

The East Ohio Gas Company
Consolidated Financial Statements

Fiscal Years Ended December 31, 2022, 2021 and 2020
with Independent Auditor's Report

The East Ohio Gas Company

	Page Number
Glossary of Terms	3
Independent Auditor's Report	4
Audited Financial Statements	
Consolidated Statements of Income for the years ended December 31, 2022, 2021 and 2020	6
Consolidated Balance Sheets at December 31, 2022 and 2021	7
Consolidated Statements of Equity at December 31, 2022, 2021 and 2020 and for the years then ended	9
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020	10
Notes to Consolidated Financial Statements	11

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
ABO	Accumulated benefit obligation
AFUDC	Allowance for funds used during construction
ARO	Asset retirement obligation
CEP	Capital Expenditure Program, as established by House Bill 95, Ohio legislation enacted in 2011, deployed by East Ohio to recover certain costs associated with capital investment
DES	Dominion Energy 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 East Ohio) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries
Dominion Energy Gas	The legal entity, Eastern Energy Gas Holding, LLC (formerly known as Dominion Energy Gas Holdings, LLC), a wholly-owned subsidiary of Berkshire Hathaway Energy Company effective November 2020 (previously a wholly-owned subsidiary of Dominion Energy), one or more of its consolidated subsidiaries, or the entirety of Eastern Energy Gas Holding, LLC and its consolidated subsidiaries
DSM	Demand-side management
East Ohio	The East Ohio Gas Company, doing business as Dominion Energy Ohio
GAAP	U.S. generally accepted accounting principles
IRS	Internal Revenue Service
LIFO	Last-in-first-out inventory method
NAV	Net asset value
Ohio Commission	Public Utilities Commission of Ohio
PIPP	Percentage of Income Payment Plan
PIR	Pipeline Infrastructure Replacement program
UEX Rider	Uncollectible Expense Rider
VEBA	Voluntary Employees' Beneficiary Association
VIE	Variable interest entity

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The East Ohio Gas Company
Richmond, Virginia

We have audited the consolidated financial statements of The East Ohio Gas Company and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

March 29, 2023

The East Ohio Gas Company
Consolidated Statements of Income

Year Ended December 31, (millions)	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenue⁽¹⁾	\$ 1,041.6	\$ 906.0	\$ 770.2
Operating Expenses			
Purchased gas ⁽¹⁾	130.0	87.2	69.5
Other operations and maintenance ⁽¹⁾	270.1	261.4	255.5
Depreciation and amortization	133.5	121.5	90.9
Other taxes	165.2	154.2	135.1
Total operating expenses	<u>698.8</u>	<u>624.3</u>	<u>551.0</u>
Income from operations	<u>342.8</u>	<u>281.7</u>	<u>219.2</u>
Other income	119.5	102.0	87.8
Interest and related charges ⁽¹⁾	31.4	17.1	0.2
Income from operations before income tax expense	<u>430.9</u>	<u>366.6</u>	<u>306.8</u>
Income tax expense	64.7	52.0	42.0
Net income	<u>\$ 366.2</u>	<u>\$ 314.6</u>	<u>\$ 264.8</u>

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

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

The East Ohio Gas Company
Consolidated Balance Sheets

At December 31, (millions)	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5.4	\$ 2.6
Customer receivables (less allowance for doubtful accounts of \$1.0 million and \$0.7 million)	322.7	247.7
Other receivables (less allowance for doubtful accounts of \$1.2 million and \$1.4 million)	4.6	3.9
Affiliated receivables	3.0	2.7
Prepayments	96.5	89.0
Inventories		
Materials and supplies	16.5	13.7
Gas stored	13.8	26.1
Regulatory assets	89.6	56.3
Other	1.8	0.8
Total current assets	553.9	442.8
Property, Plant and Equipment		
Property, plant and equipment	6,189.6	5,762.1
Accumulated depreciation and amortization	(1,229.7)	(1,166.7)
Total property, plant and equipment, net	4,959.9	4,595.4
Deferred Charges and Other Assets		
Pension and other postretirement benefit assets ⁽¹⁾	1,505.8	1,681.8
Intangible assets, net	53.8	51.8
Regulatory assets	948.1	595.6
Other	8.8	12.9
Total deferred charges and other assets	2,516.5	2,342.1
Total assets	\$ 8,030.3	\$ 7,380.3

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

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

The East Ohio Gas Company
Consolidated Balance Sheets (continued)

At December 31, (millions)	2022	2021
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 237.7	\$ 173.5
Payables to affiliates	7.2	5.8
Affiliated current borrowings	19.5	513.7
Accrued interest, payroll and taxes	228.4	214.0
Customer deposits	20.9	15.6
Regulatory liabilities	47.1	51.1
Contract liabilities	61.5	38.8
Other	43.8	51.4
Total current liabilities	666.1	1,063.9
Long-Term Debt		
Long-term debt	2,273.9	1,774.2
Finance leases	13.0	12.0
Total Long-Term Debt	2,286.9	1,786.2
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	930.6	861.6
Asset retirement obligations	11.9	12.3
Regulatory liabilities	754.8	773.4
Other	10.1	15.5
Total deferred credits and other liabilities	1,707.4	1,662.8
Total liabilities	4,660.4	4,512.9
Commitments and Contingencies (See Note 15)		
Equity		
Common stock ⁽¹⁾	1,489.8	1,322.3
Retained earnings	1,880.1	1,545.1
Total equity	3,369.9	2,867.4
Total liabilities and equity	\$ 8,030.3	\$ 7,380.3

(1) No par, 50,000 shares authorized; 7,966 shares outstanding at December 31, 2022 and 2021.

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

The East Ohio Gas Company
Consolidated Statements of Equity

	Common Stock		Retained Earnings	Total
	Shares	Amount		
(millions, except for shares)				
December 31, 2019	7,966	\$ 1,312.9	\$ 1,185.2	\$ 2,498.1
Net income			264.8	264.8
Dividends			(69.5)	(69.5)
Contributions from Dominion Energy		9.4		9.4
December 31, 2020	7,966	1,322.3	1,380.5	2,702.8
Net income			314.6	314.6
Dividends			(150.0)	(150.0)
December 31, 2021	7,966	1,322.3	1,545.1	2,867.4
Net income			366.2	366.2
Dividends			(31.2)	(31.2)
Contributions from Dominion Energy		167.5		167.5
December 31, 2022	<u>7,966</u>	<u>\$ 1,489.8</u>	<u>\$ 1,880.1</u>	<u>\$ 3,369.9</u>

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

The East Ohio Gas Company
Consolidated Statements of Cash Flows

Year Ended December 31, (millions)	2022	2021	2020
Operating Activities			
Net income	\$ 366.2	\$ 314.6	\$ 264.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	133.5	121.5	90.9
Deferred income taxes	36.6	26.2	44.2
Other adjustments	1.2	(2.9)	(1.5)
Changes in operating assets and liabilities	(212.1)	(178.4)	(253.2)
Net cash provided by operating activities	<u>325.4</u>	<u>281.0</u>	<u>145.2</u>
Investing Activities			
Plant construction and other property additions	(455.8)	(419.8)	(392.6)
Other	(3.4)	(2.5)	(14.5)
Net cash used in investing activities	<u>(459.2)</u>	<u>(422.3)</u>	<u>(407.1)</u>
Financing Activities			
Issuance (repayment) of affiliated current borrowings, net	(494.3)	291.7	214.5
Issuance of long-term debt	500.0	—	1,800.0
Repayment of long-term debt	—	—	(1,666.9)
Equity contribution from parent	167.4	—	9.4
Dividends paid to parent	(31.2)	(150.0)	(69.5)
Debt discount and issuance costs and other	(5.3)	(2.3)	(28.3)
Net cash provided by financing activities	<u>136.6</u>	<u>139.4</u>	<u>259.2</u>
Increase (decrease) in cash, restricted cash and equivalents	2.8	(1.9)	(2.7)
Cash, restricted cash and cash equivalents at beginning of year ⁽¹⁾	2.6	4.5	7.2
Cash, restricted cash and cash equivalents at end of year ⁽¹⁾	<u>\$ 5.4</u>	<u>\$ 2.6</u>	<u>\$ 4.5</u>
Supplemental Cash Flow Information			
Cash paid (received) during the year for:			
Interest and related charges, excluding capitalized amounts	\$ 28.4	\$ 15.5	\$ 19.6
Income taxes	29.3	18.8	11.9
Significant noncash investing and financing activities:			
Accrued capital expenditures	52.9	27.3	18.8
Finance leases	4.9	7.0	5.8

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

East Ohio, a public utility, was organized as an Ohio corporation in 1898 and is a wholly-owned subsidiary of Dominion Energy. East Ohio serves residential, commercial and industrial gas sales, transportation and gathering service customers in Ohio. Revenue generated by East Ohio is based primarily on rates established by the Ohio Commission.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

General

East Ohio 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.

