VIRGINIA ELECTRIC & POWER CO
Form 10-Q
April 25, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 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, address of principal executive offices and registrants telephone number	I.R.S. Employer Identification Number
001-08489	DOMINION RESOURCES, INC.	54-1229715
001-02255	VIRGINIA ELECTRIC AND POWER COMPANY	54-0418825

120 Tredegar Street

Richmond, Virginia 23219

(804) 819-2000
State or other jurisdiction of incorporation or organization of the registrants: Virginia

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

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

Dominion Resources, Inc.

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

Virginia Electric and Power Company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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

At March 31, 2013, the latest practicable date for determination, Dominion Resources, Inc. had 577,676,451 shares of common stock outstanding and Virginia Electric and Power Company had 274,723 shares of common stock outstanding. Dominion Resources, Inc. is the sole holder of Virginia Electric and Power Company s common stock.

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

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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
2009 Base Rate Review	Order entered by the Virginia Commission in January 2009, pursuant to the Regulation Act, initiating reviews of the base rates and terms and conditions of all investor-owned utilities in Virginia
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income (loss)
Appalachian Gateway Project	Dominion Energy project completed in September 2012 to provide approximately 484,000 Dth per day of firm transportation services for new Appalachian gas supplies in West Virginia and southwestern Pennsylvania to an interconnection with Texas Eastern Transmission, LP at Oakford, Pennsylvania.
AROs	Asset retirement obligations
ARP	Acid Rain Program, a market-based initiative for emissions allowance trading, established pursuant to Title IV of the CAA
bcf	Billion cubic feet
Bear Garden	Bear Garden power station, 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
BOD	Board of Directors
BP	BP Wind Energy North America Inc.
Brayton Point	Brayton Point power station, a 1,528 MW power station in Somerset, Massachusetts, with three coal-fired units and one unit fired by natural gas or oil
CAA	Clean Air Act
Caiman	Caiman Energy II, LLC
CAIR	Clean Air Interstate Rule
Carson-to-Suffolk line	Virginia Power 60-mile 500 kV transmission line in southeastern Virginia
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO	Chief Financial Officer
CO_2	Carbon dioxide
COL	Combined Construction Permit and Operating License
Companies	Dominion and Virginia Power, collectively
Cooling degree days	Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Cove Point	Dominion Cove Point LNG, LP
CSAPR	Cross State Air Pollution Rule
CWA	Clean Water Act
DEI	Dominion Energy, Inc.

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

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Abbreviation or Acronym	Definition
FERC	Federal Energy Regulatory Commission
Fowler Ridge	A wind-turbine facility joint venture between Dominion and BP in Benton County, Indiana
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
GHG	Greenhouse gas
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
INPO	Institute of Nuclear Power Operations
ISO	Independent system operator
ISO-NE	ISO New England
Kewaunee	Kewaunee nuclear power station
Kincaid	Kincaid power station, a 1,158 MW power station in Kincaid, Illinois, with two 579 MW coal-fired units
kV	Kilovolt
kWh	Kilowatt hour
Line TL-404	An approximately 26-mile, 24- and 30- inch interstate gas pipeline that extends from Wetzel County, West Virginia to Monroe County, Ohio
LNG	Liquefied natural gas
Maryland Commission	Maryland Public Service Commission
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
Meadow Brook-to-Loudoun line	Virginia Power 65-mile 500 kV transmission line that begins in Warren County, Virginia and terminates in Loudoun County, Virginia
Millstone	Millstone nuclear power station
MISO	Midwest Independent Transmission System Operator, Inc.
Moody s	Moody s Investors Service
MW	Megawatt
MWh	Megawatt hour
NCEMC	North Carolina Electric Membership Corporation
NedPower	A wind-turbine facility joint venture between Dominion and Shell in Grant County, West Virginia
NGLs	Natural gas liquids
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
ODEC	Old Dominion Electric Cooperative

Ohio Commission	Public Utilities Commission of Ohio
PIPP	Percentage of Income Payment Plan
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio
PJM	PJM Interconnection, L.L.C.
ppb	Parts-per-billion
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
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 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 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 the 2011 DSM case

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Abbreviation or Acronym	Definition
ROE	Return on equity
RTO	Regional transmission organization
Salem Harbor	Salem Harbor power station
SEC	Securities and Exchange Commission
Shell	Shell WindEnergy, Inc.
SO_2	Sulfur dioxide
Standard & Poor s	Standard & Poor s Ratings Services, a division of the McGraw-Hill Companies, Inc.
State Line	State Line power station
TGP	Tennessee Gas Pipeline Company
U.S.	United States of America
UAO	Unilateral Administrative Order
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 Settlement Approval Order	Order issued by the Virginia Commission in March 2010 concluding Virginia Power s 2009 Base Rate Review
Warren County	Warren County power station, a 1,329 MW combined-cycle, natural gas-fired power station under construction in Warren County, Virginia

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(millions, except per share amounts)	Three Months Ended March 31, 2013	2012[1]
Operating Revenue	**$ 3,523**	$ 3,397
Operating Expenses		
Electric fuel and other energy-related purchases	**951**	912
Purchased electric capacity	**88**	113
Purchased gas	**467**	412
Other operations and maintenance	**623**	607
Depreciation, depletion and amortization	**297**	273
Other taxes	**167**	162
Total operating expenses	**2,593**	2,479
Income from operations	**930**	918
Other income	**87**	74
Interest and related charges	**228**	212
Income from continuing operations including noncontrolling interests before income tax expense	**789**	780
Income tax expense	**288**	269
Income from continuing operations including noncontrolling interests	**501**	511
Income (loss) from discontinued operations[2]	**1**	(10)
Net Income Including Noncontrolling Interests	**502**	501
Noncontrolling Interests	**7**	7
Net Income Attributable to Dominion	**$ 495**	$ 494
Amounts Attributable to Dominion:		
Income from continuing operations, net of tax	**$ 494**	$ 504
Income (loss) from discontinued operations, net of tax	**1**	(10)
Net income attributable to Dominion	**$ 495**	$ 494
Earnings Per Common Share-Basic		
Income from continuing operations	**$ 0.86**	$ 0.88
Income (loss) from discontinued operations		(0.02)

Net income attributable to Dominion	**$ 0.86**	$ 0.86
Earnings Per Common Share-Diluted		
Income from continuing operations	**$ 0.86**	$ 0.88
Income (loss) from discontinued operations		(0.02)
Net income attributable to Dominion	**$ 0.86**	$ 0.86
Dividends declared per common share	**$ 0.5625**	$ 0.5275

(1) Recast to reflect Brayton Point and Kincaid as discontinued operations, as discussed in Note 3.
(2) Includes income tax (expense) benefit of $( ) and $10 million for the three months ended March 31, 2013 and 2012, respectively.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements.

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DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
(millions)	**2013**	2012
Net income including noncontrolling interests	**$ 502**	$ 501
Other comprehensive income (loss), net of taxes:		
Net deferred gains (losses) on derivatives-hedging activities[1]	**(90)**	128
Changes in unrealized net gains on investment securities[2]	**78**	85
Amounts reclassified to net income:		
Net derivative (gains) losses-hedging activities[3]	**76**	(16)
Net realized gains on investment securities[4]	**(27)**	(10)
Net pension and other postretirement benefit costs[5]	**20**	12
Total other comprehensive income	**57**	199
Comprehensive income including noncontrolling interests	**559**	700
Comprehensive income attributable to noncontrolling interests	**7**	7
Comprehensive income attributable to Dominion	**$ 552**	$ 693

(1) Net of $54 million and $(80) million tax for the three months ended March 31, 2013 and 2012, respectively.
(2) Net of $(51) million and $(56) million tax for the three months ended March 31, 2013 and 2012, respectively.
(3) Net of $(48) million and $12 million tax for the three months ended March 31, 2013 and 2012, respectively.
(4) Net of $18 million and $6 million tax for the three months ended March 31, 2013 and 2012, respectively.
(5) Net of $(9) million tax for both the three months ended March 31, 2013 and 2012.

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

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DOMINION RESOURCES, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	March 31, 2013	December 31, 2012[1]
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 35**	$ 248
Customer receivables (less allowance for doubtful accounts of $29 and $28)	**1,758**	1,621
Other receivables (less allowance for doubtful accounts of $4 at both dates)	**73**	96
Inventories	**1,039**	1,259
Derivative assets	**527**	518
Assets held for sale	**313**	
Other	**1,403**	1,398
Total current assets	**5,148**	5,140
Investments		
Nuclear decommissioning trust funds	**3,547**	3,330
Investment in equity method affiliates	**559**	558
Other	**294**	303
Total investments	**4,400**	4,191
Property, Plant and Equipment		
Property, plant and equipment	**43,705**	43,364
Property, plant and equipment, VIE	**957**	957
Accumulated depreciation, depletion and amortization	**(13,753)**	(13,548)
Total property, plant and equipment, net	**30,909**	30,773
Deferred Charges and Other Assets		
Goodwill	**3,128**	3,130
Regulatory assets	**1,696**	1,717
Other	**1,835**	1,887
Total deferred charges and other assets	**6,659**	6,734
Total assets	**$ 47,116**	$ 46,838

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

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

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DOMINION RESOURCES, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

(millions)	March 31, 2013	December 31, 2012[1]
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	**$ 1,193**	$ 1,363
Securities due within one year, VIE	**852**	860
Short-term debt	**2,003**	2,412
Accounts payable	**950**	1,137
Derivative liabilities	**556**	510
Liabilities held for sale	**48**	
Other	**1,370**	1,481
Total current liabilities	**6,972**	7,763
Long-Term Debt		
Long-term debt	**15,904**	15,478
Junior subordinated notes	**1,373**	1,373
Total long-term debt	**17,277**	16,851
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**6,070**	5,800
Asset retirement obligations	**1,611**	1,641
Pension and other postretirement benefit liabilities	**1,834**	1,831
Regulatory liabilities	**1,646**	1,514
Other	**521**	556
Total deferred credits and other liabilities	**11,682**	11,342
Total liabilities	**35,931**	35,956
Commitments and Contingencies (see Note 15)		
Subsidiary Preferred Stock Not Subject to Mandatory Redemption	**257**	257
Equity		
Common stock no par[2]	**5,571**	5,493
Other paid-in capital	**156**	162
Retained earnings	**5,961**	5,790
Accumulated other comprehensive loss	**(820)**	(877)
Total common shareholders equity	**10,868**	10,568
Noncontrolling interest	**60**	57
Total equity	**10,928**	10,625

Total liabilities and equity	**$ 47,116**	$ 46,838

(1) Dominion s Consolidated Balance Sheet at December 31, 2012 has been derived from the audited Consolidated Financial Statements at that date.
(2) 1 billion shares authorized; 578 million shares and 576 million shares outstanding at March 31, 2013 and December 31, 2012, respectively.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements.

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DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Three Months Ended March 31, (millions)	**2013**	2012
Operating Activities		
Net income including noncontrolling interests	**$ 502**	$ 501
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization (including nuclear fuel)	**366**	353
Deferred income taxes and investment tax credits	**266**	269
Rate refunds	**(5)**	(55)
Other adjustments	**(52)**	(72)
Changes in:		
Accounts receivable	**(124)**	327
Inventories	**133**	99
Deferred fuel and purchased gas costs, net	**16**	162
Prepayments	**(17)**	37
Accounts payable	**(135)**	(275)
Accrued interest, payroll and taxes	**(33)**	89
Margin deposit assets and liabilities	**(65)**	97
Other operating assets and liabilities	**200**	91
Net cash provided by operating activities	**1,052**	1,623
Investing Activities		
Plant construction and other property additions (including nuclear fuel)	**(904)**	(981)
Proceeds from sales of securities	**554**	415
Purchases of securities	**(574)**	(420)
Other	**62**	40
Net cash used in investing activities	**(862)**	(946)
Financing Activities		
Repayment of short-term debt, net	**(409)**	(757)
Issuance of long-term debt	**1,250**	450
Repayment of long-term debt	**(712)**	(104)
Repayment of affiliated notes payable	**(258)**	
Issuance of common stock	**73**	69
Common dividend payments	**(324)**	(301)
Subsidiary preferred dividend payments	**(4)**	(4)
Other	**(19)**	1
Net cash used in financing activities	**(403)**	(646)
Increase (decrease) in cash and cash equivalents	**(213)**	31
Cash and cash equivalents at beginning of period	**248**	102
Cash and cash equivalents at end of period	**$ 35**	$ 133
Supplemental Cash Flow Information		
Significant noncash investing activities:		
Accrued capital expenditures	**$ 200**	$ 298

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(millions)	Three Months Ended March 31, 2013	2012
Operating Revenue	**$ 1,781**	$ 1,754
Operating Expenses		
Electric fuel and other energy-related purchases	**570**	614
Purchased electric capacity	**88**	113
Other operations and maintenance:		
Affiliated suppliers	**74**	83
Other	**245**	223
Depreciation and amortization	**207**	188
Other taxes	**67**	65
Total operating expenses	**1,251**	1,286
Income from operations	**530**	468
Other income	**25**	23
Interest and related charges	**93**	100
Income before income tax expense	**462**	391
Income tax expense	**175**	148
Net Income	**287**	243
Preferred dividends	**4**	4
Balance available for common stock	**$ 283**	$ 239

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
(millions)		
Net income	**$ 287**	$ 243
Other comprehensive income (loss), net of taxes:		
Net deferred gains (losses) on derivatives-hedging activities[1]	**2**	(1)
Changes in unrealized net gains on nuclear decommissioning trust funds[2]	**8**	9
Amounts reclassified to net income:		
Net derivative losses-hedging activities[3]		1
Net realized gains on nuclear decommissioning trust funds[4]	**(1)**	(1)
Other comprehensive income	**9**	8
Comprehensive income	**$ 296**	$ 251

(1) Net of $(1) million and $ million tax for the three months ended March 31, 2013 and 2012, respectively.
(2) Net of $(5) million tax for both the three months ended March 31, 2013 and 2012.
(3) Net of $ million and $(1) million tax for the three months ended March 31, 2013 and 2012, respectively.
(4) Net of $1 million tax for both the three months ended March 31, 2013 and 2012.

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(millions)	March 31, 2013	December 31, 2012[1]
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 3**	$ 28
Customer receivables (less allowance for doubtful accounts of $10 at both dates)	**892**	849
Other receivables (less allowance for doubtful accounts of $3 at both dates)	**39**	51
Inventories (average cost method)	**721**	789
Prepayments	**37**	23
Other	**189**	241
Total current assets	**1,881**	1,981
Investments		
Nuclear decommissioning trust funds	**1,608**	1,515
Other	**14**	14
Total investments	**1,622**	1,529
Property, Plant and Equipment		
Property, plant and equipment	**31,085**	30,631
Accumulated depreciation and amortization	**(10,157)**	(10,014)
Total property, plant and equipment, net	**20,928**	20,617
Deferred Charges and Other Assets		
Intangible assets	**182**	181
Regulatory assets	**388**	396
Other	**117**	107
Total deferred charges and other assets	**687**	684
Total assets	**$ 25,118**	$ 24,811

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

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

(millions)	March 31, 2013	December 31, 2012[1]
LIABILITIES AND SHAREHOLDER S EQUITY		
Current Liabilities		
Securities due within one year	**$ 18**	$ 418
Short-term debt	**661**	992
Accounts payable	**347**	430
Payables to affiliates	**61**	67
Affiliated current borrowings	**57**	435
Accrued interest, payroll and taxes	**294**	204
Other	**319**	461
Total current liabilities	**1,757**	3,007
Long-Term Debt	**7,445**	6,251
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**3,918**	3,879
Asset retirement obligations	**709**	705
Regulatory liabilities	**1,414**	1,285
Other	**241**	194
Total deferred credits and other liabilities	**6,282**	6,063
Total liabilities	**15,484**	15,321
Commitments and Contingencies (see Note 15)		
Preferred Stock Not Subject to Mandatory Redemption	**257**	257
Common Shareholder s Equity		
Common stock no par[2]	**5,738**	5,738
Other paid-in capital	**1,113**	1,113
Retained earnings	**2,492**	2,357
Accumulated other comprehensive income	**34**	25
Total common shareholder s equity	**9,377**	9,233
Total liabilities and shareholder s equity	**$ 25,118**	$ 24,811

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

(2) 500,000 shares authorized; 274,723 shares outstanding at March 31, 2013 and December 31, 2012.

