

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 551
DOCKET NO. G-5, SUB 585

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	ORDER APPROVING MERGER
Joint Application of Dominion)	SUBJECT TO REGULATORY
Energy, Inc. and SCANA)	CONDITIONS AND CODE OF
Corporation to Engage in a)	CONDUCT
Business Combination Transaction)	

HEARD: On October 10, 2018, in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chairman Edward S. Finley, Jr., Presiding; Commissioners ToNola D. Brown-Bland, Jerry C. Dockham, James G. Patterson, Daniel G. Clodfelter, and Charlotte A. Mitchell

APPEARANCES:

For Dominion Energy, Inc.:

Joseph K. Reid, II, McGuireWoods, LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219

Mary Lynne Grigg, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, Charlotte, North Carolina 27601

Andrea R. Kells, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, Charlotte, North Carolina 27601

Lisa Booth, Dominion Energy Services, Inc., 120 Tredegar Street, Richmond, Virginia 23261

For SCANA Corporation:

Joseph K. Reid, II, McGuireWoods, LLP, Gateway Plaza, 800 East Canal Street, Richmond, Virginia 23219

Mary Lynne Grigg, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

Andrea R. Kells, McGuireWoods, LLP, 434 Fayetteville Street, Suite 2600, Raleigh, North Carolina 27601

Craig Collins, SCANA Services, Inc., 220 Operation Way, Cayce, South Carolina 29033

For the Carolina Industrial Group for Fair Utility Rates I:

Warren K. Hicks, Bailey & Dixon, LLP, Post Office Box 1351, Raleigh, North Carolina 27602

For Transcontinental Gas Pipe Line Company, LLC:

Dwight Allen, The Allen Law Offices, 1514 Glenwood Avenue, Suite 200, Raleigh, North Carolina 27608

Brady Allen, The Allen Law Offices, 1514 Glenwood Avenue, Suite 200, Raleigh, North Carolina 27608

For the Using and Consuming Public:

Gina C. Holt, Staff, Attorney, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699

Robert Josey, Staff Attorney, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699

BY THE COMMISSION: On January 24, 2018, pursuant to N.C. Gen. Stat. § 62-111(a) and Commission Rule R1-5, Dominion Energy, Inc. (Dominion Energy) and SCANA Corporation (SCANA) (collectively referred to hereinafter as Applicants), filed an application (Application) for authorization to engage in a business combination transaction (Merger). The Application included a copy of the Agreement and Plan of Merger between Dominion Energy and SCANA (Merger Agreement) as well as a cost-benefit analysis (Cost-Benefit Analysis) and a market power analysis (Market Power Analysis) as required by the Commission's Order Requiring Filing of Analyses, issued November 2, 2000, in Docket No. M-100, Sub 129 (M-100, Sub 129 Order).

On June 22, 2018, the Applicants filed the testimony of Thomas F. Farrell, II, Jimmy E. Addison, D. Russell Harris, Craig C. Wagstaff, James R. Chapman, and David Hunger. An updated exhibit JRC-1 to the testimony of James R. Chapman was subsequently filed on July 20, 2018.

On June 19, 2018, the Commission issued its Order Scheduling Hearing, Establishing Procedural Deadlines, and Requiring Public Notice (Scheduling Order). The Scheduling Order, among other things, established a hearing date of October 10, 2018, set prefiled testimony dates, and required the Applicants to give notice to their customers of the hearing in this matter. In addition, the Scheduling Order found and concluded that the Application satisfied the requirements of the M-100, Sub 129 Order.

Petitions to intervene were filed by Carolina Industrial Group for Fair Utility Rates I (CIGFUR I), North Carolina Sustainable Energy Association (NCSEA), and Transcontinental Gas Pipe Line Company, LLC (Transco). By separate orders, the Commission granted these petitions to intervene. The intervention of the Public Staff – North Carolina Utilities Commission (Public Staff) is recognized pursuant to N.C. Gen. Stat. § 62-15(d) and Commission Rule R1-19(e).

Limited admission to practice before the Commission was granted to out-of-state attorneys for Dominion Energy and SCANA.

On August 23, 2018, Applicants filed affidavits of publication of notice to customers of the hearing.

On September 27, 2018, the Public Staff filed the direct testimony and exhibits of Michael C. Maness, Jan A. Larsen, James S. McLawhorn, and John R. Hinton (Public Staff Panel).

On September 27, 2018, Transco filed the testimony and exhibits of Camilo Amezcua.

On October 4, 2018, the Applicants filed an Agreement and Stipulation of Settlement (Stipulation) between the Applicants, Transco, and the Public Staff (Stipulating Parties), which included stipulated Regulatory Conditions and a Code of Conduct.

On October 5, 2018, the Applicants filed black-line versions of the Proposed Regulatory Conditions and Code of Conduct filed by the Public Staff with its testimony on September 27, 2018, compared to the Proposed Regulatory Conditions and Code of Conduct filed by the Stipulating Parties on October 4, 2018.

On October 5, 2018, the Applicants filed supplemental testimony of Thomas P. Wohlfarth and D. Russell Harris in support of the Stipulation.

On October 5, 2018, Dominion Energy, SCANA, Transco, and the Public Staff filed a Joint Motion to Excuse Witnesses, which was granted in part by order of the Commission issued October 8, 2018.

On October 5, 2018, pursuant to the Scheduling Order, the Applicants filed the Joint List and Order of Witnesses.

On October 8, 2018, the Public Staff filed revised testimony of the Public Staff Panel.

On October 10, 2018, the Public Staff filed revised versions of the Regulatory Conditions and Code of Conduct, revising those that had been attached as Attachment A to the Stipulation filed on October 4, 2018.

The matter came for hearing on October 10, 2018, as scheduled. No public witnesses appeared to offer testimony. The pre-filed testimony and exhibits of the following party witnesses were received into evidence:

For the Applicants: Thomas F. Farrell, II, Chairman, President and Chief Executive Officer of Dominion Energy; Jimmy E. Addison, Chief Executive Officer of SCANA; D. Russell Harris, President and Chief Operating Officer of PSNC, President of Gas Operations for SCE&G, and President of SCANA Energy Marketing, Inc.; Craig C. Wagstaff, President of Gas Distribution of Dominion Energy; James R. Chapman, Senior Vice President, Mergers and Acquisitions and Treasurer of Dominion Energy; Thomas P. Wolfarth, Senior Vice President of Regulatory Affairs of Dominion Energy; David Hunger, Vice President of Charles River Associates.

For the Public Staff: Michael C. Maness, Director, Accounting Division; Jan A. Larsen, Director, Natural Gas Division; James S. McLawhorn, Director, Electric Division; John R. Hinton, Director, Economic Research Division.

For Transco: Camilo Amezquita.

At the hearing, the Application and exhibits thereto, as well as the Stipulation and the revised proposed Regulatory Conditions and Code of Conduct as filed on October 4, 2018, and October 10, 2018, were entered into the record without objection.

On October 31, 2018, the Applicants filed responses to Commission questions which were included in the October 8, 2018 Order Granting in Part Motion to Excuse Several Witnesses and Requiring Late-Filed Exhibit.

On October 31, 2018, Applicants and the Public Staff filed a Joint Proposed Order.

On November 9, 2018, Applicants and the Public Staff filed a revised Code of Conduct.

Based on the foregoing, the testimony and exhibits presented at the hearing of this matter, and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

Jurisdiction

1. Dominion Energy is a corporation duly organized and existing under the laws of Virginia and is headquartered in Richmond, Virginia. Virginia Electric and Power Company is a wholly-owned subsidiary of Dominion Energy that does business in North Carolina as Dominion Energy North Carolina (DENC).

2. DENC is headquartered in Richmond, Virginia, and is engaged in the business of generating, transmitting, and distributing electricity in its service territories in Virginia and North Carolina. It serves approximately 120,000 customers in northeastern North Carolina. DENC also provides power and/or transmission services to the North

Carolina Electric Membership Corporation, the North Carolina Eastern Municipal Power Agency, and the Town of Windsor, which in turn provide service to approximately 100,000 customers.

3. DENC is a public utility under the laws of North Carolina and its respective public utility operations are subject to the jurisdiction of this Commission.

4. Dominion Energy also owns gas utility subsidiaries in Ohio, West Virginia, Utah, Wyoming, and Idaho – Dominion Energy Ohio, Dominion Energy West Virginia, Dominion Energy Utah, Dominion Energy Wyoming, and Dominion Energy Idaho – which collectively provide service to 2.3 million distribution customers in those states.

5. Dominion Energy is also the sole owner of Sedona Corp. (Sedona), a South Carolina corporation and wholly-owned subsidiary of Dominion Energy formed for the purpose of effectuating the business combination transaction with SCANA. Sedona is not a public utility in North Carolina or elsewhere.

6. SCANA is a South Carolina corporation and a publicly-held holding company, whose principal subsidiaries are Public Service Company of North Carolina, Incorporated (PSNC), South Carolina Electric & Gas Company (SCE&G), and SCANA Energy Marketing, Inc.

7. PSNC is a corporation duly organized, existing, and operating under the laws of South Carolina. PSNC is engaged in the business of purchasing, transporting, distributing, and selling natural gas in North Carolina to approximately 550,000 residential, commercial, or industrial customers in its service territory. PSNC's service territory reaches all or parts of 28 franchised counties, including the Raleigh / Durham / Chapel Hill, Gastonia / Concord / Statesville, and Asheville / Hendersonville areas.

8. PSNC is a public utility under the laws of North Carolina and its public utility operations are subject to the jurisdiction of this Commission.

Procedural Status

9. The Applicants are lawfully and properly before this Commission pursuant to N.C. Gen. Stat. § 62-111(a) with respect to the relief sought in the Application and are in compliance with the requirements of the M-100, Sub 129 Order with respect to the filing of a market power analysis and a cost-benefit analysis related to the proposed transaction.

10. The Application, testimony, exhibits, affidavits of publication, and public notices submitted by the Applicants are in compliance with the procedural requirements of the North Carolina General Statutes and the Rules and Regulations of the Commission.

The Proposed Transaction

11. The Merger Agreement provides that, at closing, SCANA will merge with Sedona and SCANA will be the surviving corporation. Upon consummation of the Merger,

each issued and outstanding share of common stock of SCANA (other than the cancelled shares as defined in Section 2.01(b) of the Merger Agreement) will be converted into the right to receive 0.6690 validly issued, fully paid and non-assessable shares of common stock of Dominion Energy. Upon consummation of the Merger, each issued and outstanding share of Sedona will be converted into and become one validly issued, fully paid, and non-assessable share of common stock of SCANA as the surviving corporation. Thus, as a result of the Merger, Dominion Energy will own all the stock of SCANA.

12. Following the closing of the Merger, Dominion Energy intends to add one member from SCANA's Board of Directors or SCANA's executive management team to the Dominion Energy Board of Directors.

13. Following the closing of the Merger, PSNC will remain a direct, wholly-owned subsidiary of SCANA and will continue to exist as a separate legal entity. Dominion Energy intends to manage PSNC from an operations standpoint as a separate regional business.

14. Following the closing of the Merger, Dominion Energy intends to maintain PSNC's headquarters in Gastonia, North Carolina, and to maintain compensation levels for PSNC employees until January 1, 2020.

