

DOMINION ENERGY INC /VA/  
Form 10-Q  
November 01, 2017

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, 2017

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.  Formerly Known As Dominion Resources, Inc.	54-1229715
000-55337	VIRGINIA ELECTRIC AND POWER COMPANY	54-0418825

001-37591

DOMINION ENERGY GAS HOLDINGS, LLC

Formerly Known As Dominion 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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  
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company  
Emerging growth company

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

Virginia Electric and Power Company

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

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

Dominion Energy Gas Holdings, LLC

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

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

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

Dominion Energy, Inc.	Yes	No	Virginia Electric and Power Company	Yes	No
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Dominion Energy Gas Holdings, LLC	Yes	No
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At October 13, 2017, the latest practicable date for determination, Dominion Energy, Inc. had 643,529,769 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

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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
2013 Equity Units	Dominion Energy's 2013 Series A Equity Units and 2013 Series B Equity Units issued in June 2013
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
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
bcfe	Billion cubic feet equivalent
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 <sub>2</sub>	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 (formerly known as Dominion Cove Point LNG, LP)
CPCN	Certificate of Public Convenience and Necessity
CWA	Clean Water Act
DECG	Dominion Energy Carolina Gas Transmission, LLC (formerly known as Dominion Carolina Gas Transmission, LLC)
DES	Dominion Energy Services, Inc. (formerly known as Dominion Resources Services, Inc.)
DETI	Dominion Energy Transmission, Inc. (formerly known as Dominion Transmission, Inc.)
DGI	Dominion Generation, Inc. (formerly known as Dominion Energy, Inc.)
DOE	Department of Energy
Dominion Energy	The legal entity, Dominion Energy, Inc. (formerly known as Dominion Resources, 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 (formerly known as Dominion 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 (formerly known as Dominion Midstream Partners, LP), one or more of its consolidated subsidiaries, Cove Point Holdings, Iroquois GP Holding Company, LLC, DECG and Dominion Energy Questar Pipeline (beginning December 1, 2016) or operating segment, or the entirety of Dominion Energy Midstream Partners, LP and its consolidated subsidiaries
Dominion Energy Questar	The legal entity, Dominion Energy Questar Corporation (formerly known as Dominion Questar Corporation), one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Energy Questar Corporation and its consolidated subsidiaries
Dominion Energy Questar Combination	Dominion Energy's acquisition of Dominion Energy Questar completed on September 16, 2016 pursuant to the terms of the agreement and plan of merger entered on January 31, 2016
Dominion Energy Questar Pipeline	Dominion Energy Questar Pipeline, LLC (formerly known as 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
East Ohio	The East Ohio Gas Company
Eastern Market Access Project	Project to provide 294,000 Dths per 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 generation facility to be built in Maryland
EPA	Environmental Protection Agency
EPS	Earnings per share
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 wholly-owned subsidiary of NRG effective November 2016
Fowler Ridge	A wind-turbine facility joint venture between Dominion Energy and BP Wind Energy North America Inc. in Benton County, Indiana
FTA	Free Trade Agreement
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
Gas Infrastructure	Gas Infrastructure Group operating segment
GHG	Greenhouse gas
Granite Mountain	Granite Mountain Holdings, LLC, a limited liability company owned by Dominion Energy and Granite Mountain Renewables, LLC, a wholly-owned subsidiary of NRG effective November 2016
Greensville County	An approximately 1,588 MW combined cycle, natural gas-fired power station under construction in Greensville County, Virginia
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 Gas, Inc.

Hope

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Abbreviation or Acronym	Definition
Iron Springs	Iron Springs Holdings, LLC, a limited liability company owned by Dominion Energy and Iron Springs Renewables, LLC, a wholly-owned subsidiary of NRG effective November 2016
Iroquois	Iroquois Gas Transmission System, L.P.
ISO-NE	Independent System Operator New England
kV	Kilovolt
Liquefaction Project	A natural gas export/liquefaction facility currently under construction by Cove Point
LNG	Liquefied natural gas
Local 69	Local 69, Utility Workers Union of America, United Gas Workers
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
MISO	Midcontinent Independent System Operator, Inc.
MW	Megawatt
MWh	Megawatt hour
NAV	Net asset value
NedPower	A wind-turbine facility joint venture between Dominion Energy and Shell Wind Energy, Inc. in Grant County, West Virginia
NGL	Natural gas liquid
NO <sub>x</sub>	Nitrogen oxide
NRC	Nuclear Regulatory Commission
NRG	The legal entity, NRG Energy, Inc., one or more of its consolidated subsidiaries (including, effective November 2016, Four Brothers Holdings, LLC, Granite Mountain Renewables, LLC and Iron Springs Renewables, LLC) or operating segments, or the entirety of NRG Energy, Inc. and its consolidated subsidiaries
NSPS	New Source Performance Standards
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
PREP	Pipeline Replacement and Expansion Program, a program of replacing, upgrading and expanding natural gas utility infrastructure deployed by Hope
PSD	Prevention of Significant Deterioration
Questar Gas	Questar Gas Company
Rider BW	A rate adjustment clause associated with the recovery of costs related to Brunswick County
Rider U	A rate adjustment clause associated with the recovery of costs of new underground distribution facilities

Abbreviation or Acronym	Definition
Rider US-2	A rate adjustment clause associated with the recovery of costs related to Woodland, Scott Solar and Whitehouse
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
RSN	Remarketable subordinated note
SBL Holdco	SBL Holdco, LLC, a wholly-owned subsidiary of DGI
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.
SunEdison	The legal entity, SunEdison, Inc., one or more of its consolidated subsidiaries (including, through November 2016, Four Brothers Holdings, LLC, Granite Mountain Renewables, LLC and Iron Springs Renewables, LLC) or operating segments, or the entirety of SunEdison, Inc. and its consolidated subsidiaries
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
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

## 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,	
	2017	2016	2017	2016
(millions, except per share amounts)				
Operating Revenue	\$3,179	\$3,132	\$9,376	\$8,651
Operating Expenses				
Electric fuel and other energy-related purchases	638	606	1,711	1,791
Purchased (excess) electric capacity	21	(6 )	(8 )	107
Purchased gas	24	77	441	252
Other operations and maintenance	649	765	2,166	2,133
Depreciation, depletion and amortization	485	400	1,421	1,112
Other taxes	162	145	519	448
Total operating expenses	1,979	1,987	6,250	5,843
Income from operations	1,200	1,145	3,126	2,808
Other income	73	63	249	189
Interest and related charges	305	250	905	715
Income from operations including noncontrolling interests before income tax expense	968	958	2,470	2,282
Income tax expense	272	230	683	561
Net Income Including Noncontrolling Interests	696	728	1,787	1,721
Noncontrolling Interests	31	38	100	55
Net Income Attributable to Dominion Energy	\$665	\$690	\$1,687	\$1,666
Earnings Per Common Share				
Net income attributable to Dominion Energy - Basic	\$1.03	\$1.10	\$2.66	\$2.72
Net income attributable to Dominion Energy - Diluted	1.03	1.10	2.66	2.71
Dividends Declared Per Common Share	\$0.7700	\$0.7000	\$2.2800	\$2.1000

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, 2017		Nine Months Ended September 30, 2016	
(millions)				
Net income including noncontrolling interests	\$ 696	\$ 728	\$ 1,787	\$ 1,721
Other comprehensive income, net of taxes:				
Net deferred gains on derivatives-hedging activities <sup>(1)</sup>	11	14	82	56
Changes in unrealized net gains on investment securities <sup>(2)</sup>	48	31	141	72
Changes in net unrecognized pension and other postretirement benefit costs <sup>(3)</sup>	—	15	—	15
Amounts reclassified to net income:				
Net derivative gains-hedging activities <sup>(4)</sup>	(15 )	(34 )	(56 )	(141 )
Net realized gains on investment securities <sup>(5)</sup>	(4 )	(13 )	(36 )	(23 )
Net pension and other postretirement benefit costs <sup>(6)</sup>	14	9	38	25
Changes in other comprehensive income (loss) from equity method investees <sup>(7)</sup>	—	—	2	(1 )
Total other comprehensive income	54	22	171	3
Comprehensive income including noncontrolling interests	750	750	1,958	1,724
Comprehensive income attributable to noncontrolling interests	31	38	100	55
Comprehensive income attributable to Dominion Energy	\$ 719	\$ 712	\$ 1,858	\$ 1,669

(1) Net of \$(5) million and \$(8) million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$(49) million and \$(34) million tax for the nine months ended September 30, 2017 and 2016, respectively.

(2) Net of \$(27) million and \$(18) million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$(80) million and \$(43) million tax for the nine months ended September 30, 2017 and 2016, respectively.

(3) Net of \$--- million and \$(10) million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$--- million and \$(10) million tax for the nine months ended September 30, 2017 and 2016, respectively.

(4) Net of \$10 million and \$21 million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$35 million and \$88 million tax for the nine months ended September 30, 2017 and 2016, respectively.

(5) Net of \$2 million and \$7 million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$20 million and \$13 million tax for the nine months ended September 30, 2017 and 2016, respectively.

(6) Net of \$(7) million and \$(4) million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$(25) million and \$(16) million tax for the nine months ended September 30, 2017 and 2016, respectively.

(7) Net of \$--- million tax for both the three months ended September 30, 2017 and 2016, and net of \$(1) million and \$--- million tax for the nine months ended September 30, 2017 and 2016, respectively.