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

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VIRGINIA ELECTRIC AND POWER COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Three Months Ended March 31, (millions)	**2013**	2012
Operating Activities		
Net income	**$ 287**	$ 243
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including nuclear fuel)	**250**	222
Deferred income taxes and investment tax credits	**112**	85
Rate refunds	**(5)**	(55)
Other adjustments	**(17)**	(20)
Changes in:		
Accounts receivable	**(31)**	125
Affiliated accounts receivable and payable	**(6)**	(15)
Inventories	**68**	20
Deferred fuel expenses	**(19)**	156
Accounts payable	**(65)**	(59)
Accrued interest, payroll and taxes	**90**	137
Other operating assets and liabilities	**43**	67
Net cash provided by operating activities	**707**	906
Investing Activities		
Plant construction and other property additions	**(592)**	(483)
Purchases of nuclear fuel	**(47)**	(67)
Purchases of securities	**(206)**	(193)
Proceeds from sales of securities	**189**	191
Other	**1**	(6)
Net cash used in investing activities	**(655)**	(558)
Financing Activities		
Repayment of short-term debt, net	**(331)**	(639)
Repayment of affiliated current borrowings, net	**(378)**	
Issuance of long-term debt	**1,250**	450
Repayment of long-term debt	**(451)**	(1)
Common dividend payments	**(148)**	(149)
Preferred dividend payments	**(4)**	(4)
Other	**(15)**	(6)
Net cash used in financing activities	**(77)**	(349)
Decrease in cash and cash equivalents	**(25)**	(1)
Cash and cash equivalents at beginning of period	**28**	29
Cash and cash equivalents at end of period	**$ 3**	$ 28
Supplemental Cash Flow Information		
Significant noncash investing activities:		
Accrued capital expenditures	**$ 117**	$ 208

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

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COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Nature of Operations

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

Note 2. Significant Accounting Policies

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

In Dominion s and Virginia Power s opinion, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly their financial position as of March 31, 2013, and their results of operations and cash flows for the three months ended March 31, 2013 and 2012. Such adjustments are normal and recurring in nature unless otherwise noted.

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

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

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

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

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

Note 3. Dispositions

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

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

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The transaction is expected to close in the second quarter of 2013, subject to FERC approval. The sales price is approximately $472 million, subject to customary closing adjustments. In the first quarter of 2013, Brayton Point s and Kincaid s assets and liabilities to be disposed of were classified as held for sale and adjusted to their estimated fair value less cost to sell, resulting in a pre-tax impairment charge of $37 million ($22 million after-tax), which is included in discontinued operations in Dominion s Consolidated Statement of Income. Dominion used the market approach to estimate the fair value of Brayton Point s and Kincaid s long-lived assets. This was considered a Level 2 fair value measurement given it was based on the agreed-upon sales price. The carrying amounts of the major classes of assets and liabilities classified as held for sale in Dominion s Consolidated Balance Sheet are as follows:

At March 31, (millions)	**2013**
Assets	
Current assets	**$ 109**
Property, plant and equipment, net	**187**
Other assets	**17**
Total assets	**$ 313**
Liabilities	
Current liabilities	**$ 28**
Asset retirement obligations	**19**
Other liabilities	**1**
Total liabilities	**$ 48**

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

	Three Months Ended March 31,	
	2013	2012
(millions)		
Operating revenue	**$ 154**	$ 65
Income (loss) before income taxes	**1**	(22)

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

Sale of Salem Harbor and State Line

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

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

Three months ended March 31, (millions)	2012
Operating revenue	$ 30
Income before income taxes	2

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Note 4. Operating Revenue

The Companies operating revenue consists of the following:

	Three Months Ended March 31,	
	2013	2012
(millions)		
Dominion		
Electric sales:		
Regulated	**$ 1,761**	$ 1,724
Nonregulated	**658**	643
Gas sales:		
Regulated	**132**	99
Nonregulated	**345**	398
Gas transportation and storage	**467**	405
Other	**160**	128
Total operating revenue	**$ 3,523**	$ 3,397
Virginia Power		
Regulated electric sales	**$ 1,761**	$ 1,724
Other	**20**	30
Total operating revenue	**$ 1,781**	$ 1,754

Note 5. Income Taxes

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

	Dominion		Virginia Power	
Three Months Ended March 31,	**2013**	2012	**2013**	2012
U.S. statutory rate	**35.0%**	35.0%	**35.0%**	35.0%
Increases (reductions) resulting from:				
State taxes, net of federal benefit	**4.0**	4.0	**3.9**	3.9
Investment and production tax credits	**(1.5)**	(0.5)		
Valuation allowances	**0.1**	(2.6)		
AFUDC equity	**(0.7)**	(0.7)	**(1.3)**	(0.9)
Other, net	**(0.4)**	(0.7)	**0.2**	(0.2)
Effective tax rate	**36.5%**	34.5%	**37.8%**	37.8%

Dominion s effective tax rate in 2012 reflects a $20 million reduction of valuation allowance related to state operating loss carryforwards attributable to Fairless. After considering the results of Fairless operations in recent years and a forecast of future operating results reflecting Dominion s planned purchase of the facility, Dominion concluded that it was more likely than not that the tax benefit of the operating losses would be realized. Significant assumptions included future commodity prices, in particular, those for electric energy produced by Fairless and those for natural gas, as compared to other fuels used for the generation of electricity, which would significantly influence the extent to which Fairless is dispatched by PJM.

As of March 31, 2013, there have been no material changes in Dominion s and Virginia Power s unrecognized tax benefits or possible changes that could reasonably be expected to occur during the next twelve months. See Note 5 to the Consolidated Financial Statements in Dominion s

and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 for a discussion of these unrecognized tax benefits.

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Note 6. Earnings Per Share

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

	Three Months Ended March 31,	
	2013	2012
(millions, except EPS)		
Net income attributable to Dominion	**$ 495**	$ 494
Average shares of common stock outstanding Basic	**576.6**	570.5
Net effect of potentially dilutive securities[1]	**0.9**	1.4
Average shares of common stock outstanding Diluted	**577.5**	571.9
Earnings Per Common Share Basic	**$ 0.86**	$ 0.86
Earnings Per Common Share Diluted	**$ 0.86**	$ 0.86

(1) Potentially dilutive securities consist primarily of goal-based stock and contingently convertible senior notes.
There were no potentially dilutive securities excluded from the calculation of diluted EPS for the three months ended March 31, 2013 and 2012.

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Note 7. Accumulated Other Comprehensive Income

The following table presents Dominion s changes in AOCI by component, net of tax for the three months ended March 31, 2013:

(millions)	Deferred gains and losses on derivatives-hedging activities	Unrealized gains and losses on investment securities	Unrecognized pension and other postretirement benefit costs	Total
Beginning balance	$ (122)	$ 326	$ (1,081)	$ (877)
Other comprehensive income (loss) before reclassifications: gains (losses)	(90)	78		(12)
Amounts reclassified from accumulated other comprehensive income (loss)[1]: (gains) losses	76	(27)	20	69
Net current-period other comprehensive income (loss)	(14)	51	20	57
Ending balance	$ (136)	$ 377	$ (1,061)	$ (820)

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

The following table presents Dominion s reclassifications out of AOCI by component for the three months ended March 31, 2013:

Details about AOCI components (millions)	Amounts reclassified from AOCI	Affected line item in the Consolidated Statements of Income
Deferred (gains) and losses on derivatives-hedging activities:		
Commodity contracts	$ 84	Operating revenue
	34	Purchased gas
	3	Electric fuel and other energy-related purchases
Interest rate contracts	3	Interest and related charges
	124	
Tax	(48)	Income tax expense
	$ 76	
Unrealized (gains) and losses on investment securities:		
Realized (gain) loss on sale of securities	$ (47)	Other income
Impairment	2	Other income
	(45)	
Tax	18	Income tax expense
	$ (27)	

Unrecognized pension and other postretirement benefit costs:			
Actuarial (gains) losses	**$**	**29**	Other operations and maintenance
		29	
Tax		**(9)**	Income tax expense
	$	**20**	

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Note 8. Fair Value Measurements

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

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

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

	Fair Value (millions)	Valuation Techniques	Unobservable Input	Range	Weighted Average[1]
At March 31, 2013					
Assets:					
Physical and Financial Forwards and Futures:					
Natural Gas[2]	$ 11	Discounted Cash Flow	Market Price (per Dth) [3]	(1) - 6	3
Electricity	7	Discounted Cash Flow	Market Price (per MWh) [3]	34 - 76	49
FTRs	2	Discounted Cash Flow	Market Price (per MWh) [3]	(3) - 5	0
Liquids	18	Discounted Cash Flow	Market Price (per Gal)[3]	0 - 3	1
Physical and Financial Options:					
Natural Gas	4	Option Model	Market Price (per Dth)[3]	3 - 11	4
			Price Volatility[4]	8% - 546%[9]	42%
			Price Correlation[5]	37% - 100%	57%
			Mean Reversion[6]	0 - 58	11
Full Requirements Contracts:					
Electricity	9	Discounted Cash Flow	Market Price (per MWh) [3]	11 - 480[10]	47
			Load Shaping[7]	1% - 8%	4%
			Usage Factor[8]	1% - 7%	5%
Total assets	$ 51				
Liabilities:					
Physical and Financial Forwards and Futures:					
Natural Gas[2]	$ 18	Discounted Cash Flow	Market Price (per Dth)[3]	(1) - 6	2
Electricity	1	Discounted Cash Flow	Market Price (per MWh) [3]	23 - 43	33
FTRs	5	Discounted Cash Flow	Market Price (per MWh) [3]	(1) - 18	1
Liquids	12	Discounted Cash Flow	Market Price (per Gal)[3]	1 - 3	2
Physical and Financial Options:					
Natural Gas	6	Option Model	Market Price (per Dth)[3]	3 - 11	5
			Price Volatility[4]	8% - 546%[9]	27%
			Price Correlation[5]	37% - 100%	57%
			Mean Reversion[6]	0 - 58	11
Total liabilities	$ 42				

(1) Averages weighted by volume.
(2) Includes basis.
(3) Represents market prices beyond defined terms for Levels 1 & 2.

(4) Represents volatilities unrepresented in published markets.
(5) Represents intra-price correlations for which markets do not exist.
(6) Represents mean-reverting property in price simulation modeling.
(7) Converts block monthly loads to 24-hour load shapes.
(8) Represents expected increase (decrease) in sales volumes compared to historical usage.
(9) The range in volatilities is the result of large variability in natural gas basis prices.
(10) The range in market prices is the result of large variability in hourly power prices during peak and off-peak hours.

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Sensitivity of the fair value measurements to changes in the significant unobservable inputs is as follows:

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

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

Non-recurring Fair Value Measurements

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

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Recurring Fair Value Measurements

Dominion

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

(millions)	Level 1	Level 2	Level 3	Total
At March 31, 2013				
Assets:				
Derivatives:				
Commodity	**$ 12**	**$ 610**	**$ 51**	**$ 673**
Interest rate		**78**		**78**
Investments[(1)]:				
Equity securities:				
U.S.:				
Large cap	**2,065**			**2,065**
Other	**68**			**68**
Non-U.S.:				
Large cap	**12**			**12**
Fixed income:				
Corporate debt instruments		**364**		**364**
U.S. Treasury securities and agency debentures	**454**	**195**		**649**
State and municipal		**299**		**299**
Other		**8**		**8**
Cash equivalents and other	**1**	**80**		**81**
Restricted cash equivalents		**20**		**20**
Total assets	**$ 2,612**	**$ 1,654**	**$ 51**	**$ 4,317**
Liabilities:				
Derivatives:				
Commodity	**$ 13**	**$ 556**	**$ 42**	**$ 611**
Interest rate		**33**		**33**
Total liabilities	**$ 13**	**$ 589**	**$ 42**	**$ 644**
At December 31, 2012				
Assets:				
Derivatives:				
Commodity	$ 12	$ 639	$ 84	$ 735
Interest rate		93		93
Investments[(1)]:				
Equity securities:				
U.S.:				
Large cap	1,973			1,973
Other	59			59
Non-U.S.:				
Large cap	12			12
Fixed income:				
Corporate debt instruments		325		325
U.S. Treasury securities and agency debentures	391	152		543
State and municipal		315		315

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

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

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

	Three Months Ended March 31,	
	2013	2012
(millions)		
Beginning balance	**$ 25**	$ (71)
Total realized and unrealized gains (losses):		
Included in earnings	**14**	(35)
Included in other comprehensive income (loss)	**9**	5
Included in regulatory assets/liabilities	**(5)**	11
Settlements	**(26)**	30
Transfers out of Level 3	**(8)**	(1)
Ending balance	**$ 9**	$ (61)
The amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	**$ (5)**	$ 1

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

	Operating revenue	Electric fuel and other energy-related purchases	Total
(millions)			
Three Months Ended March 31, 2013			
Total gains (losses) included in earnings	**$ 12**	**$ 2**	**$ 14**
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	**(5)**		**(5)**
Three Months Ended March 31, 2012			
Total gains (losses) included in earnings	$ (9)	$ (26)	$ (35)
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets/liabilities still held at the reporting date	1		1

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Virginia Power

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

(millions)	Level 1	Level 2	Level 3	Total
At March 31, 2013				
Assets:				
Derivatives:				
Commodity	**$**	**$ 6**	**$ 2**	**$ 8**
Interest rate		**3**		**3**
Investments[(1)]:				
Equity securities:				
U.S.:				
Large cap	**864**			**864**
Other	**30**			**30**
Fixed income:				
Corporate debt instruments		**214**		**214**
U.S. Treasury securities and agency debentures	**177**	**75**		**252**
State and municipal		**104**		**104**
Other		**1**		**1**
Cash equivalents and other		**29**		**29**
Restricted cash equivalents		**10**		**10**
Total assets	**$ 1,071**	**$ 442**	**$ 2**	**$ 1,515**
Liabilities:				
Derivatives:				
Commodity	**$**	**$ 2**	**$ 5**	**$ 7**
Total liabilities	**$**	**$ 2**	**$ 5**	**$ 7**
At December 31, 2012				
Assets:				
Derivatives:				
Commodity	$	$ 1	$ 5	$ 6
Investments[(1)]:				
Equity securities:				
U.S.:				
Large cap	779			779
Other	27			27
Fixed income:				
Corporate debt instruments		196		196
U.S. Treasury securities and agency debentures	168	66		234
State and municipal		118		118
Other		1		1
Cash equivalents and other	7	31		38
Restricted cash equivalents		10		10
Total assets	$ 981	$ 423	$ 5	$ 1,409
Liabilities:				
Derivatives:				

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

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

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

	Three Months Ended March 31,	
	2013	2012
(millions)		
Beginning balance	**$ 2**	$ (28)
Total realized and unrealized gains (losses):		
Included in earnings	**2**	(27)
Included in regulatory assets/liabilities	**(5)**	11
Settlements	**(2)**	27
Ending balance	**$ (3)**	$ (17)

The gains and losses included in earnings in the Level 3 fair value category were classified in electric fuel and other energy-related purchases in Virginia Power s Consolidated Statements of Income for the three months ended March 31, 2013 and 2012. There were no unrealized gains or losses included in earnings in the Level 3 fair value category relating to assets/liabilities still held at the reporting date for the three months ended March 31, 2013 and 2012.

