UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

☐ **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 registrant as specified in its charter	I.R.S. Employer Identification Number
001-3375	**DOMINION ENERGY SOUTH CAROLINA, INC.**	**57-0248695**

SOUTH CAROLINA
(State or other jurisdiction of incorporation or organization)

400 OTARRE PARKWAY
CAYCE, SOUTH CAROLINA **29033**
(Address of principal executive offices) *(Zip Code)*

(803) 217-9000
(Registrants' telephone number)

Securities registered pursuant to Section 12(b) of the Act:
None

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. 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). Yes ☒ No ☐

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

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). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. At July 17, 2020, Dominion Energy South Carolina, Inc. had outstanding 40,296,147 shares of common stock, all of which were held by SCANA Corporation, a wholly-owned subsidiary of Dominion Energy, Inc.

Dominion Energy South Carolina, Inc. meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and therefore is filing this Form with the reduced disclosure format allowed under General Instruction H(2).

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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
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
ACE Rule	Affordable Clean Energy Rule
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
BACT	Best available control technology
BLRA	South Carolina Base Load Review Act
CAA	Clean Air Act
CARES Act	Coronavirus Aid, Relief and Economic Security Act enacted on March 27, 2020
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
Consortium	A consortium consisting of Westinghouse and WECTEC
CUA	Capacity Use Area
CWA	Clean Water Act
DECG	Dominion Energy Carolina Gas Transmission, LLC
DESC	The legal entity, Dominion Energy South Carolina, Inc., one or more of its consolidated entities or operating segment, or the entirety of Dominion Energy South Carolina, Inc. and its consolidated entities
DESS	Dominion Energy Southeast Services, Inc.
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than DESC) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries
Dominion Energy Gas	The legal entity, Dominion Energy Gas Holdings, LLC, a wholly-owned subsidiary of Dominion Energy, 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 South Carolina	Dominion Energy South Carolina operating segment
DSM	Demand-side management
ELG Rule	Effluent limitations guidelines for the steam electric power generating category
EMANI	European Mutual Association for Nuclear Insurance
EPA	U.S. Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FERC	Federal Energy Regulatory Commission
FILOT	Fee in lieu of taxes
Fuel Company	South Carolina Fuel Company, Inc.
GAAP	U.S. generally accepted accounting principles
GENCO	South Carolina Generating Company, Inc.
GHG	Greenhouse gas
IAA	Interim Assessment Agreement dated March 28, 2017, as amended, among DESC, Santee Cooper, Westinghouse and WECTEC
kV	Kilovolt
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

Abbreviation or Acronym	Definition
MGP	Manufactured gas plant
NEIL	Nuclear Electric Insurance Limited
NND Project	V. C. Summer Units 2 and 3 nuclear development project under which DESC and Santee Cooper undertook to construct two Westinghouse AP1000 Advanced Passive Safety nuclear units in Jenkinsville, South Carolina
NO_x	Nitrogen oxide
NSPS	New Source Performance Standards
Order 1000	Order issued by FERC adopting requirements for electric transmission planning, cost allocation and development
Price-Anderson	Price-Anderson Amendments Act of 1988
PSD	Prevention of significant deterioration
Questar Gas	Questar Gas Company, a wholly-owned subsidiary of Dominion Energy
Reorganization Plan	Modified Second Amended Joint Chapter 11 Plan of Reorganization, filed by Westinghouse
RICO	Racketeer Influenced and Corrupt Organizations Act
Santee Cooper	South Carolina Public Service Authority
SCANA	The legal entity, SCANA Corporation, one or more of its consolidated subsidiaries (other than DESC) or the entirety of SCANA Corporation and its consolidated subsidiaries
SCANA Combination	Dominion Energy's acquisition of SCANA completed on January 1, 2019 pursuant to the terms of the SCANA Merger Agreement
SCANA Merger Agreement	Agreement and plan of merger entered on January 2, 2018 between Dominion Energy and SCANA
SCANA Merger Approval Order	Final order issued by the South Carolina Commission on December 21, 2018 setting forth its approval of the SCANA Combination
SCDHEC	South Carolina Department of Health and Environmental Control
SCDOR	South Carolina Department of Revenue
SEC	U.S. Securities and Exchange Commission
SEMI	SCANA Energy Marketing, LLC (formerly known as SCANA Energy Marketing, Inc.), a subsidiary of SCANA through December 2019, and effective December 2019, a subsidiary of Wrangler Retail Gas Holdings, LLC, a partnership between Dominion Energy and Interstate Gas Supply Inc.
SO_2	Sulfur dioxide
South Carolina Commission	Public Service Commission of South Carolina
Southern	The legal entity, The Southern Company, one or more of its consolidated subsidiaries, or the entirety of The Southern Company and its consolidated subsidiaries
Summer	V. C. Summer nuclear power station
Toshiba	Toshiba Corporation, parent company of Westinghouse
Toshiba Settlement	Settlement Agreement dated as of July 27, 2017, by and among Toshiba, DESC and Santee Cooper
VIE	Variable interest entity
Virginia Power	The legal entity, Virginia Electric and Power Company, a wholly-owned subsidiary of Dominion Energy, one or more of its consolidated subsidiaries or operating segment, or the entirety of Virginia Electric and Power Company and its consolidated subsidiaries
VOC	Volatile organic compounds
WECTEC	WECTEC Global Project Services, Inc., a wholly-owned subsidiary of Westinghouse
Westinghouse	Westinghouse Electric Company LLC
Westinghouse Subcontractors	Subcontractors and suppliers to the Consortium

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Dominion Energy South Carolina, Inc.
Consolidated Balance Sheets
(Unaudited)

(millions)	June 30, 2020	December 31, 2019
ASSETS		
Utility plant in service	**$ 13,472**	$ 13,208
Accumulated depreciation and amortization	**(4,933)**	(4,851)
Construction work in progress	**372**	339
Nuclear fuel, net of accumulated amortization	**201**	219
Utility plant, net ($706 and $727 related to VIEs)	**9,112**	8,915
Nonutility Property and Investments:		
Nonutility property, net of accumulated depreciation	**51**	69
Assets held in trust, nuclear decommissioning	**223**	214
Nonutility property and investments, net	**274**	283
Current Assets:		
Cash and cash equivalents	**7**	4
Receivables:		
Customer, net of allowance for uncollectible accounts of $9 and $3	**322**	320
Affiliated and related party	**—**	14
Other	**123**	119
Inventories (at average cost):		
Fuel	**104**	104
Materials and supplies	**171**	168
Prepayments	**121**	91
Regulatory assets	**261**	271
Other current assets	**32**	27
Total current assets ($126 and $143 related to VIEs)	**1,141**	1,118
Deferred Debits and Other Assets:		
Regulatory assets	**3,821**	3,892
Other	**92**	93
Total deferred debits and other assets ($38 and $32 related to VIEs)	**3,913**	3,985
Total assets	**$ 14,440**	$ 14,301

See Notes to Consolidated Financial Statements.

Dominion Energy South Carolina, Inc.
Consolidated Balance Sheets—(Continued)
(Unaudited)

(millions)	June 30, 2020	December 31, 2019
CAPITALIZATION AND LIABILITIES		
Common Stock - no par value, 40.3 million shares outstanding	$ 3,695	$ 3,695
Retained earnings	177	20
Accumulated other comprehensive loss	(3)	(3)
Total common equity	3,869	3,712
Noncontrolling interest	183	180
Total equity	4,052	3,892
Long-term debt, net	3,359	3,358
Affiliated long-term debt	230	230
Finance leases	18	20
Total long-term debt	3,607	3,608
Total capitalization	7,659	7,500
Current Liabilities:		
Securities due within one year	7	7
Accounts payable	136	245
Affiliated and related party payables	769	624
Customer deposits and customer prepayments	71	76
Taxes accrued	121	218
Interest accrued	92	88
Regulatory liabilities	287	256
Reserves for litigation and regulatory proceedings	473	492
Other	42	60
Total current liabilities	1,998	2,066
Deferred Credits and Other Liabilities:		
Deferred income taxes and investment tax credits	690	629
Asset retirement obligations	587	489
Pension and other postretirement benefits	200	203
Regulatory liabilities	3,098	3,210
Affiliated liabilities	14	15
Other	194	189
Total deferred credits and other liabilities	4,783	4,735
Commitments and Contingencies (see Note 12)		
Total capitalization and liabilities	$ 14,440	$ 14,301

See Notes to Consolidated Financial Statements.

Dominion Energy South Carolina, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2020**	2019	**2020**	2019
Operating Revenue[1]	**$ 624**	$ 698	**$ 1,296**	$ 363
Operating Expenses:				
Fuel used in electric generation[1]	**95**	143	**199**	280
Purchased power[1]	**25**	12	**38**	20
Gas purchased for resale[1]	**34**	44	**91**	121
Other operations and maintenance	**93**	123	**183**	219
Other operations and maintenance - affiliated suppliers	**50**	72	**105**	120
Impairment of assets and other charges	**—**	100	**2**	371
Depreciation and amortization	**118**	115	**236**	217
Other taxes[1]	**65**	72	**127**	141
Total operating expenses	**480**	681	**981**	1,489
Operating income (loss)	**144**	17	**315**	(1,126)
Other income (expense), net	**2**	(9)	**5**	(14)
Interest charges, net of allowance for borrowed funds used during construction of $1, $2, $3 and $2[1]	**58**	63	**116**	136
Income (loss) before income tax expense (benefit)	**88**	(55)	**204**	(1,276)
Income tax expense (benefit)	**21**	15	**44**	(103)
Net Income (Loss) and Other Comprehensive Income (Loss)	**67**	(70)	**160**	(1,173)
Comprehensive Income (Loss) Attributable to Noncontrolling Interest	**(2)**	8	**3**	14
Comprehensive Income (Loss) Available (Attributable) to Common Shareholder	**$ 69**	$ (78)	**$ 157**	$ (1,187)

(1) See Note 14 for amounts attributable to affiliates.

See Notes to Consolidated Financial Statements.

Dominion Energy South Carolina, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(millions)	**2020**	2019
Operating Activities		
Net income (loss)	**$ 160**	$ (1,173)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of assets and other charges	**2**	371
Provision for refunds to customers	**—**	950
Deferred income taxes, net	**61**	(434)
Depreciation and amortization	**236**	223
Amortization of nuclear fuel	**21**	27
Other adjustments	**7**	(4)
Changes in certain assets and liabilities:		
Receivables	**(23)**	—
Receivables - affiliated and related party	**5**	(3)
Inventories	**(3)**	(48)
Prepayments	**(30)**	(29)
Pension and other postretirement benefits	**(3)**	—
Regulatory assets	**3**	187
Regulatory liabilities	**(111)**	195
Accounts payable	**(35)**	(72)
Accounts payable - affiliated and related party	**4**	17
Revenue subject to refund	**—**	(63)
Taxes accrued	**(97)**	(65)
Interest accrued	**3**	—
Other assets and liabilities	**(12)**	(79)
Net cash provided by operating activities	**188**	—
Investing Activities		
Property additions and construction expenditures	**(330)**	(226)
Proceeds from investments and sales of assets	**5**	12
Purchase of investments	**(5)**	(23)
Purchase of investments - affiliated	**(1)**	—
Short-term investments - affiliated	**9**	343
Net cash provided by (used in) investing activities	**(322)**	106
Financing Activities		
Proceeds from issuance of affiliated debt	**—**	230
Repayment of long-term debt, including redemption premiums	**—**	(1,247)
Dividend to parent	**—**	(30)
Contribution from parent	**—**	775
Contribution returned to parent	**—**	(20)
Money pool borrowings, net	**—**	4
Short-term borrowings, net	**—**	(73)
Short-term borrowings - affiliated, net	**141**	—
Other	**(4)**	—
Net cash provided by (used in) financing activities	**137**	(361)
Net increase (decrease) in cash, restricted cash and equivalents	**3**	(255)
Cash, restricted cash and equivalents at beginning of period(1)	**4**	377
Cash, restricted cash and equivalents at end of period(1)	**$ 7**	$ 122
Supplemental Cash Flow Information		
Significant noncash investing and financing activities:		
Accrued construction expenditures	**$ 41**	$ 39
Leases(2)	**2**	5

(1) At June 30, 2020, June 30, 2019, December 31, 2019 and December 31, 2018 there were no restricted cash and equivalent balances.
(2) Includes $2 million of financing leases for the six months ended June 30, 2020 and $3 million of financing leases and $2 million of operating leases for the six months ended June 30, 2019.

