

DOMINION RESOURCES INC /VA/

Form 10-Q

July 30, 2014

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 June 30, 2014

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 |

333-195066

DOMINION GAS HOLDINGS, LLC

46-3639580

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

Dominion Gas Holdings, LLC 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

Dominion Gas Holdings, LLC 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
Dominion Gas Holdings, LLC

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

Dominion Gas Holdings, LLC Yes No

At June 30, 2014, the latest practicable date for determination, Dominion Resources, Inc. had 582,667,882 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. Dominion Resources, Inc. holds all of the membership interests of Dominion Gas Holdings, LLC.

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

DOMINION GAS HOLDINGS, LLC MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS FILING THIS FORM 10-Q UNDER THE REDUCED DISCLOSURE FORMAT.

Table of Contents

COMBINED INDEX

| | Page Number |
|------------------------------------------------------------------------------------------------------|----------------|
| <u>Glossary of Terms</u> | 3 |
| <u>PART I. Financial Information</u> | |
| Item 1. <u>Financial Statements</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 76 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 92 |
| Item 4. <u>Controls and Procedures</u> | 94 |
| <u>PART II. Other Information</u> | |
| Item 1. <u>Legal Proceedings</u> | 95 |
| Item 1A. <u>Risk Factors</u> | 95 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 97 |
| Item 6. <u>Exhibits</u> | 97 |

PAGE 2

Table of Contents**GLOSSARY OF TERMS**

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

| Abbreviation or Acronym | Definition |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 2013 Equity Units | Dominion's 2013 Series A Equity Units and 2013 Series B Equity Units issued in June 2013 |
| 2014 Equity Units | Dominion's 2014 Series A Equity Units issued in July 2014 |
| AFUDC | Allowance for funds used during construction |
| AMR | Automated meter reading program deployed by East Ohio |
| AOCI | Accumulated other comprehensive income (loss) |
| AROs | Asset retirement obligations |
| ARP | Acid Rain Program, a market-based initiative for emissions allowance trading, established pursuant to Title IV of the CAA |
| ASLB | Atomic Safety and Licensing Board |
| ATEX line | Appalachia to Texas Express ethane line |
| BACT | Best available control technology |
| bcf | Billion cubic feet |
| Bear Garden | A 590 MW combined cycle, natural gas-fired power station in Buckingham County, Virginia |
| Blue Racer | Blue Racer Midstream, LLC, a joint venture with Caiman |
| BOD | Board of Directors |
| BP | BP Wind Energy North America Inc. |
| Brayton Point | Brayton Point power station |
| BREDL | Blue Ridge Environmental Defense League |
| Brunswick County | A 1,358 MW combined cycle, natural gas-fired power station under construction in Brunswick County, Virginia |
| CAA | Clean Air Act |
| Caiman | Caiman Energy II, LLC |
| CAIR | Clean Air Interstate Rule |
| CEO | Chief Executive Officer |
| CERCLA | Comprehensive Environmental Response, Compensation and Liability Act of 1980, also known as Superfund |
| CFO | Chief Financial Officer |
| CO ₂ | Carbon dioxide |

| | |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COL | Combined Construction Permit and Operating License |
| Companies | Dominion, Virginia Power and Dominion Gas, 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 |
| Corporate Unit | A stock purchase contract and 1/20 interest in a RSN issued by Dominion |
| Cove Point | Dominion Cove Point LNG, LP |
| Cove Point LNG Facility | An LNG import/regasification and storage facility located on the Chesapeake Bay in Lusby, Maryland |
| 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. |
| DOE | Department of Energy |
| Dominion | The legal entity, Dominion Resources, Inc., one or more of its consolidated subsidiaries (other than Virginia Power and Dominion Gas) or operating segments or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries |
| Dominion Gas | The legal entity, Dominion Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Gas Holdings, LLC and its consolidated subsidiaries |
| Dominion Gas 2013 Senior Notes | The \$400 million 2013 Series A 1.05% Senior Notes due 2016, \$400 million 2013 Series B 3.55% Senior Notes due 2023 and \$400 million 2013 Series C 4.80% Senior Notes due 2043 |
| Dominion Iroquois | Dominion Iroquois, Inc., which holds a 24.72% general partnership interest in Iroquois |
| Dominion NGL Pipelines, LLC | The initial owner of the 58-mile G-150 pipeline project, which is designed to transport approximately 27,000 barrels per day of NGLs from Natrium to an interconnect with the ATEX line of Enterprise near Follansbee, West Virginia |

Table of Contents

| Abbreviation or Acronym | Definition |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DRS | Dominion Resources Services, Inc. |
| DSM | Demand-side management |
| Dth | Dekatherm |
| DTI | Dominion Transmission, Inc. |
| DVP | Dominion Virginia Power operating segment |
| East Ohio | The East Ohio Gas Company, doing business as Dominion East Ohio |
| Elwood | Elwood power station |
| 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 |
| EPC | Engineering, procurement and construction |
| EPS | Earnings per share |
| ESBWR | General Electric-Hitachi's Economic Simplified Boiling Water Reactor |
| FERC | Federal Energy Regulatory Commission |
| Flex MMP Stock | Virginia Power's Flexible Money Market Cumulative Preferred Stock 2002 Series A |
| 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 |
| House Bill 95 | Ohio utility reform legislation effective September 2011 |
| 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 |
| IRCA | Intercompany revolving credit agreement |
| Iroquois | Iroquois Gas Transmission System L.P. |
| ISO | Independent system operator |
| ISO-NE | ISO New England |

| | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| June 2009 hybrids | 2009 Series A Enhanced Junior Subordinated Notes due 2064, subject to extensions to no later than 2079 |
| Kewaunee | Kewaunee nuclear power station |
| Kincaid | Kincaid power station |
| kV | Kilovolt |
| 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 |
| Maryland Commission | Public Service Commission of Maryland |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| MGD | Million gallons a day |
| 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 |
| Natrium | A natural gas and fractionation facility located in Natrium, West Virginia, owned by Blue Racer |
| 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 |

Table of Contents

| Abbreviation or Acronym | Definition |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| North Carolina Commission | North Carolina Utilities Commission |
| Northern System | Collection of approximately 131 miles of various diameter natural gas pipelines in Ohio |
| NO _x | Nitrogen oxide |
| NPDES | National Pollutant Discharge Elimination System |
| NRC | Nuclear Regulatory Commission |
| NSPS | New Source Performance Standards |
| NYSE | New York Stock Exchange |
| ODEC | Old Dominion Electric Cooperative |
| Ohio Commission | Public Utilities Commission of Ohio |
| Order 1000 | Order issued by FERC adopting new requirements for electric transmission planning, cost allocation and development |
| 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 |
| PSD | Prevention of Significant Deterioration |
| RCC | Replacement Capital Covenant |
| Rider B | A rate adjustment clause associated with the recovery of costs related to the conversion of three of Virginia Power's coal-fired power stations to biomass |
| Rider BW | A rate adjustment clause associated with the recovery of costs related to Brunswick County |
| Rider R | A rate adjustment clause associated with the recovery of costs related to Bear Garden |
| Rider S | A rate adjustment clause associated with the recovery of costs related to the Virginia City Hybrid Energy Center |
| Rider T1 | A rate adjustment clause to recover the difference between revenues produced from transmission rates included in base rates, and the new total revenue requirement developed annually for the rate years effective September 1 |
| Rider W | A rate adjustment clause associated with the recovery of costs related to Warren County |
| Riders C1A and C2A | Rate adjustment clauses associated with the recovery of costs related to certain DSM programs approved in DSM cases |
| ROE | Return on equity |
| RSN | Remarketable subordinated note |

| | |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RTO | Regional transmission organization |
| 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. |
| Surry | Surry nuclear power station |
| U.S. | United States of America |
| UAO | Unilateral Administrative Order |
| UEX Rider | Uncollectible Expense Rider deployed by East Ohio |
| VEBA | Voluntary Employees' Beneficiary Association |
| VIE | Variable interest entity |
| Virginia City Hybrid Energy Center | A 600 MW baseload carbon-capture compatible, clean coal powered electric generation facility in Wise County, Virginia |
| Virginia Commission | Virginia State Corporation Commission |
| Virginia Power | The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments or the entirety of Virginia Power and its consolidated subsidiaries |
| Warren County | A 1,329 MW combined-cycle, natural gas-fired power station under construction in Warren County, Virginia |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------|--------------------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| (millions, except per share amounts) | | | | |
| Operating Revenue | \$ 2,813 | \$ 2,980 | \$ 6,443 | \$ 6,503 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases | 633 | 875 | 1,967 | 1,826 |
| Purchased electric capacity | 87 | 88 | 175 | 176 |
| Purchased gas | 324 | 297 | 864 | 764 |
| Other operations and maintenance | 933 | 728 | 1,358 | 1,351 |
| Depreciation, depletion and amortization | 308 | 303 | 616 | 600 |
| Other taxes | 134 | 141 | 301 | 308 |
| Total operating expenses | 2,419 | 2,432 | 5,281 | 5,025 |
| Income from operations | 394 | 548 | 1,162 | 1,478 |
| Other income | 57 | 49 | 97 | 136 |
| Interest and related charges | 227 | 203 | 464 | 431 |
| Income from continuing operations including noncontrolling interests before income tax expense | 224 | 394 | 795 | 1,183 |
| Income tax expense | 63 | 116 | 249 | 404 |
| Income from continuing operations including noncontrolling interests | 161 | 278 | 546 | 779 |
| Loss from discontinued operations ⁽¹⁾ | | (70) | | (69) |
| Net Income Including Noncontrolling Interests | 161 | 208 | 546 | 710 |
| Noncontrolling Interests | 2 | 6 | 8 | 13 |
| Net Income Attributable to Dominion | \$ 159 | \$ 202 | \$ 538 | \$ 697 |

