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**VIA ELECTRONIC FILING**

March 26, 2024

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
430 North Salisbury Street  
Dobbs Building  
Raleigh, North Carolina 27603-5918

**RE: Docket No. E-22, Sub 551A  
Docket No. G-5 Sub 585A  
Cost Allocation Manual ("CAM")**

Dear Ms. Dunston:

Enclosed for filing on behalf of Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina ("DENC") and Public Service Company of North Carolina, Inc. ("PSNC") is the Cost Allocation Manual ("CAM") of Dominion Energy Services, Inc. ("Dominion Energy Services"). Regulatory Condition 4.1(a) as approved by the Commission's November 19, 2018 Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued in Docket Nos. E-22, Sub 551 and G-5, Sub 585 ("Merger Order") states that DENC and PSNC shall keep on file with the Commission a CAM. Regulatory Condition 4.5(c) requires that the CAM be updated annually.

Sincerely,

*/s/ Lauren W. Biskie*

Lauren W. Biskie  
Senior Counsel

Attachment



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Public Service Company of North Carolina, Inc.

Dominion Energy Services, Inc.  
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# DOMINION ENERGY SERVICES, INC.

## ACCOUNTING POLICY AND COST ALLOCATION MANUAL



Dominion Energy North Carolina  
Public Service Company of North Carolina, Inc.

Dominion Energy Services, Inc.  
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## **EXHIBITS**

**EXHIBIT 1 DES EXECUTIVE CHART**

**EXHIBIT 2 FORM DES SERVICES AGREEMENT**

**EXHIBIT 3 DES TIME ENTRY TRAINING**

**EXHIBIT 4 DES TIME ENTRY & APPROVAL POLICY**

**EXHIBIT 5 DES COST CENTERS 2023**

**EXHIBIT 6 DES BILLING ENTITY CODES 2023**

**EXHIBIT 7 DES FERC FORM 60**

**EXHIBIT 8 DES CHART OF ACCOUNTS**



## A. Overview

The purpose of this Accounting Policy and Cost Allocation Manual is to provide information related to the accounting practices and procedures for assigning the costs of Dominion Energy Services, Inc. (DES) to Dominion Energy, Inc. (DEI) and its subsidiaries. Exhibit 1 shows the executive organizational chart.

### Background:

- DES is a centralized ‘service company’ and was incorporated on October 14, 1999. At such time it was subject to the Public Utility Holding Company Act (PUHCA) of 1935 under the authority of the Securities and Exchange Commission (SEC). However, on August 8, 2005, Congress signed the Energy Policy Act of 2005 into law, which repealed PUHCA and enacted the Public Utility Holding Company Act of 2005 (PUHCA 2005). PUHCA 2005 transferred authority over service companies from the SEC to the Federal Energy Regulatory Commission (FERC).
- A service company, as defined by Section 366.1 of PUHCA 2005, is ‘any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.’ DES’ purpose is to provide cost effective, centralized services to other subsidiaries of Dominion Energy, Inc.
- These subsidiaries are referred to as ‘affiliates.’ As such, DES is subject to FERC financial accounting, reporting and records retention requirements in accordance with Parts 366-369 and 375 of Title 18 of the Code of Federal Regulations (CFR) governed by Final Rule Order No. 684 issued October 19, 2006.
- FERC rules specify that:
  - all services provided between DES and its affiliates will be provided ‘at cost’ (367.25)
  - charges for services must include summary of accounts by service provided and be classified as direct, indirect or compensation for use of capital (367.27)
  - the cost accumulation system must identify the methods of allocation and the accounts to be charged (367.28)
  - changes to allocation methodologies must be communicated in writing to affiliated companies (367.28)
  - time records will be maintained to support billing for services rendered (367.30)
- The Form of DES Services Agreement included in Exhibit 2 lists and describes a specific group of services available from DES to affiliates. Each department or function within DES has been placed within a specific ‘DES service function.’ Affiliates have certain options as to what services they elect to receive from DES.



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- DES utilizes a 'work order' system (work orders are referred to internally as 'projects' or 'Work Breakdown Structure [WBS] Elements') to ensure that costs are properly accumulated and distributed in a fair and equitable manner to all affiliates and non-affiliates with transaction service agreements that benefit from its services. Within this manual, 'WBS Element' and 'Project' are used interchangeably. Time records are maintained for all service company (DES) employees to support the costs that are assigned to each affiliate. See Exhibits 3 and 4 for a copy of a training course for all DES employees on DES time entry and the time entry and approval policy, respectively. DES' costs are assigned in their entirety and no residual profit or loss remains on the books.



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## **B. DES Organizational Structure**

- DES is organized into major functional groups:
  - Core Corporate Functions
    - Business Services (Human Resources; Shared Services (Facility, Fleet, General, Security, Supply Chain); Aviation & Travel; Corporate Secretary & Shareholder Services; Environmental; Information Technology) Executive Services
    - Legal Services and Ethics & Compliance
    - External Affairs & Corporate Communications (Communications and Government Affairs)
    - Finance (Tax, Treasury, Financial Planning & Investor Relations, Enterprise Risk Management, Corporate Planning, and Accounting Services)
    - Regulatory Affairs (Regulation and Compliance)
    - Audit Services
  - Other Functions
    - Software/Hardware Pooling
    - Operations
    - Customer Services
    - Energy Marketing
- Underlying each major functional group in DES are cost centers. Exhibit 5 is a representation of active DES cost centers with descriptions of the services they provide.



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## **C. Services Provided and Received by DES**

- DES and any DEI affiliate receiving services from DES must execute an approved DES Services Agreement. The Service agreement should be in place prior to the affiliate receiving any such service. Typically, DES service agreements are generally established for each first-tier subsidiary of DEI, unless there are regulatory or audit requirements to bill to a lower level. Exceptions have been made for second-tier subsidiaries of DEI due to their significant financial and operational activity. See the Form of DES Service Agreement at Exhibit 2 for details on services available to be provided by DES to affiliates and corresponding allocation methods for each of these services.
- When billing services to other DEI affiliates, care must be exercised to align costs billed with the 'cost causation' standard. (Affiliates whose operations give rise to the costs should pay for the costs via proper charging and billing.) DES' philosophy is to apportion its costs in a fair and equitable manner.
- Exhibit 6 is a listing of all DEI affiliates receiving DES services by company code. Each DEI affiliate that receives services from DES is assigned a 'billing entity' code name which is the equivalent of the Affiliate cost center receiving the bill. For particular DEI affiliates, DES produces the bill by business 'process' (such as the Dominion Energy Virginia Nuclear process). In these cases, a business 'process' equates to a 'billing entity' code.
- Additional approvals from state regulatory commissions may be required for regulated companies to provide services to DES. For example, Virginia Electric and Power Company (VEPCO) provides services to DES under the revised Support Services Agreement between VEPCO and DES that was effective 1/1/2024.
- The cost of services billed to DES by DEI affiliates must be at cost.



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## **D. DES Allocation Methods and Allocation WBS Elements**

DES enters into service agreements with individual DEI affiliates. This is because there are specific services provided to these entities, which are not provided to all DEI affiliates. Below is a description of how this process takes place.

- An allocation may be developed for all companies or for a group of companies. As such, there may be more than one distribution (i.e., allocation) factor for each method. In general, allocation methods will only be created to capture billing project costs greater than \$1 million, or for billing project costs over multiple periods, unless there are regulatory requirements.
- The allocation factors are calculated in accordance with the DES Services Agreement. Allocation factors are updated annually and then as necessary to reflect fair and equitable distributions to all companies that benefit from the services provided.
- Allocations must be aligned with the 'cost causation' standard (as is the case with direct charges). Allocations must be designed to allocate costs only to the affiliates that benefit from the service provided (e.g., no default allocation to all companies on the basis of simplicity when a better allocation can be determined). DES' intention is to apportion costs to affiliates in a fair and equitable manner.
- Costs that are not specifically associated with a particular affiliate are typically charged to 'allocation' WBS elements (i.e., billing projects). Each allocation WBS element is assigned an allocation method and allocation factor.



## **E. DES Department Services & Expense Policy**

This policy is intended to provide direction for departments within DES.

### General

- Each DES service function will provide services to affiliates under the rules as defined in the DES Services Agreement.
- Each DES service function must charge or allocate their resource time via the DES charging process. Affiliates receiving services from DES will receive charges on a monthly basis.
- Charges for DES services to affiliates will not be made outside the DES process.

