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Dominion Energy Midstream Partners, LP
Form 10-Q
November 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from _____ to _____

Commission File Number	Exact name of registrant as specified in its charter, address of principal executive office and registrant's telephone number	I.R.S. Employer Identification Number
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001-36684	Dominion Energy Midstream Partners, LP	46-5135781
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120 Tredegar Street

Richmond, Virginia 23219

(804) 819-2000

State or other jurisdiction of incorporation or organization of the registrant: Delaware

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The registrant had 126,607,641 common units outstanding at October 12, 2018.

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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
2005 Agreement	An agreement effective March 1, 2005, which Cove Point entered into with the Sierra Club and the Maryland Conservation Council, Inc.
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
Additional Return Distributions	The additional cash distribution equal to 3.0% of Cove Point's Modified Net Operating Income in excess of \$600 million distributed each year
Adjusted EBITDA	EBITDA after adjustment for EBITDA attributable to predecessors and a noncontrolling interest in Cove Point held by Dominion Energy, less income from equity method investees, plus distributions from equity method investees
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Charleston Project	Project to provide 80,000 Dths/day of firm transportation service from an existing interconnect with Transco in Spartanburg County, South Carolina to customers in Dillon, Marlboro, Sumter, Charleston, Lexington and Richland counties, South Carolina
Cove Point	Dominion Energy Cove Point LNG, LP
Cove Point LNG Facility	An LNG terminalling and storage facility located on the Chesapeake Bay in Lusby, Maryland owned by Cove Point
Cove Point Pipeline	An approximately 136-mile natural gas pipeline owned by Cove Point that connects the Cove Point LNG Facility to interstate natural gas pipelines
DECG	Dominion Energy Carolina Gas Transmission, LLC
DECG Acquisition	The acquisition of DECG by Dominion Energy Midstream from Dominion Energy on April 1, 2015

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DECGS	Dominion Energy Carolina Gas Services, Inc.
DEQPS	Dominion Energy Questar Pipeline Services, Inc.
DES	Dominion Energy Services, Inc.
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than Dominion Energy Midstream GP, LLC and its subsidiaries) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries
Dominion Energy Midstream	The legal entity, Dominion Energy Midstream Partners, LP, one or more of its consolidated subsidiaries, Cove Point GP Holding Company, LLC, Iroquois GP Holding Company, LLC, DECG and Dominion Energy Questar Pipeline, or the entirety of Dominion Energy Midstream Partners, LP and its consolidated subsidiaries
Dominion Energy Midstream GP	The legal entity, Dominion Energy Midstream GP, LLC
Dominion Energy Questar Pipeline	The legal entity, Dominion Energy Questar Pipeline, LLC, one or more of its consolidated subsidiaries, or the entirety of Dominion Energy Questar Pipeline, LLC and its consolidated subsidiaries

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Abbreviation or Acronym	Definition
Dominion Energy Questar Pipeline Acquisition	The acquisition of Dominion Energy Questar Pipeline by Dominion Energy Midstream from Dominion Energy on December 1, 2016
Dth	Dekatherm
Eastern Market Access Project	Project to provide 294,000 Dths/day of firm transportation service to help meet demand for natural gas for Washington Gas Light Company, a local gas utility serving customers in D.C., Virginia and Maryland, and Mattawoman Energy, LLC for its new electric power generation facility to be built in Maryland
EBITDA	Earnings before interest and associated charges, income tax expense, depreciation and amortization
Export Customers	ST Cove Point, LLC, a joint venture of Sumitomo Corporation and Tokyo Gas Co., LTD., and GAIL Global (USA) LNG, LLC
FERC	Federal Energy Regulatory Commission
FERC Order	FERC order issued on September 29, 2014 that granted authorization for Cove Point to construct, modify and operate the Liquefaction Project, subject to conditions, and also granted authorization to enhance the Cove Point Pipeline
GAAP	U.S. generally accepted accounting principles
Gas Infrastructure	Gas Infrastructure Group operating segment
Hyrum Project	Project to provide 100,000 Dths/day of firm transportation service to help meet growing demand for natural gas for Questar Gas Company, an affiliated local gas utility serving customers in Utah, Wyoming and Idaho
IDR	Incentive distribution right
Import Shippers	The three LNG import shippers consisting of BP Energy Company, Shell NA LNG, Inc. and Statoil Natural Gas, LLC
Iroquois	Iroquois Gas Transmission System, L.P.
Liquefaction Project	A natural gas export/liquefaction facility at Cove Point
LNG	Liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MLP	Master limited partnership, equivalent to publicly traded partnership

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Modified Net Operating Income	Cove Point's Net Operating Income plus any interest expense included in the computation of Net Operating Income
Net Operating Income	Cove Point's gross revenues from operations minus its interest expense and operating expenses, but excluding depreciation and amortization, as determined for U.S. federal income tax purposes
NGA	Natural Gas Act of 1938, as amended
NGL	Natural gas liquid
NYSE	New York Stock Exchange
Offering	The initial public offering of common units of Dominion Energy Midstream
Overthrust	Dominion Energy Overthrust Pipeline, LLC, a wholly-owned subsidiary of Dominion Energy Questar Pipeline
Preferred Equity Interest	A perpetual, non-convertible preferred equity interest in Cove Point entitled to the Preferred Return Distributions and the Additional Return Distributions
Preferred Return Distributions	The first \$50.0 million of annual cash distributions made by Cove Point
SCE&G	South Carolina Electric & Gas Company, a wholly-owned subsidiary of SCANA Corporation

Abbreviation or Acronym Definition

SEC Securities and Exchange Commission

Series A Preferred Units Series A convertible preferred units representing limited partner interests in Dominion Energy Midstream, issued in December 2016

Storage Customers The four local distribution companies that receive firm peaking services from Cove Point, consisting of Atlanta Gas Light Company, Public Service Company of North Carolina, Incorporated, Virginia Natural Gas, Inc. and Washington Gas Light Company

