10 CFR 140.21(e)

VIRGINIA ELECTRIC AND POWER COMPANY
RICHMOND, VIRGINIA 23261

March 22, 1991

Director of Nuclear Reactor Regulation
United States Nuclear Regulatory Commission
Washington, D. C. 20555

Serial No. 91-143
NL/RBP
Docket Nos. 50-280
50-281
50-338
50-339
License Nos. DPR-32
DPR-37
NPF-4
NPF-7

Gentlemen:

VIRGINIA ELECTRIC AND POWER COMPANY
SURRY POWER STATION UNITS 1 AND 2
NORTH ANNA POWER STATION UNITS 1 AND 2
PRICE-ANDERSON ACT

Pursuant to 10 CFR 140.21(e) regarding licensee guarantees of payment of deferred premiums, we are providing the following information:

1. Annual Report to Securities and Exchange Commission on Form 10-K for 1990.

2. Comparative Statement of Income for the three months ended December 31, 1990 and 1989.

3. Internal cash flow projection for calendar year 1991 with certification by officer of the Company.

4. Statement ensuring availability of funds for payment of retrospective premiums without curtailment of required nuclear construction expenditures.

In accordance with 10 CFR 140.7, we submitted a check to the NRC for $1,000 on November 19, 1990, which is the minimum required premium for the period November 15,1990, through November 14, 1991.

Very truly yours,

W. L. Stewart
Senior Vice President - Nuclear

Enclosures

Add: Div. of Finance

A001
1/1

cc: U. S. Nuclear Regulatory Commission
Region II
101 Marietta Street, N. W.
Suite 2900
Atlanta, Georgia 30323

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D. C. 20555

Mr. W. E. Holland
NRC Senior Resident Inspector
Surry Power Station

Mr. M. S. Lesser
NRC Senior Resident Inspector
North Anna Power Station

50-280 SURRY 1 VEPCO

INFORMATION IN REGARD TO LICENSEE GUARANTEES OF PAYMENT OF DEFERRED PREMIUMS

REC'D W/LTR DTD 03/22/91....9103280216

ATTACHMENTS

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 1990

or

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

For the transition period from ____________ to ____________

Commission file number 1-2255

VIRGINIA ELECTRIC AND POWER COMPANY

(Exact name of registrant as specified in its charter)

VIRGINIA	**54-0418825**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
One James River Plaza Richmond, Virginia	**23261-6666**
(Address of principal executive offices)	*(Zip Code)*

(804) 771-3000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Preferred Stock (cumulative) $100 liquidation value:	New York Stock Exchange
$5.00 dividend	
$7.72 dividend	
$7.45 dividend	
$7.20 dividend	
$7.72 dividend (1972 Series)	
$8.60 dividend	

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

None

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of January 31, 1991 was zero.

As of January 31, 1991, there were issued and outstanding 156,049 shares of the registrant's common stock, without par value, all of which were held, beneficially and of record, by Dominion Resources, Inc.

DOCUMENTS INCORPORATED BY REFERENCE.

None

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DOCUMENTS INCORPORATED BY REFERENCE.

None

VIRGINIA ELECTRIC AND POWER COMPANY

PART I

ITEM 1. BUSINESS
THE COMPANY

Virginia Electric and Power Company was incorporated in Virginia in 1909 and has its principal office at One James River Plaza, Richmond, Virginia 23261-6666, telephone (804) 771-3000. It is a wholly-owned subsidiary of Dominion Resources, Inc. (Dominion Resources), a Virginia corporation.

Virginia Electric and Power Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within a 30,000 square mile area in Virginia and northeastern North Carolina. It transacts business under the name *Virginia Power* in Virginia and under the name *North Carolina Power* in North Carolina. It sells electricity to retail customers (including governmental agencies) and to wholesale customers such as rural electric cooperatives and municipalities. The Virginia service area comprises about 65 percent of Virginia's total land area, but accounts for over 80 percent of its population. As used herein, the terms "Virginia Power" and the "Company" shall refer to the entirety of Virginia Electric and Power Company, including, without limitation, its Virginia and North Carolina operations.

The Company has nonexclusive franchises or permits for electric operations in substantially all cities and towns now served. It also has certificates of convenience and necessity from the Virginia State Corporation Commission (the Virginia Commission) for service in all territory served at retail in that State. The North Carolina Utilities Commission (the North Carolina Commission) has assigned territory to the Company for substantially all of its retail service outside certain municipalities in that State.

The Company owns its principal properties in fee (except as indicated below), subject to defects and encumbrances that do not interfere materially with their use. Substantially all of its property is subject to the lien of a mortgage securing its First and Refunding Mortgage Bonds. Right-of-way grants from the apparent owners of real estate have been obtained for most electric lines, but underlying titles have not been examined except for transmission lines of 69,000 volts or more. Where rights of way have not been obtained, they could be acquired from private owners by condemnation if necessary. Many electric lines are on publicly owned property as to which permission for use is generally revocable. Portions of a 500,000 volt transmission line from the Company's coal-fired station at Mt. Storm, West Virginia, cross national parks and forests under permits entitling the federal government to use, at specified charges, surplus electricity in the line if any exists.

The Company leases combustion turbines and certain buildings and equipment. See Note G to FINANCIAL STATEMENTS.

A wholly-owned subsidiary of the Company, Virginia Power Fuel Corporation (VP Fuel), owns and finances nuclear fuel and related materials for the Company's Surry nuclear units, and sells the heat from such fuel to the Company. VP Fuel purchases nuclear fuel through the sale of commercial paper, which is guaranteed by the Company.

The Company strives to operate its generating facilities in accordance with prudent utility industry practice and in conformity with applicable statutes, rules and regulations. Like other electric utilities, the Company's generating facilities are subject to unanticipated or extended outages for repairs, replacements or modifications of equipment or otherwise to comply with regulatory requirements. Such outages may involve significant expenditures not previously budgeted, including replacement energy costs. See *Nuclear Operations and Fuel Supply* under SOURCES OF ENERGY USED AND FUEL COSTS and *Nuclear Regulations* under LEGAL PROCEEDING.

The Company had 12,759 full-time employees on December 31, 1990. Approximately 4,537 of the Company's employees are represented by the International Brotherhood of Electrical Workers under a contract extending to March 31, 1992. The Company considers its relations with its union and nonunion employees to be good.

CAPITAL REQUIREMENTS AND FINANCING PROGRAM

Construction and Nuclear Fuel Expenditures

Virginia Power's estimated construction and nuclear fuel expenditures, including Allowance for Funds Used During Construction (AFC), for the three-year period 1991-1993, total $2.8 billion. It has adopted a 1991 budget for construction and nuclear fuel expenditures as set forth below:

	ESTIMATED 1991 EXPENDITURES (MILLIONS)
New Generating Facilities:	
Chesterfield Unit 8	$ 28
Clover Unit 1	93
Clover Unit 2	20
Future Base Load Station	5
Combustion Turbines	1
Other Production	153
General Support Facilities	66
Transmission	66
Distribution	274
Nuclear Fuel	74
Total Construction Requirements and Nuclear Fuel	780
AFC	9
Total Expenditures	$789

Financing Program

In 1990, Virginia Power obtained $400 million from the sale of securities. Its long-term financings included $200 million of First and Refunding Mortgage Bonds and $200 million of Common Stock sold to Dominion Resources. From the proceeds of the 1990 securities sales, the Company retired $162.0 million of securities through mandatory debt maturities and sinking fund requirements and retired an additional $62.5 million of debt financing and preferred stock through optional redemptions and sinking fund payments. The Company entered into agreements through a major commercial bank that permit the Company to sell up to $300 million of its accounts receivable. As of December 31, 1990, $150 million of such receivables were outstanding under these agreements. See *Liquidity and Capital Resources* under MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Virginia Power's 1991 construction requirements, exclusive of AFC and refundings, are estimated to be $780 million, as detailed above. Of this amount, it is expected that approximately $496 million will be obtained from internal sources. The remaining $284 million of construction requirements, as well as the $146 million of debt and preferred stock maturities and sinking fund requirements, will be obtained by a combination of sales of securities, sales of receivables and borrowings under an inter-company credit agreement with Dominion Resources. See *Liquidity and Capital Resources* under MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

RATES

The Company was subject to electric rate regulation in 1990 as follows:

		1990 Percent of Electric Revenues	1990 Percent of Kwh Sales
Virginia retail:			
Non-Governmental customers .	Virginia Commission	81	78
Governmental customers . . .	Not regulated (negotiated agreements)	11	13
North Carolina retail	North Carolina Commission	4	4
Wholesale.	Federal Energy Regulatory Commission (FERC)	4	5
		100%	100%

All of the Company's electric sales are subject to recovery of changes in fuel costs either through fuel adjustment factors or periodic adjustments to base rates, each of which requires prior regulatory approval. Rate relief obtained by the Company is frequently less than requested.

The principal rate proceedings in which the Company was involved in 1990 are described below by jurisdiction.

Virginia

On March 30, 1990, the Company filed with the Virginia Commission an application for a rate increase of $147.5 million, requesting a May 1, 1990 effective date under the Virginia Commission's rules for expedited rate proceedings. On May 1, 1990, the proposed rates were placed in effect on an interim basis, subject to refund pending the Virginia Commission's Final Order. On June 19, 1990, the Company lowered its rate increase request to $136.9 million to correct an error in the Company's filing. Thereafter, pursuant to a Hearing Examiner's ruling of July 12, 1990, the Company correspondingly reduced the interim rates collected subject to refund. Due to further updates of estimates and acceptance of certain Commission Staff proposed adjustments, the Company's request was lowered to $101.8 million at the time of the hearing on October 30, 1990. Briefs were filed on November 30, 1990, with increases recommended by other parties ranging from $34.2 million by the Virginia Attorney General's Office to $80.3 million by the Commission Staff. The Company is recognizing revenues at a level that management believes is appropriate in view of the facts in this case, pending a final Commission Order.

On September 7, 1990, the Company filed an application for revision of its fuel factor in which it requested a reduction in fuel factor revenues of $33.6 million on an annual basis. A hearing was held before the Virginia Commission on October 24, 1990, and on October 31, 1990 the Virginia Commission ordered that the Company's proposed factor be further reduced to reflect the disallowance of $6.85 million of replacement power costs associated with the 1988-89 outages at the Surry Nuclear Power Station.

North Carolina

On May 31, 1990, the Company filed with the North Carolina Commission an application for a general base rate increase. The new rates, which are designed to produce additional annual revenues of approximately $25.1 million, were suspended by the North Carolina Commission pending a hearing on the proposed rate increase. A Hearing on the request was held from November 27, 1990 through December 6, 1990. In its Brief and proposed order filed with the North Carolina Commission on January 17, 1991, the Company requested an increase in net annual revenues of $16.3 million. The Company also proposed a one-time refund of $6.1 million of excess deferred federal income taxes. The North Carolina Public Staff's proposed order supported a base rate increase of $11.9 million less the one time refund of deferred federal income taxes. On February 14, 1991, the North Carolina Commission issued its Final Order approving an increase in base rates of $13.9 million, offset in part by a one-time refund of $5.9 million of excess deferred federal income taxes. The Order denied the Company's request to institute a mechanism that would allow rate recovery of expenses paid by the Company to non-utility power producers outside the context of a general rate case.

The Company filed its annual fuel factor case on September 21, 1990 with the North Carolina Commission requesting a $6.1 million reduction for the twelve months beginning January 1, 1991. The Commission approved the requested reduction in an Order dated December 21, 1990.

County and Municipal Customers

On February 15, 1989, Virginia Power reached agreement on the terms of a three-year contract governing rates for county and municipal customers in Virginia, which will continue through June 30, 1991. Pursuant to this contract an increase of $4 million became effective July 1, 1990.

Governmental-Commonwealth of Virginia

Governmental base rates for the Commonwealth of Virginia are unregulated but follow the methodology approved by the Virginia Commission for jurisdictional base rates. On May 1, 1990, an increase of $3.3 million was placed into effect, subject to refund, based upon the allocation methodology of the rates filed in Virginia on March 30, 1990. Pursuant to the Virginia Commission Hearing Examiner's ruling of July 12, 1990, these interim rates were reduced by approximately $0.2 million.

Governmental-Federal

Governmental base rates for federal governmental customers are unregulated but follow the ratemaking methodology approved by FERC for the Company's resale service to municipalities. An increase of $12.5 million for federal governmental customers corresponds to the $8.5 million increase for FERC jurisdictional customers described below. Under the approved methodology, this $12.5 million increase should become effective on March 16, 1991, subject to refund.

Federal Energy Regulatory Commission

On August 7, 1990, the Company filed with FERC an application for a rate increase of $8.5 million, effective October 7, 1990, from the Company's wholesale customers. On October 12, 1990, FERC suspended the rates until March 16, 1991. In response to complaints filed by several of the Company's wholesale customers, on December 18, 1990, FERC ordered an investigation concerning the Company's existing rates for its wholesale customers. FERC established March 16, 1991 as the date from which any refund that it may ultimately order would be effective. FERC consolidated the complaint proceeding with the Company's rate increase proceeding. Hearings in the combined proceeding are tentatively scheduled to begin in August 1991.

SOURCES OF POWER

Company Generating Units

Name of Station, Units and Location	Years Installed	Type of Fuel	Winter Capability Mw
Nuclear:			
Surry Units 1 & 2, Surry, Va	1972-73	Nuclear	1,562
North Anna Units 1 & 2, Mineral, Va	1978-80	Nuclear	1,820(a)
Total nuclear stations			3,382

Fossil Fuel:			
Steam:			
Bremo Units 3 & 4, Bremo Bluff, Va	1950-58	Coal	234
Chesterfield Units 3-6, Chester, Va	1952-69	Coal	1,280
Mt. Storm Units 1-3, Mt. Storm, W. Va . . .	1965-73	Coal	1,628
Chesapeake Units 1-4, Chesapeake, Va . . .	1953-62	Coal	605
Possum Point Units 3 & 4, Dumfries, Va . .	1955-62	Coal	326
Yorktown Units 1 & 2, Yorktown, Va	1957-59	Coal	346
Possum Point Units 1, 2, & 5, Dumfries, Va	1948-75	Oil	946
Yorktown Unit 3, Yorktown, Va	1974	Oil & Gas	820
Combustion Turbines	1967-90	Oil & Gas	1,222
Combined Cycle	1990	Oil & Gas	219
Total fossil stations			7,626
Hydroelectric:			
Gaston Units 1-4, Roanoke Rapids, N.C . . .	1963	Conventional	225
Roanoke Rapids Units 1-4, Roanoke Rapids, N.C	1955	Conventional	104
Other	1930-87	Conventional	3
Bath County Units 1-6	1985	Pumped Storage	1,260(b)
Total hydro stations			1,592
Total Company generating unit capability .			12,600
Utility Purchases			1,330
Non-Utility Generation			1,112
Total Capability			15,042

(a) Includes an undivided interest of 11.6 percent (211 Mw) owned by Old Dominion Electric Cooperative (ODEC).

(b) Includes only the Company's 60 percent undivided interest in the 2,100 Mw station. A 40 percent undivided interest in the facility is owned by Allegheny Generating Company, a subsidiary of Allegheny Power System, Inc. (APS).

The Company's highest one-hour integrated service area winter peak demand was 12,697 Mw established on December 22, 1989, and the highest one-hour integrated summer peak demand was 12,113 Mw established on July 10, 1990. At the time of these peaks, the Company had a total winter capability of 13,838 Mw and a total summer capability of 14,716 Mw.

New Company Generating Units

During 1990, Virginia Power added five new generating units to its system generating capability. Included were four combustion turbine units at its Darbytown facility, two of which became operational in April and two in May 1990. The four units provide a total of 288 Mw of summer capability and 336 Mw of winter capability. The Company also completed Chesterfield Unit 7, Virginia Power's first combined-cycle unit. This unit, which is capable of using either natural gas or oil as fuel, was placed into service in June 1990 and provides 189 Mw summer capability and 219 Mw of winter capability.

For financial data as to the property, plant and equipment of the Company, see Schedule V to FINANCIAL STATEMENTS Schedules.

SOURCES OF ENERGY USED AND FUEL COSTS

For information as to energy supply mix and the average fuel cost of energy supply, see *Results of Operations* under MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Nuclear Operations and Fuel Supply

In 1990, the Company's four nuclear units achieved a combined capacity factor of 80.3 percent. In 1989, the Nuclear Regulatory Commission (NRC) raised concerns about the performance at the Company's nuclear power stations and increased the NRC review of the operation of the Company's Surry Power Station. However, in 1990, the NRC noted improved performance at the Company's nuclear units and removed Surry from the list of nuclear power stations requiring increased NRC attention.

