

Dominion Midstream Partners, LP
Form 10-K
February 26, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

I.R.S. Employer

Commission File Number	Exact name of registrants as specified in their charters	Identification Number
001-36684	DOMINION MIDSTREAM PARTNERS, LP	46-5135781
	DELAWARE	
	<i>(State or other jurisdiction of incorporation or organization)</i>	
	120 TREDEGAR STREET	
	RICHMOND, VIRGINIA	23219
	<i>(Address of principal executive offices)</i>	<i>(Zip Code)</i>
	(804) 819-2000	

(Registrants telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Units Representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common units held by non-affiliates was approximately \$771 million based on the closing price of its common units as reported on the New York Stock Exchange as of the last day of its

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most recently completed second fiscal quarter. As of January 31, 2016, Dominion Midstream Partners, LP had 45,722,371 common units and 31,972,789 subordinated units outstanding.

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Unless the context otherwise requires, references in this Annual Report on Form 10-K to Cove Point, the Predecessor, our predecessor, and we, our, us, our partnership or like terms when used in a historical context (periods prior to October 20, 2014), refer to Dominion Cove Point LNG, LP as our predecessor for accounting purposes. When used in the present tense or prospectively (periods beginning October 20, 2014), Dominion Midstream, we, our, us or like terms refer to Dominion Midstream Partners, LP; one of its wholly-owned subsidiaries, Cove Point GP Holding Company, LLC, Iroquois GP Holding Company, LLC or Dominion Carolina Gas Transmission, LLC (beginning April 1, 2015); or all of them taken as a whole.

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GLOSSARY OF TERMS

The following abbreviations or acronyms used in this Form 10-K 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.
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 the DCG Predecessor and a noncontrolling interest in Cove Point held by Dominion subsequent to the Offering, less income from equity method investee, plus distributions from equity method investee
AFUDC	Allowance for funds used during construction
AIP	Annual Incentive Plan
ARO	Asset retirement obligation
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion, Duke Energy Corporation, Piedmont Natural Gas Company, Inc. and AGL Resources Inc.
Bcf	Billion cubic feet
Bcfe	Billion cubic feet equivalent
Blue Racer	Blue Racer Midstream, LLC, a joint venture between Dominion and Caiman
BRP	Retirement Benefit Restoration Plan
CAA	Clean Air Act
Caiman	Caiman Energy II, LLC
CAP	IRS Compliance Assurance Process
CD&A	Compensation Discussion and Analysis
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGN Committee	Compensation, Governance and Nominating Committee of Dominion's Board of Directors
Clean Power Plan	Guidelines issued by the EPA in August 2015 for states to follow in developing plans to reduce CO ₂ emissions from existing fossil fuel-fired electric generating units, stayed by the U.S. Supreme Court in February 2016 pending resolution of court challenges by certain states.
Columbia to Eastover Project	Project to provide 15,800 Dths/day of firm transportation service from an existing interconnect with Southern Natural Gas Company, LLC in Aiken County, South Carolina and provide for a receipt point change of 2,200 Dths/day under an existing contract from an existing interconnect with Transco in Cherokee County, South Carolina for a total 18,000 Dths/day, to a new delivery point for the International Paper Company at its pulp and paper mill known as the Eastover Plant in Richland County, South Carolina
CO ₂	Carbon dioxide
COO	Chief Operating Officer
Cove Point	Dominion Cove Point LNG, LP
Cove Point Facilities	Collectively, the Liquefaction Project, Cove Point LNG Facility and Cove Point Pipeline

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Cove Point Holdings	Cove Point GP Holding Company, LLC
Cove Point LNG Facility	An LNG import/regasification 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
CPCN	Certificate of Public Convenience and Necessity
CRA	Compliance Resolution Agreement
CWA	Clean Water Act
D.C.	District of Columbia
DCG	Dominion Carolina Gas Transmission, LLC (successor by statutory conversion to and formerly known as Carolina Gas Transmission Corporation)
DCG Acquisition	The acquisition of DCG by Dominion Midstream from Dominion on April 1, 2015
DCG Predecessor	Dominion as the predecessor for accounting purposes for the period from Dominion's acquisition of DCG from SCANA on January 31, 2015 until the DCG Acquisition
DCGS	Dominion Carolina Gas Services, Inc.
DCPI	Dominion Cove Point, Inc.
DOE	Department of Energy
Dominion	The legal entity, Dominion Resources, Inc., one or more of its consolidated subsidiaries (other than Dominion Midstream GP, LLC and its subsidiaries) or operating segments or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries
Dominion Gas	Dominion Gas Holdings, LLC
Dominion Midstream	The legal entity, Dominion Midstream Partners, LP, one or more of its consolidated subsidiaries, Cove Point Holdings, Iroquois GP Holding Company, LLC and DCG (beginning April 1, 2015), or the entirety of Dominion Midstream Partners, LP and its consolidated subsidiaries
Dominion Midstream LTIP	Dominion Midstream 2014 Long-Term Incentive Plan
Dominion Payroll	Dominion Payroll Company, Inc.
DOT	U.S. Department of Transportation
DRS	Dominion Resources Services, Inc.
Dth	Dekatherm

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Abbreviation or Acronym	Definition
DTI	Dominion Transmission, Inc.
EA	Environmental assessment
EBITDA	Earnings before interest and associated charges, income tax expense, depreciation and amortization
Edgemoor Project	Project to provide 45,000 Dths/day of firm transportation service from an existing interconnect with Transco in Cherokee County, South Carolina to customers in Calhoun and Lexington counties, South Carolina
EPA	Environmental Protection Agency
EPACT	Energy Policy Act of 2005
ERISA	The Employee Retirement Income Security Act of 1974
ESRP	Executive Supplemental Retirement Plan
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
FTA	Free Trade Agreement
FTA Authorization	Authorization from the DOE for the export of up to 1.0 Bcfe/day of natural gas to countries that have or will enter into an FTA for trade in natural gas
GAAP	U.S. generally accepted accounting principles
GHGRP	Greenhouse Gas Reporting Program
GHG	Greenhouse gas
IDR	Incentive distribution right
Import Shippers	The three LNG import shippers consisting of BP Energy Company, Shell NA LNG, Inc. and Statoil
IRC	Internal Revenue Code
Iroquois	Iroquois Gas Transmission System, L.P.
IRS	Internal Revenue Service
Keys Energy Project	Project to provide 107,000 Dths/day of firm transportation service from Cove Point's interconnect with Transco in Fairfax County, Virginia to Keys Energy Center, LLC's power generating facility in Prince George's County, Maryland
Liquefaction Project	A natural gas export/liquefaction facility currently under construction by Cove Point
LNG	Liquefied natural gas
Maryland Commission	Public Service Commission of Maryland
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MLP	Master limited partnership, equivalent to publicly traded partnership
Modified Net Operating Income	Cove Point's Net Operating Income plus any interest expense included in the computation of Net Operating Income
Mtpa	Million metric tons per annum
NAAQS	National Ambient Air Quality Standards

NEO	Named executive officers
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
NG	Collectively, North East Transmission Co., Inc. and National Grid IGTS Corp.
NGA	Natural Gas Act of 1938, as amended
NGPSA	Natural Gas Pipeline Safety Act of 1968, as amended
NJNR	NJNR Pipeline Company
Non-FTA Authorization	Authorization from the DOE for the export of up to 0.77 Bcfe/day of natural gas to countries that do not have an FTA for trade in natural gas
Non-Open Access Services	Non-open access, proprietary non-jurisdictional services with rates, terms and conditions that are determined by arm's length negotiations with customers
NSPS	New Source Performance Standards
NYSE	New York Stock Exchange
Offering	The initial public offering of common units of Dominion Midstream
Open Access Services	Open access jurisdictional services with cost-based rates and terms and conditions that are part of a tariff approved by FERC
OSHA	Federal Occupational Safety and Health Act, as amended
PHI	Pepeco Holdings, Inc.
PHMSA	Pipeline and Hazardous Materials Safety Administration
ppb	Parts-per-billion
Preferred Equity Interest	A perpetual, non-convertible preferred equity interest in Cove Point entitled to the Preferred Return Distributions and the Additional Return Distributions

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Abbreviation or Acronym	Definition
Preferred Return Distributions	The first \$50.0 million of annual cash distributions made by Cove Point
PSD	Prevention of Significant Deterioration
PSIA	Pipeline Safety Improvement Act of 2002
RCRA	Resource Conservation and Recovery Act, as amended
RGGI	Regional Greenhouse Gas Initiative
ROFO Assets	Any of the common equity interests in Cove Point or the indirect ownership interests in Blue Racer or Atlantic Coast Pipeline subject to the right of first offer agreement with Dominion entered into in connection with the Offering
ROIC	Return on invested capital
SCANA	SCANA Corporation
SEC	Securities and Exchange Commission
SEIF	Maryland Strategic Energy Investments Fund
St. Charles Transportation Project	Project to provide 132,000 Dths/day of firm transportation service from Cove Point s interconnect with Transco in Fairfax County, Virginia to Competitive Power Venture Maryland, LLC s power generating facility in Charles County, Maryland
Statoil	Statoil Natural Gas, LLC
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, LLC
Transco to 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
TSR	Total shareholder return
U.S.	United States of America
VIE	Variable interest entity
Virginia Power	Virginia Electric and Power Company
VOC	Volatile organic compounds

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Part I

Item 1. Business

OVERVIEW

Dominion Midstream is a growth-oriented Delaware limited partnership formed on March 11, 2014 by Dominion to grow a portfolio of natural gas terminaling, processing, storage, transportation and related assets. A registration statement on Form S-1, as amended through the time of its effectiveness, was filed by Dominion Midstream with the SEC and was declared effective on October 10, 2014. Dominion Midstream's common units began trading on the NYSE on October 15, 2014, under the ticker symbol DM. On October 20, 2014, Dominion Midstream completed the Offering of 20,125,000 common units representing limited partner interests. In connection with the Offering, Dominion Midstream acquired the Preferred Equity Interest and the general partner interest in Cove Point from Dominion.

Cove Point owns and operates the Cove Point LNG Facility and the Cove Point Pipeline. Cove Point is currently generating a significant portion of its revenue and earnings from annual reservation payments under certain regasification, storage and transportation contracts.

On April 1, 2015, Dominion Midstream acquired from Dominion all of the issued and outstanding membership interests

of DCG, an open access, transportation-only interstate pipeline company in South Carolina and southeastern Georgia, for total consideration of \$500.8 million. See Note 4 to the Consolidated Financial Statements for additional information regarding this acquisition.

On September 29, 2015, Dominion Midstream acquired NG's 20.4% and NJNR's 5.53% partnership interests in Iroquois and, in exchange, Dominion Midstream issued common units representing limited partner interests in Dominion Midstream to both NG and NJNR. The Iroquois investment, accounted for under the equity method, was recorded at \$216.5 million. See Note 4 to the Consolidated Financial Statements for additional information regarding this equity method investment.

Dominion Midstream manages its daily operations through one operating segment, Dominion Energy, which consists of gas transportation, LNG import and storage. In addition to the Dominion Energy operating segment, Dominion Midstream also reports a Corporate and Other segment, which primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the operating segment's performance. See Note 23 to the Consolidated Financial Statements for further discussions of Dominion Midstream's operating segment, which information is incorporated herein by reference.

ORGANIZATIONAL STRUCTURE

The following simplified diagram depicts Dominion Midstream's organizational and ownership structure at December 31, 2015.

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ASSETS AND OPERATIONS

Dominion Midstream's ongoing principal sources of cash flow include distributions received from Cove Point from our Preferred Equity Interest, cash generated from the operations of DCG and distributions received from our noncontrolling partnership interest in Iroquois.

Preferred Equity Interest

One of our primary cash flow generating assets is the Preferred Equity Interest which is 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 will be made on a quarterly basis and will not be cumulative. The Preferred Equity Interest is also entitled to the Additional Return Distributions and should benefit from the expected increased cash flows and income associated with the Liquefaction Project once it is completed.

We expect that Cove Point will generate cash and cumulative Net Operating Income in excess of that required to make Preferred Return Distributions through the expected completion of the Liquefaction Project in late 2017 and thereafter. We base our expectation on the existing long-term contracts with firm reservation charges for substantially all of the regasification and storage capacity of the Cove Point LNG Facility and all of the transportation capacity of the Cove Point Pipeline and the expectation that the Liquefaction Project will commence operations in late 2017. While we expect Cove Point's cash flows and Net Operating Income from its existing import contracts and associated transportation contracts to decrease as those contracts expire in 2017 and 2023, we expect the cash flows and Net Operating Income from the Liquefaction Project, once completed, to replace and substantially exceed Cove Point's cash flows and Net Operating Income from its existing import contracts and associated transportation contracts. See description of the Liquefaction Project under *Assets and Operations - Cove Point*. Until the Liquefaction Project is completed, Cove Point is prohibited from making a distribution on its common equity interests unless it has a distribution reserve sufficient to pay two quarters of Preferred Return Distributions (and two quarters of similar distributions with respect to any other preferred equity interest in Cove Point). We intend to cause Cove Point to fully fund such distribution reserve by December 31, 2016, but there can be no assurance that funds will be available or sufficient for such purpose or that Cove Point will have sufficient cash and undistributed Net Operating Income to permit it to continue to make Preferred Return Distributions after the expiration of certain of its contracts in 2017. We do not expect to cause Cove Point to make distributions on its common equity, or the Additional Return Distributions, prior

to the Liquefaction Project commencing commercial service. No distribution reserve will be established for the Additional Return Distributions.

Cove Point

Cove Point is a Delaware limited partnership, of which Dominion Midstream owns the preferred equity interests and the general partner interest and Dominion owns the common equity inter-

ests. Cove Point's operations currently consist of LNG import and storage services at the Cove Point LNG Facility and the transportation of domestic natural gas and regasified LNG to Mid-Atlantic markets via the Cove Point Pipeline. Following binding commitments from counterparties, Cove Point requested and received regulatory approval to operate the Cove Point LNG Facility as a bi-directional facility, able to import LNG and regasify it as natural gas or to liquefy domestic natural gas and export it as LNG.

COVE POINT'S IMPORT/STORAGE/REGASIFICATION FACILITIES

The Cove Point LNG Facility includes an offshore pier, LNG storage tanks, regasification facilities and associated equipment required to (i) receive imported LNG from tankers, (ii) store LNG in storage tanks, (iii) regasify LNG and (iv) deliver regasified LNG to the Cove Point Pipeline. The Cove Point LNG Facility has an operational peak regasification capacity of approximately 1.8 million Dths/day and an aggregate LNG storage capacity of 695,000 cubic meters of LNG, or approximately 14.6 Bcfe, all of which is currently fully contracted. In addition, the Cove Point LNG Facility has an existing liquefier (unrelated to the Liquefaction Project) capable of liquefying approximately 15,000 Dths/day of natural gas. This liquefaction capacity is primarily used to liquefy natural gas received from domestic customers that store LNG in our tanks for use during peak periods of natural gas demand. Cove Point offers both Open Access Services and Non-Open Access Services. Cove Point's two-berth pier is located approximately 1.1 miles offshore in the Chesapeake Bay. Cove Point operates the Cove Point LNG Facility on an integrated basis with no equipment exclusively used for the benefit of Open Access Services or Non-Open Access Services.

Cove Point currently provides services under (i) long-term agreements with the Import Shippers for an aggregate of 1.0 million Dths/day of firm and off-peak regasification capacity, and (ii) long-term agreements for an aggregate 204,000 Dths/day of firm capacity with the Storage Customers who receive firm peaking services, whereby the Storage Customers deliver domestic natural gas to the Cove Point LNG Facility to be liquefied and stored during the summer for withdrawal on a limited number of days at peak times during the winter. Cove Point also has an additional 800,000 Dths/day of regasification capacity committed under a separate agreement with Statoil, one of the Import Shippers. In 2015, the Import Shippers comprised approximately 77% of total consolidated revenues for Dominion Midstream. Cove Point's customers are required to pay fixed monthly charges, regardless of whether they use the amount of capacity they have paid to reserve at the Cove Point LNG Facility. Following the expiration of certain Cove Point regasification and transportation contracts with Statoil in 2017, the resulting available storage and transportation capacity will be utilized in connection with the Liquefaction Project.

COVE POINT'S PIPELINE FACILITIES

The Cove Point Pipeline is a 36-inch diameter bi-directional underground, interstate natural gas pipeline that extends approximately 88 miles from the Cove Point LNG Facility to interconnections with pipelines owned by Transco in Fairfax County, Virginia, and with Columbia Gas Transmission LLC and DTI,

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both in Loudoun County, Virginia. In 2009, the original pipeline was expanded to include a 36-inch diameter loop that extends approximately 48 miles, roughly 75% of which is parallel to the original pipeline. Cove Point has two existing compressor stations at its interconnections with the three upstream interstate pipelines. The Loudoun Compressor Station is located at the western end of the Cove Point Pipeline where it interconnects with the pipeline systems of DTI and Columbia Gas Transmission LLC. The Pleasant Valley Compressor Station is located roughly 13 miles to the southeast of the Loudoun Compressor Station, where the Cove Point Pipeline interconnects with Transco's pipeline system.

Cove Point offers open-access transportation services, including firm transportation, off-peak firm transportation and interruptible transportation, with cost-based rates and terms and conditions that are subject to the jurisdiction of FERC. Firm transportation services are generally provided based on a reservation-based fee that is designed to recover Cove Point's fixed costs and earn a reasonable return. The firm transportation customers are required to pay fixed monthly fees, regardless of whether they use their reserved capacity for the Cove Point Pipeline. Cove Point also provides certain incrementally priced, firm transportation services that are associated with expansion projects. The Export Customers will be responsible for procuring their own natural gas supplies and transporting such supplies to the Cove Point Pipeline, which serves as the primary method of transportation of natural gas supplies to or from the Cove Point LNG Facilities.

In October 2015, Cove Point received FERC authorization to construct the approximately \$30 million St. Charles Transportation Project and the approximately \$40 million Keys Energy Project. Construction on each project commenced in December 2015. The St. Charles Transportation Project is anticipated to be placed into service in June 2016. The Keys Energy Project is anticipated to be placed into service in March 2017.

COVE POINT'S EXPORT/LIQUEFACTION FACILITIES

Cove Point is in the process of constructing the Liquefaction Project, which will consist of one LNG train with a design nameplate outlet capacity of 5.25 Mtpa. It is expected to be placed in service in late 2017. Under normal operating conditions and after accounting for maintenance downtime and other losses, the firm contracted capacity for LNG loading onto ships will be approximately 4.6 Mtpa (0.66 Bcfe/day). Cove Point has authorization from the DOE to export up to 0.77 Bcfe/day (approximately 5.75 Mtpa) should the liquefaction facilities perform better than expected. Once completed, the Liquefaction Project will enable the Cove Point LNG Facility to liquefy domestically produced natural gas and export it as LNG. The Liquefaction Project is being constructed on land already owned by Cove Point, which is within the developed area of the existing Cove Point LNG Facility, and will be integrated with a number of the facilities that are currently operational. Domestic natural gas will be delivered to the Cove Point LNG Facility through the Cove Point Pipeline for liquefaction and will be exported as LNG. The total costs of developing the Liquefaction Project are estimated to be \$3.4 billion to \$3.8 billion, excluding financing costs. Through December 31, 2015, Cove Point incurred \$2.2 billion of development and construction costs associated with the Lique-

faction Project. Dominion has indicated that it intends to provide the funding necessary for the remaining construction costs for the Liquefaction Project, but it is under no obligation to do so.

