

Dominion Energy Announces First-Quarter Earnings

- First-quarter 2019 GAAP reported net loss of \$0.86 per share primarily attributable to charges related to SCANA merger commitments

- First-quarter 2019 operating earnings of \$1.10 per share

- Company affirms 2019 operating earnings guidance of \$4.05 to \$4.40 per share

RICHMOND, Va., May 3, 2019 /PRNewswire/ -- Dominion Energy (NYSE: D) today announced an unaudited net loss determined in accordance with Generally Accepted Accounting Principles (reported earnings) for the three months ended March 31, 2019 of \$680 million (\$0.86 per share) compared with net income of \$503 million (\$0.77 per share) for the same period in 2018.

Operating earnings for the three months ended March 31, 2019, were \$873 million (\$1.10 per share), compared with operating earnings of \$741 million (\$1.14 per share) for the same period in 2018. The difference between GAAP and operating earnings was primarily attributable to charges related to the SCANA merger commitments and the early retirement of certain cold-reserve Virginia utility generating units.

Operating earnings are defined as reported earnings adjusted for certain items. Details of operating earnings as compared to prior periods, business segment results and detailed descriptions of items included in reported earnings but excluded from operating earnings can be found on schedules 1, 2, 3 and 4 of this release.

Thomas F. Farrell, II, chairman, president and chief executive officer, said:

"Otherwise strong performance across our businesses was impacted by unusually mild weather in Virginia and South Carolina during the first quarter which reduced utility earnings by about six cents per share. Adjusted for normal weather, our quarterly results were above the midpoint of our quarterly guidance range.

"Utility fundamentals across our premier electric and gas operations continue to be strong in terms of sales volume and customer growth.

"In recent weeks we celebrated the one year commercial in-service anniversary of the Cove Point Liquefaction facility as well as the agreement in Connecticut that will allow our Millstone power station to continue to deliver critical, zero-carbon energy for many years to come.

"We are also taking important steps to realize our goal of having 3,000 megawatts of solar or wind generation in operation or under development in the state of Virginia by 2022. We recently announced a 350 megawatt solar agreement with Facebook, we received approval from the Virginia State Corporation Commission for our 240 megawatt US-3 cost-of-service solar projects, and in coming weeks we will begin construction on the Coastal Virginia Offshore Wind project.

"Finally, we are affirming our annual operating earnings guidance range of \$4.05 to \$4.40 per share for 2019."

Second-quarter operating earnings guidance

Dominion Energy expects second quarter operating earnings in the range of \$0.70 to \$0.80 per share, compared to second-quarter 2018 operating earnings of \$0.86 per share. Positive drivers include growth from regulated investment across electric and gas utility programs as well as the contribution from the Southeast Energy Group. The company expects negative drivers for the quarter to include Millstone refueling outage timing, the impact of 2018 asset sales, share issuances, and a return to normal weather.

Conference call today

The company will host its first-quarter earnings conference call at 10 a.m. ET on Friday, May 3, 2019. Management will discuss first-quarter financial results and other matters of interest to the financial community.

Domestic callers should dial (877) 410-5657. International callers should dial (334) 323-9872. The passcode for the conference call is "Dominion." Participants should dial in 10 to 15 minutes prior to the scheduled start time.

A live webcast of the conference call, including accompanying slides and other financial information, will be available on the investor information pages at investors.dominionenergy.com/.

A replay of the conference call will be available beginning about 2 p.m. ET May 3 and lasting until 11 p.m. ET May 12. Domestic callers may access the recording by dialing (877) 919-4059. International callers should dial (334) 323-0140. The PIN for the replay is 75463500. Additionally, a replay of the webcast will be available on the investor information pages by the end of the day May 3.

Important note to investors regarding operating and reported earnings

Dominion Energy uses operating earnings as the primary performance measurement of its earnings guidance and results for public communications with analysts and investors. Dominion Energy also uses operating earnings internally for budgeting, for reporting to the Board of Directors, for the company's incentive compensation plans and for its targeted dividend payouts and other purposes. Dominion Energy management believes operating earnings provide a more meaningful representation of the company's fundamental earnings power.

In providing its operating earnings guidance, the company notes that there could be differences between expected reported earnings and estimated operating earnings for matters such as, but not limited to, acquisitions, divestitures or changes in accounting principles. At this time, Dominion Energy management is not able to estimate the aggregate impact of these items on future period reported earnings.

