

DOMINION RESOURCES INC /VA/
Form 10-Q
August 06, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from _____ to _____

Commission File

Number
001-08489

Exact name of registrants as specified in their charters, address of

principal executive offices and registrants telephone number
DOMINION RESOURCES, INC.

I.R.S. Employer

Identification Number
54-1229715

001-02255

VIRGINIA ELECTRIC AND POWER COMPANY

54-0418825

120 Tredegar Street**Richmond, Virginia 23219****(804) 819-2000****State or other jurisdiction of incorporation or organization of the registrants: Virginia**

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.

Dominion Resources, Inc. Yes No Virginia Electric and Power Company 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).

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No

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.

Dominion Resources, Inc.

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
 Virginia Electric and Power Company

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No

At June 30, 2013, the latest practicable date for determination, Dominion Resources, Inc. had 579,020,114 shares of common stock outstanding and Virginia Electric and Power Company had 274,723 shares of common stock outstanding. Dominion Resources, Inc. is the sole holder of Virginia Electric and Power Company's common stock.

This combined Form 10-Q represents separate filings by Dominion Resources, Inc. and Virginia Electric and Power Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Virginia Electric and Power Company makes no representations as to the information relating to Dominion Resources, Inc.'s other operations.

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

Abbreviation or Acronym	Definition
AFUDC	Allowance for funds used during construction
AMR	Automated meter reading program deployed by East Ohio
AOCI	Accumulated other comprehensive income (loss)
Appalachian Gateway Project	DTI project completed in September 2012 to provide approximately 484,000 Dth per day of firm transportation services for new Appalachian gas supplies in West Virginia and southwestern Pennsylvania to an interconnection with Texas Eastern Transmission, LP at Oakford, Pennsylvania
AROs	Asset retirement obligations
ARP	Acid Rain Program, a market-based initiative for emissions allowance trading, established pursuant to Title IV of the CAA
ASLB	Atomic Safety and Licensing Board
bcf	Billion cubic feet
Biennial Review Order	Order issued by the Virginia Commission in November 2011 concluding the 2009-2010 biennial review of Virginia Power's base rates, terms and conditions
Blue Racer	Blue Racer Midstream, LLC, a joint venture with Caiman
BOD	Board of Directors
BP	BP Wind Energy North America Inc.
Brayton Point	Brayton Point power station, a 1,528 MW power station in Somerset, Massachusetts, with three coal-fired units and one unit fired by natural gas or oil
BREDL	Blue Ridge Environmental Defense League
Brunswick County	Brunswick County power station, a 1,358 MW combined cycle, natural gas-fired power station in Brunswick County, Virginia
CAA	Clean Air Act
Caiman	Caiman Energy II, LLC
CAIR	Clean Air Interstate Rule
Carson-to-Suffolk line	Virginia Power 60-mile 500 kV transmission line in southeastern Virginia
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO	Chief Financial Officer
CO ₂	Carbon dioxide
COL	Combined Construction Permit and Operating License
Companies	Dominion and Virginia Power, collectively
Cooling degree days	Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Cove Point	Dominion Cove Point LNG, LP
CSAPR	Cross State Air Pollution Rule

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CWA	Clean Water Act
DEI	Dominion Energy, Inc.
DOE	Department of Energy
Dominion	The legal entity, Dominion Resources, Inc., one or more of its consolidated subsidiaries (other than Virginia Power) or operating segments or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries
DRS	Dominion Resources Services, Inc.
DTI	Dominion Transmission, Inc.
Dth	Dekatherm
DVP	Dominion Virginia Power operating segment
East Ohio	The East Ohio Gas Company, doing business as Dominion East Ohio
Elwood	Elwood power station, a 1,424 MW power station outside Chicago, Illinois, with nine 158 MW natural gas-fired combustion turbines, in which Dominion owns a 50 percent interest (712 MW)
Energy Capital Partners	A private equity firm with offices in Short Hills, New Jersey and San Diego, California
EPA	Environmental Protection Agency
EPS	Earnings per share
ESBWR	General Electric-Hitachi's Economic Simplified Boiling Water Reactor
Fairless	Fairless power station

