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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

or

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

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

120 Tredegar Street

Richmond, Virginia 23219

(804) 819-2000

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

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

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

Dominion Energy Gas Holdings, LLC Yes No

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

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

Dominion Energy Gas Holdings, LLC Yes No

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

Dominion Energy, Inc.

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

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

Virginia Electric and Power Company

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

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

Dominion Energy Gas Holdings, LLC

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

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

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

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

Dominion Energy Gas Holdings, LLC Yes No

At July 13, 2018, the latest practicable date for determination, Dominion Energy, Inc. had 653,765,671 shares of common stock outstanding and Virginia Electric and Power Company had 274,723 shares of common stock outstanding. Dominion Energy, Inc. is the sole holder of Virginia Electric and Power Company's common stock. Dominion Energy, Inc. holds all of the membership interests of Dominion Energy Gas Holdings, LLC.

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

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

COMBINED INDEX

GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
2014 Equity Units	Dominion Energy's 2014 Series A Equity Units issued in July 2014
2016 Equity Units	Dominion Energy's 2016 Series A Equity Units issued in August 2016
2017 Tax Reform Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion Energy, Duke and Southern Company Gas
BACT	Best available control technology
bcf	Billion cubic feet
Bear Garden	A 590 MW combined-cycle, natural gas-fired power station in Buckingham County, Virginia
Blue Racer	Blue Racer Midstream, LLC, a joint venture between Dominion Energy and Caiman Energy II, LLC
Brunswick County	A 1,376 MW combined-cycle, natural gas-fired power station in Brunswick County, Virginia
CAA	Clean Air Act
CAISO	California Independent System Operator
CCR	Coal combustion residual
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, also known as Superfund
CFO	Chief Financial Officer
CO_2	Carbon dioxide
Colonial Trail West	An approximately 142 MW proposed utility-scale solar power station located in Surry County, Virginia
Companies	Dominion Energy, Virginia Power and Dominion Energy Gas, collectively
Cooling degree days	Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Cove Point	Dominion Energy Cove Point LNG, LP
CPCN	Certificate of Public Convenience and Necessity
CWA	Clean Water Act
DECG	Dominion Energy Carolina Gas Transmission, LLC
DES	Dominion Energy Services, Inc.
DETI	Dominion Energy Transmission, Inc.
DGI	Dominion Generation, Inc.
DOE	U.S. Department of Energy
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than Virginia Power and Dominion Energy Gas) or operating segments, or the entirety of

Dominion Energy, Inc. and its consolidated subsidiaries

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Abbreviation or Acronym	Definition
Dominion Energy Gas	The legal entity, Dominion Energy Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Energy Gas Holdings, LLC and its consolidated subsidiaries
Dominion Energy Midstream	The legal entity, Dominion Energy Midstream Partners, LP, one or more of its consolidated subsidiaries, Cove Point Holdings, Iroquois GP Holding Company, LLC, DECG and Dominion Energy Questar Pipeline or operating segment, or the entirety of Dominion Energy Midstream Partners, LP and its consolidated subsidiaries
Dominion Energy Questar Pipeline	Dominion Energy Questar Pipeline, LLC, one or more of its consolidated subsidiaries, or the entirety of Dominion Energy Questar Pipeline, LLC and its consolidated subsidiaries
DSM	Demand-side management
Dth	Dekatherm
Duke	The legal entity, Duke Energy Corporation, one or more of its consolidated subsidiaries or operating segments, or the entirety of Duke Energy Corporation and its consolidated subsidiaries
East Ohio	The East Ohio Gas Company, doing business as Dominion Energy Ohio
Eastern Market Access Project	Project to provide 294,000 Dths/day of firm transportation service to help meet demand for natural gas for Washington Gas Light Company, a local gas utility serving customers in D.C., Virginia and Maryland, and Mattawoman Energy, LLC for its new electric power generation facility to be built in Maryland
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Four Brothers	Four Brothers Solar, LLC, a limited liability company owned by Dominion Energy and Four Brothers Holdings, LLC, a wholly-owned subsidiary of NRG
Fowler Ridge	Fowler I Holdings LLC, a wind-turbine facility joint venture between Dominion Energy and BP Wind Energy North America Inc. in Benton County, Indiana
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
Gas Infrastructure	Gas Infrastructure Group operating segment
GHG	Greenhouse gas
Granite Mountain	Granite Mountain Holdings, LLC, a limited liability company owned by Dominion Energy and Granite Mountain Renewables, LLC, a wholly-owned subsidiary of NRG
Greensville County	An approximately 1,588 MW natural gas-fired combined-cycle power station under construction in Greensville County, Virginia
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Hope	Hope Gas, Inc., doing business as Dominion Energy West Virginia
Iron Springs	Iron Springs Holdings, LLC, a limited liability company owned by Dominion Energy and Iron Springs Renewables, LLC, a wholly-owned subsidiary of NRG
Iroquois	Iroquois Gas Transmission System, L.P.
ISO-NE	ISO New England, Inc.
Kewaunee	Kewaunee nuclear power station
kV	Kilovolt
Liquefaction Project	A natural gas export/liquefaction facility at Cove Point

Abbreviation or Acronym	Definition
LNG	Liquefied natural gas
MATS	Utility Mercury and Air Toxics Standard Rule
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MGD	Million gallons a day
Millstone	Millstone nuclear power station
MW	Megawatt
MWh	Megawatt hour
NAV	Net asset value
NedPower	NedPower Mount Storm LLC, a wind-turbine facility joint venture between Dominion Energy and Shell Wind Energy, Inc. in Grant County, West Virginia
NGL	Natural gas liquid
NO_x	Nitrogen oxide
NRC	Nuclear Regulatory Commission
NRG	The legal entity, NRG Energy, Inc., one or more of its consolidated subsidiaries or operating segments, or the entirety of NRG Energy, Inc. and its consolidated subsidiaries
NSPS	New Source Performance Standards
Ohio Commission	Public Utilities Commission of Ohio
Order 1000	Order issued by FERC adopting requirements for electric transmission planning, cost allocation and development
PIPP	Percentage of Income Payment Plan deployed by East Ohio
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio
PJM	PJM Interconnection, L.L.C.
Power Delivery	Power Delivery Group operating segment
Power Generation	Power Generation Group operating segment
ppb	Parts-per-billion
PREP	Pipeline Replacement and Expansion Program, a program of replacing, upgrading and expanding natural gas utility infrastructure deployed by Hope
PSD	Prevention of Significant Deterioration
Questar Gas	Questar Gas Company
Rider B	A rate adjustment clause associated with the recovery of costs related to the conversion of three of Virginia Power's coal-fired power stations to biomass
Rider BW	A rate adjustment clause associated with the recovery of costs related to Brunswick County
Rider GV	A rate adjustment clause associated with the recovery of costs related to Greensville County
Rider R	A rate adjustment clause associated with the recovery of costs related to Bear Garden
Rider S	A rate adjustment clause associated with the recovery of costs related to the Virginia City Hybrid Energy Center
Rider T1	A rate adjustment clause to recover the difference between revenues produced from transmission rates included in base rates, and the new total revenue requirement developed annually for the rate years effective September 1
Rider US-2	A rate adjustment clause associated with the recovery of costs related to Woodland, Scott Solar and Whitehouse

Abbreviation or Acronym	Definition
Rider US-3	A rate adjustment clause associated with the recovery of costs related to Colonial Trail West and Spring Grove 1
Rider W	A rate adjustment clause associated with the recovery of costs related to Warren County
Riders C1A and C2A	Rate adjustment clauses associated with the recovery of costs related to certain DSM programs approved in DSM cases
ROE	Return on equity
SBL Holdco	SBL Holdco, LLC, a wholly-owned subsidiary of DGI
SCANA	The legal entity, SCANA Corporation, one or more of its consolidated subsidiaries, or operating segments, or the entirety of SCANA Corporation and its consolidated subsidiaries
SCANA Merger Agreement	Agreement and plan of merger entered on January 2, 2018 between Dominion Energy and SCANA in which SCANA will become a wholly-owned subsidiary of Dominion Energy upon closing
SCE&G	South Carolina Electric & Gas Company, a wholly-owned subsidiary of SCANA
Scott Solar	A 17 MW utility-scale solar power station in Powhatan County, Virginia
SEC	Securities and Exchange Commission
Spring Grove 1	An approximately 98 MW proposed utility-scale solar power station located in Surry County, Virginia
Standard & Poor’s	Standard & Poor’s Ratings Services, a division of McGraw Hill Financial, Inc.
Terra Nova Renewable Partners	A partnership comprised primarily of institutional investors advised by J.P. Morgan Asset Management-Global Real Assets
Three Cedars	Granite Mountain and Iron Springs, collectively
UEX Rider	Uncollectible Expense Rider deployed by East Ohio
Utah Commission	Public Service Commission of Utah
VDEQ	Virginia Department of Environmental Quality
VEBA	Voluntary Employees' Beneficiary Association
VIE	Variable interest entity
Virginia City Hybrid Energy Center	A 610 MW baseload carbon-capture compatible, clean coal powered electric generation facility in Wise County, Virginia
Virginia Commission	Virginia State Corporation Commission
Virginia Power	The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments, or the entirety of Virginia Electric and Power Company and its consolidated subsidiaries
VOC	Volatile organic compounds
Warren County	A 1,350 MW combined-cycle, natural gas-fired power station in Warren County, Virginia
Whitehouse	A 20 MW utility-scale solar power station in Louisa County, Virginia
Woodland	A 19 MW utility-scale solar power station in Isle of Wight County, Virginia
Wyoming Commission	Wyoming Public Service Commission

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions, except per share amounts)				
Operating Revenue[1]	$3,088	$2,813	$6,554	$6,197
Operating Expenses				
Electric fuel and other energy-related purchases	623	498	1,367	1,073
Purchased (excess) electric capacity	23	(12)	37	(29)
Purchased gas	64	112	404	417
Other operations and maintenance	1,007	827	1,803	1,611
Depreciation, depletion and amortization	463	467	961	936
Other taxes	166	168	365	357
Total operating expenses	2,346	2,060	4,937	4,365
Income from operations	742	753	1,617	1,832
Other income	185	108	285	270
Interest and related charges	361	308	675	600
Income from operations including noncontrolling interests before income tax expense	566	553	1,227	1,502
Income tax expense	88	136	223	411
Net Income Including Noncontrolling Interests	478	417	1,004	1,091
Noncontrolling Interests	29	27	52	69
Net Income Attributable to Dominion Energy	$449	$390	$952	$1,022
Earnings Per Common Share				
Net income attributable to Dominion Energy - Basic	$0.69	$0.62	$1.46	$1.63
Net income attributable to Dominion Energy - Diluted	0.69	0.62	1.46	1.63
Dividends Declared Per Common Share	$0.8350	$0.7550	$1.670	$1.510

(1) See Note 10 for amounts attributable to related parties.

