Public Service Company of North Carolina, Incorporated

Consolidated Financial Statements
(Unaudited)

Quarter Ended March 31, 2021

Public Service Company of North Carolina, Incorporated

GLOSSARY OF TERMS

The following abbreviations or acronyms used in this document are defined below:

Abbreviation or Acronym	Definition
2017 Tax Reform Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
bcf	billion cubic feet
Cardinal	Cardinal Pipeline Company, LLC
Cove Point	Cove Point LNG, LP (formerly known as Dominion Energy Cove Point LNG, LP)
CUT	Customer usage tracker (decoupling mechanism)
DES	Dominion Energy Services, Inc.
DESS	Dominion Energy Southeast Services, Inc.
DETI	Eastern Gas Transmission and Storage, Inc. (formerly known as Dominion Energy Transmission, Inc.), a subsidiary of Berkshire Hathaway Energy Company effective November 2020 (previously a subsidiary of Dominion Energy)
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than SCANA and PSNC) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries
GAAP	U.S. generally accepted accounting principles
LNG	Liquefied natural gas
North Carolina Commission	North Carolina Utilities Commission
Pine Needle	Pine Needle LNG Company, LLC
PSNC	The legal entity, Public Service Company of North Carolina, Incorporated, one or more of its consolidated subsidiaries, or the entirety of Public Service Company of North Carolina, Incorporated and its consolidated subsidiaries, doing business as Dominion Energy North Carolina
Rider D	Rate mechanism which allows PSNC to recover from customers all prudently incurred gas costs and certain uncollectible expenses as well as losses on negotiated gas and transportation sales
ROE	Return on equity
SCANA	The legal entity, SCANA Corporation, one or more of its consolidated subsidiaries (other than PSNC) or the entirety of SCANA Corporation and its consolidated subsidiaries
SCANA Combination	Dominion Energy's acquisition of SCANA completed on January 1, 2019 pursuant to the terms of the agreement and plan of merger entered on January 2, 2018 between Dominion Energy and SCANA
SCANA Merger Approval Order	Final order issued by the Public Service Commission of South Carolina on December 21, 2018 setting forth its approval of the SCANA Combination
VIE	Variable interest entity

Public Service Company of North Carolina, Incorporated
Consolidated Balance Sheets
(Unaudited)

(millions)	March 31, 2021	December 31, 2020(1)
ASSETS		
Gas utility plant	**$ 3,084.4**	$ 3,044.4
Accumulated depreciation	**(637.4)**	(624.4)
Goodwill, net of writedown of $229.6	**209.8**	209.8
Gas Utility Plant, Net	**2,656.8**	2,629.8
Investments	**20.1**	19.9
Current Assets:		
Cash and cash equivalents	**0.6**	0.5
Receivables, net of allowance for uncollectible accounts of $1.0 at both dates	**114.0**	119.7
Receivables-affiliated companies	**—**	7.6
Receivables-income taxes	**—**	0.9
Inventories (at average cost):		
Stored gas	**17.1**	27.3
Materials and supplies	**20.6**	17.9
Regulatory assets	**29.2**	52.5
Prepayments and other	**2.4**	2.8
Total Current Assets	**183.9**	229.2
Deferred Debits and Other Assets:		
Regulatory assets	**142.2**	137.6
Other	**1.9**	1.8
Total Deferred Debits and Other Assets	**144.1**	139.4
Total Assets	**$ 3,004.9**	$ 3,018.3

(1) PSNC's Consolidated Balance Sheet at December 31, 2020 has been derived from the audited Consolidated Balance Sheet at that date.

The accompanying notes are an integral part of PSNC's Consolidated Financial Statements.