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Abbreviation or Acronym	Definition
FERC	Federal Energy Regulatory Commission
Fowler Ridge	A wind-turbine facility joint venture between Dominion and BP in Benton County, Indiana
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
GHG	Greenhouse gas
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
IDA	Industrial Development Authority
Illinois Gas Contracts	A Dominion Retail natural gas book of business consisting of residential and commercial customers in Illinois
INPO	Institute of Nuclear Power Operations
ISO	Independent system operator
ISO-NE	ISO New England
Kewaunee	Kewaunee nuclear power station
Kincaid	Kincaid power station, a 1,158 MW power station in Kincaid, Illinois, with two 579 MW coal-fired units
kV	Kilovolt
kWh	Kilowatt-hour
Line TL-388	A 37-mile, 24-inch gathering line extending from Texas Eastern, LP in Noble County, Ohio to its terminus at Dominion's Gilmore Station in Tuscarawas County, Ohio
Line TL-404	An approximately 26-mile, 24- and 30- inch gas gathering pipeline that extends from Wetzel County, West Virginia to Monroe County, Ohio
LNG	Liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDFA	Massachusetts Development Finance Agency
Meadow Brook-to-Loudoun line	Virginia Power 65-mile 500 kV transmission line that begins in Warren County, Virginia and terminates in Loudoun County, Virginia
Millstone	Millstone nuclear power station
MISO	Midcontinent Independent Transmission System Operator, Inc.
Moody's	Moody's Investors Service
MW	Megawatt
MWh	Megawatt hour
NCEMC	North Carolina Electric Membership Corporation
NedPower	A wind-turbine facility joint venture between Dominion and Shell in Grant County, West Virginia
NEIL	Nuclear Electric Insurance Limited
NGLs	Natural gas liquids
North Anna	North Anna nuclear power station
North Carolina Commission	North Carolina Utilities Commission

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Northeast Expansion Project	DTI project completed in November 2012 to provide approximately 200,000 Dth per day of firm transportation services; this project moves supplies from various receipt points in central and southwestern Pennsylvania to a nexus of market pipelines and storage facilities in Leidy, Pennsylvania
NO _x	Nitrogen oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
ODEC	Old Dominion Electric Cooperative
Ohio Commission	Public Utilities Commission of Ohio
Order 1000	Order issued by FERC adopting new requirements for transmission planning, cost allocation and development
PADEP	Pennsylvania Department of Environmental Protection
PIPP	Percentage of Income Payment Plan
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio

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Abbreviation or Acronym	Definition
PJM	PJM Interconnection, L.L.C.
ppb	Parts-per-billion
Radnor Heights Project	Virginia Power project to construct three new 230 kV underground transmission lines totaling approximately 6 miles and the associated Radnor Heights substation in Arlington County, Virginia
RGGI	Regional Greenhouse Gas Initiative
Rider B	A rate adjustment clause associated with the recovery of costs related to the conversion of three of Virginia Power's coal-fired power stations to biomass
Rider BW	A rate adjustment clause associated with the recovery of costs related to Brunswick County
Rider S	A rate adjustment clause associated with the recovery of costs related to the Virginia City Hybrid Energy Center
Rider T1	A rate adjustment clause to recover the difference between revenues produced from the transmission component of base rates, and the total revenue requirement to recover costs for transmission services and demand response programs
Rider W	A rate adjustment clause associated with the recovery of costs related to Warren County
ROE	Return on equity
RSN	Remarketable subordinated note
RTO	Regional transmission organization
Salem Harbor	Salem Harbor power station
SEC	Securities and Exchange Commission
Shell	Shell WindEnergy, Inc.
SO ₂	Sulfur dioxide
Standard & Poor's	Standard & Poor's Ratings Services, a division of McGraw Hill Financial, Inc.
State Line	State Line power station
Surry	Surry nuclear power station
U.S.	United States of America
UAO	Unilateral Administrative Order
UEX Rider	Uncollectible Expense Rider
VIE	Variable interest entity
Virginia City Hybrid Energy Center	A 600 MW baseload carbon-capture compatible, clean coal powered electric generation facility in Wise County, Virginia
Virginia Commission	Virginia State Corporation Commission
Virginia Power	The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments or the entirety of Virginia Power and its consolidated subsidiaries
Warren County	Warren County power station, a 1,329 MW combined-cycle, natural gas-fired power station under construction in Warren County, Virginia
Waxpool-Brambleton-BECO line	Virginia Power project to construct an approximately 1.5-mile double circuit 230 kV line to a new Waxpool substation, and a new 230 kV line between the Brambleton and BECO substations

