

DOMINION RESOURCES INC /VA/

Form 10-Q

July 30, 2014

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**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 \_\_\_\_\_**

<b>Commission File Number</b>	<b>Exact name of registrants as specified in their charters, address of principal executive offices and registrants telephone number</b>	<b>I.R.S. Employer Identification Number</b>
<b>001-08489</b>	<b>DOMINION RESOURCES, INC.</b>	<b>54-1229715</b>
<b>001-02255</b>	<b>VIRGINIA ELECTRIC AND POWER COMPANY</b>	<b>54-0418825</b>

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.**

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

<b>Abbreviation or Acronym</b>	<b>Definition</b>
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 <sub>2</sub>	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

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<b>Abbreviation or Acronym</b>	<b>Definition</b>
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



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<b>Abbreviation or Acronym</b>	<b>Definition</b>
North Carolina Commission	North Carolina Utilities Commission
Northern System	Collection of approximately 131 miles of various diameter natural gas pipelines in Ohio
NO <sub>x</sub>	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 <sub>2</sub>	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)**

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

**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
<b>Earnings Per Common Share-Basic</b>				
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
<b>Earnings Per Common Share-Diluted</b>				
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.

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## 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 <sup>(1)</sup>	(59)	122	(209)	32
Changes in unrealized net gains on investment securities <sup>(2)</sup>	49	3	78	81
Changes in unrecognized pension and other postretirement benefit costs <sup>(3)</sup>	4	228		228
Amounts reclassified to net income:				
Net derivative (gains) losses-hedging activities <sup>(4)</sup>	(16)	(17)	144	59
Net realized gains on investment securities <sup>(5)</sup>	(7)	(9)	(18)	(36)
Net pension and other postretirement benefit costs <sup>(6)</sup>	9	10	17	30
Changes in other comprehensive income (loss) from equity method investees <sup>(7)</sup>	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.

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**DOMINION RESOURCES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>June 30, 2014</b>	December 31, 2013 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
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
<b>Total current assets</b>	<b>5,561</b>	<b>5,940</b>
<b>Investments</b>		
Nuclear decommissioning trust funds	4,103	3,903
Investment in equity method affiliates	1,083	916
Other	272	283
<b>Total investments</b>	<b>5,458</b>	<b>5,102</b>
<b>Property, Plant and Equipment</b>		
Property, plant and equipment	48,698	46,969
Accumulated depreciation, depletion and amortization	(14,811)	(14,341)
<b>Total property, plant and equipment, net</b>	<b>33,887</b>	<b>32,628</b>
<b>Deferred Charges and Other Assets</b>		
Goodwill	3,044	3,086
Regulatory assets	1,375	1,228
Other	2,174	2,112
<b>Total deferred charges and other assets</b>	<b>6,593</b>	<b>6,426</b>
<b>Total assets</b>	<b>\$ 51,499</b>	<b>\$ 50,096</b>

(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.

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## DOMINION RESOURCES, INC.

## CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

	June 30, 2014	December 31, 2013 <sup>(1)</sup>
(millions)		
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Current Liabilities</b>		
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
<b>Long-Term Debt</b>		
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
<b>Deferred Credits and Other Liabilities</b>		
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
<b>Commitments and Contingencies (see Note 15)</b>		
<b>Subsidiary Preferred Stock Not Subject to Mandatory Redemption</b>	134	257
<b>Common Shareholders Equity</b>		
Common stock no par <sup>2)</sup>	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
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(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.

