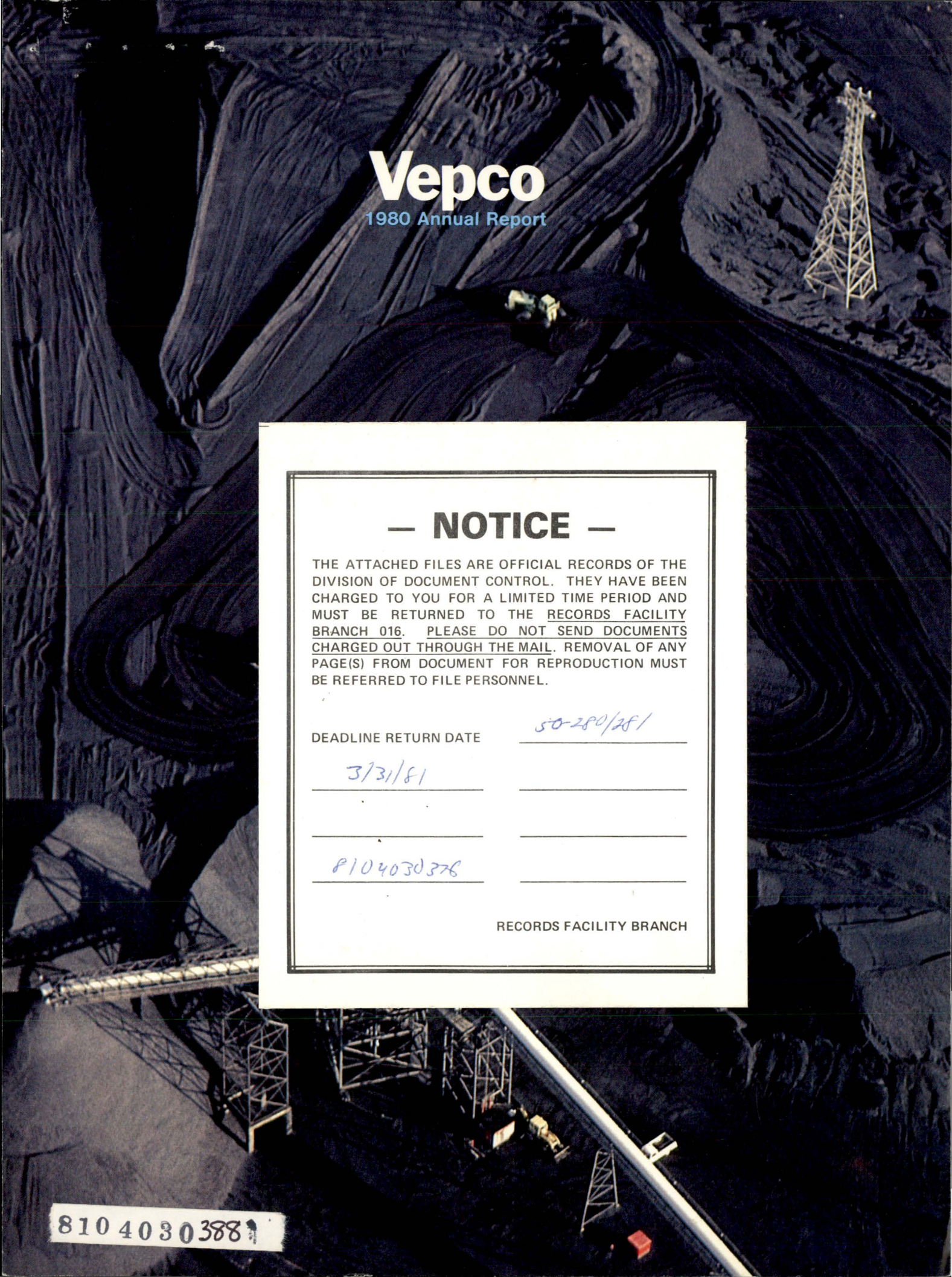


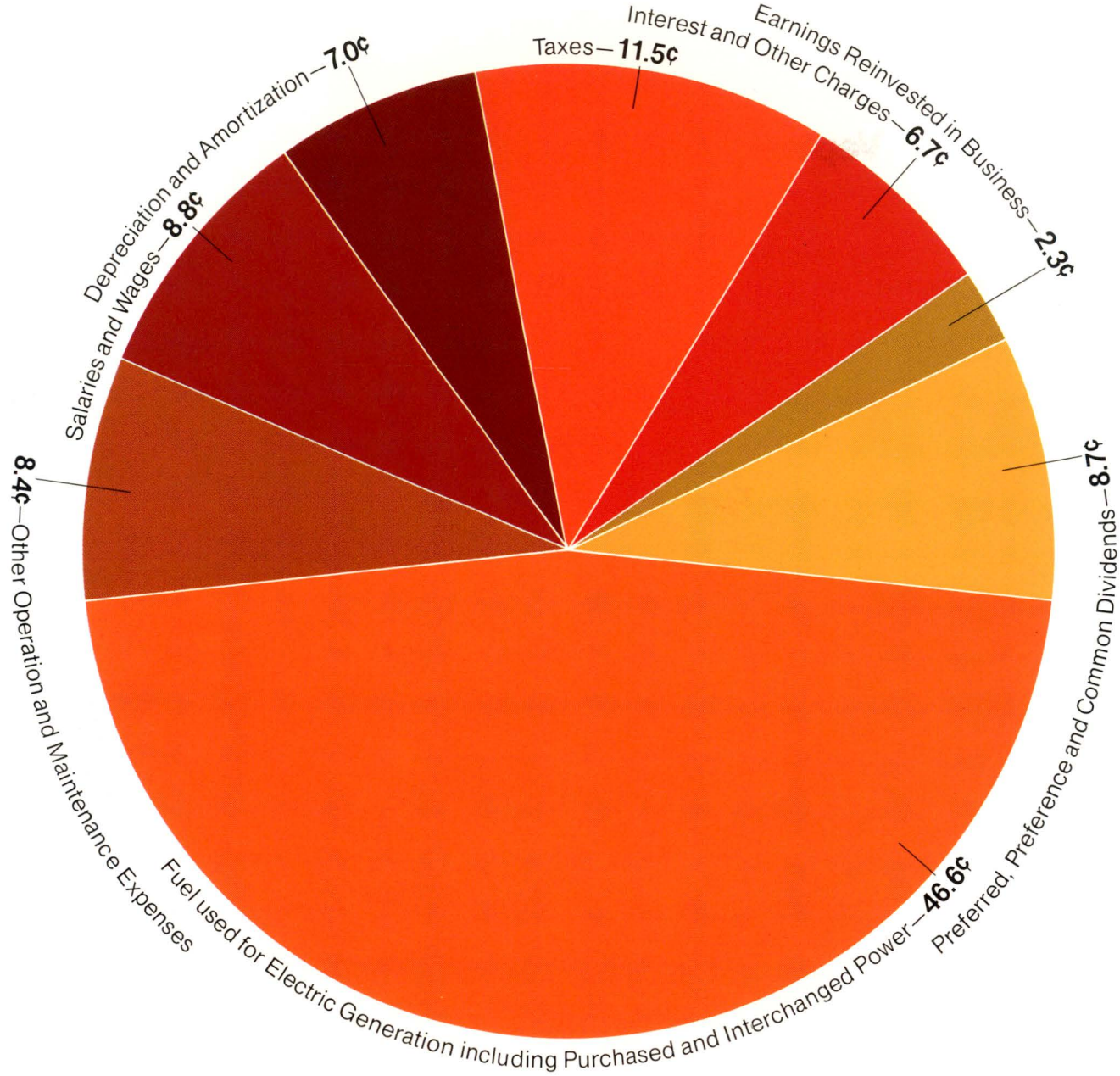
Vepco

1980 Annual Report

On the Cover

Massive coal pile at Chesterfield Power Station symbolizes our significant shift to coal. Vepco leads the nation in switching to this fossil fuel, resulting in lower charges to customers and less dependence on foreign oil.

Disposition of the 1980 Revenue Dollar



Contents

1980 Highlights

	1980	1979	Increase (Decrease)	% Increase (Decrease)
Financial				
Total Operating Revenues	**$2,119,774,000**	$1,703,309,000	$416,465,000	24.5
Total Operating Expenses	**$1,730,242,000**	$1,386,915,000	$343,327,000	24.8
Net Income	**$ 241,620,000**	$ 196,467,000	$ 45,153,000	23.0
Balance Available for Common Stock	**$ 184,329,000**	$ 141,344,000	$ 42,985,000	30.4
Average Shares of Common Stock Outstanding	**95,520,000**	86,965,000	8,555,000	9.8
Stockholders—Common, Preferred and Preference	**206,800**	195,100	11,700	6.0
Earnings Per Share of Common Stock	**$1.93**	$1.63	$.30	18.4
Dividends Per Share of Common Stock	**$1.40**	$1.38	$.02	1.4
Book Value Per Share of Common Stock	**$18.63**	$18.65	$(.02)	(0.1)
Capital Expenditures	**$ 681,120,000**	$ 708,756,000	$(27,636,000)	(3.9)
Long-Term Financings	**$ 480,874,000**	$ 407,198,000	$ 73,676,000	18.1
Operations				
System Output—Megawatt-hours (thousands)	**42,489**	40,484	2,005	5.0
Capability—Megawatts	**11,154**	9,999	1,155	11.6
Service Area Peak Load—Megawatts	**8,484**	7,929	555	7.0
Customers—Electric—Heating	**325,728**	296,234	29,494	10.0
—Other	**1,021,372**	1,012,866	8,506	0.8
Total Electric	**1,347,100**	1,309,100	38,000	2.9
Customers—Gas	**120,100**	118,600	1,500	1.3
Average Residential Use—Electric—Kilowatt-hours	**11,056**	10,721	335	3.1
Employees—Full Time	**10,580**	9,625	955	9.9

Virginia Electric and Power Company • One James River Plaza • Richmond, Virginia 23261

To Our Stockholders:

This annual report records some of the most significant operating events in the recent history of Vepco. The reversals of 1979, caused in part by the regulatory reaction to the accident at Three Mile Island (TMI), compelled us to begin 1980 with a recital of prospects for possible improvements in operations and earnings. By year's end, it was no longer necessary to speak only of prospects and plans. The first fruits of our corporate strategy for the 1980s already were apparent to customers, investors and regulators. The results of the year spoke for themselves.

Most conspicuous among the good results were the simultaneous reduction in rates and increase in earnings. Earnings per share rose by 18% while our most widely reported energy price–the 1,000 kilowatt-hour cost to Virginia residential customers–declined by 7.2%. This performance record clearly demonstrated that Vepco's dual objectives for the 1980s–rate restraint and income improvement–are compatible and realistic.

We took our first steps toward these objectives with initial attainment of four primary goals–restoration of normal operations at nuclear generating units, rigorous control of our construction expenditures, aggressive conversion of oil-fired units to coal and improved productivity at all fossil generating stations.

Nuclear Operations

Nuclear unit operations in 1980 confirmed the potential they hold for profitability and reasonable energy prices. We began the year in the midst of a national crisis of confidence in nuclear power. But by year's end, Vepco contributed significantly to the restoration of that confidence. Full-power operations at North Anna 2 were delayed for more than a year by a nationwide licensing moratorium, but it withstood unprecedented scrutiny, including the country's most comprehensive emergency evacuation test, to become the first nuclear unit in the nation since TMI to receive a full-power permit and begin commercial operation. Its performance so far gives us every reason to expect it to equal or surpass the operating record of North Anna 1, which ranks among the most productive nuclear units in the country.

At our Surry station, a serious setback to our nuclear program is being overcome by an outstanding engineering and construction achievement. Surry 2 resumed normal operations in late summer after successful replacement of its steam generators. A similar generator replacement at Surry 1 was on schedule at the end of the year. Vepco was the first utility to undertake such replacements, which may eventually be necessary at more than 20 nuclear units in the United States and Canada. Our satisfactory completion of the difficult construction project at Surry 2 has attracted the attention of other utilities confronted by the same problem.

The work at Surry is renewing the life of two relatively young units that were built before the severe construction cost inflation of the 1970s. It would cost eight times as much to replace them with nuclear power today and seven times as much to build equivalent coal-fired generating capacity.

Our nuclear operations in 1980 accounted for 27% of the energy supplied to Vepco customers, compared with 17% in 1979. We project that nuclear power will produce 41% of total generation in 1981. This increased nuclear reliance is expected to reduce total fuel costs in 1981 by 20%–a savings of $200 million–despite projected increases in fossil fuel prices.

Some of our severe regulatory critics of the past now regard Vepco as the best operator of nuclear units in the United States. This is a judgment that reflects due credit on the team of engineers, construction managers and operators who run our program. Their performance in 1980 can be illustrated by a single episode that occurred last fall.

On the night of November 30, North Anna 2 was operating at full power during the last phase of testing. Eight hours before it was scheduled for commercial operation, a transformer failure destroyed the conduits that carry electrical power from the unit's generator to the transmission system. The unit shut down automatically as designed, but our hopes for commercial operation in 1980 appeared to have ended. Two months was a reasonable estimate of the time required to assemble the materials, complete the repairs and return the unit to service. The Vepco team did the work in 10 days and North Anna 2 was placed in commercial operation on December 14. It was an achievement that spoke plainly for the competence and morale of everyone involved.

Construction Program

Our corporate strategy for the 1980s implies our conviction that rate restraint and profitability require close control of new construction costs. In the years since the OPEC oil embargo shattered worldwide assumptions about our energy future, utilities have scrambled to adjust expansion programs, mandated by public service imperatives, to a new set of energy economics.

Vepco completed its adjustment in 1980 after the most comprehensive analysis we have ever made of future generating options.

As a result, we reduced our plans to construct new generating capacity by approximately 50%. We accomplished this by canceling construction of the North Anna 4 nuclear unit and by reaching preliminary agreement in principle with the Allegheny Power System for joint use or ownership of the Bath County Pumped Storage Project. The effect of these actions is to reduce our construction financing requirements for the rest of this decade by almost $2 billion.

Use of our share of Bath County in the mid-1980s and completion of the North Anna 3 nuclear unit by the end of the decade will meet projected growth in demand, which has fallen to an annual rate of about 2% from almost 11% before the OPEC embargo.

We have positioned ourselves to respond to future changes in demand growth by refraining from a commitment to a new plant after North Anna 3, by undertaking new programs to control electrical demand and by deciding to follow North Anna 3, when a commitment is necessary, with a coal-fired unit. Coal-fired units take less time to build than nuclear units and can be more easily varied in size. A coal unit will, therefore, give us more flexibility in the timing and magnitude of our response to changes in demand during the balance of the century.

Because the decisions on North Anna 3 and 4 were difficult and inherently controversial, we were gratified by the generally favorable response to them. A *Washington Post* editorial commented: "Vepco's original decision to begin North Anna 4 was right at the time it was made. But since then the whole development of the economy has shifted and the decision to cancel the plant is the right one now." In support of favorable regulatory treatment of cancellation costs, *The Post* added: "Utilities all over the

country face similar decisions. It's important not to penalize them for making the unconventional choices that will ultimately save the customers far more than they cost.''

Fossil Station Programs

By the end of 1980, our program of converting about 2,250 megawatts of oil-fired generating capacity to coal was more than two-thirds complete. We lead all other U.S. utilities in coal conversions, and by the time we finish the program in 1983 it will reduce imported oil consumption about 20 million barrels a year.

The most direct benefit of the conversion program flows to customers in the form of reduced fuel charges. However, it is important to bear in mind that any fuel charge reduction improves customer relations and the regulatory climate and thus yields a significant indirect benefit to stockholders.

Of equal importance to our conversion program is the systematic upgrading of fossil station productivity through capital improvements, maintenance improvements and improvements in operator training. The objective of this program, which will be completed in 1983, is very simple. It is to achieve the maximum efficiency possible at our coal-fired generating stations.

Gas Department

In recent years, price decontrol and supply increases have combined to create opportunities for renewed growth of our natural gas business. Sales increased again last year and have now returned to the peak levels of the early 1970s. Prospects are bright for continued growth of this important part of our energy utility service.

Summing Up

Looking back at all aspects of our performance in 1980 is a cause of satisfaction. Our profit growth contrasted sharply with the overall profit decline for U.S. corporations, including other utilities. Our success in overcoming operating and regulatory problems at nuclear stations put us in a favorable competitive position with other utilities that are now confronting problems that faced us in the past. Our rate reductions contrasted favorably with continued nationwide inflation–consumer prices rose another 12%–and with the new surge in energy prices–the cost of residual oil, critical to our operations, rose 36%.

It is especially gratifying that our performance improvement was recognized by customers. Perhaps the most significant indicator of this recognition was the response to our customer stock purchase plan. By year-end, about 14,000 individuals, more than 1% of our residential customers, had subscribed to Vepco shares under this plan. Their purchases will provide about $6.3 million in new equity funds. A survey of these subscribers showed that almost half had never before purchased a share of common stock in any company.

In summary, 1980 was a year in which we renewed our commitment to superior performance and established an operating record that will challenge all of our 10,500 employees to improve on it this year. We are confident they are equal to the challenge.