See Notes to Consolidated Financial Statements.

Dominion Energy South Carolina, Inc.
Consolidated Statements of Changes in Common Equity
(Unaudited)

Quarter-To-Date

(millions)	Common Stock Shares	Common Stock Amount	Retained Earnings	AOCI	Noncontrolling Interest	Total Equity
March 31, 2019	40	$ 3,535	$ 151	$ (4)	$ 185	$ 3,867
Total comprehensive income (loss) available (attributable) to common shareholder			(78)		8	(70)
Capital contribution from parent		100				100
Capital contribution returned to parent					(20)	(20)
Other			(1)			(1)
June 30, 2019	40	$ 3,635	$ 72	$ (4)	$ 173	$ 3,876
March 31, 2020	40	$ 3,695	$ 108	$ (3)	$ 185	$ 3,985
Total comprehensive income (loss) available (attributable) to common shareholder			**69**		**(2)**	**67**
June 30, 2020	**40**	**$ 3,695**	**$ 177**	**$ (3)**	**$ 183**	**$ 4,052**

Year-To-Date

(millions)	Common Stock Shares	Common Stock Amount	Retained Earnings	AOCI	Noncontrolling Interest	Total Equity
December 31, 2018	40	$ 2,860	$ 1,279	$ (3)	$ 179	$ 4,315
Cumulative-effect of change in accounting principle			1	(1)		—
Total comprehensive income (loss) available (attributable) to common shareholder			(1,187)		14	(1,173)
Capital contribution from parent		775				775
Capital contribution returned to parent					(20)	(20)
Dividend to parent			(20)			(20)
Other			(1)			(1)
June 30, 2019	40	$ 3,635	$ 72	$ (4)	$ 173	$ 3,876
December 31, 2019	40	$ 3,695	$ 20	$ (3)	$ 180	$ 3,892
Total comprehensive income available to common shareholder			**157**		**3**	**160**
June 30, 2020	**40**	**$ 3,695**	**$ 177**	**$ (3)**	**$ 183**	**$ 4,052**

See Notes to Consolidated Financial Statements.

The following notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in DESC's Annual Report on Form 10-K for the year ended December 31, 2019.

These are interim financial statements and, due to the seasonality of DESC's business and matters that may occur during the rest of the year, the amounts reported in the Consolidated Statements of Comprehensive Income (Loss) are not necessarily indicative of amounts expected for the full year. In the opinion of management, the information furnished herein reflects all adjustments which are necessary for a fair statement of the results for the interim periods reported, and such adjustments are of a normal recurring nature. In addition, the preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts in DESC's 2019 Consolidated Financial Statements and Notes have been reclassified to conform to the 2020 presentation for comparative purposes; however, such reclassifications did not affect DESC's net income (loss) and other comprehensive income (loss), total assets, liabilities, equity or cash flows.

DESC is a wholly-owned subsidiary of SCANA, which is a wholly-owned subsidiary of Dominion Energy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Variable Interest Entities

DESC has determined that it has a controlling financial interest in each of GENCO and Fuel Company (which are considered to be VIEs) and, accordingly, DESC's Consolidated Financial Statements include, after eliminating intercompany balances and transactions, the accounts of DESC, GENCO and Fuel Company. See Note 1 to the Consolidated Financial Statements included in DESC’s Annual Report on Form 10-K for the year ended December 31, 2019 for a description of GENCO and Fuel Company.

Additionally, DESC purchases shared services from DESS, an affiliated VIE that provides accounting, legal, finance and certain administrative and technical services to all SCANA subsidiaries, including DESC. DESC has determined that it is not the primary beneficiary of DESS as it does not have either the power to direct the activities that most significantly impact its economic performance or an obligation to absorb losses and benefits which could be significant to it. See Note 14 for amounts attributable to affiliates.

Significant Accounting Policies

There have been no significant changes from Note 2 to the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019.

2. RATE AND OTHER REGULATORY MATTERS

Regulatory Matters Involving Potential Loss Contingencies

As a result of issues generated in the ordinary course of business, DESC is involved in various regulatory matters. Certain regulatory matters may ultimately result in a loss; however, as such matters are in an initial procedural phase, involve uncertainty as to the outcome of pending reviews or orders, and/or involve significant factual issues that need to be resolved, it is not possible for DESC to estimate a range of possible loss. For regulatory matters that DESC cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the regulatory process such that DESC is able to estimate a range of possible loss. For regulatory matters that DESC is able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any estimated range is based on currently available information, involves elements of judgment and significant uncertainties and may not represent DESC’s maximum possible loss exposure. The circumstances of such regulatory matters will change from time to time and actual results may vary significantly from the current estimate. For current matters not specifically reported below, management does not anticipate that the outcome from such matters would have a material effect on DESC’s financial position, liquidity or results of operations.

2017 Tax Reform Act

In January 2020, GENCO filed to modify its formula rate to incorporate a mechanism to decrease or increase its income tax allowances by any excess deferred income taxes resulting from the 2017 Tax Reform Act, and future changes in tax laws. These modifications are expected to decrease charges to DESC for the power it purchases from GENCO. In April 2020, the FERC approved GENCO's request. There have been no other changes to the 2017 Tax Reform Act matters discussed in Note 3 to the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019.

Other Regulatory Matters

Other than the following matters, there have been no significant developments regarding the pending regulatory matters disclosed in Note 3 to the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019.

South Carolina Electric Base Rate Case

Pursuant to the SCANA Merger Approval Order, DESC will not file an application for a general rate case with the South Carolina Commission with a requested effective date for new rates earlier than January 2021. In April 2020, the South Carolina Commission issued an order vacating the portion of the SCANA Merger Approval Order requiring that new retail electric rates be implemented by January 1, 2021. In July 2020, DESC filed a notice of intent with the South Carolina Commission to file for an increase to base rates for retail electric service no earlier than 30 days following the notice. The net lost revenue recovery portion of the DSM rider would be adjusted lower simultaneously with any approved retail electric base rate increases.

Electric – Cost of Fuel

In February 2020, DESC filed with the South Carolina Commission a proposal to decrease the total fuel cost component of retail electric rates. DESC's proposed decrease would reduce annual base fuel component recoveries by $44 million and is projected to return to customers the existing over-collected balance while recovering DESC's current base fuel costs over the 12-month period beginning with the first billing cycle of May 2020. In addition, DESC proposed an increase to its variable environmental and distributed energy resource components. In April 2020, the South Carolina Commission approved the filing.

Electric Transmission Projects

In 2020, DESC began several electric transmission projects in connection with two new nuclear plants under development by Southern. These transmission projects are required to be in place prior to these plants beginning operations to maintain reliability. DESC anticipates the projects to go into service in phases, costing approximately $75 million in aggregate. In February 2020, DESC filed an application with the South Carolina Commission requesting approval to construct and operate 28 miles of 230 kV transmission lines in Aiken County, South Carolina estimated to cost approximately $30 million. In June 2020, the South Carolina Commission approved the filing.

Electric – Other

DESC has approval for a DSM rider through which it recovers expenditures related to its DSM programs. In January 2020, DESC submitted its annual DSM programs filing to the South Carolina Commission seeking approval to recover $40 million of costs and net lost revenues associated with DSM programs, along with an incentive to invest in such programs. In April 2020, the South Carolina Commission approved the filing.

DESC utilizes a pension costs rider approved by the South Carolina Commission which is designed to allow recovery of projected pension costs, including under-collected balances or net of over-collected balances, as applicable. The rider is typically reviewed for adjustment every 12 months with any resulting increase or decrease going into effect beginning with the first billing cycle in May. In February 2020, DESC requested that the South Carolina Commission approve an adjustment to this rider to decrease annual revenue by $11 million. In April 2020, the South Carolina Commission approved the filing.

Natural Gas Rates

In June 2020, DESC filed with the South Carolina Commission its monitoring report for the 12-month period ended March 31, 2020 with a total revenue requirement of $409 million. This represents a $9 million overall annual increase to its natural gas rates under the terms of the Natural Gas Rate Stabilization Act effective with the first billing cycle of November 2020. This matter is pending.

Regulatory Assets and Regulatory Liabilities

Rate-regulated utilities recognize in their financial statements certain revenues and expenses in different periods than do other enterprises. As a result, DESC has recorded regulatory assets and regulatory liabilities which are summarized in the following table. Except for NND Project costs and certain other unrecovered plant costs, substantially all regulatory assets are either explicitly excluded from rate base or are effectively excluded from rate base due to their being offset by related liabilities.

(millions)		**June 30, 2020**		December 31, 2019
Regulatory assets:				
NND Project costs(1)	**$**	**138**	$	138
Deferred employee benefit plan costs(2)		**10**		13
Other unrecovered plant(3)		**14**		14
DSM programs(4)		**17**		17
AROs(5)		**27**		28
Cost of fuel under-collections(6)		**11**		13
Other		**44**		48
Regulatory assets - current		**261**		271
NND Project costs(1)		**2,434**		2,503
AROs(5)		**289**		293
Cost of reacquired debt(7)		**251**		259
Deferred employee benefit plan costs(2)		**194**		196
Deferred losses on interest rate derivatives(8)		**315**		305
Other unrecovered plant(3)		**64**		69
DSM programs(4)		**57**		54
Environmental remediation costs(9)		**21**		22
Deferred storm damage costs(10)		**44**		44
Deferred transmission operating costs(11)		**49**		37
Other(12)		**103**		110
Regulatory assets - noncurrent		**3,821**		3,892
Total regulatory assets	**$**	**4,082**	$	4,163
Regulatory liabilities:				
Monetization of guaranty settlement(13)	**$**	**67**	$	67
Income taxes refundable through future rates(14)		**23**		16
Reserve for refunds to electric utility customers(15)		**134**		143
Cost of fuel over-collections(6)		**55**		12
Other		**8**		18
Regulatory liabilities - current		**287**		256
Monetization of guaranty settlement(13)		**936**		970
Income taxes refundable through future rates(14)		**929**		948
Asset removal costs(16)		**565**		552
Deferred gains on interest rate derivatives(8)		**70**		71
Reserve for refunds to electric utility customers(15)		**588**		656
Other		**10**		13
Regulatory liabilities - noncurrent		**3,098**		3,210
Total regulatory liabilities	**$**	**3,385**	$	3,466

(1) Reflects expenditures associated with the NND Project, which pursuant to the SCANA Merger Approval Order, will be recovered from electric service customers over a 20-year period ending in 2039. See Note 12 for more information.

(2) Employee benefit plan costs have historically been recovered as they have been recorded under GAAP. Deferred employee benefit plan costs represent amounts of pension and other postretirement benefit costs which were accrued as liabilities and treated as regulatory assets pursuant to FERC guidance, and costs deferred pursuant to specific South Carolina Commission regulatory orders. DESC expects to recover deferred pension costs through utility rates over periods through 2044. DESC expects to recover other deferred benefit costs through utility rates, primarily over average service periods of participating employees up to 11 years.

