

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:

<b>Abbreviation or Acronym</b>	<b>Definition</b>
AFUDC	Allowance for funds used during construction
AMR	Automated meter reading program deployed by East Ohio
AOI	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 <sub>2</sub>	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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<b>Abbreviation or Acronym</b>	<b>Definition</b>
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 <sub>x</sub>	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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<b>Abbreviation or Acronym</b>	<b>Definition</b>
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 <sub>2</sub>	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)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012<sup>(1)</sup></b>	<b>2013</b>	<b>2012<sup>(1)</sup></b>
(millions, except per share amounts)				
<b>Operating Revenue</b>	<b>\$ 2,980</b>	<b>\$ 3,005</b>	<b>\$ 6,503</b>	<b>\$ 6,402</b>
<b>Operating Expenses</b>				
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
<b>Total operating expenses</b>	<b>2,432</b>	<b>2,377</b>	<b>5,025</b>	<b>4,856</b>
<b>Income from operations</b>	<b>548</b>	<b>628</b>	<b>1,478</b>	<b>1,546</b>
<b>Other income</b>	<b>49</b>	<b>44</b>	<b>136</b>	<b>118</b>
<b>Interest and related charges</b>	<b>203</b>	<b>209</b>	<b>431</b>	<b>421</b>
<b>Income from continuing operations including noncontrolling interests before income tax expense</b>	<b>394</b>	<b>463</b>	<b>1,183</b>	<b>1,243</b>
<b>Income tax expense</b>	<b>116</b>	<b>166</b>	<b>404</b>	<b>435</b>
<b>Income from continuing operations including noncontrolling interests</b>	<b>278</b>	<b>297</b>	<b>779</b>	<b>808</b>
<b>Loss from discontinued operations<sup>(2)</sup></b>	<b>(70)</b>	<b>(32)</b>	<b>(69)</b>	<b>(42)</b>
<b>Net Income Including Noncontrolling Interests</b>	<b>208</b>	<b>265</b>	<b>710</b>	<b>766</b>
<b>Noncontrolling Interests</b>	<b>6</b>	<b>7</b>	<b>13</b>	<b>14</b>
<b>Net Income Attributable to Dominion</b>	<b>\$ 202</b>	<b>\$ 258</b>	<b>\$ 697</b>	<b>\$ 752</b>
<b>Amounts Attributable to Dominion:</b>				
Income from continuing operations, net of tax	\$ 272	\$ 290	\$ 766	\$ 794
Loss from discontinued operations, net of tax	(70)	(32)	(69)	(42)
<b>Net income attributable to Dominion</b>	<b>\$ 202</b>	<b>\$ 258</b>	<b>\$ 697</b>	<b>\$ 752</b>
<b>Earnings Per Common Share-Basic</b>				
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
<b>Earnings Per Common Share-Diluted</b>				
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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**Table of Contents****DOMINION RESOURCES, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

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

- (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)**

	June 30, 2013	December 31, 2012 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
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
<b>Investments</b>		
Nuclear decommissioning trust funds	3,551	3,330
Investment in equity method affiliates	560	558
Other	276	303
Total investments	4,387	4,191
<b>Property, Plant and Equipment</b>		
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
<b>Deferred Charges and Other Assets</b>		
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)**

	June 30, 2013	December 31, 2012 <sup>(1)</sup>
(millions)		
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
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
<b>Long-Term Debt</b>		
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
<b>Deferred Credits and Other Liabilities</b>		
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
<b>Commitments and Contingencies (see Note 15)</b>		
<b>Subsidiary Preferred Stock Not Subject to Mandatory Redemption</b>	257	257
<b>Equity</b>		
Common stock no par <sup>(2)</sup>	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
<b>Operating Activities</b>		
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
<b>Investing Activities</b>		
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)
<b>Financing Activities</b>		
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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**Table of Contents****VIRGINIA ELECTRIC AND POWER COMPANY****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
(millions)				
<b>Operating Revenue</b>	<b>\$ 1,710</b>	<b>\$ 1,756</b>	<b>\$ 3,491</b>	<b>\$ 3,510</b>
<b>Operating Expenses</b>				
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
<b>Net Income</b>	<b>265</b>	<b>172</b>	<b>552</b>	<b>415</b>
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.

**Table of Contents****VIRGINIA ELECTRIC AND POWER COMPANY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

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

- (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.

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

	<b>June 30, 2013</b>	December 31, 2012 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
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
<b>Total current assets</b>	<b>2,104</b>	1,981
<b>Investments</b>		
Nuclear decommissioning trust funds	1,612	1,515
Other	14	14
<b>Total investments</b>	<b>1,626</b>	1,529
<b>Property, Plant and Equipment</b>		
Property, plant and equipment	31,684	30,631
Accumulated depreciation and amortization	(10,327)	(10,014)
<b>Total property, plant and equipment, net</b>	<b>21,357</b>	20,617
<b>Deferred Charges and Other Assets</b>		
Intangible assets, net	184	181
Regulatory assets	405	396
Other	113	107
<b>Total deferred charges and other assets</b>	<b>702</b>	684
<b>Total assets</b>	<b>\$ 25,789</b>	\$ 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 <sup>(1)</sup>
<b>LIABILITIES AND SHAREHOLDER S EQUITY</b>		
<b>Current Liabilities</b>		
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
<b>Long-Term Debt</b>	7,398	6,251
<b>Deferred Credits and Other Liabilities</b>		
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
<b>Commitments and Contingencies (see Note 15)</b>		
<b>Preferred Stock Not Subject to Mandatory Redemption</b>	257	257
<b>Common Shareholder s Equity</b>		
Common stock no p <sup>2</sup>	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
<b>Operating Activities</b>		
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
<b>Investing Activities</b>		
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)
<b>Financing Activities</b>		
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
<b>Supplemental Cash Flow Information</b>		
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:

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

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:

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

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

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**Table of Contents****Note 4. Operating Revenue**

The Companies' operating revenue consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(millions)				
<b>Dominion</b>				
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
<b>Virginia Power</b>				
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:

	Dominion		Virginia Power	
Six Months Ended June 30,	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	(42)	(14)
Current period positions	15	5
Settlements	(2)	(2)
Expiration of statutes of limitations	(4)	
Balance at June 30, 2013	\$ 262	\$ 48

During the twelve-month period ending June 30, 2014, it is reasonably possible that settlements with and payments to tax authorities and the expiration of statutes of limitations could reduce unrecognized tax benefits for Dominion and Virginia Power by up to \$65 million and \$35 million, respectively. Otherwise, Dominion and Virginia Power cannot estimate the range of reasonably possible changes to unrecognized tax benefits that may occur.

**Note 6. Earnings Per Share**

The following table presents the calculation of Dominion's basic and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(millions, except EPS)				
Net income attributable to Dominion	\$ 202	\$ 258	\$ 697	\$ 752
Average shares of common stock outstanding Basic	578.1	572.0	577.3	571.3
Net effect of dilutive securities <sup>(1)</sup>	0.8	1.1	0.9	1.2
Average shares of common stock outstanding Diluted	578.9	573.1	578.2	572.5
Earnings Per Common Share Basic	\$ 0.35	\$ 0.45	\$ 1.21	\$ 1.32
Earnings Per Common Share Diluted	\$ 0.35	\$ 0.45	\$ 1.21	\$ 1.31

(1) Dilutive securities consist primarily of contingently convertible senior notes. See Note 14 in this report for more information. Dominion's 2013 Series A Equity Units and 2013 Series B Equity Units issued in June 2013 are potentially dilutive securities but were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2013. See Note 14 in this report for more information. There were no potentially dilutive securities excluded from the calculation of diluted EPS for the three and six months ended June 30, 2012.



**Table of Contents****Note 7. Accumulated Other Comprehensive Income**

The following table presents Dominion's changes in AOCI by component, net of tax:

(millions)	Deferred gains and losses on derivatives- hedging activities	Unrealized gains and losses on investment securities	Unrecognized pension and other postretirement benefit costs	Total
<b>Three Months Ended June 30, 2013</b>				
Beginning balance	\$ (136)	\$ 377	\$ (1,061)	\$ (820)
Other comprehensive income before reclassifications: gains (losses)	122	3	228	353
Amounts reclassified from accumulated other comprehensive income <sup>(1)</sup> : (gains) losses	(17)	(9)	10	(16)
Net current-period other comprehensive income (loss)	105	(6)	238	337
Ending balance	\$ (31)	\$ 371	\$ (823)	\$ (483)
<b>Six Months Ended June 30, 2013</b>				
Beginning balance	\$ (122)	\$ 326	\$ (1,081)	\$ (877)
Other comprehensive income before reclassifications: gains (losses)	32	81	228	341
Amounts reclassified from accumulated other comprehensive income <sup>(1)</sup> : (gains) losses	59	(36)	30	53
Net current-period other comprehensive income (loss)	91	45	258	394
Ending balance	\$ (31)	\$ 371	\$ (823)	\$ (483)

(1) See table below for details about these reclassifications.

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The following table presents Dominion's reclassifications out of AOCI by component:

Details about AOCI components (millions)	Amounts reclassified from AOCI	Affected line item in the Consolidated Statements of Income
<b>Three Months Ended June 30, 2013</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ (29)	Operating revenue
Interest rate contracts	3	Interest and related charges
	(26)	
Tax	9	Income tax expense
	\$ (17)	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	\$ (17)	Other income
Impairment	3	Other income
	(14)	
Tax	5	Income tax expense
	\$ (9)	
Unrecognized pension and other postretirement benefit costs:		
Prior service costs	\$ (6)	Other operations and maintenance
Actuarial losses	27	Other operations and maintenance
	21	
Tax	(11)	Income tax expense
	\$ 10	
<b>Six Months Ended June 30, 2013</b>		
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	\$ 55	Operating revenue
	34	Purchased gas
	3	Electric fuel and other energy-related purchases
Interest rate contracts	6	Interest and related charges
	98	
Tax	(39)	Income tax expense
	\$ 59	
Unrealized (gains) and losses on investment securities:		

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Realized (gain) loss on sale of securities	\$	(64)	Other income
Impairment		5	Other income
		(59)	
Tax		23	Income tax expense
	\$	(36)	
Unrecognized pension and other postretirement benefit costs:			
Prior service costs	\$	(6)	Other operations and maintenance
Actuarial losses		56	Other operations and maintenance
		50	
Tax		(20)	Income tax expense
	\$	30	

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**Table of Contents****Note 8. Fair Value Measurements**

Dominion's and Virginia Power's fair value measurements are made in accordance with the policies discussed in Note 6 to the Consolidated Financial Statements in their Annual Report on Form 10-K for the year ended December 31, 2012. See Note 9 in this report for further information about their derivatives and hedge accounting activities.