The Company utilizes both long-term contracts and spot purchases to support its needs for nuclear fuel. Virginia Power's nuclear fuel supply and related services are expected to be adequate to support current and planned nuclear generation requirements. The Company continually evaluates market conditions in order to assure adequate nuclear fuel supply. Current agreements, inventories and market conditions will support planned fuel cycles into the mid-1990s.

On-site spent nuclear fuel storage is adequate for the Company's needs through 1998, when it is expected that spent nuclear fuel storage will be provided for nuclear reactor licensees by the Department of Energy (DOE). If DOE is unable to accept spent fuel by 1998, as required by law, an interim storage facility may be required for the Company's North Anna Power Station in the late 1990s.

For details regarding nuclear insurance and certain related contingent liabilities as well as a NRC rule that requires proceeds from certain insurance policies to be used first to pay stabilization and decontamination expenses, see Note M to FINANCIAL STATEMENTS.

Coal Supply

In 1990, Virginia Power consumed approximately 9.2 million tons of coal. As with nuclear fuel, the Company utilizes both long-term contracts and spot purchases to support its needs. The central Appalachian coal market, from which the Company purchases most of its coal, continues to produce coal supplies sufficient for the Company's needs. The Company presently anticipates that sufficient coal supplies at reasonable prices will be available at least into the mid-1990s.

Purchases and Sales of Power

Virginia Power reduces fossil fuel costs by purchasing power from other utility systems when it is available at a cost lower than the Company's own generation costs. Conversely, it seeks to sell energy to other utilities when the proceeds from such sales will reduce its fuel expenses. It also relies upon purchases of power to meet an increasing amount of its capacity requirements.

Under contracts effective January 1, 1985, Virginia Power agreed to purchase 400 Mw of electricity through 1999 from Hoosier Energy Rural Electric Cooperative, Inc., and agreed to purchase 500 Mw of electricity during 1987-99 from certain operating subsidiaries of American Electric Power Company, Inc. (AEP). The Company also contracted with Carolina Power and Light Company (CP&L) to purchase 100 Mw for January and February 1991 and 300 Mw from June through August 1991.

As of December 31, 1990, Virginia Power also has 82 non-utility power purchase contracts with a combined dependable winter capacity of 3,870 Mw. Of this amount, 1,112 Mw were operational at the end of 1990 with the balance scheduled to come on-line through 1997 (see Note M to FINANCIAL STATEMENTS).

INTERCONNECTIONS

The Company maintains major interconnections with CP&L, AEP, APS and the utilities in the Pennsylvania-New Jersey-Maryland Power Pool. Through this major transmission network, the Company has arrangements with these utilities for coordinated planning, operation, emergency assistance and exchanges of capacity and energy.

On March 23, 1990, the Company and Appalachian Power Company (an operating unit of AEP) announced an agreement to increase the ability to exchange electricity between the two companies through the construction of major transmission facilities. The proposed construction, resulting from a joint study begun in March 1989, will consist of 212 miles of new transmission lines and related substation improvements. The transmission additions will include 110 miles of 765 kv and 102 miles of 500 kv lines. Completion of the project will take three to four years after all final regulatory approvals have been obtained.

FUTURE SOURCES OF POWER

Virginia Power is committed to obtaining new sources of reliable and economic generating capacity. This capacity may be built, owned and operated by others and sold to the Company under a competitive bid process or may be built by the Company if it determines it can build capacity at a lower overall cost.

The Company presently anticipates that system load growth will require approximately 5,000 Mw of additional capacity during the 1990s. The Company has and will pursue several options to provide that capacity and maintain a high degree of service reliability.

On January 29, 1988, the Virginia Commission issued an Order approving in concept the voluntary use of competitive bidding for procuring new capacity. Virginia Power which had supported such a result, adopted a program of competitive bidding for such capacity. On December 21, 1988, the Commission ordered the Company to negotiate outside the bidding process with respect to 208 Mw of capacity that had been offered by a developer before the Order approving competitive bidding had been entered. The developer subsequently increased the capacity of the project to 350 Mw, and in 1990 a dispute arose as to whether the Company was obligated to contract with respect to the capacity in excess of 208 Mw and, if so, at what rates. On November 30, 1990, the Commission held that the Company should negotiate with respect to the excess capacity, but that the rate for that capacity should be determined as of the date it was offered. In 1989, after adoption of the Commission's competitive bidding order, another developer petitioned the Commission to require Virginia Power to purchase 316 Mw outside of the bidding process. The Company opposed the petition on the ground that a developer should not be allowed to bypass the bidding process unilaterally, but on April 25, 1990 the Commission directed the Company to negotiate. On November 28, 1990, the Commission adopted rules governing electric and capacity bidding programs. Those rules will prevent suppliers from bypassing the bidding process in the future, and the rules will not require any material change in the Company's program of competitive bidding.

On January 8, 1990, the Company filed with the Virginia Commission an application for approval of construction of three or four additional combustion turbines with an aggregate capacity of 325-340 Mw. On June 26, 1990, a Hearing Examiner recommended that preliminary approval for construction of the combustion turbines be granted, but that the Commission delay final granting of a Certificate of Public Convenience and Necessity pending a determination as to the specific site for the facilities, the timing of the installation and its cost. On October 1, 1990, the Commission rejected the Hearing Examiner's Report, finding that approval of the facilities was premature, and held that the Company could lawfully make certain expenditures related to the project without prior approval. The case was continued generally pending a further filing by the Company of appropriate evidence essential to the final disposition of the petition.

On January 22, 1990, in a proceeding in which the Virginia Commission had approved construction of certain generating facilities in 1989 but continued on the Commission's docket for investigation of the Company's capacity planning process, a Hearing Examiner issued a report criticizing the Company's capacity planning and recommending that it be monitored more closely by the Commission's Staff. On May 1, 1990, the Commission adopted the Hearing Examiner's findings and directed its Staff to increase its administrative review of the Company's capacity planning and acquisition process and to expand its review of the Company's long-range forecasts.

On May 14, 1990, the Company announced plans to build a 400 Mw coal-fired generating unit. Three sites in Virginia are being evaluated for the Company-owned unit, which would come on-line in 1997.

On May 31, 1990, the Company entered into a Purchase and Construction Agreement (the Purchase Agreement) with ODEC, under which the Company purchased a 50 percent undivided ownership interest in a 786 Mw coal-fired power station to be constructed near Clover, Virginia in Halifax County. Under an Operating Agreement with ODEC, the Company will operate the power station after it is completed. On May 31, 1990, the

Company also became a party to the contract between ODEC and a consortium (the Consortium) consisting of Westinghouse, Black & Veatch, Combustion Engineering and H. B. Zachry for the construction of the two-unit facility. The cost of the Company's 50 percent ownership interest is expected to be approximately $500 million. At the time the Company executed the Purchase Agreement, on-site construction of the first unit was expected to begin in September 1990 and on-site construction of the second unit was expected to begin one year later. Because of delays in obtaining environmental permits for the project, however, permanent on-site construction is now expected to begin in the Fall of 1991. Engineering, procurement and manufacturing related to the project (to date, the Company's share of which is approximately $60 million) are continuing. The Company, ODEC and the Consortium are in the process of examining the impact on the cost of the project caused by the delay in permanent on-site construction. The Company is aware of opposition by an environmental group to the issuance of the air emissions permit, which permit is necessary to begin permanent on-site construction of the facility.

In 1987, the Company signed agreements for the purchase of approximately 1,300 Mw of additional capacity from six non-utility power producers all of which are either operational, financed, or under construction. In 1988, as a result of a competitive bidding solicitation, the Company entered into 19 contracts for approximately 2,000 Mw of additional capacity for initial delivery at various dates through 1994. Six of these contracts totalling 634 Mw have subsequently been terminated. The Company also issued a Request for Proposals on August 15, 1989, for competitive bids for up to an additional 1,100 Mw of power to come on-line during 1995-1997. Bids were received in January 1990 from 38 developers for 78 projects aggregating 11,600 Mw of capacity. Contracts were executed with three of those selected developers in July 1990 for capacity totalling 448 Mw. One project of 210 Mw was later terminated for failure to post financial security according to schedule. The contracts from all three solicitations are generally for a duration of 25 years after the commencement of commercial operation. The projects cover a variety of technologies, fuel supplies, pricing mechanisms, and in-service dates. Each agreement for the purchase of power contains liquidated damage provisions that may be exercised if the electricity is not available as scheduled. The Company has also developed a contingency plan to meet the demand for power in the event that the growth in demand exceeds present forecasts or in the event of a failure of any of these power purchase agreements.

Several non-utility power producers with whom the Company has executed power purchase agreements are experiencing difficulty in obtaining air permits necessary for the construction of the generating facilities. This delay in obtaining the necessary air permits may cause a delay in the in-service dates of this additional capacity. The Company anticipates that there will be alternative energy sources in the event that any of these generating facilities are significantly delayed.

The Company's continuing program to meet future energy requirements is summarized in the following table:

Company Owned Generation

Name of Units	Capability Mw	Expected In-Service Date
Chesterfield 8	218	June 1992
Clover Project:		
Unit 1	393*	1994
Unit 2	393*	1995

*Includes the 50 percent undivided ownership interest of ODEC.

Non-Utility Generation

	Number of Projects	Mw
Contracts Executed	42	2,758
Projects Financed	11	1,221

COMPETITION

Competition is playing an increasingly important role in the Company's business. Public utilities such as the Company have been granted exclusive franchises to serve all classes of retail customers within designated service areas in return for a commitment to provide adequate service on a fair and reasonable basis. This traditional arrangement is being altered due to changing federal and state governmental regulations, technological developments, rising costs of constructing generating facilities and alternative energy sources. As a result of these factors, some industrial, municipal and cooperative customers of the Company are presented with a greater variety of power supply options. Technological developments have given some retail customers increased opportunities to obtain power through self-generation. But the Company's relatively low retail rates make widespread use of this option unlikely for the foreseeable future. Competition for retail customers would require fundamental changes in law and regulatory policies that are not currently under consideration. The Company is committed to maintaining high standards of service at competitive rates for all classes of customers.

The Company now has, and in the future will have, increased opportunities to obtain power from sources other than its own generating facilities (see *Future Sources of Power* under BUSINESS). In particular, the Public Utility Regulatory Policies Act of 1978 (PURPA) has encouraged non-utilities to enter the business of producing electricity. The Company supports a competitive system for utilities to buy capacity as an option to meet future demand.

DEMAND MANAGEMENT

The Company is committed to least-cost planning and has developed a detailed analysis procedure in which effective demand-side and supply-side options are both considered in order to determine the least cost method to satisfy the customers' needs. The Company has some demand-management programs that have existed for several years and other programs are being considered that may become beneficial to the Company's customers in the future. The Company is preparing for the evolution of more demand-side programs through technology changes, legislative mandates, increasing attention to environmental concerns, and regulatory incentives to encourage such programs.

On January 7, 1991, the Virginia Commission established a proceeding to consider rules and Commission policy regarding conservation and load management programs of electric utilities, including the appropriateness of payments, subsidies and allowances to influence the installation or use of certain appliances or equipment. The Company will participate in the proceeding and file comments, which are required to be filed by February 28, 1991.

ITEM 2. PROPERTIES

See *Company Generating Units* under *Sources Of Power* under BUSINESS and Schedule V of the FINANCIAL STATEMENTS Schedules.

ITEM 3. LEGAL PROCEEDINGS

Regulation-General

The Company is presently subject to regulation by the Virginia Commission and the North Carolina Commission, the Environmental Protection Agency (EPA), DOE, FERC, NRC, the Army Corps of Engineers and other federal, state and local authorities.

Virginia Power may not construct, or incur financial commitments for construction of, any substantial generating facilities or large capacity transmission lines without the prior approval of state and federal governmental agencies having jurisdiction over various aspects of its business. Such approvals relate to, among other things, the environmental impact of such activities, the relationship of such activities to the need for providing adequate utility service and the design and operation of proposed facilities.

From time to time, the Company may be in violation of or in default under orders, statutes, rules or regulations relating to protection of the environment, compliance plans imposed upon or agreed to by the Company or permits issued by various local, state and federal agencies for the construction or operation of facilities. There may be pending from time to time administrative proceedings involving violations of state or federal environmental regulations that the Company believes are not material with respect to it and for which its aggregate liability for fines or penalties will not exceed $100,000. There are no material agency enforcement actions or citizen suits pending or, to the Company's present knowledge, threatened against the Company.

Water Quality Control

In 1986, Virginia Power began a project to expand the capacity of two existing ash disposal ponds at its Possum Point Power Station. As a condition of the environmental permitting process, on April 14, 1987, the Company accepted a special order, issued by the Virginia Water Control Board (VWCB), requiring it to perform a six-month evaluation of groundwater quality in the vicinity of the two ponds. The study, which has been completed and submitted to the VWCB, concluded that the quality of groundwater near existing domestic wells adjacent to the site was good and met all health-based EPA primary drinking water standards. However, some groundwater contamination associated with the disposal of certain fossil fuel by-products at the facilities was identified. In order to remedy this impact, the Company has proposed a course of action that includes removal and relocation of certain wastes, back-fitting impermeable liners and additional monitoring to measure improvement in site groundwater. The proposed action is estimated to cost up to $3.5 million.

Before the introduction of natural gas into the Company's system, the Company and its predecessors manufactured gas from coal. This process produced coal tar as a by-product, which was disposed of on-site. One division of the Company was organized into Virginia Natural Gas, Inc. (VNG), formerly a wholly-owned subsidiary of the Company's parent, Dominion Resources. VNG was purchased from Dominion Resources by Consolidated Natural Gas Company (CNG) on February 15, 1990. Some constituents of coal tar may,under certain circumstances, be regulated under various federal and state laws, and a contingent liability may exist for their remediation. As part of the agreement for the sale of VNG, the Company and CNG will share the costs associated with remediation of sites where coal tar was disposed. The Company's share of the presently estimated investigation and remediation costs would not exceed approximately $5 million, of which $3.4 million has been recorded on the Company's books through 1990.

From time to time, the Company may be identified as a potentially responsible party with respect to a Superfund site. EPA (or a state) can either (a) allow such a party to conduct and pay for a remedial investigation and feasibility study and remedial action or (b) conduct the remedial investigation and action and then seek reimbursement from the parties. Each party can be held jointly, severally and strictly liable for all costs, but the parties can then bring contribution actions against each other. As a result of the Superfund Act, the Company may be required to expend amounts on remedial investigations and actions, which amounts cannot be determined at the present time but could ultimately prove to be significant.

Permits under the Clean Water Act and state laws have been issued for all of the Company's steam generating stations now in operation. Such permits are subject to reissuance and continuing review.

Air Quality Control

The Company is subject to the Clean Air Act (Air Act), which provides the statutory basis for ambient air quality standards. In order to maintain compliance with such standards and reduce the impact of emissions on ambient air quality, the Company may be required to incur additional expenditures, the amount of which is not presently determinable but which could be significant, in constructing new facilities or in modifying existing facilities.

On November 15, 1990, the President signed Air Act amendments. These amendments will require the Company to reduce sulfur dioxide and nitrogen oxides emissions in two phases. The Company's emissions of sulfur dioxide and nitrogen oxides are relatively low in comparison to many other electric utilities. Nevertheless, the cost impact on the Company to comply with the amendments will be significant. The Company anticipates having to install emission monitoring and control equipment and probably will do limited fuel switching to comply with standards applicable to the first phase. In addition, the Company will probably need to install additional emission controls in order to meet standards for the second phase. Full compliance must be achieved no later than January 1, 2000. The capital cost for compliance, including three scrubbers, is estimated at $470 million. Annual operation, maintenance and fuel costs are estimated to be $140 million.

Nuclear Regulation

All aspects of the operation and maintenance of the Company's nuclear power stations are regulated by the NRC. Operating licenses issued by the NRC are subject to revocation, suspension or modification, and operation of a nuclear unit may be suspended if the NRC determines that the public interest, health or safety so requires.

From time to time, the NRC adopts new requirements for the operation and maintenance of nuclear facilities. In many cases, these new regulations require changes in the design, operation and maintenance of existing nuclear reactors. If the NRC adopts such requirements in the future, it could result in substantial increases in the cost of operating and maintaining the Company's nuclear generating units.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

All of the Company's Common Stock is owned by Dominion Resources.