(3) Represents the carrying value of coal-fired generating units, including related materials and supplies inventory, retired from service prior to being fully depreciated. DESC is amortizing these amounts through cost of service rates over the units' previous estimated remaining useful lives through 2025. Unamortized amounts are included in rate base and are earning a current return.

(4) Represents deferred costs associated with electric demand reduction programs, and such deferred costs are currently being recovered over five years through an approved rate rider.

(5) Represents deferred depreciation and accretion expense related to legal obligations associated with the future retirement of generation, transmission and distribution properties. The AROs primarily relate to DESC's electric generating facilities, including Summer, and are expected to be recovered over the related property lives and periods of decommissioning which may range up to approximately 105 years.

(6) Represents amounts under- or over-collected from customers pursuant to the cost of fuel and purchased gas components approved by the South Carolina Commission.

(7) Costs of the reacquisition of debt are deferred and amortized as interest expense over the would-be remaining life of the reacquired debt or over the life of the replacement debt if refinanced. The reacquired debt had a weighted-average life of approximately 26 years as of June 30, 2020.

(8) Represents (i) the changes in fair value and payments made or received upon settlement of certain interest rate derivatives designated as cash flow hedges and (ii) the changes in fair value and payments made or received upon settlement of certain other interest rate derivatives not so designated. The amounts recorded with respect to (i) are expected to be amortized to interest expense over the lives of the underlying debt through 2043.The amounts recorded with respect to (ii) are expected to be similarly amortized to interest expense through 2065.

(9) Reflects amounts associated with the assessment and clean-up of sites currently or formerly owned by DESC. Such remediation costs are expected to be recovered over periods of up to 16 years. See Note 12 for more information.

(10) Represents storm restoration costs for which DESC expects to receive future recovery through customer rates.

(11) Includes deferred depreciation and property taxes associated with certain transmission assets for which DESC expects recovery from customers through future rates. See Note 12 for more information.

(12) Various other regulatory assets are expected to be recovered through rates over varying periods through 2047.

(13) Represents proceeds related to the monetization of the Toshiba Settlement. In accordance with the SCANA Merger Approval Order, this balance, net of amounts that may be required to satisfy liens, will be refunded to electric customers over a 20-year period ending in 2039. See Note 12 for more information.

(14) Includes (i) excess deferred income taxes arising from the remeasurement of deferred income taxes in connection with the enactment of the 2017 Tax Reform Act (certain of which are protected under normalization rules and will be amortized over the remaining lives of related property, and certain of which will be amortized to the benefit of customers over prescribed periods as instructed by regulators) and (ii) deferred income taxes arising from investment tax credits, offset by (iii) deferred income taxes that arise from utility operations that have not been included in customer rates (a portion of which relate to depreciation and are expected to be recovered over the remaining lives of the related property which may range up to 85 years). See Note 6 for more information.

(15) Reflects amounts previously collected from retail electric customers of DESC for the NND Project to be credited to customers over an estimated 11-year period (effective February 2019) in connection with the SCANA Merger Approval Order. See Note 12 for more information.

(16) Represents estimated net collections through depreciation rates of amounts to be expended for the removal of assets in the future.

Regulatory assets have been recorded based on the probability of their recovery. All regulatory assets represent incurred costs that may be deferred under GAAP for regulated operations. The South Carolina Commission or the FERC has reviewed and approved through specific orders certain of the items shown as regulatory assets. In addition, regulatory assets include, but are not limited to, certain costs which have not been specifically approved for recovery by one of these regulatory agencies, including deferred transmission operating costs that are the subject of regulatory proceedings discussed in Note 12. While such costs are not currently being recovered, management believes they would be allowable under existing rate-making concepts embodied in rate orders or applicable state law and expects to recover these costs through rates in future periods.

3. REVENUE RECOGNITION

DESC has disaggregated operating revenues by customer class as follows:

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019		**Six Months Ended June 30, 2020**		Six Months Ended June 30, 2019	
(millions)	Electric	Gas	Electric	Gas	Electric	Gas	Electric	Gas
Customer class:								
Residential	**$ 261**	**$ 33**	$ 281	$ 31	**$ 513**	**$ 112**	$ 10	$ 109
Commercial	**177**	**20**	206	23	**352**	**53**	67	61
Industrial	**83**	**12**	100	19	**163**	**29**	18	45
Other	**27**	**4**	35	4	**57**	**8**	45	7
Revenues from contracts with customers	**548**	**69**	622	77	**1,085**	**202**	140	222
Other revenues	**7**	**—**	(1)	—	**9**	**—**	1	—
Total Operating Revenues	**$ 555**	**$ 69**	$ 621	$ 77	**$ 1,094**	**$ 202**	$ 141	$ 222

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has already been received from the customer. DESC had contract liability balances of $5 million and $9 million at June 30, 2020 and December 31, 2019, respectively. During the six months ended June 30, 2020 and 2019, DESC recognized revenue of $5 million and $3 million, respectively, from the beginning contract liability balances as DESC fulfilled its obligations to provide service to its customers. Contract liabilities are recorded in customer deposits and customer prepayments in the Consolidated Balance Sheets.

4. EQUITY

For all periods presented, DESC's authorized shares of common stock, no par value, were 50 million, of which 40.3 million were issued and outstanding, and DESC's authorized shares of preferred stock, no par value, were 20 million, of which 1,000 shares were issued and outstanding. All outstanding shares of common and preferred stock are held by SCANA.

During the three and six months ended June 30, 2019, DESC received equity contributions of $100 million and $775 million, respectively, from its parent that was funded by Dominion Energy. DESC used these funds to redeem long-term debt and to repay intercompany credit agreement borrowings from Dominion Energy. See Note 6 to the Consolidated Financial Statements in DESC’s Annual Report on Form 10-K for the year ended December 31, 2019.

At June 30, 2020, DESC’s retained earnings exceed the balance established by the Federal Power Act as a reserve on earnings attributable to hydroelectric generation plants. As a result, DESC is permitted to pay dividends without additional regulatory approval provided that such amounts would not bring the retained earnings balance below the threshold. There have been no other significant changes to dividend restrictions affecting DESC described in Note 5 to the Consolidated Financial Statements in DESC’s Annual Report on Form 10-K for the year ended December 31, 2019.

5. LONG-TERM AND SHORT-TERM DEBT

DESC's short-term financing is supported through its access as co-borrower to Dominion Energy’s $6.0 billion joint revolving credit facility, which can be used for working capital, as support for the combined commercial paper programs of DESC, Dominion Energy, Virginia Power, Dominion Energy Gas and Questar Gas, and for other general corporate purposes.

At June 30, 2020, DESC's share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, was as follows:

(millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit
Joint revolving credit facility(1)	$ 1,000	$ —	$ —

(1) A maximum of $1.0 billion of the facility is available to DESC, assuming adequate capacity is available after giving effect to uses by co-borrowers Dominion Energy, Virginia Power, Dominion Energy Gas and Questar Gas. The sub-limit for DESC is set within the facility limit but can be changed at the option of the co-borrowers multiple times per year. At June 30, 2020, the sub-limit for DESC was $500 million. If DESC has liquidity needs in excess of its sub-limit, the sub-limit may be changed or such needs may be satisfied through short-term borrowings from DESC's parent or from Dominion Energy. This credit facility matures in March 2023 and can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to $1.0 billion (or the sub-limit, whichever is less) of letters of credit.

In January 2020, DESC and GENCO applied to FERC for a two-year short-term borrowing authorization. In March 2020, FERC granted DESC authority through March 2021 to issue short-term indebtedness (pursuant to Section 204 of the Federal Power Act) in amounts not to exceed $2.2 billion outstanding with maturity dates of one year or less. In addition, in March 2020, FERC granted GENCO authority through March 2021 to issue short-term indebtedness not to exceed $200 million outstanding with maturity dates of one year or less.

DESC is obligated with respect to an aggregate of $68 million of industrial revenue bonds which are secured by letters of credit. These letters of credit expire, subject to renewal, in the fourth quarter of 2020.

DESC received FERC approval to enter into an inter-company credit agreement in April 2019 with Dominion Energy under which DESC may have short-term borrowings outstanding up to $900 million. At June 30, 2020 and December 31, 2019, DESC had borrowings outstanding under this credit agreement totaling $480 million and $355 million, respectively, which are recorded in affiliated and related party payables in DESC’s Consolidated Balance Sheets. For the three and six months ended June 30, 2020, DESC recorded interest charges of $3 million and $5 million, respectively. For the three and six months ended June 30, 2019, DESC recorded interest charges of less than $1 million.

DESC participated in a utility money pool with SCANA and another regulated subsidiary of SCANA through April 2019. Fuel Company and GENCO remain in the utility money pool. Money pool borrowings and investments bear interest at short-term market rates. For the three and six months ended June 30, 2020, DESC recorded interest income from money pool transactions of $1 million and $2 million, respectively, and for the same period DESC recorded interest expense from money pool transactions of $1 million and $2 million, respectively. For the three and six months ended June 30, 2019, DESC recorded interest income from money pool transactions of $3 million and $6 million, respectively, and for the same period DESC recorded interest expense from money pool transactions of $3 million and $6 million, respectively. Fuel Company had outstanding money pool borrowings due to an affiliate of $233 million and GENCO had investments due from an affiliate of $2 million at June 30, 2020. At December 31, 2019, Fuel Company had outstanding money pool borrowings due to an affiliate of $219 million and GENCO had investments due from an affiliate of $9 million. On its Consolidated Balance Sheets, DESC includes money pool borrowings within affiliated and related party payables and money pool investments within affiliated and related party receivables.

6. INCOME TAXES

DESC has recorded an estimate of excess deferred income tax amortization in 2020. The reversal of these excess deferred income taxes will impact the effective tax rate and rates charged to customers. See Note 3 to the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019 for more information.

DESC's effective tax rate for the six months ended June 30, 2020 is 21.5% compared to 8.1% for the six months ended June 30, 2019. Variances in the effective tax rate are primarily driven by the absence of charges resulting from the SCANA Combination. In connection with the SCANA Merger Approval Order, Dominion Energy committed to forgo, or limit, the recovery of certain income tax-related regulatory assets associated with the NND Project. DESC's 2019 effective tax rate reflects income tax expense of $198 million in satisfaction of this commitment. Also in the first six months of 2019, DESC's unrecognized tax benefits increased by $75 million and income tax expense increased by $63 million related to federal and state income tax positions taken in prior years.

In March 2020, the CARES Act was enacted which includes several significant business tax provisions that modify or temporarily suspend certain provisions of the 2017 Tax Reform Act. The CARES Act provisions are intended to improve cash flow and liquidity by, among other things, providing a temporary five-year carryback for certain net operating losses, accelerating the refund of previously generated corporate alternative minimum tax credits, and temporarily loosening the business interest limitation to 50% of adjusted taxable income for certain businesses. While DESC intends to utilize the income tax provisions of the CARES Act to accelerate the recognition of certain tax attributes, where applicable, they are not expected to provide a material benefit.

In July 2020, the U.S. Department of Treasury issued final regulations providing guidance about the limitation on the deduction for business interest expenses and issued proposed regulations on the application of these rules to certain pass-through entities and partners in those entities under the 2017 Tax Reform Act as modified by the CARES Act. DESC is currently assessing the impact of these regulations but expects interest expense to be deductible in 2020.

As of June 30, 2020, there have been no other material changes in DESC's unrecognized tax benefits. See Note 7 to the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019 for a discussion of these unrecognized tax benefits.

7. DERIVATIVE FINANCIAL INSTRUMENTS

DESC's accounting policies, objectives, and strategies for using derivative instruments are discussed in Note 2 in the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019. See Note 8 for further information about fair value measurements and associated valuation methods for derivatives.

Derivative assets and liabilities are presented gross on the Consolidated Balance Sheets. DESC's derivative contracts include over-the-counter transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter contracts contain contractual rights of setoff through master netting arrangements 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 are subject to collateral requirements. Types of collateral for over-the-counter 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.

