



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

October 9, 2018

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
Mail Service Center 4325  
Raleigh, North Carolina 27699-4300

Re: Docket Nos. E-22, Sub 551, and G-5, Sub 585

Dear Ms. Jarvis:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff and the Stipulating Parties revised versions of the Regulatory Conditions and Code of Conduct attached as Attachment A to the *Agreement and Stipulation of Settlement Between the Applicants, Transco and the Public Staff* filed on October 4, 2018.

Revisions have been made to the following pages of the Regulatory Conditions: 2, 8, 9, 14, 15, 17, 20, 24, 25, 31, and 33. The following pages of the Code of Conduct have been revised: 11, 14, and 18. The changes made are red-lined for the Commission's convenience.

Sincerely,

/s/ Gina C. Holt  
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/s/ Robert B. Josey, Jr.  
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DOCKET NO. E-22, SUB 551  
DOCKET NO. G-5, SUB 585

## REGULATORY CONDITIONS

These Regulatory Conditions set forth commitments made by Dominion Energy and SCANA, and their public utility subsidiaries, DENC and PSNC, respectively, as a precondition of approval of the application by Dominion Energy and SCANA pursuant to G.S. 62-111(a) for authority to engage in their proposed business combination transaction. These Regulatory Conditions, which become effective only upon closing of the Merger, shall apply jointly and severally to Dominion Energy and SCANA, as well as DENC and PSNC and shall be interpreted in the manner that most effectively fulfills the Commission's purposes as set forth in the preamble to Section II of these Regulatory Conditions.

### SECTION I DEFINITIONS

For the purposes of these Regulatory Conditions, capitalized terms shall have the meanings set forth below. If a capitalized term is not defined below, it shall have the meaning provided elsewhere in this document or as commonly used in the electric or natural gas utility industry.

**Affiliate:** Dominion Energy, and any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by Dominion Energy. For purposes of these Regulatory Conditions, Dominion Energy and each business entity so controlled by it are considered to be Affiliates of DENC and PSNC, and DENC and PSNC are considered to be Affiliates of each other.

**Affiliate Contract:** (a) Any contract or agreement between DENC and PSNC or between DENC or PSNC and any other Affiliate or proposed Affiliate, and (b) any contract or agreement between such other Affiliate or proposed Affiliate and another Affiliate that is related to the same subject matter and is reasonably likely to have an Effect on DENC's or PSNC's Rates or Service. Such contracts and agreements include, but are not limited to, service, operating, interchange, pooling, and wholesale power sales agreements and agreements involving financings and asset transfers and sales.

**Code of Conduct:** The minimum guidelines and rules approved by the Commission that govern the relationships, activities, and transactions between and among the public utility operations of DENC and PSNC, Dominion Energy and SCANA, the other Affiliates of DENC and PSNC, and the Nonpublic Utility Operations of DENC and PSNC, as those guidelines and rules may be amended by the Commission from time to time.

**Commission:** The North Carolina Utilities Commission.

**CNG:** Consolidated Natural Gas Company, which merged with Dominion Resources, Inc. (now Dominion Energy) in 1999 as approved by the Commission in Docket No. E-22, Sub 380.

**Customer:** Any retail electric customer of DENC in North Carolina and any Commission-regulated natural gas sales or natural gas transportation customer of PSNC located in North Carolina.

**DENC:** Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, the business entity, wholly owned by Dominion Energy, that holds the franchises granted by the Commission to provide Electric Services within its North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina. DENC refers to the system business and operation of Virginia Electric and Power Company, and not simply the North Carolina retail assigned or allocated portions of that business and operation.

**Dominion Energy:** Dominion Energy, Inc., which is the current holding company parent of DENC and PSNC, and any successor company.

**Effect on DENC's or PSNC's Rates or Service:** When used with reference to the consequences to DENC or PSNC of actions or transactions involving an Affiliate or Nonpublic Utility Operation, this phrase has the same meaning that it has when the Commission interprets G.S. 62-3(23)(c) with respect to the affiliation covered therein.

**Electric Services:** Commission-regulated electric power generation, transmission, distribution, delivery, and retail sales, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, standby service, backups, and changeovers of electric service to other suppliers.

**Federal Law:** Any federal statute or legislation, or any regulation, order, decision, rule or requirement promulgated or issued by an agency or department of the federal government.

**FERC:** The Federal Energy Regulatory Commission.

**Fully Distributed Cost:** All direct and indirect costs, including overheads and an appropriate cost of capital, incurred in providing the goods and services in question.

**Joint Owners:** Old Dominion Electric Cooperative (ODEC), with respect to its ownership interests in the North Anna Nuclear Station and the Clover Power Station, and First Energy and LS Power (and/or their subsidiaries and affiliates), with regard to their ~~its~~ ownership interests in the Bath County Pumped Storage Station. For purposes of these Regulatory Conditions, DENC is not included in the definition of Joint Owners. Also, for purposes of

these Regulatory Conditions, Joint Owners include any successors and assigns to ODEC and First Energy.

**Market Value:** The price at which property, goods, or services would change hands in an arm's-length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

**Merger:** All transactions contemplated by the Agreement and Plan of Merger between Dominion Energy and SCANA.

**Merger-Related Expenses:** Merger-Related Expenses include acquisition premiums, change-in-control payments made to terminated executives, regulatory process costs, and transaction costs, such as investment banking, legal, accounting, securities issuances and advisory fees. Integration costs include the integration of financial, IT, human resources, billing, accounting, and telecommunications systems. Other transition costs include severance payments to employees, changes to signage, the cost of transitioning employees to post-merger employee benefit plans, and costs to terminate any duplicative leases, contracts and operations, etc.

**Native Load Priority:** Power supply service being provided or electricity otherwise being sold with a priority of service equivalent to that planned for and provided by DENC to its respective Retail Native Load Customers.

**Natural Gas Services:** Commission-regulated natural gas sales and natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering and billing, and standby service.

**Nonpublic Utility Operations:** All business operations engaged in by DENC or PSNC involving activities (including the sales of goods or services) that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

**Non-Utility Affiliate:** Any Affiliate, including Service Company, other than a Utility Affiliate, DENC, or PSNC.

**PSNC:** Public Service Company of North Carolina, Inc., the business entity, wholly owned by Dominion Energy and SCANA, that holds the franchise granted by the Commission to provide Natural Gas Services within its North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

**Public Staff:** The Public Staff of the North Carolina Utilities Commission.

**Purchased Power Resources:** Purchases of energy by DENC at wholesale, the contract terms for which are one year or longer.

**Retail Native Load Customers:** The captive retail Customers of DENC in North Carolina for which DENC has the obligation under North Carolina law to engage in long-term planning and to supply all Electric Services, including installing or contracting for capacity, if needed, to reliably meet their electricity needs.

**Retained Earnings:** The retained earnings currently required to be listed on page 112, line 11, of the pre-Merger DENC FERC Form 1 and page 112, line 11 of the pre-Merger PSNC FERC Form 2.

**SCANA:** SCANA Corporation, which is the former and current direct holding company parent of PSNC and is a subsidiary of Dominion Energy, and any successors.

**Service Company:** A centralized service company Affiliate that provides Shared Services to DENC, PSNC, other Affiliates, and/or the Nonpublic Utility Operations of DENC or PSNC, singly or in any combination.

**Shared Services:** The services that meet the requirements of these Regulatory Conditions and that the Commission has explicitly authorized DENC and PSNC to take from the Service Company pursuant to a service agreement (a) filed with the Commission pursuant to G.S. 62-153(b), thus requiring acceptance and authorization by the Commission, and (b) subject to all other applicable provisions of North Carolina law, the rules and orders of the Commission, and these Regulatory Conditions.

**Utility Affiliates:** The regulated public utility operations of the East Ohio Gas Company (Dominion Energy Ohio), Hope Gas, Inc. (Dominion Energy West Virginia), Questar Gas Company (Dominion Energy Utah, Dominion Energy Wyoming, and Dominion Energy Idaho), and South Carolina Electric & Gas Company (SCE&G).

## **SECTION II AUTHORITY, SCOPE, AND EFFECT**

These Regulatory Conditions are based on the general power and authority granted to the Commission in Chapter 62 of the North Carolina General Statutes to control and supervise the public utilities of the State. The Regulatory Conditions address specific exercises of the Commission's authority and provide mechanisms that enable the Commission to determine the extent of its authority and jurisdiction over proposed activities of, and transactions involving, DENC, PSNC, Dominion Energy, and other Affiliates or Nonpublic Utility Operations. The purpose of these Regulatory Conditions is to ensure that DENC's Retail Native Load Customers and PSNC's Customers (a) are protected from any known adverse effects from the Merger, (b) are protected as much as possible from potential costs and risks resulting from the Merger, and (c) receive sufficient known and expected benefits to offset any potential costs and risks resulting from

the Merger. These Regulatory Conditions are not intended to impose legal obligations on entities in which Dominion Energy does not directly or indirectly have a controlling voting interest, or to affect any rights of any party to participate in subsequent proceedings.

- 2.1 Commission Authority Over Certain Transactions. DENC, PSNC, Dominion Energy, and other Affiliates acknowledge that the Commission has authority over intra-company transactions as provided for in Chapter 62.
- 2.2 Limited Right to Challenge Commission Orders. Other than as provided for, or explicitly prohibited, in these conditions, Dominion Energy, DENC, PSNC, and other Affiliates retain the right to challenge the lawfulness of any Commission order issued pursuant to or relating to these Regulatory Conditions on the basis that such order exceeds the Commission's statutory authority under North Carolina or Federal Law or the other grounds listed in G.S. 62-94(b).
- 2.3 Waiver Requests. DENC, PSNC, Dominion Energy, and other Affiliates may seek a waiver of any aspect of these Regulatory Conditions in a particular case or circumstance for good cause shown by filing such a request with the Commission.

### **SECTION III PROTECTION OF RIGHTS**

The following Regulatory Conditions are intended to protect the jurisdiction of the Commission as a result of the Merger, including risks related to agreements and transactions between and among DENC, PSNC, and any of their Affiliates; financing transactions involving Dominion Energy, DENC or PSNC, and any other Affiliate; and the ownership, use, and disposition of assets by DENC or PSNC.

- 3.1 Transactions between DENC, PSNC, and Other Affiliates; Notice of Affiliate Contracts to be Filed with the FERC.
  - (a) DENC and PSNC shall not engage in any transactions with Affiliates or proposed Affiliates without first filing the proposed contracts or agreements memorializing such transactions pursuant to G.S. 62-153 and taking such actions and obtaining from the Commission such determinations and authorizations as may be required under North Carolina law. DENC or PSNC, as applicable, shall submit each proposed Affiliate Contract or substantive amendment to an existing Affiliate Contract to the Public Staff for informal review at least 15 days before filing it with the Commission. If DENC or PSNC and the Public Staff agree within the 15-day period that the proposed Affiliate Contract or

substantive amendment to an existing Affiliate Contract does not require any action by the Commission, DENC or PSNC may proceed to execute the agreement subject to later disapproval and voidance by the Commission pursuant to G.S. 62-153(a). Otherwise, the proposed Affiliate Contract or substantive amendment to an existing Affiliate Contract shall not be executed until the agreement has been filed and payment of compensation has been approved by the Commission pursuant to G.S. 62-153(b).

- (b) In addition to the requirements of Regulatory Condition 3.1(a), for any contract requiring filing with FERC, DENC or PSNC shall file, for informational purposes, a copy of a proposed Affiliate Contract, a contract with a proposed Affiliate, or an amendment to an existing Affiliate Contract with the Commission at least 15 days prior to filing with FERC.

3.2 Financing Transactions Involving DENC, PSNC, Dominion Energy, or Other Affiliates.

- (a) With respect to any financing transaction between or among DENC or PSNC and Dominion Energy or any one or more other Affiliates, any contract memorializing such transaction shall expressly provide that DENC or PSNC shall not enter into any such financing transaction except in accordance with North Carolina law and the rules, regulations, and orders of the Commission promulgated thereunder; and
- (b) With respect to any financing transaction (i) between or among any of the Affiliates if such contracts are reasonably likely to have an Effect on DENC's or PSNC's Rates or Service, or (ii) between DENC and PSNC or between DENC or PSNC and any other Affiliate, any contract memorializing such transaction shall expressly provide that DENC or PSNC shall not include the effects of any capital structure or debt or equity costs associated with such financing transaction in its North Carolina retail cost of service or rates except as allowed by the Commission.

3.3 Ownership and Control of Assets Used by DENC and PSNC to Supply Electric Power or Natural Gas Services to North Carolina Customers; Transfer of Ownership or Control.

- (a) DENC and PSNC shall own and control all assets or portions of assets used for the generation, transmission, and distribution of electric power or the transmission, storage, or distribution of natural gas to their respective Customers (with the exception of assets both (1) not otherwise owned or controlled by DENC or PSNC and (2) used to provide power purchased by DENC at wholesale or

natural gas transportation to PSNC). This paragraph 3.3(a) shall also not apply to the ordinary course of the operation of DENC's transmission assets in accordance with its membership in PJM, Inc.

- (b) With respect to the voluntary transfer by DENC or PSNC to Nonpublic Utility Operations, an Affiliate, and/or a non-Affiliate, of the control of, operational responsibility for, or ownership of any asset or portion thereof used for the transmission, distribution, generation, or other provision of electric power and/or service, or natural gas service, to customers in North Carolina:
  - (i) DENC or PSNC shall provide written notice to the Commission at least 30 days in advance of any proposed transfer falling under Section 3.3(b) with a net book value in excess of ten million dollars (\$10 million). The provisions of Regulatory Condition 13.2 shall apply to an advance notice filed pursuant to this Regulatory Condition. DENC or PSNC shall not commit to or carry out such a transfer except in accordance with North Carolina law and the rules, regulations, and orders of the Commission promulgated thereunder; and
  - (ii) DENC or PSNC may not include in rates the value of any such transfer, except as allowed by the Commission in accordance with North Carolina law.

3.4 Purchases and Sales of Electricity and Natural Gas between DENC, PSNC, SCANA, Dominion Energy, Other Affiliates, or Nonpublic Utility Operations. Subject to additional restrictions set forth in the Code of Conduct, neither DENC or PSNC shall purchase electricity (or related ancillary services) or natural gas from Dominion Energy, another Affiliate, or a Nonpublic Utility Operation under circumstances where the total all-in costs, including generation, transmission, ancillary costs, distribution, taxes and fees, and delivery point costs, incurred (whether directly or through allocation), based on information known, anticipated, or reasonably available at the time of purchase, exceed fair Market Value for comparable service, nor shall DENC or PSNC sell electricity (or related ancillary services) or natural gas to Dominion Energy, another Affiliate, or a Nonpublic Utility Operation for less than fair Market Value; provided, however, that such restrictions shall not apply to emergency transactions.