Amounts Attributable to Dominion:

| | | | | |
|-----------------------------------------------|-----------|-----------|-----------|-----------|
| Income from continuing operations, net of tax | \$ 159 | \$ 272 | \$ 538 | \$ 766 |
| Loss from discontinued operations, net of tax | | (70) | | (69) |
| Net income attributable to Dominion | \$ 159 | \$ 202 | \$ 538 | \$ 697 |
| Earnings Per Common Share-Basic | | | | |
| Income from continuing operations | \$ 0.27 | \$ 0.47 | \$ 0.92 | \$ 1.33 |
| Loss from discontinued operations | | (0.12) | | (0.12) |
| Net income attributable to Dominion | \$ 0.27 | \$ 0.35 | \$ 0.92 | \$ 1.21 |
| Earnings Per Common Share-Diluted | | | | |
| Income from continuing operations | \$ 0.27 | \$ 0.47 | \$ 0.92 | \$ 1.33 |
| Loss from discontinued operations | | (0.12) | | (0.12) |
| Net income attributable to Dominion | \$ 0.27 | \$ 0.35 | \$ 0.92 | \$ 1.21 |
| Dividends declared per common share | \$ 0.6000 | \$ 0.5625 | \$ 1.2000 | \$ 1.1250 |

(1) Includes income tax benefit of \$49 million for both the three and six months ended June 30, 2013. 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 | | Six Months Ended | |
|------------------------------------------------------------------------------------------|--------------------|--------|------------------|----------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| (millions) | | | | |
| Net income including noncontrolling interests | \$ 161 | \$ 208 | \$ 546 | \$ 710 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Net deferred gains (losses) on derivatives-hedging activities ⁽¹⁾ | (59) | 122 | (209) | 32 |
| Changes in unrealized net gains on investment securities ⁽²⁾ | 49 | 3 | 78 | 81 |
| Changes in unrecognized pension and other postretirement benefit costs ⁽³⁾ | 4 | 228 | | 228 |
| Amounts reclassified to net income: | | | | |
| Net derivative (gains) losses-hedging activities ⁽⁴⁾ | (16) | (17) | 144 | 59 |
| Net realized gains on investment securities ⁽⁵⁾ | (7) | (9) | (18) | (36) |
| Net pension and other postretirement benefit costs ⁽⁶⁾ | 9 | 10 | 17 | 30 |
| Changes in other comprehensive income (loss) from equity method investees ⁽⁷⁾ | 2 | | (5) | |
| Total other comprehensive income (loss) | (18) | 337 | 7 | 394 |
| Comprehensive income including noncontrolling interests | 143 | 545 | 553 | 1,104 |
| Comprehensive income attributable to noncontrolling interests | 2 | 6 | 8 | 13 |
| Comprehensive income attributable to Dominion | \$ 141 | \$ 539 | \$ 545 | \$ 1,091 |

- (1) Net of \$47 million and \$(76) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$126 million and \$(22) million for the six months ended June 30, 2014 and 2013, respectively.
- (2) Net of \$(27) million and \$ million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(28) million and \$(51) million for the six months ended June 30, 2014 and 2013, respectively.
- (3) Net of \$4 million and \$(148) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$ million and \$(148) million for the six months ended June 30, 2014 and 2013, respectively.
- (4) Net of \$6 million and \$9 million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(94) million and \$(39) million for the six months ended June 30, 2014 and 2013, respectively.
- (5) Net of \$4 million and \$5 million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$11 million and \$23 million for the six months ended June 30, 2014 and 2013, respectively.
- (6) Net of \$(6) million and \$(11) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(12) million and \$(20) million for the six months ended June 30, 2014 and 2013, respectively.
- (7) Net of \$3 million and \$ million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$3 million and \$ million for the six months ended June 30, 2014 and 2013, 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) | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|------------------------------------------------------------------------------|------------------|-------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 419 | \$ 316 |
| Customer receivables (less allowance for doubtful accounts of \$23 and \$25) | 1,476 | 1,695 |
| Other receivables (less allowance for doubtful accounts of \$3 and \$4) | 161 | 141 |
| Inventories | 1,261 | 1,176 |
| Prepayments | 224 | 192 |
| Other | 2,020 | 2,420 |
| Total current assets | 5,561 | 5,940 |
| Investments | | |
| Nuclear decommissioning trust funds | 4,103 | 3,903 |
| Investment in equity method affiliates | 1,083 | 916 |
| Other | 272 | 283 |
| Total investments | 5,458 | 5,102 |
| Property, Plant and Equipment | | |
| Property, plant and equipment | 48,698 | 46,969 |
| Accumulated depreciation, depletion and amortization | (14,811) | (14,341) |
| Total property, plant and equipment, net | 33,887 | 32,628 |
| Deferred Charges and Other Assets | | |
| Goodwill | 3,044 | 3,086 |
| Regulatory assets | 1,375 | 1,228 |
| Other | 2,174 | 2,112 |
| Total deferred charges and other assets | 6,593 | 6,426 |
| Total assets | \$ 51,499 | \$ 50,096 |

(1) Dominion's Consolidated Balance Sheet at December 31, 2013 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)

| | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|-----------------------------------------------------------------------|------------------|-------------------------------------|
| (millions) | | |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities | | |
| Securities due within one year | \$ 865 | \$ 1,519 |
| Short-term debt | 3,080 | 1,927 |
| Accounts payable | 852 | 1,168 |
| Derivative liabilities | 964 | 828 |
| Other | 1,482 | 1,552 |
| Total current liabilities | 7,243 | 6,994 |
| Long-Term Debt | | |
| Long-term debt | 18,018 | 16,877 |
| Junior subordinated notes | 1,373 | 1,373 |
| Remarketable subordinated notes | 1,082 | 1,080 |
| Total long-term debt | 20,473 | 19,330 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes and investment tax credits | 7,237 | 7,114 |
| Asset retirement obligations | 1,515 | 1,484 |
| Regulatory liabilities | 2,011 | 2,001 |
| Other | 1,319 | 1,274 |
| Total deferred credits and other liabilities | 12,082 | 11,873 |
| Total liabilities | 39,798 | 38,197 |
| Commitments and Contingencies (see Note 15) | | |
| Subsidiary Preferred Stock Not Subject to Mandatory Redemption | 134 | 257 |
| Common Shareholders Equity | | |
| Common stock no par ²⁾ | 5,861 | 5,783 |
| Retained earnings | 6,023 | 6,183 |
| Accumulated other comprehensive loss | (317) | (324) |
| Total common shareholders equity | 11,567 | 11,642 |

| | | |
|--------------------------------------------|-----------|-----------|
| Total liabilities and shareholders' equity | \$ 51,499 | \$ 50,096 |
|--------------------------------------------|-----------|-----------|

- (1) Dominion's Consolidated Balance Sheet at December 31, 2013 has been derived from the audited Consolidated Financial Statements at that date.
 - (2) 1 billion shares authorized; 583 million shares and 581 million shares outstanding at June 30, 2014 and December 31, 2013, respectively.
- The accompanying notes are an integral part of Dominion's Consolidated Financial Statements.