T. Justin Moore, Jr.
Chairman of the Board

William W. Berry
President

Revenues

Vepco operating revenues in 1980 exceeded $2 billion for the first time. Our electric business generated $2,049.5 million and the gas business $70.3 million for a total of $2.1 billion, an increase of $416.5 million, or 24%, compared with 1979.

Unusually warm weather in the summer resulted in a 4% increase in kilowatt-hour sales compared with sales last year.

Expenses

Total operating expenses were $1.7 billion, an increase of $343.3 million, or 25%. Increased sales, inflation, regulatory delay of nuclear unit operations and the resulting cost of replacing nuclear generation with purchased power combined to increase expenses in 1980.

Planned maintenance programs and renovations at several large generating stations resulted in a maintenance expense increase of $20.1 million. Other operating costs, including taxes, depreciation, employee benefits and additional personnel, increased $61.8 million.

Fuel expenses including purchased and interchanged power costs were up $261.5 million in 1980, although an analysis of these expenses on a monthly basis indicates that our fuel expenses have been decreasing during the past year. This was due to our increased use of nuclear and coal-fired generating units. Although purchased and interchanged power expenses in 1980 were up 75%, our cost per kilowatt-hour for purchases was less than the cost of generating electricity with some of our own oil-fired units.

Earnings and Dividends

The improvement in earnings per share to $1.93 in 1980, compared with $1.63 in 1979, reflects changes in a number of factors, including a substantial increase in generation from nuclear units, higher electric energy sales and improved performance of coal-fired units.

The Company paid its common stockholders dividends of $1.40 per share in 1980, compared with $1.38 paid in 1979.

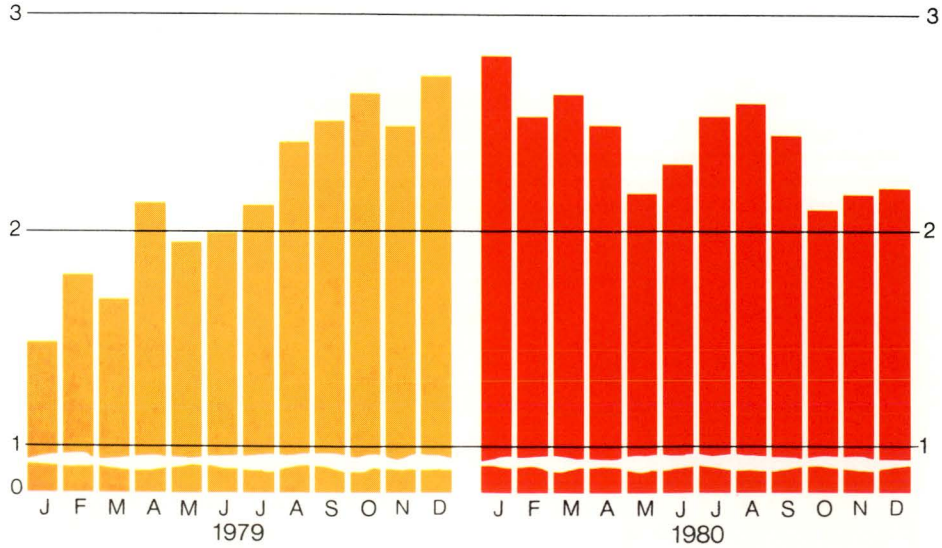
A preliminary determination indicates that 100% of the common and preference stock dividends and 3.3% of the preferred stock dividends paid in 1980 constitute a return of capital and therefore are not taxable as dividend income under requirements of the Federal income tax laws. It should be noted that this determination has not been reviewed by the Internal Revenue Service. The percentages may change based on a subsequent audit of the Company's Federal income tax returns.

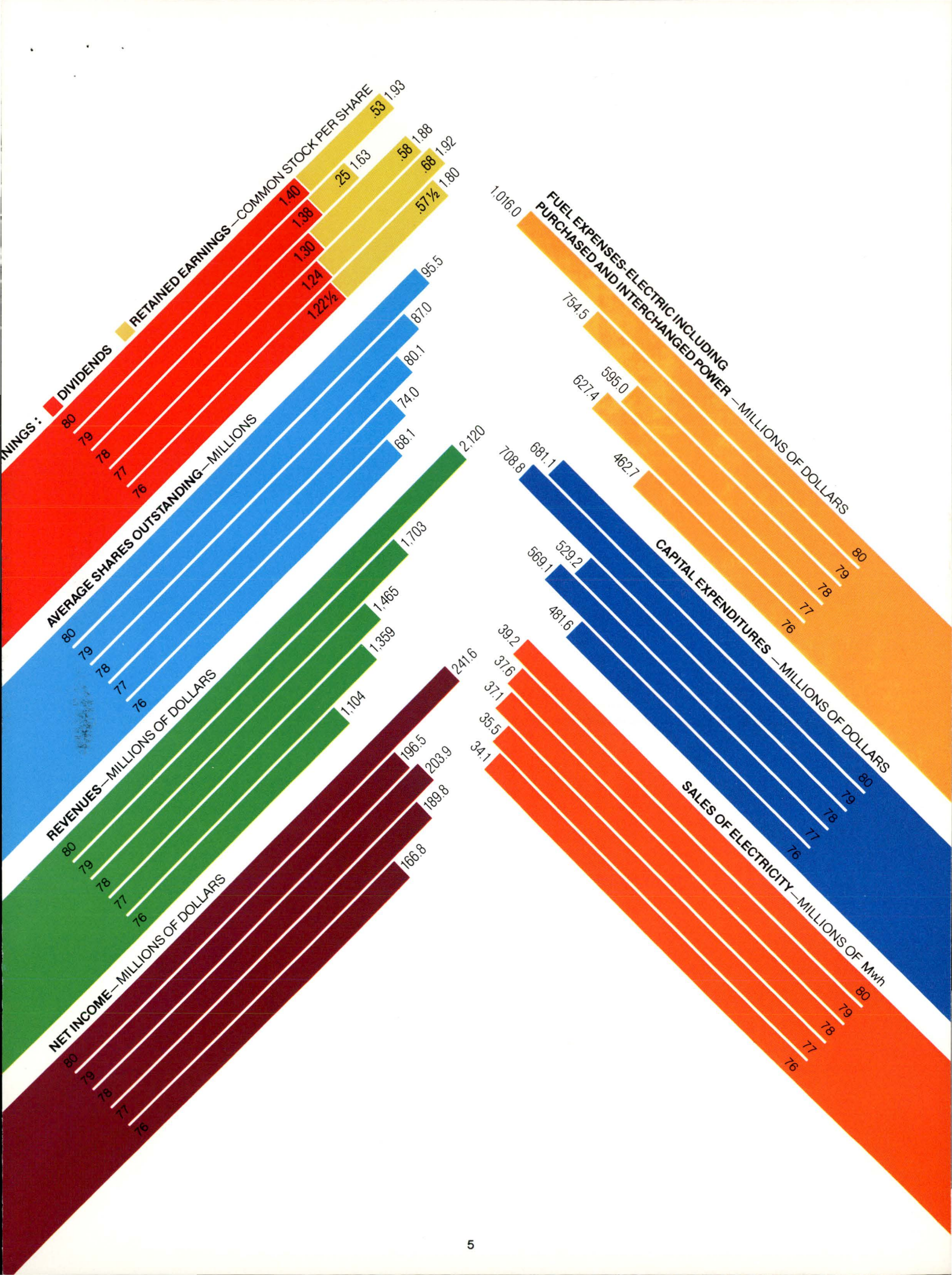
Common stock prices and dividends for the last two years were:

1979	High	Low	Dividends
First Quarter	14¾	13	$ .33
Second Quarter	13½	12	.35
Third Quarter	13¼	11⅞	.35
Fourth Quarter	12⅛	10⅜	.35
			$1.38

1980	High	Low	Dividends
First Quarter	12⅜	9⅛	$ .35
Second Quarter	12¼	9¾	.35
Third Quarter	12	10¼	.35
Fourth Quarter	11⅛	9½	.35
			$1.40

Fuel and Purchased and Interchanged Power Costs
(Cents per Kilowatt-hour)




NINGS:
DIVIDENDS
RETAINED EARNINGS—COMMON STOCK PER SHARE
80 1.40 .53 1.93
79 1.38 .25 1.63
78 1.30 .58 1.88
77 1.24 .68 1.92
76 1.22½ .57½ 1.80
AVERAGE SHARES OUTSTANDING—MILLIONS
80 95.5
79 87.0
78 80.1
77 74.0
76 68.1
REVENUES—MILLIONS OF DOLLARS
80 2.120
79 1.703
78 1.465
77 1.359
76 1.104
NET INCOME—MILLIONS OF DOLLARS
80 241.6
79 196.5
78 203.9
77 189.8
76 166.8
FUEL EXPENSES-ELECTRIC INCLUDING PURCHASED AND INTERCHANGED POWER—MILLIONS OF DOLLARS
80 1,016.0
79 754.5
78 595.0
77 627.4
76 462.7
CAPITAL EXPENDITURES—MILLIONS OF DOLLARS
80 708.8
79 681.1
78 529.2
77 569.1
76 481.6
SALES OF ELECTRICITY—MILLIONS OF Mwh
80 39.2
79 37.6
78 37.1
77 35.5
76 34.1

Electric Output

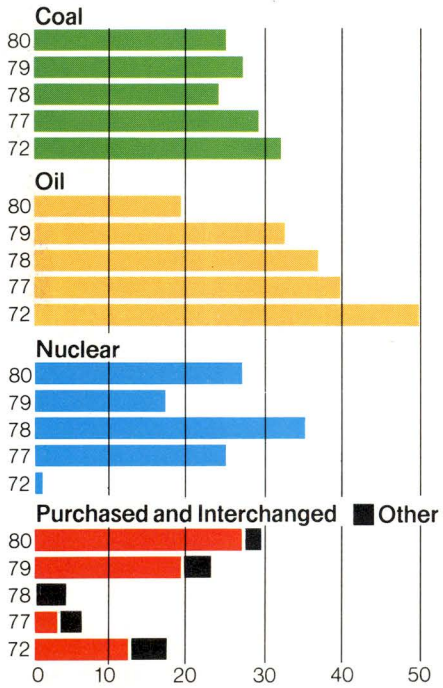
Electric output rose 5% in 1980. Unusually hot summer weather was the principal reason for the increase. Our customers set a new peak power demand record of 8,484 megawatts (Mw) in August, which was 7% higher than 1979's peak demand.

The 1980 winter peak demand of 7,445 Mw in February was surpassed in February 1981 when a new peak of 8,451 Mw occurred. Expanding use of electric heat pumps is moving us rapidly toward the day when we will experience balanced peak demands in the summer and winter.

As shown on the chart below, generation from nuclear units increased substantially in 1980, contributing 27% of the electrical energy we supplied, compared with 17% in 1979. Nuclear generation saved $414 million in fuel costs compared to the cost of oil that would have been necessary to produce the same amount of electricity. Coal generation accounted for 25%, and oil generation was greatly reduced to 19%, compared with 33% in 1979.

Sources of Electric Energy

Percent



During 1980, the Company took advantage of opportunities to purchase power priced below our own oil-fired generating costs. These purchases accounted for 27% of electrical energy supplied to customers. Most of these purchases were from coal-fired units of neighboring utilities that had capacity to spare. Hydro and combustion turbine generation contributed the remaining 2%.

In 1981, we are projecting an energy supply mix of 41% nuclear; 40% coal; 10% oil; 7% purchases, and 2% hydro and combustion turbine.

The number of residential customers and the average annual residential usage of electricity each climbed 3% in 1980.

Rates

Despite 1980 increases in base rates, the net effect of all rate changes filed in Virginia, the Company's largest jurisdiction, and North Carolina was an overall reduction in residential rates. This was accomplished through reduced fuel expenses made possible by increased generation from nuclear units, economical power purchases and decreased use of costly oil.

In Virginia, a residential customer's 1,000 kilowatt-hour monthly bill decreased 7.2%. Although residential rates in North Carolina decreased slightly, the full effect of reduced fuel expenses will not be experienced until 1981 because of regulatory provisions.

Rate increases granted by regulatory authorities and negotiated with governmental customers totaled $132.3 million in 1980. Approximately $64.6 million of these increases are subject to refund pending final hearing.

All rate filings are aggressively pursued and are crucial to our financial stability. Adequate rate relief is essential if we are to continue to provide reliable service when inflation is rapidly escalating our operating and maintenance expenses.

Following is a summary of 1980 rate cases:

Basic Rates

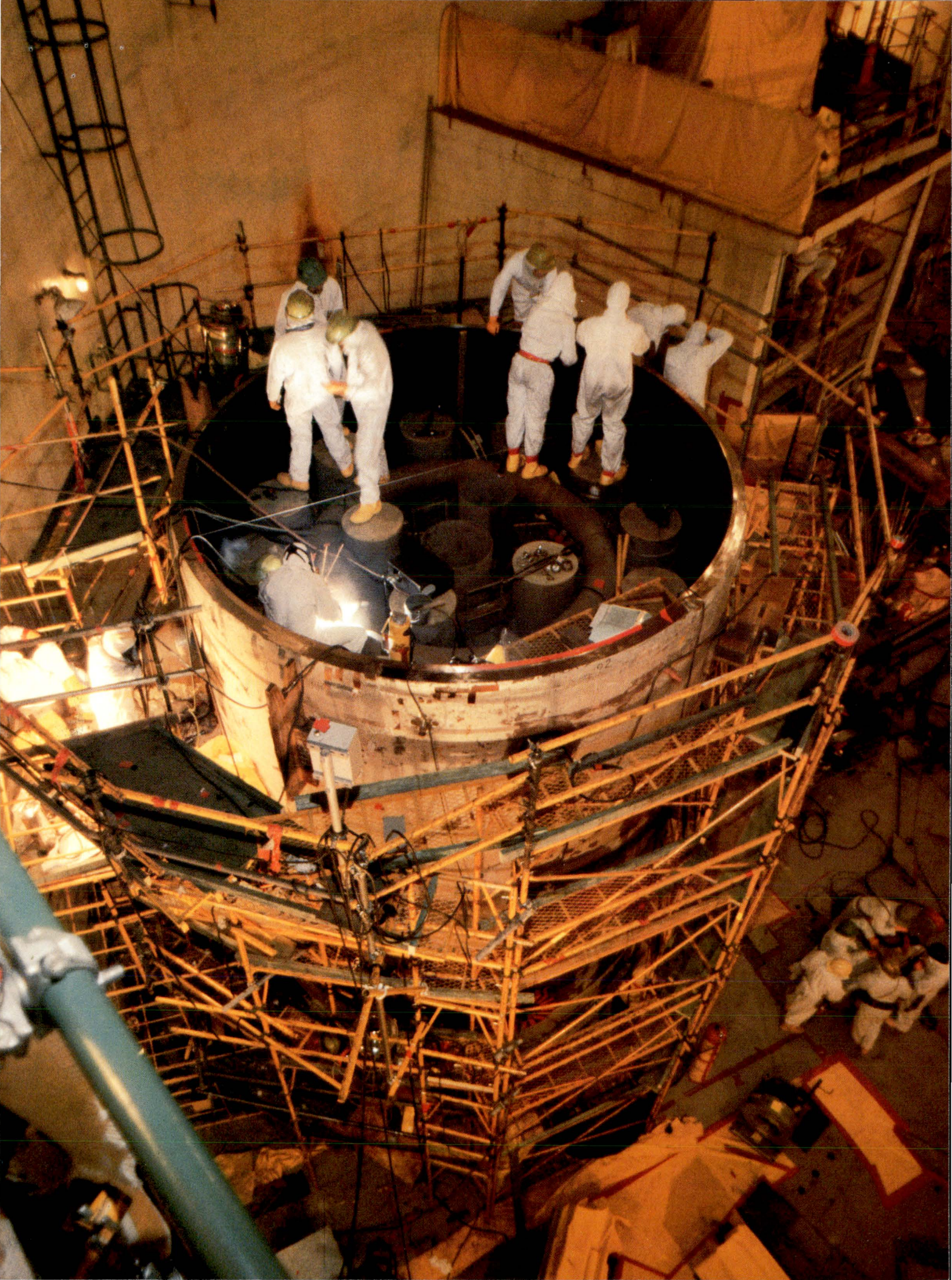
The Virginia State Corporation Commission granted the Company $60 million of a $72.6 million request on September 12, 1980. The request was to make up the deficiency below a 9.86% rate of return experienced in the test year 1979. The Commission previously had approved a $46 million increase to be effective upon commercial operation of North Anna Unit 2, which occurred on December 14.

The Company filed a $16.6 million rate increase with the North Carolina Utilities Commission on December 29. This request was based on 1979 results. It seeks a return on common equity of 15% and an overall return of 10.54%.

The West Virginia Public Service Commission suspended on August 29, 1980 the Company's filing for a $3.1 million increase until January 1, 1981. An interim hearing was held October 20, 1980 and a full hearing is scheduled for March 9, 1981.

