

VIRGINIA ELECTRIC & POWER CO

Form 10-Q

November 01, 2007

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark one)

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

For the quarterly period ended September 30, 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

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**VIRGINIA ELECTRIC AND POWER COMPANY**

(Exact name of registrant as specified in its charter)

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**VIRGINIA**  
(State or other jurisdiction of  
incorporation or organization)

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

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120 TREDEGAR STREET

**RICHMOND, VIRGINIA**  
*(Address of principal executive offices)*

**23219**  
*(Zip Code)*

**(804) 819-2000**

*(Registrant's telephone number)*

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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 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 September 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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**Table of Contents****VIRGINIA ELECTRIC AND POWER COMPANY****PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

(millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Operating Revenue</b>	<b>\$ 1,833</b>	\$ 1,690	<b>\$ 4,700</b>	\$ 4,346
<b>Operating Expenses</b>				
Electric fuel and energy purchases	609	821	1,945	1,933
Purchased electric capacity	107	114	330	340
Other energy-related commodity purchases	8	15	24	33
Other operations and maintenance:				
External suppliers	255	110	657	506
Affiliated suppliers	83	75	239	233
Depreciation and amortization	146	133	420	400
Other taxes	43	37	131	125
Total operating expenses	1,251	1,305	3,746	3,570
Income from operations	582	385	954	776
Other income	18	20	58	61
Interest and related charges:				
Interest expense	77	65	206	198
Interest expense junior subordinated notes payable to affiliated trust	8	8	23	23
Total interest and related charges	85	73	229	221
Income before income tax expense	515	332	783	616
Income tax expense	193	123	293	224
Income before extraordinary item	322	209	490	392
Extraordinary item <sup>(1)</sup>			(158)	
<b>Net Income</b>	<b>322</b>	209	<b>332</b>	392
Preferred dividends	4	4	12	12
Balance available for common stock	\$ 318	\$ 205	\$ 320	\$ 380

(1) Net of income tax benefit of \$101 million.

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



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

	September 30,	December 31,
	2007	2006 <sup>(1)</sup>
(millions)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 21	\$ 18
Customer receivables (less allowance for doubtful accounts of \$8 and \$7)	837	650
Other receivables (less allowance for doubtful accounts of \$8 and \$9)	71	98
Inventories (average cost method)	484	505
Prepayments	41	133
Other	56	51
Total current assets	1,510	1,455
<b>Investments</b>		
Nuclear decommissioning trust funds	1,362	1,293
Other	22	22
Total investments	1,384	1,315
<b>Property, Plant and Equipment</b>		
Property, plant and equipment	21,460	20,771
Accumulated depreciation and amortization	(8,689)	(8,353)
Total property, plant and equipment, net	12,771	12,418
<b>Deferred Charges and Other Assets</b>		
Regulatory assets	409	241
Other	275	254
Total deferred charges and other assets	684	495
Total assets	\$ 16,349	\$ 15,683

(1) Our 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 our Consolidated Financial Statements.

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

	September 30, 2007	December 31, 2006 <sup>(1)</sup>
(millions)		
<b>LIABILITIES AND SHAREHOLDER S EQUITY</b>		
<b>Current Liabilities</b>		
Securities due within one year	\$ 59	\$ 1,267
Short-term debt		618
Affiliated current borrowings	1,054	140
Payables to affiliates	90	62
Accounts payable	415	418
Other	473	436
Total current liabilities	2,091	2,941
<b>Long-Term Debt</b>		
Long-term debt	4,088	2,987
Junior subordinated notes payable to affiliated trust	412	412
Notes payable other affiliates	220	220
Total long-term debt	4,720	3,619
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes and investment tax credits	2,098	2,308
Asset retirement obligations	671	641
Regulatory liabilities	990	430
Other	271	95
Total deferred credits and other liabilities	4,030	3,474
Total liabilities	10,841	10,034
<b>Commitments and Contingencies (see Note 11)</b>		
<b>Preferred Stock Not Subject to Mandatory Redemption</b>	257	257
<b>Common Shareholder s Equity</b>		
Common stock no par, 300,000 shares authorized; 198,047 shares outstanding	3,388	3,388
Other paid-in capital	889	887
Retained earnings	943	955
Accumulated other comprehensive income	31	162
Total common shareholder s equity	5,251	5,392
Total liabilities and shareholder s equity	\$ 16,349	\$ 15,683

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(1) Our 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 our Consolidated Financial Statements.

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**VIRGINIA ELECTRIC AND POWER COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(millions)	Nine Months Ended September 30,	
	2007	2006
<b>Operating Activities</b>		
Net income	\$ 332	\$ 392
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	485	464
Deferred income taxes and investment tax credits, net	99	(23)
Deferred fuel expenses, net	(152)	73
Extraordinary item, net of income taxes	158	
Other adjustments to income, net	(31)	(79)
Changes in:		
Accounts receivable	(178)	(5)
Affiliated accounts receivable and payable	46	
Inventories	21	(49)
Accounts payable	(9)	(21)
Accrued interest, payroll and taxes	5	207
Other operating assets and liabilities	182	147
Net cash provided by operating activities	958	1,106
<b>Investing Activities</b>		
Plant construction and other property additions	(680)	(631)
Purchases of nuclear fuel	(88)	(92)
Purchases of securities	(427)	(376)
Proceeds from sales of securities	391	358
Other	29	77
Net cash used in investing activities	(775)	(664)
<b>Financing Activities</b>		
Repayment of short-term debt, net	(618)	(905)
Issuance of affiliated current borrowings, net	914	340
Issuance of long-term debt	1,200	1,000
Repayment of long-term debt	(1,313)	(613)
Common dividend payments	(338)	(273)
Preferred dividend payments	(12)	