
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 2, 2018

Dominion Energy, Inc.
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction
of incorporation)

001-08489
(Commission
File Number)

54-1229715
(IRS Employer
Identification No.)

120 Tredegar Street
Richmond, Virginia
(Address of Principal Executive Office)

23219
(Zip Code)

Registrant's telephone number, including area code: (804) 819-2000

Not Applicable
(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below)

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

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

EXPLANATORY NOTE

As reported in a Current Report on Form 8-K filed by Dominion Energy, Inc. (Dominion Energy) on January 5, 2018, on January 2, 2018, Dominion Energy entered into an Agreement and Plan of Merger (the Merger Agreement) by and among Dominion Energy, Sedona Corp. (Merger Sub) and SCANA Corporation (SCANA). The Merger Agreement provides for a stock-for-stock merger (the Merger) in which Merger Sub, a wholly-owned subsidiary of Dominion Energy, will merge with and into SCANA (with SCANA being the surviving corporation in the Merger) and SCANA shareholders would receive 0.6690 shares of Dominion Energy common stock for each share of SCANA common stock. Following completion of the Merger, SCANA would operate as a wholly-owned subsidiary of Dominion Energy. Consummation of the Merger remains subject to the satisfaction or waiver of certain closing conditions specified in the Merger Agreement. If consummation of the Merger takes place, the acquisition will be required to be described in Item 2.01 of a Current Report on Form 8-K. This report is being filed to provide certain financial statements of SCANA and to provide unaudited pro forma financial information of Dominion Energy in connection with this anticipated acquisition.

Item 9.01 Financial Statement and Exhibits.

(a) Financial Statements of Businesses Acquired.*

* — Note: Business has not yet been acquired. Financial statements are provided pursuant to Rule 3-05 of Regulation S-X in connection with a probable business combination.

Unaudited Condensed Consolidated Financial Statements of SCANA Corporation at September 30, 2018 and for the nine months ended September 30, 2018 and 2017, together with the related notes to the financial statements, listed as Exhibit 99.1 and incorporated herein by reference.

(b) Pro Forma Financial Information.

Unaudited Pro Forma Consolidated Financial Statements of Dominion Energy, Inc. at and for the nine months ended September 30, 2018, a copy of which is filed as Exhibit 99.2 hereto and incorporated herein by reference.

(c) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	<u>Unaudited Condensed Consolidated Financial Statements of SCANA Corporation at September 30, 2018 and for the nine months ended September 30, 2018 and 2017, together with the related notes to the financial statements (incorporated by reference from Item 1. Financial Statements, SCANA Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, filed November 2, 2018, File No. 1-8809). SCANA Corporation's Quarterly Report is included in a combined filing with the Quarterly Report of South Carolina Electric & Gas Company; information related to such affiliated entity is not considered to be a component of the Unaudited Financial Statements of SCANA Corporation.</u>
99.2	<u>Unaudited Pro Forma Consolidated Financial Statements of Dominion Energy, Inc. at September 30, 2018 and for the nine months ended September 30, 2018 (filed herewith).</u>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DOMINION ENERGY, INC.
Registrant

/s/ Michele L. Cardiff

Name: Michele L. Cardiff

Title: Vice President, Controller and Chief
Accounting Officer

Date: November 5, 2018

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated financial statements of Dominion Energy, Inc. (Dominion Energy) consist of a condensed consolidated balance sheet at September 30, 2018, consolidated statement of income for the nine months ended September 30, 2018 and a consolidated statement of income for the year ended December 31, 2017, which reflect Dominion Energy's anticipated acquisition of SCANA Corporation (SCANA), expected to occur by the end of 2018. The unaudited pro forma consolidated financial statements included herein have been derived from the following historical financial statements:

- the audited financial statements of Dominion Energy for the year ended December 31, 2017;
- the unaudited interim financial statements of Dominion Energy for the nine months ended September 30, 2018;
- the audited financial statements of SCANA for the year ended December 31, 2017; and
- the unaudited interim financial statements of SCANA for the nine months ended September 30, 2018.

On January 2, 2018, Dominion Energy entered into an Agreement and Plan of Merger (the merger agreement) with SCANA, which provides for a stock-for-stock merger in which SCANA shareholders would receive 0.6690 of a share of Dominion Energy common stock for each share of SCANA common stock. Following completion of the merger, SCANA would operate as a wholly-owned subsidiary of Dominion Energy.

