NITCHES INC
Form 8-K
August 08, 2006

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 2, 2006**

NITCHES, INC.
(Exact name of registrant as specified in its charter)

California	**0-13851**	**95-2848021**
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10280 Camino Santa Fe, San Diego, California 92121
(Address of principal executive offices)

Registrant's telephone number: **(858) 625-2633**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 425 under the Securities Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into Material Definitive Agreement.

On August 2, 2006 Nitches, Inc. ("Nitches") entered into Amendment No. 1 to Acquisition Agreement with Impex, Inc., a Texas corporation ("Impex"). The amendment modified certain obligations of the parties under the Acquisition Agreement dated June 21, 2006 pursuant to which Nitches has agreed to acquire from Impex 100% of the outstanding membership interests in Saguaro LLC, a Texas limited liability company ("Saguaro") in exchange for 600,000 shares of Nitches' common stock, plus a promissory note in the principal amount of $300,000. A copy of the Acquisition Agreement was filed with the SEC on June 24, 2006.

The closing of the transactions under the Acquisition Agreement was subject to certain conditions, including (i) the accuracy of representations and warranties, (ii) the performance by each party of all covenants contained in the Acquisition Agreement, (iii) the absence of any order, decree or ruling prohibiting the acquisition, (iv) the successful registration of the shares to be issued to Impex by means of a registration statement to be filed by Nitches with the SEC, and a condition that Nitches' common stock trade above $4.50 as measured by the average closing of Nitches� stock for the 10 trading days preceding closing.

Under the amendment the parties have agreed to waive all conditions to closing with the exception of (i) the effectiveness of a registration statement covering the resale of 600,000 shares of Nitches' common stock to be issued to Impex, and (ii) the listing of the 600,000 shares to trade on the Nasdaq Capital Market. The amendment also revises the promissory note to include as an additional amount due, the amount by which the market price for Nitches' common stock (as measured by the average closing price for the ten trading days ending on the date that is two days preceding the closing date) falls below $4.50 for the ten trading days prior to the closing, multiplied by the 600,000 shares.

The foregoing description of the Acquisition Agreement is qualified in its entirety by reference to the provisions of the Acquisition Agreement attached as Exhibit 10.1 to our current report on Form 8-K filed with the SEC on June 24, 2006. The foregoing description of the amendment is qualified in its entirety by reference to the provisions of the amendment attached as Exhibit 10.1 to this current report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are filed herewith:

Exhibit Number	Description
10.1	Amendment No. 1 to Acquisition Agreement dated August 2, 2006 between Nitches, Inc. and Impex, Inc.

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

NITCHES, INC.
Registrant

August 7, 2006	By:	/s/ Steven P. Wyandt
		Steven P. Wyandt
		As Principal Financial Officer
		and on behalf of the Registrant

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Total derivative liabilities

$

11

$

—

$

11

(1) Current derivative assets are presented in other current assets in Dominion Energy Gas' Consolidated Balance Sheets.
(2) Noncurrent derivatives assets are presented in other deferred charges and other assets in Dominion Energy Gas' Consolidated Balance Sheets.
(3) Current derivative liabilities are presented in other current liabilities in Dominion Energy Gas' Consolidated Balance Sheets.
(4) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Dominion Energy Gas' Consolidated Balance Sheets.

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 September 30, 2017		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ (2)
Total commodity	$ (10)	$ (2)
Interest rate[2]	—	(1)
Foreign currency[3]	12	10
Total	$ 2	$ 7
Three Months Ended September 30, 2016		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ 1
Total commodity	$ —	$ 1
Interest rate[2]	—	(1)
Foreign currency[3]	12	3
Total	$ 12	$ 3
Nine Months Ended September 30, 2017		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ (4)
Total commodity	$ (5)	$ (4)
Interest rate[2]	—	(3)
Foreign currency[3]	10	15
Total	$ 5	$ 8
Nine Months Ended September 30, 2016		
Derivative Type and Location of Gains (Losses):		
Commodity:		
Operating revenue		$ 6
Total commodity	$ (7)	$ 6
Interest rate[2]	(8)	(2)
Foreign currency[3]	4	1
Total	$ (11)	$ 5

(1) Amounts deferred into AOCI have no associated effect in Dominion Energy Gas' Consolidated Statements of Income.

(2) Amounts recorded in Dominion Energy Gas' Consolidated Statements of Income are classified in interest and related charges.

(3) Amounts recorded in Dominion Energy Gas' Consolidated Statements of Income are classified in other income.

Derivatives Not Designated as Hedging Instruments (millions)	Amount of Gain (Loss) Recognized in Income on Derivatives			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Derivative type and location of gains (losses):				
Commodity:				
Operating revenue	$—	$ 5	$ —	$ 3
Total	$—	$ 5	$ —	$ 3

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Note 10. Investments

Dominion Energy

Equity and Debt Securities

Rabbi Trust Securities

Marketable equity and debt securities and cash equivalents held in Dominion Energy's rabbi trusts and classified as trading totaled $109 million and $104 million at September 30, 2017 and December 31, 2016, respectively.

Decommissioning Trust Securities

Dominion Energy holds marketable equity and debt securities (classified as available-for-sale), 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[1]	Total Unrealized Losses[1]	Fair Value
September 30, 2017				
Marketable equity securities:				
U.S.	$ 1,562	$ 1,664	$ —	$3,226
Fixed income:				
Corporate debt instruments	438	15	(1)	452
Government securities	1,041	28	(4)	1,065
Common/collective trust funds	66	—	—	66
Cost method investments	67	—	—	67
Cash equivalents and other[2]	5	—	—	5
Total	$ 3,179	$ 1,707	$ (5)[3]	$4,881
December 31, 2016				
Marketable equity securities:				
U.S.	$ 1,449	$ 1,408	$ —	$2,857
Fixed income:				
Corporate debt instruments	478	13	(4)	487
Government securities	978	22	(8)	992
Common/collective trust funds	67	—	—	67
Cost method investments	69	—	—	69
Cash equivalents and other[2]	12	—	—	12
Total	$ 3,053	$ 1,443	$ (12)[3]	$4,484

(1) Included in AOCI and the nuclear decommissioning trust regulatory liability.

(2) Includes net pending sales of securities of $4 million and $9 million at September 30, 2017 and December 31, 2016, respectively.

(3) The fair value of securities in an unrealized loss position was $402 million and $576 million at September 30, 2017 and December 31, 2016, respectively.

The fair value of Dominion Energy's marketable debt securities held in nuclear decommissioning trust funds at September 30, 2017 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	$ 183
Due after one year through five years	410
Due after five years through ten years	366
Due after ten years	624
Total	$ 1,583

Presented below is selected information regarding Dominion Energy's marketable equity and debt securities held in nuclear decommissioning trust funds.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(millions)				
Proceeds from sales	$ 377	$ 300	$ 1,496	$ 1,009
Realized gains[(1)]	25	40	142	102
Realized losses[(1)]	16	9	52	43

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

Dominion Energy recorded other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(millions)				
Total other-than-temporary impairment losses[(1)]	$ 7	$ 9	$ 33	$ 34
Losses recorded to the nuclear decommissioning trust regulatory liability	(2)	(4)	(13)	(15)
Losses recognized in other comprehensive income (before taxes)	(1)	—	(2)	(1)
Net impairment losses recognized in earnings	$ 4	$ 5	$ 18	$ 18

(1) Amounts include other-than-temporary impairment losses for debt securities of less than $1 million for both the three months ended September 2017 and 2016, respectively, and $2 million for both the nine months ended September 30, 2017 and 2016, respectively.

Virginia Power

Virginia Power holds marketable equity and debt securities (classified as available-for-sale), 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:

Amortized Cost	Total Unrealized	Total Unrealized	Fair Value

		Gains[1]	Losses[1]	
(millions)				
September 30, 2017				
Marketable equity securities:				
U.S.	$ 729	$ 741	$ —	$1,470
Fixed income:				
Corporate debt instruments	226	8	—	234
Government securities	483	13	(2)	494
Common/collective trust funds	29	—	—	29
Cost method investments	67	—	—	67
Cash equivalents and other[2]	(2)	—	—	(2)
Total	$ 1,532	$ 762	$ (2)[3]	$2,292
December 31, 2016				
Marketable equity securities:				
U.S.	$ 677	$ 624	$ —	$1,301
Fixed income:				
Corporate debt instruments	274	6	(4)	276
Government securities	420	9	(2)	427
Common/collective trust funds	26	—	—	26
Cost method investments	69	—	—	69
Cash equivalents and other[2]	7	—	—	7
Total	$ 1,473	$ 639	$ (6)[3]	$2,106

(1) Included in AOCI and the nuclear decommissioning trust regulatory liability.

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(2) Includes pending purchases of securities of $2 million and pending sales of securities of $7 million at September 30, 2017 and December 31, 2016, respectively.
(3) The fair value of securities in an unrealized loss position was $165 million and $287 million at September 30, 2017 and December 31, 2016, respectively.

The fair value of Virginia Power's marketable debt securities held in nuclear decommissioning trust funds at September 30, 2017 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	$ 60
Due after one year through five years	192
Due after five years through ten years	189
Due after ten years	316
Total	$ 757

Presented below is selected information regarding Virginia Power's marketable equity and debt securities held in nuclear decommissioning trust funds.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(millions)	2017	2016	2017	2016
Proceeds from sales	$ 156	$ 131	$ 654	$ 478
Realized gains[(1)]	9	18	64	48
Realized losses[(1)]	6	4	24	21

(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 nine months ended September 30, 2017 and 2016.

Equity Method Investments

Dominion Energy

Atlantic Coast Pipeline

In October 2016, Dominion Energy purchased an additional 3% membership interest in Atlantic Coast Pipeline from Duke for $14 million, which adjusted Dominion Energy's and Duke's membership interest to 48% and 47%, respectively.

Dominion Energy contributed $84 million and $286 million during the three and nine months ended September 30, 2017 and $74 million and $143 million during the three and nine months ended September 30, 2016, respectively, to Atlantic Coast Pipeline.

Dominion Energy Gas

Iroquois

Dominion Energy Gas' equity earnings totaled $15 million and $14 million for the nine months ended September 30, 2017 and 2016, respectively. Dominion Energy Gas received distributions from this investment of $17 million for both the nine months ended September 30, 2017 and 2016. At September 30, 2017 and December 31, 2016, the carrying amount of Dominion Energy Gas' investment of $96 million and $98 million, respectively, exceeded its share of underlying equity in net assets by $8 million. The difference reflects equity method goodwill and is not being amortized. In May 2016, Dominion Energy Gas sold 0.65% of the non-controlling partnership interest in Iroquois to TransCanada Corporation for approximately $7 million, which resulted in a $5 million ($3 million after-tax) gain, included in other income in Dominion Energy Gas' Consolidated Statement of Income.