PAGE 9

Table of Contents**DOMINION RESOURCES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

| Six Months Ended June 30, (millions) | 2014 | 2013 |
|----------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Operating Activities | | |
| Net income including noncontrolling interests | \$ 546 | \$ 710 |
| Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization (including nuclear fuel) | 748 | 729 |
| Deferred income taxes and investment tax credits | 301 | 395 |
| Gains on the sale of assets | (159) | (25) |
| Charges associated with North Anna and offshore wind legislation | 287 | |
| Other adjustments | (55) | (12) |
| Changes in: | | |
| Accounts receivable | 153 | 92 |
| Inventories | 2 | (10) |
| Deferred fuel and purchased gas costs, net | (322) | 48 |
| Prepayments | (34) | (88) |
| Accounts payable | (258) | (149) |
| Accrued interest, payroll and taxes | (50) | (67) |
| Margin deposit assets and liabilities | 204 | 21 |
| Other operating assets and liabilities | 84 | 147 |
| Net cash provided by operating activities | 1,447 | 1,791 |
| Investing Activities | | |
| Plant construction and other property additions (including nuclear fuel) | (2,389) | (1,937) |
| Acquisition of solar development projects | (58) | (13) |
| Proceeds from sales of securities | 686 | 862 |
| Purchases of securities | (703) | (885) |
| Proceeds from the sale of assets to Blue Racer | 84 | 47 |
| Proceeds from the sale of electric retail energy marketing business | 187 | |
| Restricted cash equivalents | 8 | 23 |
| Other | (1) | 18 |
| Net cash used in investing activities | (2,186) | (1,885) |
| Financing Activities | | |
| Issuance (repayment) of short-term debt, net | 1,152 | (307) |
| Issuance of long-term debt | 1,150 | 2,350 |
| Repayment of long-term debt, including redemption premiums | (660) | (1,185) |

| | | |
|--------------------------------------------------|--------|--------|
| Repayment of junior subordinated notes | | (258) |
| Subsidiary preferred stock redemption | (125) | |
| Issuance of common stock | 71 | 144 |
| Common dividend payments | (698) | (650) |
| Subsidiary preferred dividend payments | (6) | (8) |
| Other | (42) | (50) |
| Net cash provided by financing activities | 842 | 36 |
| Increase (decrease) in cash and cash equivalents | 103 | (58) |
| Cash and cash equivalents at beginning of period | 316 | 248 |
| Cash and cash equivalents at end of period | \$ 419 | \$ 190 |

Supplemental Cash Flow Information

Significant noncash investing activities:

| | | |
|------------------------------|--------|--------|
| Accrued capital expenditures | \$ 309 | \$ 172 |
|------------------------------|--------|--------|

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 | | Six Months Ended | |
|-----------------------------------------------------------------|---------------------------|----------|-------------------------|----------|
| | June 30, | | June 30, | |
| (millions) | 2014 | 2013 | 2014 | 2013 |
| Operating Revenue⁽¹⁾ | \$ 1,729 | \$ 1,710 | \$ 3,712 | \$ 3,491 |
| Operating Expenses | | | | |
| Electric fuel and other energy-related purchases ⁽¹⁾ | 518 | 528 | 1,168 | 1,098 |
| Purchased electric capacity | 87 | 88 | 175 | 176 |
| Other operations and maintenance: | | | | |
| Affiliated suppliers | 70 | 81 | 141 | 155 |
| Other | 563 | 274 | 833 | 519 |
| Depreciation and amortization | 217 | 211 | 435 | 418 |
| Other taxes | 69 | 65 | 142 | 132 |
| Total operating expenses | 1,524 | 1,247 | 2,894 | 2,498 |
| Income from operations | 205 | 463 | 818 | 993 |
| Other income | 21 | 27 | 36 | 52 |
| Interest and related charges | 103 | 84 | 210 | 177 |
| Income before income tax expense | 123 | 406 | 644 | 868 |
| Income tax expense | 54 | 141 | 251 | 316 |
| Net Income | 69 | 265 | 393 | 552 |
| Preferred dividends | 2 | 4 | 8 | 8 |
| Balance available for common stock | \$ 67 | \$ 261 | \$ 385 | \$ 544 |

(1) See Note 17 for amounts attributable to affiliates.

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

Table of Contents

VIRGINIA ELECTRIC AND POWER COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------------------------------------------------------|--------------------|--------|------------------|--------|
| | June 30, 2014 | 2013 | June 30, 2014 | 2013 |
| (millions) | | | | |
| Net income | \$ 69 | \$ 265 | \$ 393 | \$ 552 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Net deferred gains (losses) on derivatives-hedging activities ⁽¹⁾ | (1) | 1 | 1 | 3 |
| Changes in unrealized net gains on nuclear decommissioning trust funds ⁽²⁾ | 6 | | 8 | 8 |
| Amounts reclassified to net income: | | | | |
| Net derivative gains-hedging activities ⁽³⁾ | (1) | | (4) | |
| Net realized gains on nuclear decommissioning trust funds ⁽⁴⁾ | | | (2) | (1) |
| Other comprehensive income | 4 | 1 | 3 | 10 |
| Comprehensive income | \$ 73 | \$ 266 | \$ 396 | \$ 562 |

(1) Net of \$ million and \$(1) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$ million and \$(2) million for the six months ended June 30, 2014 and 2013, respectively.

(2) Net of \$(3) million and \$ million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(5) million for both the six months ended June 30, 2014 and 2013.

(3) Net of \$ million tax for both the three months ended June 30, 2014 and 2013, and net of \$2 million and \$ million for the six months ended June 30, 2014 and 2013, respectively.

(4) Net of \$ million tax for both the three months ended June 30, 2014 and 2013, and net of \$1 million for both the six months ended June 30, 2014 and 2013.

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

Table of Contents**VIRGINIA ELECTRIC AND POWER COMPANY****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

| (millions) | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|-------------------------------------------------------------------------------|--------------------------|-------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 58 | \$ 16 |
| Customer receivables (less allowance for doubtful accounts of \$12 and \$11) | 926 | 946 |
| Other receivables (less allowance for doubtful accounts of \$2 at both dates) | 73 | 78 |
| Inventories (average cost method) | 839 | 808 |
| Prepayments | 170 | 32 |
| Other | 279 | 283 |
| Total current assets | 2,345 | 2,163 |
| Investments | | |
| Nuclear decommissioning trust funds | 1,857 | 1,765 |
| Other | 4 | 12 |
| Total investments | 1,861 | 1,777 |
| Property, Plant and Equipment | | |
| Property, plant and equipment | 33,938 | 32,848 |
| Accumulated depreciation and amortization | (10,896) | (10,580) |
| Total property, plant and equipment, net | 23,042 | 22,268 |
| Deferred Charges and Other Assets | | |
| Intangible assets, net | 202 | 193 |
| Regulatory assets | 561 | 417 |
| Other ⁽²⁾ | 197 | 143 |
| Total deferred charges and other assets | 960 | 753 |
| Total assets | \$ 28,208 | \$ 26,961 |

(1) Virginia Power's Consolidated Balance Sheet at December 31, 2013 has been derived from the audited Consolidated Financial Statements at that date.

(2) See Note 17 for amounts attributable to affiliates.

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

PAGE 13

Table of Contents

VIRGINIA ELECTRIC AND POWER COMPANY
CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

| (millions) | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|------------------------------------------------------------|------------------|-------------------------------------|
| LIABILITIES AND SHAREHOLDER S EQUITY | | |
| Current Liabilities | | |
| Securities due within one year | \$ 14 | \$ 58 |
| Short-term debt | 1,323 | 842 |
| Accounts payable | 456 | 479 |
| Payables to affiliates | 81 | 69 |
| Affiliated current borrowings | | 97 |
| Accrued interest, payroll and taxes | 224 | 218 |
| Other ⁽²⁾ | 452 | 454 |
| Total current liabilities | 2,550 | 2,217 |
| Long-Term Debt | 8,716 | 7,974 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes and investment tax credits | 4,266 | 4,137 |
| Asset retirement obligations | 704 | 689 |
| Regulatory liabilities | 1,607 | 1,597 |
| Other ⁽²⁾ | 314 | 292 |
| Total deferred credits and other liabilities | 6,891 | 6,715 |
| Total liabilities | 18,157 | 16,906 |
| Commitments and Contingencies (see Note 15) | | |
| Preferred Stock Not Subject to Mandatory Redemption | 134 | 257 |
| Common Shareholder s Equity | | |
| Common stock no par ⁽³⁾ | 5,738 | 5,738 |
| Other paid-in capital | 1,113 | 1,113 |
| Retained earnings | 3,015 | 2,899 |
| Accumulated other comprehensive income | 51 | 48 |
| Total common shareholder s equity | 9,917 | 9,798 |
| Total liabilities and shareholder s equity | \$ 28,208 | \$ 26,961 |

- (1) Virginia Power's Consolidated Balance Sheet at December 31, 2013 has been derived from the audited Consolidated Financial Statements at that date.
 - (2) See Note 17 for amounts attributable to affiliates.
 - (3) 500,000 shares authorized; 274,723 shares outstanding at June 30, 2014 and December 31, 2013.
- The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