During 1990 and 1989, the Company paid quarterly cash dividends on its Common Stock as follows:

	1st	2nd	3rd	4th
	(Millions)			
1990..................	$ 79.1	$ 80.6	$ 81.6	$ 85.5
1989..................	$ 74.3	$ 75.0	$ 75.2	$ 78.4

ITEM 6. SELECTED FINANCIAL DATA

	1990	1989	1988 (Millions)	1987	1986
Operating revenues....................	$ 3,462	$ 3,459	$ 3,098	$ 3,078	$ 2,960
Operating income......................	806	759	737	737	693
Net income............................	450	435	460	456	428
Balance available for Common Stock ...	392	375	407	407	380
Total assets..........................	10,105	10,086	9,495	9,256	8,750
Total net utility plant...............	8,831	8,498	7,998	7,639	7,228
Long-term debt, noncurrent capital lease obligations and preferred stock subject to mandatory redemption...........................	4,147	4,331	4,089	4,052	3,978
Utility plant expenditures (including nuclear fuel).............	803	905	807	836	835

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company's major sources of financing during 1990 were the issuance of $200 million of First and Refunding Mortgage Bonds and $200 million of Common Stock sold to Dominion Resources for the primary purpose of meeting the Company's capital needs. From these proceeds, the Company retired $162.0 million of securities through mandatory debt maturities and sinking fund requirements and retired an additional $10.1 million of high cost debt and preferred stock through optional sinking fund payments. In addition, the Company redeemed at a premium all of its outstanding $28.1 million First and Refunding Mortgage Bonds of 1980, Series A, 12.5 percent, due 2000, $20 million of its First and Refunding Mortgage Bonds of 1984, Series C, 12.85 percent, due 2004 and a $4.3 million bank loan, 12.375 percent, due 1995. The Company utilized the inter-company credit agreement with Dominion Resources as needed throughout 1990; however, all amounts borrowed had been repaid as of December 31, 1990.

The Company has entered into agreements through a major commercial bank for the limited recourse sale of up to $300 million of the Company's accounts receivable. As of December 31, 1990, $150 million of such receivables were outstanding under these agreements. (See Note C to FINANCIAL STATEMENTS).

From 1988 to 1990, the Company's major sources of financing were as follows:

	1990	1989 (Thousands)	1988
Common Stock	$199,978	$ 99,999	$ 34,994
Preferred stock		75,000	75,000
Mortgage bonds	200,000	250,000	150,000
Medium-term notes		322,000	118,000

Funds used in investing activities during 1988 through 1990 (most of which were from operating activities) were as follows:

	1990	1989 (Thousands)	1988
Utility plant expenditures (excluding AFC-other funds)	$728,782	$870,186	$743,270
Nuclear fuel expenditures (excluding AFC-other funds)	74,595	34,552	63,444

The Company has significant capital requirements due to its program of maintenance, upgrading and expansion of facilities, and the need for working capital and cash requirements for the retirement of maturing debt and sinking fund obligations (see Note M to FINANCIAL STATEMENTS).

The 1991 construction requirements (excluding AFC) include $706 million for construction expenditures and $74 million for nuclear fuel expenditures. Other capital requirements are for $111 million of securities due within one year, plus an additional $35 million of sinking fund payments. The Company presently estimates that approximately 64 percent of its 1991 construction requirements, including nuclear fuel expenditures, will be met by internal cash generation and that the balance will be obtained by a combination of sales of Virginia Power's securities, sales of receivables and borrowings under its inter-company credit agreement with Dominion Resources.

Projected construction and nuclear fuel expenditures for the next three years are $2.8 billion. Actual construction costs may vary from this estimate because of such factors as design changes, modifications of environmental regulations, revised load projections, the cost and efficiency of construction labor, equipment and materials, and the cost of capital.

Results of Operations

The following is a discussion of results of operations for the years ended 1990 as compared to 1989, and 1989 as compared to 1988.

1990 Compared to 1989

Operating revenues were $2.6 million higher in 1990 primarily as a result of the rate increase of $64.4 million effective May 1, 1989 and an increase in base rates effective May 1, 1990, subject to refund, but offset, in part, by decreased unit sales due to the mild weather in 1990 and a weakening economy and a decrease in fuel rates effective November 1, 1990. The effect of these items, among others, on operating revenues is shown in the following table:

	Increase (Decrease) From Prior Years (Millions)		
	1990	1989	1988
Kwh sales	$(80.3)	$161.3	$ 69.1
Base and fuel rates	80.5	196.9	(57.3)
Other, net	2.4	3.1	7.6
Total	$ 2.6	$361.3	$ 19.4

Fuel used in current generation decreased in 1990 due to the unavailability of the Company's nuclear units in 1989 which resulted in a more expensive energy supply mix for that year.

Purchased and interchanged power, net decreased due to the increased availability of Company-owned nuclear generation capacity during 1990.

The average fuel cost of energy supply is shown below (a):

	Mills Per Kilowatt-hour		
	1990	1989	1988
Nuclear	5.08	4.30	5.72
Coal-Mt. Storm (mine-mouth)	14.44	13.47	13.12
-Other	15.95	15.59	15.54
Oil	35.51	29.21	30.04
Purchased and interchanged (b)	26.40	26.15	26.21
Gas	27.99	25.33	26.31
Combustion turbines	47.20	62.01	60.88
Combined cycle	17.52		
Average fuel costs	13.66	16.04	14.13

Energy supply mix is shown below (a):

	Estimated	Actual		
	1991	1990	1989	1988
Nuclear (c)	32%	38%	22%	34%
Coal	45	40	47	45
Oil	2	2	7	4
Purchased and interchanged	19	18	23	16
Other	2	2	1	1
	100%	100%	100%	100%

(a) The table does not include any explicit reference to the Bath County Pumped Storage Station, which uses electricity generated from other fuel sources to pump water from a valley reservoir to another reservoir at the top of an adjacent mountain. The water stored in the upper reservoir is used to generate electricity when the water flows through a hydroelectric generator into the lower reservoir. Accordingly, the Bath County Pumped Storage Station may be viewed as storing previously generated electricity for later use. Hydroelectric generation is included in determining average fuel costs.

(b) Excludes costs attributable to capacity charges paid under long-term power purchase agreements.

(c) Excludes ODEC's 11.6 percent ownership interest in the North Anna Power Station (see Note D to FINANCIAL STATEMENTS).

Deferred fuel expenses, net increased primarily as a result of the increased ability of the current fuel factors to recover fuel expenses. In addition, fuel expenses subject to deferral accounting were lower in 1990 due to a more economical energy supply mix resulting from the increased availability of the Company's nuclear units.

Other operation expenses decreased primarily as a result of a decrease of $10.8 million in industry association dues in 1990 and the establishment of a regulatory liability in 1989 ($11.2 million at December 31, 1989) associated with the rate treatment of a gain resulting from the 1988 settlement of a portion of the projected benefit obligation under the Dominion Resources' Retirement Plan (the Retirement Plan).

<u>*1989 Compared to 1988*</u>

Operating revenues were $361.3 million higher in 1989 due principally to a $88.5 million increase in 1989 attributable to increased fuel rates, $82.4 million in 1989 as a result of increased unit sales resulting from new customer connections, $72.0 million as a result of increased customer usage, $50.0 million attributable to an increase in base rates, effective May 1, 1989, and the effect of a one-time refund in 1988 of approximately $80 million attributable to a reduction of certain deferred income tax balances ordered by the Virginia Commission.

Purchased and interchanged power, net increased in 1989 due to the reduced availability of Company-owned generation.

Deferred fuel expenses, net decreased in 1989 because fuel costs subject to deferral accounting increased due to a more expensive energy supply mix resulting from the nuclear unit outages during the year, offset in part by a higher level of recovery of previously deferred fuel expenses.

Other operation expenses increased as a result of the increased operation costs related to the extended refueling and repair outages at Surry Units 1 and 2, and the establishment of a regulatory liability ($11.2 million at December 31, 1989) associated with the rate treatment of a gain resulting from the 1988 settlement of a portion of the projected benefit obligation under the Retirement Plan, offset in part by the excellent performance of coal-fired generating units.

Maintenance expenses increased as a result of the extended refueling and repair outages at Surry Units 1 and 2 and the normal refueling outages at North Anna Units 1 and 2 in 1989, offset in part, by the establishment of a regulatory asset ($19.5 million at December 31, 1989) for nonrecurring costs incurred during 1988 and 1989 associated with the extended outages at the Surry Nuclear Power Station.

Income taxes increased primarily as a result of the one-time refund to customers in 1988 for reductions in certain deferred income tax balances as ordered by the Virginia Commission. For additional information see Note B to FINANCIAL STATEMENTS.

Other taxes-operating increased $26.2 million primarily due to $12.4 million resulting from a change in law which had the effect of increasing the West Virginia Business and Occupation taxes on power generation, $7.0 million attributable to increased gross receipts taxes due to increased revenues, $3.3 million for a provision for an estimated Virginia Sales and Use taxes audit deficiency, which is being contested by the Company, and $3.1 million due to increased property taxes resulting from an increase in Company-owned property. For additional information, see Note K to FINANCIAL STATEMENTS.

Other income-miscellaneous, net decreased approximately $31.4 million as a result of the income received during 1988 from ODEC to compensate for the 300 Mw load reduction effective January 1, 1988.

Interest on long-term debt increased primarily as a result of the issuance of First and Refunding Mortgage Bonds and Medium-Term Notes, offset in part, by the termination of the Virginia Power Financing Trust.

FUTURE ISSUES

Recently Issued Accounting Standards

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." As a result of subsequent amendments, the provisions of SFAS No. 96 must be adopted by the Company no later than 1992. The objective of the new standard is to recognize the amount of current and deferred taxes payable and refundable for all events that have been recognized in the financial statements based on enacted tax laws at the date of the financial statements. (For the effect of adopting these provisions, see Note A to FINANCIAL STATEMENTS, Significant Accounting Policies, Federal Income Taxes.)

For information on SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" issued by FASB in December 1990, see Note L to FINANCIAL STATEMENTS.

Utility Rate Regulation

Rate relief, especially in Virginia, continues to be of great importance to the Company, and it is a major variable that can materially affect its financial results. The Virginia Commission fixes rates based on a past test year, and in a period of increasing costs, such ratemaking methodology causes attrition in earnings, especially if the utility is engaged in a large construction program. The Virginia Commission has traditionally allowed certain ratemaking adjustments that tend to offset such attrition, although in recent cases changes have been required that have diminished the attrition adjustments to some extent. In its most recent Virginia rate proceeding, the Company requested an attrition adjustment that would mitigate this problem, and the Company will continue to pursue such a solution. However, failure by the Virginia Commission to allow adequate attrition adjustments will have an adverse effect on the Company's financial results.

Environmental Matters

The Company is subject to increasing costs resulting from a steadily increasing number of federal, state and local laws and regulations designed to protect human health and the environment by imposing stringent controls with regard to planning and construction activities, land use, air pollution, water pollution, and in recent years by comprehensively governing the use, treatment, storage, and disposal of hazardous or toxic materials. These laws and regulations affect future planning and existing operations. In response, the Company has undertaken specific compliance efforts, the costs of which have historically been recovered through the ratemaking process.

For information on the Clean Air Act and the VNG coal tar site clean-up, see *Air Quality Control* and *Water Quality Control*, respectively, under Item 3, LEGAL PROCEEDINGS.

Future Sources of Power

The Company plans to meet its future generating capacity requirements with a combination of Company-constructed generating units and purchases from non-utility generators. Each of these options will play an important role in the Company's overall plan to meet projected capacity needs. Recently, Company construction has proven to be more economical in some instances and purchases in others.

Other Trends

Operation and maintenance expenses are expected to increase in the future due to changing regulations and costs associated with customer growth. However, with its four nuclear units in service at the end of 1990 and only refueling outages expected, the Company anticipates an economical energy supply mix. The Company's buy/build strategy of meeting the growing demand for electric power should continue to provide a low cost energy mix.

Commitments and Contingencies

For more information on commitments and contingencies, see Note M to FINANCIAL STATEMENTS.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX

Schedules other than those listed above have been omitted since they are not required, are inapplicable or are unnecessary due to the presentation of the required information in the financial statements or notes thereto.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of Virginia Electric and Power Company (a wholly-owned subsidiary of Dominion Resources, Inc.) as of December 31, 1990 and 1989 and for each of the three years in the period ended December 31, 1990 listed in the index on page 21. These financial statements and the supplemental schedules discussed below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Virginia Electric and Power Company at December 31, 1990 and 1989 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

Our audits also comprehended the supplemental schedules of Virginia Electric and Power Company for the years ended December 31, 1990, 1989 and 1988 listed in the index on page 21. In our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

DELOITTE & TOUCHE

Richmond, Virginia
February 1, 1991

REPORT OF MANAGEMENT

The Company's management is responsible for all information and representations contained in the Financial Statements and other sections of the Company's report on Form 10-K. 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 Form 10-K is consistent with that in the Financial Statements.

Management maintains a system of internal accounting controls 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. Management recognizes the inherent limitations of any system of internal accounting control and, therefore cannot provide absolute assurance that the objectives of the established internal accounting controls will be met. This system includes written policies, an organizational structure designed to ensure appropriate segregation of responsibilities, careful selection and training of qualified personnel and internal audits. Management believes that during 1990 the system of internal control was adequate to accomplish the intended objective.

The Financial Statements have been audited by Deloitte & Touche, independent auditors, whose designation was approved by the Board of Directors. Their audits were conducted in accordance with generally accepted auditing standards and included 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 are not materially misleading and do not 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 internal auditors 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 internal auditors periodically meet alone with the Audit Committee and have free access to the Committee at any time.

Management recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's Code of Ethics, which is distributed throughout the Company. The Code of Ethics addresses, among other things, the importance of ensuring open communication within the Company; potential conflicts of interest; compliance with all domestic and foreign laws, including those relating to financial disclosure; the confidentiality of proprietary information; and full disclosure of public information.

VIRGINIA ELECTRIC AND POWER COMPANY

B. D. Johnson
Senior Vice President-Finance
and Controller

VIRGINIA ELECTRIC AND POWER COMPANY

STATEMENTS OF INCOME

	For The Years Ended December 31,		
	1990	1989 (Thousands)	1988
Operating revenues	$3,461,500	$3,458,928	$3,097,579
Operating expenses:			
Operation:			
Fuel used in current generation	526,400	595,452	562,732
Purchased and interchanged power, net	270,062	360,591	238,676
Deferred fuel expenses, net	125,952	(6,989)	38,026
Purchased power capacity expenses	184,870	176,250	158,061
Other	440,755	485,656	414,374
Maintenance	281,249	295,436	271,883
Depreciation	373,550	347,646	322,738
Amortization of terminated construction project costs	49,805	53,061	62,068
Taxes-Income	200,171	187,993	113,055
-Other	202,888	204,800	179,042
Total	2,655,702	2,699,896	2,360,655
Operating income	805,798	759,032	736,924
Other income:			
Allowance for other funds used during construction	3,335	3,703	1,845
Miscellaneous, net	34,930	36,005	71,401
Income taxes associated with miscellaneous, net	(13,292)	(5,025)	(29,297)
Total	24,973	34,683	43,949
Income before interest charges	830,771	793,715	780,873
Interest charges:			
Interest on long-term debt	356,279	344,520	313,625
Other	25,927	16,258	8,757
Allowance for borrowed funds used during construction	(1,789)	(2,529)	(1,615)
Total	380,417	358,249	320,767
Net income	450,354	435,466	460,106
Preferred dividends	58,190	60,226	53,095
Balance available for Common Stock	$ 392,164	$ 375,240	$ 407,011

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

VIRGINIA ELECTRIC AND POWER COMPANY

BALANCE SHEETS

Assets

	At December 31, 1990	At December 31, 1989
	(Thousands)	
UTILITY PLANT:		
Electric (includes plant under construction of $691,709 in 1990 and $745,369 in 1989)	$11,769,900	$11,135,791
Less accumulated depreciation	3,171,463	2,880,084
	8,598,437	8,255,707
Nuclear fuel (less accumulated amortization of $661,600 in 1990 and $576,840 in 1989)	232,331	242,237
Total net utility plant	8,830,768	8,497,944
PLANT AND PROPERTY UNDER CAPITAL LEASES (less accumulated amortization of $48,570 in 1990 and $41,892 in 1989)	38,625	41,536
INVESTMENTS:		
Non-utility property (less accumulated depreciation of $457 in 1990 and $239 in 1989)	10,329	5,528
Notes receivable	21,115	25,959
Pollution control project funds	5,617	40,151
Nuclear decommissioning trust funds	125,432	98,920
Other	1,314	1,838
Total net investments	163,807	172,396
CURRENT ASSETS:		
Cash	19,267	17,977
Accounts receivable, net (less allowance for doubtful accounts of $1,054 in 1990 and $1,148 in 1989)	208,000	353,773
Accrued unbilled revenues	90,243	177,304
Materials and supplies at average cost or less:		
Plant and general	184,202	172,981
Fossil fuel	160,403	99,928
Other	51,955	35,602
Total current assets	714,070	857,565
DEFERRED DEBITS AND OTHER ASSETS:		
Terminated construction project costs (less accumulated amortization of $460,511 in 1990 and $410,706 in 1989)	218,177	246,992
Deferred fuel expenses	16,125	142,077
Other	123,834	127,023
Total deferred debits and other assets	358,136	516,092
Total assets	$10,105,406	$10,085,533