3.5 Least Cost Integrated Resource Planning and Resource Adequacy. DENC shall retain the obligation to pursue least cost integrated resource planning for its regulated electric Customers and remain responsible for its own resource adequacy subject to Commission oversight in accordance with North Carolina law. DENC shall determine the appropriate self-built or purchased power resources to be used to provide future generating



capacity and energy to its regulated electric Customers, including the siting considered appropriate for such resources, on the basis of the benefits and costs of such siting and resources to those regulated electric Customers.

- 3.6 Native Load Service. DENC shall continue to serve its Retail Native Load Customers with the lowest-cost power it can generate or purchase from other sources in order to meet its native load requirements in accordance with Condition No. 11.1 before making power available to customers that are not entitled to the same level of priority as Retail Native Load Customers. Before DENC executes any contract that grants Native Load Priority to a wholesale customer or to one or more retail customers of another entity, it shall, for informational purposes, provide the Public Staff with at least 15 days' written advance notice of its intent to grant Native Load Priority and to treat the retail native load of a proposed wholesale customer as if it were DENC's retail native load pursuant to this subsection and subsection 3.5.
- 3.7 Additional Provisions Regarding Wholesale Contracts Entered into by DENC as Seller.
- (a) This Regulatory Condition does not apply to PSNC.
  - (b) The Commission retains the right to assign, allocate, impute, and make pro-forma adjustments with respect to the revenues and costs for retail ratemaking and regulatory accounting and reporting purposes.
  - (c) DENC acknowledges that when it enters into wholesale contracts that obligate DENC to construct generating facilities or make commitments to purchase capacity and energy to meet those contractual commitments such action constitutes acceptance by DENC, Dominion Energy, and other Affiliates or Nonpublic Utility Operations thereof of the risks that investments in generating facilities or commitments to purchase capacity and energy to meet such contractual commitments and maintain an adequate reserve margin throughout the term of such contracts may become uneconomic sunk costs that may not be recoverable from DENC's Retail Native Load Customers. In a future Commission retail proceeding in which cost recovery is at issue, DENC shall not claim that it does not bear this risk, and DENC shall acknowledge that the Commission retains full authority under Chapter 62 to ascertain whether such costs are used and useful. For purposes of this condition, capacity will be considered used and useful and not excess capacity to the extent the Commission determines such capacity is needed by DENC to meet the expected peak loads of DENC's ~~retail~~-Retail Native Load Customers in the near term future

plus a reserve margin comparable to that currently being used or otherwise considered appropriate by the Commission.—~~Neither DENC, Dominion Energy, nor any other Affiliate shall assert in any forum—whether judicial, administrative, federal, state, local or otherwise—either on its own initiative or in support of any other entity’s assertions that the Commission is preempted from taking the actions contemplated in this subsection.~~

- (d) Except as provided in the foregoing conditions, DENC retains the right to challenge the lawfulness of any order issued by the Commission in connection with the assignment, allocation, imputation, pro-forma adjustments to, or disallowances of the revenues and costs associated with DENC’s wholesale contracts for retail ratemaking and regulatory accounting and reporting purposes on any other grounds, including but not limited to the rights outlined in G.S. 62-94(b).

### 3.8 Other Protections.

- (a) DENC, PSNC, Dominion Energy, another Affiliate, and a Nonpublic Utility Operation shall not assert in any forum - whether judicial, administrative, federal, state, local or otherwise - that the Commission’s authority to determine the reasonableness or prudence of DENC’s or PSNC’s decisions with respect to supply-side resources, demand-side management, or any other aspect of resource adequacy is limited.
- (b) Any contract or filing regarding DENC’s withdrawal from an RTO or comparable entity must be contingent upon state regulatory approval. This Regulatory Condition does not apply to PSNC.
- (c) DENC and PSNC shall obtain Commission approval before the Service Company is sold, transferred, merged with any other entities, has any ownership interest therein changed, or otherwise changed so that a change of control could occur. This requirement does not apply to any movement of the Service Company within the Dominion Energy holding company system that does not constitute a change of control.
- (d) DENC and PSNC may participate in joint comments and other joint filings with Affiliates only when such participation fully complies with both the letter and the spirit of the Regulatory Conditions. Any filing made by the Service Company on behalf of DENC or PSNC must clearly identify the Service Company as an agent of DENC or PSNC for purposes of making the filing.

- (e) Neither DENC, PSNC, Dominion Energy, another Affiliate, nor a Nonpublic Utility Operation shall make any assertion or argument either on its own initiative or in support of any other entity's assertions in any forum - whether judicial, administrative, federal, state, or otherwise - with respect to any contract, transaction, or other matter in which DENC or PSNC is involved or proposes to be involved or any contract, transaction, or matter involving or proposed to involve Dominion Energy, any other Affiliate, or any Nonpublic Utility Operation that may have an Effect on DENC's or PSNC's Rates or Service, that any of the following actions exceed the Commission's power, authority or jurisdiction under North Carolina law:
- (i) reviewing the reasonableness of any Affiliate commitment entered into or proposed to be entered into by DENC or PSNC, or disallowing the costs of, or imputing revenues related to such commitment to, DENC or PSNC;
  - (ii) exercising its authority over financings or setting rates based on the capital structure, corporate structure, debt costs, or equity costs that it finds to be appropriate for retail ratemaking purposes;
  - (iii) reviewing the reasonableness of any commitment entered into or proposed to be entered into by DENC or PSNC to transfer an asset;
  - (iv) mandating, approving, or otherwise regulating a transfer of assets by or to DENC or PSNC;
  - (v) scrutinizing and establishing the value of any asset transfers for the purpose of determining the rates for services rendered to DENC's Retail Native Load Customers or PSNC's Customers; or
  - (vi) exercising any other lawful authority it may have.

Should any other entity so assert, neither DENC, PSNC, Dominion Energy, other Affiliates, nor the Nonpublic Utility Operations shall support any such assertion and shall, promptly upon learning of such assertion, advise and consult with the Commission and the Public Staff regarding such assertion.

- (f) DENC, PSNC, Dominion Energy, and any other Affiliates, and the Nonpublic Utility Operations shall (A) acknowledge the risk of any possible preemptive effects of Federal Law with respect to any contract, transaction, or commitment entered into or made or proposed to be entered into or made by DENC or PSNC, or which

may otherwise affect DENC's or PSNC's operations, service, or rates and (B) shall take all actions as may be reasonably necessary and appropriate to hold North Carolina ratepayers harmless from rate increases, foregone opportunities for rate decreases or any other adverse effects of such preemption.

- 3.9 FERC Filings and Orders. In addition to the filing requirements of Commission Rule R8-27 and all other applicable statutes and rules, and to keep the Commission informed of its activities, DENC shall, on a quarterly basis, file with the Commission the following: (a) a list of all active dockets at the FERC, including a sufficient description to identify the type of proceeding, in which DENC, Dominion Energy, or the Service Company on behalf of DENC or Dominion Energy is a party, with new information in each quarterly filing tracked; and (b) a list of the periodic reports filed by DENC, Dominion Energy, or the Service Company on behalf of DENC or Dominion Energy with the FERC, including sufficient information to identify the subject matter of each report and how each report can be accessed. These filings shall be made in Docket No. E-22, Sub 551D and updated regularly. In addition, DENC shall serve on the Public Staff all of its FERC filed cost-based and market-based wholesale agreements and amendments; interconnection agreements and amendments for all generation facilities in DENC's North Carolina retail service territory and all generation facilities 20 megawatts or greater in size in the remainder of DENC's service territory; and any other filings made by DENC, Dominion Energy, or the Service Company on behalf of DENC or Dominion Energy with the FERC, to the extent these other filings are reasonably likely to have an Effect on DENC's Rates or Service. This Regulatory Condition does not apply to PSNC, as relevant FERC-related information is required to be filed with the Commission in annual gas cost prudence reviews.

#### **SECTION IV TREATMENT OF AFFILIATE COSTS AND RATEMAKING**

The following Regulatory Conditions are intended to ensure that the costs incurred by DENC and PSNC are properly incurred, accounted for, and directly charged, directly assigned, or allocated to their respective North Carolina retail operations and that only costs that produce benefits to DENC's Retail Native Load Customers and PSNC's Customers are included in DENC's and PSNC's North Carolina cost of service for ratemaking purposes. The procedures set forth in Regulatory Condition 13.2 do not apply to an advance notice filed pursuant to Regulatory Condition 4.5.

- 4.1 Access to Books and Records. In accordance with North Carolina law, the Commission and the Public Staff shall continue to have access to the books and records of DENC, PSNC, Dominion Energy, other Affiliates, and the Nonpublic Utility Operations.

4.2 Procurement or Provision of Goods and Services by DENC or PSNC from or to Affiliates or Nonpublic Utility Operations. Except as to transactions between and among DENC and PSNC pursuant to filed and approved service agreements and lists of services, and subject to additional provisions set forth in the Code of Conduct, DENC and PSNC shall take the following actions in connection with procuring goods and services for their respective utility operations from Affiliates or Nonpublic Utility Operations and providing goods and services to Affiliates or Nonpublic Utility Operations:

- (a) DENC and PSNC each shall seek out and buy all goods and services from the lowest cost qualified provider of comparable goods and services, and shall have the burden of proving that any and all goods and services procured from their Utility Affiliates, Non-Utility Affiliates, and Nonpublic Utility Operations have been procured on terms and conditions comparable to the most favorable terms and conditions reasonably available in the relevant market, which shall include a showing that comparable goods or services could not have been procured at a lower price from qualified non-Affiliate sources or that DENC or PSNC could not have provided the services or goods for itself on the same basis at a lower cost. To this end, no less than every four years DENC and PSNC shall perform comprehensive non-solicitation based assessments at a functional level of the market competitiveness of the costs for goods and services they receive from a Utility Affiliate, the Service Company, another Non-Utility Affiliate, and a Nonpublic Utility Operation, including periodic testing of services being provided internally or obtained individually through outside providers. To the extent the Commission approves the procurement or provision of goods and services between or among DENC, PSNC, and the Utility Affiliates, those goods and services may be provided at the supplier's Fully Distributed Cost.
- (b) To the extent they are allowed to provide such goods and services, DENC and PSNC shall have the burden of proving that all goods and services provided by either of them to Dominion Energy, a Non-Utility Affiliate, any other Affiliate, or a Nonpublic Utility Operation have been provided on the terms and conditions comparable to the most favorable terms and conditions reasonably available in the market, which shall include a showing that such goods or services have been provided at the higher of cost or market price. To this end, no less than every four years DENC and PSNC shall perform comprehensive, non-solicitation based assessments at a functional level of the market competitiveness of the costs for goods and services provided by either of them to a Utility Affiliate, the Service Company, another Non-Utility Affiliate, any other Affiliate, and a Nonpublic Utility Operation.

- (c) The periodic assessments required by subdivisions (a) and (b) of this subsection may take into consideration qualitative as well as quantitative factors. To the extent that comparable goods or services provided to DENC or PSNC, or by DENC or PSNC are not commercially available, this Regulatory Condition shall not apply.

#### 4.3 Location of Core Utility Functions.

- (a) This Regulatory Condition does not apply to PSNC.
- (b) Core utility functions are those functions related to Electric Services. Core utility functions do not include services of a governance or corporate type nature that have been traditionally provided by a service company, the specific services listed on the service company agreement services list for DENC filed with the Commission pursuant to Regulatory Condition 4.4(a), and roles that provide oversight to the enterprise and are not jurisdiction-specific (Excluded Functions). DENC shall annually review core utility function employees charging more or less than 50% of their time to DENC over a six-month period from January 1 to June 30. DENC shall annually file, on or before January 1, a report containing the results of the annual review. DENC may file a list of employees at the higher levels of management (not including those levels of management that report directly to the Chief Executive Officer for Dominion Energy) for their core utility functions that they propose to be Service Company employees in their annual filing. DENC shall also include in its annual filing a list of any DENC employee positions or functions that have been transferred to the Service Company, Dominion Energy, or another Affiliate during the preceding year, and the reason(s) for each transfer. DENC shall meet with the Public Staff no later than March 31 of each year, beginning in 2020, to review the results of the annual reviews and, to the extent necessary, develop a proposal for any appropriate modifications to this Condition 4.3.

#### 4.4 Service Agreements and Lists of Services.

- (a) DENC and PSNC shall file pursuant to G.S. 62-153 final proposed service agreements that authorize the provision and receipt of non-power goods or services between and among DENC, PSNC, or their Affiliates, the list(s) of goods and services that DENC and PSNC each intend to take from the Service Company, the list(s) of goods and services DENC and PSNC intend to take from each other and the Utility Affiliates, and the basis for the determination of such list(s) and the elections of such services. All such lists that involve payment of fees or other compensation by DENC or PSNC shall require acceptance and authorization by the Commission, and

shall be subject to any other Commission action required or authorized by North Carolina law and the Rules and orders of the Commission.

- (b) DENC and PSNC shall take goods and services from an Affiliate only in accordance with the filed service agreements and approved list(s) of services. DENC and PSNC shall file notice with the Commission in Docket Nos. E-22, Sub 551A and G-5, Sub 585A, respectively, at least 15 days prior to making any proposed changes to the service agreements or to the lists of services.

4.5 Charges for and Allocations of the Costs of Affiliate Transactions. To the maximum extent practicable, all costs of Affiliate transactions shall be directly charged. When not practicable, such costs shall be assigned in proportion to the direct charges. If such costs are of a nature that direct charging and direct assignment are not practicable, they shall be allocated in accordance with Commission-approved allocation methods. The following additional provisions shall apply:

- (a) DENC and PSNC shall keep on file with the Commission a cost allocation manual (CAM) with respect to goods or services provided by DENC or PSNC, any Utility Affiliate, the Service Company, any other Non-Utility Affiliate, Dominion Energy, any other Affiliates, or any Nonpublic Utility Operation to DENC or PSNC. PSNC will adopt DENC's CAM.
- (b) The CAM shall describe how all directly charged, direct assignment, and other costs for each provider of goods and services will be charged between and among DENC, PSNC, their Utility Affiliates, Non-Utility Affiliates, Dominion Energy, any other Affiliates, and the Nonpublic Utility Operations, and shall include a detailed review of the common costs to be allocated and the allocation factors to be used.
- (c) The CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than March 31 of the year that the CAM is to be in effect. DENC and PSNC shall review the appropriateness of the allocation bases every two years, and the results of such review shall be filed with the Commission. Interim changes shall be made to the CAM, if and when necessary, and shall be filed with the Commission, in accordance with Regulatory Condition 4.65.
- (d) No changes shall be made to the procedures for direct charging, direct assigning, or allocating the costs of Affiliate transactions or to the method of accounting for such transactions associated with goods and services (including Shared Services provided by the

Service Company) provided to or by Dominion Energy, other Affiliates, and the Nonpublic Utility Operations until DENC or PSNC has given 15 days' notice to the Commission of the proposed changes, in accordance with Regulatory Condition 4.65.