PAGE 14

Table of Contents

VIRGINIA ELECTRIC AND POWER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| Six Months Ended June 30, (millions) | 2014 | 2013 |
|-----------------------------------------------------------------------------------|----------------|----------------|
| Operating Activities | | |
| Net income | \$ 393 | \$ 552 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including nuclear fuel) | 521 | 499 |
| Deferred income taxes and investment tax credits | 246 | 199 |
| Charges associated with North Anna and offshore wind legislation | 287 | |
| Other adjustments | (17) | (39) |
| Changes in: | | |
| Accounts receivable | 26 | (52) |
| Inventories | (31) | (4) |
| Deferred fuel expenses | (359) | (4) |
| Prepayments | (138) | (47) |
| Accounts payable | 18 | (30) |
| Other operating assets and liabilities | (37) | 41 |
| Net cash provided by operating activities | 909 | 1,115 |
| Investing Activities | | |
| Plant construction and other property additions | (1,385) | (1,217) |
| Purchases of nuclear fuel | (131) | (90) |
| Proceeds from sales of securities | 299 | 324 |
| Purchases of securities | (311) | (354) |
| Other | (11) | |
| Net cash used in investing activities | (1,539) | (1,337) |
| Financing Activities | | |
| Issuance of short-term debt, net | 481 | 92 |
| Repayment of affiliated current borrowings, net | (97) | (385) |
| Issuance of long-term debt | 750 | 1,250 |
| Repayment of long-term debt | (50) | (459) |
| Preferred stock redemption | (125) | |
| Common dividend payments | (270) | (268) |
| Preferred dividend payments | (6) | (8) |
| Other | (11) | (14) |
| Net cash provided by financing activities | 672 | 208 |

| | | |
|--------------------------------------------------|--------------|-------|
| Increase (decrease) in cash and cash equivalents | 42 | (14) |
| Cash and cash equivalents at beginning of period | 16 | 28 |
| Cash and cash equivalents at end of period | \$ 58 | \$ 14 |

Supplemental Cash Flow Information

Significant noncash investing activities:

| | | |
|------------------------------|---------------|--------|
| Accrued capital expenditures | \$ 236 | \$ 100 |
|------------------------------|---------------|--------|

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

Table of Contents

DOMINION GAS HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------------|--------------------|---------------|------------------|-----------------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| (millions) | | | | |
| Operating Revenue⁽¹⁾ | \$ 428 | \$ 430 | \$ 997 | \$ 1,016 |
| Operating Expenses | | | | |
| Purchased gas ⁽¹⁾ | 76 | 63 | 213 | 177 |
| Other energy-related purchases | 5 | 18 | 21 | 40 |
| Other operations and maintenance: | | | | |
| Affiliated suppliers | 16 | 17 | 37 | 39 |
| Other ⁽²⁾ | 93 | 161 | 125 | 269 |
| Depreciation and amortization | 49 | 50 | 96 | 99 |
| Other taxes | 35 | 33 | 86 | 80 |
| Total operating expenses | 274 | 342 | 578 | 704 |
| Income from operations | 154 | 88 | 419 | 312 |
| Other income | 5 | 3 | 13 | 14 |
| Interest and related charges ⁽¹⁾ | 6 | 6 | 12 | 13 |
| Income from operations before income taxes | 153 | 85 | 420 | 313 |
| Income tax expense | 60 | 32 | 163 | 122 |
| Net Income | \$ 93 | \$ 53 | \$ 257 | \$ 191 |

(1) See Note 17 for amounts attributable to related parties.

(2) Includes gains on the sales of assets to an affiliate of \$59 million and \$25 million for the six months ended June 30, 2014 and 2013, respectively. See Note 10 for more information.

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

Table of Contents

DOMINION GAS HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|-------------------------------------------------------------------------------------------|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| (millions) | | | | |
| Net income | \$ 93 | \$ 53 | \$ 257 | \$ 191 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Net deferred gains (losses) on derivatives-hedging activities ⁽¹⁾ | (19) | 52 | (27) | 66 |
| Changes in net unrecognized pension and other postretirement benefit costs ⁽²⁾ | | 13 | (1) | 13 |
| Amounts reclassified to net income: | | | | |
| Net derivative losses-hedging activities ⁽³⁾ | 3 | | 8 | 3 |
| Net pension and other postretirement benefit costs ⁽⁴⁾ | 1 | 1 | 3 | 3 |
| Other comprehensive income (loss) | (15) | 66 | (17) | 85 |
| Comprehensive income | \$ 78 | \$ 119 | \$ 240 | \$ 276 |

(1) Net of \$12 million and \$(33) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$17 million and \$(43) million for the six months ended June 30, 2014 and 2013, respectively.

(2) Net of \$ million and \$(9) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(1) million and \$(9) million for the six months ended June 30, 2014 and 2013, respectively.

(3) Net of \$(2) million and \$ million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(4) million and \$(1) million for the six months ended June 30, 2014 and 2013, respectively.

(4) Net of \$ million and \$(1) million tax for the three months ended June 30, 2014 and 2013, respectively, and net of \$(1) million and \$(2) million for the six months ended June 30, 2014 and 2013, respectively.

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

Table of Contents

DOMINION GAS HOLDINGS, LLC
CONSOLIDATED BALANCE SHEETS

(Unaudited)

| | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|-------------------------------------------------------------------------------------------|------------------|-------------------------------------|
| (millions) | | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 10 | \$ 8 |
| Customer receivables (less allowance for doubtful accounts of \$4 and \$5) ⁽²⁾ | 293 | 311 |
| Affiliated receivables | 6 | 41 |
| Inventories | 81 | 63 |
| Prepayments | 46 | 67 |
| Other ⁽²⁾ | 235 | 311 |
| Total current assets | 671 | 801 |
| Investments | 114 | 106 |
| Property, Plant and Equipment | | |
| Property, plant and equipment | 8,426 | 8,240 |
| Accumulated depreciation and amortization | (2,476) | (2,421) |
| Total property, plant and equipment, net | 5,950 | 5,819 |
| Deferred Charges and Other Assets | | |
| Goodwill | 542 | 545 |
| Intangible assets, net | 80 | 82 |
| Regulatory assets | 304 | 285 |
| Pension and other postretirement benefit assets ⁽²⁾ | 1,493 | 1,436 |
| Other ⁽²⁾ | 66 | 68 |
| Total deferred charges and other assets | 2,485 | 2,416 |
| Total assets | \$ 9,220 | \$ 9,142 |

(1) Dominion Gas Consolidated Balance Sheet at December 31, 2013 has been derived from the Audited Consolidated Financial Statements at that date.

(2) See Note 17 for amounts attributable to related parties.

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

Table of Contents

DOMINION GAS HOLDINGS, LLC
CONSOLIDATED BALANCE SHEETS (Continued)
(Unaudited)

| | June 30, 2014 | December 31, 2013 ⁽¹⁾ |
|----------------------------------------------------|--------------------------|-------------------------------------|
| (millions) | | |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 126 | \$ 277 |
| Payables to affiliates | 13 | 45 |
| Affiliated current borrowings | 1,471 | 1,342 |
| Accrued interest, payroll and taxes | 187 | 209 |
| Other ⁽²⁾ | 211 | 197 |
| Total current liabilities | 2,008 | 2,070 |
| Long-Term Debt | 1,199 | 1,198 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes and investment tax credits | 2,003 | 1,977 |
| Other ⁽²⁾ | 483 | 470 |
| Total deferred credits and other liabilities | 2,486 | 2,447 |
| Total liabilities | 5,693 | 5,715 |
| Commitments and Contingencies (see Note 15) | | |
| Equity | | |
| Membership interests | 3,602 | 3,485 |
| Accumulated other comprehensive loss | (75) | (58) |
| Total equity | 3,527 | 3,427 |
| Total liabilities and equity | \$ 9,220 | \$ 9,142 |

(1) Dominion Gas Consolidated Balance Sheet at December 31, 2013 has been derived from the Audited Consolidated Financial Statements at that date.

(2) See Note 17 for amounts attributable to related parties.

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

Table of Contents

DOMINION GAS HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| Six Months Ended June 30, (millions) | 2014 | 2013 |
|-----------------------------------------------------------------------------------|--------|--------|
| Operating Activities | | |
| Net income | \$ 257 | \$ 191 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gains on sales of assets to an affiliate | (59) | (25) |
| Depreciation and amortization | 96 | 99 |
| Deferred income taxes and investment tax credits | 48 | 47 |
| Other adjustments | (7) | (8) |
| Changes in: | | |
| Accounts receivable | 12 | 75 |
| Deferred purchased gas costs, net | 40 | 47 |
| Prepayments | 21 | 28 |
| Inventories | (18) | (7) |
| Accounts payable | (152) | (96) |
| Payables to affiliates | (32) | (10) |
| Accrued interest, payroll and taxes | (22) | (21) |
| Other operating assets and liabilities | (23) | (22) |
| Net cash provided by operating activities | 161 | 298 |
| Investing Activities | | |
| Plant construction and other property additions | (249) | (253) |
| Proceeds from sale of assets to an affiliate | 47 | 108 |
| Other | (6) | 1 |
| Net cash used in investing activities | (208) | (144) |
| Financing Activities | | |
| Issuance (repayment) of affiliated current borrowings, net | 196 | (150) |
| Distribution payments | (145) | |
| Other | (2) | |
| Net cash provided by (used in) financing activities | 49 | (150) |
| Increase in cash and cash equivalents | 2 | 4 |
| Cash and cash equivalents at beginning of period | 8 | 12 |
| Cash and cash equivalents at end of period | \$ 10 | \$ 16 |

Supplemental Cash Flow Information

Significant noncash investing and financing activities:

| | | |
|------------------------------------------------------------------------------------------|--------------|--------------|
| Accrued capital expenditures | \$ 40 | \$ 38 |
| Extinguishment of affiliated current borrowings in exchange for assets sold to affiliate | 67 | |

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

Table of Contents

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 and Dominion Gas. Virginia Power is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and northeastern North Carolina. Dominion Gas is a holding company that conducts business activities through a regulated interstate natural gas transmission pipeline and underground storage system in the Northeast, mid-Atlantic and Midwest states, regulated gas transportation and distribution operations in Ohio, and gas gathering and processing activities primarily in West Virginia, Ohio and Pennsylvania. Dominion Gas' wholly-owned subsidiaries are DTI, East Ohio and Dominion Iroquois.

