VIRGINIA ELECTRIC & POWER CO
Form 10-Q
August 02, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2010

or

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

For the transition period from ______ to ______

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices and registrants telephone number	I.R.S. Employer Identification Number
001-08489	**DOMINION RESOURCES, INC.**	**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 x No ¨ Virginia Electric and Power Company Yes x 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 x 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 x	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 x (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 x Virginia Electric and Power Company Yes ¨ No x

At June 30, 2010, the latest practicable date for determination, Dominion Resources, Inc. had 589,130,663 shares of common stock outstanding and Virginia Electric and Power Company had 256,310 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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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
AOCI	Accumulated other comprehensive income (loss)
AMR	Automated meter reading program deployed by Dominion East Ohio
ARO	Asset retirement obligation
bcf	Billion cubic feet
bcfe	Billion cubic feet equivalent
Bear Garden	A 580 MW combined cycle, natural gas-fired power station under construction in Buckingham County, Virginia
BREDL	Blue Ridge Environmental Defense League
BP	BP Alternative Energy, Inc.
Brayton Point	Brayton Point power station
CAA	Clean Air Act
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COL	Combined Construction Permit and Operating License
CONSOL	CONSOL Energy, Inc.
DD&A	Depreciation, depletion and amortization expense
DEI	Dominion Energy, Inc.
Dodd-Frank Act	the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOE	Department of Energy
Dominion	The legal entity, Dominion Resources, Inc., one or more of Dominion Resources, Inc. s consolidated subsidiaries (other than Virginia Power) or operating segments or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries
Dominion Direct®	A dividend reinvestment and open enrollment direct stock purchase plan
DRS	Dominion Resources Services, Inc.
DSM	Demand-side management
DTI	Dominion Transmission, Inc.
DVP	Dominion Virginia Power operating segment
ECCP	Energy Conservation Council of Pennsylvania
E&P	Exploration & production
EPA	Environmental Protection Agency
EPS	Earnings per share
Fairless	Fairless power station
Fowler Ridge	A wind-turbine facility joint venture between Dominion and BP in Benton County, Indiana
FERC	Federal Energy Regulatory Commission
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gas
Hope	Hope Gas, Inc.
Kewaunee	Kewaunee power station
kV	Kilovolt
kWh	Kilowatt-hour
LNG	Liquefied natural gas
Local 69	Utility Workers Union of America, AFL-CIO, Local 69
mcfe	Thousand cubic feet equivalent
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
Meadow Brook-to-Loudoun line	Project to construct an approximately 270-mile 500-kV transmission line that begins in southwestern Pennsylvania, crosses West Virginia, and terminates in northern Virginia, of which Virginia Power will construct approximately 65 miles in Virginia and Trans-Allegheny Interstate Line Company will construct the remainder
Millstone	Millstone power station
Moody s	Moody s Investors Service
MW	Megawatt

MWh	Megawatt hour

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Abbreviation or Acronym	Definition
NAAQS	National Ambient Air Quality Standard
NedPower	A wind-turbine facility joint venture between Dominion and Shell WindEnergy Inc. in Grant County, West Virginia
NGLs	Natural gas liquids
North Anna	North Anna power station
NO_X	Nitrogen oxide
NO_2	Nitrogen dioxide
NRC	Nuclear Regulatory Commission
ODEC	Old Dominion Electric Cooperative
Pennsylvania Commission	Pennsylvania Public Utility Commission
Peoples	The Peoples Natural Gas Company
PIR	Pipeline infrastructure replacement program deployed by Dominion East Ohio
PJM	PJM Interconnection, LLC
PNG Companies LLC	An indirect subsidiary of SteelRiver Infrastructure Fund North America
RCRA	Resource Conservation and Recovery Act
Riders C1 and C2	Rate adjustment clauses associated with the recovery of costs related to certain DSM programs
Rider R	A rate adjustment clause associated with recovery of costs related to Bear Garden
Rider S	A rate adjustment clause associated with the recovery of costs related to the Virginia City Hybrid Energy Center
Rider T	A rate adjustment clause associated with the recovery of certain transmission-related expenditures
ROE	Return on equity
RTEP	Regional transmission expansion plan
RTO	Regional transmission organization
Salem Harbor	Salem Harbor power station
SEC	Securities and Exchange Commission
SELC	Southern Environmental Law Center
SO_2	Sulfur dioxide
Standard & Poor s	Standard & Poor s Ratings Services, a division of the McGraw-Hill Companies, Inc.
State Line	State Line power station
Surry	Surry power station
the Companies	Dominion and Virginia Power, collectively
U.S.	United States of America
US-APWR	Mitsubishi Heavy Industry s Advanced Pressurized Water Reactor
VIE	Variable interest entity
Virginia Commission	Virginia State Corporation Commission
Virginia City Hybrid Energy Center	A 585 MW (nominal) carbon-capture compatible, clean coal powered electric generation facility under construction in Wise County, Virginia
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
VPDES	Virginia Pollutant Discharge Elimination System
VPP	Volumetric production payment
West Virginia Commission	Public Service Commission of West Virginia

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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,	
	2010	2009[1]	2010	2009[1]
(millions, except per share amounts)				
Operating Revenue	**$ 3,333**	$ 3,406	**$ 7,501**	$ 7,992
Operating Expenses				
Electric fuel and other energy-related purchases	**956**	998	**1,984**	2,139
Purchased electric capacity	**109**	105	**217**	213
Purchased gas	**391**	351	**1,183**	1,358
Other operations and maintenance	**853**	685	**1,921**	1,919
Depreciation, depletion and amortization	**262**	271	**531**	550
Other taxes	**119**	107	**288**	260
Total operating expenses	**2,690**	2,517	**6,124**	6,439
Gain on sale of Appalachian E&P operations	**2,467**		**2,467**	
Income from operations	**3,110**	889	**3,844**	1,553
Other income (loss)	**(25)**	69	**46**	8
Interest and related charges	**188**	220	**371**	439
Income from continuing operations including noncontrolling interests before income tax expense	**2,897**	738	**3,519**	1,122
Income tax expense	**1,134**	265	**1,429**	406
Income from continuing operations including noncontrolling interests	**1,763**	473	**2,090**	716
Income (loss) from discontinued operations[2]	**2**	(15)	**(147)**	(6)
Net Income Including Noncontrolling Interests	**1,765**	458	**1,943**	710
Noncontrolling Interests	**4**	4	**8**	8
Net Income Attributable to Dominion	**$ 1,761**	$ 454	**$ 1,935**	$ 702
Amounts Attributable to Dominion:				
Income from continuing operations, net of tax	**$ 1,759**	$ 469	**$ 2,082**	$ 708
Income (loss) from discontinued operations, net of tax	**2**	(15)	**(147)**	(6)
Net income attributable to Dominion	**$ 1,761**	$ 454	**$ 1,935**	$ 702
Earnings Per Common Share Basic and Diluted				

Income from continuing operations	**$ 2.98**	$ 0.79	**$ 3.50**	$ 1.20
Income (loss) from discontinued operations		(0.03)	**(0.25)**	(0.01)
Net income attributable to Dominion	**$ 2.98**	$ 0.76	**$ 3.25**	$ 1.19
Dividends paid per common share	**$ 0.4575**	$ 0.4375	**$ 0.915**	$ 0.875

(1) Our Consolidated Statements of Income for the three and six months ended June 30, 2009 have been recast to reflect Peoples as discontinued operations, as discussed in Note 3.

(2) Includes income tax expense of $1 million and $28 million for the three months ended June, 2010 and 2009, respectively, and $13 million and $54 million for the six months ended June 30, 2010 and 2009, 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, 2010	December 31, 2009(1)
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 411**	$ 48
Customer receivables (less allowance for doubtful accounts of $32 and $31)	**1,739**	2,050
Other receivables (less allowance for doubtful accounts of $9 and $14)	**135**	130
Inventories	**1,107**	1,185
Derivative assets	**1,029**	1,128
Assets held for sale		1,018
Prepayments	**107**	405
Other investments	**900**	
Other	**947**	853
Total current assets	**6,375**	6,817
Investments		
Nuclear decommissioning trust funds	**2,558**	2,625
Investment in equity method affiliates	**581**	595
Other	**275**	272
Total investments	**3,414**	3,492
Property, Plant and Equipment		
Property, plant and equipment	**38,350**	39,036
Accumulated depreciation, depletion and amortization	**(12,892)**	(13,444)
Total property, plant and equipment, net	**25,458**	25,592
Deferred Charges and Other Assets		
Goodwill	**3,141**	3,354
Regulatory assets	**1,271**	1,390
Other	**2,129**	1,909
Total deferred charges and other assets	**6,541**	6,653
Total assets	**$ 41,788**	$ 42,554

(1) Dominion s Consolidated Balance Sheet at December 31, 2009 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.

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DOMINION RESOURCES, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

(millions)	June 30, 2010	December 31, 2009[1]
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Securities due within one year	**$ 895**	$ 1,137
Short-term debt		1,295
Accounts payable	**1,286**	1,401
Accrued taxes	**1,083**	152
Accrued interest and payroll	**392**	524
Derivative liabilities	**717**	679
Liabilities held for sale		428
Regulatory liabilities	**362**	536
Other	**936**	681
Total current liabilities	**5,671**	6,833
Long-Term Debt		
Long-term debt	**13,614**	13,730
Junior subordinated notes payable to affiliates	**268**	268
Enhanced junior subordinated notes	**1,467**	1,483
Total long-term debt	**15,349**	15,481
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**4,000**	4,244
Asset retirement obligations	**1,540**	1,605
Pension and other postretirement benefit liabilities	**1,145**	1,260
Regulatory liabilities	**1,198**	1,215
Other	**482**	474
Total deferred credits and other liabilities	**8,365**	8,798
Total liabilities	**29,385**	31,112
Commitments and Contingencies (see Note 15)		
Subsidiary Preferred Stock Not Subject to Mandatory Redemption	**257**	257
Common Shareholders Equity		
Common stock no par[2]	**6,079**	6,525
Other paid-in capital	**190**	185
Retained earnings	**6,077**	4,686
Accumulated other comprehensive loss	**(200)**	(211)
Total common shareholders equity	**12,146**	11,185

Total liabilities and shareholders equity	**$ 41,788**	$ 42,554

(1) Dominion s Consolidated Balance Sheet at December 31, 2009 has been derived from the audited Consolidated Financial Statements at that date.
(2) 1 billion shares authorized; 589 million and 599 million shares outstanding at June 30, 2010 and December 31, 2009, respectively.

