

VIRGINIA ELECTRIC & POWER CO

Form 424B2

September 07, 2007

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Filed Pursuant to Rule 424(b)(2)

Registration No. 333-130932

A filing fee of \$18,420, calculated in accordance with Rule 457(r),
has been previously transmitted to the SEC in connection with the
securities offered by means of this prospectus supplement.

PROSPECTUS SUPPLEMENT

(To Prospectus Dated January 9, 2006)

\$600,000,000

VIRGINIA ELECTRIC AND POWER COMPANY

\$600,000,000 2007 Series B 5.95% Senior Notes Due 2017

The Senior Notes will bear interest at 5.95% per year and will mature on September 15, 2017. We will pay interest on the Senior Notes on March 15 and September 15 of each year, beginning March 15, 2008.

We may redeem all or any of the Senior Notes at any time at the make-whole redemption price described in this prospectus supplement plus accrued interest.

We will not make application to list the Senior Notes on any securities exchange or to include them in any automated quotation system.

Investing in the Senior Notes involves risks. For a description of these risks, see Risk Factors beginning on page S-8.

	Public Offering Price(1)	Underwriting Discount	Proceeds to Company Before Expenses(1)
Per Senior Note	99.612%	0.650%	98.962%
Total	\$597,672,000	\$3,900,000	\$593,772,000

(1) Plus accrued interest from September 11, 2007, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Senior Notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about September 11, 2007.

Joint Book-Running Managers

Goldman, Sachs & Co.

Lehman Brothers

ABN AMRO Incorporated

KeyBanc Capital Markets

BNY Capital Markets, Inc.

KBC Financial Products

Scotia Capital

SunTrust Robinson Humphrey

The date of this Prospectus Supplement is September 6, 2007.

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This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the Senior Notes and certain other matters relating to us and our financial condition. The second part, the accompanying base prospectus, gives more general information about Senior Debt Securities we may offer from time to time, some of which does not apply to the Senior Notes we are offering at this time. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of the Senior Notes in the prospectus supplement differs from the description of Senior Debt Securities in the accompanying base prospectus, you should only rely on the information in the prospectus supplement.

You should rely only on the information contained in this document or to which this document refers you, or in other offering materials filed by us with the Securities and Exchange Commission (SEC). We have not authorized anyone, and we have not authorized the underwriters to authorize anyone, to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This document may only be used where it is legal to sell these securities. The information which appears in this document and which is incorporated by reference in this document may only be accurate as of the date of this prospectus supplement or the date of the document in which incorporated information appears. Our business, financial condition, results of operations and prospects may have changed since the date of such information.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, and other information with the SEC. Our file number with the SEC is 001-02255. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 100 F. Street, N.E., Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You may also read and copy these documents at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement and information that we file later with the SEC will automatically update or supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), until such time as all of the securities covered by this prospectus supplement have been sold:

- Annual Report on Form 10-K for the year ended December 31, 2006;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2007 and June 30, 2007; and
- Current Reports on Form 8-K filed May 16, 2007 and August 17, 2007.

You may request a copy of these filings, at no cost, by writing or telephoning us at:

Corporate Secretary

Virginia Electric and Power Company

120 Tredegar Street

Richmond, Virginia 23219

Telephone (804) 819-2000

FORWARD-LOOKING INFORMATION

We have included certain information in this prospectus supplement or other offering materials which is forward-looking information as defined by the Private Securities Litigation Reform Act of 1995. Examples include discussions as to our expectations, beliefs, plans, goals, objectives and future financial or other performance or assumptions concerning matters discussed in this prospectus. This information, by its nature, involves estimates, projections, forecasts and uncertainties that could cause actual results or outcomes to differ substantially from those expressed in the forward-looking statements.

Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our ability to control. We have identified a number of these factors in this prospectus supplement under the heading RISK FACTORS and we refer you to that discussion for further information.

