Zachara Claudine
Form 4
December 13, 2011

FORM 4

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

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Zachara Claudine

(Last) (First) (Middle)

3760 ROCKY MOUNTAIN AVENUE

(Street)

LOVELAND, CO 80538

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HESKA CORP [HSKA]

3. Date of Earliest Transaction (Month/Day/Year)
12/12/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
VP, Marketing

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Incentive Stock Option (right to buy)	$ 6.9	12/12/2011		A		6,000		12/12/2011 [(1)](#)	12/11/2021	Common Stock	6,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Zachara Claudine 3760 ROCKY MOUNTAIN AVENUE LOVELAND, CO 80538			VP, Marketing	

Signatures

By: Jason A. Napolitano For: Claudine Zachara	12/13/2011
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** This option vests and becomes exercisable in monthly equal installments over four (4) years through December 12, 2015.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ttom:solid 0.75pt #000000;white-space:nowrap;">

—

34

Total derivative assets

$

34

$

—

$

34

LIABILITIES

Current Liabilities

Commodity

$

7

$

—

$

7

Interest rate

1

—

1

Foreign currency

5

—

5

Total current derivative liabilities[2]

13

—

13

Noncurrent Liabilities

Interest rate

3

—

3

Total noncurrent derivative liabilities[3]

3

—

3

Total derivative liabilities

$

16

$

—

$

16

December 31, 2017

ASSETS

Noncurrent Assets

Foreign currency

$

32

$

—

$

32

Total noncurrent derivative assets[1]

32

—

32

Total derivative assets

$

32

$

—

$

32

LIABILITIES

Current Liabilities

Commodity

$

6

$

—

$

6

Foreign currency

2

—

2

Total current derivative liabilities[2]

8

—

8

Total derivative liabilities

$

8

$

—

$

8

(1) Noncurrent derivatives 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.

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The following table presents 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
Three Months Ended June 30, 2018		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ (2)
Total commodity	$ (10)	$ (2)
Interest rate[2]	(3)	(1)
Foreign currency[3]	(14)	(16)
Total	$ (27)	$ (19)
Three Months Ended June 30, 2017		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ 1
Total commodity	$ 2	$ 1
Interest rate[2]	—	(1)
Foreign currency[3]	16	19
Total	$ 18	$ 19
Six Months Ended June 30, 2018		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ (5)
Total commodity	$ (6)	$ (5)
Interest rate[2]	(3)	(2)
Foreign currency[3]	(1)	(8)
Total	$ (10)	$ (15)
Six Months Ended June 30, 2017		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ (3)
Total commodity	$ 4	$ (3)
Interest rate[2]	—	(2)
Foreign currency[3]	(1)	6
Total	$ 3	$ 1

(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.

Note 10. Investments

Dominion Energy

Equity and Debt Securities

Rabbi Trust Securities

Equity and debt securities and cash equivalents in Dominion Energy’s rabbi trusts and classified as trading totaled $114 million and $112 million at June 30, 2018 and December 31, 2017, respectively.

Decommissioning Trust Securities

Dominion Energy holds equity and debt securities, cash equivalents and cost method investments in nuclear decommissioning trust funds to fund future decommissioning costs for its nuclear plants. Dominion Energy's decommissioning trust funds are summarized below:

(millions)	Amortized Cost	Total Unrealized Gains	Total Unrealized Losses	Fair Value
June 30, 2018				
Equity securities:[1]				
U.S.	$ 1,695	$ 1,896	$ (14)	$3,577
Fixed income securities:[2]				
Corporate debt instruments	447	6	(8)	445
Government securities	1,058	16	(14)	1,060
Common/collective trust funds	72	—	—	72
Cash equivalents and other[3]	5	—	—	5
Total	$ 3,277	$ 1,918	$ (36)[4]	$5,159
December 31, 2017				
Equity securities:[2]				
U.S.	$ 1,569	$ 1,857	$ —	$3,426
Fixed income securities:[2]				
Corporate debt instruments	430	15	(1)	444
Government securities	1,039	27	(5)	1,061
Common/collective trust funds	60	—	—	60
Cost method investments	68	—	—	68
Cash equivalents and other[3]	34	—	—	34
Total	$ 3,200	$ 1,899	$ (6)[4]	$5,093

(1) Effective January 2018, unrealized gains and losses on equity securities, including those previously classified as cost method investments, are included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

(2) Unrealized gains and losses on equity securities (for 2017) and 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 $3 million at June 30, 2018 and pending sales of securities of $5 million at December 31, 2017.

(4) The fair value of securities in an unrealized loss position was $900 million and $565 million at June 30, 2018 and December 31, 2017, respectively.

The portion of unrealized gains and losses that relates to equity securities held within Dominion Energy's nuclear decommissioning trusts is summarized below:

(millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Net gains recognized during the period	$ 89	$ 24
Less: Net gains recognized during the period on securities sold during the period	(16)	(35)
Unrealized gains (losses) recognized during the period on securities still held at June 30, 2018[1]	$ 73	$ (11)

(1) Included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

The fair value of Dominion Energy's debt securities with readily determinable fair values held in nuclear decommissioning trust funds at June 30, 2018 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	$ 321
Due after one year through five years	327
Due after five years through ten years	353
Due after ten years	576
Total	$ 1,577

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Presented below is selected information regarding Dominion Energy’s equity and debt securities with readily determinable fair values held in nuclear decommissioning trust funds.

(millions)	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Proceeds from sales	$425	$363	$844	$1,119
Realized gains[1]	36	23	72	117
Realized losses[1]	23	16	42	36

(1) Includes realized gains and losses recorded to the nuclear decommissioning trust regulatory liability.

Other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds recognized in earnings for Dominion Energy were not material for the three and six months ended June 30, 2018 and 2017.

Virginia Power

Virginia Power holds equity and debt securities, cash equivalents and cost method investments 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
June 30, 2018				
Equity securities:[1]				
U.S.	$ 837	$ 861	$ (7)	$1,691
Fixed income securities:[2]				
Corporate debt instruments	228	3	(4)	227
Government securities	490	7	(5)	492
Common/collective trust funds	32	—	—	32
Cash equivalents and other[3]	7	—	—	7
Total	$ 1,594	$ 871	$ (16)[4]	$2,449
December 31, 2017				
Equity securities:[2]				
U.S.	$ 734	$ 831	$ —	$1,565

Fixed income securities:[2]				
Corporate debt instruments	216	8	—	224
Government securities	482	13	(2)	493
Common/collective trust funds	27	—	—	27
Cost method investments	68	—	—	68
Cash equivalents and other[3]	22	—	—	22
Total	$ 1,549	$ 852	$ (2)[4]	$ 2,399

(1) Effective January 2018, unrealized gains and losses on equity securities, including those previously classified as cost method investments, are included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

(2) Unrealized gains and losses on equity securities (for 2017) and 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 $5 million and $6 million at June 30, 2018 and December 31, 2017, respectively.

(4) The fair value of securities in an unrealized loss position was $414 million and $234 million at June 30, 2018 and December 31, 2017, respectively.

The portion of unrealized gains and losses that relates to equity securities held within Virginia Power's nuclear decommissioning trusts is summarized below:

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(millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Net gains recognized during the period	$ 44	$ 12
Less: Net gains recognized during the period on securities sold during the period	(8)	(23)
Unrealized gains (losses) recognized during the period on securities still held at June 30, 2018[1]	$ 36	$ (11)

(1) Included in other income and the nuclear decommissioning trust regulatory liability as discussed in Note 2.

The fair value of Virginia Power's debt securities with readily determinable fair values held in nuclear decommissioning trust funds at June 30, 2018 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	$ 49
Due after one year through five years	158
Due after five years through ten years	216
Due after ten years	328
Total	$ 751

Presented below is selected information regarding Virginia Power's equity and debt securities with readily determinable fair values held in nuclear decommissioning trust funds.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	2018	2017	2018	2017
Proceeds from sales	$196	$168	$414	$498
Realized gains[1]	15	10	33	55
Realized losses[1]	7	8	12	18

(1) Includes realized gains and losses recorded to the nuclear decommissioning trust regulatory liability.

Other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds recognized in earnings for Virginia Power were not material for the three and six months ended June 30, 2018 and 2017.

Equity Method Investments

Dominion Energy

Atlantic Coast Pipeline

Dominion Energy recorded contributions of $81 million and $85 million during the three months ended June 30, 2018 and 2017, respectively, and $159 million and $202 million during the six months ended June 30, 2018 and 2017, respectively, to Atlantic Coast Pipeline. At June 30, 2018, Dominion Energy had $33 million of contributions payable to Atlantic Coast Pipeline included within other current liabilities in the Consolidated Balance Sheets.

DETI provides services to Atlantic Coast Pipeline which totaled $60 million and $30 million for the three months ended June 30, 2018 and 2017, respectively, and $106 million and $61 million for the six months ended June 30, 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 $19 million and $12 million at June 30, 2018 and December 31, 2017, respectively, composed entirely of accrued unbilled revenue, included in other receivables in Dominion Energy and Dominion Energy Gas' Consolidated Balance Sheets.

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 16 for more information.

NedPower

Dominion Energy has a liability of $1 million and $17 million recorded to other deferred credits and other liabilities on the Consolidated Balance Sheets at June 30, 2018 and December 31, 2017, respectively, relating to its commitment to provide further financial support for NedPower.

Other

In July 2018, Dominion Energy entered into an agreement to sell its 25% limited partnership interest in Catalyst Old River Hydroelectric Limited Partnership, which is accounted for as an equity method investment with zero carrying value at June 30, 2018. The transaction is expected to close in the third quarter of 2018 with proceeds of approximately $90 million, subject to customary closing adjustments. As a result, Dominion Energy expects to recognize a gain of approximately $90 million ($65 million after-tax) in the third quarter of 2018.

Dominion Energy Gas

Iroquois

Dominion Energy Gas' equity earnings totaled $14 million and $11 million for the six months ended June 30, 2018 and 2017, respectively. Dominion Energy Gas received distributions of $14 million and $11 million for the six months ended June 30, 2018 and 2017, respectively. At both June 30, 2018 and December 31, 2017, the carrying amount of Dominion Energy Gas' investment of $95 million exceeded its share of underlying equity in net assets by $8 million. The difference reflects equity method goodwill and is not being amortized.

Note 11. Property, Plant and Equipment

Virginia Power

Assignment of Tower Rental Portfolio

Virginia Power rents space on certain of its electric transmission towers to various wireless carriers for communications antennae 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 $1 million in operating revenue and $1 million in other income for the three months ended June 30, 2018 and 2017, respectively, and recorded $3 million in operating revenue and $8 million in other income for the six months ended June 30, 2018 and 2017, respectively, with $32 million remaining to be recognized ratably through 2023.

Dominion Energy Gas

Assignment of Shale Development Rights

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. 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. In February 2018, Dominion Energy Gas received proceeds of $28 million, resulting in an approximately $28 million ($20 million after-tax) gain recorded in other operations and maintenance expense 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 other operations and maintenance expense 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 other operations and maintenance expense in Dominion Energy Gas' Consolidated Statements of Income.

Note 12. Regulatory Assets and Liabilities

Regulatory assets and liabilities include the following:

(millions)	June 30, 2018	December 31, 2017
Dominion Energy		
Regulatory assets:		
Deferred cost of fuel used in electric generation(1)	$ 344	$ 23
Deferred rate adjustment clause costs(2)	89	70
Deferred nuclear refueling outage costs(3)	76	54
Unrecovered gas costs(4)	3	38
Other	104	109
Regulatory assets-current	616	294
Unrecognized pension and other postretirement benefit costs(5)	1,296	1,336
Deferred rate adjustment clause costs(2)	372	401
PJM transmission rates(6)	237	222
Utility reform legislation(7)	174	147
Derivatives(8)	131	223
Other	185	151
Regulatory assets-noncurrent	2,395	2,480
Total regulatory assets	$ 3,011	$ 2,774
Regulatory liabilities:		
Reserve for rate credits to electric utility customers(9)	$ 200	$ —
Provision for future cost of removal and AROs(10)	101	101
Other	123	92
Regulatory liabilities-current(11)	424	193
Income taxes refundable through future rates(12)	4,037	4,058
Provision for future cost of removal and AROs(10)	1,407	1,384
Nuclear decommissioning trust(13)	1,147	1,121
Cost-of-service impact of 2017 Tax Reform Act(14)	84	—
Other	390	353
Regulatory liabilities-noncurrent	7,065	6,916
Total regulatory liabilities	$ 7,489	$ 7,109
Virginia Power		
Regulatory assets:		
Deferred cost of fuel used in electric generation(1)	$ 344	$ 23
Deferred nuclear refueling outage costs(3)	76	54
Deferred rate adjustment clause costs(2)	56	56
Other	76	72
Regulatory assets-current	552	205
Deferred rate adjustment clause costs(2)	296	312
PJM transmission rates(6)	237	222
Derivatives(8)	98	190

Other	98	86
Regulatory assets-noncurrent	729	810
Total regulatory assets	$ 1,281	$ 1,015
Regulatory liabilities:		
Reserve for rate credits to customers[9]	$ 200	$ —
Provision for future cost of removal[10]	80	80
Other	25	47
Regulatory liabilities-current [11]	305	127
Income taxes refundable through future rates[12]	2,567	2,581
Nuclear decommissioning trust[13]	1,147	1,121
Provision for future cost of removal[10]	927	915
Cost-of-service impact of 2017 Tax Reform Act[14]	72	—
Derivatives[8]	65	69

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Other	99	74
Regulatory liabilities-noncurrent	4,877	4,760
Total regulatory liabilities	$5,182	$4,887
Dominion Energy Gas		
Regulatory assets:		
Deferred rate adjustment clause costs(2)	$33	$14
Unrecovered gas costs(4)	—	8
Other	2	4
Regulatory assets-current(15)	35	26
Unrecognized pension and other postretirement benefit costs(5)	251	258
Utility reform legislation(7)	174	147
Deferred rate adjustment clause costs(2)	76	89
Other	25	17
Regulatory assets-noncurrent(16)	526	511
Total regulatory assets	$561	$537
Regulatory liabilities:		
Overrecovered gas costs(4)	$18	$—
Provision for future cost of removal and AROs(10)	13	13
PIPP(17)	3	20
Other	14	5
Regulatory liabilities-current(11)	48	38
Income taxes refundable through future rates(12)	993	998
Provision for future cost of removal and AROs(10)	165	160
Cost-of-service impact of 2017 Tax Reform Act(14)	11	—
Other	84	69
Regulatory liabilities-noncurrent	1,253	1,227
Total regulatory liabilities	$1,301	$1,265

(1) Reflects deferred fuel expenses for the Virginia and North Carolina jurisdictions of Dominion Energy and Virginia Power’s generation operations.