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****DOMINION RESOURCES, INC.****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012⁽¹⁾	2013	2012⁽¹⁾
(millions, except per share amounts)				
Operating Revenue	\$ 2,980	\$ 3,005	\$ 6,503	\$ 6,402
Operating Expenses				
Electric fuel and other energy-related purchases	875	895	1,826	1,807
Purchased electric capacity	88	98	176	211
Purchased gas	297	215	764	627
Other operations and maintenance	728	753	1,351	1,360
Depreciation, depletion and amortization	303	275	600	548
Other taxes	141	141	308	303
Total operating expenses	2,432	2,377	5,025	4,856
Income from operations	548	628	1,478	1,546
Other income	49	44	136	118
Interest and related charges	203	209	431	421
Income from continuing operations including noncontrolling interests before income tax expense	394	463	1,183	1,243
Income tax expense	116	166	404	435
Income from continuing operations including noncontrolling interests	278	297	779	808
Loss from discontinued operations ⁽²⁾	(70)	(32)	(69)	(42)
Net Income Including Noncontrolling Interests	208	265	710	766
Noncontrolling Interests	6	7	13	14
Net Income Attributable to Dominion	\$ 202	\$ 258	\$ 697	\$ 752
Amounts Attributable to Dominion:				
Income from continuing operations, net of tax	\$ 272	\$ 290	\$ 766	\$ 794
Loss from discontinued operations, net of tax	(70)	(32)	(69)	(42)
Net income attributable to Dominion	\$ 202	\$ 258	\$ 697	\$ 752
Earnings Per Common Share-Basic				
Income from continuing operations	\$ 0.47	\$ 0.51	\$ 1.33	\$ 1.39
Loss from discontinued operations	(0.12)	(0.06)	(0.12)	(0.07)

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Net income attributable to Dominion	\$ 0.35	\$ 0.45	\$ 1.21	\$ 1.32
Earnings Per Common Share-Diluted				
Income from continuing operations	\$ 0.47	\$ 0.51	\$ 1.33	\$ 1.38
Loss from discontinued operations	(0.12)	(0.06)	(0.12)	(0.07)
Net income attributable to Dominion	\$ 0.35	\$ 0.45	\$ 1.21	\$ 1.31
Dividends declared per common share	\$ 0.5625	\$ 0.5275	\$ 1.1250	\$ 1.0550

- (1) Recast to reflect Brayton Point and Kincaid as discontinued operations, as discussed in Note 3.
- (2) Includes income tax benefit of \$49 million and \$26 million for the three months ended June 30, 2013 and 2012, respectively, and \$49 million and \$36 million for the six months ended June 30, 2013 and 2012, respectively.
- The accompanying notes are an integral part of Dominion's Consolidated Financial Statements.