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

DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30, (millions)	2010	2009
Operating Activities		
Net income including noncontrolling interests	**$ 1,943**	$ 710
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Gain from sale of Appalachian E&P operations	**(2,467)**	
Loss from sale of Peoples	**113**	
Accrued charges related to workforce reduction program	**288**	
Impairment of merchant generation facility	**163**	
Impairment of gas and oil properties	**21**	455
Depreciation, depletion and amortization (including nuclear fuel)	**629**	640
Deferred income taxes and investment tax credits	**(210)**	(447)
Contribution to employee pension plans	**(250)**	
Base rate case refunds	**(203)**	
Other adjustments	**96**	33
Changes in:		
Accounts receivable	**312**	623
Inventories	**91**	40
Deferred fuel and purchased gas costs	**(46)**	490
Prepayments	**299**	(13)
Accounts payable	**(131)**	(529)
Accrued interest, payroll and taxes	**791**	(43)
Margin deposit assets and liabilities	**5**	(137)
Other operating assets and liabilities	**(38)**	80
Net cash provided by operating activities	**1,406**	1,902
Investing Activities		
Plant construction and other property additions	**(1,654)**	(1,788)
Proceeds from the sale of Appalachian E&P operations	**3,450**	
Proceeds from the sale of Peoples	**741**	
Proceeds from sale of securities	**1,140**	727
Purchases of securities	**(2,064)**	(760)
Other	**48**	33
Net cash provided by (used in) investing activities	**1,661**	(1,788)
Financing Activities		
Repayment of short-term debt, net	**(1,295)**	(951)
Issuance of long-term debt		1,195
Repayment of long-term debt	**(411)**	(133)
Issuance of common stock	**48**	314
Repurchase of common stock	**(500)**	
Common dividend payments	**(544)**	(516)
Subsidiary preferred dividend payments	**(8)**	(8)
Other	**4**	(20)

Net cash used in financing activities	**(2,706)**	(119)
Increase (decrease) in cash and cash equivalents	**361**	(5)
Cash and cash equivalents at beginning of period[1]	**50**	71
Cash and cash equivalents at end of period[2]	**$ 411**	$ 66
Supplemental Cash Flow Information:		
Significant noncash investing and financing activities		
Accrued capital expenditures	**$ 215**	$ 189
Debt for equity exchange		56

(1) 2010 and 2009 amounts include $2 million and $5 million, respectively, of cash classified as held for sale in Dominion s Consolidated Balance Sheets.

(2) 2009 amount includes $2 million of cash classified as held for sale in Dominion s Consolidated Balance Sheet.

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)

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2010**	**2009**	**2010**	**2009**
Operating Revenue	**$ 1,711**	$ 1,675	**$ 3,450**	$ 3,534
Operating Expenses				
Electric fuel and other energy-related purchases	**589**	685	**1,221**	1,479
Purchased electric capacity	**108**	104	**215**	212
Other operations and maintenance:				
Affiliated suppliers	**88**	100	**208**	201
Other	**229**	281	**628**	527
Depreciation and amortization	**165**	160	**328**	317
Other taxes	**53**	46	**117**	97
Total operating expenses	**1,232**	1,376	**2,717**	2,833
Income from operations	**479**	299	**733**	701
Other income	**28**	23	**42**	32
Interest and related charges	**83**	87	**171**	174
Income before income tax expense	**424**	235	**604**	559
Income tax expense	**157**	86	**242**	206
Net Income	**267**	149	**362**	353
Preferred dividends	**4**	4	**8**	8
Balance available for common stock	**$ 263**	$ 145	**$ 354**	$ 345

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

(Unaudited)

(millions)	June 30, 2010	December 31, 2009[1]
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 15**	$ 19
Customer accounts receivable (less allowance for doubtful accounts of $10 and $12)	**859**	880
Other receivables (less allowance for doubtful accounts of $6 at both dates)	**64**	72
Inventories (average cost method)	**590**	614
Prepayments	**171**	52
Other	**347**	459
Total current assets	**2,046**	2,096
Investments		
Nuclear decommissioning trust funds	**1,178**	1,204
Other	**3**	4
Total investments	**1,181**	1,208
Property, Plant and Equipment		
Property, plant and equipment	**26,666**	25,643
Accumulated depreciation and amortization	**(9,567)**	(9,314)
Total property, plant and equipment, net	**17,099**	16,329
Deferred Charges and Other Assets		
Intangible assets	**220**	217
Regulatory assets	**236**	200
Other	**236**	68
Total deferred charges and other assets	**692**	485
Total assets	**$ 21,018**	$ 20,118

(1) Virginia Power s Consolidated Balance Sheet at December 31, 2009 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, 2010	December 31, 2009[1]
LIABILITIES AND SHAREHOLDER S EQUITY		
Current Liabilities		
Securities due within one year	**$ 363**	$ 245
Short-term debt		442
Accounts payable	**436**	390
Payables to affiliates	**83**	67
Affiliated current borrowings	**763**	2
Accrued interest, payroll and taxes	**189**	213
Regulatory liabilities	**322**	491
Other	**439**	358
Total current liabilities	**2,595**	2,208
Long-Term Debt	**6,086**	6,213
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**2,397**	2,359
Asset retirement obligations	**651**	636
Regulatory liabilities	**977**	995
Other	**296**	277
Total deferred credits and other liabilities	**4,321**	4,267
Total liabilities	**13,002**	12,688
Commitments and Contingencies (see Note 15)		
Preferred Stock Not Subject to Mandatory Redemption	**257**	257
Common Shareholder s Equity		
Common stock no par[2]	**5,171**	4,738
Other paid-in capital	**1,110**	1,110
Retained earnings	**1,464**	1,299
Accumulated other comprehensive income	**14**	26
Total common shareholder s equity	**7,759**	7,173
Total liabilities and shareholder s equity	**$ 21,018**	$ 20,118

(1) Virginia Power s Consolidated Balance Sheet at December 31, 2009 has been derived from the audited Consolidated Financial Statements at that date.
(2) 300,000 shares authorized; 256,310 and 241,710 shares outstanding at June 30, 2010 and December 31, 2009, respectively.

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)**	**2010**	**2009**
Operating Activities		
Net income	**$ 362**	$ 353
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrued charges related to workforce reduction program	**114**	
Depreciation and amortization (including nuclear fuel)	**383**	367
Deferred income taxes and investment tax credits	**129**	(103)
Base rate case refunds	**(203)**	
Other adjustments	**(29)**	(14)
Changes in:		
Accounts receivable	**28**	18
Affiliated accounts receivable and payable	**18**	(24)
Inventories	**23**	(44)
Deferred fuel expenses	**(51)**	331
Accounts payable	**20**	(27)
Accrued interest, payroll and taxes	**(24)**	(18)
Prepayments	**(119)**	(61)
Other operating assets and liabilities	**(92)**	133
Net cash provided by operating activities	**559**	911
Investing Activities		
Plant construction and other property additions	**(1,041)**	(1,125)
Purchases of nuclear fuel	**(63)**	(69)
Purchases of securities	**(724)**	(346)
Proceeds from sales of securities	**711**	330
Other	**5**	(47)
Net cash used in investing activities	(1,112)	(1,257)
Financing Activities		
Issuance (repayment) of short-term debt, net	**(442)**	83
Issuance of affiliated current borrowings, net	**1,194**	105
Issuance of long-term debt		460
Repayment of long-term debt	**(9)**	(119)
Common dividend payments	**(189)**	(176)
Preferred dividend payments	**(8)**	(8)
Other	**3**	3
Net cash provided by financing activities	549	348
Increase (decrease) in cash and cash equivalents	(4)	2
Cash and cash equivalents at beginning of period	19	27
Cash and cash equivalents at end of period	$ 15	$ 29

Supplemental Cash Flow Information

Significant noncash investing and financing activities:		
Accrued capital expenditures	$ 160	$ 103
Conversion of short-term borrowings payable to Dominion to equity	433	

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

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.

As discussed in Note 3, Dominion completed the sales of its Pennsylvania gas distribution operations and substantially all of its Appalachian E&P operations in February and April 2010, respectively.

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, 2009 and their Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. Due to the sale of substantially all of Dominion s Appalachian E&P operations during the second quarter of 2010, accounting for gas and oil operations is no longer considered a significant accounting policy. There have been no other material changes with regard to the significant accounting policies previously disclosed in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009.

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, 2010, their results of operations for the three and six months ended June 30, 2010 and 2009 and their cash flows for the six months ended June 30, 2010 and 2009. 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.

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 2009 Consolidated Financial Statements and Notes have been recast to conform to the 2010 presentation.

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

Note 3. Dispositions

Sale of Appalachian E&P Operations

In April 2010, Dominion completed the sale of substantially all of its Appalachian E&P operations to a newly-formed subsidiary of CONSOL for approximately $3.5 billion, subject to adjustments pursuant to the terms of the sale agreement.

The transaction includes the mineral rights to approximately 491,000 acres in the Marcellus Shale formation. Dominion retained certain oil and natural gas wells located on or near its natural gas storage fields. The transaction generated after-tax proceeds of approximately $2.2 billion and resulted in an after-tax gain of approximately $1.4 billion, which includes a $134 million write-off of goodwill. Proceeds from the sale will be used to pay taxes on the gain and to offset substantially all of Dominion s equity needs for 2010 and its market equity issuances for 2011, repurchase common stock, fund contributions to Dominion s pension plans and the Dominion Foundation, reduce debt and offset the majority of the impact of Virginia Power s rate case settlement.

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The results of operations for Dominion s Appalachian E&P business are not reported as discontinued operations in the Consolidated Statements of Income since Dominion did not sell its entire U.S. cost pool.

Due to the sale, hedge accounting was discontinued for certain cash flow hedges since it became probable that the forecasted sales of gas would not occur. In connection with the discontinuance of hedge accounting for these contracts, Dominion recognized a $42 million ($25 million after-tax) benefit, recorded in operating revenue in its Consolidated Statement of Income, reflecting the reclassification of gains from AOCI to earnings for these contracts for the three months ended March 31, 2010.

Sale of Peoples

In February 2010, Dominion completed the sale of Peoples to PNG Companies LLC and netted after-tax proceeds of approximately $542 million. The sale resulted in an after-tax loss of approximately $132 million, which included a $79 million write-off of goodwill and post-closing adjustments. The sale also resulted in after-tax expenses of approximately $27 million, including transaction and benefit-related costs. In addition, Peoples had income from operations of $12 million after-tax during 2010.

Prior to March 31, 2010, Dominion did not report Peoples as discontinued operations since it expected to have significant continuing cash flows related primarily to the sale of natural gas production from its Appalachian E&P business to Peoples. Due to the sale of its Appalachian E&P business, Dominion will not have significant continuing cash flows with Peoples; therefore, the results of Peoples were reclassified to discontinued operations in the Consolidated Statements of Income for all periods presented.

The carrying amounts of the major classes of assets and liabilities classified as held for sale in Dominion s Consolidated Balance Sheet were as follows:

(millions)	**December 31, 2009**
ASSETS	
Current Assets	
Customer receivables	$ 87
Other	56
Total current assets	143
Property, Plant and Equipment	
Property, plant and equipment	985
Accumulated depreciation, depletion and amortization	(284)
Total property, plant and equipment, net	701
Deferred Charges and Other Assets	
Regulatory assets	125
Other	49
Total deferred charges and other assets	174
Assets held for sale	$ 1,018
LIABILITIES	
Current Liabilities	$ 133
Deferred Credits and Other Liabilities	
Deferred income taxes and investment tax credits	238
Other	57

Total deferred credits and other liabilities		295
Liabilities held for sale	$	428

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The following table presents selected information regarding the results of operations of Peoples, which are reported as discontinued operations in the Consolidated Statements of Income:

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating revenue	$	$ 63	$ 67	$ 290
Income (loss) before income taxes	3	13	(134)	48

Note 4. Ceiling Test

Dominion follows the full cost method of accounting for its gas and oil E&P activities, which subjects capitalized costs to a quarterly ceiling test using hedge-adjusted prices.

