DOMINION RESOURCES INC /VA/
Form 10-K
February 26, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

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	Exact name of registrants as specified in their charters	I.R.S. Employer Identification Number
001-08489	DOMINION RESOURCES, INC.	54-1229715
000-55337	VIRGINIA ELECTRIC AND POWER COMPANY	54-0418825
001-37591	DOMINION GAS HOLDINGS, LLC	46-3639580

VIRGINIA

(State or other jurisdiction of incorporation or organization)
120 TREDEGAR STREET

RICHMOND, VIRGINIA	**23219**
(Address of principal executive offices)	*(Zip Code)*

(804) 819-2000

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

Registrant	Title of Each Class	Name of Each Exchange

		on Which Registered
DOMINION RESOURCES, INC.	Common Stock, no par value	New York Stock Exchange
	2013 Series A 6.125% Corporate Units	New York Stock Exchange
	2013 Series B 6% Corporate Units	New York Stock Exchange
	2014 Series A 6.375% Corporate Units	New York Stock Exchange
DOMINION GAS HOLDINGS, LLC	2014 Series C 4.6% Senior Notes	New York Stock Exchange

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

VIRGINIA ELECTRIC AND POWER COMPANY

Common Stock, no par value

DOMINION GAS HOLDINGS, LLC

Limited Liability Company Membership Interests

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Dominion Resources, Inc. Yes x No ¨ Virginia Electric and Power Company Yes x No ¨ Dominion Gas Holdings, LLC Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Dominion Resources, Inc. Yes ¨ No x Virginia Electric and Power Company Yes ¨ No x Dominion Gas Holdings, LLC Yes ¨ No x

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.

Dominion Resources, Inc. Yes x No ¨ Virginia Electric and Power Company Yes x No ¨ Dominion Gas Holdings, LLC Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Dominion Resources, Inc. Yes x No ¨ Virginia Electric and Power Company Yes x No ¨ Dominion Gas Holdings, LLC Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Dominion Resources, Inc. x Virginia Electric and Power Company x Dominion Gas Holdings, LLC x

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

Dominion Resources, Inc.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Virginia Electric and Power Company

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

Dominion Gas Holdings, LLC

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Dominion Resources, Inc. Yes ¨ No x Virginia Electric and Power Company Yes ¨ No x Dominion Gas Holdings, LLC Yes ¨ No x

The aggregate market value of Dominion Resources, Inc. common stock held by non-affiliates of Dominion was approximately $39.6 billion based on the closing price of Dominion s common stock as reported on the New York Stock Exchange as of the last day of Dominion s most recently completed second fiscal quarter. Dominion is the sole holder of Virginia Electric and Power Company common stock. As of January 31, 2016, Dominion had 596,419,295 shares of common stock outstanding and Virginia Power had 274,723 shares of common stock outstanding. Dominion Resources, Inc. holds all of the membership interests of Dominion Gas Holdings, LLC.

DOCUMENT INCORPORATED BY REFERENCE.

Portions of Dominion s 2016 Proxy Statement are incorporated by reference in Part III.

This combined Form 10-K represents separate filings by Dominion Resources, Inc., Virginia Electric and Power Company and Dominion Gas Holdings, LLC. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Virginia Electric and Power Company and Dominion Gas Holdings, LLC make no representations as to the information relating to Dominion Resources, Inc. s other operations.

VIRGINIA ELECTRIC AND POWER COMPANY AND DOMINION GAS HOLDINGS, LLC MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND ARE FILING THIS FORM 10-K UNDER THE REDUCED DISCLOSURE FORMAT.

Table of Contents

Dominion Resources, Inc., Virginia Electric and Power Company and Dominion Gas Holdings, LLC

Table of Contents

Glossary of Terms

The following abbreviations or acronyms used in this Form 10-K are defined below:

Abbreviation or Acronym	Definition
2013 Biennial Review Order	Order issued by the Virginia Commission in November 2013 concluding the 2011 2012 biennial review of Virginia Power s base rates, terms and conditions
2013 Equity Units	Dominion s 2013 Series A Equity Units and 2013 Series B Equity Units issued in June 2013
2014 Equity Units	Dominion s 2014 Series A Equity Units issued in July 2014
2015 Biennial Review Order	Order issued by the Virginia Commission in November 2015 concluding the 2013 2014 biennial review of Virginia Power s base rates, terms and conditions
2016 Proxy Statement	Dominion 2016 Proxy Statement, File No. 001-08489
ABO	Accumulated benefit obligation
AFUDC	Allowance for funds used during construction
AGL	AGL Resources Inc.
Altavista	Altavista power station
AMI	Advanced Metering Infrastructure
AMR	Automated meter reading program deployed by East Ohio
AOCI	Accumulated other comprehensive income (loss)
AROs	Asset retirement obligations
ARP	Acid Rain Program, a market-based initiative for emissions allowance trading, established pursuant to Title IV of the CAA
ATEX line	Appalachia to Texas Express ethane line
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion, Duke Energy, Piedmont and AGL
Atlantic Coast Pipeline Project	The approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina which will be owned by Dominion, Duke Energy, Piedmont and AGL and constructed and operated by DTI
BACT	Best available control technology
bcf	Billion cubic feet
bcfe	Billion cubic feet equivalent
Bear Garden	A 590 MW combined cycle, natural gas-fired power station in Buckingham County, Virginia
Blue Racer	Blue Racer Midstream, LLC, a joint venture between Dominion and Caiman
BOEM	Bureau of Ocean Energy Management
BP	BP Wind Energy North America Inc.
Brayton Point	Brayton Point power station
BREDL	Blue Ridge Environmental Defense League
Bremo	Bremo power station
Brunswick County	A 1,358 MW combined cycle, natural gas-fired power station under construction in Brunswick County, Virginia
CAA	Clean Air Act
Caiman	Caiman Energy II, LLC
CAIR	Clean Air Interstate Rule
CAISO	California ISO
CAO	Chief Accounting Officer
CAP	IRS Compliance Assurance Process
CCR	Coal combustion residual
CEA	Commodity Exchange Act
CEO	Chief Executive Officer
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
CGN Committee	Compensation, Governance and Nominating Committee of Dominion s Board of Directors
Chesapeake	Chesapeake power station

Clean Power Plan	Regulations issued by the EPA in August 2015 for states to follow in developing plans to reduce CO_2 emissions from existing fossil fuel-fired electric generating units, stayed by the U.S. Supreme Court in February 2016 pending resolution of court challenges by certain states
CNG	Consolidated Natural Gas Company
CNO	Chief Nuclear Officer
CO_2	Carbon dioxide
COL	Combined Construction Permit and Operating License
Columbia to Eastover Project	Project to provide 15,800 Dths/day of firm transportation service from an existing interconnect with Southern Natural Gas Company, LLC in Aiken County, South Carolina and provide for a receipt point change of 2,200 Dths/day under an existing contract from an existing interconnect with Transco in Cherokee County, South Carolina for a total 18,000 Dths/day, to a new delivery point for the International Paper Company at its pulp and paper mill known as the Eastover Plant in Richland County, South Carolina
Companies	Dominion, Virginia Power and Dominion Gas, collectively