Many of the existing facilities at the Cove Point LNG Facility will be used to provide the liquefaction service. The Liquefaction Project will utilize existing storage tanks at the Cove Point LNG Facility to store LNG produced by the new liquefaction facilities. The Liquefaction Project will utilize the existing off-shore two-berth pier and insulated LNG and gas piping from the pier to the on-shore Cove Point LNG Facility. Cove Point is constructing new facilities to liquefy the natural gas on land it already owns (which encompasses more than 1,000 acres). No change will be made to the Cove Point LNG Facility's current storage, import, or regasification capabilities and only minor modifications will be made to the Cove Point LNG Facility itself, such as adding piping tie-ins and electrical/control connections to integrate the liquefaction facility with the existing LNG regasification facilities.

COVE POINT'S EXPORT CUSTOMERS

Cove Point has executed service contracts for the Liquefaction Project with the Export Customers, each of which has contracted for 50% of the available capacity. The Export Customers together will have firm access to 6.8 Bcfe of the existing storage capacity, which will be made available upon the expiration of Cove Point's import contracts with Statoil, with the balance of the existing storage capacity available for Cove Point's Import Shippers and Storage Customers. The Export Customers have each entered into a 20-year agreement for the liquefaction and export services, which they may annually elect to switch to import services, provided that the other customer agrees to switch. In addition, each of the Export Customers has entered into an accompanying 20-year service agreement for firm transportation on the Cove Point Pipeline.

Cove Point will provide terminal services for the Export Customers as a tolling service, and the Export Customers will be responsible for procuring their own natural gas supplies and transporting such supplies to or from the Cove Point LNG Facilities. To deliver the feed gas for liquefaction to the Cove Point LNG Facility, each Export Customer entered into a firm transportation service agreement to utilize the Cove Point Pipeline, with a maximum firm transportation quantity of 430,000 Dths/day for each Export Customer. This amount of firm transportation capacity will enable Export Customers to deliver to the Cove Point LNG Facility the feed gas, including fuel, required on days of peak liquefaction, utilizing both their firm liquefaction rights and an expected level of authorized overrun service. In the event of an election of import/regasification service, each of the Export Customers will have a regasification capacity of 330,000 Dths/day.

DCG

DCG operates as an open access, transportation-only interstate pipeline company in South Carolina and southeastern Georgia. As of December 31, 2015, DCG's natural gas system consisted of nearly 1,500 miles of transmission pipeline of up to 24 inches in diameter and five compressor stations with approximately 34,500 installed compressor horsepower. DCG's system transports gas to its customers from the transmission systems of Southern Natural Gas Company at Port Wentworth, Georgia and Aiken County,

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South Carolina; Southern LNG, Inc. at Elba Island, near Savannah, Georgia; and Transco in Cherokee and Spartanburg counties in South Carolina. All of DCG's operations are regulated by FERC.

DCG's customers include South Carolina Electric & Gas Company (which uses natural gas for electricity generation and for gas distribution to retail customers), SCANA Energy Marketing, Inc. (which markets natural gas to industrial and sale for resale customers, primarily in the southeastern U.S.), municipalities, county gas authorities, federal and state agencies, marketers, power generators and industrial customers primarily engaged in the manufacturing or processing of ceramics, paper, metal and textiles.

DCG's revenues are primarily derived from reservation charges for firm services as provided for in its FERC approved tariff. DCG's pipeline system is substantially fully subscribed with a contracted pipeline capacity of 765,773 Dths/day. Approximately 6% of the capacity has a 2016 expiration date, and 94% of this capacity is contracted through 2017 or beyond. DCG has several growth projects to expand its system, which are expected to significantly increase its contracted capacity by the end of 2017. All expansion projects are supported by long-term contracts with terms ranging from 15 to 30 years. See a summary of these expansion projects below:

In April 2014, DCG executed a binding precedent agreement for the approximately \$35 million Columbia to Eastover Project to provide an incremental 15,800 Dths/day of firm transportation service. In May 2015, DCG filed an application to request FERC authorization to construct and operate the project facilities, which are expected to be placed into service in the third quarter of 2016.

In 2014, DCG executed three binding precedent agreements for the approximately \$120 million Transco to Charleston Project. The project will 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. In July 2015, DCG requested authorization to utilize the FERC pre-filing process. DCG expects to file the application to request FERC authorization to construct and operate the project facilities in the first quarter of 2016. The project is expected to be placed into service in the fourth quarter of 2017.

Iroquois

Iroquois is a Delaware limited partnership which owns and operates a 416-mile FERC-regulated interstate natural gas pipeline providing service to local gas distribution companies, electric utilities and electric power generators, as well as marketers and other end users, through interconnecting pipelines and exchanges. Iroquois' pipeline extends from the U.S.-Canadian border at Waddington, New York through the state of Connecticut to South Commack, Long Island, New York and continuing on from Northport, Long Island, New York through the Long Island Sound to Hunts Point, Bronx, New York. As of December 31, 2015, Dominion Midstream holds a 25.93% noncontrolling partnership interest in Iroquois, which is accounted for under the equity method.

RELATIONSHIP WITH DOMINION

We view our relationship with Dominion as a significant competitive strength. We believe this relationship will provide us with potential acquisition opportunities from a broad portfolio of existing midstream assets that meet our

strategic objectives, as well as access to personnel with extensive technical expertise and industry relationships. Dominion has granted us a right of first offer with respect to any future sale of its common equity interests in Cove Point. We may also acquire newly issued common equity or additional preferred equity interests in Cove Point in the future, provided that any issuances of additional equity interests in Cove Point would require both our and Dominion's approval. Any additional equity interests that we acquire in Cove Point would allow us to participate in the significant growth in cash flows and income expected following the completion of the Liquefaction Project. In connection with the Offering, Dominion also granted us a right of first offer with respect to any future sale of its indirect ownership interest in Blue Racer, which is a growing midstream company focused on the Utica Shale formation, and its indirect ownership interest in Atlantic Coast Pipeline, which is focused on constructing a natural gas pipeline running from West Virginia through Virginia to North Carolina. In addition, acquisition opportunities, such as the DCG Acquisition in 2015, may arise from future midstream pipeline, terminaling, processing, transportation and storage assets acquired or constructed by Dominion.

Dominion, headquartered in Richmond, Virginia, is one of the nation's largest producers and transporters of energy. Dominion's strategy is to be a leading provider of electricity, natural gas and related services to customers primarily in the eastern region of the U.S. At December 31, 2015, Dominion served over 5 million utility and retail energy customers in 14 states and operated one of the nation's largest underground natural gas storage systems, with approximately 933 Bcf of storage capacity. Dominion's portfolio of midstream pipeline, terminaling, processing, transportation and storage assets includes its indirect ownership interests in Blue Racer and Atlantic Coast Pipeline, both of which are described in more detail below, and the assets and operations of Dominion Gas. Dominion Gas consists of (i) The East Ohio Gas Company d/b/a Dominion East Ohio, a regulated natural gas distribution operation, (ii) DTI, an interstate natural gas transmission pipeline company, and (iii) Dominion Iroquois, Inc., which holds a 24.72% noncontrolling partnership interest in Iroquois.

Blue Racer is a midstream energy company focused on the design, construction, operation and acquisition of midstream assets. Blue Racer is investing in natural gas gathering and processing assets in Ohio and West Virginia, targeting primarily the Utica Shale formation, and is an equal partnership between Dominion and Caiman, with Dominion contributing midstream assets, including both gathering and processing assets, and Caiman contributing private equity capital. Midstream services offered by Blue Racer include gathering, processing, fractionation, and natural gas liquids transportation and marketing. Blue Racer is expected to leverage Dominion's existing presence in the Utica region with significant additional new capacity designed to meet producer needs as the development of the Utica Shale formation increases.

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Atlantic Coast Pipeline is a limited liability company owned by Dominion (45%), Duke Energy Corporation (40%), Piedmont Natural Gas Company, Inc. (10%) and AGL Resources Inc. (5%). In October 2015, Duke Energy Corporation entered into a merger agreement with Piedmont Natural Gas Company, Inc. The Atlantic Coast Pipeline partnership agreement includes provisions to allow Dominion an option to purchase additional ownership interest in Atlantic Coast Pipeline to maintain a leading ownership percentage. Atlantic Coast Pipeline is focused on constructing an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina to increase natural gas supplies in the region. Construction of the pipeline is subject to receiving all necessary regulatory and other approvals, including without limitation CPCNs from FERC and all required environmental permits. Atlantic Coast Pipeline filed its FERC application in September 2015 and expects to be in service in late 2018. DTI will provide the services necessary to oversee the construction of, and to subsequently operate and maintain, the facilities and projects undertaken by, and subject to the approval of, Atlantic Coast Pipeline. The pipeline is expected to serve as a new, independent route for shale and conventional interstate gas supplies for markets in the mid-Atlantic region of the U.S.

Dominion is our largest unitholder, holding at December 31, 2015, 17,846,672 common units (approximately 39% of all outstanding) and 31,972,789 subordinated units (100% of all outstanding), owns our general partner and owns 100% of our IDRs. As a result of its significant ownership interests in us, we believe Dominion will be motivated to support the successful execution of our business strategies and will provide us with acquisition opportunities, although it is under no obligation to do so. Dominion views us as a significant part of its growth strategy, and we believe that Dominion will be incentivized to contribute or sell additional assets to us and to pursue acquisitions jointly with us in the future. However, Dominion will regularly evaluate acquisitions and dispositions and may, subject to compliance with our right of first offer with respect to Cove Point, Blue Racer and Atlantic Coast Pipeline, elect to acquire or dispose of assets in the future without offering us the opportunity to participate in those transactions. Moreover, Dominion will continue to be free to act in a manner that is beneficial to its interests without regard to ours, which may include electing not to present us with future acquisition opportunities.

See Note 20 to the Consolidated Financial Statements for a discussion of the significant contracts entered into with Dominion.

COMPETITION

Substantially all of the regasification and storage capacity of the Cove Point LNG Facility, and all of the transportation capacity of the Cove Point Pipeline is currently under contract, and the proposed Liquefaction Project's capacity is also fully contracted under long-term fixed reservation fee agreements. However, in the future Cove Point may compete with other independent terminal operators as well as major oil and gas companies on the basis of terminal location, services provided and price. Competition from terminal operators primarily comes from refiners and distribution companies with marketing and trading arms.

DCG's pipeline system generates a substantial portion of its revenue from long-term firm contracts for transportation services and is therefore insulated from competitive factors during the terms of the contracts. When these long-term contracts expire, DCG's pipeline system faces competitive pressures from similar facilities that serve the South Carolina and southeastern Georgia area in terms of location, rates, terms of service, and flexibility and reliability of service.

REGULATION

Dominion Midstream is subject to regulation by various federal, state and local authorities, including the SEC, FERC, EPA, DOE, DOT and Maryland Commission.

FERC Regulation

The design, construction and operation of interstate natural gas pipelines, LNG terminals (including the Liquefaction Project) and other facilities, the import and export of LNG, and the transportation of natural gas are all subject to various regulations, including the approval of FERC under Section 3 (for LNG terminals) and Section 7 (for interstate transportation facilities) of the NGA to construct and operate the facilities. For the Cove Point LNG Facility, Cove Point is required to maintain authorization from FERC under Section 3 and Section 7 of the NGA. The design, construction and operation of the Cove Point LNG Facility and its proposed Liquefaction Project, and the import and export of LNG, are highly regulated activities. FERC's approval under Section 3 and Section 7 of the NGA, as well as several other material governmental and regulatory approvals and permits, are required for the proposed Liquefaction Project. DCG is required to maintain authorization from FERC under Section 7 of the NGA.

Under the NGA, FERC is granted authority to approve, and if necessary, set just and reasonable rates for the transportation, including storage, or sale of natural gas in interstate commerce. In addition, under the NGA, with respect to the jurisdictional services, we are not permitted to unduly discriminate or grant undue preference as to our rates or the terms and conditions of service. FERC has the authority to grant certificates allowing construction and operation of facilities used in interstate gas transportation and authorizing the provision of services. Under the NGA, FERC's jurisdiction generally extends to the transportation of natural gas in interstate commerce, to the sale in interstate commerce of natural gas for resale for ultimate consumption for domestic, commercial, industrial, or any other use, and to natural gas companies engaged in such transportation or sale. However, FERC's jurisdiction does not extend to the production or local distribution of natural gas.

In general, FERC's authority to regulate interstate natural gas pipelines and the services that they provide includes:

- Rates and charges for natural gas transportation and related services;
- The certification and construction of new facilities;
- The extension and abandonment of services and facilities;
- The maintenance of accounts and records;
- The acquisition and disposition of facilities;
- The initiation and discontinuation of services; and
- Various other matters.

In May 2011, Cove Point filed a general rate case for its FERC-jurisdictional services, with proposed rates to be effective

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July 2011. In July 2012, FERC issued an order approving a stipulation and agreement among Cove Point, FERC staff and the other active parties in the rate case resolving all issues set for hearing by FERC and establishing the mechanism for operational purchases of LNG, with settlement rates effective April 2012. Pursuant to the terms of the settlement, future operational purchases of LNG are not expected to affect Cove Point's net results of operations. Cove Point and settling customers are subject to a rate moratorium through December 31, 2016. Cove Point is required to file its next rate case in 2016 with rates to be effective January 1, 2017.

In connection with Dominion's acquisition of DCG on January 31, 2015, Dominion agreed to a rate moratorium which precludes DCG from filing a Section 4 NGA general rate case to establish base rates that would be effective prior to January 1, 2018.

LIQUEFACTION PROJECT

In April 2013, Cove Point filed its application with FERC requesting authorization to construct, modify and operate the Liquefaction Project, as well as enhance the Cove Point Pipeline. In May 2014, FERC staff issued its EA for the Liquefaction Project. In the EA, FERC staff addressed a variety of topics related to the proposed construction and development of the Liquefaction Project and its potential impact to the environment, including in the areas of geology, soils, groundwater, surface waters, wetlands, vegetation, wildlife and aquatic resources, special status species, land use, recreation, socioeconomics, air quality and noise, reliability and safety, and cumulative impacts. In September 2014, Cove Point received the FERC Order which authorized the construction and operation of the Liquefaction Project. In the FERC Order, FERC concluded that if constructed and operated in accordance with Cove Point's application and supplements, and in compliance with the environmental conditions set forth in the FERC Order, the Liquefaction Project would not constitute a major federal action significantly affecting the quality of the human environment. In October 2014, Cove Point commenced construction of the Liquefaction Project.

Three parties submitted timely requests for rehearing on the FERC Order. There is no prescribed timeframe for FERC to issue its order on rehearing. One party requested a stay, to which Cove Point filed a response asking that FERC deny the motion for stay. In May 2015, FERC denied rehearing and the request for stay.

Two parties have separately filed for a petition for review at the U.S. Court of Appeals for the D.C. Circuit, which petitions have been consolidated. Separately, one party requested a stay of the FERC Orders until the judicial proceedings are complete, which the court denied in June 2015.

Energy Policy Act of 2005

The EPACT and FERC's policies promulgated thereunder contain numerous provisions relevant to the natural gas industry and to interstate pipelines. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties. Additionally, the EPACT amended Section 3 of the NGA to establish or clarify FERC's exclusive authority to approve or deny an application for the siting, construction, expansion or operation of LNG terminals, although except as specifically provided in the EPACT, nothing in the EPACT is

intended to affect otherwise applicable law related to any other federal agency's authorities or responsibilities related to LNG terminals. The EPACT amended the NGA to, among other things, prohibit market manipulation. In accordance

with the EPACT, FERC issued a final rule making it unlawful for any entity, in connection with the purchase or sale of natural gas or transportation service subject to FERC's jurisdiction, to defraud, make an untrue statement or omit a material fact or engage in any practice, act or course of business that operates or would operate as a fraud.

DOE Regulation

Prior to importing or exporting LNG, Cove Point must receive approvals from the DOE. Cove Point previously received import authority in connection with the construction and operation of the Cove Point LNG Facility and more recently also received authority to export the commodity.

In October 2011, the DOE granted FTA Authorization for the export of up to 1.0 Bcfe/day of natural gas to countries that have or will enter into an FTA for trade in natural gas. In September 2013, the DOE also granted Non-FTA Authorization approval for the export of up to 0.77 Bcfe/day of natural gas to countries that do not have an FTA for trade in natural gas. The FTA Authorization and Non-FTA Authorization have 25- and 20-year terms, respectively.

DOT Regulation

The Cove Point Pipeline and DCG are subject to regulation by the DOT, under the PHMSA, pursuant to which PHMSA has established requirements relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. The NGPSA requires certain pipelines to comply with safety standards in constructing and operating the pipelines and subjects the pipelines to regular inspections.

The PSIA, which is administered by the DOT Office of Pipeline Safety, governs the areas of testing, education, training and communication. The PSIA requires pipeline companies to perform extensive integrity tests on natural gas transportation pipelines that exist in high population density areas designated as high consequence areas. Pipeline companies are required to perform the integrity tests on a seven-year cycle. The risk ratings are based on numerous factors, including the population density in the geographic regions served by a particular pipeline, as well as the age and condition of the pipeline and its protective coating. Testing consists of hydrostatic testing, internal electronic testing or direct assessment of the piping. In addition to the pipeline integrity tests, pipeline companies must implement a qualification program to make certain that employees are properly trained. Pipeline operators also must develop integrity management programs for gas transportation pipelines, which requires pipeline operators to perform ongoing assessments of pipeline integrity; identify and characterize applicable threats to pipeline segments that could impact a high consequence area; improve data collection, integration and analysis; repair and remediate the pipeline, as necessary; and implement preventive and mitigation actions. The Cove Point Pipeline is also subject to the Pipeline Safety, Regulatory Certainty, and Jobs Creation Act of 2011, which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas transmission facilities.

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State Regulation

The Maryland Commission regulates electricity suppliers, fees for pilotage services to vessels, construction of generating stations and certain common carriers engaged in the transportation for hire of persons in the state of Maryland. See Note 17 to the Consolidated Financial Statements for additional information.

Worker Health and Safety

Dominion Midstream is subject to a number of federal and state laws and regulations, including OSHA, and comparable state statutes, whose purpose is to protect the health and safety of workers. Dominion Midstream has an internal safety, health and security program designed to monitor and enforce compliance with worker safety requirements and routinely reviews and considers improvements in its programs. Cove Point is also subject to the United States Coast Guard's Maritime Security Standards for Facilities, which are designed to regulate the security of certain maritime facilities. Dominion Midstream believes that it is in material compliance with all applicable laws and regulations related to worker health and safety. Notwithstanding these preventative measures, incidents may occur, including those outside of Dominion Midstream's control.