All of DESC's derivative instruments contain credit-related contingent provisions. These provisions require DESC to provide collateral upon the occurrence of specific events, primarily a credit rating downgrade. If the credit-related contingent features underlying the instruments that are in a liability position and not fully collateralized with cash were fully triggered as of June 30, 2020, DESC would have been required to post $10 million of additional collateral to its counterparties. The collateral that would be required to be posted includes the impacts of any amounts already posted for derivatives per contractual terms. DESC had posted $3 million of collateral at June 30, 2020 related to derivatives with credit-related contingent provisions that are in a liability position and not fully collateralized with cash. The aggregate fair value of all derivative instruments with credit-related contingent provisions that are in a liability position and not fully collateralized with cash was $13 million at June 30, 2020. DESC's derivatives with credit related contingent provisions that were in a liability position were fully collateralized with cash at December 31,2019.

The table below presents derivative balances by type of financial instrument, if the gross amounts recognized in the Consolidated Balance Sheets were netted with derivative instruments and cash collateral received or paid:

	June 30, 2020				December 31, 2019			
	Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet			
(millions)	**Gross Liabilities Presented in the Consolidated Balance Sheet**	**Financial Instruments**	**Cash Collateral Paid**	**Net Amounts**	Gross Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts
Interest rate contracts:								
Over-the-counter	**$ 31**	**$ —**	**$ 21**	**$ 10**	$ 19	$ —	$ 19	$ —
Total derivatives	**$ 31**	**$ —**	**$ 21**	**$ 10**	$ 19	$ —	$ 19	$ —

Volumes

The following table presents the volume of derivative activity at June 30, 2020. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions.

	Current	**Noncurrent**
Interest rate(1)	**$ —**	**$ 71,400,000**

(1) Maturity is determined based on final settlement period.

Fair Value and Gains and Losses on Derivative Instruments

The following tables present the fair values of derivatives and where they are presented in the Consolidated Balance Sheets:

(millions)	Fair Value - Derivatives under Hedge Accounting	Fair Value - Derivatives not under Hedge Accounting	Total Fair Value
At June 30, 2020			
Current Liabilities			
Interest rate	**$ 1**	**$ 1**	**$ 2**
Total current derivative liabilities(1)	**1**	**1**	**2**
Noncurrent Liabilities			
Interest rate	**17**	**12**	**29**
Total noncurrent derivative liabilities(2)	**17**	**12**	**29**
Total derivative liabilities	**$ 18**	**$ 13**	**$ 31**
At December 31, 2019			
Current Liabilities			
Interest rate	$ 1	$ 1	$ 2
Total current derivative liabilities(1)	1	1	2
Noncurrent Liabilities			
Interest rate	11	6	17
Total noncurrent derivative liabilities(2)	11	6	17
Total derivative liabilities	$ 12	$ 7	$ 19

(1) Current derivative liabilities are presented in other current liabilities in the Consolidated Balance Sheets.
(2) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in the Consolidated Balance Sheets.

The following tables present the gains and losses on derivatives, as well as where the associated activity is presented in the Consolidated Balance Sheets and Statements of Comprehensive Income (Loss):

Derivatives in Cash Flow Hedging Relationships

(millions)	Gain (loss) Reclassified from Deferred Accounts into Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment(1)
Three Months Ended June 30, 2020		
Derivative type and location of gains (losses):		
Interest rate(2)	**$ —**	**$ 2**
Total	**$ —**	**$ 2**
Three Months Ended June 30, 2019		
Derivative type and location of gains (losses):		
Interest rate(2)	$ —	$ —
Total	$ —	$ —
Six Months Ended June 30, 2020		
Derivative type and location of gains (losses):		
Interest rate(2)	**$ —**	**$ (4)**
Total	**$ —**	**$ (4)**
Six Months Ended June 30, 2019		
Derivative type and location of gains (losses):		
Interest rate(2)	$ —	$ (2)
Total	$ —	$ (2)

(1) Represents net derivative activity deferred into and amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/ liabilities have no associated effect in the Consolidated Statements of Comprehensive Income (Loss).
(2) Amounts recorded in DESC's Consolidated Statements of Comprehensive Income (Loss) are classified in interest charges.

8. FAIR VALUE MEASUREMENTS, INCLUDING DERIVATIVES

DESC's fair value measurements are made in accordance with the policies discussed in Note 9 to the Consolidated Financial Statements in DESC's Annual Report on Form 10-K for the year ended December 31, 2019. See Note 7 in this report for further information about DESC's derivatives and hedge accounting activities.

Recurring Fair Value Measurements

The following table presents DESC's 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, 2020				
Liabilities				
Interest rate	**$ —**	**$ 31**	**$ —**	**$ 31**
Total liabilities	**$ —**	**$ 31**	**$ —**	**$ 31**
At December 31, 2019				
Liabilities				
Interest rate	$ —	$ 19	$ —	$ 19
Total liabilities	$ —	$ 19	$ —	$ 19

Fair Value of Financial Instruments

Substantially all of DESC's 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 financial instruments classified within current assets and current liabilities are representative of fair value because of the short-term nature of these instruments. For financial instruments that are not recorded at fair value, the carrying amounts and estimated fair values are as follows:

	June 30, 2020		December 31, 2019	
(millions)	**Carrying Amount**	**Estimated Fair Value(1)**	Carrying Amount	Estimated Fair Value(1)
Long-term debt(2)	**$ 3,359**	**$ 4,586**	$ 3,358	$ 4,262
Affiliated long-term debt	**230**	**230**	230	230

(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 issuances with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(2) Carrying amount includes current portions included in securities due within one year and amounts which represent the unamortized debt issuance costs and discount or premium.

9. ASSET RETIREMENT OBLIGATIONS

A liability for the present value of an ARO is recognized when incurred if the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional ARO is factored into the measurement of the liability when sufficient information exists, but such uncertainty is not a basis upon which to avoid liability recognition.

A reconciliation of the beginning and ending aggregate carrying amount of AROs is as follows:

(millions)	Amount
AROs at December 31, 2019	**$ 489**
Liabilities settled	**(2)**
Accretion expense	**11**
Revisions in estimated cash flows (1)	**89**
AROs at June 30, 2020	**$ 587**

(1) The increase in 2020 reflects revisions from the nuclear decommissioning cost study.

10. UTILITY PLANT AND NONUTILITY PROPERTY

Jointly Owned Utility Plant

DESC jointly owns and is the operator of Summer. Each joint owner provides its own financing and shares the direct expenses and generation output in proportion to its ownership. DESC's share of the direct expenses in Summer is 66.7%. In May 2019, DESC and Santee Cooper entered into an agreement in which DESC agreed to purchase 11.7% of Santee Cooper's ownership interest in the NND Project nuclear fuel, which will be used at Summer, for $8 million to true up the ownership percentage from the 55% ownership percentage that was applicable for the NND Project to the 66.7% ownership percentage applicable for Summer.

11. EMPLOYEE BENEFIT PLANS

Components of net periodic benefit cost recorded by DESC were as follows:

(millions)	Pension Benefits		Other Postretirement Benefits	
Three Months Ended June 30,	**2020**	2019	**2020**	2019
Service cost	**$ 4**	$ 3	**$ 1**	$ —
Interest cost	**6**	7	**2**	2
Expected return on assets	**(11)**	(10)	**—**	—
Amortization of actuarial losses	**1**	3	**—**	—
Curtailment(1)	**—**	6	**—**	3
Net periodic benefit cost	**$ —**	$ 9	**$ 3**	$ 5
Six Months Ended June 30,				
Service cost	**$ 7**	$ 7	**$ 2**	$ 1
Interest cost	**12**	15	**4**	4
Expected return on assets	**(22)**	(20)	**—**	—
Amortization of actuarial losses	**3**	7	**—**	—
Curtailment(1)	**—**	6	**—**	3
Net periodic benefit cost	**$ —**	$ 15	**$ 6**	$ 8

(1) Related to a voluntary retirement program.

No significant contribution to the pension trust is expected for the remainder of 2020 based on current market conditions and assumptions, nor is a limitation on benefit payments expected to apply. DESC recovers current pension costs through either a rate rider that may be adjusted annually for retail electric operations or through cost of service rates for gas operations.

Voluntary Retirement Program

In March 2019, Dominion Energy announced a voluntary retirement program to employees, including employees of DESC, that meet certain age and service requirements. The voluntary retirement program will not compromise safety or DESC's ability to comply with applicable laws and regulations. In the second quarter of 2019, upon the determinations made concerning the number of employees that elected to participate in the program, DESC recorded a charge of $62 million ($47 million after-tax), of which $50 million was included within other operations and maintenance expense, $3 million within other taxes and $9 million within other income (expense), net.

12. COMMITMENTS AND CONTINGENCIES

As a result of issues generated in the ordinary course of business, DESC is involved in legal proceedings before various courts and is periodically subject to governmental examinations (including by regulatory authorities), inquiries and investigations. Certain legal proceedings and governmental examinations involve demands for unspecified amounts of damages, are in an initial procedural phase, involve uncertainty as to the outcome of pending appeals or motions, or involve significant factual issues that need to be resolved, such that it is not possible for DESC to estimate a range of possible loss. For such matters that DESC cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the litigation or investigative processes such that DESC is able to estimate a range of possible loss. For legal proceedings and governmental examinations that DESC is able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any accrued liability is recorded on a gross basis with a receivable also recorded for any probable insurance recoveries. Estimated ranges of loss are inclusive of legal fees and net of any anticipated insurance recoveries. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent DESC’s maximum possible loss exposure. The circumstances of such legal proceedings and governmental examinations will change from time to time and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on DESC’s financial position, liquidity or results of operations.

Environmental Matters

DESC is subject to costs resulting from a number of federal, state and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations. They can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations.

From a regulatory perspective, DESC and GENCO continually monitor and evaluate their current and projected emission levels and strive to comply with all state and federal regulations regarding those emissions. DESC and GENCO participate in the SO_2 and NO_X emission allowance programs with respect to coal plant emissions and also have constructed additional pollution control equipment at their coal-fired electric generating plants. These actions are expected to address many of the rules and regulations discussed herein.

Air

CAA

The CAA, as amended, is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation's air quality. At a minimum, states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of DESC’s facilities are subject to the CAA’s permitting and other requirements.

MATS

In February 2019, the EPA published a proposed rule to reverse its previous finding that it is appropriate and necessary to regulate hazardous air pollutant emissions from coal- and oil-fired electric generating units. In May 2020, the EPA’s final rule became effective. The final rule is consistent with the EPA’s February 2019 proposal, and determines that it is not appropriate and necessary to regulate mercury and hazardous air pollutant emissions from coal- and oil-fired electric generating units. The final rule also states that the MATS rule remains in place and the emissions standards for affected coal- and oil-fired electric generating units will not change. DESC is complying with the applicable requirements of the rule and does not expect any impacts to its operations.

Ozone Standards

The EPA published final non-attainment designations for the October 2015 ozone standard in June 2018. States have until August 2021 to develop plans to address the new standard. Until the states have developed implementation plans for the standard, DESC is unable to predict whether or to what extent the new rules will ultimately require additional controls. The expenditures required to implement additional controls could have a material impact on DESC’s results of operations and cash flows.