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

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DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	2018	2017	2018	2017
Net income including noncontrolling interests	$478	$417	$1,004	$1,091
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities(1)	(33)	28	78	71
Changes in unrealized net gains (losses) on investment securities(2)	(5)	35	(18)	93
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities(3)	33	(18)	41	(41)
Net realized (gains) losses on investment securities(4)	—	(4)	1	(32)
Net pension and other postretirement benefit costs(5)	17	11	42	24
Changes in other comprehensive income from equity method investees(6)	1	1	1	2
Total other comprehensive income	13	53	145	117
Comprehensive income including noncontrolling interests	491	470	1,149	1,208
Comprehensive income attributable to noncontrolling interests	29	27	53	69
Comprehensive income attributable to Dominion Energy	$462	$443	$1,096	$1,139

(1) Net of $11 million and $(17) million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(26) million and $(44) million tax for the six months ended June 30, 2018 and 2017, respectively.
(2) Net of $2 million and $(18) million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $6 million and $(53) million tax for the six months ended June 30, 2018 and 2017, respectively.
(3) Net of $(11) million and $11 million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(14) million and $25 million tax for the six months ended June 30, 2018 and 2017, respectively.
(4) Net of $(1) million and $2 million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(1) million and $18 million tax for the six months ended June 30, 2018 and 2017, respectively.
(5) Net of $(7) million and $(10) million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(8) million and $(18) million tax for the six months ended June 30, 2018 and 2017, respectively.
(6) Net of $(1) million and $— million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(1) million tax for both the six months ended June 30, 2018 and 2017.

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

DOMINION ENERGY, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$ 190	$ 120
Customer receivables (less allowance for doubtful accounts of $19 and $17)	1,510	1,660
Other receivables (less allowance for doubtful accounts of $3 and $2)[2]	133	126
Inventories	1,429	1,477
Regulatory assets	616	294
Other	732	657
Total current assets	4,610	4,334
Investments		
Nuclear decommissioning trust funds	5,159	5,093
Investment in equity method affiliates	1,710	1,544
Other	339	327
Total investments	7,208	6,964
Property, Plant and Equipment		
Property, plant and equipment	76,458	74,823
Accumulated depreciation, depletion and amortization	(21,854)	(21,065)
Total property, plant and equipment, net	54,604	53,758
Deferred Charges and Other Assets		
Goodwill	6,405	6,405
Regulatory assets	2,395	2,480
Other	2,853	2,644
Total deferred charges and other assets	11,653	11,529
Total assets	$ 78,075	$ 76,585

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

(2) See Note 10 for amounts attributable to related parties.

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

DOMINION ENERGY, INC.

CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	$2,950	$ 3,078
Short-term debt	2,745	3,298
Accounts payable	660	875
Other[2]	2,563	2,385
Total current liabilities	8,918	9,636
Long-Term Debt		
Long-term debt	26,679	25,588
Junior subordinated notes	3,981	3,981
Remarketable subordinated notes	1,382	1,379
Credit facility borrowings	73	—
Total long-term debt	32,115	30,948
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	4,844	4,523
Regulatory liabilities	7,065	6,916
Other[2]	5,097	5,192
Total deferred credits and other liabilities	17,006	16,631
Total liabilities	58,039	57,215
Commitments and Contingencies (see Note 16)		
Equity		
Common stock – no par[3]	10,782	9,865
Retained earnings	8,820	7,936
Accumulated other comprehensive loss	(1,538)	(659)
Total common shareholders' equity	18,064	17,142
Noncontrolling interests	1,972	2,228
Total equity	20,036	19,370
Total liabilities and equity	$78,075	$ 76,585

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

(2) See Note 10 for amounts attributable to related parties.

(3) 1 billion shares authorized; 654 million shares and 645 million shares outstanding at June 30, 2018 and December 31, 2017, respectively.

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

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DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(millions)	Common Stock Shares	Common Stock Amount	Dominion Energy Shareholders Retained Earnings	Dominion Energy Shareholders AOCI	Total Common Shareholders' Equity	Noncontrolling Interests	Total Equity
December 31, 2016	628	$8,550	$6,854	$(799)	$ 14,605	$ 2,235	$16,840
Net income including noncontrolling interests			1,022		1,022	69	1,091
Contributions from NRG to Four Brothers and Three Cedars					—	9	9
Issuance of common stock	2	156			156		156
Stock awards (net of change in unearned compensation)		11			11		11
Dividends and distributions			(949)		(949)	(82)	(1,031)
Other comprehensive income, net of tax				117	117		117
Other			11		11	1	12
June 30, 2017	630	$8,717	$6,938	$(682)	$ 14,973	$ 2,232	$17,205
December 31, 2017	645	$9,865	$7,936	$(659)	$ 17,142	$ 2,228	$19,370
Cumulative-effect of changes in accounting principles		(127)	1,029	(1,023)	(121)	127	6
Net income including noncontrolling interests			952		952	52	1,004
Issuance of common stock	9	662			662		662
Sale of Dominion Energy Midstream common units - net of offering costs					—	4	4
Remeasurement of noncontrolling interest in Dominion Energy Midstream		375			375	(375)	—
Stock awards (net of change in unearned		12			12		12

compensation)							
Dividends and distributions			(1,089)		(1,089)	(65)	(1,154)
Other comprehensive income, net of tax				144	144	1	145
Other		(5)	(8)		(13)		(13)
June 30, 2018	654	$10,782	$8,820	$(1,538)	$ 18,064	$ 1,972	$20,036

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

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DOMINION ENERGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30, (millions)	2018	2017
Operating Activities		
Net income including noncontrolling interests	$1,004	$1,091
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization (including nuclear fuel)	1,106	1,088
Deferred income taxes and investment tax credits	229	406
Proceeds from assignment of tower rental portfolio	—	91
Contribution to pension plan	—	(75)
Gains on sales of assets	(44)	—
Provision for rate credits to electric utility customers	215	—
Charge associated with future ash pond and landfill closure costs	81	—
Charge associated with FERC-regulated plant disallowance	129	—
Other adjustments	(42)	(64)
Changes in:		
Accounts receivable	158	307
Inventories	31	21
Deferred fuel and purchased gas costs, net	(295)	(79)
Prepayments	(15)	32
Accounts payable	(151)	(211)
Accrued interest, payroll and taxes	(90)	(73)
Customer deposits	108	12
Margin deposit assets and liabilities	(34)	54
Net realized and unrealized changes related to derivative activities	82	34
Other operating assets and liabilities	(47)	(274)
Net cash provided by operating activities	2,425	2,360
Investing Activities		
Plant construction and other property additions (including nuclear fuel)	(2,046)	(2,748)
Acquisition of solar development projects	(51)	(280)
Proceeds from sales of securities	844	1,119
Purchases of securities	(890)	(1,156)
Proceeds from assignments of shale development rights	44	—
Contributions to equity method affiliates	(134)	(252)
Other	(3)	(4)
Net cash used in investing activities	(2,236)	(3,321)
Financing Activities		
Issuance of short-term notes	1,450	—
Repayment of short-term debt, net	(553)	(322)
Issuance of long-term debt	2,400	2,730
Repayment of long-term debt	(2,840)	(490)
Credit facility borrowings	73	—

Issuance of common stock	662	156
Common dividend payments	(1,089)	(949)
Other	(123)	(162)
Net cash provided by (used in) financing activities	(20)	963
Increase in cash, restricted cash and equivalents	169	2
Cash, restricted cash and equivalents at beginning of period	185	322
Cash, restricted cash and equivalents at end of period	$354	$324
Supplemental Cash Flow Information		
Significant noncash investing and financing activities:(1)(2)		
Accrued capital expenditures	$253	$270

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

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

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

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Operating Revenue[(1)]	$1,829	$1,747	$3,577	$3,578
Operating Expenses				
Electric fuel and other energy-related purchases[(1)]	508	409	1,099	865
Purchased (excess) electric capacity	23	(12)	37	(29)
Other operations and maintenance:				
Affiliated suppliers	74	75	157	153
Other	365	304	681	600
Depreciation and amortization	247	280	544	566
Other taxes	79	78	162	157
Total operating expenses	1,296	1,134	2,680	2,312
Income from operations	533	613	897	1,266
Other income	21	13	24	44
Interest and related charges[(1)]	126	125	258	245
Income before income tax expense	428	501	663	1,065
Income tax expense	89	183	140	391
Net Income	$339	$318	$523	$674

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

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

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Net income	$339	$318	$523	$674
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities(1)	2	(3)	7	(3)
Changes in unrealized net gains (losses) on nuclear decommissioning trust funds(2)	(2)	4	(2)	11
Amounts reclassified to net income:				
Net derivative (gains) losses on derivative-hedging activities(3)	—	1	—	1
Net realized (gains) losses on nuclear decommissioning trust funds(4)	—	(1)	—	(4)
Total other comprehensive income	—	1	5	5
Comprehensive income	$339	$319	$528	$679

(1) Net of $— million and $2 million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(2) million and $2 million tax for the six months ended June 30, 2018 and 2017, respectively.
(2) Net of $— million and $(3) million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $1 million and $(7) million tax for the six months ended June 30, 2018 and 2017, respectively.
(3) Net of $— million tax for both the three and six months ended June 30, 2018 and 2017.
(4) Net of $— million tax for both the three months ended June 30, 2018 and 2017, and net of $— million and $2 million tax for the six months ended June 30, 2018 and 2017, respectively.

