DOMINION RESOURCES INC /VA/
Form 10-K
February 28, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number	Exact name of registrants as specified in their charters	I.R.S. Employer Identification Number
001-08489	DOMINION RESOURCES, INC.	54-1229715
001-02255	VIRGINIA ELECTRIC AND POWER COMPANY	54-0418825

VIRGINIA

(State or other jurisdiction of incorporation or organization)

120 TREDEGAR STREET

RICHMOND, VIRGINIA **23219**

(Address of principal executive offices) *(Zip Code)*

(804) 819-2000

(Registrants telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
DOMINION RESOURCES, INC.	
Common Stock, no par value	New York Stock Exchange
2009 Series A 8.375% Enhanced Junior Subordinated Notes	New York Stock Exchange
2013 Series A 6.125% Corporate Units	New York Stock Exchange
2013 Series B 6% Corporate Units	New York Stock Exchange
VIRGINIA ELECTRIC AND POWER COMPANY	
Preferred Stock (cumulative), $100 par value, $5.00 dividend	New York Stock Exchange

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

None

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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 x No ¨

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

Dominion Resources, Inc. x Virginia Electric and Power Company x

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 ¨ 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 by Rule 12b-2 of the Act).

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

The aggregate market value of Dominion Resources, Inc. common stock held by non-affiliates of Dominion was approximately $32.1 billion based on the closing price of Dominion s common stock as reported on the New York Stock Exchange as of the last day of Dominion s most recently completed second fiscal quarter. Dominion is the sole holder of Virginia Electric and Power Company common stock. As of January 31, 2014, Dominion had 581,483,227 shares of common stock outstanding and Virginia Power had 274,723 shares of common stock outstanding.

DOCUMENT INCORPORATED BY REFERENCE.

Portions of Dominion s 2014 Proxy Statement are incorporated by reference in Part III.

This combined Form 10-K 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 Power makes no representations as to the information relating to Dominion s other operations.

Table of Contents

Dominion Resources, Inc. and

Virginia Electric and Power Company

Item Number		Page Number
	Glossary of Terms	3
Part I		
1.	Business	8
1A.	Risk Factors	23
1B.	Unresolved Staff Comments	29
2.	Properties	29
3.	Legal Proceedings	32
4.	Mine Safety Disclosures	32
	Executive Officers of Dominion	33
Part II		
5.	Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
6.	Selected Financial Data	35
7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	36
7A.	Quantitative and Qualitative Disclosures About Market Risk	55
8.	Financial Statements and Supplementary Data	57
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	133
9A.	Controls and Procedures (Dominion)	133
9B.	Other Information	136
Part III		
10.	Directors, Executive Officers and Corporate Governance	136
11.	Executive Compensation	137
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	160
13.	Certain Relationships and Related Transactions, and Director Independence	160
14.	Principal Accountant Fees and Services	161
Part IV		
15.	Exhibits and Financial Statement Schedules	162

Table of Contents

Glossary of Terms

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

Abbreviation or Acronym	Definition
2011 Biennial Review Order	Order issued by the Virginia Commission in November 2011 concluding the 2009 2010 biennial review of Virginia Power s base rates, terms and conditions
2013 Biennial Review Order	Order issued by the Virginia Commission in November 2013 concluding the 2011 2012 biennial review of Virginia Power s base rates, terms and conditions
2014 Proxy Statement	Dominion 2014 Proxy Statement, File No. 001-08489
ABO	Accumulated benefit obligation
AES	Alternative Energy Solutions
AFUDC	Allowance for funds used during construction
AIP	Annual Incentive Plan
AMI	Advanced Metering Infrastructure
AMR	Automated meter reading program deployed by East Ohio
AOCI	Accumulated other comprehensive income (loss)
AROs	Asset retirement obligations
ARP	Acid Rain Program, a market-based initiative for emissions allowance trading, established pursuant to Title IV of the CAA
ASLB	Atomic Safety and Licensing Board
ATEX line	Appalachia to Texas Express ethane line
bcf	Billion cubic feet
Bear Garden	A 590 MW combined cycle, natural gas-fired power station in Buckingham County, Virginia
Blue Racer	Blue Racer Midstream, LLC, a joint venture with Caiman
BOEM	Bureau of Ocean Energy Management
BP	BP Wind Energy North America Inc.
Brayton Point	Brayton Point power station
BREDL	Blue Ridge Environmental Defense League
Bremo	Bremo power station
BRP	Dominion Retirement Benefit Restoration Plan
Brunswick County	A 1,358 MW combined cycle, natural gas-fired power station under construction in Brunswick County, Virginia
CAA	Clean Air Act
Caiman	Caiman Energy II, LLC
CAIR	Clean Air Interstate Rule
CAO	Chief Accounting Officer
CAP	IRS Compliance Assurance Process
Carson-to-Suffolk line	Virginia Power 60-mile 500 kV transmission line in southeastern Virginia
CD&A	Compensation Discussion and Analysis
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
CGN Committee	Compensation, Governance and Nominating Committee of Dominion s Board of Directors
Chesapeake	Chesapeake power station
CNG	Consolidated Natural Gas Company
CNO	Chief Nuclear Officer
CO_2	Carbon dioxide
COL	Combined Construction Permit and Operating License
Companies	Dominion and Virginia Power, collectively
CONSOL	CONSOL Energy, Inc.
COO	Chief Operating Officer
Cook & Co.	Frederic W. Cook & Co.

Cooling degree days	Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Corporate Unit	A stock purchase contract and 1/20 interest in a RSN issued by Dominion
Cove Point	Dominion Cove Point LNG, LP
CPCN	Certificate of Public Convenience and Necessity
Crayne interconnect	DTI s interconnect with Texas Eastern Transmission, LP in Greene County, Pennsylvania
CSAPR	Cross State Air Pollution Rule
CWA	Clean Water Act
DEI	Dominion Energy, Inc.
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOE	Department of Energy

Table of Contents

Abbreviation or Acronym	Definition
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
Dominion Gas	The legal entity, Dominion Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Gas Holdings, LLC and its consolidated subsidiaries
Dominion Iroquois	Dominion Iroquois, Inc.
Dooms-to-Bremo line	Virginia Power project to rebuild approximately 43 miles of existing 115 kV to 230 kV lines, between the Dooms and Bremo substations
Dooms-to-Lexington line	Virginia Power project to rebuild approximately 39 miles of an existing 500 kV line, between the Lexington and Dooms substations
DRS	Dominion Resources Services, Inc.
DSM	Demand-side management
DTI	Dominion Transmission, Inc.
DVP	Dominion Virginia Power operating segment
E&P	Exploration & production
East Ohio	The East Ohio Gas Company, doing business as Dominion East Ohio
EGWP	Employer Group Waiver Plan
Elwood	Elwood power station
Enterprise	Enterprise Product Partners, L.P.
EPA	Environmental Protection Agency
EPACT	Energy Policy Act of 2005
EPC	Engineering, procurement and construction
EPS	Earnings per share
ERISA	The Employee Retirement Income Security Act of 1974
ERM	Enterprise Risk Management
ERO	Electric Reliability Organization
ESBWR	General Electric-Hitachi s Economic Simplified Boiling Water Reactor
ESRP	Dominion Executive Supplemental Retirement Plan
Excess Tax Benefits	Benefits of tax deductions in excess of the compensation cost recognized for stock-based compensation
Fairless	Fairless power station
FASB	Financial Accounting Standards Board
FCM	Futures Commission Merchant
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings Ltd.
Fowler Ridge	A wind-turbine facility joint venture with BP in Benton County, Indiana
Frozen Deferred Compensation Plan	Dominion Resources, Inc. Executives Deferred Compensation Plan
Frozen DSOP	Dominion Resources, Inc. Security Option Plan
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
GHG	Greenhouse gas
Green Mountain	Green Mountain Power Corporation
Harrisonburg-to-Endless Caverns line	Virginia Power project to construct a 20-mile 230 kV line from the Harrisonburg substation to the Endless Caverns substation
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Hope	Hope Gas, Inc., doing business as Dominion Hope
IDA	Industrial Development Authority
Illinois Gas Contracts	A Dominion Retail natural gas book of business consisting of residential and commercial customers in Illinois
INPO	Institute of Nuclear Power Operations
IRC	Internal Revenue Code
Iroquois	Iroquois Gas Transmission System L.P.

IRS	Internal Revenue Service
ISO	Independent system operator
ISO-NE	ISO New England
JD Power	J.D. Power and Associates
Joint Committee	U.S. Congressional Joint Committee on Taxation
June 2006 hybrids	2006 Series A Enhanced Junior Subordinated Notes due 2066
June 2009 hybrids	2009 Series A Enhanced Junior Subordinated Notes due 2064, subject to extensions no later than 2079
Juniper	Juniper Capital L.P.
Kewaunee	Kewaunee nuclear power station

4

Abbreviation or Acronym	Definition
Kincaid	Kincaid power station
kV	Kilovolt
kWh	Kilowatt-hour
LIBOR	London Interbank Offered Rate
LIFO	Last-in-first-out inventory method
Line TPL-2A	An approximately 11-mile, 30-inch gathering pipeline extending from Tuscarawas County, Ohio to Harrison County, Ohio
Line TL-388	A 37-mile, 24-inch gathering pipeline extending from Texas Eastern, LP in Noble County, Ohio to its terminus at Dominion s Gilmore Station in Tuscarawas County, Ohio
Line TL-404	An approximately 26-mile, 24- and 30- inch gas gathering pipeline that extends from Wetzel County, West Virginia to Monroe County, Ohio
LNG	Liquefied natural gas
LTIP	Long-term incentive program
Maryland Commission	Maryland Public Service Commission
Massachusetts Municipal	Massachusetts Municipal Wholesale Electric Company
MATS	Utility Mercury and Air Toxics Standard Rule
mcf	thousand cubic feet
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MDFA	Massachusetts Development Finance Agency
Meadow Brook-to-Loudoun line	Virginia Power 65-mile 500 kV transmission line that begins in Warren County, Virginia and terminates in Loudoun County, Virginia
Medicare Act	The Medicare Prescription Drug, Improvement and Modernization Act of 2003
Medicare Part D	Prescription drug benefit introduced in the Medicare Act
MF Global	MF Global Inc.
MGD	Million gallons a day
Millstone	Millstone nuclear power station
MISO	Midwest Independent Transmission System Operators, Inc.
MLP	Master limited partnership
Moody s	Moody s Investors Service
Mt. Storm-to-Doubs line	Virginia Power project to rebuild approximately 96 miles of an existing 500 kV transmission line in Virginia and West Virginia
MW	Megawatt
MWh	Megawatt hour
NAAQS	National Ambient Air Quality Standards
Natrium	A natural gas and fractionation facility located in Natrium, West Virginia, owned by Blue Racer
NAV	Net asset value
NCEMC	North Carolina Electric Membership Corporation
NedPower	A wind-turbine facility joint venture with Shell in Grant County, West Virginia
NEIL	Nuclear Electric Insurance Limited
NEOs	Named executive officers
NERC	North American Electric Reliability Corporation
NGLs	Natural gas liquids
NO_2	Nitrogen dioxide
Non-Employee Directors Plan	Non-Employee Directors Compensation Plan
North Anna	North Anna nuclear power station
North Carolina Commission	North Carolina Utilities Commission
NO_X	Nitrogen oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange

ODEC	Old Dominion Electric Cooperative
Offshore Wind Advanced Technology Demonstration Program	A research and development cost share program funded by the DOE to identify innovations that will establish offshore wind as a cost-effective renewable energy resource and successfully implement these technologies on a demonstration-scale project by the end of 2017
Ohio Commission	Public Utilities Commission of Ohio
OSHA	Occupational Safety and Health Administration
PBGC	Pension Benefit Guaranty Corporation
Peoples	The Peoples Natural Gas Company
Philadelphia Utility Index	Philadelphia Stock Exchange Utility Index
Pipeline Safety Act	The Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011

Table of Contents

Abbreviation or Acronym	Definition
PIPP	Percentage of Income Payment Plan deployed by East Ohio
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio
PJM	PJM Interconnection, L.L.C.
PM&P	Pearl Meyer & Partners
PNG Companies LLC	An indirect subsidiary of Steel River Infrastructure Fund North America
ppb	Parts-per-billion
Radnor Heights Project	Virginia Power project to construct three new 230 kV underground transmission lines totaling approximately 6 miles and the associated Radnor Heights substation in Arlington County, Virginia
RCCs	Replacement Capital Covenants
RCRA	Resource Conservation and Recovery Act
Regulation Act	Legislation effective July 1, 2007, that amended the Virginia Electric Utility Restructuring Act and fuel factor statute, which legislation is also known as the Virginia Electric Utility Regulation Act, as amended in 2013
REIT	Real estate investment trust
RGGI	Regional Greenhouse Gas Initiative
Rider B	A rate adjustment clause associated with the recovery of costs related to the conversion of three of Virginia Power s coal-fired power stations to biomass
Rider BW	A rate adjustment clause associated with the recovery of costs related to Brunswick County
Rider R	A rate adjustment clause associated with the 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 T1	A rate adjustment clause to recover the difference between revenues produced from transmission rates included in base rates, and the new total revenue requirement developed annually for the rate years effective September 1
Rider W	A rate adjustment clause associated with the recovery of costs related to Warren County
Riders C1A and C2A	Rate adjustment clauses associated with the recovery of costs related to certain DSM programs approved in DSM cases
ROE	Return on equity
ROIC	Return on invested capital
RPS	Renewable Portfolio Standard
RSN	Remarketable subordinated note
RTEP	Regional transmission expansion plan
RTO	Regional transmission organization
SAFSTOR	A method of nuclear decommissioning, as defined by the NRC, in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use
SAIDI	System Average Interruption Duration Index, metric used to measure electric service reliability
Salem Harbor	Salem Harbor power station
SEC	Securities and Exchange Commission
September 2006 hybrids	2006 Series B Enhanced Junior Subordinated Notes due 2066
Shell	Shell WindEnergy, Inc.
SO_2	Sulfur dioxide
Solar Partnership Program	A solar generation program in Virginia to study the impact and assess the benefits of solar generation through construction and operation of up to 30 MW of Virginia Power-owned solar panels
Standard & Poor s	Standard & Poor s Ratings Services, a division of the McGraw-Hill Companies, Inc.
State Line	State Line power station
Surry	Surry nuclear power station
Surry-to-Skiffes Creek-to-Whealton lines	Virginia Power project to construct a 7-mile 500 kV line from Surry to the proposed Skiffes Creek Switching Station and a 20-mile 230 kV line from the proposed Skiffes Creek Switching Station to the Whealton substation
TGP	Tennessee Gas Pipeline Company
TSR	Total shareholder return
U.S.	United States of America
UAO	Unilateral Administrative Order
VEBA	Voluntary Employees Beneficiary Association
VIE	Variable interest entity

Virginia City Hybrid Energy Center	A 600 MW baseload carbon-capture compatible, clean coal powered electric generation facility in Wise County, Virginia
Virginia Commission	Virginia State Corporation Commission
Virginia Power	The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments or the entirety of Virginia Power and its consolidated subsidiaries
Virginia Wind Energy Area	Approximately 113,000 acres of federal land 24 nautical miles off the Virginia coast designated for offshore wind energy generation

Table of Contents

Abbreviation or Acronym	Definition
Warren County	A 1,329 MW combined-cycle, natural gas-fired power station under construction in Warren County, Virginia
Waxpool-Brambleton-BECO line	Virginia Power project to construct an approximately 1.5-mile double circuit 230 kV line to a new Waxpool substation, and a new 230 kV line between the Brambleton and BECO substations
West Virginia Commission	Public Service Commission of West Virginia
Western System	Collection of approximately 212 miles of various diameter natural gas pipelines and three compressor stations in Ohio
Yorktown	Yorktown power station

Table of Contents

Part I

Item 1. Business

General

Dominion, headquartered in Richmond, Virginia and incorporated in Virginia in 1983, is one of the nation s largest producers and transporters of energy. Dominion s strategy is to be a leading provider of electricity, natural gas and related services to customers primarily in the eastern region of the U.S. Dominion s portfolio of assets includes approximately 23,600 MW of generating capacity, 6,400 miles of electric transmission lines, 57,000 miles of electric distribution lines, 10,900 miles of natural gas transmission, gathering and storage pipeline and 21,900 miles of gas distribution pipeline, exclusive of service lines. Dominion presently serves nearly 6 million utility and retail energy customers in 15 states and operates one of the nation s largest underground natural gas storage systems, with approximately 947 bcf of storage capacity.

Dominion is focused on expanding its investment in regulated electric generation, transmission and distribution and regulated natural gas transmission and distribution infrastructure within and around its existing footprint. With this investment, Dominion expects 80% to 90% of future earnings from its primary operating segments to come from regulated and long-term contracted businesses.

Dominion continues to expand and improve its regulated electric and natural gas businesses, in accordance with its five-year capital investment program. A major impetus for this program is to meet the anticipated increase in demand in its electric utility service territory. Other drivers for the capital investment program include the construction of infrastructure to handle the increase in natural gas production from the Marcellus and Utica Shale formations and to upgrade Dominion s gas and electric transmission and distribution networks. Investments to gather and process natural gas production from the Utica Shale formation, in eastern Ohio and western Pennsylvania, are being made by the Blue Racer joint venture.

In September 2013, Dominion announced the formation of Dominion Gas, a first tier wholly-owned subsidiary holding company for the majority of Dominion s regulated natural gas businesses. Specifically, Dominion transferred direct ownership of East Ohio, DTI and Dominion Iroquois, the latter of which holds a 24.72% general partnership interest in Iroquois, to Dominion Gas on September 30, 2013. Dominion Gas will be the primary financing entity for Dominion s regulated natural gas businesses and expects to become an SEC registrant in 2014.

Also in September 2013, Dominion announced its plans to form an MLP in 2014 by contributing certain of its midstream natural gas assets to the MLP initially and over time. Dominion is currently considering the contribution to the MLP of natural gas business assets other than those owned by Dominion Gas, including interests in Cove Point and Dominion s share of the Blue Racer joint venture.

Dominion has transitioned to a more regulated earnings mix as evidenced by its capital investments in regulated infrastructure, as well as dispositions of certain merchant generation facilities during 2012 and 2013 and the ongoing exit of natural gas trading and certain energy marketing activities. Dominion s nonregulated

operations include merchant generation, energy marketing and price risk management activities and retail energy marketing operations. Dominion s operations are conducted through various subsidiaries, including Virginia Power.

Virginia Power, headquartered in Richmond, Virginia and incorporated in Virginia in 1909 as a Virginia public service corporation, is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. In Virginia, Virginia Power conducts business under the name Dominion Virginia Power and primarily serves retail customers. In North Carolina, it conducts business under the name Dominion North Carolina Power and serves retail customers located in the northeastern region of the state, excluding certain municipalities. In addition, Virginia Power sells electricity at wholesale prices to rural electric cooperatives, municipalities and into wholesale electricity markets. All of Virginia Power s common stock is owned by Dominion.

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

EMPLOYEES

As of December 31, 2013, Dominion had approximately 14,500 full-time employees, of which approximately 5,300 employees are subject to collective bargaining agreements. As of December 31, 2013, Virginia Power had approximately 6,700 full-time employees, of which approximately 3,100 employees are subject to collective bargaining agreements.

PRINCIPAL EXECUTIVE OFFICES

Dominion and Virginia Power s principal executive offices are located at 120 Tredegar Street, Richmond, Virginia 23219 and their telephone number is (804) 819-2000.

WHERE YOU CAN FIND MORE INFORMATION ABOUT DOMINION AND VIRGINIA POWER

Dominion and Virginia Power file their annual, quarterly and current reports, proxy statements and other information with the SEC. Their SEC filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. You may also read and copy any document they file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Dominion and Virginia Power make their SEC filings available, free of charge, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, through Dominion s internet website, http://www.dom.com, as soon as practicable after filing or furnishing the material to the SEC. You may also request a copy of these filings, at no cost, by writing or telephoning Dominion at: Corporate Secretary, Dominion, 120 Tredegar Street, Richmond, Virginia 23219, Telephone (804) 819-2000. Information contained on Dominion s website is not incorporated by reference in this report.

Table of Contents

Acquisitions and Dispositions

Following are significant acquisitions and divestitures by Dominion and Virginia Power during the last five years. There were no significant acquisitions by either registrant during this period.

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

In August 2013, Dominion completed the sale of Brayton Point, Kincaid and its equity method investment in Elwood to Energy Capital Partners and received proceeds of approximately $465 million, net of transaction costs. The historical results of Brayton Point s and Kincaid s operations are included in the Corporate and Other segment and presented in discontinued operations. See Note 3 to the Consolidated Financial Statements for additional information.

Sale of E&P Properties

In April 2010, Dominion completed the sale of substantially all of its Appalachian E&P operations, including its rights to associated Marcellus acreage, to a subsidiary of CONSOL for approximately $3.5 billion.

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.

Operating Segments

Dominion manages its daily operations through three primary operating segments: DVP, Dominion Generation and Dominion Energy. Dominion also reports a Corporate and Other segment, which includes its corporate, service company and other functions (including unallocated debt) and the net impact of operations that are discontinued, which is discussed in Note 3 to the Consolidated Financial Statements. In addition, Corporate and Other includes specific items attributable to Dominion s other operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Virginia Power manages its daily operations through two primary operating segments: DVP and Dominion Generation. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

While daily operations are managed through the operating segments previously discussed, assets remain wholly-owned by Dominion and Virginia Power and their respective legal subsidiaries.

A description of the operations included in the Companies primary operating segments is as follows:

Primary Operating	Description of Operations	Dominion	Virginia Power

Segment			
DVP	Regulated electric distribution	X	X
	Regulated electric transmission	X	X
Dominion Generation	Regulated electric fleet	X	X
	Merchant electric fleet	X	
	Nonregulated retail energy marketing (electric and gas)[1]	X	
Dominion Energy	Gas transmission and storage	X	
	Gas distribution and storage	X	
	LNG services	X	
	Producer services	X	

(1) As a result of Dominion s decision to realign its business units effective for 2013 year-end reporting, nonregulated retail energy marketing operations were moved from DVP to the Dominion Generation segment.

For additional financial information on operating segments, including revenues from external customers, see Note 25 to the Consolidated Financial Statements. For additional information on operating revenue related to Dominion s and Virginia Power s principal products and services, see Notes 2 and 4 to the Consolidated Financial Statements, which information is incorporated herein by reference.

DVP

The DVP Operating Segment of Dominion and Virginia Power includes Virginia Power s regulated electric transmission and distribution (including customer service) operations, which serve approximately 2.5 million residential, commercial, industrial and governmental customers in Virginia and North Carolina.

DVP announced its five-year investment plan, which includes spending approximately $4.8 billion from 2014 through 2018 to upgrade or add new transmission and distribution lines, substations and other facilities to meet growing electricity demand within its service territory and maintain reliability. The proposed electric delivery infrastructure projects are intended to address both continued customer growth and increases in electricity consumption by the typical consumer. In addition, data centers continue to contribute to anticipated demand growth.

Revenue provided by electric distribution operations is based primarily on rates established by state regulatory authorities and state law. Variability in earnings is driven primarily by changes in rates, weather, customer growth and other factors impacting consumption such as the economy and energy conservation, in addition to operating and maintenance expenditures. Operationally, electric distribution continues to focus on improving service levels while striving to reduce costs and link investments to operational results. As a result, electric service reliability and customer service have improved. Metrics used in measuring electric reliability and customer service were modified in 2013 to align with industry standards. Utilizing the new standard, Virginia Power continues to see improvement as SAIDI performance results were 106 minutes at the end of 2013, down from the three-year average of 130 minutes. Virginia Power s customer satisfaction improved year over year when compared to peer utilities in the South Large segment of JD Power s rankings.

Based on the annual JD Power Customer Satisfaction results, DVP improved customer satisfaction and moved up three positions in the South Large segment ranking. Customer service options continue to be enhanced and expanded through the use of technology. Customers now have the ability to use the Internet for routine billing and payment transactions, connecting and disconnecting service, reporting outages and obtaining outage updates. Additionally, customers can follow progress of electric service restoration efforts following major outages by accessing Dominion s Facebook, Twitter or internet website. In the future, safety, electric service reliability and customer service will remain key focus areas for electric distribution.

Revenue provided by Virginia Power s electric transmission operations is based primarily on rates approved by FERC. The profitability of this business is dependent on its ability, through the rates it is permitted to charge, to recover costs and earn a reasonable return on its capital investments. Variability in earnings primarily results from changes in rates and the timing of property additions, retirements and depreciation.

Virginia Power is a member of PJM, an RTO, and its electric transmission facilities are integrated into PJM wholesale electricity markets. Consistent with the increased authority given to NERC by EPACT, Virginia Power s electric transmission operations are committed to meeting NERC standards, modernizing its infrastructure and maintaining superior system reliability. Virginia Power s electric transmission operations will continue to focus on safety, operational performance, NERC compliance and execution of PJM s RTEP.

Dominion s nonregulated retail energy marketing operations are now reflected in the Dominion Generation segment. See Note 25 to the Consolidated Financial Statements for additional information.

Competition

DVP Operating Segment Dominion and Virginia Power

There is no competition for electric distribution service within Virginia Power s service territory in Virginia and North Carolina and no such competition is currently permitted. Additionally, there traditionally has been no competition for transmission service in the PJM region and Virginia Power s electric transmission facilities are integrated into PJM. However, competition from non-incumbent PJM transmission owners for development, construction and ownership of certain transmission facilities in Virginia Power s service territory is now permitted pursuant to FERC Order 1000, subject to state and local siting and permitting approvals. This could result in additional competition to build transmission lines in Virginia Power s service area in the future and could allow Dominion to seek opportunities to build facilities in other service territories.

Regulation

Virginia Power s electric retail service, including the rates it may charge to jurisdictional customers, is subject to regulation by the Virginia Commission and the North Carolina Commission. Virginia Power s wholesale electric transmission rates, tariffs and terms of service are subject to regulation by FERC. Electric transmission siting authority remains the jurisdiction of the Virginia and North Carolina Commissions. However, EPACT provides FERC with certain backstop authority for transmission siting. See *State Regulations and Federal Regulations* in *Regulation*

and Note 13 to the Consolidated Financial Statements for additional information, including a discussion of the 2013 Biennial Review Order.

Properties

Virginia Power has approximately 6,400 miles of electric transmission lines of 69 kV or more located in the states of North Carolina, Virginia and West Virginia. Portions of Virginia Power s electric transmission lines cross national parks and forests under permits entitling the federal government to use, at specified charges, any surplus capacity that may exist in these lines. While Virginia Power owns and maintains its electric transmission facilities, they are a part of PJM, which coordinates the planning, operation, emergency assistance and exchange of capacity and energy for such facilities.

As a part of PJM s RTEP process, PJM authorized the following material reliability projects (including estimated cost):

- Mt. Storm-to-Doubs line ($350 million);

- Surry-to-Skiffes Creek-to-Whealton lines ($155 million);
- Dooms-to-Lexington line ($112 million);
- Waxpool-Brambleton-BECO line ($49 million);
- Harrisonburg-to-Endless Caverns line ($66 million);
- Radnor Heights Project ($81 million);
- Dooms-to-Bremo line ($65 million);
- Loudoun voltage regulation project ($70 million); and
- Landstown voltage regulation project ($60 million).

In addition, Virginia Power s electric distribution network includes approximately 57,000 miles of distribution lines, exclusive of service level lines, in Virginia and North Carolina. The grants for most of its electric lines contain rights-of-way that have been obtained from the apparent owners of real estate, but underlying titles have not been examined. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many electric lines are on publicly-owned property, where permission to operate can be revoked.

Sources of Energy Supply

DVP Operating Segment Dominion and Virginia Power

DVP s supply of electricity to serve Virginia Power customers is produced or procured by Dominion Generation. See *Dominion Generation* for additional information.

Seasonality

DVP Operating Segment Dominion and Virginia Power

DVP s earnings vary seasonally as a result of the impact of changes in temperature, the impact of storms and other catastrophic weather events, and the availability of alternative sources for heating on demand by residential and commercial customers. Generally, the demand for electricity peaks during the summer and winter months to meet cooling and heating needs. An increase in heating degree days for DVP s electric-utility related operations does not produce the same increase in revenue as an increase in cooling degree days, due to seasonal pricing differentials and because alternative heating sources are more readily available.

Dominion Generation

The Dominion Generation Operating Segment of Virginia Power includes the generation operations of the Virginia Power regulated electric utility and its related energy supply operations. Virginia Power s utility generation operations primarily serve the supply requirements for the DVP segment s utility customers. *The Dominion Generation Operating Segment of Dominion* includes Virginia Power s generation facilities and its related energy supply operations as well as the generation operations of Dominion s merchant fleet and energy marketing and price risk management activities for these assets and Dominion s nonregulated retail energy marketing operations.

Dominion Generation s five-year electric utility investment plan includes spending approximately $3.3 billion from 2014 through 2018 to develop, finance and construct new generation capacity to meet growing electricity demand within its utility service territory. Significant projects under construction include Warren County and Brunswick County, which are estimated to cost approximately $1.1 billion and $1.3 billion, excluding financing costs, respectively. See *Properties* for additional information on these and other utility projects.

In addition, Dominion s merchant fleet has acquired and developed several renewable generation projects, which began commercial operations during the fourth quarter of 2013. The total cost of the projects is approximately $200 million, excluding financing costs, and includes a fuel cell generation facility in Connecticut and solar generation facilities in Indiana, Georgia, and Connecticut. The output of these facilities is sold under long-term power purchase agreements with terms ranging from 15 to 25 years.

Earnings for the *Dominion Generation Operating Segment of Virginia Power* primarily result from the sale of electricity generated by its utility fleet. Revenue is based primarily on rates established by state regulatory authorities and state law. Approximately 80% of revenue comes from serving Virginia jurisdictional customers. Base rates for the Virginia jurisdiction are set using a modified cost-of-service rate model, and are generally designed to allow an opportunity to recover the cost of providing utility service and earn a reasonable return on investments used to provide that service. Earnings variability may arise when revenues are impacted by factors not reflected in current rates, such as the impact of weather on customers demand for services. Likewise, earnings may reflect variations in the timing or nature of expenses as compared to those contemplated in current rates, such as labor and benefit costs, capacity expenses, and the timing, duration and costs of scheduled and unscheduled outages. The cost of fuel and purchased power is generally collected through fuel cost-recovery mechanisms established by regulators and does not materially impact net income. The cost of new generation facilities is generally recovered through rate adjustment clauses in Virginia. Variability in earnings from rate adjustment clauses reflects changes in the authorized ROE and the carrying amount of these facilities, which are largely driven by the timing and amount of capital investments, as well as depreciation. See *Electric Regulation in Virginia* under *Regulation* and Note 13 to the Consolidated Financial Statements for additional information.

