundamental change above where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock; and
- in all other cases, the average of the closing prices of our common stock for the 10 consecutive trading days immediately prior to but not including the effective date.

[illegible]

The actual stock price and effective date may not be set forth on the table, in which case:

- if the actual stock price is between two stock prices on the table or the actual effective date is between two effective dates on the table, the amount of make-whole shares will be determined by a straight-line interpolation between the make-whole share amounts set forth for the two stock prices and the two effective dates on the table based on a 365-day year, as applicable;
- if the stock price exceeds \$140.00 per share, subject to adjustment in the same manner as the stock prices in the table above, then the make-whole share amount will be zero; and
- if the stock price is less than \$30.00 per share, subject to adjustment in the same manner as the stock prices in the table above (the “minimum stock price”), then the make-whole share amount will be determined as if the stock price equaled the minimum stock price, using straight-line interpolation, as described above, if the actual effective date is between two effective dates on the table.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units, Treasury Units and Cash Settled Units are payable in cash, shares of our common stock or a combination thereof, at a rate per year of 5.50% of the stated amount of \$100 per Equity Unit. Contract adjustment payments payable for any period are computed (1) for any full quarterly period on the basis of a 360-day year of twelve 30-day months and (2) for any period shorter than a full quarterly period, on the basis of a 30-day month and, for any period less than a month, on the basis of the actual number of days elapsed in a 30-day month. Contract adjustment payments accrue from the date of original issuance of the Corporate Units to (but excluding) the earliest occurrence of a termination event, the purchase contract settlement date, the fundamental change early settlement date and the most recent quarterly payment date on or before any early settlement of the related purchase contracts, and are payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year (we refer to each of these dates as a “contract adjustment payment date”).

Contract adjustment payments are payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which are the fifteenth day of the month immediately preceding the month in which the relevant contract adjustment payment date falls (whether or not a business day) or if the Equity Units are held in global book-entry form, the record date is the business day immediately preceding the applicable contract adjustment payment date. Contract adjustment payments will be payable to such record holders notwithstanding the occurrence of any early settlement date or fundamental change early settlement date following a record date and on or prior to the open of business on the related payment date, except that holders will be required to pay us, in connection with any early settlement (other than in connection with a fundamental change), an equivalent payment as described under “—Early Settlement” above. These distributions will be paid through the purchase contract agent, who will distribute amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the Corporate Units, Treasury Units and Cash Settled Units.

If any date on which contract adjustment payments are to be made is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day that is a business day and no interest or payment will be paid in respect of the delay, if any.

Our obligations with respect to contract adjustment payments are subordinated and junior in right of payment to our existing and future indebtedness. Upon certain events of our bankruptcy, insolvency or reorganization, holders of our Equity Units will have no claims against us or our estate for any accrued and unpaid (including any deferred) contract adjustment payments.

We may, at our option and upon prior written notice to the holders of the Equity Units and the purchase contract agent, defer the payment of contract adjustment payments on the related purchase contracts forming a part of the Equity Units until the purchase contract settlement date; *provided, however*, that in (x) an early settlement upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the fundamental change early settlement date and (y) an early settlement other than upon a fundamental change, we will pay deferred contract adjustment payments (including compounded contract adjustment payments thereon as described below) to, but excluding, the quarterly contract adjustment payment date immediately preceding the early settlement date.

Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate of 7.25% per year until paid, compounded quarterly, which is equal to the rate of total distributions on the Corporate Units (compounding on each succeeding payment date), to, but excluding, the date such deferred contract adjustment payments are made. We refer to these additional contract adjustment payments that accrue on deferred contract adjustment payments as “compounded contract adjustment payments.” We may pay any such deferred contract adjustment payments (including compounded contract adjustment payments thereon) on any scheduled contract adjustment payment date. If the purchase contracts are terminated (upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us), the right to receive contract adjustment payments and deferred contract adjustment payments (including compounded contract adjustment payments thereon) will also terminate.

If we exercise our option to defer the payment of contract adjustment payments, then, until the deferred contract adjustment payments (including compounded contract adjustment payments thereon) have been paid, we will not (1) declare or pay any dividends on, or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of our capital stock (including the convertible preferred stock), (2) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of our debt securities that rank on parity with, or junior to, the contract adjustment payments, or (3) make any guarantee payments under any guarantee by us of securities of any of our subsidiaries if our guarantee ranks on parity with, or junior to, the contract adjustment payments.

The restrictions listed above do not apply to:

- purchases, redemptions or other acquisitions of our capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of our obligations pursuant to any contract or security outstanding on the date that the contract adjustment payment is deferred requiring us to purchase, redeem or acquire our capital stock;
- any payment, repayment, redemption, purchase, acquisition or declaration of dividends described in clause (1) above as a result of a reclassification of our capital stock, or the exchange or conversion of all or a portion of one class or series of our capital stock, for another class or series of our capital stock;
- the purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of our capital stock or the security being converted or exchanged, or in connection with the settlement of stock purchase contracts outstanding on the date that the contract adjustment payment is deferred;
- dividends or distributions paid or made in our capital stock (or rights to acquire our capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for shares of our capital stock) and distributions in connection with the settlement of stock purchase contracts outstanding on the date that the contract adjustment payment is deferred;
- redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a shareholder rights plan outstanding on the date that the contract adjustment payment is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;
- payments on any trust preferred securities, subordinated debentures, junior subordinated debentures or junior subordinated notes, or any guarantees of any of the foregoing, in each case, that rank equal in right of payment to the contract adjustment payments, so long as the amount of payments made on account of such securities or guarantees and the purchase contracts is paid on all such securities and guarantees and the purchase contracts then outstanding on a pro rata basis in proportion to the full payment to which each series of such securities, guarantees or purchase contracts is then entitled if paid in full; *provided* that, for the avoidance of doubt, we will not be permitted under the purchase contract and pledge agreement to make contract adjustment payments in part; or

- any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity or junior securities that, if not made, would cause us to breach the terms of the instrument governing such parity or junior securities.

Method of Payment of Contract Adjustment Payments

Subject to the limitations described below, we may pay any contract adjustment payment (or any portion of any contract adjustment payment) on the Equity Units (whether or not for a current quarterly period or any prior quarterly period), determined in our sole discretion:

- in cash;
- by delivery of shares of our common stock; or
- through any combination of cash and shares of our common stock.

We will make each contract adjustment payment in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. To the extent we do not elect to defer such payment, we will give the holders of the Equity Units notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the payment date for such contract adjustment payment.

If we elect to make any such contract adjustment payment, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the average of the daily VWAPs per share of our common stock over the five consecutive trading day period ending on the second trading day immediately preceding the applicable payment date (the “five-day average price”), *multiplied by 97%*.

No fractional shares of common stock will be delivered to the holders of the Equity Units in respect of contract adjustment payments. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of Equity Units held by such holder (or, if the Equity Units are held in global book-entry form, based on the applicable procedures of the depositary for determining such number of Equity Units).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as a contract adjustment payment, including contract adjustment payments paid in connection with a fundamental change early settlement, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable under Rule 144 by non-affiliates of ours without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Anti-dilution Adjustments

The maximum settlement rate will be subject to the following adjustments:

(1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the maximum settlement rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 / OS_0)$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such dividend or distribution or immediately prior to the open of business on the effective date for such share split or share combination, as the case may be;

SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date or immediately after the open of business on such effective date, as the case may be;

OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on such record date or immediately prior to the open of business on such effective date, as the case may be, in each case, prior to giving effect to such event; and

OS_1 = the number of shares of our common stock that would be outstanding immediately after, and solely as a result of, such event.

Any adjustment made pursuant to this paragraph (1) shall become effective as of the close of business on the record date for such dividend or other distribution or as of the open of business on the effective date for such share split or share combination becomes effective, as applicable. If any dividend or distribution in this paragraph (1) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, on the date that our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all holders of our common stock any rights, options or warrants entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of such distribution, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times (OS_0 + X) / (OS_0 + Y)$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;

SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;

OS_0 = the number of shares of our common stock outstanding immediately prior to the close of business on the record date for such distribution;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants *divided by* (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, options or warrants.

If any right, option or warrant described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of common stock are delivered or issued pursuant to such rights or warrants), the new maximum settlement rate shall be readjusted, as of the date of such expiration, to the maximum settlement rate that would then be in effect had the increase with respect to the distribution of such rights, options or warrants been made on the basis of delivery or issuance of only the number of shares of common stock actually delivered.

For purposes of this paragraph (2), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the common stock at a price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, options or warrants, and in determining the aggregate price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by our board of directors. Any increase made under this paragraph (2) will be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the record date for such distribution.

(3) (a) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us to all holders of our common stock (excluding (i) any dividend, distribution, rights, warrants or options as to which an adjustment was effected pursuant to clause (1) or (2) above, (ii) any dividend or distribution paid exclusively in cash, and (iii) any spin-off to which the provisions in clause 3(b) below apply), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - FMV)$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;

SR_1 = the maximum settlement rate in effect immediately after the close of business on such record date;

SP_0 = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by our board of directors), on the record date for such dividend or distribution, of the shares of capital stock, evidences of indebtedness, assets or property so distributed, expressed as an amount per share of our common stock.

Notwithstanding the foregoing, if “FMV” (as defined above) exceeds “ SP_0 ” (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of such distributed shares of capital stock, evidences of indebtedness or other assets or property that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such dividend or distribution.

(b) However, if we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, in each case, that will be listed on a U.S. national securities exchange, which we refer to as a “spin-off”, then the maximum settlement rate will instead be increased based on the following formula:

$$SR_1 = SR_0 \times (FMV_0 + MP_0) / MP_0$$

where,

SR_0 = the maximum settlement rate in effect immediately prior to the end of the valuation period (as defined below);

SR_1 = the maximum settlement rate in effect immediately after the end of the valuation period;

FMV_0 = the average of the closing price of the capital stock or similar equity interests distributed to holders of our common stock applicable to one share of our common stock over each of the 10 consecutive trading days commencing on, and including, the ex-dividend date for such dividend or distribution (the “valuation period”); and

MP_0 = the average of the closing price of our common stock over the valuation period.

The adjustment to the maximum settlement rate under this paragraph 3(b) will occur on the last day of the valuation period; *provided* that if a holder elects to early settle the purchase contracts, or the purchase contract settlement date occurs, in either case, during the valuation period, references with respect to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the ex-dividend date of such spin-off and the date on which such holder elected its early settlement right, or the business day immediately preceding the purchase contract settlement date, as the case may be, in determining the maximum settlement rate.

If any dividend or distribution described in this paragraph (3) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(4) If any regular, quarterly cash dividend or distribution made to all or substantially all holders of our common stock during any quarterly fiscal period exceeds \$0.9175 per share (the “reference dividend”), the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(SP_0 - T) / (SP_0 - C)]$$

where,

SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the record date for such distribution;

SR₁ = the maximum settlement rate in effect immediately after the close of business on such record date;

SP₀ = the closing price of our common stock on the record date for such distribution;

C = the amount in cash per share we distribute to holders of our common stock; and

T = the reference dividend; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the reference dividend will be deemed to be zero.

Notwithstanding the foregoing, if “C” (as defined above) exceeds “SP₀” (as defined above), in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of our common stock, the amount of distributed cash that such holder would have received if such holder owned a number of shares of our common stock equal to the maximum settlement rate on the record date for such cash dividend or distribution.

The reference dividend will be subject to an inversely proportional adjustment whenever the maximum settlement rate is adjusted, other than pursuant to this paragraph (4). For the avoidance of doubt, the reference dividend will be zero in the case of a cash dividend that is not a regular quarterly dividend.

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new maximum settlement rate shall be readjusted, as of the date our board of directors determines not to pay or make such dividend or distribution, to the maximum settlement rate that would then be in effect if such dividend or distribution had not been declared.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock validly tendered or exchanged exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the maximum settlement rate will be increased based on the following formula:

$$SR_1 = SR_0 \times [(FMV + (SP_1 \times OS_1)) / (SP_1 \times OS_0)]$$

where,

SR₀ = the maximum settlement rate in effect immediately prior to the close of business on the trading day on which such tender or exchange offer expires;

SR₁ = the maximum settlement rate in effect immediately after the close of business on the trading day immediately following the date such tender or exchange offer expires;

FMV = the fair market value (as determined in good faith by our board of directors, whose good faith determination will be conclusive), at the close of business on the trading day immediately following the date such tender or exchange offer expires, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date;

OS₀ = the number of shares of our common stock outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);

OS₁ = the number of shares of our common stock outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP₁ = the closing price of our common stock on the trading day next succeeding the date such tender or exchange offer expires.

The adjustment to the maximum settlement rate under the preceding paragraph (5) will occur at the close of business on the trading day on which such tender or exchange offer expires.

The term “ex-dividend date,” when used with respect to any issuance or distribution on our common stock or any other security, means the first date on which our common stock or such other security, as applicable, trades, regular way, on the principal U.S. securities exchange or quotation system on which our common stock or such other security, as applicable, is listed or quoted at that time, without the right to receive the issuance or distribution.

We currently do not have a shareholders rights plan with respect to our common stock. To the extent that we have a shareholders rights plan involving the issuance of share purchase rights or other similar rights to all or substantially all holders of our common stock in effect upon settlement of a purchase contract, you will receive, in addition to the common stock issuable upon settlement of any purchase contract, the related rights for the common stock under the shareholders rights plan, unless, prior to any settlement of a purchase contract, the rights have separated from the common stock, in which case the maximum settlement rate will be adjusted at the time of separation as if we made a distribution to all holders of our common stock as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of the rights under the shareholder rights plan.

For United States federal income tax purposes, you may be treated as receiving a constructive distribution from us with respect to the purchase contract if (1) the maximum settlement rate is adjusted (or fails to be adjusted) and, as a result of the adjustment (or failure to adjust), your proportionate interest in our assets or earnings and profits is increased, and (2) the adjustment (or failure to adjust) is not made pursuant to a bona fide, reasonable anti-dilution formula. For example, if the maximum settlement rate is adjusted as a result of a distribution that is taxable to the holders of our common stock, such as a cash dividend, you will be deemed to have received a “constructive distribution” of our stock. Thus, under certain circumstances, an adjustment to the maximum settlement rate might give rise to a taxable dividend to you even though you will not receive any cash in connection with such adjustment. In addition, “non-U.S. holders” may be deemed to have received a distribution subject to United States federal withholding tax.

In addition, we may increase the maximum settlement rate if our board of directors deems it advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as a dividend or distribution for income tax purposes or for any other reasons.

Adjustments to the maximum settlement rate will be calculated to the nearest ten thousandth of a share. No adjustment to the maximum settlement rate will be required unless the adjustment would require an increase or decrease of at least one percent in the maximum settlement rate. If any adjustment is not required to be made because it would not change the maximum settlement rate by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment. All adjustments will be made not later than the purchase contract settlement date, any early settlement date, any fundamental change early settlement date and the time at which we are required to determine the relevant settlement rate or amount of make-whole shares (if applicable) in connection with any settlement with respect to the purchase contracts.

No adjustment to the maximum settlement rate will be made if holders of purchase contracts participate, as a result of holding the purchase contracts and without having to settle the purchase contracts that form part of the Equity Units, in the transaction that would otherwise give rise to an adjustment as if they held, per purchase contract, a number of shares of our common stock equal to the maximum settlement rate, at the same time and upon the same terms as the holders of common stock participate in the transaction.

Except as described above, the maximum settlement rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;

- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Equity Units were first issued;
- for a change in the par value or no par value of the common stock; or
- for accumulated and unpaid contract adjustment payments.

We will, as promptly as practicable after the maximum settlement rate is adjusted, provide written notice of the adjustment to the holders of Equity Units.

If an adjustment is made to the maximum settlement rate, an adjustment also will be made to the reference price on an inversely proportional basis solely to determine which of the clauses of the definition of settlement rate will be applicable to determine the settlement rate with respect to the purchase contract settlement date, any early settlement date or any fundamental change early settlement date.

If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-dividend date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period beginning on, and including, (i) the open of business on a first trading day of the market value averaging period or (ii) in the case of an early settlement or fundamental change early settlement, the relevant early settlement date or the fundamental change early settlement date and, in each case, ending on, and including, the date on which we deliver shares of our common stock under the related purchase contract, we will make appropriate adjustments to the maximum settlement rate and/or the number of shares of our common stock deliverable upon settlement with respect to the purchase contract, in each case, consistent with the methodology used to determine the anti-dilution adjustments set forth above. If any adjustment to the maximum settlement rate becomes effective, or any effective date, expiration time, ex-dividend date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required maximum settlement rate adjustment) occurs, during the period used to determine the applicable market value, the “stock price” or any other averaging period hereunder, we will make appropriate adjustments to the applicable prices, consistent with the methodology used to determine the anti-dilution adjustments set forth above.

Reorganization Events

The following events are defined as “reorganization events”:

- any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination);
- any consolidation, merger or combination involving us;
- any sale, lease or other transfer to another person of the consolidated assets of ours and our subsidiaries substantially as an entirety; or
- any statutory exchange of our common stock;

in each case as a result of which our common stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (“exchange property”).

Following the effective date of a reorganization event, the settlement rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any purchase contract, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. An “exchange property unit” is the kind and amount of exchange property receivable in such reorganization event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the applicable settlement date) per share of our common stock by a holder of common stock that is not a person with which we are consolidated or into which we are merged or which merged into us or to which such sale or transfer was made, as the case may be (we refer to any such person as a “constituent person”), or an affiliate of a constituent person, to the extent such reorganization event provides for different treatment of common stock held by the constituent person and/or the affiliates of the constituent person, on the one hand, and non-affiliates of a constituent person, on the other hand. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the Corporate Units or Treasury Units are entitled to receive will be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of our common stock.

In the event of such a reorganization event, the person formed by such consolidation or surviving such merger or, if other than us, the person which acquires our assets and those of our subsidiaries substantially as an entirety will execute and deliver to the purchase contract agent an agreement providing that the holder of each Equity Unit that remains outstanding after the reorganization event (if any) will have the rights described in the preceding paragraph and expressly assuming all of our obligations under the purchase contracts, the purchase contract and pledge agreement, the convertible preferred stock and the remarketing agreement. Such supplemental agreement will provide for adjustments to the amount of any securities constituting all or a portion of an exchange property unit and/or adjustments to the maximum settlement rate, which, for events subsequent to the effective date of such reorganization event, will be as nearly equivalent as may be practicable, as determined by us in our sole commercially reasonable discretion, to the adjustments provided for under “—Anti-dilution Adjustments” above (it being understood that any such adjustment may be zero and that no such adjustments shall be required with respect to any portion of the exchange property that consists of cash). The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events.

In connection with any reorganization event, we will also adjust the reference dividend based on the number of shares of common stock comprising an exchange property unit and (if applicable) the value of any non-stock consideration comprising an exchange property unit. If an exchange property unit is composed solely of non-stock consideration, the reference dividend will be zero.

Termination

The purchase contract and pledge agreement provides that the purchase contracts and the obligations and rights of us and of the holders of Corporate Units, Treasury Units and Cash Settled Units thereunder, including the holders’ obligation and right to purchase and receive shares of our common stock and the right to receive accrued and unpaid contract adjustment payments (including deferred contract adjustment payments), will immediately and automatically terminate upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us.

Upon any such termination and receipt of written notice from the purchase contract agent of the same, the collateral agent will release the convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash, as the case may be, from the pledge arrangement and transfer such convertible preferred stock, the applicable ownership interest in the Treasury portfolio, Treasury securities or cash to the purchase contract agent or transfer agent, as applicable, for distribution to the holders of Corporate Units, Treasury Units and Cash Settled Units. Upon any termination, however, such release and distribution may be subject to a delay. In the event that we become the subject of a case under the U.S. Bankruptcy Code, such delay may occur as a result of the automatic stay under Section 362 of the U.S. Bankruptcy Code or other relief sought by the collateral agent, the purchase contract agent or other party asserting an interest in the pledged securities or contending that such termination is not effective and may continue until such automatic stay has been lifted or efforts to obtain such other relief has been resolved against such party.

Moreover, claims arising out of the convertible preferred stock will be subject to the equitable jurisdiction and powers of the bankruptcy court.

Pledged Securities and Pledge

The shares of convertible preferred stock that are a component of the Corporate Units or, following a successful optional remarketing, solely with respect to the Treasury securities described in clause (1) of the definition applicable ownership interest, the applicable ownership interests in the Treasury portfolio, that are a component of the Corporate Units or, if substituted, the Treasury securities that are a component of the Treasury Units or cash that is a component of the Cash Settled Units, collectively, the “pledged securities,” will be pledged to the collateral agent for our benefit pursuant to the purchase contract and pledge agreement to secure your obligation to purchase shares of our common stock under the related purchase contracts. The rights of the holders of the Corporate Units, Treasury Units and Cash Settled Units with respect to such pledged securities will be subject to our security interest therein. No holder of Corporate Units, Treasury Units or Cash Settled Units will be permitted to withdraw the pledged securities related to such Corporate Units, Treasury Units or Cash Settled Units from the pledge arrangement except:

- in the case of Corporate Units, to substitute a Treasury security or cash, as the case may be, for the related convertible preferred stock as provided for under “Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for Convertible Preferred Stock” and “Description of the Equity Units—Creating Cash Settled Units”;

- in the case of Treasury Units, to substitute convertible preferred stock for the related Treasury security, as provided for under “Description of the Equity Units—Recreating Corporate Units from Treasury Units”; and
- upon any early settlement, cash settlement or termination of the related purchase contracts.

Subject to our security interest and the terms of the purchase contract and pledge agreement, each holder of Corporate Units, unless the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units, will be entitled through the purchase contract agent or transfer agent, as applicable, and the collateral agent to all of the proportional rights and preferences of the related convertible preferred stock. Each holder of Treasury Units and each holder of Corporate Units, if the Treasury portfolio has replaced the convertible preferred stock as a component of the Corporate Units, will retain ownership of the related Treasury securities or, solely with respect to the Treasury securities described in clause (1) of the definition applicable ownership interest, the applicable ownership interests in the Treasury portfolio, as applicable, pledged in respect of the related purchase contracts. Each holder of Cash Settled Units will retain ownership of the related cash pledged in respect of the related purchase contracts. We will have no interest in the pledged securities other than our security interest.

Except as described in “Certain Provisions of the Purchase Contract and Pledge Agreement—General,” upon receipt of distributions on the pledged securities, the collateral agent will distribute such payments to the purchase contract agent, which in turn will distribute those payments, together with contract adjustment payments received from us, to the holders in whose names the Corporate Units, Treasury Units or Cash Settled Units are registered at the close of business on the record date preceding the date of such distribution.

Certain Provisions of the Purchase Contract and Pledge Agreement

General

Except as described under “—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units” below, payments on the Corporate Units, Treasury Units and Cash Settled Units will be payable, the purchase contracts will be settled and transfers of the Corporate Units, Treasury Units and Cash Settled Units will be registrable at the offices or agency of the purchase contract agent in the Borough of Manhattan, The City of New York. In addition, if the Corporate Units, Treasury Units or Cash Settled Units do not remain in book-entry only form, we have the option to make payments on the Corporate Units, Treasury Units and Cash Settled Units by check mailed to the address of the person entitled thereto as shown on the security register or by a wire transfer to the account designated by the holder by a prior written notice.

Shares of our common stock will be delivered on the purchase contract settlement date (or earlier upon early settlement), or, if the purchase contracts have terminated, the related pledged securities will be delivered (potentially after a delay as a result of the imposition of the automatic stay under the U.S. Bankruptcy Code or efforts by other parties to obtain other relief from the bankruptcy court, see “Description of the Purchase Contracts—Termination”) at the offices or agency of the purchase contract agent or transfer agent, as applicable, upon presentation and surrender of the applicable Corporate Unit, Treasury Unit or Cash Settled Unit certificate, if in certificated form.

If Corporate Units, Treasury Units or Cash Settled Units are in certificated form and a holder fails to present and surrender the certificate evidencing the Corporate Units, Treasury Units or Cash Settled Units to the purchase contract agent on or prior to the purchase contract settlement date, the shares of our common stock issuable upon settlement of the related purchase contract will be registered in the name of the purchase contract agent. The shares of our common stock, together with any distributions, will be held by the purchase contract agent as agent for the benefit of the holder until the certificate is presented and surrendered or the holder provides satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity or security that may be required by the purchase contract agent and us.

If the purchase contracts terminate prior to the purchase contract settlement date, the related pledged securities are transferred to the purchase contract agent for distribution to the holders, and a holder fails to present and surrender the certificate evidencing the holder’s Corporate Units, Treasury Units or Cash Settled Units, if in certificated form, to the purchase contract agent, the related pledged securities delivered to the purchase contract agent and payments on the pledged securities will be held by the purchase contract agent as agent for the benefit of the holder until the applicable certificate is presented, if in certificated form, or the holder provides the evidence and indemnity or security described above.

No service charge will be made for any registration of transfer or exchange of the Corporate Units, Treasury Units or Cash Settled Units, except for any tax or other governmental charge that may be imposed in connection therewith.

The purchase contract agent will have no obligation to invest or to pay interest on any amounts held by the purchase contract agent pending payment to any holder.

Modification

The purchase contract and pledge agreement contains provisions permitting us, the purchase contract agent and the collateral agent, to modify the purchase contract and pledge agreement without the consent of the holders for any of the following purposes:

- to evidence the succession of another corporation to our obligations;
- to add to the covenants for the benefit of holders or to surrender any of our rights or powers under those agreements;
- to evidence and provide for the acceptance of appointment of a successor purchase contract agent or a successor collateral agent or securities intermediary;
- to conform the provisions of the purchase contract and pledge agreement to the description contained in this prospectus supplement;
- to cure any ambiguity, defect or inconsistency; or
- to make such other provisions in regard to matters or questions arising under the purchase contract and pledge agreement that do not adversely affect the interests of any holders of Equity Units in any material respect.

The purchase contract and pledge agreement also contains provisions preventing us, the purchase contract agent and the collateral agent, subject to certain limited exceptions, from modifying the terms of the purchase contracts and the purchase contract and pledge agreement without the consent of the holders of not less than a majority of the outstanding purchase contracts. However, no modification may, without the consent of the holder of each outstanding purchase contract affected thereby:

- subject to our right to defer contract adjustment payments, change any payment date;
- change the place or currency or method of payment or reduce any contract adjustment payments;
- impair the right to institute suit for the enforcement of a purchase contract or any contract adjustment payment or deferred contract adjustment payment (including compounded contract adjustment payments thereon);
- except as described under “Description of the Purchase Contracts—Early Settlement” or “—Anti-dilution Adjustments,” reduce the number of shares of our common stock purchasable under a purchase contract, increase the purchase price of the shares of our common stock issuable on settlement of any purchase contract, change the purchase contract settlement date or the right to early settlement;
- adversely affect the holder’s rights under a purchase contract in any material respect, *provided* that any amendment made solely to conform the provisions of the purchase contract and pledge agreement to the description contained in the prospectus supplement filed by us with the Securities and Exchange Commission on June 13, 2019 will not be deemed to adversely affect the interests of the holders;
- change the amount or type of collateral required to be pledged to secure a holder’s obligations under the purchase contract and pledge agreement, impair the right of the holder of any purchase contract to receive distributions on such collateral, or otherwise adversely affect the holder’s rights in or to such collateral;
- reduce any contract adjustment payments or any deferred contract adjustment payments (including compounded contract adjustment payments); or
- reduce the above-stated percentage of outstanding purchase contracts whose holders’ consent is required for the modification or amendment of the provisions of the purchase contracts and the purchase contract and pledge agreement;

provided that if any amendment or proposal would adversely affect only the Corporate Units, only the Treasury Units or only the Cash Settled Units, then only the affected voting group of holders will be entitled to vote on such amendment or proposal, and such amendment or proposal will not be effective except with the consent of the holders of not less than a majority of such voting group or, if referred to in the immediately preceding eight bullets above, all of the holders of such voting group.

We will be entitled to set any day as a record date for the purpose of determining the holders of outstanding Equity Units entitled to give or take any demand, direction, consent or other action under the Equity Units, in the manner and subject to the limitations provided in the purchase contract and pledge agreement. In certain circumstances, the purchase contract agent also will be entitled to set a record date for action by holders. If such a record date is set for any action to be taken by holders of particular Equity Units, such action may be taken only by persons who are holders of such Equity Units at the close of business on the record date.

No Consent to Assumption; Agreement by Purchasers

Each holder of a Corporate Unit, a Treasury Unit or a Cash Settled Unit is deemed under the terms of the purchase contract and pledge agreement, by the purchase of such Corporate Unit, Treasury Unit or Cash Settled Unit, to have expressly withheld any consent to the assumption (i.e., affirmation) of the related purchase contracts by us, our receiver, liquidator or trustee in the event that we become the subject of a case under the U.S. Bankruptcy Code or other similar state or federal law providing for reorganization or liquidation.

Consolidation, Merger and Conveyance of Assets as an Entirety

We will agree not to merge or consolidate with any other person or sell or convey all or substantially all of our assets to any person unless (i) either we are the continuing entity, or the successor entity (if other than us) is a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia and such corporation expressly assumes all of our responsibilities and liabilities under the purchase contracts, the Corporate Units, the Treasury Units, the Cash Settled Units, the purchase contract and pledge agreement and the remarketing agreement (if any) by one or more supplemental agreements in form satisfactory to the purchase contract agent and the collateral agent, executed and delivered to the purchase contract agent and the collateral agent by such corporation, and (ii) we or such successor corporation, as the case may be, will not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any of its obligations or covenants under such agreements.

In case of any such consolidation, merger, sale or conveyance, and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for us, with the same effect as if it had been named in the purchase contracts, the Corporate Units, the Treasury Units, the Cash Settled Units, the purchase contract and pledge agreement and the remarketing agreement (if any) as us and (other than in the case of a lease) we shall be relieved of any further obligation under the purchase contracts, the Corporate Units, the Treasury Units, the Cash Settled Units, the purchase contract and pledge agreement and the remarketing agreement (if any).

Title

We, the purchase contract agent and the collateral agent may treat the registered owner of any Corporate Units, Treasury Units or Cash Settled Units as the absolute owner of the Corporate Units, Treasury Units or Cash Settled Units for the purpose of making payment (subject to the record date provisions described above), settling the related purchase contracts and for all other purposes.

Replacement of Equity Unit Certificates

In the event that physical certificates have been issued, any mutilated Corporate Unit, Treasury Unit or Cash Settled Unit certificate will be replaced by us at the expense of the holder upon surrender of the certificate to the purchase contract agent. Corporate Unit, Treasury Unit or Cash Settled Unit certificates that become destroyed, lost or stolen will be replaced by us at the expense of the holder upon delivery to us and the purchase contract agent of evidence of their destruction, loss or theft satisfactory to us and the purchase contract agent. In the case of a destroyed, lost or stolen Corporate Unit, Treasury Unit or Cash Settled Unit certificate, an indemnity or security satisfactory to the purchase contract agent and us may be required at the expense of the holder before a replacement certificate will be issued.

Notwithstanding the foregoing, we will not be obligated to issue any Corporate Unit, Treasury Unit or Cash Settled Unit certificates on or after the business day immediately preceding the earliest of any early settlement date, any fundamental change early settlement date, the purchase contract settlement date or the date on which the purchase contracts have terminated. The purchase contract and pledge agreement will provide that, in lieu of the delivery of a replacement Corporate Unit, Treasury Unit or Cash Settled Unit certificate following any of these dates, the transfer agent, on behalf of the purchase contract agent, upon delivery of the evidence and indemnity or security described above, will deliver the shares of our common stock issuable pursuant to the purchase contracts included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate, or, if the purchase contracts have terminated prior to the purchase contract settlement date, transfer the pledged securities included in the Corporate Units, Treasury Units or Cash Settled Units evidenced by the certificate.

Governing Law

The purchase contracts and the purchase contract and pledge agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Information Concerning the Purchase Contract Agent

Deutsche Bank Trust Company Americas (or its successor) is the purchase contract agent. The purchase contract agent acts as the agent for the holders of Corporate Units, Treasury Units and Cash Settled Units. The purchase contract agent is not obligated to take any discretionary action in connection with a default under the terms of the Corporate Units, the Treasury Units, the Cash Settled Units or the purchase contract and pledge agreement.

The purchase contract and pledge agreement contains provisions limiting the liability of and providing indemnification to the purchase contract agent. The purchase contract and pledge agreement also contains provisions under which the purchase contract agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

We and certain of our affiliates maintain banking relationships with Deutsche Bank Trust Company Americas or its affiliates. Deutsche Bank Trust Company Americas also serves as trustee or series trustee under other indentures under which we and certain of our affiliates have issued securities. Deutsche Bank Trust Company Americas and its affiliates have purchased, and are likely to purchase in the future, our securities and securities of our affiliates.

Information Concerning the Collateral Agent

HSBC Bank USA, National Association is the collateral agent. The collateral agent acts solely as our agent and has not assumed any obligation or relationship of agency or trust for or with any of the holders of the Corporate Units, the Treasury Units and the Cash Settled Units except for the obligations owed by a pledgee of property to the owner thereof under the purchase contract and pledge agreement and applicable law.

The purchase contract and pledge agreement contains provisions limiting the liability of and providing indemnification to the collateral agent. The purchase contract and pledge agreement also contains provisions under which the collateral agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

Miscellaneous

The purchase contract and pledge agreement provides that we will pay all fees and expenses (including fees and expenses of counsel) related to the retention of the collateral agent and the purchase contract agent. Holders who elect to substitute the related pledged securities, thereby creating Treasury Units or Cash Settled Units or recreating Corporate Units, however, will be responsible for any fees or expenses (including fees and expenses of counsel) payable in connection with such substitution, as well as for any commissions, fees or other expenses incurred in acquiring the pledged securities to be substituted. We will not be responsible for any such fees or expenses.

Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units

The Depository Trust Company, or DTC, which we refer to along with its successors in this capacity as the depository, acts as securities depository for the Corporate Units, Treasury Units and Cash Settled Units. The Corporate Units, Treasury Units and Cash Settled Units were issued as fully registered securities registered in the name of Cede & Co., the depository's nominee. One or more fully registered global security certificates, representing the total aggregate number of Corporate Units, Treasury Units and Cash Settled Units, were issued and deposited with the depository or its custodian and bear a legend regarding the restrictions on exchanges and registration of transfer referred to below.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in certificated form. These laws may impair the ability to transfer beneficial interests in the Corporate Units, Treasury Units and Cash Settled Units so long as the Corporate Units, Treasury Units and Cash Settled Units are represented by global security certificates.

DTC advises that it is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 1A of the Exchange Act. The depository holds securities that its participants deposit with the depository. The depository also facilitates the settlement among participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The depository is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the depository's system is also available to others, including securities brokers and dealers, banks, trust companies and clearing corporations that clear transactions through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to the depository and its participants are on file with the SEC.

We will issue the Corporate Units, Treasury Units and Cash Settled Units in definitive certificated form if the depository notifies us that it is unwilling or unable to continue as depository or the depository ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by us within 90 calendar days. In addition, beneficial interests in a global security certificate may be exchanged for definitive certificated Corporate Units, Treasury Units or Cash Settled Units upon request by or on behalf of the depository in accordance with customary procedures following the request of a beneficial owner seeking to exercise or enforce its rights under such Corporate Units, Treasury Units or Cash Settled Units. If we determine at any time that the Corporate Units, Treasury Units or Cash Settled Units shall no longer be represented by global security certificates, we will inform the depository of such determination and the depository will, in turn, notify participants of their right to withdraw their beneficial interest from the global security certificates, and if such participants elect to withdraw their beneficial interests, we will issue certificates in definitive form in exchange for such beneficial interests in the global security certificates. Any global Corporate Unit, Treasury Unit or Cash Settled Unit, or portion thereof that is exchangeable pursuant to this paragraph will be exchangeable for Corporate Unit, Treasury Unit or Cash Settled Unit certificates, as the case may be, registered in the names directed by the depository. We expect that these instructions will be based upon directions received by the depository from its participants with respect to ownership of beneficial interests in the global security certificates.

