

VIRGINIA ELECTRIC & POWER CO

Form 10-K/A

October 13, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2008

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)	

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange
Preferred Stock (cumulative), \$100 par value, \$5.00 dividend	on Which Registered New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. 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). Yes No

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. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form

Edgar Filing: VIRGINIA ELECTRIC & POWER CO - Form 10-K/A

10-K or any amendment to this Form 10-K.

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. (Check one):

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). Yes No

The aggregate market value of the voting stock held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was zero.

As of February 1, 2009, there were issued and outstanding 209,833 shares of the registrant's common stock, without par value, all of which were held, beneficially and of record, by Dominion Resources, Inc.

DOCUMENTS INCORPORATED BY REFERENCE.

None

Table of Contents

EXPLANATORY NOTE

Virginia Electric and Power Company is filing this Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission on February 26, 2009, in order to revise the Chief Executive Officer and Chief Financial Officer certifications filed as Exhibits 31.1 and 31.2 to the original Form 10-K, which inadvertently omitted certain language regarding internal control over financial reporting required to be included in paragraph 4. In addition, in connection with the filing of this amendment, we are including an updated consent letter from our independent registered public accounting firm as an exhibit and we are furnishing certain other currently dated certifications of our Chief Executive Officer and Chief Financial Officer as exhibits. This Form 10-K/A is limited in scope to the foregoing, and should be read in conjunction with the original Form 10-K and our other filings with the Securities and Exchange Commission.

The Financial Statements contained in Part II. Item 8 of the original Form 10-K as well as the Controls and Procedures contained in Part II. Item 9A(T) of the original Form 10-K are reproduced in this amendment, but this amendment does not reflect events occurring after the filing of the original Form 10-K or modify or update those disclosures affected by subsequent events. Except as described above, we have not modified or updated the disclosures or information presented in the original Form 10-K.

Table of Contents

TABLE OF CONTENTS

Part II.

Item 8.	<u>Financial Statements and Supplementary Data</u>	
	<u>Consolidated Statements of Income for the years ended December 31, 2008, 2007 and 2006</u>	31
	<u>Consolidated Balance Sheets at December 31, 2008 and 2007</u>	32
	<u>Consolidated Statements of Common Shareholder s Equity and Comprehensive Income at December 31, 2008, 2007 and 2006 and for the years then ended</u>	34
	<u>Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006</u>	36
	<u>Notes to Financial Statements</u>	37
Item 9A(T).	<u>Controls and Procedures</u>	56

Part IV.

Item 15.	<u>Exhibits and Financial Statement Schedules</u>	57
	Exhibit 23 <u>Consent of Deloitte and Touche LLP</u>	
	Exhibit 31.1 <u>Certification by Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
	Exhibit 31.2 <u>Certification by Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
	Exhibit 32 <u>Certification to the Securities and Exchange Commission by Registrant s Chief Executive Officer and Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002</u>	

Table of Contents

Part II

Item 8. Financial Statements and Supplementary Data

Index	Page No.
<u>Report of Independent Registered Public Accounting Firm</u>	30
<u>Consolidated Statements of Income for the years ended December 31, 2008, 2007 and 2006</u>	31
<u>Consolidated Balance Sheets at December 31, 2008 and 2007</u>	32
<u>Consolidated Statements of Common Shareholder's Equity at December 31, 2008, 2007 and 2006 and for the years then ended</u>	34
<u>Consolidated Statements of Comprehensive Income at December 31, 2008, 2007 and 2006 and for the years then ended</u>	35
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006</u>	36
<u>Notes to Consolidated Financial Statements</u>	37
	29

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of

Virginia Electric and Power Company

Richmond, Virginia

We have audited the accompanying consolidated balance sheets of Virginia Electric and Power Company (a wholly-owned subsidiary of Dominion) and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, common shareholder's equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Virginia Electric and Power Company and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to our consolidated financial statements, the Company changed its methods of accounting to adopt new accounting standards for fair value measurements in 2008 and uncertain tax positions in 2007.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 24, 2009