Note 11. Regulatory Assets and Liabilities

Regulatory assets and liabilities include the following:

(millions)	September 30, 2017	December 31, 2016
Dominion Energy		
Regulatory assets:		
Deferred rate adjustment clause costs[1]	$ 67	$ 63
Deferred nuclear refueling outage costs[2]	67	71
Unrecovered gas costs[3]	51	19
Deferred cost of fuel used in electric generation[4]	30	—
Other	96	91
Regulatory assets-current	311	244
Unrecognized pension and other postretirement benefit costs[5]	1,296	1,401
Deferred rate adjustment clause costs[1]	333	329
Derivatives[6]	230	174
PJM transmission rates[7]	215	192
Income taxes recoverable through future rates[8]	157	123
Utility reform legislation[9]	134	99
Other	138	155
Regulatory assets-noncurrent	2,503	2,473
Total regulatory assets	$ 2,814	$ 2,717
Regulatory liabilities:		
PIPP[10]	$ 20	$ 28
Deferred cost of fuel used in electric generation[4]	5	61
Other	63	74
Regulatory liabilities-current	88	163
Provision for future cost of removal and AROs[11]	1,477	1,427
Nuclear decommissioning trust[12]	1,034	902
Unrecognized pension and other postretirement benefit costs[5]	106	105
Derivatives[6]	78	69
Other	211	119
Regulatory liabilities-noncurrent	2,906	2,622
Total regulatory liabilities	$ 2,994	$ 2,785
Virginia Power		
Regulatory assets:		
Deferred nuclear refueling outage costs[2]	$ 67	$ 71
Deferred rate adjustment clause costs[1]	47	51
Deferred cost of fuel used in electric generation[4]	30	—
Other	62	57
Regulatory assets-current[13]	206	179
Deferred rate adjustment clause costs[1]	256	246
PJM transmission rates[7]	215	192

Derivatives[6]	197	133
Income taxes recoverable through future rates[8]	67	76
Other	103	123
Regulatory assets-noncurrent	838	770
Total regulatory assets	$ 1,044	$ 949
Regulatory liabilities:		
Deferred cost of fuel used in electric generation[4]	$ 5	$ 61
Other	38	54
Regulatory liabilities-current[14]	43	115
Nuclear decommissioning trust[12]	1,034	902
Provision for future cost of removal[11]	985	946
Derivatives[6]	78	69

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(millions)	September 30, 2017	December 31, 2016
Other	105	45
Regulatory liabilities-noncurrent	2,202	1,962
Total regulatory liabilities	$ 2,245	$ 2,077
Dominion Energy Gas		
Regulatory assets:		
Deferred rate adjustment clause costs[1]	$ 20	$ 12
Unrecovered gas costs[3]	—	12
Other	2	2
Regulatory assets-current[13]	22	26
Unrecognized pension and other postretirement benefit costs[5]	300	358
Utility reform legislation[9]	134	99
Deferred rate adjustment clause costs[1]	77	79
Income taxes recoverable through future rates[8]	32	23
Other	13	18
Regulatory assets-noncurrent[15]	556	577
Total regulatory assets	$ 578	$ 603
Regulatory liabilities:		
PIPP[10]	$ 20	$ 28
Other	19	7
Regulatory liabilities-current[14]	39	35
Provision for future cost of removal and AROs[11]	178	174
Other	74	45
Regulatory liabilities-noncurrent[16]	252	219
Total regulatory liabilities	$ 291	$ 254

(1) Reflects deferrals under the electric transmission FERC formula rate and the deferral of costs associated with certain current and prospective rider projects for Virginia Power. Reflects deferrals of costs associated with certain current and prospective rider projects for Dominion Energy Gas. See Note 12 for more information.

(2) 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.

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

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

(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) 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.

(7) Reflects amounts related to the PJM transmission cost allocation matter. See Note 12 for more information.

(8) Amounts to be recovered through future rates to pay income taxes that become payable when rate revenue is provided to recover AFUDC-equity and depreciation of property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to tax rate changes.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) Current regulatory assets are presented in other current assets in Virginia Power’s and Dominion Energy Gas’ Consolidated Balance Sheets.

(14) Current regulatory liabilities are presented in other current liabilities in Virginia Power’s and Dominion Energy Gas’ Consolidated Balance Sheets.

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(15) Noncurrent regulatory assets are presented in other deferred charges and other assets in Dominion Energy Gas' Consolidated Balance Sheets.
(16) Noncurrent regulatory liabilities are presented in other deferred credits and other liabilities in Dominion Energy Gas' Consolidated Balance Sheets.

At September 30, 2017, $323 million of Dominion Energy's and $242 million of Virginia Power's regulatory assets represented past expenditures on which they do not currently earn a return. With the exception of the $215 million PJM transmission cost allocation matter, the majority of these expenditures are expected to be recovered within the next two years.

Note 12. 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, MISO, 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. Parties have until November 2017 to seek rehearing. Virginia Power is evaluating the order, which 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. Under the terms of the settlement, Virginia Power would be required to pay in excess of $200 million to PJM over the next 10 years. Although the settlement agreement has not been accepted by FERC, and the settlement is opposed by a small group of parties to the proceeding, Virginia Power believes it is probable it will be required to make payment as an outcome of the settlement. Accordingly, as of September 30, 2017, Virginia Power has recorded a contingent liability of $223 million in other deferred credits and other liabilities, which is offset by a $215 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 that have the potential to result in adjustments which could be material to Dominion Energy and Dominion Energy Gas' results of operations. DETI submitted its initial response to the audit staff in September 2017. In connection with one preliminary recommendation that management did not challenge, DETI recognized in the second quarter of 2017, 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 to write-off the balance of a regulatory asset, originally established in 2008, that is no longer considered probable of recovery. Pending final resolution of the audit process and a determination by FERC, management is unable to estimate the potential impact of the other preliminary recommendations and no amounts have been recognized.

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, 2016 and Note 12 to the Consolidated Financial Statements in the Companies'

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017.

Virginia Regulation

Regulation Act Legislation

The Supreme Court of Virginia previously granted appeals to certain industrial customers of Appalachian Power Company that challenged the constitutionality of legislation enacted in 2015 keeping Appalachian Power Company's base rates unchanged until at least 2020. This legislation also keeps Virginia Power's base rates unchanged until at least 2022. In September 2017, the Supreme Court of Virginia affirmed that the legislation is constitutional.

Rate Adjustment Clauses

Below is a discussion of significant riders associated with various Virginia Power projects:

- Virginia Power previously filed an application with the Virginia Commission to recover through Rider U costs for the first and second phases of a program to underground outage-prone overhead distribution lines. In September 2017, the Virginia Commission approved a total $22 million annual revenue requirement effective October 1, 2017, using a 9.4% ROE, and a total capital investment of $40 million for second phase conversions.
- 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. This case is pending.
- 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. This case is pending.
- The Virginia Commission previously approved Rider US-2 in conjunction with the Scott Solar, Whitehouse, and Woodland solar facilities. 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. This case is pending.

Electric Transmission Projects

Virginia Power previously filed an application with the Virginia Commission for a CPCN to rebuild and rearrange its Idylwood substation in Fairfax County, Virginia. In September 2017, the Virginia Commission granted a CPCN for the project. The total estimated cost of the project is approximately $110 million.

Virginia Power previously filed an application with the Virginia Commission for a CPCN to construct and operate in multiple Virginia counties an approximately 38-mile overhead 230 kV transmission line between the Remington and Gordonsville substations, along with associated facilities. In August 2017, the Virginia Commission granted a CPCN for the project. The total estimated cost of the project is approximately $105 million.

In November 2013, the Virginia Commission issued an order granting Virginia Power a CPCN to construct approximately 7 miles of new overhead 500 kV transmission line from the existing Surry switching station in Surry County to a new Skiffes Creek switching station in James City County, and approximately 20 miles of new 230 kV transmission line in James City County, York County, and the City of Newport News from the proposed new Skiffes Creek switching station to Virginia Power's existing Whealton substation in the City of Hampton. As of July 2017, Virginia Power has received all major required permits and approvals and is proceeding with construction of the project. In connection with the receipt of the permit from the U.S. Army Corps of Engineers in July 2017, Virginia Power was required to make payments totaling approximately $90 million to fund improvements to historical and cultural resources near the project. Accordingly, in July 2017, Virginia Power recorded an increase to property, plant and equipment and a corresponding liability for these payment obligations. Through September 30, 2017, Virginia Power had made $70 million of such payments, with the remaining $20 million paid in October 2017. Also in July 2017, the National Parks Conservation Association filed a lawsuit in U.S. District Court for the D.C. Circuit seeking to set aside the permit granted by the U.S. Army Corps of Engineers for the 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 in U.S. District Court for the D.C. Circuit. In October 2017, the preliminary injunction requests were denied. These lawsuits are pending.

North Carolina Regulation

In August 2017, Virginia Power submitted its annual filing to the North Carolina Utilities Commission to adjust the fuel component of its electric rates. Virginia Power proposed a total $15 million increase to the fuel component of its electric rates for the rate year beginning January 1, 2018. This case is pending.

Ohio Regulation

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 September 2017, the Ohio Commission approved East Ohio's application requesting approval of its UEX Rider to reflect a refund of over-recovered accumulated bad debt expense of approximately $12 million as of March 31, 2017, and recovery of prospective net bad debt expense projected to total approximately $22 million for the twelve-month period from April 2017 to March 2018.

Utah and Wyoming Regulation

In October 2017, Questar Gas submitted filings with both the Public Service Commission of Utah and the Wyoming Public Service Commission for an approximately $25 million gas cost increase reflecting forecasted increases in commodity and transportation costs. The Public Service Commission of Utah and the Wyoming Public Service Commission both approved the filings in October 2017 with rates effective November 2017.

West Virginia Regulation

In October 2017, the Public Service Commission of West Virginia approved Hope's application for new PREP customer rates, for the year beginning November 1, 2017, that provide for projected revenue of $4 million related to capital investments of $21 million, $27 million and $31 million for 2016, 2017 and 2018, respectively.

FERC – Gas

DETI

In December 2014, DETI entered into a precedent agreement with Atlantic Coast Pipeline for the Supply Header Project, a project to provide approximately 1,500,000 Dths per day of firm transportation service to various customers. This project is expected to be placed into service in late 2019 and cost approximately $550 million to $600 million to construct, excluding financing costs. In October 2017, DETI received FERC authorization to construct and operate the project facilities.

In September 2017, DETI submitted its annual transportation cost rate adjustment to FERC requesting approval to recover $39 million. Also in September 2017, DETI submitted its annual electric power cost adjustment to FERC requesting approval to recover $6 million. In October 2017, FERC approved these adjustments.

Cove Point

In November 2016, pursuant to the terms of a previous settlement, Cove Point filed a general rate case for its FERC-jurisdictional services, with 23 proposed rates to be effective January 1, 2017. Cove Point proposed an annual cost-of-service of approximately $140 million. In December 2016, FERC accepted a January 1, 2017 effective date for all proposed rates but five which were suspended to be effective June 1, 2017. In August 2017, Cove Point filed a proposed stipulation and settlement agreement with FERC, which was supported or not opposed by the active parties. Under the terms of the settlement agreement, Cove Point's rates effective October 2017 would result in decreases to annual revenues and depreciation expense of approximately $18 million and $3 million, respectively, compared to the rates in effect through December 2016. In September 2017, the Presiding Administrative Law Judge certified the uncontested settlement to FERC. Cove Point is awaiting final FERC approval of the settlement. This case is pending.