### Department Expenses

- Each department (or group of departments) is assigned a cost center within the DES reporting hierarchy that is associated with a specific service function as defined in the DES Services Agreement. DES employees assigned to a particular department will be associated with the department cost center.
- All department expenses related to DES employees and the provision of their service to affiliates will be charged to the department cost center. These costs will include:
  - DES employee labor, benefits, payroll taxes, and incentives
  - DES employee-related expenses (expense reports, travel expenses, entertainment expenses, training expenses, employee relations expenses)
  - DES department support costs (supplies, administrative support contractors, vehicle charges)
  - DES department 'infrastructure' costs (cost of space occupied, use and maintenance of office furniture and equipment [including computer resources], and communications services [telephone and LAN]).
- Expenses incurred by DES specifically for the benefit of an affiliate or group of affiliates will not be charged to a DES department cost center. They will be charged to a DES affiliate billing project (with the appropriate cost center for responsibility reporting). Examples include:
  - Contractor personnel retained to provide services directly for affiliates
  - Specific supplies or materials purchased directly in support of affiliates (if they are not recorded as direct expenses on the affiliate's financial records)
- Expenses incurred by DES in connection with the provision of services to a specific affiliate should not be confused with the direct expenses of the affiliate. Direct affiliate expenses will



not be charged to DES. They will be recorded directly on the affiliate's (VEPCO, Dominion Energy, etc.) financial records. Care must be taken when identifying costs as DES cost as opposed to direct affiliate cost.

### Capital 'Work' and Assets

- DES will not record affiliate inventory or assets on its financial records. Affiliate inventory items and assets are properly recorded on the affiliate's financial records.
- DES work is considered to be an outside service and may only be characterized as 'capital' if charged directly to an affiliate's capital project. It is up to the affiliate to capitalize costs dependent on the affiliate's capitalization policy.
- DES' internal 'capital' work will only be allowed in the case of a DES owned asset (an asset that would remain on DES books and support its 'provision of service' mission). The Dominion capitalization policy governs DES' internal 'capital' work.
- The Fixed Asset Group makes the ultimate determination as to qualification for capitalization. The Controller will make ultimate determination as to the appropriateness of capitalization as a DES asset. Capitalization thresholds for DES are as follows:

|                   |             |
|-------------------|-------------|
| Computer Software | >= \$50,000 |
| Other Assets      | >= \$2,000  |

### Charging of Services to Affiliates

- DES employees are classified as either 'Group A' or 'Group B' employees. Group A employees are those employees that perform specific service functions as defined in the DES Services Agreement. Group B employees are administrative support employees involved in supporting Group A employees.
- Group A employees will charge all time worked to a specific WBS element or billing project. This excludes nonproductive time such as vacation and sick time, which will continue to be charged to the appropriate nonproductive time code. WBS elements are not used with nonproductive codes. Costs of nonproductive time will be incorporated in the employee's activity price. The activity price or standard labor rate comprises the labor cost for the employee providing service.
- Group B employees do not charge WBS elements. They continue to charge nonproductive time to the appropriate nonproductive time code. These costs default to their cost center and their charges follow the labor charges of Group A employees in their assigned cost center.
- Aviation pilots are considered Group B employees and although their costs default to their cost centers (aviation services), their costs are included in the cost of the aircraft usage. This is because there are no Group A employees within those cost centers.



- Specific WBS elements will be created for each DES service function to charge.
- Two types of Billing WBS elements (projects) are created:
  - WBS elements for direct charges to specific affiliates
  - WBS elements which will allocate time charges per an approved allocation methodology (under the DES Services Agreement)
- In addition, specific tracking WBS elements ('interim' projects) are created as required to identify expenses of key DES activities. Costs of these interim projects will settle into billing WBS elements or billing cost centers for billing purposes. See Section H for a discussion of Interim Projects.

#### Time Recordation

Direct charging of time to a specific affiliate is the preferred alternative under the DES Services Agreement.

- In the event direct charging of time to a specific affiliate is not practical, time may be recorded to an allocation WBS element specific to the DES service being provided (for example, Payroll services are allocated on the number of employees in a particular affiliate).
- Refer to Exhibit 4 for employee time reporting policy.

#### Costing DES Services

- Group A employee time charged is costed at the activity price (standard labor rate) associated with that employee's position.
- SAP functionality is used to facilitate systematic calculation of planned Activity Prices and true-up to actual prices. This functionality assumes 'unbundling' of Activity Prices to only include labor and exclude benefits, payroll taxes and any additional overhead. These changes eliminate any residual balances (difference between standard and actual) on cost centers, eliminate DES true-up process, and provide more transparency into labor related components for regulatory reporting.
- A custom program moves costs from cost centers for benefits, incentives, payroll taxes, other overheads to WBSs and Orders on the basis of activity allocations (or labor charges) from the cost center to the WBSs in the current month.

#### Contractor Guidelines

- Administrative support contractors should be considered department support expenses and follow DES labor charges. For costing purposes, they will be treated in the same manner as



Group B employees. Administrative support contractors include:

- Temporary office help
  - Office equipment maintenance contractors (for periodic, limited term work and to the extent the equipment is owned by DES)
  - Consultants on small, limited-term engagements (to the extent they are considered an expense of DES)
- Cost of contractors who are managed as supplemental DES resources (actively involved in DES performing its service function) should be charged to a specific interim project or 'billing' WBS element. This element may be either a direct WBS element for a particular affiliate or an approved allocation 'billing' WBS element for that particular department or DES service function use. Contractors managed as supplemental DES resources include:
    - Software programmers
    - LAN support personnel
  - Contractors who are secured to provide services exclusively for a particular affiliate or exclusively for a specific application within an affiliate should be considered direct expenses of the affiliate.
  - Administrative control of contractors by DES management should not be viewed as the sole criteria for their characterization as DES expenses. DES service functions will routinely be selected by affiliates to manage certain processes and costs within the affiliates under terms of the DES Services Agreement (these costs are often referred to at Dominion as 'shared services' costs). This does not transfer responsibility for these costs to DES.

#### Convenience Payments

- A convenience payment is a cash payment made by DES for the benefit and convenience of affiliates when it is impractical or inefficient to make these payments from the affiliate companies. Payments of this type are related to activities and programs that are centrally managed and are paid in lump sum manner. Affiliates will reimburse DES for cash paid on their behalf. Convenience payments are not considered expenses of DES. Examples of convenience payments include:
  - Affiliate insurance premium payments (non- 'affiliate-specific' programs)
  - Affiliate workers compensation premium payments
  - Affiliate benefits

Use of convenience payments will be limited. All convenience payments must be approved in advance by the Controller.

- Refer to Section J for Convenience Payments policy statement and guidance.



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### Other Expenses

Prepaid expense – Prepaid assets should be recognized when cash is paid for goods and/or services to be received at a future date. The prepaid asset will then be amortized over the period of services or until the service contract expires. See below for the guidelines for amortization of prepaid items.

| <b>DES Amortization Guidelines</b>   |                           |                            |
|--|---------------------------|----------------------------|
| <b>Amount</b>  | <b>12 or Fewer Months</b> | <b>More than 12 Months</b> |
| 25,000 or less   | Do Not Amortize           | Do Not Amortize            |
| 25,001 – 50,000  | Do Not Amortize           | Always Amortize            |
| 50,001 or greater  | Always Amortize           | Always Amortize            |
| *Invoices can be bundled for amortization, to the extent the invoices are covered under the same PO and are all for the same term. |                           |                            |
| **An invoice with different products that have the same performance period should be bundled into one amortization.                |                           |                            |
| ***DES Finance reviews for new invoices per the parameters above and initiates any amortization as applicable.                     |                           |                            |



## **F. DES Billing System Illustrated**

There is a DES ‘work order’ system that is utilized to capture costs for distribution to DEI affiliates. The following notes augment specific points throughout this process.

- Generally, costs are recorded in either cost centers or WBS elements.

### DES Billing Overview

- Time and expenses of department employees are accumulated in DES cost centers (e.g., Legal Services, Payroll, etc.). Certain corporate overheads such as employee benefits and incentives, rent and depreciation expense are recorded in ‘common’ cost centers and allocated monthly to the department cost centers.
- Each department’s cost is identified on the affiliates’ bills in terms of the service function they provide.

### DES Billing for Services Provided

- Department employees charge their time to a ‘direct’ billing project (if they provide service specifically for an affiliate) or to an ‘allocation’ billing project. Employees’ time is moved from the cost center to the billing project via an ‘activity allocation’. All other employee related expenses including incentives, benefits, payroll tax and other expenses are moved to the billing project via the cost allocation process. At month end, the billing projects are settled to affiliate billing cost centers. These cost centers accumulate all costs that are billed to each affiliate and facilitate preparation of the bill that is recorded on the affiliate’s books.

### DES Activity Price Components

- As noted above, an employee’s time is moved from the cost center to the billing projects via an activity allocation. An activity allocation is equal to the employee’s activity price multiplied by hours charged. The activity price comprises the salary cost for the employee providing service.