Public Service Company of North Carolina, Incorporated
Consolidated Balance Sheets (continued)
(Unaudited)

(millions, except shares)	March 31, 2021	December 31, 2020[1]
CAPITALIZATION AND LIABILITIES		
Common Stock - no par value, 1,000 shares outstanding	**$ 798.8**	$ 798.8
Retained earnings	**434.6**	394.5
Accumulated other comprehensive loss	**(1.2)**	(1.2)
Total Common Equity	**1,232.2**	1,192.1
Long-term debt, net	**797.8**	798.2
Total Capitalization	**2,030.0**	1,990.3
Current Liabilities:		
Accounts payable	**59.8**	55.0
Accounts payable-affiliated companies	**74.3**	137.3
Customer deposits and customer prepayments	**11.2**	19.4
Taxes accrued	**4.3**	0.2
Interest accrued	**6.3**	6.9
Regulatory liabilities	**1.9**	5.0
Other	**15.7**	7.8
Total Current Liabilities	**173.5**	231.6
Deferred Credits and Other Liabilities:		
Deferred income taxes, net	**211.5**	209.6
Pension and other postretirement benefits	**72.3**	71.5
Asset retirement obligations	**85.4**	84.4
Regulatory liabilities	**427.0**	424.4
Other	**5.2**	6.5
Total Deferred Credits and Other Liabilities	**801.4**	796.4
Commitments and Contingencies (see Note 14)		
Total Capitalization and Liabilities	**$ 3,004.9**	$ 3,018.3

(1) PSNC's Consolidated Balance Sheet at December 31, 2020 has been derived from the audited Consolidated Balance Sheet at that date.

The accompanying notes are an integral part of PSNC's Consolidated Financial Statements.

Public Service Company of North Carolina, Incorporated
Consolidated Statements of Income
(Unaudited)

(millions)	Three Months Ended March 31, 2021	2020
Operating Revenues[1]	**$ 236.5**	$ 209.5
Cost of gas[1]	**101.9**	79.7
Margin	**134.6**	129.8
Operating Expenses:		
Other operations and maintenance[1]	**32.5**	29.3
Depreciation and amortization	**20.2**	17.8
Other taxes	**5.0**	4.6
Total operating expenses	**57.7**	51.7
Income from operations	**76.9**	78.1
Other income, net	**6.3**	3.2
Interest charges, net of allowance for borrowed funds used during construction of $1.1 and $0.4[1]	**8.1**	9.9
Income before income tax expense and earnings from equity method investees	**75.1**	71.4
Income tax expense	**15.6**	15.1
Income before earnings from equity method investees	**59.5**	56.3
Earnings from equity method investees	**0.6**	0.6
Net Income	**$ 60.1**	$ 56.9

(1) See Note 17 for amounts attributable to related parties.

The accompanying notes are an integral part of PSNC's Consolidated Financial Statements.

Public Service Company of North Carolina, Incorporated
Consolidated Statements of Comprehensive Income
(Unaudited)

(millions)	Three Months Ended March 31, 2021	2020
Net income	**$ 60.1**	$ 56.9
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on cash flow hedging activities of equity method investees:		
Arising during period, net of $— and $— tax	**—**	(0.1)
Reclassified to earnings from equity method investees, net of $— and $— tax	**—**	0.1
Net unrealized gains on cash flow hedging activities of equity method investees	**—**	—
Other comprehensive income	**—**	—
Total comprehensive income	**$ 60.1**	$ 56.9

The accompanying notes are an integral part of PSNC's Consolidated Financial Statements.