These factors include unusual weather conditions and their effect on energy sales to customers and energy commodity prices; extreme weather events, including hurricanes and winter storms, that can cause outages and

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property damage to our facilities; state and federal legislative and regulatory developments and changes to environmental and other laws and regulations, including those related to climate change, to which we are subject; cost of environmental compliance, including those costs related to climate change; risks associated with the operation of nuclear facilities; fluctuations in energy-related commodity prices and the effect these could have on our earnings, liquidity position and the underlying value of our assets; capital market conditions, including price risk due to marketable securities held as investments in nuclear decommissioning trusts; fluctuations in interest rates; changes in rating agency requirements or credit ratings and the 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; the risks of operating businesses in regulated industries that are subject to changing regulatory structures; changes in rules for regional transmission organizations (RTOs) in which we participate, including changes in rate designs and new and evolving capacity models; and political and economic conditions, including the threat of domestic terrorism, inflation and deflation.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made.

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PROSPECTUS SUPPLEMENT SUMMARY

In this prospectus supplement, the words Company, we, our and us refer to Virginia Electric and Power Company, a Virginia corporation, and its subsidiaries.

The following summary contains basic information about this offering. It may not contain all the information that is important to you. The DESCRIPTION OF THE SENIOR NOTES section of this prospectus supplement and the DESCRIPTION OF SENIOR DEBT SECURITIES section of the accompanying base prospectus contain more detailed information regarding the terms and conditions of the Senior Notes. The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this prospectus supplement and in the accompanying base prospectus.

THE COMPANY

We are a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and northeastern North Carolina. As of June 30, 2007, we served approximately 2.4 million retail customer accounts, including governmental agencies and wholesale customers such as rural electric cooperatives and municipalities. All of our common stock is owned by Dominion Resources, Inc. (Dominion), an integrated gas and electric holding company.

Our address and telephone number are: Virginia Electric and Power Company, 120 Tredegar Street, Richmond, Virginia 23219, Telephone (804) 819-2000.

Recent Developments

In April 2007, the Virginia General Assembly passed legislation which became effective July 1, 2007 and ends the capped rates that are currently in effect for our Virginia base rates two years early, on December 31, 2008. After capped rates end, retail choice will be eliminated for all but certain individual and non-residential retail customers; individual retail customers will be permitted to purchase renewable energy from competitive suppliers if the incumbent electric utility does not offer a renewable energy tariff. Also after the end of capped rates, the Virginia State Corporation Commission (Virginia Commission) will set the base rates of investor-owned electric utilities under a modified cost-of-service model.

Pursuant to the 2007 amendments to the fuel cost recovery statute, annual fuel rate adjustments, with deferred fuel accounting for over- or under-recoveries of fuel costs, were instituted July 1, 2007. While the 2007 amendments do not allow us to collect any unrecovered fuel expenses that were incurred prior to July 1, 2007, now that our fuel factor is adjusted, the risk of under-recovery of prudently incurred fuel costs is greatly diminished. The 2007 amendments to the fuel cost recovery statute call for annual fuel cost recovery proceedings beginning July 1, 2007 and continuing thereafter. The first annual increase as of July 1, 2007 is limited to an amount that results in the residential customer class not receiving an increase of more than 4% of total rates as of that date. The remainder will be deferred, without interest, and collected during the period beginning July 1, 2008 and ending June 30, 2011. This 4% limitation on the increase for

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the residential customer class in Virginia resulted in a fuel factor increase for Virginia customers of approximately \$219 million effective July 1, 2007, with a deferred balance of approximately \$443 million that will be recovered, without interest, during the period beginning July 1, 2008 and ending June 30, 2011.

Ratio of Earnings to Fixed Charges

6 Months Ended	12 Months Ended	Years Ended December 31,				
		2006	2005	2004	2003	2002
June 30, 2007	June 30, 2007					
2.64	3.27	3.34	3.21	4.48	3.61	4.87

THE OFFERING**The Senior Notes**

We are offering \$600,000,000 aggregate principal amount of the Senior Notes. The Senior Notes will mature on September 15, 2017.