Note 13. 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, 2016.

Dominion Energy

Dominion Energy’s securities due within one year and long-term debt include $29 million and $356 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 during the third quarter of 2017 leaving a remaining aggregate summer generation capacity of approximately 218 MW. Virginia Power is not subject to any risk of loss from this remaining potential VIE other than its remaining purchase commitments which totaled $213 million as of September 30, 2017. Virginia Power paid $17 million and $37 million for electric capacity and $5 million and $11 million for electric energy to these entities for the three months ended September 30, 2017 and 2016, respectively. Virginia Power paid $73 million and $111 million for electric capacity and $20 million and $23 million for electric energy to these entities for the nine months ended September 30, 2017 and 2016, 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 September 30, 2017, $80 million and $31 million for the three months ended September 30, 2016, $251 million and $93 million for the nine months ended September 30, 2017 and $268 million and $95 million for the nine months ended September 30, 2016, respectively.

Note 14. 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

At September 30, 2017, Dominion Energy's commercial paper and letters of credit outstanding, as well as its capacity available under credit facilities, were as follows:

(millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Capacity Available
Joint revolving credit facility[1]	$5,000	$ 3,060	$ —	$ 1,940
Joint revolving credit facility[1]	500	—	73	427
Total	$5,500	$ 3,060	$ 73	$ 2,367

(1) These credit facilities mature in April 2020 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 two joint revolving credit facilities discussed above with Dominion Energy, Virginia Power and Dominion Energy Gas. At September 30, 2017 the aggregate sub-limit for Questar Gas was $250 million.

In addition to the credit facilities mentioned above, SBL Holdco has $30 million of credit facilities which have a 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 have a 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 September 30, 2017, no amounts were outstanding under either of these facilities.

Virginia Power

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

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At September 30, 2017, Virginia Power's share of commercial paper and letters of credit outstanding under its joint credit facilities with Dominion Energy, Dominion Energy Gas and Questar Gas were as follows:

(millions)	Facility Limit[1]	Outstanding Commercial Paper	Outstanding Letters of Credit
Joint revolving credit facility[1]	$ 5,000	$ 320	$ —
Joint revolving credit facility[1]	500	—	1
Total	$ 5,500	$ 320	$ 1

(1) The full amount of the facilities is available to Virginia Power, less any amounts outstanding to co-borrowers Dominion Energy, Dominion Energy Gas and Questar Gas. Sub-limits for Virginia Power are set within the facility limit but can be changed at the option of the Companies multiple times per year. In May 2017, the aggregate sub-limit for Virginia Power was decreased from $2.0 billion to $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. These credit facilities mature in April 2020 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 has a $100 million credit facility with a maturity date of April 2020. At September 30, 2017, this facility supports $100 million of certain variable rate tax-exempt financings of Virginia Power.

Dominion Energy Gas

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

At September 30, 2017, Dominion Energy Gas' share of commercial paper and letters of credit outstanding under its joint credit facilities with Dominion Energy, Virginia Power and Questar Gas were as follows:

(millions)	Facility Limit[1]	Outstanding Commercial Paper	Outstanding Letters of Credit
Joint revolving credit facility[1]	$ 1,000	$ 620	$ —
Joint revolving credit facility[1]	500	—	—
Total	$ 1,500	$ 620	$ —

(1) A maximum of a combined $1.5 billion of the facilities 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. Sub-limits for Dominion Energy Gas are set within the facility limit but can be changed at the option of the

Companies multiple times per year. In May 2017, the aggregate sub-limit for Dominion Energy Gas was increased from $500 million to $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. These credit facilities mature in April 2020 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

In January 2017, Dominion Energy issued $400 million of 1.875% senior notes and $400 million of 2.75% senior notes that mature in 2019 and 2022, respectively.

In March 2017, Dominion Energy issued through private placement $300 million of 3.496% senior notes that mature in 2024. Also in March 2017, Dominion Energy issued an additional $100 million of its 3.90% senior notes that mature in 2025.

In March 2017, Virginia Power issued $750 million of 3.50% senior notes that mature in 2027.

In May 2017, Dominion Solar Projects III, Inc. borrowed $280 million under a term loan agreement that bears interest at a variable rate. The term loan amortizes over an 18-year period and matures in May 2024. The debt is nonrecourse to Dominion Energy and is secured by Dominion Solar Projects III, Inc.'s interest in certain solar facilities.

In June 2017, Dominion Energy issued through private placement $500 million of variable rate senior notes that mature in 2019.

In August 2017, Dominion Energy retired its $75 million variable rate Massachusetts Development Finance Agency Solid Waste Disposal Revenue Bonds, Series 2010B that would otherwise have matured in December 2041.

In September 2017, Virginia Power issued $550 million of 3.80% senior notes that mature in 2047. Also in September 2017, Virginia Power issued an additional $200 million of its 2.75% senior notes that mature in 2023.

In October 2017, Questar Gas entered into an agreement with certain investors to issue through private placements in November 2017, $100 million of 3.38% 15-year senior notes and, in April 2018, $50 million of 3.30% 12-year senior notes and $100 million of 3.97% 30-year senior notes.

Remarketable Subordinated Notes

In May 2017, Dominion Energy successfully remarketed the $1.0 billion 2014 Series A 1.50% RSNs due in 2020 pursuant to the terms of the 2014 Equity Units. In connection with the remarketing, the interest rate on the junior subordinated notes was reset to 2.579%, payable on a semi-annual basis and Dominion Energy ceased to have the ability to redeem the notes at its option or defer interest payments. At September 30, 2017, these securities are included in junior subordinated notes in Dominion Energy's Consolidated Balance Sheets. Dominion Energy did not receive any proceeds from the remarketing. Remarketing proceeds belonged to the investors holding the related 2014 Equity Units and were temporarily used to purchase a portfolio of treasury securities. Upon maturity of the portfolio, the proceeds were applied on behalf of investors on the related stock purchase contracts settlement date in July 2017 to pay the purchase price to Dominion Energy for the issuance of 12.5 million shares of its common stock related to Dominion Energy's 2014 Equity Units.

Issuance of Common Stock

In June 2017, Dominion Energy filed an SEC shelf registration for the sale of debt and equity securities including the ability to sell common stock through an at-the-market program. Also in June 2017, Dominion Energy entered into three separate sales agency agreements to effect sales under the program and pursuant to which it may offer from time to time up to $500 million aggregate amount of its common stock. Sales of common stock can be made by means of privately negotiated transactions, as transactions on the 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 in 2017.

In July 2017, Dominion Energy issued 12.5 million shares under the related stock purchase contracts entered into as part of Dominion Energy's 2014 Equity Units.

Note 15. 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 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 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 financial position, liquidity or results of operations of the Companies.

Environmental Matters

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

Air

CAA

The CAA, as amended, is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation's air quality. At a minimum, states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of the Companies' facilities are subject to the CAA's permitting and other requirements.

MATS

In December 2011, the EPA issued MATS for coal- and oil-fired electric utility steam generating units. The rule establishes strict emission limits for mercury, particulate matter as a surrogate for toxic metals and hydrogen chloride as a surrogate for acid gases. The rule includes a limited use provision for oil-fired units with annual capacity factors under 8% that provides an exemption from emission limits, and allows compliance with operational work practice standards. Compliance was required by April 16, 2015, with certain limited exceptions. However, in June 2014, the VDEQ granted a one-year MATS compliance extension for two coal-fired units at Yorktown power station to defer planned retirements and allow for continued operation of the units to address reliability concerns while necessary electric transmission upgrades are being completed. These coal units needed to continue operating through at least April 2017 due to delays in transmission upgrades needed to maintain electric reliability. Therefore, in October 2015, Virginia Power submitted a request to the EPA for an additional one year compliance extension under an EPA Administrative Order. The order was signed by the EPA in April 2016 allowing the Yorktown power station units to operate for up to one additional year, as required to maintain reliable power availability while transmission upgrades are being made. Virginia Power ceased operating the coal units at Yorktown power station in April 2017 as planned.

In June 2017, the U.S. 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. In July 2017, the Sierra Club filed a petition for rehearing of the U.S. DOE order, which was denied by the U.S. DOE in September 2017. In August 2017, PJM filed a request for a 90-day renewal of the U.S. DOE order, which the U.S. DOE subsequently granted in September 2017. In October 2017, the Sierra Club filed a petition for rehearing of the U.S. DOE order granted in September 2017. This matter is pending.

In June 2015, the U.S. Supreme Court issued a decision holding that the EPA failed to take cost into account when the agency first decided to regulate the emissions from coal- and oil-fired plants, and remanded the MATS rule back to the U.S. Court of Appeals for the D.C. Circuit. However, the Supreme Court did not vacate or stay the effective date and implementation of the MATS rule. In November 2015, in response to the Supreme Court decision, the EPA proposed a supplemental finding that consideration of cost does not alter the agency’s previous conclusion that it is appropriate and necessary to regulate coal- and oil-fired electric utility steam generating units under Section 112 of the CAA. In December 2015, the U.S. Court of Appeals for the D.C. Circuit issued an order remanding the MATS rulemaking proceeding back to the EPA without setting aside judgment, noting that EPA had represented it was on track to issue a final finding regarding its consideration of cost. In April 2016, the EPA issued a final supplemental finding that consideration of costs does not alter its conclusion regarding appropriateness and necessity for the regulation. This regulation has been challenged in court. In April 2017, the EPA requested that the U.S. Court of

Appeals for the D.C. Circuit delay oral arguments in the case to allow agency review of the rule. Since the MATS rule remains in effect and Dominion Energy is complying with the applicable requirements of the rule, Dominion Energy 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 controls are required on Unit 5. Installation and operation of these NO_X controls including an associated water treatment system will be required by mid-2019 with an expected cost in the range of $25 million to $35 million.

The statutory deadline for the EPA to complete attainment designations for a new standard was October 2017. While it is uncertain when the EPA will make final designations, states will have up to three years to develop plans to address the new standard. Until the states have developed implementation plans, the Companies are unable to predict whether or to what extent the new rules will ultimately require additional controls. However, if significant expenditures are required to implement additional controls, it could adversely affect the Companies' results of operations and cash flows.

NSPS

In August 2012, the EPA issued the first 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 final 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 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. Dominion Energy and Dominion Energy Gas are implementing the final 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.

