DOMINION ENERGY INC /VA/
Form 10-Q
November 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices and registrants' telephone number	I.R.S. Employer Identification Number
001-08489	DOMINION ENERGY, INC.	
		54-1229715
000-55337	VIRGINIA ELECTRIC AND POWER COMPANY	
		54-0418825
001-37591	DOMINION ENERGY GAS HOLDINGS, LLC	
		46-3639580

120 Tredegar Street

Richmond, Virginia 23219

(804) 819-2000

State or other jurisdiction of incorporation or organization of the registrants: Virginia

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

Dominion Energy, Inc. Yes No Virginia Electric and Power Company Yes No

Dominion Energy Gas Holdings, LLC Yes No

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

Dominion Energy, Inc. Yes No Virginia Electric and Power Company Yes No

Dominion Energy Gas Holdings, LLC Yes No

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

Dominion Energy, Inc.

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

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

Virginia Electric and Power Company

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

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

Dominion Energy Gas Holdings, LLC

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

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

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

Dominion Energy, Inc. Yes No Virginia Electric and Power Company Yes No

Dominion Energy Gas Holdings, LLC Yes No

At October 12, 2018, the latest practicable date for determination, Dominion Energy, Inc. had 655,083,378 shares of common stock outstanding and Virginia Electric and Power Company had 274,723 shares of common stock outstanding. Dominion Energy, Inc. is the sole holder of Virginia Electric and Power Company's common stock. Dominion Energy, Inc. holds all of the membership interests of Dominion Energy Gas Holdings, LLC.

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

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

COMBINED INDEX

GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
2014 Equity Units	Dominion Energy's 2014 Series A Equity Units issued in July 2014
2016 Equity Units	Dominion Energy's 2016 Series A Equity Units issued in August 2016
2017 Tax Reform Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion Energy, Duke and Southern Company Gas
BACT	Best available control technology
bcf	Billion cubic feet
Blue Racer	Blue Racer Midstream, LLC, a joint venture between Dominion Energy and Caiman Energy II, LLC
Brunswick County	A 1,376 MW combined-cycle, natural gas-fired power station in Brunswick County, Virginia
CAA	Clean Air Act
CAISO	California Independent System Operator
CCR	Coal combustion residual
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, also known as Superfund
CFO	Chief Financial Officer
CO_2	Carbon dioxide
Companies	Dominion Energy, Virginia Power and Dominion Energy Gas, collectively
Cooling degree days	Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Cove Point	Dominion Energy Cove Point LNG, LP
Cove Point LNG Facility	An LNG terminalling and storage facility located on the Chesapeake Bay in Lusby, Maryland owned by Cove Point
CPCN	Certificate of Public Convenience and Necessity
CWA	Clean Water Act
DECG	Dominion Energy Carolina Gas Transmission, LLC
DES	Dominion Energy Services, Inc.
DETI	Dominion Energy Transmission, Inc.
DGI	Dominion Generation, Inc.
DOE	U.S. Department of Energy
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than Virginia Power and Dominion Energy Gas) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries

Abbreviation or Acronym	Definition
Dominion Energy Gas	The legal entity, Dominion Energy Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Energy Gas Holdings, LLC and its consolidated subsidiaries
Dominion Energy Midstream	The legal entity, Dominion Energy Midstream Partners, LP, one or more of its consolidated subsidiaries, Cove Point Holdings, Iroquois GP Holding Company, LLC, DECG and Dominion Energy Questar Pipeline or operating segment, or the entirety of Dominion Energy Midstream Partners, LP and its consolidated subsidiaries
Dominion Energy Questar Pipeline	Dominion Energy Questar Pipeline, LLC, one or more of its consolidated subsidiaries, or the entirety of Dominion Energy Questar Pipeline, LLC and its consolidated subsidiaries
DSM	Demand-side management
Dth	Dekatherm
Duke	The legal entity, Duke Energy Corporation, one or more of its consolidated subsidiaries or operating segments, or the entirety of Duke Energy Corporation and its consolidated subsidiaries
Eagle Solar	Eagle Solar, LLC, a wholly-owned subsidiary of Dominion Energy
East Ohio	The East Ohio Gas Company, doing business as Dominion Energy Ohio
Eastern Market Access Project	Project to provide 294,000 Dths/day of firm transportation service to help meet demand for natural gas for Washington Gas Light Company, a local gas utility serving customers in D.C., Virginia and Maryland, and Mattawoman Energy, LLC for its new electric power generation facility to be built in Maryland
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
Fairless	Dominion Energy Fairless, LLC, which owns the Fairless power station
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Four Brothers	Four Brothers Solar, LLC, a limited liability company owned by Dominion Energy and Four Brothers Holdings, LLC, a subsidiary of GIP effective August 2018
Fowler Ridge	Fowler I Holdings LLC, a wind-turbine facility joint venture between Dominion Energy and BP Wind Energy North America Inc. in Benton County, Indiana
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
Gas Infrastructure	Gas Infrastructure Group operating segment
GHG	Greenhouse gas
GIP	The legal entity, Global Infrastructure Partners, one or more of its consolidated subsidiaries (including, effective August 2018, Four Brothers, Granite Mountain and Iron Springs) or operating segments, or the entirety of Global Infrastructure Partners and its consolidated subsidiaries
Granite Mountain	Granite Mountain Holdings, LLC, a limited liability company owned by Dominion Energy and Granite Mountain Renewables, LLC, a subsidiary of GIP effective August 2018
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Hope	Hope Gas, Inc., doing business as Dominion Energy West Virginia
Iron Springs	Iron Springs Holdings, LLC, a limited liability company owned by Dominion Energy and Iron Springs Renewables, LLC, a subsidiary of GIP effective August 2018
Iroquois	Iroquois Gas Transmission System, L.P.

ISO-NE 4	ISO New England, Inc.

Abbreviation or Acronym	Definition
Kewaunee	Kewaunee nuclear power station
kV	Kilovolt
Liquefaction Project	A natural gas export/liquefaction facility at Cove Point
LNG	Liquefied natural gas
Manchester	Dominion Energy Manchester Street, Inc., which owns the Manchester power station
MATS	Utility Mercury and Air Toxics Standard Rule
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MGD	Million gallons a day
Millstone	Millstone nuclear power station
MW	Megawatt
MWh	Megawatt hour
NAV	Net asset value
NedPower	NedPower Mount Storm LLC, a wind-turbine facility joint venture between Dominion Energy and Shell Wind Energy, Inc. in Grant County, West Virginia
NGL	Natural gas liquid
NO_x	Nitrogen oxide
NRC	Nuclear Regulatory Commission
NRG	The legal entity, NRG Energy, Inc., one or more of its consolidated subsidiaries (including, through August 2018, Four Brothers, Granite Mountain and Iron Springs) or operating segments, or the entirety of NRG Energy, Inc. and its consolidated subsidiaries
NSPS	New Source Performance Standards
Ohio Commission	Public Utilities Commission of Ohio
Order 1000	Order issued by FERC adopting requirements for electric transmission planning, cost allocation and development
PIPP	Percentage of Income Payment Plan deployed by East Ohio
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio
PJM	PJM Interconnection, L.L.C.
Power Delivery	Power Delivery Group operating segment
Power Generation	Power Generation Group operating segment
ppb	Parts-per-billion
PSD	Prevention of Significant Deterioration
Questar Gas	Questar Gas Company
Regulation Act	Legislation effective July 1, 2007, that amended the Virginia Electric Utility Restructuring Act and fuel factor statute, which legislation is also known as the Virginia Electric Utility Regulation Act, as amended in 2015 and 2018
Rider BW	A rate adjustment clause associated with the recovery of costs related to Brunswick County
Rider T1	A rate adjustment clause to recover the difference between revenues produced from transmission rates included in base rates, and the new total revenue requirement developed annually for the rate years effective September 1
Rider US-2	A rate adjustment clause associated with the recovery of costs related to Woodland, Scott Solar and Whitehouse