At March 31, 2010, Dominion recorded a ceiling test impairment charge of $21 million ($13 million after-tax) in other operations and maintenance expense in its Consolidated Statement of Income primarily due to a decline in hedge-adjusted prices reflecting the discontinuance of hedge accounting for certain cash flow hedges, as discussed in Note 3.

During the six months ended June 30, 2009, Dominion recorded a ceiling test impairment charge of $455 million ($281 million after-tax) in other operations and maintenance expense in its Consolidated Statement of Income. Excluding the effects of hedge-adjusted prices in calculating the ceiling limitation, the impairment would have been $631 million ($378 million after-tax).

Note 5. Operating Revenue

The Companies operating revenue consists of the following:

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Dominion				
Electric sales:				
Regulated	$ 1,688	$ 1,647	$ 3,405	$ 3,472
Nonregulated	840	924	1,785	1,918
Gas sales:				
Regulated	39	47	184	377
Nonregulated	345	389	1,127	1,320
Gas transportation and storage	316	289	781	682
Other	105	110	219	223
Total operating revenue	$ 3,333	$ 3,406	$ 7,501	$ 7,992
Virginia Power				
Regulated electric sales	$ 1,688	$ 1,647	$ 3,405	$ 3,472
Other	23	28	45	62
Total operating revenue	$ 1,711	$ 1,675	$ 3,450	$ 3,534

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Note 6. Income Taxes

Continuing Operations

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,	**2010**	**2009**	**2010**	**2009**
U.S. statutory rate	**35.0%**	35.0%	**35.0%**	35.0%
Increases (reductions) resulting from:				
Legislative changes	**1.6**		**2.6**	
State taxes, net of federal benefit	**4.5**	4.0	**3.9**	3.8
Domestic production activities deduction	**(0.6)**	(0.5)	**(0.9)**	(0.7)
Non-deductible goodwill	**0.9**			
Other, net	**(0.8)**	(2.3)	**(0.5)**	(1.3)
Effective tax rate	**40.6%**	36.2%	**40.1%**	36.8%

Dominion s and Virginia Power s effective tax rates in 2010 reflect a reduction of deferred tax assets resulting from the enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 which eliminated the employer s deduction, beginning in 2013, for that portion of its retiree prescription drug coverage cost that is being reimbursed by the Medicare Part D subsidy. In addition, Dominion s effective tax rate in 2010 includes the impact of goodwill written off with the sale of the Appalachian E&P operations that is not deductible for tax purposes.

As of June 30, 2010, there have been no material changes in Dominion s and Virginia Power s unrecognized tax benefits. See Note 6 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009, for a discussion of these unrecognized tax benefits, including possible changes that could reasonably occur during the next twelve months.

Discontinued Operations

Income tax expense in 2010 for Dominion s discontinued operations primarily reflects the impact of goodwill written off in the sale of Peoples that is not deductible for tax purposes and the reversal of deferred taxes for which the benefit was offset by the reversal of income tax-related regulatory assets.

Income tax expense in 2009 for Dominion s discontinued operations also reflects the impact of these items. Since the sale of Peoples was expected to occur later in 2009, the tax effects related to the sale were included in the determination of Dominion s estimated annual effective tax rate in 2009.

Note 7. 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,	
	2010	**2009**	**2010**	**2009**
(millions, except EPS)				
Net income attributable to Dominion	**$ 1,761**	$ 454	**$ 1,935**	$ 702
Average shares of common stock outstanding Basic	**590.4**	593.7	**595.1**	589.5
Net effect of potentially dilutive securities(1)	**1.0**	0.3	**1.0**	0.4

Average shares of common stock outstanding Diluted	**591.4**	594.0	**596.1**	589.9
Earnings Per Common Share Basic and Diluted	**$ 2.98**	$ 0.76	**$ 3.25**	$ 1.19

(1) Potentially dilutive securities consist of options, goal-based stock and contingently convertible senior notes.
Potentially dilutive securities with the right to acquire approximately 2.7 million and 2.2 million common shares for the three and six months ended June 30, 2009, respectively, were not included in the period s calculation of diluted EPS because the exercise or purchase prices of those instruments were greater than the average market price of Dominion s common shares. There were no potentially dilutive securities excluded from the calculation of diluted EPS for the three and six months ended June 30, 2010.

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Note 8. Comprehensive Income

The following table presents Dominion s total comprehensive income:

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net income including noncontrolling interests	**$ 1,765**	$ 458	**$ 1,943**	$ 710
Other comprehensive income (loss):				
Net other comprehensive income (loss) associated with effective portion of changes in fair value of derivatives designated as cash flow hedges, net of taxes and amounts reclassified to earnings	**(111)[(1)]**	(112)[(2)]	**(5)**	39
Other, net of tax	**(48)[(3)]**	53[(4)]	**16**	77[(4)]
Other comprehensive income (loss)	**(159)**	(59)	**11**	116
Comprehensive income including noncontrolling interests	**1,606**	399	**1,954**	826
Noncontrolling interests	**4**	4	**8**	8
Total comprehensive income attributable to Dominion	**$ 1,602**	$ 395	**$ 1,946**	$ 818

(1) Reflects the impact of changes in commodity prices and the reclassification of gains related to interest rate derivatives to earnings.
(2) Principally reflects the reclassification of electricity-related derivative activity to earnings.
(3) Primarily represents a net reduction in unrealized gains on investments held in nuclear decommissioning trusts.
(4) Principally represents a net increase in unrealized gains on investments held in nuclear decommissioning trusts.

The following table presents Virginia Power s total comprehensive income:

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net income	**$ 267**	$ 149	**$ 362**	$ 353
Other comprehensive income (loss):				
Net other comprehensive income (loss) associated with effective portion of changes in fair value of derivatives designated as cash flow hedges, net of taxes and amounts reclassified to earnings	**(3)**	8	**(8)**	8
Other, net of tax	**(6)**	4	**(4)**	7
Other comprehensive income (loss)	**(9)**	12	**(12)**	15
Total comprehensive income	**$ 258**	$ 161	**$ 350**	$ 368

Note 9. Fair Value Measurements

Dominion s and Virginia Power s fair value measurements are made in accordance with the policies discussed in Note 7 to the Consolidated Financial Statements in their Annual Report on Form 10-K for the year ended December 31, 2009. See Note 10 in this report for further information about their derivatives and hedge accounting activities.

Fair values are based on inputs and assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The inputs and assumptions include the following:

For commodity and foreign currency derivative contracts:

- Forward commodity prices
- Forward foreign currency prices
- Price volatility
- Volumes
- Commodity location
- Interest rates
- Credit quality of counterparties and Dominion and Virginia Power
- Credit enhancements
- Time value

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For interest rate derivative contracts:

- Interest rate curves
- Credit quality of counterparties and Dominion and Virginia Power
- Credit enhancements
- Time value

For investments:

- Quoted securities prices
- Securities trading information including volume and restrictions
- Maturity
- Interest rates
- Credit quality
- Net asset value (only for investments in partnerships)

Dominion and Virginia Power regularly evaluate and validate the inputs used to estimate fair value by a number of methods, including review and verification of models, as well as various market price verification procedures such as the use of pricing services and multiple broker quotes to support the market price of the various commodities in which the Companies transact.

For derivative contracts, Dominion and Virginia Power recognize transfers among Level 1, Level 2 and Level 3 based on fair values as of the first day of the month in which the transfer occurs. Transfers out of Level 3 represent assets and liabilities that were previously classified as Level 3 for which the inputs became observable based on the criteria discussed in Note 7 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009 for classification in either Level 1 or Level 2. Because the activity and liquidity of commodity markets vary substantially between regions and time periods, the availability of observable inputs for substantially the full term and value of the Companies over-the-counter derivative contracts is subject to change.

At June 30, 2010, Dominion s and Virginia Power s net balance of commodity derivatives categorized as Level 3 fair value measurements was a net asset of $32 million and $5 million, respectively. A hypothetical 10% increase in commodity prices would decrease Dominion s and Virginia Power s Level 3 net asset by $54 million and $2 million, respectively, while a hypothetical 10% decrease in commodity prices would increase Dominion s and Virginia Power s Level 3 net asset by $54 million and $2 million, respectively.

Non-recurring Fair Value Measurements

In June 2010, Dominion evaluated State Line, a coal-fired merchant power station with minimal environmental controls, for impairment due to the station s relatively low level of profitability combined with the EPA s issuance in June 2010 of a new stringent 1-hour primary NAAQS for SO_2 that will likely require significant environmental capital expenditures in the future. As a result of this evaluation, Dominion recorded an impairment charge of $163 million ($95 million after-tax) in other operations and maintenance expense in its Consolidated Statement of Income, to write down State Line s long-lived assets to their estimated fair value of $59 million. As management is not aware of any recent market transactions for comparable assets with sufficient transparency to develop a market approach to fair value, Dominion relied on the income approach (discounted cash flows) to estimate the fair value of State Line s long-lived assets. This is considered a Level 3 fair value measurement due to the use of significant unobservable inputs including estimates of future power and other commodity prices.

During the first quarter of 2009, Dominion evaluated an equity method investment for impairment and recorded a $23 million impairment in other income (loss) in its Consolidated Statement of Income. The resulting fair value of $10 million was estimated using an expected present value cash flow model and was considered a Level 3 fair value measurement due to the use of significant unobservable inputs related to the timing and amount of future equity distributions based on the investee s future financing structure, contractual and market based revenues and operating costs.