East Ohio's Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of its wholly-owned subsidiary.

East Ohio participates in certain Dominion Energy-sponsored pension and other postretirement benefit plans. See Note 14 for further information on these plans.

Certain amounts in East Ohio's historical Consolidated Financial Statements and Notes have been reclassified to conform to the current presentation for comparative purposes; however, such reclassifications did not impact net income, total assets, liabilities, equity or cash flows.

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. East Ohio utilizes a straight-fixed-variable rate design for a majority of its customers. Under this rate design, East Ohio recovers a large portion of its fixed operating costs through a flat monthly charge accompanied by a reduced volumetric base delivery rate. Accordingly, East Ohio's revenue is less impacted by weather-related fluctuations in natural gas consumption than under the traditional rate design. East Ohio's customer receivables at December 31, 2022 and 2021 included \$79.3 million and \$64.3 million, respectively, of accrued unbilled revenue based on estimated amounts of natural gas delivered but not yet billed to its customers. In addition, East Ohio collects sales taxes, however, these amounts are excluded from revenue.

The primary types of sales and service activities reported as operating revenue for East Ohio are as follows:

Revenue with Contracts from Customers

- **Regulated gas transportation and storage sales** consist primarily of state-regulated gas distribution charges to retail distribution service customers opting for alternate suppliers;
- **Regulated gas sales** consist primarily of state-regulated natural gas sales and related distribution services;
- **Nonregulated gas sales** consist primarily of sales of excess gas;
- **Other regulated revenue** consists primarily of miscellaneous regulated revenue; and
- **Other nonregulated revenue** consists primarily of miscellaneous service revenue.

Other revenue

- **Other revenue** consists primarily of revenue accounted for under the alternative revenue program guidance associated with equity return for under-recovery of PIR and CEP.

Revenues from gas sales are recognized over time, as the customers of East Ohio consume the gas as it is delivered. Transportation contracts are primarily stand-ready service contracts that include fixed reservation and variable usage fees. Fixed fees are recognized ratably over the life of the contract, which is less than 12 months, as the stand-ready performance obligation is satisfied, while variable usage fees are recognized when East Ohio 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. As a local distribution company, substantially all of East Ohio's revenues are derived from performance obligations satisfied over time, rather than recognized at a single point in time, and are month-to-month contracts billed according to the terms of its tariff. Payment for most sales varies by contract type, but is typically due within a month of billing.

Purchased Gas

Where permitted by regulatory authorities, the differences between East Ohio's purchased gas expenses and the related levels of recovery for these expenses in current rates are deferred and matched against recoveries in future periods. The deferral of gas costs in excess of current period recovery is recognized as a regulatory asset, while rate recovery in excess of current period gas costs is recognized as a regulatory liability.

Virtually all of East Ohio's natural gas purchases are either subject to deferral accounting or are recovered from the customer in the same accounting period as the sale.

Income Taxes

A consolidated federal income tax return is filed for Dominion Energy and its subsidiaries, including East Ohio. The state of Ohio, where East Ohio does business, does not have a corporate income tax.

East Ohio participates in intercompany tax sharing agreements with Dominion Energy and its subsidiaries. Current income taxes are based on taxable income or loss and credits determined on a separate company basis.

Under the agreements, if a subsidiary incurs a tax loss or earns a credit, recognition of current income tax benefits is limited to refunds of prior year taxes obtained by the carryback of the net operating loss or credit or to the extent the tax loss or credit is absorbed by the taxable income of other Dominion Energy consolidated group members. Otherwise, the net operating loss or credit is carried forward and is recognized as a deferred tax asset until realized.

Accounting for income taxes involves an asset and liability approach. Deferred income tax assets and liabilities are provided, representing future effects on income taxes for temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Accordingly, deferred taxes are recognized for the future consequences of different treatments used for the reporting of transactions in financial accounting and income tax returns. East Ohio establishes a valuation allowance when it is more-likely-than-not that all, or a portion, of a deferred tax asset will not be realized. East Ohio has not recorded any valuation allowances for the periods presented.

East Ohio recognizes positions taken, or expected to be taken, in income tax returns that are more-likely-than-not to be realized, assuming that the position will be examined by tax authorities with full knowledge of all relevant information.

If it is not more-likely-than-not that a tax position, or some portion thereof, will be sustained, the related tax benefits are not recognized in the financial statements. Unrecognized tax benefits may result in an increase in income taxes payable, a reduction of income tax refunds receivable or changes in deferred taxes. Also, when uncertainty about the deductibility of an amount is limited to the timing of such deductibility, the increase in income taxes payable (or reduction in tax refunds receivable) is accompanied by a decrease in deferred tax liabilities. Except when such amounts are presented net with amounts receivable from or amounts prepaid to tax authorities, noncurrent income taxes payable related to unrecognized tax benefits are classified in other deferred credits and other liabilities on the Consolidated Balance Sheets and current payables are included in accrued interest, payroll and taxes on the Consolidated Balance Sheets. East Ohio has no unrecognized tax benefits for the periods presented.

East Ohio recognizes interest on underpayments and overpayments of income taxes in interest expense and other income, respectively. Penalties are also recognized in other income.

At December 31, 2022, the Consolidated Balance Sheet had a federal income tax-related affiliated receivable of \$2.9 million. The net affiliated receivables are expected to be received from Dominion Energy.

At December 31, 2021, the Consolidated Balance Sheet had a federal income tax-related affiliated receivable of \$9.6 million. The net affiliated receivables were received from Dominion Energy.

Investment tax credits are deferred and amortized over the service lives of properties giving rise to the credits.

Cash and Cash Equivalents

Current banking arrangements generally do not require checks to be funded until they are presented for payment. At December 31, 2022 and 2021, accounts payable included \$3.0 million and \$2.0 million, respectively, of checks outstanding but not yet presented for payment. For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, cash in banks and temporary investments purchased with an original maturity of three months or less.

Property, Plant and Equipment

Property, plant and equipment is recorded at lower of original cost or fair value, if impaired. Capitalized costs include labor, materials and other direct and indirect costs such as asset retirement costs, AFUDC and overhead costs. The cost of repairs and maintenance, including minor additions and replacements, is generally charged to expense as it is incurred. East Ohio capitalized AFUDC to property, plant and equipment of less than \$1 million in 2022, less than \$1 million in 2021 and \$3.5 million in 2020.

The undepreciated cost of property, less salvage value, is generally charged to accumulated depreciation at retirement. Cost of removal collections from utility customers not representing AROs are recorded as regulatory liabilities. For property that will be abandoned significantly before the end of its useful life, the net carrying value is reclassified from plant-in-service when it becomes probable it will be abandoned.

Depreciation of property, plant and equipment is computed on the straight-line method based on projected service lives. East Ohio's average composite depreciation rates on property, plant and equipment are as follows:

Year Ended December 31, (percent)	2022	2021	2020
Transmission	1.86	1.89	1.78
Distribution	2.21	2.26	2.27
Storage	1.57	1.49	1.28
General and other	2.67	2.59	2.88

Long-Lived and Intangible Assets

East Ohio performs an evaluation for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets or intangible assets with finite lives may not be recoverable. A long-lived or intangible asset is written down to fair value if the sum of its expected future undiscounted cash flows is less than its carrying amount. Intangible assets with finite lives are amortized over their estimated useful lives.

Regulatory Assets and Liabilities

The accounting for East Ohio's regulated gas operations differs from the accounting for nonregulated operations in that East Ohio is required to reflect the effect of rate regulation in its Consolidated Financial Statements. For regulated businesses subject to state cost-of-service rate regulation, regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred.

East Ohio evaluates whether or not recovery of its regulatory assets through future rates is probable as well as whether a regulatory liability due to customers is probable and makes various assumptions in its analyses. These analyses are generally based on:

- Orders issued by regulatory commissions, legislation and judicial actions;
- Past experience; and
- Discussions with applicable regulatory authorities and legal counsel.

Generally, regulatory assets and liabilities are amortized into income over the period authorized by the regulator. If recovery of a regulatory asset is determined to be less than probable, it will be written off in the period such assessment is made. A regulatory liability, if considered probable, will be recorded in the period such assessment is made or reversed into earnings if no longer probable. See Notes 7 and 8 for additional information.