(2) Primarily reflects deferrals under the 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 and deferrals of costs associated with certain current and prospective rider projects for Dominion Energy Gas. See Note 13 for more information.

(3) 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.

(4) Reflects unrecovered or overrecovered gas costs at regulated gas operations, which are recovered or refunded through filings with the applicable regulatory authority.

(5) 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 and Dominion Energy Gas' rate-regulated subsidiaries.

(6) Reflects amounts related to the PJM transmission cost allocation matter. See Note 13 for more information.

(7) Ohio legislation under House Bill 95, which became effective in September 2011. This law updates natural gas legislation by enabling gas companies to include more up-to-date cost levels when filing rate cases. It also allows gas companies to seek approval of capital expenditure plans under which gas companies can recognize carrying costs on associated capital investments placed in service and can defer the carrying costs plus depreciation and property tax expenses for recovery from ratepayers in the future.

(8) For jurisdictions subject to cost-based rate regulation, changes in the fair value of derivative instruments result in the recognition of regulatory assets or regulatory liabilities as they are expected to be recovered from or refunded

to customers.

(9) Charge associated with Virginia legislation enacted in March 2018 that requires one-time rate credits of certain amounts to utility customers. See Note 13 for more information.

(10) Rates charged to customers by the Companies' 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.

(11) Current regulatory liabilities are presented in other current liabilities in the Companies' Consolidated Balance Sheets.

(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.

(14) 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 Note 13 for more information.

(15) Current regulatory assets are presented in other current assets in Dominion Energy Gas' Consolidated Balance Sheets.

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(16) Noncurrent regulatory assets are presented in other deferred charges and other assets in Dominion Energy Gas' Consolidated Balance Sheets.
(17) Under PIPP, eligible customers can make reduced payments based on their ability to pay. The difference between the customer's total bill and the PIPP plan amount is deferred and collected or returned annually under the PIPP rate adjustment clause according to East Ohio tariff provisions.

At June 30, 2018, $427 million of Dominion Energy's and $349 million of Virginia Power's regulatory assets represented past expenditures on which they do not currently earn a return. With the exception of the $237 million PJM transmission cost allocation matter, 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 matters for which the Companies cannot estimate a range of possible loss, 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 for which 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. 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. Virginia Power purchases and, under its FERC market-based rate authority, sells electricity in the wholesale market. 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 of

11.4%, 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 March 2010, Old Dominion Electric Cooperative 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

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related to the October 2017 order determining the calculation of the undergrounding costs. While Virginia Power cannot predict the outcome of the matter, it is not expected to have a material effect on results of operations.

PJM Transmission Rates

In April 2007, FERC issued an order regarding its transmission rate design for the allocation of costs among PJM transmission customers, including Virginia Power, for transmission service provided by PJM. For new PJM-planned transmission facilities that operate at or above 500 kV, FERC established a PJM regional rate design where customers pay according to each customer's share of the region's load. For recovery of costs of existing facilities, FERC approved the existing methodology whereby a customer pays the cost of facilities located in the same zone as the customer. A number of parties appealed the order to the U.S. Court of Appeals for the Seventh Circuit.

In August 2009, the court issued its decision affirming the FERC order with regard to the existing facilities, but remanded to FERC the issue of the cost allocation associated with the new facilities 500 kV and above for further consideration by FERC. On remand, FERC reaffirmed its earlier decision to allocate the costs of new facilities 500 kV and above according to the customer's share of the region's load. A number of parties filed appeals of the order to the U.S. Court of Appeals for the Seventh Circuit. In June 2014, the court again remanded the cost allocation issue to FERC. In December 2014, FERC issued an order setting an evidentiary hearing and settlement proceeding regarding the cost allocation issue. The hearing only concerns the costs of new facilities approved by PJM prior to February 1, 2013. Transmission facilities approved after February 1, 2013 are allocated on a hybrid cost allocation method approved by FERC and not subject to any court review.

In June 2016, PJM, the PJM transmission owners and state commissions representing substantially all of the load in the PJM market submitted a settlement to FERC to resolve the outstanding issues regarding this matter. In May 2018, FERC issued an order accepting the settlement agreement and directed PJM to make a compliance filing with revised tariff records. As a result, Virginia Power will begin to make payments to PJM over the next 10 years under the terms of revised tariff records beginning in August 2018. Accordingly, at June 30, 2018, Virginia Power's Consolidated Balance Sheet includes $148 million included in other current liabilities and $98 million included in other deferred credits and other liabilities, which are partially offset by a $237 million regulatory asset for the amount that will be recovered through retail rates in Virginia.

FERC – Gas

DETI

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's 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 other operations and maintenance expense in Dominion Energy's and Dominion Energy Gas' Consolidated Statements of Income during the second quarter of 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 other operations and maintenance expense in Dominion Energy and Dominion Energy Gas' Consolidated Statements of Income during the second quarter of 2018 for a disallowance of plant, originally established beginning in 2012, in anticipation of 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 January 2018, the Virginia Commission issued an order directing Virginia utilities to reflect the impacts of the 2017 Tax Reform Act in the annual informational filings submitted to the Virginia Commission. Virginia Power submitted this filing in June 2018. Also, in

May and June 2018, Virginia Power submitted filings detailing the implementation plan for interim reductions in rates for generation and distribution services pursuant to the Grid Transformation and Security Act of 2018. The interim rate reduction totals approximately $125 million on an annual basis effective July 2018.

In February 2018, Virginia Power submitted a response to the North Carolina Utilities Commission detailing the impact of the 2017 Tax Reform Act on base non-fuel cost of service and Virginia Power's excess deferred income taxes clarifying that the amounts have been deferred to a regulatory liability.

In May 2018, the Utah Commission approved a stipulation submitted by Questar Gas proposing the cost-of-service component of customer rates be reduced by $15 million annually beginning in June 2018. The impact of excess deferred income taxes resulting from the 2017 Tax Reform Act on rates charged to customers will be reported to the Utah and Wyoming Commissions by the first quarter of 2019.

In March 2018, East Ohio submitted responses to the Ohio Commission's request for comments on those components of utility rates that will need to be reconciled with the 2017 Tax Reform Act, and on the process and mechanics by which the Ohio Commission should do so. This matter is pending.

As directed by the Public Service Commission of West Virginia, Hope is utilizing regulatory accounting to track the effects of the 2017 Tax Reform Act beginning in January 2018 and submitted testimony in July 2018 detailing such effects. This matter is pending.

In March 2018, FERC announced actions to address the income tax allowance component of regulated entities' cost-of-service rates as a result of the 2017 Tax Reform Act. FERC issued a notice of proposed rulemaking introducing a process for determining whether jurisdictional natural gas pipelines may be collecting unjust and unreasonable rates as a result of the reduction in the corporate income tax rate. The proposed rule would require all interstate natural gas pipelines to make a one-time informational filing with FERC to provide financial information to allow FERC and other interested parties to analyze the impacts of the changes in tax law. The actions also included the reversal of FERC's policy allowing master limited partnerships to recover an income tax allowance in cost-of-service rates and requiring other pass-through entities to justify the inclusion of an income tax allowance. FERC also issued a notice of inquiry seeking comments on whether it should take any additional actions to address changes in federal corporate income taxes, the elimination of an income tax allowance for master limited partnerships, excess or deficient accumulated deferred income taxes and bonus depreciation, among other items.

In July 2018, FERC issued a final rule adopting and modifying the procedures for determining whether jurisdictional natural gas pipelines may be collecting unjust and unreasonable rates in light of the reduction in the corporate income tax rate. These procedures are generally the same as the proposals issued in March; however the final rule modifies the treatment of the income tax allowance for master limited partnerships and other pass-through entities in the

informational filing. Specifically, this final rule does not require master limited partnerships to eliminate their income tax allowances when completing the informational filing, and allows entities that are wholly-owned by corporations to include an income tax allowance. Although the informational filing does not require the elimination of the income tax allowance for master limited partnerships, and provides options to master limited partnerships to address the income tax allowance that were previously unavailable including providing evidence that a double recovery of income taxes does not exist, there can be no assurance that master limited partnerships would be allowed to include an income tax allowance in the future. Given these developments and associated uncertainty, Dominion Energy and Dominion Energy Gas are currently unable to predict the outcome of these matters; however, any change in rates permitted to be charged to customers could have a material impact on results of operations, financial condition and/or cash flows. Virginia Power’s regulated electric transmission formula rate mechanism includes provisions allowing changes in income tax rates to be incorporated in rates charged to customers.

Other Regulatory Matters

Other than the following matters, there have been no significant developments regarding the pending regulatory matters disclosed in Note 13 to the Consolidated Financial Statements in the Companies’ Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, and Note 13 to the Consolidated Financial Statements in the Companies’ Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

Virginia Regulation

Virginia Fuel Expenses

In May 2018, 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, 2018. Virginia Power’s proposed fuel rate represented a fuel revenue increase of $222 million when applied to projected kilowatt-hour sales for the period July 1, 2018 to June 30, 2019. This matter is pending.

Grid Transformation and Security Act of 2018

In March 2018, the Governor of Virginia signed into law legislation to reinstate 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 return on equity that might have been refunded to customers may be reduced by 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.

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 addition, Virginia Power will reduce base rates on an annual basis by $125 million effective July 2018, to reflect the estimated effect of the 2017 Tax Reform Act, which is subject to adjustment in 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 Grid Transformation and Security Act of 2018. During the first three years of the plan, Virginia Power proposes 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 is $816 million and the proposed operations and maintenance expenses are $102 million. This matter 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 2018, Virginia Power proposed a $755 million total revenue requirement consisting of $468 million for the transmission component of Virginia Power's base rates and $287 million for Rider T1, subject to true-up, for the rate year beginning September 1, 2018. This total revenue requirement represents a $146 million increase versus the revenues to be produced during the rate year under current rates. This matter is pending.
- The Virginia Commission previously approved Rider S in conjunction with the Virginia City Hybrid Energy Center. In June 2018, Virginia Power proposed a $220 million total revenue requirement for the rate year beginning April 1,

2019, which represents a $2 million increase over the previous year. This matter is pending.

- The Virginia Commission previously approved Rider W in conjunction with Warren County. In June 2018, Virginia Power proposed a $107 million total revenue requirement for the rate year beginning April 1, 2019, which represents a $2 million decrease over the previous year. This matter is pending.
- The Virginia Commission previously approved Rider R in conjunction with Bear Garden. In June 2018, Virginia Power proposed a $59 million total revenue requirement for the rate year beginning April 1, 2019, which represents a $7 million decrease over the previous year. This matter is pending.
- The Virginia Commission previously approved Rider B in conjunction with the conversion of three power stations to biomass. In June 2018, Virginia Power proposed a $54 million total revenue requirement for the rate year beginning April 1, 2019, which represents a $7 million increase over the previous year. This matter is pending.
- The Virginia Commission previously approved Rider GV in conjunction with Greensville County. In June 2018, Virginia Power proposed a $121 million total revenue requirement for the rate year beginning April 1, 2019, which represents a $39 million increase over the previous year. This matter is pending.
- The Virginia Commission previously approved Riders C1A and C2A in connection with cost recovery for DSM programs. In October 2017, Virginia Power requested approval to extend one existing energy efficiency program for five years with a new $25 million cost cap, and proposed a total $31 million revenue requirement for the rate year beginning July 1, 2018, which represents

a $3 million increase over the previous year. In May 2018, the Virginia Commission approved a total revenue requirement of $31 million, subject to true-up.

- The Virginia Commission previously approved Rider BW in conjunction with Brunswick County. In October 2017, Virginia Power proposed a $132 million revenue requirement for the rate year beginning September 1, 2018, which represents a $5 million increase over the previous year. In July 2018, the Virginia Commission approved a $116 million revenue requirement, subject to true-up, for the rate year beginning September 1, 2018.
- The Virginia Commission previously approved Rider US-2 in conjunction with Scott Solar, Whitehouse, and Woodland. In October 2017, Virginia Power proposed a $15 million revenue requirement for the rate year beginning September 1, 2018, which represents a $5 million increase over the previous year. In July 2018, the Virginia Commission approved a $13 million revenue requirement, subject to true-up, for the rate year beginning September 1, 2018.

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 and Spring Grove 1 are expected to commence commercial operations, subject to regulatory approvals associated with the projects, in the fourth quarter of 2019 and the fourth quarter of 2020, respectively. Virginia Power also applied for approval of Rider US-3 associated with these projects with a proposed $11 million total revenue requirement for the rate year beginning March 1, 2019. This matter is pending.

Electric Transmission Projects

In July 2017, the National Parks Conservation Association filed a lawsuit in U.S. District Court for the District of Columbia seeking to set aside the permit granted by the U.S. Army Corps of Engineers for the Surry-to-Skiffes Creek-to-Whealton electric transmission line project and requested a preliminary injunction against the permit. In August 2017, the National Trust for Historic Preservation and Preservation Virginia filed a similar lawsuit and request for preliminary injunction in U.S. District Court for the District of Columbia. In October 2017, the preliminary injunction requests were denied. In May 2018, the District Court granted summary judgment in favor of the U.S. Army Corps of Engineers and Virginia Power and dismissed both lawsuits. In June 2018, the National Parks Conservation Association and the National Trust for Historic Preservation and Preservation Virginia appealed that decision to the U.S. Court of Appeals for the D.C. Circuit. The appeal is pending. Also in June 2018, the National Parks Conservation Association filed requests with the U.S. District Court for the District of Columbia and the U.S. Court of Appeals for the D.C. Circuit for an injunction against the permit pending appeal. The U.S. District Court for the District of Columbia denied the injunction request in June 2018 and the U.S. Court of Appeals for the D.C. Circuit similarly denied the request in July 2018.