The Stipulation

15. In summary, the Stipulation between the Applicants, the Public Staff, and Transco includes commitments by the Applicants to forego recovery of Merger-related expenses and hold DENC and PSNC customers¹ harmless from the impacts of debt downgrade; to create a regulatory liability of \$3.75 million representing a refund to PSNC's customers of 2017 revenues over the course of three years; to increase PSNC's charitable contributions over its 2017 contributions by \$150,000; to not file an application for a PSNC general rate case before April 1, 2021; to maintain current levels of PSNC's customer service and professional cooperation; to pursue cost savings opportunities between DENC and SCE&G; to provide for future filing and operation under new or amended affiliate agreements; and to comply with the Regulatory Conditions and Code of Conduct.

16. The Commission finds that the Stipulation is the product of give-and-take settlement negotiations among the parties and is material evidence entitled to be given appropriate weight by the Commission.

¹ The Regulatory Conditions and Code of Conduct define the "customers" of DENC and PSNC as "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." In this Order, these customers are referred to as either "customers" or "retail customers."

Benefits of the Merger

17. The Merger, as supplemented by the terms of the Stipulation, will result in quantifiable economic benefits for the customers of DENC and PSNC, as described in Findings of Fact Nos. 18 and 19 below.

18. The Stipulation requires PSNC to provide its North Carolina customers a total credit of \$3.75 million through three direct bill credits of \$1.25 million on January 1, 2019 (or as soon thereafter as practicable), January 1, 2020, and January 1, 2021.

19. The Stipulation requires that PSNC increase its charitable contributions over its 2017 contributions by \$150,000, which shall be used to provide energy assistance for low-income customers in PSNC's service territory and shall be treated as below-the-line expenses for regulatory accounting, reporting, and ratemaking purposes.

20. The Merger will also result in non-quantifiable economic and non-economic benefits for the customers of DENC and PSNC. The non-quantifiable benefits are identified in the Cost-Benefit Analysis and testimony, as described in Findings of Fact Nos. 21-26 below.

21. The Cost-Benefit Analysis and testimony conclude that the Merger will increase PSNC's financial strength and reduce its market risk.

22. The Cost-Benefit Analysis and testimony conclude that PSNC will benefit from the shared services that will be available due to the Merger.

23. The Cost-Benefit Analysis and testimony conclude that PSNC will receive safety, reliability, environmental, and customer service benefits from the Merger.

24. The Cost-Benefit Analysis and testimony conclude that the proposed Merger will result in a more stable financial position for SCANA and PSNC.

25. The Cost-Benefit Analysis and testimony conclude that PSNC will benefit from lower corporate governance costs due to the Merger.

26. The Cost-Benefit Analysis and testimony conclude that PSNC will benefit from the maintenance of its employee compensation until January 1, 2020, and the retention of its headquarters and operations in Gastonia following the Merger.

Potential Costs

27. The Merger will result in known and potential costs. However, the known and potential costs of the Merger to North Carolina customers of DENC and PSNC are sufficiently mitigated by the Stipulation and the continued full regulatory authority of the Commission.

28. The Cost-Benefit Analysis identified transaction fees, integration costs, and an acquisition premium as transaction-related costs to be borne by Dominion Energy.

29. The Stipulation requires the Applicants to exclude from recovery from customers of DENC and PSNC the Merger-related expenses, which include acquisition premiums, change in control payments made to terminated executives, regulatory process costs, transactions costs, integration costs, and other transition costs.

30. The Stipulation also provides that PSNC will not file an application for a general rate case before April 1, 2021, and will not, except in certain circumstances, adjust its rates and charges or file for any cost deferral during or covering any period from the date of an order approving the Merger until after October 31, 2021.

Potential Risks

31. The Merger will result in potential risks. However, the potential risks of the Merger to North Carolina customers of DENC and PSNC are sufficiently mitigated by the Stipulation, the Regulatory Conditions, the Code of Conduct, and the continued full regulatory authority of the Commission.

A. Potential Risks Addressed by the Stipulation

32. The Stipulation provides reasonable and adequate regulatory scrutiny over transactions involving DENC or PSNC with each other or with non-utility affiliates of Dominion Energy.

33. The Stipulation provides reasonable and adequate protections against the potential for discriminatory behavior in intra-company transactions by DENC and PSNC compared to their similar transactions with third parties.

34. The Stipulation precludes adverse impacts from the Merger on rates and services provided by DENC and PSNC.

B. Potential Risks Addressed by the Regulatory Conditions

35. The Regulatory Conditions included in the Stipulation are another benefit of the Merger to North Carolina retail customers in that they update, clarify, strengthen, and expand DENC's and PSNC's previous regulatory conditions.

36. The Regulatory Conditions effectively address potential risks and concerns related to financing issues arising from the Merger by ensuring that (a) DENC's and PSNC's capital structures and cost of capital are not adversely affected because of their affiliation with Dominion Energy, each other, and other affiliates, and (b) DENC and PSNC have sufficient access to equity and debt capital at reasonable costs to adequately fund and maintain their current and future capital needs and otherwise meet their service obligations to their retail customers.

37. The Regulatory Conditions effectively address potential risks and concerns related to corporate governance and ring-fencing issues arising from the Merger by ensuring the continued viability of DENC and PSNC and insulating and protecting DENC and PSNC and their retail 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 the liabilities of affiliates.

38. The Regulatory Conditions effectively enable the Commission to exercise its jurisdiction over certain future business combinations involving Dominion Energy or other members of the Dominion Energy holding company family following the Merger by ensuring that the Commission receives sufficient notice and opportunity to exercise its lawful authority.

39. The Regulatory Conditions effectively address potential risks and concerns related to structure and organization arising from the Merger by ensuring that the Commission will receive 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 non-public utility operations as they may affect North Carolina retail ratepayers.

40. The Regulatory Conditions provide appropriate and effective procedures requiring advance notices and other filings arising from the Merger, and ensure monitoring of and compliance with their provisions, including the Code of Conduct, by requiring Dominion Energy, DENC, PSNC, and other affiliates to establish and maintain the structures and processes necessary to fulfill the commitments expressed in the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner.

41. The Regulatory Conditions effectively ensure that DENC and PSNC maintain a strong commitment to customer service following the Merger.

42. The Regulatory Conditions effectively ensure that DENC's and PSNC's North Carolina retail customers are protected from any adverse effects of any tax sharing agreement and receive an appropriate portion of any income tax benefits associated with services taken by DENC and PSNC from an affiliated service company.

43. The Regulatory Conditions effectively protect the Commission's jurisdiction as a result of the Merger, including risks related to agreements and transactions between and among DENC, PSNC, and their affiliates; financing transactions involving Dominion Energy, DENC, PSNC, and any other affiliate; the ownership, use, and disposition of assets by DENC or PSNC; and filings with federal regulatory agencies. In addition, they protect DENC's and PSNC's retail ratepayers as much as reasonably possible from any adverse consequences potentially resulting from the Merger.

44. The Regulatory Conditions effectively address potential risks and concerns related to the possible adverse impact on the cost of capital of DENC and PSNC from Merger-related credit downgrades.

45. The Regulatory Conditions effectively ensure that DENC will continue to comply with the reporting requirements with regard to Dominion Energy's integration into PJM Interconnection, L.L.C. (PJM).

46. The Regulatory Conditions effectively protect DENC and PSNC customers by establishing a refund to customers by PSNC, establishing a rate moratorium for PSNC, requiring DENC and SCE&G to seek cost savings opportunities, and establishing a most favored nation obligation.

C. Potential Risks Addressed by the Code of Conduct

47. The Code of Conduct, as well as existing regulatory requirements, provides reasonable and adequate regulatory oversight of affiliate contracts and cost allocations.

48. The Code of Conduct provides reasonable and adequate regulatory oversight to ensure that the costs of common goods and services are fairly allocated among affiliates, to protect customers from overcharges by non-regulated affiliates, and to prevent cross-subsidization of non-regulated affiliates by DENC's and PSNC's customers.

49. The Code of Conduct provides reasonable and adequate regulatory oversight to ensure that costs incurred by DENC and PSNC are properly incurred, accounted for, and directly charged, assigned, or allocated to their respective North Carolina retail operations.

50. The Code of Conduct provides reasonable and adequate regulatory oversight by providing for appropriate and effective auditing and reporting requirements with respect to affiliate transactions and cost of service for retail ratemaking purposes.

51. The Code of Conduct provides reasonable and adequate regulatory oversight to ensure that DENC and PSNC continue to independently acquire and own their own upstream pipeline capacity and supply contracts based upon the needs of their respective customers.

Market Power Study

52. The proposed Merger will not lead to competitive concerns or an increased ability to exercise additional market power by Dominion Energy, DENC, or PSNC, will not result in an anti-competitive impact on markets subject to the Commission's jurisdiction, and will not create the potential for self-dealing between DENC and PSNC.

Approval of Stipulation

53. The Commission finds and concludes in light of the evidence presented that the Stipulation is just and reasonable to the customers of DENC and PSNC and to all parties to this proceeding, and that it serves the public interest. Therefore, the Stipulation should be approved in its entirety. In addition, it is entitled to substantial weight and consideration in the Commission's decision in this matter.

Public Convenience and Necessity

54. The proposed Merger, as modified, limited, and restricted by the Stipulation, including the Regulatory Conditions and Code of Conduct, is justified by the public convenience and necessity, serves the public interest, and should be approved pursuant to N.C. Gen. Stat. § 62-111.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-10

The evidence supporting these findings of fact is set forth in the Application, the Merger Agreement, the Market Power Analysis, the Cost-Benefit Analysis, the testimony of Applicants' witnesses Farrell, Addison and Chapman, and the Commission's records in this and other proceedings. These findings are essentially informational, procedural, and jurisdictional in nature and are not contested by any party.

According to the Application and Merger Agreement, as well as the testimony of witnesses Farrell, Addison, and Chapman, Dominion Energy and SCANA intend to engage in a merger transaction pursuant to which SCANA will become a wholly-owned subsidiary of Dominion Energy. Upon consummation of the Merger, each issued and outstanding share of common stock of SCANA will be converted into the right to receive 0.6690 validly issued, fully paid and non-assessable shares of common stock of Dominion Energy. Tr. pp. 29-30, 56. The transaction requires the approval of the Commission under N.C. Gen. Stat. § 62-111(a), and the Application seeks such approval.

In addition, the M-100, Sub 129 Order requires the Applicants to file both a market power analysis and a cost-benefit analysis in conjunction with an application for Commission approval of the proposed Merger. The market power analysis must include a Herfindahl-Hirschman Index (HHI) evaluation of the proposed Merger, and the cost-benefit analysis must set forth a "comprehensive list of all material areas of expected benefit, detriment, cost, and savings over a specified period (e.g., three to five years) following consummation of the merger . . ." See M-100, Sub 129 Order, p. 7. The purpose of these required filings is to assist the Commission in making the public convenience and necessity determination required under N.C. Gen. Stat. § 62-111(a).

Consistent with the requirements of the M-100, Sub 129 Order, the Application included both a Cost-Benefit Analysis and a Market Power Analysis as Exhibits 4 and 5, respectively. The Market Power Analysis was prepared by Charles River Associates and contains, among other things, an HHI analysis of the relative market power of Dominion Energy both before and after the proposed Merger, as required by the M-100, Sub 129 Order. The Cost-Benefit Analysis enumerates identified costs and benefits associated with the proposed Merger. In its Scheduling Order, the Commission found and concluded that "the application satisfies the requirements of the November 2, 2000, Order in Docket No. M-100, Sub 129." Scheduling Order, p. 2. No party challenged Applicants' satisfaction of the M-100, Sub 129 Order requirements.

Finally, a review of the record in this proceeding indicates that the Applicants have complied with all procedural and notice requirements established by the Commission in the Scheduling Order.

