

VIRGINIA ELECTRIC & POWER CO
Form 10-Q
August 08, 2007
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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, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-02255

VIRGINIA ELECTRIC AND POWER COMPANY

(Exact name of registrant as specified in its charter)

VIRGINIA
(State or other jurisdiction of incorporation or organization)

54-0418825
(I.R.S. Employer Identification No.)

120 TREDEGAR STREET

RICHMOND, VIRGINIA
(Address of principal executive offices)

23219
(Zip Code)

(804) 819-2000

(Registrant's telephone number)

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

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to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes No

At June 30, 2007, the latest practicable date for determination, 198,047 shares of common stock, without par value, of the registrant were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(millions)	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Operating Revenue	\$ 1,424	\$ 1,323	\$ 2,867	\$ 2,656
Operating Expenses				
Electric fuel and energy purchases	661	555	1,336	1,112
Purchased electric capacity	107	109	223	226
Other energy-related commodity purchases	8	8	16	18
Other operations and maintenance:				
External suppliers	196	207	402	396
Affiliated suppliers	78	81	156	158
Depreciation and amortization	140	135	274	267
Other taxes	43	43	88	88
Total operating expenses	1,233	1,138	2,495	2,265
Income from operations	191	185	372	391
Other income	17	17	40	41
Interest and related charges:				
Interest expense	75	63	129	133
Interest expense junior subordinated notes payable to affiliated trust	7	7	15	15
Total interest and related charges	82	70	144	148
Income before income tax expense	126	132	268	284
Income tax expense	47	46	100	101
Income before extraordinary item	79	86	168	183
Extraordinary item ⁽¹⁾	(158)		(158)	
Net Income (Loss)	(79)	86	10	183
Preferred dividends	4	4	8	8
Balance available for common stock	\$ (83)	\$ 82	\$ 2	\$ 175

(1) Net of income tax benefit of \$101 million for the three and six months ended June 30, 2007.

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

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

	June 30,	December 31,
(millions)	2007	2006 ⁽¹⁾
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 25	\$ 18
Customer accounts receivable (less allowance for doubtful accounts of \$8 and \$7)	743	650
Other receivables (less allowance for doubtful accounts of \$8 and \$9)	113	98
Inventories (average cost method)	457	505
Prepayments	54	133
Other	61	51
Total current assets	1,453	1,455
Investments		
Nuclear decommissioning trust funds	1,351	1,293
Other	22	22
Total investments	1,373	1,315
Property, Plant and Equipment		
Property, plant and equipment	21,207	20,771
Accumulated depreciation and amortization	(8,576)	(8,353)
Total property, plant and equipment, net	12,631	12,418
Deferred Charges and Other Assets	452	495
Total assets	\$ 15,909	\$ 15,683

(1) The Consolidated Balance Sheet at December 31, 2006 has been derived from the audited Consolidated Financial Statements at that date. The accompanying notes are an integral part of the Consolidated Financial Statements.

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

(millions)	June 30, 2007	December 31, 2006 ⁽¹⁾
LIABILITIES AND SHAREHOLDER S EQUITY		
Current Liabilities		
Securities due within one year	\$ 644	\$ 1,267
Short-term debt	914	618
Accounts payable	458	418
Other	505	638
Total current liabilities	2,521	2,941
Long-Term Debt		
Long-term debt	3,492	2,987
Junior subordinated notes payable to affiliated trust	412	412
Notes payable other affiliates	220	220
Total long-term debt	4,124	3,619
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	1,995	2,308
Asset retirement obligations	659	641
Regulatory liabilities	961	430
Other	262	95
Total deferred credits and other liabilities	3,877	3,474
Total liabilities	10,522	10,034
Commitments and Contingencies (see Note 10)		
Preferred Stock Not Subject to Mandatory Redemption	257	257
Common Shareholder s Equity		
Common stock no par, 300,000 shares authorized; 198,047 shares outstanding	3,388	3,388
Other paid-in capital	888	887
Retained earnings	821	955
Accumulated other comprehensive income	33	162
Total common shareholder s equity	5,130	5,392
Total liabilities and shareholder s equity	\$ 15,909	\$ 15,683

(1) The Consolidated Balance Sheet at December 31, 2006 has been derived from the audited Consolidated Financial Statements at that date.

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

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VIRGINIA ELECTRIC AND POWER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(millions)	Six Months Ended	
	2007	June 30, 2006
Operating Activities		
Net income	\$ 10	\$ 183
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	317	307
Deferred income taxes and investment tax credits, net	(2)	(29)
Deferred fuel expenses, net	69	56
Extraordinary item, net of income taxes	158	
Other adjustments to net income	(23)	(45)
Changes in:		
Accounts receivable	(99)	37
Affiliated accounts receivable and payable	1	25
Inventories	48	(63)
Accounts payable	61	(60)
Accrued interest, payroll and taxes	(18)	152
Prepayments	76	13
Other operating assets and liabilities	79	98
Net cash provided by operating activities	677	674
Investing Activities		
Plant construction and other property additions	(460)	(421)
Purchases of nuclear fuel	(66)	(60)
Purchases of securities	(279)	(267)
Proceeds from sales of securities	263	256
Other	9	22
Net cash used in investing activities	(533)	(470)
Financing Activities		
Issuance (repayment) of short-term debt, net	296	(655)
Issuance (repayment) of affiliated current borrowings, net	(140)	190
Issuance of long-term debt	600	1,000
Repayment of long-term debt	(726)	(612)
Common dividend payments	(142)	(139)
Preferred dividend payments	(8)	(8)
Other	(17)	(14)
Net cash used in financing activities		