Abbreviation or Acronym	Definition
COO	Chief Operating Officer
Cooling degree days	Units measuring the extent to which the average daily temperature is greater than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Corporate Unit	A stock purchase contract and 1/20 interest in a RSN issued by Dominion
Cove Point	Dominion Cove Point LNG, LP
Cove Point Holdings	Cove Point GP Holding Company, LLC
CPCN	Certificate of Public Convenience and Necessity
CSAPR	Cross State Air Pollution Rule
CWA	Clean Water Act
D.C.	District of Columbia
DCG	Dominion Carolina Gas Transmission, LLC (successor by statutory conversion to and formerly known as Carolina Gas Transmission Corporation)
DEI	Dominion Energy, Inc.
DESRI	D.E. Shaw Renewable Investments, LLC, a limited liability company owned by certain affiliates of the D.E. Shaw group, Madison Dearborn Capital Partners IV, L.P. and Northwestern University
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOE	Department of Energy
Dominion	The legal entity, Dominion Resources, Inc., one or more of its consolidated subsidiaries (other than Virginia Power and Dominion Gas) or operating segments or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries
Dominion Direct®	A dividend reinvestment and open enrollment direct stock purchase plan
Dominion Gas	The legal entity, Dominion Gas Holdings, LLC, one or more of its consolidated subsidiaries or operating segment, or the entirety of Dominion Gas Holdings, LLC and its consolidated subsidiaries
Dominion Iroquois	Dominion Iroquois, Inc., which holds a 24.72% noncontrolling partnership interest in Iroquois
Dominion Midstream	The legal entity, Dominion Midstream Partners, LP, one or more of its consolidated subsidiaries, Cove Point Holdings, Iroquois GP Holding Company, LLC and DCG (beginning April 1, 2015), or the entirety of Dominion Midstream Partners, LP and its consolidated subsidiaries
Dominion NGL Pipelines, LLC	The initial owner of the 58-mile G-150 pipeline project, which is designed to transport approximately 27,000 barrels per day of NGLs from Natrium to an interconnect with the ATEX line of Enterprise near Follansbee, West Virginia
DRS	Dominion Resources Services, Inc.
DSM	Demand-side management
Dth	Dekatherm
DTI	Dominion Transmission, Inc.
Duke Energy	Duke Energy Corporation
DVP	Dominion Virginia Power operating segment
E&P	Exploration & production
EA	Environmental assessment
East Ohio	The East Ohio Gas Company, doing business as Dominion East Ohio
Edgemoor Project	Project to provide 45,000 Dths/day of firm transportation service from an existing interconnect with Transco in Cherokee County, South Carolina to customers in Calhoun and Lexington counties, South Carolina
EGWP	Employer Group Waiver Plan
Elwood	Elwood power station
Enterprise	Enterprise Product Partners, L.P.
EPA	Environmental Protection Agency
EPACT	Energy Policy Act of 2005
EPC	Engineering, procurement and construction
EPS	Earnings per share
ERISA	The Employee Retirement Income Security Act of 1974
ERM	Enterprise Risk Management
ERO	Electric Reliability Organization
Excess Tax Benefits	Benefits of tax deductions in excess of the compensation cost recognized for stock-based compensation

Fairless	Fairless power station
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings Ltd.
Four Brothers	Four Brothers Solar, LLC, a limited liability company owned by Dominion and Four Brothers Holdings, LLC, a wholly-owned subsidiary of SunEdison
Fowler Ridge	Fowler I Holdings LLC, a wind-turbine facility joint venture with BP in Benton County, Indiana
FTRs	Financial transmission rights
GAAP	U.S. generally accepted accounting principles
Gal	Gallon
GHG	Greenhouse gas

Abbreviation or Acronym	Definition
Granite Mountain	Granite Mountain Holdings, LLC, a limited liability company owned by Dominion and Granite Mountain Renewables, LLC, a wholly-owned subsidiary of SunEdison
Green Mountain	Green Mountain Power Corporation
Greensville County	An approximately 1,588 MW proposed natural gas-fired combined-cycle power station in Greensville County, Virginia
Hastings	A natural gas processing and fractionation facility located near Pine Grove, West Virginia
HATFA of 2014	Highway and Transportation Funding Act of 2014
Heating degree days	Units measuring the extent to which the average daily temperature is less than 65 degrees Fahrenheit, calculated as the difference between 65 degrees and the average temperature for that day
Hope	Hope Gas, Inc., doing business as Dominion Hope
Illinois Gas Contracts	A Dominion Retail, Inc. natural gas book of business consisting of residential and commercial customers in Illinois
INPO	Institute of Nuclear Power Operations
IRCA	Intercompany revolving credit agreement
Iron Springs	Iron Springs Holdings, LLC, a limited liability company owned by Dominion and Iron Springs Renewables, LLC, a wholly-owned subsidiary of SunEdison
Iroquois	Iroquois Gas Transmission System, L.P.
IRS	Internal Revenue Service
ISO	Independent system operator
ISO-NE	ISO New England
June 2006 hybrids	2006 Series A Enhanced Junior Subordinated Notes due 2066
June 2009 hybrids	2009 Series A Enhanced Junior Subordinated Notes due 2064, subject to extensions no later than 2079
Juniper	Juniper Capital L.P.
Kewaunee	Kewaunee nuclear power station
Keys Energy Project	Project to provide 107,000 Dths/day of firm transportation service from Cove Point s interconnect with Transco in Fairfax County, Virginia to Keys Energy Center, LLC s power generating facility in Prince George s County, Maryland
Kincaid	Kincaid power station
kV	Kilovolt
Liability Management Exercise	Dominion exercise in 2014 to redeem certain debt and preferred securities
LIBOR	London Interbank Offered Rate
LIFO	Last-in-first-out inventory method
Line TPL-2A	An approximately 11-mile, 30-inch gathering pipeline extending from Tuscarawas County, Ohio to Harrison County, Ohio
Line TL-388	A 37-mile, 24-inch gathering pipeline extending from Texas Eastern, LP in Noble County, Ohio to its terminus at Dominion s Gilmore Station in Tuscarawas County, Ohio
Line TL-404	An approximately 26-mile, 24- and 30- inch gas gathering pipeline that extends from Wetzel County, West Virginia to Monroe County, Ohio
Liquefaction Project	A natural gas export/liquefaction facility currently under construction by Cove Point
LNG	Liquefied natural gas
LTIP	Long-term incentive program
MAP 21 Act	Moving Ahead for Progress in the 21st Century Act
Maryland Commission	Maryland Public Service Commission
Massachusetts Municipal	Massachusetts Municipal Wholesale Electric Company
MATS	Utility Mercury and Air Toxics Standard Rule
mcf	thousand cubic feet
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
Medicare Act	The Medicare Prescription Drug, Improvement and Modernization Act of 2003
Medicare Part D	Prescription drug benefit introduced in the Medicare Act
MGD	Million gallons a day
Millstone	Millstone nuclear power station

MISO	Midwest Independent Transmission System Operators, Inc.
MLP	Master limited partnership, also known as publicly traded partnership
Moody s	Moody s Investors Service
Morgans Corner	Morgans Corner Solar Energy, LLC
MW	Megawatt
MWh	Megawatt hour
NAAQS	National Ambient Air Quality Standards
Natrium	A natural gas and fractionation facility located in Natrium, West Virginia, owned by Blue Racer
NAV	Net asset value
NedPower	NedPower Mount Storm LLC, a wind-turbine facility joint venture between Dominion and Shell in Grant County, West Virginia
NEIL	Nuclear Electric Insurance Limited

Table of Contents

Abbreviation or Acronym	Definition
NERC	North American Electric Reliability Corporation
NG	Collectively, North East Transmission Co., Inc. and National Grid IGTS Corp.
NGLs	Natural gas liquids
NJNR	NJNR Pipeline Company
NO_2	Nitrogen dioxide
North Anna	North Anna nuclear power station
North Carolina Commission	North Carolina Utilities Commission
Northern System	Collection of approximately 131 miles of various diameter natural gas pipelines in Ohio
NO_X	Nitrogen oxide
NRC	Nuclear Regulatory Commission
NSPS	New Source Performance Standards
NYSE	New York Stock Exchange
October 2014 hybrids	2014 Series A Enhanced Junior Subordinated Notes due 2054
ODEC	Old Dominion Electric Cooperative
Ohio Commission	Public Utilities Commission of Ohio
Order 1000	Order issued by FERC adopting new requirements for electric transmission planning, cost allocation and development
Philadelphia Utility Index	Philadelphia Stock Exchange Utility Index
Piedmont	Piedmont Natural Gas Company, Inc.
PIPP	Percentage of Income Payment Plan deployed by East Ohio
PIR	Pipeline Infrastructure Replacement program deployed by East Ohio
PJM	PJM Interconnection, L.L.C.
Possum Point	Possum Point power station
PREP	Pipeline Replacement and Expansion Program, a program of replacing, upgrading and expanding natural gas utility infrastructure to be deployed by Hope
PSMP	Pipeline Safety and Management Program to be deployed by East Ohio to ensure the continued safe and reliable operation of East Ohio s system and compliance with pipeline safety laws
ppb	Parts-per-billion
PSD	Prevention of significant deterioration
Questar	The legal entity, Questar Corporation, one or more of its consolidated subsidiaries, or operating segments, or the entirety of Questar Corporation and its consolidated subsidiaries
Questar Combination	Agreement and plan of merger entered on January 31, 2016 between Dominion and Questar in which Questar will become a wholly-owned subsidiary of Dominion upon closing
RCC	Replacement Capital Covenant
Regulation Act	Legislation effective July 1, 2007, that amended the Virginia Electric Utility Restructuring Act and fuel factor statute, which legislation is also known as the Virginia Electric Utility Regulation Act, as amended in 2015
REIT	Real estate investment trust
Rider B	A rate adjustment clause associated with the recovery of costs related to the conversion of three of Virginia Power s coal-fired power stations to biomass
Rider BW	A rate adjustment clause associated with the recovery of costs related to Brunswick County
Rider GV	A rate adjustment clause associated with the recovery of costs related to Greensville County
Rider R	A rate adjustment clause associated with the recovery of costs related to Bear Garden
Rider S	A rate adjustment clause associated with the recovery of costs related to the Virginia City Hybrid Energy Center
Rider T1	A rate adjustment clause to recover the difference between revenues produced from transmission rates included in base rates, and the new total revenue requirement developed annually for the rate years effective September 1
Rider U	A rate adjustment clause associated with the recovery of costs of new underground distribution facilities
Rider US-1	A rate adjustment clause associated with the recovery of costs related to Remington solar facility
Rider US-2	A market-based rate adjustment clause associated with Woodland, Scott Solar and Whitehouse
Rider W	A rate adjustment clause associated with the recovery of costs related to Warren County
Riders C1A and C2A	Rate adjustment clauses associated with the recovery of costs related to certain DSM programs approved in DSM cases
ROE	Return on equity