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

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$20	$14
Customer receivables (less allowance for doubtful accounts of $10 at both dates)	994	951
Other receivables (less allowance for doubtful accounts of $1 at both dates)	46	64
Affiliated receivables	73	3
Inventories (average cost method)	814	850
Regulatory assets	552	205
Other[2]	169	137
Total current assets	2,668	2,224
Investments		
Nuclear decommissioning trust funds	2,449	2,399
Other	4	3
Total investments	2,453	2,402
Property, Plant and Equipment		
Property, plant and equipment	43,444	42,329
Accumulated depreciation and amortization	(13,683)	(13,277)
Total property, plant and equipment, net	29,761	29,052
Deferred Charges and Other Assets		
Regulatory assets	729	810
Other[2]	719	651
Total deferred charges and other assets	1,448	1,461
Total assets	$36,330	$35,139

(1) Virginia Power’s Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.

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

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

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Securities due within one year	$—	$ 850
Short-term debt	1,158	542
Accounts payable	296	361
Payables to affiliates	109	125
Affiliated current borrowings	25	33
Other[2]	1,321	1,009
Total current liabilities	2,909	2,920
Long-Term Debt	11,091	10,496
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	2,894	2,728
Asset retirement obligations	1,302	1,149
Regulatory liabilities	4,877	4,760
Other[2]	760	862
Total deferred credits and other liabilities	9,833	9,499
Total liabilities	23,833	22,915
Commitments and Contingencies (see Note 16)		
Common Shareholder's Equity		
Common stock – no par[3]	5,738	5,738
Other paid-in capital	1,113	1,113
Retained earnings	5,655	5,311
Accumulated other comprehensive income (loss)	(9)	62
Total common shareholder's equity	12,497	12,224
Total liabilities and shareholder's equity	$36,330	$ 35,139

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.
(2) See Note 18 for amounts attributable to affiliates.
(3) 500,000 shares authorized; 274,723 shares outstanding at June 30, 2018 and December 31, 2017.
The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S EQUITY

(Unaudited)

(millions, except for shares)	Common Stock Shares (thousands)	Common Stock Amount	Other Paid-In Capital	Retained Earnings	AOCI	Total
December 31, 2017	275	$ 5,738	$ 1,113	$ 5,311	$ 62	$ 12,224
Cumulative-effect of changes in accounting principles				79	(76)	3
Net income				523		523
Dividends				(257)		(257)
Other comprehensive income, net of tax					5	5
Other				(1)		(1)
June 30, 2018	275	$ 5,738	$ 1,113	$ 5,655	$ (9)	$ 12,497

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30, (millions)	2018	2017
Operating Activities		
Net income	$523	$674
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including nuclear fuel)	632	665
Deferred income taxes and investment tax credits	137	167
Proceeds from assignment of tower rental portfolio	—	91
Charge associated with future ash pond and landfill closure costs	81	—
Provision for rate credits to customers	215	—
Other adjustments	(19)	(20)
Changes in:		
Accounts receivable	(26)	92
Affiliated receivables and payables	(86)	39
Inventories	36	19
Prepayments	(6)	(4)
Deferred fuel expenses, net	(357)	(78)
Accounts payable	(45)	(32)
Accrued interest, payroll and taxes	13	23
Net realized and unrealized changes related to derivative activities	54	27
Asset retirement obligations	(18)	(42)
Other operating assets and liabilities	64	(130)
Net cash provided by operating activities	1,198	1,491
Investing Activities		
Plant construction and other property additions	(1,170)	(1,216)
Purchases of nuclear fuel	(55)	(116)
Acquisition of solar development projects	(43)	(3)
Proceeds from sales of securities	414	498
Purchases of securities	(436)	(517)
Other	4	(17)
Net cash used in investing activities	(1,286)	(1,371)
Financing Activities		
Issuance of short-term debt, net	616	351
Repayment of affiliated current borrowings, net	(8)	(250)
Issuance of long-term debt	700	750
Repayment of long-term debt	(951)	(78)
Common dividend payments to parent	(257)	(854)
Other	(6)	(6)
Net cash provided by (used in) financing activities	94	(87)
Increase in cash, restricted cash and equivalents	6	33
Cash, restricted cash and equivalents at beginning of period	24	11

Cash, restricted cash and equivalents at end of period	$30	$44
Supplemental Cash Flow Information		
Significant noncash investing activities:		
Accrued capital expenditures	$159	$169

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Operating Revenue[1]	$459	$422	$985	$912
Operating Expenses				
Purchased gas[1]	—	38	29	81
Other energy-related purchases	31	2	62	7
Other operations and maintenance:				
Affiliated suppliers	26	20	49	45
Other	295	148	418	301
Depreciation and amortization	53	56	112	110
Other taxes	47	43	107	97
Total operating expenses	452	307	777	641
Income from operations	7	115	208	271
Earnings from equity method investee	5	4	14	11
Other income	32	27	65	52
Interest and related charges[1]	26	24	51	47
Income from operations before income taxes	18	122	236	287
Income tax expense	3	45	55	102
Net Income	$15	$77	$181	$185

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

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Net income	$15	$77	$181	$185
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities(1)	(20)	11	(7)	2
Amounts reclassified to net income:				
Net derivative (gains) losses -hedging activities(2)	14	(12)	11	(1)
Net pension and other postretirement benefit costs(3)	1	2	2	2
Total other comprehensive income (loss)	(5)	1	6	3
Comprehensive income	$10	$78	$187	$188

(1) Net of $7 million and $(7) million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $3 million and $(1) million tax for the six months ended June 30, 2018 and 2017, respectively.

(2) Net of $(5) million and $7 million tax for the three months ended June 30, 2018 and 2017, respectively, and net of $(4) million and $— million tax for the six months ended June 30, 2018 and 2017, respectively.

(3) Net of $— million tax for both the three months ended June 30, 2018 and 2017, respectively, and net of $(1) million tax for both the six months ended June 30, 2018 and 2017.

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5	$ 4
Customer receivables (less allowance for doubtful accounts of less than $1 and $1)[2]	223	297
Other receivables (less allowance for doubtful accounts of $1 at both dates)[2]	22	15
Affiliated receivables	31	10
Inventories	82	64
Gas imbalances[2]	62	46
Prepayments	86	112
Other	60	52
Total current assets	571	600
Investments	97	97
Property, Plant and Equipment		
Property, plant and equipment	11,341	11,173
Accumulated depreciation and amortization	(3,111)	(3,018)
Total property, plant and equipment, net	8,230	8,155
Deferred Charges and Other Assets		
Pension and other postretirement benefit assets[2]	1,907	1,828
Other[2]	1,278	1,260
Total deferred charges and other assets	3,185	3,088
Total assets	$ 12,083	$ 11,940

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED BALANCE SHEETS—(Continued)

(Unaudited)

(millions)	June 30, 2018	December 31, 2017[1]
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	$ 188	$ 629
Accounts payable	97	193
Payables to affiliates	15	62
Affiliated current borrowings	56	18
Other[2]	406	439
Total current liabilities	762	1,341
Long-Term Debt	4,062	3,570
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	1,489	1,454
Regulatory liabilities	1,253	1,227
Other	189	185
Total deferred credits and other liabilities	2,931	2,866
Total liabilities	7,755	7,777
Commitments and Contingencies (see Note 16)		
Equity		
Membership interests	4,446	4,261
Accumulated other comprehensive loss	(118)	(98)
Total equity	4,328	4,163
Total liabilities and equity	$ 12,083	$ 11,940

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(millions)	Membership Interests	AOCI	Total
December 31, 2017	$ 4,261	$ (98)	$ 4,163
Cumulative-effect of changes in accounting principles	29	(26)	3
Net income	181		181
Distributions	(25)		(25)
Other comprehensive income, net of tax		6	6
June 30, 2018	$ 4,446	$ (118)	$ 4,328

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

DOMINION ENERGY GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30, (millions)	2018			2017		
Operating Activities						
Net income	$	181		$	185	
Adjustments to reconcile net income to net cash provided by operating activities:						
Gains on sales of assets		(44	)		—	
Charge associated with FERC-regulated plant disallowance		129			—	
Depreciation and amortization		112			110	
Deferred income taxes and investment tax credits		27			112	
Other adjustments		4			(6	)
Changes in:						
Accounts receivable		67			73	
Affiliated receivables and payables		(68	)		(19	)
Inventories		(18	)		(12	)
Deferred purchased gas costs, net		8			11	
Prepayments		26			18	
Accounts payable		(101	)		(97	)
Accrued interest, payroll and taxes		(51	)		(52	)
Pension and other postretirement benefits		(72	)		(65	)
Other operating assets and liabilities		7			(3	)
Net cash provided by operating activities		207			255	
Investing Activities						
Plant construction and other property additions		(316	)		(309	)
Proceeds from assignments of shale		44			—	

development rights						
Other		(6	)		(1	)
Net cash used in investing activities		(278	)		(310	)
Financing Activities						
Issuance (repayment) of short-term debt, net		(441	)		155	
Issuance of long-term debt		500			—	
Issuance (repayment) of affiliated current borrowings, net		38			(94	)
Distribution payments to parent		(25	)		(15	)
Other		(2	)		—	
Net cash provided by financing activities		70			46	
Decrease in cash, restricted cash and equivalents		(1	)		(9	)
Cash, restricted cash and equivalents at beginning of period		30			43	
Cash, restricted cash and equivalents at end of period	$	29		$	34	
Supplemental Cash Flow Information						
Significant noncash investing activities:						
Accrued capital expenditures	$	51		$	44	

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

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Nature of Operations

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

Note 2. Significant Accounting Policies

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

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

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

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

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

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

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

Amounts disclosed for Dominion Energy are inclusive of Virginia Power and/or Dominion Energy Gas, where applicable. The effects of the adoption of new accounting standards on the Consolidated Financial Statements are described below. With the exception of the property, plant and equipment item described below, there have been no other significant changes from Note 2 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018.