Public Service Company of North Carolina, Incorporated
Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31, (millions)	**2021**	2020
Operating Activities		
Net Income	**$ 60.1**	$ 56.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Earnings from equity method investees, net of distributions	**(0.4)**	(0.6)
Deferred income taxes, net	**(0.5)**	0.4
Depreciation and amortization	**20.2**	17.8
Allowance for equity funds used during construction	**(3.0)**	(1.0)
Changes in certain assets and liabilities:		
Receivables	**13.4**	21.0
Income taxes receivable	**0.9**	—
Inventories	**7.5**	5.4
Regulatory assets	**20.6**	(7.3)
Regulatory liabilities	**(1.3)**	0.2
Accounts payable	**5.6**	(0.1)
Customer deposits and customer prepayments	**(8.2)**	(5.7)
Taxes accrued	**4.1**	(6.0)
Other assets	**(1.8)**	(1.9)
Other liabilities	**6.9**	(2.8)
Net cash provided by operating activities	**124.1**	76.3
Investing Activities		
Property additions and construction expenditures	**(34.5)**	(51.6)
Proceeds from investments	**0.2**	0.8
Net cash used in investing activities	**(34.3)**	(50.8)
Financing Activities		
Dividends	**(20.0)**	—
Issuance of long-term debt	**150.0**	200.0
Repayment of long-term debt	**(150.0)**	(100.0)
Borrowings from affiliate, net	**(69.3)**	(125.0)
Other	**(0.4)**	(0.5)
Net cash used in financing activities	**(89.7)**	(25.5)
Increase in cash and cash equivalents	**0.1**	—
Cash, restricted cash and equivalents at beginning of year(1)	**0.5**	1.5
Cash, restricted cash and equivalents at end of year(1)	**$ 0.6**	$ 1.5
Supplemental Cash Flow Information:		
Significant noncash investing activities:		
Accrued capital expenditures	**$ 24.1**	$ 19.5

(1) No amounts were held in restricted cash and equivalents in any of the periods presented.

The accompanying notes are an integral part of PSNC's Consolidated Financial Statements.

Public Service Company of North Carolina, Incorporated
Consolidated Statements of Common Equity
(Unaudited)

(millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss): Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss): Deferred Employee Benefit Plan Costs	Accumulated Other Comprehensive Income (Loss): Total AOCI	Total Common Equity
December 31, 2019	$ 708.8	$ 300.6	$ (0.1)	$ (1.1)	$ (1.2)	$ 1,008.2
Net income		56.9				56.9
Other comprehensive income (loss):						
Losses arising during the period			(0.1)		(0.1)	(0.1)
Losses/amortization reclassified from AOCI(1)			0.1		0.1	0.1
Total comprehensive income		56.9	—	—	—	56.9
March 31, 2020	$ 708.8	$ 357.5	$ (0.1)	$ (1.1)	$ (1.2)	$ 1,065.1
December 31, 2020	$ 798.8	$ 394.5	$ (0.3)	$ (0.9)	$ (1.2)	$ 1,192.1
Total comprehensive income		**60.1**				**60.1**
Dividend to parent		**(20.0)**				**(20.0)**
March 31, 2021	**$ 798.8**	**$ 434.6**	**$ (0.3)**	**$ (0.9)**	**$ (1.2)**	**$ 1,232.2**

(1) Reclassifications of gains or losses on interest rate contracts are recorded in earnings from equity method investees in the Consolidated Statements of Income. Reclassifications for the amortization of deferred employee benefit costs are recorded in other income, net in the Consolidated Statements of Income.

The accompanying notes are an integral part of PSNC's Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1. NATURE OF OPERATIONS

PSNC, a public utility, was organized as a North Carolina corporation in 1938. Effective January 1, 2000, PSNC became a wholly-owned subsidiary of SCANA, incorporated under the laws of South Carolina. Effective January 1, 2019, SCANA became a wholly-owned subsidiary of Dominion Energy. PSNC conducts business under the name "Dominion Energy North Carolina."

PSNC primarily engages in the purchase, sale, transportation and distribution of natural gas to residential, commercial and industrial customers in North Carolina. Revenue generated by PSNC is based primarily on rates established by the North Carolina Commission.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information and Estimates

PSNC's accompanying unaudited Consolidated Financial Statements contain certain condensed financial information and exclude certain footnote disclosures normally included in annual audited consolidated financial statements prepared in accordance with GAAP. These unaudited Consolidated Financial Statements should be read in conjunction with PSNC's Consolidated Financial Statements and Notes for the year ended December 31, 2020.

In the opinion of management, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly PSNC's financial position at March 31, 2021, and its results of operations, changes in equity and cash flows for the three months ended March 31, 2021 and 2020. Such adjustments are normal and recurring in nature unless otherwise noted.