The Dominion Generation Operating Segment of Dominion derives its earnings primarily from the sale of electricity generated by Virginia Power s utility and Dominion s merchant generation assets, as well as from associated capacity and ancillary services. Variability in earnings provided by Dominion s merchant fleet relates to changes in market-based prices received for electricity

and capacity. Market-based prices for electricity are largely dependent on commodity prices, primarily natural gas, and the demand for electricity, which is primarily dependent upon weather. Capacity prices are dependent upon resource requirements in relation to the supply available (both existing and new) in the forward capacity auctions, which are held approximately three years in advance of the associated delivery year. Dominion manages the electric price volatility of its merchant fleet by hedging a substantial portion of its expected near-term energy sales with derivative instruments. However, earnings have been adversely impacted due to a sustained decline in commodity prices. This sustained decline in power prices in conjunction with Dominion s regular strategic review of its portfolio of assets led to its decision to sell or retire certain merchant generation assets, which is discussed in *Properties*. Variability also results from changes in the cost of fuel consumed, labor and benefits and the timing, duration and costs of scheduled and unscheduled outages.

Dominion s retail energy marketing operations compete in nonregulated energy markets. The retail business requires limited capital investment and currently has approximately 190 employees. The retail customer base includes 2.1 million customer accounts and is diversified across three product lines: natural gas, electricity and energy-related products and services. Dominion has a heavy concentration of natural gas customers in markets where utilities have a long-standing commitment to customer choice. Dominion pursues customers in electricity markets where utilities have divested of generation assets and where customers are permitted and have opted to purchase from the market. Major growth drivers are net customer additions, new market penetration, product development and expanded sales channels and supply optimization. In January 2014, Dominion announced it will exit the electric retail energy marketing business, but will retain its natural gas and energy-related products and services retail energy marketing businesses.

COMPETITION

Dominion Generation Operating Segment Dominion and Virginia Power

Virginia Power s generation operations are not subject to significant competition as only a limited number of its Virginia jurisdictional electric utility customers have retail choice. See *Regulation-State Regulations-Electric* for more information. Currently, North Carolina does not offer retail choice to electric customers.

Dominion Generation Operating Segment Dominion

Unlike Dominion Generation s regulated generation fleet, its merchant generation fleet is dependent on its ability to operate in a competitive environment and does not have a predetermined rate structure that provides for a rate of return on its capital investments. Competition for the merchant fleet is impacted by electricity and fuel prices, new market entrants, construction by others of generating assets and transmission capacity, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. These competitive factors may negatively impact the merchant fleet s ability to profit from the sale of electricity and related products and services.

Dominion Generation s merchant assets operate within functioning RTOs and primarily compete on the basis of price.

Table of Contents

Competitors include other generating assets bidding to operate within the RTOs. These RTOs have clearly identified market rules that ensure the competitive wholesale market is functioning properly. Dominion Generation s merchant units compete in the spot market with other generators to sell a variety of products including energy, capacity and ancillary services. It is difficult to compare various types of generation given the wide range of fuels, fuel procurement strategies, efficiencies and operating characteristics of the fleet within any given RTO. However, Dominion applies its expertise in operations, dispatch and risk management to maximize the degree to which its merchant fleet is competitive compared to similar assets within the region.

Dominion s retail energy marketing operations compete against incumbent utilities and other energy marketers in nonregulated energy markets for natural gas and electricity. Customers in these markets have the right to select a retail marketer and typically do so based upon price savings or price stability; however, incumbent utilities have the advantage of long-standing relationships with their customers and greater name recognition in their markets.

Regulation

Virginia Power s utility generation fleet and Dominion s merchant generation fleet are subject to regulation by FERC, the NRC, the EPA, the DOE, the Army Corps of Engineers and other federal, state and local authorities. Virginia Power s utility generation fleet is also subject to regulation by the Virginia Commission and the North Carolina Commission. See *State Regulations* and *Federal Regulations* in *Regulation* and Note 13 to the Consolidated Financial Statements for more information.

Properties

For a listing of Dominion s and Virginia Power s existing generation facilities, see Item 2. Properties.

Dominion Generation Operating Segment Dominion and Virginia Power

The generation capacity of Virginia Power s electric utility fleet totals approximately 19,600 MW. The generation mix is diversified and includes coal, nuclear, gas, oil, hydro, renewables, and power purchase agreements. Virginia Power s generation facilities are located in Virginia, West Virginia and North Carolina and serve load in Virginia and northeastern North Carolina.

Virginia Power is developing, financing, and constructing new generation capacity to meet growing electricity demand within its service territory. Significant projects under construction or development are set forth below:

- In February 2012, the Virginia Commission authorized the construction of Warren County, which is estimated to cost approximately $1.1 billion, excluding financing costs. It is expected to generate approximately 1,329 MW of electricity when operational. Commercial operations are scheduled to commence by late 2014.
- In August 2013, the Virginia Commission authorized the construction of Brunswick County, which is estimated to cost approximately $1.3 billion, excluding financing costs. It is expected to generate 1,358 MW when operational. Construction of the facility commenced in the third quarter of 2013 with commercial operations expected to begin in spring 2016. Brunswick County is expected to offset the expected reduction in capacity caused by the planned retirement of coal-fired units at Chesapeake by 2015 and at Yorktown as early as 2016, primarily due to the cost of compliance with MATS.
- During 2013, Virginia Power converted three coal-fired Virginia generating stations to biomass. The conversions of the power stations in Altavista, Hopewell and Southampton County increased Dominion s renewable generation by 153 MW and cost approximately $157 million, excluding financing costs. The Altavista, Hopewell and Southampton County power stations commenced commercial operations using biomass as their fuel in July, October, and November 2013, respectively.
- In September 2013, the Virginia Commission authorized Virginia Power to convert Bremo Units 3 and 4 from coal to natural gas. This project will preserve the 227 MW of capacity from the units and is expected to cost approximately $53 million, excluding financing costs. The conversion process is expected to be completed in 2014 in compliance with the Virginia City Hybrid Energy Center air permit.
- Virginia Power is also considering the development of a commercial offshore wind generation project. In September 2013, the BOEM auctioned approximately 113,000 acres of federal land off the Virginia coast as a single lease for construction of offshore wind turbines. Virginia Power bid approximately $2 million and won the lease, which would allow for development of an offshore wind turbine farm capable of generating up to 2,000 MW of electricity. The BOEM has several milestones that Virginia Power must meet to keep the lease, with the final milestone being the submittal of a construction and operations plan within five years of signing the lease. Once Virginia

Power submits a plan, the BOEM has an undetermined amount of time to perform an environmental analysis and approve the plan. Subject to a final decision on pursuing the project, construction would be contingent on the receipt of applicable approvals.

In addition to the projects above, Virginia Power is considering the construction of a third nuclear unit at a site located at North Anna. See Note 13 to the Consolidated Financial Statements for more information on this project.

Dominion Generation Operating Segment Dominion

Dominion continually reviews its portfolio of assets to determine which assets fit strategically and support its objectives to improve ROIC and shareholder value. In connection with these efforts, in April 2011, Dominion announced the decision to pursue the sale of Kewaunee. In the fourth quarter of 2012, Dominion announced plans to close and decommission Kewaunee after the company was unable to find a buyer for the nuclear facility. Kewaunee ceased power production in the second quarter of 2013 and commenced decommissioning activities. In addition, during the second quarter of 2012, Dominion sold State Line, which ceased operations in March 2012, and in August 2012, Dominion completed the sale of Salem Harbor. In the third quarter of 2012, Dominion announced its intention to pursue the sale of its coal-fired merchant power stations, Brayton Point and Kincaid, and its 50% equity method investment in Elwood. Dominion completed the sale of these power stations in the third quarter of 2013.

12

Table of Contents

Following these divestitures, the generation capacity of Dominion s merchant fleet totals approximately 4,000 MW. The generation mix is diversified and includes nuclear, gas, and renewables. Merchant generation facilities are located in Connecticut, Indiana, Georgia, Pennsylvania, Rhode Island and West Virginia, with a majority of that capacity concentrated in New England.

SOURCES OF ENERGY SUPPLY

Dominion Generation Operating Segment Dominion and Virginia Power

Dominion Generation uses a variety of fuels to power its electric generation and purchases power for utility system load requirements and to satisfy physical forward sale requirements, as described below. Some of these agreements have fixed commitments and are included as contractual obligations in *Future Cash Payments for Contractual Obligations and Planned Capital Expenditures* in Item 7. MD&A.

Nuclear Fuel Dominion Generation primarily utilizes long-term contracts to support its nuclear fuel requirements. Worldwide market conditions are continuously evaluated to ensure a range of supply options at reasonable prices which are dependent on the market environment. Current agreements, inventories and spot market availability are expected to support current and planned fuel supply needs. Additional fuel is purchased as required to ensure optimal cost and inventory levels.

Fossil Fuel Dominion Generation primarily utilizes coal and natural gas in its fossil fuel plants.

Dominion Generation s coal supply is obtained through long-term contracts and short-term spot agreements from domestic suppliers.

Dominion Generation s biomass supply is obtained through long-term contracts and short-term spot agreements from local suppliers.

Dominion Generation s natural gas and oil supply is obtained from various sources including purchases from major and independent producers in the Mid-Continent and Gulf Coast regions, purchases from local producers in the Appalachian area, purchases from gas marketers and withdrawals from underground storage fields owned by Dominion or third parties.

Dominion Generation manages a portfolio of natural gas transportation contracts (capacity) that provides for reliable natural gas deliveries to its gas turbine fleet, while minimizing costs.

Purchased Power Dominion Generation purchases electricity from the PJM spot market and through power purchase agreements with other suppliers to provide for utility system load requirements.

Dominion Generation also occasionally purchases electricity from the PJM and ISO-NE spot markets to satisfy physical forward sale requirements as part of its merchant generation operations. Prior to the shutdown of Kewaunee and divestiture of its other Midwest generation facilities, Dominion Generation also occasionally purchased electricity from the MISO spot market.

Dominion Generation Operating Segment Virginia Power

Presented below is a summary of Virginia Power s actual system output by energy source:

Source	**2013**	2012	2011
Nuclear(1)	**33%**	33%	28%
Purchased power, net	**21**	27	33
Coal(2)	**29**	22	26
Natural gas	**16**	17	12
Other(3)	**1**	1	1
Total	**100%**	100%	100%

(1) Excludes ODEC s 11.6% ownership interest in North Anna.
(2) Excludes ODEC s 50.0% ownership interest in the Clover power station. The average cost of coal for 2013 Virginia in-system generation was $33.00 per MWh.
(3) Includes oil, hydro and biomass.

Dominion Generation Operating Segment-Dominion

The supply of electricity to serve Dominion s nonregulated retail energy marketing customers is procured through market wholesalers and RTO or ISO transactions. The supply of gas to serve Dominion s retail energy marketing customers is procured through market wholesalers or by Dominion Energy. See *Dominion Energy* for additional information.

Seasonality

Sales of electricity for Dominion Generation typically vary seasonally as a result of the impact of changes in temperature and the availability of alternative sources for heating on demand by residential and commercial customers. Generally, the demand for electricity peaks during the summer and winter months to meet cooling and heating needs. An increase in heating degree days does not produce the same increase in revenue as an increase in cooling degree days, due to seasonal pricing differentials at Virginia Power and because alternative heating sources are more readily available.

The earnings of Dominion s retail energy marketing operations also vary seasonally. Generally, the demand for electricity peaks during the summer and winter months to meet cooling and heating needs, while the demand for gas peaks during the winter months to meet heating needs.

Nuclear Decommissioning

Dominion Generation Operating Segment Dominion and Virginia Power

Virginia Power has a total of four licensed, operating nuclear reactors at Surry and North Anna in Virginia.

Decommissioning involves the decontamination and removal of radioactive contaminants from a nuclear power station once operations have ceased, in accordance with standards established by the NRC. Amounts collected from ratepayers are placed into trusts and are invested to fund the expected future costs of decommissioning the Surry and North Anna units.

Virginia Power believes that the decommissioning funds and their expected earnings for the Surry and North Anna units will be sufficient to cover expected decommissioning costs, particularly when combined with future ratepayer collections and contributions to these decommissioning trusts, if such future collections and contributions are required. This reflects the long-

Table of Contents

term investment horizon, since the units will not be decommissioned for decades, and a positive long-term outlook for trust fund investment returns. Virginia Power will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirement, which may include, if needed, the use of parent company guarantees, surety bonding or other financial guarantees recognized by the NRC.

The estimated cost to decommission Virginia Power s four nuclear units is reflected in the table below and is primarily based upon site-specific studies completed in 2009. These cost studies are generally completed every four to five years. The current cost estimates assume decommissioning activities will begin shortly after cessation of operations, which will occur when the operating licenses expire. Virginia Power expects to decommission the Surry and North Anna units during the period 2032 to 2067.

Dominion Generation Operating Segment Dominion

In addition to the four nuclear units discussed above, Dominion has two licensed, operating nuclear reactors at Millstone in Connecticut. A third Millstone unit ceased operations before Dominion acquired the power station. In May 2013, Dominion ceased operations at its single unit Kewaunee nuclear power station in Wisconsin and commenced decommissioning activities using the SAFSTOR methodology. The planned decommissioning completion date is 2073, which is within the NRC allowed 60 year window.

As part of Dominion s acquisition of both Millstone and Kewaunee, it acquired decommissioning funds for the related units. Any funds remaining in Kewaunee s trust after decommissioning is completed are required to be refunded to Wisconsin ratepayers. Dominion believes that the amounts currently available in the decommissioning trusts and their expected earnings will be sufficient to cover expected decommissioning costs for the Millstone and Kewaunee units. Dominion will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirements, which may include, if needed, the use of parent company guarantees, surety bonding or other financial guarantees recognized by the NRC. The estimated cost to decommission Dominion s eight units is reflected in the table below and is primarily based upon site-specific studies completed for Surry, North Anna and Millstone in 2009 and for Kewaunee in 2013. For the Millstone operating units, the current cost estimate assumes decommissioning activities will begin shortly after cessation of operations, which will occur when the operating licenses expire. Millstone Unit 1 is in SAFSTOR decommissioning status and will continue to be monitored until full decommissioning activities begin for the remaining Millstone operating units. Dominion expects to start minor decommissioning activities at Millstone Unit 2 in 2035, with full decommissioning of Millstone Units 1, 2 and 3 following the permanent cessation of operations of Millstone Unit 3 during the period 2045 to 2069.

The estimated decommissioning costs and license expiration dates for the nuclear units owned by Dominion and Virginia Power are shown in the following table:

(dollars in millions)	NRC license expiration year	Most recent cost estimate (2013 dollars)[1]	Funds in trusts at December 31, 2013	2013 contributions to trusts
Surry				
Unit 1	**2032**	**$ 497**	**$ 501**	**$ 0.6**
Unit 2	**2033**	**521**	**493**	**0.6**
North Anna				
Unit 1[2]	**2038**	**443**	**398**	**0.4**
Unit 2[2]	**2040**	**456**	**373**	**0.3**
Total (Virginia Power)		**1,917**	**1,765**	**1.9**
Millstone				
Unit 1[3]	**n/a**	**441**	**419**	
Unit 2	**2035**	**556**	**522**	
Unit 3[4]	**2045**	**596**	**512**	

Kewaunee				
Unit 1[5]	**n/a**	**651**	**685**	
Total (Dominion)		**$ 4,161**	**$ 3,903**	**$ 1.9**

(1) The cost estimates shown above reflect reductions for the expected future recovery of certain spent fuel costs based on the Companies contracts with the DOE for disposal of spent nuclear fuel consistent with the reductions reflected in Dominion s and Virginia Power s nuclear decommissioning AROs.
(2) North Anna is jointly owned by Virginia Power (88.4%) and ODEC (11.6%). However, Virginia Power is responsible for 89.26% of the decommissioning obligation. Amounts reflect 89.26% of the decommissioning cost for both of North Anna s units.
(3) Unit 1 permanently ceased operations in 1998, before Dominion s acquisition of Millstone.
(4) Millstone Unit 3 is jointly owned by Dominion Nuclear Connecticut, with a 6.53% undivided interest in Unit 3 owned by Massachusetts Municipal and Green Mountain. Decommissioning cost is shown at Dominion s ownership percentage. At December 31, 2013, the minority owners held approximately $32 million of trust funds related to Millstone Unit 3 that are not reflected in the table above.
(5) Permanently ceased operations in 2013.

Also see Note 14 and Note 22 to the Consolidated Financial Statements for further information about AROs and nuclear decommissioning, respectively.

Dominion Energy

Dominion Energy includes Dominion s regulated natural gas distribution companies, regulated gas transmission pipeline and storage operations, natural gas gathering and by-products extraction activities, LNG operations and its investment in the Blue Racer joint venture. Earnings from Dominion Energy s producer services business are unregulated, and are subject to variability associated with changes in commodity prices. Producer services uses physical and financial arrangements to hedge this price risk. In the second quarter of 2013, Dominion commenced a restructuring of the producer services business, which aggregates natural gas supply, engages in natural gas trading and marketing activities and natural gas supply management and provides price risk management services to Dominion affiliates. The ongoing restructuring will result in the termination of natural gas trading and certain energy marketing activities. As a result, the earnings impact from these activities has been included in the Corporate and Other Segment of Dominion.

Table of Contents

The gas transmission pipeline and storage business serves gas distribution businesses and other customers in the Northeast, mid-Atlantic and Midwest. Included in Dominion Energy s gas transmission pipeline and storage business is its gas gathering and extraction activity, which sells extracted products at market rates. Dominion Energy s LNG operations involve the import and storage of LNG at Cove Point and the transportation of regasified LNG to the interstate pipeline grid and mid-Atlantic and Northeast markets. Dominion has received DOE approval to export LNG from Cove Point and is awaiting other federal and state regulatory approvals to operate Cove Point as a bi-directional facility, able to import LNG, and vaporize it as natural gas, and liquefy natural gas and export it as LNG. See *Future Issues and Other Matters* in MD&A for more information.

The Blue Racer joint venture concentrates on building new gathering, processing, fractionation and NGL transportation assets as the development of the Utica Shale formation increases. Dominion has contributed or sold various assets to the joint venture. See Note 9 to the Consolidated Financial Statements for more information.

In September 2013, Dominion announced the formation of Dominion Gas, a first tier wholly-owned subsidiary holding company for the majority of Dominion s regulated natural gas businesses. Also in September 2013, Dominion announced its plans to form an MLP in 2014 by contributing certain of its midstream natural gas assets to the MLP initially and over time. See *General* above for more information.

Dominion Energy s five-year investment plan includes spending approximately $3.4 billion to $3.8 billion, exclusive of financing costs, from 2014 through 2018 for its Cove Point export project. Its five-year investment plan also includes spending approximately $2.1 billion to upgrade existing infrastructure or add new pipelines to meet growing energy needs within its service territory and maintain reliability.

Revenue provided by Dominion Energy s regulated gas transmission and storage and LNG operations is based primarily on rates established by FERC. Additionally, Dominion Energy receives revenue from firm fee-based contractual arrangements, including negotiated rates, for certain gas transportation, gas storage, LNG storage and regasification services. Dominion s gas distribution operations serve residential, commercial and industrial gas sales, transportation and gathering service customers. Revenue provided by its gas distribution operations is based primarily on rates established by the Ohio and West Virginia Commissions. The profitability of these businesses is dependent on Dominion s ability, through the rates it is permitted to charge, to recover costs and earn a reasonable return on its capital investments. Variability in earnings results from operating and maintenance expenditures, as well as changes in rates and the demand for services, which are dependent on weather, changes in commodity prices and the economy.

Revenue from extraction and fractionation operations largely results from the sale of commodities at market prices. For DTI s extraction and processing plants, Dominion purchases the wet gas product from producers and retains some or all of the extracted NGLs as compensation for its services. This exposes Dominion Energy to commodity price risk for the value of the spread between the NGL products and natural gas. In addition, Dominion Energy has volumetric risk since gas deliveries to DTI s facilities are not under long-term contracts. However, the extraction

and fractionation operations within Dominion Energy s Blue Racer joint venture are managed under long-term fee-based contracts, which minimizes commodity and volumetric risk. Variability in earnings largely results from changes in the quantities of natural gas and NGLs supplied to DTI s facilities and commodity prices.

East Ohio utilizes a straight-fixed-variable rate design for a majority of its customers. Under this rate design, East Ohio recovers a larger portion of its fixed operating costs through a flat monthly charge accompanied by a reduced volumetric base delivery rate. Accordingly, East Ohio s revenue is less impacted by weather-related fluctuations in natural gas consumption than under the traditional rate design.

Competition

Dominion Energy s gas transmission operations compete with domestic and Canadian pipeline companies. Dominion also competes with gas marketers seeking to provide or arrange transportation, storage and other services. Alternative energy sources, such as oil or coal, provide another level of competition. Although competition is based primarily on price, the array of services that can be provided to customers is also an important factor. The combination of capacity rights held on certain long-line pipelines, a large storage capability and the availability of numerous receipt and delivery points along its own pipeline system enable Dominion to tailor its services to meet the needs of individual customers.

DTI s extraction and fractionation operations face competition in obtaining natural gas supplies for its processing and related services. Numerous factors impact any given customer s choice of processing services provider, including the location of the facilities, efficiency and reliability of operations, and the pricing arrangements offered.

Retail competition for gas supply exists to varying degrees in the two states in which Dominion Energy s gas distribution subsidiaries operate. In Ohio, there has been no legislation enacted to require supplier choice for residential natural gas consumers. However, Dominion has offered an Energy Choice program to residential and commercial customers since October 2000. In April 2013, East Ohio began to fully exit the merchant function for its nonresidential customers, which will require those customers to choose a retail supplier or be assigned to one at a monthly variable rate set by the supplier. At December 31, 2013, approximately 1 million of Dominion s 1.2 million Ohio customers were participating in this Energy Choice program. West Virginia does not allow customers to choose their provider in its retail natural gas markets at this time. See *Regulation-State Regulations-Gas* for additional information.

Regulation

Dominion Energy s natural gas transmission pipeline, storage and LNG operations are regulated primarily by FERC. Dominion Energy s gas distribution service, including the rates that it may charge customers, is regulated by the Ohio and West Virginia Commissions. See *State Regulations* and *Federal Regulations* in *Regulation* for more information.

Properties

Dominion Energy s gas distribution network is located in the states of Ohio and West Virginia. This network involves approximately 21,900 miles of pipe, exclusive of service lines. The rights-of-way grants for many natural gas pipelines have been obtained from the actual owners of real estate, as underlying titles have been examined. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many natural gas pipelines are on publicly-owned property, where company rights and actions are determined on a case-by-case basis, with results that range from reimbursed relocation to revocation of permission to operate.

Dominion Energy has approximately 10,900 miles of gas transmission, gathering and storage pipelines located in the states of Maryland, New York, Ohio, Pennsylvania, Virginia and West Virginia. Dominion Energy owns gas processing and fractionation facilities in West Virginia with a total processing capacity of 280,000 mcf per day and fractionation capacity of 580,000 gallons per day. Dominion Energy also operates 20 underground gas storage fields located in New York, Ohio, Pennsylvania and West Virginia, with almost 2,000 storage wells and approximately 349,000 acres of operated leaseholds.

The total designed capacity of the underground storage fields operated by Dominion Energy is approximately 947 bcf. Certain storage fields are jointly-owned and operated by Dominion Energy. The capacity of those fields owned by Dominion s partners totals about 242 bcf. Dominion Energy also has about 15 bcf of above-ground storage capacity at Cove Point. Dominion Energy has 140 compressor stations with approximately 830,000 installed compressor horsepower.

In December 2013, DTI closed on agreements with two natural gas producers to convey approximately 100,000 acres of Marcellus Shale development rights underneath several of its natural gas storage fields. See Note 10 to the Consolidated Financial Statements for further information.

Dominion is pursuing a liquefaction project at Cove Point, which would enable the facility to liquefy domestically-produced natural gas for export as LNG. In September 2013, the DOE conditionally authorized Dominion to export LNG from Cove Point to non-free trade agreement countries. Subject to environmental review by FERC and final FERC and Maryland Commission approval, the Cove Point facility is authorized to export at a rate of 770 million cubic feet of natural gas per day for a period of 20 years. The DOE previously authorized Dominion to export to countries with free trade agreements. Following receipt of regulatory and other approvals, construction of liquefaction facilities could begin in 2014 with an in-service date in 2017. See Item 2. Properties for more information about the Cove Point facility.

In January 2011, Dominion announced the development of a natural gas processing and fractionation facility in Natrium, West Virginia. This first phase of the project is fully contracted, was completed in the second quarter of 2013 and was contributed to Blue Racer in the third quarter of 2013 resulting in an increased equity method investment in Blue Racer of $473 million. In September 2013, the Natrium facility was shut down following a fire at the plant and returned to service in January 2014.

In May 2012, Dominion began construction of the G-150 pipeline project, which is designed to transport approximately 27,000 barrels per day of NGLs from the Natrium facility to an interconnect with the ATEX line of Enterprise near Follansbee, West Virginia. Transportation services on the pipeline will be subject to FERC regulation pursuant to the Interstate Commerce

Act. In November 2013, FERC granted Dominion s petition for declaratory order and approved Dominion s proposed (1) general rate structure, (2) rate and terms for committed shippers, and (3) rate design for uncommitted shippers. Dominion NGL Pipelines, LLC (now Blue Racer NGL Pipelines, LLC), the owner of the 58-mile pipeline and associated equipment, was contributed in January 2014 to Blue Racer prior to commencement of service, resulting in an increased equity method investment of $155 million.

In September 2013, DTI received FERC authorization to construct the $42 million Natrium-to-Market project. The project is designed to provide 185,000 dekatherms per day of firm transportation from an interconnect between DTI and the Natrium facility to the Crayne interconnect. Four customers have entered into binding precedent agreements for the full project capacity under 8-year and 13-year terms. The project is anticipated to be in service in November 2014.

In September 2013, DTI executed binding precedent agreements with several local distribution company customers for the New Market Project. The project is expected to cost approximately $159 million and provide 112,000 dekatherms per day of firm transportation service from Leidy, Pennsylvania to interconnects with Iroquois and Niagara Mohawk Power Corporation s distribution system in the Albany, New York market. In 2014, DTI expects to file an application to request FERC authorization to construct and operate the project facilities, which are expected to be in service in the fourth quarter of 2016.

In October 2013, DTI executed a binding precedent agreement with CNX Gas Company LLC for the Clarington Project. The project is expected to cost approximately $78 million and provide 250,000 dekatherms per day of firm transportation service from central West Virginia to Clarington, Ohio. In 2014, DTI expects to file an application to request FERC authorization to construct and operate the project facilities, which are expected to be in service in the fourth quarter of 2016.

In March 2013, FERC approved DTI s $17 million Sabinsville-to-Morrisville project, a pipeline to move additional Marcellus supplies from a TGP pipeline in northeast Pennsylvania to its line in upstate New York. DTI previously executed a binding precedent agreement with TGP in October 2010 to provide this firm transportation service up to 92,000 dekatherms per day for a 14-year term. Construction commenced in the second quarter of 2013 and the project was placed in service in November 2013.

In March 2013, DTI received FERC approval for its $67 million Tioga Area Expansion Project, which is designed to provide approximately 270,000 dekatherms per day of firm transportation service from supply interconnects in Tioga and Potter Counties in Pennsylvania to the Crayne interconnect and the Leidy interconnect with Transcontinental Gas Pipe Line Company in Clinton County, Pennsylvania. Two customers have contracted for the service under 15-year terms. Construction commenced in the second quarter of 2013 and the project was placed in service in November 2013.

In 2012, DTI completed the Gathering Enhancement Project, a $200 million expansion of its natural gas gathering, processing and liquids facilities in West Virginia. The project is designed to increase the efficiency and reduce high pressures in its gathering system, thus increasing the amount of natural gas local producers can move through DTI s West Virginia system.

Table of Contents

In September 2012, DTI completed the $575 million Appalachian Gateway Project. The project provides approximately 484,000 dekatherms per day of firm transportation services for new Appalachian gas supplies in West Virginia and southwestern Pennsylvania to an interconnection with Texas Eastern Transmission, LP at Oakford, Pennsylvania.

In November 2012, DTI completed the $97 million Northeast Expansion Project. The project provides approximately 200,000 dekatherms per day of firm transportation services for CONSOL s Marcellus Shale natural gas production from various receipt points in central and southwestern Pennsylvania to a nexus of market pipelines and storage facilities in Leidy, Pennsylvania.

In November 2012, DTI completed the $46 million Ellisburg-to-Craigs project. The project s capacity of approximately 150,000 dekatherms per day is leased by TGP to move Marcellus Shale natural gas supplies from TGP s 300 Line pipeline system in northern Pennsylvania to its 200 Line pipeline system in upstate New York.

In December 2012, DTI received FERC authorization for the Allegheny Storage Project, which is expected to provide approximately 7.5 bcf of incremental storage service and 125,000 dekatherms per day of associated year-round firm transportation service to three local distribution companies under 15-year contracts. Storage capacity for the project will be provided from storage pool enhancements at DTI and capacity leased from East Ohio. DTI intends to construct additional compression facilities and upgrade measurement and regulation in order to provide 115,000 dekatherms per day of transportation service. The remaining 10,000 dekatherms per day of transportation service will not require construction of additional facilities. The $112 million project is expected to be placed into service in the fourth quarter of 2014.

In 2008, East Ohio began PIR, aimed at replacing approximately 20% of its pipeline system. The $2.7 billion, 25-year program is ongoing. See Note 13 to the Consolidated Financial Statements for further information about PIR.

In July 2013, East Ohio signed long-term precedent agreements with two customers to move 300,000 dekatherms per day of processed gas from the outlet of new gas processing facilities in Ohio to interconnections with multiple interstate pipelines. The Western Access Project would provide system enhancements to facilitate the movement of processed gas over East Ohio s system and is expected to be completed by November 2014, and cost approximately $90 million.

Sources of Energy Supply

Dominion Energy s natural gas supply is obtained from various sources including purchases from major and independent producers in the Mid-Continent and Gulf Coast regions, local producers in the Appalachian area and gas marketers. Dominion s large underground natural gas storage network and the location of its pipeline system are a significant link between the country s major interstate gas pipelines and large markets in the Northeast and mid-Atlantic regions. Dominion s pipelines are part of an interconnected gas transmission system, which provides access to supplies nationwide for local distribution companies, marketers, power generators and industrial and commercial customers.

Dominion s underground storage facilities play an important part in balancing gas supply with consumer demand and are essential to serving the Northeast, mid-Atlantic and Midwest

regions. In addition, storage capacity is an important element in the effective management of both gas supply and pipeline transmission capacity.

Seasonality

Dominion Energy s natural gas distribution business earnings vary seasonally, as a result of the impact of changes in temperature on demand by residential and commercial customers for gas to meet heating needs. Historically, the majority of these earnings have been generated during the heating season, which is generally from November to March; however implementation of the straight-fixed-variable rate design at East Ohio has reduced the earnings impact of weather-related fluctuations. Demand for services at Dominion s pipeline and storage business can also be weather sensitive. Commodity prices can be impacted by seasonal weather changes, the effects of unusual weather events on operations and the economy. Dominion s producer services business is affected by seasonal changes in the prices of commodities that it aggregates and transports.