- 4.6 Procedures Regarding Interim Changes to the CAM or Lists of Goods and Services for which 15 Days' Notice is Required. With respect to interim changes to the CAM or changes to lists of goods and services, for which the 15 day notice to the Commission is required, the following procedures shall apply: the Public Staff shall file a response and make a recommendation as to how the Commission should proceed before the end of the notice period. If the Commission has not issued an order within 30 days of the end of the notice period, DENC or PSNC may proceed with the changes but shall be subject to any fully adjudicated Commission order on the matter. The provisions of Regulatory Condition 13.2 do not apply to advance notices filed pursuant to Regulatory Condition 4.45(c) and (d). Such advance notices shall be filed in Docket Nos. E-22, Sub 551A and G-5, Sub 585A.
- 4.7 Annual Reports of Affiliate Transactions. DENC and PSNC shall file annual report(s) of affiliated transactions with the Commission in a format to be prescribed by the Commission in Docket Nos. E-22, Sub 551A and G-5, Sub 585A. The report(s) shall be filed on or before May 30 of each year, for activity through December 31 of the preceding year. DENC, PSNC, and other parties may propose changes to the required affiliated transaction reporting requirements and submit them to the Commission for approval, also in Docket Nos. E-22, Sub 551A and G-5, Sub 585A.
- 4.8 Ongoing Review by Commission.
- (a) The services rendered by DENC and PSNC to their Affiliates and Nonpublic Utility Operations and the services received by DENC or PSNC from their Affiliates and Nonpublic Utility Operations pursuant to the filed service agreements, the costs and benefits assigned or allocated in connection with such services, and the determination or calculation of the bases and factors utilized to assign or allocate such costs and benefits, as well as DENC's and PSNC's compliance with the Commission-approved Code of Conduct and all Regulatory Conditions, shall remain subject to ongoing review. These agreements shall be subject to any Commission action required or authorized by North Carolina law and the Rules and orders of the Commission.



- (b) The service agreements, the CAM and the assignments and allocations of costs pursuant thereto, the biannual allocation factor reviews required by Regulatory Condition 4.45(c), the list(s) and the goods and services provided pursuant thereto, and any changes to these documents shall be subject to ongoing Commission review, and Commission action if appropriate.
- 4.9 Future Orders. For the purposes of North Carolina retail accounting, reporting, and ratemaking, the Commission may, after appropriate notice and opportunity to be heard, issue future orders relating to DENC's or PSNC's cost of service as the Commission may determine are necessary to ensure that DENC's and PSNC's operations and transactions with their Affiliates and Nonpublic Utility Operations are consistent with the Regulatory Conditions and Code of Conduct, and with any other applicable decisions of the Commission.
- 4.10 Review by the FERC. Notwithstanding any of the provisions contained in these Regulatory Conditions, to the extent the allocations adopted by the Commission when compared to the allocations adopted by the other State commissions with ratemaking authority as to a Utility Affiliate of DENC or PSNC result in significant trapped costs related to "non-power goods or administrative or management services provided by an associate company organized specifically for the purpose of providing such goods or services to any public utility in the same holding company system," including DENC and PSNC, DENC or PSNC may request pursuant to Section 1275(b) of Subtitle F in Title XII of the Energy Policy Act of 2005 that the FERC "review and authorize the allocation of the costs for such goods and services to the extent relevant to that associate company." Such review and authorization shall have whatever effect it is determined to have under the law. The quoted language in this Regulatory Condition is taken directly from Section 1275(b) of Subtitle F in Title XII of the Energy Policy Act of 2005. The terms "associate company" and "holding company system" are defined in Sections 1262(2) and 1262(9), respectively, of Subtitle F in Title XII of the Energy Policy Act of 2005 and have the same meanings for purposes of this condition.
- 4.11 Biannual Review of Certain Transactions by Internal Auditors. At least biannually, Dominion Energy shall conduct an internal audit to review the affiliate transactions undertaken pursuant to Affiliate agreements filed in accordance with Regulatory Condition 4.4 and of DENC's compliance with all conditions approved by the Commission concerning Affiliate transactions, including the propriety of the transfer pricing of goods and services between or among DENC, PSNC, other Affiliates, and all of the Nonpublic Utility Operations. The first audit shall begin two years from the date of the close of the Merger. It shall include whether DENC's and PSNC's transactions, services, and other Affiliate dealings pursuant to the

regulated utility-to-regulated utility service agreement and any other utility to utility agreements are consistent with all of the conditions related to affiliate dealings and the Code of Conduct and whether DENC and PSNC have operated in accordance with those conditions and Code of Conduct. The second audit shall begin two years from the date of the Commission's order on the internal auditor's final report on the first audit or, if no such order is issued, two years from the date of such final report. It shall include whether DENC's and PSNC's transactions, services, and other Affiliate dealings pursuant to the Service Company Utility Service Agreement and other Affiliate transactions other than transactions undertaken pursuant to regulated utility to regulated utility service agreements are consistent with all of the conditions related to affiliate dealings and the Code of Conduct and whether DENC and PSNC have operated in accordance with those conditions and Code of Conduct. Thereafter, internal audits shall occur every two years from the date of the Commission's order on the immediately preceding auditor's final report or, if no such order is issued, two years from the date of such final report. The subject matter of these audits shall alternate between the subject matters for the first and second internal audits. DENC and PSNC may request a change in the frequency of the audit reports in future years, subject to approval by the Commission. Such biannual reviews shall also address transactions between DENC or PSNC and Dominion Energy, other Affiliates, and the Nonpublic Utility Operations, transactions between DENC and PSNC, and other transactions between or among Affiliates if such transactions are reasonably likely to have a significant Effect on DENC's or PSNC's Rates or Service. To the extent external audits of the transactions are conducted, DENC and PSNC shall make available such audits for review by the Public Staff and the Commission. DENC and PSNC also shall make available for review by the Public Staff and the Commission all workpapers relating to internal audits and all other internal audit workpapers, if any, related to affiliate transactions, and shall not oppose Public Staff and Commission requests to review relevant external audit workpapers. Neither DENC, PSNC, Dominion Energy, any other Affiliate, nor any Nonpublic Utility Operation shall assert the attorney-client privilege for any internal audit report or workpaper, any portion of such report or workpaper, or any support requested by the Public Staff or Commission with regard to such report or workpaper, with regard to the internal audits required by this paragraph.

- 4.12 Notice of DENC, PSNC, Dominion Energy, and Service Company and Non-Utility Affiliates FERC Audits. At such time as DENC, PSNC, Dominion Energy, or the Service Company receives notice from the FERC related to an audit of any Affiliate of DENC or PSNC, DENC or PSNC shall promptly file a notice with the Commission that such an audit will be commencing. Any initial report of the FERC's audit team shall be provided to the Public Staff, and any final report shall be filed with the Commission in Docket Nos. E-22, Sub 551E and G-5, Sub 585E, respectively.

- 4.13 Acquisition Adjustment. Any acquisition adjustment that results from the Merger shall be excluded from DENC's and PSNC's utility accounts and treated for regulatory accounting, reporting, and ratemaking purposes so that it does not affect DENC's North Carolina retail rates and charges for Electric Services or PSNC's North Carolina rates and charges for Natural Gas Services.
- 4.14 Non-Consummation of Merger. If the Merger is not consummated, neither the cost, nor the receipt, of any termination payment between Dominion Energy and PSNC shall be allocated to DENC or PSNC or recorded on their books. DENC's Retail Native Load Customers or PSNC's Customers shall not otherwise bear any direct expenses or costs associated with a failed merger.
- 4.15 Protection from Commitments to Wholesale Customers.
- (a) This Regulatory Condition does not apply to PSNC.
  - (b) For North Carolina retail electric cost of service/ratemaking purposes, DENC's electric system costs shall be assigned or allocated between and among retail and wholesale jurisdictions based on reasonable and appropriate cost causation principles, taking into consideration the Commission's findings and conclusions regarding the costs associated with DENC's membership in PJM, Inc., set forth in the Commission's Dec. 22, 2016, order issued in Docket No. E-22, Sub 532. For cost of service/ratemaking purposes, North Carolina retail ratepayers shall be held harmless from any cost assignment or allocation of costs resulting from agreements between DENC and any of its wholesale customers, other than for reasonable and appropriate load decline or growth.
  - (c) To the extent that commitments are made by or imposed upon DENC, PSNC, Dominion Energy, another Affiliate, or a Nonpublic Utility Operation relating to the Merger, either through an offer, a settlement, or as a result of a regulatory order, the effects of which serve to increase the North Carolina retail cost of service or North Carolina retail fuel costs under reasonable cost allocation practices, or decrease the bulk power revenues that are assigned or allocated to DENC's North Carolina retail operations or credited to DENC's jurisdictional fuel expenses, the effects of these commitments shall not be recognized for North Carolina retail ratemaking purposes.

- 4.16 Joint Owner-Specific Issues. Assignment or allocation of costs to the North Carolina retail jurisdiction shall not be adversely affected by the manner and amount of recovery of electric system costs from the Joint Owners as a result of agreements between DENC and the Joint Owners. This Regulatory Condition does not apply to PSNC.
- 4.17 Inclusion of Cost Savings in Future Rate Proceedings. Neither DENC, PSNC, Dominion Energy, any other Affiliate, nor a Nonpublic Utility Operation shall assert that any interested party is prohibited from seeking the inclusion in future rate proceedings of cost savings that may be realized as a result of any business combination transaction impacting DENC and PSNC.
- 4.18 Reporting of Merger-Related Expenses. The North Carolina portion of Merger-Related Expenses shall be reflected in DENC's North Carolina ES-1 Reports and PSNC's North Carolina GS-1 Reports, as recorded on their books and records under generally accepted accounting principles. DENC and PSNC shall include as a footnote in their ES-1 and GS-1 Reports, as applicable, the Merger-Related Expenses that were expensed during the relevant period.
- 4.19 Liabilities of CNG and SCE&G. DENC's Retail Native Load Customers and PSNC's Customers shall be held harmless from all liabilities of CNG and SCE&G and their subsidiaries, including those incurred prior to and after Dominion Energy's acquisition of CNG in 1999. These liabilities include, but are not limited to, those associated with the following: (i) manufactured gas plant sites, (ii) asbestos claims, (iii) environmental compliance, (iv) pensions and other employee benefits, (v) decommissioning costs, and (vi) taxes. DENC's Retail Native Load Customers and PSNC's Customers shall also be held harmless from all liabilities of SCE&G, including all liabilities associated with the Summer Nuclear Station.
- 4.20 Hold Harmless Commitment. PSNC's Customers shall be held harmless from all current and prospective liabilities of DENC. DENC's Customers shall be held harmless from all current and prospective liabilities of PSNC. DENC, PSNC, Dominion Energy, the other Affiliates, and all of the Nonpublic Utility Operations shall take all such actions as may be reasonably necessary and appropriate to hold North Carolina Customers harmless from the effects of the Merger, including rate increases or foregone opportunities for rate decreases, and other effects otherwise adversely impacting Customers.
- 4.21 Cost of Service Manual. Within six months after the closing date of the Merger, DENC shall file with the Commission revisions to its electric cost of service manual to reflect any changes to the cost of service determination process made necessary by the Merger, any subsequent

alterations in the organizational structure of DENC, PSNC, Dominion Energy, other Affiliates, or the Nonpublic Utility Operations, or other circumstances that necessitate such changes. These filings shall be made in Docket No. E-22, Sub 551A.

## SECTION V CODE OF CONDUCT

These Regulatory Conditions include a Code of Conduct in Appendix A. The Code of Conduct governs the relationships, activities, and transactions between or among the public utility operations of DENC, PSNC, Dominion Energy, the Affiliates of DENC and PSNC, and the Nonpublic Utility Operations of DENC and PSNC.

- 5.1 Compliance. DENC, PSNC, Dominion Energy, the other Affiliates, and the Nonpublic Utility Operations shall be bound by the terms of the Code of Conduct set forth in Appendix A and as it may subsequently be amended.

## SECTION VI PJM CONDITIONS

- 6.1 Cost-based Rates. DENC's North Carolina retail Customers will continue to be entitled to, and receive, cost-based rates for generation, transmission, and distribution (including any ancillary services) determined pursuant to North Carolina law notwithstanding DENC's integration into PJM or decision to participate in any capacity or energy market administered by PJM.
- 6.2 Reporting Requirements. DENC shall continue to comply with the reporting obligations established in Paragraph 5<sup>1</sup> of the Joint Offer of

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<sup>1</sup> Pursuant to the letter filed by Monitoring Analytics, LLC in Docket No. E-22, Sub 532 on Nov. 16, 2016, Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor ("IMM") for PJM, will continue to annually file the information specified in Paragraph 6 of the December 16, 2004 Joint Offer of Settlement. Paragraph 6 provides:

6. [The PJM IMM] will provide annual reports to the Commission [on or before July 15 of each year,] detailing the following information:
- A description of transmission constraints impacting Dominion's service territory within North Carolina and the events leading up to such constraints. Such description should include an estimate of the congestion costs associated with each event.
  - The actual locational marginal prices by bus impacting Dominion's service territory within North Carolina, including a separate identification of the congestion component of such prices.
  - Such reports will be provided annually [original language inapplicable].

Settlement entered into between DENC and PJM filed in Docket No. E-22, Sub 418, on December 6, 2004, as set forth below.