PSNC makes certain estimates and assumptions in preparing its Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and cash flows for the periods presented. Actual results may differ from those estimates.

The results of operations for interim periods are not necessarily indicative of the results expected for the full year. Information for quarterly periods is affected by seasonal variations in sales, rate changes, purchased gas and other expenses and other factors.

PSNC reports certain contracts, instruments and investments at fair value. The carrying values of PSNC's financial instruments classified within current assets and current liabilities are estimated to be substantially the same as their fair values at March 31, 2021 and December 31, 2020. The carrying values of PSNC's financial instruments classified within long-term debt are reported at historical cost, and their estimated fair values have been determined using available market information and valuation methodologies considered appropriate by management. The carrying amount and estimated fair value of long-term debt are $797.8 million and $859.3 million at March 31, 2021, respectively. The carrying amount includes amounts which represent the unamortized debt issuance costs and discount or premium. Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. See Note 9 for further information on fair value measurements.

There have been no significant changes from the significant accounting policies discussed in Note 2 to PSNC's Consolidated Financial Statements for the year ended December 31, 2020, except for the items discussed below.

Asset Management and Supply Service Agreements

PSNC utilizes an asset management and supply service agreement with a counterparty for certain natural gas storage facilities. This agreement expires October 31, 2021. In January 2020, PSNC executed an asset management and supply service agreement with another counterparty for a natural gas storage facility that expired March 31, 2021. This agreement was extended and expires on October 31, 2021. The counterparties held, through agency relationships, 37% of PSNC's natural gas storage inventory at March 31, 2021, with a carrying value of $4.6 million. Under the terms of these agreements, PSNC receives storage asset management fees, of which 75% are credited to customers.

NOTE 3. REGULATORY ASSETS AND LIABILITIES

PSNC has significant cost-based, rate-regulated operations and recognizes in its financial statements certain revenues and expenses in different periods than do other enterprises. As a result, PSNC has recorded regulatory assets and regulatory liabilities which are summarized in the following table. Substantially all of its regulatory assets are either explicitly excluded from rate base or are effectively excluded from rate base due to their being offset by related liabilities.

(millions)	March 31, 2021	December 31, 2020
Regulatory assets:		
Rider D[1]	$ 10.4	$ 16.4
CUT[2]	15.1	28.7
Pipeline integrity management costs[3]	2.5	3.6
Environmental remediation costs[4]	0.8	1.1
Other	0.4	2.7
Regulatory assets - current	29.2	52.5
Pipeline integrity management costs[3]	102.3	99.3
Deferred employee benefit plan costs[5]	16.5	16.1
AROs[6]	23.4	22.1
Other	—	0.1
Regulatory assets - noncurrent	142.2	137.6
Total regulatory assets	$ 171.4	$ 190.1
Regulatory liabilities:		
Integrity management tracker[7]	$ 1.8	$ —
Rider D[1]	—	3.7
Revenues subject to refund[8]	—	1.3
Other	0.1	—
Regulatory liabilities - current	1.9	5.0
Income taxes refundable through future rates[9]	147.9	148.8
Asset removal costs[10]	260.6	257.4
Revenues subject to refund[8]	18.5	18.2
Regulatory liabilities - noncurrent	427.0	424.4
Total regulatory liabilities	$ 428.9	$ 429.4

(1) Represents undercollected or overcollected amounts from customers pursuant to Rider D, which is approved by the North Carolina Commission. Rider D allows PSNC to recover from customers all prudently incurred gas costs and certain uncollectible expenses as well as losses on negotiated gas and transportation sales.

(2) Represents undercollected amounts from customers pursuant to the CUT, which is approved by the North Carolina Commission. The CUT is a decoupling mechanism, which allows PSNC to adjust its base rates semi-annually for residential and commercial customers based on average per customer consumption.

(3) Pipeline integrity management costs represent operating costs incurred to comply with federal regulatory requirements related to natural gas pipelines. PSNC is recovering costs totaling $4.4 million annually through October 2021. PSNC is continuing to defer pipeline integrity costs, and as of March 31, 2021, costs of $102.3 million have been deferred pending future approval of rate recovery.