The pro forma adjustments have been prepared as if the acquisition of SCANA occurred on September 30, 2018 in the case of the unaudited pro forma condensed consolidated balance sheet and on January 1, 2017 in the case of the unaudited pro forma consolidated statements of income. The unaudited pro forma consolidated financial statements should be read in conjunction with the related notes, which are included herein, the financial statements and notes included in Dominion Energy's Annual Report on Form 10-K for the year ended December 31, 2017, as updated in its Current Report on Form 8-K, filed June 6, 2018, and Quarterly Report on Form 10-Q for the nine months ended September 30, 2018, and the financial statements and notes included in SCANA's Annual Report on Form 10-K for the year ended December 31, 2017 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2018.

The unaudited pro forma consolidated financial statements do not necessarily reflect what Dominion Energy's financial position and results of operations would have been if it had owned SCANA during the periods presented. In addition, they are not necessarily indicative of its future results of operations or financial condition. The assumptions and adjustments give pro forma effect to events, described below, that are (i) directly attributable to Dominion Energy's acquisition of SCANA, (ii) factually supportable, and (iii) with respect to the unaudited pro forma consolidated statements of income, expected to have a continuing impact on Dominion Energy. The actual adjustments may differ from the pro forma adjustments.

The unaudited pro forma consolidated financial statements give effect to Dominion Energy's acquisition of SCANA for total consideration consisting of the right to receive 0.6690 of a share of Dominion Energy common stock for each share of SCANA common stock. As a result of differences between the original plan filed with the Public Service Commission of South Carolina (SCPSC) in January 2018 and an alternative plan filed with the SCPSC in October 2018, the unaudited pro forma consolidated financial statements include an unaudited condensed consolidated balance sheet at September 30, 2018 under each scenario. There are no differences between the original plan and the alternative plan that impact the purchase price or the unaudited pro forma consolidated

statements of income. Dominion Energy supports either of these plans subject to approval by the SCPSC. While additional financing, either through the issuance of common stock or debt, may be required by Dominion Energy to fund certain provisions proposed to the SCPSC in connection with the merger agreement, such financing transactions have not been reflected in the unaudited pro forma consolidated financial statements due to the uncertainty of such plans at this point in time.

DOMINION ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2018
(as proposed under the original plan)

(millions)	<u>Dominion Energy</u>	<u>SCANA</u>	<u>Pro Forma</u> <u>Adjustments</u>		<u>Dominion</u> <u>Energy Pro</u> <u>Forma</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 310	\$ 462	\$ 20	(r)	\$ 792
Customer receivables	1,539	447	(8)	(r)	1,978
Other receivables	132	75	—		207
Inventories	1,455	289	—		1,744
Regulatory assets	540	27	—		567
Assets held for sale	1,029	—	—		1,029
Other	697	120	(40)	(r)	777
Total current assets	<u>5,702</u>	<u>1,420</u>	<u>(28)</u>		<u>7,094</u>
Investments					
Nuclear decommissioning trust funds	5,424	139	—		5,563
Investment in equity method affiliates	1,858	21	—		1,879
Other	345	114	—		459
Total investments	<u>7,627</u>	<u>274</u>	<u>—</u>		<u>7,901</u>
Property, Plant and Equipment					
Property, plant and equipment	76,190	17,068	188	(n)	93,220
			(140)	(f)	
			(86)	(e1)	
Accumulated depreciation, depletion and amortization	(22,005)	(6,127)	140	(f)	(27,992)
Total property, plant and equipment, net	<u>54,185</u>	<u>10,941</u>	<u>102</u>		<u>65,228</u>
Deferred Charges and Other Assets					
Goodwill	6,410	210	1,295	(g)	7,915
Regulatory assets	2,316	5,739	(813)	(e1)	7,242
Other	2,842	232	144	(i)	3,218
Total deferred charges and other assets	<u>11,568</u>	<u>6,181</u>	<u>626</u>		<u>18,375</u>
Total assets	<u>\$ 79,082</u>	<u>\$18,816</u>	<u>\$ 700</u>		<u>\$ 98,598</u>

DOMINION ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2018
(as proposed under the original plan)