Corporate and Other

Corporate and Other Segment Virginia Power

Virginia Power s Corporate and Other segment primarily includes certain specific items attributable to its operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Corporate and Other Segment Dominion

Dominion s Corporate and Other segment includes its corporate, service company and other functions (including unallocated debt) and the net impact of operations that are discontinued, which is discussed in Note 3 to the Consolidated Financial Statements. In addition, Corporate and Other includes specific items attributable to Dominion s operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Environmental Strategy

Dominion and Virginia Power are committed to being good environmental stewards. Their ongoing objective is to provide reliable, affordable energy for their customers while being environmentally responsible. The integrated strategy to meet this objective consists of four major elements:

- Compliance with applicable environmental laws, regulations and rules;
- Conservation and load management;
- Renewable generation development; and
- Improvements in other energy infrastructure.

This strategy incorporates Dominion s and Virginia Power s efforts to voluntarily reduce GHG emissions, which are described below. See *Dominion Generation-Properties* for more information on certain of the projects described below. In addition to the environmental strategy described above, Dominion formed the AES department in April 2009 to conduct research in the renewable and alternative energy technologies sector and to support strategic investments to advance Dominion s degree of understanding of such technologies.

Environmental Compliance

Dominion and Virginia Power remain committed to compliance with all applicable environmental laws, regulations and rules related to their operations. Additional information related to Dominion s and Virginia Power s environmental compliance matters can be found in *Future Issues and Other Matters* in Item 7. MD&A and in Note 22 to the Consolidated Financial Statements.

Conservation and Load Management

Conservation and load management play a significant role in meeting the growing demand for electricity. The Regulation Act provides incentives for energy conservation and sets a voluntary goal for Virginia to reduce electricity consumption by retail customers in 2022 by 10% of the electric energy consumed in 2006 through the implementation of conservation programs. Additional legislation in 2009 added definitions of peak-shaving and energy efficiency programs, and allowed for a margin on operating expenses and recovery of revenue reductions related to energy efficiency programs.

Virginia Power s DSM programs provide important incremental steps toward achieving the voluntary 10% energy conservation goal through activities such as energy audits and incentives for customers to upgrade or install certain energy efficient systems. The DSM programs began in Virginia in 2010 and in North Carolina in 2011.

Virginia Power currently offers the following DSM programs in Virginia:

- Residential Low Income Program: free energy audit for income-qualifying customers, which identifies, installs improvements and suggests additional implementation measures that will help these customers save money on energy bills;
- Residential Air Conditioner Cycling Program: incentives for residential customers who allow Virginia Power to cycle their central air conditioners and heat pump systems during peak periods;
- Residential Bundle Program: a bundle of four residential programs to be available with incentives to qualifying residential customers, including the Residential Home Energy Check-up Program, Residential Duct Testing & Sealing Program, Residential Heat Pump Tune-Up Program and Residential Heat Pump Upgrade Program;
- Non-Residential Energy Audit Program: an on-site energy audit providing qualified non-residential customers with energy assessments;
- Non-Residential Duct Testing & Sealing: an incentive for qualified non-residential customers to seal poorly performing duct and air distribution systems in qualifying non-residential facilities; and
- Non-Residential Distributed Generation: a program for qualified non-residential customers that provides an incentive to curtail load by operating customer-owned backup generation when requested by Virginia Power during periods of peak demand.

In August 2013, Virginia Power requested approval from the Virginia Commission to launch three new energy efficiency DSM programs as well as requested additional measures to enhance the

current Non-Residential Energy Audit Program. The three proposed DSM programs are the Non-Residential Lighting Systems & Controls Program, the Non-Residential Heating & Cooling Efficiency Program, and the Non-Residential Solar Window Film Program. This regulatory matter is still pending.

Virginia Power currently offers the following programs in North Carolina:

- Residential Low Income Program (described above);
- Residential Air Conditioner Cycling Program (described above);
- Residential Bundle Program (described above);
- Commercial Heating, Ventilating and Air Conditioning Upgrade Program: incentives for non-residential customers to upgrade existing or install new heating and/or cooling systems to higher efficiency models;
- Commercial Lighting Program: incentives for non-residential customers to upgrade existing or new lighting systems to higher efficiency models;
- Non-Residential Energy Audit Program (described above); and

Non-Residential Duct Testing & Sealing Program (described above).

Dominion continues to evaluate opportunities to redesign current DSM programs and develop new DSM initiatives in Virginia and North Carolina.

Virginia Power continues to upgrade meters to AMI, also referred to as smart meters, in portions of Virginia. The AMI meter upgrades are part of an ongoing project that will help Virginia Power further evaluate the effectiveness of AMI meters in achieving voltage conservation, remotely turning off and on electric service, power outage and restoration detection and reporting, remote daily meter readings and offering dynamic rates.

Renewable Generation

Renewable energy is also an important component of a diverse and reliable energy mix. Both Virginia and North Carolina have passed legislation setting targets for renewable power. Virginia Power is committed to meeting Virginia s goals of 12% of base year electric energy sales from renewable power sources by 2022, and 15% by 2025, and North Carolina s RPS of 12.5% by 2021. In May 2010, the Virginia Commission approved Virginia Power s participation in the state s RPS program. As a participant, Virginia Power is permitted to seek recovery, through rate adjustment clauses, of the costs of programs designed to meet RPS goals. Virginia Power plans to meet the respective RPS targets in Virginia and North Carolina by utilizing existing renewable facilities, as well as through additional renewable generation. In addition, Virginia Power intends to purchase renewable energy certificates, as permitted by each RPS program, to help meet any remaining annual requirement needs, as well as to fund renewable energy research and development initiatives at Virginia institutions of higher education. Virginia Power continues to explore opportunities to develop new renewable facilities within its service territory, the energy attributes of which would potentially qualify for inclusion in the RPS programs. In 2013, Virginia Power converted three coal-fired Virginia generating power stations to biomass, which increased its renewable generation by 153 MW.

Virginia Power is considering the development of a commercial offshore wind generation project through a federal land lease off the Virginia coast.

Dominion has invested in wind energy through two joint ventures. Dominion is a 50% owner with Shell of NedPower. Dominion s share of this project produces 132 MW of renewable energy. Dominion is also a 50% owner with BP of the first phase of Fowler Ridge, which has a generating capacity of 300 MW. Dominion has a long-term agreement with Fowler Ridge to purchase 200 MW of energy, capacity and environmental attributes from this first phase.

In addition, during 2013 Dominion acquired and developed 42 MW of renewable energy projects, which includes solar generation facilities in Indiana, Georgia, and Connecticut.

Virginia Power is implementing the Solar Partnership Program. The Virginia Commission requires the project be constructed and operated at a cost to customers not to exceed $80 million. In 2013, Virginia Power announced that Old Dominion University and Canon Virginia s Industrial Resource Technologies had been selected as participants in the program. During 2014, Virginia Power is planning to develop six to ten additional sites with a total capacity of up to 10 MW.

In March 2013, the Virginia Commission approved Rate Schedule SP, under which Virginia Power will purchase 100% of the energy output from up to a combined 3 MW of customer-owned solar distributed generation facilities, including all environmental attributes and associated renewable energy credits, at a fixed price of $0.15 per kWh for five years. This fixed price has two components: an avoided cost component (including line losses) determined using Virginia Power s Rate Schedule 19 and recovered through Virginia Power s fuel factor, and a voluntary environmental contribution component.

In December 2013, Dominion placed into service a fuel cell facility in Connecticut that produces approximately 15 MW of electricity using a reactive process that converts natural gas into electricity.

See *Future Issues and Other Matters* in Item 7. MD&A and Note 22 to the Consolidated Financial Statements for additional information.

Improvements in Other Energy Infrastructure

Virginia Power s five-year investment plan includes significant capital expenditures to upgrade or add new transmission and distribution lines, substations and other facilities to meet growing electricity demand within its service territory and maintain reliability. These enhancements are primarily aimed at meeting Virginia Power s continued goal of providing reliable service, and are intended to address both continued population growth and increases in electricity consumption by the typical consumer. An additional benefit will be added capacity to efficiently deliver electricity from the renewable projects now being developed or to be developed in the future.

Virginia Power is taking measures to ensure that its electrical infrastructure can support the expected demand from electric vehicles, which have significantly lower carbon intensity than conventional vehicles. Virginia Power has implemented a program designed to encourage customers to charge their electric vehicles at night when electricity demand is lower. The Virginia Commission has approved this program through November 2016.

Dominion, in connection with its five-year growth plan, is also pursuing the construction or upgrade of regulated infrastructure in its natural gas business.

Dominion and Virginia Power s Strategy for Voluntarily Reducing GHG Emissions

While Dominion and Virginia Power have not established a standalone GHG emissions reduction target or timetable, they are actively engaged in voluntary reduction efforts, as well as working toward achieving RPS standards established by existing state regulations, as set forth above. The Companies have an integrated voluntary strategy for reducing overall GHG emission intensity that is based on maintaining a diverse fuel mix, including nuclear, coal, gas, oil, hydro and renewable energy, investing in renewable energy projects, implementing technologies to minimize natural gas releases and promoting energy conservation and efficiency efforts. Below are some of the Companies efforts that have or are expected to reduce the Companies overall carbon emissions or intensity:

Since 2000, Dominion has added approximately 2,800 MW of non-emitting generation and approximately 5,000 MW of lower-emitting natural gas-fired generation, including over 3,000 MW at Virginia Power, to its generation mix.
Virginia Power added 153 MW of renewable biomass by completing the conversion of three coal-fired power stations.
Virginia Power expects to complete the conversion of Bremo Units 3 and 4 from coal to natural gas during 2014.
Dominion has over 500 MW of onshore wind energy in operation or development.
Virginia Power is constructing the natural gas-fired Warren County and Brunswick County power stations.
Virginia Power plans to retire the coal-fired units at Chesapeake by 2015 and at Yorktown as early as 2016.
Virginia Power has received an Early Site Permit from the NRC for the possible addition of approximately 1,500 MW of nuclear generation in Virginia. Virginia Power has not yet committed to building a new nuclear unit.
Virginia Power has developed and implemented the DSM programs described above.
Virginia Power has initiated a demonstration of smart grid technologies as described above.
Virginia Power is implementing the Solar Partnership Program as mentioned above.
Virginia Power is considering the development of a commercial offshore wind generation project through a federal land lease off the Virginia coast.
In 2012, Dominion sold Salem Harbor and State Line, two coal-and fuel oil-fired facilities.
In 2013, Dominion constructed a 15 MW fuel cell power generating facility in Bridgeport, Connecticut.
In 2013, Dominion sold Brayton Point, a coal-and fuel oil-fired merchant power station, and Kincaid, a coal-fired merchant power station.
In 2013, Dominion acquired and developed 42 MW of solar generation facilities in Indiana, Georgia, and Connecticut as mentioned above.
Dominion has designed control programming to minimize the amount of natural gas released into the atmosphere when a station shutdown occurs, such as would occur for routine maintenance and repairs.

Table of Contents

Dominion is avoiding the use of natural gas-powered turbine starters on new turbine installations, employing electric starters, where feasible.

Dominion is conducting directed inspections and repairs and tracking findings and actions in an emissions tracking system.

Dominion also developed a comprehensive GHG inventory for calendar year 2012. For Dominion Generation, Dominion s and Virginia Power s direct CO_2 equivalent emissions, based on equity share (ownership), were approximately 36.2 million metric tonnes and 24.4 million metric tonnes, respectively, in 2012, compared to 42.1 million metric tonnes and 25.9 million metric tonnes, respectively, in 2011. The decrease in emissions from 2011 to 2012 is largely due to an increase in natural gas usage, less reliance on coal, and more renewable generation. For the DVP operating segment s electric transmission and distribution operations, direct CO_2 equivalent emissions for 2012 were 76,143 metric tonnes, representing a decrease of almost 50% from 2011 due to a decrease in gas leakage from insulating equipment. For 2012, DTI s (including Cove Point) direct CO_2 equivalent emissions were approximately 1.0 million metric tonnes, and Hope s and East Ohio s direct CO_2 equivalent emissions were approximately 0.9 million metric tonnes, showing a 58% decrease from 2011. Dominion s GHG inventory follows all methodologies specified in the EPA Mandatory Greenhouse Gas Reporting Rule, 40 CFR Part 98 for calculating emissions.

Since 2000, the Companies have tracked the emissions of their electric generation fleet. Their electric generation fleet employs a mix of fuel and renewable energy sources. Comparing annual year 2000 to annual year 2012, Dominion s and Virginia Power s electric generating fleet (based on ownership percentage) reduced their average CO_2 emissions rate per MWh of energy produced from electric generation by about 39% and 28%, respectively. During such time period, the capacity of Dominion s and Virginia Power s electric generation fleet has grown. The Companies do not yet have final 2013 emissions data.

Alternative Energy Initiatives

AES conducts research in the renewable and alternative energy technologies sector and supports strategic investments, such as the Tredegar Solar Fund I, as discussed below, to advance Dominion s degree of understanding of such technologies. AES also participates in federal and state policy development on alternative energy and identifies potential alternative energy resource and technology opportunities for Dominion s business units. For example, in 2013, Virginia Power completed the initial engineering, design and permitting work for a wind turbine demonstration facility as part of the DOE s Offshore Wind Advanced Technology Demonstration Program. The proposed 12 MW facility would generate power via two turbines located approximately 24 miles off the coast of Virginia, adjacent to the Virginia Wind Energy Area where Virginia Power is considering development of a commercial offshore wind generation project. Dominion has also conducted a number of studies to evaluate potential transmission solutions for delivering offshore wind resources to its customers. One study determined the existing onshore transmission system has the capability to interconnect up to 4,500 MW of offshore wind energy and another evaluated options for high-voltage subsea transmission lines that would connect offshore wind generation facilities to the onshore transmission system.

In 2013, Dominion continued to enhance and refine its EDGE® grid-side efficiency product suite. EDGE® is a modular and adaptive conservation voltage management solution enabling utilities to deploy incremental grid-side energy management that requires no behavioral changes or purchases by end customers. In February 2013, Dominion was awarded a patent relating to the EDGE® technology.

In 2012, Dominion formed Tredegar Solar Fund I, an entity managed by the AES department and focused on unregulated residential solar projects. This fund owns residential roof-top solar systems that are originated and administered by Clean Power Finance, Inc., a provider of solar finance products, in which Dominion has a small indirect equity investment. The systems are subject to power purchase agreements with third parties. In December 2013, Dominion s Board of Directors approved an incremental investment in this fund, for a total authorized investment of $90 million. This fund currently has originations in process of approximately $32 million and assets in service of approximately $36 million.

REGULATION

Dominion and Virginia Power are subject to regulation by the Virginia Commission, North Carolina Commission, SEC, FERC, EPA, DOE, NRC, Army Corps of Engineers and other federal, state and local authorities.

State Regulations

Electric

Virginia Power s electric utility retail service is subject to regulation by the Virginia Commission and the North Carolina Commission.

Virginia Power holds CPCNs which authorize it to maintain and operate its electric facilities now in operation and to sell electricity to customers. However, Virginia Power may not construct generating facilities or large capacity transmission lines without the prior approval of various state and federal government agencies. In addition, the Virginia Commission and the North Carolina Commission regulate Virginia Power s transactions with affiliates, transfers of certain facilities and the issuance of certain securities.

Electric Regulation in Virginia

Under the Regulation Act enacted in 2007, Virginia Power s base rates are set by a process that allows the recovery of operating costs and an ROIC. The Virginia Commission reviews and has the ability to adjust Virginia Power s base rates, terms and conditions for generation and distribution services on a biennial basis in a proceeding that involves the determination of Virginia Power s actual earned ROE during a combined two-year historic test period, and the determination of Virginia Power s authorized ROE prospectively. Under certain circumstances described in the Regulation Act, the Virginia Commission may also order a base rate increase or reduction during the biennial review. Circumstances where the Virginia Commission may order a base rate decrease include determination by the Virginia Commission that Virginia Power has exceeded its authorized level of earnings for two consecutive biennial review periods. Virginia Power s authorized ROE can be set no lower than the average, for a three-year historic period, of the actual returns reported to the SEC by not less than a majority of comparable utilities within the Southeastern U.S., with certain limitations as described in the Regulation Act.

Table of Contents

The Regulation Act authorizes stand-alone rate adjustment clauses for recovery of costs for new generation projects, FERC-approved transmission costs, environmental compliance, conservation and energy efficiency programs and renewable energy programs; and it provides for enhanced returns on capital expenditures on specific new generation projects. The Regulation Act also continues statutory provisions directing Virginia Power to file annual fuel cost recovery cases with the Virginia Commission.

Legislation enacted in February 2013 amended the Regulation Act prospectively, including elimination of the 50 basis points RPS ROE incentive. In addition, ROE incentives for newly proposed generation projects were eliminated, except for nuclear and offshore wind projects, which were reduced from the previous 200 basis points ROE incentive to 100 basis points. In addition, through the 2013 amendments, the Virginia Commission has the discretion to increase or decrease a utility s authorized ROE based on the utility s performance consistent with Virginia Commission precedent that existed prior to 2007. The legislation included changes to the earnings test parameters defined by the Regulation Act to allow for a wider band of 70 basis points above and below the authorized ROE in determining whether a utility s earned ROE is either insufficient or excessive beginning with the biennial review for 2013-2014 to be filed in 2015. Additionally, if a utility is deemed to have over-earned, the customer refund share of excess earnings increases to 70% from the previous 60% level beginning with the biennial review for 2013-2014 to be filed in 2015.

If the Virginia Commission s future rate decisions, including actions relating to Virginia Power s rate adjustment clause filings, differ materially from Virginia Power s expectations, such decisions may adversely affect Virginia Power s results of operations, financial condition and cash flows.

See Note 13 to the Consolidated Financial Statements for additional information.

Electric Regulation in North Carolina

Virginia Power s retail electric base rates in North Carolina are regulated on a cost-of-service/rate-of-return basis subject to North Carolina statutes and the rules and procedures of the North Carolina Commission. North Carolina base rates are set by a process that allows Virginia Power to recover its operating costs and an ROIC. If retail electric earnings exceed the authorized ROE established by the North Carolina Commission, retail electric rates may be subject to review and possible reduction by the North Carolina Commission, which may decrease Virginia Power s future earnings. Additionally, if the North Carolina Commission does not allow recovery of costs incurred in providing service on a timely basis, Virginia Power s future earnings could be negatively impacted. Fuel rates are subject to revision under annual fuel cost adjustment proceedings.

Virginia Power s transmission service rates in North Carolina are regulated by the North Carolina Commission as part of Virginia Power s bundled retail service to North Carolina customers. In March 2012, Virginia Power filed an application with the North Carolina Commission to increase base non-fuel revenues with January 1, 2013 as the proposed effective date for the permanent rate revision. In December 2012, the North Carolina Commission approved a $36 million increase in Virginia Power s annual non-fuel base revenues based on an authorized ROE of 10.2%, and a $14 million decrease in annual base fuel revenues for a combined total base revenue increase of $22 million. These rate changes became effective on January 1, 2013 and are being appealed to the North Carolina Supreme Court by multiple parties. In December 2012, Virginia Power established net regulatory assets of $17 million to be recovered over five to ten years in connection with these new rates.

GAS

Dominion s gas distribution services are regulated by the Ohio Commission and the West Virginia Commission.

Status of Competitive Retail Gas Services

Both of the states in which Dominion has gas distribution operations have considered legislation regarding a competitive deregulation of natural gas sales at the retail level.

Ohio-Since October 2000, East Ohio has offered the Energy Choice program, under which residential and commercial customers are encouraged to purchase gas directly from retail suppliers or through a community aggregation program. In October 2006, East Ohio restructured its commodity service by entering into gas purchase contracts with selected suppliers at a fixed price above the NYMEX month-end settlement and passing that gas cost to customers under the Standard Service Offer program. Starting in April 2009, East Ohio buys natural gas under the Standard Service Offer program only for customers not eligible to participate in the Energy Choice program and places Energy Choice-eligible customers in a direct retail relationship with selected suppliers, which is designated on the customers bills.

In January 2013, the Ohio Commission granted East Ohio s motion to fully exit the merchant function for its nonresidential customers, beginning in April 2013, which requires those customers to choose a retail supplier or be assigned to one at a monthly variable rate set by the supplier. At December 31, 2013, approximately 1.0 million of Dominion s 1.2 million Ohio customers were participating in the Energy Choice program. Subject to the Ohio Commission s approval, East Ohio may eventually exit the gas merchant function in Ohio entirely and have all customers select an alternate gas supplier. East Ohio continues to be the provider of last resort in the event of default by a supplier. Large industrial customers in Ohio also source their own natural gas supplies.

West Virginia At this time, West Virginia has not enacted legislation to allow customers to choose in the retail natural gas markets served by Hope. However, the West Virginia Commission has issued regulations to govern pooling services, one of the tools that natural gas suppliers may utilize to provide retail customers a choice in the future and has issued rules requiring competitive gas service providers to be licensed in West Virginia.

Rates

Dominion s gas distribution subsidiaries are subject to regulation of rates and other aspects of their businesses by the states in which they operate Ohio and West Virginia. When necessary, Dominion s gas distribution subsidiaries seek general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost of service by rate class. A straight-fixed-variable rate design, in which the majority of operating costs are recovered through a monthly charge rather than a volumetric charge, is utilized to establish rates for a majority of East Ohio s customers pursuant to a 2008 rate case settlement. Base rates for Hope are designed primarily based on rate design methodology in which the majority of operating costs are recovered through volumetric charges.

In addition to general rate increases, Dominion s gas distribution subsidiaries make routine separate filings with their respective state regulatory commissions to reflect changes in the costs of purchased gas. The majority of these purchased gas costs are subject to rate recovery through a mechanism that ensures dollar for dollar recovery of prudently incurred costs. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The purchased gas cost recovery filings generally cover prospective one-, three- or twelve-month periods. Approved increases or decreases in gas cost recovery rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

The Ohio Commission has also approved several stand-alone cost recovery mechanisms to recover specified costs and a return for infrastructure projects and certain other costs that vary widely over time; such costs are excluded from general base rates. See Note 13 to the Consolidated Financial Statements for additional information.

Federal Regulations

Federal Energy Regulatory Commission

Electric

Under the Federal Power Act, FERC regulates wholesale sales and transmission of electricity in interstate commerce by public utilities. Virginia Power purchases and sells electricity in the PJM wholesale market and Dominion s merchant generators sell electricity in the PJM, MISO and ISO-NE wholesale markets under Dominion s market-based sales tariffs authorized by FERC. In addition, Virginia Power has FERC approval of a tariff to sell wholesale power at capped rates based on its embedded cost of generation. This cost-based sales tariff could be used to sell to loads within or outside Virginia Power s service territory. Any such sales would be voluntary.

Dominion and Virginia Power are subject to FERC s Standards of Conduct that govern conduct between transmission function employees of interstate gas and electricity transmission providers and the marketing function employees of their affiliates. The rule defines the scope of transmission and marketing-related functions that are covered by the standards and is designed to prevent transmission providers from giving their affiliates undue preferences.

Dominion and Virginia Power are also subject to FERC s affiliate restrictions that (1) prohibit power sales between Virginia Power and Dominion s merchant plants without first receiving FERC authorization, (2) require the merchant plants and Virginia Power to conduct their wholesale power sales operations separately, and (3) prohibit Virginia Power from sharing market information with merchant plant operating personnel. The rules are designed to prohibit Virginia Power from giving the merchant plants a competitive advantage.

EPACT included provisions to create an ERO. The ERO is required to promulgate mandatory reliability standards governing

the operation of the bulk power system in the U.S. FERC has certified NERC as the ERO and also issued an initial order approving many reliability standards that went into effect in 2007. Entities that violate standards will be subject to fines of between $1 thousand and $1 million per day, and can also be assessed non-monetary penalties, depending upon the nature and severity of the violation.

Dominion and Virginia Power plan and operate their facilities in compliance with approved NERC reliability requirements. Dominion and Virginia Power employees participate on various NERC committees, track the development and implementation of standards, and maintain proper compliance registration with NERC s regional organizations. Dominion and Virginia Power anticipate incurring additional compliance expenditures over the next several years as a result of the implementation of new cybersecurity programs as well as efforts to ensure appropriate facility ratings for Virginia Power s transmission lines. In October 2010, NERC issued an industry alert identifying possible discrepancies between the design and actual field conditions of transmission facilities as a potential reliability issue. The alert recommends that entities review their current facilities rating methodology to verify that the methodology is based on actual field conditions, rather than solely on design documents, and to take corrective action if necessary. Virginia Power is evaluating its transmission facilities for any discrepancies between design and actual field conditions. In addition, NERC has requested the industry to increase the number of assets subject to NERC reliability standards that are designated as critical assets, including cybersecurity assets. While Dominion and Virginia Power expect to incur additional compliance costs in connection with the above NERC requirements and initiatives, such expenses are not expected to significantly affect results of operations.

In April 2008, FERC granted an application for Virginia Power s electric transmission operations to establish a forward-looking formula rate mechanism that updates transmission rates on an annual basis and approved an ROE of 11.4%, effective as of January 1, 2008. The formula rate is designed to recover the expected revenue requirement for each calendar year and is updated based on actual costs. The FERC-approved formula method, which is based on projected costs, allows Virginia Power to earn a current return on its growing investment in electric transmission infrastructure.

Gas

FERC regulates the transportation and sale for resale of natural gas in interstate commerce under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978, as amended. Under the Natural Gas Act, FERC has authority over rates, terms and conditions of services performed by Dominion s interstate natural gas company subsidiaries, including DTI and Cove Point. FERC also has jurisdiction over siting, construction and operation of natural gas import and export facilities and interstate natural gas pipeline and storage facilities.

Dominion s interstate gas transmission and storage activities are conducted on an open access basis, in accordance with certificates, tariffs and service agreements on file with FERC.

Dominion is also subject to the Pipeline Safety Acts of 2002 and 2011, which mandate inspections of interstate and intrastate natural gas transmission and storage pipelines, particularly those

Table of Contents

located in areas of high-density population. Dominion has evaluated its natural gas transmission and storage properties, as required by the Department of Transportation regulations under these Acts, and has implemented a program of identification, testing and potential remediation activities. These activities are ongoing.

See Note 13 to the Consolidated Financial Statements for additional information.

Environmental Regulations

Each of Dominion s and Virginia Power s operating segments faces substantial laws, regulations and compliance costs with respect to environmental matters. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. The cost of complying with applicable environmental laws, regulations and rules is expected to be material to the Companies. If expenditures for pollution control technologies and associated operating costs are not recoverable from customers through regulated rates (in regulated businesses) or market prices (in unregulated businesses), those costs could adversely affect future results of operations and cash flows. Dominion and Virginia Power have applied for or obtained the necessary environmental permits for the operation of their facilities. Many of these permits are subject to reissuance and continuing review. For a discussion of significant aspects of these matters, including current and planned capital expenditures relating to environmental compliance required to be discussed in this Item, see *Environmental Matters* in *Future Issues and Other Matters* in Item 7. MD&A, which information is incorporated herein by reference. Additional information can also be found in Item 3. Legal Proceedings and Note 22 to the Consolidated Financial Statements.

GLOBAL CLIMATE CHANGE

The national and international attention in recent years on GHG emissions and their relationship to climate change has resulted in federal, regional and state legislative and regulatory action in this area. Dominion and Virginia Power support national climate change legislation that would provide a consistent, economy-wide approach to addressing this issue and are currently taking action to protect the environment and address climate change while meeting the future needs of their growing service territory. Dominion s CEO and operating segment CEOs are responsible for compliance with the laws and regulations governing environmental matters, including climate change, and Dominion s Board of Directors receives periodic updates on these matters. See *Environmental Strategy* above*, Environmental Matters* in *Future Issues and Other Matters* in Item 7. MD&A and Note 22 to the Consolidated Financial Statements for information on climate change legislation and regulation, which information is incorporated herein by reference.

Nuclear Regulatory Commission

All aspects of the operation and maintenance of Dominion s and Virginia Powers nuclear power stations are regulated by the NRC. Operating licenses issued by the NRC are subject to revocation, suspension or modification, and the operation of a nuclear unit may be suspended if the NRC determines that the public interest, health or safety so requires.

From time to time, the NRC adopts new requirements for the operation and maintenance of nuclear facilities. In many cases, these new regulations require changes in the design, operation and maintenance of existing nuclear facilities. If the NRC adopts such requirements in the future, it could result in substantial increases in the cost of operating and maintaining Dominion s and Virginia Power s nuclear generating units. See Note 22 to the Consolidated Financial Statements for further information.

The NRC also requires Dominion and Virginia Power to decontaminate their nuclear facilities once operations cease. This process is referred to as decommissioning, and the Companies are required by the NRC to be financially prepared. For information on decommissioning trusts, see *Dominion Generation-Nuclear Decommissioning* above and Note 9 to the Consolidated Financial Statements. See Note 22 to the Consolidated Financial Statements for information on spent nuclear fuel.

CYBERSECURITY

In an effort to reduce the likelihood and severity of cyber intrusions, the Companies have a comprehensive cybersecurity program designed to protect and preserve the confidentiality, integrity and availability of data and systems. In addition, Dominion and Virginia Power are subject to mandatory cybersecurity regulatory requirements, interface regularly with a wide range of external organizations, and participate in classified briefings to maintain an awareness of current cybersecurity threats and vulnerabilities. The Companies current security posture and regulatory compliance efforts are intended to address the evolving and changing cyber threats. See Item 1A. Risk Factors for additional information.

Item 1A. Risk Factors

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

Dominion s and Virginia Power s results of operations can be affected by changes in the weather. In addition, severe weather, including hurricanes, floods and winter storms, can be destructive, causing outages and property damage that require incurring additional expenses. Changes in weather conditions can result in reduced water levels or changes in water temperatures that could adversely affect operations at some of the Companies power stations. Furthermore, the Companies operations could be adversely affected and their physical plant placed at greater risk of damage should changes in global climate produce, among other possible conditions, unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events, abnormal levels of precipitation and, for operations located on or near coastlines, a change in sea level or sea temperatures.

The rates of Dominion s gas transmission and distribution operations and Virginia Power s electric transmission, dis-

Table of Contents

tribution and generation operations are subject to regulatory review. Revenue provided by Virginia Power s electric transmission, distribution and generation operations and Dominion s gas transmission and distribution operations is based primarily on rates approved by state and federal regulatory agencies. The profitability of these businesses is dependent on their ability, through the rates that they are permitted to charge, to recover costs and earn a reasonable rate of return on their capital investment.

Virginia Power s wholesale rates for electric transmission service are adjusted on an annual basis through operation of a FERC-approved formula rate mechanism. Through this mechanism, Virginia Power s wholesale electric transmission cost of service is estimated and thereafter adjusted to reflect Virginia Power s actual electric transmission costs incurred. These wholesale rates are subject to FERC review and prospective adjustment in the event that customers and/or interested state commissions file a complaint with FERC and are able to demonstrate that Virginia Power s wholesale revenue requirement is no longer just and reasonable.

Similarly, various rates and charges assessed by Dominion s gas transmission businesses are subject to review by FERC. In addition, the rates of Dominion s gas distribution businesses are subject to state regulatory review in the jurisdictions in which they operate.