As long as the depository or its nominee is the registered owner of the global security certificates, the depository or its nominee, as the case may be, will be considered the sole owner and holder of the global security certificates and all Corporate Units, Treasury Units and Cash Settled Units represented by these certificates for all purposes under the Corporate Units, Treasury Units, Cash Settled Units and the purchase contract and pledge agreement. Except in the limited circumstances referred to above, owners of beneficial interests in global security certificates:

- will not be entitled to have the Corporate Units, the Treasury Units or the Cash Settled Units represented by these global security certificates registered in their names, and
- will not be considered to be owners or holders of the global security certificates or any Corporate Units, Treasury Units or Cash Settled Units represented by these certificates for any purpose under the Corporate Units, Treasury Units, Cash Settled Units or the purchase contract and pledge agreement.

All payments on the Corporate Units, Treasury Units and Cash Settled Units represented by the global security certificates and all transfers and deliveries of related convertible preferred stock, Treasury securities, cash and common stock will be made to the depositary or its nominee, as the case may be, as the holder of the securities.

Ownership of beneficial interests in the global security certificates will be limited to participants or persons that may hold beneficial interests through institutions that have accounts with the depositary or its nominee. Ownership of beneficial interests in global security certificates will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the depositary or its nominee, with respect to participants' interests, or any participant, with respect to interests of persons held by the participant on their behalf. Procedures for settlement of purchase contracts on the purchase contract settlement date, or upon early settlement, will be governed by arrangements among the depositary, participants and persons that may hold beneficial interests through participants designed to permit settlement without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depositary from time to time. None of us, the purchase contract agent or any agent of us or the purchase contract agent will have any responsibility or liability for any aspect of the depositary's or any participant's records relating to, or for payments made on account of, beneficial interests in global security certificates, or for maintaining, supervising or reviewing any of the depositary's records or any participant's records relating to these beneficial ownership interests.

Although the depositary has agreed to the foregoing procedures in order to facilitate transfers of interest in the global security certificates among participants, the depositary is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. We will not have any responsibility for the performance by the depositary or its direct participants or indirect participants under the rules and procedures governing the depositary.

The information in this section concerning the depositary and its book-entry system has been obtained from sources that we believe to be reliable, but we have not attempted to verify the accuracy of this information.

Description of the Convertible Preferred Stock

General

In connection with the issuance of the Corporate Units, we amended our articles of incorporation creating a new series of our preferred stock designated as the 1.75% Series A Cumulative Perpetual Convertible Preferred Stock, which we refer to as the "convertible preferred stock." We shall not (i) change any terms of the convertible preferred stock except as set forth in the preferred stock articles of amendment and (ii) issue any additional shares of the convertible preferred stock other than in accordance with the preferred stock articles of amendment.

In connection with the issuance of the Corporate Units, we issued 1,610,000 shares of convertible preferred stock. Upon issuance, the convertible preferred stock was validly issued, fully paid and non-assessable.

Each Corporate Unit includes a 1/10, or 10%, undivided beneficial ownership interest in one share of convertible preferred stock with an initial \$1,000 liquidation preference that corresponds to the stated amount of \$100 per Corporate Unit.

We do not intend to list the convertible preferred stock that are not a part of Corporate Units on any securities exchange.

Ranking

The convertible preferred stock, with respect to dividend rights or rights upon our liquidation, winding-up or dissolution, ranks:

- senior to all classes or series of our common stock and to any other class or series of our capital stock expressly designated as ranking junior to the convertible preferred stock;
- on parity with any other class or series of our capital stock expressly designated as ranking on parity with the convertible preferred stock;

-
- junior to any other class or series of our capital stock expressly designated as ranking senior to the convertible preferred stock; and
 - junior to our existing and future indebtedness and other liabilities (including trade payables).

The term “capital stock” does not include convertible or exchangeable debt securities, which, prior to conversion or exchange, will rank senior in right of payment to the shares of convertible preferred stock.

In the case of our liquidation, dissolution or winding up, holders of the convertible preferred stock will not have the right to receive any payment or distribution unless all of our liabilities are first paid in full and the priority of any senior stock is satisfied.

Other than the 800,000 shares of 4.65% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock with a liquidation preference of \$1,000 per share that we issued in December 2019, we currently have no capital stock outstanding that is senior to or on parity with the convertible preferred stock, and we own all of the equity interest of our subsidiaries. Our indebtedness is senior in right of payment to the convertible preferred stock. In addition, the convertible preferred stock will be structurally subordinated to all debt, preferred stock and other liabilities of our subsidiaries, which means that creditors and any preferred stockholders of our subsidiaries will be paid from the assets of such subsidiaries before holders of the convertible preferred stock would have any claims to those assets.

Dividends

Holders of the convertible preferred stock will receive when, as and if authorized by our board of directors and declared by us, cumulative dividends at the rate of 1.75% per year (the “dividend rate”) on the \$1,000 liquidation preference per share of the convertible preferred stock, payable in cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election.

Dividends will accumulate from the most recent date of payment, and will be payable to investors quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, each a “dividend payment date,” to the person whose name appears in our stock records at the close of business on the applicable record date, which will be the fifteenth day of the month immediately preceding the month in which the relevant dividend payment date falls (whether or not a business day) or, with respect to any dividend payment date scheduled to occur on or prior to June 1, 2022, if (x) the Corporate Units are held in global book-entry form and (y) separate shares of the convertible preferred stock are held in global book-entry form, the record date will be the business day immediately preceding the applicable dividend payment date. We refer to each period beginning on and including a dividend payment date (or, if no dividends have been paid on the convertible preferred stock, the date of first issuance) to, but excluding, the next dividend payment date as a “dividend period.”

We will calculate dividends on the convertible preferred stock on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the convertible preferred stock will cease to accumulate upon conversion, as described below.

If a dividend payment date falls on a date that is not a business day, such dividend payment date will be postponed to the next succeeding business day, provided that, if such business day falls in the next succeeding calendar month, the dividend payment date will be brought forward to the immediately preceding business day.

Dividends on the convertible preferred stock will accumulate whether or not:

- we have earnings;
- the payment of those dividends is then permitted under Virginia law; or
- those dividends are authorized or declared.

So long as any shares of convertible preferred stock remain outstanding, except as described in the second following paragraph, unless full cumulative dividends on the convertible preferred stock for all past dividend periods (including compounded dividends thereon) shall have been or contemporaneously are declared and paid or declared and a sum or number of shares of common stock sufficient for the payment thereof is set apart for payment, we will not:

- declare and pay or declare and set aside for payment of dividends, and we will not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock or shares of any other class or series of our capital stock ranking, as to dividends, on parity with or junior to the convertible preferred stock, for any period;

- redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of, any common stock or shares of any other class or series of our capital stock ranking, as to dividends or upon liquidation, on parity with or junior to the convertible preferred stock; or
- make any contract adjustment payments under the purchase contracts or any payment under any similar agreement providing for the issuance by us of capital stock on a forward basis.

The foregoing sentence, however, will not prohibit:

- purchases, redemptions or other acquisitions of shares of capital stock ranking junior to the convertible preferred stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of current or former employees, officers, directors or consultants;
- purchases of shares of our common stock pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the first dividend period for which dividends are unpaid, including under a contractually binding stock repurchase plan;
- the purchase of, or the payment of cash in lieu of, fractional interests in shares of capital stock ranking junior to the convertible preferred stock issued by us (i) in connection with a bona fide acquisition of a business or (ii) pursuant to the conversion or exchange provisions of such capital stock or securities convertible into or exchangeable for such capital stock;
- any declaration of a dividend on our capital stock in connection with the implementation of a shareholders rights plan designed to protect us against unsolicited offers to acquire our capital stock, or the issuance of our capital stock under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;
- dividends or distributions payable solely in capital stock ranking junior to the convertible preferred stock, or warrants, options or rights to acquire such capital stock, other than any indebtedness or our capital stock ranking, as to dividends or upon liquidation, on parity with or senior to the convertible preferred stock, in each case, convertible into our capital stock ranking junior to the convertible preferred stock; or
- the conversion into or exchange for other shares of any class or series of capital stock ranking junior to the convertible preferred stock.

We will not permit any of our subsidiaries to purchase or otherwise acquire for consideration any shares of our stock unless we could, under the above paragraph, purchase or otherwise acquire such shares at such time and in such manner. We refer to the provisions described in this paragraph and the above paragraph as the “dividend blocker provisions.”

When we do not pay dividends in full (or do not set apart a sum sufficient to pay them in full) on the convertible preferred stock and the shares of any other class or series of capital stock ranking, as to dividends, on parity with the convertible preferred stock, we will declare any dividends upon the convertible preferred stock and each such other class or series of capital stock ranking, as to dividends, on parity with the convertible preferred stock pro rata, so that the amount of dividends declared per share of the convertible preferred stock and such other class or series of capital stock will in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the convertible preferred stock and such other class or series of capital stock (which will not include any accumulation in respect of unpaid dividends on such other class or series of capital stock for prior dividend periods if such other class or series of capital stock does not have a cumulative dividend) bear to each other.

Any accumulated and unpaid dividends will accumulate additional dividends at the then-current dividend rate until paid, compounded quarterly, to, but excluding, the payment date. We refer to these additional dividends that accumulate on accumulated and unpaid dividends as “compounded dividends” and the payments in respect thereof as “compounded dividend payments.”

Holders of shares of the convertible preferred stock are not entitled to any dividends in excess of the full cumulative dividends (including compounded dividends) on the convertible preferred stock as described above. Any dividend payment made on the convertible preferred stock will first be credited against the earliest accumulated but unpaid dividends due with respect to those shares which remain payable.

No dividend will be paid unless and until our board of directors, or an authorized committee of our board of directors, declares a dividend payable with respect to the convertible preferred stock. Our ability to declare and pay dividends and make other distributions with respect to our capital stock, including the convertible preferred stock, may be limited by the terms of any indentures, loan agreements or other financing arrangements that we enter into in the future. In addition, our ability to declare and pay dividends may be limited by applicable Virginia law. Notwithstanding the foregoing, except in the case of a dividend deficiency event, all accumulated and unpaid dividends (including compounded dividends thereon), whether or not declared, will be paid on the purchase contract settlement date, whether or not there is a successful remarketing to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date. If a dividend deficiency event occurs, following the final remarketing (whether successful or failed), we shall have no obligation to pay the then accumulated but unpaid dividends on the convertible preferred stock on the purchase contract settlement date to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date. However, the right to receive such accumulated but unpaid dividends (including compounded dividends thereon) shall continue to exist (and shall continue to compound) with respect to such convertible preferred stock notwithstanding such remarketing, and such dividends shall be payable to the holders of such convertible preferred stock as of the record date for the dividend payment date on which such dividends are subsequently declared and paid (if ever).

Method of Payment of Dividends

Subject to the limitations described below, we may pay any dividend (or any portion of any dividend) on the convertible preferred stock (whether or not for a current dividend period or any prior dividend period), determined in the sole discretion of our board of directors, or an authorized committee thereof:

- in cash;
- by delivery of shares of our common stock; or
- through any combination of cash and shares of our common stock.

We will make each payment of a dividend on the convertible preferred stock in cash, except to the extent we elect to make all or any portion of such payment in shares of our common stock. We will give the holders of the convertible preferred stock notice of any such election and the portion of such payment that will be made in cash and the portion that will be made in common stock no later than eight scheduled trading days prior to the dividend payment date for such dividend.

If we elect to make any such payment of a dividend, or any portion thereof, in shares of our common stock, such shares shall be valued for such purpose at the applicable five-day average price, *multiplied by 97%*.

No fractional shares of common stock will be delivered to the holders of the convertible preferred stock in respect of dividends. We will instead pay a cash adjustment to each holder that would otherwise be entitled to a fraction of a share of common stock based on (i) the five-day average price and (ii) the aggregate number of shares of convertible preferred stock held by such holder (or, if the convertible preferred stock is held in global book-entry form, based on the applicable procedures of the depositary for determining such number of shares).

To the extent a shelf registration statement is required in our reasonable judgment in connection with the issuance of or for resales of common stock issued as payment of a dividend, we will, to the extent such a registration statement is not currently filed and effective, use our reasonable best efforts to file and maintain the effectiveness of such a shelf registration statement until the earlier of such time as all such shares of common stock have been resold thereunder and such time as all such shares are freely tradable under Rule 144 by non-affiliates of ours without registration. To the extent applicable, we will also use our reasonable best efforts to have the shares of common stock qualified or registered under applicable state securities laws, if required, and approved for listing on the New York Stock Exchange (or if our common stock is not listed on the New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which our common stock is then listed).

Any dividends paid in shares of our common stock will be subject to the listing standards of the New York Stock Exchange, if applicable.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment shall be made to holders of shares of our common stock or any other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, junior to the convertible preferred stock, holders of shares of the convertible preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of \$1,000 per share of the convertible preferred stock, *plus* an amount equal to any accumulated and unpaid dividends (whether or not authorized or declared) up to but excluding the date of payment, but subject to the prior payment in full of all our liabilities and the payment of our senior stock. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of the convertible preferred stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on parity with the convertible preferred stock in the distribution of assets, then holders of shares of the convertible preferred stock and each such other class or series of capital stock ranking, as to voluntary or involuntary liquidation rights, on parity with the convertible preferred stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of the convertible preferred stock will be entitled to written notice of any event triggering the right to receive a distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of our affairs. After payment of the full amount of the liquidating distributions to which they are entitled, holders of shares of the convertible preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

No Maturity

The convertible preferred stock has no maturity date, but we are permitted to redeem the convertible preferred stock as described under “—Optional Redemption.” Accordingly, the convertible preferred stock will remain outstanding indefinitely unless a holder of shares of the convertible preferred stock decides, subject to satisfaction of the conditions described herein, to convert it, or we elect to redeem it. See “—Conversion Rights,” and “—Optional Redemption” below.

Optional Redemption

We do not have the right to redeem any shares of the convertible preferred stock before September 1, 2022. On or after September 1, 2022, we will have the option to redeem some or all the shares of the convertible preferred stock at a redemption price equal to 100% of the liquidation preference per share, plus any accumulated and unpaid dividends, if any (whether or not declared) to, but excluding, the redemption date. The redemption price will be paid solely in cash.

In the event of a redemption, we will request that the depositary notify its participants holding convertible preferred stock or, if the convertible preferred stock is in certificated form, send a written notice by first class mail to each holder of record of the convertible preferred stock at such holders registered address, not fewer than 25 scheduled trading days nor more than 90 calendar days prior to the redemption date, stating, among other things, the redemption price and the settlement method of the convertible preferred stock if the holder elects to convert. In addition, we will (i) issue a press release containing such information and (ii) publish such information on our website. In no event will we give any notice of redemption prior to the earlier of a remarketing settlement date and the purchase contract settlement date.

If we give notice of redemption, then, by 12:00 p.m., New York City time, on the redemption date, to the extent funds are legally available, we shall, with respect to:

- shares of the convertible preferred stock held by DTC or its nominees, deposit or cause to be deposited, irrevocably with DTC cash sufficient to pay the redemption price and will give DTC irrevocable instructions and authority to pay the redemption price to holders of such shares of the convertible preferred stock; and
- shares of the convertible preferred stock held in certificated form, deposit or cause to be deposited, irrevocably with the paying agent cash sufficient to pay the redemption price and will give the paying agent irrevocable instructions and authority to pay the redemption price to holders of such shares of the convertible preferred stock upon surrender to the paying agent of their certificates evidencing their shares of the convertible preferred stock.

If on the redemption date DTC or the paying agent holds cash sufficient to pay the redemption price for the shares of the convertible preferred stock delivered for redemption in accordance with the terms of the certificate of designations, dividends will cease to accumulate on those shares of the convertible preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price. Payment of the redemption price for the shares of the convertible preferred stock is conditioned upon book-entry transfer of or physical delivery of certificates representing the convertible preferred stock, together with necessary endorsements, to the paying agent, or to the paying agent's account at DTC, at any time after delivery of the redemption notice. Payment of the redemption price for the convertible preferred stock will be made (i) if book-entry transfer of or physical delivery of the convertible preferred stock has been made by or on the redemption date, on the redemption date, or (ii) if book-entry transfer of or physical delivery of the convertible preferred stock has not been made by or on such date, at the time of book-entry transfer of or physical delivery of the convertible preferred stock.

If the redemption date falls after a dividend payment record date and before the related dividend payment date, holders of the shares of convertible preferred stock at the close of business on that dividend payment record date will be entitled to receive the full dividend payable on those shares on the corresponding dividend payment date. The redemption price payable on such redemption date will include only the liquidation preference, but will not include any amount in respect of dividends declared and payable on such corresponding dividend payment date.

In the case of any partial redemption, we will select the shares of convertible preferred stock to be redeemed on a pro rata basis, by lot or any other method that we, in our discretion, deem fair and appropriate.

We do not have the right to authorize, issue a press release or give notice of redemption unless (a) we have funds legally available for the payment of the aggregate redemption price and (b) prior to giving the notice, (i) all accumulated and unpaid dividends on the convertible preferred stock (whether or not declared) for dividend periods ended prior to the date of such notice of redemption shall have been or contemporaneously are declared and paid and (ii) if the redemption date occurs following a record date and prior to the related dividend payment date, a cash dividend for the related dividend period has been declared and sufficient funds have been set aside for payment of such dividend.

Limited Voting Rights

Holders of shares of the convertible preferred stock generally do not have any voting rights, except as set forth below and as required by law. In matters where holders of the convertible preferred stock are entitled to vote, each share of the convertible preferred stock shall be entitled to one vote.

Preferred Stock Directors

If at any time dividends on the convertible preferred stock have not been declared and paid in full for six or more dividend periods, whether or not consecutive (which we refer to as a "preferred dividend default"), holders of shares of the convertible preferred stock (voting together as a class with the holders of all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable (and with voting rights allocated *pro rata* based on the liquidation preference of the convertible preferred stock and each such other class or series of preferred stock)) will be entitled to vote for the election of two additional directors to serve on our board of directors (which we refer to as "preferred stock directors"), until all accumulated unpaid dividends with respect to the convertible preferred stock and any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable have been paid or declared and a sum sufficient for payment is set aside for such payment. In such a case, the number of directors serving on our board of directors will be increased by two. The preferred stock directors will be elected by a plurality of the votes cast in the election to serve until the next annual meeting and each preferred stock director will serve until his successor is duly elected and qualifies or until the director's right to hold the office terminates, whichever occurs earlier. The election will take place at:

- a special meeting called by holders of at least 10% of the outstanding shares of the convertible preferred stock together with any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable, if this request is received more than 90 calendar days before the date fixed for our next annual or special meeting of stockholders or, if we receive the request for a special meeting within 90 calendar days before the date fixed for our next annual or special meeting of stockholders, at our annual or special meeting of stockholders; and
- each subsequent annual meeting (or special meeting held in its place) until all accumulated dividends on the convertible preferred stock and on any other class or series of preferred upon which like voting rights have been conferred and are exercisable have been paid in full for all past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment.

If and when all accumulated dividends on the convertible preferred stock and all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment in full is set aside for payment, holders of shares of the convertible preferred stock shall be divested of the voting rights set forth above (subject to re-vesting in the event of any subsequent preferred dividend defaults) and the term of office of such preferred stock directors so elected will terminate and the entire board of directors will be reduced accordingly. Each preferred stock director shall be entitled to one vote on any matter.

When a Supermajority Vote is Required

So long as any shares of the convertible preferred stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of the convertible preferred stock together with each other class or series of preferred stock ranking on parity with the convertible preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting as a single class):

- authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to the convertible preferred stock with respect to payment of dividends, or the distribution of assets upon the liquidation, dissolution or winding up of our affairs, or reclassify any of our authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares;
- amend, alter or repeal the provisions of our articles of incorporation so as to materially and adversely affect any right, preference, privilege or voting power of the convertible preferred stock; or
- consummate a binding share exchange or reclassification involving the shares of convertible preferred stock or a merger or consolidation of us with another entity, unless either (i) the shares of convertible preferred stock remain outstanding and have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the convertible preferred stock immediately prior to such consummation, taken as a whole, or (ii) in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares of convertible preferred stock are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, such surviving or resulting entity or ultimate parent is organized under the laws of the United States, any state thereof or the District of Columbia and treated as a corporation for U.S. federal income tax purposes, and such preference securities have rights, preferences, privileges and voting powers, taken as a whole, that are no less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the convertible preferred stock immediately prior to such consummation, taken as a whole;

provided that the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to pre-emptive or similar rights or otherwise, of any series of preferred stock (including the convertible preferred stock), ranking equally with and/or junior to the convertible preferred stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon our liquidation, dissolution and winding-up, shall not be deemed to adversely affect the rights, preferences, privileges or voting powers of the convertible preferred stock, and shall not require the affirmative vote or consent of the holders of the convertible preferred stock.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified above would adversely affect one or more but not all series of parity stock (including the convertible preferred stock for this purpose), then only the one or more series of parity stock adversely affected and entitled to vote, rather than all series of parity stock, shall vote as a class.

Without the consent of the holders of the convertible preferred stock, so long as such action does not adversely affect the special rights, preferences, privileges or voting powers of the convertible preferred stock, and limitations and restrictions thereof, we may amend, alter, supplement, or repeal any terms of the convertible preferred stock for the following purposes:

- to cure any ambiguity or mistake, or to correct or supplement any provision contained in the preferred stock articles of amendment that may be defective or inconsistent with any other provision contained in such preferred stock articles of amendment;
- to make any provision with respect to matters or questions relating to the convertible preferred stock that is not inconsistent with the provisions of the preferred stock articles of amendment;
- to waive any of our rights with respect thereto; or
- make any other change to the terms of the convertible preferred stock;

provided that any such amendment, alteration, supplement or repeal of any terms of the convertible preferred stock effected in order to (1) conform the terms thereof to the description of the terms of the convertible preferred stock set forth under “Description of the Convertible Preferred Stock” in the preliminary prospectus supplement filed by us with the Securities and Exchange Commission on June 10, 2019 as supplemented and/or amended by the related pricing term sheet or (2) implement the changes under “—Increased Dividend Rate and Increased Conversion Rate”, as the case may be, shall be deemed not to adversely affect the special rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the convertible preferred stock.

Holders of shares of the convertible preferred stock will not be entitled to vote with respect to any increase in the total number of authorized shares of our common stock or preferred stock, any increase in the number of authorized shares of the convertible preferred stock or the creation or issuance of any other class or series of capital stock, or any increase in the number of authorized shares of any other class or series of capital stock, in each case, ranking on parity with or junior to the convertible preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, except as set forth above.

Holders of shares of the convertible preferred stock will not have any voting rights with respect to, and the consent of the holders of shares of the convertible preferred stock is not required for, the taking of any corporate action, including any merger or consolidation involving us or a sale of all or substantially all of our assets, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of the convertible preferred stock, except as set forth above.

In addition, the voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed upon proper procedures all outstanding shares of the convertible preferred stock.

Conversion Rights

General

Holders of Corporate Units do not have the right to convert their ownership interests in the convertible preferred stock that are a part of such Corporate Units. Only shares of convertible preferred stock that are not a part of Corporate Units may be so converted. Holders of such separate shares of convertible preferred stock that are not a part of Corporate Units may convert their shares into common stock (or cash or a combination of cash and common stock, at our election) at their option prior to June 1, 2022 only upon the occurrence of a fundamental change. In order for a holder of Corporate Units to separate their convertible preferred stock from the purchase contracts in order to convert the convertible preferred stock following a fundamental change, the holder must either (1) create Treasury Units or

(2) settle the related purchase contracts early with separate cash, as described under “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change” above. If a fundamental change occurs, holders of separate shares of convertible preferred stock can convert such shares at any time from or after the effective date of such transaction until the related fundamental change conversion deadline (as defined below).

On and after June 1, 2022, holders of shares of the convertible preferred stock may, at their option, at any time and from time to time, convert some or all of their outstanding shares of the convertible preferred stock.

The conversion rate will initially be 11.2750 shares of our common stock per share of convertible preferred stock, which is equivalent to an initial conversion price of approximately \$88.69 per share of our common stock. Upon conversion of the convertible preferred stock, we will settle our obligations in the manner set forth under “—Settlement Upon Conversion.”

Upon settlement of a conversion of the convertible preferred stock and except as set forth in the immediately succeeding paragraph, a holder will not receive payment of accumulated and unpaid dividends as described under “—Dividends” and we will not make any payments in respect of or adjust the conversion rate to account for accumulated and unpaid dividends to the conversion date except as provided under “—Adjusted Conversion Rate Upon a Fundamental Change.”

If a holder of shares of convertible preferred stock exercises its conversion rights, on and after the conversion date, those shares will cease to accumulate dividends as of the end of the day immediately preceding the date of conversion. A holder of shares of convertible preferred stock on the record date for the payment of a dividend will receive that dividend notwithstanding a conversion of the convertible preferred stock following such record date to the dividend payment date. However, convertible preferred stock surrendered for conversion after the close of business on any record date for the payment of dividends declared and before the opening of business on the dividend payment date relating to that record date must be accompanied by a payment in cash of an amount equal to the dividend payable in respect of those shares for the dividend period in which the shares are converted; *provided* that no such payment need be made:

- if we have specified a redemption date that is after a dividend payment record date and on or prior to the corresponding dividend payment date; or
- if we have specified a fundamental change conversion deadline that is after a dividend payment record date and on or prior to the corresponding dividend payment date.

In case any shares of convertible preferred stock are to be redeemed, the right to convert those shares of the convertible preferred stock will terminate at 5:00 p.m., New York City time, on the business day immediately preceding the redemption date unless we default in the payment of the redemption price of those shares.

Adjusted Conversion Rate Upon a Fundamental Change

If a fundamental change (as defined in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change” above) occurs, a holder may elect to convert separate shares of convertible preferred stock in connection with the fundamental change (the right of conversion, “fundamental change conversion right”). If the stock price (as defined in “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change—Calculation of Make-Whole Shares” above) is less than \$88.69 (which we refer to as the “conversion price,” and which initially equals the conversion price of the convertible preferred stock), any such conversion in connection with the fundamental change will be at an adjusted conversion rate that will be equal to the \$1,000 liquidation preference plus all accumulated and unpaid dividends to, but excluding the fundamental change settlement date described below (unless the conversion date for a share of convertible preferred stock occurs after the record date for the payment of declared dividends and prior to the related dividend payment date, in which case the conversion rate calculation for such share will not include accumulated and unpaid dividends that will be paid to holders of record on such record date) *divided by* the average of the closing prices of our common stock for the five consecutive trading days ending on the second business day prior to the fundamental change settlement date (or, in the case of a fundamental change described in clause (ii) of the definition of fundamental change where the holders of our common stock receive only cash in the fundamental change, the cash amount paid per share of our common stock) (the “fundamental change settlement price”). Notwithstanding the foregoing, in no event will the conversion rate exceed 27.0599 shares of common stock per share of convertible preferred stock (subject to adjustment as set forth under “—Conversion Rate Adjustments” and increase as set forth under “—Increased Dividend Rate and Increased Conversion Rate”), which is equal to the \$1,000 liquidation preference *divided by* 50% of the reference price.

The reference price will be adjusted as of any date on which the conversion rate of the convertible preferred stock is adjusted. The adjusted reference price will equal the reference price applicable immediately prior to such adjustment *multiplied by* a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The conversion price as of any time is equal to \$1,000 divided by the conversion rate as of such time.

A conversion of the convertible preferred stock will be deemed for these purposes to be “in connection with” such a fundamental change (regardless of the stock price) if the conversion date occurs from, and including, the effective date of such fundamental change to, and including, the date we specified in the fundamental change company notice as the last date on which a holder of the convertible preferred stock may exercise the fundamental change conversion right for that fundamental change, which we refer to as the “fundamental change conversion deadline.” The fundamental change conversion deadline will be a date no less than 20 business days nor more than 35 business days after the effective date of such fundamental change; *provided* that if any purchase contracts are outstanding at the time we give the fundamental change company notice, such date shall not be less than 10 business days following the fundamental change early settlement date we specify for the purchase contracts as described under “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change.”

We will send a notice to holders of the convertible preferred stock of a fundamental change within five business days after the effective date of the fundamental change (the “fundamental change company notice”). Such fundamental change company notice will state:

- the events constituting the fundamental change;
- the effective date of the fundamental change;
- the name and address of the paying agent and the conversion agent;
- the conversion rate and any adjustment to the conversion rate that will result from the fundamental change, or if the stock price is less than the conversion price, the formula for determination of the conversion rate;
- the procedures that the holder of the convertible preferred stock must follow to exercise the fundamental change conversion right;
- the fundamental change conversion deadline;
- the settlement method for all conversions in exercise of the fundamental change conversion right, including, in the case of combination settlement, the amount of cash per share of convertible preferred stock we will pay in settlement of any such conversions; and
- if the stock price is less than the conversion price, the date on which all conversions in exercise of the fundamental change conversion right will be settled (the “fundamental change settlement date”), which will be the second business day immediately following the fundamental change conversion deadline.

To exercise the fundamental change conversion right, a holder of a separate share of convertible preferred stock must deliver, on or before the close of business on the fundamental change conversion deadline, the convertible preferred stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our conversion agent. The conversion notice will state:

- the relevant fundamental change conversion date; and
- the number of shares of the convertible preferred stock to be converted pursuant to the fundamental change conversion right.

If the convertible preferred stock is held in global form, the conversion notice must comply with applicable DTC procedures.

If the stock price is greater than or equal to the conversion price, the convertible preferred stock as to which the fundamental change conversion right has been properly exercised will be converted into cash, shares of our common stock or a combination thereof at our election in accordance with “— Settlement Upon Conversion” below. If the stock price is less than the conversion price, then notwithstanding anything herein to the contrary, we can elect to settle conversions in connection with a valid exercise of the fundamental change conversion right through cash settlement, combination settlement or physical settlement, as follows:

- any such conversions will settle on the fundamental change settlement date;

- if we have validly elected physical settlement, we will deliver, in respect of each share of the convertible preferred stock, a number of shares of common stock (and cash in lieu of any fractional shares) equal to the conversion rate described above;
- if we have validly elected cash settlement, we will deliver an amount of cash per share of convertible preferred stock equal to the conversion rate described above *multiplied by* the fundamental change settlement price; and
- if we have validly elected combination settlement, we will deliver, in addition to the amount of cash per share of convertible preferred stock specified in the fundamental change company notice, a number of shares of common stock (and cash in lieu of any fractional shares) equal to a fraction, the numerator of which is (i) the conversion rate described above *multiplied by* the fundamental change settlement price *minus* (ii) the amount of cash per share specified in the fundamental change company notice, and the denominator of which is the fundamental change settlement price.

If the holders of our common stock receive only cash in a reorganization event, then notwithstanding the foregoing, for all conversions in connection with a fundamental change that occur after the effective date of such transaction where the relevant stock price is less than the conversion price, the consideration due upon conversion of each such share of convertible preferred stock shall be solely cash in an amount equal to the conversion rate as modified by this “Adjusted Conversion Rate Upon a Fundamental Change,” *multiplied by* the fundamental change settlement price for such transaction.

We will, to the extent applicable, comply with listing standards of the New York Stock Exchange in connection with the issuance of our common stock upon any exercise of the fundamental change conversion right.

Conversion Procedures

Holders of shares of the convertible preferred stock represented by a beneficial interest in a global security may convert their shares by complying with the depositary’s procedures and, if required, by paying any dividends as described in this prospectus supplement. Holders of shares of the convertible preferred stock in certificated form may convert some or all of their shares by surrendering to us at our principal office or at the office of our conversion agent, as may be designated by our board of directors or a committee of our board of directors, the certificate or certificates, if any, for the shares of the convertible preferred stock to be converted, accompanied by a written notice stating that the holder of shares of the convertible preferred stock elects to convert all or a specified whole number of those shares in accordance with the provisions described in this prospectus supplement and specifying the name or names in which the holder of shares of the convertible preferred stock wishes the certificate or certificates, if any, for the shares of our common stock to be issued. If the notice specifies a name or names other than the name of the holder of shares of the convertible preferred stock, the notice will be accompanied by payment of all transfer taxes payable upon the issuance of shares of our common stock in that name or names. Other than such transfer taxes, we will pay any documentary, stamp or similar issue or transfer taxes that may be payable in respect of any issuance or delivery of shares of our common stock upon conversion of shares of the convertible preferred stock. The date on which the foregoing procedures have been complied with will be deemed the “conversion date” with respect to a share of the convertible preferred stock.

As promptly as practicable after the conversion date with respect to any shares of the convertible preferred stock, we will reflect in our stock records the cancellation of the convertible preferred stock that is being converted and the issuance of such number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of such shares of the convertible preferred stock are entitled as a result of the conversion, if any, as of such conversion date (in the case of any physical settlement) or the final day of the observation period (in the case of a combination settlement). In addition, if the common stock to be issued upon conversion is certificated, promptly after the issuance of the common stock certificate (or, if the convertible preferred stock is certificated, promptly after, and in any case, no later than (x) two business days after the surrender of the certificates representing the shares that are converted (in the case of physical settlement) and (y) two business days after the later of the surrender of the certificates representing the shares that are converted and the final day of the observation period (in the case of

combination settlement)) we will deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of such shares of the convertible preferred stock, or the transferee of the holder of such shares of the convertible preferred stock, will be entitled and (ii) if the convertible preferred stock is then certificated and if less than the full number of shares of the convertible preferred stock represented by the surrendered certificate or certificates, if any, or specified in the notice, are being converted, a new certificate or certificates, of like tenor, for the number of shares represented by the surrendered certificate or certificates, less the number of shares being converted. This conversion will be deemed to have been made at the close of business on the conversion date so that the rights of the holder of shares of the convertible preferred stock as to the shares being converted will cease, except for the right to receive the shares of our common stock.

Holders of shares of the convertible preferred stock are not eligible to exercise any rights of a holder of shares of our common stock until they have converted their shares of the convertible preferred stock into shares of our common stock, if any. If more than one share of the convertible preferred stock is surrendered for conversion by the same stockholder at the same time, the number of whole shares of our common stock issuable upon conversion of those shares of the convertible preferred stock will be computed on the basis of the total number of shares of the convertible preferred stock so surrendered.

We will at all times reserve and keep available, free from preemptive rights, out of our authorized but unissued shares of capital stock, for issuance upon the conversion of shares of the convertible preferred stock, a number of authorized but unissued shares of our common stock that will from time to time be sufficient to permit the conversion of all outstanding shares of the convertible preferred stock (assuming, for such purposes, that physical settlement is applicable to all conversions).

Before the delivery of any securities upon conversion of shares of the convertible preferred stock, we will comply with all applicable federal and state laws and regulations. All shares of our common stock delivered upon conversion of shares of the convertible preferred stock, if any, will, upon delivery, be duly and validly issued, fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

Settlement Upon Conversion

To satisfy our obligations upon a conversion, we may elect to pay or deliver, as the case may be, solely shares of our common stock, together with cash in lieu of fractional shares (“physical settlement”), solely cash (“cash settlement”) or a combination of cash and our common stock (“combination settlement”). We refer to each of these elections as a “settlement method.”