Note 2. Significant Accounting Policies

As permitted by the rules and regulations of the SEC, the Companies' 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, 2013, Dominion's and Virginia Power's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and Exhibits 99.11(b) and 99.11(c) to Dominion Gas' Current Report on Form 8-K dated June 26, 2014.

In the Companies' opinion, the accompanying unaudited Consolidated Financial Statements contain all adjustments necessary to present fairly their financial position as of June 30, 2014, their results of operations for the three and six months ended June 30, 2014 and 2013, and their cash flows for the six months ended June 30, 2014 and 2013. 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.

The Companies' 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 the Companies' 2013 Consolidated Financial Statements and Notes have been reclassified to conform to the 2014 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 and/or Dominion Gas, where applicable.

Note 3. Acquisitions and Dispositions

Dominion

Acquisition of Solar Development Projects

In March 2014, Dominion completed the acquisition of 100% of the equity interests of six solar development projects in California from Recurrent Energy Development Holdings, LLC for approximately \$50 million. The projects are expected to cost approximately \$450 million once constructed, including the initial acquisition cost. Upon completion, the facilities are expected to generate approximately 139 MW and will provide Dominion with a large utility-scale solar presence in the California market and significantly increase its solar generation portfolio.

In May 2014, Dominion completed the acquisition of 100% of the equity interests of two solar development projects in Tennessee from Strata Solar Development, LLC for \$2 million. The projects are expected to cost approximately \$70 million once constructed, including the initial acquisition cost. Upon completion, the facilities are expected to generate approximately 32 MW.

Table of Contents

The purchase price for each of these acquisitions was allocated to Property, Plant and Equipment.

In May 2014, Dominion entered into an agreement to acquire 100% of the equity interests of a solar project in California from EDF Renewable Development, Inc. for approximately \$70 million. The acquisition is expected to close later this year prior to the project commencing operations. The project is expected to cost approximately \$75 million once constructed, including the initial acquisition cost. Upon completion, the facilities are expected to generate approximately 20 MW.

Long-term power purchase, interconnection, EPC and operation and maintenance agreements have been executed for each of the acquired projects. Construction of the projects has commenced and all of the solar facilities are expected to enter commercial operations in late 2014. Dominion expects to claim federal investment tax credits on the projects.

Sale of Electric Retail Energy Marketing Business

In March 2014, Dominion completed the sale of its electric retail energy marketing business. The proceeds were approximately \$187 million, net of transaction costs. The sale resulted in a gain, subject to post-closing adjustments, of approximately \$100 million (\$57 million after-tax) net of a \$31 million write-off of goodwill, and is included in other operations and maintenance expense in Dominion's Consolidated Statements of Income. The sale of the electric retail energy marketing business did not qualify for discontinued operations classification.

Sale of Illinois Gas Contracts

In June 2013, Dominion completed the sale of Illinois Gas Contracts. The sales price was approximately \$32 million, subject to post-closing adjustments. The sale resulted in a gain of approximately \$29 million (\$18 million after-tax) net of a \$3 million write-off of goodwill, and is included in other operations and maintenance expense in Dominion's Consolidated Statements of Income. The sale of Illinois Gas Contracts did not qualify for discontinued operations classification.

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 equity method investment in Elwood. In August 2013, Dominion completed the sale and received proceeds of approximately \$465 million, net of transaction costs.

In the first and second quarters 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 impairment charges totaling \$48 million (\$28 million after-tax) for the six month period ended June 30, 2013, including \$11 million (\$6 million after-tax) for the three month period ended June 30, 2013, which are included in discontinued operations in Dominion's Consolidated Statements of Income. Dominion used the market approach to estimate the fair value of Brayton Point's and Kincaid's long-lived assets. These were considered Level 2 fair value measurements given that they were based on the agreed-upon sales price.

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

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 June 30, 2013 | Six Months Ended June 30, 2013 |
|-------------------------------------------|-------------------------------------------------|-----------------------------------------------|
| (millions) | | |
| Operating revenue | \$ 63 | \$ 217 |
| Income before income taxes ⁽¹⁾ | (119) | (118) |

(1) Includes \$64 million of charges related to the defeasance of Brayton Point debt and the early redemption of Kincaid debt. See Note 17 in Dominion's Annual Report on Form 10-K for the year ended December 31, 2013 for more information.

Dominion Gas

Assignment of Marcellus Acreage

In December 2013, DTI closed on agreements with two natural gas producers to convey approximately 100,000 acres of Marcellus Shale development rights underneath several of its natural gas storage fields. The agreements provide for payments to DTI, subject to customary adjustments, of approximately \$200 million over a period of nine years, and an overriding royalty

Table of Contents

interest in gas produced from the acreage. During the six months ended June 30, 2014, DTI received \$16 million in additional cash proceeds resulting from post-closing adjustments. At June 30, 2014, deferred revenue totaled approximately \$91 million, which is expected to be recognized over a period of approximately nine years.

Dominion and Dominion Gas**Blue Racer**

See Note 10 for a discussion of transactions related to Blue Racer.

Note 4. Operating Revenue

The Companies' operating revenue consists of the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------|--------------------------------|----------|------------------------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| (millions) | | | | |
| Dominion | | | | |
| Electric sales: | | | | |
| Regulated | \$ 1,697 | \$ 1,687 | \$ 3,648 | \$ 3,448 |
| Nonregulated | 320 | 545 | 1,174 | 1,203 |
| Gas sales: | | | | |
| Regulated | 70 | 49 | 217 | 181 |
| Nonregulated | 228 | 208 | 345 | 553 |
| Gas transportation and storage | 351 | 360 | 795 | 827 |
| Other | 147 | 131 | 264 | 291 |
| Total operating revenue | \$ 2,813 | \$ 2,980 | \$ 6,443 | \$ 6,503 |
| Virginia Power | | | | |
| Regulated electric sales | \$ 1,697 | \$ 1,687 | \$ 3,648 | \$ 3,448 |
| Other | 32 | 23 | 64 | 43 |
| Total operating revenue | \$ 1,729 | \$ 1,710 | \$ 3,712 | \$ 3,491 |
| Dominion Gas | | | | |
| Gas sales: | | | | |
| Regulated | \$ 54 | \$ 34 | \$ 137 | \$ 108 |
| Nonregulated | 4 | 4 | 13 | 7 |
| Gas transportation and storage | 304 | 312 | 700 | 731 |
| NGL revenue | 44 | 66 | 101 | 138 |
| Other | 22 | 14 | 46 | 32 |
| Total operating revenue | \$ 428 | \$ 430 | \$ 997 | \$ 1,016 |

Note 5. Income Taxes

For continuing operations, including noncontrolling interests, the statutory U.S. federal income tax rate reconciles to the Companies' effective income tax rate as follows:

| Six Months Ended June 30, | Dominion | | Virginia Power | | Dominion Gas | |
|----------------------------------------|-----------------|-------------|-----------------------|-------------|---------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| U.S. statutory rate | 35.0% | 35.0% | 35.0% | 35.0% | 35.0% | 35.0% |
| Increases (reductions) resulting from: | | | | | | |
| State taxes, net of federal benefit | 1.5 | 1.9 | 3.8 | 2.6 | 3.7 | 3.8 |
| Investment and production tax credits | (5.9) | (1.5) | (0.6) | | | |
| Valuation allowances | 1.1 | | | | | |
| Other, net | (0.4) | (1.3) | 0.6 | (1.2) | 0.1 | 0.2 |
| Effective tax rate | 31.3% | 34.1% | 38.8% | 36.4% | 38.8% | 39.0% |

PAGE 23

Table of Contents

In 2014, there have been no material changes in the Companies' unrecognized tax benefits or expectations regarding possible changes that could reasonably 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, 2013 and Note 5 in Exhibit 99.11(b) to Dominion Gas' Current Report on Form 8-K dated June 26, 2014 for a discussion of these unrecognized tax benefits.