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

<b>Six Months Ended June 30,</b> (millions)	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
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	<b>1,447</b>	1,791
<b>Investing Activities</b>		
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	<b>(2,186)</b>	(1,885)
<b>Financing Activities</b>		
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)**

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

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

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

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**VIRGINIA ELECTRIC AND POWER COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

	Three Months Ended		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 <sup>(1)</sup>	(1)	1	1	3
Changes in unrealized net gains on nuclear decommissioning trust funds <sup>(2)</sup>	6		8	8
Amounts reclassified to net income:				
Net derivative gains-hedging activities <sup>(3)</sup>	(1)		(4)	
Net realized gains on nuclear decommissioning trust funds <sup>(4)</sup>			(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)**

	<b>June 30, 2014</b>	December 31, 2013 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
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
<b>Total current assets</b>	<b>2,345</b>	2,163
<b>Investments</b>		
Nuclear decommissioning trust funds	1,857	1,765
Other	4	12
<b>Total investments</b>	<b>1,861</b>	1,777
<b>Property, Plant and Equipment</b>		
Property, plant and equipment	33,938	32,848
Accumulated depreciation and amortization	(10,896)	(10,580)
<b>Total property, plant and equipment, net</b>	<b>23,042</b>	22,268
<b>Deferred Charges and Other Assets</b>		
Intangible assets, net	202	193
Regulatory assets	561	417
Other <sup>(2)</sup>	197	143
<b>Total deferred charges and other assets</b>	<b>960</b>	753
<b>Total assets</b>	<b>\$ 28,208</b>	\$ 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.

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

(millions)	June 30, 2014	December 31, 2013 <sup>(1)</sup>
<b>LIABILITIES AND SHAREHOLDER S EQUITY</b>		
<b>Current Liabilities</b>		
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 <sup>(2)</sup>	452	454
Total current liabilities	2,550	2,217
<b>Long-Term Debt</b>	<b>8,716</b>	<b>7,974</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes and investment tax credits	4,266	4,137
Asset retirement obligations	704	689
Regulatory liabilities	1,607	1,597
Other <sup>(2)</sup>	314	292
Total deferred credits and other liabilities	6,891	6,715
Total liabilities	18,157	16,906
<b>Commitments and Contingencies (see Note 15)</b>		
<b>Preferred Stock Not Subject to Mandatory Redemption</b>	<b>134</b>	<b>257</b>
<b>Common Shareholder s Equity</b>		
Common stock no par <sup>(3)</sup>	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.

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

<b>Six Months Ended June 30,</b> (millions)	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
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	<b>909</b>	<b>1,115</b>
<b>Investing Activities</b>		
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	<b>(1,539)</b>	<b>(1,337)</b>
<b>Financing Activities</b>		
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	<b>672</b>	<b>208</b>

Increase (decrease) in cash and cash equivalents	<b>42</b>	(14)
Cash and cash equivalents at beginning of period	<b>16</b>	28
Cash and cash equivalents at end of period	<b>\$ 58</b>	\$ 14

**Supplemental Cash Flow Information**

## Significant noncash investing activities:

Accrued capital expenditures	<b>\$ 236</b>	\$ 100
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The accompanying notes are an integral part of Virginia Power's Consolidated Financial Statements.

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**DOMINION GAS HOLDINGS, LLC**  
**CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
(millions)				
<b>Operating Revenue<sup>(1)</sup></b>	<b>\$ 428</b>	<b>\$ 430</b>	<b>\$ 997</b>	<b>\$ 1,016</b>
<b>Operating Expenses</b>				
Purchased gas <sup>(1)</sup>	76	63	213	177
Other energy-related purchases	5	18	21	40
Other operations and maintenance:				
Affiliated suppliers	16	17	37	39
Other <sup>(2)</sup>	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 <sup>(1)</sup>	6	6	12	13
Income from operations before income taxes	153	85	420	313
Income tax expense	60	32	163	122
<b>Net Income</b>	<b>\$ 93</b>	<b>\$ 53</b>	<b>\$ 257</b>	<b>\$ 191</b>

(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.

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## DOMINION GAS HOLDINGS, LLC

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

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

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**DOMINION GAS HOLDINGS, LLC**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

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

(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.