Operating Revenue

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

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

Revenue from Contracts with Customers

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

Other Revenue

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

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

- Regulated electric sales consisted primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- Nonregulated electric sales consisted primarily of sales of electricity at market-based rates and contracted fixed rates, and associated derivative activity;
- Regulated gas sales consisted primarily of state- and FERC-regulated natural gas sales and related distribution services and associated derivative activity;
- Nonregulated gas sales consisted primarily of sales of natural gas production at market-based rates and contracted fixed prices, sales of gas purchased from third parties, gas trading and marketing revenue and associated derivative activity;

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

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

Revenue from Contracts with Customers

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

Other Revenue

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

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

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

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

Revenue from Contracts with Customers

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

Other Revenue

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

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

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

• Other revenue consisted primarily of miscellaneous service revenue, gas processing and handling revenue.

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

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

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

Cash, Restricted Cash and Equivalents

Restricted Cash and Equivalents

The Companies hold restricted cash and equivalent balances that primarily consist of amounts held for certain customer deposits, future debt payments on SBL Holdco and Dominion Solar Projects III, Inc.'s term loan agreements and a distribution reserve at Cove Point. Upon adoption of revised accounting guidance in January 2018, restricted cash and equivalents are included within the Companies' Consolidated Statements of Cash Flows, with the change in balance no longer considered a separate investing activity. The guidance required retrospective application which resulted in an adjustment to Dominion Energy and Dominion Energy Gas' other cash provided by (used in) investing activities for the six months ended June 30, 2017, which had been previously reported as $4 million and $(11) million, respectively. There was no impact to Virginia Power for the six months ended June 30, 2017. The following table provides a reconciliation of the total cash, restricted cash and equivalents reported within the Companies' Consolidated Balance Sheets to the corresponding amounts reported within the Companies' Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017:

	Cash, Restricted Cash and Equivalents at End of Period		Cash, Restricted Cash and Equivalents at Beginning of Period	
	June 30, 2018	June 30, 2017	December 31, 2017	December 31, 2016
(millions)				
Dominion Energy				

Cash and cash equivalents	$190	$ 260	$120	$ 261
Restricted cash and equivalents[1]	164	64	65	61
Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows	$354	$ 324	$185	$ 322
Virginia Power				
Cash and cash equivalents	$20	$ 44	$14	$ 11
Restricted cash and equivalents[1]	10	—	10	—
Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows	$30	$ 44	$24	$ 11
Dominion Energy Gas				
Cash and cash equivalents	$5	$ 4	$4	$ 23
Restricted cash and equivalents [1]	24	30	26	20
Cash, restricted cash and equivalents shown in the Consolidated Statements of Cash Flows	$29	$ 34	$30	$ 43

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

Distributions from Equity Method Investees

Dominion Energy and Dominion Energy Gas each hold investments that are accounted for under the equity method of accounting. Effective January 2018, Dominion Energy and Dominion Energy Gas classify distributions from equity method investees as either cash flows from operating activities or cash flows from investing activities in the Consolidated Statements of Cash Flows according to the nature of the distribution. Distributions received are classified on the basis of the nature of the activity of the investee that generated the distribution as either a return on investment (classified as cash flows from operating activities) or a return of an investment (classified as cash flows from investing activities) when such information is available to Dominion Energy and Dominion Energy Gas. Previously, distributions were determined to be either a return on an investment or return of an investment based on a cumulative earnings approach whereby any distributions received in excess of earnings were considered to be a return of an investment. Dominion Energy and Dominion Energy Gas have applied this approach on a retrospective basis. As a result, distributions from equity method investees were reclassified within Dominion Energy's Consolidated Statement of Cash Flows between distributions from equity method affiliates to other adjustments from operating activities, which were previously reported as $(72) million for the six months ended June 30, 2017. There was no impact to Dominion Energy Gas for the six months ended June 30, 2017.

Property, Plant and Equipment

In the second quarter of 2018, Virginia Power recorded an adjustment for the retroactive application of depreciation rates for regulated nuclear plants to comply with Virginia Commission requirements. This adjustment resulted in a decrease of $46 million ($36 million after-tax) in depreciation expense in Virginia Power's Consolidated Statements of Income. This revision is expected to decrease annual depreciation expense by approximately $30 million ($23 million after-tax).

Investments

Debt and Equity Securities with Readily Determinable Fair Values

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

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

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

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

Equity Securities without Readily Determinable Fair Values

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

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

Other-Than-Temporary Impairment

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

Decommissioning Trust Investments – Special Considerations for Debt Securities

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

New Accounting Standards

Revenue Recognition

In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The Companies adopted this revised accounting guidance for interim and annual reporting periods beginning January 1, 2018 using the modified retrospective method. Upon the adoption of the standard, Dominion Energy and Dominion Energy Gas recorded the cumulative-effect of a change in accounting principle of $3 million to retained earnings and membership interests, respectively, and to establish a contract asset related to changes in the timing of revenue recognition for three existing contracts with customers at DETI.

As a result of adopting this revised accounting guidance, Dominion Energy and Dominion Energy Gas recorded offsetting operating revenue and other energy-related purchases of $25 million and $50 million in the Consolidated Statements of Income for non-cash consideration for performing processing and fractionation services related to NGLs for the three and six months ended June 30, 2018, respectively. No such amounts were recorded during the three and six months ended June 30, 2017. Dominion Energy and Dominion Energy Gas no longer record offsetting operating revenue and purchased gas for fuel retained to offset costs on certain transportation and storage arrangements. Such amounts at Dominion Energy were $31 million and $63 million, respectively, and Dominion Energy Gas were $24 million and $48 million, respectively, recorded in the Consolidated Statements of Income for the three and six months ended June 30, 2017.

Financial Instruments

In January 2016, the FASB issued revised accounting guidance for the recognition, measurement, presentation and disclosure of financial instruments. The guidance became effective for the Companies' interim and annual reporting periods beginning January 1, 2018 and the Companies adopted the standard using the modified retrospective method. Upon adoption of this guidance for equity securities held at January 1, 2018, Dominion Energy and Virginia Power recorded the cumulative-effect of a change in accounting principle to reclassify net unrealized gains from AOCI to retained earnings and to recognize equity securities previously categorized as cost method investments at fair value (using NAV) in nuclear decommissioning trust funds in the Consolidated Balance Sheets and a cumulative-effect adjustment to retained earnings. Dominion Energy and Virginia Power reclassified approximately $1.1 billion ($734 million after-tax) and $119 million ($73 million after-tax), respectively, of net unrealized gains from AOCI to retained earnings. Dominion Energy and Virginia Power also recorded approximately $36 million ($22 million after-tax) in net unrealized gains on equity securities previously classified as cost method investments, of which $3 million was recorded to retained earnings and $33 million was recorded to regulatory liabilities for net unrealized gains subject to cost-based regulation. As a result of adopting this revised accounting guidance, Dominion Energy recorded unrealized gains on equity securities, net of regulatory deferrals, of $45 million ($36 million after-tax) and unrealized losses on equity securities, net of regulatory deferrals, of $2 million ($2 million after-tax) in other income in the Consolidated Statements of Income for the three and six months ended June 30, 2018, respectively, resulting in a $0.06 gain per share for the three months ended June 30, 2018. There was no impact to per share amounts at Dominion Energy for the six months ended June 30, 2018. Virginia Power recorded unrealized gains on equity securities, net of regulatory deferrals, of $6 million ($5 million after-tax) and unrealized losses on equity securities, net of regulatory deferrals, of $2 million ($2 million after-tax), respectively, in other income in the Consolidated Statements of Income for the three and six months ended June 30, 2018.

Derecognition and Partial Sales of Nonfinancial Assets

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

Net Periodic Pension and Other Postretirement Benefit Costs

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

This guidance became effective for the Companies beginning January 1, 2018 with a retrospective adoption for income statement presentation and a prospective adoption for capitalization. Dominion Energy’s and Dominion Energy Gas’ Consolidated Statements of Income for the six months ended June 30, 2017 have been recast to reflect retrospective adoption for the presentation of the non-service cost component of net periodic pension and other postretirement benefit costs. Previously, the non-service cost component for Dominion Energy and Dominion Energy Gas was reflected in other operations and maintenance in the Consolidated Statements of Income, along with the service cost component of net periodic pension and other postretirement benefit costs. Subsequent to the adoption of this guidance, the non-service cost component of net periodic pension and other postretirement benefit costs is recorded in other income in the Consolidated Statements of Income. As previously reported, Dominion Energy’s other operations and maintenance expense and other income for the three months ended June 30, 2017 were $779 million and $60 million, respectively, and were $1.5 billion and $176 million for the six months ended June 30, 2017, respectively. Dominion Energy Gas’ other operations and maintenance expense and other income for the three months ended June 30, 2017 were $126 million and $5 million, respectively, and were $259 million and $10 million for the six months ended June 30, 2017, respectively.

Tax Reform

In February 2018, the FASB issued revised accounting guidance to provide clarification on the application of the 2017 Tax Reform Act for balances recorded within AOCI. The revised guidance provides for stranded amounts within

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

Note 3. Acquisitions and Dispositions

Dominion Energy

Proposed Acquisition of SCANA

Under the terms of the SCANA Merger Agreement announced in January 2018, Dominion Energy has agreed to issue 0.6690 shares of Dominion Energy common stock for each share of SCANA common stock upon closing. In addition, Dominion Energy will provide the financial support for SCE&G to make a $1.3 billion up-front, one-time rate credit to all current electric service customers of SCE&G to be paid within 90 days of closing and a $575 million refund along with the benefit of the 2017 Tax Reform Act resulting in an approximate 7% reduction to SCE&G electric service customers' bills over an eight-year period as well as the exclusions from rate recovery of approximately $1.7 billion of costs related to the V.C. Summer Units 2 and 3 new nuclear development project and approximately $180 million to purchase the Columbia Energy Center power station. In addition, SCANA's debt, which currently totals approximately $7.0 billion, is expected to remain outstanding.