Abbreviation or Acronym	Definition
Riders C1A and C2A	Rate adjustment clauses associated with the recovery of costs related to certain DSM programs approved in DSM cases
ROE	Return on equity
SBL Holdco	SBL Holdco, LLC, a wholly-owned subsidiary of DGI
SCANA	The legal entity, SCANA Corporation, one or more of its consolidated subsidiaries, or operating segments, or the entirety of SCANA Corporation and its consolidated subsidiaries
SCANA Merger Agreement	Agreement and plan of merger entered on January 2, 2018 between Dominion Energy and SCANA in which SCANA will become a wholly-owned subsidiary of Dominion Energy upon closing
SCE&G	South Carolina Electric & Gas Company, a wholly-owned subsidiary of SCANA
Scott Solar	A 17 MW utility-scale solar power station in Powhatan County, Virginia
SEC	Securities and Exchange Commission
Standard & Poor’s	Standard & Poor’s Ratings Services, a division of McGraw Hill Financial, Inc.
Terra Nova Renewable Partners	A partnership comprised primarily of institutional investors advised by J.P. Morgan Asset Management-Global Real Assets
Three Cedars	Granite Mountain and Iron Springs, collectively
UEX Rider	Uncollectible Expense Rider deployed by East Ohio
Utah Commission	Public Service Commission of Utah
VDEQ	Virginia Department of Environmental Quality
VEBA	Voluntary Employees' Beneficiary Association
VIE	Variable interest entity
Virginia Commission	Virginia State Corporation Commission
Virginia Power	The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments, or the entirety of Virginia Electric and Power Company and its consolidated subsidiaries
VOC	Volatile organic compounds
Whitehouse	A 20 MW utility-scale solar power station in Louisa County, Virginia
Woodland	A 19 MW utility-scale solar power station in Isle of Wight County, Virginia
Wyoming Commission	Wyoming Public Service Commission

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(millions, except per share amounts)				
Operating Revenue[(1)]	$3,451	$3,179	$10,005	$9,376
Operating Expenses				
Electric fuel and other energy-related purchases	761	638	2,128	1,711
Purchased (excess) electric capacity	50	21	87	(8)
Purchased gas	5	24	409	441
Other operations and maintenance	782	697	2,585	2,308
Depreciation, depletion and amortization	526	485	1,487	1,421
Other taxes	177	162	542	519
Total operating expenses	2,301	2,027	7,238	6,392
Income from operations	1,150	1,152	2,767	2,984
Other income	373	121	658	391
Interest and related charges	378	305	1,053	905
Income from operations including noncontrolling interests before income tax expense	1,145	968	2,372	2,470
Income tax expense	262	272	485	683
Net Income Including Noncontrolling Interests	883	696	1,887	1,787
Noncontrolling Interests	29	31	81	100
Net Income Attributable to Dominion Energy	$854	$665	$1,806	$1,687
Earnings Per Common Share				
Net income attributable to Dominion Energy - Basic	$1.31	$1.03	$2.77	$2.66
Net income attributable to Dominion Energy - Diluted	1.30	1.03	2.77	2.66
Dividends Declared Per Common Share	$0.8350	$0.7700	$2.505	$2.280

(1) See Note 10 for amounts attributable to related parties.
The accompanying notes are an integral part of Dominion Energy's Consolidated Financial Statements.

DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(millions)				
Net income including noncontrolling interests	$ 883	$ 696	$ 1,887	$ 1,787
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities(1)	(27)	11	51	82
Changes in unrealized net gains (losses) on investment securities(2)	(6)	48	(24)	141
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities(3)	30	(15)	71	(56)
Net realized (gains) losses on investment securities(4)	3	(4)	4	(36)
Net pension and other postretirement benefit costs(5)	18	14	60	38
Changes in other comprehensive income from equity method investees(6)	—	—	1	2
Total other comprehensive income	18	54	163	171
Comprehensive income including noncontrolling interests	901	750	2,050	1,958
Comprehensive income attributable to noncontrolling interests	29	31	82	100
Comprehensive income attributable to Dominion Energy	$ 872	$ 719	$ 1,968	$ 1,858

(1) Net of $9 million and $(5) million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $(17) million and $(49) million tax for the nine months ended September 30, 2018 and 2017, respectively.
(2) Net of $1 million and $(27) million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $7 million and $(80) million tax for the nine months ended September 30, 2018 and 2017, respectively.
(3) Net of $(10) million and $10 million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $(24) million and $35 million tax for the nine months ended September 30, 2018 and 2017, respectively.
(4) Net of $— million and $2 million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $(1) million and $20 million tax for the nine months ended September 30, 2018 and 2017, respectively.
(5) Net of $(7) million tax for both the three months ended September 30, 2018 and 2017, and net of $(15) million and $(25) million tax for the nine months ended September 30, 2018 and 2017, respectively.
(6) Net of $— million tax for both the three months ended September 30, 2018 and 2017, and net of $(1) million tax for both the nine months ended September 30, 2018 and 2017.

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

DOMINION ENERGY, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	September 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$ 310	$ 120
Customer receivables (less allowance for doubtful accounts of $17 at both dates)	1,539	1,660
Other receivables (less allowance for doubtful accounts of $2 at both dates)[2]	132	126
Inventories	1,455	1,477
Regulatory assets	540	294
Assets held for sale	1,029	—
Other	697	657
Total current assets	5,702	4,334
Investments		
Nuclear decommissioning trust funds	5,424	5,093
Investment in equity method affiliates	1,858	1,544
Other	345	327
Total investments	7,627	6,964
Property, Plant and Equipment		
Property, plant and equipment	76,190	74,823
Accumulated depreciation, depletion and amortization	(22,005)	(21,065)
Total property, plant and equipment, net	54,185	53,758
Deferred Charges and Other Assets		
Goodwill	6,410	6,405
Regulatory assets	2,316	2,480
Other	2,842	2,644
Total deferred charges and other assets	11,568	11,529
Total assets	$ 79,082	$ 76,585

(1) Dominion Energy’s Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.
(2) See Note 10 for amounts attributable to related parties.

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

DOMINION ENERGY, INC.

CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

(millions)	September 30, 2018	December 31, 2017[1]
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	$ 3,101	$ 3,078
Short-term debt	2,935	3,298
Accounts payable	587	875
Other[2][3]	2,589	2,385
Total current liabilities	9,212	9,636
Long-Term Debt		
Long-term debt	27,300	25,588
Junior subordinated notes	3,431	3,981
Remarketable subordinated notes	1,384	1,379
Credit facility borrowings	73	—
Total long-term debt	32,188	30,948
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	5,079	4,523
Regulatory liabilities	7,146	6,916
Other[2]	5,031	5,192
Total deferred credits and other liabilities	17,256	16,631
Total liabilities	58,656	57,215
Commitments and Contingencies (see Note 16)		
Equity		
Common stock – no par[4]	10,862	9,865
Retained earnings	9,128	7,936
Accumulated other comprehensive loss	(1,520)	(659)
Total common shareholders' equity	18,470	17,142
Noncontrolling interests	1,956	2,228
Total equity	20,426	19,370
Total liabilities and equity	$ 79,082	$ 76,585

(1) Dominion Energy’s Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.
(2) See Note 10 for amounts attributable to related parties.
(3) See Note 11 for amounts classified as held for sale.
(4) 1 billion shares authorized; 655 million shares and 645 million shares outstanding at September 30, 2018 and December 31, 2017, respectively.

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

DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(millions)	Common Stock Shares	Common Stock Amount	Dominion Energy Shareholders Retained Earnings	Dominion Energy Shareholders AOCI	Total Common Shareholders' Equity	Noncontrolling Interests	Total Equity
December 31, 2016	628	$8,550	$6,854	$(799)	$ 14,605	$ 2,235	$16,840
Net income including noncontrolling interests			1,687		1,687	100	1,787
Contributions from NRG to Four Brothers and Three Cedars					—	9	9
Issuance of common stock	16	1,232			1,232		1,232
Stock awards (net of change in unearned compensation)		17			17		17
Dividends and distributions			(1,435)		(1,435)	(123)	(1,558)
Other comprehensive income, net of tax				171	171		171
Other		(10)	13		3	1	4
September 30, 2017	644	$9,789	$7,119	$(628)	$ 16,280	$ 2,222	$18,502
December 31, 2017	645	$9,865	$7,936	$(659)	$ 17,142	$ 2,228	$19,370
Cumulative-effect of changes in accounting principles		(127)	1,029	(1,023)	(121)	127	6
Net income including noncontrolling interests			1,806		1,806	81	1,887
Issuance of common stock	10	737			737		737
Sale of Dominion Energy Midstream common units - net of offering costs					—	4	4
Remeasurement of noncontrolling interest in Dominion Energy Midstream		375			375	(375)	—
Stock awards (net of change in unearned		17			17		17

compensation)							
Dividends and distributions			(1,635)		(1,635)	(110)	(1,745)
Other comprehensive income, net of tax				162	162	1	163
Other		(5)	(8)		(13)		(13)
September 30, 2018	655	$10,862	$9,128	$(1,520)	$ 18,470	$ 1,956	$20,426