We will use the same settlement method for all conversions with the same conversion date, but we will not have any obligation to use the same settlement method with respect to conversions occurring on different conversion dates, except that we will use the same settlement method for (x) all conversions following our delivery of a notice of redemption to holders of the convertible preferred stock to, and including, the related redemption date, regardless of the conversion date and (y) all conversions in connection with a fundamental change. If we elect a settlement method, we will inform holders so converting through the conversion agent of such settlement method we have selected no later than the second business day immediately following the related conversion date; *provided* that (x) in the case of any conversions of convertible preferred stock called for redemption, we will elect our settlement method in the redemption notice and (y) in the case of a conversion in connection with a fundamental change, we will elect our settlement method in the fundamental change company notice. If we elect combination settlement, but we do not timely notify converting holders of the specified dollar amount per \$1,000 liquidation preference of convertible preferred stock, such specified dollar amount will be deemed to be \$1,000. If we do not timely provide notice electing a settlement method in respect of any conversion of the convertible preferred stock, we will be deemed to have elected combination settlement and the specified dollar amount per \$1,000 liquidation preference of convertible preferred stock will be equal to \$1,000.

Settlement amounts will be computed as follows:

- if we elect physical settlement, we will deliver to the converting holder a number of shares of our common stock equal to the number of shares of convertible preferred stock to be converted *multiplied by* the applicable conversion rate;

- if we elect cash settlement, we will deliver to the converting holder, in respect of each \$1,000 liquidation preference of the convertible preferred stock being converted, cash in an amount equal to the sum of the daily conversion values for each of the 20 consecutive trading days during the related observation period; and
- if we elect combination settlement, we will deliver to the converting holder in respect of each \$1,000 liquidation preference of the convertible preferred stock being converted a “settlement amount” equal to the sum of the daily settlement amounts for each of the 20 consecutive trading days during the related observation period.

The “daily settlement amount,” for each of the 20 consecutive trading days during the observation period, will consist of:

- cash equal to the lesser of (i) a dollar amount per share of the convertible preferred stock to be received upon conversion as specified by us in the notice regarding our chosen settlement method (the “specified dollar amount”), if any, *divided by* 20 (such quotient being referred to as the “daily measurement value”) and (ii) the daily conversion value for such trading day; and
- to the extent the daily conversion value for such trading day exceeds the daily measurement value, a number of shares equal to (i) the difference between such daily conversion value and the daily measurement value, *divided by* (ii) the daily VWAP for such trading day.

“Daily conversion value” means, for each of the 20 consecutive trading days during the observation period, one-twentieth of the product of (i) the applicable conversion rate and (ii) the daily VWAP of our common stock on such trading day.

“Observation period” means, with respect to any share of convertible preferred stock being converted, the 20 consecutive trading day period beginning on and including the third trading day after the conversion date for such share of convertible preferred stock, *provided* that if the relevant conversion date occurs on or after the date of our issuance of a notice of redemption with respect to the convertible preferred stock as described under “—Redemption” and prior to the relevant redemption date, the observation period shall be the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately preceding such redemption date.

If we elect physical settlement in respect of a conversion, we will deliver the settlement amount to converting holders on the second trading day following the conversion date, but such holders will be deemed to be the owners of the shares of our common stock included in the settlement amount as of the close of business on the conversion date. If we elect cash settlement or combination settlement, we will pay or deliver, as the case may be, the settlement amount to converting holders on the second trading day following the final trading day of the relevant observation period and such holders will be deemed to be the owners of any of the shares of our common stock included in the settlement amount on the last trading day of the relevant observation period.

We will not issue fractional shares upon conversion of the convertible preferred stock. Instead, we will pay cash in lieu of fractional shares based on the daily VWAP of our common stock on the relevant conversion date (in the case of physical settlement) or based on the daily VWAP of our common stock on the last trading day of the relevant observation period (in the case of combination settlement).

Recapitalizations, Reclassifications and Changes of Our Common Stock

In the case of any reorganization event, at and after the effective time of such reorganization event, the conversion rate shall be determined by reference to the value of an exchange property unit, and we will deliver, upon settlement of any conversion of convertible preferred stock, a number of exchange property units equal to the number of shares of our common stock that we would otherwise be required to deliver. However, at and after the effective time of the reorganization event, (i) we will continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon conversion, as set forth under “—Conversion Rights—Settlement Upon Conversion” and (ii)(x) any amount payable in cash upon conversion as set forth under “—Conversion Rights—Settlement Upon Conversion” will continue to be payable in cash, (y) any shares of our common stock that we would have been required to deliver upon conversion as set forth under “—Conversion Rights—Settlement Upon Conversion” will instead be deliverable in the amount and type of exchange property that a holder of that number of shares of our common stock would have received in such transaction and (z) the daily VWAP and fundamental change

settlement price will be calculated based on the value of an exchange property unit that a holder of one share of our common stock would have received in such transaction. In the event holders of our common stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the convertible preferred stock are entitled to receive will be deemed to be the weighted average of the types and amounts of consideration actually received by the holders of our common stock. We will notify holders of the weighted average as soon as practicable after such determination is made. If the holders receive only cash in such transaction, then notwithstanding anything herein to the contrary for all conversions that occur after the effective date of such transaction (other than conversions in connection with a fundamental change where the relevant stock price is less than the conversion price) (i) the consideration due upon conversion of each share of convertible preferred stock shall be solely cash in an amount equal to the conversion rate in effect on the conversion date, *multiplied by* the price paid per share of common stock in such transaction and (ii) we will satisfy our conversion obligation by paying cash to converting holders on the second scheduled trading day immediately following the conversion date. In addition, we will amend the articles of incorporation (1) to provide for anti-dilution and other adjustments that are as nearly equivalent as possible to the adjustments described under “—Conversion Rate Adjustments” below, (2) in the case of any transaction that results in the common equity of any entity other than us (or, for the avoidance of doubt, our successor in such transaction) being included as exchange property, (a) by replacing references to “us” or “our” (and similar references) in the definitions of “fundamental change” with references to that other entity and (b) by causing the dividend blocker provisions to apply to that other entity, with its equity securities being deemed stock ranking junior to the convertible preferred stock for this purpose and (3) to include such additional provisions to protect the interests of the holders of convertible preferred stock as our board of directors reasonably considers necessary by reason of the foregoing. We will not become party to any such transaction unless its terms are consistent with the foregoing.

In connection with any adjustment to the conversion rate described below, we will also adjust the initial dividend threshold (as defined under “—Conversion Rate Adjustments”) based on the number of shares of common stock comprising the exchange property and (if applicable) the value of any non-stock consideration comprising the exchange property. If the exchange property is composed solely of non-stock consideration, the initial dividend threshold will be zero.

The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events.

Conversion Rate Adjustments

The applicable conversion rate shall be adjusted from time to time for any of the following events that occur following the original issue date of the convertible preferred stock:

- (1) If we issue common stock as a dividend or distribution on our common stock to all or substantially all holders of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where:

CR_0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination;

CR_1 = the new conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination;

OS_0 = the number of shares of our common stock outstanding immediately prior to the open of business on the ex-dividend date, or the open of business on the effective date of such share split or share combination; and

OS_1 = the number of shares of our common stock outstanding immediately after giving effect to such dividend or distribution, or the effective date of such share split or share combination.

Any adjustment made pursuant to this clause (1) shall become effective as of the open of business on (x) the ex-dividend date for such dividend or other distribution or (y) the date on which such split or combination becomes effective, as applicable. If any dividend or distribution described in this clause (1) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (2) If we distribute to all holders of our common stock any rights, warrants or options entitling them for a period of not more than 45 calendar days after the date of distribution thereof to subscribe for or purchase our common stock, in any case at an exercise price per share of our common stock less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of such distribution, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where:

CR₀ = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

CR₁ = the new conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

OS₀ = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for such distribution;

X = the aggregate number of shares of our common stock issuable pursuant to such rights, warrants or options; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise all such rights, warrants or options *divided by* (B) the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, warrants or options.

For purposes of this clause (2), in determining whether any rights, warrants or options entitle the holders to subscribe for or purchase our common stock at less than the average of the closing prices of our common stock for the 10 consecutive trading days ending on, and including, the trading day immediately preceding the date of the announcement of the distribution of such rights, warrants or options, and in determining the aggregate exercise or conversion price payable for such common stock, there shall be taken into account any consideration received by us for such rights, warrants or options and any amount payable on exercise or conversion thereof, with the value of such consideration, if other than cash, to be determined by us. Any increase made under this clause (2) will be made successively whenever any such rights, options or warrants are distributed and shall become effective immediately after the open of business on the ex-dividend date for such distribution. If any right, warrant or option described in this clause (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such right, warrant or option had not been so distributed.

- (3) If we distribute shares of capital stock, evidences of indebtedness or other assets or property of us to all holders of our common stock, excluding:
- (A) dividends, distributions, rights, warrants or options as to which an adjustment was effected in clause (1) or (2) above;
 - (B) dividends or distributions paid exclusively in cash; and
 - (C) spin-offs described below in this clause (3),

then the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where:

CR₀ = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

CR₁ = the new conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

SP₀ = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by us) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the ex-dividend date for such distribution.

An adjustment to the conversion rate made pursuant to the immediately preceding paragraph shall become effective as of the open of business on the ex-dividend date for such distribution.

Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, each holder of convertible preferred stock shall receive, in respect of each share of convertible preferred stock, at the same time and upon the same terms as holders of our common stock and without having to convert its shares of convertible preferred stock, the amount and kind of our capital stock, evidences of indebtedness or other assets or property of ours that such holder would have received if such holder owned a number of shares of common stock equal to the conversion rate in effect on the ex-dividend date for the distribution.

If we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, in each case, that will be listed on a U.S. national securities exchange (which we refer to as a “spin-off”), the conversion rate in effect immediately following the 10th trading day immediately following, and including, the ex-dividend date of the spin-off will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where:

CR₀ = the conversion rate in effect on the 10th trading day immediately following, and including, the ex-dividend date of the spin-off;

CR₁ = the new conversion rate immediately after the 10th trading day immediately following (and including) the ex-dividend date of the spin-off;

FMV = the average of the closing prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading days after (and including) the ex-dividend date of the spin-off (the “valuation period”); and

MP₀ = the average of the closing prices of our common stock over the valuation period.

The increase to the conversion rate under the preceding paragraph will occur at the close of business on the last trading day of the valuation period; *provided that* (x) in respect of any conversion of convertible preferred stock for which physical settlement is applicable, if the relevant conversion date occurs during the valuation period, the reference to “10” in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, such conversion date in determining the conversion rate and (y) in respect of any conversion of convertible preferred stock for which cash settlement or combination settlement is applicable, for any trading day that falls within the relevant observation period for such conversion and within the valuation period, the reference to “10” in the preceding paragraph shall be deemed replaced with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, such trading day in determining the conversion rate as of such trading day.

If any such dividend or distribution described in this clause (3) is declared but not paid or made, the new conversion rate shall be readjusted to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (4) If any cash dividend or distribution is made to all or substantially all holders of our common stock, other than a regular, quarterly cash dividend that does not exceed \$0.9175 per share (the “initial dividend threshold”), the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0 - IDT}{SP_0 - C}$$

where,

CR₀ = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution;

CR₁ = the conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution;

SP₀ = the closing price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution;

C = the amount in cash per share we distribute to holders of our common stock; and

IDT = the initial dividend threshold; *provided* that if the dividend or distribution is not a regular quarterly cash dividend, the initial dividend threshold will be deemed to be zero.

Any increase to the conversion rate made pursuant to this clause (4) shall become effective as of the open of business on the ex-dividend date for such dividend or distribution. If any such dividend or distribution is not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “C” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, each holder of convertible preferred stock shall receive, for each share of convertible preferred stock, at the same time and upon the same terms as holders of shares of our common stock and without having to convert its shares of convertible preferred stock, the amount of cash that such holder would have received if such holder owned a number of shares of our common stock equal to the conversion rate on the ex-dividend date for such cash dividend or distribution.

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate, *provided* that no adjustment will be made to the initial dividend threshold for any adjustment made to the conversion rate under this clause (4).

- (5) If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the closing price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where:

CR₀ = the conversion rate in effect immediately prior to the close of business on the trading day on which such tender or exchange offer expires;

CR₁ = the conversion rate in effect immediately after the close of business on the trading day immediately following the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined in good faith by us) paid or payable for our common stock purchased in such tender or exchange offer;

OS₀ = the number of shares of our common stock outstanding immediately prior to the close of business on the trading day such tender or exchange offer expires (prior to giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer);

OS₁ = the number of shares of our common stock outstanding immediately after the close of business on the trading day such tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP₁ = the closing price of our common stock on the trading day next succeeding the date such tender or exchange offer expires.

If the application of the foregoing formula would result in a decrease in the conversion rate, no adjustment to the conversion rate will be made.

Any adjustment to the conversion rate made pursuant to this clause (5) shall become effective at the close of business on the trading day immediately following the date such tender offer or exchange offer expires. If we or one of our subsidiaries is obligated to purchase our common stock pursuant to any such tender or exchange offer but is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the new conversion rate shall be readjusted to be the conversion rate that would be in effect if such tender or exchange offer had not been made.

If we have in effect a rights plan while any convertible preferred stock remains outstanding, holders of convertible preferred stock will receive, upon a conversion of convertible preferred stock, in addition to shares of our common stock, if any, rights under our shareholder rights agreement unless, prior to conversion, the rights have separated from our common stock, in which case the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock capital stock, evidences of indebtedness or other assets or property pursuant to clause (3) above, subject to readjustment upon the subsequent expiration, termination or redemption of the rights.

Notwithstanding the foregoing, if a conversion rate adjustment becomes effective on any ex-dividend date as described above, and a holder that has converted its shares of the convertible preferred stock on or after such ex-dividend date and on or prior to the related record date would be treated as the record holder of our common stock as of the related conversion date based on an adjusted conversion rate for such ex-dividend date, then, notwithstanding the foregoing conversion rate adjustment provisions, the conversion rate adjustment relating to such ex-dividend date will not be made for such converting holder. Instead, such holder will be treated as if such holder were the record owner of our common stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

In addition to the adjustments pursuant to paragraphs (1) through (5) above, we may increase the conversion rate in order to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of capital stock (or rights to acquire our common stock) or from any event treated as such for income tax purposes. We may also, from time to time, to the extent permitted by applicable law, increase the conversion rate by any amount for any period of at least 20 business days if we have determined that such increase would be in our best interests. If we make such determination, it will be conclusive and we will mail to holders of the convertible preferred stock a notice of the increased conversion rate and the period during which it will be in effect at least 15 calendar days prior to the date the increased conversion rate takes effect in accordance with applicable law.

No adjustment to the conversion rate will be made if holders of the convertible preferred stock, as a result of holding the convertible preferred stock and without conversion thereof, are entitled to participate at the same time as our common stock holders participate in any of the transactions described above as if such holders of the convertible preferred stock held a number shares of our common stock equal to the conversion rate, *multiplied* by the number of shares of convertible preferred stock held by such holder, without having to convert their convertible preferred stock.

As used in this section and in “Description of the Purchase Contracts—Anti-dilution Adjustments” above, “record date” means, with respect to any dividend, distribution or other transaction or event in which the holders of our common stock (or other applicable security) have the right to receive any cash, securities or other property or in which our common stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of our common stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by our board of directors or a duly authorized committee thereof, statute, contract or otherwise).

The conversion rate will not be adjusted except as specifically set forth in this “Conversion Rate Adjustments” and in “—Conversion Rights—Adjusted Conversion Rate Upon a Fundamental Change.” Without limiting the foregoing, the conversion rate will not be adjusted for:

- the issuance of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of ours and the investment of additional optional amounts in shares of our common stock under any plan;
- the issuance of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director, trustee or consultant benefit plan, employee agreement or arrangement or program of ours;
- the issuance of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the convertible preferred stock was first issued;
- a change in the par value of our common stock; and
- accumulated and unpaid dividends.

All required calculations will be made to the nearest cent or 1/10,000th of a share, as the case may be. We will not be required to make an adjustment to the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate and make such carried-forward adjustments (x) when all such carried-forward adjustments aggregate to a change of at least 1% in the conversion rate and (y) regardless of whether the aggregate adjustment is less than 1% (i) on the effective date for any fundamental change, (ii) on the conversion date in respect of any shares of convertible preferred stock for which physical settlement applies and (iii) on each trading day of any observation period in respect of any conversion of convertible preferred stock for which cash settlement or combination settlement applies.

In the event of a taxable distribution to holders of shares of our common stock that results in an adjustment to the conversion rate, holders of Corporate Units and convertible preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. See “Material U.S. Federal Income Tax Considerations—U.S. Holders—Convertible Preferred Stock—Constructive Distributions” below. In addition, non-U.S. holders of Corporate Units and convertible preferred stock may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See “Material U.S. Federal Income Tax Considerations—Non-U.S. Holders.”

Adjustments of Prices

Whenever any provision of the preferred stock articles of amendment requires us to calculate the closing prices, the daily VWAPs, the daily conversion values or the daily settlement amounts over a span of multiple days (including any observation period, the five-day average price and the “stock price” and “fundamental change settlement price” (if applicable) for purposes of this “Description of the Convertible Preferred Stock” section), we will make appropriate adjustments to each to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex-dividend date or the expiration date of the event occurs, at any time during the period when the closing prices, the daily VWAPs, the daily conversion values or the daily settlement amounts are to be calculated.

Transfer Agent, Registrar, Paying Agent, Conversion Agent

The registrar and transfer agent for the convertible preferred stock is Broadridge Corporation Issuer Solutions, Inc. The paying agent and conversion agent for the convertible preferred stock is Deutsche Bank Trust Company Americas.

Remarketing

The convertible preferred stock will be remarketed as described under “Description of the Purchase Contracts—Remarketing.”

In connection with a successful remarketing:

- the dividend rate and/or conversion rate of all outstanding shares of convertible preferred stock (whether or not the holder of such shares elected to participate in the remarketing) may be increased, if applicable, as described below; and
- dividends will continue to be payable on the convertible preferred stock quarterly, when, as and if declared by our board of directors, as described herein.

In order to remarket the convertible preferred stock, our board of directors may, after consultation with the remarketing agent, increase the dividend rate in order to produce the required price in the remarketing. In addition, if, on the date of any successful remarketing, the closing price of our common stock on such date is less than the reference price, the conversion rate for the convertible preferred stock will increase to an amount equal to \$1,000, *divided by* 120% of the closing price of our common stock on the date of such remarketing (rounded to the nearest ten-thousandth share). If, however, on the date of any successful remarketing, the closing price of our common stock on such date is greater than or equal to the reference price, we will not change the conversion rate for the convertible preferred stock.

Notwithstanding the foregoing, in no event will the increased conversion rate for the convertible preferred stock exceed 45.1000 shares of common stock per share of convertible preferred stock (which is approximately equal to four times the initial conversion rate for the convertible preferred stock), subject to adjustment in the same manner as the conversion rate as set forth under “Description of the Convertible Preferred Stock—Conversion Rate Adjustments.”

Remarketing of Shares That Are Not Included in Corporate Units

At any time prior to a remarketing, other than during a blackout period, holders of convertible preferred stock that do not underlie Corporate Units may elect to have their shares of convertible preferred stock remarketed in such remarketing in the same manner as shares of convertible preferred stock that underlie Corporate Units by delivering their shares along with a notice of this election to the custodial agent. The custodial agent will hold the shares of convertible preferred stock in an account separate from the collateral account in which the pledged securities will be held. Holders of shares of convertible preferred stock electing to have their shares remarketed will also have the right to withdraw their election at any time prior to 5:00 p.m., New York City time, on the second business day immediately preceding an optional remarketing period or the final remarketing period, as applicable. In the event of a successful remarketing during the optional remarketing period, each holder of separate shares of convertible preferred stock that elects to have its shares remarketed will receive, for each share sold, at least the remarketing price per share of convertible preferred stock on the optional remarketing settlement date. The “remarketing price per share of convertible preferred stock” means, for each share of convertible preferred stock, an amount in cash equal to the quotient of the Treasury portfolio purchase price *divided by* the number of shares of convertible preferred stock included in such remarketing that are held as components of Corporate Units. For purposes of determining the proceeds that the remarketing agent will seek to obtain for the convertible preferred stock in an optional remarketing, the “separate convertible preferred stock purchase price” means the amount in cash equal to the product of (A) the remarketing price per share of convertible preferred stock and (B) the number of shares of convertible preferred stock included in such remarketing that are not part of Corporate Units. Any proceeds in excess of such amount in respect of such remarketed shares will be delivered to the holders of such shares that elected to participate in the optional remarketing. In the event of a successful remarketing during the final remarketing period, each holder of separate shares of convertible preferred stock that elects to have its shares remarketed will receive an amount in cash on the purchase contract settlement date, for each such share, equal to at least \$1,000. Any proceeds in excess of such amounts in respect of such remarketed shares will be delivered to the holders of such shares that elected to participate in the final remarketing. Except in the case of a dividend deficiency event, any accumulated and unpaid dividends on such shares (including compounded dividends thereon), whether or not declared, will be paid by us, on the purchase contract settlement date, to holders of record on the immediately preceding dividend payment record date. If a dividend deficiency event occurs, following the final remarketing (whether successful or failed), we shall have no obligation to pay the then accumulated but unpaid dividends on the convertible preferred stock on the purchase contract settlement date to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date. However, the right to receive such accumulated but unpaid dividends (including compounded dividends thereon) shall continue to exist (and shall continue to compound) with respect to such convertible preferred stock notwithstanding such remarketing, and such dividends shall be payable to the holders of such convertible preferred stock as of the record date for the dividend payment date on which such dividends are subsequently declared and paid (if ever). If there are any accumulated and unpaid dividends on the convertible preferred stock for prior dividend periods, or we have not declared a dividend payable on the March 1, 2022 dividend payment date, we may not conduct an optional remarketing.

Increased Dividend Rate and Increased Conversion Rate

In the case of a successful remarketing, the dividend rate on the convertible preferred stock may be increased and/or the conversion rate on the convertible preferred stock may be increased, in each case, effective on the settlement date of the remarketing, which will be, in the case of a successful optional remarketing, the second business day following the optional remarketing date (or such other date as we and the remarketing agent agree upon) and, in the case of the final remarketing period, the purchase contract settlement date. If the dividend rate is increased pursuant to a successful optional remarketing, the increased rate will be the dividend rate determined by one or more of our senior officers acting under authority granted by our board of directors, after consultation with the remarketing agent, as the rate the convertible preferred stock should bear in order for the net remarketing proceeds of such convertible preferred stock to have an aggregate market value on the optional remarketing date of at least 100% of the aggregate of the Treasury portfolio purchase price *plus* the separate convertible preferred stock purchase price, if any. If the dividend rate is increased pursuant to a successful final remarketing, the increased rate will be the dividend rate determined by one or more of our senior officers acting under authority granted by our board of directors, after consultation with the remarketing agent, as the rate the convertible preferred stock should bear in order for the net remarketing proceeds to equal at least \$1,000 *multiplied by* the aggregate number of shares of convertible preferred stock being remarketed. We will not decrease the dividend rate in connection with a successful remarketing.

In addition, if, on the date of any successful remarketing, the closing price of our common stock is less than the reference price, the conversion rate for the convertible preferred stock will increase to an amount equal to \$1,000, *divided by* 120% of the closing price of our common stock on such date (rounded to the nearest ten-thousandth share). If, however, on the date of any successful remarketing, the closing price of our common stock on such date is greater than or equal to the reference price, we will not change the conversion rate for the convertible preferred stock. We will not decrease the conversion rate in connection with a successful remarketing.

Notwithstanding the foregoing, in no event will the increased conversion rate for the convertible preferred stock exceed 45.1000 shares of common stock per share of convertible preferred stock (which is approximately equal to four times the initial conversion rate for the convertible preferred stock), subject to adjustment in the same manner as the conversion rate as set forth under “Description of the Convertible Preferred Stock—Conversion Rate Adjustments.”

If the convertible preferred stock is not successfully remarketed, neither the dividend rate nor the conversion rate will be changed.

The remarketing agent is not obligated to purchase any shares of convertible preferred stock that would otherwise remain unsold in the remarketing. None of us, the remarketing agent or any agent of us or the remarketing agent will be obligated in any case to provide funds to make payment upon tender of convertible preferred stock for remarketing.

Automatic Settlement Upon Failed Final Remarketing

If the convertible preferred stock has not been successfully remarketed on or prior to the last day of the final remarketing period, all ownership interests in shares of convertible preferred stock held as part of Corporate Units will be delivered to us on the purchase contract settlement date in full satisfaction of the Corporate Unit holders’ obligations to purchase our common stock under the related purchase contracts on the purchase contract settlement date, unless the holder separately cash settles purchase contracts as described below. Notwithstanding the foregoing, except in the case of a dividend deficiency event, all accumulated and unpaid dividends (including compounded dividends thereon) will be paid on the purchase contract settlement date to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date, whether or not declared. If a dividend deficiency event occurs, following the final remarketing (whether successful or not), we shall have no obligation to pay the then accumulated but unpaid dividends on the convertible preferred stock on the purchase contract settlement date to the holders of the shares of convertible preferred stock as of the record date immediately preceding the purchase contract settlement date.

The ownership interest in convertible preferred stock underlying a Corporate Unit will be automatically delivered to us thereby satisfying such holder's obligations to us under the related purchase contracts in full, unless, prior to 5:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, the holder provides written notice of an intention to settle the related purchase contracts with separate cash and on or prior to the business day immediately preceding the purchase contract settlement date delivers to the securities intermediary \$1,000 in cash per 10 purchase contracts. Holders of Corporate Units may settle their purchase contracts with separate cash only in integral multiples of 10 Corporate Units.

Payment

So long as any separate shares of convertible preferred stock are registered in the name of DTC, as depository for the convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, payments on the convertible preferred stock will be made as described therein.

Form

So long as any separate shares of convertible preferred stock are registered in the name of DTC, as depository for the convertible preferred stock as described herein under "Book-Entry Issuance—The Depository Trust Company," or DTC's nominee, transfers and exchanges of beneficial interests in the separate shares of convertible preferred stock will be made as described therein.

Certain Trading Characteristics

The convertible preferred stock is expected to trade at a price that takes into account the value, if any, of accumulated but unpaid dividends (except for declared dividends accumulated after a record date and prior to a dividend payment date, which dividends will be payable to the holders as of the record date, as described above); thus, it is expected that purchasers of the convertible preferred stock will not pay, and sellers will not receive, accumulated and unpaid dividends with respect to the convertible preferred stock that is not included in the trading price thereof.

Title

We and any agent of ours will treat the person or entity in whose name securities are registered as the absolute owner of those securities for the purpose of making payments and for all other purposes irrespective of notice to the contrary.

Book-Entry Issuance—The Depository Trust Company

The shares of convertible preferred stock were issued in fully registered form and are evidenced by one or more global securities registered in the name of DTC's nominee, Cede & Co.. Such global securities are deposited with the registrar as custodian for DTC and, in the case of shares of convertible preferred stock that form a part of the Corporate Units, credited to the collateral account. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Book-Entry System for Corporate Units, Treasury Units and Cash Settled Units" for a description of DTC.

Purchases of the convertible preferred stock under the DTC system must be made by or through direct participants, which will receive a credit for the convertible preferred stock on DTC's records. The ownership interest of each actual purchaser of each share of convertible preferred stock ("beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participant through which they purchased the convertible preferred stock. Transfers of ownership interests on the convertible preferred stock are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in convertible preferred stock, except in the event that use of the book-entry system for the convertible preferred stock is discontinued.

To facilitate subsequent transfers, all convertible preferred stock deposited by direct participants with DTC are registered in the name of DTC's nominee, Cede & Co.. The deposit of the convertible preferred stock with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the convertible preferred stock; DTC's records reflect only the identity of the direct participants to whose accounts the shares of convertible preferred stock are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Notices will be sent to DTC.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the convertible preferred stock unless authorized by a direct participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the voting or consenting rights of Cede & Co. to those direct participants to whose accounts the shares of convertible preferred stock are credited on the record date. We believe that these arrangements will enable the beneficial owners to exercise rights equivalent in substance to the rights that can be directly exercised by a registered holder of the convertible preferred stock.

Payments of dividends on the convertible preferred stock will be made to Cede & Co. (or such other nominee of DTC). DTC's practice is to credit direct participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the transfer agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of each participant and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends to Cede & Co. (or other such nominee of DTC) is our responsibility. Disbursement of such payments to direct participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants.

A beneficial owner will not be entitled to receive physical delivery of the convertible preferred stock. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the convertible preferred stock.

DTC may discontinue providing its services as securities depository with respect to the convertible preferred stock at any time by giving us or the transfer agent reasonable notice. In the event no successor securities depository is obtained, certificates for the convertible preferred stock will be printed and delivered.

The information in this section concerning DTC's book-entry system has been obtained from sources that we believe to be reliable, but neither we nor the underwriters take any responsibility for the accuracy of this information.

DESCRIPTION OF VIRGINIA ELECTRIC AND POWER COMPANY COMMON STOCK

The following description of Virginia Electric and Power Company's common stock, which is registered under Section 12(g) of the Securities Exchange Act of 1934, as amended, is a summary and is qualified in its entirety by reference to its articles of incorporation and bylaws, which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this exhibit is a part. You are encouraged to read Virginia Electric and Power Company's articles of incorporation and bylaws, as well as applicable provisions of the Virginia Stock Corporation Act, for more information.

Authorized Shares

Virginia Electric and Power Company ("Virginia Power") is authorized to issue 500,000 shares of common stock, no par value, and 10,000,000 shares of preferred stock. Virginia Power's parent, Dominion Energy, Inc. ("Dominion Energy"), currently holds all 274,723 outstanding shares of Virginia Power's common stock. There are currently no shares of preferred stock outstanding. However, Virginia Power's board can, without approval of the holders of the common stock, issue one or more series of preferred stock with such rights, preferences and limitations as are determined and set by the board.

Dividends

Dividends on the common stock are payable at the direction of Virginia Power's board of directors so long as dividends on any outstanding preferred stock with respect to all past dividend periods and the then-current period have been paid in full or declared and set apart for payment and all mandatory sinking fund payments due with respect to any outstanding series of preferred stock have been made. Because Virginia Power is a Virginia public service company, the Virginia State Corporation Commission may prohibit Virginia Power from declaring or paying a dividend to an affiliate if found to be inconsistent with the public interest. In addition, Virginia Power may from time to time enter into certain agreements that could restrict its ability to pay dividends.

Voting Rights

Holders of the common stock are entitled to one vote per share on all matters on which such holders may vote. Unless otherwise provided under Virginia Power's articles of incorporation or under Virginia law, action on any such matters shall be approved if the votes cast approving the matter exceed the votes cast opposing the matter at a meeting at which a quorum is present, with a quorum being a majority of the shares outstanding. Subject to the accrual of voting rights to the preferred stock in the event of a default on the payment of dividends on any of the then-outstanding preferred stock, holders of the common stock have the sole and full power to vote for the election of Virginia Power's directors. Directors are elected on an annual basis by a plurality vote of the common shares and may be removed by a majority vote of the holders of the common stock, subject, in each case, to the accrual of voting rights to the preferred stock noted above.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of Virginia Power, holders of the common stock are entitled to share ratably in the distribution of those assets, or proceeds from the sale thereof, remaining after the full preferential amounts to which any holders of preferred stock are entitled have been paid or set aside for payment.

Preemptive and Other Rights

Holders of the common stock do not have preemptive rights or redemption or conversion rights. Shares of common stock are not subject to any further calls or assessments and are not entitled to the benefit of any sinking fund provision.

DESCRIPTION OF DOMINION ENERGY GAS HOLDINGS, LLC LIMITED LIABILITY COMPANY MEMBERSHIP INTERESTS

The following description of Dominion Energy Gas Holdings, LLC's limited liability company membership interests, which are registered under Section 12(g) of the Securities Exchange Act of 1934, as amended, is a summary and is qualified in its entirety by reference to Dominion Energy Gas Holdings, LLC's articles of organization and operating agreement, which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this exhibit is a part. You are encouraged to read Dominion Energy Gas Holdings, LLC's articles of organization and operating agreement, as well as applicable provisions of the Virginia Limited Liability Company Act, for more information.

Membership Interests

Dominion Energy Gas Holdings, LLC ("Dominion Energy Gas") has one class of membership interests, all of which are held by Dominion Energy Questar Corporation (the "Sole Member"), a wholly-owned subsidiary of Dominion Energy, Inc.

Distributions

Dominion Energy Gas' operating agreement requires it to make annual distributions of any cash amounts that, in the reasonable determination of Dominion Energy Gas' board (the "Board"), are not necessary for Dominion Energy Gas's operations, expenses or reserves. The Board may authorize more frequent distributions of such cash amounts as determined by the Board in its sole discretion.

Management by the Board and Board Membership

The business and affairs of Dominion Energy Gas are managed by the Board. Each member of the Board is elected by the Sole Member and the Sole Member may remove any member of the Board at any time, with or without cause.

Liquidation Rights

Dominion Energy Gas shall dissolve upon the occurrence of any of the following: (i) the written instruction of the Sole Member, (ii) the sale or other transfer of all, or substantially all, of its non-cash assets, or (iii) any event requiring dissolution under the Virginia Limited Liability Company Act (the "Act").

Upon dissolution, and subject to the requirements of the Act, the Board must distribute the assets of Dominion Energy Gas in the following order of priority: (i) to any creditors of Dominion Energy Gas, (ii) to known and reasonably estimated costs of dissolution and winding up, (iii) to any reserves established by the Board, in its sole discretion, for contingent liabilities of Dominion Energy Gas, and (iv) to the Sole Member.

Resignation of the Sole Member; Transfers of Interests; Additional Members

The Sole Member shall not resign or withdraw from Dominion Energy Gas except by operation of law or as the result of a transfer of its entire interest in Dominion Energy Gas in accordance with the terms of the operating agreement. Unless the Sole Member otherwise determines, in its sole discretion, it cannot assign, sell, exchange or otherwise transfer all or any part of its membership interests unless each prospective transferee tenders full payment of the required purchase price and executed a counterpart signature page of an amendment and restatement of the operating agreement. Dominion Energy Gas may not admit additional members unless the Sole Member consents in writing, Dominion Energy Gas and the Sole Member amend or replace the operating agreement to address any issues raised by joint or multiple members, including changes to the status of Dominion Energy Gas for federal income tax purposes, and each additional member executes the amended and restated operating agreement and makes any required capital contributions in full.

If the Sole Member transfers its entire membership interest in Dominion Energy Gas, such transfer shall operate, upon completion, as the complete resignation or withdrawal of the Sole Member from Dominion Energy Gas.

**DESCRIPTION OF DOMINION ENERGY GAS HOLDINGS, LLC
2014 SERIES C 4.60% SENIOR NOTES DUE 2044**

The following description of our 2014 Series C 4.60% Senior Notes due 2044, which are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, is a summary and is qualified in its entirety by reference to the Indenture, dated as of October 1, 2013 (the “Indenture”), by and between us and Deutsche Bank Trust Company Americas, as trustee (the “Trustee”), as supplemented by the Sixth Supplemental Indenture, dated December 1, 2014 (the “Sixth Supplemental Indenture”), between us and the Trustee, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part. We encourage you to read the Indenture and the Sixth Supplemental Indenture for more information.

References herein to “we,” “our,” “us,” the “Company” or “Dominion Energy Gas” refer to Dominion Energy Gas Holdings, LLC, a Virginia limited liability company.

General

On December 3, 2014, Dominion Energy Gas issued \$500,000,000 aggregate principal amount of 2014 Series C 4.60% Senior Notes due 2044 (the “Senior Notes”). The Senior Notes were issued in denominations of \$1,000 and any greater integral multiple of \$1,000. We may, without the consent of the existing holders of Senior Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Senior Notes. Any additional notes having such similar terms, together with any of the Senior Notes, will constitute a single series of notes under the Indenture. The Senior Notes are not subject to any sinking fund provision and are not subject to conversion.

Maturity

The entire principal amount of the Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on December 15, 2044.

Ranking

The Senior Notes are our direct, unsecured and unsubordinated obligations, rank equally with all of our other senior unsecured debt, and are senior in right of payment to all of our subordinated indebtedness, if any. The Senior Notes are effectively subordinated to all of our secured debt, if any.