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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:

(millions)	Level 1	Level 2	Level 3	Total
As of June 30, 2010				
Assets				
Derivatives:				
Commodity	**$ 106**	**$ 1,038**	**$ 104**	**$ 1,248**
Interest rate		**56**		**56**
Investments[1] :				
Marketable equity securities	**1,458**			**1,458**
Marketable debt securities:				
Corporate bonds		**323**		**323**
U.S. Treasury securities and agency debentures	**269**	**152**		**421**
State and municipal		**263**		**263**
Other		**28**		**28**
Cash equivalents and other		**79**		**79**
Total assets	**$ 1,833**	**$ 1,939**	**$ 104**	**$ 3,876**
Liabilities				
Derivatives:				
Commodity	**$ 11**	**$ 778**	**$ 72**	**$ 861**
Interest rate		**24**		**24**
Total liabilities	**$ 11**	**$ 802**	**$ 72**	**$ 885**
As of December 31, 2009				
Assets				
Derivatives:				
Commodity	$ 85	$ 1,058	$ 41	$ 1,184
Interest rate		176		176
Foreign currency		2		2
Investments[1] :				
Marketable equity securities	1,575	1		1,576
Marketable debt securities:				
Corporate bonds		253		253
U.S. Treasury securities and agency debentures	216	78		294
State and municipal		434		434
Other		4		4
Cash equivalents and other		54		54
Total assets	$ 1,876	$ 2,060	$ 41	$ 3,977
Liabilities				
Derivatives:				
Commodity	$ 17	$ 736	$ 107	$ 860
Interest rate		1		1

Total liabilities	$ 17	$ 737	$ 107	$ 861

(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,	
	2010	**2009**	**2010**	**2009**
(millions)				
Beginning balance	**$ (60)**	$ 98	**$ (66)**	$ 99
Total realized and unrealized gains (losses):				
Included in earnings	**12**	(69)	**13**	(131)
Included in other comprehensive income (loss)	**61**	(108)	**85**	(88)
Included in regulatory assets/liabilities	**19**	32	**14**	55
Purchases, issuances and settlements	**(3)**	78	**(18)**	112
Transfers out of Level 3	**3**		**4**	(16)
Ending balance	**$ 32**	$ 31	**$ 32**	$ 31
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	**$ 3**	$ 3	**$ (11)**	$ (10)

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

(millions)	Operating revenue	Electric fuel and other energy-related purchases	Purchased gas	Total
Three Months Ended June 30, 2010				
Total gains (losses) included in earnings	**$ 6**	**$ 6**	**$**	**$ 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	**3**			**3**
Three Months Ended June 30, 2009				
Total gains (losses) included in earnings	$ 18	$ (87)	$	$ (69)
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	3			3
Six Months Ended June 30, 2010				
Total gains (losses) included in earnings	**$ (10)**	**$ 26**	**$ (3)**	**$ 13**
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	**(9)**		**(2)**	**(11)**
Six Months Ended June 30, 2009				
Total gains (losses) included in earnings	$ 14	$ (138)	$ (7)	$ (131)
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains	(4)	(1)	(5)	(10)

(losses) relating to assets/liabilities still held at the reporting date

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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:

(millions)	Level 1	Level 2	Level 3	Total
As of June 30, 2010				
Assets				
Derivatives:				
Commodity	**$**	**$ 22**	**$ 9**	**$ 31**
Interest rate		**3**		**3**
Investments[1] :				
Marketable equity securities	**579**			**579**
Marketable debt securities:				
Corporate bonds		**216**		**216**
U.S. Treasury securities and agency debentures	**103**	**52**		**155**
State and municipal		**83**		**83**
Other		**25**		**25**
Cash equivalents and other		**47**		**47**
Total assets	**$ 682**	**$ 448**	**$ 9**	**$ 1,139**
Liabilities				
Derivatives:				
Commodity	**$**	**$ 8**	**$ 4**	**$ 12**
Interest rate		**7**		**7**
Total liabilities	**$**	**$ 15**	**$ 4**	**$ 19**
As of December 31, 2009				
Assets				
Derivatives:				
Commodity	$	$ 30	$ 2	$ 32
Interest rate		86		86
Foreign currency		2		2
Investments[1] :				
Marketable equity securities	634			634
Marketable debt securities:				
Corporate bonds		161		161
U.S. Treasury securities and agency debentures	90	8		98
State and municipal		189		189
Other		3		3
Cash equivalents and other		16		16
Total assets	$ 724	$ 495	$ 2	$ 1,221
Liabilities				
Derivatives:				
Commodity	$	$ 3	$ 12	$ 15
Total liabilities	$	$ 3	$ 12	$ 15

(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,	
	2010	2009	2010	2009
(millions)				
Beginning balance	$ (15)	$ (41)	$ (10)	$ (69)
Total realized and unrealized gains (losses):				
Included in earnings	6	(87)	26	(138)
Included in regulatory assets/liabilities	20	32	15	55
Purchases, issuances and settlements	(6)	88	(26)	142
Transfers out of Level 3				2
Ending balance	$ 5	$ (8)	$ 5	$ (8)

The gains and losses included in earnings in the Level 3 fair value category were classified in electric fuel and other energy-related purchases expense in Virginia Power s Consolidated Statements of Income for the three and six months ended June 30, 2010 and 2009. There were no unrealized gains and 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, 2010 and 2009.

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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 that 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, 2010		December 31, 2009	
(millions)	Carrying Amount	Estimated Fair Value[1]	Carrying Amount	Estimated Fair Value[1]
Dominion				
Long-term debt, including securities due within one year[2]	**$ 14,509**	**$ 16,265**	$ 14,867	$ 15,970
Junior subordinated notes payable to affiliates	**268**	**264**	268	255
Enhanced junior subordinated notes	**1,467**	**1,517**	1,483	1,487
Subsidiary preferred stock[3]	**257**	**255**	257	251
Virginia Power				
Long-term debt, including securities due within one year[2]	**$ 6,449**	**$ 7,320**	$ 6,458	$ 6,977
Preferred stock[3]	**257**	**255**	257	251

(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. 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, 2010 and December 31, 2009, includes the valuation of certain fair value hedges associated with Dominion s fixed rate debt of approximately $54 million and $23 million, respectively.
(3) Includes issuance expenses of $2 million at June 30, 2010 and December 31, 2009.

Note 10. 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, 2009. See Note 9 in this report for further information about fair value measurements and associated valuation methods for derivatives.

Dominion

The following table presents the volume of Dominion s derivative activity as of June 30, 2010. 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 deals, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price[1]	568	146
Basis[1]	1,229	591
Electricity (MWh):		
Fixed price	19,001,154	11,021,011
FTRs	105,571,139	2,599,872

Capacity (MW)	1,512,600	4,659,850
Liquids (gallons)(2)	154,476,000	415,212,000
Interest rate	$ 850,000,000	$ 825,000,000
Foreign currency (euros)	4,301,400	

(1) Includes options.
(2) Includes NGL and oil derivatives.

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For the three and six months ended June 30, 2010 and 2009, gains or losses on hedging instruments determined to be ineffective 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 and were not material for the three and six months ended June 30, 2010 and 2009.

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, 2010:

(millions)	AOCI After-Tax	Amounts Expected to be Reclassified to Earnings during the next 12 Months After-Tax	Maximum Term
Commodities:			
Gas	$ (15)	$ (6)	54 months
Electricity	214	177	35 months
NGLs	34	9	54 months
Other	10	3	59 months
Interest rate	33	(1)	342 months
Total	$ 276	$ 182	

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, interest rates and foreign exchange rates.

The sale of the majority of Dominion s remaining E&P operations resulted in the discontinuance of hedge accounting for certain cash flow hedges, as discussed in Note 3.

In addition, changes to Dominion s financing needs during the first and second quarters of 2010 resulted in the discontinuance of hedge accounting for certain cash flow hedges since it became probable that forecasted interest payments would not occur. In connection with the discontinuance of hedge accounting for these contracts, Dominion recognized a benefit recorded to interest and related charges reflecting the reclassification of gains from AOCI to earnings of $70 million ($43 million after-tax) in the three months ended June 30, 2010 and $110 million ($67 million after-tax) in the six months ended June 30, 2010. The reclassification of gains from AOCI to earnings was partially offset by subsequent changes in fair value of $37 million ($23 million after-tax) for the three and six months ended June 30, 2010.

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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:

(millions)	Fair Value Derivatives under Hedge Accounting	Fair Value Derivatives not under Hedge Accounting	Total Fair Value
June 30, 2010			
ASSETS			
Current Assets			
Commodity	**$ 465**	**$ 542**	**$ 1,007**
Interest rate	**22**		**22**
Total current derivative assets	**487**	**542**	**1,029**
Noncurrent Assets			
Commodity	**158**	**83**	**241**
Interest rate	**34**		**34**
Total noncurrent derivative assets(1)	**192**	**83**	**275**
Total derivative assets	**$ 679**	**$ 625**	**$ 1,304**
LIABILITIES			
Current Liabilities			
Commodity	**$ 142**	**$ 551**	**$ 693**
Interest rate		**24**	**24**
Total current derivative liabilities	**142**	**575**	**717**
Noncurrent Liabilities			
Commodity	**61**	**107**	**168**
Total noncurrent derivative liabilities(2)	**61**	**107**	**168**
Total derivative liabilities	**$ 203**	**$ 682**	**$ 885**
December 31, 2009			
ASSETS			
Current Assets			
Commodity	$ 445	$ 507	$ 952
Interest rate	174		174
Foreign currency	2		2
Total current derivative assets	621	507	1,128
Noncurrent Assets			
Commodity	132	100	232
Interest rate	2		2
Total noncurrent derivative assets(1)	134	100	234

Total derivative assets	$	755	$	607	$	1,362
LIABILITIES						
Current Liabilities						
Commodity	$	147	$	532	$	679
Total current derivative liabilities		147		532		679
Noncurrent Liabilities						
Commodity		61		120		181
Interest rate		1				1
Total noncurrent derivative liabilities(2)		62		120		182
Total derivative liabilities	$	209	$	652	$	861

(1) Noncurrent derivative assets are presented in other deferred charges and other assets in Dominion s Consolidated Balance Sheets.
(2) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in Dominion s Consolidated Balance Sheets.

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Derivatives in cash flow hedging relationships (millions)	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)(1)	Amount of Gain (Loss) Reclassified from AOCI to Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment(2)
Three Months Ended June 30, 2010			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		**$ 114**	
Purchased gas		**(19)**	
Electric fuel and other energy-related purchases		**(5)**	
Purchased electric capacity		**1**	
Total commodity	**$ (16)**	**91**	**$ 2**
Interest rate(3)		**70**	**(23)**
Foreign currency(4)		**(1)**	**(1)**
Total	**$ (16)**	**$ 160**	**$ (22)**
Three Months Ended June 30, 2009			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		$ 284	
Purchased gas		(35)	
Electric fuel and other energy-related purchases		(2)	
Purchased electric capacity		1	
Total commodity	$ (57)	248	$ (4)
Interest rate(3)	138	(1)	86
Foreign currency(4)	1		2
Total	$ 82	$ 247	$ 84
Six Months Ended June 30, 2010			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		**$ 295**	
Purchased gas		**(116)**	
Electric fuel and other energy-related purchases		**(8)**	
Purchased electric capacity		**2**	
Total commodity	**$ 283**	**173**	**$ (11)**
Interest rate(3)	**(3)**	**110**	**(24)**
Foreign currency(4)			**(2)**
Total	**$ 280**	**$ 283**	**$ (37)**
Six Months Ended June 30, 2009			
Derivative Type and Location of Gains (Losses)			

Commodity:						
Operating revenue			$	522		
Purchased gas				(83)		
Electric fuel and other energy-related purchases				(7)		
Purchased electric capacity				3		
Total commodity	$	374		435	$	1
Interest rate[3]		124		(2)		73
Foreign currency[4]		1		1		
Total	$	499	$	434	$	74

(1) Amounts deferred into AOCI have no associated effect in Dominion s Consolidated Statements of Income.

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(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.
(4) Amounts recorded in Dominion s Consolidated Statements of Income are classified in electric fuel and other energy-related purchases.

Derivatives not designated as hedging instruments (millions)	Amount of Gain (Loss) Recognized in Income on Derivatives[1]			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Derivative Type and Location of Gains (Losses)				
Commodity				
Operating revenue	**$ (14)**	$ 13	**$ 26**	$ 46
Purchased gas	**2**	(14)	**(29)**	(46)
Electric fuel and other energy-related purchases	**5**	(86)	**26**	(137)
Interest Rate[2]	**(37)**		**(37)**	
Total	**$ (44)**	$ (87)	**$ (14)**	$ (137)

(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 are recorded in interest and related charges in Dominion s Consolidated Statements of Income.