Fair Value of Financial Instruments

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

	March 31, 2013		December 31, 2012	
	Carrying Amount	**Estimated Fair Value[1]**	Carrying Amount	Estimated Fair Value[1]
(millions)				
Dominion				
Long-term debt, including securities due within one year[2]	**$ 17,097**	**$ 19,874**	$ 16,841	$ 19,898
Securities due within one year, VIE[3]	**852**	**855**	860	864
Junior subordinated notes	**1,373**	**1,435**	1,373	1,430
Subsidiary preferred stock[4]	**257**	**260**	257	255
Virginia Power				
Long-term debt, including securities due within one year[2]	**$ 7,463**	**$ 8,929**	$ 6,669	$ 8,270
Preferred stock[4]	**257**	**260**	257	255

(1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. The carrying amount of debt issues with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(2) Includes amounts which represent the unamortized discount and premium. At March 31, 2013 and December 31, 2012, includes the valuation of certain fair value hedges associated with Dominion s fixed rate debt of approximately $72 million and $93 million, respectively.

(3) Includes amounts which represent the unamortized premium.

(4) Includes deferred issuance expenses of $2 million at March 31, 2013 and December 31, 2012.

Note 9. Derivatives and Hedge Accounting Activities

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

Derivative assets and liabilities are presented gross on Dominion s and Virginia Power s Consolidated Balance Sheets. Dominion s and Virginia Power s derivative contracts include both over-the-counter transactions and those that are executed on

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an exchange or other trading platform (exchange contracts) and centrally cleared. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Certain over-the-counter and exchange contracts contain contractual rights of setoff through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

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

Dominion

The tables below present Dominion s derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting, as of March 31, 2013:

(millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
Interest rate contracts:			
Over-the-counter	**$ 78**	**$**	**$ 78**
Commodity contracts:			
Over-the-counter	**245**		**245**
Exchange	**418**		**418**
Total derivatives, subject to a master netting arrangement or similar arrangement	**741**		**741**
Total derivatives, not subject to a master netting arrangement or similar arrangement	**10**		**10**
Total[(1)]	**$ 751**	**$**	**$ 751**

(1) The total derivative asset balance contains $534 million of current assets, $527 million and $7 million of which is presented in current derivative assets and assets held for sale, respectively, in Dominion s Consolidated Balance Sheet, and $217 million of noncurrent derivative assets, which is presented in other deferred charges and other assets in Dominion s Consolidated Balance Sheet.

		Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Net Amounts of Assets Presented in the Consolidated Balance	Financial Instruments	Cash Collateral Received	Net Amounts

	Sheet			
(millions)				
Interest rate contracts:				
Over-the-counter	**$ 78**	**$ 15**	**$**	**$ 63**
Commodity contracts:				
Over-the-counter	**245**	**74**		**171**
Exchange	**418**	**405**	**1**	**12**
Total	**$ 741**	**$ 494**	**$ 1**	**$ 246**

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(millions)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
Interest rate contracts:			
Over-the-counter	$ 33	$	$ 33
Commodity contracts:			
Over-the-counter	145		145
Exchange	462		462
Total derivatives, subject to a master netting arrangement or similar arrangement	640		640
Total derivatives, not subject to a master netting arrangement or similar arrangement	4		4
Total[(1)]	$ 644	$	$ 644

(1) The total derivative liability balance contains $556 million of current liabilities, which is presented in current derivative liabilities in Dominion s Consolidated Balance Sheet, and $88 million of noncurrent derivative liabilities, which is presented in the other deferred credits and other liabilities in Dominion s Consolidated Balance Sheet.

(millions)	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheet: Cash Collateral Paid	Net Amounts
Interest rate contracts:				
Over-the-counter	$ 33	$ 15	$	$ 18
Commodity contracts:				
Over-the-counter	145	74	13	58
Exchange	462	405	57	
Total	$ 640	$ 494	$ 70	$ 76

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The tables below present Dominion s derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting, as of December 31, 2012:

(millions)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
Interest rate contracts:			
Over-the-counter	$ 93	$	$ 93
Commodity contracts:			
Over-the-counter	290		290
Exchange	416		416
Total derivatives, subject to a master netting arrangement or similar arrangement	799		799
Total derivatives, not subject to a master netting arrangement or similar arrangement	29		29
Total[(1)]	$ 828	$	$ 828

(1) The total derivative asset balance contains $518 million of current assets, which is presented in current derivative assets in Dominion s Consolidated Balance Sheet and $310 million of noncurrent derivative assets, which is presented in other deferred charges and other assets in Dominion s Consolidated Balance Sheet.

(millions)	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amounts
		Financial Instruments	Cash Collateral Received	
Interest rate contracts:				
Over-the-counter	$ 93	$ 19	$	$ 74
Commodity contracts:				
Over-the-counter	290	97		193
Exchange	416	350	4	62
Total	$ 799	$ 466	$ 4	$ 329

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(millions)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
Interest rate contracts:			
Over-the-counter	$ 66	$	$ 66
Commodity contracts:			
Over-the-counter	191		191
Exchange	393		393
Total derivatives, subject to a master netting arrangement or similar arrangement	650		650
Total derivatives, not subject to a master netting arrangement or similar arrangement	11		11
Total[(1)]	$ 661	$	$ 661

(1) The total derivative liability balance contains $510 million of current liabilities, which is presented in current derivative liabilities in Dominion s Consolidated Balance Sheet and $151 million of noncurrent derivative liabilities, which is presented in other deferred credits and other liabilities in Dominion s Consolidated Balance Sheet.

(millions)	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amounts
		Financial Instruments	Cash Collateral Paid	
Interest rate contracts:				
Over-the-counter	$ 66	$ 19	$	$ 47
Commodity contracts:				
Over-the-counter	191	97	20	74
Exchange	393	350	43	
Total	$ 650	$ 466	$ 63	$ 121

The following table presents the volume of Dominion s derivative activity as of March 31, 2013. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	**Noncurrent**
Natural Gas (bcf):		
Fixed price[(1)]	**292**	**47**
Basis	**875**	**482**
Electricity (MWh):		
Fixed price[(1)]	**19,932,885**	**15,662,175**

FTRs	**19,950,674**	
Capacity (MW)	**200,525**	**90,744**
Liquids (Gal)[2]	**161,322,000**	**109,284,000**
Interest rate	**$ 1,350,000,000**	**$ 1,650,000,000**

(1) Includes options.
(2) Includes NGLs and oil.

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For the three months ended March 31, 2013 and 2012, gains or losses on hedging instruments determined to be ineffective and amounts excluded from the assessment of effectiveness were not material. Amounts excluded from the assessment of effectiveness include gains or losses attributable to changes in the time value of options and changes in the differences between spot prices and forward prices.

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion s Consolidated Balance Sheet at March 31, 2013:

(millions)	AOCI After-Tax	Amounts Expected to be Reclassified to Earnings during the next 12 Months After-Tax	Maximum Term
Commodities:			
Gas	$ (20)	$ (14)	31 months
Electricity	31	(12)	33 months
Other	8	4	38 months
Interest rate	(155)	(27)	358 months
Total	$ (136)	$ (49)	

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

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Fair Value and Gains and Losses on Derivative Instruments

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

(millions)	Fair Value Derivatives under Hedge Accounting	Fair Value Derivatives not under Hedge Accounting	Total Fair Value
March 31, 2013			
ASSETS			
Current Assets			
Commodity	**$ 94**	**$ 406**	**$ 500**
Interest rate	**34**		**34**
Total current derivative assets[1]	**128**	**406**	**534**
Noncurrent Assets			
Commodity	**106**	**67**	**173**
Interest rate	**44**		**44**
Total noncurrent derivative assets[2]	**150**	**67**	**217**
Total derivative assets	**$ 278**	**$ 473**	**$ 751**
LIABILITIES			
Current Liabilities			
Commodity	**$ 123**	**$ 400**	**$ 523**
Interest rate	**33**		**33**
Total current derivative liabilities	**156**	**400**	**556**
Noncurrent Liabilities			
Commodity	**46**	**42**	**88**
Total noncurrent derivative liabilities[3]	**46**	**42**	**88**
Total derivative liabilities	**$ 202**	**$ 442**	**$ 644**
December 31, 2012			
ASSETS			
Current Assets			
Commodity	$ 103	$ 379	$ 482
Interest rate	36		36
Total current derivative assets	139	379	518
Noncurrent Assets			
Commodity	130	123	253
Interest rate	57		57

Total noncurrent derivative assets[2]	187	123	310
Total derivative assets	$ 326	$ 502	$ 828
LIABILITIES			
Current Liabilities			
Commodity	$ 103	$ 341	$ 444
Interest rate	66		66
Total current derivative liabilities	169	341	510
Noncurrent Liabilities			
Commodity	58	93	151
Total noncurrent derivative liabilities[3]	58	93	151
Total derivative liabilities	$ 227	$ 434	$ 661

(1) $7 million of current derivative assets are classified as assets held for sale in Dominion s Consolidated Balance Sheet. See Note 3 for further information.

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

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

Derivatives in cash flow hedging relationships (millions)	**Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)[1]**	**Amount of Gain (Loss) Reclassified from AOCI to Income**	**Increase (Decrease) in Derivatives Subject to Regulatory Treatment[2]**
Three Months Ended March 31, 2013			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		**$ (84)**	
Purchased gas		**(34)**	
Electric fuel and other energy-related purchases		**(3)**	
Total commodity	**$ (157)**	**(121)**	**$ 7**
Interest rate[3]	**13**	**(3)**	**16**
Total	**$ (144)**	**$ (124)**	**$ 23**
Three Months Ended March 31, 2012			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		$ 64	
Purchased gas		(30)	
Electric fuel and other energy-related purchases		(7)	
Total commodity	$ 176	27	$ (1)
Interest rate[3]	32	1	27
Total	$ 208	$ 28	$ 26

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

	Amount of Gain (Loss) Recognized in Income on Derivatives[1] Three Months Ended March 31,

Derivatives not designated as hedging instruments (millions)	**2013**	2012
Derivative Type and Location of Gains (Losses)		
Commodity		
Operating revenue	**$ 3**	$ 69
Purchased gas	**18**	(10)
Electric fuel and other energy-related purchases	**3**	(27)
Interest rate[(2)]		(2)
Total	**$ 24**	$ 30

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

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

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Virginia Power

The following table presents the volume of Virginia Power s derivative activity as of March 31, 2013. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price	**16**	
Basis	**8**	
Electricity (MWh):		
Fixed price	**644,000**	
FTRs	**17,168,056**	
Capacity (MW)	**152,000**	**48,800**
Interest rate	**$**	**$ 250,000,000**

Note 10. Investments

Dominion

Equity and Debt Securities

Rabbi Trust Securities

Marketable equity and debt securities and cash equivalents held in Dominion s rabbi trusts and classified as trading totaled $98 million and $95 million at March 31, 2013 and December 31, 2012, respectively. Cost method investments held in Dominion s rabbi trusts totaled $13 million and $14 million at March 31, 2013 and December 31, 2012, respectively.

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Decommissioning Trust Securities

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

(millions)	Amortized Cost	Total Unrealized Gains[1]	Total Unrealized Losses[1]	Fair Value
March 31, 2013				
Marketable equity securities:				
U.S.:				
Large Cap	**$ 1,153**	**$ 879**	**$**	**$ 2,032**
Other	**44**	**18**		**62**
Marketable debt securities:				
Corporate bonds	**336**	**28**		**364**
U.S. Treasury securities and agency debentures	**628**	**19**	**(1)**	**646**
State and municipal	**236**	**23**		**259**
Other	**8**			**8**
Cost method investments	**113**			**113**
Cash equivalents and other[2]	**63**			**63**
Total	**$ 2,581**	**$ 967**	**$ (1)[3]**	**$ 3,547**
December 31, 2012				
Marketable equity securities:				
U.S.:				
Large Cap	$ 1,210	$ 732	$	$ 1,942
Other	40	13		53
Marketable debt securities:				
Corporate bonds	295	30		325
U.S. Treasury securities and agency debentures	523	19	(2)	540
State and municipal	248	26		274
Other	6	1		7
Cost method investments	117			117
Cash equivalents and other[2]	72			72
Total	$ 2,511	$ 821	$ (2)[3]	$ 3,330

(1) Included in AOCI and the decommissioning trust regulatory liability.
(2) Includes pending purchases of securities of $14 million and $6 million at March 31, 2013 and December 31, 2012, respectively.
(3) The fair value of securities in an unrealized loss position was $208 million and $195 million at March 31, 2013 and December 31, 2012, respectively.

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The fair value of Dominion s marketable debt securities held in nuclear decommissioning trust funds at March 31, 2013 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	**$ 162**
Due after one year through five years	**333**
Due after five years through ten years	**367**
Due after ten years	**415**
Total	**$ 1,277**

Presented below is selected information regarding Dominion s marketable equity and debt securities held in nuclear decommissioning trust funds.

	Three Months Ended March 31,	
	2013	2012
(millions)		
Proceeds from sales	**$ 554**	$ 415
Realized gains[(1)]	**63**	28
Realized losses[(1)]	**6**	4

(1) Includes realized gains and losses recorded to the decommissioning trust regulatory liability.

Other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds for Dominion were not material for the three months ended March 31, 2013 and 2012.

Blue Racer

In December 2012, Dominion formed Blue Racer to provide midstream services to natural gas producers operating in the Utica Shale region in Ohio and portions of Pennsylvania. Blue Racer is an equal partnership between Dominion and Caiman, with Dominion contributing midstream assets and Caiman contributing private equity capital. In March 2013, DTI contributed Line TL-404 to Blue Racer and received approximately $47 million in cash proceeds resulting in an approximately $25 million ($14 million after-tax) gain. The Natrium natural gas processing and fractionation facility is expected to be completed in the second quarter of 2013, and is expected to be contributed to Blue Racer upon completion.