ACE Rule

In July 2019, the EPA published the final rule informally referred to as the ACE Rule, as a replacement for the Clean Power Plan. The ACE Rule applies to existing coal-fired power plants. The final rule includes unit-specific performance standards based on the degree of emission reduction levels achievable from unit efficiency improvements to be determined by the permitting agency. The ACE Rule requires states to develop plans by July 2022 to implement these performance standards. These state plans must be approved by the EPA by January 2024. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory framework in South Carolina provides rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

Carbon Regulations

In August 2016, the EPA issued a draft rule proposing to reaffirm that a source's obligation to obtain a PSD or Title V permit for GHGs is triggered only if such permitting requirements are first triggered by non-GHG, or conventional, pollutants that are regulated by the New Source Review program, and to set a significant emissions rate at 75,000 tons per year of CO_2 equivalent emissions under which a source would not be required to apply BACT for its GHG emissions. Until the EPA ultimately takes final action on this rulemaking, DESC cannot predict the impact to its results of operations, financial condition and/or cash flows.

In December 2018, the EPA proposed revised Standards of Performance for Greenhouse Gas Emissions from New, Modified, and Reconstructed Stationary Sources. The proposed rule would amend the previous determination that the best system of emission reduction for newly constructed coal-fired steam generating units is no longer partial carbon capture and storage. Instead, the proposed revised best system of emission reduction for this source category is the most efficient demonstrated steam cycle (e.g., supercritical steam conditions for large units and subcritical steam conditions for small units) in combination with the best operating practices.

Oil and Gas NSPS

In August 2012, the EPA issued an NSPS impacting new and modified facilities in the natural gas production and gathering sectors and made revisions to the NSPS for natural gas processing and transmission facilities. These rules establish equipment performance specifications and emissions standards for control of VOC emissions for natural gas production wells, tanks, pneumatic controllers and compressors in the upstream sector. In June 2016, the EPA issued another NSPS regulation, for the oil and natural gas sector, to regulate methane and VOC emissions from new and modified facilities in transmission and storage, gathering and boosting, production and processing facilities. All projects which commenced construction after September 2015 are required to comply with this regulation. In October 2018, the EPA published a proposed rule reconsidering and amending portions of the 2016 rule, including but not limited to, the fugitive emissions requirements at well sites and compressor stations. The amended portions of the 2016 rule were effective immediately upon publication. Until the proposed rule regarding reconsideration is final, DESC is implementing the 2016 regulation. DESC is still evaluating whether potential impacts on results of operations, financial condition and/or cash flows related to this matter will be material.

Water

The CWA, as amended, is a comprehensive program requiring a broad range of regulatory tools including a permit program to authorize and regulate discharges to surface waters with strong enforcement mechanisms. DESC must comply with applicable aspects of the CWA programs at its operating facilities.

Regulation 316(b)

In October 2014, the final regulations under Section 316(b) of the CWA that govern existing facilities and new units at existing facilities that employ a cooling water intake structure and that have flow levels exceeding a minimum threshold became effective. The rule establishes a national standard for impingement based on seven compliance options, but forgoes the creation of a single technology standard for entrainment. Instead, the EPA has delegated entrainment technology decisions to state regulators. State regulators are to make case-by-case entrainment technology determinations after an examination of five mandatory facility-specific factors, including a social cost-benefit test, and six optional facility-specific factors. The rule governs all electric generating stations with water withdrawals above two MGD, with a heightened entrainment analysis for those facilities over 125 MGD. DESC has five facilities that are subject to the final regulations. DESC is also working with the EPA and state regulatory agencies to assess the applicability of Section 316(b) to five hydroelectric facilities. DESC anticipates that it may have to install impingement control technologies at certain of these stations that have once-through cooling systems. DESC is currently evaluating the need or potential for entrainment controls under the final rule as these decisions will be made on a case-by-case basis after a thorough review of detailed biological, technology, cost and benefit studies. DESC is conducting studies and implementing plans as required by the rule to determine appropriate intake structure modifications at certain facilities to ensure compliance with this rule. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory framework in South Carolina provides rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

Effluent Limitations Guidelines

In September 2015, the EPA released a final rule to revise the ELG Rule. The final rule establishes updated standards for wastewater discharges that apply primarily at coal and oil steam generating stations. Affected facilities are required to convert from wet to dry or closed cycle coal ash management, improve existing wastewater treatment systems and/or install new wastewater treatment technologies in order to meet the new discharge limits. In April 2017, the EPA granted two separate petitions for reconsideration of the final ELG Rule and stayed future compliance dates in the rule. Also in April 2017, the U.S. Court of Appeals for the Fifth Circuit granted the EPA's request for a stay of the pending consolidated litigation challenging the rule while the EPA addresses the petitions for reconsideration. In September 2017, the EPA signed a rule to postpone the earliest compliance dates for certain waste streams regulations in the final ELG Rule from November 2018 to November 2020; however, the latest date for compliance for these regulations remains December 2023. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, as DESC expects that wastewater treatment technology retrofits will be required at Williams and Wateree generating stations, the existing regulatory framework in South Carolina provides rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

In December 2019, the EPA released proposed revisions to the ELG Rule that, if adopted, could extend the deadlines for compliance with certain standards at several facilities. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina provide rate recovery mechanisms that could substantially mitigate any such impacts for the regulated electric utilities.

Capacity Use Area

In November 2019, a new CUA was established in the counties surrounding the Cope Generating Station (Western Capacity Use Area) under the South Carolina Groundwater Use and Reporting Regulation. Under the regulation any groundwater well in a CUA that withdraws above three million gallons per month must be permitted. The Cope Generating Station is located within this new Western Capacity Use Area. Cope has been using four deep groundwater wells for cooling water and other house loads since 1996. Prior to designation of the new Western Capacity Use Area, the wells at Cope Station were only required to be registered not permitted. As a result of this designation, Cope will need to restore the surface water equipment to operable status to reduce reliance on groundwater wells. This includes completion of 316(b) requirements, (including SCDHEC BACT determination and modification of the station national pollutant discharge elimination system permit) and extensive inspection, repair and/or replacement of the associated surface water withdrawal equipment which has been idle since 1996. While the impacts of this rule change are material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory framework in South Carolina provides rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

Waste Management and Remediation

The operations of DESC are subject to a variety of state and federal laws and regulations governing the management and disposal of solid and hazardous waste, and release of hazardous substances associated with current and/or historical operations. The CERCLA, as amended, and similar state laws, may impose joint, several and strict liability for cleanup on potentially responsible parties who owned, operated or arranged for disposal at facilities affected by a release of hazardous substances. In addition, many states have created programs to incentivize voluntary remediation of sites where historical releases of hazardous substances are identified and property owners or responsible parties decide to initiate cleanups.

From time to time, DESC may be identified as a potentially responsible party in connection with the alleged release of hazardous substances or wastes at a site. Under applicable federal and state laws, DESC could be responsible for costs associated with the investigation or remediation of impacted sites, or subject to contribution claims by other responsible parties for their costs incurred at such sites. DESC also may identify, evaluate and remediate other potentially impacted sites under voluntary state programs. Remediation costs may be subject to reimbursement under DESC's insurance policies, rate recovery mechanisms, or both. Except as described below, DESC does not believe these matters will have a material effect on results of operations, financial condition and/or cash flows.

DESC has four decommissioned MGP sites in South Carolina that are in various states of investigation, remediation and monitoring under work plans approved by, or under review by, the SCDHEC or the EPA. DESC anticipates that activities at these sites will continue through 2025 at an estimated cost of $10 million. In September 2018, DESC submitted an updated remediation work plan for one site to SCDHEC, which if approved, would increase costs by approximately $11 million. DESC expects to recover costs arising from the remediation work at all four sites through rate recovery mechanisms and as of June 30, 2020, deferred amounts, net of amounts previously recovered through rates and insurance settlements, totaled $22 million and are included in regulatory assets.

Ash Pond and Landfill Closure Costs

In April 2015, the EPA enacted a final rule regulating CCR landfills, existing ash ponds that still receive and manage CCRs, and inactive ash ponds that do not receive, but still store, CCRs. DESC currently has inactive and existing CCR ponds and CCR landfills subject to the final rule at 3 different facilities. This rule created a legal obligation for DESC to retrofit or close all of its inactive and existing ash ponds over a certain period of time, as well as perform required monitoring, corrective action, and post-closure care activities as necessary.

In December 2016, legislation was enacted that creates a framework for EPA- approved state CCR permit programs. In August 2017, the EPA issued interim guidance outlining the framework for state CCR program approval. The EPA has enforcement authority until state programs are approved. The EPA and states with approved programs both will have authority to enforce CCR requirements under their respective rules and programs. In September 2017, the EPA agreed to reconsider portions of the CCR rule in response to two petitions for reconsideration. In March 2018, the EPA proposed certain changes to the CCR rule related to issues remanded as part of the pending litigation and other issues the EPA is reconsidering. Several of the proposed changes would allow states with approved CCR permit programs additional flexibility in implementing their programs. In July 2018, the EPA promulgated the first phase of changes to the CCR rule. Until all phases of the CCR rule are promulgated, DESC cannot forecast potential incremental impacts or costs related to existing coal ash sites in connection with future implementation of the 2016 CCR legislation and reconsideration of the CCR rule. In August 2018, the U.S. Court of Appeals for the D.C. Circuit issued its decision in the pending challenges of the CCR rule, vacating and remanding to the EPA three provisions of the rule. Until regulatory action is taken to incorporate the U.S. Court of Appeals for the D.C. Circuit's decision, DESC is unable to make an estimate of the potential financial statement impacts associated with any future changes to the CCR rule in connection with the court's remand.

Abandoned NND Project

A description of events and circumstances leading up to DESC's abandonment of the NND Project and subsequent regulatory, legislative, legal and investigative proceedings, as well as related impairments of NND Project and other costs are described in Note 12 in DESC's Annual Report on Form 10-K for the year ended December 31, 2019.

SCANA Merger Approval Order

In accordance with the terms of the South Carolina Commission's SCANA Merger Approval Order, DESC adopted the Plan-B Levelized Customer Benefits Plan, effective February 2019, whereby the average bill for a DESC residential electric customer approximates that which resulted from the legislatively-mandated temporary reduction that had been put into effect by the South Carolina Commission in August 2018. DESC also recorded a significant impairment charge in the fourth quarter of 2018, which charge resulted from its conclusion that NND Project capital costs exceeding the amount established in the SCANA Merger Approval Order were probable of loss, regardless of whether the SCANA Combination was completed. In addition, in the first quarter of 2019, DESC recorded the following charges and liabilities which arose from or are related to provisions in the SCANA Merger Approval Order.

- A charge of $105 million ($79 million after-tax) related to certain assets that had been constructed in connection with the NND Project for which DESC committed to forgo recovery.
- A regulatory liability for refunds and restitution of amounts previously collected from retail electric customers of $1.0 billion ($756 million after-tax), recorded as a reduction in operating revenue, which will be credited to customers over an estimated 11 years. In addition, a previously existing regulatory liability of $1.0 billion will be credited to customers over 20 years, which reflects amounts to be refunded to customers related to the monetization of guaranty settlement described in Note 2.
- A regulatory liability for refunds to natural gas customers totaling $2 million ($2 million after-tax).
- A tax charge of $198 million related to $264 million of regulatory assets for which DESC committed to forgo recovery.

Further, except for rate adjustments for fuel and environmental costs, DSM costs, and other rates routinely adjusted on an annual or biannual basis, DESC will freeze retail electric base rates at current levels until January 1, 2021. As discussed in Note 2, in April 2020, the South Carolina Commission issued an order vacating the portion of the SCANA Merger Approval Order requiring that new retail electric rates be implemented by January 1, 2021.

The South Carolina Commission order also approved the removal of DESC's investment in certain transmission assets that have not been abandoned from BLRA capital costs. As of June 30, 2020, such investment in these assets included $345 million within utility plant, net and $49 million within regulatory assets, which amount represents certain deferred operating costs. The South Carolina Commission approved deferral of these operating costs related to the investment until recovery of the transmission capital costs and associated deferred operating costs is addressed in a future rate proceeding. DESC believes these transmission capital and deferred operating costs are probable of recovery; however, if the South Carolina Commission were to disallow recovery of or a reasonable return on all or a portion of them, an impairment charge equal to the disallowed costs may be required.