On June 2, 1980, a Federal Energy Regulatory Commission (FERC) Administrative Law Judge issued an initial decision in the Company's pending rate case relating to its municipal customers. These customers have been

Replacing the steam generators at Sur is part of an extensive overhaul program both nuclear units to insure greater reliab



billed for an $8.5 million increase, subject to refund. However, we now estimate that the initial decision would permit an increase of only $5.1 million.

Exceptions to the initial decision were filed with FERC on July 2, 1980. A provision is being recorded monthly for the difference between rates billed and rates indicated by the initial decision.

The Company also filed on November 14, 1980 an application with FERC for an $18.4 million rate increase to cooperative and municipal customers due to the commercial operation of North Anna Unit 2. This was put in effect January 13, 1981, subject to refund.

Fuel Adjustment

Approximately 98% of the Company's kilowatt-hour sales are subject to recovery of current fuel costs, actual or estimated, through fuel expense recovery procedures.

Nuclear Units

Fourth Nuclear Unit Begins Operation

Vepco's fourth nuclear unit, North Anna Unit 2, received the first full-power operating license granted by the Nuclear Regulatory Commission (NRC) since the March 1979 accident at Three Mile Island. The Company was granted a low-power operating license to load nuclear fuel and to perform various tests in April 1980. The unit achieved its first self-sustaining nuclear chain reaction June 12 and was approved for full-power operation August 21.

The full-power license was granted following the successful completion of the most comprehensive emergency drill reviewed by the NRC and the Federal Emergency Management Agency at that time. More than 300 representatives of Vepco, Federal, State and local authorities participated in the day-long drill.

North Anna 2 was tested extensively and placed in commercial operation December 14. At that time, a rate reduction of 4.3% went into effect for the Company's Virginia customers due to the lower fuel costs associated with nuclear power.

Other Nuclear Units

During 1980, North Anna Unit 1 operated at a capacity factor of 75%, well above the industry average of 56%. A unit operating at full power every hour of the year would have a capacity factor of 100%, a theoretical maximum. A perfect capacity factor cannot be attained because of refueling every 12 to 18 months and periodic maintenance outages.

Surry Unit 2 returned to service in August after successful completion of piping support modifications required by the NRC before the unit could operate. The Company also completed the replacement of that unit's steam generators, the first project of its kind in the country. Many other utilities with similar steam generator problems are now looking to Vepco for expertise in dealing with such problems. During the remainder of the year, Surry 2 operated at a capacity factor of 87%.

Surry Unit 1 was out of service from February through May for repairs to its turbine and an engineering survey of its piping systems. The unit was removed from service in September for refueling, replacement of its steam generators and pipe support modifications similar to those performed on Unit 2. From its May start-up until it was removed from service in September, the unit operated at a 80% capacity factor.

In addition to replacement of the steam generators, work performed on Surry 2 and being performed on Surry 1 includes extensive overhaul of the turbines and installation of new equipment that will prevent steam generator problems in the future. This work also will increase the reliability of these units.

A number of modifications also were performed on all of the Company's nuclear units in 1980 as a result of lessons learned from the accident at Three Mile Island. Many of these improvements were required by the NRC, and many were made at Vepco's own initiative.

North Anna 4 Cancellation

When the North Anna station was first planned, the demand for electricity in our area was growing at nearly 11% a year. Today, our demand growth has dropped to about 2% a year, making the capacity of North Anna 4 unnecessary in the early 1990s.

Since both the original decision to build North Anna 4 and the recent decision to cancel it were made in the interest of our customers, we will seek recovery of approximately $165 million invested in engineering, construction and equipment for North Anna 4 that cannot be used in completing Unit 3. The Company is requesting regulatory approval of recovery through rates over a 10-year period.

From the customers' standpoint, however, the savings from canceling the unit will more than offset the costs of cancellation during the 10 years.

North Anna 3 Construction

Because of the need for new generating capacity before 1990 and the current investment of more than $400 million, we believe it is in the best interest of our customers and stockholders to complete North Anna 3 in 1989 as planned.

Construction will be continued on No Anna 3 (foreground). Licensing full-power operation of North Anna 2 w granted in August 198

Bath County Pumped Storage Project

The Company announced an agreement in October with Allegheny Power System (APS) that provides for joint ownership or use of the Bath County Pumped Storage Project.

Under the agreement, APS must purchase either 40% of the project or the use of 40% of the project's capacity under long-term contract, or any combination of the two. APS may increase its share of the project up to 50% prior to December 31, 1984. Under any agreement, APS will be responsible for providing the pumping energy required for its share of Bath County operations.

Negotiations are continuing on contract details. Vepco now expects to receive about $260 million in 1981. The final agreement is subject to regulatory approvals. The financing of the sale of an ownership interest in the project may be accomplished through the Bath County Hydroelectric Trust, a construction trust previously established by the Company for financing the project.

The Company's agreement with APS will reduce our external financing requirements while permitting us to continue construction of facilities needed to serve our customers. Three 350-Mw units are scheduled to begin operation in 1985 and three more in 1986. The station will have a total capacity of 2,100 Mw.

Revised Construction Program

In November, the Company announced a revised construction program designed to provide the flexibility and balance necessary to meet customer demand in the 1980s.

This program includes the cancellation of the North Anna 4 nuclear unit, which was previously planned for operation in 1992. The unit was less than 10% complete.

Other elements of the revised program include the completion of the North Anna 3 nuclear unit in 1989, the completion of the Bath County Pumped Storage Project in 1985-86 and a major emphasis on load management, conservation and alternate energy sources to reduce the need for costly new facilities in the future.

This program is the result of an extensive, year-long study of future demand growth, external financing requirements, the regulatory uncertainty surrounding nuclear power and the costs associated with various generating options.

This revised construction program is our response to the unprecedented challenges posed by today's economic conditions and regulatory policies. From the end of World War II until the OPEC embargo of 1973, energy utilities, their customers and their stockholders benefited from government policies and an economic climate that supported rapid growth. Since that time, we have taken measures to adapt to a rapidly changing world of severe inflation, soaring fuel costs and vascillating regulatory policy. Our revised construction program will enable us to cope with these changes without sacrificing the reliability of energy supplies, or the support of our investors.

The key ingredient in utility planning over the next decade will be flexibility. Our program balances energy needs with the Company's ability to finance the facilities to meet those needs. While our reliance on nuclear power continues to produce savings to our customers, it is tempered by a full appreciation of the financial and regulatory risks associated with nuclear units.

Current forecasts of growth in demand for electricity indicate the need for additional generating capacity sometime in the mid-1990s. Our current plan is to delay the need for any new generating facilities through load management. However, when it is again necessary to expand capacity, we plan to build a coal-fired unit. The size and in-service date of a coal-fired unit can be varied more easily than a nuclear unit, thus giving the Company continued flexibility. Also, the capital cost of a coal unit is smaller than a nuclear unit, and a commitment to build a coal unit can be made later due to its shorter construction time.

Our commitment to build North Anna 3 remains firm. However, the major share of construction expenditures for North Anna 3 will not be made for several years. If the economy takes an unexpected turn, or if units of a similar design now nearing completion encounter licensing difficulties, we will still be able to reassess our plans anytime before 1984.

Load Management

One factor essential to the success of our revised construction program is effective use of load management. The goal of load management is to utilize generating units more efficiently by shifting demand from peak to off-peak periods. By controling peak demands on our system, the need to build costly new facilities can be delayed.

Vepco has employed load management techniques for years and is developing new approaches through research and experimental programs. Among programs the Company now has under way are interruptible service to customers' water heaters, interruptible

Work continues on the powerhouse Bath County Pumped Storage Project, whe generating facilities will be shared w Allegheny Power Syste

service to large industrial customers with alternate fuel sources, and time-of-usage rate schedules to promote off-peak energy consumption.

Vepco's commitment to energy efficiency will help us match a financially feasible expansion program to our service area's still growing demand for electricity.

Coal Conversion

The Company is continuing an aggressive program of converting oil-fired units to burn coal. We now have converted 1,639 Mw of capacity from oil to coal, more than any other utility in the nation. The use of coal not only produces lower costs for our customers, it also helps our nation reduce its dependence on foreign oil.

Oil to Coal Conversions

Units		Capability (Mw)
Chesterfield	4	166
Chesterfield	5	310
Chesterfield	6	658
Portsmouth	4	190
Possum Point	3 (1981)	101
Possum Point	4	214
	Total	1,639

After another 598 Mw of capacity are converted by the end of 1983, our coal conversions will displace about 20 million barrels of oil consumption each year.

Vepco's use of oil as a major fuel dates back to the 1960s and early 1970s. At that time, oil was less expensive than coal and had less effect on the environment. The Company was able to save its customers money by taking advantage of this fuel which was available mostly to utilities with generating stations on navigable waters.

However, the OPEC oil embargo of 1973 reversed the price relationship between coal and oil, thus making conversion of certain units economically justifiable. Since that time, the cost differential has continued to increase and environmental requirements have been better defined and Vepco is now converting all of its units that are capable of burning coal and not close to retirement.

Installation of electrostatic precipitators, or dust collection devices, to meet new air pollution standards is the major cause of coal conversion expense and delays. The design, procurement and installation of a new precipitator takes about three years. Increasing the collection efficiency from the previously-required 80% to the 99% now required significantly increases costs.

Nuclear Insurance Pool

In recognition of the severe financial impact of the accident at Three Mile Island, nuclear utilities across the country, including Vepco, have formed an insurance company to protect the companies and their customers from the financial impact of purchasing replacement power following the loss of a nuclear unit from an accident.

The insurance company, Nuclear Electric Insurance Limited (NEIL), is owned by the utilities and each participating company is represented on its board of directors. NEIL was formed because the coverage it provides is not available from existing commercial insurers.

Participating companies are eligible for replacement power benefits from NEIL after 26 weeks following an accident. A substantial portion of replacement power costs are covered for two years.

Finance

The most significant aspect of the 1980 financing program was the creation of the Bath County Hydroelectric Trust to finance the completion of the Bath County Pumped Storage Project. The Trust was structured as a financing vehicle for Vepco and Allegheny Power System. The Trust has issued $201.8 million of short-term notes, guaranteed by the Company, to finance Vepco's 1980 expenditures on the project. Fourteen foreign banks and one U.S. bank participated in the financing by providing credit support to the notes of the Trust.

We continued to utilize the intermediate term market in 1980 by placing notes totaling $85 million with three foreign and four domestic lenders.

A summary of the $480.9 million in financings in 1980 is given in the following table.

		Millions of Dollars
First and Refunding Mortgage Bonds of 1980, Series A, 12½%, Due July 1, 2000		$ 75.0
Bath County Hydroelectric Trust		201.8
Pollution Control Note *		40.0
Common Stock		
Public Offering	$54.0	
Automatic Dividend Reinvestment Plan	16.4	
Employee Savings Plan	6.2	
Installments received through Customer Stock Purchase Plan	2.5	79.1
Intermediate Term Loans		85.0
Total		$480.9

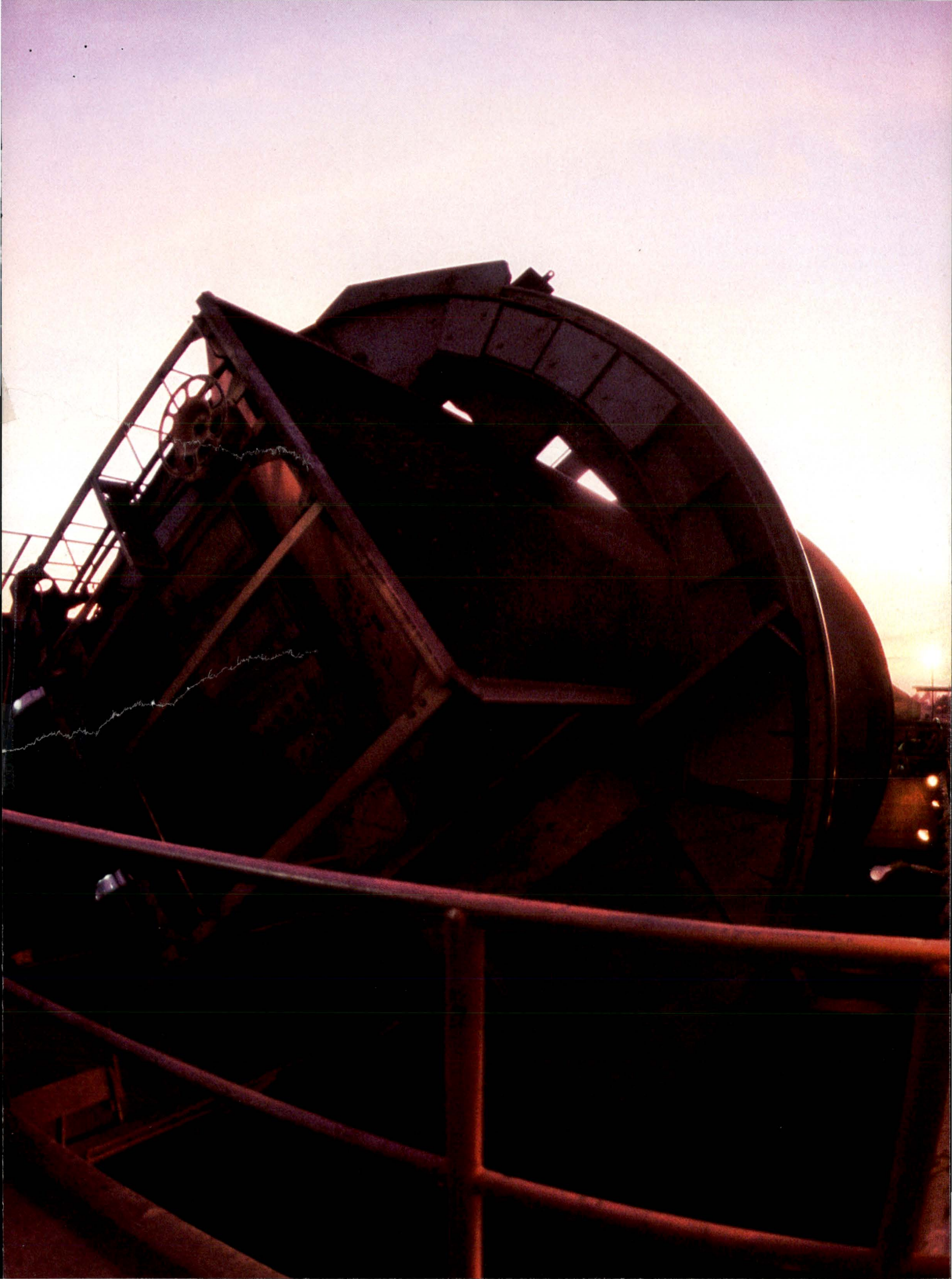
* The Company through an Industrial Development Authority is financing the construction of four electrostatic precipitators. Funds will be requisitioned as they are spent.

Customer Relations

We continued during the past year to look for ways to improve our customers' understanding of our policies and operations. Two programs were undertaken to meet this objective.

To provide a new forum for customers to express their views on Company operations, we began to establish

At Chesterfield Power Station, entire r cars of coal are dumped automatically into hopper that leads to conveyor belt for stockpili



Customer Advisory Boards in each of our five divisions. The board members are appointed from a list of candidates nominated by legislators, other government officials, educators, consumer groups, church groups and leaders in business and industry. Representatives of the Company do not serve on the boards.

We also implemented what we believe to be the first and most successful Customer Stock Purchase Plan of any utility in the nation. About 14,000 customers enrolled during 1980 and the volume of customer inquiries leads us to expect an even larger response to a 1981 offer we plan to make.

The plan enables our customers to acquire stock in the Company without paying brokerage fees or commissions. Participants contribute a fixed monthly installment they elect at the time they enroll in the 12-month plan. The minimum monthly contribution is $10. Participants receive 8% interest on their contributions, and pay any administrative expenses that exceed 4% of the value of the stock issued. We expect under this plan to issue approximately $6.3 million of our common stock in September 1981.

In addition to these new programs, other proven customer and community relations programs continued to operate effectively in 1980. Our Speakers' Bureau, composed of knowledgeable employees from all departments in the Company, spoke to 1,832 groups during 1980 to present the Company's views and respond to customer questions. Approximately 20,000 students, teachers and interested citizens visited our information centers at the Bath County and North Anna construction sites.

Our operating districts compete through the President's Customer Relations Award Program to achieve the best customer relations record during the year. Competition is conducted in such areas as customer complaints and reductions in meter reading errors.

Investor Relations

The Company undertook an important initiative last year to strengthen its relationship with professional financial analysts who influence investor attitudes toward our securities.

A manager of investor relations was appointed June 1 to maintain a steady flow of information on corporate performance to these analysts. The new manager responds daily to questions about the Company from investment professionals, arranges meetings between financial analysts and senior management, distributes a comprehensive five-year financial profile and prepares and distributes a monthly financial newsletter, *Recent Events*.