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

VIRGINIA ELECTRIC AND POWER COMPANY

BALANCE SHEETS

Capitalization and Liabilities

	At December 31, 1990	1989
	(Thousands)	
CAPITALIZATION:		
Long-term debt (see Statements of Capitalization).....	$ 3,817,403	$ 3,977,649
Preferred stock subject to mandatory redemption.......	296,718	318,652
Preferred stock not subject to mandatory redemption...	469,014	469,014
Common stockholder's equity:		
Common Stock, no par..................................	2,398,320	2,197,506
Other paid-in capital.................................	17,208	17,985
Earnings reinvested in business.......................	1,043,810	980,606
Total common stockholder's equity..................	3,459,338	3,196,097
Total capitalization................................	8,042,473	7,961,412
OBLIGATIONS UNDER CAPITAL LEASES........................	32,685	34,667
CURRENT LIABILITIES:		
Securities due within one year (see Statements of Capitalization)...	145,658	159,976
Short-term debt...	118,587	39,295
Obligations under capital leases due within one year..	6,050	6,869
Accounts payable, trade...................................	192,940	197,407
Cash due to banks...	49,940	49,424
Customer deposits...	46,255	43,645
Payrolls accrued..	46,460	46,131
Taxes accrued...	17,949	93,856
Interest accrued..	107,609	104,958
Other...	78,548	70,366
Total current liabilities..........................	809,996	811,927
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes:		
Liberalized depreciation..............................	713,799	695,963
Terminated construction project costs.................	25,432	27,439
Other...	85,929	129,771
Deferred investment tax credits...........................	363,651	385,341
Other...	31,441	39,013
Total deferred credits and other liabilities......	1,220,252	1,277,527
COMMITMENTS AND CONTINGENCIES		
Total capitalization and liabilities.............	$10,105,406	$10,085,533

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

VIRGINIA ELECTRIC AND POWER COMPANY

STATEMENTS OF EARNINGS REINVESTED IN BUSINESS

	For the Years Ended December 31,		
	1990	1989	1988
		(Thousands)	
Balance at beginning of year	$ 980,606	$ 910,335	$ 795,107
Net income (see Statements of Income)	450,354	435,466	460,106
Total	1,430,960	1,345,801	1,255,213
Cash dividends:			
Preferred stock subject to mandatory redemption	26,365	28,668	30,480
Preferred stock not subject to mandatory redemption	32,560	31,234	23,646
Common Stock	326,862	302,994	289,101
Total dividends	385,787	362,896	343,227
Other deductions, net	1,363	2,299	1,651
Balance at end of year	$1,043,810	$ 980,606	$ 910,335

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

VIRGINIA ELECTRIC AND POWER COMPANY

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	1990	1989 (Thousands)	1988
Cash Flow From Operating Activities:			
Net income	$ 450,354	$ 435,466	$ 460,106
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	515,232	458,372	489,928
Allowance for other funds used during construction	(3,335)	(3,703)	(1,845)
Deferred income taxes	(35,823)	35,358	(27,843)
Deferred investment tax credits, net	(21,690)	(24,279)	(10,270)
Partial settlement-pension plan		11,200	(17,287)
Noncash return of terminated construction project costs-pretax	(22,128)	(24,980)	(27,995)
Deferred fuel expenses	125,952	(6,245)	37,976
Changes in current assets and liabilities(*):			
Accounts receivable	145,773	(40,616)	(36,549)
Accrued unbilled revenues	87,061	(42,885)	(12,733)
Materials and supplies	(71,696)	(24,528)	87,341
Accounts payable, trade	(4,467)	(5,539)	47,905
Accrued expenses	(72,927)	66,311	32,961
Other	7,277	(13,976)	15,911
Net Cash Flow From Operating Activities	1,099,583	819,956	1,037,606
Cash Flow From (To) Financing Activities:			
Common Stock	199,978	99,999	34,994
Preferred stock		75,000	75,000
Long-term debt	200,000	592,589	273,258
Short-term debt	(7,227)	3,655	(6,664)
Inter-company credit agreement	(84,000)	55,500	1,500
Repayment of long-term debt and preferred stock	(224,526)	(350,501)	(267,095)
Common Stock dividend payments	(326,862)	(302,994)	(289,101)
Preferred stock dividend payments	(58,925)	(59,902)	(54,126)
Principal payments under capital lease obligations	(6,957)	(6,301)	(6,009)
Other	(2,299)	(2,904)	(13,535)
Net Cash Flow From (To) Financing Activities	(310,818)	104,141	(251,778)
Cash Flow (Used in) Investing Activities:			
Utility plant expenditures (excluding AFC-other funds)	(728,782)	(870,186)	(743,270)
Nuclear fuel (excluding AFC-other funds)	(74,595)	(34,552)	(63,444)
Pollution control project funds	34,534	46,911	34,613
Nuclear decommissioning trust funds	(26,512)	(29,841)	(24,839)
Other	7,880	(29,009)	11,170
Net Cash Flow (Used in) Investing Activities	(787,475)	(916,677)	(785,770)
Increase in cash and cash equivalents	1,290	7,420	58
Cash and cash equivalents at beginning of year	17,977	10,557	10,499
Cash and cash equivalents at end of year	$ 19,267	$ 17,977	$ 10,557

(*) Does not include reclassification as current liabilities of maturing long-term debt and cash sinking fund obligations of debt and preferred stock as follows: 1990-$145,658; 1989-$159,976; and 1988-$114,622.

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

VIRGINIA ELECTRIC AND POWER COMPANY

STATEMENTS OF CAPITALIZATION

	At December 31, 1990	At December 31, 1989
	(Thousands)	
Long-term debt:		
First and refunding mortgage bonds (1):		
Series P, 4.625%, due 1990		$ 25,000
Series Q, 4.875%, due 1991	$ 30,000	30,000
Series R, 4.375%, due 1993	30,000	30,000
Series S, 4.5%, due 1993	29,985	29,985
1984 Series A, 13.3%, due 1994	66,000	66,000
1984 Series B, 13.25%, due 1994	75,000	75,000
1987 Series B, 9.375%, due 1994	100,000	100,000
Series T, 4.5%, due 1995	56,600	56,600
Various series, 5.125%-15.75%, due 1996-2000	735,740	776,740
Various series, 7.375%-10%, due 2001-2005	434,500	461,250
Various series, 6.75%-10.25%, due 2006-2010	572,000	582,000
Various series, 8.5%-9.875%, due 2016-2020	700,000	500,000
Total first and refunding mortgage bonds	$2,829,825	2,732,575
Other long-term debt:		
Bank loans, notes and term loans:		
Fixed interest rate, 7.4%-10.8%, due 1991-2003	717,680	809,823
Pollution control financings:		
Fixed interest rate, 5.625%, due 2002	21,000	21,500
Money Market Municipals, due 2008-2017 (2)	388,600	388,600
Inter-company credit agreement (3)		84,000
Nuclear fuel financing (4)		86,519
Total other long-term debt	1,127,280	1,390,442
	3,957,105	4,123,017
Less amounts due within one year:		
First and Refunding Mortgage Bonds	30,000	25,000
Bank loans, notes and term loans	80,575	86,910
Sinking fund obligations (5)	17,000	22,783
Total amount due within one year	127,575	134,693
Less unamortized discount, net of premium	12,127	10,675
Total long-term debt	3,817,403	3,977,649
Preferred stock	783,815	812,949
Less amounts due within one year-sinking fund obligations	18,083	25,283
Total preferred stock	765,732	787,666
Common stockholder's equity (6)	3,459,338	3,196,097
Total capitalization	$8,042,473	$7,961,412

(Continued)

VIRGINIA ELECTRIC AND POWER COMPANY

STATEMENTS OF CAPITALIZATION

(Continued)

(1)Substantially all of the Company's property is subject to the lien of its mortgage, securing its First and Refunding Mortgage Bonds.

(2)Interest rates vary based on short-term tax-exempt market rates. Pollution control bonds subject to remarketing within one year are classified as long-term debt to the extent that the Company's intention to maintain the debt is supported by long-term bank commitments.

(3)Under the terms of an agreement with Dominion Resources, the Company may borrow funds from Dominion Resources on a daily basis and repay all or any part of the loan at any time during the term of the agreement, presently due to expire on July 1, 1992. Borrowings under the agreement are limited to $300 million. The weighted average interest rate for 1990 was 8.12 percent.

(4) In October 1987, VP Fuel, a wholly-owned subsidiary of the Company, entered into a four-year standby revolving credit agreement, in support of its commercial paper financing of nuclear fuel used at the Company's Surry Power Station. Subject to the terms of the revolving credit agreement, which is unconditionally guaranteed by the Company, VP Fuel may borrow and reborrow up to $200 million at any one time, minus the aggregate amount of outstanding commercial paper. The weighted average interest rate for VP Fuel financing in 1990, including bank facility fees, was 8.54 percent. The standby revolving credit agreement which supports the related commercial paper expires in October 1991; therefore, the total outstanding amount has been classified as short-term debt.

(5)$8,133,250 of the annual sinking fund requirements on the First and Refunding Mortgage Bonds may be satisfied by waiving the privilege to issue an equal amount of bonds and by substituting property therefor. The Company intends to exercise such waiver in 1991.

(6)Common Stock was represented by 156,049 shares outstanding at December 31, 1990 (300,000 shares authorized).

Maturities (including preferred stock cash sinking fund obligations) through 1995 are as follows: 1991-$145,658,400; 1992-$93,208,400; 1993-$169,818,300; 1994-$331,833,400; and 1995-$176,383,400.

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

VIRGINIA ELECTRIC AND POWER COMPANY

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 and in accordance with generally accepted accounting principles applicable to regulated industries.

The Company is a wholly-owned subsidiary of Dominion Resources, a Virginia corporation. The financial statements include the accounts of the Company and VP Fuel, with all significant inter-company transactions and accounts being eliminated in consolidation.

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, AFC and other indirect costs.

Depreciation of utility plant (other than nuclear fuel) is computed on the straight-line method based on projected useful service lives. The cost of depreciable utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation. The provision for depreciation is based on weighted average depreciable plant using a rate of 3.2 percent for 1990, 1989 and 1988.

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

Nuclear Decommissioning:

Based on the most recent decommissioning cost study completed in 1990, future decommissioning costs for the Company's four nuclear units are approximately $854 million, as measured in 1990 dollars. Funds collected in 1984-1990 have been placed in a special trust in order that the Company may avail itself of certain federal income tax benefits. Pre-1984 collections have been placed in a separate trust. Trust funds will be invested with earnings generated and accumulated in the trusts for funding of future decommissioning obligations. Additional funds needed for decommissioning will be collected as approved by the jurisdictional regulatory commissions. The accumulated provision for decommissioning of $125.4 million and $98.7 million is included in Utility Plant Accumulated Depreciation at December 31, 1990 and 1989, respectively. Provisions for decommissioning of

$21.0 million, $21.3 million and $21.2 million applicable to 1990, 1989 and 1988, respectively, are included in Depreciation Expense.

Nuclear Fuel:

Operating expenses include amortization of nuclear fuel, which is provided on a unit of production basis sufficient to fully amortize, over the estimated service life, the cost of the fuel plus future storage and disposal costs.

Federal Income Taxes:

The Company files a consolidated federal income tax return with Dominion Resources.

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 accelerated depreciation methodology for property additions. Prior to 1974, the Company flowed through to income the tax effect of most timing differences between book and tax accounting. Effective with property additions placed in service in 1974, deferred income taxes have been provided on the effects of accelerated depreciation and, subsequently, deferred taxes have been provided on most other timing differences between book income and federal taxable income to the extent permitted by the regulatory commissions having jurisdiction.

To the extent timing differences have arisen in prior periods which have not been normalized, the tax increase or decrease will be recorded when the timing differences reverse. The Company's only significant non-normalized timing difference pertains primarily to accelerated tax depreciation of plant placed in service prior to 1974. Deferred tax provisions have not been recorded on these timing differences (with the exception of FERC jurisdictional operations) because they are not allowed for ratemaking purposes. As of December 31, 1990, the cumulative net amount of such timing differences was approximately $739.6 million. The tax effect of this amount is not recorded currently, but such costs are expected to be reflected in rates when the timing differences reverse.

Deferred investment tax credits are being amortized over the service lives of the property giving rise to such credits. The Tax Reform Act of 1986 repealed the investment tax credit, effective January 1, 1986, except for certain transitional property qualifying for the credit that expired effective January 1, 1991.

In December 1987, the FASB issued SFAS No. 96, "Accounting for Income Taxes." As a result of subsequent amendments, the provisions of SFAS No. 96 must be adopted by the Company no later than 1992. The objective of the new standard is to recognize the amount of current and deferred taxes payable and refundable for all events that have been recognized in the financial statements based on enacted tax laws at the date of the financial statements. Implementation of the standard may be accomplished by either restating financial statements for prior periods or reporting the cumulative effect of the change in income of the current year.

The Company has preliminarily determined that the net effect provided by adoption of the standard will be the recording of additional deferred income tax liabilities on the Company's balance sheet. These additional deferred income tax liabilities represent the tax effects of those differences between book income and federal taxable income for which deferred income taxes have not been provided and differences in bases of assets and liabilities for book and income tax purposes. At the time the Company records these additional deferred income taxes, a regulatory receivable will also be recorded. The Company will recognize the tax effects in future customer rates when such differences reverse. Based on the provisions of the existing standards, the Company has preliminarily determined that the adoption of the standard will increase earnings by approximately $13 million.

Allowance for Funds Used During Construction:

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

The Company separately determines rates and reports amounts applicable to borrowed funds, calculated on a net-of-tax basis, and to equity funds. Aggregate AFC rates of 9.0 percent, 8.95 percent and 8.89 percent were used for 1990, 1989 and 1988, respectively. Substantially all of the Company's construction work in progress is now included in rate base, and a cash return is collected currently thereon.

Deferred Fuel and Capacity:

Approximately 78 percent of fuel expenses is subject to a deferral method of accounting. Under this method, the difference between actual fuel expenses and the level of fuel expenses included in current rates is deferred and matched against anticipated future fuel-related rate increases.

During 1987, the Company, based on regulatory authorization, deferred approximately $33 million of capacity charges in excess of the level of such charges included in base rates. Subsequently, in Virginia's base rate proceeding, the Company sought recovery of these deferred capacity charges over a two-year period. On December 30, 1988, the Virginia Commission denied recovery of these costs in its Order. As a result, these capacity costs were expensed in 1988.

Pollution Control Project Funds:

Pollution control project funds represent unexpended proceeds, plus interest earned thereon, from the sale of pollution control securities. These funds are placed in a trust for the benefit of the Company, until the Company requisitions monies from the trustee for the reimbursement of qualified project expenditures. For certain regulatory jurisdictions, investment earnings generated from the unused portion of such funds are recorded as interest income.

Statement of Cash Flows:

For purposes of the Statement of Cash Flows, the Company considers cash and cash equivalents to include cash on hand and temporary investments purchased with an initial maturity of three months or less.

Reclassification:

Certain amounts in the 1989 and 1988 financial statements have been reclassified to conform to the 1990 presentation.

B. Income Taxes:

Details of income tax expense are as follows:

	Years		
	1990	1989	1988
	(Thousands)		
Current expense:			
Federal	$ 248,483	$168,005	$ 151,727
State	4,253	2,865	2,274
	$ 252,736	170,870	154,001
Deferred expense-federal:			
Plant related items:			
Liberalized depreciation	50,092	69,672	58,809
Indirect construction costs	(20,451)	(20,854)	(13,924)
Cost of removal-property retirements	4,664	5,501	4,788
Nuclear decommissioning costs	(343)	(188)	1,928
Other	(1,633)	3,189	(2,439)
Deferred fuel adjustment	(42,823)	2,297	(15,167)
Unbilled revenues	(4,127)	(4,127)	(4,127)
Terminated construction project costs	(10,613)	(13,142)	(15,976)
Customer accounts reserve	(6,579)	3,474	(333)
Reduction of certain deferred tax balances pursuant to regulatory order (*)	(2,005)	(4,906)	(49,062)
Other	3,236	486	4,827
	(30,582)	41,402	(30,676)
Deferred investment tax credits:			
Gross	(4,328)	(5,644)	10,969
Amortization	(17,655)	(18,635)	(21,239)
Net deferred investment tax credits	(21,983)	(24,279)	(10,270)
Income tax expense-operating income	200,171	187,993	113,055
Income tax expense associated with nonoperating income:			
Current expense:			
Federal	17,988	10,867	26,068
State	252	202	396
	18,240	11,069	26,464
Deferred expense-federal	(5,241)	(6,044)	2,833
Net deferred investment tax credits-amortization	293		
Income tax expense nonoperating income	13,292	5,025	29,297
Total income tax expense	$ 213,463	$ 193,018	$ 142,352

(*) Represents the effect of a refund to customers for a reduction in certain deferred income tax balances as ordered by the Virginia Commission, including settlement with county and municipal customers.