ENVIRONMENTAL REGULATION

General

Dominion Midstream is committed to compliance with all applicable environmental laws, regulations and rules related to its operations. Dominion Midstream's operations are subject to stringent and comprehensive federal, regional, state and local laws and regulations governing occupational health and safety and environmental protection. These laws and regulations may, among other things, require the acquisition of permits or other approvals to conduct regulated activities, restrict the amounts and types of substances that may be released into the environment, limit operational capacity of the facilities, require the installation of environmental controls, limit or prohibit construction activities in sensitive areas such as wetlands or areas inhabited by endangered or threatened species and impose substantial liabilities for pollution resulting from operations. The cost of complying with applicable environmental laws, regulations and rules is expected to be material. Failure to comply with these laws and regulations may also result in the assessment of administrative, civil and criminal penalties, the imposition of investigatory and remedial obligations and the issuance of orders enjoining some or all of Dominion Midstream's operations in affected areas.

Dominion Midstream has applied for or obtained the necessary environmental permits for the operation of its facilities. Many of these permits are subject to reissuance and continuing review. Additional information related to Dominion Midstream's environmental compliance matters, including current and planned capital expenditures relating to environmental compliance, can be found in *Future Issues and Other Matters* in Item 7. MD&A.

Air Emissions

The regulation of air emissions under the CAA and comparable state laws and regulations restrict the emission of air pollutants

from many sources and also impose various monitoring and reporting requirements. The CAA New Source Review regulations require us to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and strictly comply with stringent air permit requirements or install and operate specific equipment or technologies to control emissions. Obtaining necessary air permits has the potential to delay the development of our projects.

The regulation of air emissions under the CAA requires that we obtain various construction and operating permits, including Title V air permits, and incur capital expenditures for the installation of certain air pollution control devices at our facilities. We have taken and expect to continue to take certain measures to comply with various regulations specific to our operations, such as National Emission Standards for Hazardous Air Pollutants, NSPS, New Source Review and federal and state regulatory measures imposed to meet NAAQS. We have incurred, and expect to continue to incur, substantial capital expenditures to maintain compliance with these and other air emission regulations that have been promulgated or may be promulgated or revised in the future.

Global Climate Change

The national and international attention in recent years on GHG emissions and their relationship to climate change has resulted in federal, regional and state legislative and regulatory action in this area. Dominion Midstream supports national climate change legislation that would provide a consistent, economy-wide approach to addressing this issue and is currently taking action to protect the environment and address climate change while meeting the future needs of its customers. Dominion Midstream's CEO and its management are responsible for compliance with the laws and regulations governing environmental matters, including climate change.

In response to findings that emissions of GHGs present an endangerment to public health and the environment, the EPA adopted regulations under existing provisions of the CAA in April 2010, that require a reduction in emissions of GHGs from motor vehicles. These rules took effect in January 2011 and established GHG emissions as regulated pollutants under the CAA. In June 2014, the U.S. Supreme Court ruled that the EPA lacked the authority under the CAA to require PSD or Title V permits for stationary sources based solely on GHG emissions. However, the Court upheld the EPA's ability to require best available control technology for GHG for sources that are otherwise subject to PSD or Title V permitting for conventional pollutants. In July 2014, the EPA issued a memorandum specifying that it will no longer apply or enforce federal regulations or EPA-approved PSD state implementation plan provisions that require new and modified stationary sources to obtain a PSD permit when GHGs are the only pollutant that would be emitted at levels that exceed the permitting thresholds. In August 2015, the EPA published a final rule rescinding the requirement for all new and modified major sources to obtain permits based solely on their GHG emissions. In addition, the EPA stated that it will continue to use the existing thresholds to apply to sources that are otherwise subject to PSD for conventional pollutants until it completes a new rulemaking either justifying and upholding those thresholds or setting new ones. Some states have issued interim guidance that follows

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the EPA guidance. Due to uncertainty regarding what additional actions states may take to amend their existing regulations and what action the EPA ultimately takes to address the court ruling under a new rulemaking, we cannot predict the impact to the financial statements at this time.

In January 2015, as part of its Climate Action Plan, the EPA announced plans to reduce methane emissions from the oil and gas sector including natural gas processing and transmission sources. In July 2015, the EPA announced the next generation of its voluntary Natural Gas Star Program. The proposed program covers the entire natural gas sector from production to distribution, with more emphasis on transparency and increased reporting for both annual emissions and reductions achieved through implementation measures. Until these regulations and guidelines are finalized, we are unable to predict future requirements or estimate compliance costs with certainty.

Maryland, along with eight other Northeast states, has implemented regulations requiring reductions in CO₂ emissions through the RGGI, a cap and trade program covering CO₂ emissions from electric generating units in the Northeast. The CPCN states that the Liquefaction Project must submit a Climate Action Plan to the Maryland Department of the Environment and gain approval of the plan. Additionally, by not connecting to the larger grid, the Liquefaction Project generating station is exempt from purchasing RGGI carbon emission allowances. Furthermore, the CPCN requires Cove Point to make payments over time totaling approximately \$48 million to the SEIF and Maryland low income energy assistance programs.

GHG EMISSIONS

Dominion began tracking and reporting GHG emissions at the Cove Point LNG Facility in 2010 under the EPA's GHGRP and voluntarily tracked such emissions prior to 2010. A comprehensive methane leak survey is conducted each year in accordance with the EPA rule to detect leaks and to quantify leaks from compressor units. Dominion Midstream does not yet have final 2015 emissions data.

Annual GHG emissions at the Cove Point LNG Facility have remained fairly constant from 2010 to 2014, ranging from 174,000 to 177,000 metric tons of CO₂ equivalent. Approximately 97% of these emissions are CO₂ emissions from combustion sources, such as compressor engines and heaters. Only 3% of the annual GHG emissions comes from methane emissions. Compared to other fossil fuels, natural gas has a much lower carbon emission rate with an ample regional supply, promoting energy and economic security. In 2014, annual GHG emissions from Dominion Midstream's facilities, including four compressor stations in South Carolina and two compressor stations in Virginia were approximately 270,000 metric tons of CO₂ equivalent emissions.

Water

The CWA is a comprehensive program requiring a broad range of regulatory tools including a permit program with strong enforcement mechanisms to authorize and regulate discharges to surface waters. Cove Point must comply with applicable aspects of the CWA programs at its operating facilities. Cove Point has applied for or obtained the necessary environmental permits for the operation of its facilities.

The CWA and analogous state laws impose restrictions and strict controls regarding the discharge of effluent into surface waters. Pursuant to these laws, permits must be obtained to discharge into state waters or waters of the U.S.

Any such discharge

into regulated waters must be performed in accordance with the terms of the permit issued by the EPA or the analogous state agency. Spill prevention, control and countermeasure requirements under federal and state law require appropriate containment berms and similar structures to help prevent the accidental release of petroleum into the environment. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of activities.

From time to time, Dominion Midstream's projects and operations may potentially impact tidal and non-tidal wetlands. In these instances, Dominion Midstream must obtain authorization from the appropriate federal, state and local agencies prior to impacting a subject wetland. The authorizing agency may impose significant direct or indirect mitigation costs to compensate for regulated impacts to wetlands. The approval timeframe may also be extended and potentially affect project schedules resulting in a material adverse effect on Dominion Midstream's business and contracts.

Threatened and Endangered Species

The Endangered Species Act establishes prohibitions on activities that can result in harm to specific species of plants and animals. In some cases those prohibitions could result in impacts to the viability of projects or requirements for capital expenditures to reduce a facility's impacts on a species.

EMPLOYEES

Dominion Midstream is managed and operated by the Board of Directors and executive officers of Dominion Midstream GP, LLC, our general partner. We do not have any employees, nor does our general partner. All of the employees that conduct our business are employed by affiliates of Dominion, and our general partner secures the personnel necessary to conduct our operations through its services agreement with DRS. We reimburse our general partner and its affiliates for the associated costs of obtaining the personnel necessary for our operations pursuant to our partnership agreement. As of December 31, 2015, Cove Point had approximately 109 full-time employees and was supported by 6 full-time DRS employees.

WHERE YOU CAN FIND MORE INFORMATION

Dominion Midstream files its annual, quarterly and current reports and other information with the SEC. Its SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document it files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Dominion Midstream makes its SEC filings available, free of charge, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, through our internet website, <http://www.dommidstream.com>, as soon as reasonably practicable after filing or furnishing the material to the SEC. Information contained on our website is not incorporated by reference in this report.

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Item 1A. Risk Factors

Dominion Midstream's business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond its control. A number of these factors have been identified below. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see *Forward-Looking Statements* in Item 7. MD&A.

RISKS INHERENT IN OUR ABILITY TO GENERATE STABLE AND GROWING CASH FLOWS

Our cash generating assets are the Preferred Equity Interest, DCG, and our equity method investment in Iroquois, the cash receipts from which may not be sufficient following the establishment of cash reserves and payment of costs and expenses, including cost reimbursements to our general partner and its affiliates, to enable us to pay the minimum quarterly distribution to our unitholders. Our sources of cash are funds we receive from (i) Cove Point on the Preferred Equity Interest, which we expect will result in an annual payment to us of \$50.0 million, (ii) DCG's operations and (iii) distributions received with respect to our interest in Iroquois, which we expect will generate sufficient cash to enable us to pay the minimum quarterly distributions on the common and subordinated units. These sources may not generate sufficient cash from operations following the establishment of cash reserves and payment of costs and expenses, including cost reimbursements to our general partner and its affiliates, to enable us to pay the minimum quarterly distribution to our unitholders. The amount of cash we can distribute on our common and subordinated units is almost entirely dependent upon Cove Point's ability to generate Net Operating Income, DCG's ability to generate cash from operations and Iroquois' ability to make distributions to its partners. Due to our relative lack of asset diversification, an adverse development at Cove Point, DCG or Iroquois would have a significantly greater impact on our financial condition and results of operations than if we maintained a more diverse portfolio of assets. Cove Point's ability to make payments on the Preferred Equity Interest, DCG's cash generated from operations and Iroquois' ability to make distributions to its partners will depend on several factors beyond our control, some of which are described below.

The Preferred Equity Interest is non-cumulative. Cove Point will make Preferred Return Distributions on a quarterly basis provided it 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 non-cumulative. In the event Cove Point is unable to fully satisfy Preferred Return Distributions during any quarter, we will not have a right to recover any missed or deficient payments.

An inability to obtain needed capital or financing on satisfactory terms, or at all, could have an adverse effect on our operations and ability to generate cash flow. We are dependent on our credit facility with Dominion for any borrowings necessary to meet our working capital and other financial needs. In

certain circumstances, we are able to extend the credit facility at our option. However, there can be no assurance that conditions for such extension will be met. A new credit facility with Dominion may bear a higher interest rate than the current credit facility, which could adversely affect our cash flow.

If Dominion's funding resources were to become unavailable to Dominion, our access to funding would also be in jeopardy. In the future, an inability to obtain additional financing from other sources on acceptable terms could negatively affect our financial condition, cash flows, anticipated financial results or impair our ability to generate additional cash flows. Our ability to obtain bank financing or to access the capital markets for future debt or equity offerings may be limited by our financial condition at the time of any such financing or offering, the covenants contained in any other credit facility or other debt agreements in place at the time, adverse market conditions or other contingencies and uncertainties that are beyond our control. Our failure to obtain the funds necessary to maintain, develop and increase our asset base could adversely impact our growth and profitability.

If we do not make acquisitions on economically acceptable terms or fail to adequately integrate acquired assets, our future growth and our ability to increase distributions to our unitholders will be limited. Our ability to grow depends on our ability to make accretive acquisitions either from Dominion or third parties, such as the DCG Acquisition, and we may be unable to do so for any of the following reasons, without limitation:

- We are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them;

- We are unable to obtain or maintain necessary governmental approvals;

- We are unable to obtain financing for the acquisitions or future organic growth opportunities on acceptable terms, or at all;

- We are unable to secure adequate customer commitments to use the future facilities;

- We are outbid by competitors; or

- Dominion may not offer us the opportunity to acquire assets or equity interests from it.

Additionally, a failure to adequately integrate acquired assets into our processes and systems could impact operations and result in compliance risks.

We may not be able to obtain financing or successfully negotiate future acquisition opportunities offered by Dominion. If Dominion offers us the opportunity to purchase additional equity interests in Cove Point or interests in Blue Racer or Atlantic Coast Pipeline, or other assets or equity interests in addition to DCG, we may not be able to successfully negotiate a purchase and sale agreement and related agreements, we may not be able to obtain any required financing on acceptable terms or at all for such purchase and we may not be able to obtain any required governmental and third party consents. The decision whether or not to accept such offer, and to negotiate the terms of such offer, will be made by our general partner consistent with its duties under our partnership agreement. Our general partner may decline the opportunity to accept such offer for a variety of reasons, including a determination that the acquisition of the assets at the proposed purchase price would result in a risk that the conversion of subordinated units would not occur.

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The acquisitions we may make could adversely affect our business and cash flows. The acquisitions we may make involve potential risks, including:

- An inability to integrate successfully the businesses that we acquire with our existing operations;
- A decrease in our liquidity by using a significant portion of our available cash or borrowing capacity to finance the acquisition;
- The assumption of unknown liabilities;
- Limitations on rights to indemnity from the seller;
- Mistaken assumptions about the cash generated, or to be generated, by the business acquired or the overall costs of equity or debt;
- Incorrect assumptions about capital investments and required operating and maintenance expenditures;
- The diversion of management's attention from other business concerns; and
- Unforeseen difficulties encountered in operating new business segments or in new geographic areas.

In connection with acquisitions, our capitalization and results of operations may change significantly, and our unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of our future funds and other resources.

Our level of indebtedness may increase and reduce our financial flexibility and ability to pay distributions. At December 31, 2015, \$5.9 million was outstanding against our \$300 million credit facility with Dominion. We may borrow under such facility to pursue acquisitions and future organic growth opportunities, or to otherwise meet our financial needs. Although the credit facility does not contain any financial tests and covenants that we must satisfy as a condition to making distributions, we are required to pay any amounts then due and payable under such agreement prior to making any distributions to our unitholders, notwithstanding our stated cash distribution policy. Also, while such credit facility only contains limited representations, warranties and ongoing covenants consistent with other credit facilities made available by Dominion to certain of its other affiliates, we are required to obtain Dominion's consent prior to creating any mortgage, security interest, lien or other encumbrance outside the ordinary course of business on any of our property, assets or revenues during the term of such agreement. Failure to obtain any such consent from Dominion in the future could have an adverse impact on our ability to implement our business strategies, generate revenues and pay distributions to our unitholders.

In connection with the DCG Acquisition, on April 1, 2015, we incurred \$300.8 million of indebtedness to Dominion evidenced by a promissory note and in the future, we may incur additional significant indebtedness pursuant to other credit facilities or similar arrangements in order to make future acquisitions or to develop our assets. As amounts under any indebtedness we incur become due and payable, with the exception of the promissory note issued in connection with the DCG Acquisition, we expect that the instruments pursuant to which such indebtedness is incurred will require that we repay such amounts prior to making any distributions to our unitholders. We also expect that such instruments may contain financial tests and covenants that are not present in our credit facility with Dominion or our prom-

issory note that we would need to satisfy as a condition to making distributions. Should we be unable to satisfy any such restrictions, we will be prohibited from making cash distributions to our unitholders notwithstanding our stated cash distribution policy.

Our level of indebtedness could affect our ability to generate stable and growing cash flows in several ways, including the following:

A significant portion of our cash flows could be used to service our indebtedness;

The covenants contained in the agreements governing our future indebtedness may limit our ability to borrow additional funds, dispose of assets, pay distributions and make certain investments;

Our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;

A high level of debt would increase our vulnerability to general adverse economic and industry conditions;

A high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing; and

A high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, debt-service requirements, acquisitions, general partnership or other purposes.

In addition, borrowings under our credit facility with Dominion and other credit facilities we or our subsidiaries may enter into in the future may bear interest at variable rates. If market interest rates increase, such variable-rate debt will create higher debt-service requirements, which could adversely affect our cash flow.

In addition to our debt-service obligations, our future operations may require substantial investments on a continuing basis. Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non-capital expenditures necessary to maintain the condition of our operating assets, properties and systems software, as well as to provide capacity for the growth of our business, depends on our financial and operating performance. General economic conditions and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt.

Cost and expense reimbursements owed to our general partner and its affiliates will reduce the amount of distributable cash flow to our unitholders. Our general partner will not receive a management fee or other compensation for its management of our partnership, but we are obligated to reimburse our general partner and its affiliates for all expenses incurred and payments made on our behalf. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform various general, administrative and support services for us or on our behalf, and corporate overhead costs and expenses allocated to us by Dominion. Our partnership agreement provides that our general partner will determine the costs and expenses that are allocable to us and does not set a limit on the amount of

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expenses for which our general partner and its affiliates may be reimbursed. The payment of fees to our general partner and its affiliates and the reimbursement of expenses could adversely affect our ability to pay cash distributions to our unitholders.

RISKS INHERENT IN OUR INVESTMENT IN COVE POINT

Cove Point's revenue is generated by contracts with a limited number of customers, and Cove Point's ability to generate cash required to make payments on the Preferred Equity Interest is substantially dependent upon the performance of these customers under their contracts. Cove Point provides service to approximately twenty customers, including the Storage Customers, marketers or end users and the Import Shippers. The three largest customers comprised approximately 90%, 93% and 94% of the total transportation and storage revenues for the years ended December 31, 2015, 2014 and 2013, respectively. Cove Point's largest customer represented approximately 70%, 72% and 72% of such amounts in 2015, 2014 and 2013, respectively. Because Cove Point has a small number of customers, its contracts subject it to counterparty risk. The ability of each of Cove Point's customers to perform its obligations to Cove Point will depend on a number of factors that are beyond our control. Cove Point's future results and liquidity are substantially dependent upon the performance of these customers under their contracts, and on such customers' continued willingness and ability to perform their contractual obligations. Cove Point is also exposed to the credit risk of any guarantor of these customers' obligations under their respective agreements in the event that Cove Point must seek recourse under a guaranty. Any such credit support may not be sufficient to satisfy the obligations in the event of a counterparty default. In addition, if a controversy arises under an agreement resulting in a judgment in Cove Point's favor where the counterparty has limited assets in the U.S. to satisfy such judgment, Cove Point may need to seek to enforce a final U.S. court judgment in a foreign tribunal, which could involve a lengthy process. Upon the expiration of Cove Point's import contracts, we expect these contracts will not be renewed.

Cove Point's contracts may become subject to termination or force majeure provisions under certain circumstances that, if triggered for any reason, could have an adverse effect on Cove Point and its ability to make payments on the Preferred Equity Interest. In the event any of Cove Point's customers becomes entitled to terminate its further contractual obligations to Cove Point and exercises such right, such termination could have a material adverse effect on Cove Point's business, financial condition, operating results, cash flow, liquidity and prospects, which could have an adverse impact on Cove Point's ability to pay the Preferred Return Distributions.