Stockholders

END OF YEAR

Geographic Distribution

Common Stock	Owners	Shares
Virginia	41,101	17,658,195
New York	15,934	35,639,411
Florida	15,561	5,163,057
California	11,294	5,170,346
North Carolina	9,007	2,993,134
Maryland	8,298	2,223,157
Illinois	8,173	2,791,186
New Jersey	7,257	4,149,177
Ohio	5,932	1,889,336
Massachusetts	5,658	2,684,983
Michigan	5,298	1,478,923
Texas	4,516	1,944,304
Pennsylvania	4,305	1,622,180
Connecticut	3,369	1,659,050
South Carolina	2,638	844,425
Wisconsin	2,588	657,560
Missouri	2,576	967,500
Tennessee	2,186	814,542
West Virginia	2,113	665,846
19 States	157,804	91,016,312
31 Other States, D. C. and 40 Foreign Countries	25,128	8,937,845
TOTALS	182,932	99,954,157

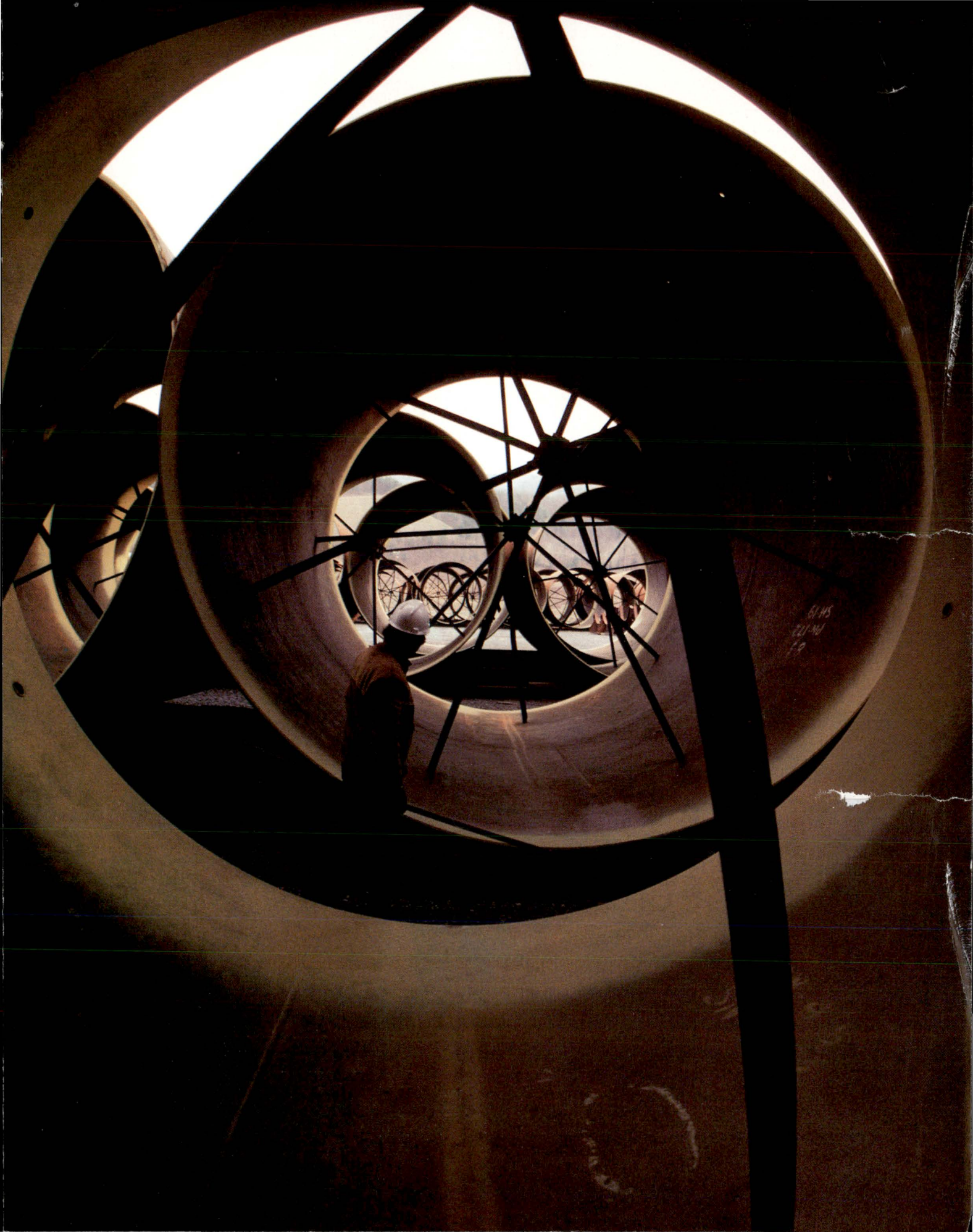
Preferred and Preference Stocks	Owners	Shares
Virginia	7,254	725,130
North Carolina	2,177	468,496
Florida	1,971	295,127
New York	1,469	2,576,939
California	1,117	253,728
Maryland	1,022	166,842
South Carolina	796	155,838
Illinois	763	484,945
New Jersey	689	1,252,498
Ohio	659	102,253
West Virginia	498	41,885
Pennsylvania	496	205,185
Texas	487	105,450
Michigan	442	60,189
Massachusetts	380	105,762
Missouri	346	106,554
District of Columbia	322	48,063
Georgia	308	79,666
Arizona	239	36,444
18 States and D.C.	21,435	7,270,994
32 Other States and 9 Foreign Countries	2,437	1,328,084
TOTALS	23,872	8,599,078

Distribution of Ownership

Common Stock	Owners	Shares
Women	54,035	14,272,861
Men	53,049	16,789,100
Joint Accounts	50,964	13,470,728
Trust Accounts	20,224	4,339,561
Nominees	1,271	36,891,781
Institutions and Foundations	460	647,930
Brokers and Security Dealers	98	5,278,693
Others	2,831	8,263,503
TOTALS	182,932	99,954,157

Preferred and Preference Stocks	Owners	Shares
Women	8,120	785,002
Men	6,198	800,204
Joint Accounts	5,194	615,464
Trust Accounts	1,931	220,590
Nominees	669	2,105,573
Institutions and Foundations	141	1,571,434
Brokers and Security Dealers	82	38,024
Others	1,537	2,462,787
TOTALS	23,872	8,599,078

Huge steel linings for the giant tunnels th will carry water from upper to lower reservo at Bath County Proje



Picturesque sunset outlines 500 KV trans
mission line bringing power to some o
Vepco's 1,347,100 customer

Description of Business

The electric business of the Company is conducted in most of Virginia and in parts of North Carolina and West Virginia. In its service area it sells electricity to retail customers (including governmental agencies), and at wholesale to rural electric cooperatives and municipalities. Gas service is provided only in the Norfolk-Newport News area (except Portsmouth) and in the area extending from Newport News to and including Williamsburg.

Selected Financial Data

	Millions of Dollars (except per share amounts)				
	1980	1979	1978	1977	1976
Operating revenues	**$2,120**	$1,703	$1,465	$1,359	$1,104
Operating income	**390**	316	305	265	241
Balance for common stock	**184**	141	150	142	123
Earnings per share of common stock	**1.93**	1.63	1.88	1.92	1.80
Dividends paid per share of common stock	**1.40**	1.38	1.30	1.24	1.22½
Total assets	**6,491**	5,961	5,211	4,802	4,315
Net utility plant	**5,586**	5,229	4,686	4,305	3,909
Long-term debt and preferred stock subject to mandatory redemption	**3,216**	2,941	2,681	2,407	2,144

Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY. Since the Arab oil embargo in 1974, the Company has experienced deficiencies in its internal cash generation. Most recently these deficiencies have resulted from substantial increases in the use of fossil fuels and replacement power for unanticipated nuclear unit outages and for the steam generator repairs to Surry Nuclear Units 1 and 2 and from delays in obtaining recovery of these increased costs in rates.

As a result of several reductions in projected load growth, together with escalating construction costs, financing constraints upon the Company and regulatory constraints upon nuclear power, the Company has during the past six years, canceled three nuclear units and deferred in-service dates for one other nuclear unit and six pumped storage units. In spite of the cancellations and deferments, construction expenditures during this period have required substantial sales of securities.

Allowance for Funds Used During Construction (AFC), non-cash income included in the accounts in accordance with the regulatory Uniform Systems of Accounts, has been increasing in recent years and now represents a substantial portion of net income. At the same time, depreciation charges, a non-cash expense which includes depreciation of previously capitalized AFC, have exceeded AFC credits in each year. As a result of the above and other non-cash charges, funds provided by operations have exceeded net income for each of the years 1976 through 1980 (see Statements of Changes in Financial Position).

Internal cash generation during 1981 will be affected not only by the availability of the Company's nuclear generating units and the cost of fossil fuel or replacement power, but also by the level of capital expenditures, the cost of funds to the Company to finance those expenditures, the outcome of rate proceedings and the possible consummation of plans to sell a portion of the Bath County Pumped Storage Project (see Capital Resources below).

Liquidity for electric utilities like the Company, who have large amounts committed for construction projects, depends to a great extent on the ability to obtain outside funds, since charges to present customers are not designed to fund construction costs for future generating capacity. The Company has unsuccessfully sought to include the cost of financing in customer charges from the Virginia Commission and substantially reduce the accrual of AFC. The Company expects to continue in similar efforts, but for the foreseeable future, liquidity will be maintained by the ability to obtain outside funds.

CAPITAL RESOURCES. The 1981 capital requirements result principally from the estimated $643 million of capital expenditures and $124.3 million of refunding and mandatory cash sinking fund obligations of long-term debt and Preferred Stock. The Company presently expects that 35% to 40% of these requirements will be obtained from internal sources, about 35%-40% from the sale of a portion of the Bath County Pumped Storage Project (discussed below) and the remainder will be financed through sales of securities of various types, with the long-term objective of achieving and maintaining capitalization ratios in the range of 52% long-term debt, 13% Preferred and Preference Stock and 35% Common Equity.

Capital expenditures are generally financed initially by sales of commercial paper. To support these borrowings the Company has available bank lines of credit amounting to $391 million. See Note J to Financial Statements as to lines of credit and the amounts and costs of such borrowings in 1980.

Commercial paper is refunded by means of the sales of intermediate and long-term debt and equity securities, but an earnings limitation of the Mortgage would permit the issuance at December 31, 1980 of $511 million of additional Bonds assuming an interest rate of 15% for additional Bonds. Another earnings limitation would permit no additional shares of Preferred Stock to be issued.

The construction program and related expenditures and financing can continue to change as a result of, among other factors, higher than anticipated inflation, additional regulatory and environmental costs, further changes in the rate of growth in peak demand, licensing and construction delays, results of rate proceedings and the possible consumation of sales of certain facilities.

The Company has been continuing negotiations for a sale for cash of some portion of its nuclear facilities in service and under construction with Cooperative customers. It cannot be predicted at this time whether ultimate agreement can be reached or the terms upon which such an agreement might be reached or whether necessary regulatory approvals could be obtained.

The Company is continuing negotiations on the details of a contract with Allegheny Power System, Inc. for the sale of a 40% interest (which may be increased to 50% prior to 1985) in the Bath County Pumped Storage Project and associated transmission facilities ($631 million invested through December 31, 1980). If agreement is reached and regulatory and other approvals are received (there can be no assurance of either), the Company could receive about $260 million of cash in 1981.

RESULTS OF OPERATIONS. Due to the effects of inflation, delays in obtaining a nuclear unit license, unscheduled outages of nuclear and coal fired units, rapidly escalating costs of oil, major maintenance and repairs at most of the fossil units, increased depreciation and maintenance associated with additional power station units placed in service and increased costs of capital and capital expenditures, expenses have risen substantially during the past several years, and as a result, the Company has been granted substantial rate increases during these years. Since the receipt of rate increases has lagged increases in expenses up to a year or more, Balance for Common Stock has fluctuated since 1973. An increase of 34.7 million average shares of Common Stock since 1975 has caused 1980 earnings per share of Common Stock to decline from its 1976 level despite the increase in Balance for Common Stock from 1976 to 1980.

Electric revenues increased from 1978 through 1980 principally as a result of the following:

	Revenues Increase From Prior Year (Millions of Dollars)	
	1980	1979
Rate increases and fuel cost recovery	**$321.2**	$215.3
Unit sales (excluding effect of above)	**76.8**	14.8
Other, net	**3.6**	4.0
Total	**$401.6**	$234.1

Gas revenues represent about 3.3% of total revenues. With the Company again permitted to connect new gas customers, substantial numbers of residential and significant industrial customers have been added. As a result of increased sales to customers and deregulation of natural gas pricing, which will be passed on to the consumers through the purchased gas adjustment clause, gas revenues should rise substantially in the future but not to a level that would be significant compared to electric operations.

Fuel and purchased and interchanged power expenses have fluctuated from 1978 through 1980 as a result of changes in fuel costs (see Notes A and F to Financial Statements), increased sales and the availability of coal-fired generation purchased from neighboring ultilities at a cost less than the Company's oil-fired generation during unscheduled outages of the Company's nuclear and coal units. The average cost of fuel consumed per kilowatt-hour generated is shown below:

	Mills Per Kilowatt-hour		
	1980	1979	1978
Nuclear	**8.09***	5.27	5.18*
Coal—Mt. Storm (mine-mouth)	**17.16**	13.80	13.48
—Other	**20.36**	20.61	18.68
Oil	**44.73**	31.45	21.67
Total system	**21.76**	20.44	14.04

* Includes generation at North Anna Unit 2 (1980) and Unit 1 (1978) priced at the cost of displaced fuel during preliminary operations. Actual costs were 6.19 (1980) and 4.63 (1978) mills per kilowatt-hour.

Kilowatt-hour output by energy source is shown below:

	1980	1979	1978
Nuclear	**27%**	17%	35%
Coal—Mt. Storm (mine-mouth)	**13**	17	17
—Other	**12**	10	7
Oil	**19**	33	37
Purchased and interchanged	**27**	19	—
Other	**2**	4	4
	100%	100%	100%

The Company plans to convert most of its oil-fired generation to coal by the end of 1983. After the conversions only 1604 Mw or about 16% of present total net summer generating capability will remain oil-fired excluding 474 Mw that will have been placed in a non-operating cold reserve status and 439 Mw of combustion turbines.

Maintenance and depreciation expenses have increased since 1978 principally as a result of the addition of North Anna Unit 1 in mid 1978 and will increase in 1981 with the addition of North Anna Unit 2 in December 1980. For information with respect to changes in depreciation rates see Note G to Financial Statements.

For information with respect to *Federal income and other taxes* see Notes C and E to Financial Statements.

Continuation of the Company's capital expenditures and the related financing together with increases in construction and nuclear fuel costs and changes in internally generated funds and costs of capital have resulted in increases in the amounts of *interest charges, preferred and preference dividends* and *AFC.*

INFLATION. From the mid 1940's until the early 1970's customer demand increased so rapidly that the cost per kilowatt-hour to the customer declined. With the persistent high rates of inflation and rapid rises in oil costs during the 1970's, and significant decrease in the rate of growth of demand, the Company has required substantial amounts of rate relief including increases in fuel cost recovery billings.

For a capital intensive electric utility, inflation increases the cost of materials and labor in not only operating expenses but also the construction program at a time when inflation and the fiscal and monetary policies of the Federal government have resulted in record high costs of capital. Also to a great extent, operating and construction costs have been affected by the tremendous growth in regulation in recent years, particularly at the Federal level.

An estimate of the effect of inflation measured by constant dollar accounting and current cost accounting for selected financial data is presented in Note P to Financial Statements.

Report of Management

The management of Virginia Electric and Power Company is responsible for all information and representations contained in the financial statements and other sections of the annual report. The financial statements, which include amounts based on estimates and judgments of management, have been prepared in conformity with generally accepted accounting principles. Other financial information in the annual report is consistent with that in the financial statements.

Management maintains a system of internal accounting control designed to provide reasonable assurance at a reasonable cost that the Company's assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed and recorded in accordance with established procedures. This system includes written policies, an organizational structure designed to ensure appropriate division of responsibilities, careful selection and training of qualified personnel and a program of internal audits.

The financial statements have been examined by Coopers & Lybrand, independent certified public accountants. Their examination is conducted in accordance with generally accepted auditing standards and includes a review of the Company's accounting systems, procedures and internal controls, and the performance of tests and other auditing procedures sufficient to provide reasonable assurance that the financial statements neither are materially misleading nor contain material errors.

The Audit Committee of the Board of Directors, composed entirely of directors who are not officers or employees of the Company, meets periodically with the independent auditors, the executive manager-internal auditing and management to discuss auditing, internal accounting control and financial reporting matters and to ensure that each is properly discharging its responsibilities. Both the independent auditors and the executive manager-internal auditing periodically meet alone with the Audit Committee and have free access to the Committee at any time.

VIRGINIA ELECTRIC AND POWER COMPANY

Report of Independent Certified Public Accountants

To the Stockholders and Board of Directors of Virginia Electric and Power Company:

We have examined the balance sheets of Virginia Electric and Power Company as of December 31, 1980 and 1979, and the related statements of income, earnings reinvested in business and changes in financial position for each of the five years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 6, 1980, our opinion was qualified as being subject to the effects on the 1979 financial statements of such adjustments as might have been required had it been known what part of deferred costs associated with purchased and interchanged power, if any, would not be recoverable either through fuel cost recovery procedures or in base rates. As discussed in Note B to Financial Statements, the Virginia State Corporation Commission has issued a rate order permitting recovery of these deferred costs in base rates. Accordingly, our present opinion on the 1979 financial statements, as presented herein, is no longer qualified.