The Senior Notes will be represented by one or more global certificates that will be deposited with and registered in the name of The Depository Trust Company, New York, New York (DTC) or its nominee. This means that you will not receive a certificate for your Senior Notes but, instead, will hold your interest through DTC's book-entry system.

Interest Payment Dates

Interest on the Senior Notes will be payable semi-annually in arrears on March 15 and September 15, beginning March 15, 2008.

Record Dates

So long as the Senior Notes remain in book-entry only form, the record date for each Interest Payment Date will be the close of business on the business day before the applicable Interest Payment Date.

If the Senior Notes are not in book-entry only form, the record date for each Interest Payment Date will be the close of business on the fifteenth calendar day (whether or not a business day) before the applicable Interest Payment Date.

Optional Redemption

We may redeem some or all of the Senior Notes at any time at the redemption price described in DESCRIPTION OF THE SENIOR NOTES Optional Redemption, plus accrued interest to the date of redemption.

The Senior Notes may not be redeemed at any time at the option of the holder.

Ranking

The Senior Notes will rank equally with all of our other senior unsecured indebtedness and will be senior in right of payment to all of our subordinated indebtedness. The Senior Notes will be effectively subordinated to all our secured debt, including our first and refunding mortgage bonds, of which there were \$235 million outstanding at June 30, 2007. On July 1, 2007, we repaid \$215 million aggregate principal amount of these mortgage bonds. The Senior Indenture contains no restrictions on the amount of additional indebtedness that we may incur. While our mortgage bond indenture contains restrictions on the amount of additional mortgage bonds we may issue, the limit is in excess of \$4 billion. The Senior Notes will not be guaranteed by Dominion.

No Listing of the Senior Notes

We do not plan to make application to list the Senior Notes on any securities exchange or to include them in any automated quotation system.

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Use of Proceeds

We intend to use the net proceeds from this offering for general corporate purposes, including the repayment of short-term debt. See USE OF PROCEEDS on page S-12.

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RISK FACTORS

Your investment in the Senior Notes involves certain risks. Our business is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond our control. We have identified a number of these factors below. In consultation with your own financial and legal advisers, you should carefully consider, among other matters, the following discussion of risks before deciding whether an investment in the Senior Notes is suitable for you.

Our operations are weather sensitive. Our results of operations can be affected by changes in the weather. Weather conditions directly influence the demand for electricity and affect the price of energy commodities. In addition, severe weather, including hurricanes, winter storms and droughts, can be destructive, causing outages and property damage that require us to incur additional expenses.

We are subject to complex governmental regulation that could adversely affect our operations. Our operations are subject to extensive federal, state and local regulation and require numerous permits, approvals and certificates from various governmental agencies. We must also comply with environmental legislation and associated regulations. Management believes the necessary approvals have been obtained for our existing operations and that our business is conducted in accordance with applicable laws. However, new laws or regulations, or the revision or reinterpretation of existing laws or regulations, may require us to incur additional expenses.

Costs of environmental compliance, liabilities and litigation could exceed our estimates, which could adversely affect our results of operations. Compliance with federal, state and local environmental laws and regulations may result in increased capital, operating and other costs, including remediation and containment expenses and monitoring obligations. In addition, we may be a responsible party for environmental clean-up at a site identified by a regulatory body. Management cannot predict with certainty the amount and timing of all future expenditures related to environmental matters because of the difficulty of estimating clean-up and compliance costs, and the possibility that changes will be made to the current environmental laws and regulations. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on all potentially responsible parties.

We are exposed to cost-recovery shortfalls because of capped base rates in effect in Virginia for our regulated electric utility. Under the Restructuring Act as amended in 2007, our base rates remain capped through December 31, 2008 unless sooner modified or terminated. Although the Restructuring Act allows for the recovery of certain generation-related costs during the capped rates period, we remain exposed to numerous risks of cost-recovery shortfalls such as costs related to hurricanes or other unanticipated events.