The Commission, therefore, finds and concludes that Dominion Energy and SCANA are lawfully before the Commission with respect to the relief sought in the Application and are in compliance with the Merger filing requirements established in Docket No. M-100, Sub 129, with respect to the Market Power Study and Cost-Benefit Analysis submitted with the Application.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 11-14

The evidence supporting these findings of fact is set forth in the Application, the Merger Agreement, and the testimony of Applicants' witnesses Farrell, Addison, Chapman, Wagstaff and Wohlfarth.

Through the Application and supporting testimony, the Applicants described the process for accomplishing the Merger, and the holding company structure that will exist upon closing.

The Application describes the proposed Merger transaction as follows:

- (i) Sedona and SCANA will merge, with SCANA being the surviving entity;
- (ii) Immediately following the time the Merger is effective, the officers of SCANA will be those persons that were the officers of SCANA immediately prior to the effective time of the Merger. Subsequent to the effective time of the Merger, changes to the officers of SCANA may be made based upon integration efforts and Dominion Energy's entity management conventions; and
- (iii) SCANA will be a direct, wholly-owned subsidiary of Dominion Energy.

Application, Paragraph No 8.

The Application further indicates that

upon consummation of the Merger, each issued and outstanding share of common stock of SCANA (other than the cancelled shares as defined in Section 2.01(b) of the Merger Agreement) will be converted into the right to receive 0.6690 validly issued, fully paid and non-assessable shares of common stock of Dominion Energy.

Id. Finally, the Application indicates that “[f]urther, upon consummation of the Merger, each issued and outstanding share of common stock of Sedona will be converted into and become one validly issued, fully paid, and non-assessable share of common stock

of SCANA as the surviving corporation. Thus, as a result of the Merger, Dominion Energy (which currently owns all of the stock of Sedona) will own all the stock of SCANA.” Id.

This structure is further confirmed by the provisions of the Merger Agreement, which is attached to the Application as Exhibit 1. This structure is also described in the testimony of Applicants’ witnesses Farrell, Addison, and Chapman, and those descriptions are consistent with the Application and Merger Agreement.

The Application provides, in Paragraph No. 30(i), that “[t]he Transaction will not have a net adverse impact on the rates and services of Dominion Energy North Carolina or PSNC Energy.”

The Merger Agreement provides, in Section 5.16(c), that Dominion Energy “will take all necessary action as soon as practicable after the Effective Time to appoint a mutually agreeable current member of the Company [SCANA] Board or the Company’s executive management as a director to serve on Parent’s board of directors.” The Application provides that “Dominion Energy intends that its board of directors will take all necessary action, as soon as practical after the Effective Time, to appoint a mutually agreeable current member of the SCANA Board or SCANA’s executive management team.” Id. at Paragraph No. 29.i.b.

The Application provides, in Paragraph No. 24, that “[f]ollowing the Merger, Dominion Energy and SCANA plan to operate PSNC Energy in substantially the same manner as it is operated today Dominion Energy intends to maintain PSNC Energy’s headquarters in Gastonia, North Carolina.” Similarly, in Paragraph No. 29.i.a., the Application states that “Dominion Energy intends to maintain PSNC Energy’s headquarters in Gastonia, North Carolina” In Paragraph No. 29.ii., the Application provides that “Dominion Energy will maintain compensation levels for employees of SCANA and its subsidiaries following the Effective Time of the Merger until January 1, 2020 ... Dominion Energy will give employees of SCANA and its subsidiaries due and fair consideration for other employment and promotion opportunities within the larger Dominion Energy organization to the extent any such employment positions are re-aligned, reduced, or eliminated in the future as a result of the Merger.”

The Merger Agreement provides additional evidence on these matters. In Section 5.06(a), the Merger Agreement provides that from the Effective Time and until December 31, 2019, “Parent shall provide, or shall cause the Surviving Corporation to provide, the individuals who are employed by the Company or any of its Subsidiaries immediately before the Effective Time ... (i) annual base compensation no less than the annual base compensation provided to such Company Non-Union Employees immediately prior to the Effective Time.”

Applicants’ witness Farrell testified that “Dominion Energy will maintain PSNC’s corporate headquarters in Gastonia, North Carolina” and that “PSNC’s generous historical charitable giving levels—all funded by shareholders—also will be increased.” Tr. p. 24. Witness Farrell also explained that “[f]ollowing the combination, Dominion Energy plans to operate PSNC in substantially the same manner as it is operated today,

enhanced by Dominion Energy's broad and deep experience in the successful management of natural gas systems." Tr. p. 21. Applicants' witness Wagstaff testified that "Dominion Energy has no current plans to change the organizational structure of PSNC operations as a result of the combination." Tr. p. 46. Witness Wagstaff also testified that "Dominion Energy will manage PSNC from an operations standpoint as a separate regional business under Dominion Energy." Tr. p. 47. Applicants' witness Wohlfarth also explained that PSNC will be managed "from an operations standpoint as a separate regional business with responsibility for making decisions that achieve" the Applicants' objectives. Tr. p. 99.

At the hearing, witness Wohlfarth clarified in response to Commissioners' questions that the management of PSNC as an independent regional entity would continue both during and subsequent to the initial post-Merger transition period. Tr. pp. 106-107.

Based on the foregoing evidence, the Commission finds and concludes that following the Merger PSNC will continue to be operated in substantially the same manner that it is operated today.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 15-16

The evidence for these findings of fact is set forth in the Stipulation and the testimony of Applicants' witnesses Wohlfarth and Harris.

The Stipulation includes agreements among the Stipulating Parties on numerous subjects, revised Regulatory Conditions, and a revised Code of Conduct. The main provisions included in the Stipulation are: (i) creation of a regulatory liability of \$3.75 million representing a refund to PSNC's North Carolina customers through three \$1.25 million in bill credits in 2019, 2020, and 2021; (ii) in 2019, a commitment to increase PSNC's annual community support and charitable contribution initiatives by \$150,000 more than its 2017 contributions; (iii) exclusion of Merger-related direct expenses, including acquisition premiums, integration costs, and severance payments, from recovery through customer rates; (iv) to not file an application for a PSNC general rate case before April 1, 2021; (v) customer protection from debt downgrade; (vi) maintenance of PSNC's current level of customer service; and (vii) a requirement to file any new or amended affiliate contracts for approval by the Commission.

Additionally, the Stipulating Parties agreed to a set of Regulatory Conditions and a Code of Conduct, appended as Attachment A to the Stipulation, which were revised by the Public Staff's filing on October 10, 2018. The Stipulating Parties stated that they used as a starting point the Regulatory Conditions and Code of Conduct that were approved by the Commission in the Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued September 29, 2016, in Docket Nos. E-2, Sub 1095; E-7, Sub 1100; and G-9, Sub 682 (Duke-Piedmont Merger Order), and the Order Granting Motion to Amend Regulatory Conditions issued August 24, 2018, in Docket Nos. E-2, Sub 1095A; E-7, Sub 1100A; and G-9, Sub 682A (Duke-Piedmont Amended Conditions Order). The Stipulating Parties stated that the Regulatory Conditions and Code of Conduct represent

commitments by the Applicants as a precondition of approval of the Application and that the Regulatory Conditions would be incorporated into any order of the Commission approving the Merger. Stipulation, at Tr. pp. 1-2.

Paragraph No. 14 of the Stipulation states, in pertinent part, that the agreement “is the product of give-and-take negotiations.”

In addition, the Stipulation is supported by the supplemental testimony of Applicants’ witnesses Wohlfarth and Harris. Witness Wohlfarth’s supplemental testimony described the discovery process with the Public Staff and the subsequent settlement negotiations among the Stipulating Parties that “involved substantial compromise by all parties on numerous issues.” Tr. p. 91. Witness Wohlfarth explained that the Stipulation benefits customers in a number of ways, including rate stability associated with PSNC’s commitment not to file a general rate case prior to April 1, 2021, and incorporation of the revised Code of Conduct and Regulatory Conditions that “put safeguards in place to ensure that customers will not be harmed by the Merger.” Tr. pp. 97-98. Witness Wohlfarth also testified that the “Merger will have no adverse impact on the rates charged and the services provided by DENC and PSNC to North Carolina customers” and that “the benefits of the Merger to DENC’s and PSNC’s customers are sufficient to offset any potential costs and risks.” Tr. pp. 99-100.

Witness Harris also testified about the benefits to customers as a result of the Merger, including a refund to PSNC customers as a bill credit of \$1.25 million each January in 2019, 2020 and 2021. Tr. p. 83. Witness Harris further testified to the benefits of PSNC’s rate moratorium as well as PSNC’s increase in charitable contributions over its 2017 contribution level by \$150,000. Tr. p. 83. Finally, Witness Harris stated that the Stipulation will “ensure that the Merger will have no adverse impact on the rates and the service provided by PSNC to North Carolina customers and that the benefits of the Merger to PSNC’s customers are sufficient to offset any potential costs and risks.” Tr. p. 84.

At the hearing, in response to questions by the Chairman, witness Wohlfarth testified to the back and forth nature of the negotiations that resulted in the Stipulation. He stated that even though the Stipulation may include provisions that, on an individual basis, the Applicants would prefer not be included, the Applicants are satisfied with the overall comprehensive settlement, given the “puts and takes of the many different provisions” of the Stipulation. Tr. pp. 118-119.

The Stipulation has not been adopted by all of the parties to this docket. Therefore, its acceptance by the Commission is governed by the standards set out by the North Carolina Supreme Court in State ex rel. Utils. Comm’n v. Carolina Util. Customers Ass’n, Inc., 348 N.C. 452, 500 S.E.2d 693 (1998) (CUCA I), and State ex rel. Utils. Comm’n v. Carolina Util. Customers Ass’n, Inc., 351 N.C. 223, 524 S.E.2d 10 (2000) (CUCA II). In CUCA I, the Supreme Court held that

[A] stipulation entered into by less than all of the parties as to any facts or issues in a contested case proceeding under Chapter 62 should be accorded full consideration and weighed by the Commission with all other

evidence presented by any of the parties in the proceeding. The Commission must consider the nonunanimous stipulation along with all the evidence presented and any other facts the Commission finds relevant to the fair and just determination of the proceeding. The Commission may even adopt the recommendations or provisions of the nonunanimous stipulation as long as the Commission sets forth its reasoning and makes “its own independent conclusion” supported by substantial evidence on the record that the proposal is just and reasonable to all parties in light of all the evidence presented.

348 N.C. at 466, 500 S.E.2d at 703.

However, as the Court made clear in CUCA II, the fact that fewer than all of the parties have adopted a settlement does not permit a court to subject the Commission’s Order adopting the provisions of a non-unanimous stipulation to a “heightened standard” of review. CUCA II, 351 N.C. at 231, 524 S.E.2d at 16. Rather, the Court held that Commission approval of the provisions of a non-unanimous stipulation “requires only that the Commission ma[k]e an independent determination supported by substantial evidence on the record [and] satisf[y] the requirements of chapter 62 by independently considering and analyzing all the evidence and any other facts relevant to a determination that the proposal is just and reasonable to all parties.” Id. at 231-32, 524 S.E.2d at 16.

The Commission gives substantial weight to the testimony of the Applicants’ witnesses regarding the Stipulation, and finds and concludes that the Stipulation is the product of the give-and-take of the settlement negotiations between the Applicants, the Public Staff and Transco.in an effort to appropriately balance the Applicants’ desire for approval of the Merger with the impact of the Merger on DENC’s and PSNC’s customers. Based on the foregoing and the record, the Commission finds and concludes that the Stipulation is the result of give-and-take negotiations, and is material evidence to be given appropriate weight in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 17-26

The evidence for these findings of fact is set forth in the Application, the Cost-Benefit Analysis, the testimony of Applicants’ witnesses, the testimony of the Public Staff Panel, and the Stipulation.