Cove Point is not currently receiving any revenues under its export contracts, and the export contracts may be terminated by Export Customers if certain conditions precedent are not met or for other reasons. Cove Point's agreements with the Export Customers, while executed, will not begin generating revenues for Cove Point prior to the completion of the Liquefaction Project. In addition, the Export Customers may become entitled to terminate, or be relieved from, their contractual obligations to Cove Point under certain circumstances, including: (i) failure of certain conditions precedent to be met or waived by specified

dates; (ii) the occurrence and continuance of certain events of force majeure (including the loss of Non-FTA Authorization); (iii) delays in the commencement of commercial operations of the Liquefaction Project beyond specified time periods; and (iv) failure by Cove Point to satisfy its contractual obligations after any applicable cure periods. If such agreements were terminated, there can be no assurance that Cove Point will be able to replace such agreements on comparable terms. The termination of, and failure to replace, the export contracts could have an adverse impact on Cove Point's ability to pay the Preferred Return Distributions following the expiration of certain of its contracts with Statoil described below if Cove Point was unable to generate sufficient annual cash flows from other sources.

Cove Point's existing revenue streams will be insufficient to pay the full amount of Preferred Return Distributions commencing May 1, 2017. Cove Point currently has 800,000 Dths/day of regasification and firm transportation capacity under contract with Statoil. Statoil's obligations with respect to 640,000 Dths/day of such capacity will expire as of January 1, 2017, with the remainder expiring on May 1, 2017 in order to provide capacity to be utilized in connection with the Liquefaction Project. Following the expiration of these contracts with Statoil, unless the Liquefaction Project is completed, Cove Point is not expected to generate annual cash flows sufficient to pay Preferred Return Distributions in full. We intend to cause Cove Point to set aside a distribution reserve sufficient to pay two quarters of Preferred Return Distributions (and two quarters of similar distributions with respect to any other preferred equity interests in Cove Point) by December 31, 2016, but there can be no assurance that funds will be available or sufficient for such purpose or that Cove Point will have sufficient cash and undistributed Net Operating Income to permit it to continue to make Preferred Return Distributions after the expiration of the Statoil contracts.

Cove Point may be unable to complete the Liquefaction Project for a variety of reasons, some of which are outside of its control, and some of which are described below. In the event Cove Point is unable to complete the Liquefaction Project or if the export contracts are terminated and not replaced and, in either case, Cove Point does not have sufficient cash and Net Operating Income from other sources following the expiration of its contracts with Statoil referenced above, Cove Point will not be able to pay the Preferred Return Distributions and distributions with respect to any future preferred equity interests acquired by us. The inability of Cove Point to make Preferred Return Distributions could have a significant impact on our ability to pay distributions to our unitholders. Similarly, the inability of Cove Point to generate revenues sufficient to support the payment of distributions on additional preferred equity interests that may otherwise be made available to us could adversely impact our overall business plan and ability to generate stable and growing cash flows.

Various factors could negatively affect the timing or overall development of the Liquefaction Project, which could adversely affect Cove Point's ability to make payments on the Preferred Equity Interest after May 1, 2017. Commercial development of the Liquefaction Project will take a number of years. Completion of the Liquefaction Project could be delayed by factors such as:

The ability to obtain or maintain necessary permits, licenses and approvals from agencies and third parties that are required to construct or operate the Liquefaction Project;

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Force majeure events, weather conditions, shortages of materials or delays in the delivery of materials, and as construction progresses, Cove Point may decide or be forced to submit change orders to its contractors that could result in longer construction periods;

The ability to attract sufficient skilled and unskilled labor and the existence of any labor disputes, and Cove Point's ability to maintain good relationships with its contractors in order to construct the Liquefaction Project within the expected parameters and the ability of those contractors to perform their obligations; and

Dominion's ability and willingness to provide funding for the development of the Liquefaction Project and, if necessary, Cove Point's ability to obtain additional funding for the development of the Liquefaction Project.

Any delay in completion of the Liquefaction Project may prevent Cove Point from commencing liquefaction operations when anticipated, which could cause a delay in the receipt of revenues therefrom, require Cove Point to pay damages to its customers, or in event of significant delays beyond certain time periods, permit either or both of Cove Point's Export Customers to terminate their contractual obligations to Cove Point. As a result, any significant construction delay, whatever the cause, could have a material adverse effect on Cove Point's operating results and its ability to make payments on the Preferred Equity Interest. In addition, the successful completion of the Liquefaction Project is subject to the risk of cost overruns, which may make it difficult to finance the completion of the Liquefaction Project.

Cove Point is dependent on its contractors for the successful completion of the Liquefaction Project and may be unable to complete the Liquefaction Project on time. There is limited recent industry experience in the U.S. regarding the construction or operation of large-scale liquefaction facilities. The construction of the Liquefaction Project is expected to take several years, will be confined within a limited geographic area and could be subject to delays, cost overruns, labor disputes and other factors that could adversely affect Cove Point's financial performance or impair its ability to execute the business plan for the Liquefaction Project as scheduled. Timely and cost-effective completion of the Liquefaction Project in compliance with agreed-upon specifications is highly dependent upon the performance of Cove Point's contractors pursuant to their agreements. Further, faulty construction that does not conform to Cove Point's design and quality standards may also have a similar adverse effect. For example, improper equipment installation may lead to a shortened life of Cove Point's equipment, increased operations and maintenance costs or a reduced availability or production capacity of the affected facility. The ability of Cove Point's contractors to perform successfully under their agreements is dependent on a number of factors, including force majeure events and the contractors' ability to:

Design, engineer and receive critical components and equipment necessary for the Liquefaction Project to operate in accordance with specifications and address any start-up and operational issues that may arise in connection with the commencement of commercial operations;

Attract, develop and retain skilled personnel and engage and retain third party subcontractors, and address any labor issues that may arise;

Post required construction bonds and comply with the terms thereof, and maintain their own financial condition, including adequate working capital; and

Respond to difficulties such as equipment failure, delivery delays, schedule changes and failure to perform by subcontractors, some of which are beyond their control and manage the construction process generally, including coordinating with other contractors and regulatory agencies and dealing with inclement weather conditions.

Although some agreements with Cove Point's contractors may provide for liquidated damages, if the contractor fails to perform in the manner required with respect to certain of its obligations, the events that trigger a requirement to pay liquidated damages may delay or impair the operations of the Liquefaction Project and any liquidated damages that Cove Point receives may not be sufficient to cover the damages that it suffers as a result of any such delay or impairment. Furthermore, Cove Point may have disagreements with its contractors about different elements of the construction process, which could lead to the assertion of rights and remedies under the related contracts resulting in a contractor's unwillingness to perform further work on the Liquefaction Project. Cove Point may also face difficulties in commissioning a newly constructed facility. Any significant project delays in the construction of the Liquefaction Project could have a material adverse effect on Cove Point's ability to make payments on the Preferred Equity Interest.

Cove Point is dependent on Dominion to fund the costs necessary to construct the Liquefaction Project. If Dominion is unwilling or unable to supply the funding necessary to complete the Liquefaction Project, Cove Point may be required to seek additional financing in the future and may not be able to secure such financing on acceptable terms. Cove Point began construction on the Liquefaction Project, which is estimated to cost approximately \$3.4 billion to \$3.8 billion, excluding financing costs. To date, Dominion has funded development and construction costs associated with the Liquefaction Project. Dominion has indicated that it intends to provide the funding necessary for the remaining construction costs, but it has no contractual obligation to do so and has not secured all of the funding necessary to cover these costs, as it intends to finance these costs as they are incurred using its consolidated operating cash flows in addition to proceeds from capital markets transactions. Cove Point's existing revenue streams and cash reserves will be insufficient for it to complete the Liquefaction Project. If Dominion is unwilling to provide funding for the remaining construction costs, or is unable to obtain such funding in the amounts required or on terms acceptable to Dominion, Cove Point would have to obtain additional funding from lenders, in the capital markets or through other third parties. Any such additional funding may not be available in the amounts required or on terms acceptable to Cove Point and Dominion Midstream. The failure to obtain any necessary additional funding could cause the Liquefaction Project to be delayed or not be completed.

If Cove Point does obtain bank financing or access the capital markets, incurring additional debt may significantly increase interest expense and financial leverage, which could compromise

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Cove Point's ability to fund future development and acquisition activities and restrict Cove Point's ability to make payments on the Preferred Equity Interest, which would in turn limit our ability to make distributions to our unitholders.

Dominion has also entered into guarantee arrangements on behalf of Cove Point to facilitate the Liquefaction Project, including guarantees supporting the terminal services and transportation agreements as well as the engineering, procurement and construction contract for the Liquefaction Project. Two of the guarantees have no stated limit, one guarantee has a \$150 million limit, and one guarantee has a \$1.75 billion aggregate limit with an annual draw limit of \$175 million. If Cove Point was required to replace these guarantees with other credit support, the cost could be significant.

Some of the approvals for the construction of the Liquefaction Project may be subject to further conditions, review and/or revocation. Cove Point has received the required approvals to commence construction of the Liquefaction Project from the DOE, FERC and the Maryland Commission, which are subject to compliance with the applicable permit conditions. However, all DOE export licenses are subject to review and possible withdrawal should the DOE conclude that such export authorization is no longer in the public interest. The issuance of the FERC Order approving the Liquefaction Project has been appealed by third parties. Cove Point does not know whether any existing or potential interventions or other actions by third parties will interfere with Cove Point's ability to maintain such approvals, but loss of any material approval could have a material adverse effect on the construction or operation of the facility. In addition, the Liquefaction Project has been the subject of litigation in the past and could be the subject of litigation in the future. Failure to comply with regulatory approval conditions or an adverse ruling in any future litigation could adversely affect Cove Point's operations, financial condition, and ability to make payments on the Preferred Equity Interest.

To maintain the cryogenic readiness of the Cove Point LNG Facility, Cove Point may need to purchase and process LNG. Cove Point needs to maintain the cryogenic readiness of the Cove Point LNG Facility when the terminal facilities are not being used by purchasing LNG. Each year, one or two LNG cargos are procured and are billed to Cove Point's Import Shippers pursuant to a cost recovery mechanism set forth in Cove Point's FERC gas tariff. This cost recovery mechanism expires by its terms on December 31, 2016, and there can be no assurance that a similar recovery mechanism will be available thereafter. Following the completion of the Liquefaction Project, the Cove Point LNG Facility will be a bi-directional facility, reducing the risk that it will not be used for either import or export, and the addition of liquefaction facilities, which can be used to liquefy any boil-off gas, is expected to reduce any need for Cove Point to procure LNG for cooling purposes. However, Cove Point may need to maintain or obtain funds necessary to procure LNG to maintain the cryogenic readiness of the Cove Point LNG Facility in the future, which could adversely impact its ability to make payments on the Preferred Equity Interest.

RISKS INHERENT IN OUR BUSINESS GENERALLY

We are dependent on contractors and regulators for the successful completion of infrastructure projects and may be unable to complete infrastructure projects within initially anticipated timing. Infrastructure projects have been announced and additional projects may be considered in the future. We compete for projects with companies of

varying size and financial capabilities, including some that may have advantages competing for natural gas supplies. Commencing construction on announced and future projects may require approvals from applicable state and federal agencies. Projects may not be able to be completed on time as a result of weather conditions, delays in obtaining or failure to obtain regulatory approvals, delays in obtaining key materials, labor difficulties, difficulties with partners or potential partners, a decline in the credit strength of counterparties or vendors, or other factors beyond our control. Even if facility construction, pipeline, expansion and other infrastructure projects are completed, the total costs of the projects may be higher than anticipated and the performance of our business following completion of the projects may not meet expectations. Start-up and operational issues can arise in connection with the commencement of commercial operations at our facilities. Such issues may include failure to meet specific operating parameters, which may require adjustments to meet or amend these operating parameters. Additionally, we may not be able to timely and effectively integrate the projects into its operations and such integration may result in unforeseen operating difficulties or unanticipated costs. Further, regulators may disallow recovery of some of the costs of a project if they are deemed not to be prudently incurred. Any of these or other factors could adversely affect our ability to realize the anticipated benefits from the infrastructure projects.

We may not be able to maintain, renew or replace our existing portfolio of customer contracts successfully, or on favorable terms and since these contracts are with a limited number of customers, we are subject to customer concentration risk. Upon contract expiration, customers may not elect to re-contract with us as a result of a variety of factors, including the amount of competition in the industry, changes in the price of natural gas and supply areas, their level of satisfaction with our services, the extent to which we are able to successfully execute our business plans and the effect of the regulatory framework on customer demand. The failure to replace any such customer contracts on similar terms could result in a loss of revenue for us. Further, we are subject to customer concentration risk in that several customers represent the majority of our contracted capacity. Producers with direct commodity price exposure face liquidity constraints, which could present a credit risk to Dominion Midstream.

Failure to attract and retain key executive officers and other appropriately qualified employees could have an adverse effect on our operations. Our business strategy is dependent on our ability to recruit, retain and motivate employees. The key executive officers of our general partner are the CEO, CFO and executive vice president and those responsible for financial, operational, legal, regulatory and accounting functions. Competition for skilled management employees in these areas of our business operations is high. In addition, certain specialized knowledge is required of our technical employees in gas transmission, storage, gathering, processing and distribution. Our inability to attract

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and retain these employees could adversely affect our business and future operating results. An aging workforce in the energy industry necessitates recruiting, retaining and developing the next generation of leadership.

Our results of operations, as well as construction of the Liquefaction Project and our infrastructure projects, may be affected by changes in the weather. Fluctuations in weather can affect demand for our services. For example, milder than normal weather can reduce demand for gas transmission services. In addition, severe weather, including hurricanes, winter storms, earthquakes, floods and other natural disasters can disrupt operation of our facilities and cause service outages, construction delays and property damage that require incurring additional expenses. Furthermore, our operations, especially Cove Point, could be adversely affected and our physical plant placed at greater risk of damage should changes in global climate produce, among other possible conditions, unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events, abnormal levels of precipitation or a change in sea level or sea temperatures.

Our operations and construction activities are subject to operational hazards, equipment failures, supply chain disruptions and personnel issues, which could create significant liabilities and losses, and negatively affect Cove Point's ability to make payments on the Preferred Equity Interest and our ability to make distributions.

Operation of our facilities and the construction of the Liquefaction Project and infrastructure projects involves risk, including the risk of potential breakdown or failure of equipment or processes due to aging infrastructure, regulatory compliance deficiencies, pipeline integrity, including potential seam deficiencies, fuel supply or transportation disruptions, accidents, labor disputes or work stoppages by employees, acts of terrorism or sabotage, construction delays or cost overruns, shortages of or delays in obtaining equipment, material and labor, operational restrictions resulting from environmental limitations and governmental interventions, and performance below expected levels. Because our transmission facilities, pipelines and other facilities are interconnected with those of third parties, the operation of our facilities and pipelines could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties. Our business is dependent upon sophisticated information technology systems and network infrastructure, the failure of which could prevent us from accomplishing critical business functions.

Operation of our facilities below expected capacity levels could result in lost revenues and increased expenses, including higher maintenance costs. Unplanned outages of our facilities and extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are inherent risks of our business. Unplanned outages typically increase operation and maintenance expenses and may reduce our revenues as a result of selling fewer services or incurring increased rate credits to customers. If we are unable to perform our contractual obligations, penalties or liability for damages could result.

In addition, there are many risks associated with our operations and the transportation, storage and processing of natural gas and LNG, including fires, explosions, uncontrolled releases of natural gas or other substances, the collision of third party equipment with pipelines and other environmental incidents.

Such incidents could result in the loss of human life or injuries among employees, customers or the public in general, environmental pollution, damage or destruction of facilities or the property of third parties; business interruptions and associated public or employee safety impacts; loss of revenues, increased liabilities, heightened regulatory scrutiny, and reputational risk. Further, the location of pipelines and storage facilities, or transmission facilities near populated areas, including residential areas, commercial business centers and industrial risks, could increase the level of

damages resulting from these risks. We maintain property and casualty insurance that may cover certain damage and claims caused by such incidents, but other damage and claims arising from such incidents may not be covered or may exceed the amount of any insurance available, in which case such risks or losses could create significant liabilities that negatively affect Cove Point's ability to make payments on the Preferred Equity Interest or our ability to make distributions.

We are subject to complex governmental regulation, including pipeline safety and integrity regulations, that could adversely affect our results of operations and subject us to monetary penalties. Our operations are subject to extensive federal, state and local regulation, including the NGPSA, and require numerous permits, approvals and certificates from various governmental agencies. Such laws and regulations govern the terms and conditions of the services we offer, our relationships with affiliates, protection of our critical infrastructure assets and pipeline safety, among other matters. Our businesses are subject to regulatory regimes which could result in substantial monetary penalties if we are found not to be in compliance, including pipeline safety and integrity. New laws or regulations, the revision or reinterpretation of existing laws or regulations, changes in enforcement practices of regulators, or penalties imposed for non-compliance with existing laws or regulations may result in substantial additional expense.

Our operations are also subject to a number of environmental laws and regulations that impose significant compliance costs on us, and existing and future environmental and similar laws and regulations could result in increased compliance costs or additional operating restrictions. Our operations and the Liquefaction Project and infrastructure projects are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, handling and disposal of hazardous materials and other wastes, and protection of natural resources and human health and safety. Many of these laws and regulations, such as the CAA, the CWA, the Oil Pollution Act of 1990, and the RCRA and analogous state laws and regulations require us to commit significant capital toward permitting, emission fees, environmental monitoring, installation and operation of pollution control equipment and the purchase of emission allowances and/or offsets in connection with the construction and operations of facilities. Violation of these laws and regulations could lead to substantial liabilities, fines and penalties or to capital expenditures related to pollution control equipment that could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects. Additionally, federal and state laws impose liability, without regard to fault or the lawfulness of the original conduct, for the release of certain types or quantities of hazardous substances into the environment.

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Revised, reinterpreted or additional laws and regulations that result in increased compliance costs or additional operating or construction costs and restrictions could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity and prospects. There are numerous regulatory approaches currently in effect or being considered to address GHGs, including possible future U.S. treaty commitments, new federal or state legislation that may impose a carbon emissions tax or establish a cap-and-trade program, and regulation by the EPA. Additional regulation of air emissions, including GHGs, under the CAA may be imposed on the natural gas sector, including rules to limit methane gas emissions. Compliance with GHG emission reduction requirements may require the retrofitting or replacement of equipment or could otherwise increase the cost to operate and maintain our facilities.

We are unable to estimate our compliance costs with certainty due to our inability to predict the requirements and timing of implementation of any future environmental rules or regulations. Other factors that affect our ability to predict future environmental expenditures with certainty include the difficulty in estimating any future clean-up costs and quantifying liabilities under environmental laws that impose joint and several liability on all responsible parties. However, such expenditures, if material, could result in the impairment of assets or otherwise adversely affect the results of our operations, financial performance or liquidity and the ability of Cove Point to make payments on the Preferred Equity Interest or our ability to make distributions.

Any additional federal and/or state requirements imposed on energy companies mandating limitations on GHG emissions or requiring efficiency improvements may adversely impact our business. There are potential impacts on our natural gas businesses as federal or state GHG legislation or regulations may require GHG emission reductions from the natural gas sector and could affect demand for natural gas. Several regions of the U.S. have moved forward with GHG emission regulations, such as in the Northeast. Additionally, GHG requirements could result in increased demand for energy conservation and renewable products, which in turn could affect demand for natural gas.