There are risks associated with the operation of nuclear facilities. We operate nuclear facilities that are subject to risks, including the threat of terrorist attack and ability to dispose of spent nuclear fuel, the disposal of which is

subject to complex federal and state regulatory constraints.

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These risks also include the cost of and our ability to maintain adequate reserves for decommissioning, costs of replacement power, costs of plant maintenance and exposure to potential liabilities arising out of the operation of these facilities. We maintain decommissioning trusts and external insurance coverage to mitigate the financial exposure to these risks. However, it is possible that costs arising from claims could exceed the amount of any insurance coverage.

The use of derivative instruments could result in financial losses and liquidity constraints. We use derivative instruments, including futures, forwards, financial transmission rights, options and swaps, to manage our commodity and financial market risks. We could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract. In the absence of actively-quoted market prices and pricing information from external sources, the valuation of these contracts involves management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

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

Our operations in regards to these transactions are subject to multiple market risks including market liquidity, counterparty credit strength and price volatility. These market risks are beyond our control and could adversely affect our results of operations and future growth.

An inability to access financial markets could affect the execution of our business plan. We rely on access to short-term money markets, longer-term capital markets and banks as significant sources of liquidity for capital requirements not satisfied by the cash flows from our operations. Management believes that we will maintain sufficient access to these financial markets based upon current credit ratings. However, certain disruptions outside of our control may increase our cost of borrowing or restrict our ability to access one or more financial markets. Such disruptions could include an economic downturn, the bankruptcy of an unrelated energy company or changes to our credit ratings. Restrictions on our ability to access financial markets may affect our ability to execute our business plan as scheduled.

Changing rating agency requirements could negatively affect our growth and business strategy. As of September 1, 2007, our senior unsecured debt is rated BBB, positive outlook, by Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc. (Standard & Poor's), Baa1, stable outlook, by Moody's Investors Service (Moody's) and BBB+, stable outlook, by Fitch Ratings Ltd. (Fitch). In order to maintain our current credit ratings in light of existing or future requirements, we may find it necessary to take steps or change our business plans in ways that may adversely affect our growth and earnings. A

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reduction in our credit ratings by Standard & Poor's, Moody's or Fitch could increase our borrowing costs and adversely affect operating results.

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

Failure to retain and attract key executive officers and other skilled professional and technical employees could have an adverse effect on our operations. Our business strategy is dependent on our ability to recruit, retain and motivate employees. Competition for skilled employees in some areas is high and the inability to retain and attract these employees could adversely affect our business and future operating results.

THE COMPANY

We are a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and northeastern North Carolina. In Virginia, we conduct business under the name Dominion Virginia Power. In North Carolina, we conduct business under the name Dominion North Carolina Power and serve retail customers located in the northeastern region of the state, excluding certain municipalities. In addition, we sell electricity at wholesale to rural electric cooperatives, municipalities and into wholesale electricity markets. All of our common stock is owned by our parent company, Dominion, an integrated gas and electric holding company. Dominion is not guaranteeing any of the securities described in this prospectus supplement.

Operating Segments

We currently manage our operations through three primary operating segments: Delivery, Energy and Generation.

Delivery includes our regulated electric distribution and customer service businesses. Electric distribution operations serve residential, commercial, industrial and governmental customers in Virginia and northeastern North Carolina.

Energy includes our regulated electric transmission system serving Virginia and northeastern North Carolina. We are a member of PJM Interconnection, LLC (PJM), an RTO, and our electric transmission facilities are integrated into the PJM wholesale electricity markets.

Generation includes our regulated generation portfolio of electric generating facilities and power purchase agreements and our energy supply operations.

We recently announced that beginning October 1, 2007, we will manage our operations through two operating segments: Dominion Virginia Power and Generation. Dominion Virginia Power will include the operations currently conducted in our Delivery and Energy segments. The new Generation segment will be the same as the current Generation segment.