ROIC	Return on invested capital
RSN	Remarketable subordinated note
RTEP	Regional transmission expansion plan
RTO	Regional transmission organization
SAFSTOR	A method of nuclear decommissioning, as defined by the NRC, in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use
SAIDI	System Average Interruption Duration Index, metric used to measure electric service reliability
Scott Solar	An approximately 17 MW proposed utility-scale solar power station in Powhatan County, VA

Table of Contents

Abbreviation or Acronym	Definition
SEC	Securities and Exchange Commission
SELC	Southern Environmental Law Center
September 2006 hybrids	2006 Series B Enhanced Junior Subordinated Notes due 2066
Shell	Shell WindEnergy, Inc.
SO_2	Sulfur dioxide
St. Charles Transportation Project	Project to provide 132,000 Dths/day of firm transportation service from Cove Point s interconnect with Transco in Fairfax County, Virginia to Competitive Power Venture Maryland, LLC s power generating facility in Charles County, Maryland
Standard & Poor s	Standard & Poor s Ratings Services, a division of the McGraw-Hill Companies, Inc.
SunEdison	The legal entity, SunEdison, Inc., one or more of its consolidated subsidiaries (including Four Brothers Holdings, LLC, Granite Mountain Renewables, LLC and Iron Springs Renewables, LLC) or operating segments, or the entirety of SunEdison, Inc. and its consolidated subsidiaries
Surry	Surry nuclear power station
Terra Nova Renewable Partners	A partnership between SunEdison and institutional investors advised by J.P. Morgan Asset Management Global Real Assets
Three Cedars	Granite Mountain and Iron Springs, collectively
TransCanada	The legal entity, TransCanada Corporation, one or more of its consolidated subsidiaries, or operating segments, or the entirety of TransCanada Corporation and its consolidated subsidiaries
TSR	Total shareholder return
U.S.	United States of America
UAO	Unilateral Administrative Order
UEX Rider	Uncollectible Expense Rider deployed by East Ohio
VEBA	Voluntary Employees Beneficiary Association
VIE	Variable interest entity
Virginia City Hybrid Energy Center	A 610 MW baseload carbon-capture compatible, clean coal powered electric generation facility in Wise County, Virginia
Virginia Commission	Virginia State Corporation Commission
Virginia Power	The legal entity, Virginia Electric and Power Company, one or more of its consolidated subsidiaries or operating segments or the entirety of Virginia Electric and Power Company and its consolidated subsidiaries
VOC	Volatile organic compounds
Warren County	A 1,342 MW combined-cycle, natural gas-fired power station in Warren County, Virginia
West Virginia Commission	Public Service Commission of West Virginia
Western System	Collection of approximately 212 miles of various diameter natural gas pipelines and three compressor stations in Ohio
Whitehouse	An approximately 20 MW proposed utility-scale solar power station in Louisa County, VA
Woodland	An approximately 19 MW proposed utility-scale solar power station in Isle of Wight County, VA
Yorktown	Yorktown power station

Table of Contents

Part I

Item 1. Business

GENERAL

Dominion, headquartered in Richmond, Virginia and incorporated in Virginia in 1983, is one of the nation s largest producers and transporters of energy. Dominion s strategy is to be a leading provider of electricity, natural gas and related services to customers primarily in the eastern region of the U.S. As of December 31, 2015, Dominion s portfolio of assets includes approximately 24,300 MW of generating capacity, 6,500 miles of electric transmission lines, 57,300 miles of electric distribution lines, 12,200 miles of natural gas transmission, gathering and storage pipeline and 22,000 miles of gas distribution pipeline, exclusive of service lines. As of December 31, 2015, Dominion serves over 5 million utility and retail energy customers in 14 states and operates one of the nation s largest underground natural gas storage systems, with approximately 933 bcf of storage capacity.

In March 2014, Dominion formed Dominion Midstream, an MLP designed to grow a portfolio of natural gas terminaling, processing, storage, transportation and related assets. In October 2014, Dominion Midstream launched its initial public offering and issued 20,125,000 common units (including 2,625,000 common units issued pursuant to the exercise of the underwriters over-allotment option) representing limited partner interests. Dominion has recently and may continue to investigate opportunities to acquire assets that meet its strategic objective for Dominion Midstream. At December 31, 2015, Dominion owns the general partner and 64.1% of the limited partner interests in Dominion Midstream, which owns a preferred equity interest and the general partner interest in Cove Point, DCG and a 25.93% noncontrolling partnership interest in Iroquois. Dominion Midstream is consolidated by Dominion, and is an SEC registrant. However, its Form 10-K is filed separately and is not combined herein.

Dominion is focused on expanding its investment in regulated electric generation, transmission and distribution and regulated natural gas transmission and distribution infrastructure. Dominion expects 80% to 90% of earnings from its primary operating segments to come from regulated and long-term contracted businesses.

Dominion continues to expand and improve its regulated and long-term contracted electric and natural gas businesses, in accordance with its existing five-year capital investment program. A major impetus for this program is to meet the anticipated increase in demand in its electric utility service territory. Other drivers for the capital investment program include the construction of infrastructure to handle the increase in natural gas production from the Marcellus and Utica Shale formations, to upgrade Dominion s gas and electric transmission and distribution networks, and to meet environmental requirements and standards set by various regulatory bodies. Investments in utility solar generation are expected to be a focus in meeting such environmental requirements, particularly in Virginia. Blue Racer is investing in natural gas gathering and processing assets in Ohio and West Virginia, targeting primarily the Utica Shale formation. In September 2014, Dominion announced the formation of Atlantic Coast Pipeline. Atlantic Coast Pipeline is focused on constructing an approximately 600-mile natural gas pipeline

running from West Virginia through Virginia to North Carolina, to increase natural gas supplies in the region.

Dominion has transitioned to a more regulated, less volatile earnings mix as evidenced by its capital investments in regulated infrastructure and infrastructure whose output is sold under long-term purchase agreements, as well as dispositions of certain merchant generation facilities during 2013 and the sale of the electric retail energy marketing business in March 2014. Dominion s nonregulated operations include merchant generation, energy marketing and price risk management activities and natural gas retail energy marketing operations. Dominion s operations are conducted through various subsidiaries, including Virginia Power and Dominion Gas.

Virginia Power, headquartered in Richmond, Virginia and incorporated in Virginia in 1909 as a Virginia public service corporation, is a wholly-owned subsidiary of Dominion and a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. In Virginia, Virginia Power conducts business under the name Dominion Virginia Power and primarily serves retail customers.

In North Carolina, it conducts business under the name Dominion North Carolina Power and serves retail customers located in the northeastern region of the state, excluding certain municipalities. In addition, Virginia Power sells electricity at wholesale prices to rural electric cooperatives, municipalities and into wholesale electricity markets. All of Virginia Power s stock is owned by Dominion.