Total federal income tax expense differs from the amount computed by applying the statutory federal income tax rate to pretax income for the following reasons:

	Years					
	1990		1989		1988	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
	(Thousands, except percentages)					
Computed federal tax expense at statutory rate on income (1)	$224,166	34.0%	$212,642	34.0%	$203,928	34.0%
Increases (decreases) resulting from:						
Utility plant differences (2)	(842)	(0.1)	6,876	1.1	(2,753)	(0.5)
Ratable amortization of investment tax credits	(17,363)	(2.6)	(18,635)	(3.0)	(21,239)	(3.5)
Reduction of certain deferred tax balances pursuant to regulatory order (3)	(2,005)	(0.3)	(4,906)	(0.8)	(49,062)	(8.2)
Terminated construction project costs (2)	9,363	1.4	8,285	1.3	8,880	1.5
Other, net	(4,362)	(0.7)	(14,311)	(2.2)	(73)	0.0
	(15,209)	(2.3)	(22,691)	(3.6)	(64,247)	(10.7)
Total federal income tax expense	$208,957	31.7%	$189,951	30.4%	$139,681	23.3%

(1) Net income plus total federal income tax expense.

(2) Items for which deferred taxes had not been provided in prior years, net of amortization of certain deferred tax provisions recorded at higher levels than the current statutory rate.

(3) Represents the effect of a refund to customers for a reduction in certain deferred income tax balances as ordered by the Virginia Commission including settlement with county and municipals customers.

C. Sale of Receivables:

In December 1990, the Company entered into agreements to sell, with limited recourse, certain customer accounts receivable, including unbilled amounts, through a major commercial bank. The agreements expire December 10, 1991 unless terminated prior to that date by the Company or renewed upon proper notice to the purchasers. The agreements allow the Company to sell up to $300 million of receivables at any time. An undivided interest in new pools of accounts receivable may be sold at the discretion of the Company as previously sold interests are collected. As of December 31, 1990, $150 million of accounts receivable were outstanding under these agreements.

The Company has provided for, in its accounts, the probable level of anticipated uncollectible accounts receivable, for which it retains responsibility under the recourse provisions of these arrangements. In the event the entire undivided interest sold becomes uncollectible, the Company's obligation under the recourse provisions would be limited to five percent of the purchaser's undivided interest.

D. Jointly Owned Plants:

The following information relates to the Company's proportionate share of jointly owned plants at December 31, 1990:

	Bath County Pumped Storage Station	North Anna Power Station	Clover Power Station
Ownership interest.................	60.0%	88.4%	50.0%
		(Millions)	
Utility plant in service..........	$1,069.6	$2,139.4	
Accumulated depreciation..........	108.7	989.1	
Construction work in progress.....	2.6	185.3	$42.9

The co-owners are obligated to pay their share of all future construction expenditures and operating costs of the jointly owned facilities in the same proportion as their respective ownership interests. The Company's share of operating costs is classified in the appropriate operating expense (fuel, maintenance, depreciation, taxes, etc.) in the Statements of Income.

E. Terminated Construction Project Costs:

Costs, net of taxes, incurred in connection with terminated construction projects are summarized as follows:

Nuclear Unit	Date Construction Terminated	Net Cost Incurred	Unamortized Balance At December 31, 1990	Period of Amortization In Rates
		(Thousands)		
North Anna 3	November 1982	$387,583	$185,446	(*)
North Anna 4	November 1980	85,641	7,280	10 years
Surry 3 & 4	March 1977	54,611	19	10 years

(*) The amounts deferred are being amortized over 15 years for Virginia and FERC jurisdictional customers and over a ten-year period in the North Carolina jurisdiction.

F. Short-Term Debt:

		Year End		Daily Average Outstanding		
	Maturity	Amount	Interest Rate(a)	Amount	Interest Rate(a)	Maximum Outstanding
		(Thousands, except percentages)				
1990						
Nuclear fuel financing.......	(b)	$118,587	(c)	(c)	8.30%	(c)
1989						
Nuclear fuel financing.......	(b)	$ 39,295	(c)	(c)	9.46%	(c)
Real estate notes............	(d)			$ 525	10.00%	$ 825
Total......................		$ 39,295				
1988						
Nuclear fuel financing.......	(b)	$ 34,815	(c)	(c)	7.66%	(c)
Real estate notes............	(d)	825	10.00%	$ 2	10.00%	$ 825
Total......................		$ 35,640				

(a) Weighted average.

(b) Maximum 270 days.

(c) The total amount of commercial paper outstanding under this arrangement at December 31, 1990, 1989 and 1988 was $118.6 million, $125.8 million and $100.7 million, respectively. The totals include amounts classified as other long-term debt of $86.5 million and $65.9 million at December 31, 1989 and 1988, respectively (see Note (4) to the Statements of Capitalization). The standby revolving credit agreement which supports the related commercial paper expires in October 1991; therefore, the total outstanding amount has been classified as short-term debt.

(d) Maximum 364 days.

G. Leases:

The Company has leases for certain property and equipment that meet the criteria for capitalization under the provisions of SFAS No. 13, "Accounting for Leases," which require recognition of all capital leases. Plant and property under capital leases at December 31, 1990 and 1989 included the following:

	1990	1989
	(Thousands)	
Combustion turbines	$42,051	$42,601
Office buildings (*)	40,827	40,827
Data processing equipment	4,317	
Total plant and property under capital leases	87,195	83,428
Less accumulated amortization	48,570	41,892
Net plant and property under capital leases	$38,625	$41,536

(*)The Company currently leases one building from its parent, Dominion Resources. The capitalized cost of the property under that lease, net of accumulated amortization, represented $28.5 million and $29.2 million at December 31, 1990 and 1989, respectively. Rental payments for such lease were $3.0 million for each of the three years ended December 31, 1990, 1989 and 1988.

The Company is responsible for expenses in connection with the leases noted above, including insurance, taxes and maintenance.

Future minimum lease payments for each of the next five years and in the aggregate under noncancellable capital leases and for operating leases that have initial or remaining lease terms in excess of one year as of December 31, 1990, are as follows:

	Capital Leases	Operating Leases
	(Thousands)	
1991	$11,155	$ 6,501
1992	4,711	3,364
1993	4,711	2,136
1994	4,711	1,714

1995	3,711	498
After 1995	37,667	4,795
Total future minimum lease payments	66,666	$19,008
Less interest element included above	25,958	
Present value of future minimum lease payments	$40,708	

Rents on leases have been charged to other operation expenses and include the following:

	1990	1989 (Thousands)	1988
Interest on capital lease obligations	$ 3,014	$ 3,271	$ 3,723
Amortization of property under capital leases.	4,695	4,402	4,417
Rental expense relating to capital leases	7,709	7,673	8,140
Rental expense relating to operating leases	9,330	10,450	10,878
Less: sublease rents	57	56	59
Total	$16,982	$18,067	$18,959

H. Preferred Stock Subject to Mandatory Redemption:

Preferred stock subject to mandatory redemption, $100 liquidation preference, at December 31, 1990, was represented by the following:

		Entitled Per Share Upon Voluntary Liquidation Redemption			Annual Sinking Fund Requirements at $100 Per Share
Dividend	Authorized and Outstanding Shares	Amount	Through	And Thereafter To Amounts Declining In Steps To	Shares
$ 7.30	500,000	$107.30	4/14/93	$100.00 after 4/14/02	(a)
7.325	456,419	101.00			28,000
7.58	600,000	107.58	6/19/92	100.00 after 6/19/93	(b)
8.20	360,000	102.87	9/20/91	100.41 after 9/20/96	30,000
8.40	544,000	103.92	3/31/91	100.00 after 3/31/04	32,000
8.60	240,598	105.00	12/19/92	100.00 after 12/19/97	11,834
8.625	222,000	104.32	6/20/91	100.00 after 6/20/02	18,500
8.925	175,000	105.66	9/20/91	100.00 after 9/20/09	10,500
10.25	50,000	101.00			50,000
	3,148,017				
Less shares due within one year	180,834				
Total	2,967,183				

(a) 15,000 shares annually commencing in June 1992.

(b) 120,000 shares annually commencing in June 1992.

Maturities through 1995 are as follows: 1991-$18,083,400; 1992-$26,583,400; 1993-$26,583,400; 1994-$26,583,400; and 1995-$26,583,400.

In 1990, 10,500 shares of the $8.925 Dividend Preferred Stock were redeemed through an optional sinking fund.

In 1989, 47,581 shares of the $7.325 Dividend Preferred Stock and 10,500 shares of the $8.925 Dividend Preferred Stock were redeemed through an optional sinking fund.

In 1988, 32,000 shares of the $8.40 Dividend Preferred Stock were redeemed through an optional sinking fund.

The total number of authorized shares for all preferred stock is 10,000,000 shares. Upon involuntary liquidation, all presently outstanding preferred stock is entitled to receive $100 per share plus accrued dividends. Dividends are cumulative.

I. Preferred Stock Not Subject to Mandatory Redemption:

Preferred stock not subject to mandatory redemption, $100 liquidation preference, at December 31, 1990, was represented by the following:

Dividend	Authorized And Outstanding Shares	Entitled Per Share Upon Voluntary Liquidation Redemption Amount
$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	101.50
7.45	400,000	101.00
7.20	450,000	101.00
7.72 (1972 Series)	500,000	101.00
Money Market Preferred (January 1987 Series) (*)	500,000	100.00
Money Market Preferred (June 1987 Series) (*)	750,000	100.00
Money Market Preferred (October 1988 Series)(*)	750,000	100.00
Money Market Preferred (June 1989 Series) (*)	750,000	100.00
Total	4,690,140	

(*)Dividend rates are variable and are set every 49 days via an auction process. The combined weighted average rates for these series in 1990, 1989 and 1988 including fees for broker/dealer agreements, were 6.95 percent, 7.45 percent and 6.39 percent, respectively.

J. Common Stock:

During the years 1988 through 1990 the following changes in Common Stock occurred:

	1990		1989		1988	
	(Thousands, except shares)					
	Shares Outstanding	Amount	Shares Outstanding	Amount	Shares Outstanding	Amount
Balance at January 1	147,077	$2,197,506	142,433	$2,096,671	140,788	$2,060,841
Transfer from Other Paid-in Capital		836		836		836
Issuance to Dominion Resources	8,972	199,978	4,644	99,999	1,645	34,994
Balance at December 31	156,049	$2,398,320	147,077	$2,197,506	142,433	$2,096,671

K. Supplementary Income Statement Information:

Cash flows information:

	1990	1989	1988
	(Thousands)		
Cash paid during the year for:			
Interest (reduced for the net cost of borrowed funds capitalized as AFC)	$388,335	$350,003	$329,091
Income taxes	339,628	145,352	146,391
Noncash transactions from investing and financing activities:			
Capital lease obligations:			
Additions	$ 4,316		
Retirements	549	$ 4,554	

Taxes other than income taxes charged to expenses were as follows:

	1990	1989	1988
	(Thousands)		
Real estate and property	$ 66,409	$ 60,832	$ 57,714
Local gross receipts	86,600	84,413	78,767
Payroll related	27,694	27,684	26,659
West Virginia business and occupation	21,830	21,899	9,481
Other	355	9,972	6,421
Total	$202,888	$204,800	$179,042

L. **Retirement Plan and Postretirement Benefits:**

The Company participates in the Retirement Plan, a defined benefit pension plan. The Retirement Plan covers virtually all employees of Dominion Resources and its subsidiaries, including the Company. The Company's disclosure regarding participation by its employees in the Retirement Plan is provided in accordance with guidelines applicable to plans of a controlled group of corporations. The benefits are based on years of service and the employee's final average compensation.

For 1990 pension plan expense was $5.1 million and funding was provided in the amount of $6.8 million. Additional funding attributable to the 1990 plan year of $2.1 million will be made in the first quarter of 1991. For 1989, the pension plan expense was $6.7 million and funding was provided in the amount of $6.7 million. In 1988, the pension plan expense was $2.5 million; no funding was provided to the Retirement Plan in accordance with the full funding limitation of the Employee Retirement Income Security Act of 1974 (ERISA).

In 1988, $72.2 million of the Retirement Plan's projected benefit obligation was settled by purchasing nonparticipating insured annuities for certain retirees. The settlement was accounted for in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits." As a result, a gain of $11.4 million (net of associated taxes of $5.9 million) attributable to the Company's allocable portion of the transaction was recognized in 1988 and reported as a reduction of Other Operating Expenses. In September 1989, the Company established a regulatory liability associated with the rate treatment of the gain resulting from the settlement. As a result, the balance available for Common Stock was decreased by $8.2 million.

In addition to providing pension benefits, Dominion Resources and the Company provide certain health care and life insurance benefits for retired employees. Generally, employees remain eligible at retirement for certain health and life insurance benefits if they reach retirement age while working for the Company. These and similar benefits for active employees are provided through insurance companies with annual premiums based on benefits paid during the year. The Company recognizes the cost of providing health care and life insurance benefits by expensing the annual insurance premiums.

The following information relates to the retiree health care and life insurance benefits provided by the Company:

	Years		
	1990	1989	1988
Health care premiums paid (millions)..........	$ 6.8	$ 6.3	$ 3.0
Retirees covered under health care............	2,500	2,400	2,100
Life insurance premiums paid (millions).......	0.4	0.4	1.2*
Retirees covered under life insurance.........	2,200	2,000	1,700

*Prior to 1989, the cost of providing life insurance benefits for retirees was not separable from the cost of providing benefits for active employees; therefore, premiums covered approximately 13,000 active and 1,700 retired employees.

SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued by FASB in December 1990. Based on the current terms of its benefit plans, the Company estimates that the required application of this standard in 1993 will increase annual expenses by $50 million. A transition obligation of approximately $337 million would result from the application of this standard as of January 1, 1993. The transition obligation would be amortized over a twenty-year period. To the extent that the new standard results in accruals for other postretirement benefits in excess of amounts collected through rates and the collectibility of such excess in future rates is deemed probable, the Company will record a receivable representing that amount to be collected through future rates. Under the terms of its benefit plans, the Company reserves the right to change, modify or terminate the plans. From time to time in the past, benefits have changed, and some of these changes have reduced benefits.

M. Commitments and Contingencies:

Construction Program:

The Company has made substantial commitments in connection with its construction program and nuclear fuel expenditures. Those commitments are estimated to total $780 million (excluding AFC) for 1991. Additional financing is contemplated in connection with this program.

Purchased Power Contracts:

Since 1984, the Company has entered into contracts for the long-term purchases of capacity and energy from other utilities, qualifying facilities and independent power producers. As of December 31, 1990, there were 82 non-utility purchase contracts with a combined dependable winter capacity of 3,870 Mw. Of these, 40 projects (aggregating 1,112 Mw) were operational as of the end of 1990 with the balance to become operational through 1997.

In 1987, the Company signed agreements for the purchase of approximately 1,300 Mw of additional generating capacity from six non-utility power producers. As a result of the 1988 competitive bidding solicitation, the Company entered into 19 contracts for approximately 2,000 Mw of additional capacity for initial delivery at various dates through 1994. During July 1990, as a result of a 1989 request for proposals for competitive bids from all supply-side sources, the Company signed contracts with three suppliers for 448 Mw of power to come on line during 1995-1997. These contracts are generally for a duration of 25 years after initial delivery.

The table below reflects the Company's minimum commitments as of December 31, 1990, for power purchases from utility and non-utility suppliers that are currently operating or have obtained construction financing. The table does not reflect the remainder of the above-mentioned contracts, where necessary financing for the generating facility has not yet been obtained. This minimum purchase commitment includes both capacity payments and the minimum required energy payments.

Year	Commitment (Millions)
1991	$ 500.7
1992	623.1
1993	675.3
1994	703.3
1995	721.7
Later years	14,062.1
Total	$17,286.2
Present value of the total	$ 6,013.7

In addition to the minimum purchase commitments in the table above, under some of these contracts the Company may purchase, at its option, additional power as needed. Actual payments for purchased power (including economy, emergency, limited term, short-term and long-term purchases and interchange received) for the years 1990, 1989 and 1988 were $473.6 million, $559.1 million and $410.3 million, respectively.

Coal and Uranium Purchases:

The Company's estimated coal and uranium purchases for the next five years for system generation are as follows (millions): 1991-$277; 1992-$238; 1993-$132; 1994-$133 and 1995-$70.

Nuclear Insurance:

The Price-Anderson Amendments Act of 1988 amends and extends for fifteen years the federal mandates regarding compensation of the public in the event of an accident at a federally licensed nuclear reactor. The current limit imposed by the Price-Anderson Act for the public liability of an owner of a nuclear power plant for a single nuclear incident, including the five percent surcharge if funds are insufficient to pay the claims, is $7.8 billion as of December 31, 1990.