Transco Transcontinental Gas Pipe Line Company, LLC

VIE Variable interest entity

White River Hub White River Hub, LLC

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOMINION ENERGY MIDSTREAM PARTNERS, LP

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	2017	September 30, 2018	2017
(millions, except per unit data)				
Operating Revenue ⁽¹⁾	\$284.2	\$113.0	\$641.9	\$358.9
Operating Expenses				
Purchased gas and other ⁽¹⁾	0.3	9.1	12.9	31.1
Other operations and maintenance:				
Affiliated suppliers	18.4	21.2	59.6	53.7
Other	36.2	12.0	87.7	48.7
Depreciation and amortization	51.0	26.5	122.8	76.8
Other taxes	18.9	9.3	38.1	27.8
Total operating expenses	124.8	78.1	321.1	238.1
Income from operations	159.4	34.9	320.8	120.8
Earnings from equity method investees	5.6	6.2	22.7	19.4
Other income ⁽¹⁾	2.7	1.7	5.9	4.3
Interest and related charges ⁽¹⁾	9.1	7.9	24.9	23.7
Net income including noncontrolling interest and predecessors	158.6	34.9	324.5	120.8
Less: Net income (loss) attributable to noncontrolling interest	111.1	(13.7)	171.8	(22.0)
Net income attributable to partners	\$47.5	\$48.6	\$152.7	\$142.8
Net income attributable to partners' ownership interest				
Preferred unitholders' interest in net income	\$9.5	\$9.5	\$28.5	\$28.5
General partner's interest in net income	—	4.0	8.9	7.0
Common unitholders' interest in net income	38.0	23.8	102.8	72.7
Subordinated unitholder's interest in net income	—	11.3	12.5	34.6
Net income per limited partner unit (basic)				
Common units	\$0.30	\$0.35	\$1.13	\$1.08
Subordinated units	—	0.35	0.59	1.08
Net income per limited partner unit (diluted)				
Common units	\$0.30	\$0.33	\$1.07	\$1.02
Subordinated units	—	0.35	0.59	1.08

(1) See Note 16 for amounts attributable to related parties.

The accompanying notes are an integral part of Dominion Energy Midstream's Consolidated Financial Statements.

DOMINION ENERGY MIDSTREAM PARTNERS, LP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2018		September 30, 2017	
(millions)				
Net income including noncontrolling interest and predecessors	\$ 158.6	\$ 34.9	\$ 324.5	\$ 120.8
Other comprehensive income (loss):				
Net deferred gains (losses) on derivatives-hedging activities	0.2	0.3	2.7	(1.2)
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities	(0.4)	0.4	(0.5)	1.0
Other comprehensive income (loss)	(0.2)	0.7	2.2	(0.2)
Comprehensive income including noncontrolling interest and predecessors	158.4	35.6	326.7	120.6
Comprehensive income (loss) attributable to noncontrolling interests	111.1	(13.7)	171.8	(22.0)
Comprehensive income attributable to partners	\$47.3	\$49.3	\$154.9	\$142.6

The accompanying notes are an integral part of Dominion Energy Midstream's Consolidated Financial Statements.

DOMINION ENERGY MIDSTREAM PARTNERS, LP

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2018	December 31, 2017 ⁽¹⁾
(millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 78.4	\$ 11.0
Restricted cash and equivalents	24.1	12.7
Customer and other receivables (less allowance for doubtful accounts of \$0.3 and \$0.2) ⁽²⁾	107.2	32.1
Affiliated receivables	13.3	14.1
Prepayments	48.9	11.3
Inventories	50.6	31.4
Regulatory assets	4.2	14.5
Other ⁽³⁾	13.7	13.6
Total current assets	340.4	140.7
Investment in Equity Method Affiliates	250.4	253.8
Promissory Note Receivable from Dominion Energy	1,986.0	—
Property, Plant and Equipment		
Property, plant and equipment	7,979.2	7,788.9
Accumulated depreciation and amortization	(1,214.0)	(1,101.5)
Total property, plant and equipment, net	6,765.2	6,687.4
Deferred Charges and Other Assets		
Goodwill	819.2	819.2
Intangible assets, net	58.7	35.1
Other ⁽³⁾	46.4	44.1
Total deferred charges and other assets	924.3	898.4
Total assets	\$ 10,266.3	\$ 7,980.3

(1) Dominion Energy Midstream's Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 8 for amounts attributable to related parties.

(3) See Note 16 for amounts attributable to related parties.

The accompanying notes are an integral part of Dominion Energy Midstream's Consolidated Financial Statements.

DOMINION ENERGY MIDSTREAM PARTNERS, LP

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Unaudited)

	September 30, 2018	December 31, 2017 ⁽¹⁾
(millions)		
LIABILITIES AND EQUITY AND PARTNERS' CAPITAL		
Current Liabilities		
Securities due within one year	\$ 5.0	\$ 5.0
Accounts payable	27.2	26.5
Payables to affiliates	7.9	12.7
Dominion Energy credit facility borrowings	—	26.4
Customer deposits	25.2	1.1
Accrued interest, payroll and taxes	31.9	15.1
Other ⁽²⁾	54.8	60.3
Total current liabilities	152.0	147.1
Long-Term Debt		
Long-term debt	2,710.5	725.7
Credit facility borrowings	73.0	—
Total long-term debt	2,783.5	725.7
Deferred Credits and Other Liabilities		
Regulatory liabilities	131.4	131.1
CPCN obligation	5.1	13.3
Other ⁽²⁾	62.8	67.9
Total deferred credits and other liabilities	199.3	212.3
Total liabilities	3,134.8	1,085.1
Commitments and Contingencies (see Note 14)		
Equity and Partners' Capital		
Preferred unitholders - public (18,942,714 units issued and outstanding at		
September 30, 2018 and December 31, 2017)	496.0	496.0
Preferred unitholder - Dominion Energy (11,365,628 units issued and outstanding at		
September 30, 2018 and December 31, 2017)	303.6	303.6
Common unitholders - public (49,455,142 and 49,318,899 units issued and		
outstanding at September 30, 2018 and December 31, 2017)	1,119.1	1,115.6
Common unitholder - Dominion Energy (50,477,417 and 18,504,628 units issued		
and outstanding at September 30, 2018 and December 31, 2017, respectively)	955.6	463.2
Common unitholder - General Partner (26,675,082 and --- units issued	6.7	—

and outstanding at September 30, 2018 and December 31, 2017, respectively)