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

DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30, (millions)	2018	2017
Operating Activities		
Net income including noncontrolling interests	$1,887	$1,787
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization (including nuclear fuel)	1,706	1,649
Deferred income taxes and investment tax credits	486	652
Proceeds from assignment of tower rental portfolio	—	91
Contribution to pension plan	—	(75)
Gains on sales of assets and equity method investments	(196)	(61)
Provision for rate credits to electric utility customers	77	—
Charge associated with future ash pond and landfill closure costs	81	—
Charge associated with FERC-regulated plant disallowance	129	—
Net gains on nuclear decommissioning trusts funds and other investments	(208)	(101)
Other adjustments	10	14
Changes in:		
Accounts receivable	129	247
Inventories	(37)	(34)
Deferred fuel and purchased gas costs, net	(226)	(81)
Prepayments	(81)	34
Accounts payable	(167)	(158)
Accrued interest, payroll and taxes	(14)	61
Margin deposit assets and liabilities	(5)	51
Net realized and unrealized changes related to derivative activities	101	18
Pension and other postretirement benefits	(79)	(132)
Other operating assets and liabilities	118	(290)
Net cash provided by operating activities	3,711	3,672
Investing Activities		
Plant construction and other property additions (including nuclear fuel)	(3,111)	(4,122)
Acquisition of solar development projects	(108)	(343)
Proceeds from sales of securities	1,301	1,496
Purchases of securities	(1,364)	(1,555)
Proceeds from assignments of shale development rights	109	5
Proceeds from sale of certain merchant generation assets	91	—
Contributions to equity method affiliates	(282)	(343)
Other	(5)	(6)
Net cash used in investing activities	(3,369)	(4,868)
Financing Activities		
Repayment of short-term debt, net	(363)	(95)
Issuance of short-term notes	1,450	—
Repayment of short-term notes	(1,450)	(250)

Issuance of long-term debt	4,400	3,480
Repayment of long-term debt	(3,154)	(1,529)
Credit facility borrowings	73	—
Issuance of common stock	737	1,233
Common dividend payments	(1,635)	(1,435)
Other	(198)	(229)
Net cash provided by (used in) financing activities	(140)	1,175
Increase (decrease) in cash, restricted cash and equivalents	202	(21)
Cash, restricted cash and equivalents at beginning of period	185	322
Cash, restricted cash and equivalents at end of period	$387	$301
Supplemental Cash Flow Information		
Significant noncash investing and financing activities:(1)(2)		
Accrued capital expenditures	$197	$355

(1) See Note 10 for noncash activities related to equity method investments.

(2) See Note 15 for noncash activities related to the remeasurement of Dominion Energy's noncontrolling interest in Dominion Energy Midstream.

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

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(millions)				
Operating Revenue[1]	$2,232	$2,154	$5,809	$5,732
Operating Expenses				
Electric fuel and other energy-related purchases[1]	648	549	1,747	1,414
Purchased (excess) electric capacity	50	21	87	(8)
Other operations and maintenance:				
Affiliated suppliers	72	76	229	229
Other	332	297	1,013	897
Depreciation and amortization	295	288	839	854
Other taxes	79	76	241	233
Total operating expenses	1,476	1,307	4,156	3,619
Income from operations	756	847	1,653	2,113
Other income	25	13	49	57
Interest and related charges[1]	130	128	388	373
Income before income tax expense	651	732	1,314	1,797
Income tax expense	131	273	271	664
Net Income	$520	$459	$1,043	$1,133

(1) See Note 18 for amounts attributable to affiliates.

The accompanying notes are an integral part of Virginia Power’s Consolidated Financial Statements.

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(millions)				
Net income	$ 520	$ 459	$ 1,043	$ 1,133
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities[1]	3	(2)	10	(5)
Changes in unrealized net gains (losses) on nuclear decommissioning trust funds[2]	—	6	(2)	17
Amounts reclassified to net income:				
Net derivative (gains) losses on derivative-hedging activities[3]	—	—	—	1
Net realized (gains) losses on nuclear decommissioning trust funds[4]	—	—	—	(4)
Total other comprehensive income	3	4	8	9
Comprehensive income	$ 523	$ 463	$ 1,051	$ 1,142

(1) Net of $(1) million and $1 million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $(3) million and $3 million tax for the nine months ended September 30, 2018 and 2017, respectively.

(2) Net of $— million and $(4) million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $1 million and $(11) million tax for the nine months ended September 30, 2018 and 2017, respectively.

(3) Net of $— million tax for both the three and nine months ended September 30, 2018 and 2017.

(4) Net of $— million tax for both the three months ended September 30, 2018 and 2017, and net of $— million and $2 million tax for the nine months ended September 30, 2018 and 2017, respectively.

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	September 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$ 22	$ 14
Customer receivables (less allowance for doubtful accounts of $10 at both dates)	1,077	951
Other receivables (less allowance for doubtful accounts of $1 at both dates)	51	64
Affiliated receivables	2	3
Inventories (average cost method)	810	850
Regulatory assets	479	205
Other[2]	134	137
Total current assets	2,575	2,224
Investments		
Nuclear decommissioning trust funds	2,573	2,399
Other	3	3
Total investments	2,576	2,402
Property, Plant and Equipment		
Property, plant and equipment	43,935	42,329
Accumulated depreciation and amortization	(13,889)	(13,277)
Total property, plant and equipment, net	30,046	29,052
Deferred Charges and Other Assets		
Regulatory assets	636	810
Other[2]	702	651
Total deferred charges and other assets	1,338	1,461
Total assets	$ 36,535	$ 35,139

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.
(2) See Note 18 for amounts attributable to affiliates.
The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

(millions)	September 30, 2018	December 31, 2017[1]
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Securities due within one year	$ 350	$ 850
Short-term debt	934	542
Accounts payable	269	361
Payables to affiliates	116	125
Affiliated current borrowings	15	33
Accrued interest, payroll and taxes	306	256
Asset retirement obligations	149	216
Other[2]	849	537
Total current liabilities	2,988	2,920
Long-Term Debt	10,742	10,496
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	2,948	2,728
Asset retirement obligations	1,314	1,149
Regulatory liabilities	4,890	4,760
Other[2]	736	862
Total deferred credits and other liabilities	9,888	9,499
Total liabilities	23,618	22,915
Commitments and Contingencies (see Note 16)		
Common Shareholder's Equity		
Common stock – no par[3]	5,738	5,738
Other paid-in capital	1,113	1,113
Retained earnings	6,072	5,311
Accumulated other comprehensive income (loss)	(6)	62
Total common shareholder's equity	12,917	12,224
Total liabilities and shareholder's equity	$ 36,535	$ 35,139

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.
(2) See Note 18 for amounts attributable to affiliates.
(3) 500,000 shares authorized; 274,723 shares outstanding at September 30, 2018 and December 31, 2017.

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY

(Unaudited)

(millions, except for shares)	Common Stock Shares (thousands)	Common Stock Amount	Other Paid-In Capital	Retained Earnings	AOCI	Total
December 31, 2017	275	$ 5,738	$ 1,113	$ 5,311	$ 62	$ 12,224
Cumulative-effect of changes in accounting principles				79	(76)	3
Net income				1,043		1,043
Dividends				(361)		(361)
Other comprehensive income, net of tax					8	8
September 30, 2018	275	$ 5,738	$ 1,113	$ 6,072	$ (6)	$ 12,917

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30,	2018	2017
(millions)		
Operating Activities		
Net income	$1,043	$1,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including nuclear fuel)	974	999
Deferred income taxes and investment tax credits	175	262
Proceeds from assignment of tower rental portfolio	—	91
Charges associated with future ash pond and landfill closure costs	81	—
Provision for rate credits to customers	77	—
Other adjustments	(48)	(28)
Changes in:		
Accounts receivable	(113)	32
Affiliated receivables and payables	(8)	159
Inventories	40	1
Prepayments	(1)	(3)
Deferred fuel expenses, net	(273)	(48)
Accounts payable	(28)	(33)
Accrued interest, payroll and taxes	50	67
Net realized and unrealized changes related to derivative activities	69	—
Asset retirement obligations	(29)	(63)
Other operating assets and liabilities	197	(99)
Net cash provided by operating activities	2,206	2,470
Investing Activities		
Plant construction and other property additions	(1,696)	(1,901)
Purchases of nuclear fuel	(82)	(133)
Acquisition of solar development projects	(98)	(16)
Proceeds from sales of securities	651	654
Purchases of securities	(681)	(681)
Other	(47)	(29)
Net cash used in investing activities	(1,953)	(2,106)
Financing Activities		
Issuance of short-term debt, net	392	255
Repayment of affiliated current borrowings, net	(18)	(226)
Issuance of long-term debt	700	1,500
Repayment of long-term debt	(951)	(679)
Common dividend payments to parent	(361)	(1,199)
Other	(7)	(10)
Net cash used in financing activities	(245)	(359)
Increase in cash, restricted cash and equivalents	8	5
Cash, restricted cash and equivalents at beginning of period	24	11