(millions)	<u>Dominion Energy</u>	<u>SCANA</u>	<u>Pro Forma Adjustments</u>	<u>Dominion Energy Pro Forma</u>
LIABILITIES AND EQUITY				
Current Liabilities				
Securities due within one year	\$ 3,101	\$ 18	\$ —	\$ 3,119
Short-term debt	2,935	314	—	3,249
Accounts payable	587	263	76 (b)	918
Regulatory liabilities	335	110	(8) (r)	1,884
			1,300 (c1)	
			138 (d1)	
			1 (u)	
Other	2,254	459	(20) (r)	2,802
			64 (j)	
			34 (h)	
			6 (n)	
			5 (k)	
Total current liabilities	<u>9,212</u>	<u>1,164</u>	<u>1,596</u>	<u>11,972</u>
Long-Term Debt				
Long-term debt	27,300	6,735	43 (l)	34,083
			5 (l)	
Junior subordinated notes	3,431	—	—	3,431
Remarketable subordinated notes	1,384	—	—	1,384
Credit facility borrowings	73	—	—	73
Total Long-term debt	<u>32,188</u>	<u>6,735</u>	<u>48</u>	<u>38,971</u>
Deferred Credits and Other Liabilities				
Deferred income taxes and investment tax credits	5,079	1,355	(443) (o1)	5,991
Regulatory liabilities	7,146	3,040	(1,098) (c1)	9,528
			437 (d1)	
			3 (u)	
Other	5,031	1,131	182 (n)	6,371
			16 (k)	
			11 (j)	
Total deferred credits and other liabilities	<u>17,256</u>	<u>5,526</u>	<u>(892)</u>	<u>21,890</u>
Total liabilities	<u>58,656</u>	<u>13,425</u>	<u>752</u>	<u>72,833</u>
Commitments and Contingencies				
Equity				
Common stock - no par	10,862	2,389	(2,389) (m)	17,544
Retained earnings	9,128	3,036	6,682 (a)	7,785
			(3,036) (m)	
			(899) (e1)	
			(575) (d1)	
			(202) (c1)	
			(76) (b)	
			(21) (k)	
			(14) (h)	
			(4) (u)	
			448 (o1)	
Accumulated other comprehensive loss	(1,520)	(34)	34 (q)	(1,520)
Total common shareholders' equity	<u>18,470</u>	<u>5,391</u>	<u>(52)</u>	<u>23,809</u>
Noncontrolling interests	1,956	—	—	1,956
Total equity	<u>20,426</u>	<u>5,391</u>	<u>(52)</u>	<u>25,765</u>
Total liabilities and equity	<u>\$ 79,082</u>	<u>\$ 18,816</u>	<u>\$ 700</u>	<u>\$ 98,598</u>

DOMINION ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2018
(as proposed under an alternative plan)

(millions)	<u>Dominion Energy</u>	<u>SCANA</u>	<u>Pro Forma Adjustments</u>	<u>Dominion Energy Pro Forma</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 310	\$ 462	\$ 20 (r)	\$ 792
Customer receivables	1,539	447	(8) (r)	1,978
Other receivables	132	75	—	207
Inventories	1,455	289	—	1,744
Regulatory assets	540	27	—	567
Assets held for sale	1,029	—	—	1,029
Other	697	120	(40) (r)	777
Total current assets	<u>5,702</u>	<u>1,420</u>	<u>(28)</u>	<u>7,094</u>
Investments				
Nuclear decommissioning trust funds	5,424	139	—	5,563
Investment in equity method affiliates	1,858	21	—	1,879
Other	345	114	—	459
Total investments	<u>7,627</u>	<u>274</u>	<u>—</u>	<u>7,901</u>
Property, Plant and Equipment				
Property, plant and equipment	76,190	17,068	188 (n) (140) (f)	93,220
Accumulated depreciation, depletion and amortization	(22,005)	(6,127)	(86) (e2) 140 (f)	(27,992)
Total property, plant and equipment, net	<u>54,185</u>	<u>10,941</u>	<u>102</u>	<u>65,228</u>
Deferred Charges and Other Assets				
Goodwill	6,410	210	1,295 (g)	7,915
Regulatory assets	2,316	5,739	(1,368) (e2)	6,687
Other	2,842	232	144 (i)	3,218
Total deferred charges and other assets	<u>11,568</u>	<u>6,181</u>	<u>71</u>	<u>17,820</u>
Total assets	<u>\$ 79,082</u>	<u>\$18,816</u>	<u>\$ 145</u>	<u>\$ 98,043</u>

DOMINION ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2018
(as proposed under an alternative plan)