Virginia Power previously filed an application with the Virginia Commission for a CPCN to convert an existing transmission line to 230 kV in Prince William County, Virginia, and Loudoun County, Virginia, and to construct and operate a new approximately five mile overhead 230 kV double circuit transmission line between a tap point near the Gainesville substation and a new to-be-constructed Haymarket substation. In June 2017, the Virginia Commission issued a final order approving an alternative route for the project, and granted the necessary CPCN. In July 2017, the Virginia Commission retained jurisdiction over the case to evaluate two requests to reconsider its decisions. Also in July 2017, Virginia Power requested that the Virginia Commission stay the proceeding while Virginia Power discussed the proposed route with leaders of Prince William County. In December 2017, the Virginia Commission granted in part the two motions for reconsideration, retained jurisdiction for further proceedings in the case and stayed the effectiveness of its final order. In March 2018, Virginia Power and the two parties seeking reconsideration entered into a stipulated settlement filed with the Virginia Commission agreeing that the project should be placed into an underground pilot program created by the Grid Transformation and Security Act of 2018. In June 2018, the Virginia Commission issued an order finding that the project is still needed. In July 2018, Virginia Power filed a request with

the Virginia Commission to allow the project to participate in the underground pilot program. Subsequently, in July 2018, the Virginia Commission issued a final order granting the CPCN for the project and allowing the project to participate in the underground pilot program.

In May 2018, Virginia Power filed an application with the Virginia Commission for a CPCN to rebuild and operate in Chesterfield County and the City of Hopewell, Virginia approximately 8 miles of 230 kV transmission line between the Chesterfield and Hopewell substations, along with associated substation work. The total estimated cost of the project is approximately $30 million. This matter is pending.

In May 2018, Virginia Power filed an application with the Virginia Commission for a CPCN to rebuild and operate in Chesterfield and Henrico Counties, Virginia approximately 21 miles of 230 kV transmission line between the Chesterfield and Lakeside substations, along with associated substation work. The total estimated cost of the project is approximately $35 million. This matter is pending.

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In June 2018, Virginia Power filed an application with the Virginia Commission for a CPCN to rebuild and operate in the Cities of Virginia Beach and Chesapeake, Virginia approximately 8.5 miles of 230 kV transmission line between the Landstown and Thrasher substations, along with associated substation work. The total estimated cost of the project is approximately $20 million. This matter is pending.

In June 2018, Virginia Power filed an application with the Virginia Commission for a CPCN to rebuild and operate in King and Queen, King William, and New Kent Counties, Virginia four separate segments of 230 kV transmission line between Lanexa and the Northern Neck in Virginia. The total estimated cost of the project is approximately $35 million. This matter is pending.

Ohio Regulation

PIPP Plus Program

Under the Ohio PIPP Plus Program, eligible customers can make reduced payments based on their ability to pay their bill. The difference between the customer's total bill and the PIPP amount is deferred and collected under the PIPP Rider in accordance with the rules of the Ohio Commission. In May 2018, East Ohio filed its annual update of the PIPP Rider with the Ohio Commission. The revised rider rate reflects recovery over the twelve-month period from July 2018 through June 2019 of projected deferred program costs of approximately $10 million from April 2018 through June 2019, net of a refund for over-recovery of accumulated arrearages of approximately $4 million as of March 31, 2018. This matter is pending.

UEX Rider

East Ohio has approval for a UEX Rider through which it recovers the bad debt expense of most customers not participating in the PIPP Plus Program. The UEX Rider is adjusted annually to achieve dollar for dollar recovery of East Ohio's actual write-offs of uncollectible amounts. In May 2018, East Ohio filed an application with the Ohio Commission requesting approval of its UEX Rider to reflect a refund of over-recovered accumulated bad debt expense of approximately $11 million as of March 31, 2018, and recovery of prospective net bad debt expense projected to total approximately $16 million for the twelve-month period from April 2018 to March 2019. This matter is pending.

Utah and Wyoming Regulation

In the second quarter of 2018, Questar Gas filed a request with the Utah Commission for pre-approval to construct an LNG peaking storage facility with a liquefaction rate of 8.2 million cubic feet per day. This pre-approval process allows Questar Gas to receive a prudency determination from the Utah Commission before making a capital investment in the facility. Under the pre-approval statute, the Utah Commission has 180 days to make a prudency determination. Based on this timeline, a determination is expected by the end of October 2018.

In May 2018, Questar Gas submitted filings with both the Utah Commission and Wyoming Commission for an approximately $86 million gas cost decrease reflecting forecasted decreases in commodity costs. The Utah Commission and the Wyoming Commission both approved the filings in May 2018 with rates effective June 2018.

West Virginia Regulation

In May 2018, Hope filed a PREP application with the Public Service Commission of West Virginia requesting approval to recover PREP costs related to $31 million and $36 million of projected capital investment for 2018 and

2019, respectively. The application also includes a true-up of PREP costs related to the 2017 actual capital investment of $28 million and sets forth $8 million of annual PREP costs to be recovered in proposed rates effective November 1, 2018. This matter is pending.

Note 14. Variable Interest Entities

There have been no significant changes regarding the entities the Companies consider VIEs as described in Note 15 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.

Dominion Energy

Dominion Energy's securities due within one year and long-term debt include $29 million and $324 million, respectively, of debt issued in 2016 by SBL Holdco, a VIE, net of issuance costs, that is nonrecourse to Dominion Energy and is secured by SBL Holdco's interest in certain merchant solar facilities.

Virginia Power

Virginia Power had long-term power and capacity contracts with three non-utility generators. Contracts with two of these non-utility generators expired in the third quarter 2017 leaving a remaining aggregate summer generation capacity of approximately 218 MW. Virginia Power is not subject to any risk of loss from this potential VIE other than its remaining purchase commitments which totaled $175 million as of June 30, 2018. Virginia Power paid $12 million and $28 million for electric capacity and $5 million and $7 million for electric energy to non-utility generators in the three months ended June 30, 2018 and 2017, respectively. Virginia Power paid $25 million and $56 million for electric capacity and $10 million and $15 million for electric energy to non-utility generators in the six months ended June 30, 2018 and 2017, respectively.

Virginia Power and Dominion Energy Gas

Virginia Power and Dominion Energy Gas purchased shared services from DES, an affiliated VIE, of $83 million and $31 million for the three months ended June 30, 2018, $83 million and $31 million for the three months ended June 30, 2017, $172 million and $63 million for the six months ended June 30, 2018 and $168 million and $62 million for the six months ended June 30, 2017, respectively. Virginia Power and Dominion Energy Gas' Consolidated Balance Sheets included amounts due to DES of $35 million and $12 million, respectively, at June 30, 2018, and $36 million and $14 million, respectively, at December 31, 2017, recorded in payables to affiliates in the Consolidated Balance Sheets.

Note 15. Significant Financing Transactions

Credit Facilities and Short-term Debt

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

In March 2018, Dominion Energy replaced its two existing joint revolving credit facilities with a $6.0 billion joint revolving credit facility. At June 30, 2018, Dominion Energy's commercial paper and letters of credit outstanding, as well as its capacity available under the credit facility, were as follows:

(millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Capacity Available
Joint revolving credit facility(1)	$ 6,000	$ 2,743	$ 72	$ 3,185

(1) This credit facility matures in March 2023 and can be used by the Companies 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.

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 and Dominion Energy Gas. At June 30, 2018, the sub-limit for Questar Gas was $250 million.

In addition to the credit facility 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 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 2024. At June 30, 2018, no amounts were outstanding under either of these facilities.

In February 2018, Dominion Energy borrowed $950 million under a 364-Day Term Loan Agreement that bears interest at a variable rate. In addition, the agreement contains a maximum allowed total debt to total capital ratio of 67.5%.

In March 2018, Dominion Energy Midstream entered into a $500 million revolving credit facility. The credit facility matures in March 2021, bears interest at a variable rate, and can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to $250 million of letters of credit. At June 30, 2018, Dominion Energy Midstream had $73 million outstanding under this credit facility.

In June 2018, Dominion Energy borrowed $500 million under a 364-Day Term Loan Agreement that bears interest at a variable rate. In addition, the agreement contains a maximum allowed total debt to total capital ratio of 67.5%.

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Virginia Power

Virginia Power’s short-term financing is supported through its access as co-borrower to the joint revolving credit facility. This credit facility can be used for working capital, as support for the combined commercial paper programs of the Companies and for other general corporate purposes.

At June 30, 2018, Virginia Power’s share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, Dominion Energy Gas and Questar Gas was as follows:

(millions)	Facility Limit[1]	Outstanding Commercial Paper	Outstanding Letters of Credit
Joint revolving credit facility[1]	$ 6,000	$ 1,158	$ 1

(1) The full amount of the facility is available to Virginia Power, less any amounts outstanding to co-borrowers Dominion Energy, Dominion Energy Gas and Questar Gas. The sub-limit for Virginia Power is set within the facility limit but can be changed at the option of the Companies multiple times per year. At June 30, 2018, 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.

In addition to the credit facility commitments mentioned above, Virginia Power also had a $100 million credit facility with a maturity date of April 2020. In March 2018, Virginia Power redeemed its variable rate tax-exempt financings supported by this credit facility and terminated the facility.

Dominion Energy Gas

Dominion Energy Gas’ short-term financing is supported through its access as co-borrower to the joint revolving credit facility. This credit facility can be used for working capital, as support for the combined commercial paper programs of the Companies and for other general corporate purposes.

At June 30, 2018, Dominion Energy Gas' share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, Virginia Power and Questar Gas was as follows:

(millions)	Facility Limit[1]	Outstanding Commercial Paper	Outstanding Letters of Credit
Joint revolving credit facility[1]	$ 1,500	$ 188	$ —

(1) 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 and Questar Gas. The sub-limit for Dominion Energy Gas is set within the facility limit but can be changed at the option of the Companies multiple times per year. At June 30, 2018, 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.

Long-term Debt

Unless otherwise noted, the proceeds of long-term debt issuances were used for general corporate purposes and/or to repay short-term debt.

In January 2018, Dominion Energy Questar Pipeline issued, through private placement, $100 million of 3.53% senior notes and $150 million of 3.91% senior notes that mature in 2028 and 2038, respectively. The proceeds were used to repay maturing long-term debt.

In March 2018, Virginia Power issued $700 million of 3.80% senior notes that mature in 2028.

In March 2018, Virginia Power redeemed $100 million of its variable rate tax-exempt financings which would otherwise have matured in 2024, 2026 and 2027.

In April 2018, Questar Gas issued through private placement $50 million of 3.30% senior notes and $100 million of 3.97% senior notes that mature in 2030 and 2047, respectively.

In May 2018, Dominion Energy issued through private placement $500 million of variable rate senior notes that mature in 2020.

In June 2018, Dominion Energy issued $300 million of 4.25% senior notes that mature in 2028.

In June 2018, Dominion Energy Gas issued $500 million of variable rate senior notes that mature in 2021.

Noncontrolling Interest in Dominion Energy Midstream

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.

Issuance of Common Stock

At-the-Market Programs

In June 2017, Dominion Energy filed an SEC shelf registration statement 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 was able to offer up to $500 million aggregate amount of its common stock. 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 privately negotiated transactions, as transactions on the New York Stock Exchange 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. No issuances have occurred under these agreements and none are planned in 2018.

Forward Sales Agreements

Dominion Energy entered in March 2018, and closed in April 2018, 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. Except in certain specified circumstances that would require physical share settlement, Dominion Energy may elect physical, cash or net share settlement of the forward sale agreements on or before December 31, 2018. At the initial forward sale price of approximately $67.33 per share, Dominion Energy expects the net proceeds from full physical settlement of the forward sales agreements to be approximately $1.5 billion (after deducting underwriting discounts, but before deducting expenses, and subject to forward price adjustments under the forward sale agreements). Pursuant to a cash settlement of the forward sale agreements, Dominion Energy would expect to receive an amount of net proceeds that is significantly lower than estimated above in connection with the full physical settlement, and Dominion Energy may not receive any net proceeds (or may owe cash, which could be a significant

amount, to the forward purchasers). If the forward sale agreements are net share settled in full, Dominion Energy would not receive any cash proceeds from the forward purchasers (and may be required to deliver shares of our common stock to the forward purchasers). The forward sale transactions will be classified as equity transactions, because they are indexed to Dominion Energy's common stock and physical settlement is within Dominion Energy's control.

Note 16. 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 for which 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 for which 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

The MATS rule requires coal- and oil-fired electric utility steam generating units to meet strict emission limits for mercury, particulate matter as a surrogate for toxic metals and hydrogen chloride as a surrogate for acid gases. Following a one-year compliance extension granted by the VDEQ and an additional one-year extension under an EPA Administrative Order, Virginia Power ceased operating the coal units at Yorktown power station in April 2017 to comply with the rule.

In June 2017, the DOE issued an order to PJM to direct Virginia Power to operate Yorktown power station's Units 1 and 2 as needed to avoid reliability issues on the Virginia Peninsula. The order was effective for 90 days and can be reissued upon PJM's request, if necessary, until required electricity transmission upgrades are completed approximately 23 months following the receipt in July 2017 of final permits and approvals for construction. Beginning in August 2017, PJM filed requests for 90-day renewals of the DOE order, which the DOE has granted. The current renewal is effective until September 2018. The Sierra Club has challenged the DOE order and certain renewal requests, all of which have been denied by the DOE.