Dominion Gas, a limited liability company formed in September 2013, is a wholly-owned subsidiary of Dominion and a holding company. It serves as the intermediate parent company for the majority of Dominion s regulated natural gas operating subsidiaries, which conduct business activities through a regulated interstate natural gas transmission pipeline and underground storage system in the Northeast, mid-Atlantic and Midwest states, regulated gas transportation and distribution operations in Ohio, and gas gathering and processing activities primarily in West Virginia, Ohio and Pennsylvania. Dominion Gas principal wholly-owned subsidiaries are DTI, East Ohio and Dominion Iroquois. DTI is an interstate natural gas transmission pipeline company serving a broad mix of customers such as local gas distribution companies, marketers, interstate and intrastate pipelines, electric power generators and natural gas producers. The DTI system links to other major pipelines and markets in the mid-Atlantic, Northeast, and Midwest including Dominion s Cove Point pipeline. DTI also operates one of the largest underground natural gas storage systems in the U.S. and is a producer and supplier of NGLs. East Ohio is a regulated natural gas distribution operation serving residential, commercial and industrial gas sales and transportation customers. Its service territory includes Cleveland, Akron, Canton, Youngstown and other eastern and western Ohio communities. Dominion Iroquois holds a 24.72% noncontrolling partnership interest in Iroquois, a FERC-regulated interstate natural gas pipeline in New York and Connecticut. All of Dominion Gas membership interests are owned by Dominion.

Amounts and information disclosed for Dominion are inclusive of Virginia Power and/or Dominion Gas, where applicable.

Employees

At December 31, 2015, Dominion had approximately 14,700 full-time employees, of which approximately 5,300 employees are subject to collective bargaining agreements. At December 31, 2015, Virginia Power had approximately 6,800 full-time employees, of which approximately 3,100 employees are subject to collective bargaining agreements. At December 31, 2015, Dominion Gas had approximately 2,800 full-time employees, of which approximately 2,000 employees are subject to collective bargaining agreements.

Where You Can Find More Information About the Companies

The Companies file their annual, quarterly and current reports, proxy statements and other information with the SEC. Their SEC filings are available to the public over the Internet at the SEC s website at http://www.sec.gov. You may also read and copy any document they file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

The Companies make their SEC filings available, free of charge, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, through Dominion s internet website, http://www.dom.com, as soon as reasonably practicable after filing or furnishing the material to the SEC. Information contained on Dominion s website is not incorporated by reference in this report.

Acquisitions and Dispositions

Following are significant acquisitions and divestitures by the Companies during the last five years.

Proposed Acquisition of Questar

Under the terms of the Questar Combination announced in February 2016, upon closing, Dominion has agreed to pay Questar s shareholders approximately $4.4 billion in cash as well as assume Questar s outstanding debt. Subject to receipt of Questar shareholder and any required regulatory approvals and meeting closing conditions, Dominion targets closing by the end of 2016. See Note 3 to the Consolidated Financial Statements and *Liquidity and Capital Resources* in Item 7. MD&A for additional information.

Acquisition of Wholly-Owned Merchant Solar Projects

Throughout 2015, Dominion completed the acquisition of various wholly-owned merchant solar projects in California and Virginia for $381 million. The projects are expected to cost approximately $588 million to construct, including the initial acquisition cost, and are expected to generate approximately 182 MW.

Throughout 2014, Dominion completed the acquisition of various wholly-owned solar development projects in California for $200 million. The projects cost $578 million to construct, including the initial acquisition cost, and generate approximately 179 MW.

See Note 3 to the Consolidated Financial Statements for additional information.

Acquisition of Non-Wholly-Owned Merchant Solar Projects

In 2015, Dominion acquired 50% of the units in Four Brothers and Three Cedars from SunEdison for $107 million. The projects are expected to cost approximately $1.2 billion to construct, including the initial acquisition cost. The facilities are expected to begin commercial operations in the third quarter of 2016, generating approximately 530 MW. See Note 3 to the Consolidated Financial Statements for additional information.

Sale of Interest in Merchant Solar Projects

In September 2015, Dominion signed an agreement to sell a noncontrolling interest (consisting of 33% of the equity interests) in all of its then wholly-owned merchant solar projects, 24 solar projects totaling approximately 425 MW, to SunEdison for approximately $300 million. In December 2015, the sale of interest in 15 of the solar projects closed for $184 million with the sale of interest in the remaining projects completed in January 2016. See Note 3 to the Consolidated Financial Statements for additional information.

Dominion Midstream Acquisition of Interest in Iroquois

In September 2015, Dominion Midstream acquired from NG and NJNR a 25.93% noncontrolling partnership interest in Iroquois. The investment was recorded at $216 million based on the value of Dominion Midstream s common units at closing. The common units issued to NG and NJNR are reflected as noncontrolling interest in Dominion s Consolidated Financial Statements. See Note 3 to the Consolidated Financial Statements for additional information.

Acquisition of DCG

In January 2015, Dominion completed the acquisition of 100% of the equity interests of DCG from SCANA Corporation for $497 million in cash, as adjusted for working capital. In April 2015, Dominion contributed DCG to Dominion Midstream. See Note 3 to the Consolidated Financial Statements for additional information.

Sale of Electric Retail Energy Marketing Business

In March 2014, Dominion completed the sale of its electric retail energy marketing business. The proceeds were $187 million, net of transaction costs. The sale of the electric retail energy marketing business did not qualify for discontinued operations classification. See Note 3 to the Consolidated Financial Statements for additional information.

Sale of Pipelines and Pipeline Systems

In March 2014, Dominion Gas sold the Northern System to an affiliate that subsequently sold the Northern System to Blue Racer for consideration of $84 million. Dominion Gas consideration consisted of $17 million in cash proceeds and the extinguishment of affiliated current borrowings of $67 million and Dominion s consideration consisted of cash proceeds of $84 million.

In September 2013, DTI sold Line TL-388 to Blue Racer for $75 million in cash proceeds.

In December 2012, East Ohio sold two pipeline systems to an affiliate for consideration of $248 million. East Ohio s consideration consisted of $61 million in cash proceeds and the extinguishment of affiliated long-term debt of $187 million and Dominion s consideration consisted of a 50% interest in Blue Racer and cash proceeds of $115 million.

See Note 9 to the Consolidated Financial Statements for additional information on sales of pipelines and pipeline systems.

Assignments of Shale Development Rights

In March 2015, Dominion Gas and a natural gas producer closed on an amendment to a December 2013 agreement, which included the immediate conveyance of approximately 9,000 acres of Marcellus Shale development rights and a two-year extension of the term of the original agreement. The conveyance of development rights resulted in the recognition of $43 million of previously deferred revenue. Also in March 2015, Dominion Gas conveyed to a natural gas producer approximately 11,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields and received proceeds of $27 million and an overriding royalty interest in gas produced from the acreage. In September 2015, Dominion Gas closed on an agreement with a natural gas producer to convey approximately 16,000 acres of Utica and Point Pleasant Shale development rights underneath one of its natural gas storage fields. The agreement provided for a payment to Dominion Gas, subject to customary adjustments, of $52 million and an overriding royalty interest in gas produced from the acreage.

In November 2014, Dominion Gas closed an agreement with a natural gas producer to convey over time approximately 24,000 acres of Marcellus Shale development rights underneath one of its natural gas storage fields. The agreement provides for payments to Dominion Gas, subject to customary adjustments, of approximately $120 million over a period of four years, and an overriding royalty interest in gas produced from the acreage.

In December 2013, Dominion Gas closed on agreements with two natural gas producers to convey over time approximately 100,000 acres of Marcellus Shale development rights underneath several natural gas storage fields. The agreements provide for payments to Dominion Gas, subject to customary adjustments, of approximately $200 million over a period of nine years, and overriding royalty interest in gas produced from that acreage.

See Note 10 to the Consolidated Financial Statements for additional information on these sales of Marcellus acreage.

Sale of Brayton Point, Kincaid and Equity Method Investment in Elwood

In August 2013, Dominion completed the sale of Brayton Point, Kincaid and its equity method investment in Elwood to Energy Capital Partners and received proceeds of $465 million, net of transaction costs. The historical results of Brayton Point s and Kincaid s operations are included in the Corporate and Other segment and presented in discontinued operations. See Note 3 to the Consolidated Financial Statements for additional information.