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Virginia Power

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

(millions)	Amortized Cost	Total Unrealized Gains[1]	Total Unrealized Losses[1]	Fair Value
March 31, 2013				
Marketable equity securities:				
U.S.:				
Large Cap	$ 490	$ 373	$	$ 863
Other	21	9		30
Marketable debt securities:				
Corporate bonds	**198**	**16**		**214**
U.S. Treasury securities and agency debentures	**248**	**5**	**(1)**	**252**
State and municipal	**95**	**9**		**104**
Other	**1**			**1**
Cost method investments	**113**			**113**
Cash equivalents and other[2]	**31**			**31**
Total	**$ 1,197**	**$ 412**	**$ (1)[3]**	**$ 1,608**
December 31, 2012				
Marketable equity securities:				
U.S.:				
Large Cap	$ 481	$ 298	$	$ 779
Other	20	7		27
Marketable debt securities:				
Corporate bonds	179	17		196
U.S. Treasury securities and agency debentures	231	4	(1)	234
State and municipal	106	11		117
Other	1			1
Cost method investments	117			117
Cash equivalents and other[2]	44			44
Total	$ 1,179	$ 337	$ (1)[3]	$ 1,515

(1) Included in AOCI and the decommissioning trust regulatory liability.
(2) Includes pending sales of securities of $2 million and $6 million at March 31, 2013 and December 31, 2012, respectively.
(3) The fair value of securities in an unrealized loss position was $111 million and $104 million at March 31, 2013 and December 31, 2012, respectively.

The fair value of Virginia Power s marketable debt securities at March 31, 2013 by contractual maturity is as follows:

(millions)	Amount
Due in one year or less	**$ 44**
Due after one year through five years	**160**

Due after five years through ten years	**202**
Due after ten years	**165**
Total	**$ 571**

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

	Three Months Ended March 31,	
	2013	2012
(millions)		
Proceeds from sales	**$ 189**	$ 191
Realized gains[(1)]	**16**	11
Realized losses[(1)]	**3**	2

(1) Includes realized gains and losses recorded to the decommissioning trust regulatory liability.

Other-than-temporary impairment losses on investments held in nuclear decommissioning trust funds for Virginia Power were not material for the three months ended March 31, 2013 and 2012.

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Note 11. Regulatory Assets and Liabilities

Regulatory assets and liabilities include the following:

(millions)	March 31, 2013	December 31, 2012
Dominion		
Regulatory assets:		
Deferred rate adjustment clause costs[1]	**$ 59**	$ 55
Unrecovered gas cost[2]	**27**	59
Deferred cost of fuel used in electric generation[3]	**17**	
Other	**74**	89
Regulatory assets-current[4]	**177**	203
Unrecognized pension and other postretirement benefit costs[5]	**1,192**	1,210
Deferred rate adjustment clause costs[1]	**181**	173
Income taxes recoverable through future rates[6]	**149**	140
Derivatives[7]	**85**	105
Other	**89**	89
Regulatory assets-non-current	**1,696**	1,717
Total regulatory assets	**$ 1,873**	$ 1,920
Regulatory liabilities:		
PIPP[8]	**$ 118**	$ 100
Other	**29**	36
Regulatory liabilities-current[9]	**147**	136
Provision for future cost of removal and AROs[10]	**1,005**	985
Decommissioning trust[11]	**575**	501
Other	**66**	28
Regulatory liabilities-non-current	**1,646**	1,514
Total regulatory liabilities	**$ 1,793**	$ 1,650
Virginia Power		
Regulatory assets:		
Deferred rate adjustment clause costs[1]	**$ 58**	$ 51
Deferred cost of fuel used in electric generation[3]	**17**	
Other	**70**	68
Regulatory assets-current[4]	**145**	119
Deferred rate adjustment clause costs[1]	**130**	127
Income taxes recoverable through future rates[6]	**118**	110
Derivatives[7]	**85**	105
Other	**55**	54
Regulatory assets-non-current	**388**	396

Total regulatory assets	**$**	**533**	$	515
Regulatory liabilities:				
Other	**$**	**19**	$	32
Regulatory liabilities-current[9]		**19**		32
Provision for future cost of removal[10]		**780**		763
Decommissioning trust[11]		**575**		501
Other		**59**		21
Regulatory liabilities-non-current		**1,414**		1,285
Total regulatory liabilities	**$**	**1,433**	$	1,317

(1) Reflects deferrals under the electric transmission FERC formula rate and the deferral of costs associated with certain current and prospective rider projects. See Note 12 for more information.

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(2) Reflects unrecovered gas costs at Dominion s regulated gas operations, which are recovered through quarterly or annual filings with the applicable regulatory authority.
(3) Primarily reflects deferred fuel expenses for the Virginia jurisdiction of Virginia Power s generation operations.
(4) Current regulatory assets are presented in other current assets in Dominion s and Virginia Power s Consolidated Balance Sheets.
(5) Represents unrecognized pension and other postretirement employee benefit costs expected to be recovered through future rates generally over the expected remaining service period of plan participants by certain of Dominion s rate-regulated subsidiaries.
(6) Amounts to be recovered through future rates to pay income taxes that become payable when rate revenue is provided to recover AFUDC-equity and depreciation of property, plant and equipment for which deferred income taxes were not recognized for ratemaking purposes, including amounts attributable to tax rate changes.
(7) For jurisdictions subject to cost-based rate regulation, changes in the fair value of derivative instruments result in the recognition of regulatory assets or regulatory liabilities as they are expected to be recovered from or refunded to customers.
(8) Under PIPP, eligible customers can receive energy assistance based on their ability to pay. The difference between the customer s total bill and the PIPP plan amount is deferred and collected or returned annually under the PIPP rider according to East Ohio tariff provisions.
(9) Current regulatory liabilities are presented in other current liabilities in Dominion s and Virginia Power s Consolidated Balance Sheets.
(10) Rates charged to customers by the Companies regulated businesses include a provision for the cost of future activities to remove assets that are expected to be incurred at the time of retirement.
(11) Primarily reflects a regulatory liability representing amounts collected from Virginia jurisdictional customers and placed in external trusts (including income, losses and changes in fair value thereon) for the future decommissioning of Virginia Power s utility nuclear generation stations, in excess of the related AROs.

At March 31, 2013, approximately $128 million of Dominion s and $84 million of Virginia Power s regulatory assets represented past expenditures on which they do not currently earn a return. These expenditures are expected to be recovered within the next two years.

Note 12. Regulatory Matters

Regulatory Matters Involving Potential Loss Contingencies

As a result of issues generated in the ordinary course of business, Dominion and Virginia Power are involved in various regulatory matters. Certain regulatory matters may ultimately result in a loss; however, as such matters are in an initial procedural phase, involve uncertainty as to the outcome of pending reviews or orders, and/or involve significant factual issues that need to be resolved, it is not possible for the Companies to estimate a range of possible loss. For matters for which the Companies cannot estimate a range of possible loss, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the regulatory process such that the Companies are able to estimate a range of possible loss. For regulatory matters for which the Companies are able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. This estimated range is based on currently available information and involves elements of judgment and significant uncertainties. This estimated range of possible loss may not represent the Companies maximum possible loss exposure. The circumstances of such regulatory matters will change from time to time and actual results may vary significantly from the current estimate. For current matters not specifically reported below, management does not anticipate that the outcome from such matters would have a material effect on Dominion s or Virginia Power s financial position, liquidity or results of operations.

FERC 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.

Rates

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.

In July 2008, Virginia Power filed an application with FERC requesting a revision to its revenue requirement to reflect an additional ROE incentive adder for eleven electric transmission enhancement projects. Under the proposal, the cost of transmission service would increase to

include an ROE incentive adder for each of the eleven projects, beginning the date each project enters commercial operation (but not before January 1, 2009). Virginia Power proposed an incentive of 1.5% for four of the projects (including the Meadow Brook-to-Loudoun and Carson-to-Suffolk lines, which were completed in 2011) and an incentive of 1.25% for the other seven projects. In August 2008, FERC approved the proposal, effective September 1, 2008, the incentives were included in the PJM Tariff, and billing for the incentives was made accordingly. In 2012, PJM canceled one of

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the eleven projects with an estimated cost of $7 million. The total cost for the other ten projects included in Virginia Power s formula rate for 2013 is $852 million and the remaining projects were completed in 2012. Numerous parties sought rehearing of the FERC order in August 2008, and in May 2012 FERC denied rehearing. In July 2012, the North Carolina Commission filed an appeal of the FERC orders granting the incentives with the U.S. Court of Appeals for the Fourth Circuit. Although Virginia Power cannot predict the outcome of the appeal, it is not expected to have a material effect on results of operations.

In March 2010, ODEC and NCEMC filed a complaint with FERC against Virginia Power claiming that approximately $223 million in transmission costs related to specific projects were unjust, unreasonable and unduly discriminatory or preferential and should be excluded from Virginia Power s transmission formula rate. ODEC and NCEMC requested that FERC establish procedures to determine the amount of costs for each applicable project that should be excluded from Virginia Power s rates. In October 2010, FERC issued an order dismissing the complaint in part and established hearings and settlement procedures on the remaining part of the complaint. In February 2012, Virginia Power submitted to FERC a settlement agreement to resolve all issues set for hearing. All transmission customer parties to the proceeding joined the settlement. The Virginia Commission, North Carolina Commission and Public Staff of the North Carolina Commission, while not parties to the settlement, have agreed to not oppose the settlement. The settlement was accepted by FERC in May 2012 and provides for payment by Virginia Power to the transmission customer parties collectively of $250,000 per year for ten years and resolves all matters other than allocation of the incremental cost of certain underground transmission facilities, which has been briefed pursuant to FERC s May 2012 order and awaits FERC action. While Virginia Power cannot predict the outcome of the briefing, it is not expected to have a material effect on results of operations.

Other Regulatory Matters

Other than the following matters, there have been no significant developments regarding the pending regulatory matters disclosed in Note 13 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012.

Virginia Regulation

2013 Biennial Review

Pursuant to the Regulation Act, in March 2013, Virginia Power submitted its base rate filings and accompanying schedules in support of the 2013 biennial review of its rates, terms and conditions, as well as of its earnings for test years 2011 and 2012. In its filing, Virginia Power did not request an increase in base rates for generation and distribution services, and proposed that base rates remain at their existing level as set by the Virginia Settlement Approval Order. Virginia Power s earnings test analysis, as filed, demonstrates it earned an ROE of 10.11% on its generation and distribution services for the combined test period of 2011 and 2012. The Virginia Commission will determine whether Virginia Power s earnings for the 2011 and 2012 test years, considered as a whole, were within 50 basis points above or below the authorized ROE of 10.9% established in the 2011 biennial review. If Virginia Power s earnings for the test years are determined to be more than 50 basis points above the authorized ROE, the Virginia Commission will order a credit to customers of 60% of the earnings that exceeded an ROE of 11.4% for the biennial period. In such a scenario, the Virginia Commission can also order a reduction in Virginia Power s base rates, but only if the resulting rates will provide Virginia Power with the opportunity to fully recover the costs of providing its services and earn not less than a fair combined rate of return on its distribution and generation services. If Virginia Power s earnings for the test years are determined to be more than 50 basis points below the authorized ROE, the Virginia Commission can order an increase to Virginia Power s rates if such an increase is necessary to provide Virginia Power the opportunity to fully recover the costs of providing services and to earn not less than a fair combined rate of return on its generation and distribution services. The Virginia Commission will also authorize an ROE for Virginia Power that will be applied to Riders R, S, W, B, and C1A and C2A, and that will also be utilized to measure base rate earnings as of January 1, 2013. Virginia Power is requesting authorization of an ROE of 11.5% effective January 1, 2014 through December 31, 2014 based on Virginia Power s current cost of equity and performance. Pursuant to the Regulation Act, Virginia Power s authorized ROE can be no lower than the average of the returns reported for the three previous years by not less than a majority of comparable utilities in the Southeastern U.S., with certain limitations as described in the Regulation Act. A final order in the 2013 biennial review for base rates must be issued no later than November 28, 2013.

DSM Riders C1A and C2A

In April 2013, the Virginia Commission approved revenue requirements for Riders C1A and C2A of approximately $4 million and $23 million, respectively, for the May 1, 2013 to April 30, 2014 rate year. The Virginia Commission approved a two-year extension of the Residential Low Income Program subject to an approximately $14 million cost cap, as well as a three-year extension of the Residential Air Conditioner Cycling Program. The Virginia Commission rejected Virginia Power s request for approval of a process whereby the Virginia Commission Staff could administratively approve limited modifications to the designs of previously approved DSM programs. Virginia Power must file any application to continue Riders C1A and C2A by September 1, 2013.

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Generation Rider S

The Virginia Commission previously approved Rider S in conjunction with the Virginia City Hybrid Energy Center. In March 2013, the Virginia Commission approved a revised revenue requirement for Rider S of approximately $248 million for the rate year beginning April 1, 2013, and stated that Virginia Power should file its next Rider S case by June 30, 2013.

Generation Rider B

In 2012, the Virginia Commission approved the conversion of the Altavista, Hopewell, and Southampton power stations to biomass, and in conjunction approved Rider B. In March 2013, the Virginia Commission approved a revenue requirement for the pre-commercial operations date period and the post-commercial operations date period, resulting in an average recovery amount of approximately $12 million for the rate year commencing April 1, 2013.

Solar Distributed Generation Demonstration Program

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 provided by customers voluntarily participating in Virginia Power s Green Power Program.

Ohio Regulation

In 2008, East Ohio began PIR, aimed at replacing approximately 20% of its pipeline system. In February 2013, East Ohio filed an application with the Ohio Commission to adjust the cost recovery charge for costs associated with PIR investments for the calendar year 2012 and cumulatively. The application includes total gross plant investment for 2012 of $148 million, cumulative gross plant investment of $511 million, and a revenue requirement of $67 million. A stipulation was submitted by East Ohio and the Staff of the Ohio Commission that supports the rates filed by East Ohio. The Ohio Consumers Counsel neither supports nor opposes the stipulation and has raised no issues regarding the rates filed. The Ohio Commission issued an order approving the stipulation in April 2013.

FERC Gas Regulation

Sabinsville-to-Morrisville Project

In March 2013, FERC approved DTI s Sabinsville-to-Morrisville project and authorized commencement of construction in the second quarter of 2013. The project is expected to have capacity of approximately 92,000 Dths per day, which will be leased by TGP to move additional Marcellus supplies from a TGP pipeline in northeast Pennsylvania to a DTI line in upstate New York. The project is expected to be placed into service in November 2013.

Tioga Area Expansion Project

In March 2013, DTI received FERC approval of the Tioga Area Expansion Project. The project is expected to provide approximately 270,000 Dths per day of firm transportation service from supply interconnects in Tioga and Potter Counties in Pennsylvania to DTI s Crayne interconnect with Transcontinental Gas Pipe Line Company in Clinton County, Pennsylvania. Construction is expected to commence in the second quarter of 2013 with an anticipated in-service date of November 2013.

Note 13. Variable Interest Entities

As discussed in Note 15 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012, certain variable pricing terms in some of the Companies long-term power and capacity contracts cause them to be considered variable interests in the counterparties.

Virginia Power has long-term power and capacity contracts with four non-utility generators with an aggregate summer generation capacity of approximately 870 MW. These contracts contain certain variable pricing mechanisms in the form of partial fuel reimbursement that Virginia Power considers to be variable interests. After an evaluation of the information provided by these entities, Virginia Power was unable to

determine whether they were VIEs. However, the information they provided, as well as Virginia Power s knowledge of generation facilities in Virginia, enabled Virginia Power to conclude that, if they were VIEs, it would not be the primary beneficiary. This conclusion reflects Virginia Power s determination that its variable interests do not convey the power to direct the most significant activities that impact the economic performance of the entities during the remaining terms of Virginia Power s contracts and for the years the entities are expected to operate after its contractual relationships expire. The contracts expire at various dates ranging from 2015 to 2021. Virginia Power is not subject to any risk of loss from these potential VIEs other than its remaining purchase commitments which totaled $1.0 billion as of March 31, 2013. Virginia Power paid $55 million for electric capacity and $20 million and $19 million for electric energy to these entities in the three months ended March 31, 2013 and 2012, respectively.