Virginia Power s base rates, terms and conditions for generation and distribution services to customers in Virginia are reviewed by the Virginia Commission on a biennial basis in a proceeding that involves the determination of Virginia Power s actual earned ROE during a combined two-year historic test period, and the determination of Virginia Power s authorized ROE prospectively. Under certain circumstances described in the Regulation Act, Virginia Power may be required to share a portion of its earnings with customers through a refund process, and the Virginia Commission may order a base rate increase or reduction during the biennial review. As a result, Virginia Power may potentially not fully recover costs associated with these existing rate adjustment clauses.

Virginia Power s retail electric base rates for bundled generation, transmission, and distribution services to customers in North Carolina are regulated on a cost-of-service/rate-of-return basis subject to North Carolina statutes, and the rules and procedures of the North Carolina Commission. If retail electric earnings exceed the returns established by the North Carolina Commission, retail electric rates may be subject to review and possible reduction by the North Carolina Commission, which may decrease Virginia Power s future earnings. Additionally, if the North Carolina Commission does not allow recovery through base rates, on a timely basis, of costs incurred in providing service, Virginia Power s future earnings could be negatively impacted.

Dominion and Virginia Power are subject to complex governmental regulation, including tax regulation, that could adversely affect their results of operations and subject the Companies to monetary penalties. Dominion s and Virginia Power s operations are subject to extensive federal, state and local regulation and require numerous permits, approvals and certificates from various governmental agencies. These operations are also subject to legislation governing taxation at the federal, state and local level. They must also comply with environmental legis-

lation and associated regulations. Management believes that the necessary approvals have been obtained for existing operations and that the business is conducted in accordance with applicable laws. The Companies businesses are subject to regulatory regimes which could result in substantial monetary penalties if either Dominion or Virginia Power is found not to be in compliance, including mandatory reliability standards and interaction in the wholesale markets. New laws or regulations, the revision or reinterpretation of existing laws or regulations, or penalties imposed for non-compliance with existing laws or regulations may result in substantial expense.

Dominion s and Virginia Power s generation business may be negatively affected by possible FERC actions that could change market design in the wholesale markets or affect pricing rules or revenue calculations in the RTO markets. Dominion s and Virginia Power s generation stations operating in RTO markets sell capacity, energy and ancillary services into wholesale electricity markets regulated by FERC. The wholesale markets allow these generation stations to take advantage of market price opportunities, but also expose them to market risk. Properly functioning competitive wholesale markets depend upon FERC s continuation of clearly identified market rules. From time to time FERC may investigate and authorize RTOs to make changes in market design. FERC also periodically reviews Dominion s authority to sell at market-based rates. Material changes by FERC to the design of the wholesale markets or its interpretation of market rules, Dominion s or Virginia Power s authority to sell power at market-based rates, or changes to pricing rules or rules involving revenue calculations, could adversely impact the future results of Dominion s or Virginia Power s generation business.

Dominion and Virginia Power infrastructure build plans often require regulatory approval before construction can commence. Dominion and Virginia Power may not complete plant construction, conversion or expansion projects that they commence, or they may complete projects on materially different terms or timing than initially anticipated, and they may not be able to achieve the intended

benefits of any such project, if completed. Several plant construction, conversion and expansion projects have been announced and additional projects may be considered in the future. Commencing construction on announced plants requires approvals from applicable state and federal agencies. Projects may not be able to be completed on time as a result of weather conditions, delays in obtaining or failure to obtain regulatory approvals, delays in obtaining key materials, labor difficulties, difficulties with partners or potential partners, a decline in the credit strength of their counterparties or vendors, or other factors beyond their control. Even if plant construction, conversion and expansion projects are completed, the total costs of the projects may be higher than anticipated and the performance of the business of Dominion and Virginia Power following the projects may not meet expectations. Start-up and operational issues can arise in connection with the commencement of commercial operations at our facilities, including but not limited to commencement of commercial operations at our power generation facilities following expansions and fuel type conversions to natural gas and biomass. Such issues may include failure to meet specific operating parameters, which may require adjustments to meet or amend these operating parameters. Additionally, Dominion and Virginia Power may not be able to timely and effectively integrate the projects into their operations and such integration may result in unforeseen operating difficulties or unanticipated costs. Further, regulators may disallow recovery of some of the costs of a project if they are deemed not to be prudently incurred. Any of these or other factors could adversely affect the Companies ability to realize the anticipated benefits from the plant construction, conversion and expansion projects.

Dominion s and Virginia Power s current costs of compliance with environmental laws are significant. The costs of compliance with future environmental laws, including laws and regulations designed to address global climate change, air quality, coal combustion by-products, cooling water and other matters could make certain of the Companies generation facilities uneconomical to maintain or operate. Dominion s and Virginia Power s operations are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources, and health and safety. Compliance with these legal requirements requires the Companies to commit significant capital toward permitting, emission fees, environmental monitoring, installation and operation of pollution control equipment and purchase of allowances and/or offsets. Additionally, the Companies could be responsible for expenses relating to remediation and containment obligations, including at sites where they have been identified by a regulatory agency as a potentially responsible party. Expenditures relating to environmental compliance have been significant in the past, and Dominion and Virginia Power expect that they will remain significant in the future. Certain facilities have become uneconomical to operate and have been shut down, converted to new fuel types or sold. These types of events could occur again in the future.

Existing environmental laws and regulations may be revised and/or new laws may be adopted or become applicable to Dominion or Virginia Power. The EPA is expected to issue additional regulations with respect to air quality under the CAA, including revised NAAQS and regulations governing the emissions of GHGs from electric generating units. Additional regulation of air quality and GHG emissions under the CAA may be imposed on the natural gas sector, including rules to limit methane leakage. Compliance with GHG emission reduction requirements may require the retrofit or replacement of equipment or could otherwise increase the cost to operate and maintain our facilities. Risks relating to potential regulation of GHG emissions are discussed below. Dominion and Virginia Power also expect additional federal water and waste regulations, including regulations concerning cooling water intake structures and coal combustion by-product handling and disposal practices that are expected to be applicable to at least some of its generating facilities.

Compliance costs cannot be estimated with certainty due to the inability to predict the requirements and timing of implementation of any new environmental rules or regulations. Other factors which affect the ability to predict future environmental expenditures with certainty include the difficulty in estimating clean-up costs and quantifying liabilities under environmental laws that impose joint and several liability on all responsible parties. However, such expenditures, if material, could make the Companies facilities uneconomical to operate, result in the impairment of assets, or otherwise adversely affect Dominion s or Virginia Power s results of operations, financial performance or liquidity.

If additional federal and/or state requirements are imposed on energy companies mandating limitations on GHG emissions or requiring efficiency improvements, such requirements may result in compliance costs that alone or in combination could make some of Dominion s or Virginia Power s electric generation units or natural gas facilities uneconomical to maintain or operate. The EPA, environmental advocacy groups, other organizations and some state and other federal agencies are focusing considerable attention on GHG emissions from power generation facilities and their potential role in climate change. Dominion and Virginia Power expect that additional EPA regulations, and possibly additional state legislation and/or regulations, may be issued resulting in the imposition of additional limitations on GHG emissions or requiring efficiency improvements from fossil fuel-fired electric generating units.

There are also potential impacts on Dominion s natural gas businesses as federal or state GHG legislation or regulations may require GHG emission reductions from the natural gas sector and could affect demand for natural gas. Additionally, GHG requirements could result in increased demand for energy conservation and renewable products. Several regions of the U.S. have moved forward with GHG emission regulations including regions where Dominion has operations. For example, Rhode Island has implemented regulations requiring reductions in CO^2 emissions through RGGI, a cap and trade program covering CO^2 emissions from power plants in the Northeast.

Compliance with GHG emission reduction requirements may require increasing the energy efficiency of equipment at facilities, committing significant capital toward carbon capture and storage technology, purchase of allowances and/or offsets, fuel switching, and/or retirement of high-emitting generation facilities and potential replacement with lower emitting generation facilities. The cost of compliance with GHG emission legislation and/or regulation is subject to significant uncertainties due to the outcome of several interrelated assumptions and variables, including timing of the implementation of rules, required levels of reductions, allocation requirements of the new rules, the maturation and commercialization of carbon capture and storage technology, and the selected compliance alternatives. The Companies cannot estimate the aggregate effect of such requirements on their results of operations, financial condition or their customers. However, such expenditures, if material, could make the Companies generation facilities uneconomical to operate, result in the impairment of assets, or otherwise adversely affect Dominion s or Virginia Power s results of operations, financial performance or liquidity.

Dominion s and Virginia Power s operations are subject to operational hazards, equipment failures, supply chain disruptions and personnel issues which could negatively affect the Companies. Operation of the Companies facilities involves risk, including the risk of potential breakdown or failure of equipment or processes due to aging infrastructure, fuel supply or transportation disruptions, accidents, labor disputes or work stoppages by employees, acts of terrorism or sabotage, construction delays or cost overruns, shortages of or delays in obtaining equipment, material and labor, operational restrictions resulting from environmental limitations and governmental interventions, and performance below expected levels. The Companies businesses are dependent upon sophisticated information technology systems and network infrastructure, the failure of which could prevent them from accomplishing critical business functions. In addition, weather-related incidents, earthquakes and other natural disasters can disrupt operation of the Companies facilities. Because Virginia Power s transmission facilities are interconnected with those of third parties, the operation of its facilities could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties.

Operation of the Companies facilities below expected capacity levels could result in lost revenues and increased expenses, including higher maintenance costs. Unplanned outages of the Companies facilities and extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are an inherent risk of the Companies business. Unplanned outages typically increase the Companies operation and maintenance expenses and may reduce their revenues as a result of selling less output or may require the Companies to incur significant costs as a result of operating higher cost units or obtaining replacement output from third parties in the open market to satisfy forward energy and capacity or other contractual obligations. Moreover, if the Companies are unable to perform their contractual obligations, penalties or liability for damages could result.

In addition, there are many risks associated with the Companies operations, including nuclear accidents, fires, explosions, uncontrolled release of natural gas and other environmental hazards, pole strikes, electric contact cases and avian impacts. Such incidents could result in loss of human life or injuries among employees, customers or the public in general, environmental pollution, damage or destruction of facilities or business interruptions and associated public or employee safety impacts, loss of revenues, increased liabilities, heightened regulatory scrutiny and reputational risk.

Dominion and Virginia Power have substantial ownership interests in and operate nuclear generating units; as a result, each may incur substantial costs and liabilities. Dominion s and Virginia Power s nuclear facilities are subject to operational, environmental, health and financial risks such as the on-site storage of spent nuclear fuel, the ability to dispose of such spent nuclear fuel, the ability to maintain adequate reserves for decommissioning, limitations on the amounts and types of insurance available, potential operational liabilities and extended outages, the costs of replacement power, the costs of maintenance and the costs of securing the facilities against possible terrorist attacks. Dominion and Virginia Power maintain decommissioning trusts and external insurance coverage to minimize the financial exposure to these risks; however, it is possible that future decommissioning costs could exceed amounts in the decommissioning trusts and/or damages could exceed the amount of insurance coverage. If Dominion s and Virginia Power s decommissioning trust funds are insufficient, and they are not allowed to recover the additional costs incurred through insurance, or in the case of Virginia Power through regulatory mechanisms, their results of operations could be negatively impacted.

Dominion s and Virginia Power s nuclear facilities are also subject to complex government regulation which could negatively impact their results of operations. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generating facilities. In the event of noncompliance, the NRC has the authority to impose

fines, set license conditions, shut down a nuclear unit, or take some combination of these actions, depending on its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could require Dominion and Virginia Power to make substantial expenditures at their nuclear plants. In addition, although the Companies have no reason to anticipate a serious nuclear incident at their plants, if an incident did occur, it could materially and adversely affect their results of operations and/or financial condition. A major incident at a nuclear facility anywhere in the world, such as the nuclear events in Japan in 2011, could cause the NRC to adopt increased safety regulations or otherwise limit or restrict the operation or licensing of domestic nuclear units.

Dominion depends on third parties to produce the natural gas it gathers and processes, and to provide the NGLs that it separates into marketable products. A reduction in these quantities could reduce Dominion s revenues. Dominion obtains its supply of natural gas and NGLs from numerous third-party producers. Such producers are under no obligation to deliver a specific quantity of natural gas or NGLs to Dominion s facilities, although the producers that have contracted to supply natural gas to the Natrium natural gas processing and fractionation facility are subject to contractual minimum fee payments. Natrium is owned by Blue Racer. If producers were to decrease the supply of natural gas or NGLs for any reason to systems and facilities in which Dominion has an interest, Dominion could experience lower revenues to the extent it is unable to replace the lost volumes on similar terms.

The development, construction and operation of the Cove Point liquefaction project would involve significant risks. As described in greater detail in *Future Issues and Other Matters*, Dominion intends to invest significant financial resources in the liquefaction project, subject to receipt of required regulatory approvals. An inability to obtain financing or otherwise provide liquidity for the project on acceptable terms could negatively affect Dominion s financial condition, cash flows, the project s anticipated financial results and/or impair Dominion s ability to execute the business plan for the project as scheduled.

The project remains subject to FERC and other federal and state approvals. The DOE has authorized Dominion to export LNG to non-free trade agreement countries, however, all DOE export licenses are subject to review and possible withdrawal should the DOE conclude that such export authorization is no longer in the public interest, which could have a material adverse effect on the construction or operation of the facility. In addition, the liquefaction project has been the subject of litigation which, although decided in Dominion s favor, is the subject of an appeal. A delay in receipt of project approvals or an adverse ruling by an appellate court could adversely affect Dominion s ability to execute its business plan.

There is limited recent industry experience in the U.S. regarding the construction or operation of large liquefaction projects. The construction of the facility is expected to take several years, will be confined within a limited geographic area and could be subject to delays, cost overruns, labor disputes and other factors that could cause the total cost of the project to exceed the anticipated amount and adversely affect Dominion s financial performance and/or impair Dominion s ability to execute the business plan for the project as scheduled.

There are significant customer risks associated with the project. The terminal service agreements are subject to certain conditions precedent, including receipt of regulatory approvals. Dominion will also be exposed to counterparty credit risk. While the counterparties obligations are supported by parental guarantees and letters of credit, there is no assurance that such credit support would be sufficient to satisfy the obligations in the event of a counterparty default. In addition, if a controversy arises under either agreement resulting in a judgment in Dominion s favor, Dominion may need to seek to enforce a final U.S. court judgment in a foreign tribunal, which could involve a lengthy process.

Assuming current commodity price trends continue, if Dominion is unable to pursue the liquefaction project, Dominion may not be able to offset the prospective revenue reductions associated with the existing import contracts as described in *Future Issues and Other Matters*, which could have a negative impact on its results of operations.

Dominion s merchant power business is operating in a challenging market, which could adversely affect its results of operations and future growth. The success of Dominion s merchant power business depends upon favorable market conditions including the ability to sell power at prices sufficient to cover its operating costs. Dominion operates in active wholesale markets that expose it to price volatility for electricity and fuel as well as the credit risk of counterparties. Dominion attempts to manage its price risk by entering into hedging transactions, including short-term and long-term fixed price sales and purchase contracts.

In these wholesale markets, the spot market price of electricity for each hour is generally determined by the cost of supplying the next unit of electricity to the market during that hour. In many cases, the next unit of electricity supplied would be provided by generating stations that consume fossil fuels, primarily natural gas. Consequently, the open market wholesale price for electricity generally reflects the cost of natural gas plus the cost to convert the fuel to electricity. Therefore, changes in the price of natural gas generally affect the open market wholesale price of electricity. To the extent Dominion does not enter into long-term power purchase agreements or otherwise effectively hedge its output, these changes in market prices could adversely affect its financial results.

Dominion purchases fuel under a variety of terms, including long-term and short-term contracts and spot market purchases. Dominion is exposed to fuel cost volatility for the portion of its fuel obtained through short-term contracts or on the spot market, including as a result of market supply shortages. Fuel prices can be volatile and the price that can be obtained for power produced from such fuel may not change at the same rate as fuel costs, thus adversely impacting Dominion s financial results.

Dominion s and Virginia Power s financial results can be adversely affected by various factors driving demand for electricity and gas. Technological advances required by federal laws mandate new levels of energy efficiency in end-use devices, including lighting, furnaces and electric heat pumps and could lead to declines in per capita energy consumption. Additionally, certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by a fixed date. Further, Virginia Power s business model is premised upon the cost efficiency of the production, transmission and distribution of large-scale centralized utility

generation. However, advances in distributed generation technologies, such as solar cells, gas microturbines and fuel cells, may make these alternative generation methods competitive with large-scale utility generation, and change how customers acquire or use our services.

Reduced energy demand or significantly slowed growth in demand due to customer adoption of energy efficient technology, conservation, distributed generation or regional economic conditions, unless substantially offset through regulatory cost allocations, could adversely impact the value of the Companies business activities.

Exposure to counterparty performance may adversely affect the Companies financial results of operations. Dominion and Virginia Power are exposed to credit risks of their counterparties and the risk that one or more counterparties may fail or delay the performance of their contractual obligations, including but not limited to payment for services. Counterparties could fail or delay the performance of their contractual obligations for a number of reasons, including the effect of regulations on their operations. Such defaults by customers, suppliers, joint venture partners or other third parties may adversely affect the Companies financial results.

Market performance and other changes may decrease the value of decommissioning trust funds and benefit plan assets or increase Dominion s liabilities, which could then require significant additional funding. The performance of the capital markets affects the value of the assets that are held in trusts to satisfy future obligations to decommission Dominion s nuclear plants and under its pension and other postretirement benefit plans. Dominion has significant obligations in these areas and holds significant assets in these trusts. These assets are subject to market fluctuation and will yield uncertain returns, which may fall below expected return rates.

With respect to decommissioning trust funds, a decline in the market value of these assets may increase the funding requirements of the obligations to decommission Dominion s nuclear plants or require additional NRC-approved funding assurance.

A decline in the market value of the assets held in trusts to satisfy future obligations under Dominion s pension and other postretirement benefit plans may increase the funding requirements under such plans. Additionally, changes in interest rates affect the liabilities under Dominion s pension and other postretirement benefit plans; as interest rates decrease, the liabilities increase, potentially requiring additional funding. Further, changes in demographics, including increased numbers of retirements or changes in life expectancy assumptions, may also increase the funding requirements of the obligations related to the pension and other postretirement benefit plans.

If the decommissioning trust funds and benefit plan assets are negatively impacted by market fluctuations or other factors, Dominion s results of operations, financial condition and/or cash flows could be negatively affected.

The use of derivative instruments could result in financial losses and liquidity constraints. Dominion and Virginia Power use derivative instruments, including futures, swaps, forwards, options and FTRs, to manage commodity and financial market risks. In addition, Dominion purchases and sells commodity-based contracts for hedging exposures from its business units. The Companies could recognize financial losses on these contracts, including as a result of volatility in the market values of the underlying commodities, if a counterparty fails to perform under a contract or upon the failure or insolvency of a financial intermediary, exchange or clearinghouse used to enter, execute or clear these transactions. In the absence of actively-quoted market prices and pricing information from external sources, the valuation of these contracts involves management s judgment or use of estimates. As a result, changes in the under-lying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

The use of derivatives to hedge future sales may limit the benefit Dominion would otherwise receive from increases in commodity prices. These hedge arrangements generally include collateral requirements that require Dominion to deposit funds or securities or post letters of credit with counterparties, financial intermediaries or clearinghouses to cover the fair value of covered contracts in excess of agreed upon credit limits. For instance, when commodity prices rise to levels substantially higher than the levels where it has hedged future sales, Dominion may be required to use a material portion of its available liquidity or obtain additional liquidity to cover these collateral requirements. In some circumstances, this could have a compounding effect on Dominion s financial liquidity and results of operations. In addition, the availability or security of the collateral delivered by Dominion may be adversely affected by the failure or insolvency of a financial intermediary, exchange or clearinghouse used to enter, execute or clear these types of transactions.

Derivatives designated under hedge accounting, to the extent not fully offset by the hedged transaction, can result in ineffectiveness losses. These losses primarily result from differences between the location and/or specifications of the derivative hedging instrument and the hedged item and could adversely affect Dominion s results of operations.

Dominion s and Virginia Power s operations in regards to these transactions are subject to multiple market risks including market liquidity, price volatility, credit strength of the Companies counterparties and the financial condition of the financial intermediaries, exchanges and clearinghouses used for the types of transactions. These market risks are beyond the Companies control and could adversely affect their results of operations, liquidity and future growth.

The Dodd-Frank Act was enacted into law in July 2010 in an effort to improve regulation of financial markets. The Dodd-Frank Act includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading platform. Non-financial entities that use swaps to hedge or mitigate commercial risk, often referred to as end users, can choose to exempt their hedging transactions from these clearing and exchange trading requirements. Final rules for the over-the-counter derivative-related provisions of the Dodd-Frank Act will continue to be established through the ongoing rulemaking process of the applicable regulators, including rules regarding margin requirements for non-cleared swaps. If, as a result of the rulemaking process, Dominion s or Virginia Power s derivative activities are not exempted from the clearing, exchange trading or margin requirements, the Companies could be subject to higher costs, including from higher margin requirements, for their derivative activities. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Act by

the Companies counterparties could result in increased costs related to the Companies derivative activities.

Changing rating agency requirements could negatively affect Dominion s and Virginia Power s growth and business strategy. In order to maintain appropriate credit ratings to obtain needed credit at a reasonable cost in light of existing or future rating agency requirements, Dominion and Virginia Power may find it necessary to take steps or change their business plans in ways that may adversely affect their growth and earnings. A reduction in Dominion s credit ratings or the credit ratings of Virginia Power could result in an increase in borrowing costs, loss of access to certain markets, or both, thus adversely affecting operating results and could require Dominion to post additional collateral in connection with some of its price risk management activities.

An inability to access financial markets could adversely affect the execution of Dominion s and Virginia Power s business plans. Dominion and Virginia Power rely on access to short-term money markets and longer-term capital markets as significant sources of funding and liquidity for capital expenditures, normal working capital and collateral requirements related to hedges of future sales and purchases of energy-related commodities. Deterioration in the Companies creditworthiness, as evaluated by credit rating agencies or otherwise, or declines in market reputation either for the Companies or their industry in general, or general financial market disruptions outside of Dominion s and Virginia Power s control could increase their cost of borrowing or restrict their ability to access one or more financial markets. Further market disruptions could stem from delays in the current economic recovery, the bankruptcy of an unrelated company, general market disruption due to general credit market or political events, or the failure of financial institutions on which the Companies rely. Increased costs and restrictions on the Companies ability to access financial markets may be severe enough to affect their ability to execute their business plans as scheduled.

Potential changes in accounting practices may adversely affect Dominion s and Virginia Power s financial results. Dominion and Virginia Power cannot predict the impact that future changes in accounting standards or practices may have on public companies in general, the energy industry or their operations specifically. New accounting standards could be issued that could change the way they record revenues, expenses, assets and liabilities. These changes in accounting standards could adversely affect earnings or could increase liabilities.

War, acts and threats of terrorism, natural disasters and other significant events could adversely affect Dominion s and Virginia Power s operations. Dominion and Virginia Power cannot predict the impact that any future terrorist attacks may have on the energy industry in general, or on the Companies business in particular. Any retaliatory military strikes or sustained military campaign may affect the Companies operations in unpredictable ways, such as changes in insurance markets and disruptions of fuel supplies and markets. In addition, the Companies infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror. Furthermore, the physical compromise of the Companies facilities could adversely affect the Companies ability to manage these facilities effectively. Instability in financial markets as a result of terrorism, war, natural disasters, pandemic, credit crises, recession or other factors could result in a significant decline in the U.S. economy and increase the cost of insurance coverage. This could

28

Table of Contents

negatively impact the Companies results of operations and financial condition.

Hostile cyber intrusions could severely impair Dominion s and Virginia Power s operations, lead to the disclosure of confidential information, damage the reputation of the Companies and otherwise have an adverse effect on Dominion s and Virginia Power s business. The Companies own assets deemed as critical infrastructure, the operation of which is dependent on information technology systems. Further, the computer systems that run the Companies facilities are not completely isolated from external networks. Parties that wish to disrupt the U.S. bulk power system or the Companies operations could view the Companies computer systems, software or networks as attractive targets for cyber attack. In addition, the Companies businesses require that they collect and maintain sensitive customer data, as well as confidential employee and shareholder information, which is subject to electronic theft or loss.

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

Failure to retain and attract key executive officers and other skilled professional and technical employees could have an adverse effect on Dominion s and Virginia Power s operations. Dominion s and Virginia Power s business strategy is dependent on their ability to recruit, retain and motivate employees. Competition for skilled employees in some areas is high and the inability to retain and attract these employees could adversely affect their business and future operating results. An aging workforce in the energy industry necessitates recruiting, retaining and developing the next generation of leadership.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2013, Dominion owned its principal executive office and three other corporate offices, all located in Richmond, Virginia. Dominion also leases corporate offices in other

cities in which its subsidiaries operate. Virginia Power shares its principal office in Richmond, Virginia, which is owned by Dominion. In addition, Virginia Power s DVP and Generation segments share certain leased buildings and equipment. See Item 1. Business for additional information about each segment s principal properties, which information is incorporated herein by reference.

Dominion s assets consist primarily of its investments in its subsidiaries, the principal properties of which are described here and in Item 1. Business.

Substantially all of Virginia Power s property is subject to the lien of the Indenture of Mortgage securing its First and Refunding Mortgage Bonds. There were no bonds outstanding as of December 31, 2013; however, by leaving the indenture open, Virginia Power expects to retain the flexibility to issue mortgage bonds in the future. Certain of Dominion s merchant generation facilities are also subject to liens. See Item 7. MD&A for more information.

ENERGY

Dominion Energy s Cove Point LNG facility has an operational peak regasification daily send-out capacity of approximately 1.8 bcf and an aggregate LNG storage capacity of approximately 14.6 bcf. In addition, Cove Point has a liquefier that has the potential to create approximately 0.01 bcf of LNG per day.

The Cove Point Pipeline is a 36-inch diameter underground, interstate natural gas pipeline that extends approximately 88 miles from Cove Point to interconnections with Transcontinental Gas Pipe Line Company, LLC in Fairfax County, Virginia, and with Columbia Gas Transmission LLC and DTI in Loudoun County, Virginia. In 2009, the original pipeline was expanded to include a 36-inch diameter expansion that extends approximately 48 miles parallel to the original pipeline.

Dominion Energy also owns NGL extraction plants capable of processing over 280,000 mcf per day of natural gas. Hastings is the largest plant and is capable of processing over 180,000 mcf per day of natural gas. Hastings can also fractionate over 580,000 gallons per day of NGLs into marketable products, including propane, isobutane, butane, and natural gasoline. NGL operations have storage capacity of 1,226,500 gallons of propane, 109,000 gallons of isobutane, 442,000 gallons of butane, 2,000,000 gallons of natural gasoline, and 1,012,500 gallons of mixed NGLs.

POWER GENERATION

Dominion and Virginia Power generate electricity for sale on a wholesale and a retail level. The Companies supply electricity demand either from their generation facilities or through purchased power contracts. As of December 31, 2013, Dominion Generation s total utility and merchant generating capacity was approximately 23,600 MW.

Table of Contents

The following tables list Dominion Generation s utility and merchant generating units and capability, as of December 31, 2013:

VIRGINIA POWER UTILITY GENERATION

Plant	Location	Net Summer Capability (MW)	Percentage Net Summer Capability
Coal			
Mt. Storm	Mt. Storm, WV	1,629	
Chesterfield	Chester, VA	1,267	
Virginia City Hybrid Energy Center	Wise County, VA	600	
Chesapeake(1)	Chesapeake, VA	595	
Clover	Clover, VA	437(3)	
Yorktown(1)	Yorktown, VA	323	
Bremo(2)	Bremo Bluff, VA	227	
Mecklenburg	Clarksville, VA	138	
Total Coal		5,216	27%
Gas			
Ladysmith (CT)	Ladysmith, VA	783	
Remington (CT)	Remington, VA	608	
Bear Garden (CC)	Buckingham County, VA	590	
Possum Point (CC)	Dumfries, VA	559	
Chesterfield (CC)	Chester, VA	397	
Elizabeth River (CT)	Chesapeake, VA	348	
Possum Point	Dumfries, VA	316	
Bellemeade (CC)	Richmond, VA	267	
Gordonsville Energy (CC)	Gordonsville, VA	218	
Gravel Neck (CT)	Surry, VA	170	
Darbytown (CT)	Richmond, VA	168	
Rosemary (CC)	Roanoke Rapids, NC	165	
Total Gas		4,589	23
Nuclear			
Surry	Surry, VA	1,676	
North Anna	Mineral, VA	1,672 (4)	
Total Nuclear		3,348	17
Oil			
Yorktown	Yorktown, VA	790	
Possum Point	Dumfries, VA	786	
Gravel Neck (CT)	Surry, VA	198	
Darbytown (CT)	Richmond, VA	168	
Possum Point (CT)	Dumfries, VA	72	
Chesapeake (CT)	Chesapeake, VA	51	
Low Moor (CT)	Covington, VA	48	
Northern Neck (CT)	Lively, VA	47	
Total Oil		2,160	11
Hydro			
Bath County	Warm Springs, VA	1,802(5)	
Gaston	Roanoke Rapids, NC	220	
Roanoke Rapids	Roanoke Rapids, NC	95	
Other	Various	3	
Total Hydro		2,120	11

Biomass			
Pittsylvania	Hurt, VA	83	
Altavista	Altavista, VA	51	
Polyester	Hopewell, VA	51	
Southhampton	Southampton, VA	51	
Total Biomass		236	1
Various			
Other	Various	11	
		17,680	
Power Purchase Agreements		1,926	10
Total Utility Generation		19,606	100%

Note: (CT) denotes combustion turbine and (CC) denotes combined cycle.

(1) Certain coal-fired units are expected to be retired at Chesapeake by 2015 and at Yorktown as early as 2016 as a result of the issuance of the MATS rule.
(2) Regulatory approvals have been obtained and plant is expected to be converted to gas in 2014.
(3) Excludes 50% undivided interest owned by ODEC.
(4) Excludes 11.6% undivided interest owned by ODEC.
(5) Excludes 40% undivided interest owned by Allegheny Generating Company, a subsidiary of Allegheny Energy, Inc.

Table of Contents

DOMINION MERCHANT GENERATION

Plant	Location	Net Summer Capability (MW)	Percentage Net Summer Capability
Nuclear			
Millstone	Waterford, CT	2,001 (2)	
Total Nuclear		2,001	51%
Gas			
Fairless (CC)	Fairless Hills, PA	1,196	
Manchester (CC)	Providence, RI	446	
Total Gas		1,642	41
Wind			
Fowler Ridge(1)	Benton County, IN	150(3)	
NedPower Mt. Storm(1)	Grant County, WV	132(4)	
Total Wind		282	7
Solar			
Indy Solar (AC)	Indianapolis, IN	29	
Azalea Solar (AC)	Washington, GA	8	
Somers Solar (AC)	Somers, CT	5	
Total Solar		42	1
Fuel Cell			
Bridgeport Fuel Cell	Bridgeport, CT	15	
Total Fuel Cell		15	
Total Merchant Generation		3,982	100%

Note: (CC) denotes combined cycle and (AC) denotes alternating current.