The Application recites several asserted benefits from the proposed Merger. These include: (i) financial benefits resulting from a larger more diversified company; (ii) direct and immediate operational benefits to customers; (iii) enhanced ability of Dominion Energy and SCANA to participate in the growing natural gas sector of the US economy; (iv) future integration benefits; (v) maintenance of a strong corporate presence in North Carolina; and (vi) maintenance of effective regulation by the Commission.

In the Cost-Benefit Analysis, Dominion Energy and SCANA also identified the benefits attendant to the proposed Merger, including: (i) increased financial strength and reduced market risk; (ii) shared services benefits; (iii) safety, reliability, environmental,

and customer service benefits; (iv) removal of the current financial uncertainty of SCANA and a more stable financial position for SCANA and PSNC; (v) lowered corporate governance costs; (vi) increased corporate contributions; and (vii) maintenance of PSNC's Energy's corporate presence in North Carolina.

In addition, Applicants' witness Farrell testified to a number of benefits from the Merger. These ranged from growth of safe, reliable, and cost-effective service to continued Commission regulatory authority over both PSNC and DENC to ensure protection of North Carolina customers. Tr. pp. 21-23.

Applicants' witnesses Addison and Harris testified regarding benefits to PSNC and its customers arising from the proposed Merger. These include access to greater financial resources along with more geographic and business diversity. Tr. pp. 34, 78. According to witness Addison, the Merger will also offer greater economies of scale in providing or acquiring services to support the SCANA companies, such as PSNC, and their customers. Tr. p. 34.

Witness Harris testified that the Merger will enhance PSNC's ability to continue providing safe, reliable, and cost-effective operations across a growing customer base due to greater access to equity capital. Witness Harris also noted that the Merger should positively affect PSNC's credit rating. Tr. pp. 78-79. Witness Harris testified to his belief that the Merger will be seamless to customers as a result of Dominion Energy's express intent to operate PSNC in substantially the same way as it is operated today. Tr. p. 79. He stated that the integration of the companies should result in operational cost savings going forward and enhanced service quality through the sharing of best practices between DENC and PSNC. Tr. p. 78. Witness Harris also co-sponsored the Cost-Benefit Analysis attached to the Application, which described the benefits that will be realized by the companies and their respective customers. Tr. p. 75.

Applicants' witness Chapman testified that the proposed Merger would benefit the companies and their customers. Witness Chapman specifically identified the following discrete benefits from the transaction: (i) PSNC will benefit from being part of a large corporate organization with enhanced geographic, business, and regulatory diversity and a greater financial and operational scale; (ii) Dominion Energy will provide equity, as needed, to PSNC to maintain PSNC's current capital structure and improve credit ratings; (iii) access to an array of services, support, and economies of scale; and (iv) stabilization of the companies' long-term growth objectives. Tr. p. 61.

Applicants' witness Wagstaff also testified that the proposed Merger would have operational and financial benefits that would ultimately benefit DENC and PSNC customers. Specifically, witness Wagstaff testified that Dominion Energy will: (i) maintain PSNC's current customer service levels; (ii) not diminish PSNC's focus on installing, upgrading, and maintaining facilities for safe and reliable operations; (iii) maintain the pipeline integrity program at or above PSNC's current levels; and (iv) increase SCANA's historical level of corporate contributions. Tr. pp. 47-48. Witness Wagstaff also indicated that PSNC will benefit from being part of a corporate organization with enhanced

geographic, business, and regulatory diversity, as well as greater financial and operational scale. Tr. p. 49.

The Public Staff Panel also testified to the benefits and protections of the Merger for North Carolina customers. These benefits and protections include: (i) preventing Merger-related direct expenses from being passed on to customers; (ii) Merger-related cost savings guaranteed through the Stipulation; (iii) provisions regarding the replacement cost rate for debt; and (iv) creating a financially stronger company allowing PSNC greater access to capital markets. Tr. pp. 148-51, 161. The Public Staff Panel expressed concern that Dominion Energy and SCANA had not quantified economic benefits to customers, noting the Applicants' explanation that quantification was not possible at this time. The Public Staff recommended several conditions be imposed on approval of the Merger due to the lack of quantified benefits, including: (1) a bill credit to PSNC customers totaling \$3.75 million over 3 years; (2) to not file an application for a PSNC general rate case before April 1, 2021, and will not increase its non-gas cost margin in its rates until November 1, 2021; (3) holding DENC and PSNC customers harmless from the impacts of debt downgrades for a period of five years; (4) requiring PSNC to maintain current levels of customer service and behavior towards customers and professional cooperation with regulators, consumer advocates, and intervenors; (5) post-merger opportunities for the electric utility operations of DENC and SCE&G; and (6) other benefits to customers such as the most favored nation clause that is intended to ensure that 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 involved in this proceeding. Ultimately, however, the Public Staff Panel recommended that the Merger be approved. Tr. pp. 150-67.

As discussed above, in the Stipulation the Stipulating Parties agreed to a number of benefits to be provided to customers of DENC and PSNC upon closing of the Merger. Paragraph No. 10 of the Stipulation concludes that these terms will assure that the proposed Merger is justified by the public convenience and necessity and meets the standard for approval by the Commission under N.C. Gen. Stat. § 62-111(a).

This conclusion is echoed in the supplemental testimony of Applicants' witnesses Wohlfarth and Harris. As noted above, Applicants' witnesses Wohlfarth and Harris testified that the Stipulation was the result of "substantial compromise by all parties" and provided numerous benefits to customers.

The Commission has carefully reviewed and considered all of the evidence set forth above describing the known and potential benefits of the proposed Merger, finds it to be credible, and gives it substantial weight. Many of these benefits have been enhanced and guaranteed as a result of the Stipulation filed in this proceeding. Based upon that evidence, and the lack of any significant countervailing evidence, the Commission finds and concludes that there are substantial quantifiable and non-quantifiable benefits to be derived from the Merger by the customers of DENC and PSNC.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 27-29

The evidence supporting these findings of fact is set forth in the Application, the Cost-Benefit Analysis, the testimony of Applicants' witnesses, the testimony of the Public Staff Panel, and the Stipulation.

In the Application, the Applicants stated that the Merger will not have a net adverse impact on the rates and services of DENC or PSNC and that, although the Applicants had not yet determined the transaction fees, integration costs, and any acquisition premium that will result from the Merger, none of those costs will be passed on to DENC or PSNC customers. Application, Paragraph No. 30(i).

The Cost-Benefit Analysis identified transaction fees, integration costs, and acquisition premium over book value as potential costs of the Merger, but concluded that while Applicants had not yet determined the amount of such costs, none of these costs will be passed on to DENC or PSNC customers. Cost-Benefit Analysis, at p. 6. The Cost-Benefit Analysis concluded that the Merger provides only benefits, and no detriment to the State of North Carolina and to PSNC, and that all transaction fees and integration costs and any acquisition premium that will result from the Merger would not be passed on to PSNC's or DENC's customers. Cost-Benefit Analysis, at p. 1.

Applicants' witness Farrell testified that the Merger of SCANA and Dominion Energy will not have a net adverse impact on DENC's or PSNC's rates or services. He explained that no transaction fees, integration costs, or any acquisition premium resulting from the Merger would be passed on to DENC or PSNC customers. Tr. p. 22. Similarly, Applicants' witness Chapman testified that PSNC and DENC will not seek recovery of any acquisition premium costs, transition costs, or transaction costs associated with the Merger from their customers. Tr. p. 61.

The Public Staff Panel recognized the Applicants' commitment that no change in control payments or severance payments, transaction fees, integration costs, or acquisition premium will be passed on to customers. The panel testified that based on its review of SCANA's Proxy Statement dated June 15, 2018, SCANA's estimated transaction costs are \$59 million. The panel also testified to Applicants' estimate of the incremental change in control payments to SCANA executives provided through discovery, and that, based on SCANA's book value as of December 31, 2017, the Merger would result in an estimated \$839 million acquisition premium, which would be recorded at the Dominion Energy holding company level and would not impact DENC's or PSNC's financial statements. The Public Staff recommended that DENC and PSNC file a summary report of their final accounting for Merger-related direct expenses and the acquisition premium within 60 days of the Merger as well as supplemental reports as necessary. Tr. pp. 146-49.

As noted above, the Stipulation provides that the Applicants will forego recovery of Merger-related direct expenses.

The Commission finds and concludes that the evidence demonstrates that customers will not pay for Merger-related direct expenses associated with the Merger. First, the Application and the Cost-Benefit Analysis commit the Applicants not to seek recovery of several categories of Merger-related costs of which they would otherwise be entitled to seek recovery. Specifically, the Applicants have expressly waived, in both the Application and the Cost-Benefit Analysis, any right to seek recovery of any acquisition premium associated with the Merger as well as any transaction fees or integration costs (including severance payments) associated with the Merger. Given the estimated transaction costs of \$59 million, the estimated integration costs, and the acquisition premium, the latter of which was estimated at \$839 million, this waiver is a significant commitment, and serves to insulate customers from the costs of the Merger transaction itself as well as other Merger-related expenses. In addition, based on the Stipulation, Applicants have precluded the possibility that they may seek recovery of any Merger-related costs from customers for Commission financial reporting and ratemaking purposes. As defined in Paragraph No. 4 of the Stipulation, these Merger-related expenses include acquisition premiums, change in control payments, regulatory process costs, and transaction costs, such as investment banking, legal, accounting, securities issuances, and advisory fees. Paragraph No. 4 defines integration costs to include the integration of financial, IT, human resources, billing, accounting, and telecommunications systems. This provision further states that “other transition costs” include severance payments, changes to signage, the cost of transitioning employees to post-Merger employee benefits plans, and costs to terminate any duplicative leases, contracts and operations. This provision provides significant additional protection for DENC and PSNC customers from the costs and quantifiable risks associated with the Merger.

The Commission has carefully reviewed and considered all of the evidence set forth above describing the potential costs and the known and potential benefits of the proposed Merger, finds it to be credible, and gives it substantial weight. Further, the Commission finds and concludes that the commitments in the Stipulation are significant and effectively mitigate the potential direct costs of the Merger to customers.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 30-34

The evidence supporting these findings of fact is set forth in the Public Staff Panel testimony, the Transco testimony, the Stipulation, Applicants’ supplemental testimony, and the Commission’s statutory and inherent supervisory authority.

The Public Staff Panel testified in support of a number of conditions to the Merger that it believed were necessary to address risks that the Public Staff identified in association with the Merger. With regard to its recommendation for a rate moratorium until November 1, 2021, the Public Staff clarified that, because the Commission found in its order in Docket No. G-5, Sub 565, that the proposed integrity management tracker (IMT) expressly provides for Commission review of the mechanism at the earlier of PSNC’s next general rate case proceeding or four years from the implementation of the mechanism,

the Public Staff believes that the IMT can still continue without PSNC having to file a general rate case. Tr. p. 156. With respect to the effect of the Merger on the PJM regulatory conditions imposed by the Commission on DENC in Docket No. E-22, Sub 532, the Public Staff testified that based on Section VI of the revised Regulatory Conditions, all of the PJM conditions imposed by the Commission in the Sub 532 case will remain in effect. Tr. p. 164. Finally, the Public Staff testified in support of a most favored nation clause. Tr. pp. 166-67.