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



## DOMINION ENERGY, INC.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2017	December 31, 2016 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 227	\$ 261
Customer receivables (less allowance for doubtful accounts of \$16 and \$18)	1,292	1,523
Other receivables (less allowance for doubtful accounts of \$3 and \$2)	212	183
Inventories	1,527	1,524
Regulatory assets	311	244
Other	425	513
<b>Total current assets</b>	<b>3,994</b>	<b>4,248</b>
<b>Investments</b>		
Nuclear decommissioning trust funds	4,881	4,484
Investment in equity method affiliates	1,895	1,561
Other	320	298
<b>Total investments</b>	<b>7,096</b>	<b>6,343</b>
<b>Property, Plant and Equipment</b>		
Property, plant and equipment	73,610	69,556
Accumulated depreciation, depletion and amortization	(20,799 )	(19,592 )
<b>Total property, plant and equipment, net</b>	<b>52,811</b>	<b>49,964</b>
<b>Deferred Charges and Other Assets</b>		
Goodwill	6,405	6,399
Regulatory assets	2,503	2,473
Other	2,582	2,183
<b>Total deferred charges and other assets</b>	<b>11,490</b>	<b>11,055</b>
<b>Total assets</b>	<b>\$ 75,391</b>	<b>\$ 71,610</b>

(1) Dominion Energy's Consolidated Balance Sheet at December 31, 2016 has been derived from the audited Consolidated Balance Sheet at that date.

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

## DOMINION ENERGY, INC.

## CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

	September 30, 2017	December 31, 2016 <sup>(1)</sup>
(millions)		
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Securities due within one year	\$ 2,788	\$ 1,709
Short-term debt	3,060	3,155
Accounts payable	757	1,000
Accrued interest, payroll and taxes	843	798
Regulatory liabilities	88	163
Other	1,023	1,290
Total current liabilities	8,559	8,115
Long-Term Debt		
Long-term debt	25,529	24,878
Junior subordinated notes	3,980	2,980
Remarketable subordinated notes	1,377	2,373
Total long-term debt	30,886	30,231
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	9,379	8,602
Regulatory liabilities	2,906	2,622
Other	5,159	5,200
Total deferred credits and other liabilities	17,444	16,424
Total liabilities	56,889	54,770
Commitments and Contingencies (see Note 15)		
Equity		
Common stock – no par <sup>(2)</sup>	9,789	8,550
Retained earnings	7,119	6,854
Accumulated other comprehensive loss	(628 )	(799 )
Total common shareholders' equity	16,280	14,605
Noncontrolling interests	2,222	2,235
Total equity	18,502	16,840
Total liabilities and equity	\$ 75,391	\$ 71,610

(1) Dominion Energy's Consolidated Balance Sheet at December 31, 2016 has been derived from the audited Consolidated Balance Sheet at that date.

(2) 1 billion shares authorized; 644 million shares and 628 million shares outstanding at September 30, 2017 and December 31, 2016, respectively.

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





DOMINION ENERGY, INC.

## CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

	Common Stock		Dominion Energy Shareholders Retained Earnings		Total Common Shareholders' Equity		Noncontrolling Interests		Total Equity
	Shares	Amount	Earnings	AOCI	Equity	Interests	Equity	Equity	
(millions)									
December 31, 2015	596	\$ 6,680	\$ 6,458	\$(474)	\$ 12,664	\$ 938		\$ 13,602	
Net income including noncontrolling interests			1,666		1,666	55		1,721	
Contributions from SunEdison to Four Brothers and Three Cedars					—	178		178	
Sale of interest in merchant solar projects		22			22	117		139	
Purchase of Dominion Energy Midstream common units		(3 )			(3 )	(14 )		(17 )	
Issuance of common stock	31	2,079			2,079			2,079	
Stock awards (net of change in unearned compensation)		10			10			10	
Present value of stock purchase contract payments related to RSNs		(191 )			(191 )			(191 )	
Dividends and distributions			(1,287)		(1,287 )	(39 )		(1,326 )	
Other comprehensive income, net of tax				3	3			3	
Other		(5 )			(5 )	(1 )		(6 )	
September 30, 2016	627	\$ 8,592	\$ 6,837	\$(471)	\$ 14,958	\$ 1,234		\$ 16,192	
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	

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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

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)	2017	2016
<b>Operating Activities</b>		
Net income including noncontrolling interests	\$1,787	\$1,721
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization (including nuclear fuel)	1,649	1,325
Deferred income taxes and investment tax credits	652	481
Proceeds from assignment of tower rental portfolio	91	—
Gains on the sales of assets and equity method investment in Iroquois	(61 )	(50 )
Contribution to pension plan	(75 )	—
Other adjustments	(95 )	(78 )
Changes in:		
Accounts receivable	247	19
Inventories	(34 )	(10 )
Deferred fuel and purchased gas costs, net	(81 )	84
Prepayments	34	71
Accounts payable	(158 )	(89 )
Accrued interest, payroll and taxes	61	205
Margin deposit assets and liabilities	51	1
Pension and other postretirement benefits	(132 )	(91 )
Other operating assets and liabilities	(272 )	(203 )
Net cash provided by operating activities	3,664	3,386
<b>Investing Activities</b>		
Plant construction and other property additions (including nuclear fuel)	(4,122)	(4,536)
Acquisition of Dominion Energy Questar, net of cash acquired	—	(4,372)
Acquisition of solar development projects	(343 )	(21 )
Proceeds from sales of securities	1,496	1,009
Purchases of securities	(1,555)	(1,065)
Contributions to equity method affiliates	(343 )	(124 )
Other	(6 )	80
Net cash used in investing activities	(4,873)	(9,029)
<b>Financing Activities</b>		
Repayment of short-term debt, net	(95 )	(713 )
Issuance of short-term notes	—	1,200
Repayment and repurchase of short-term notes	(250 )	(600 )
Issuance of long-term debt	3,480	5,730
Repayment and repurchase of long-term debt	(1,529)	(1,169)
Proceeds from sale of interest in merchant solar projects	—	117
Contributions from NRG and SunEdison to Four Brothers and Three Cedars	9	178

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Issuance of common stock	1,233	2,079
Common dividend payments	(1,435)	(1,287)
Other	(238 )	(248 )
Net cash provided by financing activities	1,175	5,287
Decrease in cash and cash equivalents	(34 )	(356 )
Cash and cash equivalents at beginning of period	261	607
Cash and cash equivalents at end of period	\$227	\$251
Supplemental Cash Flow Information		
Significant noncash investing and financing activities <sup>(1)</sup> :		
Accrued capital expenditures	\$355	\$341

(1) See Note 14 for noncash financing activities related to the remarketing of RSNs.

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,	
	2017	2016	2017	2016
(millions)				
Operating Revenue <sup>(1)</sup>	\$2,154	\$2,211	\$5,732	\$5,877
Operating Expenses				
Electric fuel and other energy-related purchases <sup>(1)</sup>	549	516	1,414	1,527
Purchased (excess) electric capacity	21	(6 )	(8 )	107
Other operations and maintenance:				
Affiliated suppliers	76	73	229	238
Other	297	370	897	1,041
Depreciation and amortization	288	270	854	765
Other taxes	76	74	233	218
Total operating expenses	1,307	1,297	3,619	3,896
Income from operations	847	914	2,113	1,981
Other income	13	13	57	47
Interest and related charges <sup>(1)</sup>	128	118	373	345
Income before income tax expense	732	809	1,797	1,683
Income tax expense	273	306	664	637
Net Income	\$459	\$503	\$1,133	\$1,046

(1) See Note 17 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

(Unaudited)

	September 30, 2017	December 31, 2016 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 16	\$ 11
Customer receivables (less allowance for doubtful accounts of \$9 and \$10)	920	892
Other receivables (less allowance for doubtful accounts of \$1 at both dates)	36	99
Affiliated receivables	1	112
Inventories (average cost method)	853	853
Other <sup>(2)</sup>	309	281
Total current assets	2,135	2,248
Investments		
Nuclear decommissioning trust funds	2,292	2,106
Other	3	3
Total investments	2,295	2,109
Property, Plant and Equipment		
Property, plant and equipment	41,813	40,030
Accumulated depreciation and amortization	(13,144 )	(12,436 )
Total property, plant and equipment, net	28,669	27,594
Deferred Charges and Other Assets		
Regulatory assets	838	770
Pension and other postretirement benefit assets <sup>(2)</sup>	182	130
Other <sup>(2)</sup>	462	457
Total deferred charges and other assets	1,482	1,357
Total assets	\$ 34,581	\$ 33,308

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2016 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 17 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)

	September 30, 2017	December 31, 2016 <sup>(1)</sup>
(millions)		
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current Liabilities		
Securities due within one year	\$ 851	\$ 678
Short-term debt	320	65
Accounts payable	337	444
Payables to affiliates	167	109
Affiliated current borrowings	36	262
Accrued interest, payroll and taxes	307	239
Other <sup>(2)</sup>	536	725
Total current liabilities	2,554	2,522
Long-Term Debt	10,495	9,852
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	5,357	5,103
Asset retirement obligations	1,300	1,262
Regulatory liabilities	2,202	1,962
Other <sup>(2)</sup>	863	742
Total deferred credits and other liabilities	9,722	9,069
Total liabilities	22,771	21,443
Commitments and Contingencies (see Note 15)		
Common Shareholder's Equity		
Common stock – no par <sup>(3)</sup>	5,738	5,738
Other paid-in capital	1,113	1,113
Retained earnings	4,904	4,968
Accumulated other comprehensive income	55	46
Total common shareholder's equity	11,810	11,865
Total liabilities and shareholder's equity	\$ 34,581	\$ 33,308

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2016 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 17 for amounts attributable to affiliates.

(3) 500,000 shares authorized; 274,723 shares outstanding at September 30, 2017 and December 31, 2016.