Note 6. Earnings Per Share

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

| | Three Months Ended | | Six Months Ended | |
|----------------------------------------------------|--------------------|---------|------------------|---------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| (millions, except EPS) | | | | |
| Net income attributable to Dominion | \$ 159 | \$ 202 | \$ 538 | \$ 697 |
| Average shares of common stock outstanding Basic | 581.9 | 578.1 | 581.7 | 577.3 |
| Net effect of dilutive securities ⁽¹⁾ | 2.0 | 0.8 | 1.7 | 0.9 |
| Average shares of common stock outstanding Diluted | 583.9 | 578.9 | 583.4 | 578.2 |
| Earnings Per Common Share Basic | \$ 0.27 | \$ 0.35 | \$ 0.92 | \$ 1.21 |
| Earnings Per Common Share Diluted | \$ 0.27 | \$ 0.35 | \$ 0.92 | \$ 1.21 |

(1) Dilutive securities consist primarily of contingently convertible senior notes and the 2013 Equity Units for 2014 and contingently convertible senior notes for 2013. See Note 14 in this report and Note 17 to the Consolidated Financial Statements in Dominion's and Virginia Power's Annual Report on Form 10-K for the year ended December 31, 2013 for more information.

There were no potentially dilutive securities excluded from the calculation of diluted EPS for the three and six months ended June 30, 2014. The 2013 Equity Units are potentially dilutive securities but were excluded from the calculation of diluted EPS for the three and six months ended June 30, 2013. See Note 17 to the Consolidated Financial Statements in Dominion's and Virginia Power's Annual Report on Form 10-K for the year ended December 31, 2013 for more information.

Table of Contents**Note 7. Accumulated Other Comprehensive Income****Dominion**

The following table presents Dominion's changes in AOCI by component, net of tax:

| | Deferred gains and losses on derivatives- hedging activities | Unrealized gains and losses on investment securities | Unrecognized pension and postretirement benefit costs | Other comprehensive income (loss) from equity method investee | Total |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------|
| (millions) | | | | | |
| Three Months Ended June 30, 2014 | | | | | |
| Beginning balance | \$ (278) | \$ 492 | \$ (506) | \$ (7) | \$ (299) |
| Other comprehensive income before reclassifications: gains (losses) | (59) | 49 | 4 | 2 | (4) |
| Amounts reclassified from accumulated other comprehensive income ⁽¹⁾ : (gains) losses | (16) | (7) | 9 | | (14) |
| Net current-period other comprehensive income (loss) | (75) | 42 | 13 | 2 | (18) |
| Ending balance | \$ (353) | \$ 534 | \$ (493) | \$ (5) | \$ (317) |
| Three Months Ended June 30, 2013 | | | | | |
| Beginning balance | \$ (136) | \$ 377 | \$ (1,061) | | \$ (820) |
| Other comprehensive income before reclassifications: gains (losses) | 122 | 3 | 228 | | 353 |
| Amounts reclassified from accumulated other comprehensive income ⁽¹⁾ : (gains) losses | (17) | (9) | 10 | | (16) |
| Net current-period other comprehensive income (loss) | 105 | (6) | 238 | | 337 |
| Ending balance | \$ (31) | \$ 371 | \$ (823) | | \$ (483) |
| Six Months Ended June 30, 2014 | | | | | |
| Beginning balance | \$ (288) | \$ 474 | \$ (510) | | \$ (324) |
| Other comprehensive income before reclassifications: gains (losses) | (209) | 78 | | (5) | (136) |
| Amounts reclassified from accumulated other comprehensive income ⁽¹⁾ : (gains) losses | 144 | (18) | 17 | | 143 |
| Net current-period other comprehensive income (loss) | (65) | 60 | 17 | (5) | 7 |

| | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------|----|-------|----|------|----|---------|----|-----|----|-------|
| Ending balance | \$ | (353) | \$ | 534 | \$ | (493) | \$ | (5) | \$ | (317) |
| Six Months Ended June 30, 2013 | | | | | | | | | | |
| Beginning balance | \$ | (122) | \$ | 326 | \$ | (1,081) | \$ | | \$ | (877) |
| Other comprehensive income before reclassifications: gains (losses) | | 32 | | 81 | | 228 | | | | 341 |
| Amounts reclassified from accumulated other comprehensive income ⁽¹⁾ : (gains) losses | | 59 | | (36) | | 30 | | | | 53 |
| Net current-period other comprehensive income (loss) | | 91 | | 45 | | 258 | | | | 394 |
| Ending balance | \$ | (31) | \$ | 371 | \$ | (823) | \$ | | \$ | (483) |

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

PAGE 25

Table of Contents

The following table presents Dominion's reclassifications out of AOCI by component:

| Details about AOCI components (millions) | Amounts reclassified from AOCI | Affected line item in the Consolidated Statements of Income |
|----------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------|
| Three Months Ended June 30, 2014 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | \$ (28) | Operating revenue |
| | | 3 |
| Interest rate contracts | | Interest and related charges |
| | | 3 |
| | | (22) |
| Tax | | Income tax expense |
| | | 6 |
| | \$ (16) | |
| Unrealized (gains) and losses on investment securities: | | |
| Realized (gain) loss on sale of securities | \$ (13) | Other income |
| Impairment | | Other income |
| | | 2 |
| | | (11) |
| Tax | | Income tax expense |
| | | 4 |
| | \$ (7) | |
| Unrecognized pension and other postretirement benefit costs: | | |
| Prior service (credit) costs | \$ (2) | Other operations and maintenance |
| Actuarial (gains) losses | | Other operations and maintenance |
| | | 17 |
| | | 15 |
| Tax | | Income tax expense |
| | | (6) |
| | \$ 9 | |
| Three Months Ended June 30, 2013 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | \$ (29) | Operating revenue |
| Interest rate contracts | | Interest and related charges |
| | | 3 |
| | | (26) |
| Tax | | Income tax expense |
| | | 9 |

| | | | |
|----------------------------------------------------------------|----|------|--------------------------------------------------|
| | \$ | (17) | |
| Unrealized (gains) and losses on investment securities: | | | |
| Realized (gain) loss on sale of securities | \$ | (17) | Other income |
| Impairment | | 3 | Other income |
| | | (14) | |
| Tax | | 5 | Income tax expense |
| | \$ | (9) | |
| Unrecognized pension and other postretirement benefit costs: | | | |
| Prior service (credit) costs | \$ | (6) | |
| Actuarial (gains) losses | | 27 | Other operations and maintenance |
| | | 21 | |
| Tax | | (11) | Income tax expense |
| | \$ | 10 | |
| Six Months Ended June 30, 2014 | | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | | |
| Commodity contracts | \$ | 241 | Operating revenue |
| | | 4 | Purchased gas |
| | | (13) | Electric fuel and other energy-related purchases |
| Interest rate contracts | | 6 | Interest and related charges |
| | | 238 | |
| Tax | | (94) | Income tax expense |
| | \$ | 144 | |

Table of Contents

Unrealized (gains) and losses on investment securities:

| | | |
|--------------------------------------------|---------|--------------|
| Realized (gain) loss on sale of securities | \$ (33) | Other income |
| Impairment | 4 | Other income |

(29)

| | | |
|-----|----|--------------------|
| Tax | 11 | Income tax expense |
|-----|----|--------------------|

\$ (18)

Unrecognized pension and other postretirement benefit costs:

| | | |
|------------------------------|--------|----------------------------------|
| Prior service (credit) costs | \$ (5) | Other operations and maintenance |
| Actuarial (gains) losses | 34 | Other operations and maintenance |

29

| | | |
|-----|------|--------------------|
| Tax | (12) | Income tax expense |
|-----|------|--------------------|

\$ 17

Six Months Ended June 30, 2013

Deferred (gains) and losses on derivatives-hedging activities:

| | | |
|-------------------------|-------|--------------------------------------------------|
| Commodity contracts | \$ 55 | Operating revenue |
| | 34 | Purchased gas |
| | 3 | Electric fuel and other energy-related purchases |
| Interest rate contracts | 6 | Interest and related charges |

98

| | | |
|-----|------|--------------------|
| Tax | (39) | Income tax expense |
|-----|------|--------------------|

\$ 59

Unrealized (gains) and losses on investment securities:

| | | |
|--------------------------------------------|---------|--------------|
| Realized (gain) loss on sale of securities | \$ (64) | Other income |
| Impairment | 5 | Other income |

(59)

| | | |
|-----|----|--------------------|
| Tax | 23 | Income tax expense |
|-----|----|--------------------|

\$ (36)

Unrecognized pension and other postretirement benefit costs:

| | | |
|------------------------------|--------|----------------------------------|
| Prior service (credit) costs | \$ (6) | |
| Actuarial (gains) losses | 56 | Other operations and maintenance |

| | | |
|-----|-------|--------------------|
| | 50 | |
| Tax | (20) | Income tax expense |
| | \$ 30 | |