### DES Cost Pools and Cost Allocation Process

- DES Cost Pools are used to capture costs that are shared by DES employees. The costs are assessed to employee cost centers on cost elements that align to FERC accounts. The primary DES cost pools are for benefits, facilities, infrastructure, and fleet. A software/hardware cost pool is used to bill costs directly to affiliates billing cost centers.
- A custom SAP program allocates employee department costs to O&M and Capital projects on the basis of labor activity allocations charged to WBS elements in the current month. The costs on the cost center include charges from the cost pools and direct



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charges to the cost center.

- Costs move over the 850XXXX accounts to billing WBS elements



## **G. DES Project Policies & Procedures (Work Orders)**

As described in this manual, DES uses a combination of interim projects and billing projects to effect fair and equitable cost apportionment to affiliates. Billing projects may either be defined as direct billing projects or allocation billing projects.

### Control Considerations

- Direct billing projects and allocation billing projects will only be created and maintained by DES Accounting. These projects affect the core integrity of the billing system.
- Allocation billing projects will have allocation settlement rules maintained by DES Accounting. No other group will maintain these rules.
- Interim projects (see Section H) will only be maintained by DES Accounting, DES Financial & Business Services, or Operating Company Financial & Business Services personnel in control of DES operational support groups. Field personnel will not be allowed to create or maintain these projects.
- DES capital projects (related to DES-owned assets) will be established using a procedure similar to that for interim projects. Fixed Asset Accounting must review the settlement on these projects as to proper accounting policy and appropriateness for capitalization. DES capital projects must be approved by DES Accounting prior to Fixed Asset Accounting releasing the project.

### Set-up Considerations

- Direct and allocation billing projects will be established such that they settle costs in their entirety to DES billing cost centers. Interim project settlement rules will be established to settle their costs only into a DES billing cost center or allocation billing project with the following exception:
  - DES internal projects that are approved by Finance for settlement to DES cost pools
- Interim projects will never settle costs back into DES labor service cost centers. All costs will maintain an 'outbound' character for billing purposes, settling either to cost pools or affiliates. Interim projects will never have special purpose allocation factors or 'self-made' allocation settlements other than what is specifically prescribed in Exhibit 2 of this manual unless approved in advance by DES Accounting. This situation does occur sometimes when DES employees provide services for specific subsets of companies other than what is ordinarily set up, but this will not be routinely approved due to the loss of allocation control by DES Accounting.
- DES capital projects will be established using 'XX' as the leading characters in the project number. This designation is used to facilitate internal DES reporting. No projects other than



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DES capital projects and Fleet M5 projects will have these characters.

Review requirements for existing projects

- DES projects will be reviewed periodically as to use. Inactive projects will be closed. Inactive projects that remain open increase the likelihood of billing error in that costs could post to these projects and be billed incorrectly due to lack of settlement rule maintenance. Projects will be reviewed at least annually.
- DES Accounting will have sole responsibility for reviewing and closing inactive direct and allocation billing projects.
- The applicable Financial & Business Services Group will have responsibility for reviewing and closing inactive interim projects. The decision to close a project should reflect a change in the service level to an affiliate or completion of a specific affiliate work activity tracked by the applicable interim project.
- DES capital projects will be reviewed by the applicable Financial & Business Services Group and by Fixed Asset Accounting. Completed projects will be closed promptly. Prompt action is required to properly reflect these items as DES fixed assets as opposed to work in process on the balance sheet, and for depreciation/amortization to begin.



## H. Use of Interim Projects within DES

- In certain cases, it may be advantageous to capture additional ‘tracking’ detail during DES’ provision of service to affiliates. In this case, ‘interim’ projects may be requested. For example, an affiliate service recipient may need to track costs of particular DES support for:
  - ✓ Specific project costing for key projects
  - ✓ Billing to joint owners or partners

Or DES may need to capture additional internal ‘tracking’ detail for:

- ✓ Specific project costing for key projects
- An ‘interim’ project will be structured to pass its cost or settle to a direct billing cost center or allocation billing project (as referenced above). After settlement to the billing project or billing cost center, the costs are billed according to the settlement rule.
- Interim project detail is not provided as part of the actual bill to the affiliate. Interim project detail is ad hoc in nature, provided as supplementary information to the bill, and often provides a basis for affiliate accounting personnel to reclassify charges for proper tracking within the affiliate.

DES interim projects are established and maintained by the DES Financial & Business Services groups, including budgeting groups responsible for DES operational support employees. Other groups are not permitted to create or to change the master data of these projects.

### Procedure for Requesting Interim Projects

- After the affiliate service recipient/DES service provider identifies the need for additional detail for specific services, they should contact their applicable DES Financial & Business Services group to make a request.
- Their DES Financial & Business Services group will review the request as to business need. If approved, their DES Financial & Business Services group will create the interim project(s) and establish settlement (rules) into the appropriate affiliate billing project. They will contact DES Accounting for specific billing guidance, if required.
- Each interim project may receive a ‘customer number’ in the project master data if the project supports additional tracking detail requested by an affiliate service recipient. The customer number will generally contain the corresponding project number or unique identifier established by the affiliate service recipient. The customer number is a link that facilitates ad hoc reporting for expense re-class purposes by the affiliate. Customer numbers should generally not be used on interim projects used for internal DES tracking.
- Interim projects will be structured such that they reflect unique projects that may receive support from various DES service providers. For example, if a project will receive engineering, legal, and tax support from DES, a single project will preferably be established



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to collect the total project costs. Separate WBS elements are established for the engineering, legal, and tax groups to charge and these WBS elements reflect the 'service prefix' for the DES service being performed. The 'project definition' level of a DES interim project begins with a prefix distinguishable to the group that manages the specific set of interim projects.



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## **I. Definitions of Direct and Indirect Costs**

### **Billing Projects**

DES employees typically charge WBS elements (Projects or Work Orders) that bill costs to affiliates in two ways:

- Direct billing projects send their costs to individual companies (legal entities) or to a billing cost center within a legal entity (the total of all the billing cost centers on a legal entity total the legal entity's total billing) or segment.
- Allocation billing projects apportion their costs based on the allocation methods as defined in the DES Services Agreement.
  - Charges that are allocated within legal entities or within one reporting segment. An example of this type of charge is the cost of the Dominion Energy South Carolina (DESC) segment. Costs of this segment are allocated only to business areas within the DESC segment.
  - Charges for corporate functions that are allocated to multiple segment companies. An example of this type of charge is the cost of DES Accounting. Costs of this group are allocated to companies in all segments.

Certain Dominion companies participate in a consolidated Dominion Money Pool (Pool). DES administers this pool, but also participates in the pool. Depending on whether the service company is in a net lending position (funds exceed obligations) or borrowing position (obligations exceed funds), the respective interest revenue or expense is shared amongst the participants via the same allocation in which labor charges are billed for the current month.



## **J. Convenience Payment Policy**

### Definition:

A 'convenience payment' is a cash payment made by DES for the benefit and convenience of affiliates. Payments of this type are related to activities and programs that are centrally managed and are paid in a lump sum manner. Convenience payments are cash transfers (i.e., balance sheet) only and do not represent legal expenses of DES. As such, they have no income statement (i.e., expense) impact to DES.

### Examples:

- ✓ Affiliate insurance premium payments (non-'affiliate-specific' programs)
- ✓ Affiliate workers compensation premium payments
- ✓ Affiliate benefits payments

### Policy:

- Convenience payments are strictly controlled. The Controller must approve convenience payments DES may make on behalf of affiliate companies. Approval will be contingent on the type of payment, the recurring nature of the payment, the dollar magnitude of the payment, and the efficiencies gained by the corporation as a result of treating the transaction as a convenience payment.
- In no case will convenience payments be characterized as expenses of DES. Expenses related to the convenience payment(s) will be recorded on the appropriate affiliate(s) financial records. As such, convenience payments will not be part of the normal DES service billings to affiliates.
- Cash for convenience payments made by DES on behalf of affiliate companies will be fully reimbursed by said affiliates.

### Methodology for processing convenience payments:

- The DES service function retained to manage the affiliate activity (giving rise to the convenience payment) will determine the level of expenses that should be recorded on the affiliate's financial records. (The 'DES service function' is defined as a function or department within DES that has been chosen to provide services to affiliate companies under the election as specified in the DES Services Agreement).
- It will be the responsibility of the DES service function to separate the convenience payment into each affiliate's portion for proper recordation and cash reimbursement.
- The DES service function will process the cash convenience payment by instructing the Accounts Payable group to make payment to the vendor. The cross-company journal entry



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entered by Accounts Payable will reduce (credit) DES' cash account and increase (debit) the appropriate natural expense account on each affiliate's financial books who uses SAP as their financial system. For non-SAP affiliates, single company entries are recorded. DES will record a receivable from the non-SAP affiliate and credit cash. The non-SAP affiliate will record expense (debit) to the appropriate natural expense account and a payable to DES (credit).