Condition 5:

Dominion agrees to submit annually to the Commission, [on or before August 31 of each year,] a report or reports that provide the following information set forth in items a. through d. below. [The annual report or reports] will cover the twelve month period June 1 through the following May 31, to correspond with PJM's FTR allocation and auction schedule:

a. A summary of monthly congestion costs and FTR revenues allocated to the North Carolina portion of the Company's service territory, including a description of the method of allocating such costs and revenues. This summary should provide a breakdown of explicit congestion costs (incurred through transmission congestion charges) and discuss the extent to which explicit congestion costs are mitigated through the receipt of FTR or ARR revenue.

b. A summary of the Company's monthly capacity and energy transactions with the PJM markets to the extent they impact costs and revenues allocated to the North Carolina portion of the Company's service territory.

c. A narrative description of the LMP load aggregation zones designated within the North Carolina portion of the Company's service territory. This description should describe any change (actual or proposed) in the designation of such zones and the cause of any such change.

d. A narrative description of the Company's general approach for requesting or obtaining ARRs or FTRs, the level of ARRs or FTRs requested, and the amount received that impacts the Company's operations in North Carolina. This description should describe any change (actual or proposed) in the allocation of ARRs or FTRs to the Company and the cause of any such change.

## **SECTION VII FINANCINGS**

The following Regulatory Conditions are intended to ensure (a) that DENC's and PSNC's capital structures and cost of capital are not adversely affected through their affiliation with Dominion Energy, each other, and other Affiliates and (b) that DENC and PSNC have sufficient access to equity and debt capital at a reasonable cost to adequately fund and maintain their current and

future capital needs and otherwise meet their service obligations to their Customers.

These conditions do not supersede any orders or directives of the Commission regarding specific securities issuances by DENC, PSNC, or Dominion Energy. The approval of the Merger by the Commission does not restrict the Commission's right to review, and by order to adjust, DENC's or PSNC's cost of capital for ratemaking purposes for the effect(s) of the securities-related transactions associated with the Merger.

- 7.1 Accounting for Equity Investment in Subsidiaries. Dominion Energy shall maintain its books and records so that any net equity investment in CNG or SCANA, their subsidiaries, or their successors, by Dominion Energy or any Affiliates can be identified and made available on an ongoing basis. This information shall be provided to the Public Staff upon its request.
- 7.2 Accounting for Capital Structure Components and Cost Rates. Dominion Energy, DENC, and PSNC shall keep their respective accounting books and records in a manner that will allow all capital structure components and cost rates of the cost of capital to be identified easily and clearly for each entity on a separate basis. This information shall be provided to the Public Staff upon its request.
- 7.3 Accounting for Equity Investment in DENC and PSNC. DENC and PSNC shall keep their respective accounting books and records so that the amount of Dominion Energy's equity investment in DENC and PSNC can be identified and made available upon request on an ongoing basis. This information shall be provided to the Public Staff upon request.
- 7.4 Reporting of Capital Contributions. As part of their Commission ES-1 and GS-1 Reports, DENC and PSNC shall include a schedule of any capital contribution(s) received from Dominion Energy in the applicable calendar quarter.
- 7.5 Identification of Long-term Debt Issued by DENC and PSNC. DENC and PSNC shall each identify as clearly as possible long-term debt (of more than one year's duration) that they issue in connection with their regulated utility operations and capital requirements or to replace existing debt.
- 7.6 Procedures Regarding Proposed Financings.
  - (a) The issuance of securities by Dominion Energy, DENC, or PSNC after the announcement of the Merger does not restrict the Commission's authority to review and, if required in order to establish just and reasonable rates, adjust the cost of capital of Dominion Energy, DENC, or PSNC, as the case may be, for ratemaking purposes.

- (b) For all types of financings for which PSNC (or its subsidiaries) are the issuers of the respective securities, PSNC (or its subsidiaries) shall request approval from the Commission to the extent required by G.S. 62-160 through G.S. 62-169 and Commission Rule R1-16. Generally, the format of these filings should be consistent with past practices. A "shelf registration" approach (similar to Docket No. E-7, Sub 727) may be requested.
  - (c) Securities issuances or financings that are associated with a merger, acquisition, or other business combination shall be filed in conjunction with the information requirements and deadlines stated in Regulatory Conditions 9.1 and 9.2, and this Condition 7.6 shall not apply to such securities issuances or financings.
- 7.7 Intercompany Revolving Line of Credit (Loan) Agreement Subject to the limitations imposed in Regulatory Condition 8.6, DENC and PSNC may borrow through Dominion Energy. Dominion Energy intends to have in place a one-way Intercompany Revolving Credit Agreement ("IRCA") that allows PSNC to borrow directly from Dominion Energy but does not allow for Dominion Energy (or Affiliates) to borrow from PSNC. Funds under the IRCA will be available on a daily basis, as needed. PSNC will file monthly reports on its participation in the Intercompany Revolving Line of Credit (Loan) Agreement.
- 7.8 Borrowing Arrangements. Subject to the limitations imposed in Regulatory Condition 8.6, DENC may borrow short-term funds through one or more joint external debt or credit arrangements (a Credit Facility), provided that the following conditions are met:
- (a) No borrowing by DENC under a Credit Facility shall exceed one year in duration, absent Commission approval;
  - (b) No Credit Facility shall include, as a borrower, any party other than DENC; and
  - (c) DENC's participation in any Credit Facility shall in no way cause it to guarantee, assume liability for, or provide collateral for any debt or credit other than its own.
  - (d) Should PSNC decide in the future to seek short-term financing via sources other than those permitted pursuant to Section 7.7, it will not do so without first notifying the Commission. PSNC will file monthly reports on any such short-term borrowings.
- 7.9 Long-Term Debt Fund Restrictions. DENC and PSNC shall acquire their respective long-term debt funds through the financial markets, and shall neither borrow from, nor lend to, on a long-term basis, Dominion Energy or



any of the other Affiliates. To the extent that either DENC or PSNC borrows on short-term or long-term bases in the financial markets and is able to obtain a debt rating its debt shall be rated under its own name.

## **SECTION VIII CORPORATE GOVERNANCE/RING FENCING**

The following Regulatory Conditions are intended to ensure the continued viability of DENC and PSNC and to insulate and protect DENC, PSNC, and DENC's Retail Native Load Customers and PSNC's Customers from the business and financial risks of Dominion Energy and the Affiliates within the Dominion Energy holding company system, including the protection of utility assets from liabilities of Affiliates.

- 8.1 Investment Grade Debt Rating. DENC and PSNC shall manage their respective businesses so as to maintain an investment grade debt rating on all of their rated debt issuances with all of the debt rating agencies. If Dominion Energy's or PSNC's debt rating falls within one notch of an investment grade rating by S&P and Moody; then, DENC and PSNC shall file written notice to the Commission and the Public Staff within five (5) days of such change and an explanation as to why the downgrade occurred. Within 45 days of such notice, DENC or PSNC shall provide the Commission and the Public Staff with a specific plan for maintaining and improving its debt rating. The Commission, after notice and hearing, may then take whatever action it deems necessary consistent with North Carolina law to protect the interests of DENC's Retail Native Load Customers and PSNC's Customers in the continuation of adequate and reliable service at just and reasonable rates.
- 8.2 Protection Against Debt Downgrade. To the extent the cost rates of any of DENC's or PSNC's long-term debt (more than one year) or short-term debt (one year or less) are adversely affected after closing of the Merger through a ratings downgrade of those entities attributable to the Merger, a replacement cost rate to remove the effect shall be used for all purposes affecting any of DENC's North Carolina retail rates and charges and PSNC's North Carolina rates and charges. This replacement cost rate shall be applicable to all financings, refundings, and refinancings taking place following an adverse change in ratings attributed to the Merger, and shall reflect the cost rate that is comparable to an issuer credit rating of a "BBB+" rating by S&P and aan "A2" rating by Moody's. If a downgrade has occurred and is continuing, a replacement cost calculation will be determined, as part of DENC's and PSNC's future general rate cases. This procedure shall be effective for five years following the merger. This Regulatory Condition does not indicate a preference for a specific debt rating or preferred stock rating for DENC or PSNC on current or prospective bases.

- 8.3 Distributions from DENC and PSNC to Holding Company. DENC and PSNC shall limit cumulative distributions paid to Dominion Energy subsequent to the Merger to (a) the amount of Retained Earnings on the day prior to the closure of the Merger, plus (b) any future earnings recorded by DENC and PSNC subsequent to the Merger. DENC and PSNC shall notify the Commission and Public Staff if the payment of any distributions or dividends results in DENC's and PSNC's actual common equity component of total capitalization falling below 45%, using the method of calculating equity levels under the ratemaking precedents of this Commission. The notification shall include a brief explanation and planned steps to remedy the balance of common equity.
- 8.4 Debt Ratio Restrictions. To the extent any of Dominion Energy's external debt or credit arrangements contain covenants restricting the ratio of debt to total capitalization on a consolidated basis to a maximum percentage of debt, Dominion Energy shall ensure that the capital structures of both DENC and PSNC individually meet those restrictions.
- 8.5 Dominion Energy, Inc. commits to use commercially reasonable efforts to maintain a "BBB+" issuer credit rating by S&P and aan "A2" rating by Moody's for PSNC and DENC.
- 8.6 Limitation on Continued Participation in Credit Arrangements with Affiliates. DENC and PSNC may participate in any authorized joint debt or credit arrangement as provided in Regulatory Conditions 7.7 and 7.8 only to the extent such participation is beneficial to DENC's respective Retail Native Load Customers and PSNC's Customers and does not negatively affect DENC's, or PSNC's ability to continue to provide adequate and reliable service at just and reasonable rates.
- 8.7 Notice of Level of Non-Utility Investment by Holding Company. In order to enable the Commission to determine whether the cumulative investment by Dominion Energy in assets, ventures, or entities other than regulated utilities is reasonably likely to have an Effect on DENC's or PSNC's Rates or Service so as to warrant Commission action (pursuant to Regulatory Condition 8.8 or other applicable authority) to protect DENC's Retail Native Load Customers or PSNC's Customers, Dominion Energy shall notify the Commission within 90 days following the end of any fiscal year for which Dominion Energy reports to the Securities and Exchange Commission assets in its operations other than regulated entities that are in excess of 22% of its consolidated total assets. The following procedures shall apply to such a notice:
- (a) Any interested party may file comments within 45 days of the filing of Dominion Energy's notice.

- (b) If timely comments are filed, the Public Staff shall place the matter on a Commission Staff Conference agenda as soon as possible, but in no event later than 15 days after the comments are filed, and shall make a recommendation as to how the Commission should proceed. If the Commission determines that the percentage of total assets invested in Dominion Energy's operations other than regulated entities is reasonably likely to have an Effect on DENC's or PSNC's Rates or Service so as to warrant action by the Commission to protect DENC's Retail Native Load Customers and PSNC's Customers, the Commission shall issue an order setting the matter for further consideration. If the Commission determines that the percentage threshold being exceeded does not warrant action by the Commission, the Commission shall issue an order so ruling.
- 8.8 Use of nuclear decommissioning funds. DENC's nuclear decommissioning funds shall not be used in full or in part for the purpose of the Merger or any other purpose other than providing financial assurance for decommissioning the Surry and North Anna nuclear power stations owned by DENC.
- 8.9 Notice by Holding Company of Certain Investments. Dominion Energy shall file a notice with the Commission subsequent to Board approval and as soon as practicable following any public announcement of any investment in a regulated utility or a non-regulated business that represents five (5) percent or more of Dominion Energy's book capitalization.
- 8.10 Ongoing Review of Effect of Holding Company Structure. The operation of DENC and PSNC under a holding company structure shall continue to be subject to Commission review. To the extent the Commission has authority under North Carolina law, it may order modifications to the structure or operations of Dominion Energy, the Service Company, another Affiliate, or a Nonpublic Utility Operation, and may take whatever action it deems necessary in the interest of DENC's Retail Native Load Customers and PSNC's Customers to protect the economic viability of DENC and PSNC, including the protection of DENC's and PSNC's public utility assets from liabilities of Affiliates.
- 8.11 Investment by DENC or PSNC in Non-regulated Utility Assets and Non-utility Business Ventures. Neither DENC nor PSNC shall invest in a non-regulated utility asset or any non-utility business venture exceeding \$50 million in purchase price or gross book value to DENC or PSNC unless it provides 30 days' advance notice. Regulatory Condition 13.2 shall apply to an advance notice filed pursuant to this Regulatory Condition. Purchases of assets, including land that will be held with a definite plan for future use in providing Electric Services in DENC's franchise area or

Natural Gas Services in PSNC's franchise area, shall be excluded from this advance notice requirement.

- 8.12 Investment by Holding Company in Exempt Wholesale Generators. By April 15 of each year, Dominion Energy shall provide to the Commission and the Public Staff a report summarizing Dominion Energy's investment in exempt wholesale generators (EWGs) and foreign utility companies (FUCOs) in relation to its level of consolidated retained earnings and consolidated total capitalization at the end of the preceding year. Exempt wholesale generator and foreign utility company are defined in Section 1262(6) of Subtitle F in Title XII of the Energy Policy Act of 2005 and have the same meanings for purposes of this condition.
- 8.13 Notice by DENC or PSNC of Default or Bankruptcy of Affiliate. If an Affiliate of DENC or PSNC experiences a default on an obligation that is material to Dominion Energy or files for bankruptcy, and such bankruptcy is material to Dominion Energy, DENC, or PSNC, DENC and PSNC shall notify the Commission in advance, if possible, or as soon as possible, but not later than ten days from such event.
- 8.14 Annual Report on Corporate Governance. No later than March 31 of each year, DENC and PSNC shall file a report including the following:
- (a) A complete, detailed organizational chart (i) identifying DENC, PSNC, and each Dominion Energy financial reporting segment, and (ii) stating the business purpose of each Dominion Energy financial reporting segment. Changes from the report for the immediately preceding year shall be summarized at the beginning of the report.
  - (b) A list of all Dominion Energy financial reporting segments that are considered to constitute non-regulated investments and a statement of each segment's total capitalization and the percentage it represents of Dominion Energy's non-regulated investments and total investments. Changes from the report for the immediately preceding year shall be summarized at the beginning of the report.
  - (c) An assessment of the risks that each unregulated Dominion Energy financial reporting segment could pose to DENC or PSNC based upon current business activities of those affiliates and any contemplated significant changes to those activities.
  - (d) A description of DENC's, PSNC's and each significant Affiliate's actual capital structure.
  - (e) A list of all protective measures (other than those provided for by these Regulatory Conditions) in effect between DENC, PSNC, and any of their Affiliates, and a description of the goal of each measure and how it achieves that goal, such as mitigation of DENC's and

PSNC's exposure in the event of a bankruptcy proceeding involving any Affiliate(s).

- (f) A list of corporate executive officers and other key personnel that are shared between DENC and PSNC, and any Affiliate, along with a description of each person's position(s) with, and duties and responsibilities to each entity.
- (g) A calculation of Dominion Energy's total book and market capitalization as of December 31 of the preceding year for common equity, preferred stock, and debt.