War, intentional acts and other significant events could adversely affect our operations or the construction of the Liquefaction Project and infrastructure projects. We cannot predict the impact that world hostility may have on the energy industry in general or on our business in particular, including the construction of the Liquefaction Project and infrastructure projects. Any retaliatory military strikes or sustained military campaign may affect our operations in unpredictable ways, such as changes in insurance markets and disruptions of fuel supplies and markets. In addition, our infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror. Furthermore, the physical compromise of our facilities could adversely affect our ability to manage our facilities effectively. Instability in financial markets as a result of terrorism, war, intentional acts, pandemic, credit crises, recession or other factors could result in a significant decline in the U.S. economy and increase the cost of insurance coverage, which could negatively impact our results of operations, financial condition and Cove Point's ability to make payments on the Preferred Equity Interest or our ability to make distributions.

Hostile cyber intrusions could severely impair our operations, lead to the disclosure of confidential information, damage our reputation and otherwise have an adverse effect on our business. We own assets deemed by FERC as critical infrastructure, the operation of which is dependent on information technology systems. Further, the computer systems that run our facilities are not completely isolated from external networks. Parties that wish to disrupt the U.S. gas transmission system or our operations could view our computer systems, software or networks as attractive targets for a cyber-attack. For example, malware has been designed to target software that runs

the nation's critical infrastructure such as gas pipelines. In addition, our businesses require that we and our vendors collect and maintain sensitive customer data, as well as confidential employee and unitholder information, which is subject to electronic theft or loss.

A successful cyber attack on the systems that control our gas transmission assets or the Cove Point Facilities could severely disrupt business operations, preventing us from serving customers or collecting revenues. The breach of certain business systems could affect our ability to correctly record, process and report financial information. A major cyber incident could result in significant expenses to investigate and repair security breaches or system damage and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to our reputation. In addition, the misappropriation, corruption or loss of personally identifiable information and other confidential data could lead to significant breach notification expenses and mitigation expenses, such as credit monitoring. We maintain property and casualty insurance that may cover certain damage caused by potential cybersecurity incidents; however, other damage and claims arising from such incidents may not be covered or may exceed the amount of any insurance available. For these reasons, a significant cyber incident could materially and adversely affect our business, financial condition, results of operations and Cove Point's ability to make payments on the Preferred Equity Interest or our ability to make distributions.

Certain of our operations are subject to FERC's rate-making policies, which could limit our ability to recover the full cost of operating our assets, including earning a reasonable return, and have an adverse effect on Cove Point's ability to make payments on the Preferred Equity Interest or our ability to make distributions. We are subject to extensive regulations relating to the jurisdictional rates we can charge for our natural gas regasification, storage and transportation services. FERC establishes both the maximum and minimum rates we can charge for jurisdictional services. The basic elements of rate-making that FERC considers are the costs of providing service, the volumes of gas being transported and handled, the rate design, the allocation of costs between services, the capital structure and the rate-of-return that a regulated entity is permitted to earn. The profitability of this business is dependent on our ability, through the rates that we are permitted to charge, to recover costs and earn a reasonable rate of return on our capital investment. FERC or our customers can challenge our existing jurisdictional rates, which we may be required to change should FERC find those rates to be unjust and unreasonable. Such a challenge could adversely affect our ability to maintain current revenue levels.

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Cove Point and its jurisdictional customers are subject to a rate moratorium through 2016. Cove Point is required to file its next rate case so that new jurisdictional rates are effective January 1, 2017. DCG is subject to a rate moratorium which precludes DCG from filing a Section 4 NGA rate case to establish base rates that would be effective prior to January 1, 2018. When Cove Point or DCG, as applicable, files its next rate case, or when or if Cove Point, DCG or Iroquois has to defend its rates in a proceeding commenced by a customer or FERC, it will be required, among other things, to support its rates, by showing that they reflect recovery of its costs plus a reasonable return on its investment, in accordance with cost of service ratemaking. In January 2016, FERC initiated an investigation, pursuant to Section 5 of the NGA, to determine whether the rates currently charged by Iroquois are just and reasonable. A failure to support its rates could result in a rate decrease from its current maximum rate levels, which could adversely affect its operating results, cash flows and financial position and Cove Point's ability to make payments on the Preferred Equity Interest or our ability to make distributions.

In addition, as part of our obligations to support rates, we are required to establish the inclusion of an income tax allowance in our cost of service as just and reasonable. Under current FERC policy, because we are a limited partnership and do not pay U.S. federal income taxes, this would require us to show that our unitholders (or their ultimate owners) are subject to U.S. federal income taxation on the portion of our subsidiary's income allocable to us. To support such a showing, our general partner may elect to require owners of our units to recertify their status as being subject to U.S. federal income taxation on the income generated by us or we may attempt to provide other evidence. We can provide no assurance that the evidence we might provide to FERC will be sufficient to establish that our unitholders (or their ultimate owners) are subject to U.S. federal income tax liability on the income that is allocable to us. If we are unable to make such a showing, FERC could disallow a substantial portion of the income tax allowance included in the determination of the maximum rates that we may charge, which could result in a reduction of such maximum rates from current levels.

An adverse determination by FERC with respect to our open access rates could have a material adverse effect on our revenues, earnings and cash flows and Cove Point's ability to make payments on the Preferred Equity Interest or our ability to make distributions.

RISKS INHERENT IN AN INVESTMENT IN US

Dominion owns and controls our general partner, which has sole responsibility for conducting our business and managing our operations. Our general partner and its affiliates, including Dominion, have conflicts of interest with us and limited duties, and they may favor their own interests to our detriment and that of our unitholders. Dominion owns and controls our general partner and appoints all of the directors of our general partner. Although our general partner has a duty to manage us in a manner that it believes is not adverse to our interest, the executive officers and directors of our general partner have a fiduciary duty to manage our general partner in a manner beneficial to Dominion. Therefore, conflicts of interest may arise between Dominion or any of its affiliates, including our general partner, on the one hand, and us or any of our unitholders, on the other hand. In

resolving these conflicts of interest, our general partner may favor its own interests and the interests of its affiliates over the interests of our common unitholders. These conflicts include the following situations, among others:

Our general partner is allowed to take into account the interests of parties other than us, such as Dominion, in exercising certain rights under our partnership agreement;

Neither our partnership agreement nor any other agreement requires Dominion to pursue a business strategy that favors us;

Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our general partner with contractual standards governing its duties, limits our general partner's liabilities and restricts the remedies available to our unitholders for actions that, without such limitations, might constitute breaches of fiduciary duty;

Except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval;

Our general partner determines the amount and timing of asset purchases and sales, borrowings, issuances of additional partnership securities and the level of cash reserves, each of which can affect the amount of cash that is distributed to our unitholders;

Our general partner determines the amount and timing of any cash expenditure and whether an expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash from operating surplus that is distributed to our unitholders, which, in turn, may affect the ability of the subordinated units to convert;

Our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make a distribution on the subordinated units, to make incentive distributions or to accelerate the expiration of the subordination period;

Our partnership agreement permits us to distribute up to \$45.0 million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions on our subordinated units or the IDRs;

Our general partner determines which costs incurred by it and its affiliates are reimbursable by us;

Our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with its affiliates on our behalf;

Our general partner intends to limit its liability regarding our contractual and other obligations;

Our general partner may exercise its right to call and purchase common units if it and its affiliates own more than 80% of the outstanding common units;

Our general partner controls the enforcement of obligations that it and its affiliates owe to us;

Our general partner decides whether to retain separate counsel, accountants or others to perform services for us; and

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Our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to our general partner's IDRs without the approval of the Conflicts Committee or the unitholders. This election may result in lower distributions to the common unitholders in certain situations.

In addition, we may compete directly with Dominion and entities in which it has an interest for acquisition opportunities and potentially will compete with these entities for new business or extensions of the existing services provided by us.

The Board of Directors of our general partner may modify or revoke our cash distribution policy at any time at its discretion. Our partnership agreement does not require us to pay any distributions at all. The Board of Directors of our general partner adopted a cash distribution policy pursuant to which we intend to make quarterly distributions on all of our units to the extent we have sufficient cash after the establishment of cash reserves and the payment of our expenses, including payments to our general partner and its affiliates. However, the Board of Directors of our general partner may change such policy at any time at its discretion and could elect not to pay distributions for one or more quarters.

In addition, our partnership agreement does not require us to pay any distributions at all. Accordingly, investors are cautioned not to place undue reliance on the permanence of such a policy in making an investment decision. Any modification or revocation of our cash distribution policy could substantially reduce or eliminate the amounts of distributions to our unitholders. The amount of distributions we make, if any, and the decision to make any distribution at all will be determined by the Board of Directors of our general partner, whose interests may differ from those of our common unitholders. Our general partner has limited duties to our unitholders, which may permit it to favor its own interests or the interests of Dominion to the detriment of our common unitholders.

Our general partner intends to limit its liability regarding our obligations. Our general partner intends to limit its liability under contractual arrangements between us and third parties so that the counterparties to such arrangements have recourse only against our assets, and not against our general partner or its assets. Our general partner may therefore cause us to incur indebtedness or other obligations that are nonrecourse to our general partner. Our partnership agreement provides that any action taken by our general partner to limit its liability is not a breach of our general partner's duties, even if we could have obtained more favorable terms without the limitation on liability. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise available for distribution to our unitholders.

We expect to distribute a significant portion of our distributable cash flow to our partners, which could limit our ability to grow and make acquisitions. We plan to distribute most of our distributable cash flow, which may cause our growth to proceed at a slower pace than that of businesses that reinvest their cash to expand ongoing operations. To the extent we issue additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional

units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt to finance our growth strategy

would result in increased interest expense, which, in turn, may impact the cash that we have available to distribute to our unitholders.

Our partnership agreement replaces our general partner's fiduciary duties to holders of our units. Our partnership agreement contains provisions that eliminate and replace the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner, and otherwise free of fiduciary duties to us and our unitholders. This entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include:

- How to allocate business opportunities among us and its affiliates;
- Whether to exercise its limited call right;
- How to exercise its voting rights with respect to the units it owns;
- Whether to exercise its registration rights;
- Whether to elect to reset target distribution levels; and
- Whether to consent to any merger or consolidation of Dominion Midstream or amendment to the partnership agreement.

By purchasing a common unit, a unitholder is treated as having consented to the provisions in the partnership agreement, including the provisions discussed above.

Our partnership agreement restricts the remedies available to holders of our units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty. Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement provides that:

- Whenever our general partner makes a determination or takes, or declines to take, any other action in its capacity as our general partner, our general partner generally is required to make such determination, or take or decline to take such other action, in good faith, and will not be subject to any higher standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;
- Our general partner and its officers and directors will not be liable for monetary damages or otherwise to us or our limited partners resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such losses or liabilities were the result of conduct in which our general partner or its officers or directors engaged in bad faith, meaning that they believed that the

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decision was adverse to the interest of Dominion Midstream or, with respect to any criminal conduct, with knowledge that such conduct was unlawful; and

Our general partner will not be in breach of its obligations under the partnership agreement or its duties to us or our limited partners if a transaction with an affiliate or the resolution of a conflict of interest is:

- (1) Approved by the Conflicts Committee, although our general partner is not obligated to seek such approval; or
- (2) Approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, other than one where our general partner is permitted to act in its sole discretion, any determination by our general partner must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the Conflicts Committee then it will be presumed that, in making its decision, taking any action or failing to act, the Board of Directors acted in good faith, and in any proceeding brought by or on behalf of any limited partner or Dominion Midstream, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption.

Dominion and other affiliates of our general partner may compete with us. Our partnership agreement provides that our general partner will be restricted from engaging in any business activities other than acting as our general partner, engaging in activities incidental to its ownership interest in us and providing management, advisory, and administrative services to its affiliates or to other persons. However, affiliates of our general partner, including Dominion, are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us. In addition, Dominion may compete with us for investment opportunities and may own an interest in entities that compete with us.

Pursuant to the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our general partner or any of its affiliates, including its executive officers and directors and Dominion. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our general partner and result in less than favorable treatment of us and our unitholders.

The holder or holders of our IDRs may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to the IDRs, without the approval of the Conflicts Committee or the holders of our common units. This could result in lower distributions to holders of our common units.

The holder or holders of a majority of

our IDRs (initially our general partner) have the right, at any time when there are no subordinated units outstanding, and we have made cash distributions in excess of the highest then-applicable target distribution for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels at higher levels based on our cash distribution levels at the time of the exercise of the reset election. Following a reset election by our general partner,

the minimum quarterly distribution will be calculated equal to an amount equal to the prior cash distribution per common unit for the fiscal quarter immediately preceding the reset election (which amount we refer to as the reset minimum quarterly distribution), and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution. If our general partner elects to reset the target distribution levels, it will be entitled to receive a number of common units equal to the number of common units that would have entitled the holder to an aggregate quarterly cash distribution for the quarter prior to the reset election equal to the distribution on the IDRs for the quarter prior to the reset election.

We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per unit without such conversion. However, our general partner may transfer the IDRs at any time. It is possible that our general partner or a transferee could exercise this reset election at a time when we are experiencing declines in our aggregate cash distributions or at a time when the holders of the IDRs expect that we will experience declines in our aggregate cash distributions in the foreseeable future. In such situations, the holders of the IDRs may be experiencing, or may expect to experience, declines in the cash distributions it receives related to the IDRs and may therefore desire to be issued our common units rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that they would have otherwise received had we not issued new common units to the holders of the IDRs in connection with resetting the target distribution levels.

Unitholders have limited voting rights and are not entitled to elect our general partner or its directors, which could reduce the price at which our common units will trade. Compared to the holders of common stock in a corporation, unitholders have limited voting rights and, therefore, limited ability to influence management's decisions regarding our business. Unitholders will have no right on an annual or ongoing basis to elect our general partner or its Board of Directors. The Board of Directors of our general partner, including the independent directors, is chosen entirely by Dominion, as a result of it owning our general partner, and not by our unitholders. Unlike publicly traded corporations, we will not conduct annual meetings of our unitholders to elect directors or conduct other matters routinely conducted at annual meetings of stockholders of corporations. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price.

Even if holders of our common units are dissatisfied, they cannot initially remove our general partner without its consent. If our unitholders are dissatisfied with the performance of our general

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partner, they will have limited ability to remove our general partner. Unitholders are unable to remove our general partner without its consent because our general partner and its affiliates own sufficient units to prevent its removal. The vote of the holders of at least 66 ²/₃% of all outstanding common and subordinated units voting together as a single class is required to remove our general partner. At December 31, 2015, Dominion owned an aggregate of 64.1% of our common and subordinated units. In addition, any vote to remove our general partner during the subordination period must provide for the election of a successor general partner by the holders of a majority of the common units and a majority of the subordinated units, voting as separate classes. This will provide Dominion the ability to prevent the removal of our general partner.

Our general partner interest or the control of our general partner may be transferred to a third party without unitholder consent. Our general partner may transfer its general partner interest to a third party without the consent of our unitholders. Furthermore, our partnership agreement does not restrict the ability of the owner of our general partner to transfer its membership interests in our general partner to a third party. The new owner of our general partner would then be in a position to replace the Board of Directors and executive officers of our general partner with its own designees and thereby exert significant control over the decisions taken by the Board of Directors and executive officers of our general partner. This effectively permits a change of control without the vote or consent of the unitholders.

The IDRs may be transferred to a third party without unitholder consent. Our general partner may transfer the IDRs to a third party at any time without the consent of our unitholders. If our general partner transfers the IDRs to a third party, our general partner would not have the same incentive to grow our partnership and increase quarterly distributions to unitholders over time. For example, a transfer of IDRs by our general partner could reduce the likelihood of Dominion accepting offers made by us relating to assets owned by Dominion, as it would have less of an economic incentive to grow our business, which in turn would impact our ability to grow our asset base.

Our general partner has a limited call right that may require unitholders to sell their common units at an undesirable time or price. If at any time our general partner and its affiliates own more than 80% of the outstanding common units, our general partner will have the right, which it may assign to any of its affiliates or to us but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price equal to the greater of (1) the average of the daily closing price of the common units over the 20 trading days preceding the date three days before notice of exercise of the limited call right is first mailed and (2) the highest per-unit price paid by our general partner or any of its affiliates for common units during the 90-day period preceding the date such notice is first mailed. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return or a negative return on their investment. Unitholders may also incur a tax liability upon a sale of their units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon exercise of the limited call right. There is no restriction in our partnership agreement that prevents our general partner from causing us to issue additional common units and then exercising its limited call right.

If our general partner exercised its limited call right, the effect would be to take us private and, if the units were subsequently deregistered, we would no longer be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. At December 31, 2015, Dominion owned an aggregate of 64.1% of our common and subordinated units.

Our general partner may amend our partnership agreement, as it determines necessary or advisable, to permit the general partner to redeem the units of certain unitholders. Our general partner may amend our partnership agreement, as it determines necessary or advisable, to obtain proof of the U.S. federal income tax status or the nationality, citizenship or other related status of our limited partners (and their owners, to the extent relevant) and to permit our general partner to redeem the units held by any person (i) whose tax status has or is reasonably likely to have a material adverse effect on the maximum applicable rates chargeable to our customers, (ii) whose nationality, citizenship or related status creates substantial risk of cancellation or forfeiture of any of our property or (iii) who fails to comply with the procedures established to obtain such proof. The redemption price in the case of such a redemption will be the average of the daily closing prices per unit for the 20 consecutive trading days immediately prior to the date set for redemption.

We may issue additional units without unitholder approval, which would dilute existing unitholder ownership interests. Our partnership agreement does not limit the number of additional limited partner interests we may issue at any time without the approval of our unitholders. The issuance of additional common units or other equity interests of equal or senior rank will have the following effects:

Our existing unitholders' proportionate ownership interest in us will decrease;

The amount of distributable cash flow on each unit may decrease;

Because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;

The ratio of taxable income to distributions may increase;

The relative voting strength of each previously outstanding unit may be diminished; and

The market price of the common units may decline.

There are no limitations in our partnership agreement on our ability to issue units ranking senior to the common units. In accordance with Delaware law and the provisions of our partnership agreement, we may issue additional partnership interests that are senior to the common units in right of distribution, liquidation and voting. The issuance by us of units of senior rank may (i) reduce or eliminate the amount of distributable cash flow to our common unitholders; (ii) diminish the relative voting strength of the total common units outstanding as a class; or (iii) subordinate the claims of the common unitholders to our assets in the event of our liquidation.

The market price of our common units could be adversely affected by sales of substantial amounts of our common units in the public or private markets, including sales by Dominion or other large holders. At December 31, 2015, Dominion held 17,846,672 common units and 31,972,789 subordinated units. All of the subordinated units will convert into common units on a

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one-for-one basis at the end of the subordination period. Sales by Dominion or other large holders of a substantial number of our common units in the public markets, or the perception that such sales might occur, could have a material adverse effect on the price of our common units or could impair our ability to obtain capital through an offering of equity securities. In addition, we have agreed to provide registration rights to Dominion. Under our partnership agreement, our general partner and its affiliates have registration rights relating to the offer and sale of any units that they hold. Alternatively, we may be required to undertake a future public or private offering of common units and use the net proceeds from such offering to redeem an equal number of common units held by Dominion.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units. Our partnership agreement restricts unitholders' voting rights by providing that any units held by a person or group that owns 20% or more of any class of units then outstanding, other than our general partner and its affiliates, their transferees and persons who acquired such units with the prior approval of the Board of Directors of our general partner, cannot vote on any matter.