Virginia Power purchased shared services from DRS, an affiliated VIE, of approximately $77 million and $96 million for the three months ended March 31, 2013 and 2012, respectively. Virginia Power determined that it is not the most closely associated entity with DRS and therefore not the primary beneficiary. DRS provides accounting, legal, finance and certain administrative and technical services to all Dominion subsidiaries, including Virginia Power. Virginia Power has no obligation to absorb more than its allocated share of DRS costs.

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See Note 15 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 for additional information about consolidated VIEs.

Note 14. Significant Financing Transactions

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.

At March 31, 2013, Dominion s commercial paper and letters of credit outstanding, as well as capacity available under credit facilities, were as follows:

(millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Capacity Available
Joint revolving credit facility[1]	$ 3,000	$ 2,003	$	$ 997
Joint revolving credit facility[2]	500		19	481
Total	$ 3,500	$ 2,003	$ 19	$ 1,478

(1) This credit facility has a maturity date of September 2017, and 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) The maturity date for $400 million of the $500 million in committed capacity of this credit facility is September 2017. The remaining $100 million has a maturity date of September 2016. This credit facility can be used to support bank borrowings, commercial paper and letter of credit issuances.

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.

At March 31, 2013, 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:

(millions)	Facility Sub-limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Sub-limit Capacity Available
Joint revolving credit facility[1]	$ 1,000	$ 661	$	$ 339
Joint revolving credit facility[2]	250		2	248
Total	$ 1,250	$ 661	$ 2	$ 587

(1) This credit facility has a maturity date of September 2017, and 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) The maturity date for $400 million of the $500 million in committed capacity of this credit facility is September 2017. The remaining $100 million has a maturity date of September 2016. 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.

In addition to the credit facility commitments mentioned above, Virginia Power also has a $120 million credit facility with a maturity date of September 2017. This facility supports certain tax-exempt financings of Virginia Power.

Long-term Debt

In January 2013, Virginia Power issued $250 million of 1.2% senior notes and $500 million of 4.0% senior notes that mature in 2018 and 2043, respectively.

In March 2013, Virginia Power issued $500 million of 2.75% senior notes that mature in 2023.

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In connection with the expected sale of Kincaid, in April 2013 Kincaid provided notice of redemption for its 7.33% senior secured bonds due June 15, 2020. The bonds are expected to be redeemed in May 2013 for approximately $186 million, including a make-whole premium and accrued interest. At March 31, 2013, the bonds were included in securities due within one year in Dominion s Consolidated Balance Sheet.

In March 2013, Virginia Power redeemed the $50 million 2.5% Industrial Development Authority of the Town of Louisa, Virginia Solid Waste and Sewage Disposal Revenue Bonds, Series 2001A, that would have otherwise matured in March 2031.

Convertible Securities

At March 31, 2013, Dominion had $72 million of outstanding contingent convertible senior notes that are convertible by holders into a combination of cash and shares of Dominion s common stock under certain circumstances. The conversion feature requires that the principal amount of each note be repaid in cash, while amounts payable in excess of the principal amount will be paid in common stock. The conversion rate is subject to adjustment upon certain events such as subdivisions, splits, combinations of common stock or the issuance to all common stock holders of certain common stock rights, warrants or options and certain dividend increases. As of March 31, 2013, the conversion rate had been adjusted, primarily due to individual dividend payments above the level paid at issuance, to 29.5147 shares of common stock per $1,000 principal amount of senior notes, which represents a conversion price of $33.88. If the outstanding notes as of March 31, 2013 were all converted, it would result in the issuance of approximately 900 thousand additional shares.

The senior notes are eligible for conversion during any calendar quarter when the closing price of Dominion s common stock was equal to or higher than 120% of the conversion price for at least 20 out of the last 30 consecutive trading days of the preceding quarter. During the three months ended March 31, 2013, the senior notes were eligible for conversion and approximately $10 million of the notes were converted by holders. The senior notes are eligible for conversion during the second quarter of 2013.

Junior Subordinated Notes Payable to Affiliated Trusts

In January 2013, Dominion repaid its $258 million 7.83% unsecured junior subordinated debentures and redeemed all 250 thousand units of the $250 million 7.83% Dominion Resources Capital Trust I capital securities due December 1, 2027. The securities were redeemed at a price of $1,019.58 per capital security plus accrued and unpaid distributions.

Note 15. Commitments and Contingencies

As a result of issues generated in the ordinary course of business, Dominion and Virginia Power are involved in legal proceedings before various courts and are periodically subject to governmental examinations (including by regulatory authorities), inquiries and investigations. Certain legal proceedings and governmental examinations involve demands for unspecified amounts of damages, are in an initial procedural phase, involve uncertainty as to the outcome of pending appeals or motions, or involve significant factual issues that need to be resolved, such that it is not possible for the Companies to estimate a range of possible loss. For such matters that the Companies cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the litigation or investigative processes such that the Companies are able to estimate a range of possible loss. For legal proceedings and governmental examinations for which the Companies are able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Estimated ranges of loss are inclusive of legal fees and net of any anticipated insurance recoveries. This estimated range is based on currently available information and involves elements of judgment and significant uncertainties. This estimated range of possible loss may not represent the Companies maximum possible loss exposure. The circumstances of such legal proceedings and governmental examinations will change from time to time and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on Dominion s or Virginia Power s financial position, liquidity or results of operations.

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.

Air

The CAA, as amended, is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation s air quality. At a minimum, 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.

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The EPA established CAIR with the intent to require significant reductions in SO_2 and NO_x emissions from electric generating facilities. In July 2008, the U.S. Court of Appeals for the D.C. Circuit issued a ruling vacating CAIR. In December 2008, the Court denied rehearing, but also issued a decision to remand CAIR to the EPA. In July 2011, the EPA issued a replacement rule for CAIR, called CSAPR, that required 28 states to reduce power plant emissions that cross state lines. CSAPR established new SO_2 and NO_x emissions cap and trade programs that were completely independent of the current ARP. Specifically, CSAPR required reductions in SO_2 and NO_x emissions from fossil fuel-fired electric generating units of 25 MW or more through annual NO_x emissions caps, NO_x emissions caps during the ozone season (May 1 through September 30) and annual SO_2 emission caps with differing requirements for two groups of affected states.

Following numerous petitions by industry participants for review and motions for stay, the U.S. Court of Appeals for the D.C. Circuit issued a ruling in December 2011 to stay CSAPR pending judicial review. In February and June 2012, the EPA issued technical revisions to CSAPR that are not material to Dominion. In August 2012, the Court vacated CSAPR in its entirety and ordered the EPA to implement CAIR until a valid replacement rule is issued. In October 2012, the EPA filed a petition requesting a rehearing of the court s decision, which was denied in January 2013. The mandate vacating CSAPR was issued in February 2013. In March 2013, the EPA and several environmental groups filed petitions with the U.S. Supreme Court requesting review of the decision to vacate and remand CSAPR. With respect to Dominion s generation fleet, the cost to comply with CAIR is not expected to be material. Future outcomes of litigation and/or any additional action to issue a revised rule could affect the assessment regarding cost of compliance.

In May 2012, the EPA issued final designations for the 75-ppb ozone air quality standard. Several Dominion electric generating facilities are located in areas impacted by this standard. As part of the standard, states will be required to develop and implement plans to address sources emitting pollutants which contribute to the formation of ozone. Until the states have developed implementation plans, Dominion is unable to predict whether or to what extent the new rules will ultimately require additional controls.

In February 2008, Dominion received a request for information pursuant to Section 114 of the CAA from the EPA. The request concerns historical operating changes and capital improvements undertaken at State Line and Kincaid. In April 2009, Dominion received a second request for information. Dominion provided information in response to both requests. Also in April 2009, Dominion received a Notice and Finding of Violations from the EPA claiming violations of the CAA New Source Review requirements, NSPS, the Title V permit program and the stations respective State Implementation Plans. In May 2010, Dominion received a request for information pursuant to Section 114 of the CAA from the EPA. The request concerns historical operating changes and capital improvements undertaken at Brayton Point.

Dominion believes that it complied with applicable laws and the EPA regulations and interpretations in effect at the time the work in question took place. Dominion entered into settlement discussions with the U.S. government and reached an agreement to settle the allegations. In April 2013, the U.S. government lodged a consent decree and complaint with the U.S. District Court for the Central District of Illinois that resolves all alleged violations at State Line, Kincaid and Brayton Point. The settlement mandates the closure of State Line, installation of certain control technology at Kincaid and Brayton Point, the achievement of certain emissions limitations, payment of a civil penalty of $3 million and funding of $10 million in environmental mitigation projects. The consent decree will undergo a 30-day public comment period and is expected to be entered by the court thereafter. Dominion previously accrued a liability of $13 million related to this matter. State Line ceased operations in March 2012 and was sold in June 2012. The installation of pollution control technology is in progress at Kincaid and has been completed at Brayton Point. While Dominion has agreed to sell Kincaid and Brayton Point, under the terms of the sale transaction Dominion will retain the $13 million liability associated with the settlement agreement.

Water

The CWA, as amended, 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 all aspects of the CWA programs at their operating facilities.

In September 2010, Millstone s NPDES permit was reissued under the CWA. The conditions of the permit require an evaluation of control technologies that could result in additional expenditures in the future. The report summarizing the results of the evaluation was submitted in August 2012 and is under review by the Connecticut Department of Energy and Environmental Protection. Dominion cannot currently predict the outcome of this review. In October 2010, the permit issuance was appealed to the state court by a private plaintiff. The permit is expected to remain in effect during the appeal. Dominion is currently unable to make an estimate of the potential financial statement impacts related to this matter.

Solid and Hazardous Waste

The CERCLA, as amended, provides for immediate response and removal actions coordinated by the EPA in the event of threatened releases of hazardous substances into the environment and authorizes the U.S. government either to clean up sites at which hazardous substances have created actual or potential environmental hazards or to order persons responsible for the

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situation to do so. Under the CERCLA, as amended, generators and transporters of hazardous substances, as well as past and present owners and operators of contaminated sites, can be jointly, severally and strictly liable for the cost of cleanup. These potentially responsible parties can be ordered to perform a cleanup, be sued for costs associated with an EPA-directed cleanup, voluntarily settle with the U.S. government concerning their liability for cleanup costs, or voluntarily begin a site investigation and site remediation under state oversight.

From time to time, Dominion or Virginia Power may be identified as a potentially responsible party to a Superfund site. The EPA (or a state) can either allow such a party to conduct and pay for a remedial investigation, feasibility study and remedial action or conduct the remedial investigation and action itself and then seek reimbursement from the potentially responsible parties. Each party can be held jointly, severally and strictly liable for the cleanup costs. These parties can also bring contribution actions against each other and seek reimbursement from their insurance companies. As a result, Dominion or Virginia Power may be responsible for the costs of remedial investigation and actions under the Superfund law or other laws or regulations regarding the remediation of waste. Except as noted below, the Companies do not believe this will have a material effect on results of operations, financial condition and/or cash flows.

In September 2011, the EPA issued a UAO to Virginia Power and 22 other parties, ordering specific remedial action of certain areas at the Ward Transformer Superfund site located in Raleigh, North Carolina. Virginia Power does not believe it is a liable party under CERCLA based on its alleged connection to the site. In November 2011, Virginia Power and a number of other parties notified the EPA that they are declining to undertake the work set forth in the UAO.

The EPA may seek to enforce a UAO in court pursuant to its enforcement authority under CERCLA, and may seek recovery of its costs in undertaking removal or remedial action. If the court determines that a respondent failed to comply with the UAO without sufficient cause, the EPA may also seek civil penalties of up to $37,500 per day for the violation and punitive damages of up to three times the costs incurred by the EPA as a result of the party s failure to comply with the UAO. Virginia Power is currently unable to make an estimate of the potential financial statement impacts related to the Ward Transformer matter.

Dominion has determined that it is associated with 17 former manufactured gas plant sites, three of which pertain to Virginia Power. Studies conducted by other utilities at their former manufactured gas plant sites have indicated that those sites contain coal tar and other potentially harmful materials. None of the former sites with which Dominion and Virginia Power are associated is under investigation by any state or federal environmental agency. At one of the former sites, Dominion is conducting a state-approved post closure groundwater monitoring program and an environmental land use restriction has been recorded. Another site has been accepted into a state-based voluntary remediation program. Dominion is currently evaluating the nature and extent of the contamination from this site as well as potential remedial options, but is not yet able to estimate the future remediation costs. Due to the uncertainty surrounding these sites, Dominion is unable to make an estimate of the potential financial statement impacts related to these sites.

Climate Change Legislation and Regulation

Massachusetts, Rhode Island and Connecticut, among other states, have joined RGGI, a multi-state effort to reduce CO_2 emissions in the Northeast implemented through state specific regulations. Under the initiative, aggregate CO_2 emissions from power plants in participating states are required to be stabilized at current levels from 2009 to 2015. Further reductions from current levels would be required to be phased in starting in 2016 such that by 2019 there would be a 10% reduction in participating state power plant CO_2 emissions. During 2012, RGGI underwent a program review, and in February 2013, revisions to the RGGI model rule were issued. Dominion is in the process of evaluating these revisions as to potential impacts on Dominion s fossil fired generation operations in RGGI states. Until this evaluation is completed, Dominion is unable to estimate the potential financial statement impacts related to the program review.

Nuclear Matters

In March 2011, a magnitude 9.0 earthquake and subsequent tsunami caused significant damage at the Fukushima Daiichi nuclear power station in northeast Japan. These events have resulted in significant nuclear safety reviews required by the NRC and industry groups such as INPO. Like other U.S. nuclear operators, Dominion has been gathering supporting data and participating in industry initiatives focused on the ability to respond to and mitigate the consequences of design-basis and beyond-design-basis events at its stations.

In July 2011, an NRC task force provided initial recommendations based on its review of the Fukushima Daiichi accident and in October 2011 the NRC staff prioritized these recommendations into Tiers 1, 2 and 3, with the Tier 1 recommendations consisting of actions which the staff determined should be started without unnecessary delay. In December 2011, the NRC Commissioners approved the agency staff s prioritization and recommendations; and that same month an appropriations act directed the NRC to require reevaluation of external hazards (not limited to seismic and flooding hazards) as soon as possible.

Based on the prioritized recommendations, in March 2012, the NRC issued orders and information requests requiring specific reviews and actions to all operating reactors, construction permit holders and combined license holders based on the lessons

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learned from the Fukushima Daiichi event. The orders applicable to Dominion require implementation of safety enhancements related to mitigation strategies to respond to extreme natural events resulting in the loss of power at plants, and enhancing spent fuel pool instrumentation. The orders require prompt implementation of the safety enhancements and completion of implementation within two refueling outages or by December 31, 2016, whichever comes first. The information requests issued by the NRC request each reactor to reevaluate the seismic and flooding hazards at their site using present-day methods and information, conduct walkdowns of their facilities to ensure protection against the hazards in their current design basis, and to reevaluate their emergency communications systems and staffing levels. Dominion and Virginia Power do not currently expect that compliance with the NRC s March 2012 orders and information requests will materially impact their financial position, results of operations or cash flows during the approximately four-year implementation period. The NRC staff is evaluating the implementation of the longer term Tier 2 and Tier 3 recommendations. Dominion and Virginia Power are currently unable to estimate the potential financial impacts related to compliance with Tier 2 and Tier 3 recommendations.