In our opinion, the financial statements referred to above present fairly the financial position of Virginia Electric and Power Company as of December 31, 1980 and 1979, and the results of its operations and the changes in its financial position for each of the five years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

COOPERS & LYBRAND

New York, New York
February 4, 1981

Virginia Electric and Power Company
Statements of Income

	Years				
	1980	1979	1978	1977	1976
	(Thousands of Dollars)				
Operating revenues (Notes A and L)					
Electric	**$2,049,518**	$1,647,928	$1,413,866	$1,313,937	$1,060,663
Gas	**70,256**	55,381	51,039	44,923	43,413
Total	**2,119,774**	1,703,309	1,464,905	1,358,860	1,104,076
Operating expenses:					
Operation:					
Fuel used in electric generation (Notes A, B and F)	**674,996**	559,998	585,625	575,151	446,984
Purchased and interchanged power (Note B)	**341,011**	194,547	9,384	52,273	15,747
Other (Note F)	**250,848**	210,840	183,906	153,514	131,485
Maintenance (Note A)	**123,962**	103,856	90,317	69,885	53,749
Depreciation (Notes A and G)	**145,032**	136,280	117,481	98,527	95,191
Amortization of abandoned project costs (Note D)	**6,933**	7,292	6,760	3,173	
Taxes—Federal income (Notes A and C)	**70,004**	69,744	72,658	59,736	48,751
—Other (Note E)	**117,456**	104,358	93,499	81,174	71,413
Total	**1,730,242**	1,386,915	1,159,630	1,093,433	863,320
Operating income	**389,532**	316,394	305,275	265,427	240,756
Other income:					
Allowance for other funds used during construction (Note A)	**73,206**	66,603	64,002	72,361	
Allowance for funds used during construction (Note A)					80,429
Miscellaneous, net	**2,973**	1,282	2,209	(305)	283
Income taxes associated with miscellaneous, net	**(550)**	(308)	(867)	(358)	208
Total	**75,629**	67,577	65,344	71,698	80,920
Income before interest charges	**465,161**	383,971	370,619	337,125	321,676
Interest charges:					
Interest on long-term debt	**234,561**	204,392	184,947	168,885	147,481
Other	**28,530**	12,417	6,677	5,748	7,409
Allowance for borrowed funds used during construction (Note A)	**(39,550)**	(29,305)	(24,869)	(27,301)	
Total	**223,541**	187,504	166,755	147,332	154,890
Net income	**241,620**	196,467	203,864	189,793	166,786
Preferred and preference dividends	**57,291**	55,123	53,588	47,719	43,821
Balance for common stock	**$ 184,329**	$ 141,344	$ 150,276	$ 142,074	$ 122,965
Shares of common stock—average for year (thousands)	**95,520**	86,965	80,060	74,025	68,137
Earnings per share of common stock	**$1.93**	$1.63	$1.88	$1.92	$1.80
Cash dividends paid per common share	**$1.40**	$1.38	$1.30	$1.24	$1.22½

( ) Denotes red figure.
The accompanying notes are an integral part of the financial statements.

Virginia Electric and Power Company
Balance Sheets

Assets

	December 31, 1980		December 31, 1979	
	(Thousands of Dollars)			
UTILITY PLANT (Note A):				
Electric		$6,445,405		$5,960,549
Gas		66,289		62,130
Common		16,892		14,293
Total (includes $1,451,292,000 plant under construction [1979—$1,731,012,000])		6,528,586		6,036,972
Less accumulated depreciation (Note G)		1,118,308		999,990
		5,410,278		5,036,982
Nuclear fuel (less accumulated amortization of $131,321,000 [1979—$79,151,000])		176,187		191,521
Net utility plant		5,586,465		5,228,503
INVESTMENTS:				
Nonutility property at cost or written-down amounts (less allowance of $7,575,000)		6,327		5,150
Subsidiary companies at equity (includes advances of $13,659,000 [1979—$15,789,000]) (Notes A and N)		19,851		20,223
Net investments		26,178		25,373
CURRENT ASSETS:				
Cash (Note J)		6,261		4,868
Temporary cash investments		8,500		
Accounts receivable:				
Customers	$181,745		$156,378	
Uranium settlement (Note N)			41,000	
Other	7,128		6,912	
	188,873		204,290	
Less allowance for doubtful accounts	1,360	187,513	2,038	202,252
Accrued unbilled revenues		83,123		93,802
Materials and supplies at average cost or less:				
Plant and general (including construction materials)	55,515		40,301	
Fossil fuel	130,203	185,718	131,370	171,671
Prepayments:				
Taxes	32,959		31,615	
Other	11,806	44,765	4,713	36,328
Total current assets		515,880		508,921
DEFERRED DEBITS:				
Unamortized abandoned project costs (less accumulated amortization of $24,158,000 [1979—$17,225,000]) (Note D)		172,720		56,322
Deferred fuel costs (Notes A and B)		78,104		89,250
Pollution control project funds		45,570		7,836
Unamortized expense on debt		8,754		8,009
Other		57,793		36,370
Total deferred debits		362,941		197,787
		$6,491,464		$5,960,584

The accompanying notes are an integral part of the financial statements.

Capital and Liabilities

	December 31, 1980	December 31, 1979
	(Thousands of Dollars)	
PREFERRED STOCK SUBJECT TO MANDATORY REDEMPTION— $100 par, cumulative (Note H)	**$ 328,911**	$ 330,894
PREFERRED STOCK NOT SUBJECT TO MANDATORY REDEMPTION— $100 par, cumulative (Note I)	**289,014**	289,014
PREFERENCE STOCK NOT SUBJECT TO MANDATORY REDEMPTION—no par, cumulative; authorized 30,000,000 shares (Note I)	**57,360**	57,360
COMMON STOCKHOLDERS' EQUITY (Note I):		
Common stock—no par	**1,400,874**	1,319,303
Other paid-in capital	**25,352**	27,859
Earnings reinvested in business, as annexed	**435,430**	384,600
Total common stockholders' equity	**1,861,656**	1,731,762
LONG-TERM DEBT (Note K)	**2,887,114**	2,610,308
CURRENT LIABILITIES:		
Securities due within one year (Notes H and K)	**124,276**	62,093
Loans payable, pending permanent financing (Note J)	**83,721**	131,730
Accounts payable, trade	**111,674**	127,684
Customer deposits	**11,884**	12,004
Payrolls accrued	**13,498**	11,365
Taxes accrued	**53,606**	25,764
Interest accrued	**76,501**	69,284
Deferred income taxes (Notes A and C)	**14,856**	17,316
Other	**60,797**	40,683
Total current liabilities	**550,813**	497,923
DEFERRED CREDITS:		
Uranium settlement (Note N)	**142,172**	130,346
Accumulated deferred income taxes (Notes A and C):		
Liberalized depreciation	**149,867**	108,758
Abandoned project costs	**63,514**	24,931
Accelerated amortization	**10,036**	11,583
Other	**16,004**	39,528
Deferred investment tax credits (Notes A and C)	**106,808**	100,181
Other (Note F)	**28,195**	27,996
Total deferred credits	**516,596**	443,323
COMMITMENTS AND CONTINGENCIES (Note N)		
	$6,491,464	$5,960,584

Virginia Electric and Power Company
Statements of Earnings Reinvested in Business

	Years				
	1980	1979	1978	1977	1976
	(Thousands of Dollars)				
Balance at beginning of year	**$384,600**	$364,215	$318,507	$328,115	$290,260
Net income (see "Statements of Income")	**241,620**	196,467	203,864	189,793	166,786
Total	**626,220**	560,682	522,371	517,908	457,046
Cash dividends:					
Preferred stock subject to mandatory redemption:					
$7.325 preferred	**5,128**	5,128	5,128	5,128	5,128
$8.40 preferred	**6,720**	6,720	6,720	6,720	6,720
$9.125 preferred	**1,825**	1,825	1,825	1,825	345
$8.20 preferred	**4,920**	4,920	4,920	1,134	
$8.60 preferred	**3,189**	3,291	3,392		
$8.625 preferred	**3,191**	3,191	1,785		
$8.925 preferred	**2,499**	153			
Preferred stock not subject to mandatory redemption:					
$5.00 preferred	**533**	533	533	1,447	1,447
$4.04 preferred	**52**	52	52	404	404
$4.20 preferred	**62**	62	62	420	420
$4.12 preferred	**134**	134	134	515	515
$4.80 preferred	**351**	351	351	1,440	1,440
$7.72 preferred	**2,702**	2,702	2,702	2,702	2,702
$8.84 preferred	**3,094**	3,094	3,094	3,094	3,094
$7.45 preferred	**2,980**	2,980	2,980	2,980	2,980
$7.20 preferred	**3,240**	3,240	3,240	3,240	3,240
$7.72 preferred (1972 Series)	**3,860**	3,860	3,860	3,860	3,860
$9.75 preferred	**5,850**	5,850	5,850	5,850	4,566
Preference stock not subject to mandatory redemption:					
$2.90 preference	**6,960**	6,960	6,960	6,960	6,960
Common stock	**133,005**	120,638	103,474	91,225	82,923
Total dividends	**190,295**	175,684	157,062	138,944	126,744
Transfer to common stock as authorized by Board of Directors				60,000	
Other deductions, net	**495**	398	1,094	457	2,187
Total	**495**	398	1,094	60,457	2,187
Balance at end of year	**$435,430**	$384,600	$364,215	$318,507	$328,115

The accompanying notes are an integral part of the financial statements.

Virginia Electric and Power Company
Statements of Changes in Financial Position

	Years				
	1980	1979	1978	1977	1976
	(Thousands of Dollars)				
SOURCE OF FUNDS:					
Funds provided by operations:					
Net income	**$241,620**	$196,467	$203,864	$189,793	$166,786
Items not affecting working capital:					
Provision for depreciation (Notes A and G)	**145,032**	136,280	117,481	98,527	95,191
Amortization of nuclear fuel (Note A)	**52,170**	25,576	29,702	14,526	8,962
Amortization of abandoned project costs (Note D)	**6,933**	7,292	6,760	3,173	
Allowance for other funds used during construction (Note A)	**(73,206)**	(66,603)	(64,002)	(72,361)	
Allowance for borrowed funds used during construction (Note A)	**(39,550)**	(29,305)	(24,869)	(27,301)	
Allowance for funds used during construction (Note A)					(80,429)
Deferred income taxes (Notes A and C)	**52,177**	66,545	14,668	31,536	14,002
Deferred investment tax credits, net (Notes A and C)	**6,627**	(5,250)	34,827	19,009	32,540
Total funds provided by operations	**391,803**	331,002	318,431	256,902	237,052
Funds provided by financing and other sources:					
Mortgage bonds (Note K)	**75,000**	235,000	213,000	150,000	220,000
Preferred stock subject to mandatory redemption (Note H)		28,000	37,000	60,000	20,000
Preferred stock not subject to mandatory redemption (Note I)					60,000
Common stock (Note I):					
Public offering	**53,950**	64,050	68,275	70,400	73,875
Automatic dividend reinvestment plan	**16,379**	12,926	11,690	9,229	7,727
Employee savings plan and TRASOP	**6,261**	7,222	4,774	4,213	3,900
Customer stock purchase plan subscriptions	**2,474**				
Bath County hydroelectric trust (Note K)	**201,810**				
Term notes (Note K)	**125,000**	60,000	104,750	108,500	25,000
Increase (decrease) in loans payable	**(48,009)**	128,293	(49,613)	26,550	(83,550)
Uranium settlement (Note N)	**11,826**	130,346			
Total funds provided by financing and other sources	**444,691**	665,837	389,876	428,892	326,952
	$836,494	$996,839	$708,307	$685,794	$564,004
APPLICATION OF FUNDS:					
Utility plant expenditures (excluding AFC)	**$536,049**	$551,881	$422,857	$394,875	$343,693
Nuclear fuel (excluding AFC)	**32,315**	60,967	17,458	74,531	57,479
Abandoned project costs (Note D)	**1,332**	(2,542)	2,631	16,050	
Pollution control project funds	**37,734**	(3,914)	8,019	721	1,227
Dividends on common, preferred and preference stocks	**190,295**	175,684	157,062	138,944	126,744
Increase (decrease) in deferred fuel costs (Notes A and B)	**(11,146)**	85,867	(29,898)	(18,812)	8,427
Securities reacquired or repaid	**65,300**	74,883	97,273	58,250	10,000
Increase (decrease) in investment (net of repayment of advances) in subsidiary companies (Notes A and N)	**(372)**	797	4,345	3,137	4,869
Increase (decrease) in working capital other than loans payable*	**(31,757)**	42,136	36,551	14,684	10,968
Other, net	**16,744**	11,080	(7,991)	3,414	597
	$836,494	$996,839	$708,307	$685,794	$564,004
Changes in the individual amounts comprising working capital other than loans payable* were as follows:					
Accounts receivable (excluding uranium settlement)	**$ 26,261**	$ 33,197	$ 20,312	$ 2,103	$ 13,017
Uranium settlement (Note N)	**(41,000)**	41,000			
Accrued unbilled revenues	**(10,679)**	32,395	(2,523)	4,965	19,386
Deferred fuel surcharge			(11,028)	628	(1,670)
Materials and supplies	**14,047**	42,675	7,284	26,392	17,080
Accounts payable, trade	**16,010**	(73,271)	19,350	1,775	(32,963)
Taxes accrued	**(27,843)**	8,027	(20,426)	(4,842)	666
Interest accrued	**(7,217)**	(4,633)	(11,388)	(6,916)	(7,177)
Deferred income taxes (Notes A and C)	**2,460**	1,464	4,657	(2,537)	(577)
Other, net	**(3,796)**	(38,718)	30,313	(6,884)	3,206
	$(31,757)	$ 42,136	$ 36,551	$ 14,684	$ 10,968

* Does not include reclassification as current liabilities of maturing long-term debt and cash sinking fund obligations of debt and preferred stock as follows: 1980—$124,276,000; 1979—$62,093,000; 1978—$75,293,000; 1977—$89,433,000 and 1976—$58,250,000.

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

A. Significant Accounting Policies:

General:

The Company's accounting practices are prescribed by the Uniform System of Accounts promulgated by the regulatory commissions having jurisdiction.

Revenues:

Operating revenues are recorded on the basis of service rendered.

Utility Plant and Depreciation:

Utility plant is recorded at original cost which includes labor, materials, services, allowance for funds used during construction and other indirect costs. The cost of depreciable utility plant retired and cost of removal, less salvage, are charged to accumulated depreciation.

The cost of maintenance and repairs is charged to the appropriate operating expense and clearing accounts. The cost of renewals and betterments is charged to the appropriate utility plant account, except the cost of minor replacements which is charged to maintenance expense.

Provisions for depreciation, which include amounts applicable to estimated decommissioning costs of $30,000,000 for nuclear units in service (assuming mothballing in pairs), are recorded on the straight-line method based upon estimated service lives.

Nuclear Fuel:

Progress payments are being made for fuel to be owned or leased.

Amortization of owned nuclear fuel is provided on a unit of production basis sufficient to amortize the cost over the estimated service life. Before 1978, the Company provided for estimated reprocessing costs relating to fuel, which was being burned, for all jurisdictions. Effective in 1978, the North Carolina Commission granted approval to recover the cost of permanent storage of spent fuel in base rates and the Federal Energy Regulatory Commission (FERC) allowed the recovery of these costs through the fuel clause. For periods subsequent to these two decisions, operating expenses include reprocessing costs for Virginia jurisdictional customers and costs of permanent storage for North Carolina and FERC jurisdictional customers.

Subsidiaries:

The Company has two wholly-owned subsidiaries. Laurel Run Mining Company is engaged in the underground mining of coal, which is utilized solely by the Company. Virginia Nuclear, Inc. was organized to explore for uranium reserves; however, no such activities are presently being conducted.

Federal Income Taxes:

The Company's practice is to reduce the current provision for Federal income taxes to reflect the tax benefit resulting from the use of the double-declining-balance method of depreciation for property additions and the adoption of the Asset Depreciation Range and Class Life Systems. Effective with property additions placed in service in 1974, the Company has provided deferred income taxes on the aforementioned benefit and, subsequently, has provided deferred taxes on other differences between book income and income taxable for Federal income taxes to the extent permitted by the regulatory commissions having jurisdiction.

Investment Tax Credits:

Accumulated investment tax credits at July 1, 1970 are being amortized over a ten-year period, and credits recorded after that date are being amortized over the service lives of the property giving rise to such credits. An additional investment tax credit of 1% related to the Tax Reduction Act Stock Ownership Plan (TRASOP) does not affect net income and is recorded as a liability until the contribution is made to the TRASOP trust.

Allowance for Funds Used During Construction:

The applicable regulatory Uniform Systems of Accounts defines AFC as the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used.

In accordance with a change in FERC accounting rules effective January 1, 1977, the Company is separately determining rates and reporting amounts applicable to borrowed funds, calculated on a net of tax basis, and to equity funds.

In accordance therewith, for 1980, 1979, 1978 and 1977, aggregate rates of 7.79%, 7.80%, 7.54% and 7.75%, respectively, were employed for the accrual of AFC.