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, (millions)	2017	2016
<b>Operating Activities</b>		
Net income	\$ 1,133	\$ 1,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including nuclear fuel)	999	903
Deferred income taxes and investment tax credits	262	369
Proceeds from assignment of tower rental portfolio	91	—
Other adjustments	(28 )	(15 )
Changes in:		
Accounts receivable	32	(99 )
Affiliated receivables and payables	159	306
Inventories	1	37
Prepayments	(3 )	15
Deferred fuel expenses, net	(48 )	79
Accounts payable	(33 )	4
Accrued interest, payroll and taxes	67	131
Other operating assets and liabilities	(162 )	8
Net cash provided by operating activities	2,470	2,784
<b>Investing Activities</b>		
Plant construction and other property additions	(1,917)	(1,835)
Purchases of nuclear fuel	(133 )	(106 )
Proceeds from sales of securities	654	478
Purchases of securities	(681 )	(513 )
Other	(29 )	(11 )
Net cash used in investing activities	(2,106)	(1,987)
<b>Financing Activities</b>		
Issuance (repayment) of short-term debt, net	255	(691 )
Repayment of affiliated current borrowings, net	(226 )	(376 )
Issuance of long-term debt	1,500	750
Repayment of long-term debt	(679 )	(476 )
Common dividend payments to parent	(1,199)	—
Other	(10 )	(4 )
Net cash used in financing activities	(359 )	(797 )
Increase in cash and cash equivalents	5	—
Cash and cash equivalents at beginning of period	11	18
Cash and cash equivalents at end of period	\$ 16	\$ 18
<b>Supplemental Cash Flow Information</b>		
Significant noncash investing activities:		
Accrued capital expenditures	\$ 158	\$ 209



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,	
	2017	2016	2017	2016
(millions)				
Operating Revenue <sup>(1)</sup>	\$ 401	\$ 382	\$1,313	\$1,181
Operating Expenses				
Purchased gas <sup>(1)</sup>	19	21	100	71
Other energy-related purchases	4	4	11	8
Other operations and maintenance:				
Affiliated suppliers	20	20	65	63
Other	53	113	312	268
Depreciation and amortization	57	55	167	150
Other taxes	42	36	139	127
Total operating expenses	195	249	794	687
Income from operations	206	133	519	494
Earnings from equity method investee	4	5	15	14
Other income	6	2	16	8
Interest and related charges <sup>(1)</sup>	25	23	72	68
Income from operations before income taxes	191	117	478	448
Income tax expense	74	34	176	162
Net Income	\$ 117	\$ 83	\$302	\$286

(1) See Note 17 for amounts attributable to related parties.

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

## DOMINION ENERGY GAS HOLDINGS, LLC

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
(millions)				
Net income	\$ 117	\$ 83	\$ 302	\$ 286
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities <sup>(1)</sup>	1	9	3	(6 )
Amounts reclassified to net income:				
Net derivative gains-hedging activities <sup>(2)</sup>	(4 )	(1 )	(5 )	(3 )
Net pension and other postretirement benefit costs <sup>(3)</sup>	1	1	3	2
Total other comprehensive income (loss)	(2 )	9	1	(7 )
Comprehensive income	\$ 115	\$ 92	\$ 303	\$ 279

(1) Net of \$(1) million and \$(3) million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$(2) million and \$5 million tax for the nine months ended September 30, 2017 and 2016, respectively.

(2) Net of \$3 million and \$2 million tax for the three months ended September 30, 2017 and 2016, respectively, and net of \$3 million and \$2 million tax for the nine months ended September 30, 2017 and 2016, respectively.

(3) Net of \$(1) million tax for both the three months ended September 30, 2017 and 2016, and net of \$(2) million tax for both the nine months ended September 30, 2017 and 2016.

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, 2017	December 31, 2016 <sup>(1)</sup>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 13	\$ 23
Restricted cash	29	20
Customer receivables (less allowance for doubtful accounts of \$1 at both dates)	190	281
Other receivables (less allowance for doubtful accounts of \$1 at both dates) <sup>(2)</sup>	72	13
Affiliated receivables	17	17
Inventories	90	70
Other <sup>(2)</sup>	110	158
Total current assets	521	582
Investments	97	99
Property, Plant and Equipment		
Property, plant and equipment	10,971	10,475
Accumulated depreciation and amortization	(2,978 )	(2,851 )
Total property, plant and equipment, net	7,993	7,624
Deferred Charges and Other Assets		
Pension and other postretirement benefit assets <sup>(2)</sup>	1,714	1,557
Other <sup>(2)</sup>	1,303	1,280
Total deferred charges and other assets	3,017	2,837
Total assets	\$ 11,628	\$ 11,142

(1) Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2016 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 17 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)

	September 30, 2017	December 31, 2016 <sup>(1)</sup>
(millions)		
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Short-term debt	\$ 620	\$ 460
Accounts payable	161	221
Payables to affiliates	18	29
Affiliated current borrowings	34	118
Accrued interest, payroll and taxes	197	225
Other <sup>(2)</sup>	157	162
Total current liabilities	1,187	1,215
Long-Term Debt	3,564	3,528
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	2,622	2,438
Other <sup>(2)</sup>	429	425
Total deferred credits and other liabilities	3,051	2,863
Total liabilities	7,802	7,606
Commitments and Contingencies (see Note 15)		
Equity		
Membership interests	3,948	3,659
Accumulated other comprehensive loss	(122 )	(123 )
Total equity	3,826	3,536
Total liabilities and equity	\$ 11,628	\$ 11,142

(1) Dominion Energy Gas' Consolidated Balance Sheet at December 31, 2016 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 17 for amounts attributable to related parties.

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

## DOMINION ENERGY GAS HOLDINGS, LLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30, (millions)	2017	2016
<b>Operating Activities</b>		
Net income	\$302	\$286
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains on the sales of assets and equity method investment in Iroquois	(61 )	(50 )
Depreciation and amortization	167	150
Deferred income taxes and investment tax credits	176	204
Other adjustments	(9 )	3
Changes in:		
Accounts receivable	88	56
Affiliated receivables and payables	(11 )	91
Inventories	(20 )	(17 )
Deferred purchased gas costs, net	11	7
Prepayments	39	15
Accounts payable	(68 )	(76 )
Accrued interest, payroll and taxes	(28 )	(7 )
Pension and other postretirement benefits	(98 )	(97 )
Other operating assets and liabilities	(13 )	(62 )
Net cash provided by operating activities	475	503
<b>Investing Activities</b>		
Plant construction and other property additions	(535)	(610)
Proceeds from sale of equity method investment in Iroquois	—	7
Proceeds from assignments of shale development rights	5	10
Other	(16 )	(10 )
Net cash used in investing activities	(546)	(603)
<b>Financing Activities</b>		
Issuance (repayment) of short-term debt, net	160	(331)
Issuance of long-term debt	—	680
Repayment of affiliated current borrowings, net	(84 )	(95 )
Distribution payments to parent	(15 )	(150)
Other	—	(9 )
Net cash provided by financing activities	61	95
Decrease in cash and cash equivalents	(10 )	(5 )
Cash and cash equivalents at beginning of period	23	13
Cash and cash equivalents at end of period	\$13	\$8
<b>Supplemental Cash Flow Information</b>		
Significant noncash investing activities:		
Accrued capital expenditures	\$54	\$42

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. See Note 3 for a description of operations acquired in the Dominion Energy Questar Combination.

### 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, 2016.

In the Companies' opinion, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly their financial position as of September 30, 2017, their results of operations for the three and nine months ended September 30, 2017 and 2016, their cash flows for the nine months ended September 30, 2017 and 2016 and Dominion Energy's changes in equity for the nine months ended September 30, 2017 and 2016. 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, 2017, Dominion Energy owns the general partner, 50.9% of the common and subordinated 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, 2017, Dominion Energy owns 50% of the units in and consolidates Four Brothers and Three Cedars. NRG'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.



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' 2016 Consolidated Financial Statements and Notes have been reclassified to conform to the 2017 presentation for comparative purposes. The 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. With the exception of the items described below, there have been no 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, 2016.

#### Property, Plant and Equipment

In the first quarter of 2017, Virginia Power revised the depreciation rates for its assets to reflect the results of a new depreciation study. This change resulted in an increase in depreciation expense of \$32 million (\$20 million after-tax) for the nine months ended September 30, 2017 and is expected to increase annual depreciation by approximately \$40 million (\$25 million after-tax). Additionally, Dominion Energy revised the depreciable lives for its merchant generation assets, excluding Millstone, which resulted in a decrease in depreciation expense of \$19 million (\$12 million after-tax) for the nine months ended September 30, 2017 and is expected to decrease annual depreciation by approximately \$26 million (\$16 million after-tax).

## New Accounting Standards

In January 2017, the Financial Accounting Standards Board issued revised accounting guidance to clarify the definition of a business. The revised guidance affects the evaluation of whether a transaction should be accounted for as an acquisition or disposition of an asset or a business, which may impact goodwill and related financial statement disclosures. The Companies have adopted this guidance on a prospective basis effective October 1, 2017. The adoption of the pronouncement will result in additional transactions being accounted for as asset acquisitions or dispositions.

In March 2017, the Financial Accounting Standards Board 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 all other components of net periodic pension and other postretirement benefit costs would be classified outside of income from operations. In addition, only the service cost component will be eligible for capitalization during construction. The standard also recognized that in the event that a regulator continues to require capitalization of all net periodic benefit costs prospectively, the difference would result in recognition of a regulatory asset or liability. The guidance is effective for the Companies' interim and annual reporting periods beginning January 1, 2018, with a retrospective adoption for income statement presentation and a prospective adoption for capitalization. The Companies are currently evaluating the impact the adoption of the standard will have on their consolidated financial statements and disclosures. The Companies are also evaluating industry issues that could potentially create a regulatory accounting difference in the event that any of our state commissions do not adopt the change in capitalization requirements for regulatory reporting.

## Note 3. Acquisitions and Dispositions

### Dominion Energy

#### Acquisition of Dominion Energy Questar

In September 2016, Dominion Energy completed the Dominion Energy Questar Combination and Dominion Energy Questar became a wholly-owned subsidiary of Dominion Energy. Dominion Energy Questar, a Rockies-based integrated natural gas company, included Questar Gas, Wexpro Company and Dominion Energy Questar Pipeline at closing. Questar Gas has regulated gas distribution operations in Utah, southwestern Wyoming and southeastern Idaho. Wexpro Company develops and produces natural gas from reserves that are supplied to Questar Gas under a cost-of-service framework. Dominion Energy Questar Pipeline provides FERC-regulated interstate natural gas transportation and storage services in Utah, Wyoming and western Colorado. The Dominion Energy Questar Combination provides Dominion Energy with pipeline infrastructure that provides a principal source of gas supply to Western states. Dominion Energy Questar's regulated businesses also provide further balance between Dominion Energy's electric and gas operations.