The Company's insurance coverages and maximum retrospective assessments for its nuclear operations are as follows:

Type and Source of Coverage	Coverage	Maximum Retrospective Assessments for a Single Incident
	(Millions)	
Public Liability:		
American Nuclear Insurers....................	$ 200	
Federal Government (a)........................	7,607	$264.6(b)
	$7,807	$264.6
New Nuclear Workers:		
American Nuclear Insurers (c).................	$ 400	$ 12.0
Property Damage (per site):		
Nuclear Mutual Limited (d)....................	$ 500	$ 20.8
Nuclear Electric Insurance Limited (NEIL) (d).	975	15.6
American Nuclear Insurers.....................	400	
	$1,875	$ 36.4
Replacement Power:		
NEIL..	$1,365	$ 18.3

(a) Retrospective premium program under the Price-Anderson Liability provisions of the Atomic Energy Act of 1954, as amended. Subject to retrospective assessment with respect to loss from a nuclear incident at any licensed nuclear reactor in the United States.

(b) $66.15 million for each of the four reactors owned by the Company with assessments not to exceed $10 million per year per reactor for any one nuclear incident. This assessment is subject to inflation indexing every fifth year based on the Consumer Price Index. There is no limit on the number of nuclear incidents for which the licensee of a reactor may be retroactively assessed.

(c) Includes one automatic reinstatement of $200 million. Provides coverage against claims, except those arising out of an extraordinary nuclear occurrence, made by nuclear workers first hired after January 1, 1988. The maximum coverage is for the entire nuclear industry and not just the Company. The amount of the maximum retrospective assessment is the most the Company could be assessed under the Master Worker insurance program which is effective from January 1, 1988 through December 31, 1992.

(d) Mutual insurance companies of which the Company is a member. The Company is subject to retrospective assessment with respect to loss at any nuclear generating station covered by such insurance.

The NRC requires licensees of nuclear plants, including the Company, to maintain at least $1.06 billion of property insurance on each reactor site. It also requires that the insurance proceeds be used first to pay stabilization and decontamination expenses. The effect of the rule is to prevent the use of property insurance proceeds for the rebuilding of damaged facilities or the payment of holders of the Company's First and Refunding Mortgage Bonds (which are secured in part by such facilities) until after stabilization and decontamination are completed. For any property losses in excess of the $1.875 billion property coverage, and to the extent that insurance proceeds would be unavailable for property coverage because they must be used for decontamination as required by the NRC, the Company has the financial responsibility for the losses.

As part owner of the North Anna Power Station, ODEC is responsible for its proportionate share (11.6 percent) of the insurance premiums applicable to that station, including any retrospective premium assessments and any losses not covered by insurance.

Environmental Matters

For more information, see Item 7, Future Issues, Environmental Matters under Management's Discussion and Analysis of Financial Condition and Results of Operations.

N. Effect of Rate Changes on Operating Revenues:

<u>1990</u>

For information on the principal rate proceedings in which the Company was involved in 1990, including those currently in progress, see Item 1, *Rates* under BUSINESS.

<u>1989</u>

On March 31, 1989, the Company filed with the Virginia Commission an application for a rate increase of $95 million. On January 12, 1990, the Virginia Commission entered its Final Order which approved a rate increase of $64.4 million based on a 1988 test year.

O. Quarterly Financial Data (Unaudited):

The following amounts reflect all adjustments, consisting of only normal recurring accruals (except as discussed below), necessary in the opinion of the management for a fair statement of the results for the interim periods.

Quarter	Operating Revenues	Operating Income (Thousands)	Balance Available for Common Stock
1990			
1st...............	$ 846,975	$ 202,197	$ 98,379
2nd...............	813,581	181,027	77,197
3rd...............	982,141	256,170	148,599
4th...............	818,803	166,404	67,989

1989			
1st...............	$ 851,695	$ 181,249	$ 88,107
2nd...............	798,363	136,880	40,858
3rd...............	943,179	242,146	138,415
4th...............	865,691	196,597	107,860

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

In the third quarter of 1989, the Company established a regulatory liability associated with the rate treatment of a gain resulting from the fourth quarter 1988 settlement of the projected pension benefit obligation for certain retirees. Operating income and balance available for Common Stock were decreased by $8.2 million (net of associated taxes of $4.2 million). This included the amortization of $2.0 million of the liability for May through September 1989.

VIRGINIA ELECTRIC AND POWER COMPANY

SCHEDULE IV INDEBTEDNESS OF AND TO RELATED PARTIES NOT CURRENT
For the years ended December 31, 1990, 1989 and 1988

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
	Indebtedness of				Indebtedness to			
Name of person	Balance at Beginning	Additions	Deductions	Balance at End (Thousands)	Balance at Beginning	Additions	Deductions	Balance at End
Dominion Resources:								
1990...............					$ 84,000	$ 746,860	$ 830,860	$ 0
1989...............					$ 28,500	$1,344,200	$1,288,700	$ 84,000
1988...............					$ 27,000	$ 504,006	$ 502,506	$ 28,500

See Note (3) to the Statements of Capitalization included herein.

VIRGINIA ELECTRIC AND POWER COMPANY

SCHEDULE V PROPERTY, PLANT AND EQUIPMENT
For the year ended December 31, 1990

Col. A Classification	Col. B Balance at Beginning of Period	Col. C Additions at Cost	Col. D Retirements or Sales (Thousands)	Col. E Other Changes Add (Deduct)	Col. F Balance at End of Period
Utility plant:					
Electric plant:					
In service:					
Intangible	$ 49,058	$ 19,838	$ 4,360		$ 64,536
Production	5,787,457	374,511	27,402	$ (1,914)	6,132,652
Transmission	1,010,007	53,845	4,436	561	1,059,977
Distribution	2,963,931	270,947	44,653	384	3,190,609
General	532,713	53,986	11,447	1,386	576,638
Total electric plant in service	10,343,166	773,127	92,298	417	11,024,412
Construction work in progress	745,369	(53,660)(*)			691,709
Held for future use	4,478	6,588		(65)	11,001
Electric plant acquisition adjustment	42,778				42,778
Total electric plant	11,135,791	726,055	92,298	352	11,769,900
Nuclear fuel	819,077	74,856			893,933
Total utility plant	$11,954,868	$ 800,911	$ 92,298	$ 352	$12,663,833
Non-utility property	$ 5,767		$ 181	$ 5,200	$ 10,786
Capital leases	$ 83,428		$ 549	$ 4,316	$ 87,195

(*) Includes additions of $719.5 million net of $773.1 million transferred to plant in service.

VIRGINIA ELECTRIC AND POWER COMPANY

SCHEDULE V PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 1989

Col. A Classification	Col. B Balance at Beginning of Period	Col. C Additions at Cost	Col. D Retirements or Sales (Thousands)	Col. E Other Changes Add (Deduct)	Col. F Balance at End of Period
Utility plant:					
Electric plant:					
In service:					
Intangible	$ 43,220	$ 13,524	$ 7,686		$ 49,058
Production	5,504,370	313,943	31,634	$ 778	5,787,457
Transmission	972,486	42,818	5,046	(251)	1,010,007
Distribution	2,675,825	326,511	38,633	228	2,963,931
General	469,152	72,547	8,885	(101)	532,713
Total electric plant in service	9,665,053	769,343	91,884	654	10,343,166
Construction work in progress	641,491	103,878(*)			745,369
Held for future use	4,478				4,478
Electric plant acquisition adjustment	42,778				42,778
Total electric plant	10,353,800	873,221	91,884	654	11,135,791
Nuclear fuel	784,511	34,566			819,077
Total utility plant	$11,138,311	$907,787	$ 91,884	$ 654	$11,954,868
Non-utility property	$ 5,871		$ 15	$ (89)	$ 5,767
Capital leases	$ 87,982		$ 4,554		$ 83,428

(*)Includes additions of $873.2 million net of $769.3 million transferred to plant in service.

VIRGINIA ELECTRIC AND POWER COMPANY

SCHEDULE V PROPERTY, PLANT AND EQUIPMENT
For the year ended December 31, 1988

Col. A Classification	Col. B Balance at Beginning of Period	Col. C Additions at Cost	Col. D Retirements or Sales (Thousands)	Col. E Other Changes Add (Deduct)	Col. F Balance at End of Period
Utility plant:					
Electric plant:					
In service:					
Intangible..............	$ 36,226	$ 11,904	$ 4,910		$ 43,220
Production..............	5,379,668	136,599	13,778	$ 1,881	5,504,370
Transmission............	920,103	58,848	6,229	(236)	972,486
Distribution............	2,404,886	304,757	33,934	116	2,675,825
General.................	418,617	62,633	12,068	(30)	469,152
Total electric plant in service...........	9,159,500	574,741	70,919	1,731	9,665,053
Construction work in progress.................	488,674	152,817(*)			641,491
Held for future use........	4,050	659	13	(218)	4,478
Electric plant acquisition adjustment..............	42,778				42,778
Total electric plant...	9,695,002	728,217	70,932	1,513	10,353,800
Nuclear fuel...................	720,752	64,797	1,038		784,511
Total utility plant....	$10,415,754	$ 793,014	$ 71,970	$ 1,513	$11,138,311
Non-utility property...........	$ 6,309		$ 2	$ (436)	$ 5,871
Capital leases.................	$ 87,982				$ 87,982

(*) Includes additions of $727.5 million net of $574.7 million transferred to plant in service.

VIRGINIA ELECTRIC AND POWER COMPANY

SCHEDULE VI ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
For the years ended December 31, 1990, 1989 and 1988

Col. A Classification	Col. B Balance at Beginning of Period	Col. C Additions Charged to Costs & Expenses	Col. D Retirements	Col. E Other Changes Add (Deduct)	Col. F Balance at End of Period
			(Thousands)		
1990					
Accumulated depreciation and amortization of electric plant...	$2,880,084	$352,955	$ 92,181	$ 30,605	$3,171,463
Accumulated amortization of capital leases..................	$ 41,892	$ 7,117	$ 549	$ 110	$ 48,570
Accumulated amortization of nuclear fuel....................	$ 576,840	$ 84,760			$ 661,600
1989					
Accumulated depreciation and amortization of electric plant...	$2,615,011	$319,110	$ 84,177	$ 30,140	$2,880,084
Accumulated amortization of capital leases..................	$ 40,000	$ 6,446	$ 4,554		$ 41,892
Accumulated amortization of nuclear fuel....................	$ 525,623	$ 51,217			$ 576,840
1988					
Accumulated depreciation and amortization of electric plant...	$2,350,065	$300,706	$ 65,959	$ 30,199	$2,615,011
Accumulated amortization of capital leases..................	$ 33,854	$ 6,144		$ 2	$ 40,000
Accumulated amortization of nuclear fuel....................	$ 426,721	$ 98,902			$ 525,623

Note:

Provision for depreciation of automobiles and trucks is charged to transportation expense clearing account and redistributed to operation expense, utility plant and other accounts.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Information concerning directors of Virginia Electric and Power Company is as follows:

Name and Age	Principal Occupation for Last 5 Years, Directorships in Public Corporations	Year First Elected a Director
William W. Berry (58)	Chairman of the Board of Directors of Virginia Electric and Power Company and Dominion Resources (from November 1, 1986 to May 1, 1990, Chairman of the board of Directors and Chief Executive Officer of Dominion Resources; from July 1 to November 1, 1986, Chairman of the Board of Directors, President and Chief Executive Officer of Dominion Resources; prior to July 1, 1986, Chairman of the Board of Directors and Chief Executive Officer of Dominion Resources and Virginia Electric and Power Company). He is a Director of Dominion Resources, C&S/Sovran Corporation, Ethyl Corporation and Universal Corporation.	1980
Thos. E. Capps (55)	Vice Chairman of the Board of Directors of Virginia Electric and Power Company and President and Chief Executive Officer of Dominion Resources (from April 1, 1989 to May 1, 1990, President and Chief Operating Officer of Dominion Resources, from November 1, 1986 to April 1, 1989, President of Dominion Resources; prior to November 1, 1986, Executive Vice President of Virginia Electric and Power Company). He is a Director of Dominion Resources, Signet Banking Corporation and Bassett Furniture Industries, Incorporated.	1989

Name and Age	Principal Occupation for Last 5 Years, Directorships in Public Corporations	YearFirst Elected a Director
James T. Rhodes (49)	President and Chief Executive Officer of Virginia Electric and Power Company (from January 1, 1988 to April 1, 1989, Senior Vice President-Finance; prior to January 1, 1988, Senior Vice President-Power Operations). He is a Director of Dominion Resources and Sovran Bank, N.A.	1989
John B. Adams, Jr. (46)	President and Chief Executive Officer of A. Smith Bowman Distillery, Inc., Fredericksburg, Virginia, a manufacturer and bottler of alcoholic beverages, December 27, 1989 to date; (prior to December 27, 1989 Vice President and Director).	1987
Anna Ruth Inskeep (65)	Battle Park Farms, Rapidan, Virginia, a dairy farm and milk hauling business.	1987
Dr. Allix B. James (68)	Chancellor of Virginia Union University, Richmond, Virginia. He is a Director of Consolidated Bank & Trust Company.	1971
Harvey L. Lindsay, Jr. (61)	Chairman and Chief Executive Officer of Harvey Lindsay Commercial Real Estate, a commercial real estate development firm, Norfolk, Virginia.	1986
Shirley S. Pierce (67)	Chairman of the Board and President of The Ahoskie Fertilizer Company, Inc., Ahoskie, North Carolina, a manufacturer and distributor of fertilizer and agricultural products. He is a Director of Planters National Bank and Trust Company.	1972
William T. Roos (63)	President of Penn Luggage, Inc., retail specialty stores, Hampton, Virginia.	1975
William G. Thomas (51)	President of Hazel & Thomas, P.C. Alexandria, Virginia, a law firm. He is a Director of Perpetual Financial Corporation and Perpetual Savings Bank.	1987

Each Director holds office until the next Annual Meeting of Shareholders or until his or her successor is duly elected.

(b) Information concerning the executive officers of Virginia Electric and Power Company is as follows:

Name and Age	Business Experience Past Five Years
William W. Berry (58)	Chairman of the Board of Directors, July 1, 1986 to date; Chairman of the Board of Directors and Chief Executive Officer prior to July 1, 1986.
Thos. E. Capps (55)	Vice Chairman of the Board of Directors, April 1, 1989 to date; President and Chief Operating Officer of Dominion Resources, Inc., November 1, 1986 to April 1, 1989; Executive Vice President prior to November 1, 1986.
James T. Rhodes (49)	President and Chief Executive Officer, April 1, 1989 to date; Senior Vice President-Finance, January 1, 1988 to April 1, 1989; Senior Vice President-Power Operations prior to January 1, 1988.
John A. Ahladas (48)	Senior Vice President-Corporate Services, January 1, 1990 to date; Senior Vice President-Corporate Technical Services, April 1, 1988 to January 1, 1990; Vice President-Engineering prior to April 1, 1988.
Larry W. Ellis (50)	Senior Vice President-Power Operations and Planning, January 1, 1990 to date; Vice President-System Planning and Power Supply, March 18, 1988 to January 1, 1990; Manager, System Planning and Power Supply, October 1, 1986 to March 18, 1988; Manager, Power Supply prior to October 1, 1986.
Robert F. Hill (55)	Senior Vice President-Commercial Operations.
B. D. Johnson (58)	Senior Vice President-Finance and Controller, January, 1, 1990 to date; Vice President and Controller prior to January 1, 1990.
William L. Stewart (47)	Senior Vice President-Nuclear, January 1, 1990 to date; Senior Vice President-Power, April 1, 1988 to January 1, 1990; Vice President-Nuclear Operations prior to April 1, 1988.
Charles A. Brown (48)	Vice President-Procurement, September 1, 1988 to date; Manager, Materials Management, May 1, 1988 to September 1, 1988; Manager, Contracts prior to May 1, 1988.