Claims and Litigation

The following describes certain legal proceedings involving DESC relating to events occurring before closing of the SCANA Combination. No reference to, or disclosure of, any proceeding, item or matter described below shall be construed as an admission or indication that such proceeding, item or matter is material. For certain of these matters, and unless otherwise noted therein, DESC is unable to estimate a reasonable range of possible loss and the related financial statement impacts, but for any such matter there could be a material impact to its results of operations, financial condition and/or cash flows. For the matters for which DESC is able to reasonably estimate a probable loss, the Consolidated Balance Sheets at June 30, 2020 and December 31, 2019 include reserves of $473 million and $492 million, respectively, and insurance receivables of $8 million and $6 million, respectively, included within other receivables. During the three and six months ended June 30, 2019, the Consolidated Statements of Comprehensive Income (Loss) includes charges of $100 million ($75 million after-tax) and $266 million ($200 million after-tax), respectively, included within impairment of assets and other charges.

Ratepayer Class Actions

In May 2018, a consolidated complaint against DESC, SCANA and the State of South Carolina was filed in the State Court of Common Pleas in Hampton County, South Carolina (the DESC Ratepayer Case). In September 2018, the court certified this case as a class action. The plaintiffs allege, among other things, that DESC was negligent and unjustly enriched, breached alleged fiduciary and contractual duties and committed fraud and misrepresentation in failing to properly manage the NND Project, and that DESC committed unfair trade practices and violated state anti-trust laws. The plaintiffs sought a declaratory judgment that DESC may not charge its customers for any past or continuing costs of the NND Project, sought to have SCANA and DESC's assets frozen and all monies recovered from Toshiba and other sources be placed in a constructive trust for the benefit of ratepayers and sought specific performance of the alleged implied contract to construct the NND Project.

In December 2018, the State Court of Common Pleas in Hampton County entered an order granting preliminary approval of a class action settlement and a stay of pre-trial proceedings in the DESC Ratepayer Case. The settlement agreement, contingent upon the closing of the SCANA Combination, provided that SCANA and DESC would establish an escrow account and proceeds from the escrow account would be distributed to the class members, after payment of certain taxes, attorneys' fees and other expenses and administrative costs. The escrow account would include (1) up to $2.0 billion, net of a credit of up to $2.0 billion in future electric bill relief, which would inure to the benefit of the escrow account in favor of class members over a period of time established by the South Carolina Commission in its order related to matters before the South Carolina Commission related to the NND Project, (2) a cash payment of $115 million and (3) the transfer of certain DESC-owned real estate or sales proceeds from the sale of such properties, which counsel for the DESC Ratepayer Class estimate to have an aggregate value between $60 million and $85 million. At the closing of the SCANA Combination, SCANA and DESC funded the cash payment portion of the escrow account. The court held a fairness hearing on the settlement in May 2019. In June 2019, the court entered an order granting final approval of the settlement, which order became effective July 2019. In July 2019, DESC transferred $117 million representing the cash payment, plus accrued interest, to the plaintiffs. In addition, property with a net recorded value of $42 million is in the process of being transferred to the plaintiffs in coordination with the court-appointed real estate trustee to satisfy the settlement agreement, of which $21 million had been transferred as of June 30, 2020.

In September 2017, a purported class action was filed by Santee Cooper ratepayers against Santee Cooper, DESC, Palmetto Electric Cooperative, Inc. and Central Electric Power Cooperative, Inc. in the State Court of Common Pleas in Hampton County, South Carolina (the Santee Cooper Ratepayer Case). The allegations are substantially similar to those in the DESC Ratepayer Case. The plaintiffs seek a declaratory judgment that the defendants may not charge the purported class for reimbursement for past or future costs of the NND Project. In March 2018, the plaintiffs filed an amended complaint including as additional named defendants certain then current and former directors of Santee Cooper and SCANA. In June 2018, Santee Cooper filed a Notice of Petition for Original Jurisdiction with the Supreme Court of South Carolina which was denied. In December 2018, Santee Cooper filed its answer to the plaintiffs' fourth amended complaint and filed cross claims against DESC. In October 2019, Santee Cooper voluntarily consented to stay its cross claims against DESC pending the outcome of the trial of the underlying case. In November 2019, DESC removed the case to the U.S. District Court for the District of South Carolina. In December 2019, the plaintiffs and Santee Cooper filed a motion to remand the case to state court. In January 2020, the case was remanded to state court. In March 2020, the parties executed a settlement agreement relating to this matter as well as the Luquire Case and the Glibowski Case described below. The settlement agreement provides that Dominion Energy and Santee Cooper will establish a fund for the benefit of class members in the amount of $520 million, of which DESC's portion is $320 million of shares of Dominion Energy common stock. Also in March 2020, the court granted preliminary approval for the settlement agreement. In July 2020, the court issued a final approval of the settlement agreement. The settlement will become effective upon the expiration of a 30-day appellate period. This case is pending.

In July 2019, a similar purported class action was filed by certain Santee Cooper ratepayers against DESC, SCANA, Dominion Energy and former directors and officers of SCANA in the State Court of Common Pleas in Orangeburg, South Carolina (the Luquire Case). In August 2019, DESC, SCANA and Dominion Energy were voluntarily dismissed from the case. The claims are similar to the Santee Cooper Ratepayer Case. In March 2020, the parties executed a settlement agreement as described above relating to this matter as well as the Santee Cooper Ratepayer Case and the Glibowski Case. This case will be dismissed upon the effective date of the Santee Cooper Ratepayer Case settlement. This case is pending.

RICO Class Action

In January 2018, a purported class action was filed, and subsequently amended, against SCANA, DESC and certain former executive officers in the U.S. District Court for the District of South Carolina (the Glibowski Case). The plaintiff alleges, among other things, that SCANA, DESC and the individual defendants participated in an unlawful racketeering enterprise in violation of RICO and conspired to violate RICO by fraudulently inflating utility bills to generate unlawful proceeds. The DESC Ratepayer Class Action settlement described previously contemplates dismissal of claims by DESC ratepayers in this case against DESC, SCANA and their officers. In August 2019, the individual defendants filed motions to dismiss. In March 2020, the parties executed a settlement agreement as described above relating to this matter as well as the Santee Cooper Ratepayer Case and the Luquire Case. This case will be dismissed upon the effective date of the Santee Cooper Ratepayer Case settlement. This case is pending.

SCANA Shareholder Litigation

In February 2018, a purported class action was filed against Dominion Energy and certain former directors of SCANA and DESC in the State Court of Common Pleas in Richland County, South Carolina (the Metzler Lawsuit). The plaintiff alleges, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that would unfairly deprive plaintiffs of the true value of their SCANA stock, and that Dominion Energy aided and abetted these actions. Among other remedies, the plaintiff seeks to enjoin and/or rescind the merger. In February 2018, Dominion Energy removed the case to the U.S. District Court for the District of South Carolina and filed a Motion to Dismiss in March 2018. In August 2018, the case was remanded back to the State Court of Common Pleas in Richland County. Dominion Energy appealed the decision to remand to the U.S. Court of Appeals for the Fourth Circuit, where the appeal was consolidated with another lawsuit regarding the SCANA Merger Agreement to which DESC is not a party. In June 2019, the U.S. Court of Appeals for the Fourth Circuit reversed the order remanding the case to state court. In September 2019, the U.S. District Court for the District of South Carolina granted the plaintiffs' motion to consolidate the Metzler Lawsuit with another lawsuit regarding the SCANA Merger Agreement to which DESC is not a party. In October 2019, the plaintiffs filed an amended complaint against certain former directors and executive officers of SCANA and DESC, which stated substantially similar allegations to those in the initial lawsuits as well as an inseparable fraud claim. In November 2019, the defendants filed a motion to dismiss. In April 2020, the U.S. District Court for the District of South Carolina denied the motion to dismiss. In May 2020, SCANA filed a motion to intervene. This case is pending.

Employment Class Actions and Indemnification

In August 2017, a case was filed in the U.S. District Court for the District of South Carolina on behalf of persons who were formerly employed at the NND Project. In July 2018, the court certified this case as a class action. In February 2019, certain of these plaintiffs filed an additional case, which case has been dismissed and the plaintiffs have joined the case filed in August 2017. The plaintiffs allege, among other things, that SCANA, DESC, Fluor Corporation and Fluor Enterprises, Inc. violated the Worker Adjustment and Retraining Notification Act in connection with the decision to stop construction at the NND Project. The plaintiffs allege that the defendants failed to provide adequate advance written notice of their terminations of employment and are seeking damages, which are estimated to be as much as $100 million for 100% of the NND Project.

In September 2018, a case was filed in the State Court of Common Pleas in Fairfield County, South Carolina by Fluor Enterprises, Inc. and Fluor Daniel Maintenance Services, Inc. against DESC and Santee Cooper. The plaintiffs make claims for indemnification, breach of contract and promissory estoppel arising from, among other things, the defendants' alleged failure and refusal to defend and indemnify the Fluor defendants in the aforementioned case. These cases are pending.

FILOT Litigation and Related Matters

In November 2017, Fairfield County filed a complaint and a motion for temporary injunction against DESC in the State Court of Common Pleas in Fairfield County, South Carolina, making allegations of breach of contract, fraud, negligent misrepresentation, breach of fiduciary duty, breach of implied duty of good faith and fair dealing and unfair trade practices related to DESC's termination of the FILOT agreement between DESC and Fairfield County related to the NND Project. The plaintiff sought a temporary and permanent injunction to prevent DESC from terminating the FILOT agreement. The plaintiff withdrew the motion for temporary injunction in December 2017. This case is pending.

Governmental Proceedings and Investigations

In June 2018, DESC received a notice of proposed assessment of approximately $410 million, excluding interest, from the SCDOR following its audit of DESC's sales and use tax returns for the periods September 1, 2008 through December 31, 2017. The proposed assessment, which includes 100% of the NND Project, is based on the SCDOR's position that DESC's sales and use tax exemption for the NND Project does not apply because the facility will not become operational. DESC has protested the proposed assessment, which remains pending.

In September and October 2017, SCANA was served with subpoenas issued by the U.S. Attorney's Office for the District of South Carolina and the Staff of the SEC's Division of Enforcement seeking documents related to the NND Project. In February 2020, the SEC filed a complaint against SCANA, two of its former executive officers and DESC in the U.S. District Court for the District of South Carolina alleging that the defendants violated federal securities laws by making false and misleading statements about the NND Project. In April 2020, SCANA and DESC reached an agreement in principle with the Staff of the SEC's Division of Enforcement to settle, without admitting or denying the allegations in the complaint. The Staff of the SEC's Division of Enforcement has not yet presented the proposed settlement to the SEC. The agreement in principle would, among other things, require SCANA to pay a civil monetary penalty totaling $25 million, and SCANA and DESC to pay disgorgement and prejudgment interest totaling $112.5 million, which disgorgement and prejudgment interest amount will be deemed satisfied by the settlements in the SCANA Securities Class Action and the DESC Ratepayer Case. The proposed settlement is contingent on the review and approval of final documentation by SCANA, DESC and the Staff of the SEC's Division of Enforcement and is subject to approval by the SEC and the U.S. District Court for the District of South Carolina. In June 2020, the U.S. Attorney's Office for the District of South Carolina filed a motion to intervene and stay the SEC civil action, which the court granted. The stay is currently in effect but does not preclude the SEC's Division of Enforcement from presenting the proposed settlement with SCANA and DESC to the SEC. This matter is pending.