Guarantees

Dominion

At March 31, 2013, Dominion had issued $89 million of guarantees, primarily to support equity method investees. No significant amounts related to these guarantees have been recorded. As of March 31, 2013, Dominion s exposure under these guarantees was $59 million, primarily related to certain reserve requirements associated with non-recourse financing.

In addition to the above guarantees, Dominion and its partners, Shell and BP, may be required to make additional periodic equity contributions to NedPower and Fowler Ridge in connection with certain funding requirements associated with their respective non-recourse financings. As of March 31, 2013, Dominion s maximum remaining cumulative exposure under these equity funding agreements is $98 million through 2019 and its maximum annual future contributions could range from approximately $4 million to $19 million.

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

At March 31, 2013, Dominion had issued the following subsidiary guarantees:

(millions)	Stated Limit	Value[1]
Subsidiary debt[2]	$ 363	$ 363
Commodity transactions[3]	3,019	341
Nuclear obligations[4]	232	51
Other[5]	638	108
Total	$ 4,252	$ 863

(1) Represents the estimated portion of the guarantee s stated limit that is utilized as of March 31, 2013 based upon prevailing economic conditions and fact patterns specific to each guarantee arrangement. For those guarantees related to obligations that are recorded as liabilities by Dominion s subsidiaries, the value includes the recorded amount.

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

(3) Guarantees related to energy trading and marketing activities and other commodity commitments of certain subsidiaries, including subsidiaries of Virginia Power and DEI. These guarantees were provided to counterparties in order to facilitate physical and financial transactions in gas, oil, electricity, pipeline capacity, transportation and related commodities and services. If any of these subsidiaries fail to perform or pay under the contracts and the counterparties seek performance or payment, Dominion would be

obligated to satisfy such obligation. Dominion and its subsidiaries receive similar guarantees as collateral for credit extended to others. The value provided includes certain guarantees that do not have stated limits.

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

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

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In April 2013, Dominion entered into guarantee arrangements on behalf of Cove Point to facilitate the liquefaction project. These agreements include guarantees supporting the terminal services and transportation agreements as well as the engineering, procurement and construction contract for the new liquefaction facilities. Two of the guarantees have no stated limit, one guarantee has a $150 million limit, and one guarantee has a $1.75 billion aggregate limit with an annual draw limit of $175 million.

Surety Bonds and Letters of Credit

As of March 31, 2013, Dominion had purchased $150 million of surety bonds, including $56 million at Virginia Power, and authorized the issuance of letters of credit by financial institutions of $19 million, including $2 million at Virginia Power, to facilitate commercial transactions by its subsidiaries with third parties. Under the terms of surety bonds, the Companies are obligated to indemnify the respective surety bond company for any amounts paid.

Note 16. Credit Risk

Dominion s and Virginia Power s accounting policies for credit risk are discussed in Note 23 to the Consolidated Financial Statements in their Annual Report on Form 10-K for the year ended December 31, 2012.

At March 31, 2013, Dominion s gross credit exposure totaled $552 million. After the application of collateral, credit exposure was reduced to $551 million. Of this amount, investment grade counterparties, including those internally rated, represented 80%. One counterparty exposure represented 10% of Dominion s total exposure and is a utility holding company rated investment grade. At March 31, 2013, Virginia Power s exposure to potential concentrations of credit risk was not material.

Credit-Related Contingent Provisions

The majority of Dominion s derivative instruments contain credit-related contingent provisions. These provisions require Dominion to provide collateral upon the occurrence of specific events, primarily a credit rating downgrade. If the credit-related contingent features underlying these instruments that are in a liability position and not fully collateralized with cash were fully triggered as of March 31, 2013 and December 31, 2012, Dominion would have been required to post an additional $58 million and $110 million, respectively, of collateral to its counterparties. The collateral that would be required to be posted includes the impacts of any offsetting asset positions and any amounts already posted for derivatives, non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. Dominion had posted $9 million in collateral at March 31, 2013 and $4 million in collateral at December 31, 2012, related to derivatives with credit-related contingent provisions that are in a liability position and not fully collateralized with cash. The collateral posted includes any amounts paid related to non-derivative contracts and derivatives elected under the normal purchases and normal sales exception, per contractual terms. The aggregate fair value of all derivative instruments with credit-related contingent provisions that are in a liability position and not fully collateralized with cash as of March 31, 2013 and December 31, 2012 was $108 million and $163 million, respectively, which does not include the impact of any offsetting asset positions. Credit-related contingent provisions for Virginia Power were not material as of March 31, 2013 and December 31, 2012. See Note 9 for further information about derivative instruments.

Note 17. Related Party Transactions

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

Transactions with Affiliates

Virginia Power transacts with affiliates for certain quantities of natural gas and other commodities in the ordinary course of business. Virginia Power also enters into certain commodity derivative contracts with affiliates. Virginia Power uses these contracts, which are principally comprised of commodity swaps, to manage commodity price risk associated with purchases of natural gas. As of March 31, 2013 and December 31, 2012, Virginia Power s derivative liabilities with affiliates were not material.

DRS and other affiliates provide accounting, legal, finance and certain administrative and technical services to Virginia Power.

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Presented below are significant transactions with DRS and other affiliates:

	Three Months Ended March 31,	
	2013	2012
(millions)		
Commodity purchases from affiliates	**$ 85**	$ 78
Services provided by affiliates	**96**	96

Virginia Power has borrowed funds from Dominion under short-term borrowing arrangements. There were $57 million and $243 million in short-term demand note borrowings from Dominion as of March 31, 2013 and December 31, 2012, respectively. Virginia Power s outstanding borrowings, net of repayments, under the Dominion money pool for its nonregulated subsidiaries totaled $192 million as of December 31, 2012. There were no borrowings as of March 31, 2013. Interest charges related to Virginia Power s borrowings from Dominion were not material for the three months ended March 31, 2013 and 2012.

Note 18. Employee Benefit Plans

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

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	**2013**	2012
(millions)				
Three Months Ended March 31,				
Service cost	**$ 35**	$ 29	**$ 12**	$ 11
Interest cost	**66**	67	**19**	20
Expected return on plan assets	**(114)**	(108)	**(22)**	(21)
Amortization of prior service cost (credit)	**1**	1	**(3)**	(3)
Amortization of net loss	**46**	33	**2**	2
Net periodic benefit cost	**$ 34**	$ 22	**$ 8**	$ 9

Employer Contributions

During the three months ended March 31, 2013, Dominion made no contributions to its defined benefit pension plans or other postretirement benefit plans. Dominion expects to contribute approximately $12 million to its other postretirement benefit plans through Voluntary Employees Beneficiary Associations during the remainder of 2013.

Note 19. Operating Segments

Dominion and Virginia Power are organized primarily on the basis of products and services sold in the U.S. A description of the operations included in the Companies primary operating segments is as follows:

Primary Operating Segment	Description of Operations	Dominion	Virginia Power
DVP	Regulated electric distribution	**X**	**X**
	Regulated electric transmission	**X**	**X**
	Nonregulated retail energy marketing (electric and gas)	**X**	
Dominion Generation	Regulated electric fleet	**X**	**X**
	Merchant electric fleet	**X**	
Dominion Energy	Gas transmission and storage	**X**	

Gas distribution and storage	**X**
LNG import and storage	**X**
Producer services	**X**

In addition to the operating segments above, the Companies also report a Corporate and Other segment.

The Corporate and Other Segment of Dominion includes its corporate, service company and other functions (including unallocated debt) and the net impact of operations that are expected to be or are currently discontinued. 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.

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In the three months ended March 31, 2013, Dominion reported an after-tax net benefit of $19 million for specific items in the Corporate and Other segment, with $17 million of these net benefits attributable to its operating segments. In the three months ended March 31, 2012, Dominion reported after-tax net expense of $3 million for specific items in the Corporate and Other segment, all of which was attributable to its operating segments.

The net benefit for specific items in 2013 primarily related to the impact of the following items:

- A $44 million ($26 million after-tax) net gain on investments held in nuclear decommissioning trust funds, attributable to Dominion Generation; and

- A $1 million net benefit related to Brayton Point and Kincaid, including a $38 million ($23 million after-tax) benefit from the discontinued operations of these merchant power stations partially offset by impairments of $37 million ($22 million after-tax) related to these stations, attributable to Dominion Generation.

The net expense for specific items in 2012 primarily related to the impact of the following items:

- A $22 million ($11 million after-tax) loss from the discontinued operations of Brayton Point and Kincaid, attributable to Dominion Generation; partially offset by

- A $15 million ($9 million after-tax) net gain on investments held in nuclear decommissioning trust funds, attributable to Dominion Generation.

The Corporate and Other Segment of Virginia Power 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.

There were no material net benefit or expense items in the Corporate and Other segment in the three months ended March 31, 2013 or 2012.

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The following table presents segment information pertaining to Dominion s operations:

(millions)	DVP	Dominion Generation[1]	Dominion Energy	Corporate and Other[1]	Adjustments/ Eliminations	Consolidated Total
Three Months Ended March 31,						
2013						
Total revenue from external customers	**$ 907**	**$ 1,651**	**$ 611**	**$ 47**	**$ 307**	**$ 3,523**
Intersegment revenue	**42**	**36**	**265**	**142**	**(485)**	
Total operating revenue	**949**	**1,687**	**876**	**189**	**(178)**	**3,523**
Income from discontinued operations				**1**		**1**
Net income (loss) attributable to Dominion	**142**	**227**	**179**	**(53)**		**495**
2012						
Total revenue from external customers	$ 930	$ 1,580	$ 616	$ 39	$ 232	$ 3,397
Intersegment revenue	63	76	200	149	(488)	
Total operating revenue	993	1,656	816	188	(256)	3,397
Loss from discontinued operations				(10)		(10)
Net income (loss) attributable to Dominion	166	233	149	(54)		494

(1) 2012 amounts have been recast to reflect Brayton Point and Kincaid as discontinued operations, as discussed in Note 3. Intersegment sales and transfers for Dominion are based on contractual arrangements and may result in intersegment profit or loss that is eliminated in consolidation.

The following table presents segment information pertaining to Virginia Power s operations:

(millions)	DVP	Dominion Generation	Corporate and Other	Consolidated Total
Three Months Ended March 31,				
2013				
Operating revenue	**$ 465**	**$ 1,316**	**$**	**$ 1,781**
Net income	**118**	**168**	**1**	**287**
2012				
Operating revenue	$ 459	$ 1,295	$	$ 1,754
Net income	107	133	3	243

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ITEM 2. 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 the Companies Consolidated Financial Statements.

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, 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 and changes in water temperatures and availability that can cause outages and property damage to facilities;

Federal, state and local legislative and regulatory developments;

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 of the Companies facilities;

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 underlying 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;

Price risk due to investments held in nuclear decommissioning trusts by Dominion and Virginia Power and in benefit plan trusts by Dominion;

Fluctuations in interest rates;

Changes in federal and state tax laws and regulations;

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 and retirements of assets based on asset portfolio reviews;

Receipt of approvals for, and timing of, closing dates for acquisitions and divestitures;

Changes in rules for RTOs and ISOs in which Dominion and Virginia Power participate, including changes in rate designs and new and evolving capacity models;

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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 and changes in demand for Dominion s natural gas services;

Additional competition in the electric industry, including in electric markets in which Dominion s merchant generation facilities operate, and competition in the construction and ownership of 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;

Timing and receipt of regulatory approvals necessary for planned construction or expansion projects;

The inability to complete planned construction projects at all or within the terms and time frames initially anticipated; and

Adverse outcomes in litigation matters or regulatory proceedings.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Item 1A. Risk Factors in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 and in Part II, Item 1A. Risk Factors in this report.

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

Accounting Matters

Critical Accounting Policies and Estimates

As of March 31, 2013, there have been no significant changes with regard to the critical accounting policies and estimates disclosed in MD&A in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012. The policies disclosed included the accounting for regulated operations, AROs, income taxes, derivative contracts and other instruments at fair value, goodwill and long-lived asset impairment testing, employee benefit plans and unbilled revenue.

Dominion

Results of Operations

Presented below is a summary of Dominion s consolidated results:

(millions, except EPS)	**2013**	2012	$ Change
First Quarter			
Net income attributable to Dominion	**$ 495**	$ 494	$ 1
Diluted EPS	**0.86**	0.86	

Overview

First Quarter 2013 vs. 2012

Net income attributable to Dominion increased by $1 million largely due to the impact of more favorable weather on electric utility operations, partially offset by a decrease in retail energy marketing activities primarily due to price risk management activities.

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Analysis of Consolidated Operations

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

(millions)	First Quarter 2013	2012	$ Change
Operating revenue	**$ 3,523**	$ 3,397	$ 126
Electric fuel and other energy-related purchases	**951**	912	39
Purchased electric capacity	**88**	113	(25)
Purchased gas	**467**	412	55
Net revenue	**2,017**	1,960	57
Other operations and maintenance	**623**	607	16
Depreciation, depletion and amortization	**297**	273	24
Other taxes	**167**	162	5
Other income	**87**	74	13
Interest and related charges	**228**	212	16
Income tax expense	**288**	269	19
Income (loss) from discontinued operations	**1**	(10)	11

An analysis of Dominion s results of operations follows:

First Quarter 2013 vs. 2012

Net revenue increased 3%, primarily reflecting:

A $96 million increase from electric utility operations primarily reflecting:

The impact ($63 million) of an increase in sales to retail customers primarily due to an increase in heating degree days ($73 million), partially offset by a decrease in sales due to the effect of unfavorable economic conditions on customer usage and other factors ($10 million); and

An increase in rate adjustment clause revenue ($25 million); and

A $25 million increase from regulated natural gas transmission operations primarily related to the Appalachian Gateway Project that was placed into service in September 2012.

These increases were partially offset by:

A $51 million decrease in retail energy marketing activities primarily due to price risk management activities; and

A $19 million decrease from merchant generation operations primarily reflecting lower generation output.

Other operations and maintenance increased 3%, primarily reflecting:

A $33 million increase in salaries, wages and benefits;

A $14 million increase in storm damage and service restoration costs; and

A $17 million increase due to the impact of various other individually immaterial and unrelated items.

These increases were partially offset by:

A $25 million gain from the contribution of Line TL-404 to Blue Racer; and

A $23 million decrease in certain electric transmission-related expenditures. These expenses are recovered through FERC rates.

Depreciation, depletion and amortization increased 9%, primarily due to property additions.

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Segment Results of Operations

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

	Net Income attributable to Dominion			Diluted EPS		
First Quarter	**2013**	2012	$ Change	**2013**	2012	$ Change
(millions, except EPS)						
DVP	**$ 142**	$ 166	$ (24)	**$ 0.25**	$ 0.29	$ (0.04)
Dominion Generation	**227**	233	(6)	**0.39**	0.41	(0.02)
Dominion Energy	**179**	149	30	**0.31**	0.26	0.05
Primary operating segments	**548**	548		**0.95**	0.96	(0.01)
Corporate and Other	**(53)**	(54)	1	**(0.09)**	(0.10)	0.01
Consolidated	**$ 495**	$ 494	$ 1	**$ 0.86**	$ 0.86	$

DVP

Presented below are selected operating statistics related to DVP s operations:

	First Quarter		
	2013	2012	% Change
Electricity delivered (million MWh)	**21.1**	19.6	8%
Degree days (electric distribution service area):			
Cooling		26	(100)
Heating	**2,061**	1,472	40
Average electric distribution customer accounts (thousands)[1]	**2,469**	2,448	1
Average retail energy marketing customer accounts (thousands)[1]	**2,126**	2,122	

(1) Period average.