For 1976, AFC was accrued at 8% and reported in accordance with the accounting rules then in effect. Since the assumptions as to source of construction funds, costs of such funds and capital ratios used by the Company prior to January 1, 1977, are not equivalent to those prescribed in the new accounting rules, the Company believes that retroactive reclassification of AFC accrued in 1976 would be inappropriate. Assuming that funds used to finance construction in 1976 were obtained, 35% from common equity, 52% from debt and 13% from preferred and preference stocks, the common equity component of AFC as related to earnings available for common stock amounted to 17.4% for 1976.

For expenditures on the Bath County Pumped Storage Project after December 31, 1979, AFC is being accrued in an amount equal to the cost of borrowings associated with the Project Financing.

Deferred Fuel Costs:

The Company is deferring for accounting and rate-making purposes that portion of the cost of fuel consumed which, through the application of the annual fuel factor, may result in increased operating revenues in a later period.

Retirement Annuity Plan:

The Company has a contributory retirement annuity plan and funds pension costs accrued. Prior service cost arising out of amendments to the plan in 1976 and 1979, and changes in actuarial assumptions in 1977 is being provided in the accounts and funded on the basis of future salaries of participants currently covered by the plan.

Leases:

The Company's practice is to account for all leases as operating leases in accordance with the rate-making practices presently in effect.

B. Deferred Fuel Accounting:

Monthly billings under the annual fuel factor which was approved by the Virginia Commission but subject to quarterly hearings, include projected 1980 fuel costs, including net estimated fuel costs unrecovered at December 31, 1979. Projected 1981 fuel costs, including unrecovered costs at December 31, 1980, are to be considered by the Virginia Commission in hearings scheduled to begin March 13, 1981.

In 1980, the Company deferred $39.6 million of costs associated with purchased and interchanged power. Similar costs amounting to $21.5 million were deferred in 1979 and the Virginia Commission has issued a rate order permitting the recovery of 1979 costs in base rates beginning October 1980.

In the event that future developments dictate a change in the fuel adjustment billing lag period or in the fuel cost base, the Company will request regulatory approval to recover through billings to customers any unrecovered deferred fuel costs.

C. Federal Income Taxes:

Details of Federal income taxes were as follows:

	Years				
	1980	1979	1978	1977	1976
	(Thousands of Dollars)				
Computed tax expense on book income before Federal income taxes at statutory rate	**$143,600**	$122,599	$133,147	$119,946	$103,358
(Decreases) increases resulting from:					
Excess of tax over book depreciation not normalized	**(12,982)**	(4,301)	(16,402)	(9,956)	(14,840)
AFC	**(51,868)**	(44,118)	(42,658)	(47,838)	(38,606)
Investment tax credits, amortization	**(5,171)**	(5,820)	(5,467)	(4,539)	(3,028)
Other, net	**(3,575)**	1,384	4,038	2,123	1,867
	(73,596)	(52,855)	(60,489)	(60,210)	(54,607)
Federal income tax expense	**$ 70,004**	$ 69,744	$ 72,658	$ 59,736	$ 48,751
Currently payable	**$ 11,200**	$ 8,449	$ 23,163	$ 9,191	$ 2,209
Tax effects of timing differences:					
Abandoned project costs	**38,582**	(4,421)	(1,822)	31,175	
Fuel related items:					
Current year	**(19,087)**	47,054	(21,681)	(9,588)	3,243
Reprocessing/disposal costs on nuclear fuel	**(7,988)**	(8,067)	(6,791)	(6,385)	(4,076)
Fuel expense—nuclear plant testing	**(3,663)**				
Nuclear fuel—owned	**(2,669)**	(4,452)	(487)		
Liberalized depreciation	**41,108**	32,418	38,509	13,101	12,320
Virginia gross receipts taxes	**(2,460)**	(1,464)	636	2,375	1,379
Nuclear decommissioning costs	**(764)**				
Spare parts inventory adjustment	**4,120**				
Accelerated amortization	**(1,547)**	(1,547)	(1,547)	(1,547)	(1,547)
Indirect construction costs	**2,800**	3,463	3,154	2,912	1,796
Cost of removal of property retirements	**3,729**	3,545	2,484	1,696	1,426
Contributions in aid of construction			2,203	(2,203)	
Other	**16**	16	10		(539)
	52,177	66,545	14,668	31,536	14,002
Investment tax credits	**11,798**	570	40,294	23,548	35,568
Investment tax credits, amortization	**(5,171)**	(5,820)	(5,467)	(4,539)	(3,028)
Net deferred investment tax credits	**6,627**	(5,250)	34,827	19,009	32,540
Federal income tax expense	**$ 70,004**	$ 69,744	$ 72,658	$ 59,736	$ 48,751

The Company has investment tax credit carry-forwards of $97,119,000, of which $12,464,000, $19,630,000 and $65,025,000 will expire in 1985, 1986, and 1987, respectively.

D. Abandoned Project Costs:

In March 1977, the Company canceled Surry Units 3 and 4. At December 31, 1980, the Company had expended $74.5 million, and additional cancellation costs could be as much as $34.6 million. The Company has been amortizing such costs, net of Federal income taxes, over a ten-year period as incurred. The Virginia, North Carolina and West Virginia State Commissions have approved the recovery of these costs in base rates and an Administrative Law Judge has recommended approval of recovery from FERC customers.

In November 1980, following completion of a study which assessed the advantages and disadvantages associated with both the continued construction of North Anna Units 3 and 4, as well as the replacement of those Units with alternative coal-fired facilities, the Company has decided to continue construction of Unit 3 on a schedule that would permit commercial operation in 1989. But Unit 4 was canceled due primarily to reduced load growth projections, high financing costs, the uncertainty surrounding the regulation of nuclear power and the Company's load management programs which are estimated to result in a delay of additional generating capacity requirements. Expenditures at December 31, 1980 amounted to $122.4 million net of transfers of certain parts and equipment to other projects. After additional costs which may be incurred, the loss is presently estimated to be in the range of $165 million. The Company will request rate relief to recover from customers, over a ten-year period, the actual loss resulting from the cancellation.

E. Supplementary Income Statement Information:

The amounts of royalties, advertising costs and research and development costs were not significant. Taxes other than Federal income taxes charged to expenses were as follows:

	Years				
	1980	1979	1978	1977	1976
	(Thousands of Dollars)				
Taxes, other than Federal income taxes:					
Real estate and property	**$ 29,182**	$ 28,462	$26,333	$25,257	$22,899
State and local gross receipts	**71,838**	60,934	54,865	49,812	42,382
State income	**162**	57	505	248	215
Other	**16,274**	14,905	11,796	5,857	5,917
Total	**$117,456**	$104,358	$93,499	$81,174	$71,413

F. Leases:

Rents charged to expenses consisted of the following:

	Years				
	1980	1979	1978	1977	1976
	(Thousands of Dollars)				
Operating leases:					
Nuclear fuel	**$21,140**	$11,632	$35,491	$29,518	$21,447
Combustion turbines	**5,524**	5,611	5,694	5,935	6,185
Other (principally buildings and teleprocessing equipment)	**11,206**	10,583	8,427	6,648	5,552
Total	**$37,870**	$27,826	$49,612	$42,101	$33,184

In 1971, the Company sold and leased back 28 combustion turbines for a term of 20 years (plus two optional five-year renewal terms). Annual rental payments are $3,674,000 for the remaining year of the first ten-year term and $6,444,000 during the second ten-year term. Additional rentals are being accrued during the first ten years, when payments represent only interest, so that the annual effect on net income will be equalized over the twenty-year period. Deferred credits, other at December 31, 1980, include $19,254,000 with regard to such accruals. Had the lease been capitalized, the net asset value and present value of the lease commitment would be $22,721,000 and $42,601,000, respectively, at December 31, 1980 and $24,851,000 and $42,601,000, respectively, at December 31, 1979.

The Company has heat supply contracts for the nuclear fuel for Surry Units 1 and 2 providing for an aggregate commitment of $110 million at December 31, 1980. Quarterly payments are charged to income in amounts sufficient to pay for the fuel burned during each quarter (excluding reprocessing and permanent disposal costs) plus interest. Had the contracts been capitalized, the net asset value and present value of these commitments would be $99,118,000 and $102,398,000, respectively, at December 31, 1980 and $103,395,000 and $106,162,000, respectively, at December 31, 1979.

In 1974, the Company sold and leased back three office buildings for terms of twenty years (plus two optional five-year renewal terms). Annual rental payments are $730,000 during the initial terms of the leases. In 1978, the Company leased a newly constructed headquarters office building for a term of thirty years (plus four optional five-year renewal terms). Annual rental payments are $2,993,000 during the initial term of the lease. Had the leases been capitalized, the net asset value and present value of the lease commitments would be $37,087,000 and $40,106,000, respectively, at December 31, 1980 and $38,610,000 and $40,675,000, respectively, at December 31, 1979.

If the Company had capitalized the above noted leases and contracts, the increase in operating expenses for 1977 through 1980 would not have been material.

The Company is responsible for expenses in connection with the leased turbines, nuclear fuel and buildings noted above, including insurance, taxes and maintenance.

G. Depreciation:

The provision for depreciation based on mean depreciable plant has been as follows:

	Electric	Gas	Common
1980	3.3%	3.1%	4.0%
1979	3.3	3.1	4.4
1978	3.2	3.1	2.4
1977, 1976	3.1	2.6	2.3

With Virginia Commission approvals, the depreciation rates were increased for Gas plant as of January 1, 1978 and for Electric and Common plant as of April 1, 1979.

H. Preferred Stock Subject to Mandatory Redemption:

Preferred Stock Subject to Mandatory Redemption was represented by 3,308,938 shares outstanding at December 31, 1980, as follows:

	Shares		Entitled Per Share Upon Voluntary Liquidation Redemption		
Dividend	Authorized	Outstanding	Amount	Through	And Thereafter To Amounts Declining In Steps To
$7.325	700,000	700,000	$110.00	3/31/83	$101.00 after 3/31/88
8.40	800,000	800,000	115.00	3/31/84	100.00 after 3/31/04
9.125	200,000	200,000(1)	110.00	9/19/81	102.00 after 9/19/91
8.20	600,000	600,000(2)	115.00	9/20/87	100.41 after 9/20/96
8.60	358,938	358,938(3,5)	107.00	12/20/87	100.00 after 12/20/97
8.625	370,000	370,000(4)	108.63	6/20/83	100.00 after 6/20/02
8.925	280,000	280,000(6)	108.93	9/20/84	100.00 after 9/20/09
Total	3,308,938	3,308,938(7)			
Less shares due within one year....		19,834(7)			
Balance		3,289,104(8)			

(1) Issued October 1976. (2) Issued September 1977. (3) Issued December 1977. (4) 355,000 shares issued in May 1978 and 15,000 shares issued in September 1978. (5) No voluntary redemption prior to December 20, 1982. (6) Issued November 1979. (7) Sinking Fund requirements call for annual redemption at $100 per share as follows:

Series	Percentage of Shares Issued	Beginning	Ending	Series	Percentage of Shares Issued	Beginning	Ending
$8.60	3 %	Dec. 1978	Dec. 2010	8.625	5 %	June 1984	June 2002
9.125	4	Sept. 1981	Sept. 2000	8.925	3.75	Sept. 1984	Sept. 2009
8.20	5	Sept. 1983	Sept. 1996	8.40	4	April 1985	April 2009
7.325	4	April 1984	April 2008				

(8) Maturities through 1985 are as follows: 1981-$1,983,000; 1982-$1,983,000; 1983-$4,983,000; 1984-$10,683,000; 1985-$13,883,000.

The total number of authorized shares for all Preferred Stock is 7,500,000 shares. Upon involuntary liquidation, all Preferred Stock shares are entitled to receive $100 per share plus accrued dividends. Dividends are cumulative and payable March 20, June 20, September 20 and December 20.

I. Preferred and Preference Stock Not Subject to Mandatory Redemption, Common Stock and Other Paid-In Capital:

Preferred Stock, Not Subject to Mandatory Redemption:

Preferred Stock, that is not subject to mandatory redemption, was represented by 2,890,140 shares outstanding at December 31, 1980, as follows:

	Authorized and Outstanding	Entitled Per Share Upon Voluntary Liquidation Redemption		
Dividend	Shares	Amount	Through	And Thereafter To Amounts Declining In Steps To
$5.00	106,677	$112.50		
4.04	12,926	102.27		
4.20	14,797	102.50		
4.12	32,534	103.73		
4.80	73,206	101.00		
7.72	350,000	106.00	5/31/81	$101.50 after 5/31/84
8.84	350,000	107.00	8/31/82	101.00 after 8/31/85
7.45	400,000	106.00	2/28/81	101.00 after 2/29/84
7.20	450,000	106.00	1/31/82	101.00 after 1/31/85
7.72(1972 Series)	500,000	106.00	9/30/82	101.00 after 9/30/85
9.75	600,000(1)	109.75	2/28/81	101.00 after 2/28/91
Total	2,890,140			

(1) Issued March 1976.

Preference Stock Not Subject to Mandatory Redemption:

Preference Stock was authorized for issuance effective April 17, 1975. On May 22, 1975, the Company issued 2,400,000 shares of $2.90 Dividend Preference Stock at $23.90 per share which aggregated $57,360,000.

The Preference Stock is redeemable at the Company's option at $27.90 per share prior to May 1, 1980, and thereafter declines in steps to $25.25 on May 1, 1990. Upon liquidation, all shares are entitled to receive $25 per share plus accrued dividends. Dividends are cumulative and payable March 20, June 20, September 20 and December 20.

Common Stock:

Common Stock was represented by 99,954,157 shares outstanding at December 31, 1980. In addition, 2,222,222 shares (based on the conversion price of $22.50 per share) are reserved for conversion of the 3⅝% Convertible Debentures due May 1, 1986. During the years 1976 through 1980 the following changes in Common Stock occurred:

Year	Public Offering		Automatic Dividend Reinvestment Plan		Savings and Stock Ownership Plans		Total Outstanding	
	Shares	Additions to Capital Account	Shares	Additions to Capital Account	Shares	Additions to Capital Account	Shares	Capital Account
1980	5,000,000	$ 53,950,000	1,505,423	$16,378,807	574,622	$6,261,638	99,954,157	$1,400,874,668(1)
1979	6,000,000	64,050,000	1,049,874	12,925,755	583,138	7,222,482	92,874,112	1,319,303,162
1978	5,000,000	68,275,000	827,514	11,689,651	337,143	4,774,135	85,241,100	1,235,104,925
1977	5,000,000	70,400,000	626,886	9,229,553	284,167	4,212,884	79,076,443	1,150,366,139(2)
1976	5,000,000	73,875,000	541,248	7,726,113	277,798	3,900,245	73,165,390	1,006,523,702
							67,346,344(3)	921,022,344

(1) Includes $2,507,316 of transfers from Other Paid-In Capital and $2,473,745 of subscriptions received pursuant to the Customer Stock Purchase Plan.
(2) In May 1977, $60,000,000 was transferred from Earnings Reinvested in Business to the Common Stock account as authorized by the Board of Directors.
(3) Outstanding January 1, 1976.

On April 22, 1976, and May 8, 1979, the number of authorized shares was increased from 70,000,000 to 95,000,000 and from 95,000,000 to 120,000,000, respectively.

Other Paid-In Capital:

In 1977, the Company solicited tenders of shares of certain series of Preferred Stock in exchange for shares of $8.60 Dividend Preferred Stock. The purpose of this exchange offer was to increase the balance sheet ratio of Common equity to total equity consistent with the objective of the Company to achieve and maintain capitalization ratios in the range of 52% long-term debt, 13% Preferred and Preference Stock and 35% Common equity. The difference between the stated value of the shares exchanged and that of the $8.60 Dividend series shares amounting to $27,859,000, net of cash paid for fractional shares, was transferred to Other Paid-In Capital.

In 1980, with Virginia Commission Staff approval, the Company transferred $2,507,000 associated with $8.60 Dividend shares redeemed to the Common Stock account.

J. Short-Term Loans and Compensating Balances:

	Year End			Daily Average Outstanding		
	Maturity	Amount	Interest Rate At End of Year (1)	Amount	Interest Rate (1)	Maximum Outstanding
1980						
Commercial paper	(2)	$ 72,003,000	18.25%	$155,772,000	13.54%	$280,525,000
Master notes	(3)	2,058,000	15.00	3,520,000	10.47	12,300,000
Pollution control notes	(2)	9,660,000	7.26	5,177,000	7.09	9,660,000
1979						
Commercial paper	(2)	122,543,000	14.25	69,736,000	11.03	175,750,000
Master notes	(3)	6,937,000	12.25	3,520,000	9.98	6,937,000
Pollution control notes	(2)	2,250,000	7.25	203,000	7.25	2,250,000

(1) Weighted average interest. (2) Principally 30 to 90 days. (3) Maximum 180 days.

Available bank lines of credit amounted to $390,975,000 at December 31, 1980, including $180,000,000 applicable to revolving credit agreements effective through August 29, 1981. The Company maintains compensating balances of up to 10% or pays fees in lieu of balances in connection with its lines of credit. Utilization under the line of credit may require additional balances or fees. Compensation for the revolving credit agreements are consistent with the requirements for the lines of credit.