In accordance with the terms of the Dominion Energy Questar Combination, at closing, each share of issued and outstanding Dominion Energy Questar common stock was converted into the right to receive \$25.00 per share in cash. The total consideration was \$4.4 billion based on 175.5 million shares of Dominion Energy Questar outstanding at closing.

Dominion Energy financed the Dominion Energy Questar Combination through the: (1) August 2016 issuance of \$1.4 billion of 2016 Equity Units, (2) August 2016 issuance of \$1.3 billion of senior notes, (3) September 2016 borrowing

of \$1.2 billion under a term loan agreement and (4) \$500 million of the proceeds from the April 2016 issuance of common stock. See Notes 17 and 19 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016 for more information.

See Note 3 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016 for more information on the Dominion Energy Questar Combination including purchase price allocation, regulatory matters and the contribution of Dominion Energy Questar Pipeline to Dominion Energy Midstream. During the third quarter of 2017, certain modifications were made to the valuation amounts for regulatory liabilities, current liabilities and deferred income taxes, resulting in a \$6 million net increase to goodwill recorded in Dominion Energy's Consolidated Balance Sheets. The modifications relate primarily to the finalization of Dominion Energy Questar's 2016 tax return for the period January 1, 2016 through the Dominion Energy Questar Combination, as well as certain regulatory adjustments.

#### Results of Operations and Pro Forma Information

The impact of the Dominion Energy Questar Combination on Dominion Energy's operating revenue and net income attributable to Dominion Energy in the Consolidated Statements of Income for both the three and nine months ended September 30, 2016, was an increase of \$23 million and \$5 million, respectively.

Dominion Energy incurred transaction and transition costs, of which \$14 million and \$34 million was recorded in other operations and maintenance expense for the three and nine months ended September 30, 2017, respectively, in Dominion Energy's Consolidated Statements of Income. Dominion Energy incurred transaction and transition costs, of which \$40 million and \$47 million was recorded in other operations and maintenance expense for the three and nine months ended September 30, 2016, respectively, and \$13 million was recorded in interest and related charges for both the three and nine months ended September 30, 2016, in Dominion Energy's Consolidated Statements of Income. These costs consist of the amortization of financing costs, the charitable contribution commitment described in Note 3 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016, employee-related expenses, professional fees and other miscellaneous costs.

The following unaudited pro forma financial information reflects the consolidated results of operations of Dominion Energy assuming the Dominion Energy Questar Combination had taken place on January 1, 2015. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of the combined company.

	Three Months	Nine Months
	Ended September 30,	Ended September 30,
	2016 <sup>(1)</sup>	2016 <sup>(1)</sup>
(millions, except EPS)		
Operating Revenue	\$ 3,261	\$ 9,410
Net income attributable to Dominion Energy	732	1,835
Earnings Per Common Share – Basic	\$ 1.17	\$ 2.99
Earnings Per Common Share – Diluted	\$ 1.17	\$ 2.99

(1) Amounts include adjustments for non-recurring costs directly related to the Dominion Energy Questar Combination.

#### Wholly-Owned Merchant Solar Projects

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 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 project is expected to cost approximately \$205 million once constructed, including the initial acquisition cost. The facility is expected to begin commercial operations during the fourth quarter of 2017 and to generate approximately 100 MW.

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 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 with commencement of commercial operations expected to occur by the end of 2017. The projects are expected to cost approximately \$60 million once constructed, including the initial acquisition costs, and to 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 for \$20 million. The final two acquisitions were completed in October 2017 for \$20 million. Commencement of commercial operations of all the projects is expected to occur by the end of 2017. The projects are expected to cost approximately \$45 million once constructed, including the initial acquisition costs, and to generate approximately 19 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 or will claim federal investment tax credits on these solar projects.

#### Sale of Interest in Merchant Solar Projects

In September 2015, Dominion Energy signed an agreement to sell a noncontrolling interest (consisting of 33% of the equity interests) in all of its then currently wholly-owned merchant solar projects, 24 solar projects totaling approximately 425 MW, to SunEdison. In December 2015, the sale of interest in 15 of the solar projects closed for \$184 million with the sale of interest in the remaining projects completed in January 2016 for \$117 million. Upon closing, SunEdison sold its interest in these projects to Terra Nova Renewable Partners. 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, 2017 nor are expected to occur in the remainder of 2017.

#### Sale of Certain Retail Energy Marketing Assets

In October 2017, Dominion Energy entered into an agreement to sell certain assets associated with its nonregulated retail energy marketing operations for total consideration of \$143 million, subject to customary approvals and certain adjustments. Pursuant to the agreement, Dominion Energy will enter into a commission agreement with the buyer upon the first closing under which the buyer will pay a commission in connection with the right to use Dominion Energy's brand in marketing materials and other services over a ten-year term. Dominion Energy is expected to recognize a benefit in other operations and maintenance expense upon each phase of closing, approximately \$78 million (\$48 million after-tax) in the fourth quarter of 2017 and approximately \$65 million (\$40 million after-tax) in 2018.

#### Virginia Power

##### Acquisition of Solar Projects

In September 2017, Virginia Power entered into agreements to acquire two solar development projects in North Carolina. The first acquisition is expected to close prior to the project commencing commercial operations, which is expected by the end of 2018, and cost approximately \$140 million once constructed, including the initial acquisition cost. The second acquisition is expected to close prior to the project commencing commercial operations, which is expected by the end of 2019, and cost approximately \$140 million once constructed, including the initial acquisition cost. The projects are expected to generate approximately 155 MW combined. Virginia Power anticipates claiming federal investment tax credits on these solar projects.

##### Assignment of Tower Rental Portfolio

Virginia Power rents space on certain of its electric transmission towers to various wireless carriers for communications antennas and other equipment. In March 2017, Virginia Power sold its rental portfolio to Vertical Bridge Towers II, LLC for \$91 million in cash. The proceeds are subject to Virginia Power's FERC-regulated tariff, under which it is required to return half of the proceeds to customers. Virginia Power recognized \$2 million and \$10 million in other income for the three and nine months ended September 30, 2017, respectively, with the remaining \$36 million to be recognized ratably through 2023.

#### Dominion Energy Gas

### Assignment of Shale Development Rights

In December 2013, Dominion Energy Gas closed an agreement with a natural gas producer to convey over time approximately 79,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields. The agreement provided for payments to Dominion Energy Gas, subject to customary adjustments, of up to approximately \$200 million over a period of nine years, and an overriding royalty interest in gas produced from the acreage. In March 2015, Dominion Energy Gas and the natural gas producer closed on an amendment to the agreement, which included the immediate conveyance of approximately 9,000 acres of Marcellus Shale development rights and a two year extension of the term of the original agreement. In April 2016, Dominion Energy Gas and the natural gas producer closed on an amendment to the agreement, which included the immediate conveyance of a 32% partial interest in the remaining approximately 70,000 acres. This conveyance resulted in the recognition of \$35 million (\$21 million after-tax) of previously deferred revenue to other operations and maintenance expense in Dominion Energy Gas' Consolidated Statements of Income. In August 2017, Dominion Energy Gas and the natural gas producer signed an amendment to the agreement, which included the finalization of contractual matters on previous conveyances, the conveyance of Dominion Energy Gas' remaining 68% interest in approximately 70,000 acres and the elimination of Dominion Energy Gas' overriding royalty interest in gas produced from all acreage. Dominion Energy Gas will receive total consideration of \$130 million, with \$65 million to be received by the end of the fourth quarter 2017 and \$65 million to be received by the end of the third quarter of 2018 in connection with the final conveyance.

As

a result of this amendment in the third quarter of 2017, Dominion Energy Gas recognized a \$56 million (\$33 million after-tax) gain included in other operations and maintenance expense in Dominion Energy Gas' Consolidated Statements of Income associated with the finalization of the contractual matters on previous conveyances.

Additionally, Dominion Energy Gas is expected to recognize an approximately \$9 million (\$5 million after-tax) gain in the fourth quarter of 2017 associated with the elimination of its overriding royalty interest and an approximately \$65 million (\$40 million after-tax) gain associated with the final conveyance of acreage.

In November 2014, Dominion Energy Gas closed on an agreement with a natural gas producer to convey over time approximately 24,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields. In connection with that agreement, in January 2016, Dominion Energy Gas conveyed approximately 2,000 acres of Marcellus Shale development rights and received proceeds of \$5 million and an overriding royalty interest in gas produced from the acreage. This transaction resulted in a \$5 million (\$3 million after-tax) gain, included in other operations and maintenance expense in Dominion Energy Gas' Consolidated Statements of Income. In July 2016, in connection with the existing agreement, Dominion Energy Gas conveyed approximately 2,000 acres of Marcellus Shale development rights and received proceeds of \$5 million and an overriding royalty interest in gas produced from the acreage. This transaction resulted in a \$5 million (\$3 million after-tax) gain, included in other operations and maintenance expense in Dominion Energy Gas' Consolidated Statements of Income. In July 2017, in connection with the existing agreement, Dominion Energy Gas conveyed an additional approximately 2,000 acres of Marcellus Shale development rights and received proceeds of \$5 million and an overriding royalty interest in gas produced from the acreage. This transaction resulted in a \$5 million (\$3 million after-tax) gain, included in other operations and maintenance expense in Dominion Energy Gas' Consolidated Statements of Income.