Leases

East Ohio leases certain assets including vehicles, building and other operational assets under both operating and finance leases. For East Ohio's operating leases, rent expense is recognized on a straight-line basis over the term of the lease agreement, subject to regulatory framework. Rent expense associated with operating leases, short-term leases and variable leases is primarily recorded in other operations and maintenance expense in the Consolidated Statements of Income. Rent expense associated with finance leases results in the separate presentation of interest expense on the lease liability and amortization expense of the related right-of-use asset in the Consolidated Statements of Income.

Certain of East Ohio's leases include one or more options to renew, with renewal terms that can extend the lease from one to ten years. The exercise of renewal options is solely at East Ohio's discretion and is included in the lease term if the option is reasonably certain to be exercised. A right-of-use asset and corresponding lease liability for leases with original lease terms of one year or less are not included in the Consolidated Balance Sheets, unless such leases contain renewal options that the Company is reasonably certain will be exercised. Additionally, certain of East Ohio's leases contain escalation clauses whereby payments are adjusted for consumer price or other indices or contain fixed dollar or percentage increases. East Ohio also has leases with variable payments based upon usage of, or revenues associated with, the leased assets.

The determination of the discount rate utilized has a significant impact on the calculation of the present value of the lease liability included in the Consolidated Balance Sheets. For the Company's fleet of leased vehicles, the discount rate is equal to the prevailing borrowing rate earned by the lessor. For the Company's remaining leased assets, the discount rate implicit in the lease is generally unable to be determined from a lessee perspective. As such, East Ohio uses internally-developed incremental

borrowing rates as a discount rate in the calculation of the present value of the lease liability. The incremental borrowing rates are determined based on an analysis of the Company's available unsecured borrowing rates, adjusted for a collateral discount, over various lengths of time that most closely correspond to the Company's lease maturities.

Asset Retirement Obligations

East Ohio recognizes AROs at fair value as incurred or when sufficient information becomes available to determine a reasonable estimate of the fair value of future retirement activities to be performed, for which a legal obligation exists. These amounts are generally capitalized as costs of the related tangible long-lived assets. Since relevant market information is not available, fair value is estimated using discounted cash flow analyses. Quarterly, East Ohio assesses its AROs to determine if circumstances indicate that estimates of the amounts or timing of future cash flows associated with retirement activities have changed. AROs are adjusted when significant changes in the amounts or timing of future cash flows are identified. East Ohio reports accretion of AROs and depreciation on asset retirement costs associated with its natural gas pipeline assets as an adjustment to the related regulatory liabilities as revenue is recoverable from customers for AROs.

Inventories

Materials and supplies inventories are valued primarily using the weighted-average cost method. Stored gas inventory for East Ohio used in gas distribution operations is valued using the LIFO method. Under the LIFO method, current stored gas inventory was valued at \$13.8 million and \$26.1 million at December 31, 2022 and 2021, respectively. Based on the average price of gas purchased during 2022 and 2021, the cost of replacing the current portion of stored gas inventory exceeded the amount stated on a LIFO basis by \$129.0 million and \$74.2 million, respectively.

Gas Imbalances

Natural gas imbalances occur when the physical amount of natural gas delivered from, or received by, a pipeline system or storage facility differs from the contractual amount of natural gas delivered or received. East Ohio values these imbalances due to, or from, shippers and operators at an appropriate index price at period end, subject to the terms of its tariff. Imbalances are settled in-kind. Imbalances due to East Ohio from other parties are reported in other current assets and imbalances that East Ohio owes to other parties are reported in other current liabilities in the Consolidated Balance Sheets.

NOTE 3. OPERATING REVENUE

East Ohio operating revenue consists of the following:

Year Ended December 31, (millions)	2022	2021	2020
Regulated gas transportation and storage ⁽¹⁾	\$ 873.9	\$ 788.6	\$ 672.1
Regulated gas sales:			
Residential	105.2	76.8	62.2
Commercial	9.1	4.6	5.0
Other	0.7	0.4	0.4
Nonregulated gas sales	17.5	7.5	5.5
Other regulated revenues	26.6	20.5	16.3
Other nonregulated revenues	5.9	3.5	5.8
Total operating revenue from contracts with customers	<u>1,038.9</u>	<u>901.9</u>	<u>767.3</u>
Other revenues	2.7	4.1	2.9
Total operating revenue	<u>\$ 1,041.6</u>	<u>\$ 906.0</u>	<u>\$ 770.2</u>

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

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 December 31, 2022 and 2021, East Ohio's contract liability balances were \$61.5 million and \$38.8 million, respectively, all of which is included in current liabilities in the Consolidated Balance Sheets. During years ended December 31, 2022 and 2021, East Ohio recognized revenue of \$38.8 million and \$38.5 million, respectively, from the beginning contract liability balance as East Ohio fulfilled its obligations to provide service to its customers.

NOTE 4. INCOME TAXES

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities. The interpretation of tax laws involves uncertainty, since tax authorities may interpret the laws differently. East Ohio is routinely audited by federal tax authorities. Ultimate resolution of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material.

As indicated in Note 2, East Ohio's operations, including accounting for income taxes are subject to regulatory treatment. For regulated operations, many of the changes in deferred taxes from the 2017 Tax Reform Act represent amounts probable of collection from or return to customers and were recorded as either an increase to regulatory asset or liability. See Note 8 for more information and current year developments.

Details of East Ohio's income tax expense were as follows:

Year Ended December 31, (millions)	2022	2021	2020
Current:			
Federal	\$ 28.1	\$ 25.8	\$ (2.2)
State	—	—	—
Total current expense	28.1	25.8	(2.2)
Deferred:			
Federal			
Taxes before operating loss carryforwards, investment tax credits and tax reform	36.6	26.2	44.2
State	—	—	—
Total deferred expense	36.6	26.2	44.2
Total income tax expense	\$ 64.7	\$ 52.0	\$ 42.0

The statutory U.S. federal income tax rate reconciles to East Ohio's effective income tax rate as follows:

Year Ended December 31,	2022	2021	2020
Federal income taxes statutory rate	21.0%	21.0%	21.0%
Increases (reductions) resulting from:			
Reversal of excess deferred income taxes	(6.4)	(6.7)	(7.6)
AFUDC equity	—	—	(0.1)
Other	0.4	(0.1)	0.4
Effective tax rate	15.0%	14.2%	13.7%

Beginning in 2020, East Ohio's effective tax rate includes the effects of the Ohio Commission's order to share excess deferred income taxes with customers via a tax saving credit rider.

Significant components of East Ohio's deferred income taxes were as follows:

Year Ended December 31, (millions)	2022	2021
Deferred income taxes:		
Total deferred income tax asset	\$ 122.3	\$ 113.6
Total deferred income tax liability	1,052.9	975.2
Total net deferred income tax liabilities	\$ 930.6	\$ 861.6
Total deferred income taxes:		
Depreciation method and plant basis differences	\$ 626.0	\$ 610.9
Excess deferred income taxes	(103.8)	(110.6)
Deferred fuel, purchased energy and gas costs	10.4	6.0
Pension and other postretirement benefits	381.4	349.1
Loss and credit carryforwards	(1.7)	(0.9)
Other	18.3	7.1
Total net deferred income tax liabilities	\$ 930.6	\$ 861.6
Deferred investment tax credits	—	—
Total deferred taxes and deferred investment tax credits	\$ 930.6	\$ 861.6

Dominion Energy participates in the IRS Compliance Assurance Process which provides the opportunity to resolve complex tax matters with the IRS before filing its federal income tax returns, thus achieving certainty for such tax return filing positions agreed to by the IRS. The IRS has completed its audit of tax years through 2019. The statute of limitations has not yet expired for tax years after 2018. Although Dominion Energy has not received a final letter indicating no changes to its taxable income for the tax years 2021 and 2020, no material adjustments are expected. The IRS examination of tax year 2022 is ongoing.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Major classes of property, plant and equipment and their respective balances for East Ohio are as follows:

At December 31, (millions)	2022	2021
Utility:		
Transmission	\$ 615.2	\$ 578.9
Distribution	4,634.3	4,283.6
Storage	355.2	319.0
Gas gathering	252.6	217.0
General and other	253.6	231.0
Plant under construction	77.0	130.9
Total utility	6,187.9	5,760.4
Other	1.7	1.7
Total property, plant and equipment	<u>\$ 6,189.6</u>	<u>\$ 5,762.1</u>

NOTE 6. INTANGIBLE ASSETS

East Ohio's intangible assets are subject to amortization over their estimated useful lives. East Ohio's amortization expense for intangible assets for the period ending December 31, 2022, 2021 and 2020 was \$8.0 million, \$7.0 million and \$7.3 million, respectively. In 2022, East Ohio acquired \$10.1 million of intangible assets, primarily representing software, with an estimated weighted-average amortization period of approximately 10 years.