Virginia Power

The following table presents the volume of Virginia Power s derivative activity as of June 30, 2010. 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 deals, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price	10	
Basis	5	
Electricity (MWh):		
Fixed price	723,200	
FTRs	104,879,135	2,599,872
Capacity (MW)	417,000	350,500
Interest rate	$ 300,000,000	$ 75,000,000
Foreign currency (euros)	4,301,400	

For the three and six months ended June 30, 2010 and 2009, gains or losses on hedging instruments determined to be ineffective 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 and were not material for the three and six months ended June 30, 2010 and 2009.

The following table presents selected information related to gains on cash flow hedges included in AOCI in Virginia Power s Consolidated Balance Sheet at June 30, 2010:

	AOCI After-Tax	Amounts Expected to be	Maximum Term

(millions)		Reclassified to Earnings during the next 12 Months After-Tax	
Interest rate	$ 3	$	342 months
Other	2	2	47 months
Total	$ 5	$ 2	

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, interest rates and foreign exchange rates.

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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:

(millions)	Fair Value Derivatives under Hedge Accounting	Fair Value Derivatives not under Hedge Accounting	Total Fair Value
June 30, 2010			
ASSETS			
Current Assets			
Commodity	**$ 22**	**$ 9**	**$ 31**
Interest rate	**3**		**3**
Total current derivative assets(1)	**25**	**9**	**34**
Total derivative assets	**$ 25**	**$ 9**	**$ 34**
LIABILITIES			
Current Liabilities			
Commodity	**$ 4**	**$ 4**	**$ 8**
Interest rate		**7**	**7**
Total current derivative liabilities(3)	**4**	**11**	**15**
Noncurrent Liabilities			
Commodity	**4**		**4**
Total noncurrent derivative liabilities(4)	**4**		**4**
Total derivative liabilities	**$ 8**	**$ 11**	**$ 19**
December 31, 2009			
ASSETS			
Current Assets			
Commodity	$ 20	$ 2	$ 22
Interest rate	86		86
Foreign currency	2		2
Total current derivative assets(1)	108	2	110
Noncurrent Assets			
Commodity	10		10
Total noncurrent derivative assets(2)	10		10
Total derivative assets	$ 118	$ 2	$ 120
LIABILITIES			
Current Liabilities			
Commodity	$ 1	$ 12	$ 13

Total current derivative liabilities(3)		1		12		13
Noncurrent Liabilities						
Commodity		2				2
Total noncurrent derivative liabilities(4)		2				2
Total derivative liabilities	$	3	$	12	$	15

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

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Derivatives in cash flow hedging relationships (millions)	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)(1)	Amount of Gain (Loss) Reclassified from AOCI to Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment(2)
Three Months Ended June 30, 2010			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Purchased electric capacity		**$ 1**	
Total commodity	**$ 1**	**1**	**$ 2**
Interest rate(3)		**6**	**(23)**
Foreign currency(4)			**(1)**
Total	**$ 1**	**$ 7**	**$ (22)**
Three Months Ended June 30, 2009			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Electric fuel and other energy-related purchases		$ (1)	
Purchased electric capacity		2	
Total commodity	$ (1)	1	$ (4)
Interest rate(3)	14		86
Foreign currency(4)	1		2
Total	$ 14	$ 1	$ 84
Six Months Ended June 30, 2010			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Electric fuel and other energy-related purchases		**$ (1)**	
Purchased electric capacity		**2**	
Total commodity	**$ (2)**	**1**	**$ (11)**
Interest rate(3)	**(1)**	**9**	**(24)**
Foreign currency(4)			**(2)**
Total	**$ (3)**	**$ 10**	**$ (37)**
Six Months Ended June 30, 2009			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Electric fuel and other energy-related purchases		$ (6)	
Purchased electric capacity		3	
Total commodity	$ (2)	(3)	$ 1

Interest rate[3]		13				73
Foreign currency[4]				1		
Total	$	11	$	(2)	$	74

(1) Amounts deferred into AOCI have no associated effect in Virginia Power 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 Virginia Power s Consolidated Statements of Income.

(3) Amounts recorded in Virginia Power s Consolidated Statements of Income are classified in interest and related charges.

(4) Amounts recorded in Virginia Power s Consolidated Statements of Income are classified in electric fuel and other energy-related purchases.

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Derivatives not designated as hedging instruments (millions)	Amount of Gain (Loss) Recognized in Income on Derivatives[1] Three Months Ended June 30, 2010	2009	Six Months Ended June 30, 2010	2009
Derivative Type and Location of Gains (Losses)				
Commodity[2]	**$ 5**	$ (87)	**$ 26**	$ (138)
Interest Rate[3]	**(3)**		**(3)**	
Total	**$ 2**	$ (87)	**$ 23**	$ (138)

(1) Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in Virginia Power s Consolidated Statements of Income.
(2) Amounts are recorded in electric fuel and other energy-related purchases in Virginia Power s Consolidated Statements of Income.
(3) Amounts are recorded in interest and related charges in Virginia Power s Consolidated Statements of Income.

Note 11. Investments

Dominion

Rabbi Trust Securities

Marketable equity and debt securities and cash equivalents held in Dominion s rabbi trusts and classified as trading totaled $91 million and $96 million at June 30, 2010 and December 31, 2009, respectively. Cost method investments held in Dominion s rabbi trusts totaled $18 million and $17 million at June 30, 2010 and December 31, 2009, respectively.

Decommissioning Trust Securities

Dominion holds marketable equity and debt securities (classified as available-for-sale), cash equivalents and cost method investments in nuclear decommissioning trust funds in order to fund future decommissioning costs for its nuclear plants. Dominion s decommissioning trust funds are summarized below.

(millions)	Amortized Cost	Total Unrealized Gains[1]	Total Unrealized Losses[1]	Fair Value
June 30, 2010				
Marketable equity securities	**$ 1,184**	**$ 230**	**$ (1)**	**$ 1,413**
Marketable debt securities:				
Corporate bonds	**308**	**16**	**(1)**	**323**
U.S. Treasury securities and agency debentures	**403**	**18**		**421**
State and municipal	**208**	**11**	**(2)**	**217**
Other	**28**			**28**
Cost method investments	**105**			**105**
Cash equivalents and other[2]	**51**			**51**
Total	**$ 2,287**	**$ 275**	**$ (4)[3]**	**$ 2,558**
December 31, 2009				
Marketable equity securities	$ 1,191	$ 338	$	$ 1,529

Marketable debt securities:				
Corporate bonds	241	13	(1)	253
U.S. Treasury securities and agency debentures	281	13	(1)	293
State and municipal	371	21	(3)	389
Other	4			4
Cost method investments	97			97
Cash equivalents and other[2]	60			60
Total	$ 2,245	$ 385	$ (5)[3]	$ 2,625

(1) Included in AOCI and the decommissioning trust regulatory liability.

(2) At June 30, 2010 and December 31, 2009, reflects $28 million and $11 million, respectively, related to net pending sales and purchases of securities.

(3) The fair value of securities in an unrealized loss position was $86 million and $169 million at June 30, 2010 and December 31, 2009, respectively.

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The fair value of Dominion s marketable debt securities (classified as available for sale) at June 30, 2010 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	$ 81
Due after one year through five years	317
Due after five years through ten years	275
Due after ten years	316
Total	$ 989

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Presented below is selected information regarding Dominion s marketable equity and debt securities.

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Trading securities:				
Net unrealized gain (loss)	**$ (3)**	$ 6	**$ (1)**	$ 2
Available-for-sale securities:				
Proceeds from sales[1]	**627**	438	**1,140**	727
Realized gains[2]	**17**	45	**73**	61
Realized losses[2]	**28**	16	**54**	159

(1) The increase in proceeds primarily reflects changes in asset allocation and liquidation of positions in connection with changes in fund managers.
(2) Includes realized gains or losses recorded to the decommissioning trust regulatory liability.

Dominion recorded other-than-temporary impairment losses on investments as follows:

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Total other-than-temporary impairment losses[1]	**$ 41**	$ 15	**$ 48**	$ 156
Losses recorded to decommissioning trust regulatory liability	**(13)**	(7)	**(16)**	(70)
Losses recognized in other comprehensive income (before taxes)	**(1)**	(1)	**(2)**	(1)
Net impairment losses recognized in earnings	**$ 27**	$ 7	**$ 30**	$ 85

(1) Amount includes other-than-temporary impairment losses for debt securities of $1 million and $2 million for the three months ended June 30, 2010 and 2009, respectively, and $3 million and $8 million for the six months ended June 30, 2010 and 2009, respectively.

Other Investments

In May 2010, using proceeds from the sale of the Appalachian E&P business, Dominion acquired $1.4 billion of short-term investments consisting of $700 million in time deposits and $700 million in Treasury Bills. As of June 30, 2010, $900 million of these investments are still held and are classified as other current investments on Dominion s Consolidated Balance Sheet. There were no unrealized gains or losses for these investments as of June 30, 2010 and their amortized cost approximates fair value. Proceeds from the sale of these investments are expected to be used largely to pay the tax liability on the gain from the sale of the Appalachian E&P business.

Virginia Power

Decommissioning Trust Securities

Virginia Power holds marketable equity and debt securities (classified as available-for-sale), cash equivalents and cost method investments in nuclear decommissioning trust funds in order to fund future decommissioning costs for its nuclear plants. Virginia Power s decommissioning trust funds are summarized below.

(millions)	Amortized Cost	Total Unrealized Gains[1]	Total Unrealized Losses[1]	Fair Value
June 30, 2010				
Marketable equity securities	$ 488	$ 91	$	$ 579
Marketable debt securities:				
Corporate bonds	208	9	(1)	216
U.S. Treasury securities and agency debentures	151	4		155
State and municipal	80	2		82
Other	24	1		25
Cost method investments	105			105
Cash equivalents and other[2]	16			16
Total	$ 1,072	$ 107	$ (1)[3]	$ 1,178

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(millions)	Amortized Cost	Total Unrealized Gains(1)	Total Unrealized Losses(1)	Fair Value
December 31, 2009				
Marketable equity securities	$ 499	$ 135	$	$ 634
Marketable debt securities:				
Corporate bonds	153	9	(1)	161
U.S. Treasury securities and agency debentures	95	3		98
State and municipal	181	9	(1)	189
Other	3			3
Cost method investments	97			97
Cash equivalents and other(2)	22			22
Total	$ 1,050	$ 156	$ (2)(3)	$ 1,204

(1) Included in AOCI and the decommissioning trust regulatory liability.
(2) At June 30, 2010 and December 31, 2009, reflects $31 million and $6 million, respectively, related to net pending sales and purchases of securities.
(3) The fair value of securities in an unrealized loss position was $60 million and $88 million at June 30, 2010, and December 31, 2009, respectively.

The fair value of Virginia Power s marketable debt securities at June 30, 2010, by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	**$ 10**
Due after one year through five years	**167**
Due after five years through ten years	**160**
Due after ten years	**141**
Total	**$ 478**

Presented below is selected information regarding Virginia Power s marketable equity and debt securities.