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DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income including noncontrolling interests	\$ 208	\$ 265	\$ 710	\$ 766
Other comprehensive income (loss), net of taxes:				
Net deferred gains on derivatives-hedging activities ⁽¹⁾	122	2	32	130
Changes in unrealized net gains (losses) on investment securities ⁽²⁾	3	(23)	81	61
Changes in unrecognized pension and other postretirement benefit costs ⁽³⁾	228	1	228	2
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities ⁽⁴⁾	(17)	(31)	59	(47)
Net realized gains on investment securities ⁽⁵⁾	(9)	(5)	(36)	(14)
Net pension and other postretirement benefit costs ⁽⁶⁾	10	12	30	23
Total other comprehensive income (loss)	337	(44)	394	155
Comprehensive income including noncontrolling interests	545	221	1,104	921
Comprehensive income attributable to noncontrolling interests	6	7	13	14
Comprehensive income attributable to Dominion	\$ 539	\$ 214	\$ 1,091	\$ 907

- (1) Net of \$(76) million and \$(1) million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(22) million and \$(81) million tax for the six months ended June 30, 2013 and 2012, respectively.
- (2) Net of \$ million and \$16 million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(51) million and \$(41) million tax for the six months ended June 30, 2013 and 2012, respectively.
- (3) Net of \$(148) million and \$(1) million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(148) million and \$(1) million tax for the six months ended June 30, 2013 and 2012, respectively.
- (4) Net of \$9 million and \$11 million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(39) million and \$23 million tax for the six months ended June 30, 2013 and 2012, respectively.
- (5) Net of \$5 million and \$3 million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$23 million and \$10 million tax for the six months ended June 30, 2013 and 2012, respectively.
- (6) Net of \$(11) million and \$(8) million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(20) million and \$(17) million tax for the six months ended June 30, 2013 and 2012, respectively.

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

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DOMINION RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(millions)	June 30, 2013	December 31, 2012 ⁽¹⁾
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 190	\$ 248
Customer receivables (less allowance for doubtful accounts of \$26 and \$28)	1,514	1,621
Other receivables (less allowance for doubtful accounts of \$3 and \$4)	133	96
Inventories	1,154	1,259
Derivative assets	1,040	518
Assets held for sale	347	
Other	1,485	1,398
Total current assets	5,863	5,140
Investments		
Nuclear decommissioning trust funds	3,551	3,330
Investment in equity method affiliates	560	558
Other	276	303
Total investments	4,387	4,191
Property, Plant and Equipment		
Property, plant and equipment	44,610	43,364
Property, plant and equipment, VIE	957	957
Accumulated depreciation, depletion and amortization	(14,013)	(13,548)
Total property, plant and equipment, net	31,554	30,773
Deferred Charges and Other Assets		
Goodwill	3,125	3,130
Regulatory assets	1,473	1,717
Other	2,024	1,887
Total deferred charges and other assets	6,622	6,734
Total assets	\$ 48,426	\$ 46,838

(1) Dominion's Consolidated Balance Sheet at December 31, 2012 has been derived from the audited Consolidated Financial Statements at that date.

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

Table of Contents**DOMINION RESOURCES, INC.****CONSOLIDATED BALANCE SHEETS (Continued)****(Unaudited)**

(millions)	June 30, 2013	December 31, 2012 ⁽¹⁾
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	\$ 1,090	\$ 1,363
Securities due within one year, VIE	844	860
Short-term debt	2,105	2,412
Accounts payable	909	1,137
Derivative liabilities	950	510
Liabilities held for sale	37	
Other	1,442	1,481
Total current liabilities	7,377	7,763
Long-Term Debt		
Long-term debt	15,592	15,478
Junior subordinated notes	1,373	1,373
Remarketable subordinated notes	1,078	
Total long-term debt	18,043	16,851
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	6,525	5,800
Asset retirement obligations	1,592	1,641
Pension and other postretirement benefit liabilities	1,299	1,831
Regulatory liabilities	1,616	1,514
Other	657	556
Total deferred credits and other liabilities	11,689	11,342
Total liabilities	37,109	35,956
Commitments and Contingencies (see Note 15)		
Subsidiary Preferred Stock Not Subject to Mandatory Redemption	257	257
Equity		
Common stock no par ²	5,650	5,493
Other paid-in capital		162
Retained earnings	5,836	5,790
Accumulated other comprehensive loss	(483)	(877)
Total common shareholders equity	11,003	10,568

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Noncontrolling interest	57	57
Total equity	11,060	10,625
Total liabilities and equity	\$ 48,426	\$ 46,838

- (1) Dominion's Consolidated Balance Sheet at December 31, 2012 has been derived from the audited Consolidated Financial Statements at that date.
- (2) 1 billion shares authorized; 579 million shares and 576 million shares outstanding at June 30, 2013 and December 31, 2012, respectively. The accompanying notes are an integral part of Dominion's Consolidated Financial Statements.

