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October 5, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603

Re: Docket No. E-22, Sub 551
Docket No. G-5, Sub 585

Dear Ms. Jarvis:

On behalf of Dominion Energy, Inc. and SCANA Corporation, attached for filing in the above-referenced dockets are the *Supplemental Testimony of Thomas P. Wohlfarth* and *Supplemental Testimony of D. Russell Harris*, respectively.

Should you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,

/s/Mary Lynne Grigg

MLG:kjg

Enclosures

BEFORE THE

NORTH CAROLINA UTILITIES COMMISSION

DOMINION ENERGY, INC.

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

SUPPLEMENTAL TESTIMONY

OF

THOMAS P. WOHLFARTH

OCTOBER 5, 2018

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Thomas P. ("Tom") Wohlfarth. My business address is 120 Tredegar Street, Richmond, Virginia 23219.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by Dominion Energy, Inc. ("Dominion Energy"), and my current position is Senior Vice President—Regulatory Affairs.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A. No, I have not.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. The purpose of my supplemental testimony in this proceeding is to support Dominion Energy's position on the Agreement and Stipulation of Settlement ("Stipulation") filed by Dominion Energy, SCANA Corporation ("SCANA") (collectively, the "Applicants"), Transcontinental Gas Pipeline Company, LLC ("Transco"), and the Public Staff – North Carolina Utilities Commission ("Public Staff"), in these Dockets on October 4, 2018, for consideration by the North Carolina Utilities Commission ("Commission"). Dominion Energy is the parent of Virginia Electric and Power Company, which does business in North Carolina as "Dominion Energy North Carolina" or "DENC."

Q. HOW DID THE STIPULATION WITH THE PUBLIC STAFF COME ABOUT?

A. Following the filing of the Application of Dominion Energy and SCANA pursuant to Gen. Stat. 62-111(a) for authority to engage in the proposed business combination transaction ("Merger"), the Public Staff engaged in an extensive audit and discovery process directed at investigating the public convenience and necessity of the proposed Merger. This discovery process involved the issuance of more than 100 data and document requests to Dominion Energy and SCANA in 13 sets of discovery. Following this process, the Public Staff, Dominion Energy, and SCANA began discussions regarding a possible settlement. Those discussions covered a number of issues and conditions necessary for the Public Staff to support approval of the Merger, including changes to existing Regulatory Conditions and Codes of Conduct appropriate as a result of the proposed Merger. After intervenor testimony was filed, Dominion Energy and SCANA engaged in negotiations with Transco as well regarding the regulatory Conditions. The negotiations involved substantial compromise by all parties on numerous issues. This process ultimately culminated in the Stipulation including the Regulatory Conditions and Code of Conduct that was filed with the Commission on October 4, 2018.

Q. PLEASE DESCRIBE SOME OF THE OVERALL BENEFITS ACHIEVED BY THE MERGER.

A. As discussed in the Application and direct testimonies in this proceeding the Merger will provide many benefits to Public Service Company of North Carolina, Inc.'s ("PSNC") customers and the state of North Carolina. The acquisition of PSNC by Dominion Energy (via SCANA) will create a financially stronger combined company and allow PSNC to more effectively meet the future energy needs of North Carolina.

Overall, PSNC will benefit from best practices across an expanded platform of service. Further, PSNC will benefit from Dominion Energy's services company model with access to a level of services, support, and economies of scale typically only available to a much larger company. PSNC also will have an enhanced ability to access, on reasonable terms, the capital needed to meet its obligations to provide safe and reliable service to its customers.

Q. WHAT ARE THE TERMS OF THE STIPULATION REACHED WITH THE PUBLIC STAFF AND TRANSCO?

A. Presented below is a description of the matters agreed upon by Dominion Energy, SCANA, Transco, and the Public Staff, hereinafter referred to as the Stipulating Parties.