(1) Subject to a lien securing the facility s debt.
(2) Excludes 6.53% undivided interest in Unit 3 owned by Massachusetts Municipal and Green Mountain.
(3) Excludes 50% membership interest owned by BP.
(4) Excludes 50% membership interest owned by Shell.

Table of Contents

Item 3. Legal Proceedings

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

See Notes 13 and 22 to the Consolidated Financial Statements and *Future Issues and Other Matters* in Item 7. MD&A, which information is incorporated herein by reference, for discussion of various environmental and other regulatory proceedings to which the Companies are a party.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Executive Officers of Dominion

Information concerning the executive officers of Dominion, each of whom is elected annually, is as follows:

Name and Age	Business Experience Past Five Years[1]
Thomas F. Farrell II (59)	Chairman of the Board of Directors of Dominion from April 2007 to date; President and CEO of Dominion from January 2006 to date; Chairman of the Board of Directors and CEO of Virginia Power from February 2006 to date.
Mark F. McGettrick (56)	Executive Vice President and CFO of Dominion and Virginia Power from June 2009 to date; Executive Vice President of Dominion from April 2006 to May 2009; President and COO-Generation of Virginia Power from February 2006 to May 2009.
Paul D. Koonce (54)	Executive Vice President and Chief Executive Officer Energy Infrastructure Group of Dominion from February 2013 to date; President and COO of Virginia Power from June 2009 to date; Executive Vice President of Dominion from April 2006 to February 2013.
David A. Christian (59)	Executive Vice President and Chief Executive Officer Dominion Generation Group of Dominion from February 2013 to date; President and COO of Virginia Power from June 2009 to date; Executive Vice President of Dominion from May 2011 to February 2013; President and CNO of Virginia Power from October 2007 to May 2009.
David A. Heacock (56)	President and CNO of Virginia Power from June 2009 to date; Senior Vice President of Dominion and President and COO-DVP of Virginia Power from June 2008 to May 2009.
Robert M. Blue (46)	President of Virginia Power from January 2014 to date; Senior Vice President-Law, Public Policy and Environment of Dominion and Virginia Power from January 2011 to December 2013; Senior Vice President-Public Policy and Environment of Dominion from February 2010 to December 2010; Senior Vice President-Public Policy and Corporate Communications of Dominion from May 2008 to January 2010.
Ashwini Sawhney (64)	Vice President, Controller and CAO of Dominion and Virginia Power from January 2014 to date; Vice President-Accounting and Controller (CAO) of Dominion from May 2010 to December 2013; Vice President and Controller (CAO) of Dominion from July 2009 to May 2010; Vice President-Accounting of Virginia Power from April 2006 to December 2013; Vice President and Controller of Dominion from April 2007 to June 2009.
Diane Leopold (47)	President of DTI, East Ohio and Dominion Cove Point, Inc. and Senior Vice President of DRS from January 2014 to date; Senior Vice President of DTI from April 2012 to December 2013; Senior Vice President Business Development & Generation Construction of Virginia Power from April 2009 to March 2012; Vice President Fossil and Hydro Merchant Operations of DEI from September 2007 to March 2009.
Mark O. Webb (49)	Vice President, General Counsel and Chief Risk Officer of Dominion and Virginia Power from January 2014 to date; Vice President and General Counsel of Dominion and Virginia Power from January 2013 to December 2013; Deputy General Counsel of DRS from July 2011 to December 2012; Director Policy & Business Evaluation AES of DRS from May 2009 to June 2011 and Deputy General Counsel of DRS from April 2004 to April 2009.

(1) Any service listed for Virginia Power, DTI, DEI, East Ohio, Dominion Cove Point, Inc. and DRS reflects service at a subsidiary of Dominion.

Part II

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

Dominion

Dominion s common stock is listed on the NYSE. At January 31, 2014, there were approximately 135,000 record holders of Dominion s common stock. The number of record holders is comprised of individual shareholder accounts maintained on Dominion s transfer agent records and includes accounts with shares held in (1) certificate form, (2) book-entry in the Direct Registration System and (3) book-entry under Dominion Direct. Discussions of expected dividend payments and restrictions on Dominion s payment of dividends required by this Item are contained in *Liquidity and Capital Resources* in Item 7. MD&A and Notes 17 and 20 to the Consolidated Financial Statements. Cash dividends were paid quarterly in 2013 and 2012. Quarterly information concerning stock prices and dividends is disclosed in Note 26 to the Consolidated Financial Statements, which information is incorporated herein by reference.

The following table presents certain information with respect to Dominion s common stock repurchases during the fourth quarter of 2013:

DOMINION PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased(1)	Average Price Paid per Share (or Unit)(2)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased under the Plans or Programs(3)
10/1/2013-10/31/13	**3,839**	**$ 62.51**	**N/A**	**19,629,059 shares/$ 1.18 billion**
11/1/2013-11/30/13		**$**	**N/A**	**19,629,059 shares/$ 1.18 billion**
12/1/2013-12/31/13		**$**	**N/A**	**19,629,059 shares/$ 1.18 billion**
Total	**3,839**	**$ 62.51**	**N/A**	**19,629,059 shares/$ 1.18 billion**

(1) In October 2013, 3,839 shares were tendered by employees to satisfy tax withholding obligations on vested restricted stock.
(2) Represents the weighted-average price paid per share.
(3) The remaining repurchase authorization is pursuant to repurchase authority granted by the Dominion Board of Directors in February 2005, as modified in June 2007. The aggregate authorization granted by the Dominion Board of Directors was 86 million shares (as adjusted to reflect a two-for-one stock split distributed in November 2007) not to exceed $4 billion.

Virginia Power

There is no established public trading market for Virginia Power s common stock, all of which is owned by Dominion. Restrictions on Virginia Power s payment of dividends are discussed in *Dividend Restrictions* in Item 7. MD&A and Note 20 to the Consolidated Financial Statements.

Virginia Power paid quarterly cash dividends on its common stock as follows:

(millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2013	**$ 148**	**$ 120**	**$ 195**	**$ 116**	**$ 579**
2012	149	120	110	180	559

Table of Contents

Item 6. Selected Financial Data

DOMINION

Year Ended December 31,	**2013**	2012	2011	2010	2009
(millions, except per share amounts)					
Operating revenue	**$ 13,120**	$ 12,835	$ 13,765	$ 14,392	$ 14,032
Income from continuing operations, net of tax(1)	**1,789**	1,427	1,466	3,056	1,301
Loss from discontinued operations, net of tax(1)	**(92)**	(1,125)	(58)	(248)	(14)
Net income attributable to Dominion	**1,697**	302	1,408	2,808	1,287
Income from continuing operations before loss from discontinued operations per common share-basic	**3.09**	2.49	2.56	5.19	2.19
Net income attributable to Dominion per common share-basic	**2.93**	0.53	2.46	4.77	2.17
Income from continuing operations before loss from discontinued operations per common share-diluted	**3.09**	2.49	2.55	5.18	2.19
Net income attributable to Dominion per common share-diluted	**2.93**	0.53	2.45	4.76	2.17
Dividends declared per common share	**2.25**	2.11	1.97	1.83	1.75
Total assets	**50,096**	46,838	45,614	42,817	42,554
Long-term debt	**19,330**	16,851	17,394	15,758	15,481

(1) Amounts attributable to Dominion s common shareholders.

2013 results include a $109 million after-tax charge related to Dominion s restructuring of its producer services business ($76 million) and an impairment of certain natural gas infrastructure assets ($33 million). Also in 2013, Dominion recorded a $92 million after-tax net loss from the discontinued operations of Brayton Point and Kincaid.

2012 results include a $1.1 billion after-tax loss from discontinued operations, including impairment charges, of Brayton Point and Kincaid and a $303 million after-tax charge primarily resulting from management s decision to cease operations and begin decommissioning Kewaunee in 2013.

2011 results include a $139 million after-tax charge reflecting generation plant balances that are not expected to be recovered in future periods due to the anticipated retirement of certain utility coal-fired generating units and a $59 million after-tax charge reflecting restoration costs associated with damage caused by Hurricane Irene.

2010 results include a $1.4 billion after-tax net income benefit from the sale of substantially all of Dominion s Appalachian E&P operations, net of charges related to the divestiture and a $202 million after-tax charge primarily reflecting severance pay and other benefits related to a workforce reduction program. The loss from discontinued operations in 2010 includes $127 million of after-tax impairment charges at certain merchant generation facilities and a $140 million after-tax loss on the sale of Peoples.

2009 results include a $435 million after-tax charge in connection with the settlement of Virginia Power s 2009 base rate case proceedings. Also in 2009, Dominion recorded a $281 million after-tax ceiling test impairment charge related to the carrying value of its Appalachian E&P properties.

VIRGINIA POWER

Year Ended December 31,	**2013**	2012	2011	2010	2009
(millions)					
Operating revenue	**$ 7,295**	$ 7,226	$ 7,246	$ 7,219	$ 6,584
Net income	**1,138**	1,050	822	852	356
Balance available for common stock	**1,121**	1,034	805	835	339
Total assets	**26,961**	24,811	23,544	22,262	20,118
Long-term debt	**7,974**	6,251	6,246	6,702	6,213

2013 results include a $28 million after-tax charge resulting from impacts of the 2013 Biennial Review Order.

2012 results include a $53 million after-tax charge reflecting restoration costs associated with damage caused by severe storms.

2011 results include a $139 million after-tax charge reflecting generation plant balances that are not expected to be recovered in future periods due to the anticipated retirement of certain coal-fired generating units and a $59 million after-tax charge reflecting restoration costs associated with damage caused by Hurricane Irene.

2010 results include a $123 million after-tax charge primarily reflecting severance pay and other benefits related to a workforce reduction program.

2009 results include a $427 million after-tax charge in connection with the settlement of Virginia Power s 2009 base rate case proceedings.

Table of Contents

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

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

CONTENTS OF MD&A

MD&A consists of the following information:

- Forward-Looking Statements
- Accounting Matters
- Dominion
  - Results of Operations
  - Segment Results of Operations
- Virginia Power
  - Results of Operations
  - Segment Results of Operations
- Selected Information Energy Trading Activities
- Liquidity and Capital Resources
- Future Issues and Other Matters

FORWARD-LOOKING STATEMENTS

This report contains statements concerning Dominion s and Virginia Power s expectations, plans, objectives, future financial performance and other statements that are not historical facts. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify these forward-looking statements by such words as anticipate, estimate, forecast, expect, believe, should, could, plan, may, continue, target or other similar words.

Dominion and Virginia Power make forward-looking statements with full knowledge that risks and uncertainties exist that may cause actual results to differ materially from predicted results. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additionally, other factors may cause actual results to differ materially from those indicated in any forward-looking statement. These factors include but are not limited to:

- Unusual weather conditions and their effect on energy sales to customers and energy commodity prices;
- Extreme weather events and other natural disasters, including hurricanes, high winds, severe storms, earthquakes, flooding and changes in water temperatures and availability that can cause outages and property damage to facilities;
- Federal, state and local legislative and regulatory developments, including changes in federal and state tax laws and regulations;
- Changes to federal, state and local environmental laws and regulations, including those related to climate change, the tightening of emission or discharge limits for GHGs and other emissions, more extensive permitting requirements and the regulation of additional substances;

Cost of environmental compliance, including those costs related to climate change;
Risks associated with the operation of nuclear facilities, including costs associated with the disposal of spent nuclear fuel, decommissioning, plant maintenance and changes in existing regulations governing such facilities;
Unplanned outages at facilities in which Dominion has an ownership interest;
Fluctuations in energy-related commodity prices and the effect these could have on Dominion s earnings and Dominion s and Virginia Power s liquidity position and the under- lying value of their assets;
Counterparty credit and performance risk;
Capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;
Risks associated with Virginia Power s membership and participation in PJM, including risks related to obligations created by the default of other participants;
Fluctuations in the value of investments held in nuclear decommissioning trusts by Dominion and Virginia Power and in benefit plan trusts by Dominion;
Fluctuations in interest rates;
Changes in rating agency requirements or credit ratings and their effect on availability and cost of capital;
Changes in financial or regulatory accounting principles or policies imposed by governing bodies;
Employee workforce factors including collective bargaining agreements and labor negotiations with union employees;
Risks of operating businesses in regulated industries that are subject to changing regulatory structures;
Impacts of acquisitions, divestitures, transfers of assets to joint ventures or an MLP, and retirements of assets based on asset portfolio reviews;
Receipt of approvals for, and timing of, closing dates for acquisitions and divestitures;
The timing and execution of our MLP strategy;
Changes in rules for RTOs and ISOs in which Dominion and Virginia Power participate, including changes in rate designs, changes in FERC s interpretation of market rules and new and evolving capacity models;
Political and economic conditions, including inflation and deflation;
Domestic terrorism and other threats to the Companies physical and intangible assets, as well as threats to cybersecurity;
Changes in demand for the Companies services, including industrial, commercial and residential growth or decline in the Companies service areas, changes in customer growth or usage patterns, including as a result of energy conservation programs, the availability of energy efficient devices and the use of distributed generation methods;
Additional competition in industries in which Dominion operates, including in electric markets in which Dominion s merchant generation facilities operate, and competition in the development, construction and ownership of certain electric transmission facilities in Virginia Power s service territory in connection with FERC Order 1000;
Changes in technology, particularly with respect to new, developing or alternative sources of generation and smart grid technologies;
Changes to regulated electric rates collected by Virginia Power and regulated gas distribution, transportation and storage rates, including LNG storage, collected by Dominion;
Changes in operating, maintenance and construction costs;
Timing and receipt of regulatory approvals necessary for planned construction or expansion projects;
The inability to complete planned construction, conversion or expansion projects at all, or with the outcomes or within the terms and time frames initially anticipated;
Adverse outcomes in litigation matters or regulatory proceedings; and
The impact of operational hazards and other catastrophic events.

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

Table of Contents

Accounting Matters

Critical Accounting Policies and Estimates

Dominion and Virginia Power have identified the following accounting policies, including certain inherent estimates, that as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved, could result in material changes to their financial condition or results of operations under different conditions or using different assumptions. Dominion and Virginia Power have discussed the development, selection and disclosure of each of these policies with the Audit Committees of their Boards of Directors. Virginia Power s Board of Directors also serves as its Audit Committee.

Accounting for Regulated Operations

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

The Companies evaluate whether or not recovery of their regulatory assets through future rates is probable and make various assumptions in their analyses. The expectations of future recovery are generally based on orders issued by regulatory commissions, legislation or historical experience, as well as discussions with applicable regulatory authorities and legal counsel. If recovery of a regulatory asset is determined to be less than probable, it will be written off in the period such assessment is made. See Notes 12 and 13 to the Consolidated Financial Statements for additional information.

Asset Retirement Obligations

Dominion and Virginia Power recognize liabilities for the expected cost of retiring tangible long-lived assets for which a legal obligation exists and the ARO can be reasonably estimated. These AROs are recognized at fair value as incurred and are capitalized as part of the cost of the related long-lived assets. In the absence of quoted market prices, the Companies estimate the fair value of their AROs using present value techniques, in which they make various assumptions including estimates of the amounts and timing of future cash flows associated with retirement activities, credit-adjusted risk free rates and cost escalation rates. The impact on measurements of new AROs or remeasurements of existing AROs, using different cost escalation rates in the future, may be significant. When the Companies revise any assumptions used to calculate the fair value of existing AROs, they adjust the carrying amount of both the ARO liability and the related long-lived asset for assets that are in service; for assets that have ceased operations, they adjust the carrying amount of the

ARO liability with such changes recognized in income. The Companies accrete the ARO liability to reflect the passage of time.

In 2013, 2012 and 2011, Dominion recognized $86 million, $77 million and $84 million, respectively, of accretion, and expects to recognize $84 million in 2014. In 2013, 2012 and 2011, Virginia Power recognized $38 million, $34 million and $36 million, respectively, of accretion, and expects to recognize $39 million in 2014. Virginia Power records accretion and depreciation associated with utility nuclear decommissioning AROs as an adjustment to its regulatory liability for nuclear decommissioning.

A significant portion of the Companies AROs relates to the future decommissioning of Dominion s merchant and Virginia Power s utility nuclear facilities. These nuclear decommissioning AROs are reported in the Dominion Generation segment. At December 31, 2013, Dominion s nuclear decommissioning AROs totaled $1.4 billion, representing approximately 86% of its total AROs. At December 31, 2013, Virginia Power s nuclear decommissioning AROs totaled $616 million, representing approximately 89% of its total AROs. Based on their significance, the following discussion of critical assumptions inherent in determining the fair value of AROs relates to those associated with the Companies nuclear decommissioning obligations.

The Companies obtain from third-party specialists periodic site-specific base year cost studies in order to estimate the nature, cost and timing of planned decommissioning activities for their nuclear plants. These cost studies are based on relevant information available at the time they are performed; however, estimates of future cash flows for extended periods of time are by nature highly uncertain and may vary significantly from actual results. In addition, the Companies cost estimates include cost escalation rates that are applied to the base year costs. The Companies determine cost escalation rates, which represent projected cost increases over time due to both general inflation and increases in the cost of specific decommissioning activities, for each nuclear facility. The selection of these cost escalation rates is dependent on subjective factors which are considered to be critical assumptions.

In December 2013, Dominion and Virginia Power recorded a reduction of $129 million ($47 million of which was credited to income) and $52 million, respectively, in the nuclear decommissiong AROs for their units due to a reduction in estimated costs.

In September 2012, Dominion recorded an increase of $246 million in the nuclear decommissioning AROs for its units ($183 million of which was charged to income). The ARO revision was primarily driven by management s decision to cease operations and begin decommissioning Kewaunee in 2013. Virginia Power recorded an increase of $43 million in the nuclear decommissioning AROs for its units. The ARO revision was driven by an increase in estimated costs.

Income Taxes

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

Given the uncertainty and judgment involved in the determination and filing of income taxes, there are standards for recognition and measurement in financial statements of positions taken or expected to be taken by an entity in its income tax returns. Positions taken by an entity in its income tax returns that are recognized in the financial statements must satisfy a more-likely-than-not recognition threshold, assuming that the position will be examined by tax authorities with full knowledge of all relevant information. At December 31, 2013, Dominion had $222 million and Virginia Power had $39 million of unrecognized tax benefits. Changes in these unrecognized tax benefits may result from remeasurement of amounts expected to be realized, settlements with tax authorities and expiration of statutes of limitations.

Deferred income tax assets and liabilities are recorded representing future effects on income taxes for temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Dominion and Virginia Power evaluate quarterly the probability of realizing deferred tax assets by considering current and historical financial results, expectations for future taxable income and the availability of tax planning strategies that can be implemented, if necessary, to realize deferred tax assets. Failure to achieve forecasted taxable income or successfully implement tax planning strategies may affect the realization of deferred tax assets. The Companies establish a valuation allowance when it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized. At December 31, 2013, Dominion had established $69 million of valuation allowances and Virginia Power had no valuation allowances.

Accounting for Derivative Contracts and Other Instruments at Fair Value

Dominion and Virginia Power use derivative contracts such as futures, swaps, forwards, options and FTRs to manage commodity, currency exchange and financial market risks of their business operations. Derivative contracts, with certain exceptions, are reported in the Consolidated Balance Sheets at fair value. Accounting requirements for derivatives and related hedging activities are complex and may be subject to further clarification by standard-setting bodies. The majority of investments held in Dominion s and Virginia Power s nuclear decommissioning and Dominion s rabbi and benefit plan trust funds are also subject to fair value accounting. See Notes 6 and 21 to the Consolidated Financial Statements for further information on these fair value measurements.

Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, management seeks indicative price information from external sources, including broker quotes and industry publications. When evaluating pricing information provided by brokers and other pricing services, the Companies consider whether the broker is willing and able to trade at the quoted price, if the broker quotes are based on an active market or an inactive market and the extent to which brokers are utilizing a particular model if pricing is not readily available. If pricing information from external sources is not available, or if the Companies believe that observable pricing information is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, the Companies must estimate prices based on available historical and near-term

future price information and use of statistical methods, including regression analysis, that reflect their market assumptions.

The Companies maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Use of Estimates in Goodwill Impairment Testing

As of December 31, 2013, Dominion reported $3.1 billion of goodwill in its Consolidated Balance Sheet. A significant portion resulted from the acquisition of the former CNG in 2000.

In April of each year, Dominion tests its goodwill for potential impairment, and performs additional tests more frequently if an event occurs or circumstances change in the interim that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. The 2013, 2012 and 2011 annual tests and any interim tests did not result in the recognition of any goodwill impairment.

In general, Dominion estimates the fair value of its reporting units by using a combination of discounted cash flows and other valuation techniques that use multiples of earnings for peer group companies and analyses of recent business combinations involving peer group companies. Fair value estimates are dependent on subjective factors such as Dominion s estimate of future cash flows, the selection of appropriate discount and growth rates, and the selection of peer group companies and recent transactions. These underlying assumptions and estimates are made as of a point in time; subsequent modifications, particularly changes in discount rates or growth rates inherent in Dominion s estimates of future cash flows, could result in a future impairment of goodwill. Although Dominion has consistently applied the same methods in developing the assumptions and estimates that underlie the fair value calculations, such as estimates of future cash flows, and based those estimates on relevant information available at the time, such cash flow estimates are highly uncertain by nature and may vary significantly from actual results. If the estimates of future cash flows used in the most recent tests had been 10% lower, the resulting fair values would have still been greater than the carrying values of each of those reporting units tested, indicating that no impairment was present. See Note 11 to the Consolidated Financial Statements for additional information.

Use of Estimates in Long-Lived Asset Impairment Testing

Impairment testing for an individual or group of long-lived assets or for intangible assets with definite lives is required when circumstances indicate those assets may be impaired. When an asset s carrying amount exceeds the undiscounted estimated future cash flows associated with the asset, the asset is considered impaired to the extent that the asset s fair value is less than its carrying amount. Performing an impairment test on long-lived assets involves judgment in areas such as identifying if circumstances indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted and discounted estimated future cash flows (used to estimate fair value in the absence of market-based value) associated with the asset, including probability weighting such cash flows to reflect expectations about possible variations in their amounts or timing, expectations about operating the long-lived assets and the selection of an appropriate discount rate. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For example, estimates of future cash flows would contemplate factors which may change over time, such as the expected use of the asset, including future production and sales levels, expected fluctuations of prices of commodities sold and consumed and expected proceeds from dispositions. See Note 6 to the Consolidated Financial Statements for a discussion of impairments related to certain long-lived assets.

Employee Benefit Plans

Dominion sponsors noncontributory defined benefit pension plans and other postretirement benefit plans for eligible active employees, retirees and qualifying dependents. The projected costs of providing benefits under these plans are dependent, in part, on historical information such as employee demographics, the level of contributions made to the plans and earnings on plan assets. Assumptions about the future, including the expected long-term rate of return on plan assets, discount rates applied to benefit obligations and the anticipated rate of increase in healthcare costs and participant compensation, also have a significant impact on employee benefit costs. The impact of changes in these factors, as well as differences between Dominion s assumptions and actual experience, is generally recognized in the Consolidated Statements of Income over the remaining average service period of plan participants, rather than immediately.

The expected long-term rates of return on plan assets, discount rates and healthcare cost trend rates are critical assumptions. Dominion determines the expected long-term rates of return on plan assets for pension plans and other postretirement benefit plans by using a combination of:

- Expected inflation and risk-free interest rate assumptions;
- Historical return analysis to determine long term historic returns as well as historic risk premiums for various asset classes;
- Expected future risk premiums, asset volatilities and correlations;
- Forecasts of an independent investment advisor;
- Forward-looking return expectations derived from the yield on long-term bonds and the expected long-term returns of major stock market indices; and
- Investment allocation of plan assets. The strategic target asset allocation for Dominion s pension funds is 28% U.S. equity, 18% non-U.S. equity, 33% fixed income, 3% real estate and 18% other alternative investments, such as private equity investments.

Strategic investment policies are established for Dominion s prefunded benefit plans based upon periodic asset/liability studies. Factors considered in setting the investment policy include those mentioned above such as employee demographics, liability growth rates, future discount rates, the funded status of the plans and the expected long-term rate of return on plan assets. Deviations from the plans strategic allocation are a function of Dominion s assessments regarding short-term risk and reward opportunities in the capital markets and/or short-term market movements which result in the plans actual asset allocations varying from the strategic target asset allocations. Through periodic rebalancing, actual allocations are brought back in line with the target. Future asset/

liability studies will focus on strategies to further reduce pension and other postretirement plan risk, while still achieving attractive levels of returns.

Dominion develops assumptions, which are then compared to the forecasts of an independent investment advisor to ensure reasonableness. An internal committee selects the final assumptions. Dominion calculated its pension cost using an expected long-term rate of return on plan assets assumption of 8.50% for 2013, 2012 and 2011. Dominion calculated its other postretirement benefit cost using an expected long-term rate of return on plan assets assumption of 7.75% for 2013, 2012 and 2011. The rate used in calculating other postretirement benefit cost is lower than the rate used in calculating pension cost because of differences in the relative amounts of various types of investments held as plan assets.

Dominion determines discount rates from analyses of AA/Aa rated bonds with cash flows matching the expected payments to be made under its plans. The discount rates used to calculate pension cost and other postretirement benefit cost ranged from 4.40% to 4.80% in 2013, and were 5.50% in 2012 and 5.90% in 2011. Dominion selected discount rates ranging from 5.20% to 5.30%, and from 5.00% to 5.10%, for determining its December 31, 2013 projected pension, and other postretirement benefit obligations, respectively.

Dominion establishes the healthcare cost trend rate assumption based on analyses of various factors including the specific provisions of its medical plans, actual cost trends experienced and projected, and demographics of plan participants. Dominion s healthcare cost trend rate assumption as of December 31, 2013 was 7.00% and is expected to gradually decrease to 4.60% by 2062 and continue at that rate for years thereafter.

The following table illustrates the effect on cost of changing the critical actuarial assumptions previously discussed, while holding all other assumptions constant:

		Increase in Net Periodic Cost	
(millions, except percentages)	Change in Actuarial Assumption	Pension Benefits	Other Postretirement Benefits
Discount rate	**(0.25)%**	**$ 14**	**$ 1**
Long-term rate of return on plan assets	**(0.25)%**	**14**	**3**
Healthcare cost trend rate	**1%**	**N/A**	**16**

In addition to the effects on cost, at December 31, 2013, a 0.25% decrease in the discount rate would increase Dominion s projected pension benefit obligation by $181 million and its accumulated postretirement benefit obligation by $37 million, while a 1.00% increase in the healthcare cost trend rate would increase its accumulated postretirement benefit obligation by $140 million. See Note 21 to the Consolidated Financial Statements for additional information.

Revenue Recognition Unbilled Revenue

Virginia Power recognizes and records revenues when energy is delivered to the customer. The determination of sales to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month. At the end of each month, the amount of electric energy delivered to customers, but not yet billed, is estimated and recorded as

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

unbilled revenue. This estimate is reversed in the following month and actual revenue is recorded based on meter readings. Virginia Power s customer receivables included $395 million and $348 million of accrued unbilled revenue at December 31, 2013 and 2012, respectively.

The calculation of unbilled revenues is complex and includes numerous estimates and assumptions including historical usage, applicable customer rates, weather factors and total daily electric generation supplied, adjusted for line losses. Changes in customer usage patterns and other factors, which are the basis for the estimates of unbilled revenues, could have a significant effect on the calculation and therefore on Virginia Power s results of operations and financial condition.

DOMINION

RESULTS OF OPERATIONS

Presented below is a summary of Dominion s consolidated results:

Year Ended December 31, (millions, except EPS)	**2013**	**$ Change**	2012	$ Change	2011
Net Income attributable to Dominion	**$ 1,697**	**$ 1,395**	$ 302	$ (1,106)	$ 1,408
Diluted EPS	**2.93**	**2.40**	0.53	(1.92)	2.45

Overview

2013 vs. 2012

Net income attributable to Dominion increased by $1.4 billion primarily due to the absence of impairment and other charges recorded in 2012 related to the discontinued operations of Brayton Point and Kincaid and management s decision to cease operations and begin decommissioning Kewaunee in 2013.

2012 vs. 2011

Net income attributable to Dominion decreased by 79%. Unfavorable drivers include impairment and other charges related to the discontinued operations of Brayton Point and Kincaid and management s decision to cease operations and begin decommissioning Kewaunee in 2013. Favorable drivers include the absence of an impairment charge related to certain utility coal-fired power stations and the absence of restoration costs associated with damage caused by Hurricane Irene recorded in 2011.

Analysis of Consolidated Operations

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

Year Ended December 31, (millions)	**2013**	**$ Change**	2012	$ Change	2011
Operating Revenue	**$ 13,120**	**$ 285**	$ 12,835	$ (930)	$ 13,765
Electric fuel and other energy-related purchases	**3,885**	**240**	3,645	(297)	3,942
Purchased electric capacity	**358**	**(29)**	387	(67)	454
Purchased gas	**1,331**	**154**	1,177	(587)	1,764
Net Revenue	**7,546**	**(80)**	7,626	21	7,605
Other operations and maintenance	**2,459**	**(632)**	3,091	(87)	3,178
Depreciation, depletion and amortization	**1,208**	**81**	1,127	109	1,018
Other taxes	**563**	**13**	550	21	529
Other income	**265**	**42**	223	45	178
Interest and related charges	**877**	**61**	816	20	796
Income tax expense	**892**	**81**	811	33	778
Loss from discontinued operations	**(92)**	**1,033**	(1,125)	(1,067)	(58)

An analysis of Dominion s results of operations follows:

2013 vs. 2012

Net Revenue decreased 1%, primarily reflecting:

- A $162 million decrease in producer services primarily related to unfavorable price changes on economic hedging positions, partially offset by higher physical margins, all associated with natural gas aggregation, marketing and trading activities;
- A $111 million decrease in retail energy marketing activities primarily due to the impact of lower margins on electric sales due to higher purchased power costs; and
- A $98 million decrease from merchant generation operations, primarily due to lower generation output ($133 million) largely due to the May 2013 closure of Kewaunee, partially offset by higher realized prices ($35 million).

These decreases were partially offset by:

- A $161 million increase from electric utility operations, primarily reflecting:
  - An increase in sales to retail customers, primarily due to an increase in heating degree days ($112 million); and
  - An increase from rate adjustment clauses ($92 million); partially offset by
    - A decrease in ancillary revenues received from PJM ($12 million) primarily due to a decrease in net operating reserve credits; and
- A $144 million increase from regulated natural gas transmission operations primarily related to the Appalachian Gateway Project that was placed into service in September 2012 ($44 million), an increase in gathering and storage services ($38 million), NGL activities primarily related to an increase in extraction and fractionation volumes ($19 million) and the Northeast Expansion Project that was placed into service in November 2012 ($16 million).