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Table of Contents**DOMINION RESOURCES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

Six Months Ended June 30, (millions)	2013	2012
Operating Activities		
Net income including noncontrolling interests	\$ 710	\$ 766
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization (including nuclear fuel)	729	704
Deferred income taxes and investment tax credits	395	444
Rate refunds	(5)	(103)
Other adjustments	(32)	(68)
Changes in:		
Accounts receivable	92	363
Inventories	(10)	75
Deferred fuel and purchased gas costs, net	48	312
Prepayments	(88)	(70)
Accounts payable	(149)	(265)
Accrued interest, payroll and taxes	(67)	(76)
Margin deposit assets and liabilities	21	177
Other operating assets and liabilities	147	139
Net cash provided by operating activities	1,791	2,398
Investing Activities		
Plant construction and other property additions (including nuclear fuel)	(1,950)	(1,960)
Proceeds from sales of securities	862	764
Purchases of securities	(885)	(763)
Restricted cash equivalents	23	71
Other	65	24
Net cash used in investing activities	(1,885)	(1,864)
Financing Activities		
Repayment of short-term debt, net	(307)	(284)
Issuance of long-term debt	2,350	450
Repayment of long-term debt, including redemption premiums	(1,185)	(168)
Repayment of junior subordinated notes	(258)	
Issuance of common stock	144	139
Common dividend payments	(650)	(603)
Subsidiary preferred dividend payments	(8)	(8)
Other	(50)	
Net cash provided by (used in) financing activities	36	(474)
Increase (decrease) in cash and cash equivalents	(58)	60
Cash and cash equivalents at beginning of period	248	102
Cash and cash equivalents at end of period	\$ 190	\$ 162

Supplemental Cash Flow Information

Significant noncash investing activities:

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Accrued capital expenditures	\$ 172	\$ 262
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The accompanying notes are an integral part of Dominion's Consolidated Financial Statements.

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Operating Revenue	\$ 1,710	\$ 1,756	\$ 3,491	\$ 3,510
Operating Expenses				
Electric fuel and other energy-related purchases	528	602	1,098	1,216
Purchased electric capacity	88	97	176	210
Other operations and maintenance:				
Affiliated suppliers	81	82	155	165
Other	274	360	519	583
Depreciation and amortization	211	188	418	376
Other taxes	65	66	132	131
Total operating expenses	1,247	1,395	2,498	2,681
Income from operations	463	361	993	829
Other income	27	17	52	40
Interest and related charges	84	100	177	200
Income before income tax expense	406	278	868	669
Income tax expense	141	106	316	254
Net Income	265	172	552	415
Preferred dividends	4	4	8	8
Balance available for common stock	\$ 261	\$ 168	\$ 544	\$ 407

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(millions)	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Net income	\$ 265	\$ 172	\$ 552	\$ 415
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities ⁽¹⁾	1	(2)	3	(3)
Changes in unrealized net gains (losses) on nuclear decommissioning trust funds ⁽²⁾		(2)	8	6
Amounts reclassified to net income:				
Net derivative losses-hedging activities ⁽³⁾		1		2
Net realized gains on nuclear decommissioning trust funds ⁽⁴⁾		(1)	(1)	(1)
Other comprehensive income (loss)	1	(4)	10	4
Comprehensive income	\$ 266	\$ 168	\$ 562	\$ 419

- (1) Net of \$(1) million and \$2 million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(2) million and \$2 million tax for the six months ended June 30, 2013 and 2012, respectively.
- (2) Net of \$ million and \$1 million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$(5) million and \$(5) million tax for the six months ended June 30, 2013 and 2012, respectively.
- (3) Net of \$ million and \$ million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$ million and \$(1) million tax for the six months ended June 30, 2013 and 2012, respectively.
- (4) Net of \$ million and \$ million tax for the three months ended June 30, 2013 and 2012, respectively, and net of \$1 million and \$1 million tax for the six months ended June 30, 2013 and 2012, respectively.