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

	First Quarter 2013 vs. 2012 Increase (Decrease)	
	Amount	**EPS**
(millions, except EPS)		
Regulated electric sales:		
Weather	$ 15	$ 0.03
Other	(2)	
FERC transmission equity return	6	0.01
Retail energy marketing operations	(33)	(0.07)
Storm damage and service restoration	(8)	(0.01)
Other	(2)	

Change in net income contribution	$ (24)	$ (0.04)

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Dominion Generation

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

	First Quarter		
	2013	2012	% Change
Electricity supplied (million MWh):			
Utility	**21.1**	19.6	8%
Merchant[(1)]	**7.0**	7.3	(4)
Degree days (electric utility service area):			
Cooling		26	(100)
Heating	**2,061**	1,472	40

(1) Excludes 4.0 million MWh for the three months ended March 31, 2013 related to Kewaunee, Brayton Point, Kincaid and Dominion s 50% interest in Elwood. Excludes 3.7 million MWh for the three months ended March 31, 2012 related to Kewaunee, State Line, Salem Harbor, Brayton Point, Kincaid, and Dominion s 50% interest in Elwood.

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

	First Quarter 2013 vs. 2012 Increase (Decrease)	
	Amount	**EPS**
(millions, except EPS)		
Merchant generation margin	$ (19)	$ (0.03)
Regulated electric sales:		
Weather	30	0.05
Other	(4)	(0.01)
Rate adjustment clause equity return	11	0.02
Other[(1)]	(24)	(0.04)
Share dilution		(0.01)
Change in net income contribution	$ (6)	$ (0.02)

(1) Primarily reflects the absence of a $20 million reduction of a valuation allowance related to state operating loss carryforwards associated with Fairless that occurred in 2012.

Dominion Energy

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

	First Quarter		
	2013	2012	% Change
Gas distribution throughput (bcf):			
Sales	**14**	12	17%
Transportation	**110**	98	12
Heating degree days (gas distribution service area)	**3,023**	2,309	31
Average gas distribution customer accounts (thousands)[(1)]:			

Sales	**250**	256	(2)
Transportation	**1,055**	1,051	

(1) Period average.

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

(millions, except EPS)	First Quarter 2013 vs. 2012 Increase (Decrease) Amount	EPS
Weather	$ 6	$ 0.01
Producer services margin	(6)	(0.01)
Gas transmission margin[1]	22	0.04
Gain from contribution of Line TL-404 to Blue Racer	14	0.02
Other	(6)	(0.01)
Change in net income contribution	$ 30	$ 0.05

(1) Primarily reflects the Appalachian Gateway Project that was placed into service in September 2012.

Corporate and Other

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

(millions, except EPS)	First Quarter 2013	2012	$ Change
Specific items attributable to operating segments	**$ 17**	$ (3)	$ 20
Specific items attributable to corporate operations	**2**		2
Total specific items	**19**	(3)	22
Other corporate operations	**(72)**	(51)	(21)
Total net benefit (expense)	**$ (53)**	$ (54)	$ 1
EPS impact	**$ (0.09)**	$ (0.10)	$ 0.01

Total Specific Items

Corporate and Other includes specific items that are not included in profit measures evaluated by management in assessing segment performance or in allocating resources among the segments. See Note 19 to the Consolidated Financial Statements in this report for discussion of these items.

Other Corporate Operations

Year-To-Date 2013 vs. 2012

Net expenses increased primarily due to losses related to early retirement of debt in 2013.

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Virginia Power

Results of Operations

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

	First Quarter		
	2013	2012	$ Change
(millions)			
Net income	**$ 287**	$ 243	$ 44

Overview

First Quarter 2013 vs. 2012

Net income increased by 18% primarily due to the impact of more favorable weather.

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Analysis of Consolidated Operations

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

	First Quarter		
	2013	2012	$ Change
(millions)			
Operating revenue	**$ 1,781**	$ 1,754	$ 27
Electric fuel and other energy-related purchases	**570**	614	(44)
Purchased electric capacity	**88**	113	(25)
Net revenue	**1,123**	1,027	96
Other operations and maintenance	**319**	306	13
Depreciation and amortization	**207**	188	19
Other taxes	**67**	65	2
Other income	**25**	23	2
Interest and related charges	**93**	100	(7)
Income tax expense	**175**	148	27

An analysis of Virginia Power s results of operations follows:

First Quarter 2013 vs. 2012

Net revenue increased 9%, primarily reflecting:

The impact ($63 million) of an increase in sales to retail customers primarily due to an increase in heating degree days ($73 million), partially offset by a decrease in sales due to the effect of unfavorable economic conditions on customer usage and other factors ($10 million); and

An increase in rate adjustment clause revenue ($25 million).

Other operations and maintenance increased 4%, primarily reflecting:

A $14 million increase in salaries, wages and benefits;

A $14 million increase in storm damage and service restoration costs; and

An $8 million increase due to the impact of various other individually immaterial and unrelated items; partially offset by

A $23 million decrease in certain electric transmission-related expenditures. These expenses are recovered through FERC rates.

Depreciation and amortization increased 10%, primarily due to property additions.

Income tax expense increased 18%, primarily reflecting higher pre-tax income in 2013.

Segment Results of Operations

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

	First Quarter		
	2013	2012	$ Change
(millions)			
DVP	**$ 118**	$ 107	$ 11
Dominion Generation	**168**	133	35
Primary operating segments	**286**	240	46
Corporate and Other	**1**	3	(2)
Consolidated	**$ 287**	$ 243	$ 44

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DVP

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

	First Quarter		
	2013	2012	% Change
Electricity delivered (million MWh)	**21.1**	19.6	8%
Degree days (electric distribution service area):			
Cooling		26	(100)
Heating	**2,061**	1,472	40
Average electric distribution customer accounts (thousands)[1]	**2,469**	2,448	1

(1) Period average.

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

	First Quarter 2013 vs. 2012 Increase (Decrease)
(millions)	
Regulated electric sales:	
Weather	$ 15
Other	(2)
FERC transmission equity return	6
Storm damage and service restoration	(8)
Change in net income contribution	$ 11

Dominion Generation

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

	First Quarter		
	2013	2012	% Change
Electricity supplied (million MWh):	**21.1**	19.6	8%
Degree days (electric utility service area):			
Cooling		26	(100)
Heating	**2,061**	1,472	40

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

	First Quarter 2013 vs. 2012 Increase (Decrease)
(millions)	

Regulated electric sales:		
Weather	$	30
Other		(4)
Rate adjustment clause equity return		11
Other		(2)
Change in net income contribution	$	35

Corporate and Other

Corporate and Other includes specific items that are not included in profit measures evaluated by management in assessing segment performance or in allocating resources among the segments. See Note 19 to the Consolidated Financial Statements in this report for discussion of these items.

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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 gains at December 31, 2012	$ 78
Contracts realized or otherwise settled during the period	**(40)**
Change in unrealized gains and losses	**12**
Net unrealized gains at March 31, 2013	**$ 50**

The balance of net unrealized gains and losses recognized for Dominion s energy-related derivative instruments held for trading purposes at March 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	2013	2014	2015	2016	2017	2018 and thereafter	Total
Prices actively quoted Level 1[1]	**$**	$		$		$	$
Prices provided by other external sources Level 2[2]	**33**		**28**		**2**		**63**
Prices based on models and other valuation methods Level 3[3]	**(3)**		**(6)**		**(4)**		**(13)**
Total	**$ 30**	**$**	**22**	**$**	**(2)**	**$**	**$ 50**

(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 March 31, 2013, Dominion had $1.5 billion of unused capacity under its credit facilities, including $587 million of unused capacity under joint credit facilities available to Virginia Power.

The dispositions of certain merchant generation facilities during 2012 and the expected sale or decommissioning of certain other merchant generation facilities in 2013 are not expected to negatively impact Dominion s liquidity.

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A summary of Dominion s cash flows is presented below:

(millions)	2013	2012
Cash and cash equivalents at January 1	$ 248	$ 102
Cash flows provided by (used in):		
Operating activities	1,052	1,623
Investing activities	(862)	(946)
Financing activities	(403)	(646)
Net increase (decrease) in cash and cash equivalents	(213)	31
Cash and cash equivalents at March 31	$ 35	$ 133

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

(millions)	2013	2012
Cash and cash equivalents at January 1	$ 28	$ 29
Cash flows provided by (used in):		
Operating activities	707	906
Investing activities	(655)	(558)
Financing activities	(77)	(349)
Net decrease in cash and cash equivalents	(25)	(1)
Cash and cash equivalents at March 31	$ 3	$ 28

Operating Cash Flows

Net cash provided by Dominion s operating activities decreased by $571 million, primarily due to lower deferred fuel cost recoveries in its Virginia jurisdiction in 2013 as compared to 2012, higher net margin collateral requirements, and the absence of income tax refunds received in 2012. The decrease was partially offset by the impact of more favorable weather in 2013 as compared to 2012.

Net cash provided by Virginia Power s operating activities decreased by $199 million, primarily due to lower deferred fuel cost recoveries in 2013 as compared to 2012 and net changes in other working capital items. The decrease was partially offset by the impact of more 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. 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, which are discussed in Item 1A. Risk Factors in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 and in Part II, Item 1A. Risk Factors in this report.

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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 March 31, 2013 for these activities. Gross credit exposure for each counterparty is calculated prior to the application of collateral and represents 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]	$ 322	$	$ 322
Non-investment grade[2]	4		4
No external ratings:			
Internally rated investment grade[3]	117		117
Internally rated non-investment grade[4]	109	1	108
Total	$ 552	$ 1	$ 551

(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 32% 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 12% of the total net credit exposure.
(4) The five largest counterparty exposures, combined, for this category represented approximately 13% 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 material at March 31, 2013.

Investing Cash Flows

Net cash used in Dominion s investing activities decreased by $84 million, primarily due to lower capital expenditures.

Net cash used in Virginia Power s investing activities increased by $97 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 further in *Credit Ratings* and *Debt Covenants* in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012, 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 and, in the case of Virginia Power, approval by the Virginia Commission.

Each of the Companies 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, as amended. 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.

Net cash used in Dominion s financing activities decreased by $243 million, primarily due to lower net debt repayments in 2013 as compared to 2012 as a result of lower cash inflow from operations.

Net cash used in Virgina Power s financing activities decreased by $272 million, primarily due to net debt issuances in 2013 as compared to net debt repayments in 2012 as a result of lower cash inflow from operations.

See Note 14 to the Consolidated Financial Statements in this report for further information regarding Dominion s and Virginia Power s credit facilities, liquidity and significant financing transactions.

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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 securities. In the *Credit Ratings* section of MD&A in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012, there is a discussion on the use of capital markets by the Companies, as well as the impact of credit ratings on the accessibility and costs of using these markets. As of March 31, 2013, there have been no changes in the Companies credit ratings.

Debt Covenants

In the *Debt Covenants* section of MD&A in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012, there is a discussion on the various covenants present in the enabling agreements underlying the Companies debt. As of March 31, 2013, there have been no material changes to debt covenants, nor any events of default under the Companies debt covenants.

Future Cash Payments for Contractual Obligations and Planned Capital Expenditures

As of March 31, 2013, there have been no material changes outside the ordinary course of business to Dominion s or Virginia Power s contractual obligations as disclosed in MD&A in the Companies Annual Report on Form 10-K for the year ended December 31, 2012.

As of March 31, 2013, Dominion s planned capital expenditures for 2013, 2014 and 2015 are expected to total approximately $5.1 billion, $5.1 billion and $4.3 billion, respectively. The increase in planned capital expenditures, as compared to the amounts originally forecasted in the Companies Annual Report on Form 10-K for the year ended December 31, 2012, primarily reflects the planned construction of the Cove Point liquefaction project in Maryland. There have been no material changes to Virginia Power s planned capital expenditures.

Use of Off-Balance Sheet Arrangements

As of March 31, 2013, there have been no material changes in the off-balance sheet arrangements disclosed in MD&A in the Companies Annual Report on Form 10-K for the year ended December 31, 2012.

Future Issues and Other Matters

The following discussion of future issues and other information includes current developments of previously disclosed matters and new issues arising during the period covered by, and subsequent to, the dates of Dominion s and Virginia Power s Consolidated Financial Statements that may impact the Companies future results of operations, financial condition and/or cash flows. This section should be read in conjunction with *Item 1. Business* and *Future Issues and Other Matters* in *Item 7. MD&A* in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012.

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. See Note 22 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 and Note 15 in this report for additional information on various environmental matters.

Regulatory Matters

See Note 13 to the Consolidated Financial Statements in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 and Note 12 in this report for additional information on various regulatory matters.

Legal Matters

See Item 3. Legal Proceedings in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012 and Notes 12 and 15 and Part II, Item 1. in this report for additional information on various legal matters.

Cove Point Liquefaction Project

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, which is expected to cost between approximately $3.4 billion and $3.8 billion, exclusive of financing costs, will have a name-plate capacity of 5.25 million metric tons per annum of LNG.

In April 2013, Dominion announced it had fully subscribed the marketed 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 marketed 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.

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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 certificate of public convenience and necessity to authorize the construction of an electric generating station needed to power the proposed liquefaction equipment. Following receipt of regulatory and other approvals, construction of liquefaction facilities could begin in 2014 with an in-service date in 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 with the Circuit Court for Calvert County, Maryland to confirm its right to construct the project. In January 2013, the Circuit Court issued a 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, the intermediate appellate court in Maryland, seeking review of the circuit court s ruling. 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. Dominion believes that the agreement with the Sierra Club permits it to locate, construct and operate a liquefaction plant at the Cove Point facility.

North Anna 3

Virginia Power is considering the construction of a third nuclear unit at a site located at North Anna. In April 2013, Virginia Power decided to replace the reactor design previously selected for a potential unit with ESBWR technology.

If Virginia Power decides to build a new unit, it must first receive a COL from the NRC, the approval of the Virginia Commission and certain environmental permits and other approvals. Virginia Power expects to amend its COL application to reflect the ESBWR technology by the end of 2013 and expects to receive the COL no earlier than late 2015. Virginia Power has not yet committed to building a new nuclear unit at North Anna.

ITEM 3.

QUANTITATIVE AND QUALITATIVE

DISCLOSURES ABOUT MARKET RISK

The matters discussed in this Item may contain forward-looking statements as described in the introductory paragraphs under Part I, Item 2. MD&A of this Form 10-Q. The reader s attention is directed to those paragraphs 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, Dominion s gas procurement operations, and Dominion s energy marketing and trading 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 for non-trading purposes associated with purchases and sales of electricity, natural gas and other energy-related products. As part of its strategy to market energy and to manage related risks, Dominion also holds commodity-based financial derivative instruments for trading purposes.

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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 a decrease in fair value of approximately $152 million and $128 million as of March 31, 2013 and December 31, 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 $7 million and $18 million as of March 31, 2013 and December 31, 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 March 31, 2013 or December 31, 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 earnings at March 31, 2013 or December 31, 2012.