About Dominion Energy

Nearly 7.5 million customers in 18 states energize their homes and businesses with electricity or natural gas from Dominion Energy (NYSE: D), headquartered in Richmond, Va. The company is committed to sustainable, reliable, affordable and safe energy and is one of the nation's largest producers and transporters of energy with about \$100 billion of assets providing electric generation, transmission and distribution, as well as natural gas storage, transmission, distribution and import/export services. The company expects to cut generating fleet carbon dioxide emissions 80 percent by 2050 and reduce methane emissions from its gas assets 50 percent by 2030. Please visit www.DominionEnergy.com to learn more.

This release contains certain forward-looking statements, including forecasted operating earnings second-quarter and full-year 2019 and beyond which are subject to various risks and uncertainties. Factors that could cause actual results to differ include, but are not limited to: unusual weather conditions and their effect on energy sales to customers and energy commodity prices; extreme weather events and other natural disasters; federal, state and local legislative and regulatory developments; changes to federal, state and local environmental laws and regulations, including proposed carbon regulations; cost of environmental compliance; changes in enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities; capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms; fluctuations in interest rates; changes in rating agency requirements or credit ratings and their effect on availability and cost of capital; impacts of acquisitions, divestitures, transfers of assets by Dominion Energy to joint ventures and retirements of assets based on asset portfolio reviews; receipt of approvals for, and timing of, closing dates for other acquisitions and divestitures; changes in demand for Dominion Energy's services; additional competition in Dominion Energy's industries; changes to regulated rates collected by Dominion Energy; changes in operating, maintenance and construction costs; timing and receipt of regulatory approvals necessary for planned construction or expansion projects and compliance with conditions associated with such regulatory approvals; adverse outcomes in litigation matters or regulatory proceedings; and the inability to complete planned construction projects within time frames initially anticipated. Other risk factors are detailed from time to time in Dominion Energy's quarterly reports on Form 10-Q or most recent annual report on Form 10-K filed with the Securities and Exchange Commission.

Consolidated Statements of Income *
Unaudited (GAAP Based)
(millions, except per share amounts)

	Three Months Ended	
	March 31,	
	2019	2018
	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 3,858	\$ 3,466
Operating Expenses		
Electric fuel and other energy-related purchases	791	744
Purchased electric capacity	39	14
Purchased gas	730	340
Other operations and maintenance ¹	1,837	796
Depreciation, depletion and amortization	651	498
Other taxes	292	199
Total operating expenses	<u>4,340</u>	<u>2,591</u>
Income (loss) from operations	<u>(482)</u>	<u>875</u>
Other income	388	100
Interest and related charges	469	314
Income (loss) from operations including noncontrolling interests before income tax expense	<u>(563)</u>	<u>661</u>
Income tax expense	114	135
Net Income (Loss) Including Noncontrolling Interests	(677)	526
Noncontrolling Interests	3	23
Net Income (Loss) Attributable to Dominion Energy	\$ (680)	\$ 503
Earnings Per Common Share		
Net income (loss) attributable to Dominion Energy - Basic	\$ (0.86)	\$ 0.77
Net income (loss) attributable to Dominion Energy - Diluted	(0.86)	0.77

¹Includes impairment of assets and other charges.

* The notes contained in Dominion Energy's most recent quarterly report on Form 10-Q or annual report on Form 10-K are an integral part of the Consolidated Financial Statements.

Schedule 1 - Segment Reported and Operating Earnings

Unaudited

(millions, except earnings per share)

	Three months ended March 31,		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
REPORTED EARNINGS ¹	\$ (680)	\$ 503	\$ (1,183)
Pre-tax loss (income) ²	1,640	305	1,335
Income tax ²	(87)	(67)	(20)
Adjustments to reported earnings	1,553	238	1,315
OPERATING EARNINGS	\$ 873	\$ 741	\$ 132
<i>By segment:</i>			
Power Delivery	155	156	(1)
Power Generation	308	348	(40)
Gas Infrastructure	359	327	32
Southeast Energy ³	132	-	132
Corporate and Other	(81)	(90)	9
	\$ 873	\$ 741	\$ 132
Earnings Per Share (EPS):			
REPORTED EARNINGS ¹	\$ (0.86)	\$ 0.77	\$ (1.63)
Adjustments to reported earnings (after tax)	1.96	0.37	1.59
OPERATING EARNINGS	\$ 1.10	\$ 1.14	\$ (0.04)
<i>By segment:</i>			
Power Delivery	0.19	0.24	(0.05)
Power Generation	0.39	0.54	(0.15)
Gas Infrastructure	0.45	0.50	(0.05)
Southeast Energy ³	0.17	-	0.17
Corporate and Other	(0.10)	(0.14)	0.04
	\$ 1.10	\$ 1.14	\$ (0.04)
Common Shares Outstanding (average, diluted)	793.1	650.5	

- 1) Determined in accordance with Generally Accepted Accounting Principles (GAAP).
- 2) Adjustments to reported earnings are included in Corporate and Other segment reported GAAP earnings. Refer to Schedules 2 and 3 for details, or find "GAAP Reconciliation" in the Earnings Release Kit on Dominion Energy's website at www.dominionenergy.com/investors.
- 3) New operating segment established in January 2019, in connection with Dominion Energy's merger with SCANA.