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	2010	2009	2010	2009
Proceeds from sales(1)	**$ 407**	$ 193	**$ 711**	$ 330
Realized gains(2)	**8**	15	**37**	23
Realized losses(2)	**2**	6	**20**	70

(1) The increase in proceeds primarily reflects changes in asset allocation and liquidation of positions in connection with changes in fund managers.
(2) Includes realized gains or losses recorded to the decommissioning trust regulatory liability.

Virginia Power recorded other-than-temporary impairment losses on investments as follows:

(millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Total other-than-temporary impairment losses[1]	**$ 16**	$ 8	**$ 19**	$ 82
Losses recorded to decommissioning trust regulatory liability	**(13)**	(7)	**(16)**	(70)
Net impairment losses recognized in earnings	**$ 3**	$ 1	**$ 3**	$ 12

(1) Amount includes other-than-temporary impairment losses for debt securities of $1 million for the three months ended June 30, 2010 and 2009, and $2 million and $5 million for the six months ended June 30, 2010 and 2009, respectively.

Note 12. Regulatory Matters

Other than the following matters, there have been no significant developments regarding the pending regulatory matters disclosed in Note 14 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009 and Note 12 to the Consolidated Financial Statements in Dominion s and Virginia Power s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

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Virginia Regulation

Virginia Fuel Expenses

In April 2010, Virginia Power filed its Virginia fuel factor application with the Virginia Commission. The application requested an annual decrease in fuel expense recovery of approximately $82 million for the period July 1, 2010 through June 30, 2011. The proposed fuel factor went into effect on July 1, 2010 on an interim basis and an evidentiary hearing on the Company s application is to be held in September 2010.

Generation Riders R and S

In June 2010, Virginia Power filed annual updates for Riders R and S with the Virginia Commission. The proposed revenue requirements under Riders R and S, effective April 1, 2011, for the rate year ending March 31, 2012 are approximately $86 million and $200 million, respectively. The ROE utilized in both rider filings is 12.3%, consistent with the terms of the rate settlement approved by the Virginia Commission in March 2010. The proposed updates to Riders R and S are subject to the approval of the Virginia Commission.

Transmission Rider T

In June 2010, the Virginia Commission approved Virginia Power s annual update to Rider T to be effective September 1, 2010, reflecting the revenue requirement of approximately $338 million recommended by Virginia Commission Staff and agreed to by Virginia Power.

Approval of DSM Programs Riders C1 and C2

In March 2010, the Virginia Commission approved Virginia Power s application for the recovery of approximately $28 million for five DSM programs through initiation of Riders C1 and C2, effective May 1, 2010.

North Anna Power Station

Virginia Power is considering the construction of a third nuclear unit at a site located at North Anna, which Virginia Power owns along with ODEC. Virginia Power and ODEC have obtained an Early Site Permit for the North Anna site from the NRC. In November 2007, Virginia Power, along with ODEC, filed an application with the NRC for a COL that references a specific reactor design and which would allow Virginia Power to build and operate a new nuclear unit at North Anna. In January 2008, the NRC accepted Virginia Power s application for the COL and deemed it complete. In December 2008, Virginia Power terminated a long-lead agreement with its vendor with respect to the reactor design identified in its COL application and certain related equipment. A competitive process was initiated in 2009 to determine if vendors could provide an advanced technology reactor that could be licensed and built under terms acceptable to Virginia Power. In May 2010, Virginia Power announced its selection of US-APWR technology for the potential third nuclear unit.

In June 2010, Virginia Power and ODEC amended the COL application to reflect the selection of the US-APWR technology. Virginia Power has a cooperative agreement, scheduled to terminate September 30, 2010, with the DOE to share equally the cost of developing a COL that references the technology previously selected by Virginia Power. Funding is not available under the agreement for activities related to the US-APWR technology. Program activities to close out the agreement will continue to be funded by the DOE.

Virginia Power has not yet committed to building a new nuclear unit at North Anna. If Virginia Power decides to build the new unit, it must first receive a COL from the NRC and the approval of the Virginia Commission. The US-APWR design is currently undergoing the NRC certification process.

The NRC is required to conduct a hearing in all COL proceedings. In August 2008, the Atomic Safety and Licensing Board of the NRC granted a request for a hearing on one of eight contentions filed by the BREDL. In August 2009, the Atomic Safety and Licensing Board dismissed this contention as moot, but in November 2009 admitted a new contention filed by the BREDL. Virginia Power s motion for reconsideration of this ruling was denied by the Atomic Safety and Licensing Board in March 2010. In June 2010, the BREDL filed a new proposed contention concerning Virginia Power s change in reactor technology. Virginia Power and the NRC staff oppose the admission of this contention. In July 2010, Virginia Power also filed a motion to dismiss BREDL s admitted contention as moot based on the change in the reactor technology. Absent additional admitted contentions, the mandatory NRC hearing

will be uncontested with respect to other issues. In March 2010, the NRC completed its final supplemental environmental impact statement, finding that there are no environmental impacts that would preclude issuing a COL for the new nuclear unit. However, further safety and environmental review is now expected as a result of the change in reactor technology.

Electric Transmission Projects

In October 2008, the Virginia Commission authorized construction of the Meadow Brook-to-Loudoun line and affirmed the 65-mile route proposed for the line which is adjacent to, or within, existing transmission line right-of-ways. The Virginia Commission s approval of the Meadow Brook-to-Loudoun line was conditioned on the respective state commission approvals of both the West Virginia and Pennsylvania portions of the transmission line. The West Virginia Commission s approval of Trans-Allegheny Interstate Line Company s application became effective in February 2009 and the Pennsylvania Commission granted approval in December 2008. On appeal by the ECCP, the Pennsylvania Commonwealth Court affirmed in May 2010 the Pennsylvania Commission s approval and subsequently denied a request for reargument by the ECCP in June 2010. The Meadow Brook-to-Loudoun line is expected to cost approximately $255 million and be completed in June 2011.

In December 2008, as part of PJM s RTEP process, the Hayes-to-Yorktown 230 kV line was authorized by PJM. In June 2010, the Virginia Commission authorized the construction of the Hayes-to-Yorktown line along the proposed eight-mile route utilizing existing easements and property previously acquired for the transmission line right-of-way. In accordance with the Virginia Commission s approval, approximately 4.2 miles of the Hayes-to-Yorktown line will be constructed overhead and approximately 3.8 miles will be installed underground in order to cross under the York River. The Hayes-to-Yorktown line is expected to cost approximately $63 million and, subject to receipt of all regulatory approvals, is expected to be completed by June 2012.

DTI Appalachian Gateway Project

In August 2008, DTI announced the proposed development of the Appalachian Gateway gas pipeline project. In June 2010, DTI filed a certificate application with the FERC seeking approval for the Appalachian Gateway project. The project is expected to provide approximately 484,000 dekatherms per day of firm transportation services for new Appalachian gas supplies from the supply areas in the Appalachian Basin in West Virginia and southwestern Pennsylvania to an interconnection with Texas Eastern Transmission, LP at Oakford, Pennsylvania. Plans call for construction to start in 2011, with transportation services to begin by September 2012. DTI estimates the cost of the Appalachian Gateway project to be approximately $634 million.

Note 13. Variable Interest Entities

As discussed in Note 16 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009, certain variable pricing terms in some of the Companies long-term power and capacity contracts cause them to be considered variable interests in the counterparties.

Virginia Power has long-term power and capacity contracts with four non-utility generators with an aggregate generation capacity of approximately 947 MW at June 30, 2010. These contracts contain certain variable pricing mechanisms in the form of partial fuel reimbursement that Virginia Power considers to be variable interests. After an evaluation of the information provided by these entities, Virginia Power was unable to determine whether they were VIEs. However, the information they provided, as well as Virginia Power s knowledge of generation facilities in Virginia, enabled Virginia Power to conclude that, if they were VIEs, it would not be the primary beneficiary. This conclusion reflects Virginia Power s determination that its variable interests do not convey the power to direct the most significant activities that impact the economic performance of the entity during the remaining terms of Virginia Power s contracts and for the years the entities are expected to operate after its contractual relationships expire. The contracts expire at various dates ranging from 2015 to 2021. Virginia Power is not subject to any risk of loss from these potential VIEs other than its remaining purchase commitments which totaled $1.7 billion as of June 30, 2010. Virginia Power paid $53 million and $51 million for electric capacity and $34 million and $25 million for electric energy to these entities for the three months ended June 30, 2010 and 2009, respectively. Virginia Power paid $107 million and $104 million for electric capacity and $75 million and $66 million for electric energy to these entities for the six months ended June 30, 2010 and 2009, respectively.

Virginia Power purchased shared services from DRS, an affiliated VIE, of approximately $107 million and $99 million for the three months ended June 30, 2010 and 2009, respectively, and $248 million and $199 million for the six months ended June 30, 2010 and 2009, respectively. Virginia Power determined that it is not the most closely associated entity with DRS and therefore not the primary beneficiary. DRS provides accounting, legal, finance and certain administrative and technical services to all Dominion subsidiaries, including Virginia Power. Virginia Power has no obligation to absorb more than its allocated share of DRS costs.

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Note 14. Significant Financing Transactions

Credit Facilities and Short-Term Debt

Dominion and Virginia Power use short-term debt to fund working capital requirements, as a bridge to long-term debt financing and as bridge financing for acquisitions, if applicable. The levels of borrowing may vary significantly during the course of the year, depending upon the timing and amount of cash requirements not satisfied by cash from operations. In addition, Dominion utilizes cash and letters of credit to fund collateral requirements under its commodities hedging program. Collateral requirements are impacted by commodity prices, hedging levels, Dominion s credit quality and the credit quality of its counterparties.

At June 30, 2010, commercial paper, bank loans and letters of credit outstanding, as well as capacity available under credit facilities, were as follows:

(millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Bank Borrowings	Outstanding Letters of Credit	Facility Capacity Available
Five-year joint revolving credit facility(1)	$ 2,872	$	$	$ 140	$ 2,732
Five-year Dominion credit facility(2)	1,700			8	1,692
Five-year Dominion bilateral facility(3)	200			21	179
Totals	$ 4,772	$	$	$ 169	$ 4,603

(1) This credit facility was entered into in February 2006 and terminates in February 2011. This credit facility can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to $1.5 billion of letters of credit.
(2) This credit facility was entered into in August 2005 and terminates in August 2010. This credit facility can be used to support bank borrowings, commercial paper and letter of credit issuances.
(3) This facility was entered into in December 2005 and terminates in December 2010. This facility can be used to support bank borrowings, commercial paper and letter of credit issuances.

In addition to the credit facility commitments disclosed above, Virginia Power also has a five-year $120 million credit facility that terminates in February 2011, which supports certain of its tax-exempt financings.

Dominion and Virginia Power plan to replace their existing credit facilities during the third quarter of 2010. They expect to operate with credit facilities of $3.0 to $3.5 billion, comprised of two joint credit facilities. The Companies expect one facility to be approximately $3.0 billion, which would be used principally to support the issuance of commercial paper but could also support bank borrowings and the issuance of letters of credit. The second facility of approximately $500 million also would support bank borrowings and the issuance of commercial paper, but would be the primary source for the issuance of letters of credit. In addition to these two facilities, Virginia Power expects to replace its existing $120 million credit facility that supports certain tax-exempt financings with a facility of a similar size. All three facilities should be for a three-year term. The Companies do not expect the overall reduction in the size and tenor of their credit facilities to negatively impact their ability to fund their operations.