Climate Change Regulation

Carbon Regulations

In October 2013, the U.S. Supreme Court granted petitions filed by several industry groups, states, and the U.S. Chamber of Commerce seeking review of the U.S. Court of Appeals for the D.C. Circuit’s June 2012 decision upholding the EPA’s regulation of GHG emissions from stationary sources under the CAA’s permitting programs. In June 2014, the U.S. Supreme Court ruled that the EPA lacked the authority under the CAA to require PSD or Title V permits for stationary sources based solely on GHG emissions. However, the Court upheld the EPA’s ability to require BACT for GHG for sources that are otherwise subject to PSD or Title V permitting for conventional pollutants. 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 July 2011, the EPA signed a final rule deferring the need for PSD and Title V permitting for CO_2 emissions for biomass projects. This rule temporarily deferred for a period of up to three years 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. The deferral policy expired in July 2014. In July 2013, the U.S. Court of Appeals for the D.C. Circuit vacated this rule; however, a mandate making this decision effective has not been issued. Virginia Power converted three coal-fired generating stations, Altavista, Hopewell and Southampton, to biomass during the CO_2 deferral period. It is unclear how the court's decision or the EPA's final policy regarding the treatment of specific feedstock will affect biomass sources that were permitted during the deferral period; 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 (prior to the Dominion Energy Questar Combination) 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 14 and 11 facilities, respectively, that may be subject to the final regulations. 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 that may be subject to additional wastewater treatment requirements associated with 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 of the Effluent Limitations Guidelines final rule for compliance with certain wastewater regulations 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.

Solid and Hazardous Waste

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. Each party can be held jointly, severally and strictly liable for the cleanup costs. 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 one 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. Another site has been accepted into a state-based voluntary remediation program. Virginia Power is currently evaluating the nature and extent of the contamination from this site as well as potential remedial options. Preliminary costs for options under evaluation for the site range from $1 million to $22 million. 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 2013, DETI filed a complaint in U.S. District Court for the Eastern District of Virginia for breach of contract as well as accounting and declaratory relief. The contractor filed a motion to dismiss, or in the alternative, a motion to transfer venue to Pennsylvania and/or West Virginia, where the pipelines were constructed. DETI filed an opposition to the contractor’s motion in August 2013. In November 2013, the court granted the contractor’s motion on the basis that DETI must first comply with the dispute resolution process. In July 2015, the contractor filed a complaint against DETI in U.S. District Court for the Western District of Pennsylvania. In August 2015, DETI filed a motion to dismiss, or in the alternative, a motion to transfer venue to Virginia. In March 2016, the Pennsylvania court granted the motion to dismiss and transferred the case to the U.S. District Court for the Eastern District of Virginia. In April 2016, the Virginia court issued an order staying the proceedings and ordering mediation. A mediation occurred in May 2016 but was unsuccessful. 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. This case is pending. DETI has accrued a liability of $6 million for this matter. 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. (formerly known as Dominion Field Services, Inc.) entered into contracts for firm purchase rights with a group of small gas producers. In June 2016, certain of 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. 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. This case is pending. 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 September 2014, Virginia Power received a notice from the Southern Environmental Law Center on behalf of the Potomac Riverkeeper and Sierra Club alleging CWA violations at Possum Point power station. The notice alleges unpermitted discharges to surface water and groundwater from Possum Point power station's historical and active ash storage facilities. A similar notice from the Southern Environmental Law Center on behalf of the Sierra Club was subsequently received related to Chesapeake power station. In December 2014, Virginia Power offered to close all of its coal ash ponds and landfills at Possum Point power station, Chesapeake and Bremo power stations as settlement of the potential litigation. The Southern Environmental Law Center declined the offer as presented in January 2015 and, in March 2015, filed a lawsuit related to its claims of the alleged 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. On remedy, the court ordered the parties to submit within 30 days a remedial plan (or separate plans) incorporating certain prescribed sediment, water and aquatic life monitoring. The court also ordered Virginia Power to reopen its solid waste permit application for closure of the coal ash storage units at Chesapeake power station. In April 2017, Virginia Power submitted its remedial plan to the court, which included a timetable for submitting a revised solid waste permit application to the VDEQ. The revised application will include a proposed remedial alternative to address groundwater impacts associated with coal ash storage at Chesapeake power station. Sierra Club submitted a separate remedial plan to the court. 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

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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 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's final rule regulating the management of CCRs stored in impoundments (ash ponds) and landfills was published in the Federal Register. The final rule regulates 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. The enactment of the final rule in April 2015 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 April 2016, the EPA announced a partial settlement with certain environmental and industry organizations that had challenged the final CCR rule in the U.S. Court of Appeals for the D.C. Circuit. As part of the settlement, certain exemptions included in the final rule for inactive ponds that closed by April 2018 will be removed, resulting in inactive ponds ultimately being subject to the same requirements as existing ponds. In June 2016, the court issued an order approving the settlement, which requires the EPA to modify provisions in the final CCR rule concerning inactive ponds. In August 2016, the EPA issued a final rule, effective October 2016, extending certain compliance deadlines in the final CCR rule for inactive ponds. Virginia Power does not believe these changes will substantially impact its closure plans for inactive ponds.

In December 2016, the U.S. Congress passed and the President signed legislation that creates a framework for EPA-approved state CCR permit programs. Under this legislation, an approved state CCR permit program functions in lieu of the self-implementing Federal CCR rule. The legislation allows states more flexibility in developing permit programs to implement the environmental criteria in the CCR rule. 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. Dominion Energy 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 places 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. The assessments are due by December 1, 2017. Virginia Power has initiated a third-party evaluation of closure alternatives consistent with the legislation and is unable to estimate the potential financial statement impacts. The actual AROs related to the CCR rule may vary substantially from the estimates used to record the obligation.

Cove Point

Dominion Energy is constructing the Liquefaction Project at the Cove Point facility, which would enable the facility to liquefy domestically-produced natural gas and export it as LNG. In September 2014, FERC issued an order granting authorization for Cove Point to construct, modify and operate the Liquefaction Project. In October 2014, several parties filed a motion with FERC to stay the order and requested rehearing. In May 2015, FERC denied the requests for stay and rehearing.

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 September 2013, the U.S. DOE granted Non-FTA Authorization approval for the export of up to 0.77 bcfe/day of natural gas to countries that do not have an FTA for trade in natural gas. In June 2016, a party filed a petition for review of this approval in the U.S. Court of Appeals for the D.C. Circuit. This case is pending.

In July 2017, Cove Point submitted an application for a temporary operating permit to the Maryland Department of the Environment, as required prior to the date of first production of LNG for commercial purposes of exporting LNG. In August 2017, Cove Point submitted an application to amend the CPCN issued by the Public Service Commission of Maryland in May 2014 to make necessary updates. These cases are 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.

Greensville County

Virginia Power is constructing Greensville County and related transmission interconnection facilities. In August 2016, the Sierra Club filed an administrative appeal in the Circuit Court for the City of Richmond challenging certain provisions in Greensville County’s PSD air permit issued by the VDEQ in June 2016. In August 2017, the Circuit Court upheld the air permit, and no appeals were filed.

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.

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.

Guarantees, Surety Bonds and Letters of Credit

Dominion Energy

At September 30, 2017, Dominion Energy had issued $48 million of guarantees, primarily to support equity method investees. No significant amounts related to these guarantees have been recorded.

In October 2017, Dominion Energy entered into a guarantee agreement to support a portion of Atlantic Coast Pipeline's obligation under a $3.3 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. In October 2017, Dominion Energy recorded a liability of $30 million associated with this guarantee agreement. Through October 2017, Atlantic Coast Pipeline has borrowed $570 million against the revolving credit facility.

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 September 30, 2017, Dominion Energy had issued the following subsidiary guarantees:

(millions)	Maximum Exposure
Commodity transactions[1]	$ 1,967
Nuclear obligations[2]	227
Cove Point[3]	1,900
Solar[4]	1,054
Other[5]	538
Total[6]	$ 5,686

(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.
(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 September 30, 2017, Dominion Energy's maximum remaining cumulative exposure under these equity funding agreements is $20 million through 2019 and its maximum annual future contributions could range from approximately $4 million to $19 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, 2016.

Additionally, at September 30, 2017, Dominion Energy had purchased $141 million of surety bonds, including $63 million at Virginia Power and $24 million at Dominion Energy Gas, and authorized the issuance of letters of credit by financial institutions of $73 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 16. 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, 2016. During the second quarter of 2017, Virginia Power recorded a $16 million ($10 million after-tax) charge related to a proposed settlement with a customer renting space on certain of Virginia Power's electric distribution poles. This matter was settled during the third quarter of 2017.

At September 30, 2017, Dominion Energy's credit exposure related to energy marketing and price risk management activities totaled $70 million. Of this amount, investment grade counterparties, including those internally rated, represented 49%. No single counterparty, whether investment grade or non-investment grade, exceeded $7 million of exposure. At September 30, 2017, Virginia Power's exposure related to sales to wholesale customers totaled $23 million. Of this amount, investment grade counterparties, including those internally rated, represented 52%. No single counterparty, whether investment grade or non-investment grade, exceeded $6 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 September 30, 2017 and December 31, 2016, Dominion Energy would have been required to post additional collateral to its counterparties of $6 million and $3 million, respectively. 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 not posted any collateral at September 30, 2017 or December 31, 2016 related to derivatives with credit-related contingent provisions that are in a liability position and not fully collateralized with cash. The collateral posted includes any amounts paid related to non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. 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 both September 30, 2017 and December 31, 2016 was $9 million, 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 September 30, 2017 and December 31, 2016. See Note 9 for further information about derivative instruments.

Note 17. 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 September 30, 2017, Virginia Power’s derivative assets and liabilities with affiliates were $13 million and $5 million, respectively. At December 31, 2016, Virginia Power’s derivative assets and liabilities with affiliates were $41 million and $8 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, 2016. At

September 30, 2017 and December 31, 2016, amounts due to Dominion Energy associated with the Dominion Pension Plan and included in other deferred credits and other liabilities in the Consolidated Balance Sheets were $478 million and $396 million, respectively. At September 30, 2017 and December 31, 2016, Virginia Power's amounts due from Dominion Energy associated with the Dominion Retiree Health and Welfare plan and included in pension and other postretirement benefit assets in the Consolidated Balance Sheets were $182 million and $130 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(millions)				
Commodity purchases from affiliates	$ 170	$ 172	$ 519	$ 416
Services provided by affiliates[1]	109	105	333	347
Services provided to affiliates	5	5	17	17

(1) Includes capitalized expenditures of $33 million and $32 million for the three months ended September 30, 2017 and 2016, respectively, and $104 million and $109 million for the nine months ended September 30, 2017 and 2016, respectively.

Virginia Power has borrowed funds from Dominion Energy under short-term borrowing arrangements. There were $36 million and $262 million in short-term demand note borrowings from Dominion Energy as of September 30, 2017 and December 31, 2016, respectively. Virginia Power had no outstanding borrowings under the Dominion Energy money pool for its nonregulated subsidiaries as of September 30, 2017 and December 31, 2016. Interest charges related to Virginia Power's borrowings from Dominion Energy were immaterial for the three and nine months ended September 30, 2017 and 2016.

There were no issuances of Virginia Power's common stock to Dominion Energy for the three and nine months ended September 30, 2017 and 2016.

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, which are presented separately from contracts involving commodities or services. As of September 30, 2017 and December 31, 2016, all of Dominion Energy Gas' commodity derivatives were with affiliates. See Notes 7 and 9 for more information.