Because we are a holding company and conduct all of our operations through our subsidiaries, our ability to meet our obligations under the Senior Notes is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to us. Holders of Senior Notes generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debtholders, secured creditors, taxing authorities, guarantee holders and any preferred stockholders.

The Indenture contains no restrictions on the amount of additional indebtedness that we or our subsidiaries may incur. We and our subsidiaries expect to incur additional indebtedness from time to time.

Interest

The Senior Notes bear interest at the rate of 4.60% per year.

Interest is payable on each series of the Senior Notes semi-annually in arrears on June 15 and December 15 of each year (each, an Interest Payment Date).

The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. If any date on which interest is payable on the Senior Notes is not a business day, then payment of the interest payable on that date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any delay), with the same force and effect as if made on such date.

So long as the Senior Notes remain in book-entry only form, the record date for each Interest Payment Date will be the close of business on the business day before the applicable Interest Payment Date. If the Senior Notes are not in book-entry only form, the record date for each Interest Payment Date will be the close of business on the fifteenth calendar day before the applicable Interest Payment Date (whether or not a business day); however, interest payable at maturity or upon redemption or repurchase will be paid to the person to whom principal is payable.

Optional Redemption

The Senior Notes are redeemable, in whole or in part at any time and from time to time prior to June 15, 2044 (six months prior to the maturity date) at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of the Senior Notes then outstanding to be redeemed, or
- the sum of the present values of the remaining scheduled payments of principal and interest on the Senior Notes to be redeemed that would be due if such Senior Notes matured on June 15, 2044 but for the redemption (not including any portion of such payments of interest accrued as of the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, plus 25 basis points, as calculated by an Independent Investment Banker,

plus accrued and unpaid interest thereon to the Redemption Date.

In addition, the Senior Notes are redeemable, in whole or in part at any time and from time to time on or after June 15, 2044 (six months prior to the maturity date), at our option at a redemption price equal to 100% of the principal amount of the Senior Notes then outstanding to be redeemed, plus accrued and unpaid interest thereon to the Redemption Date.

“Treasury Rate” means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

The Treasury Rate will be calculated on the third business day preceding the Redemption Date.

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Senior Notes to be redeemed (assuming, for this purpose, that the Senior Notes matured on June 15, 2044) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Senior Notes.

“Comparable Treasury Price” for any Redemption Date means (1) the average of the Reference Treasury Dealer Quotations for the Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means any of Goldman, Sachs & Co., RBS Securities Inc., BNP Paribas Securities Corp. and Scotia Capital (USA) Inc. and their respective affiliates or successors, as selected by us, or if any such firm is unwilling or unable to serve as such, an independent investment and banking institution of national standing appointed by us.

“Reference Treasury Dealer” means:

- Goldman, Sachs & Co., RBS Securities Inc., BNP Paribas Securities Corp. and Scotia Capital (USA) Inc. and their respective affiliates or successors; provided that, if any such firm or its successors ceases to be a primary U.S. Government securities dealer in the United States (Primary Treasury Dealer), we will substitute another Primary Treasury Dealer; and
- up to one other Primary Treasury Dealer selected by us.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue related to the Senior Notes being redeemed (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

We will mail a notice of redemption at least 20 days but not more than 60 days before the Redemption Date to each holder of Senior Notes to be redeemed. If we elect to partially redeem the Senior Notes of a particular series, the trustee will select the Senior Notes to be redeemed in accordance with the procedures of DTC.

Unless we default in payment of the redemption price, on and after the Redemption Date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

The Senior Notes may not be redeemed at any time at the option of the holder.

Events of Default; Waiver; Acceleration; Compliance

Event of Default when used in the Indenture, means any of the following with respect to the Senior Notes:

- failure to pay the principal or any premium when due;
- failure to deposit any sinking fund payment when due that continues for 60 days;
- failure to pay any interest, when due, that continues for 60 days;
- failure to perform any other covenant in the Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for 90 days after the Trustee or the holders of at least 33% of the outstanding Senior Notes give written notice of the default;
- certain events in bankruptcy, insolvency or reorganization of the Company; or
- any other Event of Default included in the Indenture.

In the case of a general covenant default described above, the Trustee may extend the grace period. In addition, if holders of the Senior Notes have given a notice of default, then holders of at least the same percentage of the Senior Notes, together with the Trustee, may also extend the grace period. The grace period will be automatically extended if we have initiated and are diligently pursuing corrective action.

The holders of a majority of the outstanding securities of all series under the Indenture with respect to which a default has occurred and is continuing may waive a default for all those series, except a default in the payment of principal or interest, or any premium, on any securities or a default with respect to a covenant or provision which cannot be amended or modified without the consent of the holder of each outstanding security of the series affected.

An Event of Default for a particular series of securities issued under the Indenture does not necessarily constitute an Event of Default for any other series of securities issued under the Indenture.

If an Event of Default for the Senior Notes occurs and continues, the Trustee or the holders of at least 33% in aggregate principal amount of the Senior Notes may declare the entire principal of all the Senior Notes to be due and payable immediately. If this happens, subject to certain conditions, the holders of a majority of the aggregate principal amount of the Senior Notes can void the declaration.

The Trustee may withhold notice to the holders of securities issued under the Indenture of any default (except in the payment of principal or interest) if it considers the withholding of notice to be in the best interests of the holders. Other than its duties in case of a default, the Trustee is not obligated to exercise any of its rights or powers under the Indenture at the request, order or direction of any holders, unless the holders offer the Trustee reasonable indemnity. If they provide this reasonable indemnification, the holders of a majority in principal amount of any series of securities issued under the Indenture may direct the time, method and place of conducting any proceeding or any remedy available to the Trustee, or exercising any power conferred upon the Trustee, for any series of securities issued under the Indenture. However, the Trustee must give holders notice of any default to the extent provided by the Trust Indenture Act of 1939, as amended.

The holder of any Senior Note will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that Senior Note on its maturity date or redemption date and to enforce those payments.

We have agreed to provide the Trustee an annual certificate as to our compliance with the conditions and covenants in the Indenture or as to the occurrence of a default in the fulfillment of any such obligation. We have further agreed to certify in such annual certificate whether an event has occurred and is continuing which is, or after notice or lapse of time or both would become, an “event of default” under the Indenture.

Modification of Indenture

Under the Indenture our rights and obligations and the rights of the holders may be modified with the consent of the holders of a majority in aggregate principal amount of the outstanding securities of each series affected by the modification. No modification of the principal or interest payment terms, and no modification reducing the percentage required for modifications, is effective against any holder without its consent. In addition, we may supplement the Indenture to create new series of securities and for certain other purposes, without the consent of any holders of securities issued under the Indenture.

Consolidation, Merger or Sale

The Indenture provides that we may not merge or consolidate with any other corporation or sell or convey all or substantially all of our assets to any person unless (i) either we are the continuing corporation, or the successor corporation (if other than us) is a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia and such corporation expressly assumes the due and punctual payment of the principal of and interest on the securities issued under the Indenture, and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed by us by supplemental indenture in form satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) we or such successor corporation, as the case may be, will not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any such covenant or condition.

In case of any such consolidation, merger or conveyance, such successor corporation will succeed to and be substituted for us, with the same effect as if it had been named as us in the Indenture, and in the event of such conveyance (other than by way of a lease), we will be discharged of all of our obligations and covenants under the Indenture and the securities issued under the Indenture.

Limitation on Liens

While any securities under the Indenture are outstanding, we are not permitted to create liens upon any Principal Property (as defined below) or upon any shares of stock of any Material Subsidiary (as defined below), which we now own or will own in the future, to secure any of our debt, unless at the same time we provide that the securities issued under the Indenture will also be secured by that lien on an equal and ratable basis. However, we are generally permitted to create the following types of liens:

- (1) purchase money liens on future property acquired by us; liens of any kind existing on property or shares of stock at the time they are acquired by us; conditional sales agreements and other title retention agreements on future property acquired by us (as long as none of those liens cover any of our other properties);
- (2) liens on our property or any shares of stock of any Material Subsidiary that existed as of the date the Notes were first issued; liens on the shares of stock of any corporation, which liens existed at the time that corporation became a Material Subsidiary; certain liens typically incurred in the ordinary course of business;
- (3) liens in favor of the United States (or any State), any foreign country or any department, agency or instrumentality or political subdivision of those jurisdictions, to secure payments pursuant to any contract or statute or to secure any debt incurred for the purpose of financing the purchase price or the cost of constructing or improving the property subject to those liens, including, for example liens to secure debt of the pollution control or industrial revenue bond type;
- (4) debt that we may issue in connection with a consolidation or merger of Dominion Energy, Inc. or any Material Subsidiary with or into any other company (including any of our affiliates or Material Subsidiaries) in exchange for secured debt of that company (Third Party Debt) as long as that debt (i) is secured by a mortgage on all or a portion of the property of that company, (ii) prohibits secured debt from being incurred by that company, unless the Third Party Debt is secured on an equal and ratable basis, or (iii) prohibits secured debt from being incurred by that company;

-
- (5) debt of another company that we must assume in connection with a consolidation or merger of that company, with respect to which any of our property is subjected to a lien;
 - (6) liens on any property that we acquire, construct, develop or improve after the date the securities are first issued that are created before or within 18 months after the acquisition, construction, development or improvement of the property and secure the payment of the purchase price or related costs;
 - (7) liens in favor of us, our Material Subsidiaries or our wholly-owned subsidiaries;
 - (8) the replacement, extension or renewal of any lien referred to above in clauses (1) through (7) as long as the amount secured by the liens or the property subject to the liens is not increased; and
 - (9) any other lien not covered by clauses (1) through (8) above as long as immediately after the creation of the lien the aggregate principal amount of debt secured by all liens created or assumed under this clause (9) does not exceed 10% of the members' equity, as shown on the company's consolidated balance sheet for the accounting period occurring immediately prior to the creation or assumption of such lien.

When we use the term "lien" in this section, we mean any mortgage, lien, pledge, security interest or other encumbrance of any kind; "Material Subsidiary" means each of our subsidiaries whose total assets (as determined in accordance with GAAP in the United States) represent at least 20% of our total assets on a consolidated basis; and "Principal Property" means any of our plants or facilities located in the United States that in the opinion of our Board or management is of material importance to the business conducted by us and our consolidated subsidiaries taken as whole.

Satisfaction; Discharge

We may discharge all our obligations (except those described below) to holders of the securities issued under the Indenture, which securities have not already been delivered to the Trustee for cancellation and which either have become due and payable or are by their terms due and payable within one year, or are to be called for redemption within one year, by depositing with the Trustee an amount certified to be sufficient to pay when due the principal, interest and premium, if any, on all outstanding securities issued under the Indenture. However, certain of our obligations under the Indenture will survive, including with respect to the following:

- remaining rights to register the transfer, conversion, substitution or exchange of securities of the applicable series;
- rights of holders to receive payments of principal of, and any interest on, the securities of the applicable series, and other rights, duties and obligations of the holders of securities with respect to any amounts deposited with the Trustee; and
- the rights, obligations and immunities of the Trustee under the Indenture.

Defeasance

We will be discharged from our obligations on the Senior Notes at any time if we deposit with the Trustee sufficient cash or government securities to pay the principal, interest, any premium and any other sums due to the stated maturity date or a redemption date of the Senior Notes. If this happens, the holders of the Senior Notes will not be entitled to the benefits of the Indenture, except for registration of transfer and exchange of Senior Notes and replacement of lost, stolen or mutilated Senior Notes.

The Trustee

The trustee under the Indenture is Deutsche Bank Trust Company Americas or its affiliates. The trustee will administer its corporate trust business at 60 Wall Street, 24th Floor, New York, NY 10005. We and certain of our affiliates maintain banking relationships with Deutsche Bank Trust Company Americas. Deutsche Bank Trust Company Americas also serves as trustee under other indentures under which we and certain of our affiliates have issued securities. Deutsche Bank Trust Company Americas and its affiliates have purchased, and are likely to purchase in the future, our securities and securities of our affiliates.

Governing Law

The Indenture, the Sixth Supplemental Indenture and the Senior Notes will be governed by and construed in accordance with the laws of the State of New York applicable to agreements made or instruments entered into and, in each case, performed in the State of New York

**DOMINION ENERGY, INC.
2020 PERFORMANCE GRANT PLAN**

1. Purpose. The purpose of the 2020 Performance Grant Plan (the “Plan”) is to set forth the terms of 2020 Performance Grants (“Performance Grants”) awarded by Dominion Energy, Inc., a Virginia corporation (the “Company”). This Plan contains the performance goals for the awards, the performance criteria, the target and maximum amounts payable, and other applicable terms and conditions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Company’s 2014 Incentive Compensation Plan, as amended.

2. Definitions.

a. Beneficiary. Means the individual, individuals, entity, entities or the estate of a Participant entitled to receive the amounts payable under a Performance Grant, if any, upon the Participant’s death.

b. Cause. For purposes of this Plan, the term “Cause” will have the meaning assigned to that term under a Participant’s Employment Continuity Agreement with the Company, as such Agreement may be amended from time to time.

c. Committee. Means the Compensation, Governance and Nominating Committee of the board of directors of the Company (or any successor board committee designated by the board of directors of the Company to administer this Plan).

d. Company Pension Plan. Means the applicable pension plan of the Company or its subsidiaries, if any, in which the Participant is eligible to participate as of the Date of Grant, which may include either the Dominion Energy Pension Plan or the SCANA Corporation Retirement Plan or any successor thereto, but excluding the cash balance portion of any such plan.

e. Date of Grant. February 1, 2020.

f. Disability or Disabled. Means a “disability” as defined under Treasury Regulation Section 1.409A-3(i)(4). The Committee will determine whether or not a Disability exists and its determination will be conclusive and binding on the Participant.

g. Participant. An officer of the Company or a Dominion Company who receives a Performance Grant on the Date of Grant.

h. Performance Period. The 36-month period beginning on January 1, 2020 and ending on December 31, 2022.

i. Retire or Retirement. For purposes of this Plan, the term Retire or Retirement means a voluntary termination of employment on a date when the Participant is eligible for early or normal retirement benefits under the terms of the Company Pension Plan, or would be eligible if any crediting of deemed additional years of age or service

applicable to the Participant under a supplemental retirement plan of the Company was applied under the Company Pension Plan, as in effect at the time of the determination, or, for a Participant who is not eligible to participate in a Company Pension Plan, a voluntary termination of employment on or after age 55, unless (in each case) the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the Participant's retirement is detrimental to the Company. Notwithstanding the foregoing, with respect to the Chief Executive Officer's Performance Grant, if the Chief Executive Officer continues to provide substantial services to the Company as a member of the Board or otherwise after a termination of employment that would otherwise qualify as a Retirement hereunder, the Chief Executive Officer will not be deemed to have Retired for purposes hereof until the end of such period of service.

j. **Target Amount.** The dollar amount designated in the written notice to the Participant communicating the Performance Grant.

3. Performance Grants. A Participant will receive a written notice of the amount designated as the Participant's Target Amount for the Performance Grant payable under the terms of this Plan. The actual payout may be from 0% to 200% of the Target Amount, depending on the achievement of the performance goals.

4. Performance Achievement and Time of Payment. Upon the completion of the Performance Period, the Committee will determine the final performance goal achievement of each of the performance criteria described in Section 6. The Company will then calculate the final amount of each Participant's Performance Grant based on such performance goal achievement. Except as provided in Sections 7(b) or 8, the Committee will determine the time of payout of the Performance Grants, provided that in no event will payment be made later than March 15, 2023. Performance Grants shall be paid in cash.

5. Forfeiture. Except as provided in Sections 7 and 8, a Participant's right to payout of a Performance Grant will be forfeited if the Participant's employment with the Company or a Dominion Company terminates for any reason before the end of the Performance Period.

6. Performance Goals. Payout of Performance Grants will be based on the performance goal achievement of the performance criteria described in this Section 6 and further defined in Exhibit A.

a. **TSR Performance.** Total Shareholder Return (TSR) Performance will determine fifty percent (50%) of the Target Amount ("TSR Percentage"). Relative TSR Performance and Absolute TSR Performance are each defined in Exhibit A. The percentage of the TSR Percentage that will be paid out, if any, is based on the following table:

| Relative TSR Performance Percentile Ranking | Percentage Payout of TSR Percentage |
|---|--|
| 85 th or above | 200% |
| 50 th | 100% |
| 25 th | 50% |
| Below 25 th | 0% |

To the extent that the Company's Relative TSR Performance ranks in a percentile between the 25th and 85th percentile in the table above, then the TSR Percentage payout will be interpolated between the corresponding TSR Percentage payout set forth above. No payment of the TSR Percentage will be made if the Relative TSR Performance is below the 25th percentile, except that a payment of 25% of the TSR Percentage will be made if the Company's Relative TSR Performance is below the 25th percentile but its Absolute TSR Performance is at least 9%. In addition to the foregoing payments, and regardless of the Company's Relative TSR Performance, either (but not both) of the following may be earned: (i) an additional payment of 25% of the TSR Percentage will be made if the Company's Absolute TSR Performance is at least 10% but less than 15%, and/or if the Company's Price-Earnings Ratio (as defined in Exhibit A) is at or above the 50th percentile and below the top third of the group of companies (inclusive of the Company) used to measure Relative TSR Performance in accordance with Exhibit A hereto, or (ii) an additional payment of 50% of the TSR Percentage will be made if the Company's Absolute TSR Performance is at least 15%, and/or if the Company's Price-Earnings Ratio is at or above the top third of the group of companies (inclusive of the Company) used to measure Relative TSR Performance in accordance with Exhibit A hereto (in either case, the "Performance Adder"). The Committee may reduce or eliminate payment of the Performance Adder in its sole discretion.

The aggregate payments under this Section 6(a) may not exceed 250% of the TSR Percentage. In addition, the overall percentage payment under the entire Performance Grant may not exceed 200% of the Target Amount.

b. ROIC Performance. Return on Invested Capital Performance ("ROIC Performance") will determine fifty percent (50%) of the Target Amount ("ROIC Percentage"). ROIC Performance is defined in Exhibit A. The percentage of the ROIC Percentage that will be paid out, if any, is based on the following table:

| <u>ROIC Performance</u> | <u>Percentage Payout of ROIC Percentage</u> |
|-------------------------|---|
| 7.31% and above | 200% |
| 7.08% | 100% |
| 6.84% | 50% |
| Below 6.84% | 0% |

- To the extent that the Company's ROIC Performance is greater than 6.84% and less than 7.08%, the ROIC Percentage payout will be interpolated between the applicable Percentage Payout of ROIC Percentage range set forth above.
- To the extent that the Company's ROIC Performance is greater than 7.08% and less than 7.31%, the ROIC Percentage payout will be interpolated between the applicable Percentage Payout of ROIC Percentage range set forth above.

7. Retirement, Involuntary Termination without Cause, Death or Disability.

a. Retirement or Involuntary Termination without Cause. Except as provided in Section 8, if a Participant Retires during the Performance Period or if a Participant's employment is involuntarily terminated by the Company or a Dominion Company without Cause during the Performance Period, and in either case the Participant would have been eligible for a payment if the Participant had remained employed until the end of the Performance Period, the Participant will receive a pro-rated payout of the Participant's Performance Grant equal to the payment the Participant would have received had the Participant remained employed until the end of the Performance Period multiplied by a fraction, the numerator of which is the number of whole months from February 1, 2020 to the first day of the month coinciding with or immediately following the date of the Participant's retirement or termination of employment, and the denominator of which is thirty-five (35). Payment will be made after the end of the Performance Period at the time provided in Section 4 based on the performance goal achievement approved by the Committee. If the Participant Retires, however, no payment will be made if the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the Participant's Retirement is detrimental to the Company.

b. Death or Disability. If, while employed by the Company or a Dominion Company, a Participant dies or becomes Disabled during the Performance Period, the Participant or, in the event of the Participant's death, the Participant's Beneficiary will receive a lump sum cash payment equal to the product of (i) and (ii) where:

- (i) is the amount that would be paid based on the predicted performance used for determining the compensation cost recognized by the Company for the Participant's Performance Grant for the latest financial statement filed with the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q immediately prior to the event; and
- (ii) is a fraction, the numerator of which is the number of whole months from February 1, 2020 to the first day of the calendar month coinciding with or immediately following the date of the Participant's death or Disability, and the denominator of which is thirty-five (35).

Payment under this Section 7(b) will be made as soon as administratively feasible (and in any event within sixty (60) days) after the date of the Participant's death or Disability, and the Participant shall not have the right to any further payment under this Agreement. In the event of the Participant's death, payment will be made to the Participant's designated Beneficiary.

8. Qualifying Change of Control. Upon a Qualifying Change of Control prior to the end of the Performance Period, provided the Participant has remained continuously employed with the Company or a Dominion Company from the Date of Grant to the date of the Qualifying Change of Control, the Participant will receive a lump sum cash payment equal to the greater of (i) the Target Amount or (ii) the total payout that would be made at the end of the Performance Period if the predicted performance used for determining the compensation cost recognized by the

Company for the Participant's Performance Grant for the latest financial statement filed with the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q immediately prior to the Qualifying Change of Control was the actual performance for the Performance Period (in either case, the "COC Payout Amount"). Payment will be made on or as soon as administratively feasible following the Qualifying Change of Control date and in no event later than sixty (60) days following the Qualifying Change of Control date. If a Qualifying Change of Control occurs prior to the end of the Performance Period and after a Participant has Retired or been involuntarily terminated without Cause pursuant to Section 7(a) above, then the Participant will receive a pro-rated payout of the Participant's Performance Grant, equal to the COC Payout Amount multiplied by the fraction set forth in Section 7(a) above, with payment occurring in a cash lump sum on or as soon as administratively feasible (but in any event within sixty (60) days) after the Qualifying Change of Control date. Following any payment under this Section 8, the Participant shall not have the right to any further payment under this Agreement.

9. Termination for Cause. Notwithstanding any provision of this Plan to the contrary, if the Participant's employment with the Company or a Dominion Company is terminated for Cause (as defined by the Employment Continuity Agreement between the Participant and the Company), the Participant will forfeit all rights to his or her Performance Grant.

10. Clawback of Award Payment.

a. Restatement of Financial Statements. If the Company's financial statements are required to be restated at any time within a two (2) year period following the end of the Performance Period as a result of fraud or intentional misconduct, the Committee may, in its discretion, based on the facts and circumstances surrounding the restatement, direct the Company to recover all or a portion of the Performance Grant payout from the Participant if the Participant's conduct directly caused or partially caused the need for the restatement.

b. Fraudulent or Intentional Misconduct. If the Company determines that the Participant has engaged in fraudulent or intentional misconduct related to or materially affecting the Company's business operations or the Participant's duties at the Company, the Committee may, in its discretion, based on the facts and circumstances surrounding the misconduct, direct the Company to withhold payment, or if payment has been made, to recover all or a portion of the Performance Grant payout from the Participant.

c. Recovery of Payout. The Company reserves the right to recover a Performance Grant payout pursuant to this Section 10 by (i) seeking repayment from the Participant; (ii) reducing the amount that would otherwise be payable to the Participant under another Company benefit plan or compensation program to the extent permitted by applicable law; (iii) withholding future annual and long-term incentive awards or salary increases; or (iv) taking any combination of these actions.

d. No Limitation on Remedies. The Company's right to recover a Performance Grant payout pursuant to this Section 10 shall be in addition to, and not in lieu of, actions the Company may take to remedy or discipline a Participant's misconduct including, but not limited to, termination of employment or initiation of a legal action for breach of fiduciary duty.

e. Subject to Future Rulemaking. The Performance Grant payout is subject to any claw back policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform Act and Consumer Protection Act and resulting rules issued by the Securities and Exchange Commission or national securities exchanges thereunder and that the Company determines should apply to this Performance Grant Plan.

11. Miscellaneous.

a. Nontransferability. Except as provided in Section 7(b), a Performance Grant is not transferable and is subject to a substantial risk of forfeiture until the end of the Performance Period.

b. No Right to Continued Employment. A Performance Grant does not confer upon a Participant any right with respect to continuance of employment by the Company, nor will it interfere in any way with the right of the Company to terminate a Participant's employment at any time.

c. Tax Withholding. The Company will withhold Applicable Withholding Taxes from the payout of Performance Grants.

d. Performance Goal Adjustments. The Committee may at any time, in its sole discretion, remove or revise any performance goals or other performance objectives for this 2020 Performance Grant Plan. The Committee retains the authority to exercise negative discretion to reduce payments under this Plan as it deems appropriate.

e. Governing Law. This Plan shall be governed by the laws of the Commonwealth of Virginia, without regard to its choice of law provisions.

f. Binding Effect. This Plan will be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of Participants and any successors of the Company.

g. Section 409A. This Plan and the Performance Grants hereunder are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A"), and shall be interpreted to the maximum extent possible in accordance with such intent. To the extent necessary to comply with Code Section 409A, no payment will be made earlier than six months after a Participant's termination of employment other than for death if the Performance Grant is subject to Code Section 409A and the Participant is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B)(i)).

h. Administration. The Plan shall be administered by the Committee, which shall have all of the applicable powers and authority set forth in Section 19 of the Company's 2014 Incentive Compensation Plan with respect to this Plan and the Performance Grants awarded hereunder, the terms of which are incorporated by reference herein.

i. Termination and Amendment. The Committee may amend the Plan and Performance Grants awarded hereunder, provided that, except as otherwise provided herein, no termination or amendment of the Plan or any Performance Grants under the Plan shall materially adversely affect a Participant's rights with respect to any outstanding Performance Grant without that Participant's consent. Notwithstanding the foregoing, the Committee may amend the Plan and Performance Grants awarded hereunder without having to obtain the consent of any affected Participant as it deems necessary or appropriate to ensure compliance with applicable laws or to cause Performance Grants to avoid adverse tax consequences under the Code and regulations thereunder.

j. Notice. All notices and other communications required or permitted to be given under this Plan shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first class, postage prepaid, as follows: (a) if to the Company—at the principal business address of the Company to the attention of the Corporate Secretary of the Company; and (b) if to any Participant—at the last address of the Participant known to the sender at the time the notice or other communication is sent.

k. Interpretation. Unless otherwise specifically provided under the terms of any such plan or program, settlements of awards received by participants under the Plan shall not be deemed a part of a participant's regular, recurring compensation for purposes of calculating payments or benefits from any benefit plan or severance program of the Company or a Dominion Company or any severance pay law of any country. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company or any Dominion Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

l. Beneficiary Matters. A Participant may designate a Beneficiary to receive benefits due under a Performance Grant, if any, upon the Participant's death. Designation of a Beneficiary shall be made by execution of a form approved or accepted by the Committee. In the absence of a valid Beneficiary designation, a Participant's surviving spouse, if any, and if none, the Participant's estate, shall be the Beneficiary. A Participant may change a prior Beneficiary designation by a subsequent execution of a new Beneficiary designation form. The change in Beneficiary will be effective upon receipt by the Committee. Any payment made to a Beneficiary under this Plan in good faith shall fully discharge the Company and the Dominion Companies from all further obligations with respect to that payment. If the Committee has any doubt as to the proper Beneficiary to receive a payment under this Plan, the Committee shall have the right to withhold such payment until the matter is fully adjudicated. In making any payment to or for the benefit of any minor or an incompetent Participant or Beneficiary, the administrator, in its sole and absolute discretion, may make a distribution to a legal or natural guardian or other relative of a minor or court-appointed representative of such incompetent. Alternatively, it may make a payment to any adult with whom the minor or incompetent temporarily or

permanently resides. The receipt by a guardian, representative, relative or other person shall be a complete discharge of the Company and the Dominion Companies' obligations under the Plan. The Company shall have no responsibility to see to the proper application of any payment so made. The Plan shall be binding on all successors and assigns of a Participant, including, without limitation, the estate of such participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

m. Unfunded Plan. Unless otherwise determined by the Committee, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of a Performance Grant granted under the Plan, such rights (unless otherwise determined by the Committee) shall be no greater than the rights of an unsecured general creditor of the Company.

**DOMINION ENERGY, INC.
2020 PERFORMANCE GRANT PLAN
PERFORMANCE CRITERIA**

Total Shareholder Return

Relative TSR Performance will be measured based on where the Company's total shareholder return during the Performance Period ranks in relation to the total shareholder returns of the companies that are members of the Company's compensation peer group as of the Date of Grant as set forth below (the "Comparison Companies"):

| | |
|---------------------------------|---------------------------------|
| Ameren Corporation | Exelon Corporation |
| American Electric Power Company | FirstEnergy Corporation |
| CenterPoint Energy | NextEra Energy |
| Consolidated Edison Company | NiSource Incorporated |
| DTE Energy Company | Public Service Enterprise Group |
| Duke Energy Corporation | Sempra Energy |
| Edison International | Southern Company |
| Entergy Corporation | Xcel Energy |
| Eversource Energy | |

The Comparison Companies shall be adjusted during the Performance Period as follows:

- (i) In the event of a merger, acquisition or business combination transaction of a Comparison Company with or by another Comparison Company, effective upon the public announcement of the transaction, the surviving entity shall remain a Comparison Company and the non-surviving entity shall cease to be a Comparison Company (provided that, if the proposed transaction is subsequently terminated before the Relative TSR Performance is calculated, then the non-surviving company shall be retroactively reinstated as a Comparison Company);
- (ii) If it is publicly announced that a Comparison Company will be acquired by another company that is not a Comparison Company, or in the event a "going private transaction" is publicly announced where the Comparison Company will not be the surviving entity or will otherwise no longer be publicly traded, the company shall cease to be a Comparison Company as of the date such announcement is made (provided that, if the proposed transaction is subsequently terminated before the Relative TSR Performance is calculated, then the company shall be retroactively reinstated as a Comparison Company);
- (iii) In the event of a spinoff, divestiture, or sale of a substantial portion of assets of a Comparison Company, the Comparison Company shall no longer be a Comparison Company if the company's reported revenue (in its GAAP accounts) for the four most recently reported quarters ending on or before the last day of the Performance Period falls below 40% of Dominion Energy's reported revenue for the last year of the Performance Period; and

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- (iv) In the event of a bankruptcy of a Comparison Company, such company shall remain a Comparison Company and its stock price will continue to be tracked for purposes of Relative TSR Performance. If the company liquidates, it will remain a Comparison Company and its stock price will be reduced to zero for the remaining Performance Period.

Total shareholder return consists of the difference between the value of a share of common stock at the beginning and end of the Performance Period, plus the value of gross dividends paid as if reinvested in stock and other appropriate adjustments for such events as stock splits. For purposes of TSR Performance, the total shareholder return of the Company and the Comparison Companies will be calculated using Bloomberg¹. As soon as practicable after the completion of the Performance Period, the total shareholder returns of the Comparison Companies will be calculated and ranked from highest to lowest by the Committee. The Company's total shareholder return will then be ranked in terms of which percentile it would have placed in among the Comparison Companies.

Absolute TSR Performance will be the Company's total shareholder return on an average annual basis for the Performance Period.

Price-Earnings Ratio

"Price-Earnings Ratio" for the Company and each of the Comparison Companies means the forward price-earnings ratio (i.e. the share price on the last day of the Performance Period divided by the expected earnings per share for the year following the end of the Performance Period) reported as of the last day of the Performance Period as sourced from FactSet or such other financial data provider as the Committee may determine. The expected earnings per share will be the mean of analyst recommendations. Price-Earnings Ratio performance will be measured based on where the Company's Price-Earnings Ratio ranks in relation to the Price-Earnings Ratios of the Comparison Companies. As soon as practicable after the completion of the Performance Period, the Price-Earnings Ratios of the Comparison Companies will be determined and ranked from highest to lowest by the Committee. The Company's Price-Earnings Ratio will then be ranked in terms of which percentile it placed in among the Comparison Companies.

Return on Invested Capital

Return on Invested Capital (ROIC)

The following terms are used to calculate ROIC for purposes of the 2020 Performance Grant:

ROIC means Total Return divided by Average Invested Capital. Performance will be calculated for the three successive fiscal years within the Performance Period, added together and then divided by three to arrive at an annual average ROIC for the Performance Period.

¹ Specifically, using the function "CUST-TRR-RETURN-PER" or successor functions as defined by Bloomberg.

Total Return means Operating Earnings plus After-tax Interest & Related Charges, determined for each of the three successive fiscal years within the Performance Period.

Operating Earnings means operating earnings as disclosed on the Company's earnings report furnished on Form 8-K for the applicable fiscal year.

Average Invested Capital means the Average Balances for Long & Short-term Debt plus Preferred Equity plus Common Shareholders' Equity. The Average Balances for a year are calculated by performing the calculation at the end of each quarter during the fiscal year (including in the fiscal year's opening balance sheet) and then averaging those amounts over five quarters. Long and short-term debt shall be as reported in the Company's consolidated balance sheet prepared under GAAP, net of cash and cash equivalents.

Average Invested Capital will be calculated by excluding (i) accumulated other comprehensive income/(loss) from Common Shareholders' Equity (as shown on the Company's financial statements); (ii) impacts from changes in accounting principles that were not prescribed as of the Date of Grant; and (iii) the effects of incremental impacts from non-operating gains or losses during the Performance Period, as disclosed on the Company's earnings report furnished on Form 8-K, that were not included in the projection on which the original ROIC calculation was based at the time of the grant.

DOMINION ENERGY, INC.
2020 GOAL-BASED STOCK AWARD AGREEMENT

THIS AGREEMENT, dated February 13, 2020, between Dominion Energy, Inc., a Virginia corporation (the “Company”) and [Insert Name] (“Participant”), is made pursuant and subject to the provisions of the Dominion Energy, Inc. 2014 Incentive Compensation Plan and any amendments thereto (the “Plan”). All terms used in this Agreement that are defined in the Plan have the same meaning given to such terms in the Plan.

1. Goal-Based Stock Award. Pursuant to the Plan, [Insert Number] shares of Goal-Based Stock (“Target Amount”) were awarded to the Participant on February 13, 2020 (“Date of Grant”), subject to the terms and conditions of the Plan, and subject further to the terms and conditions set forth in this Agreement and Exhibit A attached hereto. Goal-Based Stock is Company Stock that will be issued if the Performance Goals set forth in Section 4 for the Performance Period are fulfilled. The actual number of shares of Goal-Based Stock that may be issued may be from 0% to 200% of the Target Amount, depending on the achievement of the Performance Goals. The Performance Period for purposes of this Agreement is the period beginning on January 1, 2020 and ending on December 31, 2022.

2. Performance Achievement and Time of Goal-Based Stock Issuance. Upon the completion of the Performance Period, the Committee will determine the final achievement of the Performance Goals described in Section 4. The Company will then calculate the final number of Goal-Based Stock shares to be issued based on such Performance Goal achievement. Except as provided in Section 5(b) or 6, the appropriate number of Goal-Based Stock shares will be issued to the Participant at a time determined by the Committee, but not later than March 15, 2023.

3. Forfeiture. Except as provided in Paragraphs 5 or 6, the Participant will forfeit any and all rights in the Goal-Based Stock if the Participant’s employment with the Company or a Dominion Company terminates for any reason before the end of the Performance Period.