Although litigation of the MATS rule is still pending, the regulation remains in effect and Virginia Power is complying with the applicable requirements of the rule and does not expect any adverse impacts to its operations at

this time.

Ozone Standards

In October 2015, the EPA issued a final rule tightening the ozone standard from 75-ppb to 70-ppb. To comply with this standard, in April 2016 Virginia Power submitted the NO_X Reasonable Available Control Technology analysis for Unit 5 at Possum Point power station. In December 2016, the VDEQ determined that NO_X reductions are required on Unit 5. In October 2017, Virginia Power proposed to install NO_X controls by mid-2019 with an expected cost in the range of $25 million to $35 million. In April 2018, Virginia Power submitted an application with the VDEQ containing an alternative plan for compliance in lieu of installing NO_X controls on Unit 5 at Possum Point. The alternative plan includes operating restrictions during the ozone season through 2021 while allowing for continued operation to meet PJM capacity commitments. This application is pending. Due to the uncertainty surrounding a final plan for compliance with this ozone standard, Dominion Energy and Virginia Power are currently unable to predict the outcome of this matter which could be material to Dominion Energy and Virginia Power’s results of operations, financial condition and/or cash flows.

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.

NO_X and VOC Emissions

In April 2016, the Pennsylvania Department of Environmental Protection issued final regulations, with an effective date of January 2017, to reduce NO_X and VOC emissions from combustion sources. To comply with the regulations, Dominion Energy Gas is installing emission control systems on existing engines at several compressor stations in Pennsylvania. The compliance costs associated with engineering and installation of controls and compliance demonstration with the regulation are expected to be approximately $35 million.

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 a new 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 April 2017, the EPA issued a notice that it is reviewing the rule and, if appropriate, will issue a rulemaking to suspend, revise or rescind the June 2016 final NSPS for certain oil and gas facilities. In June 2017, the EPA published notice of reconsideration and partial stay of the rule for 90 days and proposed extending the stay for two years. In July 2017, the U.S. Court of Appeals for the D.C. Circuit vacated the 90-day stay. In November 2017, the EPA solicited comments on the proposed two-year stay of the June 2016 NSPS rules. 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.

GHG Regulation

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 CO_2 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 financial statements.

In addition, the EPA continues to evaluate its policy regarding the consideration of CO_2 emissions from biomass projects when determining whether a stationary source meets the PSD and Title V applicability thresholds, including those for the application of BACT. It is unclear how the final policy will affect Virginia Power’s Altavista, Hopewell and Southampton power stations which were converted from coal to biomass under the prior biomass deferral policy; however, the expenditures to comply with any new requirements could be material to Dominion Energy's and Virginia Power's financial statements.

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. In March 2016, East Ohio, Hope, DETI and Questar Gas joined the EPA as founding partners in the new Methane Challenge Program and submitted implementation plans in September 2016. DECG joined the EPA's voluntary Natural Gas STAR Program in July 2016 and submitted an implementation plan in September 2016. 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.

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.

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 have 13 and 11 facilities, respectively, that may be subject to the final regulations. Nine units at Virginia Power's facilities that are subject to regulations under Section 316(b) of the CWA have been or will be placed into cold reserve. While in cold reserve, applicable requirements under Section 316(b) of the CWA continue to apply to these units. Dominion Energy anticipates that it will have to install impingement control technologies at many 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. While the impacts of this rule could be material to Dominion Energy's and Virginia Power's results of operations, financial condition and/or cash flows, the existing regulatory framework in Virginia provides rate recovery mechanisms that could substantially mitigate any such impacts for Virginia Power.

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. Virginia Power has eight facilities subject to the final rule. 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 U.S.'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. The EPA is proposing to complete new rulemaking for these waste streams. While the impacts of this rule could be material to Dominion Energy's and Virginia Power's results of operations, financial condition and/or cash flows, the existing regulatory framework in Virginia provides rate recovery mechanisms that could substantially mitigate any such impacts for Virginia Power.

Waste Management and Remediation

The CERCLA, as amended, provides for immediate response and removal actions coordinated by the EPA in the event of threatened releases of hazardous substances into the environment and authorizes the U.S. government either to clean up sites at which hazardous substances have created actual or potential environmental hazards or to order persons responsible for the situation to do so. Under the CERCLA, as amended, generators and transporters of hazardous substances, as well as past and present owners and operators of contaminated sites, can be jointly, severally and strictly liable for the cost of cleanup. These potentially responsible parties can be ordered to perform a cleanup, be sued for costs associated with an EPA-directed cleanup, voluntarily settle with the U.S. government concerning their liability for cleanup costs, or voluntarily begin a site investigation and site remediation under state oversight.

From time to time, Dominion Energy, Virginia Power, or Dominion Energy Gas may be identified as a potentially responsible party to a Superfund site. The EPA (or a state) can either allow such a party to conduct and pay for a remedial investigation, feasibility study and remedial action or conduct the remedial investigation and action itself and then seek reimbursement from the potentially responsible parties. These parties can also bring contribution actions against each other and seek reimbursement from their insurance companies. As a result, Dominion Energy, Virginia Power, or Dominion Energy Gas may be responsible for the costs of remedial investigation and actions under the Superfund law or other laws or regulations regarding the remediation of waste. 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 19 former manufactured gas plant sites, three of which pertain to Virginia Power and 12 of which pertain to Dominion Energy Gas. Studies conducted by other utilities at their former manufactured gas plant sites have indicated that those sites contain coal tar and other potentially harmful materials. None of the former sites with which the Companies are associated is under investigation by any state or federal environmental agency. At two of the former sites, Dominion Energy is conducting a state-approved post closure groundwater monitoring program and an environmental land use restriction has been recorded. In addition, a Virginia Power site has been accepted into a state-based voluntary remediation program. In June 2018, Virginia Power submitted a proposed remedial action plan to remove material from this site at an estimated cost of $18 million. Pending VDEQ approval, Virginia Power expects to begin remedial work at this site in late 2018. As a result, in June 2018, Virginia Power recorded a charge of $16 million ($12 million after-tax) in other operations and maintenance expense in the Consolidated

Statements of Income. Due to the uncertainty surrounding the other sites, the Companies are unable to make an estimate of the potential financial statement impacts.

See below for discussion on ash pond and landfill closure costs.

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.

Appalachian Gateway

Pipeline Contractor Litigation

Following the completion of the Appalachian Gateway project in 2012, DETI received multiple change order requests and other claims for additional payments from a pipeline contractor for the project. In July 2015, the contractor filed a complaint against DETI in U.S. District Court for the Western District of Pennsylvania. In March 2016, the Pennsylvania court granted DETI's motion to transfer the case to the U.S. District Court for the Eastern District of Virginia. In July 2016, DETI filed a motion to dismiss. In March 2017, the court dismissed three of eight counts in the complaint. In May 2017, the contractor withdrew one of the counts in the complaint. In November 2017, DETI and the contractor entered into a partial settlement agreement for a release of certain claims. This case is pending. At June 30, 2018, DETI has accrued a liability of $14 million for this matter, recorded in other current liabilities in the Consolidated Balance Sheets. Dominion Energy Gas cannot currently estimate additional financial statement impacts, but there could be a material impact to its financial condition and/or cash flows.

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. remain 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. All other claims are pending in the Business Court Division of West Virginia. Dominion Energy and Dominion Energy Gas cannot currently estimate financial statement impacts, but there could be a material impact to their financial condition and/or cash flows.

Ash Pond and Landfill Closure Costs

In March 2015, the Sierra Club filed a lawsuit alleging CWA violations at Chesapeake power station. In March 2017, the U.S. District Court for the Eastern District of Virginia ruled that impacted groundwater associated with the on-site coal ash storage units was migrating to adjacent surface water, which constituted an unpermitted point source discharge in violation of the CWA. The court, however, rejected Sierra Club's claims that Virginia Power had violated specific conditions of its water discharge permit. Finding no harm to the environment, the court further declined to impose civil penalties or require excavation of the ash from the site as Sierra Club had sought. In July 2017, the court issued a final order requiring Virginia Power to perform additional specific sediment, water and aquatic life monitoring at and around the Chesapeake power station for a period of at least two years. The court further directed Virginia Power to apply for a solid waste permit from the VDEQ that includes corrective measures to address on-site groundwater impacts. In July 2017, Virginia Power appealed the court's July 2017 final order to the U.S. Court of Appeals for the Fourth Circuit. In August 2017, the Sierra Club filed a cross appeal. This case is pending.

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. Virginia Power currently operates inactive ash ponds, existing ash ponds, and CCR landfills subject to the final rule at eight different facilities. This rule created a legal obligation for 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. Litigation concerning the CCR rule is pending and the EPA has submitted to the court a list of which CCR rule provisions the EPA intends to reevaluate. 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. Any changes to the CCR rule would not be effective in Virginia unless and until the VDEQ adopts those changes. Until all phases of the CCR rule are promulgated, 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 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 Bremo, Chesapeake, Chesterfield and Possum Point power stations until May 2018. The law also requires 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 requires 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 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, 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. The actual AROs related to the CCR rule may vary substantially from the estimates used to record the obligation.

Cove Point

In September 2014, FERC issued an order granting authorization for Cove Point to construct, modify and operate the Liquefaction Project at the Cove Point facility, which enables the facility to liquefy domestically-produced natural gas and export it as LNG. In March 2018, Cove Point received authorization from FERC to commence service of the Liquefaction Project, which commenced commercial operations in April 2018.

Two parties have separately filed petitions for review of the FERC order in the U.S. Court of Appeals for the D.C. Circuit, which petitions were consolidated. Separately, one party requested a stay of the FERC order until the judicial proceedings are complete, which the court denied in June 2015. In July 2016, the court denied one party's petition for review of the FERC order authorizing the Liquefaction Project. The court also issued a decision remanding the other party's petition for review of the FERC order to FERC for further explanation of FERC's decision that a previous

transaction with an existing import shipper was not unduly discriminatory. In September 2017, FERC issued its order on remand from the U.S. Court of Appeals for the D.C. Circuit, and reaffirmed its ruling in its prior orders that Cove Point did not violate the prohibition against undue discrimination by agreeing to a capacity reduction and early contract termination with the existing import shipper. In October 2017, the party filed a request for rehearing of the FERC order on remand. This case is pending.

FERC

FERC staff in the Office of Enforcement, Division of Investigations, is conducting 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 has provided its response to FERC staff's preliminary findings letter explaining why Virginia Power's conduct was lawful and refuting any allegation of wrongdoing. Virginia Power is cooperating fully with the investigation; however, it cannot currently predict whether or to what extent it may incur a material liability.

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 have resulted in significant nuclear safety reviews required by the NRC and industry groups such as the Institute of Nuclear Power Operations. Like other U.S. nuclear operators, Dominion Energy has been gathering supporting data and participating 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.

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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, with the Tier 1 recommendations consisting of actions which the staff determined should be started without unnecessary delay. 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 reactors, 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 to respond 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 request each reactor to reevaluate the seismic and external flooding hazards at their site using present-day methods and information, conduct walkdowns of their facilities to ensure protection against the 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 and external flooding hazards is expected to continue through 2018. 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 is evaluating the implementation of the longer-term Tier 2 and Tier 3 recommendations. Dominion Energy and Virginia Power do not expect material financial impacts related to compliance with Tier 2 and Tier 3 recommendations.

Nuclear Operations

Nuclear Insurance

During the second quarter of 2018, the total liability protection per nuclear incident available to all participants in the Secondary Financial Protection Program decreased from $13.4 billion to $13.1 billion. This decrease does not impact Dominion Energy’s responsibility per active unit under the Price-Anderson Amendments Act of 1988.

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’s 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, 2016, and have been extended to provide for periodic payment of damages through December 31, 2019. 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. This matter is pending.

Guarantees, Surety Bonds and Letters of Credit

Dominion Energy

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, also entered in October 2017, 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 June 30, 2018, Atlantic Coast Pipeline has borrowed $877 million against the revolving credit facility. Dominion Energy's Consolidated Balance Sheets include a liability of $30 million associated with this guarantee agreement at June 30, 2018.

In addition, at June 30, 2018, Dominion Energy had issued $48 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 June 30, 2018, Dominion Energy had issued the following subsidiary guarantees:

(millions)	Maximum Exposure
Commodity transactions[1]	$ 2,142
Nuclear obligations[2]	200
Cove Point[3]	1,900
Solar[4]	636
Other[5]	577
Total[6]	$ 5,455

(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 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 workers' compensation claims, the parental guarantee has no stated limit. Also included are guarantees related to certain DGI subsidiaries' obligations for equity capital contributions and energy generation associated with Fowler Ridge and NedPower. As of June 30, 2018, Dominion Energy's maximum remaining cumulative exposure under these equity funding agreements is $10 million through 2019 and its maximum annual future contributions could range from approximately $4 million to $6 million.

(6) Excludes Dominion Energy's guarantee for the construction of a new corporate office property as discussed in Note 22 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.

Additionally, at June 30, 2018, Dominion Energy had purchased $165 million of surety bonds, including $70 million at Virginia Power and $24 million at Dominion Energy Gas, and authorized the issuance of letters of credit by financial institutions of $72 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.

Note 17. Credit Risk

The Companies’ accounting policies for credit risk are discussed in Note 23 to the Consolidated Financial Statements in the Companies’ Annual Report on Form 10-K for the year ended December 31, 2017 as updated in Current Report on Form 8-K, filed June 6, 2018.

At June 30, 2018, Dominion Energy’s gross credit exposure related to energy marketing and price risk management activities totaled $67 million. Of this amount, investment grade counterparties, including those internally rated, represented 30%. No single counterparty, whether investment grade or non-investment grade, exceeded $7 million of exposure. At June 30, 2018, Virginia Power’s exposure related to wholesale customers totaled $52 million. Of this amount, investment grade counterparties, including those internally rated, represented 24%. No single counterparty, whether investment grade or non-investment grade, exceeded $9 million of exposure. At June 30, 2018, Dominion Energy Gas’ exposure primarily related to wholesale customers totaled less than $1 million. Of this amount, investment grade counterparties, including those internally rated, represented 82%. No single counterparty, whether investment grade or non-investment grade, exceeded $1 million of exposure.