The components of intangible assets are as follows:

(millions)	At December 31, 2022		At December 31, 2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Software and other	\$ 109.0	\$ 55.2	\$ 109.2	\$ 57.4

Annual amortization expense for these intangible assets is estimated to be as follows:

(millions)	2023	2024	2025	2026	2027
	\$ 6.6	\$ 6.1	\$ 5.3	\$ 4.6	\$ 4.3

NOTE 7. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities include the following:

(millions)	December 31, 2022	December 31, 2021
Regulatory assets:		
Deferred project costs and DSM programs ⁽¹⁾	\$ 33.7	\$ 20.2
Unrecovered gas costs ⁽²⁾	49.0	28.7
UEX Rider ⁽³⁾	5.7	4.7
Other	1.2	2.7
Regulatory assets-current	89.6	56.3
Unrecognized pension and other postretirement benefit costs ⁽⁴⁾	332.2	17.0
Deferred project costs ⁽¹⁾	615.9	578.6
Regulatory assets-noncurrent	948.1	595.6
Total regulatory assets	\$ 1,037.7	\$ 651.9
Regulatory liabilities:		
Provision for future cost of removal and AROs ⁽⁵⁾	6.9	13.0
Income taxes refundable through future rates ⁽⁶⁾	34.4	34.3
Other	5.8	3.8
Regulatory liabilities-current	47.1	51.1
Unrecognized pension and other postretirement benefit costs ⁽⁴⁾	20.1	34.3
Income taxes refundable through future rates ⁽⁶⁾	465.3	513.9
Provision for future cost of removal and AROs ⁽⁵⁾	266.7	221.7
Other	2.7	3.5
Regulatory liabilities-noncurrent	754.8	773.4
Total regulatory liabilities	\$ 801.9	\$ 824.5

- (1) Primarily reflects amounts expected to be collected from gas customers in East Ohio's service territories associated with rider projects, including CEP, PIR and DSM as well as costs associated with the Pipeline Safety Management Program. The recovery period for these expenditures vary based on stipulations set forth in the respective riders. See Note 8 for more information.
- (2) Reflects unrecovered gas costs at regulated gas operations, which are recovered through filings with the Ohio Commission.
- (3) Reflects accumulated unrecovered bad debt expense. See Note 8 for more information.
- (4) Represents unrecognized pension and other postretirement employee benefit costs expected to be recovered or refunded through future rates generally over the expected remaining service period of plan participants.
- (5) Rates charged to customers by East Ohio's regulated businesses include a provision for the cost of future activities to remove assets that are expected to be incurred at the time of retirement.
- (6) Amounts recorded to pass the effect of reduced income taxes from the 2017 Tax Reform Act to customers in future periods, which will reverse at the weighted average tax rate that was used to build the reserves over the remaining book life of the property, net of amounts to be recovered through future rates to pay income taxes that become payable when rate revenue is provided to recover AFUDC equity.

At December 31, 2022, approximately \$556.5 million of regulatory assets represented past expenditures on which East Ohio does not expect to earn a return during the applicable recovery period. With the exception of PIR, unrecognized pension and other postretirement benefit costs and the Pipeline Safety Management Program expenses, these expenditures are expected to be recovered within the next two years.

NOTE 8. REGULATORY MATTERS

East Ohio is subject to the jurisdiction of the Ohio Commission with its natural gas sales and transportation and storage services being provided under rate schedules approved by the regulatory commission. East Ohio is required to file an application for a base rate case by October 2023.

2017 Tax Reform Act

Subsequent to the enactment of the 2017 Tax Reform Act, the Ohio Commission issued orders requesting that public utilities evaluate the total tax impact on the entity's cost of service and accrue a regulatory liability attributable to the benefits of the reduction in the corporate income tax rate. Certain of the orders requested that the public utilities submit a response to the Ohio Commission detailing the total tax impact on the utility's cost of service.

In October 2018, the Ohio Commission issued an order requiring rate-regulated utilities to file an application reflecting the impact of the 2017 Tax Reform Act on current rates by January 1, 2019. In December 2018, East Ohio filed its application proposing an approach to establishing rates and charges by and through which to return tax reform benefits to its customers. In December 2019, the Ohio Commission issued an order approving customer credits of approximately \$600 million that will be shared with customers primarily over the remaining book life of the property to which the excess deferred income taxes relate. In addition, East Ohio will reduce rates approximately \$19 million per year to account for the 2017 Tax Reform Act's impact

on its equity return component of rates charged to customers. East Ohio began to reserve the impacts of the cost-of-service reduction as regulatory liabilities in January 2018 and continued to do so until April 2020 when the tax savings credit rider became effective. The tax savings credit rider passes through the reduction in the federal income tax rate under the 2017 Tax Reform Act to customers in accordance with the settlement agreement approved by the Ohio Commission.

Other Regulatory Matters

Pipeline Infrastructure Replacement Program

In 2008, East Ohio began PIR, aimed at replacing approximately 25% of its pipeline system. In April 2022, the Ohio Commission approved an extension of East Ohio's PIR program for capital investments through 2026 with continuation of 3% increases of annual capital expenditures per year.

In June 2022, the Ohio Commission approved East Ohio's application to adjust the PIR cost recovery rates for 2021 costs. The filing reflects gross plant investment for 2021 of \$224.6 million, cumulative gross plant investment of \$2.2 billion and a net revenue requirement of \$272.8 million. In February 2023, East Ohio filed an application with the Ohio Commission requesting approval to adjust the PIR recovery. The filing reflects gross plant investment for 2022 of \$224.9 million, cumulative gross plant investments of \$2.4 billion, and an annual revenue requirement of \$304.7 million. This matter is pending.

Capital Expenditure Program

In 2011, East Ohio began CEP which enables East Ohio to defer depreciation expense, property tax expense and carrying costs at the debt rate of 6.5% on capital investments not covered by its PIR program to expand, upgrade or replace its pipeline system and information technology systems as well as investments necessary to comply with the Ohio Commission or other government regulation.

In April 2022, certain parties filed an appeal with the Supreme Court of Ohio appealing the Ohio Commission's December 2020 order establishing the CEP rider, including the rate of return utilized in determining the revenue requirement. This matter is pending.

In November 2022, the Ohio Commission approved adjustments to CEP cost recovery rates for 2021 costs. The approved rates reflect gross plant investment for 2021 of \$145.5 million, cumulative gross plant investment of \$1.1 billion and a revenue requirement of \$131.2 million.

PIPP Plus Program

Under the Ohio PIPP Plus Program, eligible customers can make reduced payments based on their ability to pay their bill. The difference between the customer's total bill and the PIPP amount is deferred and collected under the PIPP rider in accordance with the rules of the Ohio Commission. In July 2022, the Ohio Commission approved the PIPP rider annual update. The revised rider rate reflects recovery over the twelve-month period from July 2022 through June 2023 of projected deferred program costs of approximately \$22.2 million from April 2022 through June 2023, net of over-recovery of accumulated arrearages of approximately \$3.9 million as of March 31, 2022.

UEX Rider

East Ohio has approval for a UEX Rider through which it recovers the bad debt expense of most customers not participating in the PIPP Plus Program. The UEX Rider is adjusted annually to achieve dollar for dollar recovery of East Ohio's actual write-offs of uncollectible amounts. In July 2022, the Ohio Commission approved East Ohio's application to adjust its UEX Rider to reflect an annual revenue requirement of \$19.7 million to provide recovery of an under-recovered accumulated bad debt expense of \$6.4 million as of March 31, 2022, and recovery of net bad debt expense projected to total \$13.3 million for the twelve-months ended March 2023.

DSM Rider

East Ohio has approval for a DSM Rider through which it recovers expenditures related to its DSM programs.

In November 2021, East Ohio filed an application with the Ohio Commission to expand its portfolio of DSM and energy-efficiency programs and to recover such costs through the DSM rider. In the application, East Ohio requested to increase its annual funding for DSM and energy-efficiency programs from the existing level of \$9.5 million to approximately \$20.4 million over a five-year period beginning in 2023. This matter is pending.

In December 2022, East Ohio filed an application with the Ohio Commission requesting recovery of \$0.5 million in underrecovered DSM costs for the twelve months ended September 2022. In March 2023, the Ohio Commission approved the application.

Infrastructure Development Rider

In March 2017, the Governor of Ohio signed legislation into law that allows utilities to file an application to recover infrastructure development costs associated with economic development projects. The cost recovery provision allows for projects totaling up to \$21.6 million annually for East Ohio subject to Ohio Commission approval. As of December 31, 2022,

economic development projects totaling \$13.5 million had been submitted by East Ohio and approved by the Ohio Commission.