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As of December 31, 2006, we had approximately 6,900 full-time employees. Approximately 3,200 employees are subject to collective bargaining agreements.

We were incorporated in 1909 as a Virginia public service corporation. Our principal office is located at 120 Tredegar Street, Richmond, Virginia 23219-3932. The telephone number is (804) 819-2000.

For additional information about us, see WHERE YOU CAN FIND MORE INFORMATION in this prospectus supplement.

Recent Developments

2007 Virginia Restructuring Act

In April 2007, the Virginia General Assembly passed legislation that significantly changes electricity restructuring in Virginia. The legislation became effective July 1, 2007 and ends capped rates two years early, on December 31, 2008. After capped rates end, retail choice will be eliminated for all but individual retail customers with a demand of more than 5 megawatts (Mw) and non-residential retail customers who obtain Virginia Commission approval to aggregate their load to reach the 5 Mw threshold; individual retail customers will be permitted to purchase renewable energy from competitive suppliers if the incumbent electric utility does not offer a renewable energy tariff. Also after the end of capped rates, the Virginia Commission will set the base rates of investor-owned electric utilities under a modified cost-of-service model.

Virginia Fuel Expenses

The 2007 legislation also continues statutory provisions directing us to file annual fuel cost recovery cases with the Virginia Commission beginning in 2007 and continuing thereafter. Under amendments to the Virginia fuel cost recovery statute passed in 2004, our fuel factor provisions were frozen until July 1, 2007. Fuel prices have increased considerably since 2004, which has resulted in our fuel expenses being significantly in excess of our fuel cost recovery. Pursuant to the 2007 amendments to the fuel cost recovery statute, annual fuel rate adjustments, with deferred fuel accounting for over- or under-recoveries of fuel costs, were instituted beginning July 1, 2007. While the 2007 amendments do not allow us to collect any unrecovered fuel expenses that were incurred prior to July 1, 2007, now that our fuel factor is adjusted, the risk of under-recovery of prudently incurred fuel costs is greatly diminished. Our fuel factor increase as of July 1, 2007 is limited to an amount that results in the residential customer class not receiving an increase of more than 4% of total rates as of that date. The remainder will be deferred, without interest, and collected during the period beginning July 1, 2008 and ending June 30, 2011. This 4% limitation on the increase for the residential customer class in Virginia resulted in a fuel factor increase for Virginia customers of approximately

\$219 million effective July 1, 2007, with a deferred balance of approximately \$443 million that will be recovered, without interest, during the period beginning July 1, 2008 and ending June 30, 2011.

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USE OF PROCEEDS

We intend to use the net proceeds from this offering for general corporate purposes, including the repayment of maturing short-term debt which may include a portion of our commercial paper and short-term intercompany borrowings from our parent company. As of August 31, 2007, the weighted average maturity of our approximately \$423 million of outstanding commercial paper was approximately 12 days and the weighted average interest rate was 6.14%. As of August 31, 2007, we had \$1 billion of short-term intercompany borrowings from our parent company at an interest rate of 6.04%.

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The table below shows our unaudited capitalization on a consolidated basis as of June 30, 2007. The As Adjusted for this Offering column reflects our capitalization after giving effect to this offering of Senior Notes and the intended use of the net proceeds from this offering. You should read this table along with our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2006, as well as the information presented in our most recent Quarterly Report on Form 10-Q. See WHERE YOU CAN FIND MORE INFORMATION on page S-3 and USE OF PROCEEDS on page S-12.

	June 30, 2007	
	Actual	As Adjusted for this Offering
	(in millions)	
Short-term debt ⁽¹⁾	\$ 1,558	\$ 964
Long-term debt ⁽²⁾ :		
Senior notes and medium-term notes	2,912	3,510
Tax exempt financings	580	580
Junior subordinated notes payable to affiliated trust	412	412
Payable to affiliate	220	220
Total long-term debt	4,124	4,722
Preferred stock ⁽³⁾	257	257
Total common shareholder's equity	5,130	5,130
Total capitalization	\$ 11,069	\$ 11,073

⁽¹⁾ Includes securities due within one year.