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 June 30, 2018 and December 31, 2017, Dominion Energy would have been required to post $11 million and $62 million, respectively, of additional 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 June 30, 2018 or December 31, 2017 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 at June 30, 2018 and December 31, 2017 was $13 million and $65 million, respectively, which does not include the impact of any offsetting asset positions. Credit-related contingent provisions for Virginia Power and Dominion Energy Gas were not material as of June 30, 2018 and December 31, 2017. See Note 9 for further information about derivative instruments.

Note 18. Related-Party Transactions

Virginia Power and Dominion Energy Gas engage in related-party transactions primarily with other Dominion Energy subsidiaries (affiliates). Virginia Power's 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. Dominion Energy's transactions with equity method investments are described in Note 10. 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 commodity swaps, to manage commodity price risks associated with purchases of natural gas. At June 30, 2018, Virginia Power's derivative assets and liabilities with affiliates were $9 million and $5 million, respectively. At December 31, 2017, Virginia Power's derivative assets and liabilities with affiliates were $11 million and $5 million, respectively. See Note 9 for more information.

Virginia Power participates in certain Dominion Energy benefit plans described in Note 21 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018. At June 30, 2018 and December 31, 2017, amounts due to Dominion Energy associated with the Dominion Energy Pension Plan and included in other deferred credits and other liabilities in the Consolidated Balance Sheets were $569 million and $505 million, respectively. At June 30, 2018 and December 31, 2017, Virginia Power's amounts due from Dominion Energy associated with the Dominion Energy Retiree Health and Welfare Plan and included in other deferred charges and other assets in the Consolidated Balance Sheets were $236 million and $199 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 Virginia Power's significant transactions with DES and other affiliates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Commodity purchases from affiliates	$139	$137	$537	$349
Services provided by affiliates[1]	112	112	232	224
Services provided to affiliates	5	7	11	12

(1) Includes capitalized expenditures of $38 million and $37 million for the three months ended June 30, 2018 and 2017, respectively, and $75 million and $71 million for the six months ended June 30, 2018 and 2017, respectively.

Virginia Power has borrowed funds from Dominion Energy under short-term borrowing arrangements. There were $25 million and $33 million in short-term demand note borrowings from Dominion Energy as of June 30, 2018 and December 31, 2017, respectively. Virginia Power had no outstanding borrowings, net of repayments, under the Dominion Energy money pool for its nonregulated

subsidiaries as of June 30, 2018 and December 31, 2017. Interest charges related to Virginia Power's borrowings from Dominion Energy were less than $1 million for the three and six months ended June 30, 2018 and 2017.

There were no issuances of Virginia Power's common stock to Dominion Energy for the three and six months ended June 30, 2018 and 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 June 30, 2018, Dominion Energy Gas had no derivative assets and $7 million of derivative liabilities with affiliates. As of December 31, 2017, all of Dominion Energy Gas' commodity derivatives were with affiliates. See Notes 7 and 9 for more information. See Note 10 for information regarding transactions with Atlantic Coast Pipeline.

Dominion Energy Gas participates in certain Dominion Energy benefit plans as described in Note 21 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed on June 6, 2018. At June 30, 2018 and December 31, 2017, amounts due from Dominion Energy associated with the Dominion Energy Pension Plan included in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were $753 million and $734 million, respectively. At June 30, 2018 and December 31, 2017, Dominion Energy Gas' amounts due from Dominion Energy associated with the Dominion Energy Retiree Health and Welfare Plan included in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were $10 million and $7 million, respectively.

The financial statements for all years presented include costs for certain general, administrative and corporate expenses assigned by DES to Dominion Energy Gas on the basis of direct and allocated methods in accordance with Dominion Energy Gas' 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 Dominion Energy Gas' significant transactions with DES and other affiliates and related parties:

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	2018	2017	2018	2017
Sales of natural gas and transportation and storage services to affiliates	$16	$ 18	$34	$ 36
Purchases of natural gas from affiliates	(2)	1	1	—
Services provided by related parties(1)	33	36	66	73
Services provided to related parties(2)	61	36	113	75

(1) Includes capitalized expenditures of $7 million and $12 million for the three months ended June 30, 2018 and 2017, respectively, and $17 million and $20 million for the six months ended June 30, 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:

(millions)	June 30, 2018	December 31, 2017
Other receivables[1]	$ 19	$ 12
Customer receivables from related parties	—	1
Imbalances receivable from affiliates	—	1
Imbalances payable to affiliates[2]	5	—
Affiliated notes receivable[3]	18	20

(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.
(3) Amounts are presented in other deferred charges and other assets in Dominion Energy Gas' Consolidated Balance Sheets.

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Dominion Energy Gas' borrowings under the intercompany revolving credit agreement with Dominion Energy were $56 million and $18 million as of June 30, 2018 and December 31, 2017, respectively. Interest charges related to Dominion Energy Gas' total borrowings from Dominion Energy were immaterial for the three and six months ended June 30, 2018 and 2017.

Note 19. Employee Benefit Plans

Dominion Energy

The components of Dominion Energy's provision for net periodic benefit cost (credit) were as follows:

	Pension Benefits		Other Postretirement Benefits	
(millions)	2018	2017	2018	2017
Three Months Ended June 30,				
Service cost	$40	$34	$ 6	$ 6
Interest cost	84	87	14	14
Expected return on plan assets	(168)	(161)	(35)	(31)
Amortization of prior service cost (credit)	1	1	(13)	(13)
Amortization of net actuarial loss	49	41	2	3
Net periodic benefit cost (credit)	$6	$2	$ (26)	$ (21)
Six Months Ended June 30,				
Service cost	$79	$69	$ 13	$ 13
Interest cost	168	173	28	30
Expected return on plan assets	(333)	(320)	(71)	(63)
Amortization of prior service cost (credit)	1	1	(26)	(25)
Amortization of net actuarial loss	97	81	5	6
Settlements	—	1	—	—
Net periodic benefit cost (credit)	$12	$5	$ (51)	$ (39)

Employer Contributions

During the six months ended June 30, 2018, Dominion Energy made no contributions to its defined benefit pension plans or other postretirement benefit plans. Dominion Energy expects to contribute approximately $12 million to its other postretirement benefit plans through VEBAs during the remainder of 2018.

Dominion Energy Gas

Dominion Energy Gas participates in certain Dominion Energy benefit plans as described in Note 21 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018. See Note 18 for more information.

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The components of Dominion Energy Gas' provision for net periodic benefit cost (credit) for employees represented by collective bargaining units were as follows:

(millions)	Pension Benefits 2018	Pension Benefits 2017	Other Postretirement Benefits 2018	Other Postretirement Benefits 2017
Three Months Ended June 30,				
Service cost	$5	$4	$ 1	$ 1
Interest cost	7	8	2	3
Expected return on plan assets	(38)	(36)	(6)	(6)
Amortization of prior service credit	—	—	(1)	(1)
Amortization of net actuarial loss	5	4	1	—
Net periodic benefit credit	$(21)	$(20)	$ (3)	$ (3)
Six Months Ended June 30,				
Service cost	$9	$8	$ 2	$ 2
Interest cost	14	15	5	6
Expected return on plan assets	(75)	(71)	(14)	(12)
Amortization of prior service credit	—	—	(2)	(1)
Amortization of net actuarial loss	10	8	2	1
Net periodic benefit credit	$(42)	$(40)	$ (7)	$ (4)

Employer Contributions

During the six months ended June 30, 2018, Dominion Energy Gas made no contributions to its defined benefit pension plans or other postretirement benefit plans. Dominion Energy Gas expects to contribute approximately $12 million to its other postretirement benefit plans through VEBAs, for both employees represented by collective bargaining units and employees not represented by collective bargaining units, during the remainder of 2018.

Note 20. 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
Power Delivery	Regulated electric distribution	X	X	
	Regulated electric transmission	X	X	
Power Generation	Regulated electric fleet	X	X	
	Merchant electric fleet	X		
Gas Infrastructure	Gas transmission and storage	X		X

	Gas distribution and storage	X	X
	Gas gathering and processing	X	X
	LNG terminalling and storage	X	
	Nonregulated retail energy marketing	X	

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 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.

In the six months ended June 30, 2018, Dominion Energy reported after-tax net expenses of $349 million for specific items in the Corporate and Other segment, with $310 million of net expenses attributable to its operating segments. In the six months ended June 30, 2017, Dominion Energy reported after-tax net expenses of $10 million for specific items in the Corporate and Other segment, with $1 million of net expenses attributable to its operating segments.

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The net expense for specific items attributable to Dominion Energy's operating segments 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, attributable to:
  - Power Generation ($109 million after-tax); and
  - Power Delivery ($51 million after-tax).
- A $122 million ($89 million after tax) charge for disallowance of FERC-regulated plant attributable to Gas Infrastructure.
- 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 Power Generation.

The following table presents segment information pertaining to Dominion Energy's operations:

(millions)	Power Delivery	Power Generation	Gas Infrastructure	Corporate and Other	Adjustments/ Eliminations	Consolidated Total
Three Months Ended June 30, 2018						
Total revenue from external customers	$ 528	$ 1,635	$ 914	$ (3)	$ 14	$ 3,088
Intersegment revenue	6	3	8	170	(187)	—
Total operating revenue	534	1,638	922	167	(173)	3,088
Net income (loss) attributable to Dominion Energy	145	276	249	(221)	—	449
Three Months Ended June 30, 2017						
Total revenue from external customers	$ 530	$ 1,507	$ 589	$ 6	$ 181	$ 2,813
Intersegment revenue	7	2	175	149	(333)	—
Total operating revenue	537	1,509	764	155	(152)	2,813
Net income (loss) attributable to Dominion Energy	127	240	163	(140)	—	390
Six Months Ended June 30, 2018						
Total revenue from external customers	$ 1,091	$ 3,495	$ 2,136	$ (210)	$ 42	$ 6,554
Intersegment revenue	12	5	14	345	(376)	—
Total operating revenue	1,103	3,500	2,150	135	(334)	6,554
Net income (loss) attributable to Dominion Energy	301	624	576	(549)	—	952
Six Months Ended June 30, 2017						
Total revenue from external customers	$ 1,084	$ 3,160	$ 1,490	$ 9	$ 454	$ 6,197
Intersegment revenue	12	5	441	301	(759)	—
Total operating revenue	1,096	3,165	1,931	310	(305)	6,197

Net income (loss) attributable to Dominion Energy	252	501	426	(157)	—	1,022

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 segments that are not included in profit measures evaluated by executive management in assessing the segments' performance or in allocating resources.

In the six months ended June 30, 2018, Virginia Power reported after-tax net expenses of $237 million for specific items in the Corporate and Other segment, with $230 million of net expenses attributable to its operating segments. In the six months ended June 30, 2017, Virginia Power reported after-tax net expenses of $7 million for specific items in the Corporate and Other segment, all of which was attributable to its operating segments.

The net expense for specific items attributable to Virginia Power’s operating segments 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, attributable to:

  - Power Generation ($109 million after-tax); and
  - Power Delivery ($51 million after-tax).

- 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 Power Generation.

The net expense for specific items attributable to Virginia Power’s operating segments in 2017 primarily related to the impact of the following item which was attributable to Power Delivery:

- A $16 million ($10 million after-tax) charge arising from a proposed customer settlement.

The following table presents segment information pertaining to Virginia Power’s operations:

(millions)	Power Delivery	Power Generation	Corporate and Other	Consolidated Total
Three Months Ended June 30, 2018				
Operating revenue	$ 528	$ 1,301	$ —	$ 1,829
Net income (loss)	145	227	(33)	339
Three Months Ended June 30, 2017				
Operating revenue	$ 533	$ 1,214	$ —	$ 1,747
Net income (loss)	125	198	(5)	318
Six Months Ended June 30, 2018				
Operating revenue	$ 1,091	$ 2,701	$ (215)	$ 3,577
Net income (loss)	299	449	(225)	523
Six Months Ended June 30, 2017				
Operating revenue	$ 1,090	$ 2,488	$ —	$ 3,578
Net income	250	421	3	674

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 the six months ended June 30, 2018, Dominion Energy Gas reported after-tax net expenses of $91 million for specific items in the Corporate and Other segment, with $89 million of net expenses attributable to its operating segment. In the six months ended June 30, 2017, Dominion Energy Gas reported after-tax net expenses of $9 million

for specific items in the Corporate and Other segment, all of which was attributable to its operating segment.

The net expense for specific items in 2018 was due to a $122 million ($89 million after-tax) charge for disallowance of FERC-regulated plant.

The net expense for specific items in 2017 was due to a $15 million ($9 million after-tax) charge to write-off the balance of a regulatory asset no longer considered probable of recovery at June 30, 2017.