(4) Environmental remediation costs represent costs associated with the assessment and clean-up of sites currently or formerly owned by PSNC. Such remediation costs are being recovered over a period that will end in October 2021.

(5) Employee benefit plan costs have historically been recovered as they have been recorded under GAAP. Deferred employee benefit plan costs represent pension and other postretirement benefit costs which were accrued as liabilities and treated as regulatory assets pursuant to a North Carolina Commission order. These deferred benefit costs are expected to be recovered through utility rates, primarily over average service periods of participating employees.

(6) AROs represents the regulatory asset associated with conditional AROs related to transmission and distribution properties. These regulatory assets are expected to be recovered over the related property lives.

(7) Represents overcollected amounts from customers pursuant to the integrity management tracker, which is approved by the North Carolina Commission. The integrity management tracker is a tracker mechanism, which allows PSNC to recover the incurred capital investment and associated costs of complying with federal standards for pipeline integrity and safety requirements that are not in current base rates.

(8) Revenues subject to refund represent the revenues deferred by PSNC resulting from the North Carolina Commission order addressing the reduction in the federal income tax rate from 35% to 21% effective January 1, 2018 and amounts to be refunded as a condition of the SCANA Merger Approval Order.

(9) Includes excess deferred income taxes arising from the remeasurement of deferred income taxes in connection with the enactment of the 2017 Tax Reform Act (certain of which are protected under normalization rules and will be amortized over the remaining lives of

related property, and certain of which will be amortized to the benefit of customers over prescribed periods as instructed by regulators) as well as changes in state rates, offset by deferred income taxes that arise from utility operations that have not been included in customer rates (a portion of which relate to depreciation and are expected to be recovered over the remaining lives of the related property).

(10) *Asset removal costs represent estimated net collections through depreciation rates of amounts to be expended for the removal of assets in the future.*

NOTE 4. REGULATORY MATTERS

Rate Matters

Other than the following matters, there have been no significant developments regarding the regulatory matters disclosed in Note 4 to PSNC's Consolidated Financial Statements for the year ended December 31, 2020.

PSNC Base Rate Case

In April 2021, PSNC filed its general rate case application, direct testimony, exhibits, and schedules with the North Carolina Commission. PSNC proposed a non-fuel, base rate increase of $53.1 million to be effective November 1, 2021. After considering the benefits of the 2017 Tax Reform Act, the net revenue increase to customers would be approximately $41.7 million. The base rate increase was proposed to recover the significant investment in infrastructure to serve a growing customer base, improve safety and reliability of the transmission and distribution system and enhance energy efficiency and sustainability. The proposed rates would provide for an ROE of 10.25% compared to the currently authorized ROE of 9.7%. This matter is pending.

Customer Usage Tracker

PSNC utilizes a CUT, a decoupling mechanism, which allows it to adjust its base rates semi-annually for residential and commercial customers based on average per customer consumption.

In March 2021, PSNC submitted a filing with the North Carolina Commission for a $7.1 million decrease relating to the CUT. The North Carolina Commission approved the filing in March 2021 with rates effective April 2021.

NOTE 5. OPERATING REVENUE

PSNC's operating revenue consists of the following:

	Three Months Ended March 31,	
(millions)	**2021**	2020
Customer class:		
Residential	**$ 161.6**	$ 124.2
Commercial	**47.6**	41.9
Industrial	**8.3**	5.7
Transportation	**17.2**	16.8
Other regulated revenues	**0.2**	0.7
Revenues from contracts with customers	**234.9**	189.3
Other revenues[1]	**1.6**	20.2
Total Operating Revenue	**$ 236.5**	$ 209.5

(1) *Amounts include alternative revenue of $1.5 million and $20.0 million for the three months ended March 31, 2021 and 2020, respectively.*

NOTE 6. COMMON EQUITY

Authorized and outstanding shares of common stock were 1,000 as of March 31, 2021 and December 31, 2020.