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

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



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## DOMINION GAS HOLDINGS, LLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30, (millions)	2014	2013
<b>Operating Activities</b>		
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
<b>Investing Activities</b>		
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)
<b>Financing Activities</b>		
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	<b>\$ 40</b>	<b>\$ 38</b>
Extinguishment of affiliated current borrowings in exchange for assets sold to affiliate	<b>67</b>	

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

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**COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Nature of Operations**

Dominion, headquartered in Richmond, Virginia, is one of the nation's largest producers and transporters of energy. Dominion's operations are conducted through various subsidiaries, including Virginia Power 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.

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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:

	<b>Three Months Ended June 30, 2013</b>	<b>Six Months Ended June 30, 2013</b>
(millions)		
Operating revenue	\$ 63	\$ 217
Income before income taxes <sup>(1)</sup>	(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



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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)				
<b>Dominion</b>				
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
<b>Virginia Power</b>				
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
<b>Dominion Gas</b>				
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:

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

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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:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
(millions, except EPS)				
Net income attributable to Dominion	<b>\$ 159</b>	\$ 202	<b>\$ 538</b>	\$ 697
Average shares of common stock outstanding Basic	<b>581.9</b>	578.1	<b>581.7</b>	577.3
Net effect of dilutive securities <sup>(1)</sup>	<b>2.0</b>	0.8	<b>1.7</b>	0.9
Average shares of common stock outstanding Diluted	<b>583.9</b>	578.9	<b>583.4</b>	578.2
Earnings Per Common Share Basic	<b>\$ 0.27</b>	\$ 0.35	<b>\$ 0.92</b>	\$ 1.21
Earnings Per Common Share Diluted	<b>\$ 0.27</b>	\$ 0.35	<b>\$ 0.92</b>	\$ 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 postretirement benefit cost	Other comprehensive income (loss) from equity method investee	Total
(millions)					
<b>Three Months Ended June 30, 2014</b>					
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 <sup>(1)</sup> : (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)
<b>Three Months Ended June 30, 2013</b>					
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 <sup>(1)</sup> : (gains) losses	(17)	(9)	10		(16)
Net current-period other comprehensive income (loss)	105	(6)	238		337
Ending balance	\$ (31)	\$ 371	\$ (823)		\$ (483)
<b>Six Months Ended June 30, 2014</b>					
Beginning balance	\$ (288)	\$ 474	\$ (510)		\$ (324)
Other comprehensive income before reclassifications: gains (losses)	(209)	78		(5)	(136)
Amounts reclassified from accumulated other comprehensive income <sup>(1)</sup> : (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 <sup>(1)</sup> : (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.

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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
<b>Three Months Ended June 30, 2014</b>		
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	
<b>Three Months Ended June 30, 2013</b>		
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	
<b>Six Months Ended June 30, 2014</b>			
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	

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## 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	

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**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
<b>Three Months Ended June 30, 2014</b>			
Beginning balance	\$	\$ (60)	\$ (60)
Other comprehensive income before reclassifications: gains (losses)	(19)		(19)
Amounts reclassified from accumulated other comprehensive income: (gains) losses <sup>(1)</sup>	3	1	4
Net current-period other comprehensive income (loss)	(16)	1	(15)
Ending balance	\$ (16)	\$ (59)	\$ (75)
<b>Three Months Ended June 30, 2013</b>			
Beginning balance	\$ (30)	\$ (91)	\$ (121)
Other comprehensive income before reclassifications: gains (losses)	52	13	65
Amounts reclassified from accumulated other comprehensive income: (gains) losses <sup>(1)</sup>		1	1
Net current-period other comprehensive income	52	14	66
Ending balance	\$ 22	\$ (77)	\$ (55)
<b>Six Months Ended June 30, 2014</b>			
Beginning balance	\$ 3	\$ (61)	\$ (58)
Other comprehensive income before reclassifications: gains (losses)	(27)	(1)	(28)
Amounts reclassified from accumulated other comprehensive income: (gains) losses <sup>(1)</sup>	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 <sup>(1)</sup>		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.