Dominion repaid $411 million of long-term debt during the six months ended June 30, 2010.

Convertible Securities

At June 30, 2010, Dominion had $202 million of outstanding contingent convertible senior notes that are convertible by holders into a combination of cash and shares of Dominion s common stock under certain circumstances. The conversion feature requires that the principal amount of each note be repaid in cash, while amounts payable in excess of the principal amount will be paid in common stock. The conversion rate is subject to adjustment upon certain events such as subdivisions, splits, combinations of common stock or the issuance to all common stock holders of certain common stock rights, warrants or options and certain dividend increases. As of June 30, 2010, the conversion rate has been adjusted, primarily due to individual dividend payments above the level paid at issuance, to 28.3226 shares of common stock per $1,000 principal amount of senior notes, which represents a conversion price of $35.31.

The senior notes have not been eligible for conversion during 2010 and as of June 30, 2010, the closing price of Dominion s common stock was not equal to $42.37 per share or higher for at least 20 out of the last 30 consecutive trading days; therefore, the senior notes are not eligible for conversion during the third quarter of 2010.

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Enhanced Junior Subordinated Notes

In the second quarter of 2010, Dominion purchased and cancelled $16 million of its $500 million 2006 Series B Enhanced Junior Subordinated Notes, which mature in 2066 and bear a coupon rate of 6.3%. These purchases were conducted in compliance with the Replacement Capital Covenant as disclosed in the *Debt Covenants* section of MD&A in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009.

Issuance of Common Stock

During the six months ended June 30, 2010, Dominion issued 1.5 million shares of common stock and received cash proceeds of $48 million. The shares issued and cash proceeds received during the six months ended June 30, 2010 were through Dominion Direct®, employee savings plans and the exercise of employee stock options. In February 2010, Dominion began purchasing its common stock on the open market with proceeds received through Dominion Direct® and employee savings plans, rather than issuing additional new common shares.

In March 2010, Virginia Power issued 14,600 shares of its common stock to Dominion reflecting the conversion of approximately $433 million of short-term demand note borrowings from Dominion to equity.

Repurchase of Common Stock

In March 2010, Dominion began repurchasing common shares on the open market in anticipation of proceeds from the sale of its Appalachian E&P operations. During the six months ended June 30, 2010, Dominion repurchased 12.2 million shares of its common stock for approximately $500 million.

Note 15. Commitments and Contingencies

Other than the following matters, there have been no significant developments regarding the commitments and contingencies disclosed in Note 23 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2009, or Note 15 to the Consolidated Financial Statements in Dominion s and Virginia Power s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Guarantees

Dominion

At June 30, 2010, Dominion had issued $126 million of guarantees, primarily to support equity method investees. No significant amounts related to these guarantees have been recorded. As of June 30, 2010, Dominion s exposure under these guarantees was $49 million, primarily related to certain reserve requirements associated with non-recourse financing.

Dominion also enters into guarantee arrangements on behalf of its consolidated subsidiaries, primarily to facilitate their commercial transactions with third parties. To the extent that a liability subject to a guarantee has been incurred by one of Dominion s consolidated subsidiaries, that liability is included in Dominion s Consolidated Financial Statements. Dominion is not required to recognize liabilities for guarantees issued on behalf of its subsidiaries unless it becomes probable that it will have to perform under the guarantees. Dominion currently believes it is unlikely that it would be required to perform or otherwise incur any losses associated with guarantees of its subsidiaries obligations.

At June 30, 2010, Dominion had issued the following subsidiary guarantees:

(millions)	Stated Limit	Value(1)
Subsidiary debt(2)	$ 126	$ 126
Commodity transactions(3)	2,833	266
Lease obligation for power generation facility(4)	784	784
Nuclear obligations(5)	231	52
Other(6)	499	124

Total	$ 4,473	$ 1,352

(1) Represents the estimated portion of the guarantee s stated limit that is utilized as of June 30, 2010 based upon prevailing economic conditions and fact patterns specific to each guarantee arrangement. For those guarantees related to obligations that are recorded as liabilities by Dominion s subsidiaries, the value includes the recorded amount.

(2) Guarantees of debt of certain DEI subsidiaries. In the event of default by the subsidiaries, Dominion would be obligated to repay such amounts.

(3) Guarantees related to energy trading and marketing activities and other commodity commitments of certain subsidiaries, including subsidiaries of Virginia Power and DEI. These guarantees were provided to counterparties in order to facilitate

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physical and financial transactions in gas, oil, electricity, pipeline capacity, transportation and related commodities and services. If any of these subsidiaries fail to perform or pay under the contracts and the counterparties seek performance or payment, Dominion would be required to satisfy such obligation. Dominion and its subsidiaries receive similar guarantees as collateral for credit extended to others.

(4) Guarantee of a DEI subsidiary s leasing obligation for Fairless.

(5) Guarantees related to certain DEI subsidiaries potential retrospective premiums that could be assessed if there is a nuclear incident under Dominion s nuclear insurance programs and guarantees for a DEI subsidiary s and Virginia Power s commitment to buy nuclear fuel. Additionally, as of June 30, 2010, Dominion had agreements to provide up to $150 million and $60 million to two DEI subsidiaries to pay the operating expenses of Millstone and Kewaunee, respectively, in the event of a prolonged outage, as part of satisfying certain NRC requirements concerned with ensuring adequate funding for the operations of nuclear power stations.

(6) Guarantees related to other miscellaneous contractual obligations such as leases, environmental obligations and construction projects. Also includes guarantees related to certain DEI subsidiaries obligations for equity capital contributions and energy generation associated with Fowler Ridge and NedPower.

Virginia Power

As of June 30, 2010, Virginia Power had issued $16 million of guarantees primarily to support tax-exempt debt issued through conduits. No significant amounts related to these guarantees have been recorded.

Spent Nuclear Fuel

Under provisions of the Nuclear Waste Policy Act of 1982, Dominion and Virginia Power entered into contracts with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting the spent fuel on January 31, 1998, the date provided by the Nuclear Waste Policy Act and by the Companies contracts with the DOE.

In January 2004, Dominion and Virginia Power filed lawsuits in the U.S. Court of Federal Claims against the DOE requesting damages in connection with its failure to commence accepting spent nuclear fuel. In October 2008, the court issued an opinion and order for Dominion in the amount of approximately $155 million, which includes approximately $112 million in damages incurred by Virginia Power for spent nuclear fuel-related costs at Surry and North Anna and approximately $43 million in damages incurred for spent nuclear fuel-related costs at Millstone through June 30, 2006. In December 2008, the government appealed the judgment to the U. S. Court of Appeals for the Federal Circuit and the appeal was docketed. In March 2009, the Federal Circuit granted the government s request to stay the appeal. In May 2010, the stay was lifted, and the government s initial brief in the appeal was filed in June 2010. The issues raised by the government on appeal pertain to the damages awarded to Dominion for Millstone. The government did not take issue with the damages awarded to Virginia Power for Surry or North Anna. As a result, Virginia Power recognized a receivable in the amount of $174 million, largely offset against property, plant and equipment and regulatory assets and liabilities, representing certain spent nuclear fuel-related costs incurred through June 30, 2010. Briefing on the appeal and oral argument before the court is expected to be concluded in 2010. Payment of any damages will not occur until the appeal process has been resolved.

A lawsuit was also filed for Kewaunee, and that lawsuit is presently stayed through August 25, 2010. In June 2010, Dominion Energy Kewaunee, Inc. made a formal offer of settlement to the Authorized Representative of the Attorney General for resolution of claims incurred at Kewaunee prior to December 31, 2008. That offer has not yet been formally accepted by the government, and will not be effective until such formal acceptance is received. Dominion, however, believes it is probable that its offer will be accepted by the government. As a result, Dominion recognized a receivable in the amount of $23 million, largely offset against property, plant and equipment, for certain spent nuclear fuel-related costs incurred through June 30, 2010.

The recognition of these receivables did not materially impact the Companies results of operations. The Companies will continue to manage their spent nuclear fuel until it is accepted by the DOE.

Surety Bonds and Letters of Credit

As of June 30, 2010, Dominion had purchased $91 million of surety bonds, including $40 million at Virginia Power, and authorized the issuance of standby letters of credit by financial institutions of $169 million, including $88 million at Virginia Power, to facilitate commercial transactions by its subsidiaries with third parties. Under the terms of the surety bonds, the Companies are obligated to indemnify the respective surety bond company for any amounts paid.

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Environmental Matters

In December 2009, the EPA issued *Final Endangerment and Cause or Contribute Findings for Greenhouse Gases Under Section 202(a) of the Clean Air Act*, finding that GHGs endanger both the public health and the public welfare of current and future generations. In April 2010, the EPA and the U.S. Department of Transportation issued final rules *(Final Rulemaking To Establish Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards)* that will reduce GHG emissions and improve fuel economy for new cars and trucks sold in the U.S. When these rules take effect in January 2011, they will establish GHG emissions as regulated pollutants under the CAA. In May 2010, the EPA issued the *Final Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule* that, combined with these prior actions, will require Dominion and Virginia Power to obtain permits for GHG emissions for new and modified facilities over certain size thresholds, and meet best available control technology for GHG emissions beginning in 2011. The EPA is planning to establish guidance for GHG permitting, including best available control technology. These regulations may affect capital costs, or create significant permitting delays, for new or modified facilities that emit GHGs.

In June 2008, the Virginia State Air Pollution Control Board approved and issued an air permit to construct and operate the Virginia City Hybrid Energy Center and also approved and issued another air permit for hazardous emissions. Construction of the Virginia City Hybrid Energy Center commenced and the facility is expected to be in operation by 2012. In August 2008, SELC, on behalf of four environmental groups, filed Petitions for Appeal in Richmond Circuit Court challenging the approval of both of the air permits. The Richmond Circuit Court issued an Order in September 2009 upholding the initial air permit and upholding the second air permit for hazardous emissions except for one condition related to the permit limit for mercury emissions. In September 2009, the hazardous emissions air permit was amended by the Virginia Department of Environmental Quality to comply with the Richmond Circuit Court Order. The permit amendment does not impact the project. In October 2009, SELC filed a Notice of Appeal of the court s Order regarding the initial air permit with the Richmond Circuit Court, initiating the appeals process to the Virginia Court of Appeals. In May 2010, the Court of Appeals affirmed the Circuit Court s opinion in the appeal of the Virginia City Hybrid Energy Center s air permit. SELC did not further appeal the Court of Appeals decision to the Supreme Court of Virginia. These actions do not impact the project s construction.

In May 2010, Dominion received a request for information pursuant to Section 114 of the CAA from the EPA. The request concerns historical operating changes and capital improvements undertaken at Brayton Point and Salem Harbor. Dominion is currently in the process of responding to the request and cannot predict the outcome of this matter.