(millions)	Dominion Energy	SCANA	Pro Forma Adjustments		Dominion Energy Pro Forma
LIABILITIES AND EQUITY					
Current Liabilities					
Securities due within one year	\$ 3,101	\$ 18	\$ —		\$ 3,119
Short-term debt	2,935	314	—		3,249
Accounts payable	587	263	76	(b)	918
Regulatory liabilities	335	110	(8)	(r)	
			55	(c2)	626
			125	(d2)	
			1	(u)	
Other	2,254	459	(20)	(r)	2,802
			64	(j)	
			34	(h)	
			6	(n)	
			5	(k)	
Total current liabilities	<u>9,212</u>	<u>1,164</u>	<u>338</u>		<u>10,714</u>
Long-Term Debt					
Long-term debt	27,300	6,735	43	(l)	34,083
			5	(l)	
Junior subordinated notes	3,431	—	—		3,431
Remarketable subordinated notes	1,384	—	—		1,384
Credit facility borrowings	73	—	—		73
Total Long-term debt	<u>32,188</u>	<u>6,735</u>	<u>48</u>		<u>38,971</u>
Deferred Credits and Other Liabilities					
Deferred income taxes and investment tax credits	5,079	1,355	(607)	(o2)	5,827
Regulatory liabilities	7,146	3,040	(55)	(c2)	10,889
			755	(d2)	
			3	(u)	
Other	5,031	1,131	182	(n)	6,371
			16	(k)	
			11	(j)	
Total deferred credits and other liabilities	<u>17,256</u>	<u>5,526</u>	<u>305</u>		<u>23,087</u>
Total liabilities	<u>58,656</u>	<u>13,425</u>	<u>691</u>		<u>72,772</u>
Commitments and Contingencies					
Equity					
Common stock - no par	10,862	2,389	(2,389)	(m)	17,544
Retained earnings	9,128	3,036	6,682	(a)	
			(3,036)	(m)	7,291
			(1,454)	(e2)	
			(880)	(d2)	
			(76)	(b)	
			(21)	(k)	
			(14)	(h)	
			(4)	(u)	
			612	(o2)	
Accumulated other comprehensive loss	(1,520)	(34)	34	(q)	(1,520)
Total common shareholders' equity	<u>18,470</u>	<u>5,391</u>	<u>(546)</u>		<u>23,315</u>
Noncontrolling interests	1,956	—	—		1,956
Total equity	<u>20,426</u>	<u>5,391</u>	<u>(546)</u>		<u>25,271</u>
Total liabilities and equity	<u>\$ 79,082</u>	<u>\$18,816</u>	<u>\$ 145</u>		<u>\$ 98,043</u>

DOMINION ENERGY, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	<u>Dominion Energy</u>	<u>SCANA</u>	<u>Pro Forma Adjustments</u>		<u>Dominion Energy Pro Forma</u>
(millions, except per share amounts)					
Operating Revenue	\$ 10,005	\$2,948	\$ 11	(j)	\$ 12,906
			(58)	(r)	
Operating Expenses					
Electric fuel and other energy-related purchases	2,128	569	(11)	(r)	2,686
Purchased electric capacity	87	11	—		98
Purchased gas	409	774	(47)	(r)	1,136
Other operations and maintenance	2,585	610	(38)	(v)	3,157
Impairment loss	—	4	—		4
Depreciation, depletion and amortization	1,487	299	24	(i)	1,810
Other taxes	542	206	—		748
Total operating expenses	<u>7,238</u>	<u>2,473</u>	<u>(72)</u>		<u>9,639</u>
Income from operations	<u>2,767</u>	<u>475</u>	<u>25</u>		<u>3,267</u>
Other income	658	136	(2)	(r)	792
Interest and related charges	1,053	292	(15)	(l)	1,327
			(1)	(l)	
			(2)	(r)	
Income from operations including noncontrolling interests before income tax expense	<u>2,372</u>	<u>319</u>	<u>41</u>		<u>2,732</u>
Income tax expense	<u>485</u>	<u>75</u>	<u>10</u>	(p)	<u>570</u>
Net Income Including Noncontrolling Interests	1,887	244	31		2,162
Noncontrolling Interests	81	—	—		81
Net Income Attributable to Dominion Energy	<u>\$ 1,806</u>	<u>\$ 244</u>	<u>\$ 31</u>		<u>\$ 2,081</u>
Average shares of common stock outstanding - basic	652.4	142.9	(47.3)	(t)	748.0
Average shares of common stock outstanding - diluted	652.8	142.9	(47.3)	(t)	748.4
Earnings Per Common Share - Basic	\$ 2.77	\$ 1.71			\$ 2.78
Earnings Per Common Share - Diluted	\$ 2.77	\$ 1.71			\$ 2.78