Unitholders may have liability to repay distributions. Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, as amended, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners that received the distribution and knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Liabilities to partners on account of their partnership interests and liabilities that are non-recourse to Dominion Midstream are not counted for purposes of determining whether a distribution is permitted.

The NYSE does not require a publicly traded partnership like us to comply with certain of its corporate governance requirements. The common units are listed on the NYSE. Because we are a publicly traded partnership, the NYSE does not require us to have a majority of independent directors on our general partner's Board of Directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders do not have the same protections afforded to stockholders of certain corporations that are subject to all of the NYSE's corporate governance requirements.

We incur incremental general and administrative costs as a result of being a publicly traded partnership. We have limited history operating as a publicly traded partnership. As a publicly traded partnership, we incur significant legal, accounting and other expenses that we did not incur prior to the Offering. In addition, the Sarbanes-Oxley Act of 2002, as well as rules implemented by the SEC and the NYSE, requires publicly traded entities to adopt various corporate governance practices that further increase our costs. The amount of our expenses or reserves for expenses, including the costs of being a publicly traded partnership reduces the amount of cash we have for distribution to our unitholders. As a result, the amount of cash we have available for distribution to our unitholders is affected by the costs associated with being a public company.

We are subject to the public reporting requirements of the Securities Exchange Act of 1934, as amended. These rules and regulations increase certain of our legal and financial compliance costs and make activities more time-consuming and costly. For example, as a result of becoming a publicly traded company, we are required to have at least three independent directors, create an audit committee and adopt policies regarding internal controls and disclosure controls

and procedures, including the preparation of reports on internal controls over financial reporting. In addition, we incur additional costs associated with our SEC reporting requirements.

TAX RISKS TO COMMON UNITHOLDERS

Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes and not being subject to a material amount of entity-level taxation. If the IRS were to treat us as a corporation for federal income tax purposes, or if we were to become subject to material additional amounts of entity-level taxation for state tax purposes, then our cash available for distribution to unitholders would be substantially reduced. The anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for U.S. federal income tax purposes.

Despite the fact that we are organized as a limited partnership under Delaware law, we would be treated as a corporation for U.S. federal income tax purposes unless we satisfy a qualifying income requirement. Based upon our current operations, we believe we satisfy the qualifying income requirement. However, we have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us. Failing to meet the qualifying income requirement or a change in current law could cause us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our distributable cash flow to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for U.S. federal, state, local, or foreign income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law or interpretation on us. At the state level, several states have been evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. Currently, we conduct business in states that impose margin or franchise taxes. In the future, we may expand our operations. Imposition of a similar tax on us in other

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jurisdictions to which we expand could substantially reduce our distributable cash flow to you.

The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes, or differing interpretations, possibly applied on a retroactive basis. The present U.S. federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative, or judicial action, changes or differing interpretations at any time. For example, the Obama administration's budget proposal for fiscal year 2016 recommends that certain publicly traded partnerships earning income from activities related to fossil fuels be taxed as corporations beginning in 2021. From time to time, members of the U.S. Congress propose and consider such substantive changes to the existing federal income tax laws that affect publicly traded partnerships. If successful, the Obama administration's proposal or other similar proposals could eliminate the qualifying income exception upon which we rely for our treatment as a partnership for U.S. federal income tax purposes.

Additionally, on May 5, 2015, the IRS issued proposed regulations concerning which activities give rise to qualifying income within the meaning of section 7704 of the Internal Revenue Code of 1986, as amended. We do not believe the proposed regulations affect our ability to qualify as a publicly traded partnership. However, finalized regulations could modify the amount of our gross income that we are able to treat as qualifying income for purposes of the qualifying income requirement. Any modifications to the U.S. federal income tax laws may be applied retroactively and could make it more difficult or impossible to meet the exception for certain publicly traded partnerships to be treated as partnerships for U.S. federal income tax purposes. We are unable to predict whether any such changes will ultimately be enacted. Any such changes could negatively impact the value of an investment in our units.

If the IRS were to contest the U.S. federal income tax positions we take, the market for our common units could be adversely impacted, and the cost of any IRS contest would reduce our cash available for distribution to our unitholders. Recently enacted legislation alters the procedures for collecting taxes due for taxable years beginning after December 31, 2017, in a manner that could substantially reduce cash available for distribution to our unitholders. We have not requested a ruling from the IRS with respect to our treatment as a partnership for U.S. federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the conclusions of our counsel or from the positions we take. It may be necessary to resort to administrative or court proceedings to sustain some or all of our counsel's conclusions or the positions we take. A court may not agree with some or all of our counsel's conclusions or positions we take. Any contest with the IRS may materially and adversely impact the market for our common units and the price at which they trade. Additionally, the costs of any contest between us and the IRS will result in a reduction in distributable cash flow to our unitholders and thus will be borne indirectly by our unitholders.

Recently enacted legislation, applicable to us for taxable years beginning after December 31, 2017, alters the procedures for auditing large partnerships and also alters the procedures for assessing and collecting taxes due (including applicable penalties

and interest) as a result of an audit. Under the new rules, unless we are eligible to, and do, elect to issue revised Schedules K-1 to our partners with respect to an audited and adjusted return, the IRS may assess and collect taxes (including any applicable penalties and interest) directly from us in the year in which the audit is completed. If we are required to pay taxes, penalties, and interest as the result of audit adjustments, cash available for distribution to our

unitholders may be substantially reduced. In addition, because payment would be due for the taxable year in which the audit is completed, unitholders during that taxable year would bear the expense of the adjustment even if they were not unitholders during the audited taxable year.

Our unitholders are required to pay taxes on their share of our income even if they do not receive any cash distributions from us. Our unitholders are required to pay U.S. federal income taxes and, in some cases, state and local income taxes, on their share of our taxable income, whether or not they receive cash distributions from us. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale and our cash available for distribution would not increase. Similarly, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt could result in cancellation of indebtedness income being allocated to our unitholders as taxable income without any increase in our cash available for distribution. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax due from them with respect to that income.

Tax gain or loss on the disposition of our common units could be more or less than expected. If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your tax basis in those common units. Because distributions in excess of your allocable share of our net taxable income decrease your tax basis in your common units, the amount, if any, of such prior excess distributions with respect to the units you sell will, in effect, become taxable income to you if you sell such units at a price greater than your tax basis in those units, even if the price you receive is less than your original cost. Furthermore, a substantial portion of the amount realized, whether or not representing gain, may be taxed as ordinary income due to potential recapture items, including depreciation recapture. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, if you sell your common units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

Tax-exempt entities and non-U.S. persons face unique tax issues from owning our common units that may result in adverse tax consequences to them. Investment in common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U.S. federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and will be taxable to them. Distributions to non-U.S. persons will be subject to withholding taxes imposed at the highest effective tax rate applicable to such non-U.S. persons, and each non-U.S. person will be required to file U.S. federal tax returns and pay tax on their share

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of our taxable income. If you are a tax-exempt entity or a non- U.S. person, you should consult your tax advisor before investing in our common units.

We treat each purchaser of our common units as having the same tax benefits without regard to the common units actually purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units. Because we cannot match transferors and transferees of our common units, and for other reasons, we have adopted depreciation and amortization positions that may not conform to all aspects of the provisions of the Internal Revenue Code of 1986, as amended, or existing and proposed Treasury regulations thereunder. Our counsel is unable to opine as to the validity of this approach. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns.

We prorate our items of income, gain, loss and deduction between transferors and transferees of our common units each month based upon the ownership of our common units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders. The use of this proration method may not be permitted under existing Treasury regulations, and, accordingly, our counsel is unable to opine as to the validity of this method. The U.S. Department of the Treasury recently adopted final Treasury regulations allowing a similar monthly simplifying convention for taxable years beginning on or after August 3, 2015. Nonetheless, the regulations do not specifically authorize the use of the proration method we have adopted. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose common units are the subject of a securities loan (e.g., a loan to a short seller to cover a short sale of units) may be considered to have disposed of those common units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and could recognize gain or loss from the disposition. Because there are no specific rules governing the U.S. federal income tax consequence of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered to have disposed of the loaned common units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax advisor to determine whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

We may adopt certain valuation methodologies that could result in a shift of income, gain, loss and deduction between the general partner (as the holder of our IDRs) and our unitholders. The IRS may challenge these methodologies or the resulting allocations, which could adversely affect the value of our common units. When we issue additional units or engage in certain other transactions, we will determine the fair market value of our assets and allocate any unrealized gain or loss attributable to our assets to the capital accounts of our unitholders and our

general partner. Our methodology may be viewed as understating the value of our assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under our valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to our tangible assets and a lesser portion allocated to our intangible assets. The IRS may challenge our valuation methods, or our allocation of the Section 743(b) adjustment attributable to our tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of our unitholders. A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss allocated to our unitholders. It also could affect the amount of gain from our unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the constructive termination of our partnership for U.S. federal income tax purposes. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. On December 31, 2015, Dominion owned 64.1% of the total interests in our capital and profits. Therefore, a transfer by Dominion of all or a portion of its interests in us could, in conjunction with the trading of common units held by the public, result in a constructive termination of our partnership for U.S. federal income tax purposes.

Our constructive termination would, among other things, result in the closing of our taxable year for all unitholders, which would result in us filing two tax returns (and our unitholders could receive two Schedules K-1 if relief was not available, as described below) for one calendar year and could result in a significant deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than the calendar year, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in taxable income for the unitholder's taxable year that includes our termination. Our constructive termination would not affect our classification as a partnership for U.S. federal income tax purposes, but it would result in our being treated as a new partnership for U.S. federal income tax purposes following the termination. If we were treated as a new partnership, we would be required to make new tax elections and could be subject to penalties if we were unable to determine that a termination occurred. The IRS has announced a relief procedure whereby a publicly traded partnership that has constructively terminated may be permitted to provide only a single

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Schedule K-1 to unitholders for the two short tax periods included in the year in which the termination occurs.

Our unitholders will likely be subject to state and local taxes and return filing requirements in jurisdictions where they do not live as a result of investing in our common units. In addition to U.S. federal income taxes, unitholders are subject to other taxes, including foreign, state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or own property now or in the future, even if unitholders do not live in any of those jurisdictions. Unitholders will likely be required to file foreign, state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. As we make acquisitions or expand our business, we may own assets or conduct business in additional states or foreign jurisdictions that impose income or similar taxes on nonresident individuals. It is each unitholder's responsibility to file all U.S. federal, foreign, state and local tax returns. Our counsel has not rendered an opinion on the state or local tax consequences of investment in our common units.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2015, Dominion Midstream's assets consisted of its preferred equity interest in Cove Point, the physical properties owned by DCG and its noncontrolling partnership interest in Iroquois. These physical properties are described in Item 1. Business, which description is incorporated herein by reference.

Item 3. Legal Proceedings

From time to time Dominion Midstream may be alleged to be in violation or in default under orders, statutes, rules or regulations relating to the environment, compliance plans imposed upon or agreed to by Dominion Midstream, as applicable, or permits issued by various local, state and/or federal agencies for the construction or operation of facilities. Administrative proceedings may also be pending on these matters. In addition, in the ordinary course of business Dominion Midstream may be involved in various legal proceedings.

See Notes 12 and 18 to the Consolidated Financial Statements and *Future Issues and Other Matters* in Item 7. MD&A, which information is incorporated herein by reference, for discussion of various environmental and other regulatory proceedings to which Dominion Midstream is a party.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**Securities**

On October 15, 2014, Dominion Midstream's common units began trading on the NYSE under the ticker symbol DM. On October 20, 2014, Dominion Midstream closed the Offering of 20,125,000 common units to the public at a price of \$21.00 per common unit, which included a 2,625,000 common unit over-allotment option that was exercised in full by the underwriters.

At January 31, 2016, there were approximately 10 holders of record of our common units. There is no established public trading market for our subordinated units, all of which are held by Dominion. Cash distributions were paid quarterly in 2015. No distributions were paid to unitholders during the year ended December 31, 2014. Quarterly information concerning unit price and distributions is disclosed in Note 24 to the Consolidated Financial Statements, which information is incorporated herein by reference.

The following table presents certain information with respect to Dominion's purchase of Dominion Midstream's common units during the fourth quarter of 2015:

DOMINION PURCHASES OF DOMINION MIDSTREAM COMMON UNITS

Period	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Units that May Yet Be Purchased under the Plans or Programs ⁽³⁾
10/1/2015-10/31/15	478,093	\$ 27.70	478,093	\$ 34.6 million
11/1/2015-11/30/15	3,913	\$ 29.83	3,913	\$ 34.5 million

12/1/2015-12/31/15	327,342	\$ 27.70	327,342	\$ 25.4 million
Total ⁽²⁾	809,348	\$ 27.69	809,348	

⁽¹⁾These shares were purchased by Dominion as part of Dominion's program initiated on September 24, 2015 to purchase from the market up to \$50.0 million of common units representing limited partner interests in Dominion Midstream by September 2016 at the discretion of Dominion's management. The purchased units are held by Dominion or a subsidiary of Dominion other than Dominion Midstream. See Note 6 to the Consolidated Financial Statements for additional information.

⁽²⁾In addition to the information presented in the above table, in September 2015, Dominion purchased 77,396 common units of Dominion Midstream at an average price of \$27.56 per unit. At September 30, 2015, approximately \$47.9 million was available to be purchased under Dominion's program to purchase from the market up to \$50.0 million of common units representing limited partner interests in Dominion Midstream. See Note 6 to the Consolidated Financial Statements for additional information.

Distributions of Available Cash

Our partnership agreement provides that our general partner will make a determination as to whether to make a distribution, but our partnership agreement does not require us to pay distributions at any time or in any amount. Instead, the Board of Directors of our general partner adopted a cash distribution policy effective as of the Offering which set forth our general partner's intention with respect to the distributions to be made to unitholders.

DEFINITION OF AVAILABLE CASH

Any distributions we make will be characterized as made from operating surplus or capital surplus. Distributions from operating surplus are made differently than cash distributions that we would make from capital surplus. Operating surplus distributions will be made to our unitholders and, if we make quarterly distributions above the first target distribution level described below, to the holder of our IDRs. We do not anticipate that we will make any distributions from capital surplus. In such an event, however, any capital surplus distribution would be made pro rata to all unitholders, but the IDRs would generally not participate in any capital surplus distributions with respect to those rights. Any distribution from capital surplus would result in a reduction of the minimum quarterly distribution and target distribution levels and, if we reduce the minimum quarterly distribution to zero and eliminate any unpaid arrearages, thereafter capital surplus would

be distributed as if it were operating surplus and the IDRs would thereafter be entitled to participate in such distributions. In determining operating surplus and capital surplus, we will only take into account our proportionate share of our consolidated subsidiaries that are not wholly-owned, such as Cove Point.

We define operating surplus as:

\$45.0 million (as described below); plus

All of our cash receipts after the closing of the Offering, excluding cash from interim capital transactions (as defined below), provided that cash receipts from the termination of any hedge contract prior to its stipulated settlement or termination date will be included in equal quarterly installments over the remaining scheduled life of such hedge contract had it not been terminated; plus

Cash distributions paid in respect of equity issued (including incremental distributions on IDRs), other than equity issued in the Offering, to finance all or a portion of expansion capital expenditures in respect of the period that commences when we enter into a binding obligation for the acquisition, construction, development or expansion and ending on the earlier to occur of the date of any acquisition, construction, development or expansion commences commercial service and the date that it is disposed of or abandoned; plus

Cash distributions paid in respect of equity issued (including incremental distributions on IDRs) to pay the construction period interest on debt incurred, or to pay construction

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period distributions on equity issued, to finance the expansion capital expenditures referred to above, in each case, in respect of the period that commences when we enter into a binding obligation for the acquisition, construction, development or expansion and ending on the earlier to occur of the date of any acquisition, construction, development or expansion that commences commercial service and the date that it is disposed of or abandoned;
less

All of our operating expenditures (as defined below) after the closing of the Offering; less

The amount of cash reserves established by our general partner to provide funds for future operating expenditures;
less

All working capital borrowings not repaid within twelve months after having been incurred or repaid within such twelve month period with the proceeds of additional working capital borrowings; less

Any cash loss realized on disposition of an investment capital expenditure.

Disbursements made, cash received (including working capital borrowings) or cash reserves established, increased or reduced after the end of a period but on or before the date on which cash or cash equivalents will be distributed with respect to such period shall be deemed to have been made, received, established, increased or reduced, for purposes of determining operating surplus, within such period if our general partner so determines. Cash received from Cove Point or from our interest in any entity for which we account using the equity method will not be included to the extent it exceeds our proportionate share of such entity's operating surplus (calculated as if the definition of operating surplus applied to such entity from the date of our acquisition of such an interest without any basket similar to that described in the first bullet above). Operating surplus does not reflect cash generated by our operations. For example, it includes a basket of \$45.0 million that will enable us, if we choose, to distribute as operating surplus cash we receive in the future from non-operating sources such as asset sales, issuances of securities and long-term borrowings that would otherwise be distributed as capital surplus. In addition, the effect of including, as described above, certain cash distributions on equity interests in operating surplus will be to increase operating surplus by the amount of any such cash distributions. As a result, we may also distribute as operating surplus up to the amount of any such cash that we receive from non-operating sources.

The proceeds of working capital borrowings increase operating surplus and repayments of working capital borrowings are generally operating expenditures, as described below, and thus reduce operating surplus when made. However, if a working capital borrowing is not repaid during the twelve-month period following the borrowing, it will be deducted from operating surplus at the end of such period, thus decreasing operating surplus at such time. When such working capital borrowing is in fact repaid, it will be excluded from operating expenditures because operating surplus will have been previously reduced by the deduction.

We define operating expenditures in our partnership agreement to generally mean all of our cash expenditures, including, but not limited to, taxes, reimbursement of expenses to our general partner or its affiliates, payments made under hedge contracts (provided that (1) with respect to amounts paid in connection with the initial purchase of a hedge contract, such amounts will

be amortized over the life of the applicable hedge contract and (2) payments made in connection with the termination of any hedge contract prior to the expiration of its stipulated settlement or termination date will be included in operating expenditures in equal quarterly installments over the remaining scheduled life of such hedge contract), officer compensation, repayment of working capital borrowings, interest on indebtedness and capital expenditures (as discussed in further detail below), provided that operating expenditures will not include:

Repayment of working capital borrowings deducted from operating surplus pursuant to the penultimate bullet point of the definition of operating surplus above when such repayment actually occurs;
Payments (including prepayments and prepayment penalties and the purchase price of indebtedness that is repurchased and cancelled) of principal of and premium on indebtedness, other than working capital borrowings;
Expansion capital expenditures;
Investment capital expenditures;
Payment of transaction expenses relating to interim capital transactions;
Distributions to our partners (including distributions in respect of our IDRs);
Repurchases of equity interests except to fund obligations under employee benefit plans; or
Any other expenditures or payments using the proceeds of the Offering.