Subordinated unitholder - Dominion Energy (--- and 31,972,789 units issued and

outstanding at September 30, 2018 and December 31, 2017, respectively)	—	493.0
General Partner interest - Dominion Energy (non-economic interest)	(30.9)	(23.6)
Accumulated other comprehensive income	3.6	1.4
Total Dominion Energy Midstream Partners, LP partners' capital	2,853.7	2,849.2
Noncontrolling interest	4,277.8	4,046.0
Total equity and partners' capital	7,131.5	6,895.2
Total liabilities and equity and partners' capital	\$ 10,266.3	\$ 7,980.3

(1) Dominion Energy Midstream's Consolidated Balance Sheet at December 31, 2017 has been derived from the audited Consolidated Balance Sheet at that date.

(2) See Note 16 for amounts attributable to related parties.

The accompanying notes are an integral part of Dominion Energy Midstream's Consolidated Financial Statements.

DOMINION ENERGY MIDSTREAM PARTNERS, LP

CONSOLIDATED STATEMENTS OF EQUITY AND PARTNERS' CAPITAL

(Unaudited)

	Partnership							Total			
								General	Dominion Energy		
								Partner	Midstream		Total
	Preferred		Common		Subordinated		Interest	Partners, LP		Equity	
	Preferred	Unitholder	Common	Unitholder	Common		Unitholder	(non-	Partners'		and
	Unitholder	Dominion	Unitholder	Dominion	Unitholder	Dominion	economic	Equity and Noncontrolling		Partners'	
	Public	Energy	Public	Energy	Partner	Energy	interest)	AOCI	Capital	interest	Capital
(millions)											
December 31, 2016	\$492.1	\$301.2	\$1,082.1	\$457.4	\$—	\$483.0	\$(29.2)	\$(0.4)	\$2,786.2	\$3,313.7	\$6,099.9
Net income (loss) including noncontrolling interest and predecessors	17.8	10.7	52.7	20.0	—	34.6	7.0	—	142.8	(22.0)	120.8
Issuance of common units, net of offering costs	—	—	0.4	—	—	—	—	—	0.4	—	0.4
Equity contributions from Dominion Energy	—	—	—	—	—	—	5.9	—	5.9	634.0	639.9
Distributions	(13.9)	(8.3)	(40.1)	(15.2)	—	(26.3)	(8.9)	—	(112.7)	—	(112.7)
Other comprehensive loss	—	—	—	—	—	—	—	(0.2)	(0.2)	—	(0.2)
Unit awards (net of unearned compensation)	—	—	0.2	—	—	—	—	—	0.2	—	0.2
Other	—	—	—	—	—	—	—	—	—	1.3	1.3

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September 30, 2017	\$496.0	\$303.6	\$1,095.3	\$462.2	\$—	\$491.3	\$(25.2)	\$(0.6)	\$2,822.6	\$3,927.0	\$6,749.6
December 31, 2017	\$496.0	\$303.6	\$1,115.6	\$463.2	\$—	\$493.0	\$(23.6)	\$1.4	\$2,849.2	\$4,046.0	\$6,895.2
Net income including noncontrolling interest											
and predecessors	17.8	10.7	49.1	37.6	16.1	12.5	8.9	—	152.7	171.8	324.5
Issuance of common units, net of offering costs	—	—	3.8	—	—	—	—	—	3.8	—	3.8
Equity contributions from Dominion Energy	—	—	—	—	—	—	—	—	—	106.5	106.5
Distributions	(17.8)	(10.7)	(49.6)	(29.8)	(9.3)	(20.9)	(16.2)	—	(154.3)	(46.5)	(200.8)
Conversion of subordinated units	—	—	—	484.6	—	(484.6)	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	—	2.2	2.2	—	2.2
Unit awards (net of unearned compensation)	—	—	0.2	—	—	—	—	—	0.2	—	0.2
Other	—	—	—	—	(0.1)	—	—	—	(0.1)	—	(0.1)
September 30, 2018	\$496.0	\$303.6	\$1,119.1	\$955.6	\$6.7	\$—	\$(30.9)	\$3.6	\$2,853.7	\$4,277.8	\$7,131.5

The accompanying notes are an integral part of Dominion Energy Midstream's Consolidated Financial Statements.