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

Wholly-Owned Merchant Solar Projects

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

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

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

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

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

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

Note 4. Operating Revenue

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

(millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Dominion Energy		
Regulated electric sales:		
Residential	$ 788	$ 1,605
Commercial	636	1,160
Industrial	121	228
Government and other retail	210	423
Wholesale	23	65
Nonregulated electric sales	282	700
Regulated gas sales:		
Residential	116	480
Commercial	34	137
Other	1	11
Nonregulated gas sales	9	97
Regulated gas transportation and storage:		
FERC-regulated	272	534
State-regulated	144	334
Nonregulated gas transportation and storage	124	124
Other regulated revenues	44	94
Other nonregulated revenues(1)(2)	141	277
Total operating revenue from contracts with customers	2,945	6,269
Other revenues	143	285
Total operating revenue	$ 3,088	$ 6,554
Virginia Power		
Regulated electric sales:		
Residential	$ 788	$ 1,605
Commercial	636	1,160
Industrial	121	228
Government and other retail	210	423
Wholesale	23	65
Other regulated revenues	33	65
Other nonregulated revenues(1)	18	31
Total operating revenue from contracts with customers	$ 1,829	$ 3,577
Dominion Energy Gas		
Regulated gas sales:		
Residential	$ 13	$ 42
Other	2	9

Nonregulated gas sales[1]	1	3
Regulated gas transportation and storage:		
FERC-regulated[1]	183	382
State-regulated[1]	139	319
NGL revenue[1][2]	50	104
Management service revenue[1]	60	107
Other regulated revenues[1]	4	12
Other nonregulated revenues[1]	4	6
Total operating revenue from contracts with customers	456	984
Other revenues[1]	3	1
Total operating revenue	$ 459	$ 985

(1) See Notes 10 and 18 for amounts attributable to related parties and affiliates.

(2) Amounts above include $33 million and $21 million for the three months ended June 30, 2018, and $63 million and $47 million for the six months ended June 30, 2018 primarily consisting of NGL sales at Dominion Energy and Dominion Energy Gas, respectively, which are considered to be goods transferred at a point in time.

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

Revenue expected to be recognized on multi-year contracts in place at June 30, 2018	2018	2019	2020	2021	2022	Thereafter	Total
(millions)							
Dominion Energy	$851	$1,686	$1,578	$1,466	$1,335	$15,240	$22,156
Virginia Power	11	21	3	1	—	—	36
Dominion Energy Gas	324	633	570	485	394	2,168	4,574

Contract assets represent an entity’s right to consideration in exchange for goods and services that the entity has transferred to a customer. At both June 30, 2018 and December 31, 2017, Dominion Energy’s contract asset balances were $46 million. Dominion Energy Gas’ contract asset balances were $64 million and $66 million at June 30, 2018 and December 31, 2017, respectively. Dominion Energy and Dominion Energy Gas’ contract assets are recorded in other deferred charges and other assets in the Consolidated Balance Sheets. Contract liabilities represent an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration, or the amount that is due, from the customer. At June 30, 2018 and December 31, 2017, Dominion Energy’s contract liability balances were $71 million and $132 million, respectively. At June 30, 2018 and December 31, 2017, Virginia Power’s contract liability balances were $25 million and $50 million, respectively. At June 30, 2018 and December 31, 2017, Dominion Energy Gas’ contract liability balances were $14 million and $41 million, respectively. During the six months ended June 30, 2018, Dominion Energy, Virginia Power and Dominion Energy Gas recognized revenue of $88 million, $21 million and $40 million, respectively, from the beginning contract liability balances as the Companies fulfilled their obligations to provide service to their customers. The Companies’ contract liabilities are recorded in other current liabilities and other deferred credits and other liabilities in the Consolidated Balance Sheets.

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

(millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Dominion Energy		
Electric sales:		
Regulated	$ 1,716	$ 3,482
Nonregulated	307	734
Gas sales:		
Regulated	151	599
Nonregulated	110	254
Gas transportation and storage	430	922
Other	99	206
Total operating revenue	$ 2,813	$ 6,197
Virginia Power		
Regulated electric sales	$ 1,716	$ 3,482
Other	31	96
Total operating revenue	$ 1,747	$ 3,578
Dominion Energy Gas		
Gas sales:		
Regulated	$ 15	$ 47
Nonregulated	8	10
Gas transportation and storage	342	738
Other	57	117
Total operating revenue	$ 422	$ 912

Note 5. Income Taxes

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

	Dominion Energy		Virginia Power		Dominion Energy Gas	
Six Months Ended June 30,	2018	2017	2018	2017	2018	2017
U.S. statutory rate	21.0%	35.0%	21.0%	35.0%	21.0%	35.0%
Increases (reductions) resulting from:						
State taxes, net of federal benefit	3.8	2.8	4.5	3.7	3.6	1.5
Investment tax credits	(0.9)	(5.5)	(1.4)	(0.8)	—	—
Production tax credits	(0.7)	(0.8)	(0.7)	(0.5)	—	—
Reversal of excess deferred income taxes	(1.5)	—	(2.0)	—	(1.2)	—
State legislative change	(1.6)	—	—	—	0.3	—
AFUDC - equity	(1.0)	(1.4)	(0.5)	(0.6)	(0.4)	(1.0)

Other, net	(1.0)	(2.6)	0.3	(0.1)	0.2	—
Effective tax rate	18.1%	27.5%	21.2%	36.7%	23.5%	35.5%

The 2017 Tax Reform Act reduced the statutory federal income tax rate to 21% beginning in January 2018. Accordingly, current income taxes, and deferred income taxes that originate in 2018, are being recorded at the new 21% rate. For the Companies' rate-regulated entities, deferred taxes will reverse at the weighted average rate used to originate the deferred tax liability, which in some cases will be 35%. For the three and six months ended June 30, 2018, the Companies have recorded an estimate of the portion of excess deferred income tax amortization expected to occur in 2018. The reversal of these excess deferred income taxes will impact the effective tax rate, and may ultimately impact rates charged to customers. As described in Note 13 to the Consolidated Financial Statements, the Companies decreased revenue and increased regulatory liabilities to offset these deferred tax impacts in accordance with applicable regulatory commission orders or formula rate mechanisms. In addition, Dominion Energy and Dominion Energy Gas' effective tax rates reflect the impacts of a state legislative change enacted in the second quarter of 2018 that was retroactive to January 1, 2018.

Beginning in 2018, the 2017 Tax Reform Act limits the deductibility of interest expense to 30% of adjusted taxable income for certain businesses, with any disallowed interest carried forward indefinitely. Subject to additional guidance in yet to be issued regulations, the Companies expect interest expense to be deductible in 2018.

The Companies continue to evaluate the changes in accelerated depreciation for income tax purposes and state conformity to the provisions of the 2017 Tax Reform Act. As of June 30, 2018, there have been no changes to the provisional amounts recorded at December 31, 2017. See Note 5 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, for a discussion of the impacts of the 2017 Tax Reform Act.

As of June 30, 2018, there have been no material changes in the Companies' unrecognized tax benefits or possible changes that could reasonably be expected to occur during the next twelve months. See Note 5 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018, for a discussion of these unrecognized tax benefits.

Note 6. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions, except EPS)				
Net income attributable to Dominion Energy	$449	$390	$952	$1,022
Average shares of common stock outstanding – Basic	652.8	629.2	651.6	628.7
Net effect of dilutive securities	0.3	—	0.2	—
Average shares of common stock outstanding – Diluted	653.1	629.2	651.8	628.7
Earnings Per Common Share – Basic	$0.69	$0.62	$1.46	$1.63
Earnings Per Common Share – Diluted	$0.69	$0.62	$1.46	$1.63

The 2014 Equity Units were potentially dilutive securities, but were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2017, as the diluted stock price threshold was not met. The 2016 Equity Units are potentially dilutive securities, but were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2018 and 2017, as the dilutive stock price threshold was not met. The Dominion Energy Midstream convertible preferred units are potentially dilutive securities but had no effect on the calculation of diluted EPS for the three and six months ended June 30, 2018 and 2017. In calculating diluted EPS in connection with the Dominion Energy Midstream convertible preferred units, Dominion Energy applies the if-converted method. The forward sales agreements, effective April 2018, are potentially dilutive securities but had no effect on the calculation of diluted EPS for the three and six months ended June 30, 2018. See Note 15 for more information regarding the forward sales agreements. In calculating diluted EPS in connection with the forward sales agreements, Dominion Energy applies the treasury stock method.