Dominion and Virginia Power may also use forward-starting interest rate swaps and interest rate lock agreements as anticipatory hedges. As of March 31, 2013, Dominion and Virginia Power had $1.3 billion and $250 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 $14 million and $3 million, respectively, in the fair value of Dominion s and Virginia Power s interest rate derivatives at March 31, 2013.

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 $69 million, $41 million and $126 million for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 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. Dominion recorded, in AOCI and regulatory liabilities, a net increase in unrealized gains on these investments of $146 million, $196 million and $210 million for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 2012, respectively.

Virginia Power recognized net realized gains (including investment income) on nuclear decommissioning trust investments of $18 million, $17 million and $53 million for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 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. Virginia Power recorded, in AOCI and regulatory liabilities, a net increase in unrealized gains on these investments of $75 million, $79 million and $89 million for the three months ended March 31, 2013 and 2012 and for the year ended December 31, 2012, respectively.

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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. If the values of investments held in these trusts decline, it will result in future increases in the periodic cost recognized for such employee benefit plans and will be included in the determination of the amount of contributions to be made to the employee benefit plans.

ITEM 4. CONTROLS AND PROCEDURES

Senior management of each of Dominion and Virginia Power, including Dominion s and Virginia Power s CEO and CFO, evaluated the effectiveness of each of their respective Companies disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation process, each of Dominion s and Virginia Power s CEO and CFO have concluded that each of their respective Companies disclosure controls and procedures are effective.

There were no changes in either Dominion s or Virginia Power s internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, either of the Companies internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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. Other than the matter discussed below, there have been no material changes to the legal proceedings reported in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012.

In February 2008, Dominion received a request for information pursuant to Section 114 of the CAA from the EPA concerning historical operating changes and capital improvements undertaken at State Line and Kincaid. In April 2009, Dominion received a second request for information. Also in April 2009, Dominion received a Notice and Finding of Violations from the EPA claiming violations of the CAA New Source Review requirements, NSPS, the Title V permit program and the stations respective State Implementation Plans. In May 2010, Dominion received a request for information pursuant to Section 114 of the CAA from the EPA concerning historical operating changes and capital improvements undertaken at Brayton Point.

Dominion believes that it complied with applicable laws and the EPA regulations and interpretations in effect at the time the work in question took place. Dominion entered into settlement discussions with the U.S. government and reached an agreement to settle the allegations. In April 2013, the U.S. government lodged a consent decree and complaint with the U.S. District Court for the Central District of Illinois that resolves all alleged violations at State Line, Kincaid and Brayton Point. The settlement mandates the closure of State Line, installation of certain control technology at Kincaid and Brayton Point, the achievement of certain emissions limitations, payment of a civil penalty of $3 million and funding of $10 million in environmental mitigation projects. The consent decree will undergo a 30-day public comment period and is expected to be entered by the court thereafter. Dominion previously accrued a liability of $13 million related to this matter. State Line ceased operations in March 2012 and was sold in June 2012. The installation of pollution control technology is in progress at Kincaid and has been completed at Brayton Point. While Dominion has agreed to sell Kincaid and Brayton Point, under the terms of the sale transaction Dominion will retain the $13 million liability associated with the settlement agreement.

See the following for discussions on various environmental and other regulatory proceedings to which the Companies are parties:

Notes 13 and 22 to the Consolidated Financial Statements and *Future Issues and Other Matters* in MD&A in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012.

Notes 12 and 15 to the Consolidated Financial Statements in this report.

ITEM 1A. RISK FACTORS

Dominion s 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 the Companies control. A number of these risk factors have been identified in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012, which should be taken into consideration when reviewing the information contained in this report. Other than the risk factor discussed below, there have been no material changes with regard to the risk factors previously disclosed in Dominion s and Virginia Power s Annual Report on Form 10-K for the year ended December 31, 2012. 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 MD&A.

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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. 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 DOE, FERC and other approvals. If Dominion receives DOE authorization to export LNG to non-free trade agreement countries, such authorization would be 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 project has been the subject of litigation which, although decided in Dominion s favor, is the subject of an appeal.

There is no 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*.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Dominion

ISSUER 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]
1/1/13	1/31/13		$		19,629,059 shares/ $1.18 billion
2/1/13	2/28/13	121,065	54.17		19,629,059 shares/ $1.18 billion
3/1/13	3/31/13				19,629,059 shares/ $1.18 billion
Total		121,065	$ 54.17		19,629,059 shares/ $1.18 billion

(1) In February 2013, 121,065 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 BOD in February 2005, as modified in June 2007. The aggregate authorization granted by the Dominion BOD was 86 million shares (as adjusted to reflect a two-for-one stock split distributed in November 2007) not to exceed $4 billion.

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ITEM 6. EXHIBITS

Exhibit Number	Description	Dominion	Virginia Power
3.1.a	Dominion Resources, Inc. Articles of Incorporation as amended and restated effective May 20, 2010 (Exhibit 3.1, Form 8-K filed May 20, 2010, File No. 1-8489).	X	
3.1.b	Virginia Electric and Power Company Amended and Restated Articles of Incorporation, as in effect on March 3, 2011 (Exhibit 3.1b, Form 10-Q for the quarter ended March 30, 2011 filed April 29, 2011, File No. 1-2255).		X
3.2.a	Dominion Resources, Inc. Amended and Restated Bylaws, effective December 13, 2011 (Exhibit 3.1, Form 8-K filed December 14, 2011, File No. 1-8489).	X	
3.2.b	Virginia Electric and Power Company Amended and Restated Bylaws, effective June 1, 2009 (Exhibit 3.1, Form 8-K filed June 3, 2009, File No. 1-2255).		X
4	Dominion Resources, Inc. and Virginia Electric and Power Company agree to furnish to the Securities and Exchange Commission upon request any other instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of either of their total consolidated assets.	X	X
4.1	Form of Senior Indenture, dated June 1, 1998, between Virginia Electric and Power Company and The Bank of New York Mellon (as successor trustee to JP Morgan Chase Bank (formerly The Chase Manhattan Bank)), as Trustee (Exhibit 4(iii), Form S-3 Registration Statement filed February 27, 1998, File No. 333-47119); Form of First Supplemental Indenture, dated June 1, 1998 (Exhibit 4.2, Form 8-K filed June 12, 1998, File No. 1-2255); Form of Second Supplemental Indenture, dated June 1, 1999 (Exhibit 4.2, Form 8-K filed June 4, 1999, File No. 1-2255); Form of Third Supplemental Indenture, dated November 1, 1999 (Exhibit 4.2, Form 8-K filed October 27, 1999, File No. 1-2255); Forms of Fourth and Fifth Supplemental Indentures, dated March 1, 2001 (Exhibits 4.2 and 4.3, Form 8-K filed March 26, 2001, File No. 1-2255); Form of Sixth Supplemental Indenture, dated January 1, 2002 (Exhibit 4.2, Form 8-K filed January 29, 2002, File No. 1-2255); Seventh Supplemental Indenture, dated September 1, 2002 (Exhibit 4.4, Form 8-K filed September 11, 2002, File No. 1-2255); Form of Eighth Supplemental Indenture, dated February 1, 2003 (Exhibit 4.2, Form 8-K filed February 27, 2003, File No. 1-2255); Forms of Ninth and Tenth Supplemental Indentures, dated December 1, 2003 (Exhibits 4.2 and 4.3, Form 8-K filed December 4, 2003, File No. 1-2255); Form of Eleventh Supplemental Indenture, dated December 1, 2003 (Exhibit 4.2, Form 8-K filed December 11, 2003, File No. 1-2255); Forms of Twelfth and Thirteenth Supplemental Indentures, dated January 1, 2006 (Exhibits 4.2 and 4.3, Form 8-K filed January 12, 2006, File No. 1-2255); Form of Fourteenth Supplemental Indenture, dated May 1, 2007 (Exhibit 4.2, Form 8-K filed May 16, 2007, File No. 1-2255); Form of Fifteenth Supplemental Indenture, dated September 1, 2007 (Exhibit 4.2, Form 8-K filed September 10, 2007, File No. 1-2255); Forms of Sixteenth and Seventeenth Supplemental Indentures, dated November 1, 2007 (Exhibits 4.2 and 4.3, Form 8-K filed November 30, 2007, File No. 1-2255); Form of Eighteenth Supplemental Indenture, dated April 1, 2008 (Exhibit 4.2, Form 8-K filed April 15, 2008, File No. 1-2255); Form of Nineteenth Supplemental and Amending Indenture, dated November 1, 2008 (Exhibit 4.2, Form 8-K filed November 5, 2008, File No. 1-2255); Form of Twentieth Supplemental Indenture, dated June 1, 2009 (Exhibit 4.3, Form 8-K filed June 24, 2009, File No. 1-2255); Form of Twenty-First Supplemental Indenture, dated August 1, 2010 (Exhibit 4.3, Form 8-K filed September 1, 2010, File No. 1-2255); Twenty-Second Supplemental Indenture, dated as of January 1, 2012 (Exhibit 4.3, Form 8-K filed January 12, 2012, File No. 1-2255); Twenty-Third Supplemental Indenture, dated as of January 1, 2013 (Exhibit 4.3, Form 8-K filed January 8, 2013, File No. 1-2255); Twenty-Fourth Supplemental Indenture, dated as of January 1, 2013 (Exhibit 4.4, Form 8-K filed January 8, 2013, File No. 1-2255); Twenty-Fifth Supplemental Indenture, dated as of March 1, 2013 (Exhibit 4.3, Form 8-K filed March 14, 2013, File No. 1-2255).	X	X

10.1*	2013 Performance Grant Plan under 2013 Long-Term Incentive Program approved January 24, 2013 (Exhibit 10.1, Form 8-K filed January 25, 2013, File No. 1-8489).	X	X
10.2*	Form of Restricted Stock Award Agreement under the 2013 Long-Term Incentive Program approved January 24, 2013 (Exhibit 10.2, Form 8-K filed January 25, 2013, File No. 1-8489).	X	X

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31.a	Certification by Chief Executive Officer of Dominion Resources, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).	X	
31.b	Certification by Chief Financial Officer of Dominion Resources, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).	X	
31.c	Certification by Chief Executive Officer of Virginia Electric and Power Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).		X
31.d	Certification by Chief Financial Officer of Virginia Electric and Power Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).		X
32.a	Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Dominion Resources, Inc. as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).	X	
32.b	Certification to the Securities and Exchange Commission by Chief Executive Officer and Chief Financial Officer of Virginia Electric and Power Company as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).		X
99	Condensed consolidated earnings statements (filed herewith).	X	X
101^	The following financial statements from Dominion Resources, Inc. s and Virginia Electric and Power Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on April 25, 2013, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Comprehensive Income (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.	X	X

* *Indicates management contract or compensatory plan or arrangement*

^ *This exhibit will not be deemed filed by Virginia Electric and Power Company for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that Virginia Electric and Power Company specifically incorporates it by reference.*

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DOMINION RESOURCES, INC.

Registrant

April 25, 2013 /s/ Ashwini Sawhney
Ashwini Sawhney

Vice President Accounting and Controller

(Chief Accounting Officer)

VIRGINIA ELECTRIC AND POWER COMPANY

Registrant

April 25, 2013 /s/ Ashwini Sawhney
Ashwini Sawhney

Vice President Accounting

(Chief Accounting Officer)

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4	Dominion Resources, Inc. and Virginia Electric and Power Company agree to furnish to the Securities and Exchange Commission upon request any other instrument with respect to long-term debt as to which the total amount of securities authorized does not exceed 10% of either of their total consolidated assets.	X	X
4.1	Form of Senior Indenture, dated June 1, 1998, between Virginia Electric and Power Company and The Bank of New York Mellon (as successor trustee to JP Morgan Chase Bank (formerly The Chase Manhattan Bank)), as Trustee (Exhibit 4(iii), Form S-3 Registration Statement filed February 27, 1998, File No. 333-47119); Form of First Supplemental Indenture, dated June 1, 1998 (Exhibit 4.2, Form 8-K filed June 12, 1998, File No. 1-2255); Form of Second Supplemental Indenture, dated June 1, 1999 (Exhibit 4.2, Form 8-K filed June 4, 1999, File No. 1-2255); Form of Third Supplemental Indenture, dated November 1, 1999 (Exhibit 4.2, Form 8-K filed October 27, 1999, File No. 1-2255); Forms of Fourth and Fifth Supplemental Indentures, dated March 1, 2001 (Exhibits 4.2 and 4.3, Form 8-K filed March 26, 2001, File No. 1-2255); Form of Sixth Supplemental Indenture, dated January 1, 2002 (Exhibit 4.2, Form 8-K filed January 29, 2002, File No. 1-2255); Seventh Supplemental Indenture, dated September 1, 2002 (Exhibit 4.4, Form 8-K filed September 11, 2002, File No. 1-2255); Form of Eighth Supplemental Indenture, dated February 1, 2003 (Exhibit 4.2, Form 8-K filed February 27, 2003, File No. 1-2255); Forms of Ninth and Tenth Supplemental Indentures, dated December 1, 2003 (Exhibits 4.2 and 4.3, Form 8-K filed December 4, 2003, File No. 1-2255); Form of Eleventh Supplemental Indenture, dated December 1, 2003 (Exhibit 4.2, Form 8-K filed December 11, 2003, File No. 1-2255); Forms of Twelfth and Thirteenth Supplemental Indentures, dated January 1, 2006 (Exhibits 4.2 and 4.3, Form 8-K filed January 12, 2006, File No. 1-2255); Form of Fourteenth Supplemental Indenture, dated May 1, 2007 (Exhibit 4.2, Form 8-K filed May 16, 2007, File No. 1-2255); Form of Fifteenth Supplemental Indenture, dated September 1, 2007 (Exhibit 4.2, Form 8-K filed September 10, 2007, File No. 1-2255); Forms of Sixteenth and Seventeenth Supplemental Indentures, dated November 1, 2007 (Exhibits 4.2 and 4.3, Form 8-K filed November 30, 2007, File No. 1-2255); Form of Eighteenth Supplemental Indenture, dated April 1, 2008 (Exhibit 4.2, Form 8-K filed April 15, 2008, File No. 1-2255); Form of Nineteenth Supplemental and Amending Indenture, dated November 1, 2008 (Exhibit 4.2, Form 8-K filed November 5, 2008, File No. 1-2255); Form of Twentieth Supplemental Indenture, dated June 1, 2009 (Exhibit 4.3, Form 8-K filed June 24, 2009, File No. 1-2255); Form of Twenty-First Supplemental Indenture, dated August 1, 2010 (Exhibit 4.3, Form 8-K filed September 1, 2010, File No. 1-2255); Twenty-Second Supplemental Indenture, dated as of January 1, 2012 (Exhibit 4.3, Form 8-K filed January 12, 2012, File No. 1-2255); Twenty-Third Supplemental Indenture, dated as of January 1, 2013 (Exhibit 4.3, Form 8-K filed January 8, 2013, File No. 1-2255); Twenty-Fourth Supplemental Indenture, dated as of January 1, 2013 (Exhibit 4.4, Form 8-K filed January 8, 2013, File No. 1-2255); Twenty-Fifth Supplemental Indenture, dated as of March 1, 2013 (Exhibit 4.3, Form 8-K filed March 14, 2013, File No. 1-2255).	X	X

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