Dominion Energy Gas participates in certain Dominion Energy benefit plans as described in Note 18. At September 30, 2017 and December 31, 2016, amounts due from Dominion Energy associated with the Dominion Pension Plan included in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were $725 million and $697 million, respectively. At September 30, 2017 and December 31, 2016, Dominion Energy Gas' amounts due from Dominion Energy associated with the Dominion Retiree Health and Welfare plan included in noncurrent pension and other postretirement benefit assets in the Consolidated Balance Sheets were $6 million and $2 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. The costs of these services follow:

(millions)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Purchases of natural gas and transportation and storage services from affiliates	$ 2	$ 2	$ 4	$ 7
Sales of natural gas and transportation and storage services to affiliates	15	16	51	51
Services provided by related parties[1]	36	36	106	108
Services provided to related parties[2]	37	34	113	94

(1) Includes capitalized expenditures of $13 million for both the three months ended September 30, 2017 and 2016, respectively, and $33 million and $37 million for the nine months ended September 30, 2017 and 2016, respectively.

(2) Amounts primarily attributable to Atlantic Coast Pipeline, a related-party VIE.

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The following table presents affiliated and related-party activity reflected in Dominion Energy Gas' Consolidated Balance Sheets:

(millions)	September 30, 2017	December 31, 2016
Other receivables[1]	$ 13	$ 10
Imbalances receivable from affiliates	—	2
Imbalances payable to affiliates[2]	1	4
Affiliated notes receivable[3]	21	18

(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.

Dominion Energy Gas' borrowings under the intercompany revolving credit agreement with Dominion Energy were $34 million and $118 million as of September 30, 2017 and December 31, 2016, respectively. Interest charges related to Dominion Energy Gas' total borrowings from Dominion Energy were immaterial for the three and nine months ended September 30, 2017 and 2016.

Note 18. Employee Benefit Plans

In the first quarter of 2016, the Companies announced an organizational design initiative that reduced their total workforces during 2016. The goal of the organizational design initiative was to streamline leadership structure and push decision making lower while also improving efficiency. During the nine months ended September 30, 2016, Dominion Energy recorded a $65 million ($40 million after-tax) charge, including $33 million ($20 million after-tax) at Virginia Power and $8 million ($5 million after-tax) at Dominion Energy Gas, primarily reflected in other operations and maintenance expense in their Consolidated Statements of Income due to severance pay and other costs related to the organizational design initiative. The terms of the severance under the organizational design initiative were consistent with the Companies’ existing severance plans.

Plan Amendment and Remeasurement

In the first quarter of 2017, Dominion Energy and Dominion Energy Gas remeasured an other postretirement benefit plan as a result of an amendment that changed post-65 retiree medical coverage for certain current and future Local 69 retirees effective July 1, 2017. The remeasurement resulted in a decrease in Dominion Energy's and Dominion Energy Gas' accumulated postretirement benefit obligation of $73 million and $61 million, respectively. As a result of regulatory accounting, the remeasurement will have an immaterial impact on net income for both Dominion Energy and Dominion Energy Gas. The discount rate used for the remeasurement was 4.30%. All other assumptions used were consistent with the measurement as of December 31, 2016.

During the nine months ended September 30, 2017, Dominion Energy recorded a $7 million ($4 million after-tax) charge, including $6 million ($4 million after-tax) at Dominion Energy Gas, as a result of additional payments associated with the new collective bargaining agreement, which is reflected in other operations and maintenance expense in their Consolidated Statements of Income.

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Dominion Energy

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

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
(millions)				
Three Months Ended September 30,				
Service cost	$35	$30	$ 7	$ 7
Interest cost	86	79	15	16
Expected return on plan assets	(160)	(141)	(32)	(28)
Amortization of prior service credit	—	—	(13)	(9)
Amortization of net actuarial loss	40	29	3	2
Settlements	1	—	—	—
Net periodic benefit cost (credit)	$2	$(3)	$ (20)	$ (12)
Nine Months Ended September 30,				
Service cost	$104	$87	$ 20	$ 23
Interest cost	259	234	45	50
Expected return on plan assets	(480)	(419)	(95)	(87)
Amortization of prior service cost (credit)	1	1	(38)	(23)
Amortization of net actuarial loss	121	84	9	5
Settlements	2	—	—	—
Net periodic benefit cost (credit)	$7	$(13)	$ (59)	$ (32)

Employer Contributions

During the nine months ended September 30, 2017, Dominion Energy made no contributions to its defined benefit pension plans or other postretirement benefit plans, except for a $75 million contribution made in January 2017 to Dominion Energy Questar’s qualified pension plan to satisfy a regulatory condition to closing of the Dominion Energy Questar Combination. Dominion Energy expects to contribute approximately $12 million to its other postretirement benefit plans through VEBAs during the remainder of 2017.

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, 2016. See Note 17 for more information.

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

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
(millions)				
Three Months Ended September 30,				
Service cost	$3	$3	$ 1	$ 1
Interest cost	7	7	3	3
Expected return on plan assets	(34)	(33)	(7)	(5)
Amortization of prior service credit	—	—	(1)	—
Amortization of net actuarial loss	4	3	1	—
Net periodic benefit credit	$(20)	$(20)	$ (3)	$ (1)
Nine Months Ended September 30,				
Service cost	$11	$10	$ 3	$ 4
Interest cost	22	22	9	10
Expected return on plan assets	(105)	(100)	(19)	(17)
Amortization of prior service credit	—	—	(2)	—
Amortization of net actuarial loss	12	10	2	1
Net periodic benefit credit	$(60)	$(58)	$ (7)	$ (2)

Employer Contributions

During the nine months ended September 30, 2017, 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 2017.

Note 19. Operating Segments

The Companies are organized primarily on the basis of products and services sold in the U.S. In connection with its corporate rebranding, the Companies changed the names of their principal operating segments to Power Delivery, Power Generation and Gas Infrastructure from Dominion Virginia Power, Dominion Generation and Dominion Energy, respectively. 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 import 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) and the net impact of operations that are discontinued or sold. 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 nine months ended September 30, 2017, Dominion Energy reported after-tax net expenses of $17 million for specific items in the Corporate and Other segment, with $1 million of net expenses attributable to its operating segments. In the nine months ended September 30, 2016, Dominion Energy reported after-tax net expenses of $63 million for specific items in the Corporate and Other segment, with $22 million of these net expenses attributable to its operating segments.

The net expense for specific items attributable to Dominion Energy's operating segments in 2016 primarily related to the impact of the following item:

- A $59 million ($36 million after-tax) charge related to an organizational design initiative, attributable to:
  - Power Delivery ($5 million after-tax);
  - Gas Infrastructure ($12 million after-tax); and
  - Power Generation ($19 million after-tax).
- A $29 million ($18 million after-tax) net gain on investments held in nuclear decommissioning trust funds, attributable to Dominion Generation

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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 September 30, 2017						
Total revenue from external customers	$ 580	$ 1,931	$ 459	$ 3	$ 206	$ 3,179
Intersegment revenue	4	3	204	150	(361)	—
Total operating revenue	584	1,934	663	153	(155)	3,179
Net income (loss) attributable to Dominion Energy	138	369	187	(29)	—	665
Three Months Ended September 30, 2016						
Total revenue from external customers	$ 614	$ 1,947	$ 359	$ 2	$ 210	$ 3,132
Intersegment revenue	6	2	205	144	(357)	—
Total operating revenue	620	1,949	564	146	(147)	3,132
Net income (loss) attributable to Dominion Energy	139	650	135	(234)	—	690
Nine Months Ended September 30, 2017						
Total revenue from external customers	$ 1,664	$ 5,091	$ 1,949	$ 12	$ 660	$ 9,376
Intersegment revenue	16	8	645	451	(1,120)	—
Total operating revenue	1,680	5,099	2,594	463	(460)	9,376
Net income (loss) attributable to Dominion Energy	390	870	613	(186)	—	1,687
Nine Months Ended September 30, 2016						
Total revenue from external customers	$ 1,682	$ 5,204	$ 1,235	$ 8	$ 522	$ 8,651
Intersegment revenue	17	7	507	469	(1,000)	—
Total operating revenue	1,699	5,211	1,742	477	(478)	8,651
Net income (loss) attributable to Dominion Energy	363	1,066	483	(246)	—	1,666

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 nine months ended September 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. In the nine months ended September 30, 2016, Virginia Power reported an after-tax net expense of $18 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 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 customer settlement.

The net expense for specific items attributable to Virginia Power’s operating segments in 2016 primarily related to the impact of the following item:

- A $33 million ($20 million after-tax) charge related to an organizational design initiative, attributable to:
  - Power Delivery ($5 million after-tax); and
  - Power Generation ($15 million after-tax).

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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 September 30, 2017				
Operating revenue	$ 580	$ 1,574	$ —	$ 2,154
Net income	137	314	8	459
Three Months Ended September 30, 2016				
Operating revenue	$ 617	$ 1,594	$ —	$ 2,211
Net income	140	359	4	503
Nine Months Ended September 30, 2017				
Operating revenue	$ 1,670	$ 4,062	$ —	$ 5,732
Net income	387	735	11	1,133
Nine Months Ended September 30, 2016				
Operating revenue	$ 1,686	$ 4,191	$ —	$ 5,877
Net income (loss)	362	699	(15)	1,046

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 nine months ended September 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. In the nine months ended September 30, 2016, Dominion Energy Gas reported an after-tax net benefit of $5 million for specific items in the Corporate and Other segment, with after-tax net expense of $7 million attributable to its operating segment.

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.

The net expense for specific items in 2016 primarily related to an $8 million ($5 million after-tax) charge related to an organizational design initiative.

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

(millions)	Gas Infrastructure	Corporate and Other	Consolidated Total

Three Months Ended September 30, 2017			
Operating revenue	$ 401	$ —	$ 401
Net income (loss)	121	(4)	117
Three Months Ended September 30, 2016			
Operating revenue	$ 382	$ —	$ 382
Net income	77	6	83
Nine Months Ended September 30, 2017			
Operating revenue	$ 1,313	$ —	$ 1,313
Net income (loss)	318	(16)	302
Nine Months Ended September 30, 2016			
Operating revenue	$ 1,181	$ —	$ 1,181
Net income (loss)	288	(2)	286

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," "plar "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;
- 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;

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- 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, including the Dominion Energy Questar Combination, divestitures, transfers of assets to joint ventures or Dominion Energy Midstream, including the contribution of Dominion Energy Questar Pipeline to Dominion Energy Midstream, and retirements of assets based on asset portfolio reviews;
- 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 FERC 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;

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- 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, 2016.

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 September 30, 2017, 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, 2016. The policies disclosed included the accounting for regulated operations, AROs, income taxes, derivative contracts and other instruments at fair value, goodwill and long-lived asset impairment testing and employee benefit plans.