PSNC was subject to certain note purchase and debenture purchase agreements that contained provisions that could limit the payment of cash distributions, including dividends, on PSNC's common stock. These agreements generally limited the sum of distributions to an amount that does not exceed $30 million plus 85% of Consolidated Net Income (as therein defined) accumulated after December 31, 2008, plus the net proceeds of issuances by PSNC of equity or convertible debt securities (as therein defined). The PSNC note purchase and debenture purchase agreements that limited PSNC's ability to pay cash distributions were repaid in February 2021.

The North Carolina Commission, in its order approving the SCANA Combination, limited cumulative dividends payable to Dominion Energy by PSNC to (i) the amount of retained earnings at closing of the SCANA Combination plus (ii) any future earnings recorded by PSNC after such date. In addition, notice to the North Carolina Commission is required if payment of dividends causes the equity component of PSNC's capital structure to fall below 45%.

NOTE 7. SIGNIFICANT FINANCING TRANSACTIONS

Long-Term Debt

In March 2021, PSNC issued, through private placement, $150 million of 3.10% senior notes that mature in 2051. These proceeds were used for the repayment of existing indebtedness.

Lines of Credit and Short-Term Borrowings

PSNC has an intercompany credit agreement with Dominion Energy under which PSNC may have short-term borrowings up to $400.0 million. At March 31, 2021 and December 31, 2020, PSNC had borrowings outstanding under this credit agreement totaling $58.0 million and $127.3 million, respectively, presented in accounts payable-affiliated companies in the Consolidated Balance Sheets. Interest expense related to PSNC's borrowings was $0.1 million and $0.7 million for the three months ended March 31, 2021 and 2020, respectively.

NOTE 8. INCOME TAXES

PSNC's effective tax rate for the three months ended March 31, 2021 is 20.5% compared to 21.0% for the three months ended March 31, 2020. For the three months ended March 31, 2021, PSNC recorded an estimate of excess deferred income tax amortization expected to occur in 2021. The reversal of these excess deferred income taxes will impact the effective tax rate and may ultimately impact rates charged to customers. Therefore, PSNC decreased revenue and increased regulatory liabilities to offset these deferred tax impacts in accordance with applicable regulatory guidance.

As of March 31, 2021, there have been no changes in PSNC's unrecognized tax benefits.

NOTE 9. FAIR VALUE MEASUREMENTS

PSNC's fair value measurements are made in accordance with the policies discussed in Note 9 to PSNC's Consolidated Financial Statements for the year ended December 31, 2020. See Note 10 in this report for further information about PSNC's derivatives and hedge accounting activities. See Note 2 in this report for further information about PSNC's financial instrument.

Recurring Fair Value Measurements

The following table presents PSNC's assets that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

(millions)	Level 1	Level 2	Level 3	Total
At March 31, 2021				
Assets				
Derivatives:				
Commodity	**$ —**	**$ 0.1**	$ —	**$ 0.1**
Total assets	**$ —**	**$ 0.1**	$ —	**$ 0.1**
At December 31, 2020				
Assets				
Derivatives:				
Commodity	$ —	$ 0.5	$ —	$ 0.5
Total assets	$ —	$ 0.5	$ —	$ 0.5

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

PSNC's accounting policies, objectives and strategies for using derivative instruments are discussed in Note 2 to PSNC's Consolidated Financial Statements for the year ended December 31, 2020. See Note 9 in this report for further information about fair value measurements and associated valuation methods for derivatives. For a discussion of the interest rate swap used by a PSNC equity method investee, see Note 11.

Derivative assets and liabilities are presented gross on PSNC's Consolidated Balance Sheets. PSNC's derivative contracts include over-the-counter transactions and those executed on an exchange and centrally cleared. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Certain over-the-counter and exchange contracts contain contractual rights of setoff through master netting arrangements and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

In general, most over-the-counter transactions and exchange contracts are subject to collateral requirements. Types of collateral for over-the-counter and exchange contracts include cash or letters of credit, none of which are subject to restrictions. See Note 16 for further information regarding credit-related contingent features for PSNC's derivative instruments.