In addition, the South Carolina Law Enforcement Division is conducting a criminal investigation into the handling of the NND Project by SCANA and DESC. Dominion Energy is cooperating fully with the investigations by the U.S. Attorney's Office and the South Carolina Law Enforcement Division, including responding to additional subpoenas and document requests. Dominion Energy has also entered into a cooperation agreement with the U.S. Attorney's Office and the South Carolina Attorney General's Office. The cooperation agreement provides that in consideration of its full cooperation with these investigations to the satisfaction of both agencies, neither such agency will criminally prosecute or bring any civil action against Dominion Energy or any of its current, previous, or future direct or indirect subsidiaries related to the NND Project. A former executive officer of SCANA entered a plea agreement with the U.S. Attorney's Office and the South Carolina Attorney General's Office in June 2020 and entered a guilty plea with the U.S. District Court for the District of South Carolina in July 2020. These matters are pending.

Other Litigation

In December 2018, arbitration proceedings commenced between DESC and Cameco Corporation related to a supply agreement signed in May 2008. This agreement provides the terms and conditions under which DESC agreed to purchase uranium hexafluoride from Cameco Corporation over a period from 2010 to 2020. Cameco Corporation alleges that DESC violated this agreement by failing to purchase the stated quantities of uranium hexafluoride for the 2017 and 2018 delivery years. DESC denies that it is in breach of the agreement and believes that it has reduced its purchase quantity within the terms of the agreement. This matter is pending.

In September 2019, a South Carolina state court jury awarded a judgment to the estate of Jose Larios in a wrongful death suit filed in June 2017 against DESC, of which DESC was apportioned $19 million. DESC holds general liability insurance coverage which is expected to provide payment for substantially all DESC's liability in this matter. In October 2019, DESC filed a motion requesting a reduction in the judgment or, in the alternative, a new trial. In November 2019, DESC's motion for a new trial was granted, setting aside the entire verdict amount. This matter is pending.

Contractor Bankruptcy Proceedings

Westinghouse's Reorganization Plan became effective August 1, 2018. Initially, Westinghouse had projected that its Reorganization Plan would pay in full or nearly in full its pre-petition trade creditors, including several of the Westinghouse Subcontractors which have alleged non-payment by the Consortium for amounts owed for work performed on the NND Project and have filed liens on related property in Fairfield County, South Carolina. DESC is contesting approximately $285 million of such filed liens. Most of these asserted liens are "pre-petition" claims that relate to work performed by Westinghouse Subcontractors before the Westinghouse bankruptcy, although some of them are "post-petition" claims arising from work performed after the Westinghouse bankruptcy. It is possible that the Reorganization Plan will not provide for payment in full or nearly in full to its pre-petition trade creditors. The shortfall could be significant. In addition, payments under the Toshiba Settlement are subject to reduction if Westinghouse pays Westinghouse Subcontractors holding pre-petition liens directly. Under these circumstances, DESC and Santee Cooper, each in its pro rata share, would be required to make Citibank, N.A., which purchased the scheduled payments under the Toshiba Settlement, whole for reductions related to valid subcontractor and vendor pre-petition liens up to $60 million ($33 million for DESC's 55% share).

DESC and Santee Cooper were responsible for amounts owed to Westinghouse for valid work performed by Westinghouse Subcontractors on the NND Project after the Westinghouse bankruptcy filing (i.e., post-petition) until termination of the IAA (the IAA Period). In the Westinghouse bankruptcy proceeding, deadlines were established for creditors of Westinghouse to assert the amounts owed to such creditors prior to the Westinghouse bankruptcy filing and during the IAA Period. Many of the Westinghouse Subcontractors have filed such claims. In December 2019, DESC and Santee Cooper entered into a confidential settlement agreement with W Wind Down Co LLC resolving claims relating to the IAA.

Further, some Westinghouse Subcontractors who have made claims against Westinghouse in the bankruptcy proceeding also filed against DESC and Santee Cooper in South Carolina state court for damages. The Westinghouse Subcontractor claims in South Carolina state court include common law claims for pre-petition work, IAA Period work, and work after the termination of the IAA. Many of these claimants have also asserted construction liens against the NND Project site. While DESC cannot be assured that it will not have any exposure on account of unpaid Westinghouse Subcontractor claims, which claims DESC is presently disputing, DESC believes it is unlikely that it will be required to make payments on account of such claims.

Nuclear Insurance

Under Price-Anderson, DESC (for itself and on behalf of Santee-Cooper) maintains agreements of indemnity with the U.S. Nuclear Regulatory Commission that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at Summer. Price-Anderson provides funds up to $13.8 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $450 million by American Nuclear Insurers with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of commercial nuclear reactors. Each reactor licensee is liable for up to $138 million per reactor owned for each nuclear incident occurring at any reactor in the U.S., provided that not more than $21 million of the liability per reactor would be assessed per year. DESC’s maximum assessment, based on its two-thirds ownership of Summer, would be $92 million per incident, but not more than $14 million per year. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years.

DESC currently maintains insurance policies (for itself and on behalf of Santee Cooper) with NEIL. The policies provide coverage to Summer for property damage and outage costs up to $2.75 billion resulting from an event of nuclear origin and up to $2.33 billion resulting from an event of a non-nuclear origin. The NEIL policies in aggregate, are subject to a maximum loss of $2.75 billion for any single loss occurrence. The NEIL policies permit retrospective assessments under certain conditions to cover insurer’s losses. Based on the current annual premium, DESC’s portion of the retrospective premium assessment would not exceed $24 million. DESC currently maintains an excess property insurance policy (for itself and on behalf of Santee Cooper) with EMANI. The policy provides coverage to Summer for property damage and outage costs up to $415 million resulting from an event of a non-nuclear origin. The EMANI policy permits retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, DESC's portion of the retrospective premium assessment would not exceed $2 million.

To the extent that insurable claims for property damage, decontamination, repair and replacement and other costs and expenses arising from an incident at Summer exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that DESC's rates would not recover the cost of any purchased replacement power, DESC will retain the risk of loss as a self-insurer. DESC has no reason to anticipate a serious nuclear or other incident. However, if such an incident were to occur, it likely would have a material impact on DESC's results of operations, cash flows and financial position.

13. OPERATING SEGMENTS

In December 2019, DESC realigned its segments which resulted in the formation of a single primary operating segment. The historical information presented herein has been recast to reflect the current segment presentation.

The Corporate and Other segment includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment’s performance or in allocating resources.

In the six months ended June 30, 2020, DESC reported after-tax net expense of $7 million for specific items in the Corporate and Other segment, all of which was attributable to its operating segment. In the six months ended June 30, 2019, DESC reported after-tax net expenses of $1.3 billion for specific items in the Corporate and Other segment, with $1.4 billion attributable to its operating segment.

The net expense for specific items attributable to DESC’s operating segment in 2019 primarily related to the impact of the following items:

- A $1.0 billion ($756 million after-tax) charge for refunds of amounts previously collected from retail electric customers for the NND Project;

- A $266 million ($200 million after-tax) of charges associated with litigation;
- A $198 million tax charge for $264 million of income tax-related regulatory assets for which DESC committed to forgo recovery;
- A $114 million ($86 million after-tax) charge for utility plant primarily for which DESC committed to forgo recovery;
- $72 million ($60 million after-tax) of merger and integration-related costs associated with the SCANA Combination, including a $62 million ($47 million after-tax) charge related to a voluntary retirement program; and
- $63 million of tax charges for changes in unrecognized tax benefits.

(millions)	External Revenue	Comprehensive Income (Loss) Available (Attributable) to Common Shareholder
Three Months Ended June 30, 2020		
Dominion Energy South Carolina	**$ 624**	**$ 77**
Corporate and Other	**—**	**(8)**
Consolidated Total	**$ 624**	**$ 69**
Three Months Ended June 30, 2019		
Dominion Energy South Carolina	$ 698	$ 88
Corporate and Other	—	(166)
Consolidated Total	$ 698	$ (78)
Six Months Ended June 30, 2020		
Dominion Energy South Carolina	**$ 1,296**	**$ 166**
Corporate and Other	**—**	**(9)**
Consolidated Total	**$ 1,296**	**$ 157**
Six Months Ended June 30, 2019		
Dominion Energy South Carolina	$ 1,372	$ 152
Corporate and Other	(1,009)	(1,339)
Consolidated Total	$ 363	$ (1,187)

14. AFFILIATED AND RELATED PARTY TRANSACTIONS

DESC owns 40% of Canadys Refined Coal, LLC, which is involved in the manufacturing and sale of refined coal to reduce emissions at certain of DESC's generating facilities. DESC accounts for this investment using the equity method. Purchases and sales of the related coal are recorded as other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss).

DESC purchases natural gas and related pipeline capacity from SEMI to serve its retail gas customers and to satisfy certain electric generation requirements. These purchases are included within gas purchased for resale or fuel used in electric generation, as applicable in the Consolidated Statements of Comprehensive Income (Loss).

DESS, on behalf of itself and its parent company, provides the following services to DESC, which are rendered at direct or allocated cost: information systems, telecommunications, customer support, marketing and sales, human resources, corporate compliance, purchasing, financial, risk management, public affairs, legal, investor relations, gas supply and capacity management, strategic planning, general administrative and retirement benefits. In addition, DESS processes and pays invoices for DESC and is reimbursed. Costs for these services include amounts capitalized. Amounts expensed are primarily recorded in other operations and maintenance - affiliated suppliers and other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss).

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2020**	2019	**2020**	2019
Purchases of coal from affiliate	**$ —**	$ 34	**$ —**	$ 62
Sales of coal to affiliate	**—**	34	**—**	62
Purchases of fuel used in electric generation from affiliate	**—**	10	**—**	43
Direct and allocated costs from DESS(1)	**63**	82	**130**	140
Operating Revenues - Electric from sales to affiliate	**2**	1	**2**	2
Operating Expenses - Other taxes from affiliate	**1**	1	**4**	3
Purchases of electricity from solar affiliates	**4**	3	**6**	4
Demand and transportation charges from DECG - Fuel used in electric generation	**5**	6	**9**	9
Demand and transportation charges from DECG - Gas purchased for resale	**11**	11	**22**	23

(1) Includes capitalized expenditures of $13 million and $11 million for the three months ended June 30, 2020 and 2019, respectively, and $25 million and $20 million for the six months ended June 30, 2020 and 2019, respectively.

(millions)	**June 30, 2020**	December 31, 2019
Receivable from Canadys Refined Coal, LLC	**$ —**	$ 2
Payable to Canadys Refined Coal, LLC	**—**	2
Payable to DESS	**59**	76
Payable to Public Service Company of North Carolina, Incorporated	**3**	8
Payable to solar affiliates	**2**	—
Receivable from DECG	**—**	1
Payable to DECG	**5**	5

Borrowings from an affiliate are described in Note 5.

15. OTHER INCOME (EXPENSE), NET

Components of other income (expense), net are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2020**	2019	**2020**	2019
Revenues from contracts with customers	**$ —**	$ 2	**$ 1**	$ 3
Other income	**4**	2	**7**	6
Other expense	**(3)**	(15)	**(5)**	(25)
Allowance for equity funds used during construction	**1**	2	**2**	2
Other income (expense), net	**$ 2**	$ (9)	**$ 5**	$ (14)

Non-service cost components of pension and other postretirement benefits are included in other income (expense).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MD&A provides management's narrative analysis of its consolidated results of operations. MD&A should be read in conjunction with DESC's Consolidated Financial Statements. DESC meets the conditions to file under the reduced disclosure format, and therefore has omitted certain sections of MD&A.

Forward-Looking Statements

This report contains statements concerning DESC's expectations, plans, objectives, future financial performance and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify these forward-looking statements by such words as "anticipate," "estimate," "forecast," "expect," "believe," "should," "could," "plan," "may," "continue," "target" or other similar words.