DOMINION ENERGY MIDSTREAM PARTNERS, LP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended September 30, (millions)	2018	2017
Operating Activities		
Net income including noncontrolling interest and predecessors	\$324.5	\$120.8
Adjustments to reconcile net income including noncontrolling interest and predecessors to net cash provided by operating activities:		
Depreciation and amortization	122.8	76.8
Other adjustments	1.8	5.6
Changes in:		
Customer and other receivables	(75.1)	18.5
Affiliated receivables	0.8	5.6
Prepayments	(37.6)	(3.3)
Inventories	(19.2)	(7.5)
Accounts payable	4.7	17.4
Payables to affiliates	(4.8)	(1.3)
Accrued interest, payroll and taxes	16.8	9.1
Customer deposits	10.7	—
Other operating assets and liabilities	4.5	5.7
Net cash provided by operating activities	349.9	247.4
Investing Activities		
Plant construction and other property additions	(222.5)	(726.9)
Loan to Dominion Energy	(1,986.0)	—
Other	(2.7)	(1.3)
Net cash used in investing activities	(2,211.2)	(728.2)
Financing Activities		
Dominion Energy credit facility repayments, net	(26.4)	(1.5)
Issuance of long-term debt	2,250.0	—
Repayment of long-term debt	(250.0)	—
Credit facility borrowings	73.0	—
Contributions from Dominion Energy to Cove Point	106.5	634.0
Distributions from Cove Point to Dominion Energy	(46.5)	—
Distributions to preferred unitholders	(28.5)	(22.2)
Distributions to common unitholders	(88.7)	(55.3)
Distributions to subordinated unitholder	(20.9)	(26.3)
Distributions to general partner	(16.2)	(8.9)
Other	(12.2)	0.2
Net cash provided by financing activities	1,940.1	520.0
Increase in cash, restricted cash and equivalents	78.8	39.2
Cash, restricted cash and equivalents at beginning of period	23.7	64.6
Cash, restricted cash and equivalents at end of period	\$102.5	\$103.8

Supplemental Cash Flow Information

Significant noncash investing and financing activities:⁽¹⁾

Accrued capital expenditures	\$29.3	\$27.3
Equity contributions from Dominion Energy to relieve payables to affiliates	—	5.9

(1) See Note 4 for a description of the IDR reset and conversion of subordinated units.

The accompanying notes are an integral part of Dominion Energy Midstream's Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

Dominion Energy Midstream is a Delaware limited partnership formed by Dominion MLP Holding Company, LLC and Dominion Energy Midstream GP, both indirect wholly-owned subsidiaries of Dominion Energy, to grow a portfolio of natural gas terminalling, processing, storage, transportation and related assets.

Dominion Energy Midstream holds the Preferred Equity Interest and non-economic general partner interest in Cove Point, the owner and operator of the Cove Point LNG Facility, the Cove Point Pipeline and the Liquefaction Project, which commenced commercial operations in April 2018. The Preferred Equity Interest is a perpetual, non-convertible preferred equity interest entitled to Preferred Return Distributions so long as Cove Point has sufficient cash and undistributed Net Operating Income (determined on a cumulative basis from the closing of the Offering) from which to make Preferred Return Distributions. Preferred Return Distributions are made on a quarterly basis and are not cumulative. The Preferred Equity Interest is also entitled to the Additional Return Distributions.

In addition, Dominion Energy Midstream owns DECG and a 25.93% noncontrolling partnership interest in Iroquois, both of which are FERC-regulated interstate natural gas pipelines. Dominion Energy Midstream also owns Dominion Energy Questar Pipeline, which owns and operates interstate natural gas pipelines and storage facilities in the western U.S., including a 50% noncontrolling partnership interest in White River Hub. Dominion Energy Questar Pipeline's operations are primarily regulated by FERC.

Basis of Presentation

The contribution by Dominion Energy to Dominion Energy Midstream of the general partner interest in Cove Point and a portion of the Preferred Equity Interest is considered to be a reorganization of entities under common control. As a result, Dominion Energy Midstream's basis is equal to Dominion Energy's cost basis in the general partner interest in Cove Point and a portion of the Preferred Equity Interest. As discussed in Note 16 to the Consolidated Financial Statements in Dominion Energy Midstream's Annual Report on Form 10-K for the year ended December 31, 2017, Dominion Energy Midstream is the primary beneficiary of, and therefore consolidates, Cove Point. As such, Dominion Energy Midstream's investment in the Preferred Equity Interest and Cove Point's preferred equity interest are eliminated in consolidation. Dominion Energy's retained common equity interest in Cove Point is reflected as noncontrolling interest.

The financial statements for all periods presented include costs for certain general, administrative and corporate expenses assigned by DES, DECGS or DEQPS to Dominion Energy Midstream on the basis of direct and allocated methods in accordance with Dominion Energy Midstream's services agreements with DES, DECGS and DEQPS. Where costs incurred cannot be determined by specific identification, the costs are allocated based on the proportional level of effort devoted by DES, DECGS or DEQPS resources attributable to the entities, determined by reference to number of employees, salaries and wages and other similar measures for the relevant DES, DECGS or DEQPS service. Management believes the assumptions and methodologies underlying the allocation of general

corporate overhead expenses are reasonable.

Note 2. Significant Accounting Policies

Interim Financial Information and Estimates

As permitted by the rules and regulations of the SEC, Dominion Energy Midstream'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 the Consolidated Financial Statements and Notes in Dominion Energy Midstream's Annual Report on Form 10-K for the year ended December 31, 2017.

In the opinion of management, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly Dominion Energy Midstream's financial position at September 30, 2018, its results of operations for the three and nine months ended September 30, 2018 and 2017 and its cash flows and changes in equity and partners' capital for the nine months ended September 30, 2018 and 2017. Such adjustments are normal and recurring in nature unless otherwise noted.

Dominion Energy Midstream 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 and expenses 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.

Certain amounts in Dominion Energy Midstream's 2017 Consolidated Financial Statements and Notes have been reclassified as a result of the adoption of revised accounting guidance pertaining to restricted cash and equivalents and certain distributions from equity method investees. In addition, certain other amounts have been reclassified to conform to the 2018 presentation for comparative purposes; however, such reclassifications did not affect Dominion Energy Midstream's net income, total assets, liabilities, equity and partners' capital or cash flows.

The effects of the adoption of new accounting standards on the Consolidated Financial Statements are described below. There have been no other significant changes from Note 3 to the Consolidated Financial Statements in Dominion Energy Midstream's Annual Report on Form 10-K for the year ended December 31, 2017.