- For cross-company entries, the SAP financial system automatically creates affiliate customer/vendor invoices to balance inter-company transactions. A customer invoice (accounts receivable) is created on DES' books, and a vendor invoice (accounts payable) is created on each affiliate's books for whom the payment was made.
- Billings and invoice preparation occur approximately the third working day of the month. Our SAP Accounts Payable Module allows cash recovery of inter-company transactions in an automated manner. Once the billings occur, the operating companies have until the 18th of the month to review and dispute billed amounts. If no disputes occur, cash is transferred prior to end of month.



## **K. DES Procurement/Payment Practices**

### **General**

As described in the DES Services Agreement, the Supply Chain (Procurement) Service may 'Advise and assist Dominion Companies in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control.' These services may relate to materials and services procured for DES internal purposes or for affiliated companies. When services are provided related to procurement activities for the benefit of affiliate companies, care must be exercised to distinctly separate DES costs of providing the procurement support, and the costs of the goods and services procured. Costs related to the actual goods and services procured for affiliate companies must be recorded on the financial records of the affiliate.

The FERC Uniform System of Accounts for Centralized Service Companies provides guidance in Title 18 CFR Part 367 that specifies:

(a) 'Cost of materials, construction payrolls, outside services, and other expenses directly attributable to construction work shall be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the construction project.'

And that:

(b) 'Service costs allocated to centralized procurement activities shall include only the cost of the support services performed by the service company in connection with the procurement of goods for associate companies. Costs of goods procured shall be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the associate company concerned.'

### **Master Purchase Agreements**

It may be advantageous to enter into master purchase agreements in the name of Dominion Energy Services. Agreements of this type may provide flexibility to extend purchase agreements to future affiliates or to existing affiliates that may need the related goods or services in the future. In this case, the purchase agreements are normally written to include 'Dominion Energy Services, Inc., its parent Dominion Energy, Inc. and any parent, affiliate or subsidiary of either now or in the future.' Language of this type in no way negates the requirements to record the expenses related to actual purchases on the financial records of the affiliate, as detailed in the general policies above. This may require individual purchase orders that may 'release' against the master order.



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### *Payments and Intermingling of Funds*

Payments for goods and services procured for the benefit of affiliate companies will be made from the affiliate company's funds. In no case will payment be made from the funds of DES, with the exception of convenience payments.

Intermingling of funds between DES and other affiliates is not allowed. Arrangements of this type may subject one legal entity to the liabilities of another.



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## **L. Charges for Corporate Aircraft**

DES owns and manages corporate aircraft for Dominion. Flights are approved in advance by Executives and are scheduled by the Travel Services group. DES Accounting bills Dominion affiliates for the expenses related to aircraft use. The procedures to affect the affiliate billings is as follows:

- DES Accounting has established a group of cost centers for the Aviation group's use in cost management. DES Financial & Business Services is responsible for providing support in monitoring planned vs. actual expenses against an approved cost plan.
- DES Financial & Business Services calculates billing rates by aircraft based on annual planned expenditures and usage rates. The rates are segregated into variable and fixed components. The cost driver for variable cost determination is flight hours. The driver for fixed cost determination is a combination of O&M and flight 'legs' for the previous two years.
- Travel Services forwards the flight logs to DES Accounting. The logs specify key flight information, including authorizing Executive, flight date, trip purpose, passengers, flight 'legs' & destinations, and hours flown.
- DES Accounting examines the authorizer and trip purpose and determines the proper billing project to be used. The billing project may be an interim project, a direct billing project, or an allocation project.
- The variable amount billed for the flight is determined by multiplying the flight hours (from the flight log) by the variable rate. The aggregate amount is charged to the project.
- Fixed costs are billed to affiliates based on the aviation allocation factor.
- The costs are billed to affiliates separately identified as 'Aviation' billings on the monthly invoice.
- DES Accounting examines the aviation cost centers on a quarterly basis and determines the amount of remaining cost that is unbilled by the billing rates. This amount is 'trued-up' over the actual charges for the quarter to recover all remaining costs from the users of the aircraft.
- Flights that are related to services or activities that have been designated as Parent Company activities are billed to DEL.



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## **M. Merger and Acquisition (M&A) Costs & Billings**

DES expenses related to support of affiliate M&A activity will be collected in specific interim projects segregated by service. These projects will serve as documentation of related amounts billed to the affiliate. The affiliate will make the determination as to the ultimate disposition of these billed amounts on its financial records.

- M&A support will generally be concentrated in the accounting, legal, tax, executive, treasury, and corporate planning services of DES.
- DES M&A support costs will be billed to the affiliate as incurred.

### *Procedure to bill for DES M&A support costs:*

- At the inception of the M&A project, a sponsoring company will be identified.
- Management, who identifies the need for a project to be undertaken will also identify the DES support services required. The DES Financial & Business Services group will set up interim projects in each service area to track the support costs of the project.
- DES Financial & Business Services will consult with DES Accounting as to the proper billing for these costs. DES Accounting will arrange for proper treatment of expenses billed to DEI.
- The settlement rules of the interim projects will be established according to the billing instructions above.
- Once the M&A project is completed, DES Financial & Business Services will close the interim projects created to track the support costs.



## **N. Divestiture Costs & Billings**

DES expenses related to support of affiliate divestiture activity will be collected in specific direct billing interim projects segregated by service. These projects will serve as documentation of related amounts billed to the affiliate and any third party for reimbursement. The divestiture costs will be expensed.

### *Procedure to bill for DES divestiture support costs:*

- DES support services required will be identified. The DES Financial & Business Services group will set up interim projects in each service area to track the support costs.
- The settlement rules of the interim projects will be established according to the billing affiliate involved. If the costs are to be reimbursed by a third party, then the bill will be sent to the affiliate that will receive that third party reimbursement.

### *Procedures for Third Party reimbursable costs:*

- At the inception of the divestiture, a purchasing company (companies) will be identified. Meetings will be held with transition services to establish the type and length of services that will be reimbursed by the third parties. A schedule showing these arrangements should be forwarded to DES Accounting. DES Accounting, DES Financial & Business Services Group, Legal, and applicable Accounting and Finance for affiliate divestiture activity will review the transition service agreement.
- The DES Financial & Business Services group will set up the WBS elements in each service area to track the support costs and will forward the list to DES Accounting.
- On a monthly basis, the DES Financial & Business Services and DES Accounting groups will run reports by WBS element to capture those support costs to be reimbursed by the third party and forward the support to the appropriate affiliate company for billing to and reimbursement from the third party.
- Once the affiliate has divested, and no longer receiving TSA services, the DES Financial & Business Services and DES Accounting will close the projects established to track support costs.



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## O. DES System of Accounts

- DES utilizes a natural chart of accounts. Transactions are recorded to accounts that are ‘resource-based’ (e.g., salaries, contractor services, materials, office supplies, etc.).
- The natural accounts are mapped to FERC accounts via a financial statement reporting tool in order to report financial results in accordance with the ‘Uniform System of Accounts for Centralized Service Companies’.
- Exhibit 8 provides a listing of the natural chart of accounts assigned to DES. Income statement and balance sheet accounts are assigned unique number ranges:

|                                 |                   |
|---------------------------------|-------------------|
| Assets                          | 1000000 - 1999999 |
| Liabilities                     | 2000000 – 2999999 |
| Equity                          | 3000000 – 3999999 |
| Operating Revenue               | 4000000 - 4999999 |
| Operating Expenses              | 5000000 - 5999999 |
| Non-Operating Income/Deductions | 6000000 – 6999999 |

- Exhibit 7 provides the DES FERC 60 which includes a FERC-based income statement and balance sheet, respectively.



## **P. DES Closing Process Overview**

### General

- During the consolidated closing process, DES is the first company to be closed (by 12:00 PM on Day 3), since DES bills all of its costs to other DEI affiliates. As such, ‘staging’ the DES closing processes is key to maintaining a timely close.

### Process Overview

#### Day 1

- Review DES cost centers
- Settle DES capital projects

#### Day 1 (Evening)

- Post depreciation on DES cost centers (generally posted to cost ‘pools’)
- Settle Priority ‘1’ projects (projects which must first be settled to a WBS/project and then moved to a cost pool center before being allocated)
- Run assessments (allocations) to DES cost centers from DES common cost centers:
  - Benefits
  - Incentives
  - Occupancy & Infrastructure
  - Software Pooling
- Run custom allocation program (distributes benefits, payroll taxes, incentives, other on the basis of labor charges)
- Settle interim projects (settle to billing projects)
- Settle billing projects (settlement of allocated billing projects to affiliates)

#### Day 2

- Review and resolve any settlement errors
- Run interest assessment to billing cost centers (allocate DES ‘carrying costs’ in proportion to labor charges)



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### Day 3

- Perform various analytical reviews
- Ensure all DES billing projects have been settled
- Post the DES GAAP Adjustment or 'Gross-up' Program



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## **Q. Budgeting and Variance Analysis**

### **Budgeting Process**

On an annual basis, a 5-year plan is prepared for DES Budgets for each cost center within DES. To begin the process a preliminary budget is submitted to each cost center manager or their designee for review. This preliminary budget is based on historical activity within the business area with adjustments for known changes, including adjustments to the level of service delivered to the Operating Units, which have occurred since the prior budget was approved. Cost center budgets are revised, reviewed and approved by DES Executives and submitted based on Corporate Finance's planning schedule.