Operating Segments

Dominion manages its daily operations through three primary operating segments: DVP, Dominion Generation and Dominion Energy. Dominion also reports a Corporate and Other segment, which includes its corporate, service company and other functions (including unallocated debt) and the net impact of operations that are discontinued, which is discussed in Note 3 to the Consolidated Financial Statements. In addition, Corporate and Other includes specific items attributable to Dominion s other operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Virginia Power manages its daily operations through two primary operating segments: DVP and Dominion Generation. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Dominion Gas manages its daily operations through its primary operating segment: Dominion Energy. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment s performance.

While daily operations are managed through the operating segments previously discussed, assets remain wholly-owned by the Companies and their respective legal subsidiaries.

A description of the operations included in the Companies primary operating segments is as follows:

Primary Operating Segment	Description of Operations	Dominion	Virginia Power	Dominion Gas
DVP	Regulated electric distribution	**X**	**X**	
	Regulated electric transmission	**X**	**X**	
Dominion Generation	Regulated electric fleet	**X**	**X**	
	Merchant electric fleet	**X**		
Dominion Energy	Gas transmission and storage	**X**(1)		**X**
	Gas distribution and storage	**X**		**X**
	Gas gathering and processing	**X**		**X**
	LNG import and storage	**X**		
	Nonregulated retail energy marketing(2)	**X**		

(1) *Includes remaining producer services activities.*
(2) *As a result of Dominion s decision to realign its business units effective for 2015 year-end reporting, nonregulated retail energy marketing operations were moved from the Dominion Generation segment to the Dominion Energy segment. See Note 25 to the Consolidated Financial Statements for additional information.*

For additional financial information on operating segments, including revenues from external customers, see Note 25 to the Consolidated Financial Statements. For additional information on operating revenue related to the Companies principal products and services, see Notes 2 and 4 to the Consolidated Financial Statements, which information is incorporated herein by reference.

DVP

The DVP Operating Segment of Dominion and Virginia Power includes Virginia Power s regulated electric transmission and distribution (including customer service) operations, which serve approximately 2.5 million residential, commercial, industrial and governmental customers in Virginia and North Carolina.

DVP s existing five-year investment plan includes spending approximately $7.7 billion from 2016 through 2020 to upgrade or add new transmission and distribution lines, substations and other facilities to meet growing electricity demand within its service territory and maintain reliability. The proposed electric delivery infrastructure projects are intended to address both continued customer growth and increases in electricity consumption by the typical consumer. In addition, data centers continue to contribute to anticipated demand growth.

Revenue provided by electric distribution operations is based primarily on rates established by state regulatory authorities and state law. Variability in earnings is driven primarily by changes in rates, weather, customer growth and other factors impacting consumption such as the economy and energy conservation, in addition to operating and maintenance expenditures. Operationally, electric distribution continues to focus on improving service levels while striving to reduce costs and link investments to operational results. SAIDI performance results, excluding major events, were 120 minutes at the end of 2015, up from the three-year average of 113 minutes, due to increased weather related outages. Virginia Power s overall customer satisfaction, however, improved year over year when compared to its 2014 score in the South Large segment of J.D. Power and Associates rankings. In the future, safety, electric service reliability and customer service will remain key focus areas for electric distribution.

Revenue provided by Virginia Power s electric transmission operations is based primarily on rates approved by FERC. The profitability of this business is dependent on its ability, through the rates it is permitted to charge, to recover costs and earn a reasonable return on its capital investments. Variability in earnings primarily results from changes in rates and the timing of property additions, retirements and depreciation.

Virginia Power is a member of PJM, an RTO, and its electric transmission facilities are integrated into PJM wholesale electricity markets. Consistent with the increased authority given to NERC by EPACT, Virginia Power s electric transmission operations are committed to meeting NERC standards, modernizing its infrastructure and maintaining superior system reliability. Virginia Power s electric transmission operations will continue to focus on safety, operational performance, NERC compliance and execution of PJM s RTEP.

Competition

DVP Operating Segment Dominion and Virginia Power

There is no competition for electric distribution service within Virginia Power s service territory in Virginia and North Carolina and no such competition is currently permitted. Historically, since its electric transmission facilities are integrated into PJM and electric transmission services are administered by PJM, there was no competition in relation to transmission service provided to customers within the PJM region. However, competition from non-incumbent PJM transmission owners for development, construction and ownership of certain transmission facilities in Virginia Power s service territory is now permitted pursuant to FERC Order 1000, subject to state and local siting and permitting approvals. This could result in additional competition to build transmission lines in Virginia Power s service area in the future and could allow Dominion to seek opportunities to build facilities in other service territories.

Regulation

DVP Operating Segment Dominion and Virginia Power

Virginia Power s electric retail service, including the rates it may charge to jurisdictional customers, is subject to regulation by the Virginia and North Carolina Commissions. Virginia Power s wholesale electric transmission rates, tariffs and terms of service are subject to regulation by FERC. Electric transmission siting authority remains the jurisdiction of the Virginia and North Carolina Commissions. However, EPACT provides FERC with certain backstop authority for transmission siting. See *State Regulations and Federal Regulations* in *Regulation* and Note 13 to the Consolidated Financial Statements for additional information, including a discussion of the February 2015 amendment to the Regulation Act and the 2015 Biennial Review Order.

Properties

DVP Operating Segment Dominion and Virginia Power

Virginia Power has approximately 6,500 miles of electric transmission lines of 69 kV or more located in the states of North Carolina, Virginia and West Virginia. Portions of Virginia Power s electric transmission lines cross national parks and forests under permits entitling the federal government to use, at specified charges, any surplus capacity that may exist in these lines. While Virginia Power owns and maintains its electric transmission facilities, they are a part of PJM, which coordinates the planning, operation, emergency assistance and exchange of capacity and energy for such facilities.

As a part of PJM s RTEP process, PJM authorized the following material reliability projects (including Virginia Power s estimated cost):

Surry-to-Skiffes Creek-to-Whealton ($150 million);
Dooms-to-Lexington ($112 million);
Cunningham-to-Elmont ($106 million);
Landstown voltage regulation ($70 million);
Warrenton (including Remington CT-to-Warrenton, Vint Hill-to-Wheeler-to-Gainesville, and Vint Hill and Wheeler switching stations) ($105 million);

Carolina-to-Kerr Dam ($58 million);
Remington/Gordonsville/Pratts Area Improvement (including Remington-to-Gordonsville, and new Gordonsville substation transformer) ($104 million);
Kings Dominion-to-Fredericksburg ($51 million); and
Cunningham-to-Dooms ($110 million).

Over the next 5 years, Virginia Power plans to increase transmission substation physical security and to invest in a new system operations center. Virginia Power expects to invest $300 million-$400 million during that time to strengthen its electrical system to better protect critical equipment, enhance its spare equipment process and create multiple levels of security.

In addition, Virginia Power s electric distribution network includes approximately 57,300 miles of distribution lines, exclusive of service level lines, in Virginia and North Carolina. The grants for most of its electric lines contain rights-of-way that have been obtained from the apparent owners of real estate, but underlying titles have not been examined. 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, where permission to operate can be revoked.

Virginia legislation in 2014 provides for the recovery of costs, subject to approval by the Virginia Commission, for Virginia Power to move approximately 4,000 miles of electric distribution lines underground. The program, designed to reduce restoration outage time, has an annual investment cap of approximately $175 million and is expected to be implemented over the next decade. In December 2015, Virginia Power re-filed its application with the Virginia Commission seeking approval to place its most outage-prone overhead distribution lines underground as part of the initial phase of this program.

Sources of Energy Supply

DVP Operating Segment Dominion and Virginia Power

DVP s supply of electricity to serve Virginia Power customers is produced or procured by Dominion Generation. See *Dominion Generation* for additional information.

Seasonality

DVP Operating Segment Dominion and Virginia Power

DVP s earnings vary seasonally as a result of the impact of changes in temperature, the impact of storms and other catastrophic weather events, and the availability of alternative sources for heating on demand by residential and commercial customers. Generally, the demand for electricity peaks during the summer and winter months to meet cooling and heating needs. An increase in heating degree days for DVP s electric utility-related operations does not produce the same increase in revenue as an increase in cooling degree days, due to seasonal pricing differentials and because alternative heating sources are more readily available.