The following table presents segment information pertaining to Dominion Energy Gas' operations:

(millions)	Gas Infrastructure	Corporate and Other	Consolidated Total
Three Months Ended June 30, 2018			
Operating revenue	$ 459	$ —	$ 459
Net income (loss)	108	(93)	15
Three Months Ended June 30, 2017			
Operating revenue	$ 422	$ —	$ 422
Net income (loss)	88	(11)	77
Six Months Ended June 30, 2018			
Operating revenue	$ 985	$ —	$ 985
Net income (loss)	275	(94)	181
Six Months Ended June 30, 2017			
Operating revenue	$ 912	$ —	$ 912
Net income (loss)	197	(12)	185

ITEM 2. 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's and Dominion Energy Gas' results of operations. MD&A should be read in conjunction with the Companies' Consolidated Financial Statements. 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 "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 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, including provisions of the 2017 Tax Reform Act that became effective in January 2018;
- 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;

- 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;
- Unplanned outages at facilities in which the Companies have an ownership interest;
- Fluctuations in energy-related commodity prices and the effect these could have on Dominion Energy's and Dominion Energy Gas' earnings and the Companies' liquidity position and the underlying value of their assets;
- Counterparty credit and performance risk;
- Global capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;
- Risks associated with Virginia Power's membership and participation in PJM, including risks related to obligations created by the default of other participants;
- 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 interest rates or foreign currency exchange rates;
- Changes in rating agency requirements or credit ratings and their effect on availability and cost of capital;
- Changes in financial or regulatory accounting principles or policies imposed by governing bodies;
- Employee workforce factors including collective bargaining agreements and labor negotiations with union employees;
- Risks of operating businesses in regulated industries that are subject to changing regulatory structures;
- Impacts of acquisitions, divestitures, transfers of assets to joint ventures or Dominion Energy Midstream and retirements of assets based on asset portfolio reviews;
- The expected timing and likelihood of completion of the proposed acquisition of SCANA, including the ability to obtain the requisite approvals of regulators and the terms and conditions of any regulatory approvals;
- Receipt of approvals for, and timing of, closing dates for acquisitions and divestitures;
- The timing and execution of Dominion Energy Midstream's growth strategy;
- Changes in rules for regional transmission organizations and independent system operators in which Dominion Energy and Virginia Power participate, including changes in rate designs, changes in FERC's interpretation of market rules and new and evolving capacity models;
- Political and economic conditions, including inflation and deflation;
- Domestic terrorism and other threats to the Companies' physical and intangible assets, as well as threats to cybersecurity;
- 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 and processing 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;
- 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 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 to regulated electric rates collected by Virginia Power and regulated gas distribution, transportation and storage rates, including LNG storage, collected by Dominion Energy and Dominion Energy Gas;
- Changes in operating, maintenance and construction costs;

- 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 or intervention in such projects;
- Adverse outcomes in litigation matters or regulatory proceedings; and
- 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.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Item 1A. Risk Factors in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017.

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

As of June 30, 2018, there have been no significant changes with regard to the critical accounting policies and estimates disclosed in MD&A in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018. The policies disclosed included the accounting for regulated operations, AROs, income taxes, derivative contracts and financial instruments at fair value, impairment testing of goodwill, long-lived assets and equity method investments and employee benefit plans.

Dominion Energy

Results of Operations

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

(millions, except EPS)	2018	2017	$ Change
Second Quarter			
Net income attributable to Dominion Energy	$449	$390	$ 59
Diluted EPS	0.69	0.62	0.07
Year-to-Date			
Net income attributable to Dominion Energy	$952	$1,022	$ (70)
Diluted EPS	1.46	1.63	(0.17)

Overview

Second Quarter 2018 vs. 2017

Net income attributable to Dominion Energy increased 15%, primarily due to the commencement of commercial operations of the Liquefaction Project, increased net investment earnings on nuclear decommissioning trust funds, fewer planned outage days at certain merchant and utility generation facilities and the retroactive application of depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements. These increases were partially offset by a charge for disallowance of FERC-regulated plant and a charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018.

Year-To-Date 2018 vs. 2017

Net income attributable to Dominion Energy decreased 7%, primarily due to a charge associated with Virginia legislation enacted in March 2018, a charge for disallowance of FERC-regulated plant and a charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018. These decreases were partially offset by an

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increase in heating and cooling degree days in the electric utility service territory, favorable pricing at merchant generation facilities and the commencement of commercial operations of the Liquefaction Project.

Analysis of Consolidated Operations

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

(millions)	Second Quarter 2018	Second Quarter 2017	Second Quarter $ Change	Year-To-Date 2018	Year-To-Date 2017	Year-To-Date $ Change
Operating revenue	$3,088	$2,813	$ 275	$6,554	$6,197	$ 357
Electric fuel and other energy-related purchases	623	498	125	1,367	1,073	294
Purchased (excess) electric capacity	23	(12)	35	37	(29)	66
Purchased gas	64	112	(48)	404	417	(13)
Net revenue	2,378	2,215	163	4,746	4,736	10
Other operations and maintenance	1,007	827	180	1,803	1,611	192
Depreciation, depletion and amortization	463	467	(4)	961	936	25
Other taxes	166	168	(2)	365	357	8
Other income	185	108	77	285	270	15
Interest and related charges	361	308	53	675	600	75
Income tax expense	88	136	(48)	223	411	(188)
Noncontrolling interests	29	27	2	52	69	(17)

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

Second Quarter 2018 vs. 2017

Net revenue increased 7%, primarily reflecting:

- A $143 million increase due to commencement of commercial operations of the Liquefaction Project, including terminalling services provided to the export customers ($159 million) and regulated gas transportation contracts to serve the export customers ($19 million), partially offset by credits associated with the start-up phase of the Liquefaction Project ($35 million);
- A $35 million increase due to growth projects placed in service, other than the Liquefaction Project;
- A $33 million increase in sales to electric utility retail customers from an increase in cooling degree days;
- A $31 million increase from certain merchant generation facilities due to fewer planned outage days and favorable pricing;
- A $30 million increase in services performed for Atlantic Coast Pipeline; and
- A $21 million increase in sales to electric utility retail customers due to the effect of changes in customer usage and other factors ($8 million) and customer growth ($13 million); partially offset by
- A $70 million decrease for regulated electric generation and electric and gas distribution operations as a result of the 2017 Tax Reform Act;
- A $39 million decrease in rate adjustment clauses associated with electric utility operations; and

- A $37 million increase in net electric capacity expense related to the annual PJM capacity performance market effective June 2017 ($45 million) and the annual PJM capacity performance market effective June 2018 ($6 million), partially offset by a benefit related to non-utility generators ($14 million).

Other operations and maintenance increased 22%, primarily reflecting:

- A $134 million increase due to a charge for disallowance of FERC-regulated plant;
- 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; and
- A $28 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income; partially offset by

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- A $59 million decrease from a reduction in planned outage days at certain merchant and utility generation facilities.

Depreciation, depletion and amortization was consistent period over period as decreases from the retroactive application of depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements ($46 million) and various other individually insignificant items ($17 million) were offset by increases from various growth projects being placed into service ($59 million), including the Liquefaction Project ($23 million).

Other income increased 71%, primarily reflecting an increase in net investment earnings on nuclear decommissioning trust funds ($48 million), an increase in earnings from equity method investments ($22 million) and the absence of a charge associated with a customer settlement ($16 million).

Interest and related charges increased 17%, primarily due to the absence of capitalization of interest expense associated with the Liquefaction Project upon completion of construction ($33 million), higher long-term debt interest expense resulting from debt issuances in the first and second quarter of 2018 ($10 million) and increases in the carrying amount of commercial paper and associated interest rates ($7 million).

Income tax expense decreased 35%, primarily due to the 2017 Tax Reform Act ($94 million) and state legislative change ($18 million), partially offset by lower renewable energy investment tax credits ($37 million).

Year-To-Date 2018 vs. 2017

Net revenue increased $10 million, primarily reflecting:

- A $143 million increase due to commencement of commercial operations of the Liquefaction Project, including terminalling services provided to the export customers ($159 million) and regulated gas transportation contracts to serve the export customers ($19 million), partially offset by credits associated with the start-up phase of the Liquefaction Project ($35 million);
- An increase in sales to electric utility retail customers from an increase in heating degree days during the heating season of 2018 ($69 million) and an increase in cooling degree days during the cooling season of 2018 ($33 million);
- A $93 million increase due to favorable pricing at merchant generation facilities;
- A $64 million increase due to growth projects placed in service, other than the Liquefaction Project;
- A $45 million increase in services performed for Atlantic Coast Pipeline; and
- A $20 million increase due to fewer planned outage days at certain merchant generation facilities; partially offset by
- 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 $135 million decrease for regulated electric generation and electric and gas distribution operations as a result of the 2017 Tax Reform Act;
- A $66 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 ($6 million), partially offset by a benefit related to non-utility generators ($52 million); and
- A $42 million decrease in rate adjustment clauses associated with electric utility operations.

Other operations and maintenance increased 12%, primarily reflecting:

- A $134 million increase due to a charge for disallowance of FERC-regulated plant;
- 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 $44 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income; and

- A $35 million increase in storm damage and service restoration costs; partially offset by
- A $66 million decrease from a reduction in planned outage days at certain merchant and utility generation facilities; and
- A $50 million decrease from gains related to agreements to convey shale development rights under natural gas storage fields.

Depreciation, depletion and amortization increased 3%, primarily due to an increase from various growth projects being placed into service ($88 million), including the Liquefaction Project ($23 million), partially offset by the retroactive application of depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements ($46 million).

Interest and related charges increased 13%, primarily due to the absence of capitalization of interest expense associated with the Liquefaction Project upon completion of construction ($33 million), higher long-term debt interest expense resulting from debt issuances in the first and second quarter of 2018 ($26 million) and increases in the carrying amount of commercial paper and associated interest rates ($14 million).

Income tax expense decreased 46%, primarily due to the 2017 Tax Reform Act ($170 million) and lower pre-tax income ($96 million), partially offset by lower renewable energy investment tax credits ($73 million).

Segment Results of Operations

Segment results include the impact of intersegment revenues and expenses, which may result in intersegment profit and loss. Presented below is a summary of contributions by Dominion Energy's operating segments to net income attributable to Dominion Energy:

	Net Income attributable to Dominion Energy			Diluted EPS		
(millions, except EPS)	2018	2017	$ Change	2018	2017	$ Change
Second Quarter						
Power Delivery	$145	$127	$ 18	$0.23	$0.20	$ 0.03
Power Generation	276	240	36	0.42	0.38	0.04
Gas Infrastructure	249	163	86	0.38	0.26	0.12
Primary operating segments	670	530	140	1.03	0.84	0.19
Corporate and Other	(221)	(140)	(81)	(0.34)	(0.22)	(0.12)
Consolidated	$449	$390	$ 59	$0.69	$0.62	$ 0.07
Year-To-Date						
Power Delivery	$301	$252	$ 49	$0.46	$0.40	$ 0.06
Power Generation	624	501	123	0.96	0.80	0.16
Gas Infrastructure	576	426	150	0.88	0.68	0.20
Primary operating segments	1,501	1,179	322	2.30	1.88	0.42
Corporate and Other	(549)	(157)	(392)	(0.84)	(0.25)	(0.59)
Consolidated	$952	$1,022	$ (70)	$1.46	$1.63	$ (0.17)

Power Delivery

Presented below are selected operating statistics related to Power Delivery's operations:

	Second Quarter			Year-To-Date		
	2018	2017	% Change	2018	2017	% Change

Electricity delivered (million MWh)	20.9	19.7	6	%	43.0	40.2	7	%
Degree days (electric distribution service area):								
Cooling	611	565	8		619	574	8	
Heating	284	186	53		2,306	1,823	26	
Average electric distribution customer accounts (thousands)[1]	2,597	2,570	1		2,594	2,567	1	

(1) Period average.

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

	Second Quarter 2018 vs. 2017		Year-To-Date 2018 vs. 2017	
	Increase (Decrease)		Increase (Decrease)	
(millions, except EPS)	Amount	EPS	Amount	EPS
Regulated electric sales:				
Weather	$8	$0.01	$22	$0.03
Other	12	0.02	16	0.02
FERC transmission equity return	1	—	5	0.01
Other	(3)	—	6	0.01
Share dilution	—	—	—	(0.01)
Change in net income contribution	$18	$0.03	$49	$0.06

Power Generation

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

	Second Quarter			Year-To-Date		
	2018	2017	% Change	2018	2017	% Change
Electricity supplied (million MWh):						
Utility	20.8	19.9	5 %	43.1	41.6	4 %
Merchant	7.7	7.3	5	15.0	14.8	1
Degree days (electric utility service area):						
Cooling	611	565	8	619	574	8
Heating	284	186	53	2,306	1,823	26

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

	Second Quarter 2018 vs. 2017	Year-To-Date 2018 vs. 2017
		Increase (Decrease)

(millions, except EPS)	Increase (Decrease) Amount	EPS	Amount	EPS
Merchant generation margin	33	0.06	$94	$0.15
Regulated electric sales:				
Weather	13	0.02	41	0.06
Other	2	—	(7)	(0.01)
Electric capacity	(20)	(0.03)	(38)	(0.06)
Planned outage costs	36	0.06	40	0.06
Depreciation and amortization	10	0.02	10	0.02
Renewable energy investment tax credits	(55)	(0.09)	(55)	(0.09)
2017 Tax Reform Act impacts	9	0.01	32	0.05
Other	8	0.01	6	0.01
Share dilution	—	(0.02)	—	(0.03)
Change in net income contribution	$36	$0.04	$123	$0.16

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Gas Infrastructure

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

	Second Quarter			Year-To-Date		
	2018	2017	% Change	2018	2017	% Change
Gas distribution throughput (bcf):						
Sales	19	18	6 %	76	75	1%
Transportation	158	139	14	372	326	14
Heating degree days (gas distribution service area):						
Eastern region	670	481	39	3,585	2,874	25
Western region	405	576	(30)	2,500	2,893	(14)
Average gas distribution customer accounts (thousands)[1]:						
Sales	1,250	1,228	2	1,254	1,234	2
Transportation	1,105	1,099	1	1,100	1,093	1
Average retail energy marketing customer accounts (thousands)[1]	862	1,451	(41)	862	1,440	(40)

(1)Period average.