Name and Age	Business Experience Past Five Years
William R. Cartwright (48)	Vice President-Fossil and Hydro Operations, January 1, 1990 to date; Vice President-Nuclear Operations, September 1, 1988 to January 1, 1990; Vice President-Fossil and Hydro, March 1, 1986 to September 1, 1988; Manager, Maintenance and Performance Services prior to March 1, 1986.
Thomas L. Caviness, Jr. (45)	Vice President-Eastern Division, November 1, 1989 to date; Executive Project Director, November 1, 1988 to November 1, 1989; Manager, Productivity prior to November 1, 1988.
James T. Earwood, Jr. (47)	Vice President-Division Services, September 1, 1986 to date; Vice President-Central Division prior to September 1, 1986.
James R. Frazier, Jr. (49)	Vice President-Southern Division.
Larry M. Girvin (47)	Vice President - Central Division, January 1, 1991 to date; District Manager Richmond, September 1, 1989 to January 1, 1991; District Manager East Richmond, February 1, 1987 to September 1, 1989; Assistant Treasurer of Dominion Resources, May 16, 1986 to February 1, 1987; Manager, Corporate Compensation Services, prior to May 16, 1986.
Earl R. Gore (50)	Vice President-Northern Division, September 1, 1988 to date; Manager, Operations and Construction prior to September 1, 1988.
E. Wayne Harrell (44)	Vice President-Nuclear Operations, January 1, 1990 to date; Vice President-Fossil and Hydro Operations, September 1, 1988 to January 1, 1990; Manager, Fossil and Hydro Operation Support, April 1, 1988 to September 1, 1988; Station Manager, Nuclear prior to April 1, 1988.
Horace A. Keever, Jr. (59)	Vice President-Human Resources, September 1, 1986 to date; Vice President-Division Services prior to September 1, 1986.
F. Kenneth Moore (49)	Vice President-Nuclear Engineering Services, November 1, 1989 to date; Vice President-Power Engineering Services, March 18, 1988 to November 1, 1989; Manager, Purchasing prior to March 18, 1988.

Name and Age	Business Experience Past Five Years
Irene M. Moszer (47)	Vice President, Treasurer and Corporate Secretary, January 1, 1990 to date; Vice President-Administrative Services prior to January 1, 1990.
James P. O'Hanlon (47)	Vice President-Nuclear Services, June 15, 1989 to date; Vice President, United Energy Services Corporation prior to June 15, 1989.
Thomas J. O'Neil (48)	Vice President-Regulation, August 1, 1988 to date; Vice President-Western Division prior to August 1, 1988.
Robert E. Rigsby (41)	Vice President-Information Systems, January 1, 1990 to date; Vice President-Western Division, August 1, 1988 to January 1, 1990; General Auditor prior to August 1, 1988.
Johnny V. Shenal (45)	Vice President-Western Division, January 1, 1990 date; Manager, Transmission and Substation Engineering, August 1, 1988 to January 1, 1990; District Manager, Alexandria prior to August 1, 1988.
Eva S. Teig (46)	Vice President-Public Affairs, September 7, 1990 to date; Vice President-Government Affairs, January 1, 1990 to September 7, 1990; Secretary of Health and Human Resources, Commonwealth of Virginia, January 11, 1986 to January 1, 1990; Division Manager, Community and Government Affairs prior to January 11, 1986.
Robert F. Saunders (47)	Assistant Vice President-Nuclear, November 1, 1990 to date; Manager, Nuclear Licensing and Programs, November 1, 1989 to November 1, 1990; Manager, Nuclear Licensing, December 16, 1988 to November 1, 1989; Manager, Nuclear Programs, April 1, 1988 to December 16, 1988; Nuclear Specialist, July 1, 1987 to April 1, 1988; Station Manager-Nuclear prior to July 1, 1987.

There is no family relationship between any of the persons named in response to Item 10.

ITEM 11. EXECUTIVE COMPENSATION

The following table lists all cash compensation paid by the Company for services rendered in 1990 to each of the five most highly compensated executive officers and to all executive officers as a group.

Name and Capacity in Which Served	Cash Compensation
William W. Berry, Chairman of the Board and Director..........	$ 424,874
Thos. E. Capps, Vice Chairman of the Board of Directors and Director..	374,198
James T. Rhodes, President and Chief Executive Officer and Director..	381,223
Robert F. Hill, Senior Vice President.........................	250,567
William L. Stewart, Senior Vice President.....................	242,737
Executive officers of the Company as a group 27 persons (including those named above).........	5,054,712

Certain executive officers of the Company are eligible to participate in one of two annual incentive plans. The Virginia Power Management Incentive Plan (the Management Incentive Plan) has been in effect since 1981 and provides incentive compensation for designated executives and employees of the Company. The Dominion Resources, Inc. Short-Term Incentive Plan (the Dominion Resources Incentive Plan) provides incentive compensation for designated executives of the Company who are employees of Dominion Resources, including Mr. Berry and Mr. Capps. The Company's Board of Directors' Organization and Compensation Committee administers and establishes the rules of eligibility, participants' goals and actual awards for the Management Incentive Plan. The Dominion Resources' Board of Directors' Organization and Compensation Committee performs the same administrative function for the Dominion Resources Incentive Plan.

Under both incentive plans, annual awards to participants are based on the achievement of individual and corporate performance goals that are adopted annually. The individual component of each incentive plan is based on the achievement of individual management goals. To the extent that awards paid by the Dominion Resources Incentive Plan are for the achievement of corporate performance goals related to the Company, that portion of the award is paid by the Company.

The 1990 Management Incentive Plan provided for incentive compensation based on (1) individual management goals, (2) achieving a stated return on equity and (3) a comparison of the annual change in expenses per kilowatt-hour to the annual change in the Consumer Price Index. Beginning with the 1991 plan year, financial performance will be measured by the Company's earning per share contribution to Dominion Resources' earnings replacing the Company's present return on equity. For executives of the Company, the 1990 Dominion Resources Incentive Plan included return on equity objectives for the Company. Certain executive officers of the Company received a portion of the payments under the 1990 Management Incentive Plan in December 1990, and will receive the balance in March 1991, except for Mr. Berry and Mr. Capps who received a portion of their awards under the 1990 Dominion Resources Incentive Plan in December 1990 and will receive the balance in February 1991. These payments are included in the cash compensation table above. Amounts earned for the year 1989 under the Management Incentive Plan were paid in March 1990 and were reported in the 1989 Form 10-K and are not included in the above compensation table.

A Performance Achievement Plan (the Performance Plan) was established effective January 1, 1985, and was approved by the Dominion Resources Stockholders at the 1985 Annual Meeting. The Performance Plan awards shares of Dominion Resources Common Stock for the achievement of specific long-term goals and strategies that are approved by the Organization and Compensation Committee (the Committee) of the Board of Directors of the Company. Distributions of stock under the Performance Plan may not exceed 10,000 shares times the number of participants in the Performance Plan on the relevant date. The duration of each performance period is three years, and a new performance period and set of goals are initiated annually. Participants in the Performance Plans for the periods of 1988-90, 1989-91 and 1990-92 include the President and all Vice Presidents of the Company, but do not include the Chairman or Vice Chairman of the Board of Directors. Subject to the Committee's approval and within certain time periods established in the Performance Plan, each participant may elect to receive up to 50 percent of any award in cash and to defer all or part of any award. To be eligible for an award, an employee must occupy a qualifying position for an entire performance cycle. Individual awards will be determined on the basis of goal achievement, positions held during the performance period, the salary grade mid-points of those positions and the average price of the Common Stock on the last day of September, October and November of the year before the start of the performance cycle. Following the conclusion of each performance period, the Committee determines the level of achievement of the goals for that performance period. The Board of Directors must approve each participant's award, and may approve pro rata awards to participants who retire, die, become disabled, or transfer during a performance cycle; Dominion Resources' Board of Directors must approve any award for any participant who is also an officer or director of Dominion Resources. In the 1988-1990 Performance Plan cycle, the following executive officers of Dominion Resources were executive officers of the Company and will receive pro rata awards: Tyndall L. Baucom, who was Vice President of the Company prior to his election as an executive officer of Dominion Resources in September 1988; Donald T. Herrick, Jr., who was Vice President of the Company prior to his election as an executive officer of Dominion Resources in January 1990; and Linwood R. Robertson, who was Vice President of the Company prior to his election as an executive officer of Dominion Resources in January 1990.

Awards for the 1988-90 performance period were made in December 1990 and February 1991 and were based on (1) the performance of Virginia Power's return on equity over the three-year period as compared to the average for comparable electric utilities, and (2) a comparison between the increase in expenses per kilowatt-hour and the increase in the Consumer Price Index over the three-year period. The following awards of Dominion Resources Common Stock and cash were made for the 1988-90 performance period: James T. Rhodes: 674 shares and $1,966; Robert F. Hill: 377 shares and $2,341; and William L. Stewart: 365 shares and $2,294; and 4,302 shares and $84,215 for the 24 participating executive officers as a group.

No awards can be determined or made under the 1989-91 and the 1990-92 performance periods of the Performance Plans until 1992 and 1993, respectively. In addition, Messrs. Herrick and Robertson are also eligible for a pro rata awards under the 1989-91 performance cycle.

In 1990, the Company established a Budget Incentive Plan (the Budget Plan) for 1990 and 1991. Incentive awards are earned by (1) reducing actual 1990 operation and maintenance (O&M) and capital budget expenses to specified target levels, (2) developing budgets for 1991 to meet targets, and (3) keeping actual 1991 expenses and capital expenses at target levels for 1991. With the exception of the Chairman, Vice Chairman, and the President, officers and managers of the Company participate in the Budget Plan. For 1990, the Plan provided each participant with an incentive opportunity of $4,000 if O&M and capital expense targets were met. If one, but not both, targets were met, 40% of the award is payable. For 1991, the Plan provides each participant with a maximum award of $7,000 if both targets are met, of which 25% was payable for planning, and 75% is payable for making, the 1991 targets. Awards for 1990 and for planning the 1991 budget were paid in December 1990 and January 1991 and are included in the cash compensation table above. Awards for making the 1991 targets will be paid in January 1992.

In 1990, the Company established a one-year incentive plan (the Nuclear Performance Plan) directed at key personnel in the Company's nuclear operations area. Incentive awards under the Nuclear Incentive Plan were earned by completing the Fall 1990 scheduled outages at the Company's nuclear power stations within the established time schedule. Awards were reduced by 10 percent for each day that the outage continued beyond the scheduled completion date. Awards were paid November 1990 and are included in the cash compensation table above.

An employee savings plan has been in effect since 1963. Effective January 1, 1989, the employee savings plan was amended by separating it into two plans (the Savings Plans), one for salaried and one for nonsalaried employees. The Savings Plans include a salary reduction provision under Section 401(k) of the Internal Revenue Code of 1986 (the Code) for officers and employees. The two Savings Plans are identical in all material respects. Under the Savings Plan, employees who have attained age 18 and completed six months of service may make contributions of between 2 percent and 6 percent of their base compensation, and the Company contributes an amount equal to 50 percent of such contributions. Employees may also make additional contributions, which are not matched by their employer. (In accordance with Section 401(k) of the Code, the Savings Plans provide participants with the option to reduce their gross income for federal income tax purposes and the Company contributes that amount to the Savings Plan on behalf of the employee.) Participants' contributions and deferrals under Section 401(k) are subject to certain limitations prescribed in the Code. The compensation table above includes amounts deferred pursuant to Section 401(k). The employees may direct that their contributions be allocated between an interest bearing fund, which invests primarily in U.S. Government securities, and a stock fund, which invests in Dominion Resources Common Stock. All of the Company's matching contributions to the Savings Plans are invested in Dominion

Resources Common Stock. The Savings Plans provide for the vesting of the Company's matching contributions at the earlier of (a) the beginning of the third year following the year in which the contribution was made and (b) the date the participant completes five years of service with the Company. However, matching contributions vest immediately for participants aged 55 or older. Amounts shown in the Cash Compensation table above do not include any Company matching contributions. The following Company matching contributions vested under the Savings Plan during 1990: William W. Berry: 147 shares; Thos. E. Capps: 147 shares; James T. Rhodes: 74 shares; Robert F. Hill: 129 shares; William L. Stewart: 42 shares; and 2,155 shares to the 27 executive officers as a group.

A retirement plan (the Retirement Plan) provides retirement benefits for all eligible officers and employees of Virginia Power who have attained age 21 and completed six months of service. The Retirement Plan is a noncontributory defined benefit plan that provides for vesting of retirement benefits upon completion of five years of vesting service or, if earlier, upon attainment of age 50. Employer contributions to the Retirement Plan are determined actuarially. Benefits under the Retirement Plan, as of December 31, 1990, are based on (i) average base compensation over the consecutive 60-month period in which pay is highest, (ii) years of credited service, (iii) age at retirement, and (iv) the offset of Social Security Benefits. Compensation in excess of $200,000 (indexed for changes in the cost of living) may not be taken into account under the Plan. Benefits under the Retirement Plan are payable as a straight life benefit or a joint and survivor benefit. In May 1990, the Internal Revenue Service issued proposed regulations, subsequently modified, related to pension plan non-discrimination requirements that were included in the Tax Reform Act of 1986. The Company has determined that the Retirement Plan's benefit formula complies with such regulations and that no changes to the benefit formula will be necessary.

The table below sets forth the estimated annual straight life benefit that would be paid following retirement under the Retirement Plan's benefit formula. Certain officers have entered into retirement agreements that give additional credited years of service for retirement and retirement life insurance purposes, contingent upon the officer reaching a specified age and remaining in the employ of the Company. At this time, credited years of service under the Retirement Plan and such retirement agreements (excluding contingent years) for the individuals named in the compensation table on page 57 are as follows: William W. Berry: 30, Thos. E. Capps: 20; James T. Rhodes: 19; Robert F. Hill: 19; and William L. Stewart: 20. Estimated annual benefit figures are based on the formulas in effect under the Retirement Plan as of December 31, 1990.

Estimated Annual Benefits Payable Upon Retirement*

	Credited Years of Service			
Final Average Earnings**	15	20	25	30
$ 75,000	$ 18,821	$ 25,094	$ 31,368	$ 37,642
100,000	26,321	35,094	43,868	52,642
125,000	33,821	45,094	56,368	67,642

150,000	41,321	55,094	68,868	82,642
175,000	48,821	65,094	81,368	97,642
200,000	56,321	75,094	93,868	112,642
250,000	71,321	95,094	118,868	142,642
300,000	86,321	115,094	143,868	172,642
350,000	101,321	135,094	168,868	202,642
400,000	116,321	155,094	193,868	232,642

*Based on normal retirement at age 65.

**Final Average Earnings is one-fifth of the earnings during the 60 consecutive calendar months during which the individual's earnings are the highest.

For purposes of the above table, based on 1990 compensation, final average earnings for each of the individuals named in the compensation table on page 57 would be as follows: William W. Berry: $348,960; Thos. E. Capps: $278,068; James T. Rhodes: $169,905; Robert F. Hill: $169,660; and William L. Stewart: $141,727.

The Internal Revenue Code limits the annual retirement benefit that may be paid from a qualified retirement plan and, as noted above, the amount of compensation that may be recognized by the Retirement Plan. To the extent that benefits determined under the Retirement Plan's benefit formula exceed the limitations imposed by the Internal Revenue Code, they will be paid either from general funds as an operating expense or from a secular trust fund established for such purpose.

The Company also provides an Executive Supplemental Retirement Plan (the Supplemental Plan) to its elected officers designated to participate by the Board of Directors. The Supplemental Plan provides an annual retirement benefit equal to 25 percent of a participant's final compensation (base pay plus annual incentive plan payments and Directors' fees). The normal form of benefit is payable in equal monthly installments for 120 months to a participant with 60 months of service, who (i) retires at or after age 55 from the employ of the Company, (ii) has become permanently disabled, or (iii) dies. If a participant dies while employed, the normal form of benefit will be paid to a designated beneficiary. If a participant dies while retired, but before receiving all benefit payments, the remaining installments will be paid to a designated beneficiary. In order to be entitled to benefits under the Supplemental Plan, an employee must be employed as an elected officer of the Company until death, disability or retirement.

Based on 1990 compensation, the estimated annual retirement benefit for each of the executive officers under the Supplemental Plan would be as follows: William W. Berry: $164,608; Thos. E. Capps: $147,108; James T. Rhodes: $85,320; Robert F. Hill: $56,740; and William L. Stewart: $55,515.

The Company has transferred cash, and in its discretion may make future transfers of cash or other property, to an irrevocable trust. The assets of the trust must be used to satisfy employee benefit and similar obligations to employees and former employees of the Company, including the obligations described above for executive employees.

The Board of Directors of Dominion Resources adopted the Dominion Resources, Inc. Retirement Benefit Funding Plan (the Funding Plan) on June 15, 1990. The Funding Plan is intended to allow Dominion Resources and its subsidiaries, including the Company, to fund their obligations under (i) the Supplemental Plan, (ii) a benefit restoration plan (which restores benefits that cannot be paid under the Retirement Plan on account of Internal Revenue Code Limits) and (iii) employment agreements with certain key executives. Benefits provided under the Funding Plan reduce, on a dollar-for-dollar basis, the amounts payable under the above plans. The Company's Board of Directors and the Committee have certain responsibilities under the Funding Plan with respect to participants who are current or former elected officers of Virginia Power (Virginia Power Participants). The Administrative and Investment Benefit Committee and the Administrative Benefit Committee also have responsibilities under the Funding Plan.