#### Note 4. Operating Revenue

The Companies' operating revenue consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(millions)				
Dominion Energy				
Electric sales:				
Regulated	\$2,108	\$2,147	\$5,590	\$5,707
Nonregulated	380	399	1,114	1,123
Gas sales:				
Regulated	97	46	696	137
Nonregulated	69	87	323	259
Gas transportation and storage	406	378	1,328	1,162
Other	119	75	325	263
Total operating revenue	\$3,179	\$3,132	\$9,376	\$8,651
Virginia Power				
Regulated electric sales	\$2,108	\$2,147	\$5,590	\$5,707
Other	46	64	142	170
Total operating revenue	\$2,154	\$2,211	\$5,732	\$5,877



Dominion Energy Gas				
Gas sales:				
Regulated	\$12	\$28	\$59	\$69
Nonregulated	2	1	12	8
Gas transportation and storage	324	303	1,062	955
Other	63	50	180	149
Total operating revenue	\$401	\$382	\$1,313	\$1,181

## Note 5. Income Taxes

For continuing operations, including noncontrolling interests, the statutory U.S. federal income tax rate reconciles to the Companies' effective income tax rate as follows:

Nine Months Ended September 30,	Dominion Energy		Virginia Power		Dominion Energy Gas	
	2017	2016	2017	2016	2017	2016
U.S. statutory rate	35.0%	35.0 %	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State taxes, net of federal benefit	2.9	3.7	3.7	3.9	2.7	0.8
Investment tax credits	(5.7 )	(10.4 )	(0.8 )	—	—	—
Production tax credits	(0.7 )	(0.8 )	(0.5 )	(0.5 )	—	—
State legislative change	—	(0.8 )	—	—	—	—
AFUDC - equity	(1.3 )	(0.7 )	(0.6 )	(0.6 )	(0.8 )	(0.1 )
Other, net	(2.6 )	(1.4 )	0.2	0.1	(0.1 )	0.5
Effective tax rate	27.6%	24.6 %	37.0%	37.9%	36.8%	36.2%

The effective tax rates in 2017 for the Companies reflect the completion of audits by state tax authorities that resulted in the recognition of previously unrecognized tax benefits. At December 31, 2016, Virginia Power's unrecognized tax benefits included state refund claims for open tax years through 2011. Management believed settlement of the claims, including interest thereon, within the next twelve months was remote. In June 2017, Virginia Power received and accepted a cash offer to settle the refund claims. As a result of the settlement, Virginia Power decreased its unrecognized tax benefits by \$8 million, and recognized a \$2 million tax benefit, which impacted its effective tax rate. Also in connection with this settlement, Virginia Power realized interest income of \$11 million, which is reflected in other income in the Consolidated Statements of Income. Otherwise, at September 30, 2017, there have been no material changes in the Companies' unrecognized tax benefits or possible changes that could reasonably be expected to occur during the next twelve months. See Note 5 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of these unrecognized tax benefits.

## Note 6. Earnings Per Share

The following table presents the calculation of Dominion Energy's basic and diluted EPS:

(millions, except EPS)	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income attributable to Dominion Energy	\$665	\$690	\$1,687	\$1,666
Average shares of common stock outstanding – Basic	642.5	625.9	633.4	612.8
Net effect of dilutive securities <sup>(1)</sup>	—	0.1	—	1.0
Average shares of common stock outstanding – Diluted	642.5	626.0	633.4	613.8

Earnings Per Common Share – Basic	\$1.03	\$1.10	\$2.66	\$2.72
Earnings Per Common Share – Diluted	\$1.03	\$1.10	\$2.66	\$2.71

(1) Dilutive securities consist primarily of the 2013 Equity Units for the nine months ended September 30, 2016. See Note 17 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016 for more information.

The 2014 Equity Units and 2016 Equity Units are potentially dilutive securities but were excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2017 and 2016, as the dilutive stock price threshold was not met. The Dominion Energy Midstream convertible preferred units are potentially dilutive securities but had no effect on the calculation of diluted EPS for the three and nine months ended September 30, 2017.

## Note 7. Accumulated Other Comprehensive Income

## Dominion Energy

The following table presents Dominion Energy's changes in AOCI by component, net of tax:

	Deferred Gains and Losses on Derivatives-Hedging Activities	Unrealized Gains and Losses on Investment Securities	Unrecognized Pension and Other Postretirement Benefit Costs	Other Comprehensive Income (Loss) From Equity Method Investee	Total
(millions)					
Three Months Ended September 30, 2017					
Beginning balance	\$ (250 )	\$ 630	\$ (1,058 )	\$ (4 )	\$(682)
Other comprehensive income before					
reclassifications: gains	11	48	—	—	59
Amounts reclassified from AOCI <sup>(1)</sup> : (gains)					
losses	(15 )	(4 )	14	—	(5 )
Net current-period other comprehensive income (loss)	(4 )	44	14	—	54
Ending balance	\$ (254 )	\$ 674	\$ (1,044 )	\$ (4 )	\$(628)
Three Months Ended September 30, 2016					
Beginning balance	\$ (241 )	\$ 535	\$ (781 )	\$ (6 )	\$(493)
Other comprehensive income before					
reclassifications: gains	14	31	15	—	60
Amounts reclassified from AOCI <sup>(1)</sup> : (gains)					
losses	(34 )	(13 )	9	—	(38 )
Net current-period other comprehensive income (loss)	(20 )	18	24	—	22
Ending balance	\$ (261 )	\$ 553	\$ (757 )	\$ (6 )	\$(471)
Nine Months Ended September 30, 2017					
Beginning balance	\$ (280 )	\$ 569	\$ (1,082 )	\$ (6 )	\$(799)
Other comprehensive income before					
reclassifications: gains	82	141	—	2	225
Amounts reclassified from AOCI <sup>(1)</sup> : (gains)					
losses	(56 )	(36 )	38	—	(54 )
	26	105	38	2	171

Net current-period other comprehensive income					
Ending balance	\$ (254	) \$ 674	\$ (1,044	) \$ (4	) \$(628)
Nine Months Ended September 30, 2016					
Beginning balance	\$ (176	) \$ 504	\$ (797	) \$ (5	) \$(474)
Other comprehensive income before					
reclassifications: gains (losses)	56	72	15	(1	) 142
Amounts reclassified from AOCI <sup>(1)</sup> : (gains)					
losses	(141	) (23	) 25	—	(139)
Net current-period other comprehensive					
income (loss)	(85	) 49	40	(1	) 3
Ending balance	\$ (261	) \$ 553	\$ (757	) \$ (6	) \$(471)

(1) See table below for details about these reclassifications.

The following table presents Dominion Energy's reclassifications out of AOCI by component:

Details About AOCI Components (millions)	Amounts Reclassified From AOCI	Affected Line Item in the Consolidated Statements of Income
<b>Three Months Ended September 30, 2017</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ (32	) Operating revenue
	1	Electric fuel and other energy-related purchases
Interest rate contracts	16	Interest and related charges
Foreign currency contracts	(10	) Other income
	(25	)
Tax	10	Income tax expense
	\$ (15	)
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	\$ (10	) Other income
Impairment	4	Other income
	(6	)
Tax	2	Income tax expense
	\$ (4	)
Unrecognized pension and other postretirement benefit costs:		
Prior service (credit) costs	\$ (5	) Other operations and maintenance
Actuarial (gains) losses	26	Other operations and maintenance
	21	
Tax	(7	) Income tax expense
	\$ 14	
<b>Three Months Ended September 30, 2016</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ (64	) Operating revenue
	1	Purchased gas
	1	Electric fuel and other energy-related purchases
Interest rate contracts	10	Interest and related charges
Foreign currency contracts	(3	) Other income
	(55	)
Tax	21	Income tax expense
	\$ (34	)
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	\$ (25	) Other income
Impairment	5	Other income

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	(20	)	
Tax	7		Income tax expense
	\$ (13	)	
Unrecognized pension and other postretirement benefit costs:			
Prior service (credit) costs	\$ (4	)	Other operations and maintenance
Actuarial (gains) losses	17		Other operations and maintenance
	13		
Tax	(4	)	Income tax expense
	\$ 9		
Nine Months Ended September 30, 2017			
Deferred (gains) and losses on derivatives-hedging activities:			
Commodity contracts	\$ (114	)	Operating revenue
			Electric fuel and other energy-related
	(1	)	purchases
Interest rate contracts	39		Interest and related charges
29			

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Details About AOCI Components	From AOCI	Amounts Reclassified	Affected Line Item in the Consolidated Statements of Income
Foreign currency contracts	(15)	)	Other income
	(91)	)	
Tax	35	)	Income tax expense
	\$ (56)	)	
Unrealized (gains) and losses on investment securities:			
Realized (gain) loss on sale of securities	\$ (74)	)	Other income
Impairment	18	)	Other income
	(56)	)	
Tax	20	)	Income tax expense
	\$ (36)	)	
Unrecognized pension and other postretirement benefit costs:			
Prior service (credit) costs	\$ (16)	)	Other operations and maintenance
Actuarial (gains) losses	79	)	Other operations and maintenance
	63	)	
Tax	(25)	)	Income tax expense
	\$ 38	)	
Nine Months Ended September 30, 2016			
Deferred (gains) and losses on derivatives-hedging activities:			
Commodity contracts	\$ (266)	)	Operating revenue
	9	)	Purchased gas
	8	)	Electric fuel and other energy-related purchases
Interest rate contracts	21	)	Interest and related charges
Foreign currency contracts	(1)	)	Other income
	(229)	)	
Tax	88	)	Income tax expense
	\$ (141)	)	
Unrealized (gains) and losses on investment securities:			
Realized (gain) loss on sale of securities	\$ (55)	)	Other income
Impairment	19	)	Other income
	(36)	)	
Tax	13	)	Income tax expense
	\$ (23)	)	
Unrecognized pension and other postretirement benefit costs:			
Prior service (credit) costs	\$ (11)	)	Other operations and maintenance
Actuarial (gains) losses	52	)	Other operations and maintenance
	41	)	
Tax	(16)	)	Income tax expense
	\$ 25	)	