⁽²⁾ Includes the effect of unamortized discount (\$6 million) and unamortized premium (\$15 million).

⁽³⁾ Includes the effect of preferred stock issuance expenses (\$2 million).

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6 Months Ended	12 Months Ended	Years Ended				
		December 31,				
June 30, 2007	June 30, 2007	2006	2005	2004	2003	2002
2.64	3.27	3.34	3.21	4.48	3.61	4.87

For purposes of this ratio, earnings are determined by adding fixed charges (excluding interest capitalized) to income before taxes. These earnings are then divided by total fixed charges. Fixed charges consist of interest charges (without reduction for Allowance for Funds Used During Construction) on long-term and short-term debt, interest capitalized, and the portion of rental expense that is representative of the interest factor.

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DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the specific terms of the Senior Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Senior Debt Securities set forth in the accompanying base prospectus under the caption DESCRIPTION OF SENIOR DEBT SECURITIES. The following description is not complete in every respect and is subject to, and is qualified in its entirety by reference to, the description in the accompanying base prospectus, the Senior Indenture and the supplemental indenture pertaining to the Senior Notes. Capitalized terms used in this DESCRIPTION OF THE SENIOR NOTES that are not defined in this prospectus supplement have the meanings given to them in the accompanying base prospectus, the Senior Indenture or the supplemental indenture. In this DESCRIPTION OF THE SENIOR NOTES, references to the Company, we, us, and our mean Virginia Electric and Power Company, excluding any of its subsidiaries unless otherwise expressly stated or the context otherwise requires.

General

The Senior Notes will be issued as a series of Senior Debt Securities under the Senior Indenture. The Senior Notes will initially be limited in aggregate principal amount to \$600,000,000. We may, without the consent of the holders of Senior Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Senior Notes. Any additional notes having such similar terms, together with the Senior Notes, will constitute a single series of notes under the Senior Indenture.

The entire principal amount of the Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on September 15, 2017. The Senior Notes are not subject to any sinking fund provision. The Senior Notes are available for purchase in denominations of \$1,000 and any integral multiple of \$1,000.

Interest

Each Senior Note will bear interest at the rate of 5.95% per year from the date of original issuance. Interest is payable semi-annually in arrears on March 15 and September 15 of each year (each, an Interest Payment Date). The initial Interest Payment Date is March 15, 2008. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. If any date on which interest is payable on the Senior Notes is not a business day, then payment of the interest payable on that date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any delay), with the same force and effect as if made on such date.

So long as the Senior Notes remain in book-entry only form, the record date for each Interest Payment Date will be the close of business on the business day before the applicable Interest Payment Date. If the Senior Notes are not in

book-entry only form, the record date for each Interest Payment Date will be the close of business on the fifteenth calendar day (whether or not a business day) before the applicable Interest Payment Date. In any case, interest payable at maturity or upon redemption will be payable to the person to whom principal is payable.

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Ranking

The Senior Notes will be our direct, unsecured and unsubordinated obligations. The Senior Notes will rank equally with all of our other senior unsecured indebtedness and will be senior in right of payment to all of our subordinated indebtedness. The Senior Notes will be effectively subordinated to all our secured debt, including our first and refunding mortgage bonds, of which there were approximately \$235 million outstanding at June 30, 2007. On July 1, 2007, we repaid \$215 million aggregate principal amount of these mortgage bonds. The Senior Notes will not be guaranteed by Dominion.

The Senior Indenture contains no restrictions on the amount of additional indebtedness that we may incur. While our mortgage bond indenture contains restrictions on the amount of additional mortgage bonds we may issue, the limit is in excess of \$4 billion.