## **SECTION IX FUTURE MERGERS AND ACQUISITIONS**

The following Regulatory Conditions are intended to ensure that the Commission receives sufficient notice to exercise its lawful authority over proposed mergers, acquisitions, and other business combinations involving Dominion Energy, DENC, PSNC, other Affiliates, or the Nonpublic Utility Operations. The advance notice provisions set forth in Regulatory Condition 13.2 do not apply to these conditions.

- 9.1 Mergers and Acquisitions by or Affecting DENC or PSNC. For any proposed merger, acquisition, or other business combination by DENC or PSNC that would have an Effect on DENC or PSNC's Rates or Service, DENC, or PSNC shall file in a new Sub docket an application for approval pursuant to G S. 62-111(a) at least 180 days before the proposed closing date for such merger, acquisition, or other business combination.
- 9.2 Mergers and Acquisitions Believed Not to Have an Effect on DENC's, or PSNC's Rates or Service. For any proposed merger, acquisition, or other business combination that is believed not to have an Effect on DENC's, or PSNC's Rates or Service, but which involves Dominion Energy, other Affiliates, or the Nonpublic Utility Operations and which has a transaction value exceeding \$1.5 billion, the following shall apply:
  - (a) Advance notification shall be filed with the Commission in a new Sub docket by the merging entities at least 90 days prior to the proposed closing date for such proposed merger, acquisition or other business combination. The advance notification is intended to provide the Commission an opportunity to determine whether the proposed merger, acquisition, or other business combination is reasonably likely to affect DENC or PSNC so as to require approval pursuant to G S. 62-111(a). The notification shall contain sufficient information to enable the Commission to make such a determination. If the Commission determines that such approval is

required, the 180-day advance filing requirement in Regulatory Condition 9.1 shall not apply.

- (b) Any interested party may file comments within 45 days of the filing of the advance notification.
- (c) If timely comments are filed, the Public Staff shall place the matter on a Commission Staff Conference agenda as soon as possible, but in no event later than 15 days after the comments are filed, and shall recommend that the Commission issue an order deciding how to proceed. If the Commission determines that the merger, acquisition, or other business combination requires approval pursuant to G.S. 62-111(a), the Commission shall issue an order requiring the filing of an application, and no closing can occur until and unless the Commission approves the proposed merger, acquisition, or business combination. If the Commission determines that the merger, acquisition, or other business combination does not require approval pursuant to G.S. 62-111(a), the Commission shall issue an order so ruling. At the end of the notice period, if no order has been issued, Dominion Energy, any other Affiliate, or the Nonpublic Utility Operation may proceed with the merger, acquisition, or other business combination but shall be subject to any fully-adjudicated Commission order on the matter.

## **SECTION X STRUCTURE/ORGANIZATION**

The following Regulatory Conditions are intended to ensure that the Commission receives adequate notice of, and opportunity to review and take such lawful action as is necessary and appropriate with respect to, changes to the structure and organization of Dominion Energy, DENC, PSNC, and other Affiliates, and Nonpublic Utility operations as they may affect Customers.

- 10.1 Transfer of Services, Functions, Departments, Rights, Assets, or Liabilities. DENC and PSNC shall file notice with the Commission 30 days prior to the initial transfer or any subsequent transfer of any services, functions, departments, rights, obligations, assets, or liabilities from DENC or PSNC to the Service Company that (a) involves services, functions, departments, rights, obligations, assets, or liabilities other than those of a governance or corporate type nature that traditionally have been provided by a service company or (b) potentially would have a significant effect on DENC's or PSNC's public utility operations. The provisions of Regulatory Condition 13.2 apply to an advance notice filed pursuant to this Regulatory Condition.
- 10.2 Notice and Consultation with Public Staff Regarding Proposed Structural and Organizational Changes. Upon request, DENC and PSNC shall meet

and consult with, and provide requested relevant data to, the Public Staff regarding plans for significant changes in DENC's, PSNC's, or Dominion Energy's organization, structure (including RTO developments), and activities; the expected or potential impact of such changes on Customer rates, operations, and service; and proposals for assuring that such plans do not adversely affect DENC's Retail Native Load Customers or PSNC's Customers. To the extent that proposed significant changes are planned for the organization, structure, or activities of an Affiliate or Nonpublic Utility Operation and such proposed changes are likely to have an adverse impact on DENC's Retail Native Load Customers or PSNC's Customers, then DENC's and PSNC's plans and proposals for assuring that those plans do not adversely affect their Customers must be included in these meetings. DENC and PSNC shall inform the Public Staff promptly of any such events and changes.

## **SECTION XI SERVICE QUALITY**

The following Regulatory Conditions are intended to ensure that DENC and PSNC continue to implement and further their commitment to providing superior public utility service by meeting recognized service quality indices and implementing industry best practices of each other and their Utility Affiliates, to the extent reasonably practicable.

- 11.1 Overall Service Quality. Upon consummation of the Merger, DENC and PSNC each shall continue their commitment to providing superior public utility service and shall maintain the overall reliability of Electric Services and Natural Gas Services at levels no less than the overall levels it has achieved in the past decade.
- 11.2 Superior bundled retail electric service. DENC will continue to take all reasonable and prudent actions necessary to continue to provide its North Carolina retail customers with superior bundled retail electric service including but not limited to: reliable generation, transmission, and distribution service; minimization of power outages; efficient restoration of service; and responsive customer service.
- 11.3 Best Practices. DENC and PSNC shall make every reasonable effort to incorporate each other's industry best practices into its own practices to the extent reasonably practicable.
- 11.4 Quarterly Reliability Reports. DENC shall provide quarterly service reliability reports to the Public Staff on the following measures: System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI).

- 11.5 Notice of NERC Audit. At such time as DENC receives notice that the North American Electric Reliability Corporation (NERC) or the SERC Reliability Corporation will be conducting a non-routine compliance audit with respect to DENC's compliance with mandatory reliability standards, DENC shall notify the Public Staff.
- 11.6 Right-of-Way Maintenance Expenditures (DENC). DENC shall budget and expend sufficient funds to trim and maintain its lower voltage line rights-of-way and its distribution rights-of-way in a manner consistent with its internal right-of-way clearance practices and Commission Rule R8-26. In addition, DENC shall track annually, on a major category basis, departmental or division budget requests, approved budgets, and actual expenditures for right-of-way maintenance.
- 11.7 Right-of-Way Maintenance Expenditures (PSNC). PSNC shall budget and expend sufficient funds to maintain its pipeline rights-of-way so as to allow ready access by personnel and vehicles for the purpose of responding to pipeline damage, conducting leak and corrosion surveys, performing maintenance activities, and ensuring system integrity, safety, and reliability.
- 11.8 Right-of-Way Clearance Practices (DENC). DENC shall provide a copy of its internal right-of-way clearance practices to the Public Staff, and shall promptly notify the Public Staff of any significant changes or modifications to the practices or maintenance schedules.
- 11.9 Right-of-Way Clearance Practices (PSNC). PSNC shall provide a copy of its Operating and Maintenance Manual to the Public Staff and shall promptly notify the Public Staff in writing of any substantive changes to the practices or maintenance schedules.
- 11.10 Meetings with Public Staff.
- (a) DENC and PSNC shall each meet annually with the Public Staff to discuss service quality initiatives and results, including (i) ways to monitor and improve service quality, (ii) right-of-way maintenance practices, budgets, and actual expenditures, and (iii) plans that could have an effect on customer service, such as changes to call center operations.
  - (b) DENC and PSNC shall each meet with the Public Staff at least annually to discuss potential new tariffs, programs, and services that enable its customers to appropriately manage their energy bills based on the varied needs of their customers.
  - (c) DENC also commits to provide such other data as required by the Commission ~~NCUC~~ and/or the Public Staff, including information on



transmission and generation reliability. DENC will meet with the Public Staff every six months to review such reports and other operational information.

- 11.11 Customer Access to Service Representatives and Other Services. DENC and PSNC shall continue to have knowledgeable and experienced customer service representatives available 24 hours a day to respond to service outage calls and during normal business hours to handle all types of customer inquiries. DENC and PSNC shall also maintain up-to-date and user-friendly online services and automated telephone service 24 hours a day to perform routine customer interactions and to provide general billing and customer information.
- 11.12 Customer Surveys. DENC and PSNC shall continue to survey their Customers regarding their satisfaction with public utility service and shall incorporate this information into their processes, programs, and services.

## **SECTION XII TAX MATTERS**

The following Regulatory Conditions are intended to ensure that DENC's Retail Native Load Customers and PSNC's North Carolina Customers do not bear any additional income taxes as a result of the Merger and receive an appropriate share of any income tax benefits associated with the service company Affiliates.

- 12.1 Costs Under Tax Sharing Agreements. Under any tax sharing agreement, DENC and PSNC shall not seek to recover from North Carolina Customers any taxes that exceed DENC's or PSNC's tax liability calculated as if it were a stand-alone, taxable entity for tax purposes.
- 12.2 Taxes Associated with Service Companies. The appropriate portion of any taxes or tax benefits associated with the Service Company shall accrue to the North Carolina retail operations of DENC and PSNC for regulatory accounting, reporting, and ratemaking purposes.

## **SECTION XIII PROCEDURES**

The following Regulatory Conditions are intended to apply to all filings made pursuant to these Regulatory Conditions unless otherwise expressly provided by, Commission order, rule, or statute.

- 13.1 Filings that Do Not Involve Advance Notice. Regulatory Condition filings that are not subject to Regulatory Condition 13.2 shall be made in sub-dockets of Docket Nos. E-22, Sub 551 and G-5, Sub 585, as follows:

- (a) Filings related to affiliate matters required by Regulatory Conditions 4.3, 4.4, 4.5, 4.6, 4.7, and 4.217, and Sections III.B.11 and III.D.8 of the Code of Conduct, shall be made by DENC and PSNC in Subs 551A and 585A, respectively;
- (b) Filings related to financings required by Regulatory Condition 7.67.7 and 7.8, and the filings required by Regulatory Conditions 8.1, 8.3, 8.7, 8.9, 8.12, 8.13, and 8.14, shall be made by DENC and PSNC in Subs 551B and 585B, respectively;
- (c) Filings related to compliance as required by Regulatory Condition 14.4 and filings required by Sections III.A.2(k), III.A.3(e), III.A.3(f), and III.D.5, and ~~III.D.8~~ of the Code of Conduct shall be made by DENC and PSNC in Subs 551C and 585C, respectively;
- ~~(d)~~ Filings related to orders and filings with the FERC, as required by Regulatory Conditions ~~3.9 and 4.13~~ and Section III.A.3(g) of the Code of Conduct shall be made by DENC and PSNC in Subs 551D and 585D, respectively.
- ~~(d)~~(e) Filings related to notices from the FERC of audits of any Affiliate of DENC or PSNC, as required by Regulatory Condition 4.12, shall be made by DENC and PSNC in Subs 551E and 585E, respectively.

13.2 Advance Notice Filings. Advance notices filed pursuant to Regulatory Conditions ~~3.1(b), 3.3(b), 4.3(e), 4.4(b), 8.119~~, and 10.1 shall be assigned a new, separate Sub docket. Such a filing shall identify the condition and notice period involved and state whether other regulatory approvals are required and shall be in the format of a pleading, with a caption, a title, allegations of the activities to be undertaken, and a verification. Advance notices may be filed under seal if necessary. The following additional procedures apply:

- (a) Advance notices of activities to be undertaken shall not be filed until sufficient details have been decided upon to allow for meaningful discovery as to the proposed activities.
- (b) The Chief Clerk shall distribute a copy of advance notice filings to each Commissioner and to appropriate members of the Commission Staff and Public Staff.
- (c) DENC or PSNC shall serve such advance notices on each party to Docket Nos. E-22, Sub 551 and G-5, Sub 585, respectively, that has filed a request to receive them with the Commission within 30 days of the issuance of an order approving the Merger in this docket. These parties may participate in the advance notice proceedings without petitioning to intervene. Other interested

persons shall be required to follow the Commission's usual intervention procedures.

- (d) To effectuate this Regulatory Condition, DENC or PSNC shall serve pertinent information on all parties at the time it serves the advance notice. During the advance notice period, a free exchange of information is encouraged, and parties may request additional relevant information. If DENC or PSNC objects to a discovery request, DENC or PSNC and the requesting party shall try to resolve the matter. If the parties are unable to resolve the matter, DENC or PSNC may file a motion for a protective order with the Commission.
- (e) The Public Staff shall investigate and file a response with the Commission no later than 15 days before the notice period expires. Any other interested party may also file a response or objection within 15 days before the notice period expires. DENC or PSNC may file a reply to the response(s).
- (f) The basis for any objection to the activities to be undertaken shall be stated with specificity. The objection shall allege grounds for a hearing, if such is desired.
- (g) If neither the Public Staff nor any other party files an objection to the activities within 15 days before the notice period expires, no Commission order shall be issued, and the Sub docket in which the advance notice was filed may be closed.
- (h) If the Public Staff or any other party files a timely objection to the activities to be undertaken by DENC or PSNC, the Public Staff shall place the matter on a Commission Staff Conference agenda as soon as possible, but in no event later than two weeks after the objection is filed, and shall recommend that the Commission issue an order deciding how to proceed as to the objection. The Commission reserves the right to extend an advance notice period by order should the Commission need additional time to deliberate or investigate any issue. At the end of the notice period, if no objection has been filed by the Public Staff and no order, whether procedural or substantive, has been issued, DENC, PSNC, Dominion Energy, any other Affiliate, or the Nonpublic Utility Operation may execute the proposed agreement, proceed with the activity to be undertaken, or both, but shall be subject to any fully-adjudicated Commission order on the matter.
- (i) If the Commission schedules a hearing on an objection, the party filing the objection shall bear the burden of proof at the hearing.

- (j) The precedential effect of advance notice proceedings, like most issues of res judicata, will be decided on a fact-specific basis.
- (k) If some other Commission filing or Commission approval is required by statute, notice pursuant to a Regulatory Condition alone does not satisfy the statutory requirement.

## **SECTION XIV COMPLIANCE WITH CONDITIONS AND CODE OF CONDUCT**

The following Regulatory Conditions are intended to ensure that Dominion Energy, DENC, PSNC, and all other Affiliates establish and maintain the structures and processes necessary to fulfill the commitments expressed in all of the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner.