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

	Second Quarter 2018 vs. 2017		Year-To-Date 2018 vs. 2017	
	Increase (Decrease)		Increase (Decrease)	
(millions, except EPS)	Amount	EPS	Amount	EPS
2017 Tax Reform Act impacts	$28	$0.04	$60	$0.09
Assignment of shale development rights	4	0.01	36	0.06
State legislative change	18	0.03	18	0.03
Transportation and storage growth projects	10	0.02	18	0.03
Cove Point export contracts	70	0.11	70	0.11
Cove Point import contracts	(2)	—	(12)	(0.02)
Scheduled DETI contract declines	(3)	(0.01)	(6)	(0.01)
Interest expense, net	(27)	(0.04)	(28)	(0.05)
Other	(12)	(0.02)	(6)	(0.01)
Share dilution	—	(0.02)	—	(0.03)
Change in net income contribution	$86	$0.12	$150	$0.20

Corporate and Other

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

(millions, except EPS)	Second Quarter 2018	Second Quarter 2017	Second Quarter $ Change	Year-To-Date 2018	Year-To-Date 2017	Year-To-Date $ Change
Specific items attributable to operating segments	$(92)	$(22)	$(70)	$(310)	$(1)	$(309)
Specific items attributable to Corporate and Other segment	(19)	(9)	(10)	(39)	(9)	(30)
Total specific items	(111)	(31)	(80)	(349)	(10)	(339)
Other corporate operations:						
Renewable energy investment tax credits	8	(12)	20	12	27	(15)
2017 Tax Reform Act impacts	(20)	—	(20)	(39)	—	(39)
Interest expense, net	(89)	(88)	(1)	(172)	(173)	1
Other	(9)	(9)	—	(1)	(1)	—
Total other corporate operations	(110)	(109)	(1)	(200)	(147)	(53)
Total net expense	$(221)	$(140)	$(81)	$(549)	$(157)	$(392)
EPS impact	$(0.34)	$(0.22)	$(0.12)	$(0.84)	$(0.25)	$(0.59)

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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 those segments' performance or in allocating resources. See Note 20 to the Consolidated Financial Statements in this report for discussion of these items in more detail. Corporate and Other also includes items attributable to the Corporate and Other segment.

Virginia Power

Results of Operations

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

	Second Quarter			Year-To-Date		
	2018	2017	$ Change	2018	2017	$ Change
(millions)						
Net income	$339	$318	$ 21	$523	$674	$ (151)

Overview

Second Quarter 2018 vs. 2017

Net income increased 7%, primarily due to the retroactive application of depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements, an increase in cooling degree days in the service territory and an increase in sales to retail customers due to the effect of changes in customer usage and other factors, partially offset by a charge associated primarily with future ash pond and landfill closure costs in connection with the enactment of Virginia legislation in April 2018.

Year-To-Date 2018 vs. 2017

Net income decreased 22%, primarily due to a charge associated with Virginia legislation enacted in March 2018 and 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 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:

	Second Quarter			Year-To-Date		
	2018	2017	$ Change	2018	2017	$ Change
(millions)						

Operating revenue	$1,829	$1,747	$ 82	$3,577	$3,578	$ (1)
Electric fuel and other energy-related purchases	508	409	99	1,099	865	234
Purchased (excess) electric capacity	23	(12)	35	37	(29)	66
Net revenue	1,298	1,350	(52)	2,441	2,742	(301)
Other operations and maintenance	439	379	60	838	753	85
Depreciation and amortization	247	280	(33)	544	566	(22)
Other taxes	79	78	1	162	157	5
Other income	21	13	8	24	44	(20)
Interest and related charges	126	125	1	258	245	13
Income tax expense	89	183	(94)	140	391	(251)

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

Second Quarter 2018 vs. 2017

Net revenue decreased 4%, primarily reflecting:

- A $45 million decrease for regulated generation and distribution operations as a result of the 2017 Tax Reform Act;
- A $39 million decrease from rate adjustment clauses; and

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- A $37 million increase in net electric capacity expense related to the annual PJM capacity performance market effective June 2017 ($45 million) and the annual PJM capacity performance market effective June 2018 ($6 million), partially offset by a benefit related to non-utility generators ($14 million); partially offset by
- An increase in sales to retail customers from an increase in cooling degree days ($33 million); and
- A $21 million increase in sales to retail customers due to the effect of changes in customer usage and other factors ($8 million) and customer growth ($13 million).

Other operations and maintenance increased 16%, primarily reflecting:

- 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
- An $18 million decrease from fewer planned outage days at certain generation facilities; and
- An $11 million decrease in salaries, wages and benefits and general and administrative expenses.

Depreciation and amortization decreased 12%, primarily due to the retroactive application of depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements ($46 million), partially offset by various growth projects being placed into service ($16 million).

Income tax expense decreased 51%, primarily due to the 2017 Tax Reform Act ($69 million) and lower pre-tax income ($26 million).

Year-To-Date 2018 vs. 2017

Net revenue decreased 11%, primarily reflecting:

- 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 $91 million decrease for regulated generation and distribution operations as a result of the 2017 Tax Reform Act;
- A $66 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 ($6 million), partially offset by a benefit related to non-utility generators ($52 million); and
- A $42 million decrease from rate adjustment clauses; partially offset by
- An increase in sales to retail customers from an increase in heating degree days during the heating season of 2018 ($69 million) and an increase in cooling degree days during the cooling season of 2018 ($33 million); and
- A $12 million increase in sales to retail customers due to customer growth ($25 million), partially offset by the effect of changes in customer usage and other factors ($13 million).

Other operations and maintenance increased 11%, primarily reflecting:

- 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; and
- A $35 million increase due to storm damage and service restoration costs; partially offset by
- A $22 million decrease in salaries, wages and benefits and general and administrative expenses; and
- A $20 million decrease from fewer planned outage days at certain generation facilities.

Depreciation and amortization decreased 4%, primarily due to the retroactive application of depreciation rates for regulated nuclear plants to comply with the Virginia Commission requirements ($46 million), partially offset by various growth projects being placed into service ($23 million).

Other income decreased 45%, primarily related to Virginia Power's electric transmission tower rental portfolio, including the absence of the assignment of such amounts to Vertical Bridge Towers II, LLC, ($13 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 64%, primarily due to lower pre-tax income ($141 million) and the 2017 Tax Reform Act ($98 million).

Dominion Energy Gas

Results of Operations

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

	Second Quarter			Year-To-Date		
(millions)	2018	2017	$ Change	2018	2017	$ Change
Net income	$15	$ 77	$ (62)	$181	$185	$ (4)

Overview

Second Quarter 2018 vs. 2017

Net income decreased 81%, primarily due to a charge for disallowance of FERC-regulated plant, partially offset by regulated natural gas transmission activities from growth projects placed into service.

Year-To-Date 2018 vs. 2017

Net income decreased 2%, primarily due to a charge for disallowance of FERC-regulated plant, partially offset by 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:

	Second Quarter			Year-To-Date		
(millions)	2018	2017	$ Change	2018	2017	$ Change
Operating revenue	$459	$422	$ 37	$985	$912	$ 73
Purchased gas	—	38	(38)	29	81	(52)
Other energy-related purchases	31	2	29	62	7	55
Net revenue	428	382	46	894	824	70
Other operations and maintenance	321	168	153	467	346	121
Depreciation and amortization	53	56	(3)	112	110	2
Other taxes	47	43	4	107	97	10
Earnings from equity method investee	5	4	1	14	11	3
Other income	32	27	5	65	52	13
Interest and related charges	26	24	2	51	47	4
Income tax expense	3	45	(42)	55	102	(47)

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

Second Quarter 2018 vs. 2017

Net revenue increased 12%, primarily reflecting:

- A $30 million increase in services performed for Atlantic Coast Pipeline; and
- A $19 million increase due to regulated natural gas transmission growth projects placed in service; partially offset by
- A $9 million decrease for regulated distribution operations as a result of the 2017 Tax Reform Act; and
- A $7 million decrease from scheduled declines in certain DETI contracts.

Other operations and maintenance increased 91%, primarily reflecting:

- A $134 million increase due to a charge for disallowance of FERC-regulated plant; and

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- A $28 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income; partially offset by
- A $15 million decrease from the absence of a charge to write-off the balance of a regulatory asset no longer considered probable of recovery; and
- A $6 million decrease from gains related to agreements to convey shale development rights under natural gas storage fields.

Other income increased 19%, primarily due to a decrease in the non-service components of pension and other postretirement employee benefit credits capitalized to property, plant and equipment in 2018.

Income tax expense decreased 93%, primarily due to lower pre-tax income ($36 million) and the 2017 Tax Reform Act ($7 million).

Year-To-Date 2018 vs. 2017

Net revenue increased 8%, primarily reflecting:

- A $45 million increase in services performed for Atlantic Coast Pipeline;
- A $36 million increase due to regulated natural gas transmission growth projects placed in service; and
- An $11 million increase in PIR program revenues; partially offset by
- A $19 million decrease for regulated distribution operations as a result of the 2017 Tax Reform Act; and
- A $14 million decrease from scheduled declines in certain DETI contracts.

Other operations and maintenance increased 35%, primarily reflecting:

- A $134 million increase due to a charge for disallowance of FERC-regulated plant; and
- A $44 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income; partially offset by
- A $50 million decrease from gains related to agreements to convey shale development rights under natural gas storage fields; and
- A $15 million decrease from the absence of a charge to write-off the balance of a regulatory asset no longer considered probable of recovery.

Other taxes increased 10%, primarily due to increased property taxes related to growth projects placed into service ($5 million) and an increase in excise taxes ($3 million).

Other income increased 25%, primarily due to a decrease in the non-service components of pension and other postretirement employee benefit credits capitalized to property, plant and equipment in 2018.

Income tax expense decreased 46%, primarily due to the 2017 Tax Reform Act ($34 million) and lower pre-tax income ($18 million), partially offset by the absence of a settlement with state tax authorities ($5 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 June 30, 2018, Dominion Energy had $3.2 billion of unused capacity under its credit facility. See Note 15 to the Consolidated Financial Statements for more information.

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

(millions)	2018	2017
Cash, restricted cash and equivalents at January 1	$185	$322
Cash flows provided by (used in):		
Operating activities	2,425	2,360
Investing activities	(2,236)	(3,321)
Financing activities	(20)	963
Net increase in cash, restricted cash and equivalents	169	2
Cash, restricted cash and equivalents at June 30	$354	$324

Operating Cash Flows

Net cash provided by Dominion Energy's operating activities increased $65 million, primarily due to higher merchant generation margin, favorable impact of weather, the commencement of commercial operations of the Liquefaction Project and net changes in other working capital, partially offset by lower deferred fuel cost recoveries in the Virginia jurisdiction and increased interest expense.

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.

Dominion Energy's operations are subject to risks and uncertainties that may negatively impact the timing or amounts of operating cash flows, which are discussed in Item 1A. Risk Factors in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017.

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 June 30, 2018 for these activities. Gross credit exposure for each counterparty is calculated prior to the application of collateral and represents 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]	$ 14	$ —	$ 14
Non-investment grade[2]	3	—	3
No external ratings:			
Internally rated—investment grade[3]	6	—	6
Internally rated—non-investment grade[4]	44	—	44
Total	$ 67	$ —	$ 67

(1)

Designations as investment grade are based upon minimum credit ratings assigned by Moody's Investors Service and Standard & Poor's. The five largest counterparty exposures, combined, for this category represented approximately 18% of the total net credit exposure.

(2) The five largest counterparty exposures, combined, for this category represented approximately 4% of the total net credit exposure.

(3) The five largest counterparty exposures, combined, for this category represented approximately 9% of the total net credit exposure.

(4) The five largest counterparty exposures, combined, for this category represented approximately 41% of the total net credit exposure.

Investing Cash Flows

Net cash used in Dominion Energy's investing activities decreased $1.1 billion, primarily due to a decrease in plant construction and other property additions, a decrease in acquisitions of solar development projects and decreased contributions to the Atlantic Coast Pipeline.

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 further in Credit Ratings and Debt Covenants in MD&A in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, the ability to borrow funds or

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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.

Net cash used by Dominion Energy's financing activities was $20 million for the six months ended June 30, 2018, compared to net cash provided by financing activities of $963 million for the six months ended June 30, 2017, primarily due to lower net debt issuances, partially offset by higher issuance of common stock.

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℠. 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 June 30, 2018 was $2 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.

Dominion Energy has announced its intention to pursue debt financing of the Cove Point LNG facility in the third quarter of 2018 and utilize the proceeds of up to $3 billion to repay outstanding debt at the parent company level. In addition, Dominion Energy announced its intention to pursue the divestiture of certain assets, potentially including its interest in Blue Racer, accounted for as an equity method investment.

See Note 15 to the Consolidated Financial Statements in this report for further information regarding Dominion Energy’s credit facilities, liquidity and significant financing transactions.

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. In the Credit Ratings section of MD&A in the Companies’ Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, there is a discussion on the use of capital markets by Dominion Energy as well as the impact of credit ratings on the accessibility and costs of using these markets. As of June 30, 2018, there have been no changes in Dominion Energy’s credit ratings.

Debt Covenants

In the Debt Covenants section of MD&A in the Companies’ Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, there is a discussion on the various covenants present in the enabling agreements underlying Dominion Energy’s debt. As of June 30, 2018, there have been no material changes to debt covenants, nor any events of default under Dominion Energy’s debt covenants. The $6.0 billion joint revolving credit facility executed in March 2018, contains the same terms and covenants as the previous facilities with the exception of an increased maximum total debt to total capital ratio, with respect to Dominion Energy only, from 65% to 67.5%.

Future Cash Payments for Contractual Obligations and Planned Capital Expenditures

As of June 30, 2018, there have been no material changes outside the ordinary course of business to Dominion Energy’s contractual obligations nor any material changes to planned capital expenditures as disclosed in MD&A in the Companies’ Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.

Use of Off-Balance Sheet Arrangements

As of June 30, 2018, there have been no material changes in the off-balance sheet arrangements disclosed in MD&A in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, except for the forward sale agreements for 20 million shares of Dominion Energy common stock, as discussed in Note 15 of the Consolidated Financial Statements.