Dominion Energy

Results of Operations

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

(millions, except EPS)	2017	2016	$ Change
Third Quarter			
Net income attributable to Dominion Energy	$665	$690	$ (25)
Diluted EPS	1.03	1.10	(0.07)
Year-To-Date			
Net income attributable to Dominion Energy	$1,687	$1,666	$ 21
Diluted EPS	2.66	2.71	(0.05)

Overview

Third Quarter 2017 vs. 2016

Net income attributable to Dominion Energy decreased 4%, primarily due to lower anticipated renewable energy investment tax credits, milder weather during 2017 in Dominion Energy’s electric utility service territory and a decrease in Cove Point import contracts. These decreases were partially offset by the Dominion Energy Questar Combination and an increase in gains from agreements to convey shale development rights underneath several natural gas storage fields.

Year-To-Date 2017 vs. 2016

Net income attributable to Dominion Energy increased 1%, primarily due to the Dominion Energy Questar Combination, an electric utility capacity benefit and the absence of 2016 organizational design initiative costs. These increases were substantially offset by lower anticipated renewable energy investment tax credits, an increase in interest expense, milder weather in Dominion Energy’s electric utility service territory and a decrease in Cove Point import contracts.

Analysis of Consolidated Operations

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

	Third Quarter			Year-To-Date		
	2017	2016	$ Change	2017	2016	$ Change
(millions)						
Operating revenue	$3,179	$3,132	$ 47	$9,376	$8,651	$ 725
Electric fuel and other energy-related purchases	638	606	32	1,711	1,791	(80)
Purchased (excess) electric capacity	21	(6)	27	(8)	107	(115)
Purchased gas	24	77	(53)	441	252	189
Net revenue	2,496	2,455	41	7,232	6,501	731
Other operations and maintenance	649	765	(116)	2,166	2,133	33
Depreciation, depletion and amortization	485	400	85	1,421	1,112	309
Other taxes	162	145	17	519	448	71
Other income	73	63	10	249	189	60
Interest and related charges	305	250	55	905	715	190
Income tax expense	272	230	42	683	561	122
Noncontrolling interests	31	38	(7)	100	55	45

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

Third Quarter 2017 vs. 2016

Net revenue increased 2%, primarily reflecting:

- A $161 million increase from the operations acquired in the Dominion Energy Questar Combination being included for all of 2017;
- A $29 million increase due to additional generation output from merchant solar generating projects; and
- A $16 million increase from regulated natural gas transmission growth projects placed into service; partially offset by
- A $76 million decrease in sales to electric utility retail customers from a decrease in cooling degree days;
- A $41 million decrease from Cove Point import contracts;
- A $24 million increase in electric capacity related expenses due to the annual PJM capacity performance market effective June 2017 ($68 million), partially offset by a benefit related to non-utility generators ($44 million); and
- A $20 million decrease due to unfavorable pricing at merchant generation facilities.

Other operations and maintenance decreased 15%, primarily reflecting:

- A $56 million increase in gains from agreements to convey shale development rights underneath several natural gas storage fields;
- A $30 million decrease in certain electric transmission-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income;
- A $26 million decrease in transaction and transition costs related to the Dominion Energy Questar Combination; and
- A $21 million decrease due to the absence of costs related to 2016 labor contract renegotiations as well as costs resulting from a union workforce temporary work stoppage; partially offset by
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A $45 million increase from the operations acquired in the Dominion Energy Questar Combination being included for all of 2017.

Depreciation, depletion and amortization increased 21%, primarily due to the operations acquired in the Dominion Energy Questar Combination being included for all of 2017 ($47 million) and various growth projects being placed into service ($40 million).

Interest and related charges increased 22%, primarily due to higher long-term debt interest expense resulting from debt issuances in the fourth quarter of 2016 and the first nine months of 2017 ($41 million) and debt acquired in the Dominion Energy Questar Combination ($11 million).

Income tax expense increased 18%, primarily due to an increased effective tax rate, principally due to lower anticipated renewable energy investment tax credits.

Noncontrolling interests decreased 18% primarily due to a decrease in earnings attributable to merchant solar partners ($22 million), partially offset by an increase in Dominion Energy Midstream earnings attributable to public unit holders ($15 million).

Year-To-Date 2017 vs. 2016

Net revenue increased 11%, primarily reflecting:

- A $663 million increase from the operations acquired in the Dominion Energy Questar Combination being included for all of 2017;
- A $119 million electric capacity benefit due to the annual PJM capacity performance market effective June 2016 ($123 million) and a benefit related to non-utility generators ($86 million), partially offset by the annual PJM capacity performance market effective June 2017 ($90 million);
- A $74 million increase due to additional generation output from merchant solar generating projects;
- A $57 million increase in sales to electric utility retail customers due to the effect of changes in customer usage and other factors;
- A $49 million increase from regulated natural gas transmission growth projects placed into service; and
- A $36 million increase from rate adjustment clauses associated with electric utility operations; partially offset by
- A $109 million decrease due to unfavorable pricing at merchant generation facilities;
- A $104 million decrease from Cove Point import contracts; and
- A decrease in sales to electric utility retail customers from a reduction in heating degree days during the heating season of 2017 ($52 million) and a decrease in cooling degree days during the cooling season of 2017 ($53 million).

Other operations and maintenance increased 2%, primarily reflecting:

- A $162 million increase from the operations acquired in the Dominion Energy Questar Combination being included for all of 2017; and
- A $35 million increase in salaries, wages and benefits; partially offset by
- An $88 million decrease in certain electric transmission-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income; and
- The absence of organizational design initiative costs ($64 million).

Depreciation, depletion and amortization increased 28%, primarily due to the operations acquired in the Dominion Energy Questar Combination being included for all of 2017 ($162 million) and various growth projects being placed into service ($120 million).

Other taxes increased 16%, primarily due to the operations acquired in the Dominion Energy Questar Combination being included for all of 2017 ($35 million) and increased property taxes related to growth projects placed into service ($31 million).

Other income increased 32%, primarily reflecting:

- A $26 million increase in earnings from equity method investments;
- A $19 million increase in AFUDC associated with rate-regulated projects;
- An $11 million increase in interest income associated with the settlement of state income tax refund claims; and
- An $11 million increase in net realized gains (including investment income) on nuclear decommissioning trust funds.

Interest and related charges increased 27%, primarily due to higher long-term debt interest expense resulting from debt issuances in 2016 and the first nine months of 2017 ($148 million) and debt acquired in the Dominion Energy

Questar Combination ($39 million).

Income tax expense increased 22%, primarily due to higher pre-tax income and an increased effective tax rate, principally due to lower anticipated renewable energy investment tax credits.

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Noncontrolling interests increased 82%, primarily due to an increase in Dominion Energy Midstream earnings attributable to public unitholders.

Segment Results of Operations

Segment results include the impact of intersegment revenues and expenses, which may result in intersegment profit and loss. In connection with its corporate rebranding in May 2017, Dominion Energy changed the names of its principal operating segments to Power Delivery, Power Generation and Gas Infrastructure from Dominion Virginia Power, Dominion Generation and Dominion Energy, respectively. 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)	2017	2016	$ Change	2017	2016	$ Change
Third Quarter						
Power Delivery	$138	$139	$ (1)	$0.21	$0.22	$ (0.01)
Power Generation	369	650	(281)	0.57	1.04	(0.47)
Gas Infrastructure	187	135	52	0.29	0.21	0.08
Primary operating segments	694	924	(230)	1.07	1.47	(0.40)
Corporate and Other	(29)	(234)	205	(0.04)	(0.37)	0.33
Consolidated	$665	$690	$ (25)	$1.03	$1.10	$ (0.07)
Year-To-Date						
Power Delivery	$390	$363	$ 27	$0.62	$0.59	$ 0.03
Power Generation	870	1,066	(196)	1.37	1.74	(0.37)
Gas Infrastructure	613	483	130	0.97	0.78	0.19
Primary operating segments	1,873	1,912	(39)	2.96	3.11	(0.15)
Corporate and Other	(186)	(246)	60	(0.30)	(0.40)	0.10
Consolidated	$1,687	$1,666	$ 21	$2.66	$2.71	$ (0.05)

Power Delivery

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

	Third Quarter			Year-To-Date		
	2017	2016	% Change	2017	2016	% Change
Electricity delivered (million MWh)	23.0	24.1	(5)%	63.2	64.2	(2)%
Degree days (electric distribution service area):						
Cooling	1,124	1,326	(15)	1,698	1,755	(3)
Heating	2	—	100	1,825	2,247	(19)
Average electric distribution customer accounts (thousands)[1]	2,576	2,552	1	2,570	2,546	1

(1) Period average.

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

	Third Quarter 2017 vs. 2016		Year-To-Date 2017 vs. 2016	
	Increase (Decrease)		Increase (Decrease)	
(millions, except EPS)	Amount	EPS	Amount	EPS
Regulated electric sales:				
Weather	$(13)	$(0.02)	$(19)	$(0.03)
Other	1	—	12	0.02
FERC transmission equity return	5	0.01	14	0.02
Storm damage and service restoration	3	—	17	0.03
Other	3	—	3	—
Share dilution	—	—	—	(0.01)
Change in net income contribution	$(1)	$(0.01)	$27	$0.03

Power Generation

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

	Third Quarter			Year-To-Date		
	2017	2016	% Change	2017	2016	% Change
Electricity supplied (million MWh):						
Utility	23.1	24.8	(7)%	64.7	67.1	(4)%
Merchant	7.9	7.9	—	22.7	21.2	7
Degree days (electric utility service area):						
Cooling	1,124	1,326	(15)	1,698	1,755	(3)
Heating	2	—	100	1,825	2,247	(19)

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

Third Quarter 2017 vs. 2016		Year-To-Date 2017 vs. 2016	
Increase (Decrease)		Increase (Decrease)	
Amount	EPS	Amount	EPS

(millions, except EPS)				
Regulated electric sales:				
Weather	$(33)	$(0.05)	$(45)	$(0.07)
Other	6	0.01	27	0.04
Electric capacity	(16)	(0.03)	70	0.11
Renewable energy investment tax credits[1]	(242)	(0.39)	(187)	(0.31)
Merchant generation margin	6	0.01	(9)	(0.02)
Noncontrolling interests[2]	14	0.02	1	—
Depreciation and amortization	(12)	(0.02)	(38)	(0.06)
Other	(4)	(0.01)	(15)	(0.02)
Share dilution	—	(0.01)	—	(0.04)
Change in net income contribution	$(281)	$(0.47)	$(196)	$(0.37)

(1) Tax credit is reflected in Power Generation segment once project is placed into service.

(2) Represents noncontrolling interests related to merchant solar partnerships.

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Gas Infrastructure

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

	Third Quarter			Year-To-Date		
	2017	2016	% Change	2017	2016	% Change
Gas distribution throughput (bcf)[1]:						
Sales	10	2	400 %	85	18	372 %
Transportation	143	106	35	469	364	29
Heating degree days (gas distribution service area):						
Eastern region	66	22	200	2,940	3,435	(14)
Western region[1]	131	39	236	3,024	39	7,654
Average gas distribution customer accounts (thousands)[1][2]:						
Sales	1,234	472	161	1,234	329	275
Transportation	1,082	1,069	1	1,089	1,072	2
Average retail energy marketing customer accounts (thousands)[2]	1,463	1,377	6	1,447	1,368	6

(1) Includes Dominion Energy Questar effective September 2016.
(2) Period average.