The EPA has finalized rules establishing a new 1-hour NAAQS for NO_2 (January 2010) and a new 1-hour NAAQS for SO_2 (June 2010), which could require additional NO_X and SO_2 controls in certain areas where the Companies operate. Until the states have developed implementation plans for these standards, the impact on Dominion s or Virginia Power s facilities that emit NO_X and SO_2 is uncertain. However, based on a preliminary assessment, Dominion has determined that the new 1-hour SO_2 NAAQS will likely require significant future capital expenditures at State Line, and has recorded an impairment charge on this facility as detailed in Note 9. In January 2010, the EPA proposed a new, more stringent NAAQS for ozone and in July 2010, the EPA announced a proposed new rule, called the Transport Rule, which will eventually replace the current Clean Air Interstate Rule and as proposed requires significant reductions in SO_2 and NO_X emissions. Until the ozone rulemaking is complete and states have developed implementation plans for the new standard, it is not possible to determine the impact on Dominion s or Virginia Power s facilities that emit NO_X. The Companies are studying the newly proposed Transport Rule and cannot currently predict whether the new proposed rule will ultimately require additional controls.

In June 2010, the EPA proposed regulations for coal combustion byproducts. The EPA is considering two possible options for the regulation of coal combustion byproducts. Both options fall under the RCRA. Under the first proposal, the EPA would list these byproducts as special wastes subject to regulation under subtitle C, the hazardous waste provisions of the RCRA, when destined for disposal at landfills or surface impoundments. Under the second proposal, the EPA would regulate coal combustion byproducts under subtitle D of the RCRA, the section for non-hazardous wastes. Regulation under either option will affect Dominion s and Virginia Power s disposal facilities and potentially require material investments. The Companies cannot currently predict the outcome of this matter.

In June 2010, the Conservation Law Foundation and Healthlink, Inc., filed a Complaint in the District Court of Massachusetts against Dominion Energy New England, Inc. alleging that Salem Harbor Units 1, 2, 3, and 4 have been and are in violation of visible emissions standards and monitoring requirements of the Massachusetts State Implementation Plan and the station s state and federal operating permits. Dominion is evaluating the claims and cannot predict the outcome of this lawsuit at this time.

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In October 2007, the Virginia State Water Control Board issued a VPDES permit for North Anna. The BREDL, and other persons, appealed the Virginia State Water Control Board s decision to the Richmond Circuit Court, challenging several permit provisions related to North Anna s discharge of cooling water. In February 2009, the court ruled that the Virginia State Water Control Board was required to regulate the thermal discharge from North Anna into the waste heat treatment facility. Virginia Power filed a motion for reconsideration with the court in February 2009, which was denied. The final order was issued by the court in September 2009. The court s order allows North Anna to continue to operate pursuant to the currently issued VPDES permit. In October 2009, Virginia Power filed a Notice of Appeal of the court s Order with the Richmond Circuit Court, initiating the appeals process to the Virginia Court of Appeals. In June 2010, the Virginia Court of Appeals reversed the Richmond Circuit Court s September 2009 order. The Virginia Court of Appeals held that the lower court had applied the wrong standard of review, and that the Virginia State Water Control Board s determination not to regulate the station s thermal discharge into the waste heat treatment facility was lawful. BREDL and the other original appellants can seek review of the Court of Appeals decision by the Supreme Court of Virginia within thirty days.

Note 16. Credit Risk

Credit risk is the risk of financial loss if counterparties fail to perform their contractual obligations. In order to minimize overall credit risk, credit policies are maintained, including the evaluation of counterparty financial condition, collateral requirements and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. In addition, counterparties may make available collateral, including letters of credit or cash held as margin deposits, as a result of exceeding agreed-upon credit limits, or may be required to prepay the transaction. Dominion and Virginia Power maintain a provision for credit losses based on factors surrounding the credit risk of their customers, historical trends and other information. Management believes, based on credit policies and the provision for credit losses, that it is unlikely that a material adverse effect on financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

Dominion

As a diversified energy company, Dominion transacts primarily with major companies in the energy industry and with commercial and residential energy consumers. These transactions principally occur in the Northeast, mid-Atlantic and Midwest regions of the U.S. and Texas. Dominion does not believe that this geographic concentration contributes significantly to its overall exposure to credit risk. In addition, as a result of its large and diverse customer base, Dominion is not exposed to a significant concentration of credit risk for receivables arising from electric and gas utility operations.

Dominion s exposure to credit risk is concentrated primarily within its energy marketing and price risk management activities, as Dominion transacts with a smaller, less diverse group of counterparties and transactions may involve large notional volumes and potentially volatile commodity prices. Energy marketing and price risk management activities include trading of energy-related commodities, marketing of merchant generation output, structured transactions and the use of financial contracts for enterprise-wide hedging purposes. Gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights. Gross credit exposure is calculated prior to the application of collateral. At June 30, 2010, Dominion s gross credit exposure totaled $749 million. After the application of collateral, credit exposure is reduced to $651 million. Of this amount, investment grade counterparties, including those internally rated, represented 87%. Two counterparty exposures are greater than 10% of Dominion s total exposure, one representing 10% and the other 11%, both of which are large financial institutions rated investment grade.

The majority of Dominion s derivative instruments contain credit-related contingent provisions. These provisions require Dominion to provide collateral upon the occurrence of specific events, primarily a credit downgrade. If the credit-related contingent features underlying these instruments that are in a liability position and not fully collateralized with cash were fully triggered as of June 30, 2010 and December 31, 2009, Dominion would have been required to post an additional $58 million and $36 million, respectively, of collateral to its counterparties. The collateral that would be required to be posted includes the impacts of any offsetting asset positions and any amounts already posted for derivatives, non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. Dominion had posted $36 million in collateral, including $13 million of letters of credit at June 30, 2010 and $62 million in collateral, including $48 million of letters of credit at December 31, 2009, related to derivatives with credit-related contingent provisions that are in a liability position and not fully collateralized with cash. The collateral posted includes any amounts paid related to non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. The aggregate fair value of all derivative instruments with credit-related contingent provisions that are in a liability position and not fully collateralized with cash as of June 30, 2010 and December 31, 2009 is $170 million and $181 million, respectively, and does not include the impact of any offsetting asset positions. See Note 10 for further information about derivative instruments.

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Virginia Power

Virginia Power sells electricity and provides distribution and transmission services to customers in Virginia and northeastern North Carolina. Management believes that this geographic concentration risk is mitigated by the diversity of Virginia Power s customer base, which includes residential, commercial and industrial customers, as well as rural electric cooperatives and municipalities. Credit risk associated with trade accounts receivable from energy consumers is limited due to the large number of customers. Virginia Power s exposure to potential concentrations of credit risk results primarily from sales to wholesale customers. Virginia Power s gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights. Gross credit exposure is calculated prior to the application of collateral. At June 30, 2010, Virginia Power s gross credit exposure totaled $25 million. After the application of collateral, credit exposure is reduced to $12 million. Of this amount, investment grade counterparties, including those internally rated, represented $3 million, and no single counterparty, whether investment grade or non-investment grade, exceeded $7 million of exposure.

Certain of Virginia Power s derivative instruments contain credit-related contingent provisions. These provisions require Virginia Power to provide collateral upon the occurrence of specific events, primarily a credit downgrade. If the credit-related contingent features underlying these instruments that are in a liability position and not fully collateralized with cash were fully triggered as of June 30, 2010 and December 31, 2009, Virginia Power would have been required to post an additional $2 million of collateral to its counterparties. The collateral that would be required to be posted includes the impacts of any offsetting asset positions and any amounts already posted for derivatives, non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. As of June 30, 2010 and December 31, 2009, Virginia Power had not posted any collateral related to derivatives with credit-related contingent provisions that are in a liability position and not fully collateralized with cash. The aggregate fair value of all derivative instruments with credit-related contingent provisions that are in a liability position and not fully collateralized with cash as of June 30, 2010 and December 31, 2009 is $3 million and $2 million, respectively, and does not include the impact of any offsetting asset positions. See Note 10 for further information about derivative instruments.

Note 17. Related Party Transactions

Virginia Power engages in related party transactions primarily with other Dominion subsidiaries (affiliates). Virginia Power s receivable and payable balances with affiliates are settled based on contractual terms or on a monthly basis, depending on the nature of the underlying transactions. Virginia Power is included in Dominion s consolidated federal income tax return and participates in certain Dominion benefit plans. A discussion of other significant related party transactions follows.

Transactions with Affiliates

Virginia Power transacts with affiliates for certain quantities of natural gas and other commodities in the ordinary course of business. Virginia Power also enters into certain commodity derivative contracts with affiliates. Virginia Power uses these contracts, which are principally comprised of commodity swaps, to manage commodity price risks associated with purchases of natural gas. Virginia Power designates the majority of these contracts as cash flow hedges for accounting purposes.

DRS provides accounting, legal, finance and certain administrative and technical services to Virginia Power.

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Presented below are significant Virginia Power transactions with DRS and other affiliates:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
(millions)				
Commodity purchases from affiliates	**$ 89**	$ 55	**$ 156**	$ 154
Services provided by affiliates	**108**	100	**249**	201

Virginia Power s short-term demand note borrowings from Dominion were $763 million at June 30, 2010.

In March 2010, Virginia Power issued 14,600 shares of its common stock to Dominion reflecting the conversion of approximately $433 million of short-term demand note borrowings from Dominion to equity.

Note 18. Employee Benefit Plans

The components of the provision for net periodic benefit cost were as follows:

	Pension Benefits 2010	Pension Benefits 2009	Other Postretirement Benefits 2010	Other Postretirement Benefits 2009
(millions)				
Three Months Ended June 30,				
Service cost	**$ 25**	$ 27	**$ 14**	$ 15
Interest cost	**68**	62	**25**	25
Expected return on plan assets	**(106)**	(102)	**(18)**	(14)
Amortization of prior service cost (credit)	**1**	1	**(1)**	(2)
Amortization of net loss	**15**	10	**3**	8
Settlements and curtailments		2	**(1)**	
Special termination benefits	**1**	2		
Net periodic benefit cost	**$ 4**	$ 2	**$ 22**	$ 32
Six Months Ended June 30,				
Service cost	**$ 52**	$ 53	**$ 28**	$ 30
Interest cost	**134**	125	**50**	50
Expected return on plan assets	**(205)**	(203)	**(35)**	(28)
Amortization of prior service cost (credit)	**2**	2	**(3)**	(4)
Amortization of net loss	**30**	19	**6**	15
Settlements and curtailments(1)	**84**	2	**37**	
Special termination benefits(2)	**10**	2	**1**	
Net periodic benefit cost	**$ 107**	$	**$ 84**	$ 63

(1) Relates to the sale of Peoples and a workforce reduction program.
(2) Represents a one-time special termination benefit for certain employees in connection with a workforce reduction program.

Employer Contributions

During the six months ended June 30, 2010, Dominion contributed $250 million to its defined benefit pension plans. Virginia Power s portion of this contribution was $119 million. Dominion made no contributions to its other postretirement benefit plans during the six months ended June 30, 2010, but expects to contribute approximately $56 million, of which Virginia Power s portion is expected to be $35 million, to its other postretirement benefit plans through Voluntary Employees Beneficiary Associations during the remainder of 2010.