- 14.1 Ensuring Compliance with Regulatory Conditions and Code of Conduct. Dominion Energy, DENC, PSNC, and all other Affiliates shall devote sufficient resources into the creation, monitoring, and ongoing improvement of effective internal compliance programs to ensure compliance with all Regulatory Conditions and the Code of Conduct, and shall take a proactive approach toward correcting any violations and reporting them to the Commission. This effort shall include the implementation of systems and protocols for monitoring, identifying, and correcting possible violations, a management culture that encourages compliance among all personnel, and the tools and training sufficient to enable employees to comply with Commission requirements.
- 14.2 Designation of Chief Compliance Officer. DENC and PSNC shall designate a chief compliance officer who will be responsible for compliance with the Regulatory Conditions and Code of Conduct. This person's name and contact information must be posted on DENC's and PSNC's Internet Websites.
- 14.3 Annual Training. DENC and PSNC shall implement within one (1) year of the closing of the Merger an annual training program on the requirements and standards contained within the Regulatory Conditions and Code of Conduct to all of their employees (including service company employees) whose duties in any way may be affected by such requirements and standards. New employees must receive such training within the first 60 days of their employment. Each employee who has taken the training must certify electronically or in writing that s/he has completed the training.
- 14.4 Report of Violations. If DENC or PSNC discover that a violation of their requirements or standards contained within the Regulatory Conditions and Code of Conduct has occurred then DENC or PSNC shall file a statement with the Commission in Docket Nos. E-22, Sub 551C and G-5, Sub 585C,

respectively, describing the circumstances leading to that violation of DENC's or PSNC's requirements or standards, as contained within the Regulatory Conditions and Code of Conduct, and the mitigating and other steps taken to address the current or any future potential violation.

## **SECTION XV PROCEDURES FOR DETERMINING LONG-TERM SOURCES OF PIPELINE CAPACITY AND SUPPLY**

The following Regulatory Conditions are intended to ensure the continued practices of DENC and PSNC for determining long-term sources of pipeline capacity and supply.

- 15.1 Cost-benefit Analysis. The appropriate source(s) for the interstate pipeline capacity and supply shall be determined by DENC on the basis of the benefits and costs of such source(s) specific to its electric customers. The appropriate source(s) for the interstate pipeline capacity and supply shall be determined by PSNC on the basis of the specific benefits and costs of such source(s) specific to its natural gas customers, including electric power generating customers. PSNC shall not contract with an Affiliate interstate pipeline for additional capacity with a contractual term of ten years or more unless or until it has issued a request for proposals to obtain such capacity and considers the proposals in good faith. PSNC shall not contract with an Affiliate interstate pipeline for additional capacity with a contractual term of ten years or more unless the Affiliate is the least cost provider of such capacity or unless otherwise approved by the Commission.
- 15.2 Ownership and Control of Contracts. Except as provided in Code of Conduct Section III.D.5 (Joint purchases), PSNC shall retain title, ownership, and management of all gas contracts necessary to ensure the provision of reliable Natural Gas Services consistent with PSNC's best cost gas and capacity procurement methodology.

## **SECTION XVI RATE REDUCTION, MOST FAVORED NATION CLAUSE, AND OTHER RATEPAYER PROTECTION MATTERS**

The following Regulatory Conditions are intended to ensure, through rate and other protections for PSNC's North Carolina retail ratepayers, that the benefits of the Merger are equal to or surpass the costs of the merger to those ratepayers.

- 16.1 Bill Credit - PSNC will create a regulatory liability of \$3.75 million representing a refund to customers of 2017 revenues and will subsequently provide such refund to customers as a bill credit of \$1.25

million on January 1, 2019 or as soon thereafter as practicable, another bill credit of \$1.25 million on January 1, 2020, and a final bill credit of \$1.25 million on January 1, 2021.

- 16.2 Rate Moratorium - PSNC will not file an application for a general rate case proceeding to adjust its rates and charges before April 20, 2021. PSNC will not increase its non-gas cost margin in its rates until November 1, 2021, except for the following reasons: (1) adjustments or changes pursuant to Rider C (Customer Usage Tracker), Rider D (Purchased Gas Adjustment Procedures), and Rider E (Integrity Management Tracker) pursuant to G.S. 62-133.4, G.S. 62-133.7, and G.S. 62-133.7A; (2) to reflect the financial impact of governmental action (legislative, executive, or regulatory) having a substantial specific impact on the gas industry generally or on a segment thereof that includes PSNC, including but not limited to major expenditures for environmental compliance; (3) to implement natural gas expansion surcharges imposed pursuant to G.S. 62-158; or (4) to reflect the financial impact of major expenditures associated with force majeure. In addition, PSNC shall not file for any cost deferral during or covering any period from the date of an order approving the merger until after October 31, 2021, except: (1) to reflect the financial impact of governmental action (legislative, executive, or regulatory) having a substantial specific impact on the gas industry generally or on a segment thereof that includes PSNC, including but not limited to major expenditures for environmental compliance; or (2) to reflect the financial impact of major expenditures associated with force majeure. This provision does not indicate that the Public Staff would support, or that the Commission would approve, such cost deferral.
- 16.3 Customer Service: PSNC agrees to maintain current levels of customer service and behavior towards customers, as well as current levels of professional cooperation with regulators, consumer advocates, and intervenors.
- 16.4 Cost Saving Opportunities: The electric utility operations of DENC and SCE&G, along with their affiliates and subsidiaries, will look for post-Merger opportunities to engage in joint planning, purchasing, and services that will result in cost savings to DENC's retail electric customers, while not compromising reliability or service quality.
- 16.5 Most Favored Nations Clause - Following the approval of the Merger by the state commissions of Georgia, South Carolina, and any other jurisdictions where DENC or PSNC must obtain approval, and approval of merger-related affiliate agreements and any other merger-related filings required to be or otherwise approved by any applicable jurisdiction, any mechanisms pursuant to which benefits and ratepayer protections are provided to DENC and/or PSNC retail customers in each of these states will be reviewed to identify the states in which each of DENC's and/or

PSNC's retail customers will receive the largest financial (including, but not limited to, rate reductions, rebates, refunds, other payments, bill credits, rate moratoriums, etc.) and non-financial benefits, and other ratepayer protections, on a per customer or pro rata basis. If the application of those benefits to DENC's and/or PSNC's North Carolina retail ratepayers would result in a greater level of benefits and/or protections than that which has otherwise been provided for their North Carolina retail customers in these Regulatory Conditions, then the benefits and protections to that utility's North Carolina retail ratepayers will be increased to match the greatest level of benefits and protections provided to the DENC and/or PSNC retail ratepayers in any of the other jurisdictions. Application of this methodology is intended to ensure that DENC's and PSNC's North Carolina retail customers receive the benefit of a "Most Favored Nation" status with regard to the provision of Merger benefits and protections among the states named above. In no event will the application of the methodology cause North Carolina retail customers' benefits or protections to be reduced. To facilitate this review, DENC and PSNC will jointly file final Orders, Stipulations, etc., from all jurisdictions listed above.

**CODE OF CONDUCT GOVERNING  
THE RELATIONSHIPS AMONG  
DOMINION ENERGY NORTH CAROLINA, PUBLIC SERVICE COMPANY  
OF NORTH CAROLINA, INC., THEIR AFFILIATES, AND THEIR  
NONPUBLIC UTILITY OPERATIONS**

I. **DEFINITIONS**

For purposes of this Code of Conduct, the terms listed below shall have the following definitions:

**Affiliate:** Dominion Energy, or any business entity of which ten percent (10%) or more is owned or controlled, directly or indirectly, by Dominion Energy. For purposes of this Code of Conduct, Dominion Energy and any business entity controlled by it are considered to be Affiliates of DENC and PSNC, and DENC and PSNC are considered to be Affiliates of each other.

**Commission:** The North Carolina Utilities Commission.

**Confidential Systems Operation Information or CSOI:** Non-public information that pertains to Electric Services provided by DENC, including, but not limited to, information concerning electric generation, transmission, distribution, or sales, and non-public information that pertains to Natural Gas Services provided by PSNC, including, but not limited to, information concerning transportation, storage, distribution, gas supply, or other similar information.

**Customer:** Any retail electric customer of DENC in North Carolina and any Commission-regulated natural gas sales or natural gas transportation customer of PSNC located in North Carolina.

**Customer Information:** Non-public information or data specific to a Customer or a group of Customers, including, but not limited to, electricity consumption, natural gas consumption, load profile, billing history, or credit history, that is or has been obtained or compiled by DENC or PSNC in connection with the supplying of Electric Services or Natural Gas Services to that Customer or group of Customers.

**DENC:** Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina, the business entity, wholly owned by Dominion Energy, that holds the franchises granted by the Commission to provide Electric Services within its North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina. DENC refers to the system business and operation of Virginia Electric and Power Company, and not simply the North Carolina retail assigned or allocated portions of that business and operation.



**Dominion Energy:** Dominion Energy, Inc., which is the current holding company parent corporation of DENC and PSNC, and any successor company.

**Electric Services:** Commission-regulated electric power generation, transmission, distribution, delivery, and retail sales, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, standby service, backups, and changeovers of electric service to other suppliers.

**FERC:** The Federal Energy Regulatory Commission.

**Fuel and Purchased Power Supply Services:** All fuel for generating electric power and purchased power obtained by DENC from sources other than DENC for the purpose of providing Electric Services.

**Fully Distributed Cost:** All direct and indirect costs, including overheads and an appropriate cost of capital, incurred in providing the goods and services in question.

**Gas Marketing Affiliate:** An Affiliate, the business unit of an Affiliate, or the Nonpublic Utility Operations of PSNC that is engaged in the unregulated sale, arrangement, brokering, or management of gas supply, pipeline capacity, or gas storage.

**Gas Marketing Affiliate Personnel:** An employee or other representative of a Gas Marketing Affiliate that is involved in fulfilling the business purpose of the gas marketing affiliate. An officer or board member of both PSNC and a Gas Marketing Affiliate shall not be considered Gas Marketing Affiliate Personnel unless that individual is directly involved in the day-to-day fulfillment of the business purpose of the Gas Marketing Affiliate.

**Market Value:** The price at which property, goods, or services would change hands in an arm's-length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

**Merger:** All transactions contemplated by the Agreement and Plan of Merger between Dominion Energy and SCANA Corporation.

**Natural Gas Services:** Commission-regulated natural gas sales and natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering and billing, and standby service.

**Nonaffiliated Gas Marketer:** An entity, not affiliated with DENC or PSNC, engaged in the unregulated sale, arrangement, brokering, or management of gas supply, pipeline capacity, or gas storage.

**Nonpublic Utility Operations:** All business operations engaged in by DENC or PSNC involving activities (including the sales of goods or services) that are not regulated by the Commission or otherwise subject to public utility regulation at the state or federal level.

**Non-Utility Affiliate:** Any Affiliate, including Service Company, other than a Utility Affiliate, DENC, or PSNC.

**Personnel:** An employee or other representative of DENC, PSNC, Dominion Energy, another Affiliate, or a Nonpublic Utility Operation, who is involved in fulfilling the business purpose of that entity.

**PSNC:** Public Service Company of North Carolina, Inc., the business entity, wholly owned by Dominion Energy and SCANA, that holds the franchise granted by the Commission to provide Natural Gas Services within its North Carolina service territory and that engages in public utility operations, as defined in G.S. 62-3(23), within the State of North Carolina.

**PSNC Operating Personnel:** An employee or other representative of PSNC that is directly involved on a day-to day basis in the acquisition, marketing, pricing, or scheduling of gas supply, interstate pipeline capacity, or gas storage facilities on behalf of PSNC. PSNC Operating Personnel also includes personnel directly on a day-to day basis involved in managing PSNC's facilities or responsible for determining which Customers to curtail, or involved in selling products and services to PSNC's Customers eligible to purchase gas, products, and services from persons other than PSNC.

**Public Staff:** The Public Staff of the North Carolina Utilities Commission.

**Regulatory Conditions:** The conditions imposed by the Commission in connection with or related to the Merger.

**Service Company:** A centralized service company Affiliate that provides Shared Services to DENC, PSNC, other Affiliates, and/or the Nonpublic Utility Operations of DENC or PSNC, singly or in any combination.

**Shared Services:** The services that meet the requirements of the Regulatory Conditions approved in Docket Nos. E-22, Sub 551 and G-5, Sub 585, or subsequent orders of the Commission, and that the Commission has explicitly authorized DENC and PSNC to take from Service Company pursuant to a service agreement (a) filed with the Commission pursuant to G.S. 62-153(b), thus requiring acceptance and authorization by the Commission, and (b) subject to all other applicable provisions of North

Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

**Shipper:** A Gas Marketing Affiliate, Nonaffiliated Gas Marketer, a municipal gas customer, or an end-user of gas.

**Utility Affiliates:** The regulated utility operations of The East Ohio Gas Company (Dominion Energy Ohio), Hope Gas, Inc. (Dominion Energy West Virginia), Questar Gas Company (Dominion Energy Utah, Dominion Energy Wyoming, and Dominion Energy Idaho), and South Carolina Electric & Gas Company (SCE&G).

## II. GENERAL

This Code of Conduct establishes the minimum guidelines and rules that apply to the relationships, transactions, and activities involving the public utility operations of DENC and PSNC, Dominion Energy, other Affiliates, or the Nonpublic Utility Operations of DENC and PSNC, to the extent such relationships, transactions, and activities affect operations of DENC and PSNC in their respective service areas. DENC, PSNC, and the other Affiliates are bound by this Code of Conduct pursuant to Regulatory Condition 5.1 approved by the Commission in Dockets No. E-22, Sub 551, and G-5, Sub 585. This Code of Conduct is subject to modification by the Commission as the public interest may require, including, but not limited to, addressing changes in the organizational structure of DENC, PSNC, Dominion Energy, other Affiliates, or the Nonpublic Utility Operations; changes in the structure of the electric industry or natural gas industry; or other changes that warrant modification of this Code.

DENC or PSNC may seek a waiver of any aspect of this Code of Conduct by filing a request with the Commission showing that circumstances in a particular case justify such a waiver.

## III. STANDARDS OF CONDUCT

### A. Independence and Information Sharing

#### 1. Separation:

- (a) DENC, PSNC, Dominion Energy, and the other Affiliates shall operate independently of each other and in physically separate locations to the maximum extent practicable; provided, however, that (i) Gas Marketing Affiliate Personnel must be located in a facility that is physically separate from that used by the PSNC Operating Personnel performing similar functions and (ii) to the extent that the Commission

has approved or accepted a service company-to-utility or utility-to-utility service agreement or list, DENC, PSNC, Dominion Energy, and the other Affiliates may operate as described in the agreement or list on file at the Commission. DENC, PSNC, Dominion Energy, and each of the other Affiliates shall maintain separate books and records. Each of DENC's and PSNC's Nonpublic Utility Operations shall maintain separate records from those of DENC's and PSNC's public utility operations to ensure appropriate cost allocations and any arm's-length transaction requirements.