Note 7. Accumulated Other Comprehensive Income

Dominion Energy

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

(millions)	Deferred gains and losses on derivatives-hedging activities	Unrealized gains and losses on investment securities	Unrecognized pension and other postretirement benefit costs	Other comprehensive loss from equity method investees	Total
Three Months Ended June 30, 2018					
Beginning balance	$ (248)	$ 3	$ (1,303)	$ (3)	$(1,551)
Other comprehensive income before reclassifications:					
gains (losses)	(33)	(5)	—	1	(37)
Amounts reclassified from AOCI: (gains) losses[1]	33	—	17	—	50
Net current period other comprehensive income (loss)	—	(5)	17	1	13
Ending balance	$ (248)	$ (2)	$ (1,286)	$ (2)	$(1,538)
Three Months Ended June 30, 2017					
Beginning balance	$ (260)	$ 599	$ (1,069)	$ (5)	$(735)
Other comprehensive income before reclassifications:					
gains (losses)	28	35	—	1	64
Amounts reclassified from AOCI: (gains) losses[1]	(18)	(4)	11	—	(11)
Net current period other comprehensive income (loss)	10	31	11	1	53
Ending balance	$ (250)	$ 630	$ (1,058)	$ (4)	$(682)
Six Months Ended June 30, 2018					
Beginning balance	$ (302)	$ 747	$ (1,101)	$ (3)	$(659)
Other comprehensive income before reclassifications:					
gains (losses)	78	(18)	—	1	61
Amounts reclassified from AOCI: (gains) losses[1]	41	1	42	—	84
Net current period other comprehensive income (loss)	119	(17)	42	1	145
Cumulative-effect of changes in accounting principle	(64)	(732)	(227)	—	(1,023)

Less other comprehensive income attributable to noncontrolling interest	1	—	—	—	1
Ending balance	$ (248)	$ (2)	$ (1,286)	$ (2)	$(1,538)
Six Months Ended June 30, 2017					
Beginning balance	$ (280)	$ 569	$ (1,082)	$ (6)	$(799)
Other comprehensive income before reclassifications: gains (losses)	71	93	—	2	166
Amounts reclassified from AOCI: (gains) losses(1)	(41)	(32)	24	—	(49)
Net current period other comprehensive income (loss)	30	61	24	2	117
Ending balance	$ (250)	$ 630	$ (1,058)	$ (4)	$(682)

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

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

Details about AOCI components (millions)	Amounts reclassified from AOCI	Affected line item in the Consolidated Statements of Income
Three Months Ended June 30, 2018		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$ 16	Operating revenue
Interest rate contracts	12	Interest and related charges
Foreign currency contracts	16	Other income
Total	44	
Tax	(11)	Income tax expense
Total, net of tax	$ 33	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$ 1	Other income
Total	1	
Tax	(1)	Income tax expense
Total, net of tax	$ —	
Unrecognized pension and other postretirement benefit costs:		
Amortization of prior-service costs (credits)	$ (5)	Other income
Amortization of actuarial losses	29	Other income
Total	24	
Tax	(7)	Income tax expense
Total, net of tax	$ 17	
Three Months Ended June 30, 2017		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$ (19)	Operating revenue
	(2)	Electric fuel and other energy-related purchases
Interest rate contracts	11	Interest and related charges
Foreign currency contracts	(19)	Other income
Total	(29)	
Tax	11	Income tax expense
Total, net of tax	$ (18)	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$ (11)	Other income
Impairment	5	Other income
Total	(6)	

Tax		2		Income tax expense
Total, net of tax	$	(4	)	
Unrecognized pension and other postretirement benefit costs:				
Amortization of prior-service costs (credits)	$	(5	)	Other income
Amortization of actuarial losses		26		Other income
Total		21		
Tax		(10	)	Income tax expense
Total, net of tax	$	11		
Six Months Ended June 30, 2018				
Deferred (gains) and losses on derivatives-hedging activities:				
Commodity contracts	$	28		Operating revenue
		2		Purchased gas
		(7	)	Electric fuel and other energy-related purchases
Interest rate contracts		24		Interest and related charges

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Foreign currency contracts	8	Other income
Total	55	
Tax	(14)	Income tax expense
Total, net of tax	$41	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$2	Other income
Total	2	
Tax	(1)	Income tax expense
Total, net of tax	$1	
Unrecognized pension and other postretirement benefit costs:		
Amortization of prior-service costs (credits)	$(11)	Other income
Amortization of actuarial losses	61	Other income
Total	50	
Tax	(8)	Income tax expense
Total, net of tax	$42	
Six Months Ended June 30, 2017		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$(81)	Operating revenue
	(2)	Electric fuel and other energy-related purchases
Interest rate contracts	23	Interest and related charges
Foreign currency contracts	(6)	Other income
Total	(66)	
Tax	25	Income tax expense
Total, net of tax	$(41)	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$(64)	Other income
Impairment	14	Other income
Total	(50)	
Tax	18	Income tax expense
Total, net of tax	$(32)	
Unrecognized pension and other postretirement benefit costs:		
Amortization of prior-service costs (credits)	$(9)	Other income
Amortization of actuarial losses	51	Other income
Total	42	
Tax	(18)	Income tax expense
Total, net of tax	$24	

Virginia Power

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

(millions)	Deferred gains and losses on derivatives-hedging activities	Unrealized gains and losses on investment securities	Total
Three Months Ended June 30, 2018			
Beginning balance	$ (10)	$ 1	$ (9)
Other comprehensive income before reclassifications: gains (losses)	2	(2)	—
Amounts reclassified from AOCI: (gains) losses	—	—	—
Net current period other comprehensive income (loss)	2	(2)	—
Ending balance	$ (8)	$ (1)	$ (9)
Three Months Ended June 30, 2017			
Beginning balance	$ (8)	$ 58	$ 50
Other comprehensive income before reclassifications: gains (losses)	(3)	4	1
Amounts reclassified from AOCI: (gains) losses(1)	1	(1)	—
Net current period other comprehensive income (loss)	(2)	3	1
Ending balance	$ (10)	$ 61	$ 51
Six Months Ended June 30, 2018			
Beginning balance	$ (12)	$ 74	$ 62
Other comprehensive income before reclassifications: gains (losses)	7	(2)	5
Amounts reclassified from AOCI: (gains) losses	—	—	—
Net current period other comprehensive income (loss)	7	(2)	5
Cumulative-effect of changes in accounting principle	(3)	(73)	(76)
Ending balance	$ (8)	$ (1)	$ (9)
Six Months Ended June 30, 2017			
Beginning balance	$ (8)	$ 54	$ 46
Other comprehensive income before reclassifications: gains (losses)	(3)	11	8
Amounts reclassified from AOCI: (gains) losses(1)	1	(4)	(3)

Net current period other comprehensive income (loss)	(2)	7	5
Ending balance	$ (10)	$ 61	$ 51

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

The following table presents Virginia Power's reclassifications out of AOCI by component. Reclassifications out of AOCI were immaterial for the three and six months ended June 30, 2018.

Details about AOCI components (millions)	Amounts reclassified from AOCI	Affected line item in the Consolidated Statements of Income
Three Months Ended June 30, 2017		
Deferred (gains) and losses on derivatives-hedging activities:		
Interest rate contracts	$ 1	Interest and related charges
Total	1	
Tax	—	Income tax expense
Total, net of tax	$ 1	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$ (1)	Other income
Total	(1)	
Tax	—	Income tax expense
Total, net of tax	$ (1)	
Six Months Ended June 30, 2017		
Deferred (gains) and losses on derivatives-hedging activities:		
Interest rate contracts	$ 1	Interest and related charges
Total	1	
Tax	—	Income tax expense
Total, net of tax	$ 1	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$ (7)	Other income
Impairment	1	Other income
Total	(6)	
Tax	2	Income tax expense
Total, net of tax	$ (4)	

Dominion Energy Gas

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

(millions)	Deferred gains and losses on derivatives-hedging activities	Unrecognized pension costs	Total
Three Months Ended June 30, 2018			
Beginning balance	$ (18)	$ (95)	$(113)
Other comprehensive income before reclassifications: gains (losses)	(20)	—	(20)
Amounts reclassified from AOCI: (gains) losses[1]	14	1	15
Net current period other comprehensive income (loss)	(6)	1	(5)
Ending balance	$ (24)	$ (94)	$(118)
Three Months Ended June 30, 2017			
Beginning balance	$ (22)	$ (99)	$(121)
Other comprehensive income before reclassifications: gains (losses)	11	—	11
Amounts reclassified from AOCI: (gains) losses[1]	(12)	2	(10)
Net current period other comprehensive income (loss)	(1)	2	1
Ending balance	$ (23)	$ (97)	$(120)
Six Months Ended June 30, 2018			
Beginning balance	$ (23)	$ (75)	$(98)
Other comprehensive income before reclassifications: gains (losses)	(7)	—	(7)
Amounts reclassified from AOCI: (gains) losses[1]	11	2	13
Net current period other comprehensive income (loss)	4	2	6
Cumulative-effect of changes in accounting principle	(5)	(21)	(26)
Ending balance	$ (24)	$ (94)	$(118)
Six Months Ended June 30, 2017			
Beginning balance	$ (24)	$ (99)	$(123)
Other comprehensive income before reclassifications: gains (losses)	2	—	2
Amounts reclassified from AOCI: (gains) losses[1]	(1)	2	1

Net current period other comprehensive income (loss)	1	2	3
Ending balance	$ (23)	$ (97)	$(120)

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

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

Details about AOCI components (millions)	Amounts reclassified from AOCI	Affected line item in the Consolidated Statements of Income
Three Months Ended June 30, 2018		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$ 2	Operating revenue
Interest rate contracts	1	Interest and related charges
Foreign currency contracts	16	Other income
Total	19	
Tax	(5)	Income tax expense
Total, net of tax	$ 14	
Unrecognized pension costs:		
Actuarial losses	$ 1	Other income
Total	1	
Tax	—	Income tax expense
Total, net of tax	$ 1	
Three Months Ended June 30, 2017		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$ (1)	Operating revenue
Interest rate contracts	1	Interest and related charges
Foreign currency contracts	(19)	Other income
Total	(19)	
Tax	7	Income tax expense
Total, net of tax	$ (12)	
Unrecognized pension costs:		
Actuarial losses	$ 2	Other income
Total	2	
Tax	—	Income tax expense
Total, net of tax	$ 2	
Six Months Ended June 30, 2018		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$ 5	Operating revenue
Interest rate contracts	2	Interest and related charges
Foreign currency contracts	8	Other income

Total		15	
Tax		(4)	Income tax expense
Total, net of tax	$	11	
Unrecognized pension costs:			
Actuarial losses	$	3	Other income
Total		3	
Tax		(1)	Income tax expense
Total, net of tax	$	2	
Six Months Ended June 30, 2017			
Deferred (gains) and losses on derivatives-hedging activities:			
Commodity contracts	$	3	Operating revenue
Interest rate contracts		2	Interest and related charges
Foreign currency contracts		(6)	Other income
Total		(1)	
Tax		—	Income tax expense

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Total, net of tax	$(1)	
Unrecognized pension costs:		
Actuarial losses	$3	Other income
Total	3	
Tax	(1)	Income tax expense
Total, net of tax	$2	

Note 8. Fair Value Measurements

The Companies' fair value measurements are made in accordance with the policies discussed in Note 6 to the Consolidated Financial Statements in the Companies' Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018. See Note 9 in this report for further information about the Companies' derivatives and hedge accounting activities.