Dominion Generation

The Dominion Generation Operating Segment of Virginia Power includes the generation operations of the Virginia Power regulated electric utility and its related energy supply operations. Virginia Power s utility generation operations primarily serve the

supply requirements for the DVP segment s utility customers. *The Dominion Generation Operating Segment of Dominion* includes Virginia Power s generation facilities and its related energy supply operations as well as the generation operations of Dominion s merchant fleet and energy marketing and price risk management activities for these assets.

Dominion Generation s existing five-year electric utility investment plan includes spending approximately $8.0 billion from 2016 through 2020 to construct new generation capacity to meet growing electricity demand within its utility service territory and to continue to replace coal-fired generating capacity with less carbon-intensive natural gas and solar. The most significant project currently under construction is Brunswick County, which is estimated to cost approximately $1.2 billion, excluding financing costs. See *Properties* and *Environmental Strategy* for additional information on this and other utility projects.

In addition, Dominion s merchant fleet has acquired and developed numerous renewable generation projects, which include a fuel cell generation facility in Connecticut and solar generation facilities in California, Indiana, Georgia, Tennessee, Utah and Connecticut. The output of these facilities is sold under long-term power purchase agreements with terms generally ranging from 15 to 25 years. See Note 3 to the Consolidated Financial Statements for additional information regarding certain solar projects.

Earnings for the *Dominion Generation Operating Segment of Virginia Power* primarily result from the sale of electricity generated by its utility fleet. Revenue is based primarily on rates established by state regulatory authorities and state law. Approximately 80% of revenue comes from serving Virginia jurisdictional customers. Base rates for the Virginia jurisdiction are set using a modified cost-of-service rate model, and are generally designed to allow an opportunity to recover the cost of providing utility service and earn a reasonable return on investments used to provide that service. Earnings variability may arise when revenues are impacted by factors not reflected in current rates, such as the impact of weather on customers demand for services. Likewise, earnings may reflect variations in the timing or nature of expenses as compared to those contemplated in current rates, such as labor and benefit costs, capacity expenses, and the timing, duration and costs of scheduled and unscheduled outages. The cost of fuel and purchased power is generally collected through fuel cost-recovery mechanisms established by regulators and does not materially impact net income. The cost of new generation facilities is generally recovered through rate adjustment clauses in Virginia. Variability in earnings from rate adjustment clauses reflects changes in the authorized ROE and the carrying amount of these facilities, which are largely driven by the timing and amount of capital investments, as well as depreciation. See *Electric Regulation in Virginia* under *Regulation* and Note 13 to the Consolidated Financial Statements for additional information.

The Dominion Generation Operating Segment of Dominion derives its earnings primarily from the sale of electricity generated by Virginia Power s utility and Dominion s merchant generation assets, as well as from associated capacity and ancillary services. Variability in earnings provided by Dominion s nonrenewable merchant fleet relates to changes in market-based prices received for electricity and capacity. Market-based prices for electricity are largely dependent on commodity prices, primarily natural gas, and

Table of Contents

the demand for electricity, which is primarily dependent upon weather. Capacity prices are dependent upon resource requirements in relation to the supply available (both existing and new) in the forward capacity auctions, which are held approximately three years in advance of the associated delivery year. Dominion manages the electric price volatility of its merchant fleet by hedging a substantial portion of its expected near-term energy sales with derivative instruments. Variability also results from changes in the cost of fuel consumed, labor and benefits and the timing, duration and costs of scheduled and unscheduled outages.

Competition

Dominion Generation Operating Segment Dominion and Virginia Power

Virginia Power s generation operations are not subject to significant competition as only a limited number of its Virginia jurisdictional electric utility customers have retail choice. See *Regulation-State Regulations-Electric* for more information. Currently, North Carolina does not offer retail choice to electric customers.

Dominion Generation Operating Segment Dominion

Dominion Generation s recently acquired and developed renewable generation projects are not subject to significant competition as the output from these facilities is primarily sold under long-term power purchase agreements with terms generally lasting between 15 and 25 years. Competition for the nonrenewable merchant fleet is impacted by electricity and fuel prices, new market entrants, construction by others of generating assets and transmission capacity, technological advances in power generation, the actions of environmental and other regulatory authorities and other factors. These competitive factors may negatively impact the merchant fleet s ability to profit from the sale of electricity and related products and services.

Unlike Dominion Generation s regulated generation fleet, its nonrenewable merchant generation fleet is dependent on its ability to operate in a competitive environment and does not have a predetermined rate structure that provides for a rate of return on its capital investments. Dominion Generation s nonrenewable merchant assets operate within functioning RTOs and primarily compete on the basis of price. Competitors include other generating assets bidding to operate within the RTOs. These RTOs have clearly identified market rules that ensure the competitive wholesale market is functioning properly. Dominion Generation s nonrenewable merchant units compete in the wholesale market with other generators to sell a variety of products including energy, capacity and ancillary services. It is difficult to compare various types of generation given the wide range of fuels, fuel procurement strategies, efficiencies and operating characteristics of the fleet within any given RTO. However, Dominion applies its expertise in operations, dispatch and risk management to maximize the degree to which its nonrenewable merchant fleet is competitive compared to similar assets within the region.

Regulation

Dominion Generation Operating Segment Dominion and Virginia Power

Virginia Power s utility generation fleet and Dominion s merchant generation fleet are subject to regulation by FERC, the

NRC, the EPA, the DOE, the Army Corps of Engineers and other federal, state and local authorities. Virginia Power s utility generation fleet is also subject to regulation by the Virginia Commission and the North Carolina Commission. See *Regulation, Future Issues and Other Matters* in Item 7. MD&A and Notes 13 and 22 to the Consolidated Financial Statements for more information.

The Clean Power Plan and related proposed rules discussed represent a significant regulatory development affecting this segment. See *Future Issues and Other Matters* in Item 7. MD&A.

Properties

For a listing of Dominion s and Virginia Power s existing generation facilities, see Item 2. Properties.

Dominion Generation Operating Segment Dominion and Virginia Power

The generation capacity of Virginia Power s electric utility fleet totals approximately 20,000 MW. The generation mix is diversified and includes coal, nuclear, gas, oil, hydro, renewables and power purchase agreements. Virginia Power s generation facilities are located in Virginia, West Virginia and North Carolina and serve load in Virginia and northeastern North Carolina.

Virginia Power is developing, financing and constructing new generation capacity to meet growing electricity demand within its service territory. Significant projects under construction or development are set forth below:

In August 2013, the Virginia Commission authorized the construction of Brunswick County, which is estimated to cost approximately $1.2 billion, excluding financing costs. Construction of the facility commenced in the third quarter of 2013 with commercial operations expected to begin in mid-2016. Brunswick County is expected to offset the expected reduction in capacity caused by the retirement of coal-fired units at Chesapeake in December 2014 and at Yorktown as early as 2017, primarily due to the cost of compliance with MATS.

Virginia Power has filed for approval to construct certain solar facilities in Virginia. See Note 13 to the Consolidated Financial Statements for more information.

Virginia Power is considering the construction of a third nuclear unit at a site located at North Anna. See Note 13 to the Consolidated Financial Statements for more information on this project.

The BOEM auctioned approximately 113,000 acres of federal land off the Virginia coast as a single lease for construction of offshore wind turbines. Virginia Power was awarded the lease, effective November 1, 2013. The BOEM has several lease milestones with which Virginia Power must comply as conditions to being awarded the lease.

Virginia Power is also considering the development of a commercial offshore wind generation project through a federal land lease off the Virginia coast. Virginia Power and several partners are collaborating to develop a 12 MW offshore wind demonstration project, which is proposed to be located approximately 24 miles off the coast of Virginia. In May 2014, the DOE selected the Virginia Offshore Wind Technology Advancement project as one of three projects to receive up to $47 million of follow-on funding. This project may be operational as early as the end of 2018, pending regulatory approvals.

Table of Contents

Subject to the receipt of certain regulatory approvals, Virginia Power plans to construct and operate Greensville County and related transmission interconnection facilities. If the project is approved, commercial operations are expected to commence in late 2018, at an estimated cost of approximately $1.3 billion, excluding financing costs.