- (b) PSNC Operating Personnel may not perform any of the following functions on behalf of a Gas Marketing Affiliate:
  - (i) Purchase gas, pipeline capacity, or storage capacity.
  - (ii) Market or sell gas and related services.
  - (iii) Price or administer products and services.
  - (iv) Hire and/or train Gas Marketing Affiliate Personnel.
  - (v) Offer consulting services regarding gas functions.
- (c) With respect to PSNC and a Gas Marketing Affiliate, an individual may be an officer or a member of the board of directors of both PSNC and a Gas Marketing Affiliate provided that the individual does not obtain or use knowledge of market-sensitive information for more than one of the entities. PSNC shall post on its website the identity, job title, and responsibilities for each officer or board member that falls within the definition of PSNC Operating Personnel.

2. Disclosure of Customer Information:

- (a) Upon request, and subject to the restrictions and conditions contained herein, DENC and PSNC may provide Customer Information to Dominion Energy or another Affiliate under the same terms and conditions that apply to the provision of such information to non-

Affiliates. In addition, DENC may provide Customer Information to its Nonpublic Utility Operations under the same terms and conditions that apply to the provision of such information to non-Affiliates.

- (b) Except as provided in Section III.A.2.(f), Customer Information shall not be disclosed to any Affiliate or non-affiliated third party without the Customer's consent, and then only to the extent specified by the Customer. Consent to disclosure of Customer Information to Affiliates of DENC and PSNC or to DENC's Nonpublic Utility Operations may be obtained by means of written, electronic, or recorded verbal authorization upon providing the Customer with the information set forth in Attachment A or in a format that is otherwise acceptable to the Public Staff; provided, however, that DENC and PSNC retain such authorization for verification purposes for as long as the authorization remains in effect. Written, electronic, or recorded verbal authorization or consent for the disclosure of PSNC's Customer Information to PSNC's Nonpublic Utility Operations is not required.
- (c) If the Customer allows or directs DENC or PSNC to provide Customer Information to Dominion Energy, another Affiliate, or to DENC's Nonpublic Utility Operations, then DENC or PSNC shall ask if the Customer would like the Customer Information to be provided to one or more non-Affiliates. If the Customer directs DENC or PSNC to provide Customer Information to one or more non-Affiliates, the Customer Information shall be disclosed to all entities designated by the Customer contemporaneously and in the same manner.
- (d) Section III.A.2 shall be permanently posted on DENC's and PSNC's website(s).
- (e) No DENC or PSNC employee who is transferred to Dominion Energy or another Affiliate shall be permitted to copy or otherwise compile any Customer Information for use by such entity except as authorized by the Customer pursuant to Section III.A.2.(b). DENC and PSNC shall not transfer any employee to Dominion Energy or another Affiliate for the purpose of disclosing or providing Customer Information to such entity.

- (f) Notwithstanding the prohibitions established by this Section III.A.2:
- (i) DENC and PSNC may disclose Customer Information to Service Company, any other Affiliate, or a non-affiliated third party without Customer consent to the extent necessary for the Affiliate or non-affiliated third party to provide goods or services to DENC or PSNC and upon the written agreement of the other Affiliate or non-affiliated third party to protect the confidentiality of such Customer Information. To the extent the Commission approves a list of services to be provided and taken pursuant to one or more utility-to-utility service agreements, then Customer Information may be disclosed pursuant to the foregoing exception to the extent necessary for such services to be performed.
  - (ii) DENC may disclose Customer Information to its Nonpublic Utility Operations without Customer consent to the extent necessary for the Nonpublic Utility Operations to provide goods or services to DENC and upon the written agreement of the Nonpublic Utility Operations to protect the confidentiality of such Customer Information.
  - (iii) DENC and PSNC may disclose Customer Information if a state or federal regulatory agency or court of competent jurisdiction over the disclosure of the Customer Information requires the disclosure.
  - (iv) DENC may disclose Customer Information to PJM Interconnection, L.L.C. (PJM), and its Market Monitoring Unit (MMU), without Customer consent, but only to the extent necessary for PJM or PJM's MMU to perform duties for DENC as allowed in Docket No. E-22, Sub 418, the performance of which requires the provision of Customer Information. DENC shall designate Customer Information as confidential, or shall direct PJM and PJM's MMU to treat Customer Information as confidential, prior to such provision, and any Customer Information provided shall be considered to be "a Member's

confidential data or information” pursuant to, and subject to the provisions of, Section 18.17 of the PJM Operating Agreement; provided, however, that in the event Section 18.17 is changed, the exception provided herein is subject to review by the Commission to determine whether the changed procedures provide sufficient protection. DENC may not authorize PJM or PJM’s MMU to release such Customer Information except as allowed by this section.

- (g) DENC and PSNC shall take appropriate steps to store Customer Information in such a manner as to limit access to those persons permitted to receive it and shall require all persons with access to such information to protect its confidentiality.
- (h) DENC and PSNC shall establish guidelines for its employees and representatives to follow with regard to complying with this Section III.A.2.
- (i) No Service Company employee may use Customer Information to market or sell any product or service to DENC’s or PSNC’s Customers, except in support of a Commission-approved rate schedule or program or a marketing effort managed and supervised directly by DENC or PSNC.
- (j) Service Company employees with access to the Customer Information must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the Customer Information by employees of Service Company that do not have access to such information, or by other employees of Dominion Energy or other Affiliates or Nonpublic Utility Operations of DENC.
- (k) Should any inappropriate disclosure of DENC or PSNC Customer Information occur at any time, DENC or PSNC shall promptly file a statement with the Commission describing the circumstances of the disclosure, the Customer Information disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.

- (l) Notwithstanding the foregoing, PSNC shall not disclose information provided by Nonaffiliated Gas Marketers and Customers to its Gas Marketing Affiliate, unless such parties specifically authorize disclosure of the information.

3. Disclosure of Confidential Systems Operation Information – The disclosure of Confidential Systems Operation Information of DENC and PSNC shall be governed as follows:

- (a) CSOI shall not be disclosed by DENC or PSNC to an Affiliate or a Nonpublic Utility Operation unless it is disclosed to all competing non-Affiliates contemporaneously and in the same manner. Disclosure to non-Affiliates is not required under the following circumstances:
  - (i) The CSOI is necessary for the performance of services approved to be performed pursuant to one or more Affiliate utility-to-utility service agreements.
  - (ii) A state or federal regulatory agency or court of competent jurisdiction over the disclosure of the CSOI requires the disclosure.
  - (iii) The CSOI is provided to employees of Service Company or to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.
  - (iv) The CSOI is provided to employees of DENC's or PSNC's Utility Affiliates for the purpose of sharing best practices and otherwise improving the provision of regulated utility service.
  - (v) The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission pursuant to G.S. 62-153, provided that the agreement specifically describes the types of CSOI to be disclosed.
  - (vi) Disclosure is otherwise essential to enable DENC to provide Electric Services to its



Customers or for PSNC to provide Natural Gas Services to its Customers.

- (vii) Disclosure of the CSOI is necessary for compliance with the Sarbanes-Oxley Act of 2002.
- (b) Any CSOI disclosed pursuant to Section III.A.3.(a)(i)-(vi) shall be disclosed only to employees that need the CSOI for the purposes covered by those exceptions and in as limited a manner as possible. The employees receiving such CSOI must be prohibited from acting as conduits to pass the information to any Affiliate(s) and must have explicitly agreed to protect the confidentiality of such CSOI.
- (c) For disclosures pursuant to Section III.A.3.(a)(vi) and (vii), DENC and PSNC shall include in their annual affiliated transaction reports the following information:
  - (i) The types of CSOI disclosed and the name(s) of the Affiliate(s) to which it is being, or has been, disclosed;
  - (ii) The reasons for the disclosure; and
  - (iii) Whether the disclosure is intended to be a one-time occurrence or an ongoing process.

To the extent a disclosure subject to the reporting requirement is intended to be ongoing, only the initial disclosure and a description of any processes governing subsequent disclosures need to be reported.

- (d) DENC, PSNC, and Service Company employees with access to CSOI must be prohibited from making any improper indirect use of the data, including directing or encouraging any actions based on the CSOI by employees that do not have access to such information, or by other employees of Dominion Energy or other Affiliates or Nonpublic Utility Operations of DENC and PSNC.
- (e) Should the handling or disclosure of CSOI by the Service Company, or another Affiliate or Nonpublic Utility Operation, or its respective employees, result in (i) a violation of DENC's FERC Statement of

Policy and Code of Conduct (FERC Code), 18 CFR 358 - Standards of Conduct for Transmission Providers (Transmission Standards), or any other relevant FERC standards or codes of conduct, (ii) the posting of such data on an Open Access Same-Time Information System (OASIS) or other Internet website, or (iii) other public disclosure of the data, DENC and PSNC shall promptly file a statement with the Commission in Docket Nos. E-22, Sub 551C, and G-5, Sub 585C, respectively, describing the circumstances leading to such violation, posting, or other public disclosure describing the circumstances leading to such violation, posting, or other public disclosure, any data required to be posted or otherwise publicly disclosed, and the steps taken to mitigate the effects of the current and prevent any future potential violation, posting, or other public disclosure.

- (f) Should any inappropriate disclosure of CSOI occur at any time, DENC or PSNC shall promptly file a statement with the Commission in Dockets No. E-22, Sub 551C, and G-5, Sub 585C, respectively, describing the circumstances of the disclosure, the CSOI disclosed, the results of the disclosure, and the steps taken to mitigate the effects of the disclosure and prevent future occurrences.
- (g) Unless publicly noticed and generally available, should the FERC Code, the Transmission Standards, or any other relevant FERC standards or codes of conduct be eliminated, amended, superseded, or otherwise replaced, DENC and PSNC shall file a letter with the Commission in Docket Nos. E-22, Sub 551DE, and G-5, Sub 585DE, respectively, describing such action within 60 days of the action, along with a copy of any amended or replacement document.

## **B. Nondiscrimination**

1. General – DENC’s and PSNC’s employees and representatives shall not unduly discriminate against non-Affiliated entities.

2. Preferences – In responding to requests for Electric Services, Natural Gas Services, or both, DENC and PSNC shall not provide any preference to Dominion Energy, another Affiliate, or a Nonpublic Utility

Operation, or to any customers of such an entity, as compared to non-Affiliates or their customers. Moreover, neither DENC, PSNC, Dominion Energy, nor any other Affiliates shall represent to any person or entity that Dominion Energy, another Affiliate, or a Nonpublic Utility Operation will receive any such preference.

3. Application of Tariffs – DENC and PSNC shall apply the provisions of their respective tariffs equally to Dominion Energy, the other Affiliates, the Nonpublic Utility Operations, and non-Affiliates.

4. Requests for Service:

- (a) DENC and PSNC shall process all similar requests for Electric Services, Natural Gas Services, or both, in the same timely manner, whether requested on behalf of Dominion Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated entity.
- (b) PSNC shall treat similarly situated Shippers in the same manner with respect to the delivery of gas on distribution facilities, contract terms, the scheduling of gas supplies, balancing provisions, and allocation of gas supplies and capacity at city gate stations.
- (c) PSNC shall post on its website its criteria for evaluating proposals from Shippers. PSNC shall not give one Shipper any form of preference over other similarly situated Shippers in matters relating to assignment, release, or other transfer of capacity rights on interstate pipeline systems.

5. Speaking for Utility – No Personnel of DENC, PSNC, Dominion Energy, or another Affiliate shall indicate, represent, or otherwise give the appearance to another party that Dominion Energy or another Affiliate speaks on behalf of DENC or PSNC; provided, however, that this prohibition shall not apply to employees of Service Company providing Shared Services or to employees of another Affiliate to the extent explicitly provided for in an affiliate agreement that has been accepted by the Commission. In addition, no Personnel of a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that they speak on behalf of DENC's or PSNC's regulated public utility operations.

6. Advantages – No Personnel of DENC, PSNC, Dominion Energy, another Affiliate, or a Nonpublic Utility Operation shall indicate, represent, or otherwise give the appearance to another party that any advantage to that party with regard to Electric Services or Natural Gas

Services exists as the result of that party dealing with Dominion Energy, another Affiliate, or a Nonpublic Utility Operation, as compared with a non-Affiliate.

7. Tying – DENC and PSNC shall not condition or otherwise tie the provision or terms of any Electric Services or Natural Gas Services to the purchasing of any goods or services from, or the engagement in business of any kind with, Dominion Energy, another Affiliate, or a Nonpublic Utility Operation.

8. Information to Customers:

- (a) When any DENC or PSNC Personnel receives a request for information from or provides information to a Customer about goods or services available from Dominion Energy, another Affiliate, or a Nonpublic Utility Operation, the Personnel shall advise the Customer that such goods or services may also be available from non-Affiliated suppliers.
- (b) All PSNC information pertaining to interstate pipeline transportation, storage, distribution, or gas supply that is provided to a Gas Marketing Affiliate shall be made available to all Shippers on a contemporaneous, nondiscriminatory, and non-preferential basis by posting the information on its website and provided in a written form upon the request of a Shipper. Aggregate customer information and market data made available to Shippers shall be made available on a similar basis.
- (c) PSNC shall post on its website a current list of contact persons and telephone numbers of all gas marketers that are active on its system.

9. Disclosure of Customer Information – Disclosure of Customer Information to Dominion Energy, another Affiliate, or a Nonpublic Utility Operation, or a non-Affiliated entity shall be governed by Section III.A.2. of this Code of Conduct.

10. Unless otherwise directed by order of the Commission, electric generation shall not receive a priority of use from PSNC that would supersede or diminish PSNC's provision of service to its human needs firm residential and commercial customers.

11. PSNC shall file an annual report with the Commission summarizing all requests or inquiries for Natural Gas Services made by a

non-utility generator, PSNC's response to the request, and the status of the inquiry.

### C. Marketing

1. Joint Marketing – The public utility operations of DENC and PSNC may engage in joint sales, joint sales calls, joint proposals, or joint advertising (a joint marketing arrangement) with their Affiliates and with their Nonpublic Utility Operations, subject to compliance with other provisions of this Code of Conduct and any conditions or restrictions that the Commission may hereafter establish. DENC and PSNC shall not otherwise engage in such joint activities without making such opportunities available to comparable third parties.