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

	Third Quarter 2017 vs. 2016		Year-To-Date 2017 vs. 2016	
	Increase (Decrease)		Increase (Decrease)	
(millions, except EPS)	Amount	EPS	Amount	EPS
Dominion Energy Questar Combination	$34	$0.05	$184	$0.30
Assignment of Marcellus acreage	33	0.05	7	0.01
Cove Point import contracts	(27)	(0.04)	(63)	(0.10)
Noncontrolling interests[1]	(9)	(0.01)	(28)	(0.04)
Transportation and storage growth projects	7	0.01	23	0.04
Other	14	0.02	7	0.01
Share dilution	—	—	—	(0.03)
Change in net income contribution	$52	$0.08	$130	$0.19

(1) Represents the portion of earnings attributable to Dominion Energy Midstream's public unitholders.

Corporate and Other

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

	Third Quarter			Year-To-Date		
(millions, except EPS)	2017	2016	$ Change	2017	2016	$ Change
Specific items attributable to operating segments	$—	$4	$ (4)	$(1)	$(22)	$ 21
Specific items attributable to corporate operations	(7)	(30)	23	(16)	(41)	25
Total specific items	(7)	(26)	19	(17)	(63)	46
Other corporate operations:						
Renewable energy investment tax credits	52	(143)	195	79	(11)	90
Interest expense, net	(85)	(63)	(22)	(258)	(191)	(67)
Other	11	(2)	13	10	19	(9)
Total other corporate operations	(22)	(208)	186	(169)	(183)	14
Total net expense	$(29)	$(234)	$ 205	$(186)	$(246)	$ 60
EPS impact	$(0.04)	$(0.37)	$ 0.33	$(0.30)	$(0.40)	$ 0.10

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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 19 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:

	Third Quarter			Year-To-Date		
	2017	2016	$ Change	2017	2016	$ Change
(millions)						
Net income	$459	$503	$ (44)	$1,133	$1,046	$ 87

Overview

Third Quarter 2017 vs. 2016

Net income decreased 9%, primarily due to milder weather during 2017 and the annual PJM capacity performance market effective June 2017, partially offset by a benefit related to non-utility generators.

Year-To-Date 2017 vs. 2016

Net income increased 8%, primarily due to the PJM capacity performance market, a benefit related to non-utility generators, an increase in customer usage and other factors and the absence of organizational design initiative costs, partially offset by milder weather during 2017.

Analysis of Consolidated Operations

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

	Third Quarter			Year-To-Date		
	2017	2016	$ Change	2017	2016	$ Change
(millions)						
Operating revenue	$2,154	$2,211	$ (57)	$5,732	$5,877	$ (145)
Electric fuel and other energy-related purchases	549	516	33	1,414	1,527	(113)
Purchased (excess) electric capacity	21	(6)	27	(8)	107	(115)
Net revenue	1,584	1,701	(117)	4,326	4,243	83
Other operations and maintenance	373	443	(70)	1,126	1,279	(153)
Depreciation and amortization	288	270	18	854	765	89

Other taxes	76	74	2	233	218	15
Other income	13	13	—	57	47	10
Interest and related charges	128	118	10	373	345	28
Income tax expense	273	306	(33)	664	637	27

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

Third Quarter 2017 vs. 2016

Net revenue decreased 7%, primarily reflecting:

- A $76 million decrease in sales to retail customers from a decrease in cooling degree days; and
- A $24 million increase in electric capacity related expenses due to the annual PJM capacity performance market effective June 2017 ($68 million), partially offset by a benefit related to non-utility generators ($44 million).

Other operations and maintenance decreased 16%, primarily reflecting:

- A $30 million decrease in certain electric transmission-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income;
- An $11 million decrease due to the absence of 2016 union workforce contract renegotiations; and
- A $9 million decrease in outside services due to the absence of certain utility projects.

Income tax expense decreased 11%, primarily due to lower pre-tax income.

Year-To-Date 2017 vs. 2016

Net revenue increased 2%, primarily reflecting:

- A $119 million electric capacity benefit due to the annual PJM capacity performance market effective June 2016 ($123 million) and a benefit related to non-utility generators ($86 million), partially offset by the annual PJM capacity performance market effective June 2017 ($90 million);
- An increase in sales to retail customers due to the effect of changes in customer usage and other factors ($57 million); and
- An increase from rate adjustment clauses ($36 million); partially offset by
- A decrease in sales to retail customers from a reduction in heating degree days during the heating season of 2017 ($52 million) and a decrease in cooling degree days during the cooling season of 2017 ($53 million).

Other operations and maintenance decreased 12%, primarily reflecting:

- An $88 million decrease in certain electric transmission-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income;
- The absence of organizational design initiative costs ($32 million); and
- A $28 million decrease in storm damage and service restoration costs.

Depreciation and amortization increased 12%, primarily due to various growth projects being placed into service ($48 million) and revised depreciation rates ($32 million).

Other income increased 21%, primarily reflecting:

- An $11 million increase in interest income associated with the settlement of state income tax refund claims; and
- A $10 million increase from the assignment of Virginia Power's electric transmission tower rental portfolio; partially offset by
- A $16 million charge associated with a customer settlement.

Dominion Energy Gas

Results of Operations

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

	Third Quarter			Year-To-Date		
(millions)	2017	2016	$ Change	2017	2016	$ Change
Net income	$117	$ 83	$ 34	$302	$286	$ 16

Overview

Third Quarter 2017 vs. 2016

Net income increased 41%, primarily due to gains from agreements to convey shale development rights underneath several natural gas storage fields.

Year-To-Date 2017 vs. 2016

Net income increased 6%, primarily due to gas transportation and storage activities from growth projects placed into service.

Analysis of Consolidated Operations

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

	Third Quarter			Year-To-Date		
(millions)	2017	2016	$ Change	2017	2016	$ Change
Operating revenue	$401	$382	$ 19	$1,313	$1,181	$ 132
Purchased gas	19	21	(2)	100	71	29
Other energy-related purchases	4	4	—	11	8	3
Net revenue	378	357	21	1,202	1,102	100
Other operations and maintenance	73	133	(60)	377	331	46
Depreciation and amortization	57	55	2	167	150	17
Other taxes	42	36	6	139	127	12
Earnings from equity method investee	4	5	(1)	15	14	1
Other income	6	2	4	16	8	8
Interest and related charges	25	23	2	72	68	4
Income tax expense	74	34	40	176	162	14

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

Third Quarter 2017 vs. 2016

Net revenue increased 6%, primarily reflecting:

- A $13 million increase from regulated natural gas transmission growth projects placed into service;
- A $6 million increase in PIR program revenues; and
- A $6 million increase in services performed for Atlantic Coast Pipeline.

Other operations and maintenance decreased 45%, primarily reflecting:

- The increase in gains from agreements to convey shale development rights underneath several natural gas storage fields ($56 million); and
- The absence of a union workforce temporary work stoppage ($8 million); partially offset by
- A $5 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income.

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Other taxes increased 17% primarily due to an increase in property taxes related to growth projects placed into service.

Income tax expense increased by $40 million due to higher pre-tax income ($28 million) and the absence of a 2016 settlement with a tax authority ($12 million).

Year-To-Date 2017 vs. 2016

Net revenue increased 9%, primarily reflecting:

- A $38 million increase from regulated natural gas transmission growth projects placed into service;
- A $22 million increase in services performed for Atlantic Coast Pipeline;
- An $18 million increase in PIR program revenues; and
- A $17 million increase in rate recovery for low income assistance programs associated with regulated natural gas distribution operations.

Other operations and maintenance increased 14%, primarily reflecting:

- A $21 million increase in services performed for Atlantic Coast Pipeline. These expenses are billed to Atlantic Coast Pipeline and do not significantly impact net income;
- A $17 million increase in bad debt expense at regulated natural gas distribution operations primarily related to low income assistance programs. These bad debt expenses are recovered through rates and do not impact net income;
- A $15 million increase due to a charge to write-off the balance of a regulatory asset no longer considered probable of recovery; and
- An $11 million increase in salaries, wages and benefits and general and administrative expenses; partially offset by
- A $16 million increase in gains from agreements to convey shale development rights underneath several natural gas storage fields;
- The absence of organizational design initiative costs ($10 million); and
- The absence of a union workforce temporary work stoppage ($8 million).

Other income increased by $8 million primarily due to an increase in AFUDC associated with rate-regulated projects ($12 million), partially offset by the absence of a gain on the 2016 sale of a portion of Dominion Energy Gas' interest in Iroquois ($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 September 30, 2017, Dominion Energy had $2.4 billion of unused capacity under its credit facilities. See Note 14 to the Consolidated Financial Statements for more information.

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

(millions)	2017	2016
Cash and cash equivalents at January 1	$261	$607
Cash flows provided by (used in):		
Operating activities	3,664	3,386
Investing activities	(4,873)	(9,029)
Financing activities	1,175	5,287
Net decrease in cash and cash equivalents	(34)	(356)
Cash and cash equivalents at September 30	$227	$251

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Operating Cash Flows

Net cash provided by Dominion Energy’s operating activities increased $278 million, primarily due to the operations acquired in the Dominion Energy Questar Combination being included for all of 2017, an electric utility capacity benefit, derivative activities and proceeds from the assignment of the electric transmission tower rental portfolio, partially offset by lower deferred fuel cost recoveries in the Virginia jurisdiction, milder weather in Dominion Energy’s electric utility service territory, higher interest expense, lower revenue from Cove Point’s import contracts and Dominion Energy’s contribution to Dominion Energy Questar’s pension plan.

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, 2016.

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 September 30, 2017 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]	$ 26	$ —	$ 26
Non-investment grade[2]	3	—	3
No external ratings:			
Internally rated—investment grade[3]	8	—	8
Internally rated—non-investment grade[4]	33	—	33
Total	$ 70	$ —	$ 70

(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 32% 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 11% of the total net credit exposure.
(4) The five largest counterparty exposures, combined, for this category represented approximately 18% of the total net credit exposure.

Investing Cash Flows

Net cash used in Dominion Energy’s investing activities decreased $4.2 billion, primarily due to the absence of the acquisition of Dominion Energy Questar and decreases in plant construction and other property additions, partially offset by an increase in acquisitions of solar development projects and increased investment in 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, 2016, the ability to borrow funds or issue securities and the return demanded by investors are affected by credit ratings. In addition, the raising of external capital is subject to certain regulatory requirements, including registration with the SEC for certain issuances.

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

Net cash provided by Dominion Energy's financing activities decreased $4.1 billion, primarily due to the absence of debt and common stock issuances utilized to finance the Dominion Energy Questar Combination.