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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
<b>Three Months Ended June 30, 2014</b>		
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
<b>Three Months Ended June 30, 2013</b>		
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
<b>Six Months Ended June 30, 2014</b>		

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



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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 <sup>(1)</sup>
<b>Assets:</b>					
<b>Physical and Financial</b>					
<b>Forwards and Futures:</b>					
Natural Gas <sup>(2)</sup>	\$ 19	Discounted Cash Flow	Market Price (per Dth) <sup>(5)</sup>	(2) - 5	2
FTRs <sup>(3)</sup>	10	Discounted Cash Flow	Market Price (per MWh) <sup>(5)</sup>	(1) - 10	1
NGLs <sup>(4)</sup>	3	Discounted Cash Flow	Market Price (per Gal) <sup>(5)</sup>	1 - 3	1
Physical and Financial					
<b>Options:</b>					
Natural Gas	4	Option Model	Market Price (per Dth) <sup>(5)</sup>	3 - 5	4
			Price Volatility <sup>(6)</sup>	14% - 32%	24%
Total assets	\$ 36				
<b>Liabilities:</b>					
<b>Physical and Financial</b>					
<b>Forwards and Futures:</b>					
Natural Gas <sup>(2)</sup>	\$ 20	Discounted Cash Flow	Market Price (per Dth) <sup>(5)</sup>	(2) - 5	2
FTRs <sup>(3)</sup>	3	Discounted Cash Flow	Market Price (per MWh) <sup>(5)</sup>	(10) - 10	1
NGLs <sup>(4)</sup>	6	Discounted Cash Flow	Market Price (per Gal) <sup>(5)</sup>	1 - 3	1
Physical and Financial					
<b>Options:</b>					
Natural Gas	4	Option Model	Market Price (per Dth) <sup>(5)</sup>	2 - 5	4
			Price Volatility <sup>(6)</sup>	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:

<b>Significant Unobservable Inputs</b>	<b>Position</b>	<b>Change to Input</b>	<b>Impact on Fair Value Measurement</b>
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)

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***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)				
<b>At June 30, 2014</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$ 1	\$ 645	\$ 36	\$ 682
Interest rate		57		57
Investments <sup>(1)</sup> :				
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
<b>Total assets</b>	<b>\$ 3,058</b>	<b>\$ 1,759</b>	<b>\$ 36</b>	<b>\$ 4,853</b>
<b>Liabilities:</b>				
Derivatives:				
Commodity	\$ 1	\$ 1,113	\$ 33	\$ 1,147
Interest rate		109		109
<b>Total liabilities</b>	<b>\$ 1</b>	<b>\$ 1,222</b>	<b>\$ 33</b>	<b>\$ 1,256</b>
<b>At December 31, 2013</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$ 3	\$ 718	\$ 32	\$ 753
Interest rate		137		137
Investments <sup>(1)</sup> :				
Equity securities:				
U.S.:				
Large cap	2,417			2,417

Other	79			79
<b>Non-U.S.:</b>				
Large cap	13			13
<b>Fixed income:</b>				
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
<b>Liabilities:</b>				
<b>Derivatives:</b>				
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.

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

	Three Months Ended		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)

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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
<b>Three Months Ended June 30, 2014</b>				
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)		
<b>Three Months Ended June 30, 2013</b>				
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)
<b>Six Months Ended June 30, 2014</b>				
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
<b>Six Months Ended June 30, 2013</b>				
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)				
<b>At June 30, 2014</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$	\$ 5	\$ 10	\$ 15
Investments <sup>(1)</sup> :				
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
<b>Total assets</b>	<b>\$ 1,267</b>	<b>\$ 498</b>	<b>\$ 10</b>	<b>\$ 1,775</b>
<b>Liabilities:</b>				
Derivatives:				
Commodity	\$	\$ 5	\$ 3	\$ 8
Interest rate		15		15
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 20</b>	<b>\$ 3</b>	<b>\$ 23</b>
<b>At December 31, 2013</b>				
<b>Assets:</b>				
Derivatives:				
Commodity	\$	\$ 3	\$ 2	\$ 5
Interest rate		48		48
Investments <sup>(1)</sup> :				
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
<b>Liabilities:</b>				
Derivatives:				
Commodity	\$	\$ 3	\$ 9	\$ 12
Total liabilities	\$	\$ 3	\$ 9	\$ 12