DOMINION ENERGY, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Dominion Energy</u>	<u>SCANA</u>	<u>Pro Forma Adjustments</u>		<u>Dominion Energy Pro Forma</u>
(millions, except per share amounts)					
Operating Revenue	\$ 12,586	\$ 4,407	\$ 64	(j)	\$ 16,998
			(59)	(r)	
Operating Expenses					
Electric fuel and other energy-related purchases	2,301	661	(8)	(r)	2,954
Purchased electric capacity	6	13	—		19
Purchased gas	701	1,156	(51)	(r)	1,806
Other operations and maintenance	3,068	737	(9)	(s)	3,796
Impairment loss	—	1,118	—		1,118
Depreciation, depletion and amortization	1,905	382	46	(i)	2,333
Other taxes	668	264	—		932
Total operating expenses	8,649	4,331	(22)		12,958
Income from operations	3,937	76	27		4,040
Other income	358	56	(9)	(s)	405
Interest and related charges	1,205	363	(21)	(l)	1,546
			(1)	(l)	
Income (loss) from operations including noncontrolling interests before income tax expense (benefit)	3,090	(231)	40		2,899
Income tax expense (benefit)	(30)	(112)	15	(p)	(127)
Net Income (Loss) Including Noncontrolling Interests	3,120	(119)	25		3,026
Noncontrolling Interests	121	—	—		121
Net Income (Loss) Attributable to Dominion Energy	<u>\$ 2,999</u>	<u>\$ (119)</u>	<u>\$ 25</u>		<u>\$ 2,905</u>
Average shares of common stock outstanding - basic	636.0	142.9	(47.3)	(t)	731.6
Average shares of common stock outstanding - diluted	636.0	142.9	(47.3)	(t)	731.6
Earnings (Loss) Per Common Share - Basic	\$ 4.72	\$ (0.83)			\$ 3.97
Earnings (Loss) Per Common Share - Diluted	\$ 4.72	\$ (0.83)			\$ 3.97

DOMINION ENERGY, INC.
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma consolidated financial statements included herein have been derived from the following historical financial statements:

- the audited financial statements of Dominion Energy for the year ended December 31, 2017;
- the unaudited interim financial statements of Dominion Energy for the nine months ended September 30, 2018;
- the audited financial statements of SCANA for the year ended December 31, 2017; and
- the unaudited interim financial statements of SCANA for the nine months ended September 30, 2018.

On January 2, 2018, Dominion Energy entered into the merger agreement with SCANA, which provides for a stock-for-stock merger in which SCANA shareholders would receive 0.6690 of a share of Dominion Energy common stock for each share of SCANA common stock. Following completion of the merger, SCANA would operate as a wholly-owned subsidiary of Dominion Energy.

The pro forma adjustments have been prepared as if the acquisition of SCANA occurred on September 30, 2018 in the case of the unaudited pro forma condensed consolidated balance sheet and on January 1, 2017 in the case of the unaudited pro forma consolidated statements of income for the year ended December 31, 2017 and for the nine months ended September 30, 2018. The adjustments give pro forma effect to events that are (i) directly attributable to Dominion Energy's acquisition of SCANA, (ii) factually supportable, and (iii) with respect to the unaudited pro forma consolidated statements of income, expected to have a continuing impact on Dominion Energy. The adjustments are based on currently available information and certain estimates and assumptions, and therefore the actual effects of these transactions will differ from the pro forma adjustments. However, management believes that the assumptions used provide a reasonable basis for presenting the significant effects of the transaction, and that the pro forma adjustments in the unaudited pro forma consolidated financial statements give appropriate effect to the assumptions. The effects on the unaudited pro forma consolidated financial statements of the transaction described above are more fully described in Note 4.