### **Variance Analysis Process**

On a monthly basis, DES Financial & Business Services and DES Accounting perform variance analysis, including a comparison of actual vs. budget for significant fluctuations, a comparison of the current month vs prior year DES activity, and a comparison of each affiliates' bill for the current month actual vs budget.



## R. Money Pool

### Administration of the Money Pool

- The Dominion Money Pool functions as a vehicle for short-term financing for the Dominion system.
- The Dominion Money Pool is segregated into two separate accounts, Regulated and Unregulated. All unregulated participants can either invest their surplus funds in or borrow from the Unregulated Money Pool account. All regulated participants can either invest their surplus funds in or borrow from the Regulated Money Pool account. DEI will not borrow from the Dominion Money Pool but will be the ultimate provider of funds to the Dominion Money Pool as needed.
- The purpose of the Dominion Money Pool is to provide the DEI subsidiary participants with short-term borrowed funds and/or to invest surplus funds of the subsidiaries in short-term money market instruments. The DEI Money Pool offers the DEI subsidiaries the benefit of DEI short-term commercial paper borrowing rates, and a mechanism to earn interest from surplus funds that are loaned to other DEI subsidiaries, as well as decreased reliance on external funding sources.
- Funds not required by the Dominion Money Pool to make loans (with the exception of funds required to satisfy the Dominion Money Pool's liquidity needs) can be invested in one or more short-term investments.
- The interest income and investment income earned on loans and investments of surplus funds are allocated among the participants in the Regulated or Unregulated Money Pool in accordance with the proportion of each participant's contribution of funds bears to the total amount of funds in each of the Money Pools.
- Each participant receiving a loan through the Dominion Money Pool could be required to repay the principal amount of the loan, together with all interest accrued thereon, on demand. Otherwise, the interest is applied on a monthly basis, through In House Cash and results in an increase in principle balance. The borrower without premium or penalty can repay all loans made through the Dominion Money Pool.
- All DEI subsidiaries, subject to legal review (except Virginia Power) are permitted to participate in the Dominion Money Pool.
- DES will administer the Money Pool on an 'at cost' basis.
- Administration of the Dominion Money Pool includes the following:
  - Cash Management - those activities necessary to affect the related cash advances and borrowings, interest payments, and calculate any related monthly interest earned or



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payable.

- The Cash Management Department enters the desired inter-company bank transfers each day into SAP's In House Cash module which then:
  - (1) is uploaded to the banks to initiate the cash transfers (principal & interest) and (2) creates accounting postings in SAP to debit the appropriate bank G/L account of the receiving company and credit the G/L account of the company sending the funds. (These postings are cross-company document types and since they are cross-company entries, creating offsetting vendor payables and customer receivables).
- Accounting – BPC does not recognize trading partners for consolidating the financial statements. Therefore, at month end, accounting clears out all the IRCA and Money Pool balance sheet and income statement accounts with a manual journal entry, for current period's activity, to move the amounts to accounts that are recognized for consolidation.
  - Execution of SAP T-code, ZCM\_IHC\_HE\_RECLASS – IHC Journal Entry Balance reclass (Variant IHCBSINTRECLJE and IHCGSPRINCEJE) and ZCM\_IHC\_ACT\_ACTIVITY – IHC Account Activity Report, on Day 2 of closing which reclassifies vendor payables and customer receivables to the appropriate advance/ borrowing G/L accounts and interest payments/receipts to the appropriate inter-company interest receivable/payable G/L accounts.
  - After recording the above entries, execute SAP T-code F.08 – G/L: Account Balance to check all IHC transactions have been cleared properly.
- The Cash Management Department is responsible for accumulating information relating to the Money Pool borrowings and advances within the In House Cash Module.



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## S. FERC Reporting

### DES FERC 60

- As required by PUHCA 2005, DES files a FERC Form 60 Annual Report of Centralized Service Companies with FERC. Financial information is collected from the natural general ledger accounts of DES and converted into the FERC Uniform System of Accounts for reporting purposes. This report is prepared and filed electronically on an annual basis. See Exhibit 7 for a copy of the most recently filed FERC Form 60 for calendar year 2022.

### Form 1, 2, and 2A

- According to Title 18, Parts 101 and 201, General Instruction 14 of the Code of Federal Regulations, each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies. The statements may be required to show the general nature of the transactions, the amounts involved therein, and the amounts included in each account prescribed therein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature.
- When DES charges services to associated companies monthly, the costs are recorded to appropriate FERC accounts based on the nature of the cost to the operating company. A FERC identifier is assigned to the either the WBS or the DES billing cost center. The FERC identifier may be a specific FERC account (i.e., 426.4) or an alphanumeric code (i.e., DESE). The alphanumeric code assigns the appropriate FERC account based on either the g/l account and/or costs can be split based on a percentage to spread the costs amongst various FERC accounts. VEPCO is unique in that all DES billing cost centers are assigned FERC 923. Initially DES allocated costs are captured in only FERC account 923 on VEPCO's books: however, the charges must be spread over the appropriate FERC accounts based on the nature of the DES allocated costs. Therefore, a functional allocation is performed on VEPCO's FERC general ledger to reclass the costs into the appropriate FERC accounts for FERC reporting purposes. Effective January 1, 2024, VEPCO has assigned an alphanumeric code as the FERC identifier to the DES billing cost centers, therefore the functional allocation reclass of costs is no longer performed.
- Note that this section only applies to those operating companies that have FERC reporting requirements.



Exhibit 1

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Dominion Energy Services, Inc.  
Organization Chart  
as of December 31, 2023

Director

President, Chief of Staff and Corporate Secretary  
President - Nuclear Operations and Chief Nuclear Officer

Senior Vice President, Controller and Chief Accounting Officer  
Senior Vice President and Chief Human Resources Officer  
Senior Vice President - Nuclear Operations & Fleet Performance  
Senior Vice President - Corporate Affairs & Communications  
Senior Vice President - Administrative Services  
Senior Vice President and Chief Innovation Officer  
Senior Vice President and Chief Financial Officer  
Senior Vice President - Regulatory Affairs and Customer Experience  
Senior Vice President, Chief Legal Officer, and General Counsel

Vice President and Chief Information Officer  
Vice President - Employee Engagement and Talent Strategy  
Vice President - Business Development  
Vice President - Customer Experience  
Vice President - State Affairs  
Vice President - Public Policy & Alternative Energy Strategy  
Vice President - Regulatory Affairs  
Vice President and General Manager - Western Distribution  
Vice President - Financial Planning & Analysis  
Vice President and General Manager - NC & SC Gas Distribution  
Vice President - Asset Management  
Vice President - Nuclear Engineering & Fleet Support  
Vice President - Economic Development Strategy  
Vice President and Treasurer  
Vice President and Chief Security Officer  
Vice President - Investor Relations  
Vice President and Chief Compliance Officer  
Vice President - Project Construction  
Vice President - Environmental & Sustainability  
Vice President - Financial Management  
Vice President - Strategy  
Vice President and General Auditor  
Vice President - Tax  
Vice President - Legal-Litigation, Labor & Employment and Utility Operations  
Vice President - Intergovernmental Affairs  
Vice President - Governance and Assistant Corporate Secretary  
Vice President - Federal Affairs  
Vice President and General Manager - Ohio Distribution  
Vice President - Shared Services  
Vice President - Corporate Communications  
Vice President - Legal-Regulatory and Legal Operations

Assistant Treasurer  
Assistant Corporate Secretary  
Assistant Controller



Exhibit 2

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## DES Services Agreement

This DES Services Agreement (this “Agreement”) is entered into as of the 1st day of January, 2024, by and between VIRGINIA ELECTRIC AND POWER COMPANY, a Virginia public service corporation (the “Company”), and DOMINION ENERGY SERVICES, INC., a Virginia corporation (“DES”). DES is sometimes referred to herein as “Service Company.”

