

Meeting Summary -January 31, 2018 1:00 PM

A meeting was held at The Office of Regulatory Staff (“ORS”) located at 1401 Main Street, Suite 900, Columbia, SC for reviewing the Joint Application and Petition (“Petition”) filed by South Carolina Electric & Gas (“SCE&G”) and Dominion Energy, Inc. (“Dominion”) filed with the Public Service Commission of South Carolina (“Commission”) on January 12, 2018 for approval of a merger transaction between SCE&G’s parent, SCANA Corporation and Dominion. Docket No. 2017-370-E.

Attendees included:

Representing SCE&G

Belton Ziegler
Chad Burgess
Byron Hinson
Casey Coffey
Rachel Robinson

Representing Dominion Energy

Lisa Booth
Tom Wohlfarth
Sonali Kripalani
Betsy Chester
Prabir Purohit
Jonathan Bass

Representing ORS

Jeff Nelson
Shannon Hudson
Jenny Pittman
Dawn Hipp
Willie Morgan
Michael Seaman-Huynh
Douglas Carlisle
Jay Jashinsky
Daniel Sullivan
Anthony James
Gene Soutt
Ryder Thompson
Kelvin Major
Gaby Smith

Summary:

Representatives from SCE&G and Dominion met with ORS Wednesday January 31, 2018 to provide an overview of the Petition filed in Docket No. 2017-370-E. The companies stated that a combination of allowed tax treatments, write-offs and new federal tax reform will allow them to reduce retail rates and provide a one-time rate credit paid to retail customers.

Chad Burgess provided a summary of the Petition and reiterated that the merger will not close without either formal Commission approval of the merger or a finding that the merger is in the public interest and that it will bring no harm to the state of South Carolina as well as approval of the Customer Benefits Plan ("Plan"), without any material changes.

An overview of the Plan was provided. Three main components discussed included: 1) a one-time \$1.3 billion rate credit to retail electric customers within 90 days of the closing of the merger. The amount received by each customer will be dependent upon their usage during the 2016 summer adjusted peak demand; 2) Shareholders will absorb a write off of \$1.4 billion associated with New Nuclear Development ("NND"); and 3) SCE&G will reduce retail customer rates by 3.5% for an 8-year period and an additional 1.5% due to federal tax reform.

Also discussed were two proposed alternatives to the merger. SCE&G offered a "No Merger Benefits Plan" which includes reduced write offs and no rate reductions or refunds for retail rates. Under this plan the costs related to V.C. Summer Units 2 & 3 would be recovered over a 50-year period. The other alternative, the "Base Request" includes no write offs, no rate reductions or refunds to customers. The one similarity among each proposal is the purchase of Columbia Energy.

Tom Wohlfarth of Dominion stated that it was important for SCE&G to operate as its own entity at a local level. Operations, Customer Service, and Regulatory Affairs functions after the merger will remain based at the Cayce, SC headquarters.

SCE&G and Dominion expressed their availability to answer further questions from the ORS.

Information Reviewed:

- Elements of Customer Benefits Plan ("Plan"); Rider will be updated annually; base rate and NND will be in different buckets
- Capital Cost Rider amortized over next 20 years
- Rate reduction of 3.5% will extend for 8 years
- Impacts of the new Federal Tax Law changes will be known in late Q3 or Q4 2018
- Need IRS guidance on impact to bonus depreciation
- No forecast for excess deferred tax amortization but it will go back to customers
- Tax rider will be a decrement rider applied to a customer's bill as early as 2019
- Tax rider will be in effect until a general rate case after 2021
- Shareholders will pick up \$180 mil negotiated price for Columbia Energy Center

Meeting Summary -January 31, 2018 1:00 PM

- Columbia Energy investment will be fully expensed and depreciated on date of acquisition and will have no effect on the company's profit
- Deferred Tax Asset purpose
- Abandonment deduction on Federal Return will create a deferred tax liability
- Front loaded abandonment deductions Treatment and usage of Net Operating Loss
- 174 tax deduction status and rate payer benefit
- 20-year vs. 50-year amortization for abandonment costs
- SCE&G employees will have continued employment at their current pay as laid out in the merger
- Increase in charitable giving
- Dominion Service Reliability: Estimated average outage duration for each customer served is 115 minutes

Results of meeting:

ORS expects to send out Audit Information Requests early the week of February 5, 2018 to SCE&G and Dominion. Video conferencing will be available between the ORS, SCE&G and Dominion at the Law Firm of Womble Bond Dickenson.