As a result of differences between the original plan filed with the Public Service Commission of South Carolina (SCPSC) in January 2018 and an alternative plan filed with the SCPSC in October 2018, the unaudited pro forma consolidated financial statements include an unaudited condensed consolidated balance sheet at September 30, 2018 under each scenario. There are no differences between the original plan and the alternative plan that impact the purchase price or the unaudited pro forma consolidated statements of income.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in preparing the unaudited pro forma consolidated financial statements are those used by Dominion Energy as set forth in the audited historical financial statements and notes of Dominion Energy included in its Annual Report on Form 10-K for the year ended December 31, 2017, as updated in its Current Report on Form 8-K, filed June 6, 2018, and in the unaudited historical interim financial statements and notes of Dominion Energy included in its Quarterly Report on Form 10-Q for the nine months ended September 30, 2018. The unaudited pro forma consolidated financial statements reflect any adjustments known at this time to conform SCANA's historical financial information to Dominion Energy's significant accounting policies based on Dominion Energy's review of SCANA's summary of significant accounting policies, as disclosed in the SCANA historical

financial statements incorporated by reference, and preliminary discussions with SCANA's management. Upon completion of the merger and a more comprehensive comparison and assessment, additional differences may be identified.

NOTE 3. PRELIMINARY PURCHASE PRICE AND PRELIMINARY PURCHASE PRICE ALLOCATION

Preliminary Purchase Price

The merger agreement provides that each outstanding share of SCANA common stock will be converted into the right to receive 0.6690 of a share of Dominion Energy common stock.

The fair value of the purchase consideration expected to be transferred on the closing date includes the value of the estimated equity consideration (including the value attributable to the consideration transferred of replacement stock compensation awards). The fair value per share of Dominion Energy common stock was assumed for pro forma purposes to be \$69.89 per share, which was the closing price of Dominion Energy's common stock on November 2, 2018, and may change significantly between these unaudited pro forma consolidated financial statements and the closing of the acquisition. The accompanying unaudited pro forma condensed consolidated balance sheet reflects an estimated preliminary purchase price of approximately \$6.7 billion.

The preliminary purchase price for the merger is estimated as follows:

(millions, except exchange ratio and closing price)	
SCANA shares outstanding at September 30, 2018	142.9
Exchange ratio (per SCANA share)	<u>0.6690</u>
Estimated total shares of Dominion Energy common stock to be issued	95.6
Closing price of Dominion Energy common stock on November 2, 2018	<u>69.89</u>
Estimated equity portion of purchase price	\$ 6,682
Estimated equity compensation	\$ 20
Total estimated purchase price	<u>\$ 6,702</u>

Preliminary Purchase Price Allocation

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed of SCANA are recorded at fair value on the acquisition date and added to those of Dominion Energy. The pro forma adjustments included herein are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition between Dominion Energy and SCANA. Significant portions of SCANA's operations are subject to the rate-setting authority of the Federal Energy Regulatory Commission, SCPSC or the North Carolina Utilities Commission (NCUC). The carrying values of the assets and liabilities subject to regulatory accounting under U.S. generally accepted accounting principles, including property, plant and equipment, are considered to approximate the fair values. A fair value adjustment has not been included for SCANA's pension and other postretirement benefit obligations, which could vary by a significant amount due to potential changes in discount rates, return on plan assets or other assumptions surrounding the determination of these obligations. At this time, Dominion Energy management does not have sufficient information to record any adjustments to measure legal contingencies at fair value or at a reasonably estimable amount. The final purchase price allocation is dependent upon certain valuation and other studies that have not yet been completed. The final determination of the purchase price allocation, upon the consummation of the acquisition, will be based on the net assets acquired as of that date and will depend on a number of factors, which cannot be predicted with any certainty at this time. The purchase price allocation may change materially based on the receipt of more detailed information. Accordingly, the pro forma purchase price allocation is preliminary and is subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed. There can be no assurance that these additional analyses and final valuations will not result in significant changes to the estimates of fair value set forth below.

The following table provides a summary of the preliminary allocation of the estimated purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed of SCANA, based on SCANA's consolidated balance sheet at September 30, 2018, with all excess value over consideration paid recorded as goodwill.

(millions)	
Total current assets	\$ 1,420
Investments	274
Property, plant and equipment	10,941
Goodwill	1,505
Regulatory assets	5,739
Other deferred charges and other assets, including intangible assets	376
Total assets	<u>20,255</u>
Total current liabilities	1,228
Long-term debt	6,783
Deferred tax liabilities	1,360
Regulatory liabilities	3,040
Other deferred credits and other liabilities	1,142
Total liabilities	<u>13,553</u>
Total estimated purchase price	<u>\$ 6,702</u>

NOTE 4. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS

The following transactions are directly attributable to Dominion Energy's acquisition of SCANA.