Transco witness Amezquita testified to concerns about the impact of the proposed Merger, including that Transco's natural gas capacity may not be utilized as much as a result of the Merger, which could cause price increases for North Carolina customers. Tr. p. 131. Witness Amezquita provided several recommendations to the Commission to avoid these potential impacts, including a requirement for PSNC to engage in good faith negotiations with third party natural gas capacity suppliers, with Commission oversight. Tr. pp. 134-35. Subsequent to filing witness Amezquita's testimony, Transco joined the Stipulation as a Stipulating Party.

As discussed above, the provisions of the Stipulation protect customers from adverse impacts to rates and services, prohibit unfair dealing through affiliate agreement provisions, and commit DENC and PSNC to the Regulatory Conditions and Code of Conduct. Additionally, Applicants' witnesses Wohlfarth and Harris testified in support of these provisions of the Stipulation in their supplemental testimonies and identified the benefits and financial protections that PSNC customers will receive as a result of the Stipulation.

At the hearing, Applicants' witness Harris and Public Staff witness Larsen confirmed in response to questions by the Commission that the IMT could continue without PSNC filing a general rate case before April 1, 2021, as provided in the Stipulation. Tr. pp. 111, 183.

Under N.C. Gen. Stat. § 62-30, the Commission has general power and authority to supervise and control public utilities. Further, N.C. Gen. Stat. § 62-32 grants the Commission supervisory power over public utility rates and service, including the power to compel reasonable service and set reasonable rates. As noted above, Paragraph No. 29 of the Application provides that, after the Merger, the "Commission will continue to exercise its regulatory authority over [PSNC] and [DENC] in the same way it does today, thereby ensuring continued protection of the interests of North Carolina customers." This continuing and undiminished regulatory oversight will serve to protect customers from adverse consequences of the Merger.

Separate and apart from the Commission's inherent and continuing supervisory function, there is substantial evidence in this proceeding that customers are and will be protected from potential costs and risks of the Merger. In addition to the protections against the costs of the Merger discussed above, the Stipulation provides that PSNC and DENC customers will be held harmless from the impacts of a debt downgrade, requires that PSNC maintain current levels of customer service and behavior toward customers and current levels of professional cooperation, imposes additional obligations on the

Applicants with respect to affiliate agreements, and commits the Applicants to abide by the Regulatory Conditions and Code of Conduct. Based on the evidence presented, the Commission concludes that the Stipulation provides reasonable and adequate regulatory scrutiny over transactions involving DENC or PSNC with each other, or with non-utility affiliates of Dominion Energy. Further, the Commission concludes that the Stipulation provides reasonable and adequate protections against the potential for discriminatory behavior in intra-company transactions by DENC and PSNC compared to their similar transactions with third parties, through the Applicants' commitment to the Regulatory Conditions and Code of Conduct, and through the requirements in Paragraph No. 9 of the Stipulation pertaining to affiliate agreements. In addition, the Commission concludes that the Stipulation resolves Transco's concerns regarding the Merger.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 35-46

The evidence supporting these findings of fact is set forth in the Stipulation, including the proposed Regulatory Conditions and Code of Conduct, the testimony of the Public Staff Panel, the testimony of Applicants' witnesses Wohlfarth and Harris, and the Commission's statutory and inherent supervisory authority.

In addition to the protection against risks of the Merger provided by the Stipulation itself, the proposed Regulatory Conditions and Code of Conduct also safeguard customers from potential adverse impacts on rates and services as a result of the Merger. As noted above, the proposed Regulatory Conditions and Code of Conduct would update the regulatory conditions and codes of conduct currently in effect for DENC and PSNC, and are largely based on the Regulatory Conditions and Code of Conduct that were approved by the Commission in the Duke-Piedmont Merger Order and the Duke-Piedmont Amended Conditions Order.

The Regulatory Conditions provide numerous protections and restrictions governing the ongoing operations of DENC and PSNC. These safeguards include a number of provisions designed to (i) preserve the Commission's jurisdiction over the regulated utilities (Regulatory Conditions, Section III); (ii) establish intra-company financing requirements and separate accounting for each utility (Regulatory Conditions, Sections VII and VIII); (iii) ensure ongoing review of the operations of DENC and PSNC under a holding company structure (Regulatory Conditions, Section VIII); (iv) provide the Commission with advance notice of proposed business combinations and mergers, and advance notice of changes in the structure and organization of Dominion Energy, DENC, and PSNC (Regulatory Conditions, Section IX and X); (v) ensure continuing levels of service quality for the respective customers of DENC and PSNC (Regulatory Conditions, Section XI); (vi) ensure that DENC's and PSNC's North Carolina retail customers do not bear any additional tax costs as a result of the Merger and that they receive an appropriate share of any tax benefits associated with the service company affiliates (Regulatory Conditions, Section XII); (vii) ensure that Dominion Energy, DENC, PSNC, and all other affiliates establish and maintain the structures and processes necessary to fulfill the commitments expressed in the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner (Regulatory Conditions, Section XIV); (viii) preserve the integrity of utility-specific acquisitions of upstream supply

and capacity (Regulatory Conditions, Section XV); and (ix) ensure through rate and other protections for PSNC's North Carolina retail customers that the benefits of the Merger are equal to or surpass the costs of the Merger to those customers (Regulatory Conditions, Section XVI).

The purpose of Section III of the Regulatory Conditions is to protect the Commission's jurisdiction 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. This section includes Regulatory Condition No. 3.1, which requires DENC and PSNC to submit proposed affiliate agreements to the Public Staff for informal review at least 15 days before filing with the Commission so that a determination can be made as to whether the agreements require Commission action. This condition also requires that, for any contract that must be filed with the Federal Energy Regulatory Commission (FERC), DENC and PSNC will file for informational purposes a copy of the proposed agreement with the Commission at least 15 days prior to filing the agreement with FERC.

Regulatory Condition No. 3.2 states that contracts memorializing financing transactions between DENC and PSNC and their affiliates, or between affiliates that are reasonably likely to affect DENC's or PSNC's rates or service, must provide that DENC or PSNC shall not include the effects of any capital structure or debt or equity costs associated with the transactions in its North Carolina retail cost of service or rates, except as allowed by the Commission.

Regulatory Condition No. 3.3 stipulates that DENC and PSNC will own and control the assets used to serve their respective retail customers. Further, if DENC or PSNC intends to transfer an asset having a net book value in excess of \$10 million, they are required to provide the Commission with at least 30 days advance notice of the proposed transfer and cannot include the value of the transfer in rates without Commission approval.

Regulatory Condition No. 3.8 also includes provisions intended to protect the Commission's jurisdiction. Regulatory Condition No. 3.8(f) as proposed in the October 10, 2018, filing by the Public Staff, provides that DENC, PSNC, Dominion Energy, 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 proposed by DENC or PSNC or that could affect DENC's or PSNC's operations, service, or rates and (b) 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 other adverse effects of the preemption. At the hearing, the Chairman questioned how the Applicants interpreted this condition, and whether it could be interpreted to mean that, in circumstances where the Commission did not agree that costs incurred pursuant to federally approved rates should be passed to North Carolina customers, the utility's shareholders should bear that cost. Applicants' witness Wohlfarth testified that, while this condition could in the future be subject to interpretation, the Applicants remain obligated to act prudently regardless of any

approved federal rate, and the Commission maintains its authority to make such prudence determinations. Tr. pp. 114-20. Public Staff witness Maness testified in response to similar questions by the Chairman that the key language in this condition is the requirement to take all actions as may be reasonably necessary and appropriate to hold North Carolina customers harmless. Witness Maness testified that the Public Staff determined that inclusion of this condition was reasonable because it was included in the regulatory conditions approved in the Duke-Piedmont Amended Conditions Order. Tr. pp. 179-81.

On October 31, 2018, the Public Staff and Applicants filed their Joint Proposed Order, which revised Regulatory Condition No. 3.8(f) to address the Chairman's concerns. The revised condition modifies subsection (B) of Regulatory Condition No. 3.8(f) to provide that DENC, PSNC, Dominion Energy, and any other Affiliates and the Nonpublic Utility Operations "shall take all actions as may be reasonably *and lawfully* necessary and appropriate to *advance the interests of* North Carolina ratepayers to avoid rate increases, foregone opportunities for rate decreases or any other adverse effects of such preemption *including but not limited to intervention in FERC proceedings on behalf of the interests of North Carolina ratepayers.*" (Revisions in italics.)

Based on this evidence, the Commission finds and concludes that the Regulatory Conditions, including revised Regulatory Condition No. 3.8(f) as revised in the Joint Proposed Order filed on October 31, 2018, effectively address the concerns related to potential loss of or reduction in the Commission's jurisdiction arising from the Merger.

Section IV of the Regulatory Conditions is intended to ensure that the costs incurred by DENC and PSNC are properly incurred, accounted for, and directly charged, assigned, or allocated to their respective North Carolina retail operations, and that only costs that produce benefits to DENC's and PSNC's retail customers are included in their North Carolina cost of service for ratemaking purposes. The Commission finds and concludes that the Regulatory Conditions effectively address concerns related to the incurrence of, accounting for, and charging of costs to DENC's and PSNC's respective retail operations.

Section VI of the Regulatory Conditions incorporates the remaining conditions of Dominion Energy's integration into PJM, which are primarily reporting requirements. The Commission finds that these conditions will continue to apply to DENC and serve their intended purpose under these Regulatory Conditions.

The purposes of Section VII of the Regulatory Conditions are to ensure that (a) 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 reasonable costs so as to adequately fund and maintain their current and future capital needs and otherwise meet their service obligations to their customers.

The Commission finds and concludes that the Regulatory Conditions effectively address the concerns related to potential financing issues arising from the Merger. In

particular, the Commission finds and concludes that the Regulatory Conditions effectively protect DENC's and PSNC's capital structures and cost of capital from adverse consequences that might result from their affiliation with Dominion Energy, each other, and other affiliates, and ensure 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.

Section VIII of the Regulatory Conditions addresses the risks and concerns related to corporate governance and ring-fencing issues arising from the Merger. These Regulatory Conditions are intended to ensure the continued viability of DENC and PSNC and to insulate and protect DENC and PSNC and their North Carolina retail 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.

For example, Regulatory Condition No. 8.1 requires DENC and PSNC to 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 the debt rating of either DENC or PSNC falls to within one notch of an investment grade rating by S&P and Moody's, a written notice by DENC or PSNC must be filed with the Commission and provided to the Public Staff within five days, along with an explanation as to why the downgrade occurred. Furthermore, within 45 days of such notice, DENC or PSNC are required to 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 or PSNC's North Carolina retail customers in the continuation of adequate and reliable service at just and reasonable rates.

In addition, Regulatory Condition No. 8.2 holds DENC's and PSNC's customers harmless against any potential increase in costs associated with a debt downgrade attributable to the Merger. The condition provides that if a downgrade occurs and is continuing, a replacement cost calculation will be determined, as part of DENC's and PSNC's future general rate cases, and the procedure shall be effective for five years following the Merger.

Another example of the financial integrity protections provided by the Regulatory Conditions is Regulatory Condition No. 8.3, which limits DENC's and PSNC's 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.

The Commission finds and concludes that the Regulatory Conditions effectively address potential risks and concerns related to corporate governance and ring-fencing issues arising from the Merger by ensuring the continued viability of DENC and PSNC, and insulating and protecting DENC and PSNC and their retail 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 the liabilities of affiliates.