K. Long-Term Debt:

Long-term debt outstanding at December 31, 1980:

First and refunding mortgage bonds(1):		
Series I	3⅜%, due 1981	$ 20,000,000
Series J	3¼%, due 1982	20,000,000
Series DD	10½%, due 1983	75,000,000
Series K	3⅛%, due 1984	25,000,000
Series L	3¼%, due 1985	25,000,000
Series A	6⅞%, due 1985	8,000,000*
Series M	4⅛%, due 1986	20,000,000
Series N	4½%, due 1987	20,000,000
Series O	3⅞%, due 1988	25,000,000
Series P	4⅝%, due 1990	25,000,000
Series Q	4⅞%, due 1991	30,000,000
Series R	4⅜%, due 1993	30,000,000
Series S	4½%, due 1993	30,000,000
Series FF	11%, due 1994	117,000,000
Series EE	11%, due 1994	81,793,000
Series T	4½%, due 1995	60,000,000
Series U	5⅛%, due 1997	50,000,000
Series V	6⅞%, due 1997	50,000,000
Series KK	8.95%, due 1998	55,000,000
Series W	7⅛%, due 1999	85,000,000
Series X	7¾%, due 1999	75,000,000
Series Y	9%, due 2000	83,725,000
1980 Series A	12½%, due 2000	75,000,000**
Series Z	8⅞%, due 2000	83,725,000
Series AA	7⅜%, due 2001	90,000,000
Series BB	7½%, due 2001	50,000,000
Series CC	7⅜%, due 2002	100,000,000
Series C	6.15%, due 2003	8,000,000*
1979 Series B	9.95%, due 2004	135,000,000
Series A	8½%, due 2005	18,000,000*
Series GG	10%, due 2005	100,000,000
Series HH	9¼%, due 2006	100,000,000
Series B	6¾%, due 2006	20,000,000*
Series II	8¾%, due 2006	100,000,000
Series JJ	8⅝%, due 2007	150,000,000
Series LL	9⅝%, due 2008	150,000,000
1979 Series A	10¼%, due 2009	100,000,000
Total		2,290,243,000
Term notes (including $125,000,000 issued in 1980) (2)		430,000,000
Convertible debentures 3⅝%, due 1986		50,000,000
Pollution control revenue bonds (3)		47,000,000
Bath County project financing (4)		201,810,000
		3,019,053,000
Less amounts due within one year:		
Sinking fund obligations(1)		10,043,000
Term notes(2)		90,000,000
First and Refunding Mortgage Bonds		20,000,000
Pollution Control Revenue Bonds(3)		2,250,000
Less unamortized discount—net of premium		9,646,000
Total long-term debt		$2,887,114,000

* Pollution Control Series. ** Issued in 1980.

The Company has redeemed the $64,117,000 of long-term debt and sinking fund obligations due in 1980. Maturities (including cash sinking fund obligations) through 1985 are as follows: 1981—$122,293,000; 1982—$90,500,000; 1983—$150,500,000; and 1984—$338,310,000; 1985—$120,250,000.

(1) The Mortgage provides for sinking funds as follows:

	Commencing	Annual Sinking Fund Requirements
Series I through CC	*	$10,000,000
Series EE and FF	Begun	13,250,000
Series KK	1984	2,750,000
1979 Series A and B	1985	10,750,000
1980 Series A	1986	4,875,000
Pollution Control Series A	1986	500,000
Pollution Control Series B	1992	250,000
Pollution Control Series C	1989	375,000

* The Company may satisfy these requirements by waiving the privilege to issue an equal amount of Bonds by substituting property therefor and intends to do so in 1981.

Substantially all of the Company's property is subject to the lien of the Mortgage.

(2) Term Notes:

Principal Amount	Maturity	Variable Interest Rate: Percentage of Base Lending Rate of	Variable Interest Rate: Not to Exceed an Average of	Fixed Interest Rate
$60,000,000	1981	115%	8½%	
5,000,000	1981			8.15%
25,000,000	1981	100¾	9.65	
50,000,000	1982	115	8⅞	
5,000,000	1982			8¼
10,000,000	1983			8¼
5,000,000	1983			11⅜
5,000,000	1983			8⅝
40,000,000	1983	60	8	
10,000,000	1984			8¼
5,000,000	1984	115	9.9	
5,000,000	1984	107½	9.9	
50,000,000	1984			10¼
25,000,000	1984			11⅞
20,000,000	1985	115	8¾	
5,000,000	1985			8⅝
15,000,000	1985			15¼
5,000,000	1985			15½
15,000,000	1985			11⅞
10,000,000	1987			14½
50,000,000	1988	*	9	
10,000,000	1995			12⅜
$430,000,000				

* 118% of the higher of commercial paper rate plus ½ of 1% or base lending rate. Interest not to be less than 8%.

(3) Pollution Control Revenue Bonds:

Principal Amount	Maturity	Interest Rate	Mandatory Sinking Fund Requirements: Annual Amount	Mandatory Sinking Fund Requirements: Commencing
$ 6,000,000	1981-83*	7.2-7.4%	None	
4,500,000	1989	8.0	$250,000	1981
			500,000	1984
			750,000	1987
22,000,000	2002	5⅝	500,000	1990
14,500,000	2004	8¾	750,000	1990
$47,000,000				

* $2,000,000 of the $6,000,000 principal amount of Serial Bonds mature annually.

(4) In 1980, the Company issued a 3½ year term collateral note securing borrowings of a trust which is financing construction expenditures (including interest) after 1979 on the Bath County Pumped Storage Project. Borrowings under the present arrangements are limited to $220 million. Weighted average interest for 1980, including fees for supporting lines of credit, amounted to 14.16%.

L. Effect of Rate Increases on Operating Revenues:

In 1980, the Company obtained rate relief of about $132.3 million on an annual basis from the three State Commissions, FERC and non-jurisdictional customers.

Rate increases and a decrease which became effective for portions of the following years increased (decreased) operating revenues for the respective years by the approximate amounts shown:

	(Millions of Dollars)				
	1980	1979	1978	1977	1976
Electric	$36.4	$56.4	$56.9	$3.0	$6.3
Gas	(.7)	.4	—	—	.9

M. Retirement Annuity Plan:

Costs to the Company under the plan were: 1980—$11,186,000; 1979—$9,697,000; 1978—$8,586,000; 1977—$7,594,000; and 1976—$5,046,000. At January 1, 1980, the date of the latest available actuarial report the unfunded liability of the plan amounted to approximately $12.4 million.

The present value of benefits, as of January 1, 1980, as determined by the actuaries, were as follows:

Vested accumulated plan benefits	$129,406,000
Nonvested accumulated plan benefits	16,136,000
Total	$145,542,000
Plan net assets available for benefits	$129,722,000

A 6% rate of return is used in determining the present value of vested and nonvested accumulated plan benefits.

N. Commitments and Contingencies:

The Company has made substantial commitments in connection with its construction program, which is presently estimated to be $643 million for 1981. Additional financing is contemplated in connection with this program.

The major portion of Laurel Run Mining Company's mining equipment is leased. As guarantor, the Company has a contingent liability for annual lease payments of $1.1 million in 1981, $1.0 million in 1982 and $.8 million in 1983.

The FERC has directed the Company to write-off $6.3 million ($4.3 million of AFC and $2.0 million of other costs) associated with a boiler implosion in 1974 at Yorktown Unit 3 which the Company has capitalized on its books. In 1980, an Administrative Law Judge ruled against the Company, but the Company intends to appeal.

In 1979, settlement was reached in the Westinghouse uranium dispute which provides for cash and discounts on uranium and goods and services over the period 1979-1997 which is estimated to equal the value of contracts litigated had they been fully performed by Westinghouse. Through December 31, 1980, the Company had received $147 million in cash and goods and services, $55 million of which was received in 1980 (including $41 million of cash). Settlement proceeds will reduce fuel expenses under procedures currently under review by regulatory authorities. On January 8, 1979 the Company filed with the Internal Revenue Service a request for a ruling with respect to the Federal income tax consequences of the settlement. Such filing requested that the value received from the settlement be treated as a reduction in fuel expense over the life of the nuclear fuel, and not as taxable income in the year of the settlement. The Company's ruling request is still under consideration by the Internal Revenue Service.

For a discussion of possible sales of power station projects and related facilities, see the last two paragraphs under *Capital Resources* under MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

O. Quarterly Financial Data (Unaudited):

The following amounts (not examined by independent certified public accountants) reflect all adjustments, consisting of only normal recurring accruals, necessary in the opinion of the Company for a fair statement of the results for the interim periods, except as disclosed below for the inventory adjustment recorded in the fourth quarter of 1980 and except for the deferral of purchased and interchanged power costs in 1979 (as discussed in Note B to Financial Statements.)

Quarter	Operating Revenues	Operating Income	Balance for Common Stock	Earnings Per Share of Common Stock
1980	(Thousands of Dollars)			
1st	$572,820	$88,649	$40,173	$.43
2nd	473,472	79,395	28,395	.30
3rd	576,472	107,780	57,311	.60
4th	497,010	113,708	58,450	.60

Quarter	Operating Revenues	Operating Income	Balance for Common Stock	Earnings Per Share of Common Stock
1979	(Thousands of Dollars)			
1st	$403,952	$76,138	$34,710	$.41
2nd	374,082	73,039	29,772	.35
3rd	457,004	92,361	47,951	.56
4th	468,271	74,856	28,911	.31

Results for interim periods may fluctuate as a result of weather conditions, rate relief and other factors.

In the fourth quarter of 1980, the Company began accounting on an inventory basis for spare parts and equipment which had been expensed. The effect of the adjustment, which amounted to $8.9 million ($4.8 million net of Federal income taxes), was to increase earnings per share by $.05.

P. Supplementary Data On Changing Prices (Unaudited):

The following supplementary information is supplied in accordance with the requirements of FASB Statement No. 33, Financial Reporting and Changing Prices, for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

The current cost of property, plant and equipment, which includes intangible plant, property held for future use and construction work in progress, represents the estimated cost of replacing existing plant assets and was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. The current cost of land and general plant was determined by using the CPI-U. The current year's provision for depreciation on the constant dollar and current cost amounts of property, plant and equipment was determined by applying the Company's depreciation rates to the indexed plant amounts.

Fuel used in electric generation has been restated to reflect the constant dollars and current cost of nuclear fuel. The cost of other types of fuel used in electric generation and gas purchased for resale have not been restated since these costs are considered to be current.

Fuel inventories, with the exception of nuclear fuel, have not been restated from their historical cost in nominal dollars. The nuclear fuel inventory is considered an integral part of the plant investment and, therefore, should be restated and adjusted to net recoverable cost. As indicated above, other types of fuel inventories have not been restated since the costs of these assets are considered to be current.

Preferred stock subject to mandatory redemption has been classified as a monetary liability in determining the gain from decline in purchasing power of dollars related to net amounts owed, in accordance with the definition of a monetary liability in FASB Statement No. 33.

As prescribed in Statement 33, income taxes were not adjusted.

To properly reflect the economics of rate regulation in the Statement of Income from Continuing Operations, the adjustment of property, plant and equipment to net recoverable cost should be offset or combined, as appropriate, by the gain from the decline in purchasing power of the dollars related to net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of the dollars related to net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant and equipment. Since the depreciation on this plant is limited by regulation to the recovery of historical costs, a holding gain on debt is not allowed and the Company is limited to recovery of the embedded cost of the asset.

Statement of Income from Continuing Operations Adjusted for Changing Prices (Unaudited)

	For The Year Ended December 31, 1980		
	Conventional Historical Cost	Constant Dollar Average 1980 Dollars	Current Cost Average 1980 Dollars
	(Thousands of Dollars)		
Operating revenues	$2,119,774	$2,119,774	$2,119,774
Fuel used in electric generation	674,996	693,777	706,816
Depreciation	145,032	279,720	305,465
Other operating and maintenance expense	840,210	840,210	840,210
Federal income taxes	70,004	70,004	70,004
Interest expense (net of allowance for borrowed funds used during construction)	223,541	223,541	223,541
Other income and deductions-net	(75,629)	(75,629)	(75,629)
	1,878,154	2,031,623	2,070,407
Income from continuing operations (excluding adjustment to net recoverable cost)	$ 241,620	$ 88,151*	$ 49,367
Increase in specific prices (current cost) of property, plant and equipment held during the year**			$ 516,022
Adjustment to net recoverable cost		$ (473,392)	113,815
Effect of increase in general price level			(1,064,445)
Excess of increase in general price level over increase in specific prices after adjustment to net recoverable cost			(434,608)
Gain from decline in purchasing power of dollars related to net amounts owed		388,967	388,967
Net		$ (84,425)	$ (45,641)

* Including the adjustment of property, plant and equipment to net recoverable cost, the loss from continuing operations on a constant dollar basis would have been $385,241,000 for 1980.

** At December 31, 1980, current cost of property, plant and equipment, net of accumulated depreciation and amortization was $9,532,569,000, while historical cost or net cost recoverable through depreciation and amortization was $5,586,465,000.

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (Unaudited)

	Years Ended December 31,				
	1980	1979	1978	1977	1976
	(In Thousands* of Average 1980 Dollars)				
Operating revenues	$2,119,774	$1,933,655	$1,850,248	$1,847,750	$1,598,158
Historical cost information adjusted for general inflation					
Income from continuing operations (excluding adjustment to net recoverable cost)	$88,151	$91,951			
Income per common share (after dividend requirements on preferred and preference stock)	$0.32	$0.34			
Net assets at year-end at net recoverable cost	$2,111,046	$2,231,871			
Current cost information					
Income from continuing operations (excluding adjustment to net recoverable cost)	$49,367	$42,815			
(Loss) per common share (after dividend requirements on preferred and preference stock)	$(0.08)	$(0.23)			
Excess of increase in general price level over increase in specific prices after adjustment to net recoverable cost	$548,423	$520,206			
Net assets at year-end at net recoverable cost	$2,111,046	$2,231,871			
General information					
Gain from decline in purchasing power of dollars related to net amounts owed	$388,967	$421,584			
Cash dividends declared per common share	$1.40	$1.57	$1.64	$1.69	$1.77
Market price per common share at year-end	$9.92	$11.27	$17.03	$19.23	$21.77
Average consumer price index (1967=100)	246.8	217.4	195.4	181.5	170.5

* Except per share amounts and indexes.

Ten Year Comparative Summary of Performance

	(Thousands of Dollars)			
	1980	1979	1978	1977
Operating revenues:				
Electric	**$2,049,518**	$1,647,928	$1,413,866	$1,313,93
Gas	**70,256**	55,381	51,039	44,92
Total operating revenues	**2,119,774**	1,703,309	1,464,905	1,358,86
Expenses (operation and maintenance)	**1,390,817**	1,069,241	869,232	850,82
Depreciation	**145,032**	136,280	117,481	98,52
Amortization of abandoned project costs	**6,933**	7,292	6,760	3,17
Taxes:				
Federal income:				
Currently payable (refundable)	**11,200**	8,449	23,163	9,19
Investment tax credits, including carry-back	**11,798**	570	40,294	23,54
Investment tax credits, amortization	**(5,171)**	(5,820)	(5,467)	(4,53
Deferred—accelerated amortization	**(1,547)**	(1,547)	(1,547)	(1,54
—liberalized depreciation	**41,108**	32,418	38,509	13,10
—other	**12,616**	35,674	(22,294)	19,98
Other	**117,456**	104,358	93,499	81,17
Total operating expenses	**1,730,242**	1,386,915	1,159,630	1,093,43
Operating income	**389,532**	316,394	305,275	265,42
Other income:				
Allowance for other funds used during construction	**73,206**	66,603	64,002	72,36
Allowance for funds used during construction				
Miscellaneous, net	**2,423**	974	1,342	(66
Total other income	**75,629**	67,577	65,344	71,69
Income before interest charges	**465,161**	383,971	370,619	337,12
Interest charges:				
Interest on long-term debt	**234,561**	204,392	184,947	168,88
Other	**28,530**	12,417	6,677	5,74
Allowance for borrowed funds used during construction	**(39,550)**	(29,305)	(24,869)	(27,30
Total interest charges	**223,541**	187,504	166,755	147,33
Income before cumulative effect of change in accounting method	**241,620**	196,467	203,864	189,79
Cumulative effect to January 1, 1974 of accruing estimated unbilled revenues, net of taxes				
Net income	**241,620**	196,467	203,864	189,79
Dividends paid:				
On preferred and preference stock	**57,290**	55,046	53,588	47,71
On common stock	**133,005**	120,638	103,474	91,22
Total dividends	**190,295**	175,684	157,062	138,94
Earnings reinvested in business	**$ 51,325**	$ 20,783	$ 46,802	$ 50,84
Shares of common stock—average for year (thousands)	**95,520**	86,965	80,060	74,02
Earnings per share of common stock	**$1.93**	$1.63	$1.88	$1.9
Dividends paid per share of common stock	**$1.40**	$1.38	$1.30	$1.2
Pay-out ratio	**72%**	85%	69%	6
Return of capital:				
Common stock dividends	**100.000%**	(2)		72.65
Preferred stock dividends	**3.300%**			
Preference stock dividends	**100.000%**			
Utility plant at original cost	**$6,836,094**	$6,307,644	$5,626,671	$5,109,09
Utility plant expenditures	**$ 681,120**	$ 708,756	$ 529,186	$ 569,06
Accumulated depreciation and amortization	**$1,249,629**	$1,079,142	$ 940,958	$ 803,60
Capitalization:				
Preferred and preference stock	**$ 677,268**	$ 678,451	$ 651,634	$ 619,10
Common equity	**1,861,656**	1,731,762	1,627,179	1,493,52
Debt (excluding short-term debt)	**3,019,053**	2,681,360	2,460,060	2,238,40
Total capitalization	**$5,557,977**	$5,091,573	$4,738,873	$4,351,03
Short-term debt—pending permanent financing	**$ 83,721**	$ 131,730	$ 3,437	$ 53,05
Capitalization ratios:				
Preferred and preference stock	**12%**	13%	14%	1
Common equity	**34**	34	34	3
Debt (excluding short-term debt)	**54**	53	52	5

(1) Includes non-recurring cumulative effect of change in accounting for unbilled revenues of $.24 per share.
(2) 1979 Return of capital was 33.02% for the first quarter and 91.95% for the remainder of the year.