- (a) Reflects the issuance of 95.6 million shares of Dominion Energy common stock to SCANA shareholders as consideration for the acquisition. The number of shares of Dominion Energy common stock was calculated based on 142.9 million shares of SCANA common stock outstanding at September 30, 2018 multiplied by the 0.6690 exchange ratio per the merger agreement. Based on the closing price of Dominion Energy's common stock at November 2, 2018 of \$69.89, such consideration is calculated to have a value of \$6.7 billion, as shown in Note 3 above.
- (b) Reflects the accrual of \$76 million in estimated transaction costs associated with the acquisition of SCANA by Dominion Energy, including audit, legal and advisory fees.
- (c1) Reflects an up-front, one-time rate credit totaling \$1.3 billion to all current retail electric service customers of South Carolina Electric & Gas Company (SCE&G) to be paid within 90 days of the closing of the merger, as proposed to the SCPSC, through the reclassification of \$1.1 billion of an existing regulatory liability from noncurrent to current and the accrual of an additional \$202 million to current regulatory liabilities. The impact of this up-front, one-time rate credit has not been reflected in the unaudited pro forma consolidated statements of income as the \$202 million charge is nonrecurring.
- (c2) Reflects the reclassification of \$55 million to current regulatory liabilities of a previously existing \$1.1 billion regulatory liability, to be credited over an accelerated twenty-year period following the merger.
- (d1) Reflects the accrual of a \$575 million refund of amounts previously collected from retail electric customers of SCE&G to be credited over an estimated eight-year period following the merger. The allocation between current and noncurrent regulatory liabilities has been determined based on the expected portion to be credited to customer bills. The impact of this refund has not been reflected in the unaudited pro forma consolidated statements of income as the \$575 million charge is nonrecurring.

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- (d2) Reflects the accrual of an \$880 million refund of amounts previously collected from retail electric customers of SCE&G to be credited over an estimated ten-year period following the merger. The allocation between current and noncurrent regulatory liabilities has been determined based on the expected portion to be credited to customer bills. The impact of this refund has not been reflected in the unaudited pro forma consolidated statements of income as the \$880 million charge is nonrecurring.
 - (e1) Reflects the write-down of \$813 million of existing regulatory assets and \$86 million of existing property, plant and equipment associated with the New Nuclear Development Project under which SCANA and the South Carolina Public Service Authority undertook to construct two Westinghouse AP1000 Advanced Passive Safety nuclear units in Jenkinsville, South Carolina (New Nuclear Development Project) which SCE&G will not seek recovery of following the merger. The impact of this write-down has not been reflected in the unaudited pro forma consolidated statements of income as the \$899 million charge is nonrecurring.
 - (e2) Reflects the write-down of \$1.4 billion of existing regulatory assets and \$86 million of existing property, plant and equipment associated with the New Nuclear Development Project which SCE&G will not seek recovery of following the merger. The impact of this write-down has not been reflected in the unaudited pro forma consolidated statements of income as the \$1.5 billion charge is nonrecurring.
 - (f) Reflects the presentation of nonregulated property, plant and equipment at estimated fair value and the removal of historical accumulated depreciation. For the purposes of the preliminary purchase price allocation in Note 3, the estimated fair value is equal to the carrying value.
 - (g) Reflects the excess of Dominion Energy's consideration paid of approximately \$1.5 billion over the amount of identifiable assets and liabilities assumed in the transaction (goodwill) as shown in Note 3 above. In addition, this reflects the removal of SCANA's previously recorded goodwill.
 - (h) Reflects the estimated settlement of all outstanding SCANA equity compensation awards at the time of the merger, calculated based on an estimated share price of \$46.76, which is 0.6690 of the share price of Dominion Energy's common stock at closing on November 2, 2018 of \$69.89, and allocated between compensation considered to be service provided prior to the merger (\$20 million) and expense to be recognized after the merger (\$14 million). The impact of this charge has not been reflected in the unaudited pro forma consolidated statements of income as it is nonrecurring.
 - (i) Reflects an intangible asset for the value of customer relationships estimated to be \$144 million with a weighted average useful life of approximately three years included within the preliminary purchase price allocation in Note 3. Amortization is based on the expected pattern of economic benefit, estimated to be \$46 million, \$31 million, \$21 million, \$14 million and \$10 million over the five-year period following the acquisition. Estimated amortization of this asset is \$24 million for the nine months ended September 30, 2018 and \$46 million for the year ended December 31, 2017.
 - (j) Reflects a contract liability for the unfavorable terms of an existing contract estimated to be \$75 million with a 14-month useful life included within the preliminary purchase price allocation in Note 3. Estimated amortization of this liability is \$11 million for the nine months ended September 30, 2018 and \$64 million for the year ended December 31, 2017.
 - (k) Reflects an increase in liabilities for incremental charitable contributions committed to by Dominion Energy under the terms of the merger agreement and a stipulation agreement filed with the NCUC in October 2018 of \$21 million, \$5 million of which is considered a current liability. The impact of this charge has not been reflected in the unaudited pro forma consolidated statements of income as it is nonrecurring.
 - (l) Reflects the fair value adjustment of long-term debt of \$43 million, on a weighted average maturity of approximately three years, and the write-off of \$5 million of unamortized debt issuance costs included within the preliminary purchase price allocation in Note 3. Estimated amortization of the fair value premium, and the elimination of the recorded debt issuance cost amortization, is \$15 million and \$1 million for the nine months ended September 30, 2018, and \$21 million and \$1 million for the year ended December 31, 2017, respectively.