DESC makes forward-looking statements with full knowledge that risks and uncertainties exist that may cause actual results to differ materially from predicted results. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additionally, other factors may cause actual results to differ materially from those indicated in any forward-looking statement. These factors 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, including, but not limited to, hurricanes, high winds, severe storms, earthquakes, flooding, climate changes and changes in water temperatures and availability that can cause outages and property damage to facilities;
- The impact of extraordinary external events, such as the current pandemic health event resulting from COVID-19, and their collateral consequences, including extended disruption of economic activity in our markets;
- Federal, state and local legislative and regulatory developments, including changes in federal and state tax laws and regulations;
- Risks of operating businesses in regulated industries that are subject to changing regulatory structures;
- Changes to regulated rates collected;
- Changes in future levels of domestic and international natural gas production, supply or consumption;
- Timing and receipt of regulatory approvals necessary for planned construction or growth projects and compliance with conditions associated with such regulatory approvals;
- The inability to complete planned construction, conversion or growth projects at all, or with the outcomes or within the terms and time frames initially anticipated, including as a result of increased public involvement, intervention or litigation in such projects;
- Changes to federal, state and local environmental laws and regulations, including those related to climate change, the tightening of emission or discharge limits for GHGs and other substances, more extensive permitting requirements and the regulation of additional substances;
- Cost of environmental compliance, including those costs related to climate change;
- Changes in implementation and enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities;
- Difficulty in anticipating mitigation requirements associated with environmental and other regulatory approvals or related appeals;
- The impact of operational hazards, including adverse developments with respect to pipeline and plant safety or integrity, equipment loss, malfunction or failure, operator error and other catastrophic events;
- Risks associated with the operation of nuclear facilities, including costs associated with the disposal of spent nuclear fuel, decommissioning, plant maintenance and changes in existing regulations governing such facilities;
- Changes in operating, maintenance and construction costs;
- Domestic terrorism and other threats to DESC's physical and intangible assets, as well as threats to cybersecurity;
- Additional competition from the development and deployment of alternative energy sources, such as self-generation and distributed generation technologies;

- Competition in the development, construction and ownership of certain electric transmission facilities in connection with Order 1000;
- Changes in technology, particularly with respect to new, developing or alternative sources of generation and smart grid technologies;
- Changes in demand for services, including industrial, commercial and residential growth or decline in service areas, changes in supplies of natural gas delivered, changes in customer growth or usage patterns, including as a result of energy conservation programs, the availability of energy efficient devices and the use of distributed generation methods;
- Adverse outcomes in litigation matters or regulatory proceedings, including matters related to the NND Project;
- Counterparty credit and performance risk;
- Fluctuations in the value of investments held in nuclear decommissioning and benefit plan trusts;
- Fluctuations in energy-related commodity prices and the effect these could have on DESC's financial position and the underlying value of assets;
- Fluctuations in interest rates;
- Changes in rating agency requirements or credit ratings and their effect on availability and cost of capital;
- Global capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;
- Political and economic conditions, including inflation and deflation;
- Employee workforce factors including collective bargaining agreements and labor negotiations with union employees; and
- Changes in financial or regulatory accounting principles or policies imposed by governing bodies.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Part I. Item 1A. Risk Factors in DESC's Annual Report on Form 10-K for the year ended December 31, 2019, as updated in Part II. Item 1A. Risk Factors in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

DESC's forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. DESC cautions the reader not to place undue reliance on its forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. DESC undertakes no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

Results of Operations

Presented below is a summary of DESC's consolidated results:

	Second Quarter			Year-To-Date		
(millions)	**2020**	2019	$ Change	**2020**	2019	$ Change
Net income (loss)	**$ 67**	$ (70)	$ 137	**$ 160**	$ (1,173)	$ 1,333

Overview

Second Quarter 2020 vs. 2019

Net income increased $137 million, primarily due to the absence of charges related to litigation and a voluntary retirement program.

Year-To-Date 2020 vs. 2019

Net income increased $1.3 billion, primarily due to the absence of charges for refunds of amounts previously collected from retail electric customers for the NND Project, certain regulatory assets and utility plant for which DESC committed to forgo recovery, litigation and a voluntary retirement program.

Analysis of Consolidated Operations

Presented below are selected amounts related to DESC's results of operations:

	Second Quarter			Year-To-Date		
(millions)	**2020**	2019	$ Change	**2020**	2019	$ Change
Operating revenues	**$ 624**	$ 698	$ (74)	**$ 1,296**	$ 363	$ 933
Fuel used in electric generation	**95**	143	(48)	**199**	280	(81)
Purchased power	**25**	12	13	**38**	20	18
Gas purchased for resale	**34**	44	(10)	**91**	121	(30)
Net revenue	**470**	499	(29)	**968**	(58)	1,026
Other operations and maintenance	**143**	195	(52)	**288**	339	(51)
Impairment of assets and other charges	**—**	100	(100)	**2**	371	(369)
Depreciation and amortization	**118**	115	3	**236**	217	19
Other taxes	**65**	72	(7)	**127**	141	(14)
Other income (expense), net	**2**	(9)	11	**5**	(14)	19
Interest charges	**58**	63	(5)	**116**	136	(20)
Income tax expense (benefit)	**21**	15	6	**44**	(103)	147

An analysis of DESC's results of operations follows:

Second Quarter 2020 vs. 2019

Net revenue decreased 6%, primarily due to:

- A $30 million decrease in sales to electric utility retail customers from a decrease in cooling degree days; and
- A $20 million decrease in sales to electric utility retail customers associated with usage factors impacted by COVID-19; partially offset by
- An $18 million increase in sales to electric utility retail customers associated with economic and other usage factors.

Other operations and maintenance decreased 27%, primarily due to the absence of a charge related to a voluntary retirement program ($50 million) and a decrease in salaries, wages and benefits and administrative expenses ($4 million), partially offset by an increase in allowance for credit risk on customer accounts related to COVID-19 ($5 million).

Impairment of assets and other charges decreased $100 million, due to the absence of a charge related to litigation.

Other taxes decreased 10%, due to a decrease in property taxes ($4 million) and the absence of a charge related to a voluntary retirement program ($3 million).

Other income (expense), net increased $11 million, primarily due to the absence of a charge related to a voluntary retirement program.

Income tax expense increased 40%, primarily due to higher pre-tax income ($30 million) partially offset by the absence of changes in unrecognized tax benefits ($23 million).

Year-To-Date 2020 vs. 2019

Net revenue increased $1.0 billion, primarily due to:

- The absence of a $1.0 billion charge to electric revenue for refunds of amounts previously collected from retail electric customers for the NND Project;
- A $26 million increase in sales to electric utility retail customers associated with economic and other usage factors; and
- A $23 million increase as a result of the amortization of regulatory liabilities associated with the Toshiba Settlement and refunds of amounts previously collected from retail electric customers for the NND Project for the entire period in 2020; partially offset by
- A $22 million decrease in sales to electric utility retail customers associated with usage factors impacted by COVID-19; and
- An $18 million decrease in sales to electric utility retail customers from a decrease in cooling degree days during the cooling season ($30 million) partially offset by an increase in heating degree days during the heating season ($12 million).

Other operations and maintenance decreased 15%, primarily due to the absence of a charge related to a voluntary retirement program ($50 million), lower legal and NND Project wind down costs ($8 million) and a decrease in salaries, wages and benefits and administrative expenses ($5 million) partially offset by an increase in allowance for credit risk on customer accounts related to COVID-19 ($5 million).

Impairment of assets and other charges decreased 99%, primarily due to a reduction in charges associated with litigation ($266 million) and a decrease in charges for utility plant for which DESC committed to forgo recovery ($103 million).

Other taxes decreased 10%, primarily due to a decrease in property taxes ($10 million) and the absence of a charge related to a voluntary retirement program ($3 million).

Other income (expense), net increased $19 million, primarily due to the absence of a charge related to a voluntary retirement program ($9 million) and a decrease in donations ($4 million).

Interest charges decreased 15%, primarily due to lower long-term debt principal balances primarily as a result of the debt tender offers completed in 2019 ($15 million) and lower money pool interest ($5 million) partially offset by higher interest related to the intercompany credit agreement ($6 million).

Income tax expense increased $147 million, primarily due to the absence of a charge for certain income tax-related regulatory assets for which DESC committed to forgo recovery ($198 million) and the absence of changes in unrecognized tax benefits ($63 million), partially offset by higher pretax income ($409 million).

ITEM 4. CONTROLS AND PROCEDURES

Senior management of DESC, including DESC's CEO and CFO, evaluated the effectiveness of DESC's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, DESC's CEO and CFO have concluded that DESC's disclosure controls and procedures are effective.

There were no changes that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, DESC's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, DESC is alleged to be in violation or in default under orders, statutes, rules or regulations relating to the environment, compliance plans imposed upon or agreed to by DESC, or permits issued by various local, state and/or federal agencies for the construction or operation of facilities. Administrative proceedings may also be pending on these matters. In addition, DESC is involved in various legal proceedings from time to time, whether in the ordinary course of business or particularly following the abandonment of the NND Project.

See the following for discussions on various legal, environmental and other regulatory proceedings to which DESC is a party, which information is incorporated herein by reference:

- Notes 3 and 12 to the Consolidated Financial Statements in DESC’s Annual Report on Form 10-K for the year ended December 31, 2019.
- Notes 2 and 10 to the Consolidated Financial Statements in DESC’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.
- Notes 2 and 12 to the Consolidated Financial Statements in this report.

ITEM 1A. RISK FACTORS

DESC’s business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond its control. A number of these risk factors have been identified in DESC’s Annual Report on Form 10-K for the year ended December 31, 2019 and updated in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, which should be taken into consideration when reviewing the information contained in this report. There have been no material changes with regard to the risk factors previously disclosed in DESC's Annual Report on Form 10-K for the year ended December 31, 2019 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see *Forward-Looking Statements* in MD&A in this report.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation, effective April 29, 2019 (Exhibit 3.1, Form 8-K filed April 29, 2019, File No. 1-3375).
3.2	Amended and Restated Bylaws, effective April 29, 2019 (Exhibit 3.2, Form 8-K filed April 29, 2019, File No. 1-3375).
4.1	Dominion Energy South Carolina, Inc. agrees to furnish to the U.S. Securities and Exchange Commission upon request any instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of its total consolidated assets.
31.a	Certification by Chief Executive Officer of Dominion Energy South Carolina, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.b	Certification by Chief Financial Officer of Dominion Energy South Carolina, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.a	Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Dominion Energy South Carolina, Inc. as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial statements from Dominion Energy South Carolina, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed on August 5, 2020, formatted in iXBRL (Inline eXtensible Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Changes in Common Equity, and (v) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in iXBRL (Inline eXtensible Reporting Language) and contained in Exhibit 101).

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 thereunto duly authorized.

DOMINION ENERGY SOUTH CAROLINA, INC.
(Registrant)

Date: August 5, 2020

By: /s/ Michele L. Cardiff
Michele L. Cardiff
Vice President, Controller and Chief Accounting Officer

Exhibit 31.a

I, Diane Leopold, certify that:

1. I have reviewed this report on Form 10-Q of Dominion Energy South Carolina, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Diane Leopold

Diane Leopold
Chief Executive Officer

Exhibit 31.b

I, James R. Chapman, certify that:

1. I have reviewed this report on Form 10-Q of Dominion Energy South Carolina, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President and
Chief Financial Officer

Exhibit 32.a

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Dominion Energy South Carolina, Inc. (the “Company”), certify that:

1. the Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 (the “Report”), of the Company to which this certification is an exhibit fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)).

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of June 30, 2020, and for the period then ended.

/s/ Diane Leopold

Diane Leopold
Chief Executive Officer
August 5, 2020

/s/ James R. Chapman

James R. Chapman
Executive Vice President and
Chief Financial Officer
August 5, 2020