Dominion Resources and its subsidiaries, including the Company, may, in their discretion, make contributions to the Funding Plan. In addition, amounts may be transferred to the Funding Plan from the irrevocable trust described above. Contributions and transfers on behalf of Virginia Power Participants are subject to the approval of the Company's Board of Directors.

An individual may become a Virginia Power Participant only upon his selection by the Company's Board of Directors. The Committee is responsible for establishing a funding policy with respect to Virginia Power Participants. The current funding policy adopted by the Committee calls for nominal contributions during an individual's initial years of participation in the Funding Plan and for full funding of his Supplemental Plan, benefit restoration plan, and employment agreement benefits between the ages 51 and 55.

The Administrative and Investment Benefit Committee is responsible for establishing an investment policy for the Funding Plan. The Administrative Benefits Committee is responsible for the implementation of that investment policy as well as the day-to-day administration of the Funding Plan.

Participants in the Funding Plan are fully vested in their interests in the plan. Each Funding Plan participant will begin to receive his benefit from the Funding Plan upon separation from service (without regard to the reason for his separation). Benefits are paid under the Funding Plan in the same manner as the Supplemental Plan's benefits.

Dominion Resources has reserved the right to amend or terminate the Funding Plan at any time. No amendment or termination will divest a participant of amounts previously allocated to his Funding Plan account. Amounts contributed or transferred to the Funding Plan may not revert to Dominion Resources or any of its subsidiaries.

During 1990, a total of $1,999,262 was contributed to the Funding Plan and allocated to the accounts of the 23 Funding Plan participants, including the executive officers named on page 57 and all executive officers as a group.

The Company has purchased an insurance policy that provides certain managers and all elected officers with accidental death and dismemberment insurance. The policy provides an accidental death benefit to managers and officers ranging from $50,000 to $250,000, with the specific dollar amount of coverage being determined on the basis of the covered employee's position. The policy also provides accidental death and dismemberment insurance to the spouses of all officers who are Vice Presidents or higher in rank, and the accidental death benefit ranges from $100,000 to $200,000 (depending on the officer's position). This insurance coverage is provided at no cost to covered employees.

The Company has entered into employment agreements (the Agreements) with key management executives, including the officers named above. Each Agreement has a three-year term and thereafter is automatically extended on its anniversary date for an additional year unless notified that the Agreement will not be extended by the Company. If, following a change in control of Dominion Resources (as defined in the Agreements), an executive's employment is terminated by the Company without cause, or voluntarily by the executive within sixty days after a material reduction in the executive's compensation, benefits or responsibilities, the Company will be obligated to pay to the executive continued compensation equaling the average base salary and cash incentive bonuses for the thirty-six full month period of employment preceding the change in control or employment termination. In addition, the terminated executive will continue to be entitled to any benefits due under any stock or benefit plans. The Agreements do not alter the compensation and benefits available to an executive whose employment with the Company continues for the full term of the executive's Agreement. The amount of benefits provided under each executive's Agreement will be reduced by any compensation earned by the executive from comparable employment by another employer during the thirty-six months following termination of employment with the Company. An executive shall not be entitled to the above benefits in the event termination is for cause.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth as of January 15, 1991, except as noted, the number of shares of Common Stock of Dominion Resources owned by directors of Virginia Electric and Power Company.

Name	Shares of Common Stock Beneficially Owned
William W. Berry	23,367(a)
Thos. E. Capps	13,646(b)
James T. Rhodes	2,169
John B. Adams, Jr	599
Anna Ruth Inskeep	1,354
Allix B. James	2,580
Harvey L. Lindsay, Jr.	114
Shirley S. Pierce	2,669
William T. Roos	1,635(c)
William G. Thomas	0

(a) Includes 5,930 shares represented by options awarded and exercisable under the Dominion Resources, Inc. Long-Term Incentive Plan.

(b) A member of Mr. Capp's family is a beneficiary of a trust that owns an additional 1,000 shares of Common Stock. Also includes 3,850 shares represented by options awarded and exercisable under the Dominion Resources, Inc. Long-Term Incentive Plan.

(c) Members of Mr. Roos' family are beneficiaries of trusts that own an additional 1,892 shares of Common Stock for which he disclaimed beneficial ownership.

All current Directors and officers as a group (34 persons) beneficially own, in the aggregate, less than 1 percent of each class of Dominion Resources and the Company's equity securities, respectively.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Hazel & Thomas, P.C., provided legal services to the Company during 1990. Mr. William G. Thomas, a director of the Company, is President of Hazel & Thomas.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Form 10-K:

1. Financial Statements

See Index on page 21.

2. Financial Statement Schedules

See Index on page 21.

3. Exhibits

3(i)	-Restated Articles of Incorporation, as amended, as in effect on 1989 (Exhibit 3(i), Form 10-Q for the quarter ended September 30, 1989, File No. 1-2255, incorporated by reference).
3(ii)	-Bylaws, as amended, as in effect on April 1, 1989 (Exhibit 3(i), Form 10-Q for quarter year ended March 31, 1989, File No. 1-2255, incorporated by reference).
4(i)	-See Exhibit (3(i)) above.
4(ii)	-Indenture of Mortgage of the Company, dated November 1, 1935, as supplemented and modified by fifty-eight Supplemental Indentures, Exhibit 4(ii), Form 10-K for the fiscal year ended December 31, 1985, File No. 1-2255, incorporated by reference; Fifty-Ninth Supplemental Indenture, Exhibit 4(ii), Form 10-Q for the quarter

ended March 31, 1986, File No. 1-2255, incorporated by reference; Sixtieth Supplemental Indenture, Exhibit 4(ii), Form 10-Q for the quarter ended September 30, 1986, File No. 1-2255, incorporated by reference; Sixty-First Supplemental Indenture, Exhibit 4(ii), Form 10-Q for the quarter ended June 30, 1987, File No. 1-2255, incorporated by reference; Sixty-Second Supplemental Indenture, Exhibit 4(ii), Form 8-K, dated November 3, 1987, File No. 1-2255, incorporated by reference; Sixty-Third Supplemental Indenture, Exhibit 4(i), Form 8-K, dated June 8, 1988, File No. 1-2255, incorporated by reference; Sixty-Fourth Supplemental Indenture, Exhibit 4(i), Form 8-K, dated February 8, 1989, File No. 1-2255, incorporated by reference; Sixty-Fifth Supplemental Indenture, Exhibit 4(i), Form 8-K, dated June 22, 1989, File No. 1-2255, incorporated by reference and Sixty-Sixth Supplemental Indenture, Exhibit 4(i), Form 8-K, dated February 27, 1990, File No. 1-2255, incorporated by reference.

4(iii) -Indenture, dated April 1, 1985, between Virginia Electric and Power Company and Crestar Bank (formerly United Virginia Bank) Exhibit 4(i), File No. 2-96772, incorporated by reference).

4(iv) -Indenture dated as of June 1, 1986, between Virginia Electric and Power Company and Chemical Bank (Exhibit 4(i), File No. 33-5763, incorporated by reference).

4(v) -Indenture, dated April 1, 1988, between Virginia Electric and Power Company and Chemical Bank (Exhibit 4(i), File No. 33-21319, incorporated by reference) as supplemented and modified by a First Supplemental Indenture, dated August, 1989, (Exhibit 4(ii), File No. 33-30532, incorporated by reference).

4(vi) -Virginia Electric and Power Company agrees to furnish to the Commission upon request any other instrument with respect to long-term debt as to which the total amount of securities authorized thereunder does not exceed 10 percent of Virginia Electric and Power Company's total assets.

10(i) -Operating Agreement, dated June 17, 1981, between Virginia Electric and Power Company and Monongahela Power Company, The Potomac Edison Company, West Penn Power Company and Allegheny Generating Company (Exhibit 10(vi), Form 10-K for the fiscal year ended December 31, 1983, File No. 1-2255, incorporated by reference).

10(ii) -Purchase, Construction and Ownership Agreement, dated as of December 28, 1982 as amended and restated on October 17, 1983, between Virginia Electric and Power Company and Old Dominion Electric Cooperative (Exhibit 10(viii), Form 10-K for the fiscal year ended December 31, 1983, File No. 1-2255, incorporated by reference).

10(iii) -Interconnection and Operating Agreement, dated as of December 28, 1982 as amended and restated on October 17, 1983, between Virginia Electric and Power Company and Old Dominion Electric Cooperative (Exhibit 10(ix), Form 10-K for the fiscal year ended December 31, 1983, File No. 1-2255, incorporated by reference).

10(iv) -Nuclear Fuel Agreement, dated as of December 28, 1982 as amended and restated on October 17, 1983, between Virginia Electric and Power Company and Old Dominion Electric Cooperative (Exhibit 10(x), Form 10-K for the fiscal year ended December 31, 1983, File No. 1-2255, incorporated by reference).

10(v) -Heat Supply Contract, dated as of October 14, 1987, between Virginia Electric and Power Company and Virginia Power Fuel Corporation (Exhibit 10(v), Form 10-K for the fiscal year ended December 31, 1987, File No. 1-2255, incorporated by reference).

10(vi) -Credit Agreement, dated as of October 14, 1987, among Virginia Power Fuel Corporation, Algemene Bank Nederland N.V., New York Branch, as Facility Agent, and the Banks named therein (Exhibit 10(vi), Form 10-K for the fiscal year ended December 31, 1987, File No. 1-2255, incorporated by reference).

10(vii) -Guarantee, dated as of October 14, 1987, by Virginia Electric and Power Company in favor of Algemene Bank Nederland N.V., as Facility Agency, and the Banks named therein (Exhibit 10(vii), Form 10-K for the fiscal year ended December 31, 1987, File No. 1-2255, incorporated by reference).

10(viii) -Inter-Company Credit Agreement, dated July 1, 1986, as amended and restated as of September 1, 1987 between Dominion Resources and Virginia Electric and Power Company (Exhibit 10(viii), Form 10-K for the fiscal year ended December 31, 1987, File No. 1-2255, incorporated by reference).

10(ix) -Credit Agreement, dated December 1, 1985, between Virginia Electric and Power Company and Old Dominion Electric Cooperative (Exhibit 10 (xix), Form 10-K for the fiscal year ended December 31, 1985, File No. 1-2255, incorporated by reference).

10(x) -Agreement for Northern Virginia Services, dated as of November 1, 1985, between Potomac Electric Power Company and Virginia Electric and Power Company (Exhibit 10(xxi), Form 10-K for the fiscal year ended December 31, 1985, File No. 1-2255, incorporated by reference).

10(xi) -Purchase, Construction and Ownership Agreement, dated May 31, 1990, between Virginia Electric and Power company and Old Dominion Electric Cooperative (filed herewith).

10(xii) -Operating Agreement, dated May 31, 1990, between Virginia Electric and Power Company and Old Dominion Electric Cooperative (filed herewith).

10(xiii) -Coal-Fired Unit Turnkey Contract (Volume 1), dated April 6, 1989, and the Unit 2 Amendment (Volume 1), dated May 31, 1990, between Virginia Electric and Power Company and Old Dominion Electric Cooperative, Westinghouse, Black & Veatch, Combustion Engineering and H. B. Zachry (Volumes 2-11 contain technical specifications only) (filed herewith).

10(xiv) -Receivables Purchase Agreement, dated as of December 10, 1990, between Virginia Electric and Power Company and The First National Bank of Chicago. (filed herewith).

10(xv) -Receivables Purchase Agreement, dated as of December 10, 1990, between Virginia Electric and Power Company and Preferred Receivables Funding Corporation (filed herewith).

22 -Subsidiaries of Virginia Electric and Power Company (not included because Virginia Electric and Power Company's subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" under Rule 1-02(v) of Regulation S-X as of the end of the year covered by this report).

24(i) -Consent of Hunton & Williams (filed herewith).
24(ii) -Consent of Jackson & Kelly (filed herewith).
24(iii) -Consent of Deloitte & Touche (filed herewith).

(b) Report on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIRGINIA ELECTRIC AND POWER COMPANY

WILLIAM W. BERRY

BY (William W. Berry, Chairman of the Board of Directors)

Date: February 15, 1991

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
WILLIAM W. BERRY William W. Berry	Chairman of the Board of Directors and Director	February 15, 1991
THOS E. CAPPS Thos E. Capps	Vice Chairman of the Board of Directors and Director	February 15, 1991
J. T. RHODES J. T. Rhodes	President (Chief Executive Officer) and Director	February 15, 1991
JOHN B. ADAMS, JR. John B. Adams, Jr.	Director	February 15, 1991
ANNA RUTH INSKEEP Anna Ruth Inskeep	Director	February 15, 1991
ALLIX B. JAMES Allix B. James	Director	February 15, 1991
HARVEY L. LINDSAY, JR. Harvey L. Lindsay, Jr.	Director	February 15, 1991
SHIRLEY S. PIERCE Shirley S. Pierce	Director	February 15, 1991
WILLIAM T. ROOS William T. Roos	Director	February 15, 1991
WILLIAM G. THOMAS William G. Thomas	Director	February 15, 1991
B. D. JOHNSON B. D. Johnson	Senior Vice President and Controller (Principal Accounting Officer)	February 15, 1991
IRENE M. MOSZER Irene M. Moszer	Vice President and Treasurer (Chief Financial Officer)	February 15, 1991

VIRGINIA ELECTRIC AND POWER COMPANY
STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended December 31, 1990	1989
	(000's)	
Operating Revenues	$819,803	$865,691
Operating Expenses:		
Operation - Fuel used in electric generation	139,101	146,037
- Purchased and interchanged power	131,116	100,554
- Other	121,151	155,521
Maintenance	85,425	59,247
Depreciation	93,782	89,193
Amortization of abandoned project costs	12,454	12,452
Taxes - Income	22,692	54,466
- Other	47,678	49,464
Total	653,399	666,934
Operating Income	166,404	198,757
Other Income:		
Allowance for other funds used during construction	985	701
Miscellaneous, net	6,693	8,530
Income taxes associated with miscellaneous, net	(2,867)	3,924
Total	4,811	13,155
Income Before Interest Charges	171,215	211,912
Interest Charges:		
Interest on long-term debt	88,276	86,934
Other	1,133	2,210
Allowance for borrowed funds used during construction	(484)	(404)
Total	88,925	88,740
Net Income	82,290	123,172
Preferred Dividends	14,301	15,312
Balance Available for Common Stock	$ 67,989	$107,860

VIRGINIA ELECTRIC AND POWER COMPANY

1991 ESTIMATED INTERNAL CASH FLOW

(Millions of Dollars)

	January through March	April through June	July through September	October through December	Estimated 1991 Total
Cash Receipts	$998.2	$847.0	$1,019.9	$ 903.4	$3,768.5
Less:					
Cash for Operations	505.4	462.2	500.2	478.7	1,946.5
Taxes paid	55.1	199.0	97.3	170.4	521.8
Interest paid	84.2	89.7	87.1	99.9	360.9
Dividends paid					
- Preferred Stock	13.1	14.8	13.0	14.9	55.8
- Common Stock	85.7	85.0	86.0	86.8	343.5
Decommissioning Trust	5.9	5.9	5.9	5.9	23.6
Changes in working capital	41.0	(1.2)	0.3	(5.8)	34.3
Internal cash flow	207.8	(8.4)	230.1	52.6	482.1
Plus:					
Proceeds from sale of 11.6% of North Anna to Old Dominion Electric Co-op	1.2	1.2	1.2	1.2	4.8
Total Cash Flow(1)	$209.0	$ (7.2)	$ 231.3	$ 53.8	$ 486.9

(1) Before financing and construction requirements.

VIRGINIA ELECTRIC AND POWER COMPANY

STATEMENT

The Company currently estimates 1991 construction and nuclear fuel expenditures (exclusive of Allowance for Funds Used During Construction) to be $780 million. In addition, the Company must provide $146 million for debt maturities and mandatory sinking fund payments. The Company expects to raise about $439 million through the sales of securities, sales of receivables, and borrowings under its inter-company credit agreement with Dominion Resources. The Company is reasonably assured that, based on the best available cash flow projections which are provided herewith, curtailment of capital expenditures for required nuclear programs would not be required to cover the Price-Anderson maximum retrospective premium assessment for a single incident of $264.6 million ($66.15 million for each of the four reactors owned by the Company with assessments not to exceed $10 million per reactor per year) currently in force.

VIRGINIA ELECTRIC AND POWER COMPANY

CERTIFICATE

I, the undersigned B. D. Johnson, do hereby certify, pursuant to the guarantee requirements set forth in the Commission's letter dated June 15, 1977, that the cash flow projection for 1991, provided herewith, is based on the best available information and is a reasonably accurate projection of the Company's 1991 cash flow.

B. D. Johnson

B. D. Johnson
Senior Vice President-Finance
and Controller

Commonwealth of Virginia
City of Richmond

Sworn to and subscribed before me
this 12 day of March 1991.

Virginia M. Hart
Notary Public

My commission expires: April 19, 1992

NOTARIAL SEAL