Dominion and Virginia Power enter into certain physical and financial forwards and futures, options, and full requirements contracts, which are considered Level 3 as they have one or more inputs that are not observable and are significant to the valuation. The discounted cash flow method is used to value Level 3 physical and financial forwards, futures, and full requirements contracts. An option model is used to value Level 3 physical and financial options. The discounted cash flow model for forwards and futures calculates mark-to-market valuations based on forward market prices, original transaction prices, volumes, risk-free rate of return, and credit spreads. Full requirements contracts add load shaping and usage factors in addition to the discounted cash flow model inputs. The option model calculates mark-to-market valuations using variations of the Black-Scholes option model. The inputs into the models are the forward market prices, implied price volatilities, mean reversions, risk-free rate of return, the option expiration dates, the option strike prices, price correlations, the original sales prices, and volumes. For Level 3 fair value measurements, forward market prices, implied price volatilities, price correlations, load shaping, and usage factors are considered unobservable. The unobservable inputs are developed and substantiated using historical information, available market data, third-party data, and statistical analysis. Periodically, inputs to valuation models are reviewed and revised as needed, based on historical information, updated market data, market liquidity and relationships, and changes in third-party pricing sources.

The following table presents Dominion's and Virginia Power's quantitative information about Level 3 fair value measurements. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility, price correlations, load shaping, and usage factors.

	Fair Value (millions)	Valuation Techniques	Unobservable Input	Range	Weighted Average <sup>(1)</sup>
<b>At June 30, 2013</b>					
<b>Assets:</b>					
Physical and Financial Forwards and Futures:					
Natural Gas <sup>(2)</sup>	\$ 19	Discounted Cash Flow	Market Price (per Dth) <sup>(4)</sup>	(1) - 5	2
Electricity	1	Discounted Cash Flow	Market Price (per MWh) <sup>(4)</sup>	26 - 109 <sup>(10)</sup>	44
FTRs <sup>(3)</sup>	1	Discounted Cash Flow	Market Price (per MWh) <sup>(4)</sup>	(2) - 5	0
Liquids	40	Discounted Cash Flow	Market Price (per Gal) <sup>(4)</sup>	0 - 2	1
Physical and Financial Options:					
Natural Gas	5	Option Model	Market Price (per Dth) <sup>(4)</sup>	3 - 5	4
			Price Volatility <sup>(5)</sup>	20% - 32%	22%
			Price Correlation <sup>(6)</sup>	(9)% - 100%	36%
			Mean Reversion <sup>(7)</sup>	0 - 58	4
Full Requirements Contracts:					
Electricity	10	Discounted Cash Flow	Market Price (per MWh) <sup>(4)</sup>	11 - 495 <sup>(10)</sup>	42
			Load Shaping <sup>(8)</sup>	0% - 10%	3%
			Usage Factor <sup>(9)</sup>	2% - 9%	7%
Total assets	\$ 76				
<b>Liabilities:</b>					
Physical and Financial Forwards and Futures:					
Natural Gas <sup>(2)</sup>	\$ 29	Discounted Cash Flow	Market Price (per Dth) <sup>(4)</sup>	(1) - 6	1
Electricity	2	Discounted Cash Flow	Market Price (per MWh) <sup>(4)</sup>	21 - 112 <sup>(10)</sup>	42
FTRs <sup>(3)</sup>	26	Discounted Cash Flow	Market Price (per MWh) <sup>(4)</sup>	(2) - 18	1
Liquids	8	Discounted Cash Flow	Market Price (per Gal) <sup>(4)</sup>	0 - 2	2
Physical and Financial Options:					
Natural Gas	9	Option Model	Market Price (per Dth) <sup>(4)</sup>	3 - 9	5

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		Price Volatility <sup>(5)</sup>	19% -32%	25%
		Price Correlation <sup>(6)</sup>	(9)% - 100%	36%
		Mean Reversion <sup>(7)</sup>	0 - 58	4
Total liabilities	\$	74		

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- (1) Averages weighted by volume.
  - (2) Includes basis.
  - (3) Information represents Virginia Power's quantitative information about Level 3 fair value measurements.
  - (4) Represents market prices beyond defined terms for Levels 1 & 2.
  - (5) Represents volatilities unrepresented in published markets.
  - (6) Represents intra-price correlations for which markets do not exist.
  - (7) Represents mean-reverting property in price simulation modeling.
  - (8) Converts block monthly loads to 24-hour load shapes.
  - (9) Represents expected increase (decrease) in sales volumes compared to historical usage.
  - (10) The range in market prices is the result of large variability in hourly power prices during peak and off-peak hours.
- Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

Significant Unobservable Inputs	Position	Change to Input	Impact on Fair Value Measurement
Market Price	Buy	Increase (decrease)	Gain (loss)
Market Price	Sell	Increase (decrease)	Loss (gain)
Price Volatility	Buy	Increase (decrease)	Gain (loss)
Price Volatility	Sell	Increase (decrease)	Loss (gain)
Price Correlation	Buy	Increase (decrease)	Loss (gain)
Price Correlation	Sell	Increase (decrease)	Gain (loss)
Mean Reversion	Buy	Increase (decrease)	Loss (gain)
Mean Reversion	Sell	Increase (decrease)	Gain (loss)
Load Shaping	Sell <sup>(1)</sup>	Increase (decrease)	Loss (gain)
Usage Factor	Sell <sup>(2)</sup>	Increase (decrease)	Gain (loss)

- (1) Assumes the contract is in a gain position and load increases during peak hours.
- (2) Assumes the contract is in a gain position.