4. Performance Goals. Issuance of Goal-Based Stock shares will be based on the Performance Goal achievement of the Performance Criteria described in this Section 4 and further defined in Exhibit A.

a. TSR Performance. Total Shareholder Return (TSR) Performance will determine fifty percent (50%) of the Target Amount (“TSR Percentage”). Relative TSR Performance and Absolute TSR Performance are each defined in Exhibit A. The percentage of the TSR Percentage of Goal-Based Stock shares that will be issued, if any, is based on the following table:

| Relative TSR Performance Percentile Ranking | Percentage Payout of TSR Percentage |
|---|--|
| 85th or above | 200% |
| 50th | 100% |
| 25th | 50% |
| Below 25th | 0% |

To the extent that the Company's Relative TSR Performance ranks in a percentile between the 25th and 85th percentile in the table above, then the TSR Percentage payout will be interpolated between the corresponding TSR Percentage payout set forth above. No payment of the TSR Percentage of Goal-Based Stock shares will be made if the Relative TSR Performance is below the 25th percentile, except that a payment of 25% of the TSR Percentage will be made if the Company's Relative TSR Performance is below the 25th percentile but its Absolute TSR Performance is at least 9%. In addition to the foregoing payments, and regardless of the Company's Relative TSR Performance, either (but not both) of the following may be earned: (i) an additional payment of 25% of the TSR Percentage will be made if the Company's Absolute TSR Performance is at least 10% but less than 15%, and/or if the Company's Price-Earnings Ratio (as defined in Exhibit A) is at or above the 50th percentile and below the top third of the group of companies (inclusive of the Company) used to measure Relative TSR Performance in accordance with Exhibit A hereto, or (ii) an additional payment of 50% of the TSR Percentage will be made if the Company's Absolute TSR Performance is at least 15%, and/or if the Company's Price-Earnings Ratio is at or above the top third of the group of companies (inclusive of the Company) used to measure Relative TSR Performance in accordance with Exhibit A hereto (in either case, the "Performance Adder"). The Committee may reduce or eliminate payment of the Performance Adder in its sole discretion.

The aggregate payments under this Section 4(a) may not exceed 250% of the TSR Percentage. In addition, the overall percentage payment under the entire Award may not exceed 200% of the Target Amount.

b. ROIC Performance. Return on Invested Capital Performance ("ROIC Performance") will determine fifty percent (50%) of the Target Amount ("ROIC Percentage"). ROIC Performance is defined in Exhibit A. The percentage of the ROIC Percentage that will be paid out, if any, is based on the following table:

| ROIC Performance | Percentage Payout of ROIC Percentage |
|------------------|---|
| 7.31% and above | 200% |
| 7.08% | 100% |
| 6.84% | 50% |
| Below 6.84% | 0% |

- To the extent that the Company's ROIC Performance is greater than 6.84% and less than 7.08%, the ROIC Percentage payout will be interpolated between the applicable Percentage Payout of ROIC Percentage range set forth above.
- To the extent that the Company's ROIC Performance is greater than 7.08% and less than 7.31%, the ROIC Percentage payout will be interpolated between the applicable Percentage Payout of ROIC Percentage range set forth above.

5. Retirement, Involuntary Termination without Cause, Death or Disability.

a. Retirement or Involuntary Termination without Cause. Except as provided in Section 6, if the Participant Retires (as such term is defined in Section 9(b) below) during the Performance Period or if the Participant's employment is involuntarily terminated by the Company or a Dominion Company without Cause (as defined in the Employment Continuity Agreement between the Participant and the Company) during the

Performance Period and the Participant would have been eligible for a payment if the Participant had remained employed until the end of the Performance Period, the Participant will receive a pro-rated payout of the Participant's Goal-Based Stock Award equal to the number of Goal-Based Stock shares the Participant would have received had the Participant remained employed until the end of the Performance Period, multiplied by a fraction, the numerator of which is the number of whole months from February 1, 2020 to the first day of the calendar month coinciding with or immediately following the date of the Participant's Retirement or termination of employment, and the denominator of which is thirty-five (35). Shares will be issued after the end of the Performance Period at the time provided in Section 2 based on the Performance Goal achievement approved by the Committee. If the Participant Retires, however, no shares will be issued if the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the Participant's Retirement is detrimental to the Company. Any potential shares of Goal-Based Stock not issued in accordance with the terms of this Paragraph 5(a) will be forfeited.

b. Death or Disability. If, while employed by the Company or a Dominion Company, a Participant dies or becomes Disabled (as defined in Section 9(b) below) during the Performance Period, a number of Goal-Based Stock shares will be issued to the Participant or the Participant's Beneficiary equal to the product of (i) and (ii) where:

(i) is the number of shares that would be issued based on the predicted performance used for determining the compensation cost recognized by the Company for this Goal-Based Stock Award for the latest financial statement filed with the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q immediately prior to the event; and

(ii) is a fraction, the numerator of which is the number of whole months from February 1, 2020 to the first day of the calendar month coinciding with or immediately following the date of the Participant's death or Disability, and the denominator of which is thirty-five (35).

Any potential shares of Goal-Based Stock not issued in accordance with the terms of this Section 5(b) will be forfeited. Goal-Based Stock shares will be issued as soon as administratively feasible (and in any event within sixty (60) days) after the date of the Participant's death or Disability.

6. Qualifying Change of Control. Upon a Qualifying Change of Control prior to the end of the Performance Period, provided the Participant has remained continuously employed with the Company or a Dominion Company from the Date of Grant to the date of the Qualifying Change of Control, a number of the Goal-Based Stock shares will be issued to the Participant equal to the greater of (i) the Target Amount or (ii) the number of shares that would be issued at the end of the Performance Period if the predicted performance used for determining the compensation cost recognized by the Company for this Award for the latest financial statement filed with the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q immediately prior to the Qualifying Change of Control was the actual performance for the Performance Period (in either case, the "COC Payout Amount"). The Goal-Based Stock shares will be issued on or as soon as administratively feasible (but in any event within sixty (60) days) following the Qualifying Change of Control date. If a Qualifying Change of Control occurs prior to the end of the Performance Period and after a Participant has Retired or been involuntarily terminated without Cause pursuant to Section 5(a) above, then the Participant will receive a pro-rated

payout of the Participant's Goal-Based Stock Award, equal to the COC Payout Amount multiplied by the fraction set forth in Section 5(a) above, with shares being issued on or as soon as administratively feasible (but in any event within sixty (60) days) after the Qualifying Change of Control date. Any potential shares of Goal-Based Stock not issued in accordance with the terms of this Section 6 will be forfeited.

7. Termination for Cause. Notwithstanding any provision of this Agreement to the contrary, if the Participant's employment with the Company or a Dominion Company is terminated for Cause (as defined by the Employment Continuity Agreement between the Participant and the Company), the Participant will forfeit all rights to Goal-Based Stock shares awarded pursuant to this Agreement.

8. Clawback of Award Payment.

- a. Restatement of Financial Statements. If the Company's financial statements are required to be restated at any time within a two (2) year period following the end of the Performance Period as a result of fraud or intentional misconduct, the Committee may, in its discretion, based on the facts and circumstances surrounding the restatement, direct the Company to recover all or a portion of the issued (vested) shares from the Participant if the Participant's conduct directly caused or partially caused the need for the restatement.
- b. Fraudulent or Intentional Misconduct. If the Company determines that the Participant has engaged in fraudulent or intentional misconduct related to or materially affecting the Company's business operations or the Participant's duties at the Company, the Committee may, in its discretion, based on the facts and circumstances surrounding the misconduct, direct the Company to withhold issuance of all or a portion of the Goal-Based Stock shares granted pursuant to this Agreement, or if shares have been issued, to recover all or a portion of the shares from the Participant.
- c. Recovery of Payout. The Company reserves the right to recover a Goal-Based Stock Award payout pursuant to this Section 8 by (i) seeking recovery of the vested shares from the Participant; (ii) reducing the amount that would otherwise be payable to the Participant under another Company benefit plan or compensation program to the extent permitted by applicable law; (iii) withholding future annual and long-term incentive awards or salary increases; or (iv) taking any combination of these actions.
- d. No Limitation on Remedies. The Company's right to recover Goal-Based or issued shares pursuant to this Section 8 shall be in addition to, and not in lieu of, actions the Company may take to remedy or discipline a Participant's misconduct including, but not limited to, termination of employment or initiation of a legal action for breach of fiduciary duty.
- e. Subject to Future Rulemaking. The Goal-Based Stock granted under this Agreement is subject to any clawback policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and resulting rules issued by the Securities and Exchange Commission or national securities exchanges thereunder and that the Company determines should apply to this Agreement.

9. Terms and Conditions.

- a. Nontransferability; No Shareholder Rights. Except as provided in Section 5, this award of Goal-Based Stock is not transferable and is subject to a substantial risk of forfeiture until the end of the Performance Period. A Participant shall have not have any rights as a shareholder with respect to the shares of Goal-Based Stock that may be issued under this Agreement unless and until such shares have actually been issued to the Participant after the end of the Performance Period as provided herein.

b. Certain Definitions.

(i) Retirement. For purposes of this Agreement, the term Retire or Retirement means a voluntary termination of employment on a date when the Participant is eligible for early or normal retirement benefits under the terms of the Company Pension Plan (as defined below), or would be eligible if any crediting of deemed additional years of age or service applicable to the Participant under a supplemental retirement plan of the Company was applied under the Company Pension Plan, as in effect at the time of the determination, or, for a Participant who is not eligible to participate in a Company Pension Plan, a voluntary termination of employment on or after age 55, unless (in each case) the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the Participant's retirement is detrimental to the Company. "Company Pension Plan" means the applicable pension plan of the Company or its subsidiaries, if any, in which the Participant is eligible to participate as of the Date of Grant, which may include either the Dominion Energy Pension Plan or the SCANA Corporation Retirement Plan or any successor thereto, but excluding the cash balance portion of any such plan.

(ii) Disabled or Disability. For purposes of this Agreement, the term "Disabled" or "Disability" means a disability as defined under Treasury Regulation Section 1.409A-3(i)(4). The Committee will determine whether or not a Disability exists and its determination will be conclusive and binding on the Participant.

c. Delivery of Shares.

(i) Share Delivery. Within the applicable time periods after the end of the Performance Period or after the occurrence of an event described in Sections 5 or 6 as described above, the Company will deliver to the Participant (or in the event of the Participant's death, the Participant's Beneficiary) the appropriate number of shares of Company Stock.

(ii) Withholding of Taxes. No Company Stock will be delivered until the Participant (or the Participant's Beneficiary) has paid to the Company the amount that must be withheld under federal, state and local income and

employment tax laws (the “Applicable Withholding Taxes”) or the Participant and the Company have made satisfactory arrangements for the payment of such taxes. Unless the Participant makes an alternative election, the Company will retain the number of shares of Goal-Based Stock (valued at their Fair Market Value) required to satisfy the Applicable Withholding Taxes. As an alternative to the Company retaining shares, the Participant or the Participant’s Beneficiary may elect to (i) deliver Mature Shares (valued at their Fair Market Value) or (ii) make a cash payment to satisfy Applicable Withholding Taxes.

- d. Fractional Shares. Fractional shares of Company Stock will not be issued.
- e. No Right to Continued Employment. This Agreement does not confer upon the Participant any right with respect to continuance of employment by the Company, nor will it interfere in any way with the right of the Company to terminate the Participant’s employment at any time.
- f. Change in Capital Structure. The number and fair market value of shares of Goal-Based Stock awarded by this Agreement will be automatically adjusted as provided in Section 18(a) of the Plan if the Company has a change in capital structure.
- g. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Virginia, other than its choice of law provisions.
- h. Conflicts. In the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan will govern.
- i. Participant Bound by Plan. By accepting this Agreement, Participant hereby acknowledges receipt of a copy of the prospectus and Plan document accessible on the Company Intranet and agrees to be bound by all the terms and provisions thereof.
- j. Binding Effect. This Agreement will be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of the Participant and the successors of the Company.
- k. Performance Goal Adjustments. Pursuant to Section 10(c) of the Plan, the Committee may at any time, in its sole discretion, remove or revise any performance goals or other performance objectives for this Goal-Based Stock Award. The Committee may exercise negative discretion to reduce payments under this Agreement as it deems appropriate.
- l. Section 409A. This Agreement and the Goal-Based Stock award arrangement described herein is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (“Code Section 409A”), and shall be interpreted to the maximum extent possible in accordance with such intent. To the extent necessary to comply with Code Section 409A, no payment will be made earlier than six months after a Participant’s termination of employment other than for death if the Award is subject to Code Section 409A and the Participant is a “specified employee” (within the meaning of Code Section 409A(a)(2)(B)(i)).

**DOMINION ENERGY, INC.
2020 GOAL-BASED STOCK AWARD AGREEMENT
PERFORMANCE CRITERIA**

Total Shareholder Return

Relative TSR Performance will be measured based on where the Company's total shareholder return during the Performance Period ranks in relation to the total shareholder returns of the companies that are members of the Company's compensation peer group as of the Date of Grant as set forth below (the "Comparison Companies"):

| | |
|---------------------------------|---------------------------------|
| Ameren Corporation | Exelon Corporation |
| American Electric Power Company | FirstEnergy Corporation |
| CenterPoint Energy | NextEra Energy |
| Consolidated Edison Company | NiSource Incorporated |
| DTE Energy Company | Public Service Enterprise Group |
| Duke Energy Corporation | Sempra Energy |
| Edison International | Southern Company |
| Entergy Corporation | Xcel Energy |
| Eversource Energy | |

The Comparison Companies shall be adjusted during the Performance Period as follows:

- (i) In the event of a merger, acquisition or business combination transaction of a Comparison Company with or by another Comparison Company, effective upon the public announcement of the transaction, the surviving entity shall remain a Comparison Company and the non-surviving entity shall cease to be a Comparison Company (provided that, if the proposed transaction is subsequently terminated before the Relative TSR Performance is calculated, then the non-surviving company shall be retroactively reinstated as a Comparison Company);
- (ii) If it is publicly announced that a Comparison Company will be acquired by another company that is not a Comparison Company, or in the event a "going private transaction" is publicly announced where the Comparison Company will not be the surviving entity or will otherwise no longer be publicly traded, the company shall cease to be a Comparison Company as of the date such announcement is made (provided that, if the proposed transaction is subsequently terminated before the Relative TSR Performance is calculated, then the company shall be retroactively reinstated as a Comparison Company);
- (iii) In the event of a spinoff, divestiture, or sale of a substantial portion of assets of a Comparison Company, the Comparison Company shall no longer be a Comparison Company if the company's reported revenue (in its GAAP accounts) for the four most recently reported quarters ending on or before the last day of the Performance Period falls below 40% of Dominion Energy's reported revenue for last year of the Performance Period; and
- (iv) In the event of a bankruptcy of a Comparison Company, such company shall remain a Comparison Company and its stock price will continue to be tracked for purposes of Relative TSR Performance. If the company liquidates, it will remain a Comparison Company and its stock price will be reduced to zero for the remaining Performance Period.

Total shareholder return consists of the difference between the value of a share of common stock at the beginning and end of the Performance Period, plus the value of gross dividends paid as if reinvested in stock and other appropriate adjustments for such events as stock splits. For purposes of TSR Performance, the total shareholder return of the Company and the Comparison Companies will be calculated using Bloomberg.¹ As soon as practicable after the completion of the Performance Period, the total shareholder returns of the Comparison Companies will be calculated and ranked from highest to lowest by the Committee. The Company's total shareholder return will then be ranked in terms of which percentile it would have placed in among the Comparison Companies.

Absolute TSR Performance will be the Company's total shareholder return on an average annual basis for the Performance Period.

Price-Earnings Ratio

"Price-Earnings Ratio" for the Company and each of the Comparison Companies means the forward price-earnings ratio (i.e. the share price on the last day of the Performance Period divided by the expected earnings per share for the year following the end of the Performance Period) reported as of the last day of the Performance Period as sourced from FactSet or such other financial data provider as the Committee may determine. The expected earnings per share will be the mean of analyst recommendations. Price-Earnings Ratio performance will be measured based on where the Company's Price-Earnings Ratio ranks in relation to the Price-Earnings Ratios of the Comparison Companies. As soon as practicable after the completion of the Performance Period, the Price-Earnings Ratios of the Comparison Companies will be determined and ranked from highest to lowest by the Committee. The Company's Price-Earnings Ratio will then be ranked in terms of which percentile it placed in among the Comparison Companies.

Return on Invested Capital

Return on Invested Capital (ROIC)

The following terms are used to calculate ROIC for purposes of the 2020 Goal-Based Stock Award:

ROIC means Total Return divided by Average Invested Capital. Performance will be calculated for the three successive fiscal years within the Performance Period, added together and then divided by three to arrive at an annual average ROIC for the Performance Period.

Total Return means Operating Earnings plus After-tax Interest & Related Charges, determined for each of the three successive fiscal years within the Performance Period.

Operating Earnings means operating earnings as disclosed on the Company's earnings report furnished on Form 8-K for the applicable fiscal year.

¹ Specifically, using the function "CUST-TRR-RETURN-PER" or successor functions as defined by Bloomberg.

Average Invested Capital means the Average Balances for Long & Short-term Debt plus Preferred Equity plus Common Shareholders' Equity. The Average Balances for a year are calculated by performing the calculation at the end of each quarter during the fiscal year (including in the fiscal year's opening balance sheet) and then averaging those amounts over five quarters. Long and short-term debt shall be as reported in the Company's consolidated balance sheet prepared under GAAP, net of cash and cash equivalents.

Average Invested Capital will be calculated by excluding (i) accumulated other comprehensive income/(loss) from Common Shareholders' Equity (as shown on the Company's financial statements); (ii) impacts from changes in accounting principles that were not prescribed as of the Date of Grant; and (iii) the effects of incremental impacts from non-operating gains or losses during the Performance Period, as disclosed on the Company's earnings report furnished on Form 8-K, that were not included in the projection on which the original ROIC calculation was based at the time of the grant.

**DOMINION ENERGY, INC.
RESTRICTED STOCK AWARD AGREEMENT**

| PARTICIPANT «First_Name» «Last_Name» | DATE OF GRANT February 13, 2020 | NUMBER OF SHARES OF RESTRICTED STOCK GRANTED «##,###» | | | | | | |
|--|---|--|-------------------------|--|---------------------|-------------------|------------------|------|
| PERSONNEL NUMBER «#####» | VESTING DATE February 1, 2023 | <table border="0" style="width: 100%;"> <tr> <th colspan="2" style="text-align: center;">VESTING SCHEDULE</th> </tr> <tr> <th style="text-align: center;"><u>Vesting Date</u></th> <th style="text-align: center;"><u>Percentage</u></th> </tr> <tr> <td style="text-align: center;">February 1, 2023</td> <td style="text-align: center;">100%</td> </tr> </table> | VESTING SCHEDULE | | <u>Vesting Date</u> | <u>Percentage</u> | February 1, 2023 | 100% |
| VESTING SCHEDULE | | | | | | | | |
| <u>Vesting Date</u> | <u>Percentage</u> | | | | | | | |
| February 1, 2023 | 100% | | | | | | | |

THIS AGREEMENT, effective as of the Date of Grant shown above, between Dominion Energy, Inc., a Virginia corporation (the “Company”) and the Participant named above is made pursuant and subject to the provisions of the Dominion Energy, Inc. 2014 Incentive Compensation Plan and any amendments thereto (the “Plan”). All terms used in this Agreement that are defined in the Plan have the same meaning given to such terms in the Plan.

1. Award of Stock. Pursuant to the Plan, the Number of Shares of Restricted Stock Granted shown above (the “Restricted Stock”) were awarded to the Participant on the Date of Grant shown above, subject to the terms and conditions of the Plan, and subject further to the terms and conditions set forth in this Agreement.
2. Vesting. Except as provided in Sections 3, 4, 5 or 6, one hundred percent (100%) of the shares of Restricted Stock awarded under this Agreement will vest on the Vesting Date shown above.
3. Forfeiture. Except as provided in Sections 4 or 5, the Participant will forfeit any and all rights in the Restricted Stock if the Participant’s employment with the Company or a Dominion Company terminates for any reason prior to the Vesting Date.
4. Death, Disability, Retirement or Involuntary Termination without Cause. Except as provided in Section 5, if the Participant terminates employment due to death, Disability, or Retirement (as such term is defined in Section 8(e)) before the Vesting Date or if the Participant’s employment is involuntarily terminated by the Company or a Dominion Company without Cause (as defined in the Employment Continuity Agreement between the Participant and the Company) before the Vesting Date, the Participant will become vested in the number of shares of Restricted Stock awarded under this Agreement multiplied by a fraction, the numerator of which is the number of whole months from February 1, 2020 to the first day of the month coinciding with or immediately following the date of the Participant’s termination of employment, and the denominator of which is the number of whole months from February 1, 2020 to the Vesting Date, rounded

down to the nearest whole share. If the Participant Retires, however, the Participant's Restricted Stock will not vest if the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the Participant's Retirement is detrimental to the Company. The vesting will occur on the date of the Participant's termination of employment due to death, Disability, Retirement, or termination by the Company without Cause. Any shares of Restricted Stock that do not vest in accordance with this Section 4 will be forfeited.

5. Change of Control. Upon a Change of Control prior to the Vesting Date, provided the Participant has remained continuously employed with the Company or a Dominion Company from the Date of Grant to the date of the Change of Control, the Participant's rights in the Restricted Stock will become vested as follows:
- a. A portion of the Restricted Stock will be immediately vested equal to the number of shares of Restricted Stock awarded under this Agreement multiplied by a fraction, the numerator of which is the number of whole months from February 1, 2020 to the Change of Control date, and the denominator of which is the number of whole months from February 1, 2020 to the Vesting Date, rounded down to the nearest whole share.
 - b. Unless previously forfeited, the remaining shares of Restricted Stock will become vested after a Change of Control at the earliest of the following events and in accordance with the terms described in subsections (i) through (iii) below:
 - (i) Vesting Date. All remaining shares of Restricted Stock will become vested on the Vesting Date.
 - (ii) Death, Disability or Retirement. If the Participant terminates employment due to death, Disability or Retirement (as defined in Section 8(e)) before the Vesting Date, the Participant will become vested in the remaining shares of Restricted Stock multiplied by a fraction, the numerator of which is the number of whole months from the first day of the month in which the Change of Control occurs to the first day of the month coinciding with or immediately following the Participant's termination of employment, and the denominator of which is the number of whole months from the first day of the month in which the Change of Control occurs to the Vesting Date, rounded down to the nearest whole share. If the Participant Retires, however, the Participant's Restricted Stock will not vest if the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the

Participant's Retirement is detrimental to the Company. The vesting will occur on the date of the Participant's termination of employment due to death, Disability, or Retirement. Any shares of the Restricted Stock that do not vest in accordance with the terms of this subsection (ii) will be forfeited.

- (iii) Involuntary Termination without Cause. All remaining shares of Restricted Stock will become vested upon the Participant's involuntary termination by the Company or a Dominion Company without Cause before the Vesting Date, or upon the Participant's Constructive Termination before the Vesting Date, as such terms are defined by the Employment Continuity Agreement between the Participant and the Company.

6. Termination for Cause. Notwithstanding any provision of this Agreement to the contrary, if the Participant's employment with the Company or a Dominion Company is terminated for Cause (as defined by the Employment Continuity Agreement between the Participant and the Company), the Participant will forfeit all Restricted Stock shares awarded pursuant to this Agreement.

7. Clawback of Award Payment.

- a. Restatement of Financial Statements. If the Company's financial statements are required to be restated at any time within a two (2) year period following the Vesting Date as a result of fraud or intentional misconduct, the Committee may, in its discretion, based on the facts and circumstances surrounding the restatement, direct the Company to withhold issuance of all or a portion of the shares granted pursuant to this Agreement, or if shares have been issued, to recover all or a portion of the shares from the Participant if the Participant's conduct directly caused or partially caused the need for the restatement.
- b. Fraudulent or Intentional Misconduct. If the Company determines that the Participant has engaged in fraudulent or intentional misconduct related to or materially affecting the Company's business operations or the Participant's duties at the Company, the Committee may, in its discretion, based on the facts and circumstances surrounding the misconduct, direct the Company to withhold issuance of all or a portion of the shares granted pursuant to this Agreement, or if shares have been issued, to recover all or a portion of the shares from the Participant.
- c. Recovery of Payout. The Company reserves the right to recover a Restricted Stock Award payout pursuant to this Section 7 by (i) seeking recovery of the vested shares from the Participant; (ii) reducing the amount that would otherwise be payable to the Participant under another Company benefit plan or compensation program to the extent permitted by applicable law; (iii) withholding future annual and long-term incentive awards or salary increases; or (iv) taking any combination of these actions.

-
- d. No Limitation on Remedies. The Company's right to recover Restricted Stock or issued shares pursuant to this Section 7 shall be in addition to, and not in lieu of, actions the Company may take to remedy or discipline a Participant's misconduct including, but not limited to, termination of employment or initiation of a legal action for breach of fiduciary duty.
 - e. Subject to Future Rulemaking. The Restricted Stock granted under this Agreement is subject to any claw back policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and resulting rules issued by the Securities and Exchange Commission or national securities exchanges thereunder and that the Company determines should apply to said Restricted Stock.

8. Terms and Conditions.

- a. Nontransferability. Except as provided in Sections 4 and 5, the shares of Restricted Stock are not transferable and are subject to a substantial risk of forfeiture until the Vesting Date.
- b. Uncertificated Shares; Power of Attorney. The Company may issue the Restricted Shares in uncertificated form. Such uncertificated shares shall be credited to a book entry account maintained by the Company (or its transfer agent) on behalf of the Participant. As a condition of accepting this award, the Participant hereby irrevocably appoints Dominion Energy Services, Inc., or its successor, as the Participant's attorney-in-fact, with full power of substitution, to transfer (or provide instructions to the Company's transfer agent to transfer) such shares on the Company's books.
- c. Custody of Share Certificates; Stock Power. The Company will retain custody of any share certificates for the Restricted Stock that may be issued until such shares vest or are forfeited. If share certificates are issued, the Participant shall execute and deliver a stock power, endorsed in blank, to Dominion Energy Services, Inc., with respect to such shares.
- d. Shareholder Rights. The Participant will have the right to receive dividends and will have the right to vote the shares of Restricted Stock awarded under Section 1, both vested and unvested.

- e. Retirement. For purposes of this Agreement, the term Retire or Retirement means a voluntary termination of employment on a date when the Participant is eligible for early or normal retirement benefits under the terms of the Company Pension Plan (as defined below), or would be eligible if any crediting of deemed additional years of age or service applicable to the Participant under a supplemental retirement plan of the Company was applied under the Company Pension Plan, as in effect at the time of the determination, or, for a Participant who is not eligible to participate in a Company Pension Plan, a voluntary termination of employment on or after age 55, unless (in each case) the Company's Chief Executive Officer in his sole discretion (or, if the Participant is the Company's Chief Executive Officer, the Committee in its sole discretion) determines that the Participant's retirement is detrimental to the Company. "Company Pension Plan" means the applicable pension plan of the Company or its subsidiaries, if any, in which the Participant is eligible to participate as of the Date of Grant, which may include either the Dominion Energy Pension Plan or the SCANA Corporation Retirement Plan or any successor thereto, but excluding the cash balance portion of any such plan. *[For CEO award only -* Notwithstanding the foregoing, if the Participant continues to provide substantial services to the Company as a member of the Board or otherwise after a termination of employment that would otherwise qualify as a Retirement hereunder, the Participant will not be deemed to have Retired for purposes hereof until the end of such period of service.]
- f. Delivery of Shares.
- (i) Share Delivery. On or as soon as administratively feasible after the Vesting Date or the date on which the shares of Restricted Stock have become vested due to the occurrence of an event described in Section 4 or 5, the Company will remove (or provide instructions to its transfer agents to remove) the transfer restrictions described herein, and (if any share certificate has been issued) shall deliver to the Participant (or in the event of the Participant's death, the Participant's Beneficiary) any such certificates free of the transfer restrictions described herein. The Company will also cancel any stock power covering such shares.
- (ii) Withholding of Taxes. No Company Stock will be delivered until the Participant (or the Participant's Beneficiary) has paid to the Company the amount that must be withheld under federal, state and local income and employment tax laws (the "Applicable Withholding Taxes") or the Participant and the Company have made satisfactory arrangements for the payment of such taxes. Unless the Participant makes an alternative election, the Company will retain the number of shares of Restricted Stock (valued at their Fair Market Value) required to satisfy the Applicable Withholding Taxes. As an alternative to the Company retaining shares, the Participant or the Participant's Beneficiary may elect to (i) deliver Mature Shares (valued at their Fair Market Value) or (ii) make a cash payment to satisfy Applicable Withholding Taxes.

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- g. Fractional Shares. Fractional shares of Company Stock will not be issued.
 - h. No Right to Continued Employment. This Agreement does not confer upon the Participant any right with respect to continuance of employment by the Company or a Dominion Company, nor shall it interfere in any way with the right of the Company or a Dominion Company to terminate the Participant's employment at any time.
 - i. Change in Capital Structure. The number and fair market value of shares of Restricted Stock awarded by this Agreement shall be automatically adjusted as provided in Section 18(a) of the Plan if the Company has a change in capital structure.
 - j. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Virginia, other than its choice of law provisions.
 - k. Conflicts. In the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall govern.
 - l. Participant Bound by Plan. By accepting this Agreement, Participant hereby acknowledges receipt of a copy of the prospectus and Plan document accessible on the Company Intranet and agrees to be bound by all the terms and provisions thereof.
 - m. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of the Participant and any successors of the Company.

Dominion Energy, Inc.
Subsidiaries of the Registrant
As of February 14, 2020

| <u>Name</u> | <u>Jurisdiction of Incorporation</u> | <u>Name Under Which Business is Conducted</u> |
|--|--------------------------------------|--|
| Dominion Energy, Inc. | Virginia | Dominion Energy, Inc. |
| BrightSuite, Inc. | Virginia | BrightSuite, Inc. |
| BrightSuite Distributed Solar Holdings, Inc. | Virginia | BrightSuite Distributed Solar Holdings, Inc. |
| DE Fluvanna Solar, LLC | Virginia | DE Fluvanna Solar, LLC |
| DE Hanover Solar, LLC | Virginia | DE Hanover Solar, LLC |
| DE King William Solar, LLC | Virginia | DE King William Solar, LLC |
| DE Powhatan Solar, LLC | Virginia | DE Powhatan Solar, LLC |
| BrightSuite Home, LLC | Virginia | BrightSuite Home, LLC |
| BrightSuite Solar, LLC | Virginia | BrightSuite Solar, LLC |
| Dominion Energy Marketplace, LLC | Virginia | Dominion Energy Marketplace, LLC |
| CNG Coal Company | Delaware | CNG Coal Company |
| Dominion ACP Holding, Inc. | Virginia | Dominion ACP Holding, Inc. |
| Dominion Atlantic Coast Pipeline, LLC | Virginia | Dominion Atlantic Coast Pipeline, LLC |
| Atlantic Coast Pipeline, LLC | Delaware | Atlantic Coast Pipeline, LLC |
| Dominion Alternative Energy Holdings, Inc. | Virginia | Dominion Alternative Energy Holdings, Inc. |
| Dominion Energy Technologies II, Inc. | Virginia | Dominion Energy Technologies II, Inc. |
| Dominion Energy Technologies, Inc. | Virginia | Dominion Energy Technologies, Inc. |
| Dominion Voltage, Inc. | Virginia | Dominion Voltage, Inc. |
| | | DVI |
| Tredegear Solar Fund I, LLC | Delaware | Tredegear Solar Fund I, LLC |
| Dominion Capital, Inc. | Virginia | Dominion Capital, Inc. |
| Dominion Energy Carolina Gas Services, Inc. | Virginia | Dominion Energy Carolina Gas Services, Inc. |
| Dominion Energy Field Services, Inc. | Delaware | Dominion Energy Field Services, Inc. |
| Dominion Energy Fuel Services, Inc. | Virginia | Dominion Energy Fuel Services, Inc. |
| Dominion Energy Payroll Company, Inc. | Virginia | Dominion Energy Payroll Company, Inc. |
| Dominion Energy Questar Corporation | Utah | Dominion Energy Questar Corporation |
| Dominion Energy Gas Distribution, LLC | Virginia | Dominion Energy Gas Distribution, LLC |
| The East Ohio Gas Company | Ohio | Dominion Energy Ohio |
| Dominion Energy Gas Holdings, LLC | Virginia | Dominion Energy Gas Holdings, LLC |
| Dominion Cove Point, LLC | Virginia | Dominion Cove Point, LLC |
| Dominion Energy Midstream GP, LLC | Delaware | Dominion Energy Midstream GP, LLC |
| Dominion Energy Midstream Partners, LP | Delaware | Dominion Energy Midstream Partners, LP |
| Dominion Energy Carolina Gas Transmission, LLC | South Carolina | Dominion Energy Carolina Gas Transmission, LLC |
| Dominion Energy Questar Pipeline, LLC | Utah | Dominion Energy Questar Pipeline, LLC |
| Dominion Energy Overthrust Pipeline, LLC | Utah | Dominion Energy Overthrust Pipeline, LLC |
| Questar Field Services, LLC | Utah | Questar Field Services, LLC |
| Questar White River Hub, LLC | Utah | Questar White River Hub, LLC |
| Iroquois GP Holding Company, LLC | Delaware | Iroquois GP Holding Company, LLC |
| Dominion Energy Midstream Partners, LP | Delaware | Dominion Energy Midstream Partners, LP |
| Dominion Energy Carolina Gas Transmission, LLC | South Carolina | Dominion Energy Carolina Gas Transmission, LLC |
| Dominion Energy Questar Pipeline, LLC | Utah | Dominion Energy Questar Pipeline, LLC |
| Dominion Energy Overthrust Pipeline, LLC | Utah | Dominion Energy Overthrust Pipeline, LLC |
| Questar Field Services, LLC | Utah | Questar Field Services, LLC |
| Questar White River Hub, LLC | Utah | Questar White River Hub, LLC |
| Iroquois GP Holding Company, LLC | Delaware | Iroquois GP Holding Company, LLC |
| Dominion MLP Holding Company, LLC | Delaware | Dominion MLP Holding Company, LLC |
| Dominion Energy Midstream Partners, LP | Delaware | Dominion Energy Midstream Partners, LP |
| Dominion Energy Carolina Gas Transmission, LLC | South Carolina | Dominion Energy Carolina Gas Transmission, LLC |