Operating Revenue

Operating revenue is recorded on the basis of services rendered, commodities delivered or contracts settled and includes amounts yet to be billed to customers. Dominion Energy Midstream is currently generating significant revenue and earnings from annual reservation payments under long-term regasification, firm peaking storage and firm transportation contracts. Straight-fixed-variable rate designs are used to allow for recovery of substantially all fixed costs in demand or reservation charges, thereby reducing the earnings impact of volume changes on gas transportation and storage operations. Customer and affiliated receivables include accrued unbilled revenue based on estimated amounts of services provided but not yet billed to customers.

Dominion Energy Midstream collects facility charges related to certain of its expansion projects, which are considered to be contract liabilities. These facility charges are amortized to revenue over the term of the related transportation contract once the related projects have been placed into service.

The primary types of sales and service activities reported as operating revenue for Dominion Energy Midstream, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

Revenue from Contracts with Customers

- Regulated gas transportation and storage sales consist primarily of FERC-regulated sales of transmission and storage services;
- Nonregulated gas transportation and storage sales consist primarily of LNG terminalling services; and
- Other revenue consists primarily of sales associated with cooling cargos at Cove Point, sales of extracted products and gathering and processing and miscellaneous service revenue.

Other Revenue

- Other revenue consists primarily of amounts related to the monetization of a bankruptcy claim acquired as part of the DECG Acquisition.

The primary types of sales and service activities reported as operating revenue for Dominion Energy Midstream, prior to the adoption of revised guidance for revenue recognition from contracts with customers, were as follows:

Regulated gas sales consisted primarily of FERC-regulated natural gas sales;

Gas transportation and storage consisted primarily of FERC-regulated sales of storage and transmission services; and

Other revenue consisted primarily of sales of purchased gas retained for use in routine operations and LNG cargos and the renegotiated contract payments related to certain import-related contracts.

Transportation and storage contracts are primarily stand-ready service contracts that include fixed reservation and variable usage fees. LNG terminalling services are also stand-ready service contracts, primarily consisting of fixed fees, offset by service credits associated with the start-up phase of the Liquefaction Project. Fixed fees are recognized ratably over the life of the contract as the stand-ready performance obligations are satisfied, while variable usage fees are recognized when Dominion Energy Midstream has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance obligation completed to date. Substantially all of Dominion Energy Midstream's revenues are derived from performance obligations satisfied over time, rather than recognized at a single point in time. The contract with the

customer states the final terms of the sale, including the description, quantity and price of each product or service purchased. Payment for most sales and services varies by contract type, but is typically due within a month of billing.

Dominion Energy Midstream typically receives or retains NGLs and natural gas from customers when providing natural gas processing, transportation or storage services. The revised guidance for revenue from contracts with customers requires entities to include the fair value of the noncash consideration in the transaction price. Therefore, subsequent to the adoption of the revised guidance for revenue recognition from contracts with customers, Dominion Energy Midstream records the fair value of NGLs received during natural gas processing as service revenue recognized over time, and continues to recognize revenue from the subsequent sale of the NGLs to customers upon delivery. Dominion Energy Midstream typically retains natural gas under certain transportation service arrangements that are intended to facilitate performance of the service and allow for natural losses that occur. As the intent of the allowance is to enable fulfillment of the contract rather than to provide compensation for services, the fuel allowance is not included in revenue.

Cash, Restricted Cash and Equivalents

Restricted Cash and Equivalents

Dominion Energy Midstream holds restricted cash balances that primarily consist of amounts held for certain customer deposits as allowed under FERC gas tariffs and a distribution reserve. In October 2016, Cove Point fully funded a distribution reserve of \$25.0 million, sufficient to pay two quarters of Preferred Return Distributions. The distribution reserve was fully utilized to fund the quarterly Preferred Return Distributions paid in November 2017 and February 2018. Upon the adoption of revised accounting guidance in January 2018, restricted cash and equivalents are included within Dominion Energy Midstream's Consolidated Statements of Cash Flows, with the change in balance no longer considered a separate investing activity. The retrospective application of this guidance had no impact to the nine months ended September 30, 2017. The following table provides a reconciliation of the total cash, restricted cash and equivalents reported within Dominion Energy Midstream's Consolidated Balance Sheets to the corresponding amounts reported within Dominion Energy Midstream's Consolidated Statements of Cash Flows:

	Cash, Restricted Cash and Equivalents		Cash, Restricted Cash and Equivalents	
	at End of Period		at Beginning of Period	
(millions)	September 30, 2018	September 30, 2017	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 78.4	\$ 78.8	\$ 11.0	\$ 39.6
Restricted cash and equivalents	24.1	25.0	12.7	25.0
Cash, restricted cash and equivalents				
shown in the Consolidated				
Statements of Cash Flows	\$ 102.5	\$ 103.8	\$ 23.7	\$ 64.6

Distributions from Equity Method Investees

Dominion Energy Midstream holds investments that are accounted for under the equity method of accounting. Effective January 2018, Dominion Energy Midstream classifies distributions from equity method investees as either cash flows from operating activities or cash flows from investing activities in the Consolidated Statements of Cash Flows according to the nature of the distribution. Distributions received are classified on the basis of the nature of the activity of the investees that generated the distribution as either a return on investment (classified as cash flows from operating activities) or a return of an investment (classified as cash flows from investing activities) when such information is available to Dominion Energy Midstream. Previously, distributions were determined to be either a return on investment or return of an investment based on a cumulative earnings approach whereby any distributions received in excess of earnings were considered to be a return of investment. Dominion Energy Midstream has applied this approach on a retrospective basis and has recast the Consolidated Statements of Cash Flows for the nine months ended September 30, 2017, accordingly. As previously reported, Dominion Energy Midstream's net cash provided by operating activities and net cash used in investing activities for the nine months ended September 30, 2017 was \$246.9 million and \$727.7 million, respectively.

New Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued revised accounting guidance for revenue recognition from contracts with customers. Dominion Energy Midstream adopted this revised accounting guidance for interim and annual reporting periods beginning January 1, 2018 using the modified retrospective method.