<u>Regulatory Conditions</u>. The Regulatory Conditions, including the Code of Conduct, set forth in Attachment A to the Stipulation, represent commitments

by the Applicants as a precondition of approval by the Commission of the Merger as set forth in the Merger Agreement attached to the application as Exhibit A. These Regulatory Conditions will be incorporated into any Commission order approving the Merger.

Bill Credits. The Applicants agree that, upon approval of this Stipulation by the Commission, in its entirety, and closing of the Merger, PSNC will record 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 in January 2019, or as soon thereafter as practicable, another bill credit of $1.25 million in January 2020, and a final bill credit of $1.25 million in January 2021.

Charitable Contribution. In 2019, PSNC will increase its charitable contributions over its 2017 contribution level by $150,000. Such contributions shall be used to provide energy assistance for low-income customers in PSNC's service territory and will be treated as below-the-line expenses (i.e., not recoverable in rates) for regulatory accounting and ratemaking purposes.

Merger-Related Expenses. Direct expenses associated with the Merger will be excluded from the regulated expenses of PSNC and DENC for Commission financial reporting and ratemaking purposes. 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. The Applicants have committed that none of these Merger–Related Expenses will be passed on to the customers of PSNC or DENC, and have also stated that the Merger will not have a net adverse impact on the rates and services of DENC or PSNC. The Applicants further commit to file a report of their accounting for Merger-Related Expenses within 60 days after the close of the Merger, and supplemental reports, as necessary, within 60 days after each calendar year.

Rate Moratorium. PSNC will not file an application for a general rate case proceeding to adjust its base 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 Gen. Stat. 62-133.4, Gen. Stat. 62-133.7, and 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 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 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.

Protection Against Debt Downgrade. The Stipulating Parties agree that PSNC and DENC customers will be held harmless from the impacts of debt downgrade attributable to the Merger as set forth in the Regulatory Conditions.

Customer Service. PSNC will maintain current levels of customer service and behavior towards customers, as well as current levels of professional cooperation with regulators, consumer advocates, and intervenors.

Cost Saving Opportunities. The electric utility operations of DENC and South Carolina Electric & Gas Company, 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.

Affiliate Agreements. Unless otherwise allowed or ordered by the Commission, no later than March 1, 2019, and in accordance with and as provided by Gen. Stat. 62-153 and the related Regulatory Conditions, DENC and PSNC will file any new or amended affiliate agreements with the Commission for use by DENC and PSNC. The Stipulating Parties agree that 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 such an order approving or accepting the new or amended affiliate agreements under Gen. Stat. 62-153. PSNC and DENC agree and acknowledge that their interim operation under the new or amended affiliate agreements is subject to any fully adjudicated Commission order on the matter. Such services will be provided pursuant to and comply fully with the Code of Conduct approved by the Commission in this proceeding.

Q. WHAT ARE THE BENEFITS TO NORTH CAROLINA CUSTOMERS OF THE STIPULATION, INCLUDING THE REVISED CODE OF CONDUCT AND REGULATORY CONDITIONS?

A. Customers will benefit from rate stability associated with PSNC's commitment not to file prior to April 1, 2021, an application for a general rate proceeding to adjust its rates and charges. PSNC customers also will benefit from bill credits totaling $3.5 million over a three-year period. In addition, PSNC will benefit from being part of a corporate organization with enhanced geographic, business, and regulatory diversity.

The revised Code of Conduct and Regulatory Conditions set forth commitments made by Dominion Energy and SCANA as a precondition of the approval of the Merger. They put safeguards in place to ensure that customers will not be harmed by the Merger. The Regulatory Conditions are intended to protect the jurisdiction of this Commission as a result of the Merger, including agreements and transactions among affiliates. The Regulatory Conditions are also intended to ensure that costs are properly incurred and accounted for in cost of service. In addition, they address issues that Transco raised in this proceeding. The Code of Conduct governs the relationship, activities, and transactions among the public utility operations and their affiliates. Overall, the Merger and the terms and conditions of the Stipulation, including the Regulatory Conditions and Code of Conduct, will ensure that the Merger is justified by the public convenience and necessity, serves the public interest, and affords benefits and protections to North Carolina customers.