Optional Redemption

The Senior Notes are redeemable, in whole or in part, at any time, and at our option, at a redemption price equal to the greater of:

100% of the principal amount of Senior Notes then outstanding to be redeemed, or

the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 25 basis points, as calculated by an Independent Investment Banker,

plus accrued and unpaid interest on the Senior Notes to the Redemption Date.

We will mail a notice of redemption at least 20 days but no more than 60 days before the Redemption Date to each holder of Senior Notes to be redeemed. If we elect to partially redeem the Senior Notes, the trustee will select in a fair and appropriate manner the Senior Notes to be redeemed.

Unless we default in payment of the redemption price, on and after the Redemption Date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

Adjusted Treasury Rate means, with respect to any Redemption Date:

the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life (as defined below), yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Adjusted Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or

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if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

The Adjusted Treasury Rate will be calculated on the third business day preceding the Redemption Date.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Senior Notes (Remaining Life).

Comparable Treasury Price means (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means Goldman, Sachs & Co. or Lehman Brothers Inc. and their respective successors as selected by us, or if none of such firms is willing or able to serve as such, an independent investment and banking institution of national standing appointed by us.

Reference Treasury Dealer means:

Goldman, Sachs & Co. and Lehman Brothers Inc. and their respective successors; provided that, if any such firm or its successors ceases to be a primary U.S. Government securities dealer in the United States (Primary Treasury Dealer), we will substitute another Primary Treasury Dealer; and

up to three other Primary Treasury Dealers selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 5:00 p.m., New York City time, on the third business day preceding such Redemption Date.

The Trustee

The trustee under the Senior Indenture is The Bank of New York (successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)). We and certain of our affiliates maintain deposit accounts and banking relationships with The Bank of New York. The Bank of New York also serves as trustee under other indentures under which we and certain of our affiliates have issued securities. The Bank of New York and its affiliates, including BNY Capital Markets, Inc. which is an underwriter for this offering, have purchased, and are likely to purchase in the future, our securities and securities of our affiliates.

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BOOK-ENTRY PROCEDURES AND SETTLEMENT

Upon issuance, the Senior Notes will be represented by one or more fully registered global certificates. Each global certificate will be deposited with the trustee on behalf of DTC and will be registered in the name of DTC or a nominee of DTC. DTC will thus be the only registered holder of these securities.

The following is based on information furnished to us by DTC:

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (Direct Participants) deposit with DTC. DTC also facilitates the settlement among Direct Participants of sales and other securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks, trust companies and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

Purchases of securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of securities (Beneficial Owner) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with the trustee on behalf of DTC are

registered in the name of DTC's partnership

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nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities. DTC's records reflect only the identity of the Direct Participants to whose accounts the securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the securities. Under its usual procedures, DTC mails an omnibus proxy to the Company as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Company or its agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of the Participant and not of DTC, the Company, or the trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Company or its agent, disbursement of the payments to Direct Participants will be the responsibility of DTC, and disbursement of the payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Senior Notes at any time by giving reasonable notice to the Company or the trustee. Under those circumstances, if a successor securities depository is not obtained, security certificates are required to be printed and delivered. The Company may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor depository). In that event, security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

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We have no responsibility for the performance by DTC or its Participants of their respective obligations as described in this prospectus or under the rules and procedures governing their respective operations.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

This discussion summarizes certain U.S. federal income tax considerations relating to the Senior Notes applicable to Non-U. S. Holders. This discussion is based on interpretations of the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations issued thereunder, and rulings and decisions currently in effect (or in some cases proposed), all of which are subject to change. Any such change may be applied retroactively and may adversely affect the U.S. federal income tax consequences described herein. **This discussion does not deal with all of the U.S. federal income tax consequences that may be relevant to particular investors who are not Non-U.S. Holders or to investors subject to special treatment under U.S. federal income tax laws, nor does it deal with the tax consequences under the laws of any foreign, state or local taxing jurisdictions. Accordingly, prospective investors are urged to consult their own tax advisers with respect to the U.S. federal, state and local tax consequences of investing in the Senior Notes, as well as any consequences arising under the laws of any other taxing jurisdiction to which they may be subject.**