As a result of adopting this revised accounting guidance, Dominion Energy Midstream recorded offsetting operating revenue and purchased gas and other of \$1.0 million and \$3.0 million in the Consolidated Statements of Income for non-cash

consideration for performing processing and fractionation services related to NGLs for the three and nine months ended September 30, 2018, respectively. No such amounts were recorded during the three and nine months ended September 30, 2017. Dominion Energy Midstream no longer records offsetting operating revenue and purchased gas and other for fuel retained to offset costs on certain transportation and storage arrangements. Such amounts were \$8.6 million and \$28.7 million, recorded in the Consolidated Statements of Income, for the three and nine months ended September 30, 2017, respectively.

Note 3. Net Income Per Limited Partner Unit

Net income per limited partner unit applicable to common and subordinated units is computed by dividing the respective limited partners' interest in net income attributable to Dominion Energy Midstream, after deducting any distributions to Series A Preferred Units and incentive distributions, by the weighted average number of common and subordinated units outstanding. See Note 4 for information regarding the conversion of the subordinated units in May 2018. Because Dominion Energy Midstream has more than one class of participating securities, the two-class method is used when calculating the net income per unit applicable to limited partners. The classes of participating securities include common units, subordinated units, Series A Preferred Units and IDRs. See Note 2 to the Consolidated Financial Statements in Dominion Energy Midstream's Annual Report on Form 10-K for the year ended December 31, 2017 for further information about the Series A Preferred Units.

Dominion Energy Midstream's net income is allocated to the limited partners in accordance with their respective partnership interests, after giving effect to priority income allocations to the holders of the Series A Preferred Units and incentive distributions, if any, to Dominion Energy, the holder of the IDRs, pursuant to the partnership agreement. The distributions are declared and paid following the close of each quarter. Undistributed (distributions in excess of) earnings are allocated to the common and subordinated unitholders based on their respective ownership interests. Payments made to Dominion Energy Midstream's unitholders are determined in relation to actual distributions declared and are not based on the net income allocations used in the calculation of earnings per limited partner unit.

Diluted net income per limited partner unit reflects the potential dilution that could occur if securities, such as the Series A Preferred Units, were converted into common units. When it is determined that potential common units resulting from the Series A Preferred Unit conversion should be included in the diluted net income per limited partner unit calculation, the impact is calculated using the two-class method. Basic and diluted earnings per unit applicable to subordinated limited partner units are the same because there are no potentially dilutive subordinated units outstanding.

The calculation of net income per limited partner unit is as follows:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(millions)				
Net income attributable to partners	\$47.5	\$48.6	\$152.7	\$142.8
Less: General partner allocation ⁽¹⁾	—	(1.7)	—	(5.9)
Less: Preferred unitholder allocation	9.5	9.5	28.5	28.5
Distributions declared on: ⁽²⁾				
IDRs ⁽³⁾	—	5.7	8.9	12.9

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Common unitholders	46.7	20.3	113.8	58.1
Subordinated unitholder	—	9.7	10.7	27.7
Total distributions declared	46.7	35.7	133.4	98.7
Undistributed (distributions in excess of) earnings	\$(8.7)	\$5.1	\$(9.2)	\$21.5

(1) Represents amounts recognized as equity contributions from our general partner for incurred amounts for which Dominion Energy did not seek reimbursement. See Note 16 for further information.

(2) For the three and nine months ended September 30, 2017, the amount of distributions declared shown above was based on the units outstanding at September 30, 2017, and therefore excludes \$0.1 million of distributions that were paid on 217,051 common units issued to the public in October 2017.

(3) Dominion Energy Midstream GP holds all of the IDRs. See Note 4 for more information regarding the IDR reset in June 2018.

Distributions are declared and paid subsequent to quarter end. The table below summarizes the quarterly distributions on common and subordinated units related to the nine months ended September 30, 2017 and 2018.

Quarterly Period Ended	Total Quarterly Distribution	Total Cash Distribution	Date of Declaration	Date of Record	Date of Distribution
	(per unit)	(in millions)			
December 31, 2016	\$ 0.2605	\$ 27.5	January 25, 2017	February 6, 2017	February 15, 2017
March 31, 2017	0.2740	30.1	April 21, 2017	May 5, 2017	May 15, 2017
June 30, 2017	0.2880	32.9	July 21, 2017	August 4, 2017	August 15, 2017
September 30, 2017	0.3025	35.8	October 24, 2017	November 6, 2017	November 15, 2017
December 31, 2017			January 25, 2018	February 5, 2018	February 15, 2018
	0.3180	39.1			
March 31, 2018	0.3340	42.3	April 20, 2018	May 4, 2018	May 15, 2018
June 30, 2018	0.3510	44.4	July 25, 2018	August 6, 2018	August 15, 2018
September 30, 2018	0.3690	46.7	October 19, 2018	November 5, 2018	November 15, 2018

Record holders of the Series A Preferred Units are entitled to receive cumulative quarterly distributions, payable in cash, payable in kind or a combination thereof at the option of our general partner, equal to \$0.3134 in respect of each quarter ending before December 1, 2018. The table below summarizes the quarterly distributions on the Series A Preferred Units related to the nine months ended September 30, 2017 and 2018.

Quarterly Period Ended	Amount		Amount	
	Total Distribution	Payable in Cash	Payable in Kind	
	(in millions)	(in millions)	(in millions)	
December 31, 2016	\$ 3.2	(1) \$ 3.2	\$ —	
March 31, 2017	9.5	9.5	—	
June 30, 2017	9.5	9.5	—	
September 30, 2017	9.5	9.5	—	
December 31, 2017	9.5	9.5	—	
March 31, 2018	9.5	9.5	—	
June 30, 2018	9.5	9.5	—	
September 30, 2018	9.5	9.5	—	

- (1) For the period subsequent to the issuance of the Series A Preferred Units through December 31, 2016, the initial quarterly cash distribution was calculated as the minimum quarterly distribution of \$0.3134 per unit prorated for the portion of the quarter subsequent to the issuance of the Series A Preferred Units.