Cash, restricted cash and equivalents at end of period	$32	$16
Supplemental Cash Flow Information		
Significant noncash investing activities:		
Accrued capital expenditures	$96	$158

The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(millions)				
Operating Revenue[1]	$ 423	$ 401	$ 1,408	$ 1,313
Operating Expenses				
Purchased (excess) gas[1]	(7)	19	22	100
Other energy-related purchases	26	4	88	11
Other operations and maintenance:				
Affiliated suppliers	21	20	70	65
Other	95	74	513	375
Depreciation and amortization	61	57	173	167
Other taxes	45	42	152	139
Total operating expenses	241	216	1,018	857
Income from operations	182	185	390	456
Earnings from equity method investee	4	4	18	15
Other income	34	27	99	79
Interest and related charges[1]	28	25	79	72
Income from operations before income taxes	192	191	428	478
Income tax expense	56	74	111	176
Net Income	$ 136	$ 117	$ 317	$ 302

(1) See Note 18 for amounts attributable to related parties.

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

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DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(millions)				
Net income	$ 136	$ 117	$ 317	$ 302
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities(1)	3	1	(4)	3
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities(2)	5	(4)	16	(5)
Net pension and other postretirement benefit costs(3)	2	1	4	3
Total other comprehensive income (loss)	10	(2)	16	1
Comprehensive income	$ 146	$ 115	$ 333	$ 303

(1) Net of $(1) million tax for both the three months ended September 30, 2018 and 2017, and net of $2 million and $(2) million tax for the nine months ended September 30, 2018 and 2017, respectively.

(2) Net of $(2) million and $3 million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $(6) million and $3 million tax for the nine months ended September 30, 2018 and 2017, respectively.

(3) Net of $— million and $(1) million tax for the three months ended September 30, 2018 and 2017, respectively, and net of $(1) million and $(2) million tax for the nine months ended September 30, 2018 and 2017, respectively.

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	September 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4	$ 4
Customer receivables (less allowance for doubtful accounts of less than $1 and $1)[2]	196	297
Other receivables (less allowance for doubtful accounts of $1 at both dates)[2]	18	15
Affiliated receivables	6	10
Inventories	89	64
Gas imbalances[2]	59	46
Prepayments	66	112
Other	47	52
Total current assets	485	600
Investments	95	97
Property, Plant and Equipment		
Property, plant and equipment	11,577	11,173
Accumulated depreciation and amortization	(3,159)	(3,018)
Total property, plant and equipment, net	8,418	8,155
Deferred Charges and Other Assets		
Pension and other postretirement benefit assets[2]	1,946	1,828
Other[2]	1,311	1,260
Total deferred charges and other assets	3,257	3,088
Total assets	$ 12,255	$ 11,940

(1) Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 18 for amounts attributable to related parties.

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

(millions)	September 30, 2018	December 31, 2017[1]
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	$ 141	$ 629
Accounts payable	81	193
Payables to affiliates	33	62
Affiliated current borrowings	24	18
Other[2]	434	439
Total current liabilities	713	1,341
Long-Term Debt	4,061	3,570
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	1,513	1,454
Regulatory liabilities	1,309	1,227
Other	185	185
Total deferred credits and other liabilities	3,007	2,866
Total liabilities	7,781	7,777
Commitments and Contingencies (see Note 16)		
Equity		
Membership interests	4,582	4,261
Accumulated other comprehensive loss	(108)	(98)
Total equity	4,474	4,163
Total liabilities and equity	$ 12,255	$ 11,940

(1) Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.
(2) See Note 18 for amounts attributable to related parties.
The accompanying notes are an integral part of Dominion Energy Gas' Consolidated Financial Statements.

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(millions)	Membership Interests	AOCI	Total
December 31, 2017	$ 4,261	$ (98)	$ 4,163
Cumulative-effect of changes in accounting principles	29	(26)	3
Net income	317		317
Distributions	(25)		(25)
Other comprehensive income, net of tax		16	16
September 30, 2018	$ 4,582	$ (108)	$ 4,474

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30, (millions)	2018			2017		
Operating Activities						
Net income	$	317		$	302	
Adjustments to reconcile net income to net cash provided by operating activities:						
Gains on sales of assets		(109	)		(61	)
Charge associated with FERC-regulated plant disallowance		129			—	
Depreciation and amortization		173			167	
Deferred income taxes and investment tax credits		86			176	
Other adjustments		5			(9	)
Changes in:						
Accounts receivable		98			88	
Affiliated receivables and payables		(25	)		(11	)
Inventories		(25	)		(20	)
Deferred purchased gas costs, net		8			11	
Prepayments		46			39	
Accounts payable		(110	)		(68	)
Accrued interest, payroll and taxes		(46	)		(28	)
Pension and other postretirement benefits		(108	)		(98	)
Other operating assets and liabilities		23			(13	)
Net cash provided by operating activities		462			475	
Investing Activities						
Plant construction and other property additions		(550	)		(535	)
Proceeds from assignments of shale		109			5	

development rights						
Other		(14	)		(7	)
Net cash used in investing activities		(455	)		(537	)
Financing Activities						
Issuance (repayment) of short-term debt, net		(488	)		160	
Issuance of long-term debt		500			—	
Issuance (repayment) of affiliated current borrowings, net		6			(84	)
Distribution payments to parent		(25	)		(15	)
Other		(4	)		—	
Net cash provided by (used in) financing activities		(11	)		61	
Decrease in cash, restricted cash and equivalents		(4	)		(1	)
Cash, restricted cash and equivalents at beginning of period		30			43	
Cash, restricted cash and equivalents at end of period	$	26		$	42	
Supplemental Cash Flow Information						
Significant noncash investing activities:						
Accrued capital expenditures	$	43		$	54	

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Nature of Operations

Dominion Energy, headquartered in Richmond, Virginia, is one of the nation's largest producers and transporters of energy. Dominion Energy's operations are conducted through various subsidiaries, including Virginia Power and Dominion Energy Gas. Virginia Power is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and northeastern North Carolina. Dominion Energy Gas is a holding company that conducts business activities through a regulated interstate natural gas transmission pipeline and underground storage system in the Northeast, mid-Atlantic and Midwest states, regulated gas transportation and distribution operations in Ohio, and gas gathering and processing activities primarily in West Virginia, Ohio and Pennsylvania. In addition, other Dominion Energy subsidiaries provide merchant generation, LNG terminalling services, natural gas transmission and distribution services primarily in the eastern and Rocky Mountain regions of the U.S.

Note 2. Significant Accounting Policies

As permitted by the rules and regulations of the SEC, the Companies' accompanying unaudited Consolidated Financial Statements contain certain condensed financial information and exclude certain footnote disclosures normally included in annual audited consolidated financial statements prepared in accordance with GAAP. These unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.

In the Companies' opinion, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly their financial position as of September 30, 2018, their results of operations for the three and nine months ended September 30, 2018 and 2017, their cash flows for the nine months ended September 30, 2018 and 2017, Dominion Energy's changes in equity for the nine months ended September 30, 2018 and 2017 and Virginia Power and Dominion Energy Gas' changes in equity for the nine months ended September 30, 2018. Such adjustments are normal and recurring in nature unless otherwise noted.

The Companies make certain estimates and assumptions in preparing their Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from those estimates.