WHEREAS, each of the Company and DES is a direct or indirect wholly-owned subsidiary of Dominion Energy, Inc., a Virginia corporation and a “holding company” as defined in the Public Utility Holding Company Act of 2005 that is subject to regulation as such under that Act by the Federal Energy Regulatory Commission (“Dominion”);

WHEREAS, the Company is an electric utility engaged in the sale of electric service at retail within its service territories in Virginia and North Carolina and at wholesale within those territories and elsewhere in the United States;

WHEREAS, DES has been formed for the purpose of providing administrative, management and other services to Dominion and its subsidiaries (“Dominion Companies”) as a subsidiary service company;

WHEREAS, the Company believes that it is in the interest of the Company to provide for an arrangement whereby the Company may, from time to time and at the option of the Company, agree to purchase such administrative, management and other services as set forth in Exhibit I hereto from DES;

WHEREAS, DES is an “affiliated interest” of the Company within the meaning of the Utility Affiliates Act, Chapter 4 of Title 56 of the Code of Virginia, and therefore contracts and arrangements for the furnishing of services by DES to the Company are subject to approval of the Virginia State Corporation Commission (“SCC”);

WHEREAS, DES is an affiliate of the Company and therefore certain types of contracts between DES and the Company are subject to the requirements of North Carolina G.S. § 62-153 and are subject to approval of the North Carolina Utilities Commission (“NCUC”); and

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

I. SERVICES OFFERED. Exhibit I hereto lists and describes all of the services that are available from DES. DES hereby offers to supply those services to the Company. Such services are and will be provided to the Company only at the request of the Company. DES will provide such requested services using personnel from DES and, if necessary, from nonaffiliated third parties in accordance with Section III herein.



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II. INITIAL SERVICES SELECTED. Exhibit II lists the services from Exhibit I that (i) the Company hereby agrees to receive from DES and (ii) DES hereby agrees to provide to the Company.

III. PERSONNEL. DES will provide services by utilizing the services of such executives, accountants, financial advisers, technical advisers, attorneys, engineers, geologists and other persons as have the necessary qualifications.

If necessary, DES, after consultation with the Company, may also arrange for the services of nonaffiliated experts, consultants and attorneys in connection with the performance of any of the services supplied under this Agreement.

To the extent any non-DES affiliated company personnel are required for the provision of a service, DES will ensure that the non-DES affiliated company will provide and bill such service directly to the Company through its own SCC- and NCUC-approved services agreement. If the non-DES affiliated company is not so authorized through its own approved services agreement with the Company, DES will not use such affiliated personnel to provide services to the Company. Use of affiliated company personnel shall be subject to federal and state codes and standards of conduct, as applicable.

IV. COMPENSATION AND ALLOCATION. As and to the extent required by law, DES will provide such services at cost. DES will regularly conduct market price salary and incentive compensation external surveys to ensure employee compensation is no higher than market. Exhibit III hereof contains rules and methods for determining and allocating costs for DES.

V. EFFECTIVE DATE. This Agreement is effective as of January 1, 2024 (the "Effective Date").

VI. TERM. This Agreement shall commence on the Effective Date and shall remain in effect for a period of three (3) years thereafter, unless terminated earlier pursuant to Section VII(C).

VII. TERMINATION AND MODIFICATION.

A. Modification of Services. The Company may modify its selection of services at any time during the calendar year by giving DES written notice of the additional services it wishes to receive, and/or the services it no longer wishes to receive, in Exhibit I from DES. The requested modification in services shall take effect on the first day of the first calendar month beginning at least thirty (30) days after the Company sent written notice to DES.



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B. Modification of Other Terms and Conditions. No other amendment, change or modification of this Agreement shall be valid, unless made in writing and signed by all parties hereto.

C. Termination of this Agreement. The Company may terminate this Agreement by providing sixty (60) days advance written notice of such termination to DES. DES may terminate this Agreement by providing sixty (60) days advance written notice of such termination to the Company.

This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

VIII. NOTICE. Where written notice is required by this Agreement, said notice shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

a. To the Company:

Virginia Electric and Power Company  
120 Tredegar Street  
Richmond, VA 23219

With a Copy to:

Dominion Energy Services, Inc.  
Law Department  
120 Tredegar Street  
Richmond, VA 23219  
Attention: Managing Counsel and State Regulatory Team

b. To DES:

Dominion Energy Services, Inc.  
120 Tredegar Street  
Richmond, VA 23219

With a Copy to:

Dominion Energy Services, Inc.  
Law Department  
120 Tredegar Street  
Richmond, VA 23219  
Attention: Managing Counsel and State Regulatory Team



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IX. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Virginia, without regard to its conflict of laws provisions.

X. ENTIRE AGREEMENT. This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and are of no further force and effect.

XI. WAIVER. No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

XII. ASSIGNMENT. This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned; provided, however, that, subject to the requirements of applicable state and federal regulatory law, either party may assign its rights, interests or obligations under this Agreement to an "affiliated interest," without the consent of the other party.

XIII. SEVERABILITY. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

XIV. CONFIDENTIALITY.

A. For purposes of this Agreement, "Confidential Information" is information provided by the Company, or created or discovered by, for, or on behalf of the Company including, but not limited to information relating to products, processes, techniques, formulas, ideas, know-how, works of authorship, copyrightable works, inventions (whether patentable or not), technical information, trade secrets, computer programs, computer code, designs, technology, compositions, data, drawings, schematics, customers, product development, plans, and other business, technical, and financial information. "Confidential Information" also includes "Customer Information" and "Confidential Systems Operation Information" as those terms are defined in the Code of Conduct Governing the Relationships Among Dominion Energy North Carolina, Public Service Company of North Carolina, Incorporated, their Affiliates, and their Nonpublic Utility Operations approved by the North Carolina Utilities Commission in Dockets No. E-22, Sub 551, and G-5, Sub 585 ("Code of Conduct"). The types of Confidential Systems Operation Information that may be provided to employees of DES are described in Exhibit IV, as may it be revised from time to time.

B. At all times, both during this Agreement and after its termination, DES will protect Confidential Information from unauthorized dissemination and use with the



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same degree of care that DES uses to protect its own confidential information, but with not less than reasonable care and diligence, and will not disclose any Confidential Information unless necessary to perform services hereunder and reasonable measures are taken to avoid wrongful disclosures. DES may use such Confidential Information solely for performing the services under this Agreement and for no other purpose.

C. DES will not be obligated under this Agreement with respect to information that DES can document : (1) is or has become publicly known through no fault of DES or its employees or agents; (2) is or was received without restriction from a third party lawfully in possession of such information and lawfully empowered to disclose such information; (3) was rightfully in the possession of DES without restriction prior to its disclosure by the Company; or (4) is or was independently developed by or on behalf of DES.

D. DES acknowledges that any disclosure or unauthorized use of Confidential Information will constitute a material breach of this Agreement and cause substantial and irreparable harm to the Company for which damages would not be a fully adequate remedy and, therefore, in the event of any such breach, in addition to other available remedies, the Company will have the right to obtain appropriate injunctive relief.

E. DES agrees to comply with the provisions contained in the Code of Conduct with respect to Customer Information and Confidential Systems Operation Information.

#### XV. STATE COMMISSION APPROVALS.

A. VSCC Approval. Pursuant to the Virginia State Corporation Commission (“VSCC”) Order Approving Merger in Joint Petition for Dominion and Consolidated Natural Gas Company for Approval of Agreement and Plan of Merger under Chapter 5 of Title 56 of the Code of Virginia, Case No. PUA-1999-00020, issued on September 17, 1999, neither Virginia Electric and Power Company nor any other affiliate of Dominion subject to the jurisdiction of the Commission shall have any obligation under this Agreement except to the extent such Commission has approved such obligation.

#### B. NCUC.

(i) Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina’s (“DENC”) participation in this Agreement is voluntary, DENC is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DENC may elect to discontinue its participation in this Agreement at its election after giving any required notice;

(ii) DENC may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations, and orders of the North Carolina Commission promulgated thereunder;



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(iii) DENC may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding such amount as may be allowed by the North Carolina Commission or (B) revenue level earned under this Agreement less than the amount imputed by the North Carolina Commission; and

(iv) DENC will not assert in any forum that the North Carolina Commission's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

VIRGINIA ELECTRIC AND POWER COMPANY

By 

Name: Caitlin H. Porada

Title: Vice President - Financial Management

DOMINION ENERGY SERVICES, INC.