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

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

(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
<b>At June 30, 2014</b>				
<b>Assets:</b>				
Commodity	\$	\$	\$ 3	\$ 3
<b>Liabilities:</b>				
Commodity	\$	\$ 7	\$ 6	\$ 13
Interest rate		19		19
<b>Total liabilities</b>	\$	\$ 26	\$ 6	\$ 32
<b>At December 31, 2013</b>				
<b>Assets:</b>				
Commodity	\$	\$	\$ 6	\$ 6
Interest rate		34		34
<b>Total Assets</b>	\$	\$ 34	\$ 6	\$ 40
<b>Liabilities:</b>				
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)	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	2013	<b>2014</b>	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

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

**Fair Value of Financial Instruments**

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

	June 30, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value <sup>(1)</sup>	Carrying Amount	Estimated Fair Value <sup>(1)</sup>
(millions)				
<b>Dominion</b>				
Long-term debt, including securities due within one year <sup>(2)</sup>	\$ 18,883	\$ 21,103	\$ 18,396	\$ 19,887
Junior subordinated notes <sup>(3)</sup>	1,373	1,392	1,373	1,394
Remarketable subordinated notes <sup>(3)</sup>	1,082	1,272	1,080	1,192
Subsidiary preferred stock <sup>(4)</sup>	134	141	257	261
<b>Virginia Power</b>				
Long-term debt, including securities due within one year <sup>(3)</sup>	\$ 8,730	\$ 9,970	\$ 8,032	\$ 8,897
Preferred stock <sup>(4)</sup>	134	141	257	261
<b>Dominion Gas</b>				
Long-term debt <sup>(3)</sup>	\$ 1,199	\$ 1,236	\$ 1,198	\$ 1,169

- (1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. The carrying amount of debt issues with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.
- (2) Carrying amount includes amounts which represent the unamortized discount and/or premium. At June 30, 2014 and December 31, 2013, includes the valuation of certain fair value hedges associated with fixed rate debt of approximately \$54 million and \$55 million, respectively.
- (3) Carrying amount includes amounts which represent the unamortized discount and/or premium.
- (4) Carrying amount includes deferred issuance expenses of \$2 million at December 31, 2013.

**Table of Contents****Note 9. Derivatives and Hedge Accounting Activities**

The Companies' accounting policies and objectives and strategies for using derivative instruments are discussed in Note 2 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 2 in Exhibit 99.11(b) to Dominion Gas' Current Report on Form 8-K dated June 26, 2014. See Note 8 in this report for further information about fair value measurements and associated valuation methods for derivatives.

Derivative assets and liabilities are presented gross on the Companies' Consolidated Balance Sheets. Dominion's and Virginia Power's derivative contracts include both over-the-counter transactions and those that are executed on an exchange or other trading platform (exchange contracts) and centrally cleared. Dominion Gas' derivative contracts consist of over-the-counter transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Exchange contracts utilize a financial intermediary, exchange, or clearinghouse to enter, execute, or clear the transactions. Certain over-the-counter and exchange contracts contain contractual rights of setoff through master netting arrangements, derivative clearing agreements, and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

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

**Dominion*****Balance Sheet Presentation***

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

	June 30, 2014		December 31, 2013	
	Net Amounts of Assets Presented		Net Amounts of Assets Presented	
	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheet	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheet
(millions)				
Interest rate contracts:				
Over-the-counter	\$ 57	\$ 57	\$ 137	\$ 137
Commodity contracts:				
Over-the-counter	195	195	240	240
Exchange	480	480	506	506
	732	732	883	883