Dominion Generation Operating Segment Dominion

The generation capacity of Dominion s merchant fleet totals approximately 4,300 MW. The generation mix is diversified and includes nuclear, natural gas and renewables. Merchant non-renewable generation facilities are located in Connecticut, Pennsylvania and Rhode Island, with a majority of that capacity concentrated in New England. Dominion s merchant renewable generation facilities include a fuel cell generation facility in Connecticut, solar generation facilities in Indiana, Georgia, California, Tennessee, Utah and Connecticut, and wind generation facilities in Indiana and West Virginia. Additional solar projects under construction are as set forth below:

In June 2015, Dominion acquired 50% of the units in Four Brothers from SunEdison for $64 million of consideration. Four Brothers purpose is to develop and operate four solar projects located in Utah, which will produce and sell electricity and renewable energy credits. The projects are expected to cost approximately $730 million to construct, including the initial acquisition cost. The facilities are expected to begin commercial operations in the third quarter of 2016, generating approximately 320 MW.

In September 2015, Dominion acquired 50% of the units in Three Cedars from SunEdison for $43 million of consideration. Three Cedars purpose is to develop and operate three solar projects located in Utah, which will produce and sell electricity and renewable energy credits. The projects are expected to cost approximately $425 million to construct. The facilities are expected to begin commercial operations in the third quarter of 2016, generating approximately 210 MW.

In November 2015, Dominion acquired 100% of the equity interests of the Eastern Shore Solar project in Virginia from Community Energy, Inc. for $34 million. The project is expected to cost approximately $212 million once constructed, including the initial acquisition cost. The facility is expected to begin commercial operations in October 2016 and generate approximately 80 MW.

Sources of Energy Supply

Dominion Generation Operating Segment Dominion and Virginia Power

Dominion Generation uses a variety of fuels to power its electric generation and purchases power for utility system load requirements and to satisfy physical forward sale requirements, as described below. Some of these agreements have fixed commitments and are included as contractual obligations in *Future Cash Payments for Contractual Obligations and Planned Capital Expenditures* in Item 7. MD&A.

Nuclear Fuel Dominion Generation primarily utilizes long-term contracts to support its nuclear fuel requirements. Worldwide market conditions are continuously evaluated to ensure a range of supply options at reasonable prices which are dependent

on the market environment. Current agreements, inventories and spot market availability are expected to support current and planned fuel supply needs. Additional fuel is purchased as required to ensure optimal cost and inventory levels.

Fossil Fuel Dominion Generation primarily utilizes natural gas and coal in its fossil fuel plants. All recent fossil fuel plant construction for Dominion Generation, with the exception of the Virginia City Hybrid Energy Center, involves natural gas generation.

Dominion Generation s natural gas and oil supply is obtained from various sources including purchases from major and independent producers in the Mid-Continent and Gulf Coast regions, purchases from local producers in the Appalachian area and Marcellus and Utica regions, purchases from gas marketers and withdrawals from underground storage fields owned by Dominion or third parties. Dominion Generation manages a portfolio of natural gas transportation contracts (capacity) that provides for reliable natural gas deliveries to its gas turbine fleet, while minimizing costs.

Dominion Generation s coal supply is obtained through long-term contracts and short-term spot agreements from domestic suppliers.

Biomass Dominion Generation s biomass supply is obtained through long-term contracts and short-term spot agreements from local suppliers.

Purchased Power Dominion Generation purchases electricity from the PJM spot market and through power purchase agreements with other suppliers to provide for utility system load requirements.

Dominion Generation also occasionally purchases electricity from the PJM and ISO-NE spot markets to satisfy physical forward sale requirements as part of its merchant generation operations.

Dominion Generation Operating Segment Virginia Power

Presented below is a summary of Virginia Power s actual system output by energy source:

Source	**2015**	2014	2013
Nuclear[1]	**30%**	33%	33%
Purchased power, net	**15**	19	21
Coal[2]	**26**	30	29
Natural gas	**23**	15	16
Other[3]	**6**	3	1
Total	**100%**	100%	100%

(1) Excludes ODEC s 11.6% ownership interest in North Anna.
(2) Excludes ODEC s 50.0% ownership interest in the Clover power station. The average cost of coal for 2015 Virginia in-system generation was $31.29 per MWh.
(3) Includes oil, hydro, biomass and solar.

SEASONALITY

Dominion Generation Operating Segment Dominion and Virginia Power

Sales of electricity for Dominion Generation typically vary seasonally as a result of the impact of changes in temperature and the availability of alternative sources for heating on demand by residential and commercial customers. See *DVP-Seasonality* above for additional considerations that also apply to Dominion Generation.

14

Table of Contents

Nuclear Decommissioning

Dominion Generation Operating Segment Dominion and Virginia Power

Virginia Power has a total of four licensed, operating nuclear reactors at Surry and North Anna in Virginia.

Decommissioning involves the decontamination and removal of radioactive contaminants from a nuclear power station once operations have ceased, in accordance with standards established by the NRC. Amounts collected from ratepayers are placed into trusts and are invested to fund the expected future costs of decommissioning the Surry and North Anna units.

Virginia Power believes that the decommissioning funds and their expected earnings for the Surry and North Anna units will be sufficient to cover expected decommissioning costs, particularly when combined with future ratepayer collections and contributions to these decommissioning trusts, if such future collections and contributions are required. This reflects the long-term investment horizon, since the units will not be decommissioned for decades, and a positive long-term outlook for trust fund investment returns. Virginia Power will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirements, which may include, if needed, the use of parent company guarantees, surety bonding or other financial instruments recognized by the NRC.

The estimated cost to decommission Virginia Power s four nuclear units is reflected in the table below and is primarily based upon site-specific studies completed in 2014. These cost studies are generally completed every four to five years. The current cost estimates assume decommissioning activities will begin shortly after cessation of operations, which will occur when the operating licenses expire. Virginia Power expects to decommission the Surry and North Anna units during the period 2032 to 2078.

Dominion Generation Operating Segment Dominion

In addition to the four nuclear units discussed above, Dominion has two licensed, operating nuclear reactors at Millstone in Connecticut. A third Millstone unit ceased operations before Dominion acquired the power station. In May 2013, Dominion ceased operations at its single unit Kewaunee in Wisconsin and commenced decommissioning activities using the SAFSTOR methodology. The planned decommissioning completion date is 2073, which is within the NRC allowed 60-year window.

As part of Dominion s acquisition of both Millstone and Kewaunee, it acquired decommissioning funds for the related units. Any funds remaining in Kewaunee s trust after decommissioning is completed are required to be refunded to Wisconsin ratepayers. Dominion believes that the amounts currently available in the decommissioning trusts and their expected earnings will be sufficient to cover expected decommissioning costs for the Millstone and Kewaunee units. Dominion will continue to monitor these trusts to ensure they meet the NRC minimum financial assurance requirements, which may include, if needed, the use of parent company guarantees, surety bonding or other financial instruments recognized by the NRC. The estimated cost to decommission Dominion s eight units is reflected in the table below and is primarily based upon site-specific studies completed for Surry, North Anna and Millstone in 2014 and for Kewaunee in 2013.

The estimated decommissioning costs and license expiration dates for the nuclear units owned by Dominion and Virginia Power are shown in the following table:

	NRC license expiration year	Most recent cost estimate	Funds in trusts at December 31, 2015	2015 contributions to trusts

(dollars in millions)		(2015 dollars)(1)		
Surry				
Unit 1	**2032**	**$ 588**	**$ 551**	**$ 0.6**
Unit 2	**2033**	**608**	**543**	**0.6**
North Anna				
Unit 1(2)	**2038**	**503**	**439**	**0.4**
Unit 2(2)	**2040**	**515**	**412**	**0.3**
Total (Virginia Power)		**2,214**	**1,945**	**1.9**
Millstone				
Unit 1(3)	**N/A**	**369**	**444**	
Unit 2	**2035**	**552**	**570**	
Unit 3(4)	**2045**	**669**	**563**	
Kewaunee				
Unit 1(5)	**N/A**	**494**	**661**	
Total (Dominion)		**$ 4,298**	**$ 4,183**	**$ 1.9**

(1) The cost estimates shown above reflect reductions for the expected future recovery of certain spent fuel costs based on Dominion s and Virginia Power s contracts with the DOE for disposal of spent nuclear fuel consistent with the reductions reflected in Dominion s and Virginia Power s nuclear decommissioning AROs.
(2) North Anna is jointly owned by Virginia Power (88.4%) and ODEC (11.6%). However, Virginia Power is responsible for 89.26% of the decommissioning obligation. Amounts reflect 89.26% of the decommissioning cost for both of North Anna s units.
(3) Unit 1 permanently ceased operations in 1998, before Dominion s acquisition of Millstone.
(4) Millstone Unit 3 is jointly owned by Dominion Nuclear Connecticut, with a 6.53% undivided interest in Unit 3 owned by Massachusetts Municipal and Green Mountain. Decommissioning cost is shown at Dominion s ownership percentage. At December 31, 2015, the minority owners held $35 million of trust funds related to Millstone Unit 3 that are not reflected in the table above.
(5) Permanently ceased operations in 2013.