By 

Name: Alma W. Showalter

Title: Vice President - Tax



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## EXHIBIT I

### DESCRIPTION OF SERVICES OFFERED BY DES UNDER THIS DES SERVICES AGREEMENT

1. Accounting. Provide advice and assistance to the Dominion entity(ies) receiving services under this Agreement (“Dominion Companies”) in accounting matters (development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary systems, the preparation and analysis of financial reports, and the processing of certain accounts such as accounts payable, accounts receivable, and payroll).
2. Auditing. Periodically audit the accounting records and other records maintained by Dominion Companies and coordinate their examination, where applicable, with that of independent public accountants. The audit staff will report on their examination and submit recommendations, as appropriate, on improving methods of internal control and accounting procedures.
3. Legal. Provide advice and assistance with respect to legal and regulatory issues as well as regulatory compliance and matters under federal and state laws.
4. Information Technology, Electronic Transmission and Computer Services. Provide the organization and resources for the operation of an information technology function (development, implementation and operation of a centralized data processing facility and the management of a telecommunications network, and the central processing of computerized applications and support of individual applications in Dominion Companies). Develop, implement, and process those computerized applications for Dominion Companies that can be economically best accomplished on a centralized basis. Develop, implement, and process information technology risk management services and services for the secure protection and transmission of critical and sensitive data.
5. Software/Hardware Pooling. Accept from Dominion Companies ownership of and rights to use, assign, license or sub-license all software owned, acquired or developed by or for Dominion Companies which Dominion Companies can and do transfer or assign to it and computer system hardware used with software and enhancements to which DES has legal right. Preserve and protect the rights to all such software to the extent reasonable and appropriate under the circumstances; license Dominion Companies, on a non-exclusive, no-charge or at-cost basis, to use all software which DES has the right to sell, license or sub-license; and, at the relevant Dominion Companies’ expense, permit Dominion Companies to enhance any such software and license others to use all such software and enhancements to the extent that DES shall have the legal right to so permit.
6. Human Resources. Advise and assist Dominion Companies in the formulation and administration of human resources policies and programs relating to the relevant



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Dominion Companies' labor relations, personnel administration, training, wage and salary administration, staffing and safety. Direct and administer all medical, health, and employee benefit and pension plans of Dominion Companies. Provide systems of physical examination for employment and other purposes and direct and administer programs for the prevention of sickness. Advise and assist Dominion Companies in the administration of such plans and prepare and maintain records of employee and company accounts under the said plans, together with such statistical data and reports as are pertinent to the plans.

7. Operations. Advise and assist Dominion Companies in the following matters relating to operational capacity: (i) the preparation and coordination of studying, consulting, planning, designing, managing, inspecting, engineering and construction of facilities of the Dominion Companies, (ii) the planning, engineering (including maps and records), and operations of the Dominion Companies, (iii) the performance of operations support services for generation, transmission, and nuclear functions, plant and facilities operation, compression, outage support, and maintenance and management services, (iv) the planning, formulation and implementation of load retention, load shaping and conservation and efficiency programs, and integrated resource planning for supply-side plans and demand-side management programs, (v) the provision and management of a training program for employees and/or contractors, including the management and maintenance of training records, (vi) the provision of land services, including the drafting, management and maintenance of maps and land records; and the procurement, management and enforcement of land interests including easements, site agreements, and real property purchases/leases, (vii) develop long-range operational programs for Dominion Companies and advise and assist such Dominion Companies in the coordination of such programs with the programs of the other Dominion Companies, subject to federal and state codes and standards of conduct, as applicable, (viii) manage Dominion Companies' purchase, sale, movement, transfer, and accounting of and support services for: emissions reduction products, nuclear fuel, and other fuel (excluding natural gas, No. 2 and No. 6 fuel oil, and miscellaneous fuel); and (ix) support services for gas volumes.

8. Executive and Administrative. Advise and assist Dominion Companies in the solution of major problems and in the formulation and execution of the general plans and policies of Dominion Companies. Advise and assist Dominion Companies as to operations, the issuance of securities, the preparation of filings arising out of or required by the various federal and state securities, business, public utilities and corporation laws, the selection of executive and administrative personnel, the representation of Dominion Companies before regulatory bodies, proposals for capital expenditures, budgets, financing, acquisition and disposition of properties, expansion of business, rate structures, public relationships and related matters.

9. Business Services. Perform: (i) general business support services (printing, mailing, records management and maintenance, and administrative and office services across the enterprise), (ii) office facilities operation (building maintenance and property management, lease/sublease management, and property sales services across the enterprise), (iii) security (physical security support, background investigations, and investigative services across the enterprise), (iv) travel (business-related ticketing, itinerary coordination, and reservations for airlines, train, rental cars, and hotels/lodging for Dominion employees), (v) aviation (maintenance, operations, and aviation-related services for corporate-owned



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aircraft), and (vi) fleet services (fleet systems support, management of the acquisition/disposal function, maintenance functions, and fleet management across the entire enterprise).

10. Risk Management. Advise and assist Dominion Companies in securing requisite insurance, in the purchase and administration of all property, casualty and marine insurance, in the settlement of insured claims and in providing risk prevention advice.

11. Corporate Planning. Advise and assist Dominion Companies in the research, study, and planning of operations, budgets, economic forecasts, industry developments, capital expenditures, innovation, sustainability, social contract initiatives and other special projects.

12. Supply Chain. Advise and assist Dominion Companies in the procurement of real and personal property, materials, supplies and services, conduct purchase negotiations, prepare procurement agreements and administer programs of material control.

13. Rates and Regulatory. Advise and assist Dominion Companies in the analysis of their rate structure in the formulation of rate policies, and in the negotiation of large contracts. Advise and assist Dominion Companies in proceedings before regulatory bodies involving the rates and operations of Dominion Companies and of other competitors where such rates and operations directly or indirectly affect Dominion Companies.

14. Tax. Advise and assist Dominion Companies in the preparation of federal, state and other tax returns, generally advise Dominion Companies as to any problems involving taxes, and provide due diligence in connection with acquisitions.

15. Corporate Secretary. Provide all necessary functions required of a publicly traded company. Coordinate information and activities among shareholders, the transfer agent, and Board of Directors. Provide direct services to security holders. Prepare and file required annual and interim reports to shareholders and the U.S. Securities and Exchange Commission. Conduct meetings of the Board of Directors and shareholders, as applicable, and ensure proper maintenance of corporate records.

16. Investor Relations. Provide fair and accurate analysis of Dominion Companies and an outlook within the financial community. Enhance Dominion Companies' position in the energy industry. Balance and diversify owner investment in Dominion Companies through a wide range of activities. Provide feedback to Dominion Companies regarding investor concerns, trading and ownerships. Hold periodic analysts meetings, and provide various operating data as requested or required by investors.

17. Environmental Compliance. Provide consulting, cleanup, environmental permitting, environmental compliance support, biological and chemical services, environmental reporting, and environmental compliance plan preparation as required by Dominion Companies to ensure full compliance with applicable environmental statutes and regulations. Track state and federal environmental regulations. Provide summaries and guidance for Dominion Company personnel to ensure ongoing compliance.



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18. Customer Services. Provide services and systems dedicated to customer service, billing, remittance, credit, collections, customer relations, call centers, energy conservation support and metering.

19. Energy Marketing. Provide services and systems dedicated to energy marketing and trading of energy commodities, specifically the provision of all services related to emissions products, renewable energy products, environmental commodities (commodities derived from environmental attributes associated with qualifying types of generation that are required for compliance with applicable federal, state and local laws, as well as any voluntary additional reductions that the Company has elected to complete). Provide market, credit and operational risk management services and development of marketing and sales programs in physical and financial markets.

20. Treasury/Finance. Provide services related to managing all administrative activities associated with financing and the management of capital structure; cash, credit and risk management activities; investment and commercial banking relationships; oversight of decommissioning trust funds and general financing activities.

21. External Affairs & Corporate Communications. Provide services in support of corporate strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Formulate and assist with public relations, advertising, and external/internal communications programs and with the administration of corporate contribution and community affairs programs.

22. Office Space and Equipment. Provide use of land, buildings, furnishings, and equipment, and all costs related to these assets – i.e., property taxes, utilities, and maintenance.