INTENT TO DISTRIBUTE THE MINIMUM QUARTERLY DISTRIBUTION

Pursuant to our cash distribution policy, within 60 days after the end of each quarter, we intend to distribute to the holders of common and subordinated units on a quarterly basis at least the minimum quarterly distribution of \$0.1750 per unit, or \$0.70 per unit on an annualized basis, to the extent we have sufficient cash after establishment of cash reserves and payment of fees and expenses, including payments to our general partner and its affiliates. The Board of Directors of our general partner may change the foregoing distribution policy at any time and from time to time, and even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our general partner. Our partnership agreement does not contain a requirement for us to pay distributions to our unitholders, and there is no guarantee that we will pay the minimum quarterly distribution, or any distribution, on the units in any quarter. However, our partnership agreement does contain provisions intended to motivate our general partner to make steady, increasing and sustainable distributions over time. Please see Note 20 to the Consolidated Financial Statements for a discussion of the provisions included in our credit facility with Dominion that may restrict our ability to make distributions.

GENERAL PARTNER INTEREST

Our general partner owns a non-economic general partner interest in us, which does not entitle it to receive cash distributions. However, our general partner owns the IDRs and may in the future own common units or other equity interests in us and will be entitled to receive distributions on any such interests.

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INCENTIVE DISTRIBUTION RIGHTS

IDRs represent the right to receive increasing percentages (15.0%, 25.0% and 50.0%) of quarterly distributions from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner currently holds the IDRs, but may transfer these rights separately from its general partner interest.

If for any quarter:

We have distributed cash from operating surplus to the common and subordinated unitholders in an amount equal to the minimum quarterly distribution; and

We have distributed cash from operating surplus to the common unitholders in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then we will make additional distributions from operating surplus for that quarter among the unitholders and the holders of the IDRs in the following manner:

First, to all unitholders, pro rata, until each unitholder receives a total of \$0.2013 per unit for that quarter (the first target distribution);

Second, 85.0% to all common unitholders and subordinated unitholders, pro rata, and 15.0% to the holders of our IDRs, until each unitholder receives a total of \$0.2188 per unit for that quarter (the second target distribution);

Third, 75.0% to all common unitholders and subordinated unitholders, pro rata, and 25.0% to the holders of our IDRs, until each unitholder receives a total of \$0.2625 per unit for that quarter (the third target distribution); and

Thereafter, 50.0% to all common unitholders and subordinated unitholders, pro rata, and 50.0% to the holders of our IDRs.

PERCENTAGE ALLOCATIONS OF DISTRIBUTIONS FROM OPERATING SURPLUS

The following table illustrates the percentage allocations of distributions from operating surplus between the unitholders and the holders of our IDRs based on the specified target distribution levels. The amounts set forth under the column heading "Marginal Percentage Interest in Distributions" are the percentage interests of the holders of our IDRs and the unitholders in any distributions from operating surplus we distribute up to and including the corresponding amount in the column "Total Quarterly Distribution Per Unit." The percentage interests shown for our unitholders and the holders of our IDRs for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests set forth below assume there are no arrearages on common units.

		Marginal Percentage Interest in Distributions IDR Holders
	Total Quarterly Distribution Per Unit	Unitholders
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%

Subordination Period**GENERAL**

Our partnership agreement provides that, during the subordination period (which we describe below), the common units will have the right to receive distributions from operating surplus each quarter in an amount equal to \$0.1750 per common unit, which amount is defined in our partnership agreement as the minimum quarterly distribution, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions from operating surplus may be made on the subordinated units, all of which are owned by Dominion. These units are deemed subordinated because for a period of time, referred to as the subordination period, the subordinated units will not be entitled to receive any distribution from operating surplus for any quarter until the common units have received the minimum quarterly distribution from operating surplus for such quarter plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. Furthermore, no arrearages will be paid on the subordinated units. The practical effect of the subordinated units is to increase the likelihood that during the subordination period there will be sufficient cash from operating surplus to pay the minimum quarterly distribution on the common units.

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DETERMINATION OF SUBORDINATION PERIOD

The subordination period began upon the closing date of the Offering and ends when we satisfy one of the three tests set forth in our partnership agreement as described below.

The first test would be satisfied as of the first business day after the distribution to unitholders in respect of any quarter, beginning with the quarter ending June 30, 2018, if each of the following has occurred:

For each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date, aggregate distributions from operating surplus equaled or exceeded the aggregate minimum quarterly distribution on the outstanding common and subordinated units for each four-quarter period;

For the same three consecutive, non-overlapping four quarter periods, the adjusted operating surplus (as described below) equaled or exceeded the aggregate minimum quarterly distribution on the outstanding common and subordinated units on a fully diluted weighted average basis for each four-quarter period; and

There are no arrearages in payment of the minimum quarterly distribution on the common units.

The second test would be satisfied if each of the following has occurred:

The Liquefaction Project commences commercial service, meaning Cove Point has obtained all approvals necessary to construct and operate the Liquefaction Project, completed and commissioned the Liquefaction Project and is able to provide the services it has agreed to provide under the export contracts;

For each of the two consecutive, non-overlapping four-quarter periods ending on December 31, 2016, aggregate distributions from operating surplus equaled or exceeded the aggregate minimum quarterly distribution on the outstanding common and subordinated units for each four-quarter period;

For the same two consecutive, non-overlapping four-quarter periods, the adjusted operating surplus (as described below) equaled or exceeded the aggregate minimum quarterly distribution on the outstanding common and subordinated units on a fully diluted weighted average basis for each four-quarter period;

For each completed quarter commencing after December 31, 2016, aggregate distributions from operating surplus equaled or exceeded the aggregate minimum quarterly distribution on the outstanding common and subordinated units in each such quarter; and

There are no arrearages in payment of the minimum quarterly distribution on the common units.

The third test would be satisfied as of the first business day after the distribution to unitholders in respect of any quarter, beginning with the quarter ending June 30, 2018, if each of the following has occurred:

For one four-quarter period immediately preceding that date, aggregate distributions from operating surplus exceeded 150.0% of the aggregate minimum quarterly distribution on the outstanding common units and subordinated units for such four-quarter period;

For the same four-quarter period, the adjusted operating surplus (as described below) equaled or exceeded 150.0% of the aggregate minimum quarterly distribution on the outstanding common and subordinated units during each quarter on a fully diluted weighted average basis, plus the related distribution on the IDRs; and

There are no arrearages in payment of the minimum quarterly distributions on the common units.

For the period after closing of the Offering through December 31, 2014, our partnership agreement prorated the minimum quarterly distribution based on the actual length of the period, and used such prorated distribution for all purposes, including in determining whether there are any arrearages in payment of the minimum quarterly distribution

on the common units.

When the subordination period ends, all subordinated units will convert into common units on a one-for-one basis and will then participate pro rata with the other common units in distributions, and all common units will thereafter no longer be entitled to arrearages.

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Item 6. Selected Financial Data

For the periods prior to the closing of the Offering on October 20, 2014, the following selected financial data were derived from the financial statements and accounting records of Cove Point as our predecessor. For the period subsequent to the closing of the Offering, the Consolidated Financial Statements represent the consolidated results of operations, financial position and cash flows of Dominion Midstream.

The selected income statement and cash flow data for the year ended December 31, 2014, consists of the consolidated results of Dominion Midstream for the period from October 20, 2014 through December 31, 2014, and the results of our Predecessor for the period from January 1, 2014, through October 19, 2014.

The selected balance sheet data at December 31, 2014 consists of the consolidated balances of Dominion Midstream.

The following table should be read in conjunction with the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data. See also *Factors Impacting Comparability of Our Financial Results* included in Item 7. MD&A.

Year Ended December 31,	2015	2014	2013 (Predecessor)	2012 (Predecessor)
(millions, except per unit amounts)				
Operating revenue	\$ 369.6	\$ 313.3	\$ 343.5	\$ 293.0
Net income including noncontrolling interest and DCG Predecessor	196.5	106.9	109.4	97.2
Net income including noncontrolling interest	194.2	26.3		
Net income attributable to partners	72.5	9.5		
Net income per limited partner unit (basic and diluted):				
Common units	1.08	0.15		
Subordinated units	1.00	0.15		
Cash distribution declared per limited partner unit	0.7760	0.1389		
Total assets	4,125.2	2,258.4	1,498.2	1,213.5
Long-term debt	300.8			

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

MD&A discusses Dominion Midstream's results of operations and general financial condition. MD&A should be read in conjunction with Item 1. Business and the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

CONTENTS OF MD&A

MD&A consists of the following information:

- Forward-Looking Statements
- Partnership Overview
- Initial Public Offering
- Basis of Presentation
- How We Evaluate Our Operations
- Factors Impacting Comparability of Our Financial Results
- Accounting Matters
- Results of Operations
- Analysis of Consolidated Operations
- Segment Results of Operations
- Liquidity and Capital Resources
- Future Issues and Other Matters

FORWARD-LOOKING STATEMENTS

This report contains statements concerning expectations, plans, objectives, future financial performance and other statements that are not historical facts. In most cases, the reader can identify these forward-looking statements by such words as anticipate, estimate, forecast, expect, believe, should, could, plan, may, continue, target, words.

We make forward-looking statements with full knowledge that risks and uncertainties exist that may cause actual results to differ materially from predicted results. Factors that may cause actual results to differ are often presented

with the forward-looking statements themselves. Additionally, other factors may cause actual results to differ materially from those indicated in any forward-looking statement. These factors include but are not limited to:

Unusual weather conditions and their effect on energy sales to customers and energy commodity prices;
Extreme weather events and other natural disasters, including, but not limited to, hurricanes, high winds, severe storms, earthquakes, flooding and changes in water availability that can cause outages and property damage to facilities;
Federal, state and local legislative and regulatory developments, including changes in federal and state tax laws and regulations;
Changes to federal, state and local environmental laws and regulations, including those related to climate change, the tightening of emission or discharge limits for GHGs and other emissions, more extensive permitting requirements and the regulation of additional substances;
The cost of environmental compliance, including those costs related to climate change;
Changes in enforcement practices of regulators relating to environmental and safety standards and litigation exposure for remedial activities;
Changes in regulator implementation of environmental and safety standards and litigation exposure for remedial activities;
Difficulty in anticipating mitigation requirements associated with environmental and other regulatory approvals;
Fluctuations in energy-related commodity prices and the effect these could have on our earnings, liquidity position and the underlying value of our assets;
Counterparty credit and performance risk;
Employee workforce factors;
Risks of operating businesses in regulated industries that are subject to changing regulatory structures;
The ability to negotiate, obtain necessary approvals and consummate acquisitions from Dominion and third parties and the impacts of such acquisitions;
Receipt of approvals for, and timing of, closing dates for acquisitions;
The timing and execution of our growth strategy;
Risks associated with entities in which we share ownership and control with third parties, including risks that result from our lack of sole decision making authority, or reliance on the financial condition of third parties, disputes that may arise between us and third party participants, difficulties in exiting these arrangements, requirements to contribute additional capital, the timing and amount of which may not be within our control, and rules for accounting for these entities including those requiring their consolidation or deconsolidation in our financial statements;
Political and economic conditions, including inflation and deflation;
Domestic terrorism and other threats to our physical and intangible assets, as well as threats to cybersecurity;
The timing and receipt of regulatory approvals necessary for planned construction or any future expansion projects, including the overall development of the Liquefaction Project, and compliance with conditions associated with such regulatory approvals;
Changes in demand for our services, including industrial, commercial and residential growth or decline in our service areas, changes in supplies of natural gas delivered to our pipeline systems, failure to maintain or replace customer contracts on favorable terms, changes in customer growth or usage patterns, including as a result of energy conservation programs and the availability of energy efficient devices;
Additional competition in industries in which we operate;
Changes to regulated gas transportation rates collected by us;
Changes in operating, maintenance and construction costs;
Adverse outcomes in litigation matters or regulatory proceedings;
The impact of operational hazards, including adverse developments with respect to pipeline and plant safety or integrity, equipment loss, malfunction or failure, operator error, and other catastrophic events;
The inability to complete planned construction, conversion or expansion projects, including the Liquefaction Project, at all, or within the terms and time frames initially anticipated;

Contractual arrangements to be entered into with or performed by our customers substantially in the future, including any revenues anticipated thereunder and any possibility of termination and inability to replace such contractual arrangements;

Capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;

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Fluctuations in interest rates and increases in our level of indebtedness;
Changes in availability and cost of capital;
Changes in financial or regulatory accounting principles or policies imposed by governing bodies; and
Conflicts of interest with Dominion and its affiliates.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Item 1A. Risk Factors.

Forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. We caution the reader not to place undue reliance on forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. We undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

PARTNERSHIP OVERVIEW

We are a growth-oriented Delaware limited partnership formed on March 11, 2014 by Dominion to initially own the Preferred Equity Interest and the general partner interest in Cove Point, which owns LNG import, storage, regasification and transportation assets. We expect that our relationship with Dominion, which has substantial additional midstream assets, should provide us the opportunity over time to grow a portfolio of natural gas terminaling, processing, storage, transportation and related assets. 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 will be made on a quarterly basis and will not be cumulative. The Preferred Equity Interest is also entitled to receive Additional Return Distributions, and should benefit from the expected increased cash flow and income associated with the Liquefaction Project upon completion. We expect the Preferred Equity Interest to have limited exposure to the capital expenditure requirements associated with the future expansion of the Cove Point Facilities, as Dominion, although it is under no obligation to do so, has indicated that it intends to provide such funding. Our results of operations and financial condition will be dependent on the performance of Cove Point, and we believe that the discussion and analysis of Cove Point's financial condition and operations is important to our unitholders.

On April 1, 2015, Dominion Midstream acquired from Dominion all issued and outstanding membership interests in DCG. DCG owns and operates nearly 1,500 miles of FERC-regulated open access, transportation-only interstate natural gas pipeline in South Carolina and southeastern Georgia.

On September 29, 2015, Dominion Midstream acquired a 25.93% noncontrolling partnership interest in Iroquois. Iroquois, a Delaware limited partnership, owns and operates a 416-mile FERC-regulated interstate natural gas transmission pipeline that extends from the Canada-U.S. border through the states of New York and Connecticut.

Business Strategy

Dominion Midstream's primary business objective is to generate stable and growing cash flows, which will enable it to maintain

and increase cash distributions per unit over time. We intend to accomplish this objective by executing the following strategies:

Pursue accretive acquisitions from Dominion. We intend to seek opportunities to expand our initial asset base primarily through accretive acquisitions from Dominion. In connection with the Offering, Dominion granted us a right of first offer with respect to any future sale of its common equity interests in Cove Point, and we may also acquire newly issued common or additional preferred equity interests in Cove Point. Furthermore, Dominion granted us a right of first offer with respect to any future sale of its indirect ownership interest in Blue Racer, which is a growing midstream company focused on the Utica Shale formation, and its indirect ownership interest in Atlantic Coast Pipeline, which is a newly created limited liability company focused on constructing a natural gas pipeline running from West Virginia through Virginia to North Carolina. Dominion is under no obligation to sell these interests, nor are we obligated to purchase such interests. We believe Dominion will offer us opportunities to acquire other midstream assets that it may acquire or develop in the future or that it currently owns. We believe that Dominion's economic relationship with us incentivizes it to offer us acquisition opportunities, although it is under no obligation to do so nor are we obligated to make any such acquisitions.

Pursue third party acquisitions and organic growth opportunities. We also intend to grow our business by pursuing strategic acquisitions from third parties and, as we acquire additional assets, future organic growth opportunities at those acquired assets. Our third-party growth strategy will include assets both within the existing geographic footprint of Dominion's natural gas-related businesses and potentially in new areas.

Focus on long-term stable cash flows. We intend to pursue future growth opportunities, whether through our relationship with Dominion, third-party acquisitions or organic growth opportunities, that provide long-term, stable cash flows.

Capitalize on Dominion's midstream experience in the Utica and Marcellus Shale formations. We intend to capitalize on Dominion's midstream experience in the high growth areas of the Utica and Marcellus Shale formations. Dominion's experience in these shale formations, as well as its extensive footprint, could potentially provide significant growth opportunities.

INITIAL PUBLIC OFFERING

On October 15, 2014, Dominion Midstream's common units began trading on the NYSE under the ticker symbol DM. On October 20, 2014, Dominion Midstream closed the Offering of 20,125,000 common units to the public at a price of \$21.00 per common unit, which included a 2,625,000 common unit over-allotment option that was exercised in full by the underwriters.

In exchange for Dominion's contribution of the general partner interest in Cove Point and a portion of the Preferred Equity Interest to us, which we contributed to Cove Point Holdings, Dominion received:

11,847,789 common units and 31,972,789 subordinated units, representing an aggregate 68.5% limited partner interest;

All of our IDRs;

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A non-economic general partner interest; and

A cash distribution of \$51.5 million as described in the partnership agreement.

Dominion Midstream received net proceeds of \$392.4 million from the Offering, after deducting underwriting discounts, structuring fees and offering expenses of \$30.2 million. Dominion Midstream utilized \$340.9 million of net proceeds to make, through Cove Point Holdings, a contribution to Cove Point in exchange for the remaining portion of the Preferred Equity Interest.

See Note 20 to the Financial Statements for a discussion of the significant contracts entered into in connection with the closing of the Offering.

BASIS OF PRESENTATION

The contribution by Dominion to Dominion 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 Midstream's basis is equal to Dominion's cost basis in the general partner interest in Cove Point and a portion of the Preferred Equity Interest. Dominion Midstream owns the general partner interest and controls Cove Point and therefore consolidates Cove Point. As such, Dominion Midstream's investment in the Preferred Equity Interest and Cove Point's preferred equity interest are eliminated in consolidation. Dominion's retained common equity interest in Cove Point is reflected as noncontrolling interest.

The DCG Acquisition is considered to be a reorganization of entities under common control. As a result, Dominion Midstream's basis in DCG is equal to Dominion's cost basis in the assets and liabilities of DCG. On April 1, 2015, DCG became a wholly-owned subsidiary of Dominion Midstream and is therefore consolidated by Dominion Midstream. The accompanying financial statements and related notes have been retrospectively adjusted to include the historical results and financial position of DCG beginning January 31, 2015, the inception date of common control.

For the periods prior to the closing of the Offering on October 20, 2014, the financial statements included in this Annual Report on Form 10-K were derived from the financial statements and accounting records of Cove Point, as our predecessor for accounting purposes. The financial statements were prepared using Dominion's historical basis in the assets and liabilities of Cove Point and include all revenues, costs, assets and liabilities attributed to Cove Point. For the period subsequent to the closing of the Offering, the Consolidated Financial Statements represent the consolidated results of operations, financial position and cash flows of Dominion Midstream.

The financial statements for all years presented include costs for certain general, administrative and corporate expenses assigned by DRS or Dominion Payroll to Dominion Midstream and Cove Point on the basis of direct and allocated methods in accordance with Dominion Midstream's services agreements with DRS and Dominion Payroll and Cove Point's services agreement with DRS. Where costs incurred cannot be determined by specific identification, the costs are allocated based on the proportional level of effort devoted by DRS or Dominion Payroll resources that is attributable to the entities, determined by reference to

number of employees, salaries and wages and other similar measures for the relevant DRS or Dominion Payroll department. Management believes the assumptions and methodologies underlying the allocation of general corporate overhead expenses are reasonable. Nevertheless, the Consolidated Financial Statements prior to the Offering may not include all of the actual expenses that would have been incurred had we been a stand-alone publicly traded partnership during the periods presented, and may not reflect our actual results of operations, financial position and cash flows had we been a stand-alone publicly traded partnership during the periods prior to the Offering.