The purpose of Section IX of the Regulatory Conditions is 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 non-public utility operations. Regulatory Condition No. 9.1 requires that advance notification be filed with the Commission at least 180 days prior to the proposed closing date for a proposed merger, acquisition, or other business combination that would affect DENC's or PSNC's rates or service. Regulatory Condition No. 9.2 requires that advance notification be filed with the Commission at least 90 days prior to the proposed closing date for the 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 that involves Dominion Energy, other affiliates, or non-public utility operations and that has a transaction value exceeding \$1.5 billion. Any interested party may file comments within 45 days of the filing of the advance notification, and, if timely comments are filed, the Public Staff is required to place the matter on a Commission Staff Conference agenda and recommend how the Commission should proceed. This condition further provides that if the Commission determines that the merger, acquisition, or other business combination requires approval, an order shall be issued requiring the filing of an application, and no closing can occur until and unless the Commission approves the proposed merger, acquisition, or business combination.

The Commission finds and concludes that the Regulatory Conditions will effectively enable the Commission to exercise its jurisdiction over business combinations involving Dominion Energy or other members of the Dominion Energy holding company structure following the Merger by ensuring 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 of DENC and PSNC.

The Regulatory Conditions in Section X 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 of DENC and PSNC as they may affect North Carolina retail customers.

Regulatory Condition No. 10.1 provides that DENC and PSNC are required to file notice with the Commission 30 days prior to the initial transfer or any subsequent transfer of any services, functions, departments, employees, rights, obligations, assets, or liabilities from DENC or PSNC to Dominion Energy's Service Company that (a) involves services, functions, departments, employees, rights, obligations, assets; or liabilities other than those of a governance or corporate 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.

Regulatory Condition No. 10.2 provides that, 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 DENC's or PSNC's retail rates, operations, and service; and proposals for assuring that such plans do not adversely affect DENC's or PSNC's retail 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 or PSNC's retail customers, then DENC's and PSNC's plans and proposals for assuring that those plans do not adversely affect those customers must be included in these meetings. DENC and PSNC shall inform the Public Staff promptly of any such events and changes.

The Commission finds and concludes that the Regulatory Conditions effectively address risks and concerns related to structure and organization arising from the Merger by ensuring that the Commission and the Public Staff will receive adequate notice of, and an 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 of DENC and PSNC as they may affect North Carolina retail customers.

The Applicants state in the application that the proposed Merger in no way diminishes the Commission's authority to regulate the service quality of PSNC. Application, Paragraph No. 33. Section XI of the Regulatory Conditions contains twelve separate provisions that are intended to ensure that DENC and PSNC continue to implement and further their commitment to providing superior utility service by meeting recognized service quality indices and implementing the best practices of each other and their utility affiliates to the extent reasonably practicable. These provisions include overall service quality, best practices, right-of-way maintenance expenditures and clearance practices, customer access to service representatives and other services, call center operations, customer surveys, and regular meetings with the Public Staff on matters related to service quality. With respect to DENC, Regulatory Condition No. 11.2 also requires that DENC continue to take all reasonable and prudent actions necessary to continue to provide its North Carolina retail customers with superior bundled retail electric service.

In addition, Applicants' witness Farrell testified that Dominion Energy's "proven leadership team is unfailingly committed to the safe, reliable, cost-effective, and environmentally responsible provision of utility services to its customers" and "[t]hat commitment will apply equally to its operation of PSNC." Tr. p. 22.

The Commission finds and concludes that the Commission's continuing regulatory authority and procedures and the Regulatory Conditions will effectively ensure that DENC and PSNC maintain a strong commitment to customer service after the Merger.

Section XII of the Regulatory Conditions is intended to ensure that DENC's and PSNC's North Carolina retail customers do not bear any additional tax costs as a result of the Merger and that they receive an appropriate share of any tax benefits associated with the service company affiliates.

Regulatory Condition No. 12.1 provides that under any tax sharing agreement DENC and PSNC will not seek to recover from their North Carolina retail customers any tax cost that exceeds DENC's or PSNC's tax liability calculated as if DENC and PSNC were stand-alone taxable entities for tax purposes.

Regulatory Condition No. 12.2 provides that the appropriate portion of any income tax benefits associated with the Service Company will accrue to the North Carolina retail operations of DENC and PSNC for regulatory accounting, reporting, and ratemaking purposes.

The Commission finds and concludes that Regulatory Condition Nos. 12.1 and 12.2 will effectively ensure that DENC's and PSNC's North Carolina retail customers (a) are protected from any adverse effects of a tax sharing agreement, and (b) will receive an appropriate portion of income tax benefits associated with the Service Company.

Section XIII of the Regulatory Conditions provides procedures for the implementation of conditions requiring advance notices and other filings arising from the Merger. The Commission finds and concludes that Section XIII of the Regulatory Conditions provides appropriate and effective procedures for the implementation of conditions requiring advance notices and other filings arising from the Merger.

Sections V and XIV of the Regulatory Conditions address compliance with the Code of Conduct. Section V obligates DENC, PSNC, Dominion Energy, and other affiliates to comply with the terms of the Code of Conduct. The purpose of Section XIV of the Regulatory Conditions is 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 the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner.

Regulatory Condition No. 14.1 requires Dominion Energy, DENC, PSNC, and all other affiliates to devote sufficient resources to the creation, monitoring, and ongoing improvement of effective internal compliance programs to ensure compliance with the Regulatory Conditions and the Code of Conduct. It further requires them to take a proactive approach toward correcting any violations and reporting them to the Commission, including 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.

Regulatory Condition No. 14.2 requires DENC and PSNC to 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. Regulatory Condition No. 14.3 requires that annual training be provided by DENC and PSNC 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.

Regulatory Condition No. 14.4 states that if DENC or PSNC discover that a violation of the requirements or standards contained within the Regulatory Conditions and Code of Conduct has occurred, then they are required to file a statement with the Commission describing the circumstances leading to that violation and the mitigating and other steps taken to address the current or any future potential violation.

The Commission finds and concludes that the Regulatory Conditions will effectively ensure monitoring and compliance with the Regulatory Conditions and the Code of Conduct by requiring Dominion Energy, DENC, PSNC, and all other affiliates to establish and maintain the structures and processes necessary to fulfill the commitments expressed in the Regulatory Conditions and the Code of Conduct in a timely, consistent, and effective manner. The purpose of Regulatory Condition XV is to preserve the integrity of utility specific acquisitions of upstream supply and capacity. Regulatory Condition No. 15.1 requires DENC and PSNC to determine the appropriate sources for their interstate pipeline capacity and supply on the basis of the benefits and costs to their respective customers. It also prohibits PSNC from contracting with an affiliate interstate pipeline for additional capacity with a contractual term of ten years or more without issuing a request for proposals, requires PSNC to consider the proposals in good faith, and prohibits PSNC from contracting with an affiliate unless the affiliate is the least cost provider or unless otherwise approved by the Commission. This regulatory condition addresses the concerns expressed by Transco witness Amezcua. Regulatory Condition No. 15.2 specifies that, 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 service to PSNC's customers consistent with its best cost gas and capacity procurement methodology.

The Commission finds and concludes that these Regulatory Conditions will effectively ensure the continuation of DENC's and PSNC's current practices for determining their long-term sources of interstate pipeline capacity and supply.

The purpose of Regulatory Condition XVI is to ensure, through rate and other protections for DENC's and PSNC's North Carolina retail customers that the benefits of the Merger are equal to or surpass the costs of the Merger to those customers. Regulatory Condition No. 16.1 echoes the commitment contained in the Stipulation that PSNC will create a regulatory liability of \$3.75 million representing a refund to customers of 2017 revenues to be provided as bill credits of \$1.25 million on January 1 of 2019 (or as soon thereafter those dates as practicable), January 1, 2020, and January 1, 2021. In addition, Regulatory Condition No. 16.2 states that PSNC will not file an application for a general rate case proceeding to adjust its rates and charges before April 20, 2021, and that, except in certain specified circumstances, PSNC will 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.

Regulatory Condition No. 16.3 states PSNC's agreement to maintain current levels of customer service and behavior towards customers, and of professional cooperation. Regulatory Condition No. 16.4 provides that 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 customers while not compromising reliability or service quality. Finally, Regulatory Condition 16.5 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 Georgia, South Carolina, and any other jurisdiction where approval of the Merger is required, by increasing the benefits and protections to DENC's or PSNC's retail North Carolina customers to match the greatest level of benefits and protections provided to DENC's or PSNC's retail customers in other jurisdictions, if applicable. The most favored nation clause protects North Carolina retail ratepayers of DENC and PSNC by ensuring that they receive at least equal customer benefits if the settlement stipulations and orders entered in other jurisdictions contain materially better benefits for DENC's and PSNC's ratepayers. Regulatory Condition 16.5 therefore provides that following the approval of the Merger in other jurisdictions, any mechanisms adopted pursuant to which benefits and ratepayer protections are provided to DENC and PSNC ratepayers 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 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. The condition, however, provides that in no event will the application of the methodology cause North Carolina retail customers' benefits to be reduced.

The Commission finds and concludes that these Regulatory Conditions will effectively ensure that the benefits of the Merger are equal to or surpass the costs of the Merger to DENC's and PSNC's customers.

With regard to Findings of Fact Nos. 35-46, the Regulatory Conditions provide the protections noted in each such finding of fact. No party has offered evidence contesting these provisions of the Regulatory Conditions or the testimony of the witnesses in support thereof. As a result, the Commission determines that the evidence is sufficient to support these findings of fact and need not be repeated here.

With regard to all of the Regulatory Conditions approved herein, with the exception of Section VI (PJM Conditions) and XVI, the Regulatory Conditions are substantially similar to those approved by the Commission in the Duke-Piedmont Merger Order, as modified by the Duke-Piedmont Amended Conditions Order. In turn, those Regulatory Conditions are, with certain exceptions as approved in the Amended Conditions Order, identical to those approved in the 2006 merger of Duke Energy and Cinergy Corporation, and the 2012

merger of Duke Energy and Progress Energy, Inc. Thus, the Commission and the Public Staff have more than a decade of experience with the application and enforcement of the majority of these Regulatory Conditions. The Commission has found them to be effective in protecting customers from the real and potential risks of those mergers. Additionally, the Commission has concluded that the Stipulation, including the Regulatory Conditions, was the product of give-and-take settlement negotiations among the parties. The Commission is, therefore, confident in the ongoing strength of the Regulatory Conditions as modified for this proceeding, and their ability to protect DENC's and PSNC's North Carolina retail customers from the real and potential risks of SCANA's Merger with Dominion Energy.

The Commission has carefully reviewed and considered all of the evidence set forth above and finds it to be credible and entitled to substantial weight. Based on the testimony and for the reasons discussed above, the Commission concludes that the Regulatory Conditions safeguard customers from potential adverse impacts of the Merger on rates, services, and other aspects of the public utility operations of DENC and PSNC as much as reasonably possible.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 47-51

The evidence supporting these findings of fact is set forth in the testimony of the Public Staff Panel, the testimony of Applicants' witnesses, and the Stipulation, including the Code of Conduct.

Potential risks to customers of the Merger are also addressed by the Code of Conduct. As with the proposed Regulatory Conditions, the proposed Code of Conduct would update the codes of conduct currently in effect and applicable to DENC and PSNC, and is largely based on the Code of Conduct that was approved by the Commission in the Duke-Piedmont Merger Order.

The Public Staff Panel testified that its proposed Code of Conduct, together with the Regulatory Conditions, were developed in order to provide cost allocation and pricing standards, natural gas marketing standards, requirements regarding the sharing of potentially competitive sensitive information, and requirements to file cost allocation manuals and annual reports on affiliate transactions, all of which would work to minimize any market power of the proposed Merger. Tr. p. 165.