Basic and diluted net income per limited partner unit for the three and nine months ended September 30, 2018 are as follows:

	General				
	Series A Partner				
	Common	Subordinated	Preferred	(including	
	Units	Units ⁽¹⁾	Units	IDRs)	Total
(millions, except for weighted average units and per unit data)					
Three Months Ended September 30, 2018					
Preferred unitholder allocation	\$—		\$ 9.5	\$ —	\$9.5
Distributions declared	46.7		—	—	46.7
Distributions in excess of earnings	(8.7)	—	—	(8.7)
Net income attributable to partners (basic and diluted) ⁽²⁾	\$38.0		\$ 9.5	\$ —	\$47.5
Weighted average units outstanding (basic and diluted) ⁽²⁾	126,597,217				
Net income per limited partner unit (basic and diluted) ⁽²⁾	\$0.30				
Nine Months Ended September 30, 2018					
Preferred unitholder allocation	\$—	\$—	\$ 28.5	\$ —	\$28.5
Distributions declared	113.8	10.7	—	8.9	133.4
Distributions in excess of earnings	(7.9) (1.3	—	—	(9.2)
Net income attributable to partners (basic)	\$105.9	\$9.4	\$ 28.5	\$ 8.9	\$152.7
Dilutive effect of Series A Preferred Units ⁽³⁾	26.2	—			
Net income attributable to partners (diluted)	132.1	9.4			
Weighted average units outstanding (basic)	93,485,621	15,810,720			
Dilutive effect of Series A Preferred Units ⁽³⁾	30,308,342	—			
Weighted average units outstanding (diluted)	123,793,963	15,810,720			
Net income per limited partner unit (basic)	\$1.13	\$0.59			
Net income per limited partner unit (diluted)	\$1.07	\$0.59			

(1) See Note 4 for more information regarding the conversion of subordinated units in May 2018.

(2) For the three months ended September 30, 2018, basic and diluted earnings per unit are equal as the Series A Preferred Units would have been antidilutive.

(3) The dilutive effect of the Series A Preferred Units represents the reallocation of net income to limited partners including a reallocation of IDRs pursuant to the partnership agreement assuming conversion of the Series A Preferred Units into common units at the beginning of the period.

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Basic and diluted net income per limited partner unit for the three and nine months ended September 30, 2017 are as follows:

	General Partner				
	Common Units	Subordinated Units	Series A Preferred Units	(including IDRs)	Total
(millions, except for weighted average units and per unit data)					
Three Months Ended September 30, 2017					
General partner allocation	\$—	\$—	\$ —	\$ (1.7)	\$(1.7)
Preferred unitholder allocation	—	—	9.5	—	9.5
Distributions declared	20.3	9.7	—	5.7	35.7
Undistributed earnings	3.5	1.6	—	—	5.1
Net income attributable to partners (basic)	\$23.8	\$11.3	\$ 9.5	\$ 4.0	\$48.6
Dilutive effect of Series A Preferred Units ⁽¹⁾	8.4	—	—	—	—
Net income attributable to partners (diluted)	32.2	11.3	—	—	—
Weighted average units outstanding (basic)	67,241,532	31,972,789	—	—	—
Dilutive effect of Series A Preferred Units ⁽¹⁾	30,308,342	—	—	—	—
Weighted average units outstanding (diluted)	97,549,874	31,972,789	—	—	—
Net income per limited partner unit (basic)	\$0.35	\$0.35	—	—	—
Net income per limited partner unit (diluted)	\$0.33	\$0.35	—	—	—
Nine Months Ended September 30, 2017					
General partner allocation	\$—	\$—	\$ —	\$ (5.9)	\$(5.9)
Preferred unitholder allocation	—	—	28.5	—	28.5
Distributions declared	58.1	27.7	—	12.9	98.7
Undistributed earnings	14.6	6.9	—	—	21.5
Net income attributable to partners (basic)	\$72.7	\$34.6	\$ 28.5	\$ 7.0	\$142.8
Dilutive effect of Series A Preferred Units ⁽¹⁾	26.6	—	—	—	—
Net income attributable to partners (diluted)	99.3	34.6	—	—	—
Weighted average units outstanding (basic)	67,240,847	31,972,789	—	—	—
Dilutive effect of Series A Preferred Units ⁽¹⁾	30,308,342	—	—	—	—
Weighted average units outstanding (diluted)	97,549,189	31,972,789	—	—	—
Net income per limited partner unit (basic)	\$1.08	\$1.08	—	—	—
Net income per limited partner unit (diluted)	\$1.02	\$1.08	—	—	—

(1) The dilutive effect of the Series A Preferred Units represents the reallocation of net income to limited partners including a reallocation of IDRs pursuant to the partnership agreement assuming conversion of the Series A Preferred Units into common units at the beginning of the period.

Note 4. Unit Activity

Activity in number of units was as follows:

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	Convertible Preferred		Common				
	Public	Dominion Energy	Public	Dominion Energy	General Partner	Subordinated	Total
Balance at December 31, 2016	18,942,714	11,365,628	48,734,195	18,504,628	—	31,972,789	129,519,954
Unit-based compensation	—	—	10,444	—	—	—	10,444
Issuance of common units	—	—	14,724	—	—	—	14,724
Balance at September 30, 2017	18,942,714	11,365,628	48,759,363	18,504,628	—	31,972,789	129,545,122
Balance at December 31, 2017	18,942,714	11,365,628	49,318,899	18,504,628	—	31,972,789	130,104,658
Unit-based compensation	—	—	10,424	—	—	—	10,424
Issuance of common units	—	—	125,819	—	—	—	125,819
IDR reset	—	—	—	—	26,675,082	—	26,675,082
Conversion of subordinated units	—	—	—	31,972,789	—	(31,972,789)	—
Balance at September 30, 2018	18,942,714	11,365,628	49,455,142	50,477,417	26,675,082	—	156,915,983

In October 2017, Dominion Energy Midstream issued 217,051 common units through its at-the-market program resulting in proceeds of \$6.9 million, net of fees and commissions of \$0.1 million.