Table of Contents

Other operations and maintenance decreased 20%, primarily reflecting:

- A $589 million decrease related to Kewaunee largely due to the absence of charges recorded in 2012 following management s decision to cease operations and begin decommissioning in 2013;
- A $123 million decrease in certain electric transmission-related expenditures. These expenses are recovered through FERC rates;
- A $54 million decrease in storm damage and service restoration costs primarily due to the absence of damage caused by late June summer storms in 2012;
- A $42 million decrease in bad debt expense at regulated natural gas distribution operations primarily related to low income assistance programs. These expenses are recovered through rates and do not impact net income; and
- Increased gains from the sales of assets to Blue Racer ($32 million).

These decreases were partially offset by:

- A $65 million increase primarily related to impairment charges for certain natural gas infrastructure assets;
- A $46 million increase resulting from impacts of the 2013 Biennial Review Order;
- A $35 million increase due to the absence of adjustments recorded in 2012 in connection with the 2012 North Carolina rate case;
- A $34 million increase in PJM operating reserves and reactive service charges; and
- A $26 million charge related to the expected shutdown of certain coal-fired generating units.

Other Income increased 19%, primarily due to higher realized gains (including investment income) on nuclear decommissioning trust funds ($40 million) and a gain on the sale of Dominion s 50% equity method investment in Elwood ($35 million), partially offset by a decrease in the equity component of AFUDC ($15 million) and a decrease in earnings from equity method investments ($11 million).

Income tax expense increased 10%, primarily reflecting higher pre-tax income in 2013 ($169 million), partially offset by an increase in renewable energy investment tax credits ($46 million) and a lower effective rate for state income taxes ($45 million).

Loss from discontinued operations primarily reflects the sale of Brayton Point and Kincaid in 2013.

2012 vs. **2011**

Net Revenue increased $21 million, primarily reflecting:

- A $184 million increase from electric utility operations, primarily reflecting:
  - The impact of rate adjustment clauses ($138 million);
  - The absence of a charge recorded in 2011 based on the 2011 Biennial Review Order to refund revenues to customers ($81 million); and
  - A decrease in net capacity expenses ($31 million); partially offset by
  - The impact ($58 million) of a decrease in sales to retail customers, primarily due to a decrease in cooling and heating degree days ($184 million), partially offset by an increase in sales due to the effect of favorable economic conditions on customer usage and other factors ($126 million);
- A $57 million increase in retail energy marketing activities primarily due to price risk management activities; and
- A $6 million increase from regulated natural gas transmission operations, primarily due to new transportation assets placed in service.

These increases were partially offset by:

- A $144 million decrease from regulated natural gas distribution operations primarily reflecting decreased rider revenue ($117 million) related to low income assistance programs; and
- A $91 million decrease from merchant generation operations, primarily reflecting a decrease in realized prices ($147 million), partially offset by increased generation ($56 million).

Other operations and maintenance decreased 3%, primarily reflecting:

- The absence of an impairment charge recorded in 2011 related to certain utility coal-fired generating units ($228 million);
- A $117 million decrease in bad debt expense at regulated natural gas distribution operations primarily related to low income assistance programs. These expenses are recovered through rates and do not impact net income;
- The absence of restoration costs recorded in 2011 associated with damages caused by Hurricane Irene ($96 million);

An $89 million decrease attributable to increased deferrals for construction activities related to regulated operations; and
A $72 million decrease due to gains from the sale of assets to Blue Racer.

These decreases were partially offset by:

A $415 million impairment charge due to management s decision to cease operations and begin decommissioning Kewaunee in 2013; and
A $104 million increase in salaries, wages and benefits.

Depreciation, depletion and amortization increased 11%, primarily due to property additions.

Other Income increased 25%, primarily due to higher realized gains (including investment income) on nuclear decommissioning trust funds.

Loss from discontinued operations primarily reflects losses associated with Brayton Point and Kincaid, which were sold in 2013.

Outlook

Dominion s strategy is to continue focusing on its regulated businesses while maintaining upside potential in well-positioned nonregulated businesses. The goals of this strategy are to provide earnings per share growth, a growing dividend and to maintain a stable credit profile. Dominion expects 80% to 90% of future earnings from its primary operating segments to come from regulated and long-term contracted businesses.

In 2014, Dominion is expected to experience an increase in net income on a per share basis as compared to 2013. Dominion s anticipated 2014 results reflect the following significant factors:

A return to normal weather in its electric utility operations;
Growth in weather-normalized electric utility sales of approximately 1.5% resulting from the recovering economy and rising energy demand;

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

Construction and operation of growth projects in electric utility operations and associated rate adjustment clause revenue;
Construction and operation of growth projects in gas transmission and distribution; and
A lower effective tax rate, driven primarily by renewable energy investment tax credits; partially offset by
An increase in depreciation, depletion, and amortization;
Higher operating and maintenance expenses;
Higher interest expenses driven by new debt issuances; and
A decrease due to the decision to exit the nonregulated electric retail energy marketing business.

However, if the proposed Virginia legislation for nuclear and offshore wind facilities is signed into law, Dominion would expect to experience a decrease in net income on a per share basis for 2014 as compared to 2013. See Note 13 to the Consolidated Financial Statements for additional information.

On January 2, 2013, U.S. federal legislation was enacted that provides an extension of the 50% bonus depreciation allowance for qualifying capital expenditures incurred through 2013, as discussed in Note 5 to the Consolidated Financial Statements. Dominion expects the bonus depreciation provisions to reduce income taxes otherwise payable, resulting in cash savings in 2014 of approximately $300 million.

SEGMENT RESULTS OF OPERATIONS

Segment results include the impact of intersegment revenues and expenses, which may result in intersegment profit or loss. Presented below is a summary of contributions by Dominion s operating segments to net income attributable to Dominion:

Year Ended December 31,	**2013**		2012		2011	
(millions, except EPS)	**Net Income attributable to Dominion**	**Diluted EPS**	Net Income attributable to Dominion	Diluted EPS	Net Income attributable to Dominion	Diluted EPS
DVP[1]	**$ 475**	**$ 0.82**	$ 439	$ 0.77	$ 416	$ 0.72
Dominion Generation[1]	**1,031**	**1.78**	1,021	1.78	1,078	1.87
Dominion Energy	**643**	**1.11**	551	0.96	521	0.91
Primary operating segments	**2,149**	**3.71**	2,011	3.51	2,015	3.50
Corporate and Other	**(452)**	**(0.78)**	(1,709)	(2.98)	(607)	(1.05)
Consolidated	**$ 1,697**	**$ 2.93**	$ 302	$ 0.53	$ 1,408	$ 2.45

(1) Amounts have been recast to reflect nonregulated retail energy marketing operations in the Dominion Generation segment.

DVP

Presented below are operating statistics related to DVP s operations:

Year Ended December 31,	**2013**	**% Change**	2012	% Change	2011
Electricity delivered (million MWh)	**82.4**	**2%**	80.8	(2)%	82.3
Degree days:					
Cooling	**1,645**	**(8)**	1,787	(6)	1,899
Heating	**3,651**	**24**	2,955	(12)	3,354
Average electric distribution customer accounts (thousands)(1)	**2,475**	**1**	2,455	1	2,438

(1) Thirteen-month average.

Presented below, on an after-tax basis, are the key factors impacting DVP s net income contribution:

2013 vs. 2012

	Increase (Decrease)	
(millions, except EPS)	**Amount**	**EPS**
Regulated electric sales:		
Weather	**$ 24**	**$ 0.04**
Other	**(2)**	
FERC transmission equity return	**30**	**0.05**
Storm damage and service restoration(1)	**(20)**	**(0.03)**
Depreciation	**(7)**	**(0.01)**
Other operations and maintenance expense	**7**	**0.01**
Other	**4**	**0.01**
Share dilution		**(0.02)**
Change in net income contribution	**$ 36**	**$ 0.05**

(1) Excludes restoration costs associated with damage caused by severe storms in 2012, which are reflected in the Corporate and Other segment.

2012 vs. 2011

	Increase (Decrease)	
(millions, except EPS)	Amount	EPS
Regulated electric sales:		
Weather	$ (34)	$ (0.06)
Other	28	0.05
FERC transmission equity return	19	0.04
Storm damage and service restoration(1)	14	0.03
Other	(4)	(0.01)
Change in net income contribution	$ 23	$ 0.05

(1) Excludes restoration costs associated with damage caused by severe storms in 2012 and 2011, which are reflected in the Corporate and Other segment.

Dominion Generation

Presented below are operating statistics related to Dominion Generation s operations:

Year Ended December 31,	**2013**	**% Change**	2012	% Change	2011
Electricity supplied (million MWh):					
Utility	**82.8**	**2%**	80.9	(2)%	82.3
Merchant[1]	**26.6**	**(5)**	28.0	9	25.8
Degree days (electric utility service area):					
Cooling	**1,645**	**(8)**	1,787	(6)	1,899
Heating	**3,651**	**24**	2,955	(12)	3,354
Average retail energy marketing customer accounts (thousands)[2]	**2,119**		2,129	(1)	2,152

(1) Excludes 7.6 million, 12.8 million and 17.3 million MWh for 2013, 2012 and 2011, respectively, related to Kewaunee, Brayton Point, Kincaid, State Line, Salem and Dominion s equity method investment in Elwood.

(2) Thirteen-month average.

Table of Contents

Presented below, on an after-tax basis, are the key factors impacting Dominion Generation s net income contribution:

2013 vs. 2012

	Increase (Decrease)	
(millions, except EPS)	**Amount**	**EPS**
Merchant generation margin	**$ (14)**	**$ (0.02)**
Regulated electric sales:		
Weather	**44**	**0.08**
Other	**(4)**	**(0.01)**
Retail energy marketing operations	**(54)**	**(0.09)**
Rate adjustment clause equity return	**35**	**0.06**
PJM ancillary services	**(26)**	**(0.05)**
Renewable energy investment tax credits	**40**	**0.07**
Outage costs	**10**	**0.02**
Other	**(21)**	**(0.04)**
Share dilution		**(0.02)**
Change in net income contribution	**$ 10**	**$**

2012 vs. 2011

	Increase (Decrease)	
(millions, except EPS)	Amount	EPS
Merchant generation margin	$ (72)	$ (0.13)
Regulated electric sales:		
Weather	(78)	(0.13)
Other	46	0.08
Retail energy marketing operations	35	0.06
Rate adjustment clause equity return	17	0.03
PJM ancillary services	(27)	(0.05)
Net capacity expenses	19	0.04
Outage costs	10	0.02
Other	(7)	(0.01)
Change in net income contribution	$ (57)	$ (0.09)

Dominion Energy

Presented below are selected operating statistics related to Dominion Energy s operations.

Year Ended December 31,	**2013**	**% Change**	2012	% Change	2011
Gas distribution throughput (bcf):					
Sales	**29**	**12%**	26	(13)%	30
Transportation	**281**	**8**	259	2	253
Heating degree days	**5,875**	**18**	4,986	(11)	5,584
Average gas distribution customer accounts (thousands)[1]:					
Sales	**246**	**(2)**	251	(2)	256
Transportation	**1,049**		1,044		1,040

(1) Thirteen-month average.

Presented below, on an after-tax basis, are the key factors impacting Dominion Energy s net income contribution:

2013 vs. 2012

(millions, except EPS)	Increase (Decrease) Amount	EPS
Weather	**$ 8**	**$ 0.01**
Producer services margin[1]	**(37)**	**(0.06)**
Gas transmission margin[2]	**88**	**0.15**
Blue Racer[3]	**17**	**0.03**
Assignment of Marcellus acreage	**12**	**0.02**
Other	**4**	**0.01**
Share dilution		**(0.01)**
Change in net income contribution	**$ 92**	**$ 0.15**

(1) Excludes charges incurred in 2013 associated with the ongoing exit of natural gas trading and certain energy marketing activities which are reflected in the Corporate and Other segment.
(2) Primarily reflects a full year of the Appalachian Gateway Project in service.
(3) Includes a $15 million increase in gains from the sale of assets.

2012 vs. 2011

(millions, except EPS)	Increase (Decrease) Amount	EPS
Weather	$ (5)	$ (0.01)
Producer services margin	(13)	(0.02)
Gas transmission margin[1]	8	0.01
Gain from sale of assets to Blue Racer	43	0.08
Other	(3)	(0.01)
Change in net income contribution	$ 30	$ 0.05

(1) Primarily reflects placing the Appalachian Gateway Project into service.

Corporate and Other

Presented below are the Corporate and Other segment s after-tax results:

Year Ended December 31,	**2013**	2012	2011
(millions, except EPS amounts)			
Specific items attributable to operating segments	**$ (184)**	$ (1,467)	$ (364)
Specific items attributable to Corporate and Other segment		(5)	29
Total specific items	**(184)**	(1,472)	(335)
Other corporate operations	**(268)**	(237)	(272)
Total net expense	**$ (452)**	$ (1,709)	$ (607)
EPS impact	**$ (0.78)**	$ (2.98)	$ (1.05)

Total Specific Items

Corporate and Other includes specific items attributable to Dominion s primary operating segments that are not included in profit measures evaluated by executive management in assessing those segments performance or allocating resources among the segments. See Note 25 to the Consolidated Financial Statements for discussion of these items in more detail.

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

Virginia Power

Results of Operations

Presented below is a summary of Virginia Power s consolidated results:

Year Ended December 31, (millions)	**2013**	**$ Change**	2012	$ Change	2011
Net Income	**$ 1,138**	**$ 88**	$ 1,050	$ 228	$ 822

Overview

2013 vs. 2012

Net income increased by 8% primarily due to an increase in rate adjustment clause revenue, the impact of more favorable weather on utility operations, and the absence of restoration costs associated with damage caused by late June 2012 summer storms.

2012 vs. 2011

Net income increased by 28%. Favorable drivers include the absence of an impairment charge related to certain coal-fired power stations recorded in 2011, the impact of rate adjustment clauses, and the absence of restoration costs associated with damage caused by Hurricane Irene recorded in 2011. Unfavorable drivers include the impact of less favorable weather and the restoration costs associated with damage caused by severe storms.

Analysis of Consolidated Operations

Presented below are selected amounts related to Virginia Power s results of operations:

Year Ended December 31, (millions)	**2013**	**$ Change**	2012	$ Change	2011
Operating Revenue	**$ 7,295**	**$ 69**	$ 7,226	$ (20)	$ 7,246
Electric fuel and other energy-related purchases	**2,304**	**(64)**	2,368	(138)	2,506
Purchased electric capacity	**358**	**(28)**	386	(66)	452
Net Revenue	**4,633**	**161**	4,472	184	4,288
Other operations and maintenance	**1,451**	**(15)**	1,466	(277)	1,743
Depreciation and amortization	**853**	**71**	782	64	718
Other taxes	**249**	**17**	232	10	222
Other income	**86**	**(10)**	96	8	88
Interest and related charges	**369**	**(16)**	385	54	331
Income tax expense	**659**	**6**	653	113	540

An analysis of Virginia Power s results of operations follows:

2013 vs. 2012

Net Revenue increased 4%, primarily reflecting:

- An increase in sales to retail customers, primarily due to an increase in heating degree days ($112 million); and
- An increase from rate adjustment clauses ($92 million); partially offset by
- A decrease in ancillary revenues received from PJM ($12 million) primarily due to a decrease in net operating reserve credits.

Other operations and maintenance decreased 1%, primarily reflecting:

- A $123 million decrease in certain electric transmission-related expenditures. These expenses are recovered through FERC rates; and
- A $54 million decrease in storm damage and service restoration costs primarily due to the absence of damage caused by late June summer storms in 2012.

These decreases were partially offset by:

- A $46 million increase resulting from impacts of the 2013 Biennial Review Order;
- A $35 million increase due to the absence of adjustments recorded in 2012 in connection with the 2012 North Carolina rate case;
- A $34 million increase in PJM operating reserves and reactive service charges;
- A $26 million charge related to the expected shutdown of certain coal-fired generating units; and
- A $22 million increase in salaries, wages and benefits.

2012 vs. 2011

Net Revenue increased 4%, primarily reflecting:

- The impact of rate adjustment clauses ($138 million);
- The absence of a charge recorded in 2011 based on the 2011 Biennial Review Order to refund revenues to customers ($81 million); and
- A decrease in net capacity expenses ($31 million); partially offset by
- The impact ($58 million) of a decrease in sales to retail customers, primarily due to a decrease in cooling and heating degree days ($184 million), partially offset by an increase in sales due to the effect of favorable economic conditions on customer usage and other factors ($126 million).

Other operations and maintenance decreased 16%, primarily reflecting:

- The absence of an impairment charge recorded in 2011 related to certain coal-fired generating units ($228 million); and
- The absence of restoration costs recorded in 2011 associated with damage caused by Hurricane Irene ($96 million); partially offset by
- A $64 million increase in storm damage and service restoration costs primarily due to the damage caused by severe storms in 2012.

Interest and related charges increased 16%, primarily due to the absence of the recognition of hedging gains into income in 2011, that had been deferred as regulatory liabilities, as a result of the 2011 Biennial Review Order.

Income tax expense increased 21%, primarily reflecting higher pre-tax income in 2012.

Outlook

Virginia Power expects to provide growth in net income in 2014. Virginia Power s anticipated 2014 results reflect the following significant factors:

- A return to normal weather;
- Growth in weather-normalized electric sales of approximately

1.5% resulting from the recovering economy and rising energy demand; and
Construction and operation of growth projects and associated rate adjustment clause revenue; partially offset by
An increase in depreciation and amortization;
Higher operations and maintenance expenses; and
Higher interest expenses driven by new debt issuances.

However, if the proposed Virginia legislation for nuclear and offshore wind facilities is signed into law, Virginia Power would expect to experience a decrease in net income for 2014 as compared to 2013. See Note 13 to the Consolidated Financial Statements for additional information.

On January 2, 2013, U.S. federal legislation was enacted that provides an extension of the 50% bonus depreciation allowance for qualifying capital expenditures incurred through 2013, as discussed in Note 5 to the Consolidated Financial Statements. Virginia Power expects the bonus depreciation provisions to reduce income taxes otherwise payable, resulting in cash savings in 2014 of approximately $285 million.

Segment Results of Operations

Presented below is a summary of contributions by Virginia Power s operating segments to net income:

Year Ended December 31, (millions)	**2013**	**$ Change**	2012	$ Change	2011
DVP	**$ 483**	**$ 35**	$ 448	$ 22	$ 426
Dominion Generation	**702**	**49**	653	(11)	664
Primary operating segments	**1,185**	**84**	1,101	11	1,090
Corporate and Other	**(47)**	**4**	(51)	217	(268)
Consolidated	**$ 1,138**	**$ 88**	$ 1,050	$ 228	$ 822

DVP

Presented below are operating statistics related to Virginia Power s DVP segment:

Year Ended December 31,	**2013**	**% Change**	2012	% Change	2011
Electricity delivered (million MWh)	**82.4**	**2%**	80.8	(2)%	82.3
Degree days (electric service area):					
Cooling	**1,645**	**(8)**	1,787	(6)	1,899
Heating	**3,651**	**24**	2,955	(12)	3,354
Average electric distribution customer accounts (thousands)(1)	**2,475**	**1**	2,455	1	2,438

(1) Thirteen-month average.

Presented below, on an after-tax basis, are the key factors impacting DVP s net income contribution:

2013 vs. 2012

(millions, except EPS)	Increase (Decrease)	
Regulated electric sales:		
Weather	**$**	**24**
Other		**(2)**
FERC transmission equity return		**30**
Storm damage and service restoration[1]		**(20)**
Depreciation		**(7)**
Other operations and maintenance expense		**7**
Other		**3**
Change in net income contribution	**$**	**35**

(1) Excludes restoration costs associated with damage caused by severe storms in 2012, which are reflected in the Corporate and Other segment.

2012 vs. 2011

(millions)	Increase (Decrease)	
Regulated electric sales:		
Weather	$	(34)
Other		28
FERC transmission equity return		19
Storm damage and service restoration[1]		14
Other		(5)
Change in net income contribution	$	22

(1) Excludes restoration costs associated with damage caused by severe storms in 2012 and 2011, which are reflected in the Corporate and Other segment.

Dominion Generation

Presented below are operating statistics related to Virginia Power s Dominion Generation segment:

Year Ended December 31,	**2013**	**% Change**	2012	% Change	2011
Electricity supplied (million MWh)	**82.8**	**2%**	80.9	(2)%	82.3
Degree days (electric service area):					
Cooling	**1,645**	**(8)**	1,787	(6)	1,899
Heating	**3,651**	**24**	2,955	(12)	3,354

Presented below, on an after-tax basis, are the key factors impacting Dominion Generation s net income contribution:

2013 vs. 2012

(millions)	Increase (Decrease)	
Regulated electric sales:		
Weather	**$**	**44**
Other		**(4)**
Rate adjustment clause equity return		**35**
PJM ancillary services		**(26)**
Outage costs		**15**
Other		**(15)**
Change in net income contribution	**$**	**49**

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

2012 vs. 2011

(millions)	Increase (Decrease)	
Regulated electric sales:		
Weather	$	(78)
Other		46
Rate adjustment clause equity return		17
PJM ancillary services		(27)
Net capacity expenses		19
Other		12
Change in net income contribution	$	(11)

Corporate and Other

Presented below are the Corporate and Other segment s after-tax results:

Year Ended December 31, (millions)	**2013**	2012	2011
Specific items attributable to operating segments	**$ (47)**	$ (51)	$ (268)
Other corporate operations			
Total net expense	**$ (47)**	$ (51)	$ (268)

Specific Items Attributable to Operating Segments

Corporate and Other primarily includes specific items attributable to Virginia Power s primary operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments. See Note 25 to the Consolidated Financial Statements for a discussion of these items.

Selected Information Energy Trading Activities

Dominion engages in energy trading, marketing and hedging activities to complement its businesses and facilitate its price risk management activities. As part of these operations, Dominion enters into contracts for purchases and sales of energy-related commodities, including electricity, natural gas and other energy-related products. Settlements of contracts may require physical delivery of the underlying commodity or cash settlement. Dominion also enters into contracts with the objective of benefiting from changes in prices. For example, after entering into a contract to purchase a commodity, Dominion typically enters into a sales contract, or a combination of sales contracts, with quantities and delivery or settlement terms that are identical or very similar to those of the purchase contract. When the purchase and sales contracts are settled either by physical delivery of the underlying commodity or by net cash settlement, Dominion may receive a net cash margin (a realized gain), or may pay a net cash margin (a realized loss). Dominion continually monitors its contract positions, considering location and timing of delivery or settlement for each energy commodity in relation to market price activity.

A summary of the changes in the unrealized gains and losses recognized for Dominion s energy-related derivative instruments held for trading purposes follows:

(millions)	Amount
Net unrealized gain at December 31, 2012	$ 78
Contracts realized or otherwise settled during the period	**(64)**
Change in unrealized gains and losses	**(100)**
Net unrealized loss at December 31, 2013	**$ (86)**

The balance of net unrealized gains and losses recognized for Dominion s energy-related derivative instruments held for trading purposes at December 31, 2013, is summarized in the following table based on the approach used to determine fair value:

	Maturity Based on Contract Settlement or Delivery Date(s)						
Sources of Fair Value (millions)	2014	2015	2016	2017	2018	2019 and thereafter	Total
Prices actively quoted Level 1[(1)]	$	$		$		$	$
Prices provided by other external sources Level 2[(2)]	**(41)**		**(23)**				**(64)**
Prices based on models and other valuation methods Level 3[(3)]	**(7)**		**(10)**		**(5)**		**(22)**
Total	**$ (48)**	**$**	**(33)**	**$**	**(5)**	**$**	**$ (86)**

(1) Values represent observable unadjusted quoted prices for traded instruments in active markets.
(2) Values with inputs that are observable directly or indirectly for the instrument, but do not qualify for Level 1.
(3) Values with a significant amount of inputs that are not observable for the instrument.

Liquidity and Capital Resources

Dominion and Virginia Power depend on both internal and external sources of liquidity to provide working capital and as a bridge to long-term debt financings. Short-term cash requirements not met by cash provided by operations are generally satisfied with proceeds from short-term borrowings. Long-term cash needs are met through issuances of debt and/or equity securities.

At December 31, 2013, Dominion had $1.6 billion of unused capacity under its credit facilities, including $407 million of unused capacity under joint credit facilities available to Virginia Power. See additional discussion below under *Credit Facilities and Short-Term Debt*.

A summary of Dominion s cash flows is presented below:

Year Ended December 31, (millions)	**2013**	2012	2011
Cash and cash equivalents at beginning of year	**$ 248**	$ 102	$ 62
Cash flows provided by (used in):			
Operating activities	**3,433**	4,137	2,983
Investing activities	**(3,458)**	(3,840)	(3,321)
Financing activities	**93**	(151)	378
Net increase in cash and cash equivalents	**68**	146	40
Cash and cash equivalents at end of year	**$ 316**	$ 248	$ 102

Table of Contents

A summary of Virginia Power s cash flows is presented below:

Year Ended December 31,	**2013**	2012	2011
(millions)			
Cash and cash equivalents at beginning of year	**$ 28**	$ 29	$ 5
Cash flows provided by (used in):			
Operating activities	**2,329**	2,706	2,024
Investing activities	**(2,601)**	(2,282)	(1,947)
Financing activities	**260**	(425)	(53)
Net increase (decrease) in cash and cash equivalents	**(12)**	(1)	24
Cash and cash equivalents at end of year	**$ 16**	$ 28	$ 29

Operating Cash Flows

In 2013, net cash provided by Dominion s operating activities decreased by $704 million, primarily due to lower deferred fuel cost recoveries in its Virginia jurisdiction, higher net margin collateral requirements, and lower margins from retail energy marketing activities and merchant generation operations. The decrease was partially offset by lower rate refund payments and higher margins from regulated natural gas transmission operations.

In 2013, net cash provided by Virginia Power s operating activities decreased by $377 million, primarily due to lower deferred fuel cost recoveries in its Virginia jurisdiction, higher income tax payments and net changes in other working capital items; partially offset by lower rate refund payments and the impact of favorable weather.

Dominion believes that its operations provide a stable source of cash flow to contribute to planned levels of capital expenditures and maintain or grow the dividend on common shares. In 2013, Dominion s Board of Directors affirmed the dividend policy it set in December 2012 for a target payout ratio of 65-70%, and established an annual dividend rate for 2014 of $2.40 per share of common stock, a 6.7% increase over the 2013 rate. In January 2014, Dominion s Board of Directors declared dividends payable March 20, 2014 of 60 cents per share of common stock. Declarations of dividends are subject to further Board of Directors approval. Virginia Power believes that its operations provide a stable source of cash flow to contribute to planned levels of capital expenditures and provide dividends to Dominion.

The Companies operations are subject to risks and uncertainties that may negatively impact the timing or amounts of operating cash flows, and which are discussed in Item 1A. Risk Factors.

CREDIT RISK

Dominion s exposure to potential concentrations of credit risk results primarily from its energy marketing and price risk management activities. Presented below is a summary of Dominion s credit exposure as of December 31, 2013 for these activities. 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.

(millions)	Gross Credit Exposure	Credit Collateral	Net Credit Exposure
Investment grade[(1)]	**$ 100**	**$**	**$ 100**
Non-investment grade[(2)]	**4**		**4**
No external ratings:			
Internally rated-investment grade[(3)]	**67**		**67**
Internally rated-non-investment grade[(4)]	**92**		**92**
Total	**$ 263**	**$**	**$ 263**

(1) Designations as investment grade are based upon minimum credit ratings assigned by Moody s and Standard & Poor s. The five largest counterparty exposures, combined, for this category represented approximately 20% of the total net credit exposure.
(2) The five largest counterparty exposures, combined, for this category represented approximately 1% of the total net credit exposure.
(3) The five largest counterparty exposures, combined, for this category represented approximately 15% of the total net credit exposure.
(4) The five largest counterparty exposures, combined, for this category represented approximately 14% of the total net credit exposure.

Virginia Power s exposure to potential concentrations of credit risk results primarily from sales to wholesale customers and was not considered material at December 31, 2013.

Investing Cash Flows

In 2013, net cash used in Dominion s investing activities decreased by $382 million, primarily due to the proceeds from the sale of Brayton Point, Kincaid and equity method investment in Elwood and lower restricted cash reimbursements for the purpose of funding certain qualifying construction projects.

In 2013, net cash used in Virginia Power s investing activities increased by $319 million, primarily due to higher capital expenditures.

Financing Cash Flows and Liquidity

Dominion and Virginia Power rely on capital markets as significant sources of funding for capital requirements not satisfied by cash provided by their operations. As discussed in *Credit Ratings*, the Companies ability to borrow funds or issue securities and the return demanded by investors are affected by credit ratings. In addition, the raising of external capital is subject to certain regulatory requirements, including registration with the SEC for certain issuances and, in the case of Virginia Power, approval by the Virginia Commission.

Each of the Companies currently meets the definition of a well-known seasoned issuer under SEC rules governing the registration, communications and offering processes under the Securities Act of 1933. The rules provide for a streamlined shelf registration process to provide registrants with timely access to capital. This allows the Companies to use automatic shelf registration statements to register any offering of securities, other than those for exchange offers or business combination transactions.

In 2013, net cash provided by Dominion s financing activities was $93 million as compared to net cash used in financing activities of $151 million in 2012, primarily reflecting higher net debt issuances, partially offset by the acquisition of the Juniper noncontrolling interest in Fairless and higher common dividend payments. See Note 15 to the Consolidated Financial Statements for more information.

In 2013, net cash provided by Virginia Power s financing activities was $260 million compared to net cash used in financing activities of $425 million in 2012, primarily reflecting higher net debt issuances.

Credit Facilities and Short-Term Debt

Dominion and Virginia Power use short-term debt to fund working capital requirements and as a bridge to long-term debt financings. 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. Collateral requirements are impacted by commodity prices, hedging levels, Dominion s credit ratings and the credit quality of its counterparties.

In connection with commodity hedging activities, the Companies are required to provide collateral to counterparties under some circumstances. Under certain collateral arrangements, the Companies may satisfy these requirements by electing to either deposit cash, post letters of credit or, in some cases, utilize other forms of security. From time to time, the Companies vary the form of collateral provided to counterparties after weighing the costs and benefits of various factors associated with the different forms of collateral. These factors include short-term borrowing and short-term investment rates, the spread over these short-term rates at which the Companies can issue commercial paper, balance sheet impacts, the costs and fees of alternative collateral postings with these and other counterparties and overall liquidity management objectives.

Dominion

Commercial paper and letters of credit outstanding, as well as capacity available under credit facilities, were as follows:

December 31, 2013 (millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Capacity Available
Joint revolving credit facility[1]	**$ 3,000**	**$ 1,927**	**$**	**$ 1,073**
Joint revolving credit facility[2]	**500**		**11**	**489**
Total	**$ 3,500**	**$ 1,927**[3]	**$ 11**	**$ 1,562**

(1) Effective September 2013, the maturity date was extended from September 2017 to September 2018. 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) Effective September 2013, the maturity date for $400 million of the $500 million committed capacity was extended from September 2017 to September 2018. Also effective September 2013, the maturity date for the remaining $100 million was extended from September 2016 to September 2018. This credit facility can be used to support bank borrowings, commercial paper and letter of credit issuances.