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| Dominion Energy Questar Pipeline, LLC | Utah | Dominion Energy Questar Pipeline, LLC |
| Dominion Energy Overthrust Pipeline, LLC | Utah | Dominion Energy Overthrust Pipeline, LLC |
| Questar Field Services, LLC | Utah | Questar Field Services, LLC |
| Questar White River Hub, LLC | Utah | Questar White River Hub, LLC |
| Iroquois GP Holding Company, LLC | Delaware | Iroquois GP Holding Company, LLC |
| Dominion Energy Transmission, Inc. | Delaware | Dominion Energy Transmission, Inc. |
| Dominion Brine, LLC | Delaware | Dominion Brine, LLC |
| Tioga Properties, LLC | Delaware | Tioga Properties, LLC |
| Farmington Properties, Inc. | Pennsylvania | Farmington Properties, Inc. |
| NE Hub Partners, L.L.C. | Delaware | NE Hub Partners, L.L.C. |
| NE Hub Partners, L.P. | Delaware | NE Hub Partners, L.P. |
| Dominion Iroquois, Inc. | Delaware | Dominion Iroquois, Inc. |
| Dominion MLP Holding Company II, LLC | Virginia | Dominion MLP Holding Company II, LLC |
| Cove Point GP Holding Company, LLC | Delaware | Cove Point GP Holding Company, LLC |
| Dominion Energy Cove Point LNG, LP | Delaware | Dominion Energy Cove Point LNG, LP |
| Dominion Energy Cove Point LNG, LP | Delaware | Dominion Energy Cove Point LNG, LP |
| Dominion Energy Questar Pipeline Services, Inc. | Utah | Dominion Energy Questar Pipeline Services, Inc. |
| Dominion Energy Wexpro Services Company | Utah | Dominion Energy Wexpro Services Company |
| Dominion Gas Projects Company, LLC | Delaware | Dominion Gas Projects Company, LLC |
| QPC Holding Company, LLC | Utah | QPC Holding Company, LLC |
| Questar InfoComm, Inc. | Utah | Questar InfoComm, Inc. |
| Questar Energy Services, Inc. | Utah | Questar Energy Services, Inc. |
| Questar Southern Trails Pipeline Company | Utah | Questar Southern Trails Pipeline Company |
| Questar Gas Company | Utah | Dominion Energy Utah (in Utah) |
| | | Dominion Energy Wyoming (in Wyoming) |
| | | Dominion Energy Idaho (in Idaho) |
| Wexpro Company | Utah | Dominion Energy Wexpro |
| Wexpro II Company | Utah | Wexpro II Company |
| Wexpro Development Company | Utah | Wexpro Development Company |
| Dominion Energy RNG Holdings II, Inc. | Delaware | Dominion Energy RNG Holdings II, Inc. |
| Clean Energy Asset USA LLC | Delaware | Clean Energy Asset USA LLC |
| CEA Dairy RNG Colorado, LLC | Delaware | CEA Dairy RNG Colorado, LLC |
| CEA Greely, LLC | Delaware | CEA Greely, LLC |
| CEA Dairy RNG Georgia, LLC | Delaware | CEA Dairy RNG Georgia, LLC |
| CEA Americus, LLC | Delaware | CEA Americus, LLC |
| CEA Dairy RNG Nevada, LLC | Delaware | CEA Dairy RNG Nevada, LLC |
| CEA Mason, LLC | Delaware | CEA Mason, LLC |
| CEA Dairy RNG New Mexico, LLC | Delaware | CEA Dairy RNG New Mexico, LLC |
| CEA Clovis, LLC | Delaware | CEA Clovis, LLC |
| Dairy RNG Holdings, LLC | Delaware | Dairy RNG Holdings, LLC |
| Dominion Energy RNG Holdings, Inc. | Virginia | Dominion Energy RNG Holdings, Inc. |
| Align RNG, LLC | Delaware | Align RNG, LLC |
| Align RNG North Carolina, LLC | Delaware | Align RNG North Carolina, LLC |
| Align RNG Grady Road, LLC | Delaware | Align RNG Grady Road, LLC |
| Align RNG Utah, LLC | Delaware | Align RNG Utah, LLC |
| Align RNG Utah-Milford, LLC | Delaware | Align RNG Utah-Milford, LLC |
| Align RNG Virginia, LLC | Delaware | Align RNG Virginia, LLC |
| Align RNG Virginia-Waverly, LLC | Delaware | Align RNG Virginia-Waverly, LLC |
| Dominion Energy Services, Inc. | Virginia | Dominion Energy Services, Inc. |
| Dominion Energy Solutions, Inc. | Delaware | Dominion Energy Solutions |
| | | Dominion East Ohio Energy |
| | | Dominion Peoples Plus |
| Dominion Energy Technical Solutions, Inc. | Virginia | Dominion Energy Technical Solutions, Inc. |
| Dominion Gathering & Processing, Inc. | Virginia | Dominion Gathering & Processing, Inc. |
| Dominion Generation, Inc. | Virginia | Dominion Generation, Inc. |
| CNG Power Services Corporation | Delaware | CNG Power Services Corporation |
| Dominion Cogen WV, Inc. | Virginia | Dominion Cogen WV, Inc. |

Dominion Energy Generation Marketing, Inc.
 Dominion Energy Nuclear Connecticut, Inc.
 Dominion Energy Solar CA, LLC
 Dominion Energy Terminal Company, Inc.
 Dominion Equipment III, Inc.
 Dominion Equipment, Inc.
 Dominion Fairless Hills, Inc.
 Dominion Mt. Storm Wind, LLC
 Dominion Nuclear Projects, Inc.
 Dominion Energy Kewaunee, Inc.
 Dominion Person, Inc.
 Dominion Solar Projects III, Inc.
 Four Brothers Solar, LLC
 Enterprise Solar, LLC
 Escalante Solar I, LLC
 Escalante Solar II, LLC
 Escalante Solar III, LLC
 Granite Mountain Holdings, LLC
 Granite Mountain Solar East, LLC
 Granite Mountain Solar West, LLC
 Iron Springs Holdings, LLC
 Iron Springs Solar, LLC
 Dominion Solar Projects VI, Inc.
 Greenville County Solar Project, LLC
 TWE Myrtle Solar Project, LLC
 Dominion Solar Projects VII, Inc.
 Seabrook Solar, LLC
 Wilkinson Solar LLC
 Dominion Solar Services, Inc.
 Dominion State Line, LLC
 Dominion Wholesale, Inc.
 Dominion Wind Projects, Inc.
 Dominion Fowler Ridge Wind, LLC
 Dominion Wind Development, LLC
 Prairie Fork Wind Farm, LLC
 Eagle Holdco Solar, LLC
 Eagle Solar, LLC
 Dominion Solar Projects C, Inc.
 Dominion Solar Holdings IV, LLC
 96WI 8ME LLC
 Clipperton Holdings LLC
 Fremont Farm, LLC
 Innovative Solar 37, LLC
 Moffett Solar 1, LLC
 Moorings Farm 2, LLC
 Mustang Solar, LLC
 Pikeville Farm, LLC
 Ridgeland Solar Farm I, LLC
 Siler Solar, LLC
 Wakefield Solar, LLC
 Dominion Solar Projects D, Inc.
 Dominion Solar Holdings IV, LLC
 96WI 8ME LLC
 Clipperton Holdings LLC
 Fremont Farm, LLC
 Innovative Solar 37, LLC
 Moffett Solar 1, LLC

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Dominion Energy Generation Marketing, Inc.
 Dominion Energy Nuclear Connecticut, Inc.
 Dominion Energy Solar CA, LLC
 Dominion Energy Terminal Company, Inc.
 Dominion Equipment III, Inc.
 Dominion Equipment, Inc.
 Dominion Fairless Hills, Inc.
 Dominion Mt. Storm Wind, LLC
 Dominion Nuclear Projects, Inc.
 Dominion Energy Kewaunee, Inc.
 Dominion Person, Inc.
 Dominion Solar Projects III, Inc.
 Four Brothers Solar, LLC
 Enterprise Solar, LLC
 Escalante Solar I, LLC
 Escalante Solar II, LLC
 Escalante Solar III, LLC
 Granite Mountain Holdings, LLC
 Granite Mountain Solar East, LLC
 Granite Mountain Solar West, LLC
 Iron Springs Holdings, LLC
 Iron Springs Solar, LLC
 Dominion Solar Projects VI, Inc.
 Greenville County Solar Project, LLC
 TWE Myrtle Solar Project, LLC
 Dominion Solar Projects VII, Inc.
 Seabrook Solar, LLC
 Wilkinson Solar LLC
 Dominion Solar Services, Inc.
 Dominion State Line, LLC
 Dominion Wholesale, Inc.
 Dominion Wind Projects, Inc.
 Dominion Fowler Ridge Wind, LLC
 Dominion Wind Development, LLC
 Prairie Fork Wind Farm, LLC
 Eagle Holdco Solar, LLC
 Eagle Solar, LLC
 Dominion Solar Projects C, Inc.
 Dominion Solar Holdings IV, LLC
 96WI 8ME LLC
 Clipperton Holdings LLC
 Fremont Farm, LLC
 Innovative Solar 37, LLC
 Moffett Solar 1, LLC
 Moorings Farm 2, LLC
 Mustang Solar, LLC
 Pikeville Farm, LLC
 Ridgeland Solar Farm I, LLC
 Siler Solar, LLC
 Wakefield Solar, LLC
 Dominion Solar Projects D, Inc.
 Dominion Solar Holdings IV, LLC
 96WI 8ME LLC
 Clipperton Holdings LLC
 Fremont Farm, LLC
 Innovative Solar 37, LLC
 Moffett Solar 1, LLC

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| Moorings Farm 2, LLC | North Carolina | Moorings Farm 2, LLC |
| Mustang Solar, LLC | North Carolina | Mustang Solar, LLC |
| Pikeville Farm, LLC | North Carolina | Pikeville Farm, LLC |
| Ridgeland Solar Farm I, LLC | Delaware | Ridgeland Solar Farm I, LLC |
| Siler Solar, LLC | North Carolina | Siler Solar, LLC |
| Wakefield Solar, LLC | North Carolina | Wakefield Solar, LLC |
| Dominion Solar Projects IV, Inc. | Virginia | Dominion Solar Projects IV, Inc. |
| Eastern Shore Solar LLC | Delaware | Eastern Shore Solar LLC |
| Hecate Energy Cherrydale LLC | Delaware | Hecate Energy Cherrydale LLC |
| Hecate Energy Clarke County LLC | Delaware | Hecate Energy Clarke County LLC |
| Southampton Solar LLC | Delaware | Southampton Solar LLC |
| Virginia Solar 2017 Projects LLC | Delaware | Virginia Solar 2017 Projects LLC |
| Buckingham Solar I LLC | Delaware | Buckingham Solar I LLC |
| Correctional Solar LLC | Delaware | Correctional Solar LLC |
| Sappony Solar LLC | Delaware | Sappony Solar LLC |
| Scott-II Solar LLC | Delaware | Scott-II Solar LLC |
| Dominion Solar Projects V, Inc. | Virginia | Dominion Solar Projects V, Inc. |
| Summit Farms Solar, LLC | North Carolina | Summit Farms Solar, LLC |
| SBL Holdco, LLC | Virginia | SBL Holdco, LLC |
| Dominion Solar Projects A, Inc. | Virginia | Dominion Solar Projects A, Inc. |
| Dominion Solar Holdings I, LLC | Virginia | Dominion Solar Holdings I, LLC |
| Azalea Solar, LLC | Delaware | Azalea Solar, LLC |
| Dominion Solar Construction and Maintenance, LLC | Virginia | Dominion Solar Construction and Maintenance, LLC |
| Indy Solar Development, LLC | Delaware | Indy Solar Development, LLC |
| Indy Solar I, LLC | Delaware | Indy Solar I, LLC |
| Indy Solar II, LLC | Delaware | Indy Solar II, LLC |
| Indy Solar III, LLC | Delaware | Indy Solar III, LLC |
| Somers Solar Center, LLC | Delaware | Somers Solar Center, LLC |
| Dominion Solar Holdings II, LLC | Virginia | Dominion Solar Holdings II, LLC |
| CID Solar, LLC | Delaware | CID Solar, LLC |
| Dominion Solar Gen-Tie, LLC | Delaware | Dominion Solar Gen-Tie, LLC |
| Mulberry Farm, LLC | North Carolina | Mulberry Farm, LLC |
| RE Adams East LLC | Delaware | RE Adams East LLC |
| RE Camelot LLC | Delaware | RE Camelot LLC |
| RE Columbia, LLC | Delaware | RE Columbia, LLC |
| RE Columbia Two LLC | Delaware | RE Columbia Two LLC |
| RE Columbia, LLC | Delaware | RE Columbia, LLC |
| RE Kansas LLC | Delaware | RE Kansas LLC |
| RE Kent South LLC | Delaware | RE Kent South LLC |
| RE Old River One LLC | Delaware | RE Old River One LLC |
| Selmer Farm, LLC | North Carolina | Selmer Farm, LLC |
| TA - Acacia, LLC | Delaware | TA - Acacia, LLC |
| West Antelope Solar Park | | West Antelope Solar Park |
| Dominion Solar Projects B, Inc. | Virginia | Dominion Solar Projects B, Inc. |
| Dominion Solar Holdings I, LLC | Virginia | Dominion Solar Holdings I, LLC |
| Azalea Solar, LLC | Delaware | Azalea Solar, LLC |
| Dominion Solar Construction and Maintenance, LLC | Virginia | Dominion Solar Construction and Maintenance, LLC |
| Indy Solar Development, LLC | Delaware | Indy Solar Development, LLC |
| Indy Solar I, LLC | Delaware | Indy Solar I, LLC |
| Indy Solar II, LLC | Delaware | Indy Solar II, LLC |
| Indy Solar III, LLC | Delaware | Indy Solar III, LLC |
| Somers Solar Center, LLC | Delaware | Somers Solar Center, LLC |
| Dominion Solar Holdings II, LLC | Virginia | Dominion Solar Holdings II, LLC |
| CID Solar, LLC | Delaware | CID Solar, LLC |
| Dominion Solar Gen-Tie, LLC | Delaware | Dominion Solar Gen-Tie, LLC |

| | | |
|--|----------------|--|
| Mulberry Farm, LLC | North Carolina | Mulberry Farm, LLC |
| RE Adams East LLC | Delaware | Mulberry Solar Farm, LLC |
| RE Camelot LLC | Delaware | RE Adams East LLC |
| RE Columbia, LLC | Delaware | RE Camelot LLC |
| RE Columbia Two LLC | Delaware | RE Columbia, LLC |
| RE Columbia, LLC | Delaware | RE Columbia Two LLC |
| RE Kansas LLC | Delaware | RE Columbia, LLC |
| RE Kent South LLC | Delaware | RE Kansas LLC |
| RE Old River One LLC | Delaware | RE Kent South LLC |
| Selmer Farm, LLC | Delaware | RE Old River One LLC |
| TA - Acacia, LLC | North Carolina | Selmer Farm, LLC |
| | Delaware | TA - Acacia, LLC |
| | | West Antelope Solar Park |
| Dominion Solar Projects I, Inc. | Virginia | Dominion Solar Projects I, Inc. |
| Dominion Solar Holdings III, LLC | Virginia | Dominion Solar Holdings III, LLC |
| Alamo Solar, LLC | California | Alamo Solar, LLC |
| Catalina Solar 2, LLC | Delaware | Catalina Solar 2, LLC |
| Cottonwood Solar, LLC | Delaware | Cottonwood Solar, LLC |
| Imperial Valley Solar Company (IVSC) 2, LLC | California | Imperial Valley Solar Company (IVSC) 2, LLC |
| Maricopa West Solar PV, LLC | Delaware | Maricopa West Solar PV, LLC |
| Pavant Solar LLC | Delaware | Pavant Solar LLC |
| Richland Solar Center, LLC | Georgia | Richland Solar Center, LLC |
| Dominion Solar Projects II, Inc. | Virginia | Dominion Solar Projects II, Inc. |
| Dominion Solar Holdings III, LLC | Virginia | Dominion Solar Holdings III, LLC |
| Alamo Solar, LLC | California | Alamo Solar, LLC |
| Catalina Solar 2, LLC | Delaware | Catalina Solar 2, LLC |
| Cottonwood Solar, LLC | Delaware | Cottonwood Solar, LLC |
| Imperial Valley Solar Company (IVSC) 2, LLC | California | Imperial Valley Solar Company (IVSC) 2, LLC |
| Maricopa West Solar PV, LLC | Delaware | Maricopa West Solar PV, LLC |
| Pavant Solar LLC | Delaware | Pavant Solar LLC |
| Richland Solar Center, LLC | Georgia | Richland Solar Center, LLC |
| Dominion Greenbrier, Inc. | Virginia | Dominion Greenbrier, Inc. |
| Greenbrier Pipeline Company, LLC | Delaware | Greenbrier Pipeline Company, LLC |
| Greenbrier Marketing Company, LLC | Delaware | Greenbrier Marketing Company, LLC |
| Dominion High Voltage Holdings, Inc. | Virginia | Dominion High Voltage Holdings, Inc. |
| Dominion High Voltage Midatlantic, Inc. | Virginia | Dominion High Voltage Midatlantic, Inc. |
| Dominion Investments, Inc. | Virginia | Dominion Investments, Inc. |
| Dominion Keystone Pipeline Holdings, Inc. | Delaware | Dominion Keystone Pipeline Holdings, Inc. |
| Dominion Keystone Pipeline, LLC | Delaware | Dominion Keystone Pipeline, LLC |
| Dominion MLP Holding Company III, Inc. | Virginia | Dominion MLP Holding Company III, Inc. |
| Dominion Modular LNG Holdings, Inc. | Virginia | Dominion Modular LNG Holdings, Inc. |
| NiChe LNG, LLC | Delaware | NiChe LNG, LLC |
| NiChe Storage Solutions, LLC | Delaware | NiChe Storage Solutions, LLC |
| Rev LNG SSL BC LLC | Pennsylvania | Rev LNG SSL BC LLC |
| Dominion Oklahoma Texas Exploration & Production, Inc. | Delaware | Dominion Oklahoma Texas Exploration & Production, Inc. |
| Dominion Privatization Holdings, Inc. | Virginia | Dominion Privatization Holdings, Inc. |
| Dominion Privatization Florida, LLC | Virginia | Dominion Privatization Florida, LLC |
| Dominion Privatization Georgia, LLC | Virginia | Dominion Privatization Georgia, LLC |
| Dominion Privatization Kentucky, LLC | Virginia | Dominion Privatization Kentucky, LLC |
| Dominion Privatization South Carolina, LLC | Virginia | Dominion Privatization South Carolina, LLC |
| Dominion Privatization Texas, LLC | Virginia | Dominion Privatization Texas, LLC |
| Dominion Privatization Virginia, LLC | Virginia | Dominion Privatization Virginia, LLC |
| Dominion Products and Services, Inc. | Delaware | Dominion Products and Services, Inc. |
| | | Dominion Energy Solutions |
| Dominion Projects Services, Inc. | Virginia | Dominion Projects Services, Inc. |
| Dominion Resources Capital Trust III | Delaware | Dominion Resources Capital Trust III |
| Dominion Retail Gas Holdings, Inc. | Virginia | Dominion Retail Gas Holdings, Inc. |

Wrangler Retail Gas Holdings, LLC
SCANA Energy Marketing, LLC
Hope Gas, Inc.
SCANA Corporation
Dominion Energy South Carolina, Inc.
SRFI, LLC
Dominion Energy Southeast Services, Inc.
SCANA Pharmacy LLC
Public Service Company of North Carolina, Incorporated
Clean Energy Enterprises, Inc.
PSNC Blue Ridge Corporation
PSNC Cardinal Pipeline Company
PSNC Southgate, LLC
SCANA Communications Holdings, Inc.
SCANA Corporate Security Services, Inc.
South Carolina Fuel Company, Inc.
South Carolina Generating Company, Inc.
Virginia Electric and Power Company

Virginia Power Fuel Corporation
Virginia Power Services, LLC
Virginia Power Nuclear Services Company
Virginia Power Services Energy Corp., Inc.
VP Property, Inc.

Delaware
South Carolina
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Wrangler Retail Gas Holdings, LLC
SCANA Energy Marketing, LLC
Dominion Energy West Virginia
SCANA Corporation
Dominion Energy South Carolina
SRFI, LLC
Dominion Energy Southeast Services, Inc.
SCANA Pharmacy LLC
Dominion Energy North Carolina
Clean Energy Enterprises, Inc.
PSNC Blue Ridge Corporation
PSNC Cardinal Pipeline Company
PSNC Southgate, LLC
SCANA Communications Holdings, Inc.
SCANA Corporate Security Services, Inc.
South Carolina Fuel Company, Inc.
South Carolina Generating Company, Inc.
Dominion Energy Virginia (in Virginia)
Dominion Energy North Carolina (in North Carolina)
Virginia Power Fuel Corporation
Virginia Power Services, LLC
Virginia Power Nuclear Services Company
Virginia Power Services Energy Corp., Inc.
VP Property, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-216476, 333-219088 and 333-221291 on Form S-3, and Registration Statement Nos. 033-62705, 333-02733, 333-09167, 333-18391, 333-25587, 333-49725, 333-78173, 333-85094, 333-87529, 333-95795, 333-110332, 333-124257, 333-143916, 333-149989, 333-163805, 333-189578, 333-189579, 333-195768, 333-202364, 333-202366, 333-226041 and 333-226039 on Form S-8 of our reports dated February 28, 2020, relating to the consolidated financial statements of Dominion Energy, Inc. and subsidiaries and the effectiveness of Dominion Energy, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Dominion Energy, Inc. for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 333-219085 on Form S-3 of our report dated February 28, 2020, relating to the consolidated financial statements of Virginia Electric and Power Company (a wholly-owned subsidiary of Dominion Energy, Inc.) and subsidiaries, appearing in this Annual Report on Form 10-K of Virginia Electric and Power Company for the year ended December 31, 2019.

We consent to the incorporation by reference in Registration Statement No. 333-234746 on Form S-3 of our report dated February 28, 2020, relating to the consolidated financial statements of Dominion Energy Gas Holdings, LLC (a wholly-owned subsidiary of Dominion Energy, Inc.) and subsidiaries, appearing in this Annual Report on Form 10-K of Dominion Energy Gas Holdings, LLC for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 28, 2020

I, Thomas F. Farrell, II, certify that:

1. I have reviewed this report on Form 10-K of Dominion Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Thomas F. Farrell, II
Thomas F. Farrell, II
President and Chief Executive Officer

I, James R. Chapman, certify that:

1. I have reviewed this report on Form 10-K of Dominion Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President,
Chief Financial Officer and Treasurer

I, Thomas F. Farrell, II, certify that:

1. I have reviewed this report on Form 10-K of Virginia Electric and Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Thomas F. Farrell, II

Thomas F. Farrell, II
Chief Executive Officer

I, James R. Chapman, certify that:

1. I have reviewed this report on Form 10-K of Virginia Electric and Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President,
Chief Financial Officer and Treasurer

I, Thomas F. Farrell, II, certify that:

1. I have reviewed this report on Form 10-K of Dominion Energy Gas Holdings, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Thomas F. Farrell, II

Thomas F. Farrell, II
Chief Executive Officer

I, James R. Chapman, certify that:

1. I have reviewed this report on Form 10-K of Dominion Energy Gas Holdings, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President,
Chief Financial Officer and Treasurer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Dominion Energy, Inc. (the "Company"), certify that:

1. the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report"), of the Company to which this certification is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)).
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of December 31, 2019, and for the period then ended.

/s/ Thomas F. Farrell, II

Thomas F. Farrell, II
President and Chief Executive Officer
February 28, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President,
Chief Financial Officer and Treasurer
February 28, 2020

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Virginia Electric and Power Company (the "Company"), certify that:

1. the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report"), of the Company to which this certification is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)).
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of December 31, 2019, and for the period then ended.

/s/ Thomas F. Farrell, II

Thomas F. Farrell, II
Chief Executive Officer
February 28, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President,
Chief Financial Officer and Treasurer
February 28, 2020

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Dominion Energy Gas Holdings, LLC (the "Company"), certify that:

1. the Annual Report on Form 10-k for the year ended December 31, 2019 (the "Report"), of the Company to which this certification is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)).
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of December 31, 2019, and for the period then ended.

/s/ Thomas F. Farrell, II

Thomas F. Farrell, II
Chief Executive Officer
February 28, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President,
Chief Financial Officer and Treasurer
February 28, 2020



**4th Quarter 2019
Earnings Release
Kit**

**As revised on
February 28, 2020¹**

¹ As a result of developments subsequent to the Fourth Quarter 2019 earnings call and release of the Earnings Release Kit on February 11, 2020, Dominion Energy increased certain litigation reserves acquired in the SCANA Merger by \$120 million (\$90 million after-tax). The change impacted GAAP reported earnings for the fourth quarter and the full-year of 2019 but had no impact on operating earnings during the same periods. The revision also did not impact the original operating earnings guidance. A list of revised schedules is available on page 34.

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February 28, 2020**2**

Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Important Notes to Investors

This Revised 4Q19 Earnings Release Kit contains certain forward-looking statements, including our forecasted operating earnings for the first-quarter and full-year 2020 which are subject to various risks and uncertainties. Factors that could cause actual results to differ include, but are not limited to: unusual weather conditions and their effect on energy sales to customers and energy commodity prices; extreme weather events and other natural disasters; federal, state and local legislative and regulatory developments; changes to federal, state and local environmental laws and regulations, including proposed carbon regulations; cost of environmental compliance; changes in enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities; capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms; fluctuations in interest rates; changes in rating agency requirements or credit ratings and their effect on availability and cost of capital; impacts of acquisitions, divestitures, transfers of assets by Dominion Energy to joint ventures and retirements of assets based on asset portfolio reviews; receipt of approvals for, and timing of, closing dates for other acquisitions and divestitures; changes in demand for Dominion Energy's services; additional competition in Dominion Energy's industries; changes to regulated rates collected by Dominion Energy; changes in operating, maintenance and construction costs; timing and receipt of regulatory approvals necessary for planned construction or expansion projects and compliance with conditions associated with such regulatory approvals; adverse outcomes in litigation matters or regulatory proceedings; and the inability to complete planned construction projects within time frames initially anticipated. Other risk factors are detailed from time to time in Dominion Energy's quarterly reports on Form 10-Q and most recent annual report on Form 10-K filed with the Securities and Exchange Commission.

Certain information provided in this Revised 4Q19 Earnings Release Kit includes financial measures that are not required by, or presented in accordance with generally accepted accounting principles (GAAP), including operating earnings before interest and taxes (Adjusted EBIT). These non-GAAP financial measures should not be considered as alternatives to GAAP measures, such as net income, operating income, or earnings per share, and may be calculated differently from, and therefore may not be comparable to, similarly titled measures used at other companies. Dominion Energy has included reconciliations to the most directly comparable financial measures it is able to calculate and report in accordance with GAAP.

The consolidated financial data and statistics in this Revised 4Q19 Earnings Release Kit and its individual components reflect the financial position and operating results of Dominion Energy and its primary operating segments through December 31, 2019. Independent auditors have not audited any of the financial and operating statements. Projections or forecasts shown in this document are subject to change at any time. Dominion Energy undertakes no obligation to update any forward-looking information statement to reflect developments after the statement is made.

This Revised 4Q19 Earnings Release Kit has been prepared primarily for securities analysts and investors in the hope that it will serve as a convenient and useful reference document. The format of this release kit may change in the future as we continue to try to meet the needs of securities analysts and investors. This Revised 4Q19 Earnings Release Kit is not intended for use in connection with any sale, offer to sell, or solicitation of any offer to buy securities.

Please continue to check our website regularly at <http://investors.dominionenergy.com/>.

February 28, 2020**3**

Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Earnings Release and Accompanying Schedules

Earnings Report

SUMMARY OF DOMINION'S 2019 EARNINGS AS REVISED ON FEBRUARY 28, 2020

- *Fourth-quarter 2019 GAAP (reported) earnings of \$1.21 per share; operating earnings of \$1.18 per share*
- *Full-year 2019 reported earnings of \$1.62 per share; operating earnings of \$4.24 per share*
- *Company initiates 2020 operating earnings guidance of \$4.25 to \$4.60 per share*

Dominion Energy's reported earnings determined in accordance with Generally Accepted Accounting Principles (reported earnings) for the three months ended Dec. 31, 2019, of \$1.0 billion (\$1.21 per share) compared with net income of \$641 million (\$0.97 per share) for the same period in 2018. Reported earnings for the twelve months ended Dec. 31, 2019, were \$1.4 billion (\$1.62 per share) compared with earnings of \$2.4 billion (\$3.74 per share) for the same period in 2018.

Operating earnings for the three months ended Dec. 31, 2019, were \$988 million (\$1.18 per share), compared with operating earnings of \$592 million (\$0.89 per share) for the same period in 2018. Operating earnings for the twelve months ended Dec. 31, 2019, were \$3.4 billion (\$4.24 per share) compared with operating earnings of \$2.7 billion (\$4.05 per share) for the same period in 2018.

Operating earnings are defined as reported earnings adjusted for certain items. Details of operating earnings as compared to prior periods, business segment results and detailed descriptions of items included in reported earnings but excluded from operating earnings can be found on Schedules 1, 2, 3 and 4 of this release.

Operating earnings guidance

Dominion Energy expects 2020 operating earnings in the range of \$4.25 to \$4.60 per share, compared to full-year 2019 operating earnings of \$4.24 per share. Positive drivers include regulated investment growth across electric and gas businesses, lower financing costs due to lower average debt balances, the full-year impact of the Millstone nuclear facility zero-carbon procurement contract, and lower depreciation expense associated with an anticipated extension of the useful life assumption for our regulated nuclear plants in Virginia. The company expects negative drivers for the year to include increased minority interest expense associated with the equity recapitalization of Cove Point, share dilution, two planned refueling outages at Millstone and lower New England capacity prices.

First-quarter 2020 operating earnings are expected to be in the range of \$1.05 to \$1.25 per share.

Important note to investors regarding operating, reported earnings

Dominion Energy uses operating earnings as the primary performance measurement of its earnings guidance and results for public communications with analysts and investors. Dominion Energy also uses operating earnings internally for budgeting, for reporting to the Board of Directors, for the company's incentive compensation plans and for its targeted dividend payouts and other purposes. Dominion Energy management believes operating earnings provide a more meaningful representation of the company's fundamental earnings power.

February 28, 2020

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

In providing its operating earnings guidance, the company notes that there could be differences between expected reported earnings and estimated operating earnings for matters such as, but not limited to, acquisitions, divestitures or changes in accounting principles. At this time, Dominion Energy management is not able to estimate the aggregate impact of these items on future period reported earnings.

About Dominion Energy

More than 7 million customers in 18 states energize their homes and businesses with electricity or natural gas from Dominion Energy (NYSE: D), headquartered in Richmond, Va. The company is committed to sustainable, reliable, affordable and safe energy and is one of the nation's largest producers and transporters of energy with more than \$100 billion of assets providing electric generation, transmission and distribution, as well as natural gas storage, transmission, distribution and import/export services. The company is committed to achieve net zero carbon dioxide and methane emissions from its power generation and gas infrastructure operations by 2050. Please visit [DominionEnergy.com](https://www.dominionenergy.com) to learn more.

This release contains certain forward-looking statements, including forecasted operating earnings first-quarter and full-year 2020 and beyond which are subject to various risks and uncertainties. Factors that could cause actual results to differ include, but are not limited to: unusual weather conditions and their effect on energy sales to customers and energy commodity prices; extreme weather events and other natural disasters; federal, state and local legislative and regulatory developments; changes to federal, state and local environmental laws and regulations, including proposed carbon regulations; cost of environmental compliance; changes in enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities; capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms; fluctuations in interest rates; changes in rating agency requirements or credit ratings and their effect on availability and cost of capital; impacts of acquisitions, divestitures, transfers of assets by Dominion Energy to joint ventures and retirements of assets based on asset portfolio reviews; receipt of approvals for, and timing of, closing dates for other acquisitions and divestitures; changes in demand for Dominion Energy's services; additional competition in Dominion Energy's industries; changes to regulated rates collected by Dominion Energy; changes in operating, maintenance and construction costs; timing and receipt of regulatory approvals necessary for planned construction or expansion projects and compliance with conditions associated with such regulatory approvals; adverse outcomes in litigation matters or regulatory proceedings; and the inability to complete planned construction projects within time frames initially anticipated. Other risk factors are detailed from time to time in Dominion Energy's quarterly reports on Form 10-Q and most recent annual report on Form 10-K filed with the Securities and Exchange Commission.

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February 28, 2020

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Consolidated Statements of Income (GAAP)

Dominion Energy, Inc.
Consolidated Statements of Income*
Unaudited (GAAP Based)
(millions, except per share amounts)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 4,475 | \$ 3,361 | \$16,572 | \$13,366 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | 655 | 686 | 2,938 | 2,814 |
| Purchased electric capacity | 14 | 35 | 88 | 122 |
| Purchased gas | 426 | 236 | 1,536 | 645 |
| Other operations and maintenance ¹ | 1,274 | 896 | 5,801 | 3,481 |
| Depreciation, depletion and amortization | 664 | 513 | 2,655 | 2,000 |
| Other taxes | 221 | 161 | 1,040 | 703 |
| Total operating expenses | <u>3,254</u> | <u>2,527</u> | <u>14,058</u> | <u>9,765</u> |
| Income from operations | <u>1,221</u> | <u>834</u> | <u>2,514</u> | <u>3,601</u> |
| Other income | 333 | 363 | 986 | 1,021 |
| Interest and related charges | 401 | 440 | 1,773 | 1,493 |
| Income from continuing operations including noncontrolling interests before income tax expense | 1,153 | 757 | 1,727 | 3,129 |
| Income tax expense | 143 | 95 | 351 | 580 |
| Net income including noncontrolling interests | <u>1,010</u> | <u>662</u> | <u>1,376</u> | <u>2,549</u> |
| Noncontrolling interests | <u>1</u> | <u>21</u> | <u>18</u> | <u>102</u> |
| Net Income attributable to Dominion Energy | \$ 1,009 | \$ 641 | \$ 1,358 | \$ 2,447 |
| Reported earnings per common share - diluted | \$ 1.21 | \$ 0.97 | \$ 1.62 | \$ 3.74 |
| Average shares outstanding, diluted | 826.3 | 660.9 | 808.9 | 654.9 |

1) Includes impairment of assets and related charges and gains on sale of assets.

* The notes contained in Dominion Energy's most recent quarterly report on Form 10-Q or annual report on Form 10-K are an integral part of the Consolidated Financial Statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Schedule 1 - Segment Reported and Operating Earnings

Unaudited

(millions, except earnings per share)

| | Three months ended December 31, | | |
|---|---------------------------------|----------------|----------------|
| | 2019 | 2018 | Change |
| REPORTED EARNINGS¹ | \$ 1,009 | \$ 641 | \$ 368 |
| Pre-tax loss (income) ² | 193 | (50) | 243 |
| Income tax ² | (214) | 1 | (215) |
| Adjustments to reported earnings | (21) | (49) | 28 |
| OPERATING EARNINGS | \$ 988 | \$ 592 | \$ 396 |
| <i>By segment:</i> | | | |
| Dominion Energy Virginia | 403 | 333 | 70 |
| Gas Transmission & Storage | 360 | 257 | 103 |
| Gas Distribution | 173 | 118 | 55 |
| Dominion Energy South Carolina | 98 | — | 98 |
| Contracted Generation | 114 | 5 | 109 |
| Corporate and Other | (160) | (121) | (39) |
| | <u>\$ 988</u> | <u>\$ 592</u> | <u>\$ 396</u> |
| Earnings Per Share (EPS):³ | | | |
| REPORTED EARNINGS¹ | \$ 1.21 | \$ 0.97 | \$ 0.24 |
| Adjustments to reported earnings (after tax) | (0.03) | (0.08) | 0.05 |
| OPERATING EARNINGS | \$ 1.18 | \$ 0.89 | \$ 0.29 |
| <i>By segment:</i> | | | |
| Dominion Energy Virginia | 0.49 | 0.50 | (0.01) |
| Gas Transmission & Storage | 0.43 | 0.39 | 0.04 |
| Gas Distribution | 0.21 | 0.18 | 0.03 |
| Dominion Energy South Carolina | 0.12 | — | 0.12 |
| Contracted Generation | 0.14 | 0.01 | 0.13 |
| Corporate and Other | (0.21) | (0.19) | (0.02) |
| | <u>\$ 1.18</u> | <u>\$ 0.89</u> | <u>\$ 0.29</u> |
| Common Shares Outstanding (average, diluted) | 826.3 | 660.9 | |

(millions, except earnings per share)

| | Twelve months ended December 31, | | |
|---|----------------------------------|-----------------|-------------------|
| | 2019 | 2018 | Change |
| REPORTED EARNINGS¹ | \$ 1,358 | \$ 2,447 | \$ (1,089) |
| Pre-tax loss (income) ² | 2,620 | 201 | 2,419 |
| Income tax ² | (531) | 3 | (534) |
| Adjustments to reported earnings | 2,089 | 204 | 1,885 |
| OPERATING EARNINGS | \$ 3,447 | \$ 2,651 | \$ 796 |
| <i>By segment:</i> | | | |
| Dominion Energy Virginia | 1,786 | 1,596 | 190 |
| Gas Transmission & Storage | 934 | 844 | 90 |
| Gas Distribution | 488 | 373 | 115 |
| Dominion Energy South Carolina | 430 | — | 430 |
| Contracted Generation | 276 | 245 | 31 |
| Corporate and Other | (467) | (407) | (60) |
| | <u>\$ 3,447</u> | <u>\$ 2,651</u> | <u>\$ 796</u> |
| Earnings Per Share (EPS):³ | | | |
| REPORTED EARNINGS¹ | \$ 1.62 | \$ 3.74 | \$ (2.12) |
| Adjustments to reported earnings (after tax) | 2.62 | 0.31 | 2.31 |
| OPERATING EARNINGS | \$ 4.24 | \$ 4.05 | \$ 0.19 |
| <i>By segment:</i> | | | |
| Dominion Energy Virginia | 2.21 | 2.44 | (0.23) |
| Gas Transmission & Storage | 1.16 | 1.29 | (0.13) |
| Gas Distribution | 0.60 | 0.57 | 0.03 |
| Dominion Energy South Carolina | 0.53 | — | 0.53 |
| Contracted Generation | 0.34 | 0.37 | (0.03) |
| Corporate and Other | (0.60) | (0.62) | 0.02 |
| | <u>\$ 4.24</u> | <u>\$ 4.05</u> | <u>\$ 0.19</u> |
| Common Shares Outstanding (average, diluted) | 808.9 | 654.9 | |

1) Determined in accordance with Generally Accepted Accounting Principles (GAAP).