Applicants' witness Wohlfarth testified that the Code of Conduct governs the relationship, activities, and transactions among the public utility operations and their affiliates. Tr. p. 97. Applicants' witness Harris testified that, together with the Regulatory Conditions, the Code of Conduct provides additional benefits and protections for PSNC's customers, ensures that the Merger will not adversely impact the rates charged and service provided by PSNC to its North Carolina customers, and ensures that the benefits of the Merger to PSNC's customers are sufficient to offset any potential costs and risks. Tr. pp. 86-88.

Section III.A of the Code of Conduct (Code) discusses Independence and Information Sharing. This section requires Dominion Energy, DENC, PSNC, and other affiliates to operate independently of each other, and sets guidelines and restrictions on the exchange of customer information and confidential systems operation information.

Section III.B of the Code addresses Nondiscrimination. It prohibits the Applicants from giving any preference in pricing or service priority to an affiliate or from requiring the purchase of any goods or services in return for receiving electric or gas service.

Section III.C of the Code addresses Marketing. It allows joint sales and joint advertising by DENC and PSNC with their affiliates and nonpublic utility operations subject to restrictions imposed by the Commission, but requires DENC and PSNC to make any such joint marketing opportunities available to third parties. This section of the Code also prohibits the use by an affiliate, including Dominion Energy, of DENC's or PSNC's names and logos unless disclaimers accompany such use. The disclaimers clarify that the utilities/affiliates are separate companies and that the Commission does not regulate Dominion Energy or the affiliate.

Section III.D of the Code addresses Transfers of Goods and Services, Transfer Pricing, and Cost Allocation. This section sets guidelines for the pricing of goods and services exchanged between affiliates.

Provisions D.4 and D.6 provide that charges for shared services and all permitted transactions among the affiliates shall be allocated to the affiliated utilities in accordance with the Service Company cost allocation manual filed with the Commission.

Provision D.5 provides that 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 purchased for resale unless purchased pursuant to a Commission-approved contract or service agreement) if the joint purchases result in cost savings for customers.

Provision D.8 provides that trade secrets shall not be transferred from DENC or PSNC to Dominion Energy or other affiliates without just compensation and filing of 60-day prior notice to the Commission.

Provision D.9 provides that DENC and PSNC shall receive compensation from Dominion Energy or other affiliates for intangible benefits, if appropriate.

Section III.E, "Regulatory Oversight," reiterates that N.C. Gen. Stat. § 62-153 will continue to apply to all transactions between DENC, PSNC, Dominion Energy, and other affiliates. This statute requires all public utilities to file with the Commission any contract with any affiliate, and the Commission may disapprove such contract if it is found to be unjust or unreasonable. Further, the books and records of the Applicants and their affiliates will be open for examination by the Commission or the Public Staff. Finally, DENC shall file a report with its annual fuel cost recovery rider demonstrating that any gas services purchased from PSNC (except those provided under Commission-approved contracts) were prudent and reasonably priced.

Section III.F is entitled “Utility Billing Format” and provides that if customers receive bills for a variety of services such bills shall clearly separate the electric service charges and gas service charges from the charges for any other services. In addition, the bill shall clearly state that a customer’s utility service will not be terminated for failure to pay for any other services billed.

Section III.G of the Code provides a “Complaint Procedure” for resolving complaints that arise due to the relationship of DENC and PSNC with Dominion Energy and other affiliates.

Section III.H is entitled “Natural Gas/Electricity Competition” and provides that 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 certain minimum standards.

The Commission has reviewed the Code of Conduct and finds and concludes that it represents significant commitments by the Applicants to provide ongoing protection to customers from possible costs and risks of the proposed Merger.

Also applicable is N.C. Gen. Stat. § 62-138, the requirement to obtain Commission approval over service contracts; N.C. Gen. Stat. § 62-140, the prohibition against discrimination; and, as discussed previously, N.C. Gen. Stat. § 62-153, which requires the Applicants to file affiliated contracts and to obtain approval for affiliated service contracts. Each of these statutory provisions either prohibits or mandates utility conduct for the purpose of assuring that rates charged to customers for utility services are just and reasonable.

The Commission has carefully reviewed and considered all of the evidence set forth above and finds it to be credible and entitled to substantial weight.

Further, the Code of Conduct is essentially identical to the Code of Conduct approved by the Commission in the Duke-Piedmont Merger Order, which, in turn, was essentially identical to the Code of Conduct approved in the 2006 merger of Duke Energy and Cinergy Corporation and the 2012 merger of Duke Energy and Progress Energy, Inc. Thus, the Commission and the Public Staff have more than a decade of experience with the application and enforcement of the Code of Conduct. The Commission has found the Code of Conduct to be effective in protecting ratepayers from the real and potential risks of those mergers. The Commission is, therefore, confident in the ongoing strength of the Code of Conduct and its ability to protect PSNC’s customers from the real and potential risks of SCANA’s Merger with Dominion Energy.

Based on the foregoing, the Commission finds and concludes that potential risks of the Merger to customers have been effectively mitigated as much as reasonably possible by the commitments of the Applicants in the Application, as well as the testimony

of Applicants' witnesses, the testimony of the Public Staff Panel, and the Stipulation, including the Regulatory Conditions and Code of Conduct.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 52

The evidence supporting this finding of fact is contained in the Market Power Analysis, the testimony of Applicants' witness Hunger, the testimony of the Public Staff Panel, the testimony of Transco witness Amezquita, and the Stipulation, including the stipulated Regulatory Conditions and Code of Conduct.

In the M-100, Sub 129 Order, the Commission required natural gas and electric utilities proposing to engage in a merger to file a market power analysis with their merger approval petitions. The purpose of this requirement was to allow the Commission to evaluate the impact of the proposed merger on competitive and regulated markets and to assess whether any potential anticompetitive effects might flow from the proposed merger.

The Commission has carefully reviewed the record in this proceeding related to these issues and finds no substantial evidence that would support the conclusion that the proposed Merger will result in materially increased market or monopoly power, particularly when viewed in the light of the restrictions and requirements set forth in the stipulated Regulatory Conditions and Code of Conduct.

In this regard, the Commission has reviewed the HHI study performed by Charles River Associates (CRA), which concludes that the proposed Merger does not raise competitive concerns in any of the studied markets. Market Power Analysis, Application Exhibit 5, at p. 24. Further, the Market Power Analysis found that the wholesale gas market is "moderately concentrated, and the proposed transaction will increase market concentration, but it will remain moderately concentrated" and that planned pipeline development in the region "would not raise competitive concerns, and would improve market supply and competitive alternatives." *Id.* at 24. Regarding wholesale electricity, "[w]ithin North Carolina, there will be no change in ownership of generation, and therefore no concentration of the market that would raise concerns over the exercise of market power." *Id.* at 24. The analysis also found that "there is no overlap in service territories between retail gas service provided by PSNC Energy (retail gas) and Dominion Energy North Carolina (retail electricity) so there is no concern about reduced competition for utility customers who have the ability to switch between electricity and gas for certain needs ... [t]hus, the proposed transaction should not raise concerns that, following the merger, there will be incentives to invest in one type of infrastructure over another to the disservice of its ratepayers." *Id.* at 24.

Applicants' witness Hunger testified in support of the Market Power Analysis and concluded that the Merger does not raise competitive concerns in any studied markets and will not create an increased ability to exercise market power. Witness Hunger stated that in the market power analysis he addressed the full range of competitive concerns in gas and electricity markets associated with the Merger as it relates to North Carolina. With regard to the wholesale gas market, he stated that the Merger would increase the

market concentration, but that the market would remain moderately concentrated. With regard to the wholesale electricity market, he testified that within North Carolina there likely will be a slight increase in market concentration, but no harm to competition as a result. With regard to the retail gas and retail electricity markets, as there is no competitive retail regime for gas service or electricity service in North Carolina, he concluded that the Merger will not impact retail gas competition or retail electricity competition. With regard to cross-fuel competition, witness Hunger noted that there is no overlap in service territories between retail service provided by PSNC and DENC, so there is no concern about reduced competition for utility customers who have the ability to switch between electricity and natural gas for certain needs. He also concluded that the Merger should not raise concerns that following the Merger there will be incentives to invest in one type of infrastructure over another to the disservice of customers. Tr. pp. 69-70.

The Public Staff Panel testified that its review of witness Hunger's testimony, Applicants' joint application under Section 203 of the Federal Power Act, and the July 12, 2018 FERC order approving the Merger support a conclusion that the Merger is in the public interest. The Public Staff Panel noted FERC's recognition that there is no geographic overlap of the DENC and PSNC service areas. The Public Staff Panel testified further that its recommended Regulatory Conditions and Code of Conduct provide cost allocation and pricing standards, natural gas marketing standards, requirements regarding the sharing of potentially competitive sensitive information, and requirements to file cost allocation manuals and annual reports on affiliate transactions that should work to minimize any market power of the merged company. Tr. pp. 164-65.

Transco witness Amezcua testified that the Merger would create a vertically integrated business structure that could have significant control over essential facilities in the sale, distribution, and transmission of natural gas and electricity in North Carolina, which could lead to decisions by the merged company that could result in North Carolina customers paying higher prices. As noted above, Transco advocated for conditions on any approval of the Merger including requiring PSNC to issue a request for proposals for additional pipeline capacity, the filing of confidential reports of any resulting negotiations, and requiring PSNC to use a "least cost" standard when contracting for natural gas supply and services. Tr. pp. 127-128, 131-34.

As indicated by the Commission's questions for witness Hunger in its Order Granting in Part Motion to Excuse Several Witnesses and Requiring Late-Filed Exhibit, the Commission had some concern about CRA's conclusions regarding available pipeline capacity. Specifically, on page 8 of the CRA analysis, CRA employed a proxy for the total pass-through capacity available in Zone 5 on January 8, 2017, PSNC's peak day in 2017, and concluded that 1,020 MDth/d, 22% of the total market, was available as firm capacity. As indicated by the Commission's Question No. 1 to witness Hunger, the Commission was not persuaded that this proxy was applicable, particularly given that January 8, 2017, was not a design day for PSNC. As a result, there may have been released capacity available that day that could not be considered firm. Witness Hunger's answer to the Commission's Question No. 1 did not effectively address the Commission's concern. Nonetheless, aside from that point the Commission finds the conclusions of the Market Power Analysis to be acceptable and entitled to substantial weight. The Commission also

finds the testimony of the Public Staff Panel on this matter to be entitled to substantial weight. Finally, the Commission finds that the testimony of Transco on this matter is effectively addressed by the evidence presented by the Market Power Analysis and the Public Staff Panel, and by the Stipulation.

With respect to the possibility of self-dealing or anti-competitive conduct by and among DENC and PSNC after the Merger, the Commission finds that risk to be effectively mitigated by the stipulated Regulatory Conditions and Code of Conduct, and by the ongoing authority of the Commission over the rates, terms, and conditions of service offered by DENC and PSNC.

