

DOMINION RESOURCES INC /VA/
Form 10-Q
November 05, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2013

or

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

For the transition period from _____ to _____

Commission File Number	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 No Virginia Electric and Power Company Yes No

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

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

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

Dominion Resources, Inc.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Virginia Electric and Power Company

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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

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At September 30, 2013, the latest practicable date for determination, Dominion Resources, Inc. had 580,435,589 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.

Table of Contents

COMBINED INDEX

	Page Number
<u>Glossary of Terms</u>	<u>3</u>
<u>PART I. Financial Information</u>	
Item 1. <u>Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>64</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>78</u>
Item 4. <u>Controls and Procedures</u>	<u>80</u>
<u>PART II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>81</u>
Item 1A. <u>Risk Factors</u>	<u>81</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>82</u>
Item 6. <u>Exhibits</u>	<u>83</u>

Table of Contents**GLOSSARY OF TERMS**

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

Abbreviation or Acronym	Definition
AFUDC	Allowance for funds used during construction
AMR	Automated meter reading program deployed by East Ohio
AOCI	Accumulated other comprehensive income (loss)
Appalachian Gateway Project	DTI project completed in September 2012 to provide approximately 484,000 Dth per day of firm transportation services for new Appalachian gas supplies in West Virginia and southwestern Pennsylvania to an interconnection with Texas Eastern Transmission, LP at Oakford, Pennsylvania
AROs	Asset retirement obligations
ARP	Acid Rain Program, a market-based initiative for emissions allowance trading, established pursuant to Title IV of the CAA
ATEX line	Appalachia to Texas Express ethane line
bcf	Billion cubic feet
Blue Racer	Blue Racer Midstream, LLC, a joint venture with Caiman
BOD	Board of Directors
BOEM	Bureau of Ocean Energy Management
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
Brunswick County	Brunswick County power station, a 1,358 MW combined cycle, natural gas-fired power station under construction in Brunswick County, Virginia
CAA	Clean Air Act
Caiman	Caiman Energy II, LLC
CAIR	Clean Air Interstate Rule
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
CPCN	Certificate of Public Convenience and Necessity
CSAPR	Cross State Air Pollution Rule
CWA	Clean Water Act
D.C.	District of Columbia
DEI	Dominion Energy, Inc.
DGH	Dominion Gas Holdings, LLC
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 owned a 50 percent interest (712 MW)

Table of Contents

Abbreviation or Acronym	Definition
Energy Capital Partners	A private equity firm with offices in Short Hills, New Jersey and San Diego, California
Enterprise	Enterprise Product Partners, L.P.
EPA	Environmental Protection Agency
EPS	Earnings per share
ESBWR	General Electric-Hitachi's Economic Simplified Boiling Water Reactor
Fairless	Fairless power station
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings Ltd.
Fowler Ridge	A wind-turbine facility joint venture between Dominion and BP in Benton County, Indiana
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
GHG	Greenhouse gas
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
IDA	Industrial Development Authority
Illinois Gas Contracts	A Dominion Retail natural gas book of business consisting of residential and commercial customers in Illinois
INPO	Institute of Nuclear Power Operations
IRS	Internal Revenue Service
ISO	Independent system operator
ISO-NE	ISO New England
Juniper	Juniper Capital L.P.
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 TPL-2A	An approximately 11-mile, 30-inch gathering line extending from Tuscarawas County, Ohio to Harrison County, Ohio
Line TL-388	A 37-mile, 24-inch gathering line extending from Texas Eastern, LP in Noble County, Ohio to its terminus at Dominion's Gilmore Station in Tuscarawas County, Ohio

Line TL-404	An approximately 26-mile, 24- and 30- inch gas gathering pipeline that extends from Wetzel County, West Virginia to Monroe County, Ohio
LNG	Liquefied natural gas
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MDFA	Massachusetts Development Finance Agency
Meadow Brook-to-Loudoun line	Virginia Power 65-mile 500 kV transmission line that begins in Warren County, Virginia and terminates in Loudoun County, Virginia
Millstone	Millstone nuclear power station
MISO	Midcontinent Independent Transmission System Operator, Inc.
MLP	Master limited partnership
Moody s	Moody s Investors Service
MW	Megawatt
MWh	Megawatt hour
NCEMC	North Carolina Electric Membership Corporation
NedPower	A wind-turbine facility joint venture between Dominion and Shell in Grant County, West Virginia
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Corporation
NGLs	Natural gas liquids
North Anna	North Anna nuclear power station
North Carolina Commission	North Carolina Utilities Commission