2) Adjustments to reported earnings are included in Corporate and Other segment reported GAAP earnings. Refer to Schedules 2 and 3 for details, or find “GAAP Reconciliation” in the Earnings Release Kit on Dominion Energy’s website at www.dominionenergy.com/investors.

- 3) The calculation of operating earnings per share excludes the impact, if any, of fair value adjustments related to the Company's convertible preferred securities entered in June 2019. Such fair value adjustments, if any, are required for the calculation of diluted reported earnings per share. For the three and twelve months ended December 31, the fair value adjustment required for diluted reported earnings per share calculation was \$1 million and \$28 million, respectively. The calculation of reported and operating earnings per share includes the impact of preferred dividends of \$7 million per quarter associated with the Series A preferred stock equity units entered in June of 2019 and \$2 million associated with the Series B preferred stock equity units entered in December of 2019. See Form 10-K for additional information.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Schedule 2 - Reconciliation of 2019 Reported Earnings to Operating Earnings

2019 Earnings (Twelve months ended December 31, 2019)

The \$2.6 billion pre-tax net effect of the adjustments included in 2019 reported earnings, but excluded from operating earnings, is primarily related to the following items:

- \$2.4 billion of merger and integration-related costs associated with the SCANA Combination, primarily reflecting \$1 billion for refunds of amounts previously collected from retail electric customers of Dominion Energy South Carolina (DESC) for the NND Project, \$427 million associated with a voluntary retirement program (which includes \$112 million for employee benefit plan curtailment), and \$641 million associated with litigation.
- \$783 million of charges at our regulated entities, primarily consisting of the retirement of electric generation facilities in cold reserve and certain automated meters and a purchase power contract termination.
- \$113 million benefit from the revision of certain asset retirement obligations for ash ponds and landfills at certain utility generation facilities, in connection with the enactment of Virginia legislation in March.
- \$553 million net gain related to our investments in nuclear decommissioning trust funds.

Dominion Energy also recorded \$194 million tax charge for certain income tax-related regulatory assets acquired in the SCANA Combination for which Dominion Energy committed to forgo recovery.

| <i>(millions, except per share amounts)</i> | 1Q19 | 2Q19 | 3Q19 | 4Q19 | YTD 2019 ³ |
|---|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| Reported earnings (loss) | (\$ 680) | \$ 54 | \$ 975 | \$1,009 | \$ 1,358 |
| Adjustments to reported earnings ¹ : | | | | | |
| Pre-tax loss (income) | 1,640 | 656 | 131 | 193 | 2,620 |
| Income tax | (87) | (91) | (139) | (214) | (531) |
| | <u>1,553</u> | <u>565</u> | <u>(8)</u> | <u>(21)</u> | <u>2,089</u> |
| Operating earnings | <u>\$ 873</u> | <u>\$ 619</u> | <u>\$ 967</u> | <u>\$ 988</u> | <u>\$ 3,447</u> |
| Common shares outstanding (average, diluted) | 793.1 | 802.6 | 813.0 | 826.3 | 808.9 |
| Reported earnings (loss) per share ² | (\$ 0.86) | \$ 0.05 | \$ 1.17 | \$ 1.21 | \$ 1.62 |
| Adjustments to reported earnings per share ² | 1.96 | 0.72 | 0.01 | (0.03) | 2.62 |
| Operating earnings per share ² | <u>\$ 1.10</u> | <u>\$ 0.77</u> | <u>\$ 1.18</u> | <u>\$ 1.18</u> | <u>\$ 4.24</u> |

1) Adjustments to reported earnings are reflected in the following table:

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 | YTD 2019 |
|--|-----------------|----------------|-----------------|-----------------|-----------------|
| Pre-tax loss (income): | | | | | |
| Merger and integration-related costs | 1,429 | 542 | 60 | 378 | 2,409 |
| Regulated asset and contract retirements/terminations | 547 | 211 | 47 | (22) | 783 |
| Revision to ash pond and landfill closure costs | (113) | 0 | 0 | 0 | (113) |
| Net gain on NDT funds | (253) | (83) | (28) | (189) | (553) |
| Other | 30 | (14) | 52 | 26 | 94 |
| | <u>\$ 1,640</u> | <u>\$ 656</u> | <u>\$ 131</u> | <u>\$ 193</u> | <u>\$ 2,620</u> |
| Income tax expense (benefit): | | | | | |
| Tax effect of above adjustments to reported earnings * | (255) | (91) | (139) | (226) | (711) |
| Write-off EDIT regulatory assets (SCANA) | 198 | 0 | 0 | (4) | 194 |
| Other | (30) | 0 | 0 | 16 | (14) |
| | <u>(\$ 87)</u> | <u>(\$ 91)</u> | <u>(\$ 139)</u> | <u>(\$ 214)</u> | <u>(\$ 531)</u> |

* Income taxes for individual pre-tax items include current and deferred taxes using a transactional effective tax rate. For interim reporting purposes, such amounts may be adjusted in connection with the calculation of the Company's year-to-date income tax provision based on its estimated annual effective tax rate.

- 2) The calculation of operating earnings per share excludes the impact, if any, of fair value adjustments related to the Company's convertible preferred securities entered in June 2019. Such fair value adjustments, if any, are required for the calculation of diluted reported earnings per share. No adjustments were necessary for the three months ended June 30. For the three months ended September 30, the fair value adjustment required for diluted reported earnings per share calculation was \$ 13 million. For the three and twelve months ended December 31, the fair value adjustment required for diluted reported earnings per share calculation was \$ 1million and \$ 28 million, respectively. The calculation of reported and operating earnings per share includes the impact of preferred dividends of \$ 7 million per quarter associated with the Series A preferred stock equity units entered in June of 2019 and \$ 2 million associated with the Series B preferred stock equity units entered in December of 2019. See Forms 10-Q and 10-K for additional information.
- 3) YTD EPS may not equal sum of quarters due to share count difference and fair value adjustment associated with the convertible preferred securities.

Schedule 3 - Reconciliation of 2018 Reported Earnings to Operating Earnings

2018 Earnings (Twelve months ended December 31, 2018)

The \$201 million pre-tax net effect of the adjustments included in 2018 reported earnings, but excluded from operating earnings, is primarily related to the following items:

- \$759 million net benefit associated with the sales of our non-core assets, primarily reflecting the gains on sales of certain merchant generation assets and our investment in Blue Racer.
- \$219 million impairment charge associated with gathering and processing assets.
- \$215 million charge associated with Virginia legislation enacted in March that requires one-time rate credits of certain amounts to utility customers.
- \$170 million net loss related to our investments in nuclear decommissioning trust funds.
- \$124 million charge associated with disallowance of FERC-regulated plant.
- \$81 million charge associated with the asset retirement obligations for ash ponds and landfills at certain utility generation facilities in connection with the enactment of Virginia legislation in April.
- \$74 million of restoration costs associated with major storms, primarily affecting our Virginia service territory.
- \$37 million of transaction and transition costs associated with the Dominion Energy Questar combination and the acquisition of SCANA Corporation.

| <i>(millions, except per share amounts)</i> | 1Q18 | 2Q18 | 3Q18 | 4Q18 | YTD 2018 ² |
|---|----------------|----------------|----------------|----------------|------------------------------|
| Reported earnings | \$ 503 | \$ 449 | \$ 854 | \$ 641 | \$ 2,447 |
| Adjustments to reported earnings ¹ : | | | | | |
| Pre-tax loss (income) | 305 | 145 | (199) | (50) | 201 |
| Income tax expense (benefit) | (67) | (34) | 103 | 1 | 3 |
| | <u>238</u> | <u>111</u> | <u>(96)</u> | <u>(49)</u> | <u>204</u> |
| Operating earnings | <u>\$ 741</u> | <u>\$ 560</u> | <u>\$ 758</u> | <u>\$ 592</u> | <u>\$ 2,651</u> |
| Common shares outstanding (average, diluted) | <u>650.5</u> | <u>653.1</u> | <u>654.9</u> | <u>660.9</u> | <u>654.9</u> |
| Reported earnings per share | \$ 0.77 | \$ 0.69 | \$ 1.30 | \$ 0.97 | \$ 3.74 |
| Adjustments to reported earnings (after-tax) | 0.37 | 0.17 | (0.15) | (0.08) | 0.31 |
| Operating earnings per share | <u>\$ 1.14</u> | <u>\$ 0.86</u> | <u>\$ 1.15</u> | <u>\$ 0.89</u> | <u>\$ 4.05</u> |

1) Adjustments to reported earnings are reflected in the following table:

| | 1Q18 | 2Q18 | 3Q18 | 4Q18 | YTD 2018 |
|--|----------------|----------------|-----------------|----------------|-----------------|
| Pre-tax loss (income): | | | | | |
| Sale of non-core assets | | | (70) | (689) | (759) |
| Impairment of gathering & processing assets | | | | 219 | 219 |
| Impact of Virginia rate legislation | 215 | | | | 215 |
| Net (gain) loss on NDT funds | 43 | (50) | (149) | 326 | 170 |
| FERC-regulated plant disallowance | | 122 | 2 | | 124 |
| Future ash pond and landfill closure costs | | 81 | | | 81 |
| Storm costs | 31 | | | 43 | 74 |
| Merger-related transaction and transition costs | 16 | 9 | 3 | 9 | 37 |
| Other | | (17) | 15 | 42 | 40 |
| | <u>\$ 305</u> | <u>\$ 145</u> | <u>(\$ 199)</u> | <u>(\$ 50)</u> | <u>\$ 201</u> |
| Income tax expense (benefit): | | | | | |
| Tax effect of above adjustments to reported earnings * | (67) | (34) | 38 | 11 | (52) |
| Re-measurement of Deferred Tax balances ** | | | 47 | (1) | 46 |
| Valuation Allowance *** | | | 18 | (9) | 9 |
| | <u>(\$ 67)</u> | <u>(\$ 34)</u> | <u>\$ 103</u> | <u>\$ 1</u> | <u>\$ 3</u> |

* Income taxes for individual pre-tax items include current and deferred taxes using a transactional effective tax rate. For interim reporting purposes, such amounts may be adjusted in connection with the calculation of the Company's year-to-date income tax provision based on its estimated annual effective tax rate.

** During 2018, the Companies recorded further adjustments to deferred taxes in accordance with recently released tax reform guidance and to revise estimates made at year-end 2017.

*** In 3Q18, a valuation allowance was established against the portion of a deferred tax asset associated with the non-core assets that was no longer projected of being utilized to offset future taxable income. In 4Q18, the amount was adjusted based on management's assessment that it is more-likely-than-not that a portion of the deferred tax asset would be realized in 2018, to reduce tax expense associated with the sale.

2) YTD EPS may not equal sum of quarters due to share count difference.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Schedule 4 - Reconciliation of 2019 Earnings to 2018

| Preliminary, Unaudited (millions, except EPS) | Twelve Months Ended December 31, 2019 vs. 2018 | |
|---|---|------------------|
| | Amount | EPS |
| Reconciling Items | | |
| Change in reported earnings (GAAP) | (\$ 1,089) | (\$ 2.12) |
| Change in Pre-tax loss (income) ¹ | 2,419 | |
| Change in Income tax ¹ | (534) | |
| Adjustments to reported earnings | \$ 1,885 | \$ 2.31 |
| Change in consolidated operating earnings | \$ 796 | \$ 0.19 |
| Dominion Energy Virginia | | |
| Regulated electric sales: | | |
| Weather | (\$ 14) | (\$ 0.02) |
| Other | 9 | 0.01 |
| Rate adjustment clause equity return | 84 | 0.13 |
| Electric capacity | 54 | 0.08 |
| Renewable energy investment tax credits | (14) | (0.02) |
| Other | 71 | 0.11 |
| Share dilution | — | (0.52) |
| Change in contribution to operating earnings | \$ 190 | (\$ 0.23) |
| Gas Transmission & Storage | | |
| Cove Point export contracts | \$ 172 | \$ 0.26 |
| Assignment of shale development rights | (83) | (0.12) |
| Atlantic Coast Pipeline equity earnings | 37 | 0.06 |
| Interest expense | (60) | (0.09) |
| Other | 24 | 0.03 |
| Share dilution | — | (0.27) |
| Change in contribution to operating earnings | \$ 90 | (\$ 0.13) |
| Gas Distribution | | |
| Regulated gas sales: | | |
| Weather | (\$ 3) | \$ 0.00 |
| Other | (2) | 0.00 |
| Rate adjustment clause equity return | 16 | 0.02 |
| SCANA combination | 87 | 0.13 |
| Other | 17 | 0.02 |
| Share dilution | — | (0.14) |
| Change in contribution to operating earnings | \$ 115 | \$ 0.03 |
| Dominion Energy South Carolina | | |
| SCANA combination | \$ 430 | \$ 0.53 |
| Change in contribution to operating earnings | \$ 430 | \$ 0.53 |
| Contracted Generation | | |
| Margin | \$ 42 | \$ 0.06 |
| Renewable energy investment tax credits | 50 | 0.08 |
| Sale of certain merchant generation facilities | (95) | (0.14) |
| Other | 34 | 0.05 |
| Share dilution | — | (0.08) |
| Change in contribution to operating earnings | \$ 31 | (\$ 0.03) |
| Corporate and Other | | |
| Share dilution and other | (60) | 0.02 |
| Change in contribution to operating earnings | (\$ 60) | \$ 0.02 |
| Change in consolidated operating earnings | \$ 796 | \$ 0.19 |
| Change in adjustments included in reported earnings ¹ | (\$ 1,885) | (\$ 2.31) |
| Change in consolidated reported earnings | (\$ 1,089) | (\$ 2.12) |

1) Adjustments to reported earnings are included in Corporate and Other segment reported GAAP earnings.

Refer to Schedules 2 and 3 for details, or find “GAAP Reconciliation” in the Earnings Release Kit on Dominion Energy’s website at www.dominionenergy.com/investors.

Note: Figures may not sum due to rounding

Financials

Consolidated Financial Statements (GAAP)

Dominion Energy, Inc.
Consolidated Balance Sheets *
Unaudited & Summarized (GAAP Based)
(\$ in Millions)

| | At December 31, | |
|--|------------------------|-----------------|
| | 2019 | 2018 |
| Assets | | |
| Current assets | \$ 6,088 | \$ 5,161 |
| Investments | 8,217 | 6,560 |
| Property, plant and equipment, net | 69,082 | 54,560 |
| Deferred charges and other assets | 20,436 | 11,633 |
| Total Assets | \$103,823 | \$77,914 |
| Liabilities and Equity | | |
| Securities due within one year | \$ 3,162 | \$ 3,697 |
| Short-term debt | 911 | 334 |
| Other current liabilities | 5,866 | 3,616 |
| Total current liabilities | 9,939 | 7,647 |
| Long-term debt | 33,824 | 31,144 |
| Deferred credits and other liabilities | 26,027 | 17,075 |
| Total liabilities | 69,790 | 55,866 |
| Shareholders' equity | 31,994 | 20,107 |
| Noncontrolling interest | 2,039 | 1,941 |
| Total equity | 34,033 | 22,048 |
| Total liabilities and equity | \$103,823 | \$77,914 |

* The notes contained in Dominion Energy's most recent quarterly report on Form 10-Q or annual report on Form 10-K are an integral part of the Consolidated Financial Statements.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Dominion Energy , Inc.
Consolidated Statements of Cash Flows *
Unaudited & Summarized
(\$ in Millions)

| | Year Ended December 31, | |
|---|--------------------------------|----------------|
| | 2019 | 2018 |
| Operating Activities | | |
| Net Income including noncontrolling interests | \$ 1,376 | \$ 2,549 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization (including nuclear fuel) | 2,977 | 2,280 |
| Deferred income taxes and investment tax credits | 216 | 517 |
| Provision for refunds and rate credits to electric utility customers | 800 | 77 |
| Impairment of assets and other charges | 1,333 | 395 |
| Charge related to a voluntary retirement program | 320 | — |
| Gains on the sales of assets and equity method investments | (167) | (1,006) |
| Net (gains) losses on nuclear decommissioning trusts funds and other investments | (626) | 102 |
| Charge associated with future ash pond and landfill closure costs | — | 81 |
| Revision to future ash pond and landfill closure costs | (113) | — |
| Other adjustments | (26) | 19 |
| Changes in: | | |
| Accounts receivable | (71) | (110) |
| Inventories | (90) | (29) |
| Deferred fuel and purchased gas costs, net | 195 | (247) |
| Prepayments | (225) | (51) |
| Accounts payable | (225) | 67 |
| Accrued interest, payroll and taxes | (78) | (12) |
| Margin deposits assets and liabilities | 60 | — |
| Net realized and unrealized changes related to derivative activities | 43 | 181 |
| Asset retirement obligations | 41 | (35) |
| Pension and other postretirement benefits | (148) | (114) |
| Other operating assets and liabilities | (388) | 109 |
| Net cash provided by operating activities | 5,204 | 4,773 |
| Investing Activities | | |
| Plant construction and other property additions (including nuclear fuel) | (4,980) | (4,254) |
| Cash and restricted cash acquired in the SCANA Combination | 389 | — |
| Acquisition of solar development projects | (341) | (151) |
| Proceeds from sales of certain merchant generation facilities and equity method investments | 447 | 2,379 |
| Contributions to equity method affiliates | (209) | (428) |
| Distributions from equity method affiliates | 9 | 36 |
| Other | 63 | 60 |
| Net cash used in investing activities | (4,622) | (2,358) |
| Financing Activities | | |
| Issuance (repayment) of short-term debt, net | 404 | (2,964) |
| Issuance of short-term notes | 3,000 | 1,450 |
| Repayment and repurchase of short-term notes | (3,000) | (1,450) |
| Issuance and remarketing of long-term debt | 4,374 | 6,362 |
| Repayment and repurchase of long-term debt (including redemption premiums) | (9,116) | (5,682) |
| Proceeds from sale of interest in Cove Point | 2,078 | — |
| Issuance of common stock | 2,515 | 2,461 |
| Common dividend payments | (2,983) | (2,185) |
| Issuance of 2019 Equity Units | 1,582 | — |
| Issuance of Series B preferred stock | 791 | — |
| Other | (349) | (201) |
| Net cash used in financing activities | (704) | (2,209) |
| Increase (Decrease) in cash, restricted cash and equivalents | (122) | 206 |
| Cash, restricted cash and equivalents at beginning of period | 391 | 185 |
| Cash, restricted cash and equivalents at end of period | \$ 269 | \$ 391 |

* The notes contained in Dominion Energy's most recent quarterly report on Form 10-Q or annual report on Form 10-K are an integral part of the Consolidated Financial Statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Segment Earnings Results

Dominion Energy Consolidated Reported and Operating Results¹

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 4,475 | \$ 3,361 | \$16,572 | \$13,366 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | 655 | 686 | 2,938 | 2,814 |
| Purchased electric capacity | 14 | 35 | 88 | 122 |
| Purchased gas | 426 | 236 | 1,536 | 645 |
| Other operations and maintenance ³ | 1,274 | 896 | 5,801 | 3,481 |
| Depreciation, depletion and amortization | 664 | 513 | 2,655 | 2,000 |
| Other taxes | 221 | 161 | 1,040 | 703 |
| Total operating expenses | 3,254 | 2,527 | 14,058 | 9,765 |
| Income from operations | 1,221 | 834 | 2,514 | 3,601 |
| Other income | 333 | 363 | 986 | 1,021 |
| Income including noncontrolling interests before interest and income taxes | 1,554 | 1,197 | 3,500 | 4,622 |
| Interest and related charges | 401 | 440 | 1,773 | 1,493 |
| Income including noncontrolling interests before income taxes | 1,153 | 757 | 1,727 | 3,129 |
| Income taxes | 143 | 95 | 351 | 580 |
| Income including noncontrolling interests | 1,010 | 662 | 1,376 | 2,549 |
| Noncontrolling interests | 1 | 21 | 18 | 102 |
| Reported Earnings | \$ 1,009 | \$ 641 | \$ 1,358 | \$ 2,447 |
| Reported Earnings Per Share⁴ | \$ 1.21 | \$ 0.97 | \$ 1.62 | \$ 3.74 |
| Adjustments to reported earnings: | | | | |
| Pre-tax Loss (Income) ² | 193 | (50) | 2,620 | 201 |
| Income Tax ² | (214) | 1 | (531) | 3 |
| | (21) | (49) | 2,089 | 204 |
| Operating Earnings | \$ 988 | \$ 592 | \$ 3,447 | \$ 2,651 |
| Operating Earnings Per Share⁴ | \$ 1.18 | \$ 0.89 | \$ 4.24 | \$ 4.05 |
| Average shares outstanding, diluted | 826.3 | 660.9 | 808.9 | 654.9 |
| Adjusted EBIT Reconciliation | | | | |
| Reported Earnings | \$ 1,009 | \$ 641 | \$ 1,358 | \$ 2,447 |
| Noncontrolling interest | 1 | 21 | 18 | 102 |
| Income taxes | 143 | 95 | 351 | 580 |
| Interest and related charges | 401 | 440 | 1,773 | 1,493 |
| | \$ 1,554 | \$ 1,197 | \$ 3,500 | \$ 4,622 |
| Adjustments ² | 192 | (119) | 2,609 | 131 |
| Adjusted EBIT | \$ 1,746 | \$ 1,078 | \$ 6,109 | \$ 4,753 |

¹) Dominion Energy Consolidated Income Statement reflects the impact of segment eliminations and adjustments.

²) For additional details on adjustments to reporting earnings and to EBIT, see the GAAP Reconciliation schedules on pages 24-32.

³) Includes impairment of assets and other charges.

⁴) The calculation of operating earnings per share excludes the impact, if any, of fair value adjustments related to the Company's convertible preferred securities entered in June 2019. Such fair value adjustments, if any, are required for the calculation of diluted reported earnings per share. For the three months and twelve months ended December 31, the fair value adjustment required for diluted reported earnings per share calculation was \$1 million and \$28 million, respectively. The calculation of reported and operating earnings per share includes the impact of preferred dividends of \$7 million per quarter associated with the Series A preferred stock equity units entered in June of 2019 and \$2 million associated with the Series B preferred stock equity units entered in December of 2019. See Form 10K for additional information.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Dominion Energy Virginia Reported and Operating Results

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 1,948 | \$ 1,814 | \$8,157 | \$7,849 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | 487 | 570 | 2,178 | 2,318 |
| Purchased (excess) electric capacity | (5) | 35 | 40 | 114 |
| Purchased gas | — | — | — | — |
| Other operations and maintenance | 440 | 400 | 1,641 | 1,513 |
| Depreciation, depletion and amortization | 305 | 292 | 1,216 | 1,158 |
| Other taxes | 71 | 61 | 323 | 305 |
| Total operating expenses | 1,298 | 1,358 | 5,398 | 5,408 |
| Income from operations | 650 | 456 | 2,759 | 2,441 |
| Other income | 11 | 14 | 39 | 51 |
| Income including noncontrolling interests before interest and income taxes | 661 | 470 | 2,798 | 2,492 |
| Interest and related charges | 118 | 124 | 530 | 516 |
| Income including noncontrolling interests before income taxes | 543 | 346 | 2,268 | 1,976 |
| Income taxes | 140 | 13 | 482 | 380 |
| Income including noncontrolling interests | 403 | 333 | 1,786 | 1,596 |
| Noncontrolling interests | — | — | — | — |
| Reported and Operating Earnings Contribution | \$ 403 | \$ 333 | \$1,786 | \$1,596 |
| Reported and Operating Earnings Per Share Contribution | \$ 0.49 | \$ 0.50 | \$ 2.21 | \$ 2.44 |
| Average shares outstanding, diluted | 826.3 | 660.9 | 808.9 | 654.9 |
| Adjusted EBIT Reconciliation | | | | |
| Reported Earnings | \$ 403 | \$ 333 | \$1,786 | \$1,596 |
| Noncontrolling interest | — | — | — | — |
| Income taxes | 140 | 13 | 482 | 380 |
| Interest and related charges | 118 | 124 | 530 | 516 |
| Adjusted EBIT | \$ 661 | \$ 470 | \$2,798 | \$2,492 |

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT
Gas Transmission & Storage Reported and Operating Results

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|----------------|----------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 833 | \$ 756 | \$3,321 | \$2,590 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | 29 | 48 | 93 | 139 |
| Purchased electric capacity | — | — | — | — |
| Purchased gas | 181 | 107 | 900 | 353 |
| Other operations and maintenance | 43 | 128 | 597 | 580 |
| Depreciation, depletion and amortization | 95 | 95 | 400 | 348 |
| Other taxes | 37 | 33 | 158 | 125 |
| Total operating expenses | <u>385</u> | <u>411</u> | <u>2,148</u> | <u>1,545</u> |
| Income from operations | <u>448</u> | <u>345</u> | <u>1,173</u> | <u>1,045</u> |
| Other income | <u>99</u> | <u>121</u> | <u>439</u> | <u>389</u> |
| Income including noncontrolling interests before interest and income taxes | <u>547</u> | <u>466</u> | <u>1,612</u> | <u>1,434</u> |
| Interest and related charges | <u>65</u> | <u>96</u> | <u>405</u> | <u>262</u> |
| Income including noncontrolling interests before income taxes | <u>482</u> | <u>370</u> | <u>1,207</u> | <u>1,172</u> |
| Income taxes | <u>117</u> | <u>88</u> | <u>262</u> | <u>236</u> |
| Income including noncontrolling interests | <u>365</u> | <u>282</u> | <u>945</u> | <u>936</u> |
| Noncontrolling interests | <u>5</u> | <u>25</u> | <u>11</u> | <u>92</u> |
| Reported and Operating Earnings Contribution | \$ 360 | \$ 257 | \$ 934 | \$ 844 |
| Reported and Operating Earnings Per Share Contribution | \$ 0.43 | \$ 0.39 | \$ 1.16 | \$ 1.29 |
| Average shares outstanding, diluted | <u>826.3</u> | <u>660.9</u> | <u>808.9</u> | <u>654.9</u> |
| Adjusted EBIT Reconciliation | | | | |
| Reported Earnings | \$ 360 | \$ 257 | \$ 934 | \$ 844 |
| Noncontrolling interest | 5 | 25 | 11 | 92 |
| Income taxes | 117 | 88 | 262 | 236 |
| Interest and related charges | 65 | 96 | 405 | 262 |
| Adjusted EBIT | <u>\$ 547</u> | <u>\$ 466</u> | <u>\$1,612</u> | <u>\$1,434</u> |

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT
Gas Distribution Reported and Operating Results

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|----------------|----------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 737 | \$ 533 | \$2,385 | \$1,785 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | — | — | — | — |
| Purchased electric capacity | — | — | — | — |
| Purchased gas | 233 | 157 | 619 | 401 |
| Other operations and maintenance | 166 | 120 | 618 | 475 |
| Depreciation, depletion and amortization | 82 | 67 | 335 | 263 |
| Other taxes | 39 | 47 | 200 | 190 |
| Total operating expenses | 520 | 391 | 1,772 | 1,329 |
| Income from operations | 217 | 142 | 613 | 456 |
| Other income | 27 | 23 | 105 | 91 |
| Income including noncontrolling interests before interest and income taxes | 244 | 165 | 718 | 547 |
| Interest and related charges | 29 | 20 | 116 | 79 |
| Income including noncontrolling interests before income taxes | 215 | 145 | 602 | 468 |
| Income taxes | 42 | 27 | 114 | 95 |
| Income including noncontrolling interests | 173 | 118 | 488 | 373 |
| Noncontrolling interests | — | — | — | — |
| Reported and Operating Earnings Contribution | \$ 173 | \$ 118 | \$ 488 | \$ 373 |
| Reported and Operating Earnings Per Share Contribution | \$ 0.21 | \$ 0.18 | \$ 0.60 | \$ 0.57 |
| Average shares outstanding, diluted | 826.3 | 660.9 | 808.9 | 654.9 |
| Adjusted EBIT Reconciliation | | | | |
| Reported Earnings | \$ 173 | \$ 118 | \$ 488 | \$ 373 |
| Noncontrolling interest | — | — | — | — |
| Income taxes | 42 | 27 | 114 | 95 |
| Interest and related charges | 29 | 20 | 116 | 79 |
| Adjusted EBIT | \$ 244 | \$ 165 | \$ 718 | \$ 547 |

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Dominion Energy South Carolina Reported and Operating Results

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, 2019 | Year Ended December 31, 2019 |
|--|--|------------------------------------|
| Operating Revenue | \$ 767 | \$ 2,952 |
| Operating Expenses | | |
| Electric fuel and other energy-related purchases | 114 | 619 |
| Purchased electric capacity | 19 | 50 |
| Purchased gas | 55 | 177 |
| Other operations and maintenance | 170 | 595 |
| Depreciation, depletion and amortization | 117 | 452 |
| Other taxes | 53 | 241 |
| Total operating expenses | 528 | 2,134 |
| Income from operations | 239 | 818 |
| Other income | 9 | 17 |
| Income including noncontrolling interests before interest and income taxes | 248 | 835 |
| Interest and related charges | 52 | 242 |
| Income including noncontrolling interests before income taxes | 196 | 593 |
| Income taxes | 98 | 163 |
| Income including noncontrolling interests | 98 | 430 |
| Noncontrolling interests | — | — |
| Reported and Operating Earnings Contribution | \$ 98 | \$ 430 |
| Reported and Operating Earnings Per Share Contribution | \$ 0.12 | \$ 0.53 |
| Average shares outstanding, diluted | 826.3 | 808.9 |
| Adjusted EBIT Reconciliation | | |
| Reported Earnings | \$ 98 | \$ 430 |
| Noncontrolling interest | — | — |
| Income taxes | 98 | 163 |
| Interest and related charges | 52 | 242 |
| Adjusted EBIT | \$ 248 | \$ 835 |

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Contracted Generation Reported and Operating Results

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|----------------|----------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 274 | \$ 303 | \$ 1,150 | \$ 1,495 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | 35 | 73 | 138 | 340 |
| Purchased electric capacity | — | — | — | — |
| Purchased gas | — | — | — | — |
| Other operations and maintenance | 103 | 157 | 459 | 512 |
| Depreciation, depletion and amortization | 45 | 45 | 179 | 213 |
| Other taxes | 13 | 15 | 53 | 57 |
| Total operating expenses | 196 | 290 | 829 | 1,122 |
| Income from operations | 78 | 13 | 321 | 373 |
| Other income | 19 | 22 | 80 | 81 |
| Income including noncontrolling interests before interest and income taxes | 97 | 35 | 401 | 454 |
| Interest and related charges | 24 | 30 | 98 | 124 |
| Income including noncontrolling interests before income taxes | 73 | 5 | 303 | 330 |
| Income taxes | (37) | 4 | 20 | 75 |
| Income including noncontrolling interests | 110 | 1 | 283 | 255 |
| Noncontrolling interests | (4) | (4) | 7 | 10 |
| Reported and Operating Earnings Contribution | \$ 114 | \$ 5 | \$ 276 | \$ 245 |
| Reported and Operating Earnings Per Share Contribution | \$ 0.14 | \$ 0.01 | \$ 0.34 | \$ 0.37 |
| Average shares outstanding, diluted | 826.3 | 660.9 | 808.9 | 654.9 |
| Adjusted EBIT Reconciliation | | | | |
| Reported Earnings | \$ 114 | \$ 5 | \$ 276 | \$ 245 |
| Noncontrolling interest | (4) | (4) | 7 | 10 |
| Income taxes | (37) | 4 | 20 | 75 |
| Interest and related charges | 24 | 30 | 98 | 124 |
| Adjusted EBIT | \$ 97 | \$ 35 | \$ 401 | \$ 454 |

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Corporate & Other Reported and Operating Results

| Unaudited Summary (millions, except per share amounts) | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|------------------|----------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 253 | \$ 173 | \$ 77 | \$ 474 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | — | — | — | — |
| Purchased electric capacity | — | — | — | 8 |
| Purchased gas | — | — | — | — |
| Other operations and maintenance ² | 634 | 276 | 3,105 | 1,133 |
| Depreciation, depletion and amortization | 20 | 14 | 73 | 18 |
| Other taxes | 9 | 5 | 68 | 29 |
| Total operating expenses | 663 | 295 | 3,246 | 1,188 |
| Income (Loss) from operations | (410) | (122) | (3,169) | (714) |
| Other income | 233 | 266 | 691 | 681 |
| Income (Loss) including noncontrolling interests before interest and income taxes | (177) | 144 | (2,478) | (33) |
| Interest and related charges | 179 | 253 | 768 | 784 |
| Income (Loss) including noncontrolling interests before income taxes | (356) | (109) | (3,246) | (817) |
| Income taxes | (217) | (37) | (690) | (206) |
| Income (Loss) including noncontrolling interests | (139) | (72) | (2,556) | (611) |
| Noncontrolling interests | — | — | — | — |
| Reported Earnings (Loss) Contribution | \$ (139) | \$ (72) | \$ (2,556) | \$ (611) |
| Reported Earnings (Loss) Per Share Contribution³ | \$ (0.18) | \$ (0.11) | \$ (3.22) | \$ (0.93) |
| Adjustments to reported earnings: | | | | |
| Pre-tax Loss (Income) ¹ | 193 | (50) | 2,620 | 201 |
| Income Tax ¹ | (214) | 1 | (531) | 3 |
| | (21) | (49) | 2,089 | 204 |
| Operating Earnings (Loss) Contribution | \$ (160) | \$ (121) | \$ (467) | \$ (407) |
| Operating Earnings (Loss) Per Share Contribution³ | \$ (0.21) | \$ (0.19) | \$ (0.60) | \$ (0.62) |
| Average shares outstanding, diluted | 826.3 | 660.9 | 808.9 | 654.9 |
| Adjusted EBIT Reconciliation | | | | |
| Reported Earnings (Loss) | \$ (139) | \$ (72) | \$ (2,556) | \$ (611) |
| Noncontrolling interest | — | — | — | — |
| Income taxes | (217) | (37) | (690) | (206) |
| Interest and related charges | 179 | 253 | 768 | 784 |
| | \$ (177) | \$ 144 | \$ (2,478) | \$ (33) |
| Adjustments ¹ | 192 | (119) | 2,609 | 131 |
| Adjusted EBIT | \$ 15 | \$ 25 | \$ 131 | \$ 98 |

1) For additional details on adjustments to reporting earnings and to EBIT see the GAAP Reconciliation schedules on pages 24-32.

2) Includes impairment of assets and other charges.

3) The calculation of operating earnings per share excludes the impact, if any, of fair value adjustments related to the Company's convertible preferred securities entered in June 2019. Such fair value adjustments, if any, are required for the calculation of diluted reported earnings per share. For the three months and twelve months ended December 31, the fair value adjustment required for diluted reported earnings per share calculation was \$1 million and \$28 million, respectively. The calculation of reported and operating earnings per share includes the impact of preferred dividends of \$7 million per quarter associated with the Series A preferred stock equity units entered in June of 2019 and \$2 million associated with the Series B preferred stock equity units entered in December of 2019. See Form 10K for additional information.