IDR Reset

In June 2018, Dominion Energy Midstream GP notified Dominion Energy Midstream that it had made an IDR reset election as defined in the partnership agreement. Under the IDR reset election, the minimum quarterly distribution was increased from \$0.1750 to \$0.3340 and the levels at which the IDRs participate in distributions were reset at higher amounts based on the formula in the partnership agreement. In connection with the IDR reset election, Dominion Energy Midstream GP was issued 26.7 million common units.

Prior to the IDR reset election, Dominion Energy Midstream GP was entitled to incentive distributions if the amount distributed with respect to one quarter exceeded specified target levels shown below:

	Total Quarterly Distribution Per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	IDR Holders
Minimum Quarterly Distribution	\$0.1750	100.0%	---%
First Target Distribution	above \$0.1750 up to \$0.2013	100.0%	---%
Second Target Distribution	above \$0.2013 up to \$0.2188	85.0%	15.0%
Third Target Distribution	above \$0.2188 up to \$0.2625	75.0%	25.0%
Thereafter	above \$0.2625	50.0%	50.0%

Subsequent to the IDR reset election, Dominion Energy Midstream GP is entitled to incentive distributions if the amount distributed with respect to one quarter exceeds specified target levels shown below:

	Total Quarterly Distribution Per Unit	Marginal Percentage Interest in Distributions	
		Unitholders	IDR Holders
Minimum Quarterly Distribution	\$0.3340	100.0%	---%
First Target Distribution	above \$0.3340 up to \$0.3841	100.0%	---%
Second Target Distribution	above \$0.3841 up to \$0.4175	85.0%	15.0%
Third Target Distribution	above \$0.4175 up to \$0.5010	75.0%	25.0%
Thereafter	above \$0.5010	50.0%	50.0%

Conversion of Subordinated Units

In May 2018, all of the subordinated units converted into common units on a 1:1 ratio following the payment of the distribution for the first quarter of 2018. The converted units participate pro rata with the other common units in quarterly distributions. The conversion of the subordinated units will not impact the amount of distributions paid by Dominion Energy Midstream or the total number of outstanding units. The allocation of net income and distributions during the period were effected in accordance with terms of the partnership agreement.

Note 5. Operating Revenue

Dominion Energy Midstream's operating revenue, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, consists of the following:

	Three Months Ended	Nine Months Ended
	September 30, 2018	September 30, 2018
(millions)		
Regulated gas transportation and storage sales ⁽¹⁾	\$ 119.4	\$ 337.4
Nonregulated gas transportation and storage sales	162.2	286.2
Other revenue ⁽¹⁾	1.8	16.0
Total operating revenue from contracts with customers	283.4	639.6
Other revenue ⁽¹⁾	0.8	2.3
Total operating revenue	\$ 284.2	\$ 641.9

(1) See Note 16 for amounts attributable to affiliates.

The table below discloses the aggregate amount of the transaction price allocated to fixed-price performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period and when Dominion Energy Midstream expects to recognize this revenue. These revenues relate to contracts containing fixed prices where Dominion Energy Midstream will earn the associated revenue over time as it stands ready to perform services provided. This disclosure does not include revenue related to performance obligations that are part of a contract with original durations of one year or less. In addition, this

disclosure does not include expected consideration related to performance obligations for which Dominion Energy Midstream elects to recognize revenue in the amount it has a right to invoice.

	2018	2019	2020	2021	2022	Thereafter	Total
(millions)							
Revenue expected to be							
recognized on multi-							
year contracts in place							
at							
\$							
September 30, 2018	284.5	\$ 1,131.5	\$ 1,101.5	\$ 1,072.5	\$ 1,014.6	\$ 13,323.6	\$ 17,928.2

Contract liabilities represent an entity's obligation to transfer goods or services to a customer for which the entity has received consideration, or the amount that is due, from the customer. At September 30, 2018 and December 31, 2017, Dominion Energy Midstream's contract liability balances were \$19.8 million and \$15.7 million, respectively, presented in other current liabilities and other deferred credits and other liabilities in Dominion Energy Midstream's Consolidated Balance Sheets. During the nine months ended September 30, 2018, \$2.3 million of revenue was recognized from the beginning contract liability balance as Dominion Energy Midstream fulfilled its obligations to provide service to its customers.

Dominion Energy Midstream's operating revenue, prior to the adoption of revised guidance for revenue recognition from contracts with customers, consisted of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2017		September 30, 2017	
(millions)				
Gas transportation and storage	\$	109.3	\$	346.2
Regulated gas sales	0.1		0.6	
Other	3.6		12.1	
Total operating revenue	\$	113.0	\$	358.9

Note 6. Fair Value Measurements

Dominion Energy Midstream's fair value measurements are made in accordance with the policies discussed in Note 8 to the Consolidated Financial Statements in Dominion Energy Midstream's Annual Report on Form 10-K for the year ended December 31, 2017. See Note 7 for further information about Dominion Energy Midstream's derivatives and hedge accounting activities.

Recurring Fair Value Measurements

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

	Level 1	Level 2	Level 3	Total
(millions)				
At September 30, 2018				
Assets				
Interest rate derivatives	\$ —	\$ 3.6	\$ —	\$ 3.6
Total assets	\$ —	\$ 3.6	\$ —	\$ 3.6
At December 31, 2017				
Assets				