Table of Contents

Abbreviation or Acronym	Definition
Northeast Expansion Project	DTI project completed in November 2012 to provide approximately 200,000 Dth per day of firm transportation services; this project moves supplies from various receipt points in central and southwestern Pennsylvania to a nexus of market pipelines and storage facilities in Leidy, Pennsylvania
NO _x	Nitrogen oxide
NPDES	National Pollutant Discharge Elimination System
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
ODEC	Old Dominion Electric Cooperative
Order 1000	Order issued by FERC adopting new requirements for transmission planning, cost allocation and development
PADEP	Pennsylvania Department of Environmental Protection
PIPP	Percentage of Income Payment Plan
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio
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 BW	A rate adjustment clause associated with the recovery of costs related to Brunswick 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
ROE	Return on equity
RSN	Remarketable subordinated note
RTEP	Regional transmission expansion plan
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 McGraw Hill Financial, Inc.
State Line	State Line power station
Surry	Surry nuclear power station

U.S.	United States of America
UAO	Unilateral Administrative Order
VIE	Variable interest entity
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
West Virginia Commission	Public Service Commission of West Virginia

PAGE 5

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****DOMINION RESOURCES, INC.****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012⁽¹⁾	2013	2012⁽¹⁾
(millions, except per share amounts)				
Operating Revenue	\$ 3,432	\$ 3,332	\$ 9,935	\$ 9,734
Operating Expenses				
Electric fuel and other energy-related purchases	1,107	1,009	2,933	2,816
Purchased electric capacity	91	86	267	297
Purchased gas	232	191	996	818
Other operations and maintenance	525	1,086	1,876	2,446
Depreciation, depletion and amortization	309	290	909	838
Other taxes	134	119	442	422
Total operating expenses	2,398	2,781	7,423	7,637
Income from operations	1,034	551	2,512	2,097
Other income	86	56	222	174
Interest and related charges	217	197	648	618
Income from continuing operations including noncontrolling interests before income tax expense	903	410	2,086	1,653
Income tax expense	305	143	709	578
Income from continuing operations including noncontrolling interests	598	267	1,377	1,075
Loss from discontinued operations ⁽²⁾	(23)	(52)	(92)	(94)
Net Income Including Noncontrolling Interests	575	215	1,285	981
Noncontrolling Interests	6	6	19	20
Net Income Attributable to Dominion	\$ 569	\$ 209	\$ 1,266	\$ 961

Amounts Attributable to Dominion:

Income from continuing operations, net of tax	\$ 592	\$ 261	\$ 1,358	\$ 1,055
Loss from discontinued operations, net of tax	(23)	(52)	(92)	(94)
Net income attributable to Dominion	\$ 569	\$ 209	\$ 1,266	\$ 961
Earnings Per Common Share-Basic				
Income from continuing operations	\$ 1.02	\$ 0.45	\$ 2.35	\$ 1.84
Loss from discontinued operations	(0.04)	(0.09)	(0.16)	(0.16)
Net income attributable to Dominion	\$ 0.98	\$ 0.36	\$ 2.19	\$ 1.68
Earnings Per Common Share-Diluted				
Income from continuing operations	\$ 1.02	\$ 0.45	\$ 2.35	\$ 1.84
Loss from discontinued operations	(0.04)	(0.09)	(0.16)	(0.16)
Net income attributable to Dominion	\$ 0.98	\$ 0.36	\$ 2.19	\$ 1.68
Dividends declared per common share	\$ 0.5625	\$ 0.5275	\$ 1.6875	\$ 1.5825

- (1) Recast to reflect Brayton Point and Kincaid as discontinued operations, as discussed in Note 3.
- (2) Includes income tax expense of \$6 million for the three months ended September 30, 2013 and income tax benefit of \$17 million, \$43 million and \$53 million for the three months ended September 30, 2012 and the nine months ended September 30, 2013 and 2012, respectively.