(3) The weighted-average interest rate of the outstanding commercial paper supported by Dominion s credit facilities was 0.33% at December 31, 2013.

Virginia Power

Virginia Power s short-term financing is supported by two joint revolving credit facilities with Dominion. These credit facilities are being used for working capital, as support for the combined commercial paper programs of Dominion and Virginia Power and for other general corporate purposes.

Virginia Power s share of commercial paper and letters of credit outstanding, as well as its capacity available under its joint credit facilities with Dominion, were as follows:

December 31, 2013	Facility Sub-limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Sub-limit Capacity Available
(millions)				
Joint revolving credit facility(1)	**$ 1,000**	**$ 842**	**$**	**$ 158**
Joint revolving credit facility(2)	**250**		**1**	**249**
Total	**$ 1,250**	**$ 842(3)**	**$ 1**	**$ 407**

(1) Effective September 2013, the maturity date was extended from September 2017 to September 2018. 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 (or the sub-limit, whichever is less) of letters of credit. Virginia Power s current sub-limit under this credit facility can be increased or decreased multiple times per year.

(2) Effective September 2013, the maturity date for $400 million of the $500 million committed capacity was extended from September 2017 to September 2018. Also effective September 2013, the maturity date for the remaining $100 million was extended from September 2016 to September 2018. This credit facility can be used to support bank borrowings, commercial paper and letter of credit issuances. Virginia Power s current sub-limit under this credit facility can be increased or decreased multiple times per year.

(3) The weighted-average interest rate of the outstanding commercial paper supported by these credit facilities was 0.33% at December 31, 2013.

In addition to the credit facility commitments mentioned above, Virginia Power also has a $120 million credit facility. Effective September 2013, the maturity date was extended from September 2017 to September 2018. As of December 31, 2013, this facility supports approximately $119 million of certain variable rate tax-exempt financings of Virginia Power.

Short-term Notes

In November and December 2012, Dominion issued $250 million and $150 million, respectively, of private placement short-term notes that matured and were repaid in November 2013 and bore interest at a variable rate. The proceeds were used for general corporate purposes.

In November 2013, Dominion issued $400 million of private placement short-term notes that mature in November 2014 and bear interest at a variable rate. The proceeds were used for general corporate purposes.

Table of Contents

Long-term Debt

During 2013, Dominion and Virginia Power issued the following long-term debt:

Type	Principal (millions)	Rate	Maturity	Issuing Company
Remarketable subordinated notes	$ 550	1.18%	2019	Dominion
Remarketable subordinated notes	550	1.07%	2021	Dominion
Senior notes	250	1.20%	2018	Virginia Power
Senior notes	500	2.75%	2023	Virginia Power
Senior notes	500	4.00%	2043	Virginia Power
Senior notes	585	4.65%	2043	Virginia Power
Total notes issued	$ 2,935			

In March 2013, Virginia Power redeemed the $50 million 2.5% IDA of the Town of Louisa, Virginia Solid Waste and Sewage Disposal Revenue Bonds, Series 2001A, that would have otherwise matured in March 2031. In February 2014, Virginia Power provided notice to redeem the $10 million 2.5% and the $30 million 2.5% IDA of the Town of Louisa, Virginia Solid Waste and Sewage Disposal Revenue Bonds, Series 1997A and 2000A, that would otherwise mature in April 2022 and September 2030, respectively. The bonds will be redeemed on April 1, 2014 at the amount of principal then outstanding plus accrued interest. At December 31, 2013, the bonds were included in securities due within one year in Virginia Power s Consolidated Balance Sheets.

In connection with the sale of Kincaid, in May 2013, Kincaid redeemed its 7.33% senior secured bonds due June 2020 with an outstanding principal amount of approximately $145 million. The bonds were redeemed for approximately $185 million, including a make-whole premium and accrued interest.

In connection with the sale of Brayton Point, Brayton Point provided notice of defeasance for three series of MDFA tax-exempt bonds, totaling approximately $257 million in outstanding principal amount, that would have otherwise matured in 2036 through 2042. In June 2013, Brayton Point delivered approximately $284 million to fund an irrevocable trust for the purpose of paying maturing principal and interest due through and including the earliest redemption dates of the bonds in 2016 and 2019. The bonds are no longer included in Dominion s Consolidated Balance Sheet.

In June 2013, Brayton Point obtained bondholder consent and entered into a supplement to the Loan and Trust Agreement for approximately $75 million of variable rate MDFA Solid Waste Disposal Revenue Bonds, Series 2010B due 2041. The supplement and associated assignment agreement changed the sole obligor under the bonds from Brayton Point to Dominion; the bonds continue to be included in Dominion s Consolidated Balance Sheet.

Dominion Gas issued $1.2 billion principal amount of unsecured senior notes in a private placement in October 2013 and will be the primary financing entity for Dominion s regulated natural gas businesses. Dominion Gas used the proceeds from this offering to acquire intercompany long-term notes from Dominion and to repay a portion of its intercompany revolving credit agreement balances with Dominion.

During 2013, Dominion and Virginia Power repaid and repurchased $1.5 billion and $470 million, respectively, of long-term debt and notes payable.

Issuance of Common Stock and Other Equity Securities

Dominion maintains Dominion Direct® and a number of employee savings plans through which contributions may be invested in Dominion s common stock. These shares may either be newly issued or purchased on the open market with proceeds contributed to these plans. In January 2012, Dominion began issuing new common shares for these direct stock purchase plans. In January 2014, Dominion began purchasing its common stock on the open market for these plans.

During 2013, Dominion issued approximately 5.4 million shares of common stock through various programs. Dominion received cash proceeds of $279 million from the issuance of 4.7 million of such shares through Dominion Direct and employee savings plans.

In January 2012, Dominion filed a new SEC shelf registration for the sale of debt and equity securities including the ability to sell common stock through an at the market program. Dominion entered into four separate Sales Agency Agreements to effect sales under the program. However, with the exception of issuing approximately $317 million in equity through employee savings plans, direct stock purchase and dividend reinvestment plans, converted securities and other employee and director benefit plans, Dominion did not issue common stock in 2013.

In June 2013, Dominion issued equity units, initially in the form of Corporate Units. Each Corporate Unit consists of a stock purchase contract and 1/20 interest in a RSN issued by Dominion. The stock purchase contracts obligate the holders to purchase shares of Dominion common stock at a future settlement date. See Note 17 to the Consolidated Financial Statements for a description of common stock to be issued by Dominion.

In 2013, Virginia Power did not issue any shares of its common stock to Dominion.

Repurchase of Common Stock

Dominion did not repurchase any shares in 2013 and does not plan to repurchase shares during 2014, except for shares tendered by employees to satisfy tax withholding obligations on vested restricted stock and purchases of common stock on the open market in 2014 for direct stock purchase plans, which do not count against its stock repurchase authorization.

Borrowings From Parent

Virginia Power has the ability to borrow funds from Dominion under both short-term and long-term borrowing arrangements. Virginia Power s short-term demand note borrowings from Dominion were $97 million at December 31, 2013. There were no long-term borrowings from Dominion at December 31, 2013. At December 31, 2013, Virginia Power s nonregulated subsidiaries had no borrowings under the Dominion money pool.

Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

securities. Dominion and Virginia Power believe that their current credit ratings provide sufficient access to the capital markets. However, disruptions in the banking and capital markets not specifically related to Dominion and Virginia Power may affect their ability to access these funding sources or cause an increase in the return required by investors. The Companies credit ratings affect their liquidity, cost of borrowing under credit facilities and collateral posting requirements under commodity contracts, as well as the rates at which they are able to offer their debt securities.

Both quantitative (financial strength) and qualitative (business or operating characteristics) factors are considered by the credit rating agencies in establishing an individual company s credit rating. Credit ratings should be evaluated independently and are subject to revision or withdrawal at any time by the assigning rating organization. The credit ratings for Dominion and Virginia Power are affected by each company s financial profile, mix of regulated and nonregulated businesses and respective cash flows, changes in methodologies used by the rating agencies and event risk, if applicable, such as major acquisitions or dispositions.

In October 2013, Standard & Poor s affirmed Dominion s corporate credit rating of A- but lowered the rating for Dominion s senior unsecured debt securities to BBB+ from A- to reflect greater structural subordination at Dominion due to new debt at Dominion Gas. Dominion cannot predict with certainty the potential impact the lowered rating could have on its cost of borrowing.

Credit ratings as of February 24, 2014 follow:

	Fitch	Moody s	Standard & Poor s
Dominion			
Senior unsecured debt securities	**BBB+**	**Baa2**	**BBB+**
Junior subordinated debt securities	**BBB-**	**Baa3**	**BBB**
Enhanced junior subordinated notes	**BBB-**	**Baa3**	**BBB**
Commercial paper	**F2**	**P-2**	**A-2**
Virginia Power			
Mortgage bonds	**A**	**Aa3**	**A**
Senior unsecured (including tax-exempt) debt securities	**A-**	**A2**	**A-**
Junior subordinated debt securities	**BBB**	**A3**	**BBB**
Preferred stock	**BBB**	**Baa1**	**BBB**
Commercial paper	**F2**	**P-1**	**A-2**

As of February 24, 2014, Fitch, Moody s and Standard & Poor s maintained a stable outlook for their respective ratings of Dominion and Virginia Power.

A downgrade in an individual company s credit rating would not necessarily restrict its ability to raise short-term and long-term financing as long as its credit rating remains investment grade, but it could result in an increase in the cost of borrowing. Dominion and Virginia Power work closely with Fitch, Moody s and Standard & Poor s with the objective of maintaining their current credit ratings. The Companies may find it necessary to modify their business plans to maintain or achieve appropriate credit ratings and such changes may adversely affect growth and EPS.

Debt Covenants

As part of borrowing funds and issuing debt (both short-term and long-term) or preferred securities, Dominion and Virginia Power must enter into enabling agreements. These agreements contain covenants that, in the event of default, could result in the acceleration of principal and interest payments; restrictions on distributions related to capital stock, including dividends, redemptions, repurchases, liquidation payments or guarantee payments; and in some cases, the termination of credit commitments unless a waiver of such requirements is agreed to by the lenders/security holders. These provisions are customary, with each agreement specifying which covenants apply. These provisions are not necessarily unique to Dominion and Virginia Power.

Some of the typical covenants include:

- The timely payment of principal and interest;
- Information requirements, including submitting financial reports filed with the SEC and information about changes in Dominion s and Virginia Power s credit ratings to lenders;
- Performance obligations, audits/inspections, continuation of the basic nature of business, restrictions on certain matters related to merger or consolidation, and restrictions on disposition of all or substantially all assets;
- Compliance with collateral minimums or requirements related to mortgage bonds; and
- Limitations on liens.

Dominion and Virginia Power are required to pay annual commitment fees to maintain their credit facilities. In addition, their credit agreements contain various terms and conditions that could affect their ability to borrow under these facilities. They include maximum debt to total capital ratios and cross-default provisions.

As of December 31, 2013, the calculated total debt to total capital ratio, pursuant to the terms of the agreements, was as follows:

Company	Maximum Allowed Ratio	Actual Ratio(1)
Dominion	**65%**	**58%**
Virginia Power	**65%**	**47%**

(1) Indebtedness as defined by the bank agreements excludes junior subordinated and remarketable subordinated notes reflected as long-term debt as well as AOCI reflected as equity in the Consolidated Balance Sheets.

These provisions apply separately to Dominion and Virginia Power.

If Dominion or Virginia Power or any of either company s material subsidiaries fails to make payment on various debt obligations in excess of $100 million, the lenders could require that company to accelerate its repayment of any outstanding borrowings under the credit facility and the lenders could terminate their commitment to lend funds to that company. Accordingly, any default by Dominion will not affect the lenders commitment to Virginia Power. However, any default by Virginia Power would affect the lenders commitment to Dominion under the joint credit agreements.

Dominion executed RCCs in connection with its issuance of the following hybrid securities:

- June 2006 hybrids;
- September 2006 hybrids; and
- June 2009 hybrids.

See Note 17 to the Consolidated Financial Statements for terms of the RCCs.

At December 31, 2013, the termination dates and covered debt under the RCCs associated with Dominion s hybrids were as follows:

Hybrid	RCC Termination Date	Designated Covered Debt Under RCC
June 2006 hybrids	**6/30/2036**	**September 2006 hybrids**
September 2006 hybrids	**9/30/2036**	**June 2006 hybrids**
June 2009 hybrids	**6/15/2034**[1]	**2008 Series B Senior Notes, 7.0% due 2038**

(1) Automatically extended, as set forth in the RCC, for additional quarterly periods, to the extent the maturity date is extended.

Dominion and Virginia Power monitor the debt covenants on a regular basis in order to ensure that events of default will not occur. As of December 31, 2013, there have been no events of default under or changes to Dominion s or Virginia Power s debt covenants.

Virginia Power Mortgage Supplement

Substantially all of Virginia Power s property is subject to the lien of the Indenture of Mortgage securing its First and Refunding Mortgage Bonds. In July 2012, Virginia Power entered into a supplement to the indenture in order to amend various of its terms and conditions and to incorporate certain new provisions. The supplement reduces Virginia Power s overall compliance responsibilities associated with the indenture by limiting the maximum principal amount of bonds that may be outstanding under the indenture to $10 million unless otherwise provided in a further supplement, and by modifying or eliminating altogether certain compliance requirements while there are no bonds outstanding. The supplement also provides Virginia Power with flexibility to determine when or if certain newly or recently acquired properties will be pledged as collateral under the indenture. There were no bonds outstanding as of December 31, 2013; however, by leaving the indenture open, Virginia Power expects to retain the flexibility to issue mortgage bonds in the future.

Dividend Restrictions

The Virginia Commission may prohibit any public service company, including Virginia Power, from declaring or paying a dividend to an affiliate if found to be detrimental to the public interest. At December 31, 2013, the Virginia Commission had not restricted the payment of dividends by Virginia Power.

Certain agreements associated with Dominion s and Virginia Power s credit facilities contain restrictions on the ratio of debt to total capitalization. These limitations did not restrict Dominion s or Virginia Power s ability to pay dividends or receive dividends from their subsidiaries at December 31, 2013.

See Note 17 to the Consolidated Financial Statements for a description of potential restrictions on dividend payments by Dominion in connection with the deferral of interest payments on junior subordinated notes and equity units, initially in the form of corporate units, which information is incorporated herein by reference.

Future Cash Payments for Contractual Obligations and Planned Capital Expenditures

CONTRACTUAL OBLIGATIONS

Dominion and Virginia Power are party to numerous contracts and arrangements obligating them to make cash payments in future years. These contracts include financing arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services and financial derivatives. Presented below is a table summarizing cash payments that may result from contracts to which Dominion and Virginia

Power are parties as of December 31, 2013. For purchase obligations and other liabilities, amounts are based upon contract terms, including fixed and minimum quantities to be purchased at fixed or market-based prices. Actual cash payments will be based upon actual quantities purchased and prices paid and will likely differ from amounts presented below. The table excludes all amounts classified as current liabilities in the Consolidated Balance Sheets, other than current maturities of long-term debt, interest payable and certain derivative instruments. The majority of Dominion s and Virginia Power s current liabilities will be paid in cash in 2014.

Dominion	2014	2015-2016	2017-2018	2019 and thereafter	Total
(millions)					
Long-term debt[1]	**$ 1,505**	**$ 2,731**	**$ 2,728**	**$ 13,878**	**$ 20,842**
Interest payments[2]	**1,006**	**1,855**	**1,593**	**13,280**	**17,734**
Leases[3]	**63**	**111**	**80**	**87**	**341**
Purchase obligations[4]:					
Purchased electric capacity for utility operations	**336**	**569**	**263**	**163**	**1,331**
Fuel commitments for utility operations	**776**	**831**	**238**	**323**	**2,168**
Fuel commitments for nonregulated operations	**68**	**143**	**183**	**168**	**562**
Pipeline transportation and storage	**97**	**113**	**75**	**240**	**525**
Energy commodity purchases for resale[5]	**307**	**45**	**29**	**190**	**571**
Other[6]	**1,495**	**1,686**	**90**	**15**	**3,286**
Other long-term liabilities[7]:					
Financial derivative-commodities[5]	**126**	**24**	**2**		**152**
Other contractual obligations[8]	**64**	**95**	**2**		**161**
Total cash payments	**$ 5,843**	**$ 8,203**	**$ 5,283**	**$ 28,344**	**$ 47,673**

(1) Based on stated maturity dates rather than the earlier redemption dates that could be elected by instrument holders.

(2) Includes interest payments over the terms of the debt and payments on related stock purchase contracts. Interest is calculated using the applicable interest rate or forward interest rate curve at December 31, 2013 and outstanding principal for each instrument with the terms ending at each instrument s stated maturity. See Note 17 to the Consolidated Financial Statements. Does not reflect Dominion s ability to defer interest and stock purchase contract payments on junior subordinated notes or RSNs and equity units, initially in the form of Corporate Units.

(3) Primarily consists of operating leases.

(4) Amounts exclude open purchase orders for services that are provided on demand, the timing of which cannot be determined.

(5) Represents the summation of settlement amounts, by contracts, due from Dominion if all physical or financial transactions among its counterparties and Dominion were liquidated and terminated.

(6) Includes capital, operations, and maintenance commitments.

(7) Excludes regulatory liabilities, AROs and employee benefit plan obligations, which are not contractually fixed as to timing and amount. See Notes 12, 14 and 21 to the Consolidated Financial Statements. Due to uncertainty about the timing and amounts that will ultimately be paid,

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

$160 million of income taxes payable associated with unrecognized tax benefits are excluded. Deferred income taxes are also excluded since cash payments are based primarily on taxable income for each discrete fiscal year. See Note 5 to the Consolidated Financial Statements.

(8) Includes interest rate swap agreements.

Virginia Power	2014	2015-2016	2017-2018	2019 and thereafter	Total
(millions)					
Long-term debt[1]	**$ 58**	**$ 687**	**$ 1,529**	**$ 5,769**	**$ 8,043**
Interest payments[2]	**386**	**744**	**671**	**4,857**	**6,658**
Leases[3]	**27**	**47**	**31**	**27**	**132**
Purchase obligations[4]:					
Purchased electric capacity for utility operations	**336**	**569**	**263**	**163**	**1,331**
Fuel commitments for utility operations	**776**	**831**	**238**	**323**	**2,168**
Transportation and storage	**34**	**59**	**50**	**222**	**365**
Other[5]	**353**	**26**	**4**	**10**	**393**
Total cash payments[6]	**$ 1,970**	**$ 2,963**	**$ 2,786**	**$ 11,371**	**$ 19,090**

(1) Based on stated maturity dates rather than the earlier redemption dates that could be elected by instrument holders.

(2) Includes interest payments over the terms of the debt. Interest is calculated using the applicable interest rate or forward interest rate curve at December 31, 2013 and outstanding principal for each instrument with the terms ending at each instrument s stated maturity. See Note 17 to the Consolidated Financial Statements.

(3) Primarily consists of operating leases.

(4) Amounts exclude open purchase orders for services that are provided on demand, the timing of which cannot be determined.

(5) Includes capital, operations, and maintenance commitments.

(6) Excludes regulatory liabilities, AROs and employee benefit plan contributions that are not contractually fixed as to timing and amount. See Notes 12, 14 and 21 to the Consolidated Financial Statements. Due to uncertainty about the timing and amounts that will ultimately be paid, $28 million of income taxes payable associated with unrecognized tax benefits are excluded. Deferred income taxes are also excluded since cash payments are based primarily on taxable income for each discrete fiscal year. See Note 5 to the Consolidated Financial Statements.

PLANNED CAPITAL EXPENDITURES

Dominion s planned capital expenditures are expected to total approximately $5.6 billion, $4.6 billion and $4.2 billion in 2014, 2015 and 2016, respectively. Dominion s expenditures are expected to include construction and expansion of electric generation and natural gas transmission, distribution and storage facilities, construction improvements and expansion of electric transmission and distribution assets, purchases of nuclear fuel and the planned construction of the Cove Point liquefaction project in Maryland.

Virginia Power s planned capital expenditures are expected to total approximately $3.0 billion, $2.5 billion and $2.3 billion in 2014, 2015 and 2016, respectively. Virginia Power s expenditures are expected to include construction and expansion of electric generation facilities, construction improvements and expansion of electric transmission and distribution assets and purchases of nuclear fuel.

Dominion and Virginia Power expect to fund their capital expenditures with cash from operations and a combination of securities issuances and short-term borrowings. Planned capital expenditures include capital projects that are subject to approval by regulators and the respective company s Board of Directors.

Based on available generation capacity and current estimates of growth in customer demand, Virginia Power will need additional generation in the future. See *DVP, Dominion Generation* and *Dominion Energy-Properties* in Item 1. Business for a discussion of Dominion s and Virginia Power s expansion plans.

These estimates are based on a capital expenditures plan reviewed and endorsed by Dominion s Board of Directors in late 2013 and are subject to continuing review and adjustment and actual capital expenditures may vary from these estimates. The Companies may also choose to postpone or cancel certain planned capital expenditures in order to mitigate the need for future debt financings and equity issuances.

Use of Off-Balance Sheet Arrangements

Guarantees

Dominion primarily enters into guarantee arrangements on behalf of its consolidated subsidiaries. These arrangements are not subject to the provisions of FASB guidance that dictate a guarantor s accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. See Note 22 to the Consolidated Financial Statements for additional information, which information is incorporated herein by reference.

Future Issues and Other Matters

See Item 1. Business and Notes 13 and 22 to the Consolidated Financial Statements for additional information on various environmental, regulatory, legal and other matters that may impact future results of operations, financial condition, and/or cash flows.

Environmental Matters

Dominion and Virginia Power are subject to costs resulting from a number of federal, state and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations. They can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations.

Environmental Protection and Monitoring Expenditures

Dominion incurred approximately $182 million, $189 million and $184 million of expenses (including depreciation) during 2013, 2012, and 2011 respectively, in connection with environmental protection and monitoring activities and expects these expenses to be approximately $174 million and $182 million in 2014 and 2015, respectively. In addition, capital expenditures related to environmental controls were $64 million, $213 million, and $403 million for 2013, 2012 and 2011, respectively. These expenditures are expected to be approximately $107 million and $83 million for 2014 and 2015, respectively.

Virginia Power incurred approximately $150 million, $120 million and $129 million of expenses (including depreciation) during 2013, 2012 and 2011, respectively, in connection with environmental protection and monitoring activities and expects these expenses to be approximately $146 million and $155 million in 2014 and 2015, respectively. In addition, capital expenditures related to environmental controls were $44 million, $34 million and $77 million for 2013, 2012 and 2011, respectively. These expenditures are expected to be approximately $89 million and $71 million for 2014 and 2015, respectively.

Future Environmental Regulations

Air

The CAA is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation s air quality. At a minimum, delegated states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of Dominion s and Virginia Power s facilities are subject to the CAA s permitting and other requirements.

In December 2012, the EPA issued a final rule that set a more stringent annual air quality standard for fine particulate matter. The EPA is expected to complete final air quality designations by December 2014. States will have until 2020 to meet the revised standard. The extent to which a revised particulate matter standard will impact Dominion is uncertain at this time, but is not expected to be material.

The EPA has finalized rules establishing a new 1-hour NAAQS for NO_2 and a new 1-hour NAAQS for SO_2, 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.

In January 2010, the EPA also proposed a new, more stringent NAAQS for ozone and had planned to finalize the rule in 2011. In September 2011, the EPA announced a delay from 2011 to 2014 of the rulemaking, therefore NO_x controls that may have been required by the rulemaking have also been delayed. In the interim, the EPA is proceeding with implementation of the current ozone standard and made final attainment/nonattainment designations in May 2012. Several Dominion electric generating facilities are located in areas impacted by this standard. Until the states have developed implementation plans for the new NO_x, SO_2 and ozone standards, it is not possible to determine the impact on Dominion s or Virginia Power s facilities that emit NO_X and SO_2. The Companies cannot currently predict with certainty whether or to what extent the new rules will ultimately require additional controls, however, if significant expenditures are required, it could adversely affect Dominion s results of operations, and Dominion s and Virginia Power s cash flows.

In June 2005, the EPA finalized amendments to the Regional Haze Rule, also known as the Clean Air Visibility Rule. The rule requires the states to implement Best Available Retrofit Technology requirements for sources to address impacts to visual air quality through regional haze state implementation plans, but allows other alternative options. The EPA is in the process of completing rulemakings on regional haze state implementation plans. Although Dominion and Virginia Power anticipate that the emission reductions achieved through compliance with other CAA-required programs will generally address this rule, additional emission reduction requirements may be imposed on the Companies facilities.

Water

The CWA is a comprehensive program requiring a broad range of regulatory tools including a permit program to authorize and regulate discharges to surface waters with strong enforcement mechanisms. Dominion and Virginia Power must comply with applicable aspects of the CWA programs at their operating facilities. In July 2004, the EPA published regulations under CWA Section 316(b) that govern existing utilities that employ a cooling water intake structure and that have flow levels exceeding a minimum threshold. In April 2008, the U.S. Supreme Court granted an industry request to review the question of whether Section 316(b) authorizes the EPA to compare costs with benefits in determining the best technology available for minimizing adverse environmental impact at cooling water intake structures. The U.S. Supreme Court ruled in April 2009 that the EPA has the authority to consider costs versus environmental benefits in selecting the best technology available for reducing impacts of cooling water intakes at power stations. It is currently unknown how the EPA will interpret the ruling in its ongoing rulemaking activity addressing cooling water intakes as well as how the states will implement this decision. In April 2011, the EPA published the proposed rule related to Section 316(b) in the Federal Register, and agreed to publish a final rule no later than July 27, 2012. The EPA has delayed the final rule on five separate occasions and has most recently announced that a final rule will be issued no later than April 2014.

The rule in its proposed form seeks to establish a uniform national standard for impingement, but forgoes the creation of a single technology standard for entrainment. Instead, the EPA proposes to delegate entrainment technology decisions to state regulators. State regulators are to make case-by-case entrainment technology determinations after an examination of nine facility-specific factors, including a social cost-benefit test.

The proposed rule governs all electric generating stations with water withdrawals above two MGD, with a heightened entrainment analysis for those facilities over 125 MGD. Under this proposal, Dominion has 16 facilities that may be subject to these proposed regulations. If finalized as proposed, Dominion anticipates that it will have to install impingement control technologies at many of these stations that have once-through cooling systems. Dominion and Virginia Power cannot estimate the need or potential for entrainment controls under the proposed rule as these decisions will be made on a case-by-case basis after a thorough review of detailed biological, technology, cost and benefit studies. However, the impacts of this proposed rule may be material to the Companies results of operations, financial condition and/or cash flows.

In June 2013, the EPA issued a proposed rule to revise the Effluent Limitations Guidelines for the Steam Electric Power Generating Category. The proposed rule establishes updated standards for wastewater discharges at coal, oil, gas, and nuclear steam generating stations. Affected facilities could be required to convert from wet to dry coal ash management, improve existing wastewater treatment systems and/or install new wastewater treatment technologies in order to meet the new discharge limits. The EPA is subject to a consent decree requiring that it take final action on the proposed rule by May 22, 2014. Dominion and Virginia Power currently cannot predict with certainty the direct or indirect financial impact on operations from these rule

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

revisions, but believes the expenditures to comply with any new requirements could be material.

Solid and Hazardous Waste

In June 2010, the EPA proposed federal regulations under the RCRA for management of coal combustion by-products generated by power plants. The EPA is considering two possible options for the regulation of coal combustion by-products, both of which fall under the RCRA. Under the first proposal, the EPA would classify these by-products 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 by-products under subtitle D of the RCRA, the section for non-hazardous wastes. While the Companies cannot currently predict the outcome of this matter, regulation under either option will affect Dominion s and Virginia Power s onsite disposal facilities and coal combustion by-product management practices, and potentially require material investments.

Climate Change Legislation and Regulation

Some regions and states in which Dominion and Virginia Power operate have already adopted or may adopt GHG emission reduction programs. Any of these new or contemplated regulations may affect capital costs, or create significant permitting delays, for new or modified facilities that emit GHGs.

In December 2009, the governors of 11 Northeast and mid-Atlantic states, including Connecticut, Maryland, Massachusetts, New York, Pennsylvania, and Rhode Island (RGGI states plus Pennsylvania) signed a memorandum of understanding committing their states toward developing a low carbon fuel standard to reduce GHG emissions from vehicles. The memorandum of understanding established a process to develop a regional framework by 2011 and examine the economic impacts of a low carbon fuel standard program. Although economic studies and policy options were examined in 2011, a definitive framework has yet to be established.

Dodd-Frank Act

The Dodd-Frank Act was enacted into law in July 2010 in an effort to improve regulation of financial markets. The Dodd-Frank Act includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading platform. Non-financial entities that use swaps to hedge or mitigate commercial risk, often referred to as end users, can choose to exempt their hedging transactions from these clearing and exchange trading requirements. Final rules for the over-the-counter derivative-related provisions of the Dodd-Frank Act will continue to be established through the ongoing rulemaking process of the applicable regulators, including rules regarding margin requirements for non-cleared swaps. If, as a result of the rulemaking process, Dominion s or Virginia Power s derivative activities are not exempted from the clearing, exchange trading or margin requirements, the Companies could be subject to higher costs, including from higher margin requirements, for their derivative activities. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Act by the Companies counterparties could result in increased costs related to the Companies

derivative activities. Due to the ongoing rulemaking process, the Companies are currently unable to assess the potential impact of the Dodd-Frank Act s derivative-related provisions on their financial condition, results of operations or cash flows.

Cove Point

Dominion is pursuing a liquefaction project at Cove Point, which would enable the facility to liquefy domestically-produced natural gas and export it as LNG. The project is expected to cost between approximately $3.4 billion and $3.8 billion, exclusive of financing costs. Subject to environmental review by FERC and final FERC and Maryland Commission approval, the Cove Point facility is authorized to export at a rate of 770 million cubic feet of natural gas per day for a period of 20 years. In 2011, Cove Point requested authorization from the DOE to export LNG to countries that have a free trade agreement requiring trade in natural gas with the U.S. as well as countries that do not have such a free trade agreement. In October 2011, Cove Point received authorization from the DOE to export LNG to free trade agreement countries. In September

2013, the DOE conditionally authorized Dominion to export LNG from Cove Point to non-free trade agreement countries.

In April 2013, Cove Point filed with FERC for permission to build liquefaction and other facilities related to the export of natural gas. Also in April 2013, Cove Point filed an application with the Maryland Commission for a CPCN to authorize the construction of an electric generating station needed to power the proposed liquefaction equipment.

In April 2013, Dominion announced it had fully subscribed the capacity of the project with signed 20-year terminal service agreements. Pacific Summit Energy, LLC, a U.S. affiliate of Japanese trading company Sumitomo Corporation, and GAIL Global (USA) LNG LLC, a U.S. affiliate of GAIL (India) Ltd., have each contracted for half of the capacity. Dominion also announced it had awarded its engineering, procurement and construction contract for new liquefaction facilities to IHI/Kiewit Cove Point, a joint venture between IHI E&C International Corporation and Kiewit Energy Company, following completion of the front-end engineering and design work. Following receipt of regulatory and other approvals, construction of liquefaction facilities could begin in 2014 with an in-service date in late 2017.