1976	1975	1974	1973	1972	1971	1970
,060,663	$ 998,933	$ 735,962	$ 524,963	$ 445,668	$ 390,370	$ 353,151
43,413	34,403	28,050	26,000	25,185	23,302	21,729
,104,076	1,033,336	764,012	550,963	470,853	413,672	374,880
647,965	629,162	478,716	278,750	264,906	218,846	181,434
95,191	89,805	77,757	68,436	53,058	49,950	46,841
2,209	(1,142)	(7,678)	(1,010)	(6,850)	8,652	23,784
35,568	2,286	(3,195)	3,901	7,368	1,952	1,163
(3,028)	(2,452)	(2,412)	(2,413)	(2,225)	(2,062)	(1,318)
(1,547)	(1,547)	(1,547)	(1,547)	(1,547)	(1,547)	(1,547)
12,320	9,360	3,202				
3,229	20,873	5,018	7,265	1,356	1,050	
71,413	57,169	48,216	42,170	36,629	33,514	29,367
863,320	803,514	598,077	395,552	352,695	310,355	279,724
240,756	229,822	165,935	155,411	118,158	103,317	95,156
80,429	66,873	65,735	57,359	58,451	39,993	24,175
491	544	411	336	(156)	142	274
80,920	67,417	66,146	57,695	58,295	40,135	24,449
321,676	297,239	232,081	213,106	176,453	143,452	119,605
147,481	122,951	94,058	78,350	67,554	58,130	44,083
7,409	19,556	23,214	10,684	5,162	3,274	3,368
154,890	142,507	117,272	89,034	72,716	61,404	47,451
166,786	154,732	114,809	124,072	103,737	82,048	72,154
		12,353				
166,786	154,732	127,162	124,072	103,737	82,048	72,154
43,821	35,971	30,419	24,147	16,472	12,216	7,728
82,923	70,786	60,165	54,796	46,905	41,993	39,906
126,744	106,757	90,584	78,943	63,377	54,209	47,634
40,042	$ 47,975	$ 36,578	$ 45,129	$ 40,360	$ 27,839	$ 24,520
68,137	60,854	52,100	47,021	41,883	37,829	35,881
$1.80	$1.95	$1.86(1)	$2.13	$2.08	$1.85	$1.80
$1.22½	$1.18	$1.18	$1.16½	$1.12	$1.12	$1.12
67%	60%	71%	55%	54%	60%	62%
25.267%		100.000%	49.407%	100.000%	96.724%	54.243%
		100.000%		55.565%		
,609,416	$4,142,900	$3,739,395	$3,298,447	$2,847,614	$2,416,130	$2,082,487
481,601	$ 432,139	$ 460,912	$ 486,709	$ 472,819	$ 380,268	$ 338,074
700,254	$ 609,304	$ 545,296	$ 476,121	$ 414,941	$ 373,834	$ 335,605
583,807	$ 503,807	$ 446,447	$ 366,447	$ 296,447	$ 201,447	$ 161,447
,334,639	1,211,282	1,042,677	948,369	810,121	680,800	574,633
,038,150	1,803,150	1,578,350	1,289,890	1,242,440	1,070,440	932,000
,956,596	$3,518,239	$3,067,474	$2,604,706	$2,349,008	$1,952,687	$1,668,080
26,500	110,050	$ 256,945	$ 220,150	$ 88,400	$ 61,800	$ 53,700
15%	14%	15%	14%	13%	10%	10%
34	35	34	36	34	35	34
51	51	51	50	53	55	56

Ten Year Operating Statistics

ELECTRIC DEPARTMENT	1980	1979	1978	1977
Operating revenues (thousands):				
Residential	$ 806,156	$ 637,519	$ 563,561	$ 524,3
Commercial	534,241	431,191	392,101	365,3
Industrial	281,316	220,814	182,901	176,5
Other sales of electric energy	413,022	347,276	268,213	242,6
Other electric revenues	14,783	11,128	7,090	5,0
Total operating revenues—electric	$2,049,518	$1,647,928	$1,413,866	$1,313,9
Population served at retail—estimated	3,579,000	3,523,000	3,465,000	3,415,0
Number of customers:				
Residential	1,208,500	1,174,351	1,138,470	1,100,8
Commercial	120,869	117,965	115,121	111,6
Industrial	920	920	920	9
Other	16,878	15,873	15,446	14,9
Total customers	1,347,167	1,309,109	1,269,957	1,228,3
Sales of electricity—Mwh (thousands):				
Residential	13,154	12,397	12,405	11,8
Commercial	9,597	9,161	9,170	8,7
Industrial	6,459	6,460	6,152	6,0
Other	10,035	9,557	9,340	8,8
Total sales of electricity	39,245	37,575	37,067	35,4
Losses and miscellaneous system uses	3,244	2,909	2,901	2,7
Total distribution—energy supply	42,489	40,484	39,968	38,2
Less: Sales outside of service area				
Total distribution	42,489	40,484	39,968	38,2
Source of electricity—Mwh (thousands):				
Steam—Fossil	18,840	24,301	24,438	26,4
—Nuclear	11,466	7,055	14,098	9,4
Hydro	616	1,122	967	4
Other	208	356	399	6
Net purchased and interchanged	11,359	7,650	66	1,2
Company energy supply	42,489	40,484	39,968	38,2
Less: Sales outside of service area				
System output	42,489	40,484	39,968	38,2
Interchange deliveries for account of others	326	325	325	3
Company's service area output	42,815	40,809	40,293	38,5
Company's service area peak load—Mw	8,484	7,929	7,805	7,9
Power supply available for peak load—Mw				
Generating capability:				
Steam—Fossil	6,144	6,321	6,321	6,3
—Nuclear	2,329	2,448	2,448	1,5
Hydro	326	326	326	3
Other	439	439	439	4
Total generating capability	9,238	9,534	9,534	8,6
SEPA power disposed of in Company's service area	165	165	165	1
Available for firm peak load	9,403	9,699	9,699	8,8
Purchase (sale) outside service area	1,300	300	300	3
Available for service area peak load	10,703	9,999	9,999	9,1
BTU per kilowatt-hour generated	11,235	11,067	11,018	10,9
Average fuel cost per KWH generated-mills	21.76	20.44	14.04	15.
Electric line—pole miles	42,297	42,149	41,698	41,4
Underground construction—miles of route	10,127	9,314	8,395	7,7
GAS DEPARTMENT				
Operating revenues (thousands):				
Residential	$ 35,323	$ 29,380	$ 30,621	$ 26,6
Commercial and industrial	34,411	25,346	20,000	17,9
Other	522	655	418	3
Total operating revenues—gas	$ 70,256	$ 55,381	$ 51,039	$ 44,9
Population served at retail—estimated	971,000	875,000	875,000	875,0
Number of customers	120,108	118,656	119,288	120,2
Sales—Mcf (thousands)	17,495	16,307	15,303	15,0
Output—Mcf manufactured (thousands)	57	74	236	6
Mcf natural gas purchased (thousands)	18,906	17,499	16,407	15,4
Miles of main	2,108	2,095	2,096	2,0

* Excludes the cumulative effect to January 1, 1974 of accruing estimated unbilled revenues ($18,842,000 electric—$1,565,000 gas) shown as a non-recurring item on the income statement, net of taxes.

1976	1975	1974	1973	1972	1971	1970
420,150	$ 402,889	$ 308,834	$ 229,860	$ 191,924	$ 169,113	$ 158,698
298,681	288,357	211,486	150,758	130,599	113,646	99,957
144,770	137,181	106,309	66,131	58,785	48,375	41,889
193,096	166,854	106,018	75,170	61,440	56,392	50,073
3,966	3,652	3,315	3,044	2,920	2,844	2,534
,060,663	$ 998,933	$ 735,962*	$ 524,963	$ 445,668	$ 390,370	$ 353,151
,365,000	3,315,000	3,270,000	3,225,000	3,185,000	3,150,000	3,100,000
,071,528	1,041,234	1,018,346	989,471	954,374	920,839	895,210
108,197	105,942	105,531	103,253	100,175	98,223	97,113
920	918	916	910	894	874	873
14,462	14,881	13,045	12,350	11,817	11,392	10,948
,195,107	1,162,975	1,137,838	1,105,984	1,067,260	1,031,328	1,004,144
11,137	10,373	9,850	9,911	8,775	8,121	7,873
8,455	7,970	7,307	7,330	6,471	5,980	5,617
6,011	5,404	5,658	5,535	5,136	4,683	4,456
8,510	7,741	7,120	7,268	6,529	5,902	5,560
34,113	31,488	29,935	30,044	26,911	24,686	23,506
2,261	2,585	2,518	2,335	2,199	2,019	1,777
36,374	34,073	32,453	32,379	29,110	26,705	25,283
						216
36,374	34,073	32,453	32,379	29,110	26,705	25,067
27,090	23,562	22,819	22,311	23,710	24,335	23,218
7,740	8,969	5,953	6,857	370		
599	988	774	949	1,071	825	445
407	226	629	459	558	323	350
538	328	2,278	1,803	3,401	1,222	1,270
36,374	34,073	32,453	32,379	29,110	26,705	25,283
						216
36,374	34,073	32,453	32,379	29,110	26,705	25,067
326	325	325	315	312	307	301
36,700	34,398	32,778	32,694	29,422	27,012	25,368
7,040	7,133	6,734	6,900	6,232	5,295	4,852
6,321	6,321	5,684	4,866	4,306	4,334	4,330
1,576	1,576	1,576	1,576	788		
326	326	326	326	326	326	326
454	469	530	530	530	530	342
8,677	8,692	8,116	7,298	5,950	5,190	4,998
165	165	165	165	132	132	131
8,842	8,857	8,281	7,463	6,082	5,322	5,129
313	316	251	122	680	610	194
9,155	9,173	8,532	7,585	6,762	5,932	5,323
10,739	10,892	10,868	10,673	10,529	10,382	10,268
12.94	13.06	12.43	4.98	4.63	4.28	3.55
41,186	40,663	40,121	39,578	39,055	38,404	37,803
6,824	6,266	5,641	4,772	4,055	3,367	2,763
24,914	$ 21,280	$ 17,265	$ 16,038	$ 16,132	$ 14,847	$ 14,600
18,308	12,944	10,598	9,775	8,858	8,252	6,922
191	179	187	187	195	203	207
43,413	$ 34,403	$ 28,050*	$ 26,000	$ 25,185	$ 23,302	$ 21,729
875,000	875,000	864,000	853,000	852,000	850,000	800,000
122,103	122,486	124,395	125,525	125,277	124,029	122,489
17,228	15,017	16,888	17,666	17,620	17,772	16,239
138	92	12	297	247	341	378
18,519	16,274	17,938	18,696	18,824	18,563	17,035
2,100	2,014	2,012	1,992	1,993	1,955	1,909

Directors

Membership of Committees of the Board

○ Committee Chairman ● Member ■ Ex Officio

	Finance	Audit	Nominating	Organization and Compensation	Employee Benefit
William W. Berry,[1] President	■				■
James F. Betts, President Continental Financial Services Company, Richmond					●
Charles F. Burroughs, Jr., Retired	●	●	●		
Milton L. Drewer, Jr., President First American Bank of Virginia, McLean	●				
Mrs. Mary C. Fray, Culpeper					●
Bruce C. Gottwald,[2] President Ethyl Corporation, Richmond					
Dr. Allix B. James, President Emeritus Virginia Union University, Richmond					○
T. Justin Moore, Jr., Chairman of the Board of Directors	○			■	
William S. Peebles, III, President W. S. Peebles and Company, Inc., Lawrenceville		○	●		
Shirley S. Pierce, President The Ahoskie Fertilizer Company, Inc., Ahoskie, N.C.					●
Kenneth A. Randall, President, The Conference Board, New York	●			●	
William T. Roos, President, Penn Luggage, Inc., Hampton		●			●
Roy R. Smith, Chairman of the Board Smith's Transfer Corporation, Staunton				○	
William F. Vosbeck, Jr., President VVKR Incorporated, Alexandria			○	●	

Officers

T. Justin Moore, Jr., Chairman of the Board and Chief Executive Officer, Age 55
William W. Berry, President and Chief Operating Officer, Age 48
Jack H. Ferguson, Executive Vice President, Age 49

Senior Vice Presidents

Samuel C. Brown, Jr., Power Station Engineering and Construction, Age 55
Leon D. Johnson, III, Support Services, Age 63
John I. Oatts, Power Operations, Age 51
William L. Proffitt, Commercial Operations, Age 51

Vice Presidents

Wadsworth Bugg, Jr., Age 59
Robert F. Hill, Age 44
Charles M. Jarvis, Age 52
B.D. Johnson, Vice President and Controller, Age 48
Ronald H. Leasburg,[3] Age 47
O. James Peterson, III, Vice President and Treasurer, Age 45
William C. Spencer, Age 48
William N. Thomas, Age 57

Corporate Secretary

S. Brooks Robertson, Age 63

Division Vice Presidents

Northern Division, James P. Cox, Jr., Age 62
Eastern Division, Harrison Hubard, Age 63
Southern Division, Randolph D. McIver, Age 50
Western Division, Richard W. Carroll, Age 62
Central Division, David W. Poole, Age 56

Stock and Convertible Debenture Listings

New York Stock Exchange

Transfer Agents—Registrars

United Virginia Bank, Richmond
The Chase Manhattan Bank, N.A., New York

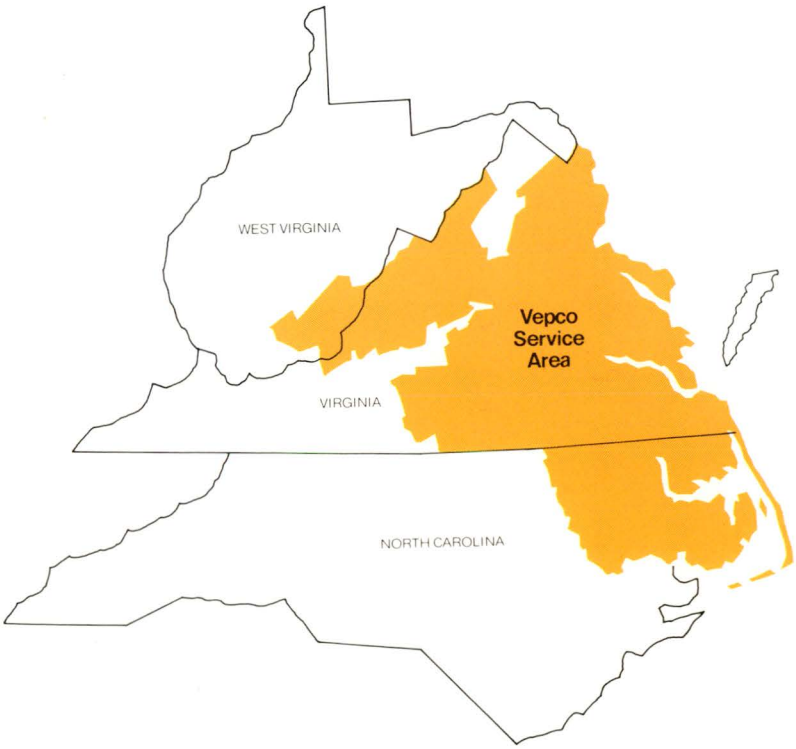
Annual Meeting

April 15, 1981

(1) Effective 5/16/80 replacing Stanley Ragone
(2) Effective 1/1/81 replacing John M. McGurn
(3) Effective 2/23/81

A TRIBUTE

Stanley Ragone's tragic death on April 25, 1980, in an automobile accident that also was fatal to his devoted wife Bertha, deprived our Company and our industry of a trusted leader and cherished friend. As President from 1978 to 1980, his ability, integrity and consideration for others strengthened the bonds of respect and loyalty within the Vepco family.



Vepco
Virginia Electric and Power Company
P.O. Box 26666 • Richmond, Virginia 23261