As used in this discussion, the term "Non-U.S. Holder" means a beneficial owner of Senior Notes that is, for U.S. federal income tax purposes:

a nonresident alien individual (but not a United States expatriate),

a foreign corporation other than a controlled foreign corporation or a passive foreign investment company,

an estate whose income is not subject to U.S. federal income tax on a net income basis, or

a trust if no court within the United States is able to exercise primary jurisdiction over its administration or if no United States persons have the authority to control all of its substantial decisions.

Interest payments on the Senior Notes to Non-U.S. Holders will not be subject to U.S. federal income or withholding tax if the following conditions are satisfied:

the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote,

the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related to the Company through actual or constructive ownership,

the Non-U.S. Holder is not a bank whose receipt of interest on the Senior Notes is described in Section 881(c)(3)(A) of the Code, and

the payments are not effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States and either (a) the Non-U.S. Holder provides a correct, complete and executed IRS Form W-8BEN, Form W-8EXP or Form W-8IMY (or successor form) with all of the attachments required by the IRS, or (b) the Non-U.S. Holder holds its Senior Notes through a

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qualified intermediary (generally a foreign financial institution or clearing organization or a non-U.S. branch or office of a U.S. financial institution or clearing organization that is a party to a withholding agreement with the IRS) which has provided an IRS Form W-8IMY stating that it is a qualified intermediary and has received documentation upon which it can rely to treat the payment as made to a foreign person.

If any of the conditions described above are not satisfied, interest on the Senior Notes will be subject to a 30% withholding tax when paid, unless an income tax treaty reduces or eliminates the tax or the interest is effectively connected with the conduct of a U.S. trade or business and the Non-U.S. Holder provides a correct, complete and executed IRS Form W-8ECI. In the latter event, Non-U.S. Holders will generally be subject to U.S. federal income tax with respect to all income from the Senior Notes in the same manner as U.S. holders. In addition, Non-U.S. Holders that are corporations could be subject to a branch profits tax on such income.

In general, gain realized on the sale, exchange or retirement of the Senior Notes by a Non-U.S. Holder will not be subject to U.S. federal income tax, unless:

the gain with respect to the Senior Notes is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States, in which case the gain will be taxed in the same manner as interest that is effectively connected to such trade or business, or

the Non-U.S. Holder is a nonresident alien individual who holds the Senior Notes as a capital asset and is present in the United States for more than 182 days in the taxable year of the sale or other disposition of the Senior Notes and certain other conditions are satisfied.

Backup withholding will not be required with respect to interest paid to Non-U.S. Holders, so long as the Company has received from the Non-U.S. Holder a correct and complete IRS Form W-8BEN, Form W-8ECI, Form W-8EXP or Form W-8IMY (or successor form) with all of the attachments required by the IRS. Interest paid to a Non-U.S. Holder will be reported on IRS Form 1042-S, which is filed with the IRS and sent to Non-U.S. Holders.

Information reporting and backup withholding may apply to the proceeds of a sale of Senior Notes by a Non-U.S. Holder made within the United States or conducted through certain U.S. related financial intermediaries, unless the Company receives one of the IRS tax forms described above.

Backup withholding is not an additional tax and may be refunded (or credited against U.S. federal income tax liability, if any), provided that the required information is furnished to the IRS. The information reporting requirements may apply regardless of whether withholding is required. For Non-U.S. Holders, copies of the information returns reporting such interest and withholding also may be made available to the tax authorities in the country in which a Non-U.S. Holder is a resident under the provisions of an applicable income tax treaty or agreement.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement, dated the date of this prospectus supplement (Underwriting Agreement), the underwriters named below have