Total derivatives, subject to a master netting or similar arrangement

Total derivatives, not subject to a master netting or similar arrangement

Total	\$ 739	\$	\$	739	\$ 890	\$	\$	890
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	<b>June 30, 2014</b>				<b>December 31, 2013</b>			
	<b>Gross Amounts Not Offset in the Consolidated Balance Sheet</b>				<b>Gross Amounts Not Offset in the Consolidated Balance Sheet</b>			
	<b>Net Amounts of Assets Presented in the Consolidated</b>				<b>Net Amounts of Assets Presented in the Consolidated</b>			
	<b>Balance Sheet</b>	<b>Financial Instruments</b>	<b>Cash Received</b>	<b>Net Amounts</b>	<b>Balance Sheet</b>	<b>Financial Instruments</b>	<b>Cash Received</b>	<b>Net Amounts</b>
(millions)								
Interest rate contracts:								
Over-the-counter	\$ 57	\$ 30	\$	\$ 27	\$ 137	\$	\$	\$ 137
Commodity contracts:								
Over-the-counter	195	122		73	240	63		177
Exchange	480	479		1	506	505		1
Total	\$ 732	\$ 631	\$	\$ 101	\$ 883	\$ 568	\$	\$ 315

	<b>June 30, 2014</b>			<b>December 31, 2013</b>		
	<b>Gross Amounts Not Offset in the Consolidated Balance Sheet</b>			<b>Gross Amounts Not Offset in the Consolidated Balance Sheet</b>		
	<b>Net Amounts of Liabilities Presented in the Consolidated</b>			<b>Net Amounts of Liabilities Presented in the Consolidated</b>		
	<b>Amounts of Recognized Liabilities</b>	<b>Balance Sheet</b>	<b>Balance Sheet</b>	<b>Amounts of Recognized Liabilities</b>	<b>Balance Sheet</b>	<b>Balance Sheet</b>
(millions)						
Interest rate contracts:						
Over-the-counter	\$ 109	\$	\$ 109	\$	\$	\$
Commodity contracts:						
Over-the-counter	334		334	262		262
Exchange	809		809	838		838
Total derivatives, subject to a master netting or similar arrangement	1,252		1,252	1,100		1,100
Total derivatives, not subject to a master netting or similar arrangement	4		4	2		2
Total	\$ 1,256	\$	\$ 1,256	\$ 1,102	\$	\$ 1,102

June 30, 2014

December 31, 2013

	Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet			
	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet				Net Amounts of Liabilities Presented in the Consolidated Balance Sheet			
	Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts	Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts
(millions)								
Interest rate contracts:								
Over-the-counter	\$ 109	\$ 30	\$	\$ 79	\$	\$	\$	\$
Commodity contracts:								
Over-the-counter	334	122	4	208	262	63	69	130
Exchange	809	479	330		838	505	333	
Total	\$ 1,252	\$ 631	\$ 334	\$ 287	\$ 1,100	\$ 568	\$ 402	\$ 130

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**Table of Contents****Volumes**

The following table presents the volume of Dominion's derivative activity as of June 30, 2014. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions, except in the case of offsetting transactions, for which they represent the absolute value of the net volume of their long and short positions.

	Current	Noncurrent
Natural Gas (bcf):		
Fixed price <sup>(1)</sup>	68	15
Basis	370	188
Electricity (MWh):		
Fixed price	16,045,947	11,120,650
FTRs	73,646,672	
Capacity (MW)	1,500	16,800
Liquids (Gal) <sup>(2)</sup>	75,768,000	
Interest rate	\$ 1,600,000,000	\$ 3,925,000,000

(1) Includes options.

(2) Includes NGLs and oil.

**Ineffectiveness and AOCI**

For the three and six months ended June 30, 2014 and 2013, gains or losses on hedging instruments determined to be ineffective and amounts excluded from the assessment of effectiveness were not material. Amounts excluded from the assessment of effectiveness include gains or losses attributable to changes in the time value of options and changes in the differences between spot prices and forward prices.