## Dominion Energy Gas

The following table presents Dominion Energy Gas' changes in AOCI by component, net of tax:

	Deferred Gains and Losses on Derivatives-Hedging Activities	Unrecognized Pension and Other Postretirement Benefit Costs	Total
(millions)			
Three Months Ended September 30, 2017			
Beginning balance	\$ (23 )	\$ (97 )	\$(120)
Other comprehensive income before			
reclassifications: gains	1	—	1
Amounts reclassified from AOCI <sup>(1)</sup> : (gains) losses	(4 )	1	(3 )
Net current-period other comprehensive income (loss)	(3 )	1	(2 )
Ending balance	\$ (26 )	\$ (96 )	\$(122)
Three Months Ended September 30, 2016			
Beginning balance	\$ (34 )	\$ (81 )	\$(115)
Other comprehensive income before			
reclassifications: gains	9	—	9
Amounts reclassified from AOCI <sup>(1)</sup> : (gains) losses	(1 )	1	—
Net current-period other comprehensive income	8	1	9
Ending balance	\$ (26 )	\$ (80 )	\$(106)
Nine Months Ended September 30, 2017			
Beginning balance	\$ (24 )	\$ (99 )	\$(123)
Other comprehensive income before			
reclassifications: gains	3	—	3
Amounts reclassified from AOCI <sup>(1)</sup> : (gains) losses	(5 )	3	(2 )
Net current-period other comprehensive income (loss)	(2 )	3	1
Ending balance	\$ (26 )	\$ (96 )	\$(122)
Nine Months Ended September 30, 2016			
Beginning balance	\$ (17 )	\$ (82 )	\$(99 )
Other comprehensive income before			
reclassifications: losses	(6 )	—	(6 )
Amounts reclassified from AOCI <sup>(1)</sup> : (gains) losses	(3 )	2	(1 )
Net current-period other comprehensive income (loss)	(9 )	2	(7 )
Ending balance	\$ (26 )	\$ (80 )	\$(106)

(1) See table below for details about these reclassifications.



The following table presents Dominion Energy Gas' reclassifications out of AOCI by component:

Details About AOCI Components (millions)	Amounts Reclassified From AOCI	Affected Line Item in the Consolidated Statements of Income
<b>Three Months Ended September 30, 2017</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ 2	Operating revenue
Interest rate contracts	1	Interest and related charges
Foreign currency contracts	(10)	Other income
	(7)	)
Tax	3	Income tax expense
	\$ (4)	)
Unrecognized pension and other postretirement benefit costs:		
Actuarial (gains) losses	\$ 2	Other operations and maintenance
	2	
Tax	(1)	) Income tax expense
	\$ 1	
<b>Three Months Ended September 30, 2016</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ (1)	) Operating revenue
Interest rate contracts	1	Interest and related charges
Foreign currency contracts	(3)	) Other income
	(3)	)
Tax	2	Income tax expense
	\$ (1)	)
Unrecognized pension and other postretirement benefit costs:		
Actuarial (gains) losses	\$ 2	Other operations and maintenance
	2	
Tax	(1)	) Income tax expense
	\$ 1	
<b>Nine Months Ended September 30, 2017</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ 4	Operating revenue
Interest rate contracts	3	Interest and related charges
Foreign currency contracts	(15)	) Other income
	(8)	)
Tax	3	Income tax expense
	\$ (5)	)

Unrecognized pension and other postretirement benefit costs:		
Actuarial (gains) losses		Other operations and maintenance
	\$ 5	
	5	
Tax	(2	) Income tax expense
	\$ 3	
Nine Months Ended September 30, 2016		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ (6	) Operating revenue
Interest rate contracts	2	Interest and related charges
Foreign currency contracts	(1	) Other income
	(5	)
Tax	2	Income tax expense
	\$ (3	)
Unrecognized pension and other postretirement benefit costs:		
Actuarial (gains) losses		Other operations and maintenance
	\$ 4	
	4	
Tax	(2	) Income tax expense
	\$ 2	

## Note 8. Fair Value Measurements

The Companies' fair value measurements are made in accordance with the policies discussed in Note 6 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016. See Note 9 in this report for further information about the Companies' derivatives and hedge accounting activities.

The Companies enter into certain physical and financial forwards, futures, options and swaps, which are considered Level 3 as they have one or more inputs that are not observable and are significant to the valuation. The discounted cash flow method is used to value Level 3 physical and financial forwards, futures, and swaps contracts. An option model is used to value Level 3 physical and financial options. The discounted cash flow model for forwards, futures, and swaps calculates mark-to-market valuations based on forward market prices, original transaction prices, volumes, risk-free rate of return, and credit spreads. The option model calculates mark-to-market valuations using variations of the Black-Scholes option model. The inputs into the models are the forward market prices, implied price volatilities, risk-free rate of return, the option expiration dates, the option strike prices, the original sales prices, and volumes. For Level 3 fair value measurements, forward market prices and implied price volatilities are considered unobservable. The unobservable inputs are developed and substantiated using historical information, available market data, third-party data, and statistical analysis. Periodically, inputs to valuation models are reviewed and revised as needed, based on historical information, updated market data, market liquidity and relationships, and changes in third-party pricing sources.

The following table presents Dominion Energy's quantitative information about Level 3 fair value measurements at September 30, 2017. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

	Fair Value		Unobservable Input	Range	Weighted Average <sup>(1)</sup>
	(millions)	Valuation Techniques			
<b>Assets</b>					
Physical and financial forwards and					
futures:					
Natural gas <sup>(2)</sup>	\$ 91	Discounted cash flow	Market price (per Dth)	<sup>(3)</sup> (2) - 7	—
FTRs	19	Discounted cash flow	Market price (per MWh) <sup>(3)</sup>	(3) - 7	1
Physical options:					
Natural gas	2	Option model	Market price (per Dth)	<sup>(3)</sup> 2 - 7	4
			Price volatility	<sup>(4)</sup> 24% - 46%	32 %
Electricity	42	Option model	Market price (per MWh) <sup>(3)</sup>	21 - 50	34
			Price volatility	<sup>(4)</sup> 0% - 78%	28 %
Total assets	\$ 154				
<b>Liabilities</b>					
Financial forwards:					
FTRs	\$ 1	Discounted cash flow	Market price (per MWh) <sup>(3)</sup>	(5) - 7	1
Total liabilities	\$ 1				

- (1) Averages weighted by volume.
- (2) Includes basis.
- (3) Represents market prices beyond defined terms for Levels 1 and 2.
- (4) Represents volatilities unrepresented in published markets.

Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

			Impact on Fair
Significant Unobservable Inputs	Position	Change to Input	Value Measurement
Market price	Buy	Increase (decrease)	Gain (loss)
Market price	Sell	Increase (decrease)	Loss (gain)
Price volatility	Buy	Increase (decrease)	Gain (loss)
Price volatility	Sell	Increase (decrease)	Loss (gain)

## Recurring Fair Value Measurements

## Dominion Energy

The following table presents Dominion Energy's assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

	Level 1	Level 2	Level 3	Total
(millions)				
September 30, 2017				
Assets				
Derivatives:				
Commodity	\$—	\$59	\$154	\$213
Interest rate	—	11	—	11
Foreign currency	—	25	—	25
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.	3,288	—	—	3,288
Fixed income:				
Corporate debt instruments	—	452	—	452
Government securities	475	631	—	1,106
Cash equivalents and other	7	—	—	7
Total assets	\$3,770	\$1,178	\$154	\$5,102
Liabilities				
Derivatives:				
Commodity	\$—	\$41	\$1	\$42
Interest rate	—	72	—	72
Foreign currency	—	4	—	4
Total liabilities	\$—	\$117	\$1	\$118
December 31, 2016				
Assets				
Derivatives:				
Commodity	\$—	\$115	\$147	\$262
Interest rate	—	17	—	17
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.	2,913	—	—	2,913
Fixed income:				
Corporate debt instruments	—	487	—	487
Government securities	424	614	—	1,038
Cash equivalents and other	5	—	—	5
Total assets	\$3,342	\$1,233	\$147	\$4,722
Liabilities				
Derivatives:				
Commodity	\$—	\$88	\$8	\$96
Interest rate	—	53	—	53



Foreign currency	—	6	—	6
Total liabilities	\$—	\$147	\$8	\$155

(1) Includes investments held in the nuclear decommissioning and rabbi trusts. Excludes \$92 million and \$89 million of assets at September 30, 2017 and December 31, 2016, respectively, measured at fair value using NAV (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

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The following table presents the net change in Dominion Energy's assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
(millions)				
Beginning balance	\$ 152	\$ 124	\$ 139	\$ 95
Total realized and unrealized gains (losses):				
Included in earnings	(11 )	(7 )	(36 )	(23 )
Included in other comprehensive income	—	—	—	2
Included in regulatory assets/liabilities	11	(37 )	34	(5 )
Settlements	1	9	13	27
Transfers out of Level 3	—	—	3	(7 )
Ending balance	\$ 153	\$ 89	\$ 153	\$ 89
The amount of total gains (losses) for the period included in				
earnings attributable to the change in unrealized gains				
(losses) relating to assets/liabilities still held at the				
reporting date	\$ 1	\$ —	\$ 1	\$ —

The following table presents Dominion Energy's classification of gains and losses included in earnings in the Level 3 fair value category.