PAGE 27

Table of Contents**Dominion Gas**

The following table presents Dominion Gas changes in AOCI by component, net of tax:

| (millions) | Deferred gains and losses on derivatives- hedging activities | Unrecognized pension and other postretirement benefit costs | Total |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------|----------|
| Three Months Ended June 30, 2014 | | | |
| Beginning balance | \$ | \$ (60) | \$ (60) |
| Other comprehensive income before reclassifications: gains (losses) | (19) | | (19) |
| Amounts reclassified from accumulated other comprehensive income: (gains) losses ⁽¹⁾ | 3 | 1 | 4 |
| Net current-period other comprehensive income (loss) | (16) | 1 | (15) |
| Ending balance | \$ (16) | \$ (59) | \$ (75) |
| Three Months Ended June 30, 2013 | | | |
| Beginning balance | \$ (30) | \$ (91) | \$ (121) |
| Other comprehensive income before reclassifications: gains (losses) | 52 | 13 | 65 |
| Amounts reclassified from accumulated other comprehensive income: (gains) losses ⁽¹⁾ | | 1 | 1 |
| Net current-period other comprehensive income | 52 | 14 | 66 |
| Ending balance | \$ 22 | \$ (77) | \$ (55) |
| Six Months Ended June 30, 2014 | | | |
| Beginning balance | \$ 3 | \$ (61) | \$ (58) |
| Other comprehensive income before reclassifications: gains (losses) | (27) | (1) | (28) |
| Amounts reclassified from accumulated other comprehensive income: (gains) losses ⁽¹⁾ | 8 | 3 | 11 |
| Net current-period other comprehensive income (loss) | (19) | 2 | (17) |
| Ending balance | \$ (16) | \$ (59) | \$ (75) |

| Six Months Ended June 30, 2013 | | | | | |
|-------------------------------------------------------------------------------------------------|----|------|----|------|----------|
| Beginning balance | \$ | (47) | \$ | (93) | \$ (140) |
| Other comprehensive income before reclassifications: gains (losses) | | 66 | | 13 | 79 |
| Amounts reclassified from accumulated other comprehensive income: (gains) losses ⁽¹⁾ | | 3 | | 3 | 6 |
| Net current-period other comprehensive income | | 69 | | 16 | 85 |
| Ending balance | \$ | 22 | \$ | (77) | \$ (55) |

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

PAGE 28

Table of Contents

The following table presents Dominion Gas' reclassifications out of AOCI by component:

| Details about AOCI components (millions) | Amounts reclassified from AOCI | Affected line item in the Consolidated Statements of Income |
|----------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------|
| Three Months Ended June 30, 2014 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | \$ | 2 Operating revenue |
| | | 3 Purchased gas |
| | | 5 |
| Tax | | (2) Income tax expense |
| | \$ | 3 |
| Unrecognized pension and other postretirement benefit costs: | | |
| Actuarial (gains) losses | \$ | 1 Other operations and maintenance |
| | | 1 |
| Tax | | Income tax expense |
| | \$ | 1 |
| Three Months Ended June 30, 2013 | | |
| Deferred (gains) and losses on derivatives-hedging activities: | | |
| Commodity contracts | \$ | (3) Operating revenue |
| | | 3 Purchased gas |
| | | |
| Tax | | Income tax expense |
| | \$ | |
| Unrecognized pension and other postretirement benefit costs: | | |
| Actuarial (gains) losses | \$ | 2 Other operations and maintenance |
| | | 2 |
| Tax | | (1) Income tax expense |
| | \$ | 1 |
| Six Months Ended June 30, 2014 | | |

Deferred (gains) and losses on
derivatives-hedging activities:

| | | | |
|---------------------|----|-----|--------------------|
| Commodity contracts | \$ | 7 | Operating revenue |
| | | 5 | Purchased gas |
| | | 12 | |
| Tax | | (4) | Income tax expense |
| | \$ | 8 | |

Unrecognized pension and other postretirement
benefit costs:

| | | | |
|--------------------------|----|-----|----------------------------------|
| Actuarial (gains) losses | \$ | 4 | Other operations and maintenance |
| | | 4 | |
| Tax | | (1) | Income tax expense |
| | \$ | 3 | |

Six Months Ended June 30, 2013

Deferred (gains) and losses on
derivatives-hedging activities:

| | | | |
|---------------------|----|-----|--------------------|
| Commodity contracts | \$ | (2) | Operating revenue |
| | | 6 | Purchased gas |
| | | 4 | |
| Tax | | (1) | Income tax expense |
| | \$ | 3 | |

Unrecognized pension and other postretirement
benefit costs:

| | | | |
|--------------------------|----|-----|----------------------------------|
| Actuarial (gains) losses | \$ | 5 | Other operations and maintenance |
| | | 5 | |
| Tax | | (2) | Income tax expense |
| | \$ | 3 | |

Note 8. Fair Value Measurements

The Companies' fair value measurements are made in accordance with the policies discussed in Note 6 to the Consolidated Financial Statements in Dominion's and Virginia Power's Annual Report on Form 10-K for the year ended December 31, 2013 and Note 6 in Exhibit 99.11(b) to Dominion Gas' Current Report on Form 8-K dated June 26, 2014. See Note 9 in this report for further information about their derivatives and hedge accounting activities.

The Companies enter into certain physical and financial forwards, futures, options and swaps, 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 and futures 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

Table of Contents

forward market prices, original transaction prices, volumes, risk-free rate of return, and credit spreads. 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, risk-free rate of return, the option expiration dates, the option strike prices, the original sales prices, and volumes. For Level 3 fair value measurements, forward market prices and implied price volatilities 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.

The following table presents the Companies' quantitative information about Level 3 fair value measurements at June 30, 2014. The range and weighted average are presented in dollars for market price inputs and percentages for price volatility.

| | Fair Value (millions) | Valuation Techniques | Unobservable Input | Range | Weighted Average ⁽¹⁾ |
|-------------------------------|--------------------------|-------------------------|---------------------------------------|-----------|------------------------------------|
| Assets: | | | | | |
| Physical and Financial | | | | | |
| Forwards and Futures: | | | | | |
| Natural Gas ⁽²⁾ | \$ 19 | Discounted Cash Flow | Market Price (per Dth) ⁽⁵⁾ | (2) - 5 | 2 |
| FTRs ⁽³⁾ | 10 | Discounted Cash Flow | Market Price (per MWh) ⁽⁵⁾ | (1) - 10 | 1 |
| NGLs ⁽⁴⁾ | 3 | Discounted Cash Flow | Market Price (per Gal) ⁽⁵⁾ | 1 - 3 | 1 |
| Physical and Financial | | | | | |
| Options: | | | | | |
| Natural Gas | 4 | Option Model | Market Price (per Dth) ⁽⁵⁾ | 3 - 5 | 4 |
| | | | Price Volatility ⁽⁶⁾ | 14% - 32% | 24% |
| Total assets | \$ 36 | | | | |
| Liabilities: | | | | | |
| Physical and Financial | | | | | |
| Forwards and Futures: | | | | | |
| Natural Gas ⁽²⁾ | \$ 20 | Discounted Cash Flow | Market Price (per Dth) ⁽⁵⁾ | (2) - 5 | 2 |
| FTRs ⁽³⁾ | 3 | Discounted Cash Flow | Market Price (per MWh) ⁽⁵⁾ | (10) - 10 | 1 |
| NGLs ⁽⁴⁾ | 6 | Discounted Cash Flow | Market Price (per Gal) ⁽⁵⁾ | 1 - 3 | 1 |
| Physical and Financial | | | | | |
| Options: | | | | | |
| Natural Gas | 4 | Option Model | Market Price (per Dth) ⁽⁵⁾ | 2 - 5 | 4 |
| | | | Price Volatility ⁽⁶⁾ | 14% - 32% | 25% |
| Total liabilities | \$ 33 | | | | |

(1) Averages weighted by volume.

(2) Includes basis.

- (3) Information represents Virginia Power's quantitative information about Level 3 fair value measurements.
- (4) Information represents Dominion Gas' quantitative information about Level 3 fair value measurements.
- (5) Represents market prices beyond defined terms for Levels 1 & 2.
- (6) Represents volatilities unrepresented in published markets.

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) |

PAGE 30

Table of Contents

Non-recurring Fair Value Measurements

Dominion

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

Dominion Gas

In June 2013, Dominion Gas purchased certain natural gas infrastructure facilities that were previously leased from third parties. The purchase price was based on terms in the lease, which exceeded current market pricing. As a result of the purchase price and expected losses, Dominion Gas recorded an impairment charge of \$49 million (\$29 million after-tax) in other operations and maintenance expense in its Consolidated Statements of Income, to write down the long-lived assets to their estimated fair values of less than \$1 million. As management was not aware of any recent market transactions for comparable assets with sufficient transparency to develop a market approach to fair value, Dominion Gas used the income approach (discounted cash flows) to estimate the fair value of the assets in this impairment test. This was considered a Level 3 fair value measurement due to the use of significant unobservable inputs, including estimates of future production and other commodity prices.