Reconciliation of Operating Earnings Guidance

2019 Operating Earnings Summary

(millions, except per share amounts)

| Description | 2018 Actual | Range of FY19 Low High | | 2019 Actual |
|---|----------------|---------------------------|----------------|----------------|
| Dominion Energy Virginia | | | | |
| Adjusted EBIT | \$ 2,492 | — | — | \$ 2,798 |
| Operating earnings | \$ 1,596 | — | — | \$ 1,786 |
| Operating EPS | \$ 2.44 | — | — | \$ 2.21 |
| Gas Transmission & Storage | | | | |
| Adjusted EBIT | \$ 1,434 | — | — | \$ 1,612 |
| Operating earnings | \$ 844 | — | — | \$ 934 |
| Operating EPS | \$ 1.29 | — | — | \$ 1.16 |
| Gas Distribution | | | | |
| Adjusted EBIT | \$ 547 | — | — | \$ 718 |
| Operating earnings | \$ 373 | — | — | \$ 488 |
| Operating EPS | \$ 0.57 | — | — | \$ 0.60 |
| Dominion Energy South Carolina | | | | |
| Adjusted EBIT | \$ 0 | — | — | \$ 835 |
| Operating earnings | \$ 0 | — | — | \$ 430 |
| Operating EPS | \$ 0.00 | — | — | \$ 0.53 |
| Contracted Generation | | | | |
| Adjusted EBIT | \$ 454 | — | — | \$ 401 |
| Operating earnings | \$ 245 | — | — | \$ 276 |
| Operating EPS | \$ 0.37 | — | — | \$ 0.34 |
| Corporate and Other & Eliminations | | | | |
| Adjusted EBIT | (\$ 174) | — | — | (\$ 255) |
| Operating earnings | (\$ 407) | — | — | (\$ 467) |
| Operating EPS | (\$ 0.62) | — | — | (\$ 0.60) |
| Dominion Energy Consolidated | | | | |
| Total adjusted EBIT | \$ 4,753 | \$5,780 | \$6,105 | \$ 6,109 |
| Consolidated interest | 1,423 | 1,835 | 1,815 | 1,762 |
| Consolidated income taxes | 577 | 690 | 725 | 882 |
| Noncontrolling interests | 102 | 15 | 20 | 18 |
| Operating earnings | \$ 2,651 | \$3,240 | \$3,545 | \$ 3,447 |
| Operating EPS | \$ 4.05 | \$ 4.01 | \$ 4.39 | \$ 4.24 |
| Average Diluted Shares | 654.9 | 809.0 | 807.0 | 808.9 |
| 2019 Operating EPS Guidance Range | | \$ 4.05 | \$ 4.40 | |
| 2019 Operating EPS Actual >>> | | | | \$ 4.24 |

Notes:

Figures may not sum due to rounding

For additional detail on items excluded from operating earnings see the GAAP Reconciliation schedules on pages 28 and 29

For additional detail on Adjusted EBIT see Segment Results on pages 13 - 19

Adjusted EBIT is defined as Reported Earnings excluding any adjustments to Reported Earnings (Operating Earnings) before interest and related charges, income taxes and noncontrolling interests

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

4Q19 Operating Earnings Summary (millions, except per share amounts)

| Description | 4Q18 Actual | Range of 4Q19 | | 4Q19 Actual |
|---|----------------|----------------|----------------|----------------|
| | | Low | High | |
| Dominion Energy Consolidated | | | | |
| Total adjusted EBIT | \$ 1,078 | \$ 1,500 | \$ 1,650 | \$ 1,746 |
| Consolidated interest | 371 | 430 | 420 | 400 |
| Consolidated income taxes | 94 | 145 | 175 | 357 |
| Noncontrolling interests | 21 | 0 | 0 | 1 |
| Operating earnings | \$ 592 | \$ 925 | \$ 1,055 | \$ 988 |
| Operating EPS | \$ 0.89 | \$ 1.10 | \$ 1.26 | \$ 1.18 |
| Average Diluted Shares | 660.9 | 832 | 830 | 826.3 |
| 4Q19 Operating EPS Guidance Range | | \$ 1.10 | \$ 1.25 | |
| 4Q19 Operating EPS Actual >>> | | | | \$ 1.18 |

Notes:

Figures may not sum due to rounding

For additional detail on items excluded from operating earnings see the GAAP Reconciliation schedules on pages 30 and 31

Adjusted EBIT is defined as Reported Earnings excluding any adjustments to Reported Earnings (Operating Earnings)

before interest and related charges, income taxes and noncontrolling interests

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

2020 Earnings Guidance and Accompanying Schedules

Earnings Guidance

2020 Operating Earnings Forecast (millions, except per share amounts)

| Description | 2019 | Range of FY2020 | |
|---|-----------|-----------------|----------------|
| | Actual | Low | High |
| Dominion Energy Virginia | | | |
| Adjusted EBIT | \$ 2,798 | \$ 2,830 | \$ 3,010 |
| Operating earnings | \$ 1,786 | \$ 1,870 | \$ 2,010 |
| Operating EPS | \$ 2.21 | \$ 2.22 | \$ 2.40 |
| Gas Transmission & Storage | | | |
| Adjusted EBIT | \$ 1,612 | \$ 1,535 | \$ 1,615 |
| Operating earnings | \$ 934 | \$ 940 | \$ 1,015 |
| Operating EPS | \$ 1.16 | \$ 1.12 | \$ 1.21 |
| Gas Distribution | | | |
| Adjusted EBIT | \$ 718 | \$ 755 | \$ 795 |
| Operating earnings | \$ 488 | \$ 535 | \$ 565 |
| Operating EPS | \$ 0.60 | \$ 0.64 | \$ 0.67 |
| Dominion Energy South Carolina | | | |
| Adjusted EBIT | \$ 835 | \$ 785 | \$ 825 |
| Operating earnings | \$ 430 | \$ 460 | \$ 490 |
| Operating EPS | \$ 0.53 | \$ 0.55 | \$ 0.58 |
| Contracted Generation | | | |
| Adjusted EBIT | \$ 401 | \$ 290 | \$ 315 |
| Operating earnings | \$ 276 | \$ 205 | \$ 235 |
| Operating EPS | \$ 0.34 | \$ 0.24 | \$ 0.28 |
| Corporate and Other & Eliminations | | | |
| Adjusted EBIT | (\$ 255) | (\$ 80) | (\$ 112) |
| Operating earnings | (\$ 467) | (\$ 370) | (\$ 387) |
| Operating EPS | (\$ 0.60) | (\$ 0.52) | (\$ 0.54) |
| Dominion Energy Consolidated | | | |
| Total adjusted EBIT | \$ 6,109 | \$ 6,115 | \$ 6,448 |
| Consolidated interest | 1,762 | 1,630 | 1,550 |
| Consolidated income taxes | 882 | 705 | 830 |
| Noncontrolling interests | 18 | 140 | 140 |
| Operating earnings | \$ 3,447 | \$ 3,640 | \$ 3,928 |
| Operating EPS | \$ 4.24 | \$ 4.25 | \$ 4.60 |
| Average Diluted Shares | 808.9 | 841.0 | 839.0 |
| 2020 Operating EPS Guidance Range | | \$ 4.25 | \$ 4.60 |

Notes:

Figures may not sum due to rounding

For additional detail on items excluded from operating earnings see the GAAP Reconciliation schedule on page 28 and 33

Corporate and Other & Eliminations Operating EPS guidance includes the impact of preferred dividends

Guidance assumes consolidated federal and state effective income tax rate of 15.5%—17.5%

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT**1Q20 Operating Earnings Forecast**
(millions, except per share amounts)

| <u>Description</u> | <u>1Q19</u> | <u>Range of 1Q20</u> | |
|--|---------------|----------------------|----------------|
| | <u>Actual</u> | <u>Low</u> | <u>High</u> |
| Dominion Energy Consolidated | | | |
| Total adjusted EBIT | \$ 1,536 | \$ 1,535 | \$ 1,715 |
| Consolidated interest | 459 | 410 | 390 |
| Consolidated income taxes | 201 | 210 | 250 |
| Noncontrolling interests | 3 | 30 | 30 |
| Operating earnings | \$ 873 | \$ 885 | \$ 1,045 |
| Operating EPS | \$ 1.10 | \$ 1.03 | \$ 1.23 |
| Average Diluted Shares | 793.1 | 840.0 | 838.0 |
| 1Q20 Operating EPS Guidance Range | | \$ 1.05 | \$ 1.25 |

Notes:

Figures may not sum due to rounding

For additional detail on items excluded from operating earnings see the GAAP Reconciliation schedule on page 32 and 33

Operating EPS guidance includes the impact of preferred dividends

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

GAAP Reconciliation

Reconciliation of 2019 Consolidated Reported Earnings to Operating Earnings

| | Unaudited Income Statements (millions, except per share amounts) | | | Year Ended December 31, 2019 | | |
|--|--|------------------|-----------------|---------------------------------|------------------------|------------------|
| | Three Months Ended December 31, 2019 | | | | | |
| | GAAP | Adjustments | Operating | GAAP | Adjustments | Operating |
| Operating Revenue | \$4,475 | \$ 14(e) | \$ 4,489 | \$16,572 | \$ 1,088(a),(e) | \$ 17,660 |
| Operating Expenses | | | | | | |
| Electric fuel and other energy-related purchases | 655 | — | 655 | 2,938 | — | 2,938 |
| Purchased electric capacity | 14 | — | 14 | 88 | — | 88 |
| Purchased gas | 426 | — | 426 | 1,536 | — | 1,536 |
| Other operations and maintenance | 1,274 | (366)(a),(b),(e) | 908 | 5,801 | (1,948)(a),(b),(c),(e) | 3,853 |
| Depreciation, depletion and amortization | 664 | (1)(b) | 663 | 2,655 | — (b),(e) | 2,655 |
| Other taxes | 221 | — | 221 | 1,040 | (15)(a) | 1,025 |
| Total operating expenses | 3,254 | (367) | 2,887 | 14,058 | (1,963) | 12,095 |
| Income from operations | 1,221 | 381 | 1,602 | 2,514 | 3,051 | 5,565 |
| Other income (loss) | 333 | (189)(d) | 144 | 986 | (442)(a),(b),(d) | 544 |
| Income including noncontrolling interests before interest and income taxes | 1,554 | 192 | 1,746 | 3,500 | 2,609 | 6,109 |
| Interest and related charges | 401 | (1)(a) | 400 | 1,773 | (11)(a),(b) | 1,762 |
| Income including noncontrolling interests before income taxes | 1,153 | 193 | 1,346 | 1,727 | 2,620 | 4,347 |
| Income taxes | 143 | 214(f) | 357 | 351 | 531(f),(g) | 882 |
| Income including noncontrolling interests | 1,010 | (21) | 989 | 1,376 | 2,089 | 3,465 |
| Noncontrolling interests | 1 | — | 1 | 18 | — | 18 |
| Earnings | \$1,009 | \$ (21) | \$ 988 | \$ 1,358 | \$ 2,089 | \$ 3,447 |
| Earnings Per Share - Diluted | \$ 1.21 | \$ (0.03) | \$ 1.18 | \$ 1.62 | \$ 2.62 | \$ 4.24 |
| Average shares outstanding, diluted | 826.3 | | 826.3 | 808.9 | | 808.9 |

Adjustments to Reported Earnings

- (a) Merger and integration-related costs.
- (b) Charges associated with regulated asset and contract retirements/terminations.
- (c) Revision to ash pond and landfill closure costs at certain Virginia utility power stations.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Other miscellaneous items.
- (f) Income tax provisions associated with adjustments to reported earnings.
- (g) Deferred tax adjustments associated with the SCANA Combination.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Reconciliation of 2018 Consolidated Reported Earnings to Operating Earnings

| | Unaudited Income Statements (millions, except per share amounts) | | | Year Ended December 31, 2018 | | |
|--|---|--------------------------|-----------------|---------------------------------|-----------------------------------|------------------|
| | Three Months Ended December 31, 2018 | | | Year Ended December 31, 2018 | | |
| | GAAP | Adjustments | Operating | GAAP | Adjustments | Operating |
| Operating Revenue | <u>\$3,361</u> | <u>\$ —</u> | <u>\$ 3,361</u> | <u>\$13,366</u> | <u>\$ 218(a),(j)</u> | <u>\$ 13,584</u> |
| Operating Expenses | | | | | | |
| Electric fuel and other energy-related purchases | 686 | — | 686 | 2,814 | — | 2,814 |
| Purchased electric capacity | 35 | — | 35 | 122 | (8) (h) | 114 |
| Purchased gas | 236 | — | 236 | 645 | — | 645 |
| Other operations and maintenance | 896 | (93) (b),(c),(j),(m) | 803 | 3,481 | (403) (b),(c),(e),(f),(h),(j),(m) | 3,078 |
| Depreciation, depletion and amortization | 513 | (2) (c) | 511 | 2,000 | 35 (c),(f),(g) | 2,035 |
| Other taxes | 161 | — | 161 | 703 | — | 703 |
| Total operating expenses | <u>2,527</u> | <u>(95)</u> | <u>2,432</u> | <u>9,765</u> | <u>(376)</u> | <u>9,389</u> |
| Income from operations | <u>834</u> | <u>95</u> | <u>929</u> | <u>3,601</u> | <u>594</u> | <u>4,195</u> |
| Other income (loss) | <u>363</u> | <u>(214) (d),(h),(j)</u> | <u>149</u> | <u>1,021</u> | <u>(463) (d),(f),(h),(j)</u> | <u>558</u> |
| Income including noncontrolling interests before interest and income taxes | 1,197 | (119) | 1,078 | 4,622 | 131 | 4,753 |
| Interest and related charges | <u>440</u> | <u>(69) (j)</u> | <u>371</u> | <u>1,493</u> | <u>(70) (f),(j)</u> | <u>1,423</u> |
| Income including noncontrolling interests before income taxes | 757 | (50) | 707 | 3,129 | 201 | 3,330 |
| Income taxes | <u>95</u> | <u>(1) (i),(k),(l)</u> | <u>94</u> | <u>580</u> | <u>(3) (i),(k),(l)</u> | <u>577</u> |
| Income including noncontrolling interests | 662 | (49) | 613 | 2,549 | 204 | 2,753 |
| Noncontrolling interests | <u>21</u> | <u>—</u> | <u>21</u> | <u>102</u> | <u>—</u> | <u>102</u> |
| Earnings | <u>\$ 641</u> | <u>\$ (49)</u> | <u>\$ 592</u> | <u>\$ 2,447</u> | <u>\$ 204</u> | <u>\$ 2,651</u> |
| Earnings Per Share - Diluted | <u>\$ 0.97</u> | <u>\$ (0.08)</u> | <u>\$ 0.89</u> | <u>\$ 3.74</u> | <u>\$ 0.31</u> | <u>\$ 4.05</u> |
| Average shares outstanding, diluted | 660.9 | | 660.9 | 654.9 | | 654.9 |

Adjustments to Reported Earnings

- (a) Reserve for utility customers' one-time rate credits associated with Virginia legislation.
- (b) Restoration costs associated with major storms.
- (c) Merger-related transaction and transition costs.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
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- (g) Virginia depreciation revision.
- (h) Other miscellaneous items.
- (i) Income tax provisions associated with adjustments to reported earnings.
- (j) Transactions related to sale of non-core assets.
- (k) Remeasurement of deferred tax balances.
- (l) Tax valuation allowance.
- (m) Impairment charge associated with gathering and processing assets.

Reconciliation of 2019 Corporate and Other Reported Earnings to Operating Earnings

| | Unaudited Income Statements (millions, except per share amounts) | | | Year Ended December 31, 2019 | | |
|--|---|-------------------|------------------|---------------------------------|-------------------------|------------------|
| | Three Months Ended December 31, 2019 | | | | | |
| | GAAP | Adjustments | Operating | GAAP | Adjustments | Operating |
| Operating Revenue | \$ 253 | \$ 14 (e) | \$ 267 | \$ 77 | \$ 1,088(a),(e) | \$ 1,165 |
| Operating Expenses | | | | | | |
| Electric fuel and other energy-related purchases | — | — | — | — | — | — |
| Purchased electric capacity | — | — | — | — | — | — |
| Purchased gas | — | — | — | — | — | — |
| Other operations and maintenance | 634 | (366) (a),(b),(e) | 268 | 3,105 | (1,948) (a),(b),(c),(e) | 1,157 |
| Depreciation, depletion and amortization | 20 | (1) (b) | 19 | 73 | — (b),(e) | 73 |
| Other taxes | 9 | — | 9 | 68 | (15) (a) | 53 |
| Total operating expenses | 663 | (367) | 296 | 3,246 | (1,963) | 1,283 |
| Income from operations | (410) | 381 | (29) | (3,169) | 3,051 | (118) |
| Other income (loss) | 233 | (189) (d) | 44 | 691 | (442) (a),(b),(d) | 249 |
| Income including noncontrolling interests before interest and income taxes | (177) | 192 | 15 | (2,478) | 2,609 | 131 |
| Interest and related charges | 179 | (1) (a) | 178 | 768 | (11) (a),(b) | 757 |
| Income including noncontrolling interests before income taxes | (356) | 193 | (163) | (3,246) | 2,620 | (626) |
| Income taxes | (217) | 214 (f) | (3) | (690) | 531 (f),(g) | (159) |
| Income including noncontrolling interests | (139) | (21) | (160) | (2,556) | 2,089 | (467) |
| Noncontrolling interests | — | — | — | — | — | — |
| Earnings | \$ (139) | \$ (21) | \$ (160) | \$ (2,556) | \$ 2,089 | \$ (467) |
| Earnings Per Share - Diluted | \$ (0.18) | \$ (0.03) | \$ (0.21) | \$ (3.22) | \$ 2.62 | \$ (0.60) |
| Average shares outstanding, diluted | 826.3 | | 826.3 | 808.9 | | 808.9 |

Adjustments to Reported Earnings

- (a) Merger and integration-related costs.
- (b) Charges associated with regulated asset and contract retirements/terminations.
- (c) Revision to ash pond and landfill closure costs at certain Virginia utility power stations.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Other miscellaneous items.
- (f) Income tax provisions associated with adjustments to reported earnings.
- (g) Deferred tax adjustments associated with the SCANA Combination.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Reconciliation of 2018 Corporate and Other Reported Earnings to Operating Earnings

| | Unaudited Income Statements (millions, except per share amounts) Three Months Ended December 31, 2018 | | | Year Ended December 31, 2018 | | |
|--|--|----------------------|------------------|---------------------------------|-----------------------------------|------------------|
| | GAAP | Adjustments | Operating | GAAP | Adjustments | Operating |
| Operating Revenue | <u>\$ 173</u> | <u>\$ —</u> | <u>\$ 173</u> | <u>\$ 474</u> | <u>\$ 218 (a),(j)</u> | <u>\$ 692</u> |
| Operating Expenses | | | | | | |
| Electric fuel and other energy-related purchases | — | — | — | — | — | — |
| Purchased electric capacity | — | — | — | 8 | (8) (h) | — |
| Purchased gas | — | — | — | — | — | — |
| Other operations and maintenance | 276 | (93) (b),(c),(j),(m) | 183 | 1,133 | (403) (b),(c),(e),(f),(h),(j),(m) | 730 |
| Depreciation, depletion and amortization | 14 | (2) (c) | 12 | 18 | 35 (c),(f),(g) | 53 |
| Other taxes | 5 | — | 5 | 29 | — | 29 |
| Total operating expenses | <u>295</u> | <u>(95)</u> | <u>200</u> | <u>1,188</u> | <u>(376)</u> | <u>812</u> |
| Income from operations | (122) | 95 | (27) | (714) | 594 | (120) |
| Other income (loss) | 266 | (214) (d),(h),(j) | 52 | 681 | (463) (d),(f),(h),(j) | 218 |
| Income including noncontrolling interests before interest and income taxes | 144 | (119) | 25 | (33) | 131 | 98 |
| Interest and related charges | 253 | (69) (j) | 184 | 784 | (70) (f),(j) | 714 |
| Income including noncontrolling interests before income taxes | (109) | (50) | (159) | (817) | 201 | (616) |
| Income taxes | (37) | (1) (i),(k),(l) | (38) | (206) | (3) (i),(k),(l) | (209) |
| Income including noncontrolling interests | (72) | (49) | (121) | (611) | 204 | (407) |
| Noncontrolling interests | — | — | — | — | — | — |
| Earnings | <u>\$ (72)</u> | <u>\$ (49)</u> | <u>\$ (121)</u> | <u>\$ (611)</u> | <u>\$ 204</u> | <u>\$ (407)</u> |
| Earnings Per Share - Diluted | | | | | \$ | |
| | <u>\$ (0.11)</u> | <u>\$ (0.08)</u> | <u>\$ (0.19)</u> | <u>\$ (0.93)</u> | <u>0.31</u> | <u>\$ (0.62)</u> |
| Average shares outstanding, diluted | 660.9 | | 660.9 | 654.9 | | 654.9 |

Adjustments to Reported Earnings

- (a) Reserve for utility customers' one-time rate credits associated with Virginia legislation.
- (b) Restoration costs associated with major storms.
- (c) Merger-related transaction and transition costs.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Ash pond and landfill closure costs at certain utility power stations.
- (f) Charge associated with FERC-regulated plant disallowance.
- (g) Virginia depreciation revision.
- (h) Other miscellaneous items.
- (i) Income tax provisions associated with adjustments to reported earnings.
- (j) Transactions related to sale of non-core assets.
- (k) Remeasurement of deferred tax balances.
- (l) Tax valuation allowance.
- (m) Impairment charge associated with gathering and processing assets.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Reconciliation of 2019 Reported Earnings to 2019 Operating Earnings

Unaudited, Operating Segments
(millions, except per share amounts)

| Description | 2019 Reported | Adjustments | 2019 Operating |
|--|------------------|-------------------------------|-------------------|
| Dominion Energy Virginia Adjusted EBIT | \$ 2,798 | | \$ 2,798 |
| Gas Transmission & Storage Adjusted EBIT | 1,612 | | 1,612 |
| Gas Distribution Adjusted EBIT | 718 | | 718 |
| Dominion Energy South Carolina Adjusted EBIT | 835 | | 835 |
| Contracted Generation Adjusted EBIT | 401 | | 401 |
| Corporate and Other & Eliminations Adjusted EBIT | (2,864) | 2,609 (a), (b), (c), (d), (e) | (255) |
| Total Adjusted EBIT | \$ 3,500 | \$ 2,609 | \$ 6,109 |
| Consolidated Interest | 1,773 | (11) (a), (b) | 1,762 |
| Consolidated Income Taxes | 351 | 531 (f), (g) | 882 |
| Noncontrolling Interests | 18 | 0 | 18 |
| Earnings | \$ 1,358 | \$ 2,089 | \$ 3,447 |
| Average Diluted Shares Outstanding | 808.9 | 808.9 | 808.9 |
| Reported EPS | \$ 1.62 | — | — |
| Adjustments to reported earnings | — | \$ 2.62 | — |
| Operating EPS | — | — | \$ 4.24 |

Adjustments to Reported Earnings

- (a) Merger and integration-related costs.
- (b) Charges associated with regulated asset and contract retirements/terminations.
- (c) Revision to ash pond and landfill closure costs at certain Virginia utility power stations.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Other miscellaneous items.
- (f) Income tax provisions associated with adjustments to reported earnings.
- (g) Deferred tax adjustments associated with the SCANA Combination.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Reconciliation of 2018 Reported Earnings to 2018 Operating Earnings

Unaudited, Operating Segments
(millions, except per share amounts)

| Description | 2018 Reported | Adjustments | 2018 Operating |
|--|------------------|--|-------------------|
| Dominion Energy Virginia Adjusted EBIT | 2,492 | | 2,492 |
| Gas Transmission & Storage Adjusted EBIT | 1,434 | | 1,434 |
| Gas Distribution Adjusted EBIT | 547 | | 547 |
| Contracted Generation Adjusted EBIT | 454 | | 454 |
| Corporate and Other & Eliminations Adjusted EBIT | (305) | 131 (a), (b), (c), (d), (e), (f), (g), (h), (i), (j) | (174) |
| Total Adjusted EBIT | \$ 4,622 | \$ 131 | \$ 4,753 |
| Consolidated Interest | 1,493 | (70) (a), (e) | 1,423 |
| Consolidated Income Taxes | 580 | (3) (k), (l), (m) | 577 |
| Noncontrolling Interests | 102 | 0 | 102 |
| Earnings | \$ 2,447 | \$ 204 | \$ 2,651 |
| Average Diluted Shares Outstanding | 654.9 | 654.9 | 654.9 |
| Reported EPS | \$ 3.74 | — | — |
| Adjustments to reported earnings | — | \$ 0.31 | — |
| Operating EPS | — | — | \$ 4.05 |

Adjustments to Reported Earnings

- (a) Transactions related to sale of non-core assets.
- (b) Impairment charge associated with gathering and processing assets.
- (c) Reserve for utility customers' one-time rate credits associated with Virginia legislation.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Charge associated with FERC-regulated plant disallowance.
- (f) Ash pond and landfill closure costs at certain utility power stations.
- (g) Restoration costs associated with major storms.
- (h) Merger-related transaction and transition costs.
- (i) Virginia depreciation revision.
- (j) Other miscellaneous items.
- (k) Income tax provisions associated with adjustments to reported earnings.
- (l) Remeasurement of deferred tax balances.
- (m) Tax valuation allowance.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT**Reconciliation of 4Q19 Reported Earnings to 4Q19 Operating Earnings**

Unaudited, Operating Segments
(millions, except per share amounts)

| Description | 4Q19 Reported | Adjustments | 4Q19 Operating |
|---|------------------|------------------------|-------------------|
| Dominion Energy Consolidated | | | |
| Total Adjusted EBIT | \$ 1,554 | \$ 192 (a),(b),(c),(d) | \$ 1,746 |
| Consolidated Interest | 401 | (1) (a) | 400 |
| Consolidated Income Taxes | 143 | 214 (e) | 357 |
| Noncontrolling Interests | 1 | 0 | 1 |
| Earnings | \$ 1,009 | (\$21) | \$ 988 |
| Average Diluted Shares Outstanding | 826.3 | 826.3 | 826.3 |
| Reported EPS | \$ 1.21 | — | — |
| Adjustments to reported earnings | — | (\$ 0.03) | — |
| Operating EPS | — | — | \$ 1.18 |

Adjustments to Reported Earnings

- (a) Merger and integration-related costs.
- (b) Charges associated with regulated asset and contract retirements/terminations.
- (c) Other miscellaneous items.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Income tax provisions associated with adjustments to reported earnings.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT

Reconciliation of 4Q18 Reported Earnings to 4Q18 Operating Earnings

Unaudited, Operating Segments
(millions, except per share amounts)

| Description | 4Q18 Reported | Adjustments | 4Q18 Operating |
|-------------------------------------|------------------|--------------------------------------|-------------------|
| Dominion Energy Consolidated | | | |
| Total Adjusted EBIT | \$ 1,197 | (\$119) (a), (b), (c), (d), (e), (f) | \$ 1,078 |
| Consolidated Interest | 440 | (69) (a) | 371 |
| Consolidated Income Taxes | 95 | (1) (g), (h), (i) | 94 |
| Noncontrolling Interests | 21 | 0 | 21 |
| Earnings | \$ 641 | (\$49) | \$ 592 |
| Average Diluted Shares Outstanding | 660.9 | 660.9 | 660.9 |
| Reported EPS | \$ 0.97 | — | — |
| Adjustments to reported earnings | — | (\$0.08) | — |
| Operating EPS | — | — | \$ 0.89 |

Adjustments to Reported Earnings

- (a) Transactions related to sale of non-core assets.
- (b) Impairment charge associated with gathering and processing assets.
- (c) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (d) Restoration costs associated with major storms.
- (e) Merger-related transaction and transition costs.
- (f) Other miscellaneous items.
- (g) Income tax provisions associated with adjustments to reported earnings.
- (h) Remeasurement of deferred tax balances.
- (i) Tax valuation allowance.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

DOMINION ENERGY – 4Q19 EARNINGS RELEASE KIT**Reconciliation of 1Q19 Reported Earnings to 1Q19 Operating Earnings**

Unaudited, Operating Segments
(millions, except per share amounts)

| <u>Description</u> | <u>1Q19 Reported</u> | <u>Adjustments</u> | <u>1Q19 Operating</u> |
|---|--------------------------|------------------------------|---------------------------|
| Dominion Energy Consolidated | | | |
| Total Adjusted EBIT | (94) | \$ 1,630 (a),(b),(c),(d),(e) | \$ 1,536 |
| Consolidated Interest | 469 | (10) (a), (b) | 459 |
| Consolidated Income Taxes | 114 | 87 (f), (g) | 201 |
| Noncontrolling Interests | 3 | 0 | 3 |
| Earnings (Loss) | (\$ 680) | \$ 1,553 | \$ 873 |
| Average Diluted Shares Outstanding | 793.1 | 793.1 | 793.1 |
| Reported EPS | (\$ 0.86) | — | — |
| Adjustments to reported earnings | — | \$ 1.96 | — |
| Operating EPS | — | — | \$ 1.10 |

Adjustments to Reported Earnings

- (a) Merger and integration-related costs.
- (b) Charges associated with Virginia utility asset retirements.
- (c) Revision to ash pond and landfill closure costs at certain Virginia utility power stations.
- (d) Net gain/loss on our investment in nuclear decommissioning trust funds.
- (e) Other miscellaneous items.
- (f) Income tax provisions associated with adjustments to reported earnings.
- (g) Deferred tax adjustments associated with the SCANA Combination.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

2020 Earnings Expectations**Earnings Per Share (diluted)****Reconciliation of measures prepared in accordance with Generally Accepted Accounting Principles (GAAP) versus non-GAAP measures**

| | |
|--|------------------|
| 1Q 2020 Operating Earnings (estimate): | \$ 1.05 - \$1.25 |
| 1Q 2020 Reported Earnings (estimate): | See Note 1 below |
| FY 2020 Operating Earnings (estimate): | \$ 4.25 - \$4.60 |
| FY 2020 Reported Earnings (estimate): | See Note 1 below |

1. In providing its first-quarter and full-year 2020 operating earnings guidance, the company notes that there could be differences between expected reported earnings and estimated operating earnings for matters such as, but not limited to, acquisitions, divestitures or changes in accounting principles. At this time, Dominion Energy management is not able to estimate the aggregate impact, if any, of these items on future period reported earnings. Accordingly, Dominion Energy is not able to provide a corresponding GAAP equivalent for its operating earnings guidance.

Dominion Energy uses operating earnings as the primary performance measurement of its earnings guidance and results for public communications with analysts and investors. Dominion Energy also uses operating earnings internally for budgeting, for reporting to the board of directors, for the company's incentive compensation plans and for its targeted dividend payouts and other purposes. Dominion Energy management believes operating earnings provide a more meaningful representation of the company's fundamental earnings power.

Dominion Energy's estimates of first-quarter and full-year 2020 earnings are subject to various risks and uncertainties. Factors that could cause actual results to differ include, but are not limited to: unusual weather conditions and their effect on energy sales to customers and energy commodity prices; extreme weather events and other natural disasters; federal, state and local legislative and regulatory developments; changes to federal, state and local environmental laws and regulations, including proposed carbon regulations; cost of environmental compliance; changes in enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities; capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms; fluctuations in interest rates; changes in rating agency requirements or credit ratings and their effect on availability and cost of capital; impacts of acquisitions, divestitures, transfers of assets by Dominion Energy to joint ventures and retirements of assets based on asset portfolio reviews; receipt of approvals for, and timing of, closing dates for other acquisitions and divestitures; changes in demand for Dominion Energy's services; additional competition in Dominion Energy's industries; changes to regulated rates collected by Dominion Energy; changes in operating, maintenance and construction costs; timing and receipt of regulatory approvals necessary for planned construction or expansion projects and compliance with conditions associated with such regulatory approvals; adverse outcomes in litigation matters or regulatory proceedings; and the inability to complete planned construction projects within time frames initially anticipated. Other risk factors are detailed from time to time in Dominion Energy's quarterly reports on Form 10-Q and most recent annual report on Form 10-K filed with the Securities and Exchange Commission.

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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

APPENDIX**List of Revised Schedules**

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| Schedule 2 - Reconciliation of 2019 Reported Earnings to Operating Earnings | 8 |
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| Unaudited Statements of Cash Flows (Summarized) | 12 |
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Please refer to page 3 for risks and uncertainties related to projections and forward-looking statements.

Competitive Retail Natural Gas Service Affidavit

County of Henrico :

State of Virginia :

Mark C. Fink, Affiant, being duly sworn/affirmed, hereby states that:

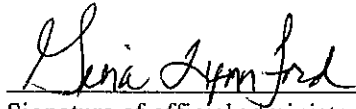
1. The information provided within the certification or certification renewal application and supporting information is complete, true, and accurate to the best knowledge of affiant, and that it will amend its application while it is pending if any substantial changes occur regarding the information provided.
2. The applicant will timely file an annual report of its intrastate gross receipts and sales of hundred cubic feet of natural gas pursuant to Sections 4905.10(A), 4911.18(A), and 4929.23(B), Ohio Revised Code.
3. The applicant will timely pay any assessment made pursuant to Sections 4905.10 and 4911.18(A), Ohio Revised Code.
4. Applicant will comply with all applicable rules and orders adopted by the Public Utilities Commission of Ohio pursuant to Title 49, Ohio Revised Code.
5. Applicant will cooperate fully with the Public Utilities Commission of Ohio and its staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the applicant.
6. Applicant will comply with Section 4929.21, Ohio Revised Code, regarding consent to the jurisdiction of the Ohio courts and the service of process.
7. Applicant will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.
8. Applicant will inform the Public Utilities Commission of Ohio of any material change to the information supplied in the application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating consumer complaints.
9. The facts set forth above are true and accurate to the best of his/her knowledge, information, and belief and that he/she expects said applicant to be able to prove the same at any hearing hereof.
10. Affiant further sayeth naught.



Authorized Representative

Signature of Affiant & Title

Sworn and subscribed before me this 11th day of August, 2020
Month Year



Signature of official administering oath

Gina Lynn Ford, Notary
Print Name and Title

My commission expires on 7/31/2024



UNITED STATES OF AMERICA
STATE OF OHIO
OFFICE OF THE SECRETARY OF STATE

I, Frank LaRose, do hereby certify that I am the duly elected, qualified and present acting Secretary of State for the State of Ohio, and as such have custody of the records of Ohio and Foreign business entities; that said records show DOMINION ENERGY SOLUTIONS, INC., a Delaware corporation, having qualified to do business within the State of Ohio on March 24, 1997 under License No. 973981 is currently in GOOD STANDING upon the records of this office.



*Witness my hand and the seal of the
Secretary of State at Columbus, Ohio
this 4th day of August, A.D. 2020.*

A handwritten signature in blue ink, appearing to read "Frank LaRose", written in a cursive style.

Ohio Secretary of State

Validation Number: 202021702664

**RENEWAL CERTIFICATION APPLICATION OF
DOMINION ENERGY SOLUTIONS, INC. ("DES")
FOR CERTIFICATION BY THE PUBLIC UTILITIES COMMISSION OF OHIO
AS A COMPETITIVE RETAIL NATURAL GAS SUPPLIER**

Exhibit B-1 "Jurisdictions of Operation."

List of jurisdictions by state in which DES is presently authorized to provide retail natural gas service and applicable certification/license date*:

Pennsylvania – October 1999
New Jersey – March 2000
Virginia – October 2001
Illinois – July 2002
Ohio – August 2002
District of Columbia – November 2003
Maryland – February 2004

*In addition to Ohio, DES is also currently actively serving customers in the states of Pennsylvania, New Jersey, Virginia, and Maryland.

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

8/12/2020 2:09:14 PM

in

Case No(s). 02-1757-GA-CRS

Summary: In the Matter of the Application of Dominion Energy Solutions Inc