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

The following table presents Dominion Energy's quantitative information about Level 3 fair value measurements at June 30, 2018. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

	Fair Value (millions)	Valuation Techniques	Unobservable Input		Range	Weighted Average[1]
Assets						
Physical and financial forwards and futures:						
Natural gas[2]	$ 90	Discounted cash flow	Market price (per Dth)	[3]	(1) - 6	—
FTRs	7	Discounted cash flow	Market price (per MWh)	[3]	(1) - 6	—
Physical options:						
Natural gas	1	Option model	Market price (per Dth)	[3]	2 - 6	3
			Price volatility	[4]		23 %

				13% - 35%		
Electricity	24	Option model	Market price (per MWh)(3)	24 - 51	37	
			Price volatility (4)	4% - 62%	29	%
Total assets	$ 122					
Liabilities						
Financial forwards:						
FTRs	$ 3	Discounted cash flow	Market price (per MWh)(3)	(1) - 6	1	
Total liabilities	$ 3					

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

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

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

Recurring Fair Value Measurements

Dominion Energy

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

(millions)	Level 1	Level 2	Level 3	Total
At June 30, 2018				
Assets				
Derivatives:				
Commodity	$—	$37	$122	$159
Interest rate	—	58	—	58
Foreign currency	—	33	—	33
Investments[(1)]:				
Equity securities:				
U.S.	3,529	—	—	3,529
Fixed income securities:				
Corporate debt instruments	—	445	—	445
Government securities	270	837	—	1,107
Cash equivalents and other	14	—	—	14
Total assets	$3,813	$1,410	$122	$5,345
Liabilities				
Derivatives:				
Commodity	$—	$52	$3	$55
Interest rate	—	58	—	58
Foreign currency	—	5	—	5
Total liabilities	$—	$115	$3	$118
At December 31, 2017				
Assets				
Derivatives:				
Commodity	$—	$101	$157	$258
Interest rate	—	17	—	17
Foreign currency	—	32	—	32

Investments[1]:				
Equity securities:				
U.S.	3,493	—	—	3,493
Fixed income securities:				
Corporate debt instruments	—	444	—	444
Government securities	307	794	—	1,101
Cash equivalents and other	34	—	—	34
Total assets	$3,834	$1,388	$157	$5,379
Liabilities				
Derivatives:				
Commodity	$—	$190	$7	$197
Interest rate	—	85	—	85
Foreign currency	—	2	—	2
Total liabilities	$—	$277	$7	$284

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(1) Includes investments held in the nuclear decommissioning and rabbi trusts. Excludes $211 million and $88 million of assets at June 30, 2018 and December 31, 2017, respectively, measured at fair value using NAV (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	2018	2017	2018	2017
Beginning balance	$120	$130	$150	$139
Total realized and unrealized gains (losses):				
Included in earnings	(2)	(10)	(20)	(25)
Included in other comprehensive income	—	—	1	—
Included in regulatory assets/liabilities	11	32	(10)	23
Settlements	(10)	—	(3)	12
Transfers out of Level 3	—	—	1	3
Ending balance	$119	$152	$119	$152

The following table presents Dominion Energy's classification of gains and losses included in earnings in the Level 3 fair value category. The unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date were not material for the three and six months ended June 30, 2018 and 2017.

(millions)	Operating Revenue	Electric Fuel and Other Energy-Related Purchases	Total
Three Months Ended June 30, 2018			
Total gains (losses) included in earnings	$ —	$ (2)	$ (2)
Three Months Ended June 30, 2017			
Total gains (losses) included in earnings	$ —	$ (10)	$ (10)
Six Months Ended June 30, 2018			
Total gains (losses) included in earnings	$ (1)	$ (19)	$ (20)
Six Months Ended June 30, 2017			
Total gains (losses) included in earnings	$ —	$ (25)	$ (25)

Virginia Power

The following table presents Virginia Power's quantitative information about Level 3 fair value measurements at June 30, 2018. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

	Fair Value (millions)	Valuation Techniques	Unobservable Input		Range	Weighted Average[1]
Assets						
Physical and financial forwards and futures:						
Natural gas[2]	$ 86	Discounted cash flow	Market price (per Dth)	(3)	(1) - 6	(1)
FTRs	7	Discounted cash flow	Market price (per MWh)	(3)	(1) - 6	—
Physical options:						
Natural gas	1	Option model	Market price (per Dth)	(3)	2 - 6	3
			Price volatility	(4)	13% - 35%	23 %
Electricity	24	Option model	Market price (per MWh)	(3)	24 - 51	37
			Price volatility	(4)	4% - 62%	29 %
Total assets	$ 118					
Liabilities						
Financial forwards:						
FTRs	$ 3	Discounted cash flow	Market price (per MWh)	(3)	(1) - 6	1
Total liabilities	$ 3					

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

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

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

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

(millions)	Level 1	Level 2	Level 3	Total
At June 30, 2018				
Assets				
Derivatives:				
Commodity	$—	$8	$118	$126
Interest rate	—	21	—	21
Investments[1]:				
Equity securities:				
U.S.	1,584	—	—	1,584
Fixed income securities:				
Corporate debt instruments	—	227	—	227
Government securities	164	328	—	492
Cash equivalents and other	3	—	—	3
Total assets	$1,751	$584	$118	$2,453
Liabilities				
Derivatives:				
Commodity	$—	$5	$3	$8
Interest rate	—	6	—	6
Total liabilities	$—	$11	$3	$14
At December 31, 2017				
Assets				
Derivatives:				
Commodity	$—	$14	$152	$166
Investments[1]:				
Equity securities:				
U.S.	1,566	—	—	1,566
Fixed income securities:				
Corporate debt instruments	—	224	—	224
Government securities	168	326	—	494
Cash equivalents and other	16	—	—	16
Total assets	$1,750	$564	$152	$2,466
Liabilities				
Derivatives:				
Commodity	$—	$4	$5	$9
Interest rate	—	57	—	57
Total liabilities	$—	$61	$5	$66

(1) Includes investments held in the nuclear decommissioning trusts. Excludes $171 million and $27 million of assets at June 30, 2018 and December 31, 2017, respectively, measured at fair value using NAV (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Beginning balance	$117	$132	$147	$143
Total realized and unrealized gains (losses):				
Included in earnings	(2)	(10)	(19)	(25)
Included in regulatory assets/liabilities	8	31	(11)	23
Settlements	(8)	(1)	(2)	11
Ending balance	$115	$152	$115	$152

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The gains and losses included in earnings in the Level 3 fair value category were classified in electric fuel and other energy-related purchases in Virginia Power's Consolidated Statements of Income for the three and six months ended June 30, 2018 and 2017. There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the three and six months ended June 30, 2018 and 2017.

Dominion Energy Gas

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

(millions)	Level 1	Level 2	Level 3	Total
At June 30, 2018				
Assets				
Interest rate	$ —	$ 1	$ —	$ 1
Foreign currency	—	33	—	33
Total assets	$ —	$ 34	$ —	$ 34
Liabilities				
Commodity	$ —	$ 7	$ —	$ 7
Interest rate	—	4	—	4
Foreign currency	—	5	—	5
Total liabilities	$ —	$ 16	$ —	$ 16
At December 31, 2017				
Assets				
Foreign currency	$ —	$ 32	$ —	$ 32
Total assets	$ —	$ 32	$ —	$ 32
Liabilities				
Commodity	$ —	$ 4	$ 2	$ 6
Foreign currency	—	2	—	2
Total liabilities	$ —	$ 6	$ 2	$ 8

The following table presents the net change in Dominion Energy Gas' assets and liabilities for derivatives measured at fair value on a recurring basis and included in the Level 3 fair value category. There were no net changes in assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category for the three months ended June 30, 2018 and 2017.

	Six Months Ended June 30,

	2018	2017
(millions)		
Beginning balance	$(2)	$ (2)
Total realized and unrealized gains (losses):		
Included in other comprehensive income (loss)	1	(1)
Transfers out of Level 3	1	3
Ending balance	$—	$ —

There were no gains or losses included in earnings in the Level 3 fair value category for the six months ended June 30, 2018 and 2017. There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the six months ended June 30, 2018 and 2017.

Fair Value of Financial Instruments

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

	June 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value(1)	Carrying Amount	Estimated Fair Value(1)
(millions)				
Dominion Energy				
Long-term debt, including securities due within one year(2)	$29,629	$ 30,779	$28,666	$ 31,233
Junior subordinated notes(3)	3,981	4,016	3,981	4,102
Remarketable subordinated notes(3)	1,382	1,294	1,379	1,446
Credit facility borrowings	73	73	—	—
Virginia Power				
Long-term debt, including securities due within one year(3)	$11,091	$ 11,799	$11,346	$ 12,842
Dominion Energy Gas				
Long-term debt, including securities due within one year(4)	$4,062	$ 4,094	$3,570	$ 3,719

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

(2) Carrying amount includes amounts which represent the unamortized debt issuance costs, discount or premium, and foreign currency remeasurement adjustments. At June 30, 2018 and December 31, 2017, includes the valuation of certain fair value hedges associated with fixed rate debt of $(61) million and $(22) million, respectively.

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

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

Note 9. Derivatives and Hedge Accounting Activities

The Companies’ accounting policies, objectives and strategies for using derivative instruments are discussed in Note 2 to the Consolidated Financial Statements in the Companies’ Annual Report on Form 10-K for the year ended December 31, 2017, as updated in Current Report on Form 8-K, filed June 6, 2018. See Note 8 in this report for further information about fair value measurements and associated valuation methods for derivatives.