The following table presents selected information related to gains (losses) on cash flow hedges included in AOCI in Dominion's Consolidated Balance Sheet at June 30, 2014:

(millions)	Amounts Expected to be Reclassified to Earnings during the next 12 Months		
	AOCI After-Tax	Months After-Tax	Maximum Term
Commodities:			
Gas	\$ (5)	\$ (5)	22 months
Electricity	(168)	(141)	30 months
Other	(1)	(1)	23 months
Interest rate	(179)	(7)	363 months
Total	\$ (353)	\$ (154)	

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

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**Table of Contents*****Fair Value and Gains and Losses on Derivative Instruments***

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

(millions)	Fair Value Derivatives under Hedge Accounting	Fair Value Derivatives not under Hedge Accounting	Total Fair Value
<b>June 30, 2014</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Commodity	\$ 163	\$ 367	\$ 530
Interest rate	34		34
Total current derivative assets <sup>(1)</sup>	197	367	564
<b>Noncurrent Assets</b>			
Commodity	84	68	152
Interest rate	23		23
Total noncurrent derivative assets <sup>(2)</sup>	107	68	175
Total derivative assets	\$ 304	\$ 435	\$ 739
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Commodity	\$ 419	\$ 484	\$ 903
Interest rate	61		61
Total current derivative liabilities	480	484	964
<b>Noncurrent Liabilities</b>			
Commodity	131	113	244
Interest Rate	48		48
Total noncurrent derivative liabilities <sup>(3)</sup>	179	113	292
Total derivative liabilities	\$ 659	\$ 597	\$ 1,256
<b>December 31, 2013</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Commodity	\$ 49	\$ 522	\$ 571
Interest rate	116		116

Total current derivative assets <sup>(1)</sup>	165	522	687
<b>Noncurrent Assets</b>			
Commodity	28	154	182
Interest rate	21		21
Total noncurrent derivative assets <sup>(2)</sup>	49	154	203
Total derivative assets	\$ 214	\$ 676	\$ 890
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Commodity	\$ 267	\$ 561	\$ 828
Total current derivative liabilities	267	561	828
<b>Noncurrent Liabilities</b>			
Commodity	119	155	274
Total noncurrent derivative liabilities <sup>(3)</sup>	119	155	274
Total derivative liabilities	\$ 386	\$ 716	\$ 1,102

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

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

Derivatives in cash flow hedging relationships (millions)	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion) <sup>(1)</sup>	Amount of Gain (Loss) Reclassified from AOCI to Income	Increase (Decrease) in Derivatives Subject to Regulatory Treatment <sup>(2)</sup>
<b>Three Months Ended June 30, 2014</b>			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ 28	
Purchased gas			(3)
Total commodity	\$ (33)	\$ 25	\$ (4)
Interest rate <sup>(3)</sup>	(73)	(3)	(8)
Total	\$ (106)	\$ 22	\$ (12)
<b>Three Months Ended June 30, 2013</b>			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ 29	
Total commodity	\$ 131	\$ 29	\$ (8)
Interest rate <sup>(3)</sup>	67	(3)	36
Total	\$ 198	\$ 26	\$ 28
<b>Six Months Ended June 30, 2014</b>			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$ (241)	
Purchased gas			(4)
Electric fuel and other energy-related purchases			13
Total commodity	\$ (216)	\$ (232)	\$ (2)
Interest rate <sup>(3)</sup>	(119)	(6)	(31)
Total	\$ (335)	\$ (238)	\$ (33)

Six Months Ended June 30, 2013			
Derivative Type and Location of Gains (Losses)			
Commodity:			
Operating revenue		\$	(55)
Purchased gas			(34)
Electric fuel and other energy-related purchases			(3)
<b>Total commodity</b>	\$	(27)	\$ (92) \$ (1)
Interest rate <sup>(3)</sup>		81	(6) 52
<b>Total</b>	\$	54	\$ (98) \$ 51