Table of Contents

Consolidated Statements of Income

Year Ended December 31, (millions)	2008	2007 ⁽¹⁾	2006 ⁽¹⁾
Operating Revenue	\$ 6,934	\$ 6,181	\$ 5,603
Operating Expenses			
Electric fuel and energy purchases	2,683	2,361	2,233
Purchased electric capacity	410	429	453
Other energy-related commodity purchases	24	27	56
Other operations and maintenance:			
Affiliated suppliers	399	345	311
Other	1,006	1,052	868
Depreciation and amortization	608	568	536
Other taxes	183	173	163
Total operating expenses	5,313	4,955	4,620
Income from operations	1,621	1,226	983
Other income	52	55	75
Interest and related charges:			
Interest expense	297	274	266
Interest expense junior subordinated notes payable to affiliated trust	12	30	30
Total interest and related charges	309	304	296
Income from operations before income tax expense and extraordinary item	1,364	977	762
Income tax expense	500	371	284
Income from operations before extraordinary item	864	606	478
Extraordinary item ⁽²⁾		(158)	
Net Income	864	448	478
Preferred dividends	17	16	16
Balance available for common stock	\$ 847	\$ 432	\$ 462

(1) Our 2007 and 2006 Consolidated Statements of Income have been recast to reflect our revised derivative income statement classification policy described in Note 2 of our Consolidated Financial Statements.

(2) Reflects a \$259 million (\$158 million after-tax) extraordinary charge in connection with the reapplication of SFAS No. 71, Accounting for Certain Types of Regulation, to the Virginia jurisdiction of our generation operations.

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

Table of Contents

Consolidated Balance Sheets

At December 31, (millions)	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 27	\$ 49
Customer receivables (less allowance for doubtful accounts of \$8 at both dates)	940	763
Affiliated receivables	8	53
Other receivables (less allowance for doubtful accounts of \$7 and \$9)	74	58
Inventories (average cost method):		
Materials and supplies	275	248
Fossil fuel	272	272
Prepayments	28	165
Regulatory assets	212	
Other	75	92
Total current assets	1,911	1,700
Investments		
Nuclear decommissioning trust funds	1,053	1,339
Other	3	16
Total investments	1,056	1,355
Property, Plant and Equipment		
Property, plant and equipment	23,476	21,838
Accumulated depreciation and amortization	(8,915)	(8,702)
Total property, plant and equipment, net	14,561	13,136
Deferred Charges and Other Assets		
Intangible assets	210	176
Regulatory assets	921	564
Other	143	132
Total deferred charges and other assets	1,274	872
Total assets	\$ 18,802	\$ 17,063

Table of Contents

At December 31,
(millions) 2008 2007

LIABILITIES AND SHAREHOLDER S EQUITY**Current Liabilities**

Securities due within one year	\$ 125	\$ 286
Short-term debt	297	257
Accounts payable	436	573
Payables to affiliates	132	80
Affiliated current borrowings	417	114
Accrued interest, payroll and taxes	236	234
Customer deposits	116	116
Other	270	123
Total current liabilities	2,029	1,783

Long-Term Debt

Long-term debt	6,000	4,904
Junior subordinated notes payable to affiliated trust		412
Total long-term debt	6,000	5,316

Deferred Credits and Other Liabilities

Deferred income taxes and investment tax credits	2,485	2,237
Asset retirement obligations	715	678
Regulatory liabilities	760	1,009
Other	282	242
Total deferred credits and other liabilities	4,242	4,166
Total liabilities	12,271	11,265

Commitments and Contingencies (see Note 20)

Preferred Stock Not Subject to Mandatory Redemption	257	257
--	-----	-----

Common Shareholder s Equity

Common stock no par ⁽¹⁾	3,738	3,388
Other paid-in capital	1,110	1,109
Retained earnings	1,421	1,015
Accumulated other comprehensive income	5	29
Total common shareholder s equity	6,274	5,541
Total liabilities and shareholder s equity	\$ 18,802	\$ 17,063

(1) 300,000 shares authorized, 209,833 shares and 198,047 shares outstanding at December 31, 2008 and 2007, respectively.
The accompanying notes are an integral part of our Consolidated Financial Statements.

Table of Contents

Consolidated Statements of Common Shareholders Equity

(millions, except for shares)	Common Stock		Other Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares (thousands)	Amount				
Balance at December 31, 2005	198	\$ 3,388	\$ 886	\$ 842	\$ 117	\$ 5,233
Net income				478	&nbs	