East Ohio has approval for an infrastructure development rider through which it recovers expenditures related to economic development projects. As economic development projects are proposed and approved, East Ohio updates the rider rate in accordance with the timeliness and conditions established by the Ohio Commission. In June 2022, East Ohio filed its annual update of the infrastructure development rider with the Ohio Commission requesting approval of the infrastructure development rider cost recovery rates for 2021 costs. The filing reflects a revenue requirement of \$0.9 million. In September 2022, the Ohio Commission approved the filing.

NOTE 9. ASSET RETIREMENT OBLIGATION

AROs represent obligations that result from laws, statutes, contracts and regulations related to the eventual retirement of certain of East Ohio's long-lived assets. East Ohio's AROs primarily include interim retirement of natural gas distribution pipelines. Revisions to estimates result from material changes in the expected timing or amount of cash flows associated with AROs. The changes to AROs during 2021 and 2022 were as follows:

(millions)	Amount	
AROs at December 31, 2020	\$	88.6
Accretion		4.0
Obligations settled during the period		(6.2)
Revisions in estimated cash flow ⁽¹⁾		(72.9)
AROs at December 31, 2021 ⁽²⁾	\$	13.5
Accretion		0.8
Obligations settled during the period		(1.1)
AROs at December 31, 2022 ⁽²⁾	<u>\$</u>	<u>13.2</u>

(1) Reflects revisions to estimated cash flow projections associated with certain gas distribution pipelines. The revisions resulted in a corresponding \$25.3 million decrease to property, plant and equipment, net and an increase to regulatory liabilities.

(2) Includes \$1.2 million and \$1.3 million reported in other current liabilities in the Consolidated Balance Sheets at December 31, 2021 and 2022, respectively.

NOTE 10. LEASES

At December 31, 2022 and 2021, East Ohio had the following lease assets and liabilities recorded in the Consolidated Balance Sheets:

(millions)	December 31, 2022	December 31, 2021
Lease assets:		
Operating lease assets ⁽¹⁾	\$ 5.1	\$ 9.1
Finance lease assets ⁽²⁾	16.4	14.9
Total lease assets	<u>\$ 21.5</u>	<u>\$ 24.0</u>
Lease liabilities:		
Operating lease liabilities ⁽³⁾	\$ 2.6	\$ 3.9
Finance lease liabilities ⁽³⁾	3.4	2.9
Total lease liabilities - current	6.0	6.8
Operating lease liabilities ⁽⁴⁾	1.8	4.4
Finance lease liabilities	13.0	12.0
Total lease liabilities - noncurrent	<u>14.8</u>	<u>16.4</u>
Total lease liabilities	<u>\$ 20.8</u>	<u>\$ 23.2</u>

- (1) Included in other deferred charges and other assets in the Consolidated Balance Sheets.
(2) Included in property, plant and equipment in the Consolidated Balance Sheets, net of \$8.3 million and \$5.0 million of accumulated amortization at December 31, 2022 and 2021, respectively.
(3) Included in other current liabilities in the Consolidated Balance Sheets.
(4) Included in other current deferred charges and other liabilities in the Consolidated Balance Sheets.

For the years ended December 31, 2022, 2021 and 2020, total lease cost associated with the East Ohio's leasing arrangements consisted of the following:

(millions)	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finance lease cost:			
Amortization	\$ 3.4	\$ 2.8	\$ 1.9
Interest	0.7	0.3	0.3
Operating lease cost	3.7	4.6	5.5
Short-term lease cost	0.1	0.2	—
Variable lease cost	—	0.1	0.1
Total lease cost	<u>\$ 7.9</u>	<u>\$ 8.0</u>	<u>\$ 7.8</u>

For the years ended December 31, 2022, 2021 and 2020, cash paid for amounts included in the measurement of the lease liabilities consisted of the following amounts, included in the Consolidated Statements of Cash Flows:

(millions)	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Operating cash flows for finance leases	0.5	\$ 0.3	\$ 0.3
Operating cash flows for operating leases	3.7	5.0	5.9
Financing cash flows for finance leases	2.3	2.8	1.9

At December 31, 2022 and 2021, the weighted average remaining lease term and weighted discount rate for East Ohio's finance and operating leases were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Weighted average remaining lease term - finance leases	6 years	6 years
Weighted average remaining lease term - operating leases	2 years	3 years
Weighted average discount rate - finance leases	6.20%	2.28%
Weighted average discount rate - operating leases	4.48%	4.50%

East Ohio lease liabilities have the following maturities:

Maturity of Lease Liabilities (millions)	<u>Operating</u>	<u>Finance</u>
2023	\$ 2.7	\$ 4.4
2024	1.3	4.0
2025	0.5	3.5
2026	0.1	2.9
2027	—	2.0
After 2027	—	2.5
Total undiscounted lease payments	4.6	19.3
Present value adjustment	(0.2)	(2.9)
Present value of lease liabilities	<u>\$ 4.4</u>	<u>\$ 16.4</u>

NOTE 11. VARIABLE INTEREST ENTITIES

The primary beneficiary of a VIE is required to consolidate the VIE and to disclose certain information about its significant variable interests in the VIE. The primary beneficiary of a VIE is the entity that has both: (1) the power to direct the activities that most significantly impact the entity's economic performance and (2) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE.

DES, an affiliated VIE, provides accounting, legal, finance and certain administrative and technical services to Dominion Energy and its subsidiaries, including East Ohio. East Ohio purchased shared services from DES of \$68.4 million, \$70.0 million and \$60.2 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Consolidated Balance Sheets at December 31, 2022 and 2021 included amounts due to DES for such services of \$5.7 million and \$4.2 million, respectively. East Ohio 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 nor the obligation to absorb losses and benefits which could be significant to it. East Ohio does not have any obligation to absorb more than its allocated share of DES costs.

NOTE 12. AFFILIATED CURRENT BORROWINGS AND LONG-TERM DEBT

East Ohio's affiliated current borrowings under an intercompany revolving credit facility totaled \$19.5 million and \$513.7 million at December 31, 2022 and 2021, respectively. Interest expense on the facility was \$12.1 million, less than a million dollars and \$1.2 million for the years ended December 31, 2022, 2021 and 2020, respectively. At both December 31, 2022 and 2021 there was no accrued interest associated with these borrowings.

In December 2022, East Ohio issued, through private placement, \$250.0 million of 6.19% senior notes and \$250.0 million of 6.38% senior notes that mature in 2032 and 2052, respectively. East Ohio used the proceeds from this offering to repay a portion of its intercompany revolving credit facility balance with Dominion Energy and for general corporate purposes.

In June 2020, East Ohio repaid in full all previously outstanding affiliated long-term debt owed to Dominion Energy Gas. Interest expense was \$33.0 million for the year ended December 31, 2020.

In June 2020, East Ohio issued, through private placement, \$500.0 million of 1.30% senior notes, \$500.0 million of 2.00% senior notes and \$800.0 million of 3.00% senior notes that mature in 2025, 2030 and 2050, respectively. East Ohio used the proceeds from this offering to repay promissory notes with Dominion Energy Gas and a portion of its intercompany revolving credit facility balance with Dominion Energy.

Total unamortized discount and debt issuance costs associated with long-term debt were \$26.1 million and \$25.8 million at December 31, 2022 and December 31, 2021, respectively.

Based on stated maturity dates, the scheduled principal payments of long-term debt at December 31, 2022, were as follows:

(millions, except percentages)	2023	2024	2025	2026	2027	Thereafter	Total
East Ohio	\$ —	\$ —	\$ 500.0	\$ —	\$ —	\$ 1,800.0	\$ 2,300.0
Weighted-average Coupon			1.30%			3.63%	

NOTE 13. DIVIDEND RESTRICTIONS

The Ohio Commission may prohibit any public service company, including East Ohio, from declaring or paying a dividend to an affiliate if found to be detrimental to the public interest. At December 31, 2022, the Ohio Commission had not restricted the payment of dividends by East Ohio.

NOTE 14. EMPLOYEE BENEFIT PLANS

Defined Benefit Plans

East Ohio provides certain retirement benefits to eligible active employees, retirees and qualifying dependents. In addition, East Ohio participates in retirement benefit plans sponsored by Dominion Energy, which provides certain retirement benefits to eligible active employees, retirees and qualifying dependents of East Ohio. Under the terms of their respective benefit plans, East Ohio and Dominion Energy reserve the right to change, modify or terminate their plans. From time to time in the past, benefits have changed, and some of these changes have reduced benefits.