Q. WHY IS THE PROVISION ALLOWING DENC AND PSNC TO OPERATE UNDER THE NEW OR AMENDED AFFILIATE AGREEMENTS AS OF THE DATE OF THE MERGER'S CLOSING NECESSARY?

A. This Stipulation provision is necessary to allow PSNC to receive certain shared services and funding from Dominion Energy, on an interim basis, immediately following the Merger's closing, until such time as new or amended affiliate agreements are accepted or approved by the Commission.

Q. DOES THE STIPULATION PROVIDE FINANCIAL PROTECTIONS FROM MERGER-RELATED EXPENSES FOR PSNC, DENC, AND THEIR CUSTOMERS?

A. Yes, it does. Direct expenses associated with the Merger will be excluded from the regulated expense of PSNC and DENC for Commission financial reporting and ratemaking purposes. 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, and accounting fees. Moreover, the Applicants commit to file a report of their accounting for Merger-related expenses within 60 days after the close of the Merger, and supplemental reports, as necessary, within 60 days after each calendar year.

Q. IS DOMINION ENERGY MAKING ANY OTHER COMMITMENTS IN CONNECTION WITH THE MERGER?

A. Yes, in addition to those already discussed, Dominion Energy intends to maintain PSNC's headquarters in Gastonia, North Carolina and manage PSNC from an operations standpoint as a separate regional business with responsibility for making decisions that achieve the objectives of customer satisfaction, reliable service, customer, public, and employee safety, environmental stewardship, and collaborative and productive relationships with customers, regulators, other governmental entities, and interested stakeholders. In addition, Dominion Energy commits to maintaining compensation levels for PSNC employees following the Merger until January 1, 2020, and will give due and fair consideration for other employment and promotion opportunities within the larger Dominion Energy organization, both inside and outside of North Carolina, to the extent any such employment positions are re-aligned, reduced, or eliminated in the future as a result of the combination.

Q. IN YOUR OPINION, DO THE MERGER AND STIPULATION SERVE THE PUBLIC INTEREST AND AFFORD BENEFITS AND PROTECTIONS FOR NORTH CAROLINA CUSTOMERS?

A. Yes, I believe they do. 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 DENC's and PSNC's customers are sufficient to offset any potential costs and risks. PSNC customers will directly benefit from the $3.75 million in bill credits over three years, the rate moratorium until 2021, the $150,000 increase in its 2019 charitable contributions, and the continuation of regulatory oversight and authority of the Commission. PSNC will continue to provide efficient, reliable, and safe service at a reasonable cost through the many commitments made by Dominion Energy and SCANA. For all of these reasons, I believe that approval of the Merger and the Stipulation will benefit PSNC and its customers, is justified by the public convenience and necessity, and should be approved.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes, it does.

BEFORE THE

NORTH CAROLINA UTILITIES COMMISSION

SCANA CORPORATION

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

SUPPLEMENTAL TESTIMONY

OF

D. RUSSELL HARRIS

OCTOBER 5, 2018

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is D. Russell Harris and my business address is 220 Operation Way, Cayce, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by SCANA Corporation ("SCANA") and my current position is Senior Vice President of Gas Distribution. I serve as President and Chief Operating Officer of Public Service Company of North Carolina, Inc. ("PSNC"), President of Gas Operations for South Carolina Electric & Gas Company, and President of SCANA Energy Marketing, Inc.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A. Yes. I submitted direct testimony in this proceeding on June 22, 2018.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

A. The purpose of my supplemental testimony is to briefly describe some of the benefits of the proposed business transaction ("Merger"), and I provide the position of SCANA on the Agreement and Stipulation of Settlement ("Stipulation") filed by Dominion Energy, SCANA (collectively, the "Applicants"), Transcontinental Gas Pipeline Company, LLC, and the Public Staff – North Carolina Utilities Commission, in these Dockets on October 4, 2018, for consideration by the North Carolina Utilities Commission ("Commission"). SCANA is the parent of PSNC.