**Non-recurring Fair Value Measurements**

In June 2013, Dominion purchased certain natural gas infrastructure facilities that were previously leased from third parties. The purchase price was based on terms in the lease, which exceeded current market pricing. As a result of the purchase price and expected losses, Dominion recorded an impairment charge of \$49 million (\$29 million after-tax) in other operations and maintenance expense in its Consolidated Statements of Income, to write down the long-lived assets to their estimated fair values of less than \$1 million. As management was not aware of any recent market transactions for comparable assets with sufficient transparency to develop a market approach to fair value, Dominion used the income approach (discounted cash flows) to estimate the fair value of the assets in this impairment test. This was considered a Level 3 fair value measurement due to the use of significant unobservable inputs, including estimates of future production and other commodity prices.

See Note 3 for non-recurring fair value measurements related to Brayton Point and Kincaid.

**Table of Contents*****Recurring Fair Value Measurements*****Dominion**

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

	Level 1	Level 2	Level 3	Total
(millions)				
<b>At June 30, 2013</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$ 16	\$ 1,103	\$ 76	\$ 1,195
Interest rate		136		136
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.:				
Large cap	2,111			2,111
Other	70			70
Non-U.S.:				
Large cap	13			13
Fixed income:				
Corporate debt instruments		372		372
U.S. Treasury securities and agency debentures	418	174		592
State and municipal		311		311
Other		4		4
Cash equivalents and other	4	71		75
Restricted cash equivalents		10		10
Total assets	\$ 2,632	\$ 2,181	\$ 76	\$ 4,889
<b>Liabilities:</b>				
Derivatives:				
Commodity	\$ 13	\$ 1,012	\$ 74	\$ 1,099
Interest rate		1		1
Total liabilities	\$ 13	\$ 1,013	\$ 74	\$ 1,100
<b>At December 31, 2012</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$ 12	\$ 639	\$ 84	\$ 735
Interest rate		93		93
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.:				
Large cap	1,973			1,973
Other	59			59
Non-U.S.:				
Large cap	12			12
Fixed income:				
Corporate debt instruments		325		325
U.S. Treasury securities and agency debentures	391	152		543
State and municipal		315		315

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Other		7		7
Cash equivalents and other	13	67		80
Restricted cash equivalents		33		33
Total assets	\$ 2,460	\$ 1,631	\$ 84	\$ 4,175
<b>Liabilities:</b>				
Derivatives:				
Commodity	\$ 8	\$ 528	\$ 59	\$ 595
Interest rate		66		66
Total liabilities	\$ 8	\$ 594	\$ 59	\$ 661

- (1) Includes investments held in the nuclear decommissioning and rabbi trusts.

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The following table presents the net change in Dominion's assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(millions)				
Beginning balance	\$ 9	\$ (61)	\$ 25	\$ (71)
Total realized and unrealized gains (losses):				
Included in earnings	(10)	12	2	(23)
Included in other comprehensive income (loss)	26	166	36	171
Included in regulatory assets/liabilities	(22)	18	(27)	29
Settlements	(1)	21	(26)	51
Transfers out of Level 3		(1)	(8)	(2)
Ending balance	\$ 2	\$ 155	\$ 2	\$ 155
The amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	\$ (4)	\$ 33	\$ (11)	\$ 33

The following table presents Dominion's classification of gains and losses included in earnings in the Level 3 fair value category:

	Operating revenue	Electric fuel and other energy-related purchases	Total
(millions)			
<b>Three Months Ended June 30, 2013</b>			
Total gains (losses) included in earnings	\$ (2)	\$ (8)	\$ (10)
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	(2)	(2)	(4)
<b>Three Months Ended June 30, 2012</b>			
Total gains (losses) included in earnings	\$ 32	\$ (20)	\$ 12
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	33		33
<b>Six Months Ended June 30, 2013</b>			
Total gains (losses) included in earnings	\$ 7	\$ (5)	\$ 2
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	(10)	(1)	(11)
<b>Six Months Ended June 30, 2012</b>			
Total gains (losses) included in earnings	\$ 23	\$ (46)	\$ (23)
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	33		33