Pension and other postretirement benefit costs are affected by employee demographics (including age, compensation levels and years of service), the level of contributions made to the plans and earnings on plan assets. These costs may also be affected by changes in key assumptions, including expected long-term rates of return on plan assets, discount rates, healthcare cost trend rates, mortality rates and the rate of compensation increases.

East Ohio uses December 31 as the measurement date for all of its employee benefit plans. East Ohio uses the market-related value of pension plan assets to determine the expected return on plan assets, a component of net periodic pension cost, for all pension plans. The market-related value recognizes changes in fair value on a straight-line basis over a four-year period, which reduces year-to-year volatility. Changes in fair value are measured as the difference between the expected and actual plan asset returns, including dividends, interest and realized and unrealized investment gains and losses. Since the market-related value recognizes changes in fair value over a four-year period, the future market-related value of pension plan assets will be impacted as previously unrecognized changes in fair value are recognized.

East Ohio's pension and other postretirement benefit plans hold investments in trusts to fund employee benefit payments. East Ohio's pension and other postretirement plan assets for employees represented by collective bargaining units experienced aggregate actual returns (losses) of \$(377.6) million and \$207.4 million in 2022 and 2021, respectively, versus expected returns of \$139.7 million and \$128.9 million, respectively. Differences between actual and expected returns on plan assets are accumulated and amortized during future periods. As such, any investment-related declines in these trusts will result in future increases in the net periodic cost recognized for such employee benefit plans and will be included in the determination of the amount of cash to be contributed to the employee benefit plans.

Funded Status

The following table summarizes the changes in pension plan and other postretirement benefit plan obligations and plan assets and includes a statement of the plans' funded status for East Ohio employees represented by collective bargaining units:

Year Ended December 31, (millions, except percentages)	Pension Benefits		Other Postretirement Benefits	
	2022	2021	2022	2021
Changes in benefit obligation:				
Benefit obligation at beginning of year	\$ 568.4	\$ 578.6	\$ 111.0	\$ 131.2
Service cost	12.2	12.6	1.9	2.0
Interest cost	17.7	16.7	3.3	3.4
Benefits paid	(25.7)	(23.8)	(6.5)	(9.1)
Actuarial (gains) losses during the year	(161.5)	(15.7)	(26.8)	(17.0)
Plan Amendment	—	—	—	0.5
Benefit obligation at end of year	\$ 411.1	\$ 568.4	\$ 82.9	\$ 111.0
Changes in fair value of plan assets:				
Fair value of plan assets at beginning of year	\$ 1,662.1	\$ 1,503.6	\$ 171.3	\$ 155.3
Actual return on plan assets	(351.9)	182.3	(25.7)	25.1
Benefits paid	(25.8)	(23.8)	(7.6)	(9.1)
Fair value of plan assets at end of year	\$ 1,284.4	\$ 1,662.1	\$ 138.0	\$ 171.3
Funded status at end of year	\$ 873.3	\$ 1,093.7	\$ 55.1	\$ 60.3
Amounts recognized in the Consolidated Balance Sheets at December 31:				
Pension and other postretirement benefit assets	\$ 873.3	\$ 1,093.7	\$ 55.1	\$ 60.3
Net amount recognized	\$ 873.3	\$ 1,093.7	\$ 55.1	\$ 60.3
Significant assumptions used to determine benefit obligations as of December 31:				
Discount rate	5.75%	3.19%	5.69%	3.04%
Weighted average rate of increase for compensation	4.87%	5.13%	n/a	n/a
Crediting interest rate for cash balance plan	4.50%	1.94%	n/a	n/a

Actuarial gains recognized in 2022 in East Ohio's pension benefit obligation includes a \$154.3 million gain resulting from an increase in discount rate and a \$7.2 million gain as a result of census file changes. Actuarial gains recognized in 2021 in East Ohio's pension benefit obligation includes a \$20.0 million gain resulting from an increase in discount rate, partially offset by a \$4.3 million loss as a result of the impact of the 2021 experience study. Actuarial gains recognized during 2022 in East Ohio's other postretirement benefit obligations include a \$24.1 million gain resulting from an increase in discount rates, a gain of \$0.6 million as a result of census file changes and a gain of \$2.1 million as a result of updates to healthcare claims and other healthcare-related assumptions. Actuarial gains recognized during 2021 in East Ohio's other postretirement benefit obligations include a \$4.3 million gain resulting from an increase in discount rates, a gain of \$2.3 million as a result of census file changes and a gain of \$10.4 million as a result of the impact of the 2021 experience study as well updates to healthcare claims and other healthcare-related cost assumptions.

The ABO for the defined benefit pension plans covering East Ohio employees represented by collective bargaining units was \$389.4 million and \$524.4 million at December 31, 2022 and 2021, respectively.

Under its funding policies, East Ohio evaluates plan funding requirements annually, usually in the fourth quarter after receiving updated plan information from its actuary. Based on the funded status of each plan and other factors, East Ohio determines the amount of contributions for the current year, if any, at that time. East Ohio did not make any contributions to its qualified defined benefit pension plans in 2022 and no contributions are currently expected in 2023.

Certain regulatory authorities have held that amounts recovered in utility customers' rates for other postretirement benefits, in excess of benefits actually paid during the year, must be deposited in trust funds dedicated for the sole purpose of paying such benefits. Accordingly, East Ohio funds a portion of other postretirement benefit costs through VEBAs. East Ohio made no contributions to VEBAs in 2022 or 2021. East Ohio does not expect to contribute to any VEBA in 2023.

East Ohio does not expect any pension or other postretirement plan assets to be returned during 2023.

As of December 31, 2022 and 2021 the fair value of plan assets exceeded the ABO for East Ohio's pension plan and other postretirement plan.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for East Ohio employees represented by collective bargaining units plans:

(millions)	Estimated Future Benefit Payments	
	Pension Benefits	Other Postretirement Benefits
2023	\$ 26.5	\$ 7.3
2024	27.4	7.6
2025	28.0	7.7
2026	28.4	7.6
2027	28.6	7.4
2028-2032	146.5	33.9

Plan Assets

East Ohio's overall objective for investing its pension and other postretirement plan assets is to achieve appropriate long-term rates of return commensurate with prudent levels of risk. As a participating employer in various pension plans sponsored by Dominion Energy, East Ohio is subject to Dominion Energy's investment policies for such plans. To minimize risk, funds are broadly diversified among asset classes, investment strategies and investment advisors. The strategic target asset allocations for East Ohio's pension funds are 26% U.S. equity, 19% non-U.S. equity, 32% fixed income, 3% real estate and 20% other alternative investments. U.S. equity includes investments in large-cap, mid-cap and small-cap companies located in the U.S. Non-U.S. equity includes investments in large-cap and small-cap companies located outside of the U.S. including both developed and emerging markets. Fixed income includes corporate debt instruments of companies from diversified industries and U.S. Treasuries. The U.S. equity, non-U.S. equity and fixed income investments are in individual securities as well as mutual funds. Real estate includes equity real estate investment trusts and investments in partnerships. Other alternative investments include partnership investments in private equity, debt and hedge funds that follow several different strategies.

East Ohio also utilizes common/collective trust funds as an investment vehicle for its defined benefit plans. A common/collective trust fund is a pooled fund operated by a bank or trust company for investment of the assets of various organizations and individuals in a well-diversified portfolio. Common/collective trust funds are funds of grouped assets that follow various investment strategies.

Strategic investment policies are established for East Ohio's prefunded benefit plans based upon periodic asset/liability studies. Factors considered in setting the investment policy include employee demographics, liability growth rates, future discount rates, the funded status of the plans and the expected long-term rate of return on plan assets. Deviations from the plans' strategic allocation are a function of East Ohio's assessments regarding short-term risk and reward opportunities in the capital markets and/or short-term market movements which result in the plans' actual asset allocations varying from the strategic target asset allocations. Through periodic rebalancing, actual allocations are brought back in line with the target. Future asset/liability studies will focus on strategies to further reduce pension and other postretirement plan risk, while still achieving attractive levels of returns. Financial derivatives may be used to obtain or manage market exposures and to hedge assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. However, the use of a mid-market pricing convention (the mid-point between bid and ask prices) is permitted. Fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid).

Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, price information is sought from external sources, including industry publications, and to a lesser extent, broker quotes. When evaluating pricing information provided by Designated Contract Market settlement pricing, other pricing services, or brokers, East Ohio considers the ability to transact at the quoted price, i.e. if the quotes are based on an active market or an inactive market and to the extent which pricing models are used, if pricing is not readily available. If pricing information from external sources is not available, or if East Ohio believes that observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases the unobservable inputs are developed and substantiated using historical information, available market data, third-party data, and statistical analysis. Periodically, inputs to valuation models are reviewed and revised as needed, based on historical information, updated market data, market liquidity and relationships, and changes in third-party pricing sources.