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

In general, most over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral for over-the-counter and exchange contracts include cash, letters of credit, and in some cases other forms of security, none of which are subject to restrictions. Cash collateral is used in the table below to offset derivative assets and liabilities. Certain accounts receivable and accounts payable recognized on the Companies' Consolidated Balance Sheets, as well as letters of credit and other forms of security, all of which are not included in the tables below, are subject to offset under master netting or similar arrangements and would reduce the net exposure. See Note 17 for further information regarding credit-related contingent features for the Companies' derivative instruments.

Dominion Energy

Balance Sheet Presentation

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

	June 30, 2018			December 31, 2017		
(millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
Commodity contracts:						
Over-the-counter	$130	$ —	$ 130	$174	$ —	$ 174
Exchange	21	—	21	80	—	80
Interest rate contracts:						
Over-the-counter	58	—	58	17	—	17
Foreign currency contracts:						
Over-the-counter	33	—	33	32	—	32
Total derivatives, subject to a master netting or similar arrangement	242	—	242	303	—	303
Total derivatives, not subject to a master netting or similar arrangement	8	—	8	4	—	4
Total	$250	$ —	$ 250	$307	$ —	$ 307

	June 30, 2018				December 31, 2017			
		Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Net Amounts of Assets Presented in the	Financial Instruments	Cash Collateral	Net Amounts	Net Amounts of Assets Presented in the	Financial Instruments	Cash Collateral	Net Amounts

	Consolidated		Received		Consolidated		Received	
	Balance Sheet				Balance Sheet			
(millions)								
Commodity contracts:								
Over-the-counter	$ 130	$ 7	$ —	$ 123	$ 174	$ 9	$ —	$ 165
Exchange	21	21	—	—	80	80	—	—
Interest rate contracts:								
Over-the-counter	58	9	—	49	17	8	—	9
Foreign currency contracts:								
Over-the-counter	33	5	—	28	32	2	—	30
Total	$ 242	$ 42	$ —	$ 200	$ 303	$ 99	$ —	$ 204

(millions)	June 30, 2018 Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	December 31, 2017 Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
Commodity contracts:						
Over-the-counter	$23	$ —	$ 23	$76	$ —	$ 76
Exchange	32	—	32	120	—	120
Interest rate contracts:						
Over-the-counter	58	—	58	85	—	85
Foreign currency contracts:						
Over-the-counter	5	—	5	2	—	2
Total derivatives, subject to a master netting or similar arrangement	118	—	118	283	—	283
Total derivatives, not subject to a master netting or similar arrangement	—	—	—	1	—	1
Total	$118	$ —	$ 118	$284	$ —	$ 284

(millions)	June 30, 2018 Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Cash Collateral Paid	Net Amounts	December 31, 2017 Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Cash Collateral Paid	Net Amounts
Commodity contracts:								

Over-the-counter	$ 23	$ 7	$ —	$ 16	$ 76	$ 9	$ 6	$ 61
Exchange	32	21	11	—	120	80	40	—
Interest rate contracts:								
Over-the-counter	58	9	—	49	85	8	—	77
Foreign currency contracts:								
Over-the-counter	5	5	—	—	2	2	—	—
Total	$ 118	$ 42	$ 11	$ 65	$ 283	$ 99	$ 46	$ 138

Volumes

The following table presents the volume of Dominion Energy's derivative activity at June 30, 2018. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of its long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price(1)	75	24
Basis	214	600
Electricity (MWh):		
Fixed price(1)	10,566,074	677,760
FTRs	102,797,191	—
Liquids (Gal)(2)	51,019,800	—
Interest rate(3)	$600,000,000	$5,433,632,652
Foreign currency(3)(4)	$—	$280,000,000

(1) Includes options.
(2) Includes NGLs and oil.
(3) Maturity is determined based on final settlement period.
(4) Euro equivalent volumes are €250,000,000.

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Ineffectiveness and AOCI

For the three and six months ended June 30, 2018 and 2017, gains or losses on hedging instruments determined to be ineffective and amounts excluded from the assessment of effectiveness were not material. Amounts excluded from the assessment of effectiveness include changes in the differences between spot prices and forward prices.

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion Energy's Consolidated Balance Sheet at June 30, 2018:

(millions)	AOCI After-Tax	Amounts Expected to be Reclassified to Earnings During the Next 12 Months After-Tax	Maximum Term
Commodities:			
Gas	$ —	$ 1	37 months
Electricity	(9)	(9)	18 months
Other	(5)	(5)	9 months
Interest rate	(246)	(9)	378 months
Foreign currency	12	(4)	96 months
Total	$ (248)	$ (26)	

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

Fair Value and Gains and Losses on Derivative Instruments

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

(millions)	Fair Value – Derivatives under Hedge Accounting		Fair Value – Derivatives not under Hedge Accounting		Total Fair Value
June 30, 2018					
ASSETS					
Current Assets					
Commodity	$	10	$	67	$ 77
Interest rate		12		—	12
Total current derivative assets(1)		22		67	89
Noncurrent Assets					
Commodity		1		81	82
Interest rate		46		—	46
Foreign currency		33		—	33
Total noncurrent derivative assets(2)		80		81	161
Total derivative assets	$	102	$	148	$ 250
LIABILITIES					
Current Liabilities					
Commodity	$	30	$	22	$ 52
Interest rate		12		—	12
Foreign currency		5		—	5
Total current derivative liabilities(3)		47		22	69
Noncurrent Liabilities					
Commodity		2		1	3
Interest rate		46		—	46
Total noncurrent derivative liabilities(4)		48		1	49
Total derivative liabilities	$	95	$	23	$ 118
December 31, 2017					
ASSETS					
Current Assets					
Commodity	$	5	$	158	$ 163
Interest rate		6		—	6
Total current derivative assets(1)		11		158	169
Noncurrent Assets					
Commodity		—		95	95
Interest rate		11		—	11
Foreign currency		32		—	32
Total noncurrent derivative assets(2)		43		95	138
Total derivative assets	$	54	$	253	$ 307
LIABILITIES					

Current Liabilities			
Commodity	$ 103	$ 92	$ 195
Interest rate	53	—	53
Foreign currency	2	—	2
Total current derivative liabilities(3)	158	92	250
Noncurrent Liabilities			
Commodity	1	1	2
Interest rate	32	—	32
Total noncurrent derivative liabilities(4)	33	1	34
Total derivative liabilities	$ 191	$ 93	$ 284

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

(2) Noncurrent derivative assets are presented in other deferred charges and other assets in Dominion Energy’s Consolidated Balance Sheets.

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

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

Derivatives in cash flow hedging relationships (millions)	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)[1]	Amount of Gain (Loss) Reclassified From AOCI to Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment[2]
Three Months Ended June 30, 2018			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		$ (16)	
Total commodity	$ (39)	$ (16)	$ —
Interest rate[3]	9	(12)	25
Foreign currency[4]	(14)	(16)	—
Total	$ (44)	$ (44)	$ 25
Three Months Ended June 30, 2017			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		$ 19	
Electric fuel and other energy-related purchases		2	
Total commodity	$ 44	$ 21	$ —
Interest rate[3]	(15)	(11)	(42)
Foreign currency[4]	16	19	—
Total	$ 45	$ 29	$ (42)
Six Months Ended June 30, 2018			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		$ (28)	
Purchased gas		(2)	
Electric fuel and other energy-related purchases		7	
Total commodity	$ 58	$ (23)	$ —
Interest rate[3]	47	(24)	93

Foreign currency[4]	(1)	(8)	—
Total	$ 104	$ (55)	$ 93
Six Months Ended June 30, 2017			
Derivative type and location of gains (losses):			
Commodity:			
Operating revenue		$ 81	
Electric fuel and other energy-related purchases		2	
Total commodity	$ 131	$ 83	$ —
Interest rate[3]	(14)	(23)	(34)
Foreign currency[4]	(2)	6	—
Total	$ 115	$ 66	$ (34)

(1) Amounts deferred into AOCI have no associated effect in Dominion Energy's Consolidated Statements of Income.
(2) Represents net derivative activity deferred into and amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion Energy's Consolidated Statements of Income.
(3) Amounts recorded in Dominion Energy's Consolidated Statements of Income are classified in interest and related charges.
(4) Amounts recorded in Dominion Energy's Consolidated Statements of Income are classified in other income.

Derivatives not designated as hedging instruments	Amount of Gain (Loss) Recognized in Income on Derivatives[1]			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(millions)				
Derivative type and location of gains (losses):				
Commodity:				
Operating revenue	$ (9)	$ 10	$ (3)	$ 14
Purchased gas	4	(8)	4	8
Electric fuel and other energy-related purchases	(3)	(8)	(16)	(32)
Other operations & maintenance	—	(1)	—	(1)
Total	$ (8)	$ (7)	$ (15)	$ (11)

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

Virginia Power

Balance Sheet Presentation

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

	June 30, 2018			December 31, 2017		
(millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
Commodity contracts:						
Over-the-counter	$ 117	$ —	$ 117	$ 155	$ —	$ 155
Interest rate contracts:						
Over-the-counter	21	—	21	—	—	—
Total derivatives, subject to a master netting or similar arrangement	138	—	138	155	—	155
Total derivatives, not subject to a master netting or similar arrangement	9	—	9	11	—	11
Total	$ 147	$ —	$ 147	$ 166	$ —	$ 166

	June 30, 2018				December 31, 2017			
		Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet		
(millions)	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amounts	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amounts
Commodity contracts:								
Over-the-counter	$ 117	$ 3	$ —	$ 114	$ 155	$ 4	$ —	$ 151
Interest rate contracts:								
Over-the-counter	21	3	—	18	—	—	—	—
Total	$ 138	$ 6	$ —	$ 132	$ 155	$ 4	$ —	$ 151

	June 30, 2018			December 31, 2017		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
(millions)						
Commodity contracts:						