Cove Point has historically operated as an LNG import facility, under various long-term import contracts. Since 2010, Dominion has renegotiated certain existing LNG import contracts in a manner that will result in a significant reduction in pipeline and storage capacity utilization and associated anticipated revenues during the period from 2017 through 2028. Such amendments created the opportunity for Dominion to explore the Cove Point liquefaction project, which, assuming it becomes operational, will extend the economic life of Cove Point and contribute to Dominion s overall growth plan. In total, these renegotiations reduced expected annual revenues from the import-related contracts by approximately $150 million annually from 2017 through 2028, partially offset by approximately $50 million of additional revenues in the years 2013 through 2017.

Dominion is party to an agreement with the Sierra Club restricting activities on portions of the Cove Point property. In May 2012, in response to claims by the Sierra Club, Cove Point filed a complaint for declaratory judgment to confirm its right to construct the project. In January 2013, a Maryland circuit court issued declaratory judgment confirming Cove Point s right to build liquefaction facilities. In February 2013, the Sierra Club filed a notice of appeal with the Maryland Court of Special Appeals. In March 2013, Cove Point filed a petition with the Maryland Court of Appeals, the highest appellate court in Maryland, requesting that the Court of Appeals take the appeal directly thus bypassing the intermediate appellate court. In April 2013, the Maryland Court of Appeals denied the petition, and the appeal remains with the Maryland Court of Special Appeals. In January 2014, oral arguments were held in the Maryland Court of Special Appeals. This case is pending. Dominion believes that the agreement with the Sierra Club permits it to locate, construct and operate a liquefaction plant at the Cove Point facility.

Undergrounding Legislation

Legislation has been proposed which would provide for the recovery of costs, subject to approval by the Virginia Commission, for Virginia Power to move approximately 4,000 miles of electric distribution lines underground. The program, designed to reduce restoration outage time, has an annual investment cap of approximately $175 million and is expected to be implemented over the next decade.

Electric Transmission System Security Plan

Over the next 5 to 10 years, Virginia Power plans to increase transmission substation physical security and to invest in a new system operations center. Virginia Power expects to invest $300 million - $500 million during that time to strengthen its electrical system to better protect critical equipment, enhance its spare equipment process, and create multiple levels of security.

Solar Facilities

Dominion plans to expand its fleet of contracted solar facilities over the next 24 months by approximately 250 MW. Dominion is currently in active discussions with multiple parties for facilities expected to be placed into service in 2014 and 2015.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The matters discussed in this Item may contain forward-looking statements as described in the introductory paragraphs of Item 7. MD&A. The reader s attention is directed to those paragraphs and Item 1A. Risk Factors for discussion of various risks and uncertainties that may impact Dominion and Virginia Power.

MARKET RISK SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

Dominion s and Virginia Power s financial instruments, commodity contracts and related financial derivative instruments are exposed to potential losses due to adverse changes in commodity prices, interest rates and equity security prices as described below. Commodity price risk is present in Dominion s and Virginia Power s electric operations and Dominion s gas procurement operations due to the exposure to market shifts in prices received and paid for electricity, natural gas and other commodities. The

Companies use commodity derivative contracts to manage price risk exposures for these operations. Interest rate risk is generally related to their outstanding debt. In addition, they are exposed to investment price risk through various portfolios of equity and debt securities.

The following sensitivity analysis estimates the potential loss of future earnings or fair value from market risk sensitive instruments over a selected time period due to a 10% unfavorable change in commodity prices or interest rates.

Commodity Price Risk

To manage price risk, Dominion and Virginia Power primarily hold commodity-based financial derivative instruments held for non-trading purposes associated with purchases and sales of electricity, natural gas and other energy-related products. In the second quarter of 2013, Dominion commenced a restructuring of its producer services business, which will result in the termination of natural gas trading and certain energy marketing activities. This, combined with Dominion s decision in January 2014 to exit the electric retail energy marketing business, will reduce Dominion s commodity price risk exposure.

The derivatives used to manage commodity price risk are executed within established policies and procedures and may include instruments such as futures, forwards, swaps, options and FTRs that are sensitive to changes in the related commodity prices. For sensitivity analysis purposes, the hypothetical change in market prices of commodity-based financial derivative instruments is determined based on models that consider the market prices of commodities in future periods, the volatility of the market prices in each period, as well as the time value factors of the derivative instruments. Prices and volatility are principally determined based on observable market prices.

A hypothetical 10% unfavorable change in commodity prices of Dominion s non-trading commodity-based financial derivative instruments would have resulted in an increase in fair value of approximately $171 million and $126 million as of December 31, 2013 and 2012, respectively. A hypothetical 10% unfavorable change in commodity prices of Dominion s commodity-based financial derivative instruments held for trading purposes would have resulted in a decrease in fair value of approximately $17 million and $18 million as of December 31, 2013 and 2012, respectively.

A hypothetical 10% unfavorable change in commodity prices would not have resulted in a material change in the fair value of Virginia Power s non-trading commodity-based financial derivatives as of December 31, 2013 or 2012.

The impact of a change in energy commodity prices on Dominion s and Virginia Power s non-trading commodity-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when the contracts are ultimately settled. Net losses from commodity derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction, such as revenue from physical sales of the commodity.

Interest Rate Risk

Dominion and Virginia Power manage their interest rate risk exposure predominantly by maintaining a balance of fixed and variable rate debt. They also enter into interest rate sensitive derivatives, including interest rate swaps and interest rate lock agreements. For variable rate debt and interest rate swaps designated under fair value hedging and outstanding for Dominion and Virginia Power, a hypothetical 10% increase in market interest rates would not have resulted in a material change in annual earnings as of December 31, 2013 or 2012.

Dominion and Virginia Power may also use forward-starting interest rate swaps and interest rate lock agreements as anticipatory hedges. As of December 31, 2013, Dominion and Virginia Power had $1.1 billion and $600 million, respectively, in aggregate notional amounts of these interest rate derivatives outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of approximately $20 million and $13 million, respectively, in the fair value of Dominion s and Virginia Power s interest rate derivatives at December 31, 2013. As of December 31, 2012, Dominion and Virginia Power had $1.8 billion and $750 million, respectively, in aggregate notional amounts of these interest rate derivatives outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of approximately $21 million and $9 million, respectively, in the fair value of Dominion s and Virginia Power s interest rate derivatives at December 31, 2012.

The impact of a change in interest rates on Dominion s and Virginia Power s interest rate-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when the contracts are ultimately settled. Net gains and/or losses from interest rate derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction.

Investment Price Risk

Dominion and Virginia Power are subject to investment price risk due to securities held as investments in nuclear decommissioning and rabbi trust funds that are managed by third-party investment managers. These trust funds primarily hold marketable securities that are reported in the Consolidated Balance Sheets at fair value.

Dominion recognized net realized gains (including investment income) on nuclear decommissioning and rabbi trust investments of $163 million and $126 million in 2013 and 2012, respectively. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. In 2013 and 2012, Dominion recorded, in AOCI and regulatory liabilities, a net increase in unrealized gains on these investments of $417 million and $210 million, respectively.

Virginia Power recognized net realized gains (including investment income) on nuclear decommissioning trust investments of $52 million and $53 million in 2013 and 2012, respectively. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. In 2013 and 2012, Virginia Power recorded, in AOCI and regulatory liabilities, a net increase in unrealized gains on these investments of $193 million and $89 million, respectively.

Dominion sponsors pension and other postretirement employee benefit plans that hold investments in trusts to fund employee benefit payments. Virginia Power employees participate in these plans. Aggregate actual returns for Dominion s pension and other postretirement plan assets were $959 million in 2013 and $743 million in 2012, versus expected returns of $554 million and $509 million, respectively. Differences between actual and expected returns on plan assets are accumulated and amortized during future periods. As such, any investment-related declines in these trusts will result in future increases in the periodic cost recognized for employee benefit plans and will be included in the determination of the amount of cash to be contributed to the employee benefit plans. A hypothetical 0.25% decrease in the assumed long-term rates of return on Dominion s plan assets would result in an increase in net periodic cost of approximately $14 million and $13 million as of December 31, 2013 and 2012, respectively, for pension benefits and $3 million as of December 31, 2013 and 2012, for other postretirement benefits.

Risk Management Policies

Dominion and Virginia Power have established operating procedures with corporate management to ensure that proper internal controls are maintained. In addition, Dominion has established an independent function at the corporate level to monitor compliance with the credit and commodity risk management policies of all subsidiaries, including Virginia Power. Dominion maintains credit policies that include the evaluation of a prospective counterparty s financial condition, collateral requirements where deemed necessary and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. In addition, Dominion also monitors the financial condition of existing counterparties on an ongoing basis. Based on these credit policies and Dominion s and Virginia Power s December 31, 2013 provision for credit losses, management believes that it is unlikely that a material adverse effect on Dominion s or Virginia Power s financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

Table of Contents

Item 8. Financial Statements and Supplementary Data

	Page No.
Dominion Resources, Inc.	
Report of Independent Registered Public Accounting Firm	**58**
Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	**59**
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	**60**
Consolidated Balance Sheets at December 31, 2013 and 2012	**61**
Consolidated Statements of Equity at December 31, 2013, 2012 and 2011 and for the years then ended	**63**
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	**64**
Virginia Electric and Power Company	
Report of Independent Registered Public Accounting Firm	**65**
Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011	**66**
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	**67**
Consolidated Balance Sheets at December 31, 2013 and 2012	**68**
Consolidated Statements of Common Shareholder s Equity at December 31, 2013, 2012 and 2011 and for the years then ended	**70**
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	**71**
Combined Notes to Consolidated Financial Statements	**72**

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Dominion Resources, Inc.

Richmond, Virginia

We have audited the accompanying consolidated balance sheets of Dominion Resources, Inc. and subsidiaries (Dominion) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of Dominion s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Dominion Resources, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dominion s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2014 expressed an unqualified opinion on Dominion s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 27, 2014

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Income

Year Ended December 31, (millions, except per share amounts)	2013	2012[1]	2011[1]
Operating Revenue	**$ 13,120**	$ 12,835	$ 13,765
Operating Expenses			
Electric fuel and other energy-related purchases	**3,885**	3,645	3,942
Purchased electric capacity	**358**	387	454
Purchased gas	**1,331**	1,177	1,764
Other operations and maintenance	**2,459**	3,091	3,178
Depreciation, depletion and amortization	**1,208**	1,127	1,018
Other taxes	**563**	550	529
Total operating expenses	**9,804**	9,977	10,885
Income from operations	**3,316**	2,858	2,880
Other income	**265**	223	178
Interest and related charges	**877**	816	796
Income from continuing operations including noncontrolling interests before income taxes	**2,704**	2,265	2,262
Income tax expense	**892**	811	778
Income from continuing operations including noncontrolling interests	**1,812**	1,454	1,484
Loss from discontinued operations[2]	**(92)**	(1,125)	(58)
Net income including noncontrolling interests	**1,720**	329	1,426
Noncontrolling interests	**23**	27	18
Net income attributable to Dominion	**1,697**	302	1,408
Amounts attributable to Dominion:			
Income from continuing operations, net of tax	**1,789**	1,427	1,466
Loss from discontinued operations, net of tax	**(92)**	(1,125)	(58)
Net income attributable to Dominion	**1,697**	302	1,408
Earnings Per Common Share-Basic:			
Income from continuing operations	**$ 3.09**	$ 2.49	$ 2.56
Loss from discontinued operations	**(0.16)**	(1.96)	(0.10)
Net income attributable to Dominion	**$ 2.93**	$ 0.53	$ 2.46
Earnings Per Common Share-Diluted:			
Income from continuing operations	**$ 3.09**	$ 2.49	$ 2.55
Loss from discontinued operations	**(0.16)**	(1.96)	(0.10)
Net income attributable to Dominion	**$ 2.93**	$ 0.53	$ 2.45
Dividends declared per common share	**$ 2.25**	$ 2.11	$ 1.97

(1) Recast to reflect Brayton Point and Kincaid as discontinued operations as described in Note 3 to the Consolidated Financial Statements. EPS amounts reflect the per share impact of the recast of $1.92 and $0.06 for 2012 and 2011, respectively.

(2) Includes income tax benefit of $43 million, $692 million, and $33 million in 2013, 2012 and 2011, respectively. For 2012, includes impairment charges of $1.6 billion related to Brayton Point and Kincaid. See Note 6 for additional information.

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

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Comprehensive Income

Year Ended December 31, (millions)	**2013**	2012	2011
Net income including noncontrolling interests	**$ 1,720**	$ 329	$ 1,426
Other comprehensive income (loss), net of taxes:			
Net deferred gains (losses) on derivatives-hedging activities, net of $161, $5 and $48 tax	**(243)**	(8)	(67)
Changes in unrealized net gains on investment securities, net of $(136), $(68) and $(7) tax	**203**	108	11
Changes in net unrecognized pension and other postretirement benefit costs, net of $(341), $209 and $147 tax	**516**	(330)	(231)
Amounts reclassified to net income:			
Net derivative (gains) losses-hedging activities, net of $(53), $34 and $28 tax	**77**	(60)	(38)
Net realized (gains) losses on investment securities, net of $35, $16 and $(4) tax	**(55)**	(25)	6
Net pension and other postretirement benefit costs, net of $(39), $(32) and $(25) tax	**55**	48	39
Total other comprehensive income (loss)	**553**	(267)	(280)
Comprehensive income including noncontrolling interests	**2,273**	62	1,146
Comprehensive income attributable to noncontrolling interests	**23**	27	18
Comprehensive income attributable to Dominion	**$ 2,250**	$ 35	$ 1,128

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

Table of Contents

Dominion Resources, Inc.

Consolidated Balance Sheets

At December 31, (millions)	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 316**	$ 248
Customer receivables (less allowance for doubtful accounts of $25 and $28)	**1,695**	1,621
Other receivables (less allowance for doubtful accounts of $4 at both dates)	**141**	96
Inventories:		
Materials and supplies	**689**	684
Fossil fuel	**393**	467
Gas stored	**94**	108
Derivative assets	**687**	518
Margin deposit assets	**620**	212
Prepayments	**192**	326
Deferred income taxes	**778**	573
Other	**335**	287
Total current assets	**5,940**	5,140
Investments		
Nuclear decommissioning trust funds	**3,903**	3,330
Investment in equity method affiliates	**916**	558
Other	**283**	303
Total investments	**5,102**	4,191
Property, Plant and Equipment		
Property, plant and equipment	**46,969**	43,364
Property, plant and equipment, VIE		957
Accumulated depreciation, depletion and amortization	**(14,341)**	(13,548)
Total property, plant and equipment, net	**32,628**	30,773
Deferred Charges and Other Assets		
Goodwill	**3,086**	3,130
Pension and other postretirement benefit assets	**942**	702
Intangible assets, net	**560**	536
Regulatory assets	**1,228**	1,717
Other	**610**	649
Total deferred charges and other assets	**6,426**	6,734
Total assets	**$ 50,096**	$ 46,838

Table of Contents

At December 31, (millions)	**2013**	2012
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	**$ 1,519**	$ 1,363
Securities due within one year, VIE		860
Short-term debt	**1,927**	2,412
Accounts payable	**1,168**	1,137
Accrued interest, payroll and taxes	**609**	636
Derivative liabilities	**828**	510
Other	**943**	845
Total current liabilities	**6,994**	7,763
Long-Term Debt		
Long-term debt	**16,877**	15,478
Junior subordinated notes	**1,373**	1,373
Remarketable subordinated notes	**1,080**	
Total long-term debt	**19,330**	16,851
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**7,114**	5,800
Asset retirement obligations	**1,484**	1,641
Pension and other postretirement benefit liabilities	**481**	1,831
Regulatory liabilities	**2,001**	1,514
Other	**793**	556
Total deferred credits and other liabilities	**11,873**	11,342
Total liabilities	**38,197**	35,956
Commitments and Contingencies (see Note 22)		
Subsidiary Preferred Stock Not Subject To Mandatory Redemption	**257**	257
Equity		
Common stock-no par(1)	**5,783**	5,493
Other paid-in capital		162
Retained earnings	**6,183**	5,790
Accumulated other comprehensive loss	**(324)**	(877)
Total common shareholders equity	**11,642**	10,568
Noncontrolling interest		57
Total equity	**11,642**	10,625
Total liabilities and equity	**$ 50,096**	$ 46,838

(1) 1 billion shares authorized; 581 million shares and 576 million shares outstanding at December 31, 2013 and 2012, respectively.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements.

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Equity

(millions)	Common Stock Shares	Common Stock Amount	Other Paid-In Capital	Dominion Shareholders Retained Earnings	Dominion Shareholders Accumulated Other Comprehensive Income (Loss)	Total Common Shareholders Equity	Noncontrolling Interests	Total Equity
December 31, 2010	581	$ 5,715	$ 194	$ 6,418	$ (330)	$ 11,997	$	$ 11,997
Net income including noncontrolling interests				1,425		1,425	1	1,426
Consolidation of noncontrolling interests[2]							61	61
Stock awards and stock options exercised (net of change in unearned compensation)	1	49				49		49
Stock repurchases	(13)	(601)				(601)		(601)
Other stock issuances[3]	1	17	(17)					
Tax benefit from stock awards and stock options exercised			2			2		2
Dividends				(1,146)[1]		(1,146)	(5)	(1,151)
Other comprehensive loss, net of tax					(280)	(280)		(280)
December 31, 2011	570	5,180	179	6,697	(610)	11,446	57	11,503
Net income including noncontrolling interests				318		318	11	329
Issuance of stock-employee and direct stock purchase plans	4	246				246		246
Stock awards and stock options exercised (net of change in unearned compensation)	1	26				26		26
Other stock issuances[3]	1	41	(27)			14		14
Tax benefit from stock awards and stock options exercised			10			10		10
Dividends				(1,225)[1]		(1,225)	(11)	(1,236)
Other comprehensive loss, net of tax					(267)	(267)		(267)
December 31, 2012	576	5,493	162	5,790	(877)	10,568	57	10,625
Net income including noncontrolling interests				**1,714**		**1,714**	**6**	**1,720**
Issuance of stock-employee and direct stock purchase plans	**4**	**278**				**278**		**278**
Stock awards (net of change in unearned compensation)		**12**				**12**		**12**
Other stock issuances[4]	**1**	**15**	**(8)**			**7**		**7**
Present value of stock purchase contract payments related to RSNs[5]			**(154)**	**(2)**		**(156)**		**(156)**
Fairless lease buyout[6]		**(15)**				**(15)**	**(57)**	**(72)**
Dividends				**(1,319)**[1]		**(1,319)**	**(6)**	**(1,325)**

Other comprehensive income, net of tax					**553**	**553**		**553**
December 31, 2013	**581**	**$ 5,783**	**$**	**$ 6,183**	**$ (324)**	**$ 11,642**	**$**	**$ 11,642**

(1) Includes subsidiary preferred dividends related to noncontrolling interests of $17 million, $16 million and $17 million in 2013, 2012 and 2011, respectively.
(2) See Note 15 for consolidation of a VIE in October 2011.
(3) Contains shares issued in excess of principal amounts related to converted securities. See Note 17 for further information on convertible securities.
(4) Primarily includes $28 million in shares issued in excess of principal amounts related to converted securities. See Note 17 for further information on convertible securities.
(5) See Note 17 for further information.
(6) See Note 15 for further information.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Cash Flows

Year Ended December 31, (millions)	2013	2012	2011
Operating Activities			
Net income including noncontrolling interests	**$ 1,720**	$ 329	$ 1,426
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:			
Impairment of generation assets	**48**	2,089	283
Net reserves (payments) related to rate refunds	**(5)**	(151)	3
Depreciation, depletion and amortization (including nuclear fuel)	**1,390**	1,443	1,288
Deferred income taxes and investment tax credits	**737**	246	756
Gains on the sale of assets	**(122)**	(81)	
Other adjustments	**(129)**	(164)	(207)
Changes in:			
Accounts receivable	**(98)**	292	365
Inventories	**(29)**	33	(185)
Deferred fuel and purchased gas costs, net	**102**	368	(3)
Prepayments	**123**	(85)	(19)
Accounts payable	**50**	(61)	(413)
Accrued interest, payroll and taxes	**(27)**	(12)	(216)
Margin deposit assets and liabilities	**(414)**	45	(71)
Other operating assets and liabilities	**87**	(154)	(24)
Net cash provided by operating activities	**3,433**	4,137	2,983
Investing Activities			
Plant construction and other property additions (including nuclear fuel)	**(4,104)**	(4,145)	(3,652)
Proceeds from sales of securities	**1,476**	1,356	1,757
Purchases of securities	**(1,493)**	(1,392)	(1,824)
Proceeds from the sale of Brayton Point, Kincaid and equity method investment in Elwood	**465**		
Proceeds from Blue Racer	**160**	115	
Restricted cash equivalents	**25**	108	259
Other	**13**	118	139
Net cash used in investing activities	**(3,458)**	(3,840)	(3,321)
Financing Activities			
Issuance (repayment) of short-term debt, net	**(485)**	598	429
Issuance of short-term notes	**400**	400	
Repayment of short-term notes	**(400)**		
Issuance and remarketing of long-term debt	**4,135**	1,500	2,320
Repayment and repurchase of long-term debt, including redemption premiums	**(1,245)**	(1,675)	(637)
Repayment of junior subordinated notes	**(258)**		
Acquisition of Juniper noncontrolling interest in Fairless	**(923)**		
Issuance of common stock	**278**	265	38
Repurchase of common stock			(601)
Common dividend payments	**(1,302)**	(1,209)	(1,129)
Subsidiary preferred dividend payments	**(17)**	(16)	(17)
Other	**(90)**	(14)	(25)
Net cash provided by (used in) financing activities	**93**	(151)	378
Increase in cash and cash equivalents	**68**	146	40
Cash and cash equivalents at beginning of year	**248**	102	62
Cash and cash equivalents at end of year	**$ 316**	$ 248	$ 102
Supplemental Cash Flow Information			
Cash paid (received) during the year for:			
Interest and related charges, excluding capitalized amounts	**$ 852**	$ 913	$ 920
Income taxes	**56**	(58)	166

Significant noncash investing and financing activities:			
Accrued capital expenditures	**375**	388	328
Consolidation of VIE assets at fair value			957
Consolidation of VIE debt			896

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

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of

Virginia Electric and Power Company

Richmond, Virginia

We have audited the accompanying consolidated balance sheets of Virginia Electric and Power Company (a wholly-owned subsidiary of Dominion Resources, Inc.) and subsidiaries (Virginia Power) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, common shareholder s equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of Virginia Power s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Virginia Power is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Virginia Power s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Virginia Electric and Power Company and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 27, 2014

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Income

Year Ended December 31, (millions)	**2013**	2012	2011
Operating Revenue	**$ 7,295**	$ 7,226	$ 7,246
Operating Expenses			
Electric fuel and other energy-related purchases	**2,304**	2,368	2,506
Purchased electric capacity	**358**	386	452
Other operations and maintenance:			
Affiliated suppliers	**290**	305	306
Other	**1,161**	1,161	1,437
Depreciation and amortization	**853**	782	718
Other taxes	**249**	232	222
Total operating expenses	**5,215**	5,234	5,641
Income from operations	**2,080**	1,992	1,605
Other income	**86**	96	88
Interest and related charges	**369**	385	331
Income from operations before income tax expense	**1,797**	1,703	1,362
Income tax expense	**659**	653	540
Net Income	**1,138**	1,050	822
Preferred dividends	**17**	16	17
Balance available for common stock	**$ 1,121**	$ 1,034	$ 805

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

66

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Comprehensive Income

Year Ended December 31, (millions)	**2013**	2012	2011
Net income	**$ 1,138**	$ 1,050	$ 822
Other comprehensive income (loss), net of taxes:			
Net deferred gains (losses) on derivatives-hedging activities, net of $(3), $3 and $3 tax	**6**	(5)	(6)
Changes in unrealized net gains on nuclear decommissioning trust funds, net of $(13), $(7) and $(1) tax	**20**	13	2
Amounts reclassified to net income:			
Net derivative (gains) losses-hedging activities, net of $, $(2) and $ tax		2	(1)
Net realized gains on nuclear decommissioning trust funds, net of $2, $2 and $ tax	**(3)**	(4)	
Other comprehensive income (loss)	**23**	6	(5)
Comprehensive income	**$ 1,161**	$ 1,056	$ 817

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

67

Table of Contents

Virginia Electric and Power Company

Consolidated Balance Sheets

At December 31, (millions)	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 16**	$ 28
Customer receivables (less allowance for doubtful accounts of $11 and $10)	**946**	849
Other receivables (less allowance for doubtful accounts of $2 and $3)	**78**	51
Inventories (average cost method):		
Materials and supplies	**418**	385
Fossil fuel	**390**	404
Prepayments	**32**	23
Regulatory assets	**128**	119
Deferred income taxes	**87**	92
Other	**68**	30
Total current assets	**2,163**	1,981
Investments		
Nuclear decommissioning trust funds	**1,765**	1,515
Other	**12**	14
Total investments	**1,777**	1,529
Property, Plant and Equipment		
Property, plant and equipment	**32,848**	30,631
Accumulated depreciation and amortization	**(10,580)**	(10,014)
Total property, plant and equipment, net	**22,268**	20,617
Deferred Charges and Other Assets		
Intangible assets, net	**193**	181
Regulatory assets	**417**	396
Other	**143**	107
Total deferred charges and other assets	**753**	684
Total assets	**$ 26,961**	$ 24,811

Table of Contents

At December 31, (millions)	2013	2012
LIABILITIES AND SHAREHOLDER S EQUITY		
Current Liabilities		
Securities due within one year	**$ 58**	$ 418
Short-term debt	**842**	992
Accounts payable	**479**	430
Payables to affiliates	**69**	67
Affiliated current borrowings	**97**	435
Accrued interest, payroll and taxes	**218**	204
Derivative liabilities	**12**	33
Customer deposits	**95**	100
Regulatory liabilities	**41**	32
Other	**306**	296
Total current liabilities	**2,217**	3,007
Long-Term Debt	**7,974**	6,251
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**4,137**	3,879
Asset retirement obligations	**689**	705
Regulatory liabilities	**1,597**	1,285
Other	**292**	194
Total deferred credits and other liabilities	**6,715**	6,063
Total liabilities	**16,906**	15,321
Commitments and Contingencies (see Note 22)		
Preferred Stock Not Subject to Mandatory Redemption	**257**	257
Common Shareholder s Equity		
Common stock-no par[(1)]	**5,738**	5,738
Other paid-in capital	**1,113**	1,113
Retained earnings	**2,899**	2,357
Accumulated other comprehensive income	**48**	25
Total common shareholder s equity	**9,798**	9,233
Total liabilities and shareholder s equity	**$ 26,961**	$ 24,811

(1) 500,000 shares authorized at December 31, 2013 and 2012; 274,723 shares outstanding at December 31, 2013 and 2012.
The accompanying notes are an integral part of Virginia Power s Consolidated Financial Statements.

69

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Common Shareholder s Equity

	Common Stock					
(millions, except for shares)	Shares (thousands)	Amount	Other Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2010	275	$ 5,738	$ 1,111	$ 1,634	$ 24	$ 8,507
Net income				822		822
Dividends				(574)		(574)
Other comprehensive loss, net of tax					(5)	(5)
Balance at December 31, 2011	275	5,738	1,111	1,882	19	8,750
Net income				1,050		1,050
Dividends				(575)		(575)
Tax benefit from stock awards and stock options exercised			2			2
Other comprehensive income, net of tax					6	6
Balance at December 31, 2012	275	5,738	1,113	2,357	25	9,233
Net income				**1,138**		**1,138**
Dividends				**(596)**		**(596)**
Other comprehensive income, net of tax					**23**	**23**
Balance at December 31, 2013	**275**	**$ 5,738**	**$ 1,113**	**$ 2,899**	**$ 48**	**$ 9,798**

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

70

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Cash Flows

Year Ended December 31, (millions)	**2013**	2012	2011
Operating Activities			
Net income	**$ 1,138**	$ 1,050	$ 822
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including nuclear fuel)	**1,016**	927	838
Deferred income taxes and investment tax credits, net	**240**	502	496
Impairment of generation assets			228
Net reserves (payments) related to rate refunds	**(5)**	(151)	3
Other adjustments	**(63)**	(70)	(93)
Changes in:			
Accounts receivable	**(124)**	126	76
Affiliated accounts receivable and payable	**3**	(2)	(7)
Inventories	**(19)**	8	(200)
Deferred fuel expenses, net	**93**	378	12
Prepayments	**(9)**	18	24
Accounts payable	**15**	19	(117)
Accrued interest, payroll and taxes	**14**	(22)	12
Other operating assets and liabilities	**30**	(77)	(70)
Net cash provided by operating activities	**2,329**	2,706	2,024
Investing Activities			
Plant construction and other property additions	**(2,394)**	(2,082)	(1,885)
Purchases of nuclear fuel	**(139)**	(206)	(205)
Purchases of securities	**(603)**	(638)	(1,057)
Proceeds from sales of securities	**572**	626	1,030
Restricted cash equivalents	**2**	22	137
Other	**(39)**	(4)	33
Net cash used in investing activities	**(2,601)**	(2,282)	(1,947)
Financing Activities			
Issuance (repayment) of short-term debt, net	**(151)**	98	294
Issuance (repayment) of affiliated current borrowings, net	**(338)**	248	85
Issuance and remarketing of long-term debt	**1,835**	450	235
Repayment and repurchase of long-term debt	**(470)**	(641)	(91)
Common dividend payments	**(579)**	(559)	(557)
Preferred dividend payments	**(17)**	(16)	(17)
Other	**(20)**	(5)	(2)
Net cash provided by (used in) financing activities	**260**	(425)	(53)
Increase (decrease) in cash and cash equivalents	**(12)**	(1)	24
Cash and cash equivalents at beginning of year	**28**	29	5
Cash and cash equivalents at end of year	**$ 16**	$ 28	$ 29
Supplemental Cash Flow Information			
Cash paid (received) during the year for:			
Interest and related charges, excluding capitalized amounts	**$ 328**	$ 376	$ 376
Income taxes	**427**	225	(27)
Significant noncash investing activities:			
Accrued capital expenditures	**276**	242	199

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

Table of Contents

Combined Notes to Consolidated Financial Statements

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 North Carolina. Virginia Power is a member of PJM, an RTO, and its electric transmission facilities are integrated into the PJM wholesale electricity markets. All of Virginia Power s common stock is owned by Dominion. Dominion s operations also include a regulated interstate natural gas transmission pipeline and underground storage system in the Northeast, mid-Atlantic and Midwest states, an LNG import, transport and storage facility in Maryland and regulated gas transportation and distribution operations in Ohio and West Virginia. Dominion s nonregulated operations include merchant generation, energy marketing and price risk management activities and retail energy marketing operations.