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

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Table of Contents**VIRGINIA ELECTRIC AND POWER COMPANY****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	June 30, 2013	December 31, 2012 ⁽¹⁾
(millions)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14	\$ 28
Customer receivables (less allowance for doubtful accounts of \$10 at both dates)	897	849
Other receivables (less allowance for doubtful accounts of \$2 and \$3)	55	51
Inventories (average cost method)	793	789
Prepayments	70	23
Other	275	241
Total current assets	2,104	1,981
Investments		
Nuclear decommissioning trust funds	1,612	1,515
Other	14	14
Total investments	1,626	1,529
Property, Plant and Equipment		
Property, plant and equipment	31,684	30,631
Accumulated depreciation and amortization	(10,327)	(10,014)
Total property, plant and equipment, net	21,357	20,617
Deferred Charges and Other Assets		
Intangible assets, net	184	181
Regulatory assets	405	396
Other	113	107
Total deferred charges and other assets	702	684
Total assets	\$ 25,789	\$ 24,811

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2012 has been derived from the audited Consolidated Financial Statements at that date.

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

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VIRGINIA ELECTRIC AND POWER COMPANY
CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

(millions)	June 30, 2013	December 31, 2012 ⁽¹⁾
LIABILITIES AND SHAREHOLDER S EQUITY		
Current Liabilities		
Securities due within one year	\$ 58	\$ 418
Short-term debt	1,084	992
Accounts payable	361	430
Payables to affiliates	75	67
Affiliated current borrowings	50	435
Accrued interest, payroll and taxes	205	204
Other	403	461
Total current liabilities	2,236	3,007
Long-Term Debt	7,398	6,251
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	4,037	3,879
Asset retirement obligations	718	705
Regulatory liabilities	1,371	1,285
Other	253	194
Total deferred credits and other liabilities	6,379	6,063
Total liabilities	16,013	15,321
Commitments and Contingencies (see Note 15)		
Preferred Stock Not Subject to Mandatory Redemption	257	257
Common Shareholder s Equity		
Common stock no par ⁽²⁾	5,738	5,738
Other paid-in capital	1,113	1,113
Retained earnings	2,633	2,357
Accumulated other comprehensive income	35	25
Total common shareholder s equity	9,519	9,233
Total liabilities and shareholder s equity	\$ 25,789	\$ 24,811

(1) Virginia Power s Consolidated Balance Sheet at December 31, 2012 has been derived from the audited Consolidated Financial Statements at that date.

(2) 500,000 shares authorized; 274,723 shares outstanding at June 30, 2013 and December 31, 2012. The accompanying notes are an integral part of Virginia Power s Consolidated Financial Statements.

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VIRGINIA ELECTRIC AND POWER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30, (millions)	2013	2012
Operating Activities		
Net income	\$ 552	\$ 415
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including nuclear fuel)	499	444
Deferred income taxes and investment tax credits	199	188
Rate refunds	(5)	(103)
Other adjustments	(34)	(36)
Changes in:		
Accounts receivable	(52)	33
Affiliated accounts receivable and payable	8	11
Inventories	(4)	41
Deferred fuel expenses	(4)	293
Accounts payable	(30)	(11)
Accrued interest, payroll and taxes	1	(21)
Other operating assets and liabilities	(15)	97
Net cash provided by operating activities	1,115	1,351
Investing Activities		
Plant construction and other property additions	(1,217)	(956)
Purchases of nuclear fuel	(90)	(125)
Purchases of securities	(354)	(361)
Proceeds from sales of securities	324	353
Other		5
Net cash used in investing activities	(1,337)	(1,084)
Financing Activities		
Issuance (repayment) of short-term debt, net	92	(429)
Repayment of affiliated current borrowings, net	(385)	
Issuance of long-term debt	1,250	450
Repayment of long-term debt	(459)	(9)
Common dividend payments	(268)	(269)
Preferred dividend payments	(8)	(8)
Other	(14)	(4)
Net cash provided by (used in) financing activities	208	(269)
Decrease in cash and cash equivalents	(14)	(2)
Cash and cash equivalents at beginning of period	28	29
Cash and cash equivalents at end of period	\$ 14	\$ 27
Supplemental Cash Flow Information		
Significant noncash investing activities:		
Accrued capital expenditures	\$ 100	\$ 126