All of PSNC's derivative instruments were in an asset position at both March 31, 2021 and December 31, 2020.

Volumes

The following table presents the volume of PSNC's derivative activity as of March 31, 2021. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price[1]	**1.5**	**—**

(1) Includes options.

Fair Value of Derivative Instruments

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

(millions)	Fair Value - Derivatives not under Hedge Accounting
At March 31, 2021	
Current Assets	
Commodity	**$ 0.1**
Total current derivative assets[(1)]	**$ 0.1**
At December 31, 2020	
Current Assets	
Commodity	$ 0.5
Total current derivative assets[(1)]	$ 0.5

(1) Current derivative assets are presented in prepayments and other current assets in the Consolidated Balance Sheets.

NOTE 11. EQUITY METHOD INVESTMENTS

PSNC uses the equity method to account for its 17% noncontrolling partnership interest in Pine Needle, an LNG storage facility in North Carolina, and its 33.2% noncontrolling partnership interest in Cardinal, an intrastate natural gas pipeline.

The table below summarizes income earned and distributions received for the three months ended March 31, 2021 and 2020:

	Pine Needle		Cardinal	
(millions)	**2021**	2020	**2021**	2020
Three Months Ended March 31,				
Income from equity method investees	**$ 0.2**	$ 0.2	**$ 0.4**	$ 0.4
Distributions received	**0.3**	0.3	**—**	0.5

Cardinal uses an interest rate swap designated as a cash flow hedge to manage interest rate risk on variable rate debt instruments by converting it synthetically to a fixed rate. PSNC recorded a gain of less than $0.1 million and $0.1 million for the three months ended March 31, 2021 and 2020, respectively, for PSNC's share of the effective portion of changes in the fair value of this interest rate swap, recorded in AOCI in the Consolidated Balance Sheets.

At March 31, 2021 and December 31, 2020, the carrying amount of PSNC's investments of $20.1 million and $19.9 million, respectively, equaled its share of underlying equity in net assets.

PSNC purchases storage and transportation services from its equity method investees and records the related charges to cost of gas. These costs totaled $2.1 million and $2.2 million for the three months ended March 31, 2021 and 2020, respectively. PSNC owed these investees $0.7 million at both March 31, 2021 and December 31, 2020, recorded in accounts payable-affiliated companies in the Consolidated Balance Sheets.

NOTE 12. VARIABLE INTEREST ENTITIES

There here have been no significant changes regarding the entity PSNC considers a VIE as described in Note 13 to PSNC's Consolidated Financial Statements for the year ended December 31, 2020.

DES, an affiliated VIE, provides accounting, legal, finance and certain administrative and technical services to certain Dominion Energy subsidiaries. PSNC purchased shared services from DES of $14.3 million and $1.4 million for the three months ended March 31, 2021 and 2020, respectively. PSNC's Consolidated Balance Sheets included amounts due to DES of $11.0 million and $0.8 million at March 31, 2021 and December 31, 2020, respectively.

DESS, an affiliated VIE, provided accounting, legal, finance and certain administrative and technical services to all SCANA subsidiaries, including PSNC through December 2020. PSNC purchased shared services from DESS of $14.0 million for the three months ended March 31, 2020. PSNC's Consolidated Balance Sheets included amounts due to DESS of $8.5 million at December 31, 2020, recorded in accounts payable-affiliated companies.

PSNC determined that it is not the primary beneficiary of DES as it does not have both the power to direct the activities that most significantly impact its economic performance as well as the obligation to absorb losses and benefits which could be significant to it. PSNC has no obligation to absorb more than its allocated share of DES costs.

NOTE 13. EMPLOYEE BENEFIT PLANS

PSNC participates in certain SCANA benefit plans as described in Note 14 to the Consolidated Financial Statements in PSNC's Consolidated Financial Statements for the year ended December 31, 2020.