	Operating Revenue	Electric Fuel and Other Energy - Related Purchases	Total
(millions)			
Three Months Ended September 30, 2017			
Total gains (losses) included in earnings	\$ 1	\$ (12 )	\$(11 )
The amount of total gains (losses) for the period included in			
earnings attributable to the change in unrealized gains			
(losses) relating to assets/liabilities still held at the			
reporting date	1	—	1
Three Months Ended September 30, 2016			

Total gains (losses) included in earnings	\$	—	\$ (7	)	\$(7	)
Nine Months Ended September 30, 2017						

Total gains (losses) included in earnings	\$	1	\$ (37	)	\$(36	)
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The amount of total gains (losses) for the period included in

earnings attributable to the change in unrealized gains

(losses) relating to assets/liabilities still held at the

reporting date

		1	—	1		
Nine Months Ended September 30, 2016						
Total gains (losses) included in earnings	\$	—	\$ (23	)	\$(23	)

## Virginia Power

The following table presents Virginia Power's quantitative information about Level 3 fair value measurements at September 30, 2017. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

	Fair Value		Unobservable Input	Range	Weighted Average <sup>(1)</sup>
	(millions)	Valuation Techniques			
<b>Assets</b>					
Physical and financial forwards and futures:					
Natural gas <sup>(2)</sup>	\$ 91	Discounted cash flow	Market price (per Dth)	<sup>(3)</sup> (2) - 7	(1)
FTRs	19	Discounted cash flow	Market price (per MWh) <sup>(3)</sup>	(1) - 7	1
Physical options:					
Natural gas	1	Option model	Market price (per Dth)	<sup>(3)</sup> 2 - 7	4
				<sup>(4)</sup> 24% - 46%	32 %
Electricity	42	Option model	Market price (per MWh) <sup>(3)</sup>	21 - 50	34
				<sup>(4)</sup> 0% - 78%	28 %
Total assets	\$ 153				
<b>Liabilities</b>					
Financial forwards:					
FTRs	\$ 1	Discounted cash flow	Market price (per MWh) <sup>(3)</sup>	(5) - 7	1
Total liabilities	\$ 1				

(1)Averages weighted by volume.

(2)Includes basis.

(3)Represents market prices beyond defined terms for Levels 1 and 2.

(4)Represents volatilities unrepresented in published markets.

Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

Significant Unobservable Inputs	Position	Change to Input	Impact on Fair
			Value Measurement
Market price	Buy	Increase (decrease)	Gain (loss)
Market price	Sell	Increase (decrease)	Loss (gain)
Price volatility	Buy	Increase (decrease)	Gain (loss)
Price volatility	Sell	Increase (decrease)	Loss (gain)

The following table presents Virginia Power's assets and liabilities that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

	Level 1	Level 2	Level 3	Total
(millions)				
September 30, 2017				
Assets				
Derivatives:				
Commodity	\$—	\$ 15	\$ 153	\$ 168
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.	1,471	—	—	1,471
Fixed income:				
Corporate debt instruments	—	234	—	234
Government securities	193	302	—	495
Total assets	\$1,664	\$ 551	\$ 153	\$ 2,368
Liabilities				
Derivatives:				
Commodity	\$—	\$ 5	\$ 1	\$ 6
Interest rate	—	55	—	55
Total liabilities	\$—	\$ 60	\$ 1	\$ 61
December 31, 2016				
Assets				
Derivatives:				
Commodity	\$—	\$ 43	\$ 145	\$ 188
Interest rate	—	6	—	6
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.	1,302	—	—	1,302
Fixed income:				
Corporate debt instruments	—	277	—	277
Government securities	136	291	—	427
Total assets	\$1,438	\$ 617	\$ 145	\$ 2,200
Liabilities				
Derivatives:				
Commodity	\$—	\$ 8	\$ 2	\$ 10
Interest rate	—	21	—	21
Total liabilities	\$—	\$ 29	\$ 2	\$ 31

(1) Includes investments held in the nuclear decommissioning trusts. Excludes \$29 million and \$26 million of assets at September 30, 2017 and December 31, 2016, respectively, measured at fair value using NAV (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

The following table presents the net change in Virginia Power's assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
(millions)				
Beginning balance	\$ 152	\$ 125	\$ 143	\$ 93
Total realized and unrealized gains (losses):				
Included in earnings	(12 )	(7 )	(37 )	(24 )
Included in regulatory assets/liabilities	11	(37 )	34	(5 )
Settlements	1	7	12	24
Ending balance	\$ 152	\$ 88	\$ 152	\$ 88

The gains and losses included in earnings in the Level 3 fair value category were classified in electric fuel and other energy-related purchases in Virginia Power's Consolidated Statements of Income for the three and nine months ended September 30, 2017 and 2016. There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the three and nine months ended September 30, 2017 and 2016.

#### Dominion Energy Gas

The following table presents Dominion Energy Gas' assets and liabilities for derivatives that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions.

	Level 1	Level 2	Level 3	Total
(millions)				
September 30, 2017				
Assets				
Commodity	\$ —	\$ 1	\$ —	\$ 1
Foreign currency	—	25	—	25
Total assets	\$ —	\$ 26	\$ —	\$ 26
Liabilities				
Commodity	\$ —	\$ 6	\$ —	\$ 6
Foreign currency	—	4	—	4
Total liabilities	\$ —	\$ 10	\$ —	\$ 10
December 31, 2016				
Liabilities				
Commodity	\$ —	\$ 3	\$ 2	\$ 5
Foreign currency	—	6	—	6
Total liabilities	\$ —	\$ 9	\$ 2	\$ 11

The following table presents the net change in Dominion Energy Gas' assets and liabilities for derivatives measured at fair value on a recurring basis and included in the Level 3 fair value category. There were no net changes in assets and liabilities for derivatives measured at fair value on a recurring basis and included in the Level 3 fair value category for the three months ended September 30, 2017 and 2016.

	Nine Months Ended September 30, 2017    2016	
(millions)		
Beginning balance	\$ (2 )	\$ 6
Total realized and unrealized gains (losses):		
Included in other comprehensive income (loss)	(1 )	2
Transfers out of Level 3	3	(8 )
Ending balance	\$ —	\$ —

There were no gains or losses included in earnings in the Level 3 fair value category for the three and nine months ended September 30, 2017 and 2016. There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the three and nine months ended September 30, 2017 and 2016.

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## Fair Value of Financial Instruments

Substantially all of the Companies' financial instruments are recorded at fair value, with the exception of the instruments described below, which are reported at historical cost. Estimated fair values have been determined using available market information and valuation methodologies considered appropriate by management. The carrying amount of cash and cash equivalents, restricted cash (which is recorded in Dominion Energy's other current assets), customer and other receivables, affiliated receivables, short-term debt, affiliated current borrowings, payables to affiliates and accounts payable are representative of fair value because of the short-term nature of these instruments. For the Companies' financial instruments that are not recorded at fair value, the carrying amounts and estimated fair values are as follows:

	September 30, 2017		December 31, 2016	
	Estimated		Estimated	
	Carrying Amount	Fair Value <sup>(1)</sup>	Carrying Amount	Fair Value <sup>(1)</sup>
(millions)				
<b>Dominion Energy</b>				
Long-term debt, including securities due within one year <sup>(2)</sup>	\$28,317	\$30,639	\$26,587	\$28,273
Junior subordinated notes <sup>(3)</sup>	3,980	4,128	2,980	2,893
Remarketable subordinated notes <sup>(3)</sup>	1,377	1,421	2,373	2,418
<b>Virginia Power</b>				
Long-term debt, including securities due within one year <sup>(3)</sup>	\$11,346	\$12,686	\$10,530	\$11,584
<b>Dominion Energy Gas</b>				
Long-term debt <sup>(4)</sup>	\$3,564	\$3,705	\$3,528	\$3,603

(1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. The carrying amount of debt issues with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(2) Carrying amount includes amounts which represent the unamortized debt issuance costs, discount or premium, and foreign currency remeasurement adjustments. At September 30, 2017 and December 31, 2016, includes the valuation of certain fair value hedges associated with fixed rate debt of \$(4) million and \$(1) million, respectively.

(3) Carrying amount includes amounts which represent the unamortized debt issuance costs, discount or premium.

(4) Carrying amount includes amounts which represent the unamortized debt issuance costs, discount or premium, and foreign currency remeasurement adjustments.

## Note 9. Derivatives and Hedge Accounting Activities

The Companies' accounting policies, objectives and strategies for using derivative instruments are discussed in Note 2 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2016. See Note 8 in this report for further information about fair value measurements and associated valuation methods for derivatives.

Derivative assets and liabilities are presented gross on the Companies' Consolidated Balance Sheets. Dominion Energy's derivative contracts include both over-the-counter transactions and those that are executed on an exchange or other trading platform (exchange contracts) and centrally cleared. Virginia Power's and Dominion Energy Gas' derivative contracts consist of over-the-counter transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a counterparty. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Certain over-the-counter and exchange contracts contain contractual rights of setoff through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

In general, most over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral for over-the-counter and exchange contracts include cash, letters of credit, and in some cases other forms of security, none of which are subject to restrictions. Cash collateral is used in the table below to offset derivative assets and liabilities. Certain accounts receivable and accounts payable recognized on the Companies' Consolidated Balance Sheets, as well as letters of credit and other forms of security, all of which are not included in the tables below, are subject to offset under master netting or similar arrangements and would reduce the net exposure.