Schedule 2 - Reconciliation of 2019 Operating Earnings to Reported Earnings

2019 Earnings (Three months ended March 31, 2019)

The \$1.6 billion pre-tax net effect of the adjustments included in 2019 reported earnings, but excluded from operating earnings, is primarily related to the following items:

- \$1.4 billion of merger and integration-related costs associated with the SCANA Combination, including a \$1 billion charge for refunds of amounts previously collected from retail electric customers of Dominion Energy South Carolina (DESC) for the NND Project, a \$105 million charge related to certain property plant and equipment associated with the NND Project for which Dominion Energy committed to forgo recovery, and a \$169 million charge related to a settlement agreement of a DESC ratepayer class action lawsuit.
- \$547 million charge associated with Virginia utility asset retirements, primarily electric generation facilities in cold reserve and certain automated meters.
- \$113 million benefit from the revision of certain asset retirement obligations for ash ponds and landfills at certain utility generation facilities, in connection with the enactment of Virginia legislation in March.
- \$253 million net gain related to our investments in nuclear decommissioning trust funds.

Dominion also recorded \$198 million after-tax charge for certain income tax-related regulatory assets acquired in the SCANA Combination for which Dominion Energy committed to forgo recovery.

<i>(millions, except per share amounts)</i>	1Q19	2Q19	3Q19	4Q19	YTD 2019
Reported earnings					
Adjustments to reported earnings ¹ :					
Pre-tax loss (income)	1,640				1,640
Income tax	(87)				(87)
	1,553				1,553
Operating earnings	\$873				\$873
Common shares outstanding (average, diluted)	793.1				793.1

Reported earnings per share	(\$0.86)	(\$0.86)
Adjustments to reported earnings (after-tax)	1.96	1.96
Operating earnings per share	\$1.10	\$1.10

1) Adjustments to reported earnings are reflected in the following table:

	1Q19	2Q19	3Q19	4Q19	YTD 2019
<u>Pre-tax loss (income):</u>					
Merger and integration-related costs	1,429				1,429
Virginia utility asset retirements	547				547
Revision to ash pond and landfill closure costs	(113)				(113)
Net gain on NDT funds	(253)				(253)
Other	30				30
	\$1,640				\$1,640
<u>Income tax expense (benefit):</u>					
Tax effect of above adjustments to reported earnings *	(255)				(255)
Write-off EDIT regulatory assets (SCANA)	198				198
Other	(30)				(30)
	(\$87)				(\$87)

* Income taxes for individual pre-tax items include current and deferred taxes using a transactional effective tax rate. For interim reporting purposes, such amounts may be adjusted in connection with the calculation of the Company's year-to-date income tax provision based on its estimated annual effective tax rate.

Schedule 3 - Reconciliation of 2018 Operating Earnings to Reported Earnings

2018 Earnings (Twelve months ended December 31, 2018)

The \$201 million pre-tax net effect of the adjustments included in 2018 reported earnings, but excluded from operating earnings, is primarily related to the following items:

- \$759 million net benefit associated with the sales of our non-core assets, primarily reflecting the gains on sales of certain merchant generation assets and our investment in Blue Racer.

- \$219 million impairment charge associated with gathering and processing assets.
- \$215 million charge associated with Virginia legislation enacted in March that requires one-time rate credits of certain amounts to utility customers.
- \$170 million net loss related to our investments in nuclear decommissioning trust funds.
- \$124 million charge associated with disallowance of FERC-regulated plant.
- \$81 million charge associated with the asset retirement obligations for ash ponds and landfills at certain utility generation facilities in connection with the enactment of Virginia legislation in April.
- \$74 million of restoration costs associated with major storms, primarily affecting our Virginia service territory.
- \$37 million of transaction and transition costs associated with the Dominion Energy Questar combination and the acquisition of SCANA Corporation.