Also in June 2013, Dominion Gas recorded an impairment charge of \$6 million (\$4 million after-tax) in other operations and maintenance expense in its Consolidated Statements of Income, to write off previously capitalized costs following the cancellation of two development projects.

Table of Contents**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:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------|-----------------|-----------------|--------------|-----------------|
| (millions) | | | | |
| At June 30, 2014 | | | | |
| Assets: | | | | |
| Derivatives: | | | | |
| Commodity | \$ 1 | \$ 645 | \$ 36 | \$ 682 |
| Interest rate | | 57 | | 57 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S.: | | | | |
| Large cap | 2,592 | | | 2,592 |
| Other | 6 | | | 6 |
| Non-U.S.: | | | | |
| Large cap | 12 | | | 12 |
| Fixed income: | | | | |
| Corporate debt instruments | | 409 | | 409 |
| U.S. Treasury securities and agency debentures | 446 | 182 | | 628 |
| State and municipal | | 368 | | 368 |
| Other | | 7 | | 7 |
| Cash equivalents and other | 1 | 91 | | 92 |
| Total assets | \$ 3,058 | \$ 1,759 | \$ 36 | \$ 4,853 |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Commodity | \$ 1 | \$ 1,113 | \$ 33 | \$ 1,147 |
| Interest rate | | 109 | | 109 |
| Total liabilities | \$ 1 | \$ 1,222 | \$ 33 | \$ 1,256 |
| At December 31, 2013 | | | | |
| Assets: | | | | |
| Derivatives: | | | | |
| Commodity | \$ 3 | \$ 718 | \$ 32 | \$ 753 |
| Interest rate | | 137 | | 137 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S.: | | | | |
| Large cap | 2,417 | | | 2,417 |

| | | | | |
|------------------------------------------------|----------|----------|-------|----------|
| Other | 79 | | | 79 |
| Non-U.S.: | | | | |
| Large cap | 13 | | | 13 |
| Fixed income: | | | | |
| Corporate debt instruments | | 345 | | 345 |
| U.S. Treasury securities and agency debentures | 415 | 175 | | 590 |
| State and municipal | | 343 | | 343 |
| Other | | 3 | | 3 |
| Cash equivalents and other | | 103 | | 103 |
| Restricted cash equivalents | | 8 | | 8 |
| | | | | |
| Total assets | \$ 2,927 | \$ 1,832 | \$ 32 | \$ 4,791 |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Commodity | \$ 3 | \$ 1,051 | \$ 48 | \$ 1,102 |
| | | | | |
| Total liabilities | \$ 3 | \$ 1,051 | \$ 48 | \$ 1,102 |

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

Table of Contents

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 | | Six Months Ended | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------|------------------|---------|
| | June 30, 2014 | 2013 | June 30, 2014 | 2013 |
| (millions) | | | | |
| Beginning balance | \$ 8 | \$ 9 | \$ (16) | \$ 25 |
| Total realized and unrealized gains (losses): | | | | |
| Included in earnings | (10) | (10) | 100 | 2 |
| Included in other comprehensive income (loss) | (1) | 26 | 3 | 36 |
| Included in regulatory assets/liabilities | (3) | (22) | 14 | (27) |
| Settlements | 9 | (1) | (99) | (26) |
| Transfers out of Level 3 | | | 1 | (8) |
| Ending balance | \$ 3 | \$ 2 | \$ 3 | \$ 2 |
| 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 | \$ | \$ (4) | \$ 1 | \$ (11) |

Table of Contents

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

| (millions) | Operating revenue | Purchased Gas | Electric fuel and other energy- related purchases | Total |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------|---------------------------------------------------------------|---------|
| Three Months Ended June 30, 2014 | | | | |
| Total gains (losses) included in earnings | \$ (1) | \$ (1) | \$ (8) | \$ (10) |
| 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) | | |
| Three Months Ended June 30, 2013 | | | | |
| Total gains (losses) included in earnings | \$ (2) | \$ | \$ (8) | \$ (10) |
| 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 | (2) | | (2) | (4) |
| Six Months Ended June 30, 2014 | | | | |
| Total gains (losses) included in earnings | \$ (11) | \$ (1) | \$ 112 | \$ 100 |
| 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 | 2 | (1) | | 1 |
| Six Months Ended June 30, 2013 | | | | |
| Total gains (losses) included in earnings | \$ 7 | \$ | \$ (5) | \$ 2 |
| 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 | (10) | | (1) | (11) |

Table of Contents**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:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------|-----------------|---------------|--------------|-----------------|
| (millions) | | | | |
| At June 30, 2014 | | | | |
| Assets: | | | | |
| Derivatives: | | | | |
| Commodity | \$ | \$ 5 | \$ 10 | \$ 15 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S. Large cap | 1,098 | | | 1,098 |
| Fixed income: | | | | |
| Corporate debt instruments | | 221 | | 221 |
| U.S. Treasury securities and agency debentures | 169 | 59 | | 228 |
| State and municipal | | 185 | | 185 |
| Cash equivalents and other | | 28 | | 28 |
| Total assets | \$ 1,267 | \$ 498 | \$ 10 | \$ 1,775 |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Commodity | \$ | \$ 5 | \$ 3 | \$ 8 |
| Interest rate | | 15 | | 15 |
| Total liabilities | \$ | \$ 20 | \$ 3 | \$ 23 |
| At December 31, 2013 | | | | |
| Assets: | | | | |
| Derivatives: | | | | |
| Commodity | \$ | \$ 3 | \$ 2 | \$ 5 |
| Interest rate | | 48 | | 48 |
| Investments ⁽¹⁾ : | | | | |
| Equity securities: | | | | |
| U.S.: | | | | |
| Large cap | 1,021 | | | 1,021 |
| Other | 36 | | | 36 |
| Fixed income: | | | | |
| Corporate debt instruments | | 191 | | 191 |
| U.S. Treasury securities and agency debentures | 146 | 66 | | 212 |
| State and municipal | | 164 | | 164 |
| Cash equivalents and other | | 31 | | 31 |
| Restricted cash equivalents | | 8 | | 8 |

| | | | | |
|---------------------|----------|--------|------|----------|
| Total assets | \$ 1,203 | \$ 511 | \$ 2 | \$ 1,716 |
| Liabilities: | | | | |
| Derivatives: | | | | |
| Commodity | \$ | \$ 3 | \$ 9 | \$ 12 |
| Total liabilities | \$ | \$ 3 | \$ 9 | \$ 12 |

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

PAGE 35

Table of Contents

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:

| (millions) | Three Months Ended | | Six Months Ended | |
|-----------------------------------------------|--------------------|---------|------------------|---------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Beginning balance | \$ 10 | \$ (3) | \$ (7) | \$ 2 |
| Total realized and unrealized gains (losses): | | | | |
| Included in earnings | (9) | (7) | 111 | (4) |
| Included in regulatory assets/liabilities | (3) | (22) | 14 | (27) |
| Settlements | 9 | 7 | (111) | 4 |
| Ending balance | \$ 7 | \$ (25) | \$ 7 | \$ (25) |

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 and six months ended June 30, 2014 and 2013. 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 and six months ended June 30, 2014 and 2013.

Dominion Gas

The following table presents Dominion Gas' assets and liabilities for commodity and interest rate derivatives 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 June 30, 2014 | | | | |
| Assets: | | | | |
| Commodity | \$ | \$ | \$ 3 | \$ 3 |
| Liabilities: | | | | |
| Commodity | \$ | \$ 7 | \$ 6 | \$ 13 |
| Interest rate | | 19 | | 19 |
| Total liabilities | \$ | \$ 26 | \$ 6 | \$ 32 |
| At December 31, 2013 | | | | |
| Assets: | | | | |
| Commodity | \$ | \$ | \$ 6 | \$ 6 |
| Interest rate | | 34 | | 34 |
| Total Assets | \$ | \$ 34 | \$ 6 | \$ 40 |
| Liabilities: | | | | |
| Commodity | \$ | \$ 13 | \$ 12 | \$ 25 |

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

| (millions) | Three Months Ended | | Six Months Ended | |
|-----------------------------------------------|---------------------------|-------------|-------------------------|-------------|
| | June 30, | | June 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Beginning balance | \$ (2) | \$ (1) | \$ (6) | \$ (12) |
| Total realized and unrealized gains (losses): | | | | |
| Included in earnings | (2) | 3 | (7) | 2 |
| Included in other comprehensive income (loss) | (1) | 24 | 3 | 35 |
| Settlements | 2 | (3) | 7 | (2) |
| Ending balance | \$ (3) | \$ 23 | \$ (3) | \$ 23 |

PAGE 36

Table of Contents

The gains and losses included in earnings in the Level 3 fair value category were classified in operating revenue in Dominion Gas' Consolidated Statements of Income for the three and six months ended June 30, 2014 and 2013. 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 th