The Companies' accompanying unaudited Consolidated Financial Statements include, after eliminating intercompany transactions and balances, their accounts, those of their respective majority-owned subsidiaries and non-wholly-owned entities in which they have a controlling financial interest. For certain partnership structures, income is allocated based on the liquidation value of the underlying contractual arrangements. At September 30, 2018, Dominion Energy owns the general partner, 60.9% of the common units and 37.5% of the convertible preferred interests in Dominion Energy Midstream. The public's ownership interest in Dominion Energy Midstream is reflected as noncontrolling interest in Dominion Energy's Consolidated Financial Statements. Also, at September 30, 2018, Dominion Energy owns 50% of the units in and consolidates Four Brothers and Three Cedars. In August 2018, NRG's ownership interest in Four

Brothers and Three Cedars was transferred to GIP. GIP's ownership interest in Four Brothers and Three Cedars, as well as Terra Nova Renewable Partners' 33% interest in certain Dominion Energy merchant solar projects, is reflected as noncontrolling interest in Dominion Energy's Consolidated Financial Statements. Terra Nova Renewable Partners has a future option to buy all or a portion of Dominion Energy's remaining 67% ownership in the projects upon the occurrence of certain events, none of which had occurred at September 30, 2018 nor are expected to occur in the remainder of 2018.

The results of operations for interim periods are not necessarily indicative of the results expected for the full year. Information for quarterly periods is affected by seasonal variations in sales, rate changes, electric fuel and other energy-related purchases, purchased gas expenses and other factors.

Certain amounts in the Companies' 2017 Consolidated Financial Statements and Notes have been reclassified as a result of the adoption of revised accounting guidance pertaining to certain net periodic pension and other postretirement benefit costs, restricted cash and equivalents and certain distributions from equity method investees. In addition, certain other amounts have been reclassified to conform to the 2018 presentation for comparative purposes; however, such reclassifications did not affect the Companies' net income, total assets, liabilities, equity or cash flows.

Amounts disclosed for Dominion Energy are inclusive of Virginia Power and/or Dominion Energy Gas, where applicable. The effects of the adoption of new accounting standards on the Consolidated Financial Statements are described below. With the exception of the property, plant and equipment item described below, there have been no other significant changes from Note 2 to the Consolidated

Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.

Operating Revenue

Operating revenue is recorded on the basis of services rendered, commodities delivered or contracts settled and includes amounts yet to be billed to customers. Dominion Energy and Virginia Power collect sales, consumption and consumer utility taxes and Dominion Energy Gas collects sales taxes; however, these amounts are excluded from revenue. Dominion Energy's customer receivables include accrued unbilled revenue based on estimated amounts of electricity and natural gas delivered but not yet billed to utility customers. Virginia Power's customer receivables include accrued unbilled revenue based on estimated amounts of electricity delivered but not yet billed to customers. Dominion Energy Gas' customer receivables include accrued unbilled revenue based on estimated amounts of natural gas delivered and services provided but not yet billed to customers.

The primary types of sales and service activities reported as operating revenue for Dominion Energy, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

Revenue from Contracts with Customers

- Regulated electric sales consist primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- Nonregulated electric sales consist primarily of sales of electricity at market-based rates and contracted fixed rates, and associated hedging activity;
- Regulated gas sales consist primarily of state-regulated natural gas sales and related distribution services;
- Nonregulated gas sales consist primarily of sales of natural gas production at market-based rates and contracted fixed prices, sales of gas purchased from third parties and associated hedging activity;
- Regulated gas transportation and storage sales consist of FERC-regulated sales of transmission and storage services and state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of gathering services;
- Nonregulated gas transportation and storage sales consist primarily of LNG terminalling services;
- Other regulated revenue consists primarily of miscellaneous service revenue from electric and gas distribution operations and sales of excess electric capacity and other commodities; and
- Other nonregulated revenue consists primarily of NGL gathering and processing, sales of NGL production and condensate, extracted products and associated hedging activity. Other nonregulated revenue also includes services performed for Atlantic Coast Pipeline, sales of energy-related products and services from Dominion Energy's retail energy marketing operations, service concession arrangements and gas processing and handling revenue.

Other Revenue

- Other revenue consists primarily of alternative revenue programs, gains and losses from derivative instruments not subject to hedge accounting and lease revenues.

The primary types of sales and service activities reported as operating revenue for Dominion Energy, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- Regulated electric sales consisted primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- Nonregulated electric sales consisted primarily of sales of electricity at market-based rates and contracted fixed rates, and associated derivative activity;
- Regulated gas sales consisted primarily of state- and FERC-regulated natural gas sales and related distribution services and associated derivative activity;

- Nonregulated gas sales consisted primarily of sales of natural gas production at market-based rates and contracted fixed prices, sales of gas purchased from third parties, gas trading and marketing revenue and associated derivative activity;
- Gas transportation and storage sales consisted primarily of FERC-regulated sales of transmission and storage services. Also included were state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of gathering services; and
- Other revenue consisted primarily of sales of NGL production and condensate, extracted products and associated derivative activity. Other revenue also included miscellaneous service revenue from electric and gas distribution operations, sales of energy-related products and services from Dominion Energy's retail energy marketing operations and gas processing and handling revenue.

The primary types of sales and service activities reported as operating revenue for Virginia Power, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

Revenue from Contracts with Customers

- Regulated electric sales consist primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- Other regulated revenue consists primarily of sales of excess capacity and other commodities and miscellaneous service revenue from electric distribution operations; and
- Other nonregulated revenue consists primarily of sales to non-jurisdictional customers from certain solar facilities, revenue from renting space on certain electric transmission poles and distribution towers and service concession arrangements.

Other Revenue

- Other revenue consists primarily of alternative revenue programs, gains and losses from derivative instruments not subject to hedge accounting and lease revenues.

The primary types of sales and service activities reported as operating revenue for Virginia Power, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- Regulated electric sales consisted primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services; and
- Other revenue consisted primarily of miscellaneous service revenue from electric distribution operations and miscellaneous revenue from generation operations, including sales of capacity and other commodities.

The primary types of sales and service activities reported as operating revenue for Dominion Energy Gas, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

Revenue from Contracts with Customers

- Regulated gas sales consist primarily of state-regulated natural gas sales and related distribution services;
- Nonregulated gas sales consist primarily of sales of gas purchased from third parties and royalty revenues;
- Regulated gas transportation and storage sales consist of FERC-regulated sales of transmission and storage services and state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of gathering services;
- NGL revenue consists primarily of NGL gathering and processing, sales of NGL production and condensate, extracted products and associated hedging activity;
- Management service revenue consists primarily of services performed for Atlantic Coast Pipeline;
- Other regulated revenue consists primarily of miscellaneous regulated revenues; and
- Other nonregulated revenue consists primarily of miscellaneous service revenue.

Other Revenue

- Other revenue consists primarily of gains and losses from derivative instruments not subject to hedge accounting.

The primary types of sales and service activities reported as operating revenue for Dominion Energy Gas, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

- Regulated gas sales consisted primarily of state- and FERC-regulated natural gas sales and related distribution services;
- Nonregulated gas sales consisted primarily of sales of natural gas production at market-based rates and contracted fixed prices and sales of gas purchased from third parties. Revenue from sales of gas production was recognized based on actual volumes of gas sold to purchasers and was reported net of royalties;
- Gas transportation and storage sales consisted primarily of FERC-regulated sales of transmission and storage services. Also included were state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers and sales of gathering services;

- NGL revenue consisted primarily of sales of NGL production and condensate, extracted products and associated derivative activity; and
- Other revenue consisted primarily of miscellaneous service revenue, gas processing and handling revenue.

Alternative revenue programs compensate Dominion Energy and Virginia Power for certain projects and initiatives. Revenues arising from these programs are presented separately from revenue arising from contracts with customers in the categories above. Currently, Dominion Energy and Virginia Power account for the equity return for under-recovery of certain riders under the alternative revenue program guidance.

Revenues from electric and gas sales are recognized over time, as the customers of the Companies consume gas and electricity as it is delivered. Transportation and storage contracts are primarily stand-ready service contracts that include fixed reservation and variable usage fees. LNG terminalling services are also stand-ready service contracts, primarily consisting of fixed fees, offset by service credits associated with the start-up phase of the Liquefaction Project. Fixed fees are recognized ratably over the life of the contract as the stand-ready performance obligation is satisfied, while variable usage fees are recognized when Dominion Energy and Dominion Energy Gas have a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance obligation completed to date. Sales of products, such as NGLs, typically transfer control and are recognized as revenue upon delivery of the product. The customer is able to direct the use of, and obtain substantially all of the benefits from, the product at the time the product is delivered. The contract with the customer states the final terms of the sale, including the description, quantity and price of each product or service purchased. Payment for most sales and services varies by contract type, but is typically due within a month of billing.