**Table of Contents****Virginia Power**

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

	Level 1	Level 2	Level 3	Total
(millions)				
<b>At June 30, 2013</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$	\$	\$ 1	\$ 1
Interest rate		43		43
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.:				
Large cap	889			889
Other	30			30
Fixed income:				
Corporate debt instruments		221		221
U.S. Treasury securities and agency debentures	153	66		219
State and municipal		122		122
Other		1		1
Cash equivalents and other		29		29
Restricted cash equivalents		10		10
Total assets	\$ 1,072	\$ 492	\$ 1	\$ 1,565
<b>Liabilities:</b>				
Derivatives:				
Commodity	\$	\$ 6	\$ 26	\$ 32
Interest rate		1		1
Total liabilities	\$	\$ 7	\$ 26	\$ 33
<b>At December 31, 2012</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$	\$ 1	\$ 5	\$ 6
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.:				
Large cap	779			779
Other	27			27
Fixed income:				
Corporate debt instruments		196		196
U.S. Treasury securities and agency debentures	168	66		234
State and municipal		118		118
Other		1		1
Cash equivalents and other	7	31		38
Restricted cash equivalents		10		10
Total assets	\$ 981	\$ 423	\$ 5	\$ 1,409
<b>Liabilities:</b>				

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## Derivatives:

Commodity	\$	\$	6	\$	3	\$	9
Interest rate			25				25
Total liabilities	\$	\$	31	\$	3	\$	34

- (1) Includes investments held in the nuclear decommissioning and rabbi trusts.

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The following table presents the net change in Virginia Power's assets and liabilities measured at fair value on a recurring basis and included in the Level 3 fair value category:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
(millions)				
Beginning balance	\$ (3)	\$ (17)	\$ 2	\$ (28)
Total realized and unrealized gains (losses):				
Included in earnings	(7)	(19)	(4)	(46)
Included in regulatory assets/liabilities	(22)	18	(27)	29
Settlements	7	19	4	46
Ending balance	\$ (25)	\$ 1	\$ (25)	\$ 1

The gains and losses included in earnings in the Level 3 fair value category were classified in electric fuel and other energy-related purchases in Virginia Power's Consolidated Statements of Income for the three and six months ended June 30, 2013 and 2012. There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the three and six months ended June 30, 2013 and 2012.

**Fair Value of Financial Instruments**

Substantially all of Dominion's and Virginia Power's financial instruments are recorded at fair value, with the exception of the instruments described below, which are reported at historical cost. Estimated fair values have been determined using available market information and valuation methodologies considered appropriate by management. The carrying amount of cash and cash equivalents, customer and other receivables, short-term debt and accounts payable are representative of fair value because of the short-term nature of these instruments. For Dominion's and Virginia Power's financial instruments that are not recorded at fair value, the carrying amounts and estimated fair values are as follows:

	June 30, 2013		December 31, 2012	
	Carrying Amount	Estimated Fair Value <sup>(1)</sup>	Carrying Amount	Estimated Fair Value <sup>(1)</sup>
(millions)				
<b>Dominion</b>				
Long-term debt, including securities due within one year <sup>(2)</sup>	\$ 16,682	\$ 18,569	\$ 16,841	\$ 19,898
Securities due within one year, VIE <sup>(3)</sup>	844	855	860	864
Junior subordinated notes <sup>(3)</sup>	1,373	1,418	1,373	1,430
Remarketable subordinated notes <sup>(3)</sup>	1,078	1,103		
Subsidiary preferred stock <sup>(4)</sup>	257	256	257	255
<b>Virginia Power</b>				
Long-term debt, including securities due within one year <sup>(2)</sup>	\$ 7,456	\$ 8,494	\$ 6,669	\$ 8,270
Preferred stock <sup>(4)</sup>	257	256	257	255

- (1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. The carrying amount of debt issues with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.
- (2) Includes amounts which represent the unamortized discount and premium. At June 30, 2013 and December 31, 2012, includes the valuation of certain fair value hedges associated with Dominion's fixed rate debt of approximately \$69 million and \$93 million, respectively.

- (3) Includes amounts which represent the unamortized discount or premium.
- (4) Includes deferred issuance expenses of \$2 million at June 30, 2013 and December 31, 2012.

**Note 9. Derivatives and Hedge Accounting Activities**

Dominion's and Virginia Power's accounting policies and objectives and strategies for using derivative instruments are discussed in Note 2 to the Consolidated Financial Statements in their Annual Report on Form 10-K for the year ended December 31, 2012. See Note 8 in this report for further information about fair value measurements and associated valuation methods for derivatives.

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Derivative assets and liabilities are presented gross on Dominion's and Virginia Power's Consolidated Balance Sheets. Dominion's and Virginia Power's derivative contracts include both over-the-counter transactions and those that are executed on an exchange or other trading platform (exchange contracts) and centrally cleared. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Certain over-the-counter and exchange contracts contain contractual rights of setoff through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

In general, most over-the-counter transactions and all exchange contracts are subject to collateral requirements. Types of collateral for over-the-counter and exchange contracts include cash, letters of credit, and in some cases other forms of security, none of which are subject to restrictions. Cash collateral is used in the table below to offset derivative assets and liabilities. Certain accounts receivable and accounts payable recognized on Dominion's and Virginia Power's Consolidated Balance Sheets, as well as letters of credit and other forms of security, all of which are not included in the tables below, are subject to offset under master netting or similar arrangements and would reduce the net exposure.