East Ohio also utilizes the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1-Quoted prices (unadjusted) in active markets for identical assets that East Ohio has the ability to access at the measurement date. This primarily includes exchange-listed securities.
- Level 2-Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset, including quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset, and inputs that are derived from observable market data by correlation or other means. This primarily includes certain Treasury securities, insurance contracts, and corporate, state and municipal debt instruments.
- Level 3-Unobservable inputs for the asset, including situations where there is little, if any, market activity for the asset.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In these cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The fair values of pension plan and other postretirement assets by asset category for East Ohio employees represented by collective bargaining units are as follows:

At December 31,	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(millions)								
Pension plan								
Cash and cash equivalents	\$ 2.1	\$ 1.4	\$ —	\$ 3.5	\$ 3.7	\$ 0.5	\$ —	\$ 4.2
Common and preferred stocks:								
U.S.	261.7	27.0	—	288.7	387.0	36.6	—	423.6
International	163.7	0.8	—	164.5	264.8	2.8	—	267.6
Insurance contracts	—	26.3	—	26.3	—	41.7	—	41.7
Corporate debt instruments	10.2	104.8	—	115.0	12.1	162.2	—	174.3
Government securities	7.2	215.3	—	222.5	5.9	126.0	—	131.9
Total recorded at fair value	\$ 444.9	\$ 375.6	\$ —	\$ 820.5	\$ 673.5	\$ 369.8	\$ —	\$ 1,043.3
Assets recorded at NAV ⁽¹⁾ :								
Common/collective trust funds				213.3				388.2
Alternative investments:								
Real estate funds				10.4				17.3
Private equity funds				203.4				184.2
Debt funds				30.4				24.2
Hedge funds				0.3				2.1
Total recorded at NAV				\$ 457.8				\$ 616.0
Total investments ⁽²⁾				\$ 1,278.3				\$ 1,659.3
Other postretirement plans								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Common and preferred stocks:								
U.S.	49.6	—	—	49.6	65.2	—	—	65.2
International	12.3	—	—	12.3	15.9	—	—	15.9
Total recorded at fair value	\$ 61.9	\$ —	\$ —	\$ 61.9	\$ 81.1	\$ —	\$ —	\$ 81.1
Assets recorded at NAV ⁽¹⁾ :								
Common/collective trust funds				59.0				73.3
Alternative investments:								
Real estate funds				1.5				1.4
Private equity funds				15.6				15.5
Debt funds				—				—
Total recorded at NAV				\$ 76.1				\$ 90.2
Total investments				\$ 138.0				\$ 171.3

(1) These investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient which are not required to be categorized in the fair value hierarchy.

(2) Excludes net assets related to pending sales of securities of \$27.8 million and net accrued income of \$4.2 million and includes net assets related to pending purchases of securities of \$25.9 million at December 31, 2022. Excludes net assets related to pending sales of securities of \$4.6 million, net accrued income of \$3.6 million, and includes net assets related to pending purchases of securities of \$5.4 million at December 31, 2021.

The Plan's investments are determined based on the fair values of the investments and the underlying investments, which have been determined as follows:

- *Cash and Cash Equivalents*—Investments are held primarily in short-term notes and treasury bills, which are valued at cost plus accrued interest.
- *Common and Preferred Stocks*—Investments are valued at the closing price reported on the active market on which the individual securities are traded.
- *Insurance Contracts*—Investments in Group Annuity Contracts with John Hancock were entered into after 1992 and are stated at fair value based on the fair value of the underlying securities as provided by the managers and include investments in U.S. government securities, corporate debt instruments, state and municipal debt securities.
- *Corporate Debt Instruments*—Investments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar instruments, the instrument is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.
- *Government Securities*—Investments are valued using pricing models maximizing the use of observable inputs for similar securities.
- *Common/Collective Trust Funds*—Common/collective trust funds invest in debt and equity securities and other instruments with characteristics similar to those of the funds' benchmarks. The primary objectives of the funds are to seek investment returns that approximate the overall performance of their benchmark indexes. These benchmarks are major equity indices, fixed income indices, and money market indices that focus on growth, income, and liquidity strategies, as applicable. Investments in common/collective trust funds are stated at the NAV as determined by the issuer of the common/collective trust funds and are based on the fair value of the underlying investments held by the fund less its liabilities. The NAV is used as a practical expedient to estimate fair value. The common/collective trust funds do not have any unfunded commitments, and do not have any applicable liquidation periods or defined terms/periods to be held. The majority of the common/collective trust funds have limited withdrawal or redemption rights during the term of the investment.
- *Alternative Investments*—Investments in real estate funds, private equity funds, debt funds and hedge funds are stated at fair value based on the NAV of the Plan's proportionate share of the partnership, joint venture or other alternative investment's fair value as determined by reference to audited financial statements or NAV statements provided by the investment manager. The NAV is used as a practical expedient to estimate fair value.

Net Periodic Benefit (Credit) Cost

The service cost component and non-service cost components of net periodic benefit (credit) cost are reflected in other operations and maintenance expense and other income, respectively, in the Consolidated Statements of Income. The components of the provision for net periodic benefit (credit) cost and amounts recognized in regulatory assets and liabilities for East Ohio employees represented by collective bargaining units plans are as follows:

Year Ended December 31,	Pension Benefits			Other Postretirement Benefits		
	2022	2021	2020	2022	2021	2020
(millions, except percentages)						
Service cost	\$ 12.2	\$ 12.6	\$ 11.0	\$ 1.9	\$ 2.0	\$ 2.0
Interest cost	17.7	16.7	18.6	3.3	3.4	4.5
Expected return on plan assets	(125.7)	(116.1)	(107.0)	(14.0)	(12.8)	(11.8)
Amortization of prior service cost	—	—	—	0.3	0.3	0.3
Amortization of net actuarial (gain) loss	0.8	6.4	8.2	(1.7)	0.4	0.1
Net periodic benefit (credit) cost	<u>\$ (95.0)</u>	<u>\$ (80.4)</u>	<u>\$ (69.2)</u>	<u>\$ (10.2)</u>	<u>\$ (6.7)</u>	<u>\$ (4.9)</u>
Changes in plan assets and benefit obligations recognized in regulatory assets and liabilities:						
Current year net actuarial (gain) loss	\$ 316.0	\$ (81.8)	\$ (71.4)	\$ 12.9	\$ (29.4)	\$ (9.7)
Prior service cost	—	—	—	—	0.5	—
Curtailments	—	—	—	—	—	—
Less amounts included in net periodic benefit cost:						
Amortization of net actuarial gain (loss)	(0.8)	(6.4)	(8.2)	1.6	(0.3)	(0.1)
Amortization of prior service credit (cost)	—	—	—	(0.3)	(0.3)	(0.3)
Total recognized in regulatory assets and liabilities	<u>\$ 315.2</u>	<u>\$ (88.2)</u>	<u>\$ (79.6)</u>	<u>\$ 14.2</u>	<u>\$ (29.5)</u>	<u>\$ (10.1)</u>
Significant assumptions used to determine periodic cost:						
Discount rate	3.19%	2.95%	3.63%	3.04%	2.69%	2.69%
Expected long-term rate of return on plan assets	8.35%	8.45%	8.60%	8.35%	8.45%	8.50%
Weighted average rate of increase for compensation	5.13%	4.73%	4.64%	n/a	n/a	n/a
Crediting interest rate for cash balance plan	1.94%	2.15%	2.83%	n/a	n/a	n/a
Healthcare cost trend rate ⁽¹⁾	n/a	n/a	n/a	6.25%	6.25%	6.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) ⁽¹⁾	n/a	n/a	n/a	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate ⁽¹⁾	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>2026</u>	<u>2026</u>	<u>2025-2026</u>

(1) Assumptions used to determine net periodic cost for the following year.

The components of regulatory assets and liabilities for East Ohio plans associated with employees represented by collective bargaining units that have not been recognized as components of net periodic benefit cost are as follows:

At December 31,	Pension Benefits		Other Postretirement Benefits	
	2022	2021	2022	2021
(millions)				
Net actuarial (gain) loss	\$ 332.2	\$ 17.0	\$ (21.1)	\$ (35.7)
Prior service cost	—	—	1.0	1.4
Total	<u>\$ 332.2</u>	<u>\$ 17.0</u>	<u>\$ (20.1)</u>	<u>\$ (34.3)</u>

The expected long-term rates of return on plan assets, discount rates, healthcare cost trend rates and mortality are critical assumptions in determining net periodic benefit (credit) cost. East Ohio develops non-investment related assumptions, which are then compared to the forecasts of an independent investment advisor to ensure reasonableness. An internal committee selects the final assumptions used for East Ohio's pension and other postretirement plans including discount rates, expected long-term rates of return, healthcare cost trend rates and mortality rates.