Dominion Energy and Dominion Energy Gas typically receive or retain NGLs and natural gas from customers when providing natural gas processing, transportation or storage services. The revised guidance for revenue from contracts with customers requires entities to include the fair value of the noncash consideration in the transaction price. Therefore, subsequent to the adoption of the revised guidance for revenue recognition from contracts with customers, Dominion Energy and Dominion Energy Gas record the fair value of NGLs received during natural gas processing as service revenue recognized over time, and continue to recognize revenue from the subsequent sale of the NGLs to customers upon delivery. Dominion Energy and Dominion Energy Gas typically retain natural gas under certain transportation service arrangements that are intended to facilitate performance of the service and allow for natural losses that occur. As the intent of the allowance is to enable fulfillment of the contract rather than to provide compensation for services, the fuel allowance is not included in revenue.

Cash, Restricted Cash and Equivalents

Restricted Cash and Equivalents

The Companies hold restricted cash and equivalent balances that primarily consist of amounts held for certain customer deposits, future debt payments on SBL Holdco and Dominion Solar Projects III, Inc.'s term loan agreements and a distribution reserve at Cove Point. Upon adoption of revised accounting guidance in January 2018, restricted cash and equivalents are included within the Companies' Consolidated Statements of Cash Flows, with the change in balance no longer considered a separate investing activity. The guidance required retrospective application which resulted in an adjustment to Dominion Energy and Dominion Energy Gas' other cash used in investing activities for the nine months ended September 30, 2017, which had been previously reported as $6 million and $16 million, respectively. There was no impact to Virginia Power for the nine months ended September 30, 2017. The following table provides a reconciliation of the total cash, restricted cash and equivalents reported within the Companies' Consolidated Balance Sheets to the corresponding amounts reported within the Companies' Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017:

	Cash, Restricted Cash and Equivalents at End of Period		Cash, Restricted Cash and Equivalents at Beginning of Period	
	September 30, 2018	September 30, 2017	December 31, 2017	December 31, 2016

(millions)				
Dominion Energy				
Cash and cash equivalents	$ 310	$ 227	$ 120	$ 261
Restricted cash and equivalents[1]	77	74	65	61
Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows	$ 387	$ 301	$ 185	$ 322
Virginia Power				
Cash and cash equivalents	$ 22	$ 16	$ 14	$ 11
Restricted cash and equivalents[1]	10	—	10	—
Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows	$ 32	$ 16	$ 24	$ 11
Dominion Energy Gas				
Cash and cash equivalents	$ 4	$ 13	$ 4	$ 23
Restricted cash and equivalents [1]	22	29	26	20
Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows	$ 26	$ 42	$ 30	$ 43

(1) Restricted cash and equivalent balances are presented within other current assets in the Companies' Consolidated Balance Sheets.

Distributions from Equity Method Investees

Dominion Energy and Dominion Energy Gas each hold investments that are accounted for under the equity method of accounting. Effective January 2018, Dominion Energy and Dominion Energy Gas classify distributions from equity method investees as either cash flows from operating activities or cash flows from investing activities in the Consolidated Statements of Cash Flows according to the nature of the distribution. Distributions received are classified on the basis of the nature of the activity of the investee that generated the distribution as either a return on investment (classified as cash flows from operating activities) or a return of an investment (classified as cash flows from investing activities) when such information is available to Dominion Energy and Dominion Energy Gas. Previously, distributions were determined to be either a return on an investment or return of an investment based on a cumulative earnings approach whereby any distributions received in excess of earnings were considered to be a return of an investment. Dominion Energy and Dominion Energy Gas have applied this approach on a retrospective basis. As a result, distributions from equity method investees were reclassified within Dominion Energy's Consolidated Statement of Cash Flows from other investing activities to other adjustments from operating activities, which were previously reported as ($95) million for the nine months ended September 30, 2017. There was no impact to Dominion Energy Gas for the nine months ended September 30, 2017.

Property, Plant and Equipment

In the second quarter of 2018, Virginia Power recorded an adjustment for the retroactive application of depreciation rates for regulated nuclear plants to comply with Virginia Commission requirements. This adjustment resulted in a decrease of $7 million ($5 million after-tax) and $53 million ($41 million after-tax) in depreciation expense in Virginia Power's Consolidated Statements of Income for the three and nine months ended September 30, 2018, respectively. This revision is expected to decrease annual depreciation expense by approximately $30 million ($23 million after-tax).

Investments

Debt and Equity Securities with Readily Determinable Fair Values

Dominion Energy accounts for and classifies investments in debt securities as trading or available-for-sale securities. Virginia Power classifies investments in debt securities as available-for-sale securities.

- Debt securities classified as trading securities include securities held by Dominion Energy in rabbi trusts associated with certain deferred compensation plans. These securities are reported in other investments in the Consolidated Balance Sheets at fair value with net realized and unrealized gains and losses included in other income in the Consolidated Statements of Income.
- Debt securities classified as available-for-sale securities include all other debt securities, primarily comprised of securities held in the nuclear decommissioning trusts. These investments are reported at fair value in nuclear decommissioning trust funds in the Consolidated Balance Sheets. Net realized and unrealized gains and losses (including any other-than-temporary impairments) on investments held in Virginia Power's nuclear decommissioning trusts are recorded to a regulatory liability for certain jurisdictions subject to cost-based regulation. For all other available-for-sale debt securities, including those held in Dominion Energy's merchant generation nuclear decommissioning trusts, net realized and unrealized gains and losses (including any other-than-temporary impairments) are included in other income and unrealized gains and losses are reported as a component of AOCI, after-tax.

In determining realized gains and losses for debt securities, the cost basis of the security is based on the specific identification method.

Equity securities with readily determinable fair values include securities held by Dominion Energy in rabbi trusts associated with certain deferred compensation plans and securities held by Dominion Energy and Virginia Power in the nuclear decommissioning trusts. Dominion Energy and Virginia Power record all equity securities with a readily determinable fair value, or for which they are permitted to estimate fair value using NAV (or its equivalent), at fair value in nuclear decommissioning trust funds and other investments in the Consolidated Balance Sheets. However, Dominion Energy and Virginia Power may elect a measurement alternative for equity securities without a readily determinable fair value. Under the measurement alternative, equity securities are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Dominion Energy and Virginia Power qualitatively assess equity securities reported using the measurement alternative to determine whether an investment is impaired on an ongoing basis. Net realized and unrealized gains and losses on equity securities held in Virginia Power’s nuclear decommissioning trusts are recorded to a regulatory liability for certain jurisdictions subject to cost-based regulation. For all other equity securities, including those held in Dominion Energy’s merchant generation nuclear decommissioning trusts and rabbi trusts, net realized and unrealized gains and losses are included in other income in the Consolidated Statements of Income.

Equity Securities without Readily Determinable Fair Values

The Companies account for illiquid and privately held securities without readily determinable fair values under either the equity method or cost method. Equity securities without readily determinable fair values include:

- Equity method investments when the Companies have the ability to exercise significant influence, but not control, over the investee. Dominion Energy's investments are included in investments in equity method affiliates and Dominion Energy Gas' investments are included in investments in their Consolidated Balance Sheets. Dominion Energy and Dominion Energy Gas record equity method adjustments in other income and earnings from equity method investee, respectively, in their Consolidated Statements of Income, including their proportionate share of investee income or loss, gains or losses resulting from investee capital transactions, amortization of certain differences between the carrying value and the equity in the net assets of the investee at the date of investment and other adjustments required by the equity method.
- Cost method investments when Dominion Energy and Virginia Power do not have the ability to exercise significant influence over the investee. Dominion Energy's and Virginia Power's investments are included in other investments and nuclear decommissioning trust funds. Cost method investments are reported at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

Other-Than-Temporary Impairment

The Companies periodically review their investments in debt securities and equity method investments to determine whether a decline in fair value should be considered other-than-temporary. If a decline in the fair value of any security is determined to be other-than-temporary, the security is written down to its fair value at the end of the reporting period.

Decommissioning Trust Investments – Special Considerations for Debt Securities

- The recognition provisions of other-than-temporary impairment guidance apply only to debt securities classified as available-for-sale or held-to-maturity.
- Using information obtained from their nuclear decommissioning trust fixed-income investment managers, Dominion Energy and Virginia Power record in earnings any unrealized loss for a debt security when the manager intends to sell the debt security or it is more-likely-than-not that the manager will have to sell the debt security before recovery of its fair value up to its cost basis. If that is not the case, but the debt security is deemed to have experienced a credit loss, Dominion Energy and Virginia Power record the credit loss in earnings and any remaining portion of the unrealized loss in AOCI. Credit losses are evaluated primarily by considering the credit ratings of the issuer, prior instances of non-performance by the issuer and other factors.