HOW WE EVALUATE OUR OPERATIONS

Dominion Midstream management uses a variety of financial metrics to analyze our performance. These metrics are significant factors in assessing our operating results and include: (1) EBITDA; (2) Adjusted EBITDA; and (3) distributable cash flow.

EBITDA, Adjusted EBITDA and Distributable Cash Flow

EBITDA represents net income including noncontrolling interest and DCG Predecessor before interest and related charges, income tax and depreciation and amortization. Adjusted EBITDA represents EBITDA after adjustment for the EBITDA attributable to the DCG Predecessor and a noncontrolling interest in Cove Point held by Dominion subsequent to the Offering, less income from equity method investee, plus distributions from equity method investee. Subsequent to the DCG Acquisition in the second quarter of 2015, we define distributable cash flow as Adjusted EBITDA less maintenance capital expenditures, less interest expense and adjusted for known timing differences between cash and income. During the first quarter of 2015, the remaining net proceeds from the Offering were used to fund capital expenditures. As a result, the reconciliation of distributable cash flow no longer includes adjustments for expansion capital expenditures or the use of net proceeds from the Offering. All periods presented reflect the adjustments described above.

Although we have not quantified Adjusted EBITDA and distributable cash flow for Cove Point as our Predecessor, we use these metrics to analyze our performance. EBITDA, Adjusted EBITDA and distributable cash flow are used as supplemental financial measures by our management and by external users of our financial statements, such as investors and securities analysts, to assess:

- The financial performance of our assets without regard to financing methods, capital structure or historical cost basis;

- The ability of our assets to generate cash sufficient to pay interest on our indebtedness, if any, and to make distributions; and

- Our operating performance and ROIC as compared to those of other publicly traded companies that own energy infrastructure assets, without regard to their financing methods and capital structure.

The GAAP measure most directly comparable to EBITDA and Adjusted EBITDA is net income, and the GAAP measure most directly comparable to distributable cash flow is net cash provided by operating activities. EBITDA, Adjusted EBITDA

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and distributable cash flow should not be considered alternatives to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA, Adjusted EBITDA and distributable cash flow exclude some, but not all, items that affect net income and operating income, and these measures may vary among other companies. Therefore, EBITDA, Adjusted EBITDA and distributable cash flow as presented may not be comparable to similarly titled measures of other companies.

FACTORS IMPACTING COMPARABILITY OF OUR FINANCIAL RESULTS

Our historical results of operations and cash flows for the periods presented may not be comparable, either from period to period, or going forward, principally for the following reasons:

Acquisition of Interest in Iroquois

On August 14, 2015, Dominion Midstream entered into Contribution Agreements with NG and NJNR. On September 29, 2015, pursuant to the Contribution Agreements, Dominion Midstream acquired a 25.93% noncontrolling partnership interest in Iroquois, consisting of NG's 20.4% and NJNR's 5.53% partnership interests in Iroquois and, in exchange, Dominion Midstream issued common units representing limited partnership interests in Dominion Midstream to both NG (6,783,373 common units) and NJNR (1,838,932 common units). The number of units was based on the volume-weighted average trading price of Dominion Midstream's common units for the five trading days prior to August 14, 2015, or \$33.23 per unit. The acquisition of the 25.93% noncontrolling partnership interest in Iroquois supports the expansion of Dominion Midstream's portfolio of natural gas terminaling, processing, storage, transportation and related assets. The Iroquois investment, accounted for under the equity method, was recorded at \$216.5 million based on the value of Dominion Midstream's common units at closing, including \$0.5 million of external transaction costs.

DCG Acquisition

On April 1, 2015, Dominion Midstream entered into a Purchase, Sale and Contribution Agreement with Dominion pursuant to which Dominion Midstream acquired from Dominion all of the issued and outstanding membership interests of DCG in exchange for total consideration of \$500.8 million, as adjusted for working capital. The sale of DCG from Dominion to Dominion Midstream is considered to be a reorganization of entities under common control. As a result, Dominion Midstream's basis is equal to Dominion's cost basis in the assets and liabilities of DCG. Subsequent to the transaction, Dominion Midstream owns 100% of the membership interests in DCG and therefore consolidates DCG.

Import Contracts

Cove Point has historically operated as an LNG import facility, under various long-term import contracts. Since 2010, Dominion has renegotiated certain existing LNG import contracts in a manner that will result in a significant reduction

in pipeline and storage capacity utilization and associated anticipated revenues during the period from 2017 through 2028. Such amendments

created the opportunity for Dominion to explore the Liquefaction Project, which, assuming it becomes operational, will extend the economic life of Cove Point. In total, these renegotiations reduced Cove Point's expected annual revenues from the import-related contracts by approximately \$150 million from 2017 through 2028, partially offset by approximately \$50 million of additional revenues in the years 2013 through 2017.

Liquefaction Project

Following the completion and initial startup phase of the Liquefaction Project, we expect that Cove Point will be able to pay the Preferred Return Distributions using a small percentage of its total available cash flows, as we expect Cove Point's total annual revenues, including reservation charges on the Cove Point Pipeline, to increase substantially notwithstanding the expiration or termination of any existing contracts with its Import Shippers or Storage Customers.

Income Taxes

Federal and state income taxes are reflected on the historical financial statements of Cove Point. Dominion Midstream, as a pass-through entity, generally is not subject to income taxes and does not record any provision for income taxes in its Consolidated Financial Statements. Income taxes will not be included in future periods, except to the extent Dominion Midstream acquires interests in business activities that are conducted in states that impose income taxes on partnerships or if it were to acquire a controlling interest in an entity that is subject to income taxes. If, however, Dominion Midstream acquires a controlling interest in a business from Dominion that had previously been subject to income taxes, the income taxes incurred by the business would be included in Dominion Midstream's Consolidated Financial Statements for any period in which Dominion owned the controlling interest.

General and Administrative Expenses

Subsequent to the Offering, we have incurred incremental general and administrative expenses as a result of operating as a publicly traded partnership, such as expenses associated with annual and quarterly reporting; tax return and Schedules K-1 preparation and distribution expenses; Sarbanes-Oxley compliance expenses; expenses associated with listing on the NYSE; independent auditor fees; legal fees; investor relations expenses; registrar and transfer agent fees; director and officer insurance expenses; and director compensation expenses. Additionally, our financial results reflect our obligation to reimburse our general partner and its affiliates for all direct and indirect expenses incurred and payments made on our behalf. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform various general, administrative and support services for us or on our behalf, and corporate overhead costs and expenses allocated to us by Dominion. Our partnership agreement provides that our general partner will determine the costs and expenses that are allocable to us.

ACCOUNTING MATTERS

Critical Accounting Policies and Estimates

Dominion Midstream has identified the following accounting policies, including certain inherent estimates, that as a result of

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the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved, could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Dominion Midstream has discussed the development, selection and disclosure of each of these policies with the Audit Committee of its Board of Directors.

ACCOUNTING FOR REGULATED OPERATIONS

Dominion Midstream is required to reflect the effect of FERC rate regulation in its Consolidated Financial Statements. For regulated businesses subject to FERC 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 FERC will permit the recovery of current costs through future rates charged to customers, these costs that would otherwise be expensed by nonregulated companies, are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that FERC will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred. Generally, regulatory assets and liabilities are amortized into income over the period authorized by FERC.

Dominion Midstream evaluates whether or not recovery of its regulatory assets through future rates is probable and makes various assumptions in its analyses. The expectations of future recovery are generally based on orders issued by FERC or historical experience, as well as discussions with FERC and legal counsel. 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. See Note 11 to the Consolidated Financial Statements for additional information.

USE OF ESTIMATES IN GOODWILL IMPAIRMENT TESTING

At December 31, 2015, Dominion Midstream reported \$295.5 million of goodwill on its Balance Sheet.

In April of each year, Dominion Midstream tests its goodwill for potential impairment, and performs additional tests more frequently if an event occurs or circumstances change in the interim that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. The 2015, 2014 and 2013 annual tests and any interim tests did not result in the recognition of any goodwill impairment.

In general, Dominion Midstream estimates the fair value of its reporting units by using a combination of discounted cash flows and other valuation techniques that use multiples of earnings for peer group companies and analyses of recent business combinations involving peer group companies. Fair value estimates are dependent on subjective factors such as Dominion Midstream's estimate of future cash flows, the selection of appropriate discount and growth rates, and the selection of peer group companies and recent transactions. These underlying assumptions and estimates are made as of a point in time; subsequent modifications, particularly changes in discount rates or growth rates inherent in Dominion Midstream's estimates of future cash flows, could result in a future impairment of goodwill. Although Dominion Midstream has consistently applied the same methods in developing the assumptions and estimates that underlie the fair value calculations, such as estimates of future cash flows, and based

those estimates on relevant information available at the time, such cash flow estimates are highly uncertain by nature and may vary significantly from actual results. With the exception of the reporting unit containing goodwill associated

with the DCG Acquisition as discussed below, if the estimates of future cash flows used in the most recent tests had been 10% lower, the resulting fair value would have still been greater than the carrying value of the reporting unit tested, indicating that no impairment was present.

In connection with the DCG Acquisition, Dominion Midstream recorded \$249.6 million of goodwill. As a result, a significant decrease in Dominion Midstream's estimates of future cash flows would likely result in the fair value of the reporting unit containing DCG to fall below its carrying value and could result in an assessment that the goodwill associated with that reporting unit is impaired. No such change has occurred in 2015.

See Note 10 to the Consolidated Financial Statements for additional information.

USE OF ESTIMATES IN LONG-LIVED ASSET IMPAIRMENT TESTING

Impairment testing for an individual or group of long-lived assets or for intangible assets with definite lives is required when circumstances indicate those assets may be impaired. When an asset's carrying amount exceeds the undiscounted estimated future cash flows associated with the asset, the asset is considered impaired to the extent that the asset's fair value is less than its carrying amount. Performing an impairment test on long-lived assets involves judgment in areas such as identifying if circumstances indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted and discounted estimated future cash flows (used to estimate fair value in the absence of market-based value) associated with the asset, including probability weighting such cash flows to reflect expectations about possible variations in their amounts or timing, expectations about operating the long-lived assets and the selection of an appropriate discount rate. When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has identifiable cash flows. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For example, estimates of future cash flows would contemplate factors which may change over time, such as the expected use of the asset, including future production and sales levels, expected fluctuations of prices of commodities sold and consumed and expected proceeds from dispositions.

New Accounting Standards

See Note 3 to the Consolidated Financial Statements for a discussion of new accounting standards.

Table of Contents**RESULTS OF OPERATIONS**

Presented below are selected amounts related to Dominion Midstream's results of operations:

Year Ended December 31, (millions)	2015	\$ Change	2014	\$ Change	2013
Operating revenue	\$ 369.6	\$ 56.3	\$ 313.3	\$ (30.2)	\$ 343.5
Purchased gas	54.6	(5.0)	59.6	(32.1)	91.7
Net revenue	315.0	61.3	253.7	1.9	251.8
Other operations and maintenance	56.7	21.8	34.9	7.0	27.9
Depreciation and amortization	40.4	2.7	37.7	6.0	31.7
Other taxes	26.3	3.9	22.4	1.3	21.1
Earnings from equity method investee	6.6	6.6			
Other income	1.0	1.0			
Interest and related charges	0.6	0.6			
Income tax expense	2.1	(49.7)	51.8	(9.9)	61.7
Net income including noncontrolling interest and DCG Predecessor	\$ 196.5	\$ 89.6	\$ 106.9	\$ (2.5)	\$ 109.4
Less: Predecessor income prior to initial public offering on October 20, 2014			80.6		
Less: Net income attributable to DCG Predecessor	2.3				
Net income including noncontrolling interest	194.2		26.3		
Less: Net income attributable to noncontrolling interest	121.7		16.8		
Net income attributable to partners	\$ 72.5		9.5		
EBITDA	\$ 239.6		\$ 196.4		\$ 202.8
Adjusted EBITDA ⁽¹⁾	\$ 75.6		\$ 9.5		
Distributable cash flow ⁽¹⁾	\$ 75.7		\$ 9.6		

⁽¹⁾ For 2014, represents amounts for the period from October 20, 2014 to December 31, 2014.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable GAAP financial measure for each year. The Adjusted EBITDA measure is not applicable to the year ended December 31, 2013.

Year Ended December 31, (millions)	2015	2014	2013
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Adjustments to reconcile net income including noncontrolling interest and DCG Predecessor to EBITDA and Adjusted EBITDA:

Net income including noncontrolling interest and DCG Predecessor:	\$ 196.5	\$ 106.9	\$ 109.4
Add:			
Depreciation and amortization	40.4	37.7	31.7
Interest and related charges	0.6		
Income tax expense	2.1	51.8	61.7
EBITDA	\$ 239.6	\$ 196.4	\$ 202.8
Distributions from equity method investee	2.6		
Less:			
Earnings from equity method investee	6.6		
EBITDA attributable to Predecessor prior to initial public offering		157.5	
EBITDA attributable to DCG Predecessor	5.7		
EBITDA attributable to noncontrolling interest	154.3	29.4	
Adjusted EBITDA⁽¹⁾	\$ 75.6	\$ 9.5	

⁽¹⁾ For 2014, represents amounts for the period from October 20, 2014 to December 31, 2014.

The following table presents a reconciliation of distributable cash flow to the most directly comparable GAAP financial measure for 2015. This measure is not applicable to the year ended December 31, 2013.

Year Ended December 31, (millions)	2015	2014
Adjustments to reconcile net cash provided by operating activities to distributable cash flow:		
Net cash provided by operating activities	\$ 243.5	\$ 156.1
Less:		
Cash attributable to Predecessor prior to initial public offering		119.5
Cash attributable to noncontrolling interest ⁽¹⁾	154.4	31.1
Cash attributable to DCG Predecessor ⁽²⁾	10.4	
Other changes in working capital and noncash adjustments	(3.1)	4.0
Adjusted EBITDA	75.6	9.5
Adjustments to cash:		
Plus: Other taxes ⁽³⁾	4.1	
Plus: Deferred revenue ⁽⁴⁾	8.0	
Less: Amortization of regulatory liability ⁽⁵⁾	(2.1)	
Less: Maintenance capital expenditures ⁽⁶⁾	(9.4)	
Plus: Transition costs funded by Dominion	0.7	
Less: Interest expense and AFUDC equity	(1.4)	
Plus: Non-cash director compensation	0.2	0.1
Distributable cash flow	\$ 75.7	\$ 9.6

⁽¹⁾ The Preferred Equity Interest is a perpetual, non-convertible preferred equity interest entitled to the Preferred Return Distributions. Any excess in cash available over the \$50.0 million is attributable to the noncontrolling interest held by Dominion but not available for distribution until the distribution reserve has been fully funded.

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- (2) *Represents net cash provided by operating activities of DCG from January 31, 2015, the inception date of common control, through March 31, 2015, the date just prior to Dominion Midstream acquiring DCG.*
- (3) *Adjustment to reflect the timing difference between cash paid for property taxes and the amount recognized into expense.*
- (4) *Adjustment to reflect the difference between cash received and revenue recognized related to facilities payments that are deferred and will be recognized over the related customer contract periods.*
- (5) *Represents the monetization of a bankruptcy claim being amortized into income through February 2024.*
- (6) *Amounts include accruals. For the years ended December 31 2015 and 2014, amounts exclude \$13.7 million and \$4.5 million, respectively, of Dominion funded maintenance capital expenditures related to the Cove Point LNG Facility and Cove Point Pipeline. Dominion has indicated that it intends to continue providing the funding necessary for such expenditures, but it is under no obligation to do so. In addition, the year ended December 31, 2015 excludes \$1.3 million of maintenance capital expenditures incurred by the DCG Predecessor.*

ANALYSIS OF CONSOLIDATED OPERATIONS

Overview

Net revenue reflects operating revenue less purchased gas expense. Purchased gas expense includes the value of natural gas retained for use in routine operations and the cost of LNG cooling cargo purchases. Increases or decreases in purchased gas expenses are offset by corresponding increases or decreases in operating revenues and are thus financially neutral to Dominion Midstream. LNG cooling cargo purchases are required for Cove Point to maintain the cryogenic readiness of the Cove Point LNG Facility. Each year, one or two LNG cooling cargos are procured and billed to the Import Shippers pursuant to certain provisions in Cove Point's FERC gas tariff.

An analysis of Dominion Midstream's results of operations follows:

2015 vs. 2014

Net revenue increased 24% primarily related to increased transportation and storage revenue as a result of the DCG Acquisition (\$61.5 million). Additionally, operating revenue and purchased gas expense decreased approximately \$5.0 million primarily due to pricing declines at Cove Point's transportation and storage operations, including pricing declines related to LNG cooling cargo during 2015 (\$20.6 million), partially offset by an increase of \$21.0 million from the receipt of two LNG cooling cargoes during 2015 as compared to one LNG cooling cargo during 2014.

Other operations and maintenance increased 62% primarily due to the DCG Acquisition (\$22.8 million), an increase in corporate general and administrative costs associated with operating as a stand-alone publicly traded partnership for the entire year (\$2.0 million) and certain transition service costs associated with the DCG Acquisition (\$3.0 million). This increase was partially offset by a decrease of \$6.5 million in stakeholder outreach expenditures associated with the Liquefaction Project.

Depreciation and amortization increased 7% primarily due to the DCG Acquisition (\$7.5 million), partially offset by the absence of accelerated depreciation recorded in 2014 for 2015 asset retirements associated with the Liquefaction Project (\$4.8 million).

Earnings for equity method investee increased \$6.6 million as a result of the acquisition of a 25.93% noncontrolling partnership interest in Iroquois.

Other taxes increased 17% primarily due to the DCG Acquisition.

Interest and related charges increased \$0.6 million as a result of the issuance of affiliated long-term debt in connection with the DCG Acquisition.

Income tax expense decreased \$51.8 million as a result of Dominion Midstream's treatment as a pass-through entity for federal and state income tax purposes effective October 20, 2014, partially offset by \$2.1 million of income taxes attributable to the DCG Predecessor.

2014 vs. 2013

Net revenue increased 1%, primarily reflecting a \$3.2 million increase in other revenue as a result of the renegotiation of certain import-related contracts. Operating revenue and purchased gas expense decreased as Cove Point received one LNG cooling cargo in 2014 compared to the receipt of two LNG cooling cargos in 2013.

Other operations and maintenance increased 25%, primarily due to an increase in stakeholder outreach expenditures associated with the Liquefaction Project.

Depreciation and amortization increased 19%, primarily as a result of accelerated depreciation from anticipated asset retirements associated with the Liquefaction Project.

Other taxes increased 6% primarily due to an increase of \$0.5 million in assessed property taxes on the Cove Point LNG Facility and the absence of a \$0.5 million reduction of property taxes recognized in 2013 to reflect the actual amount billed to Cove Point.

Interest and related charges were immaterial in both 2014 and 2013 as any affiliated borrowings were used primarily to fund capita