**Dominion**

The tables below present Dominion's derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting:

	June 30, 2013			December 31, 2012		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
(millions)						
Interest rate contracts:						
Over-the-counter	\$ 136	\$	\$ 136	\$ 93	\$	\$ 93
Commodity contracts:						
Over-the-counter	286		286	290		290
Exchange	898		898	416		416
Total derivatives, subject to a master netting or similar arrangement	1,320		1,320	799		799
Total derivatives, not subject to a master netting or similar arrangement	11		11	29		29
Total <sup>(1)</sup>	\$ 1,331	\$	\$ 1,331	\$ 828	\$	\$ 828

- (1) At June 30, 2013, the total derivative asset balance contains \$1,046 million of current assets, \$1,040 million and \$6 million of which is presented in current derivative assets and assets held for sale, respectively, in Dominion's Consolidated Balance Sheet, and \$285 million of noncurrent assets, which is presented in other deferred charges and other assets in Dominion's Consolidated Balance Sheet. At December 31, 2012, the total derivative asset balance contains \$518 million of current assets, which is presented in current derivative assets in Dominion's Consolidated Balance Sheet and \$310 million of noncurrent assets, which is presented in other deferred charges and other assets in Dominion's Consolidated Balance Sheet.

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	June 30, 2013 Gross Amounts Not Offset in the Consolidated Balance Sheet				December 31, 2012 Gross Amounts Not Offset in the Consolidated Balance Sheet											
	Net Amounts of Assets Presented in the Consolidated Balance Sheet		Cash Collateral Received		Net Amounts	Net Amounts of Assets Presented in the Consolidated Balance Sheet		Cash Collateral Received		Net Amounts						
(millions)																
Interest rate contracts:																
Over-the-counter	\$	136	\$	1	\$	135	\$	93	\$	19	\$	74				
Commodity contracts:																
Over-the-counter		286		97		189		290		97		193				
Exchange		898		855		41		416		350		62				
Total	\$	1,320	\$	953	\$	2	\$	365	\$	799	\$	466	\$	4	\$	329

	June 30, 2013				December 31, 2012	
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
(millions)						
Interest rate contracts:						
Over-the-counter	\$ 1	\$	\$ 1	\$ 66	\$	\$ 66
Commodity contracts:						
Over-the-counter	179		179	191		191
Exchange	912		912	393		393
Total derivatives, subject to a master netting or similar arrangement	1,092		1,092	650		650
Total derivatives, not subject to a master netting or similar arrangement	8		8	11		11
Total <sup>(1)</sup>	\$ 1,100	\$	\$ 1,100	\$ 661	\$	\$ 661

- (1) At June 30, 2013, the total derivative liability balance contains \$950 million of current liabilities, which is presented in current derivative liabilities in Dominion's Consolidated Balance Sheet, and \$150 million of noncurrent liabilities, which is presented in the other deferred credits and other liabilities in Dominion's Consolidated Balance Sheet. At December 31, 2012, the total derivative liability balance contains \$510 million of current liabilities, which is presented in current derivative liabilities in Dominion's Consolidated Balance Sheet and \$151 million of noncurrent derivative liabilities, which is presented in other deferred credits and other liabilities in Dominion's Consolidated Balance Sheet.



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	June 30, 2013				December 31, 2012			
	Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet			
	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet				Net Amounts of Liabilities Presented in the Consolidated Balance Sheet			
	Financial Instruments	Cash Collateral Paid	Net Amounts		Financial Instruments	Cash Collateral Paid	Net Amounts	
(millions)								
Interest rate contracts:								
Over-the-counter	\$ 1	\$ 1	\$	\$	\$ 66	\$ 19	\$	\$ 47
Commodity contracts:								
Over-the-counter	179	97	23	59	191	97	20	74
Exchange	912	855	57		393	350	43	
Total	\$ 1,092	\$ 953	\$ 80	\$ 59	\$ 650	\$ 466	\$ 63	\$ 121

The following table presents the volume of Dominion's derivative activity as of June 30, 2013. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price <sup>(1)</sup>	222	38
Basis	723	459
Electricity (MWh):		
Fixed price <sup>(1)</sup>	20,165,120	14,488,783
FTRs	91,445,833	459,947
Capacity (MW)	217,575	48,886
Liquids (Gal) <sup>(2)</sup>	158,508,000	72,912,000
Interest rate	\$ 1,750,000,000	\$ 1,350,000,000

(1) Includes options.

(2) Includes NGLs and oil.

For the three and six months ended June 30, 2013 and 2012, gains or losses on hedging instruments determined to be ineffective and amounts excluded from the assessment of effectiveness were not material. Amounts excluded from the assessment of effectiveness include gains or losses attributable to changes in the time value of options and changes in the differences between spot prices and forward prices.

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion's Consolidated Balance Sheet at June 30, 2013:

AOCI After-Tax	Amounts Expected to be Reclassified to Earnings during the next 12 Months	Maximum Term
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	After-Tax		
(millions)			
Commodities:			
Gas	\$ (7)	\$ (5)	31 months
Electricity	69	19	30 months
Other	20	13	35 months
Interest rate	(113)	(22)	355 months
Total	\$ (31)	\$ 5	

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The amounts that will be reclassified from AOCI to earnings will generally be offset by the recognition of the hedged transactions (e.g., anticipated sales) in earnings, thereby achieving the realization of prices contemplated by the underlying risk management strategies and will vary from the expected amounts presented above as a result of changes in market prices and interest rates.