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

Table of Contents

DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
(millions)				
Net income including noncontrolling interests	\$ 575	\$ 215	\$ 1,285	\$ 981
Other comprehensive income (loss), net of taxes:				
Net deferred gains (losses) on derivatives-hedging activities ⁽¹⁾	(77)	(86)	(45)	40
Changes in unrealized net gains on investment securities ⁽²⁾	38	49	119	110
Changes in unrecognized pension and other postretirement benefit costs ⁽³⁾	(12)	(6)	216	(4)
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities ⁽⁴⁾	(6)	(20)	53	(63)
Net realized gains on investment securities ⁽⁵⁾	(10)	(4)	(46)	(18)
Net pension and other postretirement benefit costs ⁽⁶⁾	14	15	44	38
Total other comprehensive income (loss)	(53)	(52)	341	103
Comprehensive income including noncontrolling interests	522	163	1,626	1,084
Comprehensive income attributable to noncontrolling interests	6	6	19	20
Comprehensive income attributable to Dominion	\$ 516	\$ 157	\$ 1,607	\$ 1,064

- (1) Net of \$43 million and \$57 million tax for the three months ended September 30, 2013 and 2012, respectively, and net of \$21 million and \$(28) million tax for the nine months ended September 30, 2013 and 2012, respectively.
- (2) Net of \$(29) million and \$(33) million tax for the three months ended September 30, 2013 and 2012, respectively, and net of \$(80) million and \$(73) million tax for the nine months ended September 30, 2013 and 2012, respectively.
- (3) Net of \$(12) million and \$(7) million tax for the three months ended September 30, 2013 and 2012, respectively, and net of \$(160) million and \$(8) million tax for the nine months ended September 30, 2013 and 2012, respectively.
- (4) Net of \$4 million and \$12 million tax for the three months ended September 30, 2013 and 2012, respectively, and net of \$(35) million and \$39 million tax for the nine months ended September 30, 2013 and 2012, respectively.
- (5) Net of \$5 million and \$3 million tax for the three months ended September 30, 2013 and 2012, respectively, and net of \$28 million and \$12 million tax for the nine months ended September 30, 2013 and 2012, respectively.
- (6) Net of \$(9) million and \$(6) million tax for the three months ended September 30, 2013 and 2012, respectively, and net of \$(29) million and \$(23) million tax for the nine months ended September 30, 2013 and 2012, respectively.

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

PAGE 7

Table of Contents

DOMINION RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(millions)	September 30, 2013	December 31, 2012 ⁽¹⁾
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 287	\$ 248
Customer receivables (less allowance for doubtful accounts of \$27 and \$28)	1,499	1,621
Other receivables (less allowance for doubtful accounts of \$3 and \$4)	103	96
Inventories	1,210	1,259
Derivative assets	689	518
Other	1,422	1,398
Total current assets	5,210	5,140
Investments		
Nuclear decommissioning trust funds	3,673	3,330
Investment in equity method affiliates	926	558
Other	277	303
Total investments	4,876	4,191
Property, Plant and Equipment		
Property, plant and equipment	46,102	43,364
Property, plant and equipment, VIE		957
Accumulated depreciation, depletion and amortization	(14,241)	(13,548)
Total property, plant and equipment, net	31,861	30,773
Deferred Charges and Other Assets		
Goodwill	3,087	3,130
Regulatory assets	1,478	1,717
Other	1,976	1,887
Total deferred charges and other assets	6,541	6,734
Total assets	\$ 48,488	\$ 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.