Dominion Energy

Balance Sheet Presentation

The tables below present Dominion Energy's derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting:

	September 30, 2017			December 31, 2016		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
(millions)						
Commodity contracts:						
Over-the-counter	\$ 186	\$ —	\$ 186	\$ 211	\$ —	\$ 211
Exchange	24	—	24	44	—	44
Interest rate contracts:						
Over-the-counter	11	—	11	17	—	17
Foreign currency contracts:						
Over-the-counter	25	—	25	—	—	—
Total derivatives, subject to a master netting or similar arrangement	246	—	246	272	—	272
Total derivatives, not subject to a master netting or similar arrangement	3	—	3	7	—	7
Total	\$ 249	\$ —	\$ 249	\$ 279	\$ —	\$ 279

	September 30, 2017			December 31, 2016		
	Gross Amounts Not Offset in the Consolidated Balance Sheet			Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Net Amounts of Financial Instruments Presented in the	Cash Received	Net Amounts of Assets	Net Amounts of Financial Instruments Presented in the	Cash Received	Net Amounts of Assets

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Consolidated

Consolidated

Balance Sheet

Balance Sheet

(millions)

Commodity contracts:

Over-the-counter	\$ 186	\$ 8	\$ —	\$ 178	\$ 211	\$ 14	\$ —	\$ 197
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Exchange	24	21	—	3	44	44	—	—
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Interest rate contracts:

Over-the-counter	11	6	—	5	17	9	—	8
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Foreign currency contracts:

Over-the-counter	25	4	—	21	—	—	—	—
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Total	\$ 246	\$ 39	\$ —	\$ 207	\$ 272	\$ 67	\$ —	\$ 205
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	September 30, 2017			December 31, 2016		
	Gross Amounts	Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts	Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
(millions)						
<b>Commodity contracts:</b>						
Over-the-counter	\$ 19	\$ —	\$ 19	\$ 23	\$ —	\$ 23
Exchange	21	—	21	71	—	71
<b>Interest rate contracts:</b>						
Over-the-counter	72	—	72	53	—	53
<b>Foreign currency contracts:</b>						
Over-the-counter	4	—	4	6	—	6
Total derivatives, subject to a master netting or similar arrangement	116	—	116	153	—	153
<b>Total derivatives, not subject to a master netting or similar arrangement</b>	<b>2</b>	<b>—</b>	<b>2</b>	<b>2</b>	<b>—</b>	<b>2</b>
<b>Total</b>	<b>\$ 118</b>	<b>\$ —</b>	<b>\$ 118</b>	<b>\$ 155</b>	<b>\$ —</b>	<b>\$ 155</b>

	September 30, 2017			December 31, 2016		
	Gross Amounts Not Offset in the Consolidated Balance Sheet	Cash	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet	Cash	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
(millions)						
<b>Commodity contracts:</b>						
Over-the-counter	\$ 19	\$ 8	\$ — \$ 11	\$ 23	\$ 14	\$ — \$ 9
Exchange	21	21	— —	71	44	27 —

## Interest rate contracts:

Over-the-counter	72	6	—	66	53	9	—	44
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## Foreign currency

## contracts:

Over-the-counter	4	4	—	—	6	—	—	6
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Total	\$ 116	\$ 39	\$ —	\$ 77	\$ 153	\$ 67	\$ 27	\$ 59
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## Volumes

The following table presents the volume of Dominion Energy's derivative activity at September 30, 2017. These volumes are based on open derivative positions and represent the combined absolute value of its long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of its long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price <sup>(1)</sup>	62	17
Basis	165	612
Electricity (MWh):		
Fixed price	6,749,288	902,069
FTRs	72,126,361	—
Liquids (Gal) <sup>(2)</sup>	36,940,288	—
Interest rate <sup>(3)</sup>	\$ 1,100,000,000	\$ 5,049,890,127
Foreign currency <sup>(3)(4)</sup>	\$—	\$ 280,000,000

(1) Includes options.

(2) Includes NGLs and oil.

(3) Maturity is determined based on final settlement period.

(4) Euro equivalent volumes are €250,000,000.

## Ineffectiveness and AOCI

For the three and nine months ended September 30, 2017 and 2016, gains or losses on hedging instruments determined to be ineffective and amounts excluded from the assessment of effectiveness were not material. Amounts excluded from the assessment of effectiveness include changes in the differences between spot prices and forward prices.

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion Energy's Consolidated Balance Sheet at September 30, 2017:

	Amounts Expected to be		Maximum Term
	AOCI	Reclassified to Earnings	
	During the Next 12 Months		
(millions)	After-Tax	After-Tax	
<b>Commodities:</b>			
Gas	\$ (1 )	\$ (1 )	37 months
Electricity	7	7	15 months
Other	(4 )	(4 )	6 months
Interest rate	(260 )	(11 )	387 months
Foreign currency	4	(2 )	105 months
Total	\$ (254 )	\$ (11 )	

The amounts that will be reclassified from AOCI to earnings will generally be offset by the recognition of the hedged transactions (e.g., interest payments) in earnings, thereby achieving the realization of prices contemplated by the underlying risk management strategies and will vary from the expected amounts presented above as a result of changes in market prices, interest rates and foreign currency exchange rates.

## Fair Value and Gains and Losses on Derivative Instruments

The following table presents the fair values of Dominion Energy's derivatives and where they are presented in its Consolidated Balance Sheets:

	Fair Value – Derivatives under Hedge Accounting	Fair Value – Derivatives not under Hedge Accounting	Total Fair Value
(millions)			
September 30, 2017			
<b>ASSETS</b>			
Current Assets			
Commodity	\$ 19	\$ 83	\$ 102
Interest rate	9	—	9
Total current derivative assets <sup>(1)</sup>	28	83	111
Noncurrent Assets			
Commodity	1	110	111
Interest rate	2	—	2
Foreign currency	25	—	25
Total noncurrent derivative assets <sup>(2)</sup>	28	110	138
Total derivative assets	\$ 56	\$ 193	\$ 249
<b>LIABILITIES</b>			
Current Liabilities			
Commodity	\$ 15	\$ 25	\$ 40
Interest rate	21	—	21
Foreign currency	4	—	4
Total current derivative liabilities <sup>(3)</sup>	40	25	65
Noncurrent Liabilities			
Commodity	—	2	2
Interest rate	51	—	51
Total noncurrent derivative liabilities <sup>(4)</sup>	51	2	53
Total derivative liabilities	\$ 91	\$ 27	\$ 118
December 31, 2016			
<b>ASSETS</b>			
Current Assets			
Commodity	\$ 29	\$ 101	\$ 130
Interest rate	10	—	10
Total current derivative assets <sup>(1)</sup>	39	101	140
Noncurrent Assets			
Commodity	—	132	132
Interest rate	7	—	7
Total noncurrent derivative assets <sup>(2)</sup>	7	132	139
Total derivative assets	\$ 46	\$ 233	\$ 279



LIABILITIES			
Current Liabilities			
Commodity	\$ 51	\$ 41	\$ 92
Interest rate	33	—	33
Foreign currency	3	—	3
Total current derivative liabilities <sup>(3)</sup>	87	41	128
Noncurrent Liabilities			
Commodity	1	3	4
Interest rate	20	—	20
Foreign currency	3	—	3
Total noncurrent derivative liabilities <sup>(4)</sup>	24	3	27
Total derivative liabilities	\$ 111	\$ 44	\$ 155

(1) Current derivative assets are presented in other current assets in Dominion Energy's Consolidated Balance Sheets.

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

The following tables present the gains and losses on Dominion Energy's derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Income:

	Amount of Gain		Increase
	(Loss) Recognized in AOCI on Derivatives (Effective Portion) <sup>(1)</sup>	Amount of Gain (Loss) Reclassified From AOCI to Income	(Decrease) in Derivatives Subject to Regulatory Treatment <sup>(2)</sup>
Derivatives in Cash Flow Hedging Relationships (millions)			
Three Months Ended September 30, 2017			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		\$ 32	
Electric fuel and other energy-related purchases		(1 )	
Total commodity	\$ 8	\$ 31	\$ —
Interest rate <sup>(3)</sup>	(4 )	(16 )	(26 )
Foreign currency <sup>(4)</sup>	12	10	—
Total	\$ 16	\$ 25	\$ (26 )
Three Months Ended September 30, 2016			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		\$ 64	
Purchased gas		(1 )	
Electric fuel and other energy-related purchases		(1 )	
Total commodity	\$ 7	\$ 62	\$ —
Interest rate <sup>(3)</sup>	3	(10 )	(16 )
Foreign currency <sup>(4)</sup>	12	3	—
Total	\$ 22	\$ 55	\$ (16 )
Nine Months Ended September 30, 2017			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		\$ 114	
Electric fuel and other energy-related purchases		1	
Total commodity	\$ 139	\$ 115	\$ —

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Interest rate <sup>(3)</sup>	(18	)	(39	)	(60	)
Foreign currency <sup>(4)</sup>	10		15		—	
Total	\$	131	\$	91	\$	(60)

Nine Months Ended September 30, 2016

Derivative type and location of gains (losses):

Commodity:

Operating revenue			\$	266		
Purchased gas				(9	)	
Electric fuel and other energy-related purchases				(8	)	
Total commodity	\$	193	\$	249	\$	—
Interest rate <sup>(3)</sup>	(107	)	(21	)	(258	)
Foreign currency <sup>(4)</sup>	4		1		—	
Total	\$	90	\$	229	\$	(258)

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

(2) Represents net derivative activity deferred into and amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion Energy's Consolidated Statements of Income.

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

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

Derivatives Not Designated as Hedging Instruments (millions)	Amount of Gain (Loss) Recognized in Income on Derivatives <sup>(1)</sup>			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Derivative type and location of gains (losses):				
Commodity:				
Operating revenue	\$ 7	\$ 25	\$ 22	\$ 19
Purchased gas	(6 )	(21 )	2	(14 )
Electric fuel and other energy-related purchases	(19 )	(12 )	(51 )	(43 )
Other operations and maintenance	1	—	(1 )	—
<b>Total</b>	<b>\$ (17 )</b>	<b>\$ (8 )</b>	<b>\$ (28 )</b>	<b>\$ (38 )</b>

(1) Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion Energy's Consolidated Statements of Income.

Virginia Power

#### Balance Sheet Presentation

The tables below present Virginia Power's derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting:

	September 30, 2017		December 31, 2016	
	Gross Amounts	Net Amounts of Assets	Gross Amounts	Net Amounts of Assets Presented
Amounts	Offset in the	Presented in the	Gross	Offset in the
Recognized	Consolidated	Consolidated	Amounts	Consolidated
Assets	Balance Sheet	Balance Sheet	Recognized	Balance Sheet
(millions)				
Commodity contracts:				
Over-the-counter	\$ 156	\$ —	\$ 147	\$ —
Interest rate contracts:				
Over-the-counter	—	—		