The components of PSNC's provision for net periodic benefit cost were as follows:

	Pension Benefits		Other Postretirement Benefits	
(millions)	**2021**	2020	**2021**	2020
Three Months Ended March 31,				
Service cost	**$ 0.5**	$ 0.7	**$ 0.1**	$ 0.2
Interest cost	**0.2**	0.8	**0.2**	0.4
Expected return on assets	**(0.4)**	(1.5)	**—**	—
Amortization of actuarial losses	**(0.4)**	0.2	**—**	—
Net periodic benefit cost (credit)	**$ (0.1)**	$ 0.2	**$ 0.3**	$ 0.6

PSNC recovers pension costs through cost of service rates.

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

PSNC is a defendant in a number of lawsuits and claims involving unrelated incidents of property damage and personal injury. Due to the uncertainty surrounding these matters, PSNC is unable to make an estimate of the potential financial statement impacts; however, they could have a material impact on results of operations, financial condition and/or cash flows.

NOTE 15. OTHER INCOME, NET

Components of other income, net are as follows:

	Three Months Ended March 31, 2021	2020
(millions)		
Revenues from contracts with customers[(1)]	$ **3.8**	$ 3.9
Other revenues	**0.8**	0.7
Other expenses[(2)]	**(1.3)**	(2.4)
Allowance for equity funds used during construction	**3.0**	1.0
Other income, net	$ **6.3**	$ 3.2

(1) Primarily reflects sales of appliances, water heaters and related jobbing contracts.
(2) Includes non-service cost components of pension and other postretirement benefit plans.

NOTE 16. CREDIT RISK

Credit risk is the risk of financial loss if counterparties fail to perform their contractual obligations. In order to minimize overall credit risk, credit policies are maintained, including requiring customer deposits and the evaluation of counterparty financial condition. In addition, counterparties may make available collateral, including letters of credit or cash held as margin deposits, as a result of exceeding agreed-upon credit limits, or may be required to prepay the transaction.

PSNC maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends and other information. Management believes, based on credit policies and the March 31, 2021 provision for credit losses, that it is unlikely that a material adverse effect on financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

Credit-related Contingent Provisions

The majority of PSNC's derivative instruments contain credit-related contingent provisions. These provisions require PSNC to provide collateral upon the occurrence of specific events, primarily a credit rating downgrade. PSNC did not have any derivative instruments in a liability position as of March 31, 2021 and December 31, 2020. See Note 10 for further information about derivative instruments.

NOTE 17. RELATED-PARTY TRANSACTIONS

PSNC engages in related-party transactions with other Dominion Energy subsidiaries (affiliates). PSNC's receivable and payable balances with affiliates are settled based on contractual terms or on a monthly basis, depending on the nature of the underlying transactions. PSNC is included in Dominion Energy's consolidated federal income tax return and, where applicable, combined income tax returns for Dominion Energy are filed in various states. See Note 7 for a discussion on borrowings from an affiliate. PSNC's transactions with equity method investments are described in Note 11. A discussion of significant related-party transactions follows.

PSNC transacts with affiliates for certain quantities of natural gas and other commodities at market prices in the ordinary course of business. As discussed in Note 12, DES provides accounting, legal, finance and certain administrative and technical services to all SCANA subsidiaries, including PSNC. Where costs incurred cannot be determined by specific identification, the costs are allocated based on the proportional level of effort devoted by resources that is attributable to the entity, determined by reference to number of employees, salaries and wages and other similar measures for the relevant DES service. Prior to December 31, 2020, the previously described services were primarily provided by DESS, and costs for these services were allocated based on the entity's share of revenue less product costs and property, plant and equipment and using the allocation methods described for DES. Management believes the assumptions and methodologies underlying the allocation of general corporate overhead expenses are reasonable.

PSNC recorded as cost of gas the storage and transportation costs charged by Cove Point and DETI during the period they were affiliates. These costs totaled $1.7 million for the three months ended March 31, 2020.

NOTE 18. SUBSEQUENT EVENTS

PSNC has evaluated subsequent events through the date that these financial statements were available to be issued on May 24, 2021.