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**Table of Contents*****Fair Value and Gains and Losses on Derivative Instruments***

The following table presents the fair values of Dominion's derivatives and where they are presented in its Consolidated Balance Sheets:

	Fair Value Derivatives under Hedge Accounting	Fair Value Derivatives not under Hedge Accounting	Total Fair Value
(millions)			
<b>June 30, 2013</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Commodity	\$ 117	\$ 832	\$ 949
Interest rate	97		97
Total current derivative assets <sup>(1)</sup>	214	832	1,046
<b>Noncurrent Assets</b>			
Commodity	120	126	246
Interest rate	39		39
Total noncurrent derivative assets <sup>(2)</sup>	159	126	285
Total derivative assets	\$ 373	\$ 958	\$ 1,331
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Commodity	\$ 76	\$ 873	\$ 949
Interest rate	1		1
Total current derivative liabilities	77	873	950
<b>Noncurrent Liabilities</b>			
Commodity	36	114	150
Total noncurrent derivative liabilities <sup>(3)</sup>	36	114	150
Total derivative liabilities	\$ 113	\$ 987	\$ 1,100
<b>December 31, 2012</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Commodity	\$ 103	\$ 379	\$ 482
Interest rate	36		36
Total current derivative assets	139	379	518
<b>Noncurrent Assets</b>			
Commodity	130	123	253
Interest rate	57		57
Total noncurrent derivative assets <sup>(2)</sup>	187	123	310

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Total derivative assets	\$	326	\$	502	\$	828
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Commodity	\$	103	\$	341	\$	444
Interest rate		66				66
Total current derivative liabilities		169		341		510
<b>Noncurrent Liabilities</b>						
Commodity		58		93		151
Total noncurrent derivative liabilities <sup>(3)</sup>		58		93		151
Total derivative liabilities	\$	227	\$	434	\$	661

- (1) \$6 million of current derivative assets are classified as assets held for sale in Dominion's Consolidated Balance Sheet. See Note 3 for further information.
- (2) Noncurrent derivative assets are presented in other deferred charges and other assets in Dominion's Consolidated Balance Sheets.
- (3) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Dominion's Consolidated Balance Sheets.

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The following tables present the gains and losses on Dominion's derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Income:

	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) <sup>(1)</sup>	Amount of Gain (Loss) Reclassified from AOCI to Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment <sup>(2)</sup>
<b>Derivatives in cash flow hedging relationships</b>			
(millions)			
<b>Three Months Ended June 30, 2013</b>			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ 29	
Total commodity	\$ 131	\$ 29	\$ (8)
Interest rate <sup>(3)</sup>	67	(3)	36
Total	\$ 198	\$ 26	\$ 28
Three Months Ended June 30, 2012			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ 63	
Purchased gas		(17)	
Electric fuel and other energy-related purchases		(5)	
Total commodity	\$ 111	\$ 41	\$ 9
Interest rate <sup>(3)</sup>	(108)	1	(68)
Total	\$ 3	\$ 42	\$ (59)
<b>Six Months Ended June 30, 2013</b>			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ (55)	
Purchased gas		(34)	
Electric fuel and other energy-related purchases		(3)	
Total commodity	\$ (27)	\$ (92)	\$ (1)
Interest rate <sup>(3)</sup>	81	(6)	52
Total	\$ 54	\$ (98)	\$ 51
Six Months Ended June 30, 2012			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ 127	

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Purchased gas			(47)	
Electric fuel and other energy-related purchases			(12)	
Total commodity	\$	287	\$	68
			\$	8
Interest rate <sup>(3)</sup>		(76)	2	(41)
Total	\$	211	\$	70
			\$	(33)

- (1) Amounts deferred into AOCI have no associated effect in Dominion's Consolidated Statements of Income.
- (2) Represents net derivative activity deferred into and amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion's Consolidated Statements of Income.
- (3) Amounts recorded in Dominion's Consolidated Statements of Income are classified in interest and related charges.

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	Amount of Gain (Loss) Recognized in Income on Derivatives <sup>(1)</sup>			
	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
<b>Derivatives not designated as hedging instruments</b> (millions)				
Derivative Type and Location of Gains (Losses)				
Commodity				
Operating revenue	\$ (6)	\$ 34	\$ (3)	\$ 103
Purchased gas	(26)	5	(7)	(5)
Electric fuel and other energy-related purchases	(11)	(9)	(8)	(36)
Interest rate <sup>(2)</sup>		9		7
<b>Total</b>	<b>\$ (43)</b>	<b>\$ 39</b>	<b>\$ (18)</b>	<b>\$ 69</b>

(1) Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Dominion's Consolidated Statements of Income.

(2) Amounts recorded in Dominion's Consolidated Statements of Income are classified in interest and related charges.