<i>(millions, except per share amounts)</i>	1Q18	2Q18	3Q18	4Q18	YTD 2018 ²
Reported earnings	\$503	\$449	\$854	\$641	\$2,447
Adjustments to reported earnings ¹ :					
Pre-tax loss (income)	305	145	(199)	(50)	201
Income tax expense (benefit)	(67)	(34)	103	1	3
	238	111	(96)	(49)	204
Operating earnings	\$741	\$560	\$758	\$592	\$2,651
Common shares outstanding (average, diluted)	650.5	653.1	654.9	660.9	654.9
Reported earnings per share	\$0.77	\$0.69	\$1.30	\$0.97	\$3.74
Adjustments to reported earnings (after-tax)	0.37	0.17	(0.15)	(0.08)	0.31
Operating earnings per share	\$1.14	\$0.86	\$1.15	\$0.89	\$4.05

1) Adjustments to reported earnings are reflected in the following table:

	1Q18	2Q18	3Q18	4Q18	YTD 2018
<u>Pre-tax loss (income):</u>					
Sale of non-core assets			(70)	(689)	(759)
Impairment of gathering & processing assets				219	219
Impact of Virginia rate legislation	215				215
Net (gain) loss on NDT funds	43	(50)	(149)	326	170
FERC-regulated plant disallowance		122	2		124
Future ash pond and landfill closure costs		81			81

Storm costs	31		43	74
Merger-related transaction and transition costs	16	9	3	37
Other		(17)	15	42
	\$305	\$145	(\$199)	(\$50)
				\$201

Income tax expense (benefit):

Tax effect of above adjustments to reported earnings *	(67)	(34)	38	11	(52)
Re-measurement of Deferred Tax balances **			47	(1)	46
Valuation Allowance ***			18	(9)	9
	(\$67)	(\$34)	\$103	\$1	\$3

* Income taxes for individual pre-tax items include current and deferred taxes using a transactional effective tax rate. For interim reporting purposes, such amounts may be adjusted in connection with the calculation of the Company's year-to-date income tax provision based on its estimated annual effective tax rate.

** During 2018, the Companies recorded further adjustments to deferred taxes in accordance with recently released tax reform guidance and to revise estimates made at year-end 2017.

*** In 3Q18, a valuation allowance was established against the portion of a deferred tax asset associated with the non-core assets that was no longer projected of being utilized to offset future taxable income. In 4Q18, the amount was adjusted based on management's assessment that it is more-likely-than-not that a portion of the deferred tax asset would be realized in 2018, to reduce tax expense associated with the sale.

2) YTD EPS may not equal sum of quarters due to share count difference.

Schedule 4 - Reconciliation of 1Q19 Earnings to 1Q18

Preliminary, Unaudited

(millions, except EPS)

Three Months Ended

March 31,

2019 vs. 2018

Increase / (Decrease)

Reconciling Items

Amount

EPS

Change in reported earnings (GAAP)

(\$1,183)

(\$1.63)

Change in Pre-tax loss (income) ¹

1,335

Change in Income tax ¹	(20)	
Adjustments to reported earnings	\$1,315	\$1.59
Change in consolidated operating earnings	\$132	(\$0.04)
<i>Power Delivery</i>		
Regulated electric sales:		
Weather	(\$8)	(\$0.01)
Other	3	—
Rider investment	12	0.02
Other	(8)	(0.01)
Share dilution		(0.05)
Change in contribution to operating earnings	(\$1)	(\$0.05)
<i>Power Generation</i>		
Regulated electric sales:		
Weather	(\$16)	(\$0.03)
Other	(4)	(0.01)
Electric capacity	(11)	(0.02)
Sale of merchant generation facilities	(14)	(0.02)
Other	5	0.01
Share dilution		(0.08)
Change in contribution to operating earnings	(\$40)	(\$0.15)
<i>Gas Infrastructure</i>		
Cove Point	\$112	\$0.17
Farmout transactions	(32)	(0.05)
Interest	(50)	(0.07)
Other	2	—
Share dilution		(0.10)
Change in contribution to operating earnings	\$32	(\$0.05)
<i>Southeast Energy</i>	\$132	\$0.17
<i>Corporate and Other</i>		

Share dilution and other	\$9	\$0.04
Change in contribution to operating earnings	\$9	\$0.04
<i>Change in consolidated operating earnings</i>	\$132	(\$0.04)
<i>Change in adjustments included in reported earnings¹</i>	(\$1,315)	(\$1.59)
<i>Change in consolidated reported earnings</i>	(\$1,183)	(\$1.63)

1) Adjustments to reported earnings are included in Corporate and Other segment reported GAAP earnings.

Refer to Schedules 2 and 3 for details, or find "GAAP Reconciliation" in the Earnings Release Kit on Dominion Energy's website at www.dominionenergy.com/investors.

Note: Figures may not add due to rounding

SOURCE Dominion Energy

For further information: Media: Ryan Frazier, (804) 819-2521 or C.Ryan.Frazier@dominionenergy.com; Financial analysts: Steven Ridge, (804) 929-6865 or Steven.D.Ridge@dominionenergy.com

<https://news.dominionenergy.com/2019-05-03-Dominion-Energy-Announces-First-Quarter-Earnings>