

## **Dominion Energy Midstream Partners, LP**

### **D Acquisition of DM – Transaction Information**

On January 28, 2019, Dominion Energy, Inc. (NYSE:D) acquired all of the outstanding common units of Dominion Energy Midstream Partners, LP (NYSE: DM) that it did not already own. DM units ceased to be traded effective January 28, 2019.

THIS DOCUMENT IS PROVIDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONTAIN A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME TAX CONSEQUENCES RELATED TO THE TRANSACTION, INCLUDING THE RECEIPT, OWNERSHIP AND DISPOSITION OF SHARES OF DOMINION ENERGY COMMON STOCK RECEIVED IN THE TRANSACTION. EACH HOLDER OF DOMINION ENERGY MIDSTREAM PARTNERS, LP COMMON UNITS IS STRONGLY URGED TO CONSULT WITH AND RELY UPON ITS OWN TAX ADVISOR AS TO THE SPECIFIC U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO SUCH HOLDER RELATED TO THE TRANSACTION, INCLUDING THE RECEIPT, OWNERSHIP AND DISPOSITION OF SHARES OF DOMINION ENERGY COMMON STOCK RECEIVED IN THE TRANSACTION, TAKING INTO ACCOUNT EACH HOLDERS' OWN PARTICULAR CIRCUMSTANCES.

#### **When did the transaction close?**

The transaction closed on January 28, 2019.

#### **Will Dominion Energy representatives be able to help with my tax-related questions?**

If you have tax related questions, please contact a tax advisor familiar with partnership taxation and specifically the taxation of Master Limited Partnership unitholders. Dominion Energy's investor relations department is not staffed by tax personnel and will not be able to provide tax advice.

#### **What are the expected U.S. federal income tax consequences to the DM unitholders resulting from the transaction and how will the transaction affect their taxes?**

The exchange of DM units for D common stock and cash (as applicable) should be treated as a sale of your DM units in a taxable transaction for U.S. federal income tax purposes. A U.S. holder of DM units should recognize a gain or loss.

You can estimate your total gain or loss from the transaction through the following process. This calculation is an estimate only. You will not be able to calculate your actual, final tax effect from this transaction until you receive your final Schedule K-1 and supporting materials (expected to be delivered by March 2020, once 2019 tax forms are available from the IRS). This estimate will calculate your total gain or loss only. The specific breakout of ordinary vs. capital gain or loss will be included on your final Schedule K-1.

|     |   |   |
|-----|---|---|
| (1) | Calculate estimated consideration received in the transaction | Multiply # DM units you own by 0.2492 to convert DM units to D shares   |
| (2) | Calculate estimated sales price                               | (a) Fractional shares from (1) multiplied by \$68.94 <sup>1</sup> = amount you will receive in cash; plus<br>(b) Whole # shares from (1) multiplied by \$69.16 <sup>2</sup> = number of D shares you receive<br><br>(a) + (b) = <b>Sales Price</b>  |
| (3) | Estimate basis in DM units sold                               | <b>Basis</b> at 12/31/18 per DM Schedule K-1, reduced by any DM distributions you will receive in 2019 (\$0.369 per unit)<br><br><i>Basis will be further increased/(decreased) by any taxable income/(loss) allocated to you in 2019 for the period prior to the transaction, as reported on your 2019 Schedule K-1.</i> |
| (4) | Calculate estimated <u>total</u> gain/loss on DM units        | <b>Sales Price</b> from (2) – <b>Basis</b> from (3) <sup>3</sup>  |

The tax consequences of the transaction to each DM unitholder will be unique and depend on the DM unitholder's particular facts and circumstances. You should consult your own tax advisor to determine your specific consequences related to the transaction, including under the laws of any applicable state, local or foreign jurisdiction, and under any applicable U.S. federal laws other than those pertaining to income taxes.

You can visit the website <https://www.taxpackagesupport.com/dommidstream> to estimate your gain or loss on this transaction via the online K-1 support. Unitholders not registered with the website will need to register to access the website. Please note the gain/loss calculator will calculate a unitholder's estimated gain or loss based on the unitholders tax basis at December 31, 2018. DM 2019 operating activity will not be reflected in the estimated results from the gain/loss calculator. Any ordinary gain generated from the transaction may be reduced by any passive loss carryforwards, to the extent such passive loss carryforwards are available.

<sup>1</sup> Average of the closing price of Dominion Energy common stock over the five trading day period ending on the third trading day immediately preceding the effective date of the transaction

<sup>2</sup> Closing price of Dominion Energy common stock on 1/25/2019, the full trading day immediately preceding the transaction close date.

<sup>3</sup> A U.S. holder of DM units will generally recognize capital gain or loss on the receipt of D shares in exchange for DM common units. However, a portion of this gain or loss will be taxed as ordinary income or loss. Passive losses that were not deductible by a U.S. holder in prior taxable periods may be available to offset a portion of the gain recognized by such U.S. holder.

**What are the expected state income tax consequences to the DM unitholders resulting from the transaction and how will the transaction affect their state taxes?**

The taxable transaction should have state income tax consequences. Your most recent Schedule K-1 will report state apportionment factors to help estimate your state income tax impact. You should consult your own tax advisor to determine the specific consequences to you related to the transaction.

**What are the expected U.S. federal income tax consequences to the D stockholders resulting from the transaction and how will the transaction affect their taxes?**

The transaction will not have any tax consequences for D stockholders that do not own any DM units.

**What tax documents will I receive after the close of the transaction? When should I expect to receive a K-1?**

DM unitholders: DM unitholders will receive a final tax package (expected to be delivered by March 2020). DM unitholders can expect to receive a final Schedule K-1, an Ownership Schedule, a Sales Worksheet, and a State Tax Schedule as part of that package.

D stockholders: You will not receive any tax documents as a result of the transaction.

**What is my tax basis in my new shares of D?**

A U.S. holder's tax basis in any shares of D common stock received in the transaction should equal the price ending on the full trading day immediately preceding the transaction close date. The D closing share price on January 25, 2019, was \$69.16.

A U.S. holder's holding period for any shares of D common stock received in the transaction on January 28, 2019, begins on January 28, 2019.

**What consideration did I receive for my DM units?**

Holders of DM units received 0.2492 shares of D common stock for each DM unit. However, no fractional shares of D common stock were issued. Instead, holders of DM units received cash in lieu of fractional shares.

**Will D continue being a corporation that generates an IRS Form 1099?**

Yes. D stockholders will receive an annual IRS Form 1099-DIV reflecting their dividend income.

**Can I access the Registration Statement, Proxy Statement / Prospectus and other documents filed with the SEC by D online?**

These materials, as filed with the SEC, are available online at [www.sec.gov](http://www.sec.gov) and on Dominion Energy's investor relations website at <https://investors.dominionenergy.com>.