New Accounting Standards

Revenue Recognition

In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The Companies adopted this revised accounting guidance for interim and annual reporting periods beginning January 1, 2018 using the modified retrospective method. Upon the adoption of the standard, Dominion Energy and Dominion

Energy Gas recorded the cumulative-effect of a change in accounting principle of $3 million to retained earnings and membership interests, respectively, and to establish a contract asset related to changes in the timing of revenue recognition for three existing contracts with customers at DETI.

As a result of adopting this revised accounting guidance, Dominion Energy and Dominion Energy Gas record offsetting operating revenue and other energy-related purchases for non-cash consideration of performing processing and fractionation services related to NGLs. Such amounts at Dominion Energy were $24 million and $74 million, respectively, and at Dominion Energy Gas were $21 million and $71 million, respectively, recorded in the Consolidated Statements of Income for the three and nine months ended September 30, 2018. No such amounts were recorded during the three and nine months ended September 30, 2017. Dominion Energy and Dominion Energy Gas no longer record offsetting operating revenue and purchased gas for fuel retained to offset costs on certain transportation and storage arrangements. Such amounts at Dominion Energy were $20 million and $83 million, respectively, and at Dominion Energy Gas were $16 million and $64 million, respectively, recorded in the Consolidated Statements of Income for the three and nine months ended September 30, 2017.

Financial Instruments

In January 2016, the FASB issued revised accounting guidance for the recognition, measurement, presentation and disclosure of financial instruments. The guidance became effective for the Companies’ interim and annual reporting periods beginning January 1, 2018 and the Companies adopted the standard using the modified retrospective method. Upon adoption of this guidance for equity securities held at January 1, 2018, Dominion Energy and Virginia Power recorded the cumulative-effect of a change in accounting principle to reclassify net unrealized gains from AOCI to retained earnings and to recognize equity securities previously categorized as cost method investments at fair value (using NAV) in nuclear decommissioning trust funds in the Consolidated Balance Sheets and a cumulative-effect adjustment to retained earnings. Dominion Energy and Virginia Power reclassified approximately $1.1 billion ($734 million after-tax) and $119 million ($73 million after-tax), respectively, of net unrealized gains from AOCI to retained earnings. Dominion Energy and Virginia Power also recorded approximately $36 million ($22 million after-tax) in net unrealized gains on equity securities previously classified as cost method investments, of which $3 million was recorded to retained earnings and $33 million was recorded to regulatory liabilities for net unrealized gains subject to cost-based regulation. As a result of adopting this revised accounting guidance, Dominion Energy recorded unrealized gains on equity securities, net of regulatory deferrals, of $148 million ($116 million after-tax) and $146 million ($116 million after-tax) in other income in the Consolidated Statements of Income for the three and nine months ended September 30, 2018, respectively, resulting in an $0.18 gain per share for both the three and nine months ended September 30, 2018. Virginia Power recorded unrealized gains on equity securities, net of regulatory deferrals, of $15 million ($12 million after-tax) and $13 million ($11 million after-tax), respectively, in other income in the Consolidated Statements of Income for the three and nine months ended September 30, 2018.

Derecognition and Partial Sales of Nonfinancial Assets

In February 2017, the FASB issued revised accounting guidance clarifying the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets. The guidance became effective for the Companies' interim and annual reporting periods beginning January 1, 2018, and the Companies adopted the standard using the modified retrospective method. Upon adoption of the standard, Dominion Energy recorded the cumulative-effect of a change in accounting principle to reclassify $127 million from noncontrolling interests to common stock related to the sale of a noncontrolling interest in certain merchant solar projects completed in December 2015 and January 2016.

Net Periodic Pension and Other Postretirement Benefit Costs

In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic pension and other postretirement benefit costs. The update requires that the service cost component of net periodic pension and other postretirement benefit costs be classified in the same line item as other compensation costs arising from services rendered by employees, while other components of net periodic pension and other postretirement costs are classified outside of income from operations. In addition, only the service cost component remains eligible for capitalization during construction. These changes do not impact the accounting by participants in a multi-employer plan.

This guidance became effective for the Companies beginning January 1, 2018 with a retrospective adoption for income statement presentation and a prospective adoption for capitalization. Dominion Energy's and Dominion Energy Gas' Consolidated Statements of Income for the nine months ended September 30, 2017 have been recast to reflect retrospective adoption for the presentation of the non-service cost component of net periodic pension and other postretirement benefit costs. Previously, the non-service cost component for Dominion Energy and Dominion Energy Gas was reflected in other operations and maintenance in the Consolidated Statements of Income, along with the service cost component of net periodic pension and other postretirement benefit costs. Subsequent to the adoption of this guidance, the non-service cost component of net periodic pension and other postretirement benefit costs is recorded in other income in the Consolidated Statements of Income. As previously reported, Dominion Energy's other operations and maintenance expense and other income for the three months ended September 30, 2017 were $649 million and $73 million, respectively, and were $2.2 billion and $249 million for the nine months ended September 30, 2017, respectively. Dominion Energy Gas' other operations and maintenance expense and other income for the three months ended September 30, 2017 were $53 million and $6 million, respectively, and were $312 million and $16 million for the nine months ended September 30, 2017, respectively.

Tax Reform

In February 2018, the FASB issued revised accounting guidance to provide clarification on the application of the 2017 Tax Reform Act for balances recorded within AOCI. The revised guidance provides for stranded amounts within AOCI from the impacts of the 2017 Tax Reform Act to be reclassified to retained earnings. The Companies adopted this guidance for interim and annual reporting periods beginning January 1, 2018 on a prospective basis. In connection with the adoption of this guidance, Dominion Energy reclassified a benefit of $289 million from AOCI to retained earnings, Virginia Power reclassified a benefit of $3 million from AOCI to retained earnings and Dominion Energy Gas reclassified a benefit of $26 million from AOCI to membership interests. The amounts reclassified reflect the reduction in the federal income tax rate, and the federal benefit of state income taxes, on the components of the Companies' AOCI.

Note 3. Acquisitions and Dispositions

Dominion Energy

Proposed Acquisition of SCANA

Under the terms of the SCANA Merger Agreement announced in January 2018, Dominion Energy has agreed to issue 0.6690 shares of Dominion Energy common stock for each share of SCANA common stock upon closing. In addition, SCANA's debt, which currently totals approximately $ 7.1 billion, is expected to remain outstanding.

Under the original plan filed with the South Carolina Public Service Commission, Dominion Energy will provide the financial support for SCE&G to make a $1.3 billion up-front, one-time rate credit to all current electric service customers of SCE&G to be paid within 90 days of closing and a $575 million refund along with the benefit of the 2017 Tax Reform Act resulting in an approximate 7% reduction to SCE&G electric service customers' bills over an eight-year period as well as the exclusions from rate recovery of approximately $1.7 billion of costs related to the V.C. Summer Units 2 and 3 new nuclear development project and approximately $180 million to purchase the Columbia Energy Center power station. In October 2018, in response to certain stakeholders desiring greater bill reductions over time in lieu of an up-front rate credit, Dominion Energy filed an alternative plan with the South Carolina Public Service Commission that would provide refunds of approximately $1.9 billion over twenty years that along with the benefit of the 2017 Tax Reform Act results in an approximate 14% reduction to SCE&G electric service customer's bills as well as exclusions from rate recovery of approximately $2.3 billion of costs related to the V.C. Summer Units 2 and 3 new nuclear development project and approximately $180 million to purchase the Columbia Energy Center power station. Dominion Energy supports either of these plans subject to approval by the South Carolina Public Service Commission.