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- (m) Reflects the elimination of SCANA's historical shareholders' equity.
 - (n) This pro forma adjustment conforms SCANA's accounting for asset retirement obligations, which we refer to as AROs, to the methodology used by Dominion Energy. The cash flows used to measure Dominion Energy's pipeline AROs reflect the cost and timing of activities legally required to retire component sections of pipeline as they are removed from service. The cash flows previously used to measure SCANA's pipeline AROs are those legally required to retire the entire pipeline system at one point in time. As a result of this change in accounting estimate, Dominion Energy recorded an increase of \$188 million to property, plant and equipment and increases of \$6 million and \$182 million to current and noncurrent other liabilities, respectively.
 - (o1) Reflects adjustments related to the preliminary purchase price allocation (\$5 million) and related pro forma adjustment impacting retained earnings (\$448 million), based on an estimated statutory tax rate of 25.0%.
 - (o2) Reflects adjustments related to the preliminary purchase price allocation (\$5 million) and related pro forma adjustment impacting retained earnings (\$612 million), based on an estimated statutory tax rate of 25.0%.
 - (p) Reflects income taxes on pro forma adjustments based on an estimated statutory tax rate of 25.0% for the unaudited pro forma consolidated statement of income for the nine months ended September 30, 2018 and an estimated statutory tax rate of 38.3% for the unaudited pro forma consolidated statement of income for the year ended December 31, 2017.
 - (q) Reflects the elimination of SCANA's historical accumulated other comprehensive loss.
 - (r) Reflects the elimination of transactions between Dominion Energy and SCANA, primarily for the purchase and sale of natural gas transportation, included in each company's historical financial statements. In connection with these transactions, amounts for deposits held by Dominion Energy from SCANA have been eliminated and restrictions on the related cash have been removed.
 - (s) This pro forma adjustment conforms SCANA's accounting for certain net periodic pension and other postretirement benefit costs to the methodology used by Dominion Energy. The January 2018 retrospective adoption by Dominion Energy of revised accounting guidance for certain net periodic pension and other postretirement benefit costs requires that the service cost component of net periodic pension and other postretirement benefit costs be classified in the same line item as other compensation costs arising from services rendered by employees, while all other components of net periodic pension and other postretirement benefit costs are classified outside of income from operations. As a result, Dominion Energy recorded corresponding decreases to other operations and maintenance expense and other income in the consolidated statement of income for the year ended December 31, 2017. These adjustments are incorporated in the Dominion Energy financial information included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2017. While SCANA has also adopted the revised accounting guidance (effective January 2018), it has not yet reflected adjustments in its statement of income for the year ended December 31, 2017.
 - (t) Reflects the elimination of the SCANA common stock offset by the issuance of 95.6 million shares of Dominion Energy common stock as discussed in tickmark (a).
 - (u) Reflects the impacts of a stipulation agreement filed by Dominion Energy with the NCUC in October 2018 under which the Public Service Company of North Carolina, Incorporated, a wholly-owned subsidiary of SCANA, will record a regulatory liability of \$4 million representing a refund to customers of 2017 revenues to be refunded to customers through an annual bill credit over a three-year period following the merger. The impact of this refund has not been reflected in the unaudited pro forma consolidated statements of income as the \$4 million charge is nonrecurring.
 - (v) Reflects direct, incremental costs associated with Dominion Energy's acquisition of SCANA during the nine months ended September 30, 2018, which are reflected in the unaudited pro forma consolidated statement of income for the associated period, as these charges are nonrecurring.