East Ohio determines the expected long-term rates of return on plan assets for its pension plans and other postretirement benefit plans, by using a combination of:

- Expected inflation and risk-free interest rate assumptions;
- Historical return analysis to determine long term historic returns as well as historic risk premiums for various asset classes;
- Expected future risk premiums, asset classes' volatilities and correlations;

- Forward-looking return expectations derived from the yield on long-term bonds and the expected long-term returns of major capital market assumptions; and
- Investment allocation of plan assets.

East Ohio determines discount rates from analyses of AA/Aa rated bonds with cash flows matching the expected payments to be made under its plans.

Mortality rates are developed from actual and projected plan experience for postretirement benefit plans. East Ohio's actuary conducts an experience study periodically as part of the process to select its best estimate of mortality. East Ohio considers both standard mortality tables and improvement factors as well as the plans' actual experience when selecting a best estimate.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for East Ohio's retiree healthcare plans. East Ohio establishes the healthcare cost trend rate assumption based on analyses of various factors including the specific provisions of its medical plan, actual cost trends experienced and projected and demographics of plan participants.

East Ohio (Employees Not Represented by Collective Bargaining Units) – Participation in Defined Benefit Plans

Virtually all East Ohio employees not represented by collective bargaining units who commenced employment prior to July 2021 are covered by the Dominion Energy Pension Plan, a defined benefit pension plan sponsored by Dominion Energy, which provides benefits to multiple Dominion Energy subsidiaries. Retirement benefits payable are based primarily on years of service, age and the employee's compensation. As a participating employer, East Ohio is subject to Dominion Energy's funding policy, which is to contribute annually an amount that is in accordance with the provisions of the Employee Retirement Income Security Act of 1974. During 2022, no contributions to the plan were made by East Ohio and no contributions are currently expected in 2023. Net periodic pension credit related to the plan was \$(43.9) million, \$(31.7) million and \$(24.2) million in 2022, 2021 and 2020, respectively, recorded in other operations and maintenance expense in the Consolidated Statements of Income. The funded status of various Dominion Energy subsidiary groups and employee compensation are the basis for determining the share of total pension costs for participating Dominion Energy subsidiaries. At December 31, 2022 and 2021, the amount due from Dominion Energy associated with this plan, was \$559.6 million and \$515.7 million, respectively, recorded in pension and other postretirement benefit assets in the Consolidated Balance Sheets.

Retiree healthcare and life insurance benefits for virtually all East Ohio employees not represented by collective bargaining units who commenced employment prior to October 2015 are covered by the Dominion Energy Retiree Health and Welfare Plan which is sponsored by Dominion Energy. These plans provide certain retiree healthcare and life insurance benefits to multiple Dominion Energy subsidiaries. Annual employee premiums are based on several factors such as retirement date and years of service. Net periodic benefit credit related to this plan was \$(5.6) million, \$(4.3) million and \$(2.8) million in 2022, 2021 and 2020, respectively, recorded in other operations and maintenance expense in the Consolidated Statements of Income. Employee headcount is the basis for determining the share of total other postretirement benefit costs for participating Dominion Energy subsidiaries. At December 31, 2022 and 2021 the amount due from Dominion Energy associated with this plan was \$17.8 million and \$12.1 million, respectively, recorded in pension and other postretirement benefit assets in the Consolidated Balance Sheets.

Defined Contribution Plan

East Ohio also participates in a Dominion Energy-sponsored defined contribution plan which covers multiple Dominion Energy subsidiaries. East Ohio recognized \$4.2 million, \$4.1 million and \$4.0 million of expense in other operations and maintenance expense in the Consolidated Statements of Income in 2022, 2021 and 2020, respectively, as employer matching contributions to this plan.

NOTE 15. COMMITMENTS AND CONTINGENCIES

As a result of issues generated in the ordinary course of business, East Ohio 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 East Ohio to estimate a range of possible loss. For such matters that East Ohio 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 East Ohio is able to estimate a range of possible loss. For legal proceedings and governmental examinations that East Ohio 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 East Ohio's maximum possible loss exposure. The circumstances of such legal proceedings and governmental examinations will change from time to time and actual results may vary significantly from

the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on East Ohio's financial position, liquidity or results of operations.

The operations of East Ohio are subject to a variety of state and federal laws and regulations governing the management and disposal of solid and hazardous waste, and release of hazardous substances associated with current and/or historical operations. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and similar state laws, may impose joint, several and strict liability for cleanup on potentially responsible parties who owned, operated or arranged for disposal at facilities affected by a release of hazardous substances. In addition, many states have created programs to incentivize voluntary remediation of sites where historical releases of hazardous substances are identified and property owners or responsible parties decide to initiate cleanups.

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

East Ohio has determined that it is associated with former manufactured gas plant sites. Remediation work has been substantially completed at three sites under federal or state oversight. At both December 31, 2022 and 2021, East Ohio had \$1 million of reserves recorded, including less than \$1 million and \$5 million recorded to other operations and maintenance expense for the years ended December 31, 2022 and 2021, respectively. East Ohio is associated with nine additional sites which are not under investigation by any state or federal environmental agency nor the subject of any current or proposed plans to perform remediation activities. Due to the uncertainty surrounding such sites, East Ohio is unable to make an estimate of the potential financial statement impacts.

Surety Bonds

At December 31, 2022, East Ohio had purchased \$6.9 million of surety bonds. Under the terms of surety bonds, East Ohio is obligated to indemnify the respective surety bond company for any amounts paid.

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.

East Ohio transacts mainly with residential, commercial and industrial energy consumers. These transactions principally occur in the eastern region of Ohio. East Ohio does not believe that this geographic concentration contributes to its overall exposure to credit risk. In addition, as a result of its large and diverse customer base, East Ohio is not exposed to a significant concentration of credit risk for receivables arising from gas utility operations. East Ohio's gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights. Gross credit exposure is calculated prior to the application of collateral. At December 31, 2022, East Ohio's credit exposure totaled \$12.6 million. Of this amount, one investment grade counterparty, represented 72% of the total exposure.

East Ohio distributes natural gas to residential, commercial and industrial customers in Ohio using rates established by the Ohio Commission. Approximately 98% of East Ohio revenues are derived from its regulated gas distribution services. East Ohio's bad debt risk is mitigated by the regulatory framework established by the Ohio Commission. See Note 8 for further information about Ohio's PIPP Plus Program and UEX Rider that mitigate East Ohio's overall credit risk.

NOTE 17. RELATED-PARTY TRANSACTIONS

East Ohio engages in related-party transactions primarily with other Dominion Energy subsidiaries (affiliates). East Ohio'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.

East Ohio participates in certain Dominion Energy benefit plans as described in Note 14. In addition, East Ohio has entered into various borrowing agreements with Dominion Energy and its subsidiaries (affiliates) as described in Note 12. A discussion of the remaining significant related-party transactions follows.

Transactions with Affiliates

DES provides accounting, legal, finance and certain administrative and technical services to East Ohio. See Note 11 for more information.

East Ohio provided to and received from DETI certain services while it was an affiliated entity. Expenses recognized in association with purchased transportation and storage services from DETI were \$16.9 million for the year ended December 31, 2020, presented in purchased gas in the Consolidated Statements of Income. Revenue recognized from transportation and storage services provided to DETI were \$4.1 million for the year ended December 31, 2020, presented in operating revenue in the Consolidated Statements of Income.

East Ohio provided balancing and storage services to Dominion Energy Solutions, Inc. while it was an affiliated entity. Revenue recognized in association with these services were \$0.3 million and \$0.9 million for the years ended December 31, 2021 and 2020, respectively, presented in operating revenue in the Consolidated Statements of Income. In addition, East Ohio provided billing and collection services to Dominion Energy Solutions, Inc. and other gas marketing companies in Ohio through November 2020.

Contributions from Dominion Energy

In August 2022 and December 2022, Dominion Energy contributed \$0.1 million and \$167.4 million, respectively to East Ohio. These contributions were used by East Ohio to settle intercompany balances and repay a portion of its intercompany revolving credit facility balance with Dominion Energy.

In 2020, Dominion Energy contributed \$9.4 million to East Ohio. This contribution was used by East Ohio to purchase telecom towers from DETI as part of the Berkshire Hathaway Energy Company sale.

NOTE 18. SUBSEQUENT EVENTS

East Ohio has evaluated subsequent events through the date that these consolidated financial statements were available to be issued on March 29, 2023.