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

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Nature of Operations

Dominion, headquartered in Richmond, Virginia, is one of the nation's largest producers and transporters of energy. Dominion's operations are conducted through various subsidiaries, including Virginia Power, a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and northeastern North Carolina.

Note 2. Significant Accounting Policies

As permitted by the rules and regulations of the SEC, Dominion's and Virginia Power's accompanying unaudited Consolidated Financial Statements contain certain condensed financial information and exclude certain footnote disclosures normally included in annual audited consolidated financial statements prepared in accordance with GAAP. These unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes in Dominion's and Virginia Power's Annual Report on Form 10-K for the year ended December 31, 2012 and their Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

In Dominion's and Virginia Power's opinion, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly their financial position as of June 30, 2013, their results of operations for the three and six months ended June 30, 2013 and 2012 and their cash flows for the six months ended June 30, 2013 and 2012. Such adjustments are normal and recurring in nature unless otherwise noted.

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

Dominion's and Virginia Power's accompanying unaudited Consolidated Financial Statements include, after eliminating intercompany transactions and balances, their accounts and those of their respective majority-owned subsidiaries and those VIEs where Dominion has been determined to be the primary beneficiary.

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

Certain amounts in Dominion's and Virginia Power's 2012 Consolidated Financial Statements and Notes have been reclassified to conform to the 2013 presentation for comparative purposes. The reclassifications did not affect the Companies' net income, total assets, liabilities, equity or cash flows.

Amounts disclosed for Dominion are inclusive of Virginia Power, where applicable.

Note 3. Dispositions

Sale of Illinois Gas Contracts

In June 2013, Dominion completed the sale of Illinois Gas Contracts. The sales price was approximately \$32 million, subject to post-closing adjustments. The sale resulted in a gain of approximately \$29 million (\$18 million after-tax) net of a \$3 million write-off of goodwill, and is included in other operations and maintenance expense in Dominion's Consolidated Statement of Income. The sale of Illinois Gas Contracts did not qualify for discontinued operations classification as it is not considered a component under applicable accounting guidance.

Sale of Brayton Point, Kincaid and Equity Method Investment in Elwood

In March 2013, Dominion entered into an agreement with Energy Capital Partners to sell Brayton Point, Kincaid, and its 50% interest in Elwood, which is an equity method investment.

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Necessary approvals required to close the transaction have been received, with the exception of FERC approval. Dominion expects to receive FERC approval and close the transaction during the third quarter of 2013. The sales price is approximately \$472 million, subject to customary closing adjustments. In the first quarter of 2013, Brayton Point's and Kincaid's assets and liabilities to be disposed of were classified as held for sale and adjusted to their estimated fair value less cost to sell, resulting in an impairment charge of \$37 million (\$22 million after-tax), which is included in discontinued operations in Dominion's Consolidated Statements of Income. As of June 30, 2013, Dominion remeasured the fair value less costs to sell of the net assets held for sale, resulting in an additional impairment charge of \$11 million (\$6 million after-tax), which is included in discontinued operations in Dominion's Consolidated Statements of Income. In both periods, Dominion used the market approach to estimate the fair value of Brayton Point's and Kincaid's long-lived assets. These were considered Level 2 fair value measurements given that they were based on the agreed-upon sales price. The carrying amounts of the major classes of assets and liabilities classified as held for sale in Dominion's Consolidated Balance Sheet are as follows:

At June 30, (millions)	2013
Assets	
Current assets	\$ 140
Property, plant and equipment, net	192
Other assets	15
Total assets	\$ 347
Liabilities	
Current liabilities	\$ 17
Asset retirement obligations	19
Other liabilities	1
Total liabilities	\$ 37

The following table presents selected information regarding the results of operations of Brayton Point and Kincaid, which are reported as discontinued operations in Dominion's Consolidated Statements of Income:

(millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Operating revenue	\$ 63	\$ 49	\$ 217	\$ 114
Loss before income taxes ⁽¹⁾	(119)	(26)	(118)	(48)

(1) 2013 results include \$64 million of charges related to the early redemption of Brayton Point and Kincaid debt. See Note 14 in this report for more information.

Dominion's 50% interest in Elwood is an equity method investment and therefore, in accordance with applicable accounting guidance, the carrying amount of this investment is not classified as held for sale nor are the equity earnings from this investment reported as discontinued operations.

Sale of Salem Harbor and State Line

In August 2012, Dominion completed the sale of Salem Harbor. During the second quarter of 2012, Dominion completed the sale of State Line, which ceased operations in March 2012.

The following table presents selected information regarding the results of operations of Salem Harbor and State Line, which are classified in discontinued operations in Dominion's Consolidated Statements of Income:

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(millions)	Three Months Ended June 30, 2012	Six Months Ended June 30 2012,
Operating revenue	\$ 22	\$ 52
Loss before income taxes	(32)	(30)

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The Companies' operating revenue consists of the following:

(millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Dominion				
Electric sales:				
Regulated	\$ 1,687	\$ 1,725	\$ 3,448	\$ 3,449
Nonregulated	545	626	1,203	1,269
Gas sales:				
Regulated	49	33	181	132
Nonregulated	208	165	553	563
Gas transportation and storage	360	305	827	710
Other	131	151	291	279
Total operating revenue	\$ 2,980	\$ 3,005	\$ 6,503	\$ 6,402
Virginia Power				
Regulated electric sales	\$ 1,687	\$ 1,725	\$ 3,448	\$ 3,449
Other	23	31	43	61
Total operating revenue	\$ 1,710	\$ 1,756	\$ 3,491	\$ 3,510

Note 5. Income Taxes

For continuing operations, including noncontrolling interests, the statutory U.S. federal income tax rate reconciles to Dominion's and Virginia Power's effective income tax rate as follows:

Six Months Ended June 30,	Dominion		Virginia Power	
	2013	2012	2013	2012
U.S. statutory rate	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:				
State taxes, net of federal benefit	1.9	4.1	2.6	3.9
Investment and production tax credits	(1.5)	(0.5)		
Valuation allowances		(1.8)		
AFUDC equity	(0.8)	(0.7)	(1.4)	(1.1)
Other, net	(0.5)	(1.1)	0.2	0.1
Effective tax rate	34.1%	35.0%	36.4%	37.9%

Dominion's and Virginia Power's 2013 state income tax expense reflects changes in the amount of income apportioned among states.

Dominion's effective tax rate in 2012 reflects a \$22 million reduction of valuation allowance related to state operating loss carryforwards attributable to Fairless. After considering the results of Fairless' operations in recent years and a forecast of future operating results reflecting Dominion's planned purchase of the facility, Dominion concluded that it was more likely than not that the tax benefit of the operating losses would be realized. Significant assumptions included future commodity prices, in particular, those for electric energy produced by Fairless and those for natural gas, as compared to other fuels used for the generation of electricity, which would significantly influence the extent to which Fairless is dispatched by PJM.

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See Note 5 to the Consolidated Financial Statements in Dominion's and Virginia Power's Annual Report on Form 10-K for the year ended December 31, 2012, for a discussion of the Companies' unrecognized tax benefits. During the six months ended June 30, 2013, Dominion's and Virginia Power's unrecognized tax benefits changed as follows:

	Dominion	Virginia Power
(millions)		
Balance at January 1, 2013	\$ 293	\$ 57
Increases prior period positions	2	2
Decreases prior period positions		