The Regulatory Conditions and Code of Conduct, as set forth in the Stipulation and supported by the testimony of Applicants' witnesses Wohlfarth and Harris, address several areas in which self-dealing or anticompetitive behavior by DENC and PSNC could arise. The affiliated transaction rules set forth in the Regulatory Conditions are intended to address risks related to agreements and transactions between and among DENC, PSNC, and their affiliates; financing transactions involving Dominion Energy, DENC or PSNC, and any affiliate (Regulatory Condition Section III); and the proper incurrence of, accounting for, and direct charging, assignment, or allocation of costs incurred by DENC and PSNC (Regulatory Condition Sec. IV). The affiliate related provisions of the Code of Conduct are designed to ensure independence of DENC and PSNC and their affiliates, prohibit discrimination by DENC or PSNC against non-affiliates, and regulate joint marketing and transfer pricing. According to the Public Staff Panel's testimony, these provisions appropriately address concerns raised by the proposed Merger.

Based on the foregoing evidence, the Commission concludes that the proposed Merger will not result in materially increased market or monopoly power to the detriment of customers.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 53

The evidence supporting this finding of fact is contained in the Stipulation, the testimony of Applicants' witnesses Wohlfarth and Harris, and the testimony of the Public Staff Panel.

As fully discussed in the Evidence and Conclusions for Findings of Fact Nos. 15 and 16, the provisions of the Stipulation are the product of the give-and-take of settlement negotiations between the Applicants, the Public Staff, and Transco. As a result, the Stipulation reflects the fact that the Applicants agreed to certain provisions that advanced the Public Staff's interests and the Public Staff agreed to other provisions that advanced the Applicants' interests. It also reflects the Applicants' agreement to provisions that addressed Transco's concerns and Transco's agreement to provisions that advanced Applicants' interests. The end result is that the Stipulation strikes a fair balance between the interests of the Applicants and their customers.

In his supplemental testimony, Applicants' witness Wohlfarth testified that, following the Public Staff's extensive audit and discovery process investigating the public

convenience and necessity of the proposed Merger, the Applicants and the Public Staff began discussions regarding a possible settlement. He also stated that, after intervenor testimony was filed, the Applicants engaged in discussions with Transco regarding the Regulatory Conditions. He testified that the negotiations involved substantial compromise by all parties on numerous issues. Witness Wohlfarth testified further that the terms of the Stipulation, including the Regulatory Conditions and Code of Conduct, will ensure that the Merger will have no adverse impact on the rates charged and the services provided by DENC and PSNC to North Carolina customers and that the benefits of the Merger to those customers are sufficient to offset any potential costs and risks. He stated that PSNC will continue to provide efficient, reliable, and safe service at a reasonable cost through the many commitments made by Dominion Energy and SCANA and testified to his belief that approval of the Merger and the Stipulation will benefit PSNC and its customers. Tr. pp. 91, 99-100. In his supplemental testimony, Applicants' witness Harris testified to a number of ways that PSNC will benefit from the Merger, and that the terms of the Stipulation, Regulatory Conditions, and Code of Conduct will ensure that the Merger will not result in adverse impacts to PSNC's rates and service. Tr. pp. 82-84.

The Commission finds and concludes that the Stipulation is a reasoned and balanced resolution of the matters that might otherwise be in dispute between the Stipulating Parties in this docket. Further, the Stipulation is just and reasonable to all parties in light of the evidence presented and serves the public interest. Therefore, the Commission approves the Stipulation in its entirety. In addition, the Commission finds and concludes that the Stipulation is entitled to substantial weight and consideration in the Commission's decision in this docket.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 54

The evidence supporting this finding of fact is contained in the Application, the Applicants' testimony, Public Staff Panel testimony, the Stipulation, including the Regulatory Conditions and Code of Conduct, and the Commission's supervisory authority under Chapter 62 of the General Statutes over the rates, terms, and conditions of service provided to the public by DENC and PSNC.

Pursuant to N.C. Gen. Stat. § 62-111(a), the Commission is required to determine whether the proposed merger is "justified by the public convenience and necessity." Upon such finding, the statute instructs that approval of the proposed merger "shall be given."

In prior merger proceedings the Commission has established a three-part test for determining whether a proposed utility merger is justified by the public convenience and necessity. That test is (1) whether the merger would have an adverse impact on the rates and services provided by the merging utilities; (2) whether ratepayers would be protected as much as possible from potential costs and risks of the merger; and (3) whether the merger would result in sufficient benefits to offset potential costs and risks. See Order Approving Merger Subject to Regulatory Conditions and Code of Conduct (Duke/Progress Merger Order), issued June 29, 2012, in Docket Nos. E-2, Sub 998 and E-7, Sub 986, aff'd, In re Duke Energy Corp., 232 N.C. App. 573, 755 S.E.2d 382 (2014); see also Duke-Piedmont Merger Order. These questions are related to one another and together establish

a reasoned framework upon which utility mergers may be evaluated. In making these assessments, the Commission has also examined factors such as whether service quality will be maintained or improved, the extent to which costs can be lowered and rates can be maintained or reduced, and whether effective regulation of the merging utilities will be maintained. See Order Approving Merger and Issuance of Securities, issued April 22, 1997, in Docket No. E-7, Sub 596.

The Commission has made findings of fact regarding the substantial economic and non-economic benefits to be received by customers as a result of the Merger. In addition, the Commission notes the absence of any proposal to change rates, terms, or conditions of service for any customer of DENC or PSNC in conjunction with or as a direct result of the proposed Merger. This is confirmed in the testimony of Applicants' witness Farrell that "no transaction fees, integration cost, or any acquisition premium that will result from the combination will be passed on to the customers of PSNC or Dominion Energy North Carolina." Tr. p. 24. It is also confirmed by Paragraph No. 30.i. of the Application, which provides that the Merger will "not have a net adverse impact on the rates and services of Dominion Energy North Carolina or PSNC Energy." Additionally, the Cost-Benefit Analysis filed with the Application indicates that customers will not be charged for Merger costs such as the acquisition premium and transaction fees, which, instead, will be absorbed by Dominion Energy. Finally, the Stipulation provides that direct expenses associated with the Merger will be excluded from the regulated expenses of PSNC and DENC for Commission financial reporting and ratemaking purposes.

Further, the Commission concludes that the potential risks or costs attendant to the proposed Merger are adequately mitigated by the Applicants' commitments concerning absorption of Merger-related expenses and by the restrictions imposed on the Applicants' conduct by the Stipulation, the Regulatory Conditions and Code of Conduct, and by this Commission's continuing jurisdiction and authority over the rates, terms, and conditions of service provided by DENC and PSNC. Finally, the Commission has given appropriate weight to the Applicants' testimony that the Merger will also result in non-quantifiable economic and non-economic benefits for the customers of DENC and PSNC. On balance, the Commission concludes that the Merger will have no adverse impact on the rates and services provided by DENC and PSNC to their North Carolina customers and that the known and potential benefits of the Merger are sufficient to offset the potential costs and risks.

In addition, the Commission has made findings of fact that the Regulatory Conditions, Code of Conduct, and other provisions of the Stipulation, as approved herein, will protect DENC's and PSNC's North Carolina retail customers from known and potential costs and risks of the Merger.

Therefore, the Commission concludes that the proposed Merger of Dominion Energy and SCANA is justified by the public convenience and necessity, serves the public interest, and should be approved pursuant to N.C. Gen. Stat. § 62-111.

IT IS, THEREFORE, ORDERED as follows:

1. That the Application of Dominion Energy and SCANA pursuant to N.C. Gen. Stat. § 62-111(a) to engage in a business combination transaction shall be, and is hereby, approved subject to the provisions of the Stipulation and of the revised Regulatory Conditions and Code of Conduct, attached hereto as Appendix A and incorporated herein.

2. That subject to the Merger being consummated and the Regulatory Conditions and Code of Conduct approved herein becoming effective, the Regulatory Conditions and Codes of Conduct approved by the Commission in the Dominion Energy-Consolidated Natural Gas merger order and the SCANA-PSNC merger order shall be nullified.

3. That upon closing of the Merger PSNC shall create a regulatory liability of \$3.75 million and shall refund that amount to its North Carolina customers through bill credits of \$1.25 million each provided on January 1, 2019 (or as soon thereafter as possible), January 1, 2020, and January 1, 2021.

4. That in 2019 PSNC shall increase its charitable contributions over its 2017 contributions by \$150,000. Such charitable contributions shall be used to provide energy assistance to low-income customers in PSNC's service territory and shall be treated as below-the-line expenses for regulatory accounting, reporting, and ratemaking purposes.

5. That DENC and PSNC shall exclude direct expenses associated with the Merger from their regulated expenses for Commission financial reporting and ratemaking purposes. Such expenses to be excluded include: acquisition premiums; change-in-control payments made to terminated executives; regulatory process costs; transaction costs such as investment banking, legal, accounting, securities issuances, and advisory fees; integration costs such as costs related to the integration of financial, IT, human resources, billing, accounting, and telecommunications systems; and other transition costs such as severance payments, changes to signage, transitioning employees to post-Merger employee benefit plans, and costs to terminate any duplicative leases, contracts and operations. PSNC and DENC shall file a report of their accounting for Merger-related direct expenses within 60 days after the close of the Merger, and supplemental reports within 60 days after each calendar year, as necessary.

6. That PSNC will not file an application for a general rate case proceeding to adjust its rates and charges before April 1, 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 N.C. Gen. Stat. § 62-133.4, N.C. Gen. Stat. § 62-133.7, and N.C. Gen. Stat. § 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 N.C. Gen. Stat. § 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 this Order 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.

7. That no later than March 1, 2019, and in accordance with and as provided by N.C. Gen. Stat. § 62-153 and the related Regulatory Conditions, DENC and PSNC shall file any new or amended affiliate agreements for use by DENC and PSNC. DENC and PSNC may operate, as of the date of the Merger's closing, under the new or amended affiliate agreements until the Commission issues an order approving or accepting the new or amended affiliate agreements under N.C. Gen. Stat. § 62-153. DENC's and PSNC's interim operations under the new or amended affiliate agreements shall be subject to any fully adjudicated Commission order on the matter.

8. That the Stipulation is hereby approved in its entirety.

9. That the Applicants are authorized to take such other and further actions as are reasonable and necessary to consummate the Merger transaction set forth in the Merger Agreement subject to the terms hereof.

10. That Applicants shall file a written notice in this docket within ten (10) days of the consummation of the Merger approved herein.

11. That these dockets shall remain open pending the filing of such notice and further orders of the Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of November, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "Janice H. Fulmore".

Janice H. Fulmore, Deputy Clerk

Commissioner Lyons Gray did not participate in this decision.

APPENDIX A

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 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 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.
- (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 and lawfully necessary and appropriate to advance the interests of North Carolina ratepayers to avoid rate increases, foregone opportunities for rate decreases or any other adverse effects of such preemption including but not limited to intervention in FERC proceedings on behalf of the interests of North Carolina ratepayers.

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 4.6.
- (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 4.6.

- 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 4.5(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 4.5(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.

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. 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 5² of the Joint Offer of 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

² 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. 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.
 - b. 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.
 - c. Such reports will be provided annually [original language inapplicable].

change (actual or proposed) in the allocation of ARR 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 an "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 an "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 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 4.21, 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 7.7 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 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 Condition 3.9 and Section III.A.3(g) of the Code of Conduct shall be made by DENC and PSNC in Subs 551D and 585D, respectively.
 - (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 3.3(b), 8.11, 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 shall file a letter with the Commission in Docket No. E-22, Sub 551D, 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) DENC’s Nonpublic Utility Operations may not use the name or logo of DENC in any communications targeted at DENC’s North Carolina service territory 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;” 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.”

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 4.5, 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 4.5 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 offers optional, market-based products and services that are separate from the regulated services provided by DENC. 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 to provide any data associated with the Customer accounts(s) residing in any DENC 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 will provide this data on a nondiscriminatory basis to any other person or entity upon the Customer's authorization.