2. Affiliate Disclaimers – Neither Dominion Energy nor any of the other Affiliates shall use the names or logos of DENC or PSNC in any communications targeted at DENC's or PSNC's North Carolina service territories without the following disclaimers:

- (a) “[Dominion Energy/Affiliate] is not the same company as [DENC/PSNC], and [Dominion Energy/Affiliate] has separate management and separate employees;”
- (b) “[Dominion Energy/Affiliate] is not regulated by the North Carolina Utilities Commission or in any way sanctioned by the Commission;”
- (c) “Purchasers of products or services from [Dominion Energy/Affiliate] will receive no preference or special treatment from [DENC/PSNC];” and
- (d) “A customer does not have to buy products or services from [Dominion Energy/Affiliate] in order to continue to receive the same safe and reliable electric service from DENC or natural gas service from PSNC.”

3. Nonpublic Utility Operations Disclaimers:

- (a) Nonpublic Utility Operations may not use the names or logos of DENC or PSNC in any communications targeted at DENC's or PSNC's North Carolina service territories without the following disclaimer:

“[Name of product or service being offered by Nonpublic Utility Operation] is not part of the regulated services offered by [DENC/PSNC]

and is not in any way sanctioned by the North Carolina Utilities Commission.”

- (b) Nonpublic Utility Operations may not use the names or logos of DENC or PSNC in any communications targeted at DENC’s or PSNC’s North Carolina service territories without the following disclaimers:
- (i) “Purchasers of [name of product or service being offered by Nonpublic Utility Operation] from [Nonpublic Utility Operation] will receive no preference or special treatment from [DENC/PSNC];” and
  - (ii) “A customer does not have to buy this product or service from [Nonpublic Utility Operation] in order to continue to receive the same safe and reliable electric service from [DENC/PSNC].”

The required disclaimers in this Section III.C.3.(b) must be sized and displayed in a way that is commensurate with the name and logo so that the disclaimer is at least the larger of one-half the size of the type that first displays the name and logo or the predominant type used in the communication.

#### **D. Transfers of Goods and Services, Transfer Pricing, and Cost Allocation**

1. Cross-Subsidies – Cross-subsidies involving DENC or PSNC and Dominion Energy, other Affiliates, or the Nonpublic Utility Operations are prohibited.

2. Charging of Costs – All costs incurred by Personnel of DENC or PSNC for or on behalf of Dominion Energy, other Affiliates, or the Nonpublic Utility Operations shall be charged to the entity responsible for the costs.

3. General Transfer Pricing Guidelines – The following conditions shall apply as a general guideline to the transfer prices charged for goods and services, including the use or transfer of Personnel, exchanged between and among DENC or PSNC, and, Dominion Energy, the other Non-Utility Affiliates, and the Nonpublic Utility Operations, to the extent such prices affect DENC’s or PSNC’s operations or costs of utility service:

- (a) Except as otherwise provided for in this Section III.D., for untariffed goods and services provided by DENC or PSNC to Dominion Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation, the transfer price paid to DENC or PSNC shall be set at the higher of Market Value or DENC's or PSNC's Fully Distributed Cost.
- (b) Except as otherwise provided for in this Section III.D., for goods and services provided, directly or indirectly, by Dominion Energy, a Non-Utility Affiliate other than Service Company, or a Nonpublic Utility Operation to DENC or PSNC, the transfer price(s) charged by Dominion Energy, the Non-Utility Affiliate, and/or the Nonpublic Utility Operation to DENC or PSNC shall be set at the lower of Market Value or Dominion Energy's, the Non-Utility Affiliate's, or the Nonpublic Utility Operation's Fully Distributed Cost(s). If DENC or PSNC does not engage in competitive solicitation and instead obtains the goods or services from Dominion Energy, a Non-Utility Affiliate, or a Nonpublic Utility Operation, DENC and PSNC shall implement adequate processes to comply with this Code provision and related Regulatory Conditions and ensure that in each case DENC's and PSNC's Customers receive service at the lowest reasonable cost, unless otherwise directed by order of the Commission. For goods and services provided by Service Company to DENC, PSNC, and Utility Affiliates, the transfer price charged shall be set at Service Company's Fully Distributed Cost.
- (c) Tariffed goods and services provided by DENC and PSNC to Dominion Energy, other Affiliates, or a Nonpublic Utility Operation shall be provided at the same prices and terms that are made available to Customers having similar characteristics with regard to Electric Services or Natural Gas Services under the applicable tariff.
- (d) With the exception of gas supply transactions, transportation transactions, or both, between DENC and PSNC, untariffed non-power, non-generation, or non-fuel goods and services provided by DENC or PSNC to DENC, PSNC, or the other Utility Affiliates or by the Utility Affiliates to DENC or PSNC shall be transferred at the supplier's Fully Distributed

Cost, unless otherwise directed by order of the Commission.

- (e) All PSNC deliveries to DENC pursuant to intrastate negotiated sales or transportation arrangements and combinations of sales and transportation transactions shall be at the same price and terms that are made available to other Shippers having comparable characteristics, such as nature of service (firm or interruptible, sales or transportation), pressure requirements, nature of load (process/heating/electric generation), size of load, profile of load (daily, monthly, seasonal, annual), location on PSNC's system, and costs to serve and rates. PSNC shall maintain records in sufficient detail to demonstrate compliance with this requirement.
- (f) All gas supply transactions, interstate transportation and storage transactions, and combinations of these transactions, between DENC and PSNC shall be at the fair market value for similar transactions between non-affiliated third parties. DENC and PSNC shall maintain records, such as published market price indices, in sufficient detail to demonstrate compliance with this requirement.
- (g) All of the margins, also referred to as net compensation, received by PSNC on secondary market sales to DENC shall be recorded in PSNC's Deferred Gas Cost Accounts and shall flow through those accounts for the benefit of ratepayers. None of the margins on secondary market sales by PSNC to DENC shall be included in the secondary market transactions subject to the sharing mechanism on secondary market transactions approved by the Commission in its Order Approving Stipulation, dated December 22, 1995, in Docket No. G-100, Sub 67. The sharing percentage on secondary market sales shall not be considered in determining the prudence of such transactions.

4. Shared Services Pricing – To the extent that DENC, PSNC, Dominion Energy, other Affiliates, or the Nonpublic Utility Operations receive Shared Services from Service Company (or its successor), these Shared Services may be jointly provided to DENC, PSNC, Dominion Energy, other



Affiliates, or the Nonpublic Utility Operations on a Fully Distributed Cost basis, provided that the taking of such Shared Services by DENC and PSNC is cost beneficial on a service-by-service (e.g., accounting management, human resources management, legal services, tax administration, public affairs) basis to DENC and PSNC. Charges for such Shared Services shall be allocated in accordance with the Service Company cost allocation manual filed with the Commission pursuant to Regulatory Condition 4.45, subject to any revisions or other adjustments that may be found appropriate by the Commission on an ongoing basis.

5. Joint Purchases – DENC, PSNC, and their Utility Affiliates may capture economies-of-scale in joint purchases of goods and services (excluding the purchase of electricity or ancillary services intended for resale unless such purchase is made pursuant to a Commission-approved contract or service agreement), if such joint purchases result in cost savings to DENC's and PSNC's Customers. DENC, PSNC, and their Utility Affiliates may capture economies-of-scale in joint purchases of coal and natural gas, if such joint purchases result in cost savings to DENC's and PSNC's Customers. All joint purchases entered into pursuant to this section shall be priced in a manner that permits clear identification of each participant's portion of the purchases and shall be reported in DENC's and PSNC's affiliated transaction reports filed with the Commission.

6. Accounting – All permitted transactions between DENC, PSNC, Dominion Energy, other Affiliates, and the Nonpublic Utility Operations shall be recorded and accounted for in accordance with the cost allocation manual required to be filed with the Commission pursuant to Regulatory Condition 4.45 and with Affiliate agreements accepted by the Commission or otherwise processed in accordance with North Carolina law, the rules and orders of the Commission, and the Regulatory Conditions.

7. Information Costs – Costs that DENC and PSNC incur in assembling, compiling, preparing, or furnishing requested Customer Information or CSOI for or to Dominion Energy, other Affiliates, or the Nonpublic Utility Operations shall be recovered from the requesting party pursuant to Section III.D.3. of this Code of Conduct.

8. Transfers of Technology and Trade Secrets – Any technology or trade secrets developed, obtained, or held by DENC or PSNC in the conduct of regulated operations shall not be transferred to Dominion Energy, another Affiliate, or a Nonpublic Utility Operation without just compensation and the filing of 60-days prior notification to the Commission. DENC and PSNC are not required to provide advance notice for such transfers to each other and may request a waiver of this requirement from the Commission with respect to such transfers to Dominion Energy, a Utility Affiliate, a Non-Utility Affiliate, or a Nonpublic Utility Operation. In no case, however, shall the notice period requested be less than 20 business days.

9. Intangible Benefits – DENC and PSNC shall receive compensation from Dominion Energy, other Affiliates, and the Nonpublic Utility Operations for intangible benefits, if appropriate.

#### **E. Regulatory Oversight**

1. Affiliate Transactions – The requirements regarding affiliate transactions set forth in G.S. 62-153 shall continue to apply to all transactions between DENC, PSNC, Dominion Energy, and the other Affiliates.

2. Books and Records – The books and records of DENC, PSNC, Dominion Energy, other Affiliates, and the Nonpublic Utility Operations shall be open for examination by the Commission, its staff, and the Public Staff as provided in G.S. 62-34, 62-37, and 62-51.

3. Generator Supply Services:

- (a) If PSNC supplies any Natural Gas Services, with the exception of Natural Gas Services provided pursuant to Commission-approved contracts or service agreements, used by DENC to generate electricity, DENC shall file a report with the Commission in its annual fuel and fuel-related cost recovery case demonstrating that the purchase was prudent and the price was reasonable.
- (b) To the extent North Carolina law, the orders and rules of the Commission, and the Regulatory Conditions permit Dominion Energy, an Affiliate, or a Nonpublic Utility Operation to supply DENC with Natural Gas Services or other Fuel and Purchased Power Supply Services used by DENC to provide Electric Services to Customers, and to the extent such Natural Gas Services or other Fuel and Purchased Power Supply Services are supplied, DENC shall demonstrate in its annual fuel adjustment clause proceeding that each such acquisition was prudent and the price was reasonable.

#### **F. Utility Billing Format**

To the extent any bill issued by DENC, PSNC, Dominion Energy, another Affiliate, a Nonpublic Utility Operation, or a non-Affiliated third party includes charges to Customers for Electric Services or Natural Gas Services and non-Electric Services, non-Natural Gas Services, or any combination of such services, from Dominion Energy, another Affiliate, a

Nonpublic Utility Operation, or a non-Affiliated third party, the charges for Electric Services and Natural Gas Services shall be separated from the charges for any other services included on the bill. Each such bill shall contain language in bold print stating that the Customer's Electric Services and Natural Gas Services, as applicable, will not be terminated for failure to pay for any other services billed.

#### **G. Complaint Procedure**

1. Procedures – DENC and PSNC shall establish procedures to resolve potential complaints that arise due to the relationship of DENC and PSNC with Dominion Energy, the other Affiliates, and the Nonpublic Utility Operations. The complaint procedures shall provide for the following:

- (a) Verbal and written complaints shall be referred to a designated representative of DENC or PSNC.
- (b) The designated representative shall provide written notification to the complainant within 15 days that the complaint has been received.
- (c) DENC or PSNC shall investigate the complaint and communicate the results or status of the investigation to the complainant within 60 days of receiving the complaint.
- (d) DENC and PSNC shall each maintain a log of complaints and related records and permit inspection of documents (other than those protected by the attorney/client privilege), by the Commission, its staff, or the Public Staff.

2. Notwithstanding the provisions of Section III.G.1., any complaints received through the Dominion Energy Compliance Line (or its successor), which is a confidential mechanism available to the employees of the Dominion Energy holding company system, shall be handled in accordance with procedures established for the Dominion Energy Compliance Line.

3. Commission – These complaint procedures do not affect a complainant's right to file a formal complaint or otherwise address questions to the Commission or the Public Staff regarding a complaint.

#### **H. Natural Gas/Electricity Competition**

DENC and PSNC shall continue to compete against all energy providers to serve those retail customer energy needs that can be legally and profitably served by both electricity and natural gas. The competition between DENC and PSNC shall be at a level that is no less than that which existed prior to the Merger.

Without limitation as to the full range of potential competitive activity, DENC and PSNC shall maintain the following minimum standards:

1. PSNC will make all reasonable efforts to extend the availability of natural gas to as many new customers as possible.
2. In determining where and when to extend the availability of natural gas, PSNC will at a minimum apply the same standards and criteria that it applied prior to the Merger.
3. In determining where and when to extend the availability of natural gas, PSNC will make decisions in accordance with the best interests of PSNC, rather than the best interest of DENC.
4. To the extent that either the natural gas industry or the electricity industry is further restructured, DENC and PSNC will undertake to maintain the full level of competition intended by this Code of Conduct subject to the right of DENC, PSNC or the Public Staff to seek relief from or modifications to this requirement by the Commission.

**CODE OF CONDUCT  
ATTACHMENT**

**DENC/PSNC CUSTOMER INFORMATION DISCLOSURE AUTHORIZATION**

For Disclosure to Affiliates:

DENC's/PSNC's Affiliates offer products and services that are separate from the regulated services provided by DENC/PSNC. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes DENC/PSNC to provide any data associated with the Customer accounts(s) residing in any DENC/PSNC files, systems, or databases **[or specify specific types of data]** to the following Affiliate(s):  
\_\_\_\_\_. DENC/PSNC will provide this data on a nondiscriminatory basis to any other person or entity upon the Customer's authorization.

For Disclosure to Non-Affiliates:

The Customer authorizes DENC/PSNC to provide any data associated with the Customer accounts(s) residing in any DENC/PSNC files, systems, or databases **[or specify specific types of data]** to the following non-Affiliate(s):  
\_\_\_\_\_.

For Disclosure to Nonpublic Utility Operations:

DENC/PSNC offers optional, market-based products and services that are separate from the regulated services provided by DENC/PSNC. These services are not regulated by the North Carolina Utilities Commission. These products and services may be available from other competitive sources.

The Customer authorizes DENC/PSNC to provide any data associated with the Customer accounts(s) residing in any DENC/PSNC files, systems, or databases **[or specify specific types of data]** for the purpose of offering and providing energy-related products or services to the Customer. DENC/PSNC will provide this data on a nondiscriminatory basis to any other person or entity upon the Customer's authorization.