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## EXHIBIT II

### SERVICES THE COMPANY AGREES TO RECEIVE FROM DES

| SERVICE   | YES | NO |
|---|-----|----|
| 1. Accounting   | X   |    |
| 2. Auditing   | X   |    |
| 3. Legal  | X   |    |
| 4. Information Technology, Electronic Transmission<br>and Computer Services | X   |    |
| 5. Software/Hardware Pooling  | X   |    |
| 6. Human Resources  | X   |    |
| 7. Operations   | X   |    |
| 8. Executive and Administrative   | X   |    |
| 9. Business Services  | X   |    |
| 10. Risk Management   | X   |    |
| 11. Corporate Planning  | X   |    |
| 12. Supply Chain  | X   |    |
| 13. Rates and Regulatory  | X   |    |
| 14. Tax   | X   |    |
| 15. Corporate Secretary   | X   |    |
| 16. Investor Relations  | X   |    |
| 17. Environmental Compliance  | X   |    |
| 18. Customer Services   | X   |    |
| 19. Energy Marketing  | X   |    |
| 20. Treasury/Finance  | X   |    |
| 21. External Affairs & Corporate Communications                             | X   |    |
| 22. Office Space and Equipment  | X   |    |



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## **EXHIBIT III**

### **METHODS OF ALLOCATION FOR DES**

DES shall allocate costs among companies receiving service from it under this and similar service contracts using the following methods:

- I. The costs of rendering service by DES will include all costs of doing business including interest on debt but excluding a return for the use of equity capital for which no charge will be made to Dominion Companies.
- II.
  - A. DES will maintain a separate record of the expenses of each department. The expenses of each department will include:
    1. those expenses that are directly attributable to such department, and
    2. an appropriate portion of those office and housekeeping expenses that are not directly attributable to a department but which are necessary to the operation of such department.
  - B. Expenses of the department will include salaries and wages of employees, rent and utilities, materials and supplies, depreciation, and all other expenses attributable to the department. The expenses of a department will not include:
    1. those incremental out-of-pocket expenses that are incurred for the direct benefit and convenience of an individual Dominion Company or group of Dominion Companies,
    2. DES overhead expenses that are attributable to maintaining the corporate existence of DES, and all other incidental overhead expenses including those auditing fees, internal auditing department expenses and accounting department expenses attributable to DES.
  - C. DES will establish annual budgets for controlling the expenses of each department and for determining estimated costs to be included in interim monthly billing.
- III.
  - A. Employees in each department will be divided into two groups:
    1. Group A will include those employees rendering service to Dominion Companies, and
    2. Group B will include those office and general service employees, such as secretaries, file clerks and administrative assistants, who generally assist



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employees in Group A or render other housekeeping services and who are not engaged directly in rendering service to each Dominion Company or a group of Dominion Companies.

- B. Expenses set forth in Section II. Above will be separated to show:
    - 1. salaries and wages of Group A employees, and
    - 2. all other expenses of the department.
  - C. There will be attributed to each dollar of a Group A employee's salary or wage, that percentage of all other expenses of such employee's department (as defined in B above), that such employee's salary or wage is to the total Group A salaries and wages of that department.
  - D. Group A employees in each department will maintain a record of the time they are employed in rendering service to each Dominion Company or group of Dominion Companies. An hourly rate will be determined by dividing the total expense attributable to a Group A employee as determined under subsection C above by the productive hours reported by such employee.
- IV. The charge to the Dominion Company for a particular service will be determined by multiplying the hours reported by Group A employees in rendering such service to each Dominion Company by the hourly rates applicable to such employees. When such employees render service to a group of Dominion Companies, the charge to each Dominion Company will be determined by multiplying the hours attributable to the Dominion Company under the allocation formulas set forth in Section IX of this Exhibit by the hourly rates applicable to such employees.
- V. To the extent appropriate and practical, the foregoing computations of hourly rates and charges may be determined for groups of employees within reasonable salary range limits.
- VI. Those expenses of DES that are not included in the annual expense of a department under Section II above will be charged to Dominion Companies receiving service as follows:
- A. Incremental out-of-pocket costs incurred for the direct benefit and convenience of a Dominion Company or group of Dominion Companies will be charged directly to such Dominion Company or group of Dominion Companies. Such costs incurred for a group of Dominion Companies will be allocated on the basis of an appropriate formula.
  - B. DES overhead expenses referred to in Section II above will be charged to the Dominion Company either on the proportion of direct charges to that Dominion Company or under the allocation formulas set forth in Section IX of this Exhibit.



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- VII. Notwithstanding the foregoing basis of determining cost allocations for billing purposes, cost allocations for certain services involving machine operations, production or service units, or facilities cost will be determined on an appropriate basis established by DES.
- VIII. Monthly bills will be issued for the services rendered to the Dominion Company on an actual basis. However, if such actual information is not available at the time of preparation of the monthly bill, estimates may be used. Estimates will normally be predicated on service department budgets and estimated productive hours of employees for the year. At the end of each quarter, estimated figures will be revised and adjustments will be made in amounts billed to give effect to such revision.
- IX. When Group A employees render services to a group of Dominion Companies, the following formulas shall be used to allocate the time of such employees to the individual Dominion Companies receiving such service (Each Dominion Company metric/Total Dominion Companies' metrics):
- A. The Service Department or Function formulas to be used when employees render services to all Dominion Companies participating in such service, for the services indicated are set forth below.

| <b><u>Service Department<br/>or Function</u></b>                                  | <b><u>Basis of Allocation</u></b>  |
|---|--|
| <i>Accounting:</i>  |  |
| Payroll Processing  | Number of Dominion Company employees on the previous December 31 <sup>st</sup> .   |
| Accounts Payable Processing   | Number of Dominion Company accounts payable documents processed during the preceding year ended December 31 <sup>st</sup> . [Accounts Payable Invoices]<br>Dollar value of Dominion Company purchases on company credit cards for the preceding year ended December 31 <sup>st</sup> . [Accounts Payable P-Card] |
| Fixed Assets Accounting   | Dominion Company fixed assets added, retired or transferred during the preceding year ended December 31 <sup>st</sup> .  |
| <i>Information Technology, Electronic<br/>Transmission and Computer Services:</i> |  |
| LDC/EDC Computer Applications   | Number of Dominion Company customers at the end of the preceding year ended December 31 <sup>st</sup> .  |
| Other Computer Applications   | Number of Dominion Company users (EID) or mainframe usage of specific computer systems at the end of the preceding year ended December 31 <sup>st</sup> .  |



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| <b><u>Service Department<br/>or Function</u></b>               | <b><u>Basis of Allocation</u></b>  |
|--|--|
| Telecommunications Applications                                | Number of Dominion Company telecommunications units at the end of the preceding year ended December 31 <sup>st</sup> .                       |
| <i>Software/Hardware Pooling:</i><br>Software/Hardware Pooling | Number of Dominion Company users (EID) at the end of the preceeding year ended December 31 <sup>st</sup> .                                   |
| <i>Human Resources:</i><br>Human Resources                     | The number of Dominion Company employees as of the preceding December 31 <sup>st</sup> .   |
| <i>Business Services:</i><br><br>Facility Services             | Square footage of Dominion Company office space as of the preceding year ended December 31 <sup>st</sup> .                                   |
| Fleet Administration   | Number of Dominion Company vehicles as of the preceding December 31 <sup>st</sup> .  |
| Security   | The number of Dominion Company employees as of the preceding December 31 <sup>st</sup> .   |
| <i>Operations</i><br>Gas Supply                                | Throughput of gas volumes purchased for each Dominion Company for the preceding year ended December 31 <sup>st</sup> .                       |
| <i>Risk Management:</i><br>Risk Management                     | Dominion Company insurance premiums for the preceding year ended December 31 <sup>st</sup> .   |
| <i>Corporate Planning:</i><br>Corporate Planning               | Total Dominion Company capitalization (Debt and Equity) recorded at preceding December 31 <sup>st</sup> .                                    |
| <i>Supply Chain:</i><br>Purchasing                             | Dollar value of Dominion Company purchases for the preceding year ended December 31 <sup>st</sup> .  |
| <i>Tax:</i><br>Tax Accounting and Compliance                   | The sum of the total income and total deductions as reported for Dominion Consolidated Federal Income Tax purposes on the last return filed. |
| <i>Customer Services:</i>                                      |  |



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| <b>Service Department<br/>or Function</b>                              | <b><u>Basis of Allocation</u></b>  |
|--|--|
| Customer Payment (Remittance)<br>Processing                            | Number of Dominion Company customer<br>payments processed during the preceding year<br>ended December 31 <sup>st</sup> . |
| <i>Treasury/ Finance:</i><br>Treasury and Cash Management              | Total Dominion Company capitalization (Debt and<br>Equity) recorded at preceding December 31 <sup>st</sup> .             |
| <i>Office Space and Equipment:</i><br>Corporate Office and Electricity | Headcount at corporate offices as of the previous<br>December 31st.  |

B. For services not mentioned above, the method of allocation is set forth below:

| <b>Company Group</b>   | <b>Basis of Allocation</b>  |
|--|---|
| Accounting<br>Audit<br>Business Services: General<br>Services<br>Corporate Secretary<br>Corporate Secretary:<br>Shareholder Services<br>Energy Marketing<br>Environmental Compliance<br>Executive and Administrative<br>Executive and Administrative:<br>Business Planning<br>External Affairs & Corporate<br>Communications<br>Investor Relations<br>Legal<br>Operations<br>Rates & Regulatory<br>Business Services: Travel<br>Services | Total operating expenses, excluding purchased gas<br>expense, purchased power expense (including fuel<br>expense), other purchased products and royalties,<br>depreciation, depletion, and amortization, and<br>taxes other than income for the preceding year<br>ended December 31 <sup>st</sup> for the affected Dominion<br>Companies. |
| Business Service: Aviation   | A combination of items immediately noted above<br>and flight legs for the previous two years.   |



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- C. If the use of a basis of allocation would result in an inequity because of a change in operations or organization, then DES may adjust the basis to effect an equitable distribution.