**Virginia Power**

The tables below present Virginia Power's derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting:

	June 30, 2013			December 31, 2012		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
(millions)						
Interest rate contracts:						
Over-the-counter	\$ 43	\$	\$ 43	\$	\$	\$
Commodity contracts:						
Over-the-counter	1		1	6		6
Total derivatives, subject to a master netting or similar arrangement	44		44	6		6
Total derivatives, not subject to a master netting or similar arrangement						
<b>Total<sup>(1)</sup></b>	<b>\$ 44</b>	<b>\$</b>	<b>\$ 44</b>	<b>\$ 6</b>	<b>\$</b>	<b>\$ 6</b>

(1) At June 30, 2013, the total derivative asset balance contains \$44 million of current assets, which is presented in other current assets in Virginia Power's Consolidated Balance Sheet. At December 31, 2012, the total derivative asset balance contains \$6 million of current assets, which is presented in other current assets in Virginia Power's Consolidated Balance Sheet.





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	June 30, 2013 Gross Amounts Not Offset in the Consolidated Balance Sheet				December 31, 2012 Gross Amounts Not Offset in the Consolidated Balance Sheet			
	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amounts	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amounts
(millions)								
Interest rate contracts:								
Over-the-counter	\$ 43	\$ 1	\$	\$ 42	\$	\$	\$	\$
Commodity contracts:								
Over-the-counter	1	1			6	3		3
Total	\$ 44	\$ 2	\$	\$ 42	\$ 6	\$ 3	\$	\$ 3

	June 30, 2013			December 31, 2012			
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
(millions)							
Interest rate contracts:							
Over-the-counter	\$ 1	\$	\$ 1	\$ 25	\$	\$	\$ 25
Commodity contracts:							
Over-the-counter	31		31	7			7
Exchange	1		1	2			2
Total derivatives, subject to a master netting or similar arrangement	33		33	34			34
Total derivatives, not subject to a master netting or similar arrangement							
Total <sup>(1)</sup>	\$ 33	\$	\$ 33	\$ 34	\$	\$	\$ 34

- (1) At June 30, 2013, the total derivative liability balance contains \$33 million of current liabilities, which is presented in other current liabilities in Virginia Power's Consolidated Balance Sheet. At December 31, 2012, the total derivative liability balance contains \$33 million of current liabilities, which is presented in other current liabilities in Virginia Power's Consolidated Balance Sheet and \$1 million of noncurrent derivative liabilities, which is presented in other deferred credits and other liabilities in Virginia Power's Consolidated Balance Sheet.

Sheet.

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	June 30, 2013				December 31, 2012			
	Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet			
	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts
(millions)								
Interest rate contracts:								
Over-the-counter	\$ 1	\$ 1	\$	\$	\$ 25	\$	\$	\$ 25
Commodity contracts:								
Over-the-counter	31	1	23	7	7	3		4
Exchange	1		1		2		2	
Total	\$ 33	\$ 2	\$ 24	\$ 7	\$ 34	\$ 3	\$ 2	\$ 29

The following table presents the volume of Virginia Power's derivative activity as of June 30, 2013. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price	18	
Basis	9	
Electricity (MWh):		
Fixed price	491,200	
FTRs	89,107,999	
Capacity (MW)	167,500	18,300
Interest rate	\$ 900,000,000	\$

**Table of Contents****Fair Value and Gains and Losses on Derivative Instruments**

The following table presents the fair values of Virginia Power's derivatives and where they are presented in its Consolidated

Balance Sheets:

	Fair Value Derivatives under Hedge Accounting	Fair Value Derivatives not under Hedge Accounting	Total Fair Value
(millions)			
<b>June 30, 2013</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Commodity	\$	\$	\$
Interest rate	43	1	43
Total current derivative assets <sup>(1)</sup>	43	1	44
Total derivative assets	\$ 43	\$ 1	\$ 44
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Commodity	\$ 6	\$ 26	\$ 32
Interest rate	1		1
Total current derivative liabilities <sup>(2)</sup>	7	26	33
Total derivative liabilities	\$ 7	\$ 26	\$ 33
<b>December 31, 2012</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Commodity	\$ 1	\$ 5	\$ 6
Total current derivative assets <sup>(1)</sup>	1	5	6
Total derivative assets	\$ 1	\$ 5	\$ 6
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Commodity	\$ 5	\$ 3	\$ 8
Interest rate	25		25
Total current derivative liabilities <sup>(2)</sup>	30	3	33
<b>Noncurrent Liabilities</b>			
Commodity	1		1
Total noncurrent derivative liabilities <sup>(3)</sup>	1		1
Total derivative liabilities	\$ 31	\$ 3	\$ 34

- (1) Current derivative assets are presented in other current assets in Virginia Power's Consolidated Balance Sheet.
- (2) Current derivative liabilities are presented in other current liabilities in Virginia Power's Consolidated Balance Sheet.
- (3) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Virginia Power's Consolidated Balance Sheet.

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The following tables present the gains and losses on Virginia Power's derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Income:

	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) <sup>(1)</sup>	Amount of Gain (Loss) Reclassified from AOCI to Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment <sup>(2)</sup>
<b>Derivatives in cash flow hedging relationships</b> (millions)			
<b>Three Months Ended June 30, 2013</b>			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Electric fuel and other energy-related purchases		\$	
Total commodity	\$ (2)		\$ (8)
Interest rate <sup>(3)</sup>	4		36
Total	\$ 2	\$	\$ 28
Three Months Ended June 30, 2012			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Electric fuel and other energy-related purchases		\$ (1)	
Total commodity	\$ 1	(1)	\$ 9
Interest rate <sup>(3)</sup>	(5)		(68)
Total	\$ (4)		