Q YOU TESTIFIED IN YOUR DIRECT TESTIMONY THAT YOU BELIEVED THAT THE MERGER WILL BENEFIT PSNC AND ITS CUSTOMERS. DO YOU BELIEVE THIS CONTINUES TO BE TRUE?

A. Yes. I continue to believe that the Merger will benefit PSNC and its customers. The Stipulation, including the revised Regulatory Conditions and Code of Conduct, provide additional benefits and protections for PSNC's customers.

Q. WHAT ARE THE BENEFITS TO PSNC ASSOCIATED WITH THE MERGER AS PROPOSED?

A. As I discussed in my direct testimony, PSNC will benefit from this Merger. It will become part of a much larger corporate organization with more business diversity and greater financial and operational scale. PSNC will have access to an array of services provided by Dominion Energy's centralized services company which, because of its larger size and buying power, should provide cost advantages to PSNC over time. PSNC also will benefit from the adoption of best practices, which should benefit employee and public safety, customer service, and operational cost-effectiveness. Finally, the Merger will enhance PSNC's ability to finance the investments necessary to continue providing safe, reliable, and cost-effective operations across a growing customer base.

Q. WHAT ARE SOME OF THE BENEFITS TO PSNC CUSTOMERS AS A RESULT OF THE STIPULATION?

Dominion Energy and SCANA agreed that after closing of the Merger, PSNC will record 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 in January 2019 or as soon thereafter as practicable, another bill credit of $1.25 million in January 2020, and a final bill credit of $1.25 million in January 2021.

The Companies also agreed that in 2019, PSNC will increase its charitable contributions over its 2017 contribution level by $150,000. Such contributions shall be used to provide energy assistance for low-income customers in PSNC's service territory.

Further, Dominion Energy and SCANA agreed to a moratorium on PSNC's general rate increases. PSNC will not file an application for a general rate case proceeding to adjust its base rates and charges before April 1, 2021, and will not increase its rates until November 1, 2021, except for the limited circumstances as set forth in the Stipulation.

Q. HOW WILL THE MERGER AND STIPULATION AFFECT PSNC'S REGULATION BY THE COMMISSION?

A. The Commission will continue to have full regulatory oversight of PSNC's provision of natural gas service to its customers. Further, the Stipulation provides for additional Regulatory Conditions and a revised Code of Conduct with which PSNC will comply.

Q. DOES SCANA SUPPORT THE STIPULATION AS FILED WITH THE COMMISSION?

A. Yes. SCANA supports the settlement as reflected in the Stipulation.

Q. IN YOUR OPINION, DO THE MERGER AND STIPULATION SERVE THE PUBLIC INTEREST AND AFFORD BENEFITS AND PROTECTIONS FOR NORTH CAROLINA CUSTOMERS?

A. Yes. 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 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. PSNC customers will directly benefit from the $3.75 million in bill credits, the rate moratorium until 2021, the commitment to PSNC's 2019 charitable contributions, and the continuation of regulatory oversight and authority of the Commission. PSNC will continue to provide efficient, reliable, and safe service at a reasonable cost through the many commitments made by Dominion Energy and SCANA. For all of these reasons, I believe that approval of the Merger and Stipulation will benefit PSNC and its customers, is justified by the public convenience and necessity, and should be approved.

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

A. Yes, it does.

CERTIFICATE OF SERVICE

I certify that copies of the foregoing *Supplemental Testimony of Thomas P. Wohlfarth* and *Supplemental Testimony of D. Russell Harris* have been served on all parties of record or their attorneys, or both, by U.S. mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 5th day of October, 2018.

/s/Mary Lynne Grigg

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