PAGE 8

Table of Contents**DOMINION RESOURCES, INC.****CONSOLIDATED BALANCE SHEETS (Continued)****(Unaudited)**

(millions)	September 30, 2013	December 31, 2012 ⁽¹⁾
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	\$ 1,132	\$ 1,363
Securities due within one year, VIE		860
Short-term debt	2,145	2,412
Accounts payable	980	1,137
Derivative liabilities	659	510
Other	1,537	1,481
Total current liabilities	6,453	7,763
Long-Term Debt		
Long-term debt	16,096	15,478
Junior subordinated notes	1,373	1,373
Remarketable subordinated notes	1,079	
Total long-term debt	18,548	16,851
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	6,735	5,800
Asset retirement obligations	1,625	1,641
Pension and other postretirement benefit liabilities	1,294	1,831
Regulatory liabilities	1,718	1,514
Other	616	556
Total deferred credits and other liabilities	11,988	11,342
Total liabilities	36,989	35,956
Commitments and Contingencies (see Note 15)		
Subsidiary Preferred Stock Not Subject to Mandatory Redemption	257	257
Equity		
Common stock - no par ⁽²⁾	5,699	5,493
Other paid-in capital		162
Retained earnings	6,079	5,790

Accumulated other comprehensive loss	(536)	(877)
Total common shareholders' equity	11,242	10,568
Noncontrolling interest		57
Total equity	11,242	10,625
Total liabilities and equity	\$ 48,488	\$ 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; 580 million shares and 576 million shares outstanding at September 30, 2013 and December 31, 2012, respectively.

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

Table of Contents

DOMINION RESOURCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Nine Months Ended September 30, (millions)	2013	2012
Operating Activities		
Net income including noncontrolling interests	\$ 1,285	\$ 981
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Impairment of merchant generation assets	48	444
Gains on sales of assets	(118)	
Depreciation, depletion and amortization (including nuclear fuel)	1,104	1,080
Deferred income taxes and investment tax credits	601	550
Rate refunds	(5)	(132)
Other adjustments	(79)	(91)
Changes in:		
Accounts receivable	98	371
Inventories	(63)	35
Deferred fuel and purchased gas costs, net	85	332
Prepayments	46	(72)
Accounts payable	(144)	(216)
Accrued interest, payroll and taxes	(38)	1
Margin deposit assets and liabilities	(27)	126
Other operating assets and liabilities	157	53
Net cash provided by operating activities	2,950	3,462
Investing Activities		
Plant construction and other property additions (including nuclear fuel)	(2,978)	(2,884)
Proceeds from sales of assets	595	
Proceeds from sales of securities	1,260	1,040
Purchases of securities	(1,278)	(1,047)
Restricted cash equivalents	23	92
Other	30	15
Net cash used in investing activities	(2,348)	(2,784)
Financing Activities		
Repayment of short-term debt, net	(267)	(433)
Issuance of long-term debt	2,935	1,500
Repayment of long-term debt, including redemption premiums	(1,214)	(1,037)
Repayment of junior subordinated notes	(258)	
Acquisition of Juniper noncontrolling interest in Fairless	(923)	
Issuance of common stock	206	197
Common dividend payments	(976)	(906)

Subsidiary preferred dividend payments	(12)	(12)
Other	(54)	(8)
Net cash used in financing activities	(563)	(699)
Increase (decrease) in cash and cash equivalents	39	(21)
Cash and cash equivalents at beginning of period	248	102
Cash and cash equivalents at end of period	\$ 287	\$ 81

Supplemental Cash Flow Information

Significant noncash investing activities:

Accrued capital expenditures	\$ 271	\$ 328
Contribution of assets in exchange for additional ownership interest in Blue Racer	473	

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
(millions)				
Operating Revenue	\$ 2,059	\$ 2,086	\$ 5,550	\$ 5,596
Operating Expenses				
Electric fuel and other energy-related purchases	651	634	1,749	1,850
Purchased electric capacity	91	86	267	296
Other operations and maintenance:				
Affiliated suppliers	83	91	238	256
Other	273	278	792	861
Depreciation and amortization	218	203	636	579
Other taxes	64	48	196	179
Total operating expenses	1,380	1,340	3,878	4,021
Income from operations	679	746	1,672	1,575
Other income	19	25	71	65
Interest and related charges	93	97	270	297
Income before income tax expense	605	674	1,473	1,343
Income tax expense	218	259	534	513