The transaction requires approval of SCANA's shareholders, FERC, applicable state commissions and the NRC and clearance from the Federal Trade Commission under the Hart-Scott-Rodino Act. In January 2018, SCANA and Dominion Energy filed for review and approval from the South Carolina Public Service Commission, the North Carolina Utilities Commission, the Georgia Public Service Commission and the NRC. In February 2018, the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Act. Also in February 2018, Dominion Energy and SCANA filed for review and approval by FERC. In March 2018, the Georgia Public Service Commission approved the proposed merger. In July 2018, FERC and SCANA's shareholders approved the proposed merger. In September 2018, the NRC approved the proposed merger. Dominion Energy is not required to accept an order by the South Carolina Public Service Commission approving Dominion Energy's merger with SCANA if such order contains any material change to the terms, conditions or undertakings set forth in the cost recovery plan related to the V.C. Summer Units 2 and 3 new nuclear development project or any significant changes to the economic value of the cost recovery plan. In addition, the SCANA Merger Agreement provides that Dominion Energy will have the right to refuse to close the merger if there shall have occurred any substantive change in the Base Load Review Act or other laws governing South Carolina public utilities which has or would reasonably be expected to have an adverse effect on SCE&G. The SCANA Merger Agreement contains certain termination rights for both Dominion Energy and SCANA, and provides that, upon termination of the SCANA Merger Agreement under specified circumstances, Dominion Energy would be required to pay a termination fee of $280 million to SCANA and SCANA would be required to pay Dominion Energy a termination fee of $240 million. Subject to receipt of required regulatory approvals and meeting closing conditions, Dominion Energy targets closing by the end of 2018.

Wholly-Owned Merchant Solar Projects

In August 2016, Dominion Energy entered into an agreement to acquire 100% of the equity interests of two solar projects in California from Solar Frontier Americas Holding LLC for cash consideration. In March 2017, Dominion Energy closed on the acquisition of one of the solar projects for $77 million, all of which was allocated to property, plant and equipment. The facility commenced commercial operations in June 2017, at a cost of $78 million, including the initial acquisition cost, and generates approximately 30 MW. In April 2017, Dominion Energy discontinued efforts on the acquisition of the additional 20 MW solar project from Solar Frontier Americas Holding LLC.

In September 2016, Dominion Energy entered into an agreement to acquire 100% of the equity interests of a solar project in Virginia from Community Energy Solar, LLC for cash consideration. In February 2017, Dominion Energy closed on the acquisition for $29 million, all of which was allocated to property, plant and equipment. The facility commenced commercial operations in December 2017, at a cost of $205 million, including the initial acquisition cost, and generates approximately 100 MW.

In January 2017, Dominion Energy entered into an agreement to acquire 100% of the equity interests of a solar project in North Carolina from Cypress Creek Renewables, LLC for cash consideration. In May 2017, Dominion Energy closed on the acquisition for $154 million, all of which was allocated to property, plant and equipment. The facility commenced commercial operations in June 2017, at a cost of $160 million, including the initial acquisition cost, and generates approximately 79 MW.

In May 2017, Dominion Energy entered into an agreement to acquire 100% of the equity interests of two solar projects in Virginia from Hecate Energy Virginia C&C LLC for cash consideration of $56 million. Dominion Energy completed the acquisition of one of the projects in June 2017 for $16 million and the facility commenced commercial operations in August 2017. The second acquisition was completed in September 2017 for $40 million and the facility commenced commercial operations in November 2017. The projects cost $57 million, including initial acquisition costs, and generate approximately 30 MW combined.

In June 2017, Dominion Energy entered into an agreement to acquire 100% of the equity interests of four solar projects in North Carolina from Strata Solar Development, LLC and Moorings Farm 2 Holdco, LLC for cash consideration of $40 million. Dominion Energy completed the acquisition of two of the projects in June 2017 at a cost of $20 million. The final two acquisitions were completed in October 2017 for $20 million. The projects commenced commercial operations in November 2017 at a cost of $41 million, including the initial acquisition costs, and generate approximately 20 MW combined.

Long-term power purchase, interconnection and operation and maintenance agreements have been executed for all of the projects described above. These projects are included in Power Generation. Dominion Energy has claimed federal investment tax credits on these solar projects.

Note 4. Operating Revenue

The Companies’ operating revenue, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, consists of the following:

(millions)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Dominion Energy		
Regulated electric sales:		
Residential	$ 1,036	$ 2,641
Commercial	737	1,897
Industrial	143	371
Government and other retail	224	647
Wholesale	30	95
Nonregulated electric sales	322	1,022
Regulated gas sales:		
Residential	73	553
Commercial	15	152
Other	3	14
Nonregulated gas sales	42	139
Regulated gas transportation and storage:		
FERC-regulated	266	800
State-regulated	138	472
Nonregulated gas transportation and storage	162	286
Other regulated revenues	38	132
Other nonregulated revenues(1)(2)	133	410
Total operating revenue from contracts with customers	3,362	9,631
Other revenues(2)	89	374
Total operating revenue	$ 3,451	$ 10,005
Virginia Power		
Regulated electric sales:		
Residential	$ 1,036	$ 2,641
Commercial	737	1,897
Industrial	143	371
Government and other retail	224	647
Wholesale	30	95
Other regulated revenues	30	95
Other nonregulated revenues(1)(2)	10	41
Total operating revenue from contracts with customers	2,210	5,787
Other revenues(1)(2)	22	22
Total operating revenue	$ 2,232	$ 5,809
Dominion Energy Gas		
Regulated gas sales:		
Residential	$ 12	$ 54
Other	—	9
Nonregulated gas sales(1)	2	5

Regulated gas transportation and storage:		
FERC-regulated[1]	179	561
State-regulated[1]	131	450
NGL revenue[1][2]	42	146
Management service revenue[1]	50	157
Other regulated revenues[1]	4	16
Other nonregulated revenues[1]	3	9
Total operating revenue from contracts with customers	423	1,407
Other revenues	—	1
Total operating revenue	$ 423	$ 1,408

(1) See Notes 10 and 18 for amounts attributable to related parties and affiliates.
(2) Amounts above include $108 million and $91 million for the three months ended September 30, 2018, and $170 million and $138 million for the nine months ended September 30, 2018 primarily consisting of NGL sales at Dominion Energy and Dominion Energy Gas, respectively, which are considered to be goods transferred at a point in time. In addition, the amounts include $10 million and $11 million of sales of renewable energy investment tax credits at both Dominion Energy and Virginia Power for the three and nine months ended September 30, 2018, respectively, which are considered to be goods transferred at a point in time.

The table below discloses the aggregate amount of the transaction price allocated to fixed-price performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period and when the Companies expect to recognize this revenue. These revenues relate to contracts containing fixed prices where the Companies will earn the associated revenue over time as they stand ready to perform services provided. This disclosure does not include revenue related to performance obligations that are part of a contract with original durations of one year or less. In addition, this disclosure does not include expected consideration related to performance obligations for which the Companies elect to recognize revenue in the amount they have a right to invoice.

Revenue expected to be recognized on multi-year contracts in place at September 30, 2018	2018	2019	2020	2021	2022	Thereafter	Total
(millions)							
Dominion Energy	$430	$1,672	$1,568	$1,454	$1,324	$ 13,799	$20,247
Virginia Power	5	21	3	1	—	—	30
Dominion Energy Gas	170	633	574	489	397	2,171	4,434

Contract assets represent an entity’s right to consideration in exchange for goods and services that the entity has transferred to a customer. At September 30, 2018 and December 31, 2017, Dominion Energy’s contract asset balances were $44 million and $46 million, respectively. Dominion Energy Gas’ contract asset balances were $61 million and $66 million at September 30, 2018 and December 31, 2017, respectively. Dominion Energy and Dominion Energy Gas’ contract assets are recorded in other deferred charges and other assets in the Consolidated Balance Sheets. Contract liabilities represent an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration, or the amount that is due, from the customer. At September 30, 2018 and December 31, 2017, Dominion Energy’s contract liability balances were $102 million and $132 million, respectively. At September 30, 2018 and December 31, 2017, Virginia Power’s contract liability balances were $20 million and $50 million, respectively. At September 30, 2018 and December 31, 2017, Dominion Energy Gas’ contract liability balances were $38 million and $41 million, respectively. During the nine months ended September 30, 2018, Dominion Energy, Virginia Power and Dominion Energy Gas recognized revenue of $93 million, $25 million and $40 million, respectively, from the beginning contract liability balances as the Companies fulfilled their obligations to provide service to their customers. The Companies’ contract liabilities are recorded in other current liabilities and other deferred credits and other liabilities in the Consolidated Balance Sheets.

The Companies’ operating revenue, prior to the adoption of revised guidance for revenue recognition from contracts with customers, consisted of the following:

(millions)	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Dominion Energy		
Electric sales:		
Regulated	$ 2,108	$ 5,590
Nonregulated	380	1,114
Gas sales:		
Regulated	97	696
Nonregulated	69	323
Gas transportation and storage	406	