Future Issues and Other Matters

The following discussion of future issues and other information includes current developments of previously disclosed matters and new issues arising during the period covered by, and subsequent to, the dates of Dominion Energy's Consolidated Financial Statements that may impact future results of operations, financial condition and/or cash flows. This section should be read in conjunction with Item 1. Business and Future Issues and Other Matters in MD&A in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, and Future Issues and Other Matters in MD&A in the Companies' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

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. See Note 22 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, Note 16 to the Consolidated Financial Statements in the Companies' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and Note 16 in this report for additional information on various environmental matters.

Legal Matters

See Notes 13 and 22 to the Consolidated Financial Statements and Item 3. Legal Proceedings in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, Notes 13 and 16 to the Consolidated Financial Statements and Item 1. Legal Proceedings in the Companies' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and Notes 13 and 16 to the Consolidated Financial Statements and Item 1. Legal Proceedings in this report for additional information on various legal matters.

Regulatory Matters

See Note 13 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, Note 13 to the Consolidated Financial Statements in the Companies' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and Note 13 to the Consolidated Financial Statements in this report for additional information on various regulatory matters.

Significant Power Delivery Project

As part of the annual PJM regional transmission expansion plan process, PJM authorized additional electric transmission upgrade projects, including the Surry-to-Skiffes Creek-to-Whealton line, which is expected to cost approximately $390 million.

Significant Power Generation Projects

In June 2018, Virginia Power entered into an agreement to acquire a solar development project in Virginia. The acquisition is expected to close prior to the project commencing commercial operations, which is expected by the end of 2018, and cost approximately $37 million once constructed, including the initial acquisition cost. The project is

expected to generate approximately 20 MW. Virginia Power anticipates claiming federal investment tax credits on this solar project upon its completion.

Significant Gas Infrastructure Project

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, which are expected to be placed into service in late 2019. In July 2018, Cove Point announced it is evaluating a change to the location of a compressor station which could result in a delay of the in-service date and/or additional costs.

Other Matters

While management has no plans which may affect the carrying value of Millstone, based on potential future economic and other factors, including, but not limited to, market power prices, results of capacity auctions, legislative and regulatory solutions to ensure nuclear plants are fairly compensated for their carbon-free generation, and the impact of potential EPA carbon rules, there is a risk that Millstone may be evaluated for an early retirement date. Should management make any decision on a potential early retirement date, the precise

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date and the resulting financial statement impacts, which could be material to Dominion Energy, may be affected by a number of factors, including any potential regulatory or legislative solutions, results of any transmission system reliability study assessments, and decommissioning requirements, among other factors.

ITEM 3.

QUANTITATIVE AND QUALITATIVE

DISCLOSURES ABOUT MARKET RISK

The matters discussed in this Item may contain “forward-looking statements” as described in the introductory paragraphs under Part I, Item 2. MD&A in this report. The reader’s attention is directed to those paragraphs 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 and Dominion Energy Gas holds commodity-based financial derivative instruments held for non-trading purposes associated with sales of NGLs.

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 $11 million and $5 million of Dominion Energy’s commodity-based derivative instruments as of June 30, 2018 and December 31, 2017, respectively.

A hypothetical 10% decrease in commodity prices would have resulted in a decrease in the fair value of $44 million and $51 million of Virginia Power’s commodity-based derivative instruments as of June 30, 2018 and December 31, 2017, respectively.

A hypothetical 10% increase in commodity prices would have resulted in a decrease in fair value of $5 million and $4 million of Dominion Energy Gas’ commodity-based derivative instruments as of June 30, 2018 and December 31, 2017, 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. They also enter into interest rate sensitive derivatives, including interest rate swaps and interest rate lock agreements. For variable rate debt and interest rate swaps designated under fair value hedging and outstanding for Dominion Energy, a hypothetical 10% increase in market interest rates would result in a $23 million and $12 million decrease in earnings at June 30, 2018 and December 31, 2017, respectively. For variable rate debt outstanding for Virginia Power and Dominion Energy Gas, a hypothetical 10% increase in market interest rates would not have resulted in a material change in earnings at June 30, 2018 or December 31, 2017.

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The Companies also use interest rate derivatives, including forward-starting swaps, as cash flow hedges of forecasted interest payments. As of June 30, 2018, Dominion Energy, Virginia Power and Dominion Energy Gas had $4.4 billion, $1.6 billion and $1.1 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 $114 million, $79 million and $18 million, respectively, in the fair value of Dominion Energy, Virginia Power and Dominion Energy Gas' interest rate derivatives at June 30, 2018. As of December 31, 2017, Dominion Energy and Virginia Power had $3.5 billion and $1.5 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 $86 million and $67 million, respectively, in the fair value of Dominion Energy and Virginia Power's interest rate derivatives at December 31, 2017. Dominion Energy Gas had no interest rate derivatives outstanding at December 31, 2017.

Dominion Energy Gas holds foreign currency swaps for the purpose of hedging the foreign currency exchange risk associated with Euro denominated debt. As of June 30, 2018 and December 31, 2017, Dominion Energy and Dominion Energy Gas had $280 million (€250 million) in aggregate notional amounts of these foreign currency swaps outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of $5 million and $6 million, in the fair value of Dominion Energy Gas' foreign currency swaps at June 30, 2018 and December 31, 2017, respectively.

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 Dominion Energy and Virginia Power's Consolidated Balance Sheets at fair value.

Dominion Energy recognized net investment loss on nuclear decommissioning and rabbi trust investments of $77 million for the six months ended June 30, 2018. Dominion Energy recognized net realized gains (including investment income) on nuclear decommissioning trust investments of $103 million for the six months ended June 30, 2017 and $167 million for the year ended December 31, 2017. 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 decrease in unrealized gains on debt investments of $38 million for the six months ended June 30, 2018 and recorded a net increase in unrealized gains on debt and equity investments of $157 million for the six months ended June 30, 2017 and $462 million for the year ended December 31, 2017.

Virginia Power recognized net investment loss on nuclear decommissioning trust investments of $35 million for the six months ended June 30, 2018. Virginia Power recognized net realized gains (including investment income) on nuclear decommissioning trust investments of $44 million for the six months ended June 30, 2017 and $76 million for the year ended December 31, 2017. 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 decrease in unrealized gains on debt investments of $20 million for the six months ended June 30, 2018 and recorded a net increase in unrealized gains on debt and equity investments of $73 million for the six months ended June 30, 2017 and $216 million for the year ended December 31, 2017.

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. 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 employee benefit plans and will be included in the determination of the amount of cash to be contributed to the employee benefit plans.

ITEM 4. CONTROLS AND PROCEDURES

Senior management of each of Dominion Energy, Virginia Power and Dominion Energy Gas, including Dominion Energy, Virginia Power, and Dominion Energy Gas' CEO and CFO, evaluated the effectiveness of each of their respective Company's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, each of Dominion Energy's, Virginia Power's, and Dominion Energy Gas' CEO and CFO have concluded that each of their respective Company's disclosure controls and procedures are effective.

There were no changes in Dominion Energy's, Virginia Power's or Dominion Energy Gas' internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect the Companies' internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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.

In January 2016, Virginia Power self-reported a release of mineral oil from the Crystal City substation and began extensive cleanup. Virginia Power assumed the role of responsible party and has continued to cooperate with ongoing requirements for investigative and corrective action. In December 2016, the Virginia State Water Control Board approved a consent order between the VDEQ and Virginia Power related to this matter, which included a penalty in excess of $100,000. In May 2017, the VDEQ formally terminated the consent order, finding that all requirements had been completed. Also in May 2017, the U.S. Department of the Interior, on behalf of several federal and state agencies, proposed a settlement to resolve the agencies' claims for natural resource damages related to the mineral oil release. In January 2018, Virginia Power and the natural resource trustee agencies executed a settlement agreement that would require Virginia Power to pay approximately $400,000 to fund wetland restoration and related projects in the location of the release. A 30-day public comment period on the settlement closed in March 2018. The settlement became final and effective in May 2018, and Virginia Power submitted the settlement payment in June 2018.

See the following for discussions on various environmental and other regulatory proceedings to which the Companies are a party, which information is incorporated herein by reference:

- Notes 13 and 22 to the Consolidated Financial Statements and Future Issues and Other Matters in MD&A in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.
- Notes 13 and 16 to the Consolidated Financial Statements in the Companies' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.
- Notes 13 and 16 to the Consolidated Financial Statements in this report.

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 the Companies' control. A number of these risk factors have been identified in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes with regard to the risk factors previously disclosed in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017. 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 MD&A in this report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Dominion Energy

ISSUER 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]
4/1/18-4/30/18	252	$ 67.43	—	19,629,059 shares/ $1.18 billion
5/1/18-5/31/18	—	—	—	19,629,059 shares/ $1.18 billion
6/1/18-6/30/18	1,337	63.40	—	19,629,059 shares/ $1.18 billion
Total	1,589	$ 64.04	—	19,629,059 shares/ $1.18 billion

(1) In April and June 2018, 252 shares and 1,337 shares, respectively, 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.

ITEM 5. OTHER INFORMATION

The following disclosure would have otherwise been filed on a Current Report on Form 8-K under Item 8.01 Other Events:

GHG Emissions

This section should be read in conjunction with information disclosed under the heading Environmental Strategy in Item 1. Business of the Companies' Annual Report on Form 10-K for the year ended December 31, 2017.

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 2017 to annual year 2000, the entire electric generating fleet (based on ownership percentage) reduced its average CO_2 emissions rate per MWh of energy produced from electric generation by approximately 50%. Comparing annual year 2017 to annual year 2000, the regulated electric generating fleet (based on ownership percentage) reduced its average CO_2 emissions rate per MWh of energy produced from electric generation by approximately 35%.

Dominion Energy also develops a comprehensive GHG inventory annually. For Power Generation, Dominion Energy's and Virginia Power's direct CO_2 equivalent emissions (based on ownership percentage) were 30.1 million metric tons and 26.4 million metric tons, respectively, in 2017, compared to 37.2 million metric tons and 33.1 million metric tons, respectively, in 2016. The corresponding Power Generation carbon intensity rates for Dominion Energy were 0.295 metric tons CO_2 equivalent emissions per net MWh in 2017 and 0.339 metric tons CO_2 equivalent emissions per net MWh in 2016.

For Power Delivery's regulated electric transmission and distribution operations, direct CO_2 equivalent emissions for 2017 were 37,841 metric tons, compared to 42,847 metric tons in 2016.

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 CO_2 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 on March 31, 2017.

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The Companies' 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 CO_2 equivalent emissions reported for our natural gas assets, as estimated in Dominion Energy's corporate inventory, were 3.51 million metric tons in 2017. 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 2017 corporate GHG inventory emission estimate includes Dominion Energy Questar Pipeline, Questar Gas and Wexpro Company for the entire calendar year. Dominion Energy's 2017 methane emissions reported under Subpart W of the Greenhouse Gas Reporting Rule are as follows:

Subpart W Segment	Subpart W Total CH4 Emissions (mcf CH4)
Distribution	1,668,183
Production	762,788
Transmission pipelines	396,720
Transmission compressor stations	147,565
Gathering and boosting	144,188
Storage	53,748
LNG import/export	6,444
Processing	916

ITEM 6. EXHIBITS

Exhibit Number	Description	Dominion Energy	Virginia Power	Dominion Energy Gas
3.1.a	Dominion Energy, Inc. Articles of Incorporation as amended and restated, effective May 10, 2017 (Exhibit 3.1, Form 8-K filed May 10, 2017, 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. Amended and Restated Bylaws, effective May 10, 2017 (Exhibit 3.2, Form 8-K filed May 10, 2017, 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 dated as of September 12, 2013 (Exhibit 3.2, Form 8-K filed May 16, 2017, File No. 001-37591).			X
4.1	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
4.2	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); First Supplemental Indenture, dated as of June 1, 2015 (Exhibit 4.2, 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); Third Supplemental Indenture, dated as of February 1, 2016 (Exhibit 4.7, Form 10-K for the fiscal year ended December 31, 2015 filed February 26, 2016, File No.	X		

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); Seventh Supplemental Indenture, dated as of September 1, 2016 (Exhibit 4.1, Form 10-Q filed November 9, 2016, File No. 1-8489); Eighth Supplemental Indenture, dated as of December 1, 2016 (Exhibit 4.7, Form 10-K for the fiscal year ended December 31, 2016 filed February 28, 2017, 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 (filed herewith); Fifteenth Supplemental Indenture, dated June 1, 2018 (Exhibit 4.2, Form 8-K, filed June 5, 2018, File No. 1-8489).

4.3	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).	X		X
10.1	$500,000,000 364-Day Term Loan Credit Agreement, dated June 14, 2018, by and among Dominion Energy, Inc., Toronto Dominion (Texas) LLC, as Administrative Agent, TD Securities (USA) LLC, as Lead Arranger and Bookrunner, and other lenders named therein (Exhibit 10.1, Form 8-K filed June 15, 2018, File No. 001-08489).	X		
12.1	Ratio of earnings to fixed charges for Dominion Energy, Inc. (filed herewith).	X		
12.2	Ratio of earnings to fixed charges for Virginia Electric and Power Company (filed herewith).		X	
12.3	Ratio of earnings to fixed charges for Dominion Energy Gas Holdings, LLC (filed herewith).			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	X		

	2002 (furnished herewith).	
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

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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	Condensed consolidated earnings statements (filed herewith).	X	X	X
101	The following financial statements from Dominion Energy, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 2, 2018, formatted in XBRL: (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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 2, 2018, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statement 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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 2, 2018, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statement of Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.	X	X	X

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SIGNATURE

Pursuant to the requirements 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.

Registrant

August 2, 2018 /s/ Michele L. Cardiff
Michele L. Cardiff

Vice President, Controller and

Chief Accounting Officer

VIRGINIA ELECTRIC AND POWER COMPANY

Registrant

August 2, 2018 /s/ Michele L. Cardiff
Michele L. Cardiff

Vice President, Controller and

Chief Accounting Officer

DOMINION ENERGY GAS HOLDINGS, LLC

Registrant

August 2, 2018 /s/ Michele L. Cardiff
Michele L. Cardiff

Vice President, Controller and

Chief Accounting Officer