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

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	<b>Amount of Gain (Loss) Recognized in Income on Derivatives<sup>(1)</sup></b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>2013</b>	<b>June 30,</b>	<b>2013</b>
<b>Derivatives not designated as hedging instruments</b> (millions)				
Derivative Type and Location of Gains (Losses)				
Commodity				
Operating revenue	\$ (1)	\$ (6)	\$ (362)	\$ (3)
Purchased gas		(26)	6	(7)
Electric fuel and other energy-related purchases	(8)	(11)	125	(8)
Total	\$ (9)	\$ (43)	\$ (231)	\$ (18)

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

**Virginia Power****Balance Sheet Presentation**

The tables below present Virginia Power's derivative asset and liability balances by type of financial instrument, before and after the effects of offsetting:

	<b>June 30, 2014</b>			<b>December 31, 2013</b>		
	<b>Gross</b>	<b>Net Amounts of</b>	<b>Net Amounts of</b>	<b>Gross</b>	<b>Net Amounts of</b>	<b>Net Amounts of</b>
	<b>Amounts of</b>	<b>Offset</b>	<b>Assets Presented</b>	<b>Amounts of</b>	<b>Offset in</b>	<b>Assets Presented</b>
<b>Recognized</b>	<b>in the</b>	<b>in the</b>	<b>Recognized</b>	<b>the</b>	<b>in the</b>	
<b>Assets</b>	<b>Consolidated</b>	<b>Consolidated</b>	<b>Assets</b>	<b>Consolidated</b>	<b>Consolidated</b>	
<b>Assets</b>	<b>Balance</b>	<b>Balance</b>	<b>Assets</b>	<b>Balance</b>	<b>Balance</b>	
<b>Assets</b>	<b>Sheet</b>	<b>Sheet</b>	<b>Assets</b>	<b>Sheet</b>	<b>Sheet</b>	
(millions)						
Interest rate contracts:						
Over-the-counter	\$	\$	\$	\$ 48	\$ 48	
Commodity contracts:						
Over-the-counter	11	11	4	4	4	
Exchange	1	1	1	1	1	
Total derivatives, subject to a master netting or similar arrangement	12	12	53	53	53	
Total derivatives, not subject to a master netting or similar arrangement	3	3				

Total \$ 15 \$ \$ 15 \$ 53 \$ \$ 53

	<b>June 30, 2014</b>				December 31, 2013			
	<b>Gross Amounts Not Offset in the Consolidated Balance Sheet</b>				<b>Gross Amounts Not Offset in the Consolidated Balance Sheet</b>			
	<b>Net Amounts of Assets Presented in the Consolidated</b>				<b>Net Amounts of Assets Presented in the Consolidated</b>			
	<b>Balance Sheet</b>	<b>Financial Instruments</b>	<b>Cash Collateral Received</b>	<b>Net Amounts</b>	<b>Balance Sheet</b>	<b>Financial Instruments</b>	<b>Cash Collateral Received</b>	<b>Net Amounts</b>
(millions)								
<b>Interest rate contracts:</b>								
Over-the-counter	\$	\$	\$	\$	\$ 48	\$	\$	\$ 48
<b>Commodity contracts:</b>								
Over-the-counter	11	4		7	4	4		
Exchange	1			1	1			1
Total	\$ 12	\$ 4	\$	\$ 8	\$ 53	\$ 4	\$	\$ 49

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	June 30, 2014			December 31, 2013		
	Gross Amounts of Recognized Liabilities	Gross Amount Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
(millions)						
Interest rate contracts:						
Over-the-counter	\$ 15	\$	\$ 15	\$	\$	\$
Commodity contracts:						
Over-the-counter	7		7	12		12
Total derivatives, subject to a master netting or similar arrangement	22		22	12		12
Total derivatives, not subject to a master netting or similar arrangement	1		1			
Total	\$ 23	\$	\$ 23	\$ 12	\$	\$ 12

	June 30, 2014			December 31, 2013		
	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet	Cash Collateral Paid	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet	Cash Collateral Paid
(millions)						
	Financial Instruments			Financial Instruments		