See Notes 3 and 14 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, 2016, 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 September 30, 2017, 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, 2016, there is a discussion on the various covenants present in the enabling agreements underlying Dominion Energy's debt. As of September 30, 2017, there have been no material changes to debt covenants, nor any events of default under Dominion Energy's debt covenants. Pursuant to a waiver received in April 2016 and in connection with the closing of the Dominion Energy Questar Combination, the 65% maximum debt to total capital ratio in Dominion Energy’s credit agreements was, with respect to Dominion Energy only, temporarily increased to 70% through the fiscal quarter ended June 30, 2017. Effective July 2017, the maximum debt to total capital ratio in Dominion Energy’s credit agreements was reset to 65%.

Future Cash Payments for Contractual Obligations and Planned Capital Expenditures

As of September 30, 2017, 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, 2016.

Use of Off-Balance Sheet Arrangements

As of September 30, 2017, 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, 2016.

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, 2016 and Future Issues and Other Matters in MD&A in the Companies’ Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017.

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, 2016, and Note 15 to the Consolidated Financial Statements in the Companies' Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, and in this report for additional information on various environmental matters.

Air

In August 2015, the EPA issued final carbon standards for existing fossil fuel power plants. Known as the Clean Power Plan, the rule uses a set of measures for reducing emissions from existing sources that includes efficiency improvements at coal plants, displacing coal-fired generation with increased utilization of natural gas combined cycle units and expanding renewable resources. The new rule requires states to impose standards of performance limits for existing fossil fuel-fired electric generating units or equivalent statewide intensity-based or mass-based CO_2 binding goals or limits. States are required to submit final plans identifying how they will comply with the rule by September 2018. The EPA also issued a proposed federal implementation plan and model trading rule that states can adopt or that would be put in place if, in response to the final guidelines, a state either does not submit a state plan or its plan is not approved by the EPA. The

final rule has been challenged in the U.S. Court of Appeals for the D.C. Circuit. In February 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan until the disposition of the petitions challenging the rule now before the Court of Appeals, and, if such petitions are filed in the future, before the U.S. Supreme Court. In June 2016, the Governor of Virginia signed an executive order directing the Virginia Natural Resources Secretary to convene a workgroup charged with recommending concrete steps to reduce carbon pollution from power plants which could include reductions at levels similar to the Clean Power Plan as an option. In March 2017, the President issued an Executive Order directing the EPA to undertake a review of the Clean Power Plan that could result in significant revisions to, or rescinding of, the rule. In April 2017, the U.S. Court of Appeals for the D.C. Circuit issued an order suspending the cases challenging the Clean Power Plan for 60 days to allow the EPA time to determine whether to revise or rescind the rule. Also in April 2017, the EPA issued a notice withdrawing the proposed federal implementation plan and model trading rules. In June 2017, the Governor of Virginia issued a directive for development of state carbon regulations with a December 2017 deadline for submittal of draft rules to the Virginia State Air Pollution Control Board for approval to notice for public comment. In October 2017, the EPA issued a proposed rule to repeal the Clean Power Plan on the basis that the rule promulgated in 2015 exceeds the EPA's authority under the CAA. The proposal does not include a replacement rule. The proposal also does not impact the EPA's regulation of GHG emissions from stationary sources under the CAA permitting programs or the GHG performance standards for new sources, which remain in place. Given these developments and associated federal and state regulatory and legal uncertainties, Dominion Energy cannot predict the potential financial statement impacts but believes the potential expenditures to comply could be material.

State Actions

In August 2017, the Ozone Transport Commission released a draft model rule for control of NO_x emissions from natural gas pipeline compressor fuel-fire prime movers. States within the ozone transport region, including states in which Dominion Energy has natural gas operations, are expected to develop reasonably achievable control technology rules for existing sources based on the Ozone Transport Commission model rule. States outside of the Ozone Transport Commission may also consider the model rules in setting new reasonably achievable control technology standards. Several states in which Dominion Energy operates, including Pennsylvania, New York and Maryland, are moving ahead with state-specific climate change regulations, including methane. Dominion Energy cannot currently estimate the potential financial statements impacts on results of operations, financial condition and/or cash flows related to these matters.

Significant Power Delivery Project

In September 2017, Virginia Power filed an application with the Virginia Commission for a CPCN to rebuild and operate in Augusta County, Virginia approximately 18 miles of the existing 500 kV transmission line between the Dooms substation and the Valley substation, along with associated substation work, for a total estimated cost of approximately $65 million. This case is pending.

Significant Gas Infrastructure Projects

Eastern Market Access

In November 2016, Cove Point filed an application to request FERC authorization to construct the approximately $150 million Eastern Market Access Project. Construction on the project is expected to begin in the first quarter of 2018, and the project facilities are expected to be placed into service in late 2018.

Atlantic Coast Pipeline

In October 2017, Atlantic Coast Pipeline received the FERC order authorizing the construction and operation of an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina. The project remains subject to other pending federal and state approvals.

Other Matters

While management currently 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 emissions, and the impact of final rules from the EPA and the efforts of states to implement those final rules; there is risk that Millstone may be evaluated for an early retirement date. Should management make any decision on a potential early retirement date, the precise 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.

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, 2016, Notes 12 and 15 to the Consolidated Financial Statements in the Companies’ Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, 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, 2016, Note 12 to the Consolidated Financial Statements in the Companies’ Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017 and June 30, 2017, and in this report for additional information on various regulatory matters.

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's and Virginia Power's electric operations and Dominion Energy's 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 purchases and sales of natural gas and other energy-related products.

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 $28 million and $27 million of Dominion Energy's commodity-based derivative instruments as of September 30, 2017 and December 31, 2016, respectively.

A hypothetical 10% decrease in commodity prices would have resulted in a decrease in the fair value of $48 million and $62 million of Virginia Power's commodity-based derivative instruments as of September 30, 2017 and December 31, 2016, respectively.

A hypothetical 10% increase in commodity prices would have resulted in a decrease in fair value of $4 million of Dominion Energy Gas' commodity-based derivative instruments as of both September 30, 2017 and December 31, 2016.

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 the Companies, a hypothetical 10% increase in market interest rates would not have resulted in a material change in earnings at September 30, 2017 or December 31, 2016.

The Companies also use interest rate derivatives, including forward-starting swaps, as cash flow hedges of forecasted interest payments. As of September 30, 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 $55 million and $42 million, respectively, in the fair value of Dominion Energy's and Virginia Power's interest rate derivatives at September 30, 2017. As of December 31, 2016, Dominion Energy and Virginia Power had $2.9 billion and $1.7 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 $58 million and $45 million, respectively, in the fair value of Dominion Energy's and Virginia Power's interest rate derivatives at December 31, 2016.

Dominion Energy Gas holds foreign currency swaps for the purpose of hedging the foreign currency exchange risk associated with Euro denominated debt. As of September 30, 2017 and December 31, 2016, 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 $3 million and $5 million decrease in the fair value of Dominion Energy Gas' foreign currency swaps at September 30, 2017 and December 31, 2016, 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's and Virginia Power's Consolidated Balance Sheets at fair value.

Dominion Energy recognized net realized gains (including investment income) on nuclear decommissioning and rabbi trust investments of $137 million and $113 million for the nine months ended September 30, 2017 and 2016, respectively, and $144 million for the year ended December 31, 2016. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. Dominion Energy recorded in AOCI and regulatory liabilities, a net increase in unrealized gains on these investments of $271 million and $146 million for the nine months ended September 30, 2017 and 2016, respectively, and $183 million for the year ended December 31, 2016.

Virginia Power recognized net realized gains (including investment income) on nuclear decommissioning trust investments of $59 million and $51 million for the nine months ended September 30, 2017 and 2016, respectively, and $67 million for the year ended December 31, 2016. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. Virginia Power recorded in AOCI and regulatory liabilities, a net increase in unrealized gains on these investments of $127 million and $77 million for the nine months ended September 30, 2017 and 2016, respectively, and $93 million for the year ended December 31, 2016.

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’s, Virginia Power’s, 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.

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, 2016.
- Notes 12 and 15 to the Consolidated Financial Statements in the Companies' Quarterly Reports on Form 10-Q for the quarter ended March 31, 2017.
- Notes 12 and 15 to the Consolidated Financial Statements in the Companies' Quarterly Reports on Form 10-Q for the quarter ended June 30, 2017.
- Notes 12 and 15 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, 2016, 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, 2016. 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	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased under the Plans

			Programs	or Programs(3)
7/1/17-7/31/17	—	$ —	—	19,629,059 shares/ $1.18 billion
8/1/17-8/31/17	217	77.30	—	19,629,059 shares/ $1.18 billion
9/1/17-9/30/17	5,932	79.50	—	19,629,059 shares/ $1.18 billion
Total	6,149	$ 79.42	—	19,629,059 shares/ $1.18 billion

(1) In August and September 2017, 217 shares and 5,932 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 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, amended and restated as of May 12, 2017 (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	Form of Senior Indenture, dated June 1, 1998, between Virginia Electric and Power Company and The Bank of New York Mellon (as successor trustee to JP Morgan Chase Bank (formerly The Chase Manhattan Bank)), as Trustee (Exhibit 4(iii), Form S-3 Registration Statement filed February 27, 1998, File No. 333-47119); Form of Nineteenth Supplemental and Amending Indenture, dated November 1, 2008 (Exhibit 4.2, Form 8-K filed November 5, 2008, File No. 1-2255); Twenty-Fifth Supplemental Indenture, dated as of March 1, 2013 (Exhibit 4.3, Form 8-K filed March 14, 2013, File No. 1-2255).	X	X	

4.3	Senior Indenture, dated as of September 1, 2017, between Virginia Electric and Power Company and U.S. Bank National Association, as Trustee (Exhibit 4.1, Form 8-K filed September 13, 2017, File No.000-55337); First Supplemental Indenture, dated as of September 1, 2017 (Exhibit 4.2, Form 8-K filed September 13, 2017, File No.000-55337).	X	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	

Exhibit Number	Description	Dominion Energy	Virginia Power	Dominion Energy Gas
31.e	Certification by Chief Executive Officer of Dominion Energy Gas Holdings, LLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).			X
31.f	Certification by Chief Financial Officer of Dominion Energy Gas Holdings, LLC pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).			X
32.a	Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Dominion Energy, Inc. as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).	X		
32.b	Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Virginia Electric and Power Company as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).		X	
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 September 30, 2017, filed on November 1, 2017, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Comprehensive Income, (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 September 30, 2017, filed on November 1, 2017, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows, and (iv) 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 September 30, 2017, filed on November 1, 2017, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) 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

November 1, 2017 /s/ Michele L. Cardiff
Michele L. Cardiff

Vice President, Controller and

Chief Accounting Officer

VIRGINIA ELECTRIC AND POWER COMPANY

Registrant

November 1, 2017 /s/ Michele L. Cardiff
Michele L. Cardiff

Vice President, Controller and

Chief Accounting Officer

DOMINION ENERGY GAS HOLDINGS, LLC

Registrant

November 1, 2017 /s/ Michele L. Cardiff
Michele L. Cardiff

Vice President, Controller and

Chief Accounting Officer