Also see Note 14 and Note 22 to the Consolidated Financial Statements for further information about AROs and nuclear decommissioning, respectively, and Note 9 for information about nuclear decommissioning trust investments.

Dominion Energy

The Dominion Energy Operating Segment of Dominion Gas includes the majority of Dominion s regulated natural gas operations. DTI, the gas transmission pipeline and storage business, serves gas distribution businesses and other customers in the Northeast, mid-Atlantic and Midwest. Included in the transmission pipeline and storage business is gas gathering and processing activity, which includes the sale of extracted products at market rates. As discussed further under *Properties and Investments*, Dominion Gas has requested approval from FERC to transfer these gathering and processing assets from DTI to another wholly-owned subsidiary of Dominion Gas. East Ohio, the primary gas distribution business of Dominion, serves residential, commercial and industrial gas sales, transportation and gathering service customers. Dominion Iroquois holds a 24.72% noncontrolling partnership interest in

Table of Contents

Iroquois, which provides service to local gas distribution companies, electric utilities and electric power generators, as well as marketers and other end users, through interconnecting pipelines and exchanges primarily in New York.

Earnings for the *Dominion Energy Operating Segment of Dominion Gas* primarily result from rates established by FERC and the Ohio Commission. The profitability of this business is dependent on Dominion Gas ability, through the rates it is permitted to charge, to recover costs and earn a reasonable return on its capital investments. Variability in earnings results from changes in operating and maintenance expenditures, as well as changes in rates and the demand for services, which are dependent on weather, changes in commodity prices and the economy.

Approximately 96% of the transmission capacity under contract on DTI s pipeline is subscribed with long-term contracts (two years or greater). The remaining 4% is contracted on a year-to-year basis. Less than 1% of firm transportation capacity is currently unsubscribed. Less than 1% of storage services are unsubscribed. All contracted storage is subscribed with long-term contracts.

Revenue from processing and fractionation operations largely results from the sale of commodities at market prices. For DTI s processing plants, Dominion Gas receives the wet gas product from producers and may retain the extracted NGLs as compensation for its services. This exposes Dominion Gas to commodity price risk for the value of the spread between the NGL products and natural gas. In addition, Dominion Gas has volumetric risk as customers receiving these services are not required to deliver minimum quantities of gas.

East Ohio utilizes a straight-fixed-variable rate design for a majority of its customers. Under this rate design, East Ohio recovers a large portion of its fixed operating costs through a flat monthly charge accompanied by a reduced volumetric base delivery rate. Accordingly, East Ohio s revenue is less impacted by weather-related fluctuations in natural gas consumption than under the traditional rate design.

In addition to the operations of Dominion Gas, *the Dominion Energy Operating Segment of Dominion* also includes LNG operations, Hope s gas distribution operations in West Virginia, and nonregulated retail natural gas marketing, as well as Dominion s investments in the Blue Racer joint venture, Atlantic Coast Pipeline and Dominion Midstream. See *Properties and Investments* below for additional information regarding the Atlantic Coast Pipeline investment. Dominion s LNG operations involve the import and storage of LNG at Cove Point and the transportation of regasified LNG to the interstate pipeline grid and mid-Atlantic and Northeast markets. Dominion has received DOE and FERC approval to export LNG from Cove Point and has begun construction on a bi-directional facility, which will be able to import LNG and vaporize it as natural gas and liquefy natural gas and export it as LNG. See Note 22 to the Consolidated Financial Statements for more information.

In 2014, Dominion formed Dominion Midstream, an MLP initially consisting of a preferred equity interest in Cove Point. See *General* above for more information. Also see *Acquisitions and Dispositions* above and Note 3 to the Consolidated Financial Statements for a description of Dominion s acquisition of DCG, which Dominion contributed to Dominion Midstream in April 2015, as well as Dominion Midstream s acquisition of an additional partnership interest in Iroquois in September 2015.

Blue Racer concentrates on building and operating new gathering, processing, fractionation and NGL transportation assets as the development of the Utica Shale formation increases. Dominion has contributed or sold various assets to the joint venture. See Note 9 to the Consolidated Financial Statements for more information.

Dominion Energy s existing five-year investment plan includes spending approximately $7.3 billion from 2016 through 2020 to upgrade existing infrastructure or add new pipelines to meet growing energy needs within its service territory and maintain reliability. Demand for natural gas is expected to continue to grow as the Clean Power Plan and other initiatives to transition to gas from more carbon-intensive fuels are implemented. This plan includes spending for the Atlantic Coast Pipeline Project and approximately $1.4 billion, exclusive of financing costs, for the Liquefaction Project.

In addition to the earnings drivers noted above for Dominion Gas, earnings for the *Dominion Energy Operating Segment of Dominion* primarily include the results of rates established by FERC and the West Virginia Commission. Additionally, Dominion Energy receives revenue from firm fee-based contractual arrangements, including negotiated rates, for certain LNG storage and regasification services. Hope s gas distribution operations in West Virginia serve residential, commercial and industrial gas sales, transportation and gathering service customers. Revenue provided by Hope s operations is based primarily on rates established by the West Virginia Commission. DCG s revenues are primarily derived from reservation charges for firm transportation services as provided for in its FERC approved tariff. The profitability of these businesses is dependent on their ability, through the rates they are permitted to charge, to recover costs and earn a reasonable return on their capital investments. Variability in earnings results from changes in operating and maintenance expenditures, as well as changes in rates and the demand for services, which are dependent on weather, changes in commodity prices and the economy. The processing and fractionation operations within Dominion Energy s Blue Racer joint venture are primarily managed under long-term fee-based contracts, which minimizes direct commodity price risk. However, commodity prices do impact customer demand for Blue Racer s services.

Dominion s retail energy marketing operations compete in nonregulated energy markets. In March 2014, Dominion completed the sale of its electric retail energy marketing business; however, it still participates in the retail natural gas and energy-related products and services businesses. The remaining customer base includes approximately 1.3 million customer accounts. Dominion has a heavy concentration of natural gas customers in markets where utilities have a long-standing commitment to customer choice, primarily in the states of Ohio and Pennsylvania.

Competition

Dominion Energy Operating Segment Dominion and Dominion Gas

Dominion Gas natural gas transmission operations compete with domestic and Canadian pipeline companies. Dominion Gas also competes with gas marketers seeking to provide or arrange transportation, storage and other services. Alternative energy sources, such as oil or coal, provide another level of competition. Although competition is based primarily on price, the array of services that can be provided to customers is also an important factor. The combination of capacity rights held on certain long-line pipelines, a large storage capability and the availability of numerous receipt and delivery points along its own pipeline system enable Dominion to tailor its services to meet the needs of individual customers.

DTI s processing and fractionation operations face competition in obtaining natural gas supplies for its processing and related services. Numerous factors impact any given customer s choice of processing services provider, including the location of the facilities, efficiency and reliability of operations, and the pricing arrangements offered.

In Ohio, there has been no legislation enacted to require supplier choice for natural gas distribution consumers. However, East Ohio has offered an Energy Choice program to residential and commercial customers since October 2000. East Ohio has since taken various steps approved by the Ohio Commission toward exiting the merchant function, including restructuring its commodity service and placing Energy Choice-eligible customers in a direct retail relationship with participating suppliers. Further, in April 2013, East Ohio fully exited the merchant function for its nonresidential customers, which are now required to choose a retail supplier or be assigned to one at a monthly variable rate set by the supplier. At December 31, 2015, approximately 1 million of East Ohio s 1.2 million Ohio customers were participating in the Energy Choice program.

Dominion Energy Operating Segment Dominion

For Hope, West Virginia does not allow customers to choose their provider in its retail natural gas markets at this time. See *Regulation-State Regulations-Gas* for additional information.

Cove Point s gas transportation, LNG import and storage operations, as well as the Liquefaction Project s capacity are contracted primarily under long-term fixed reservation fee agreements. However, in the future Cove Point may compete with other independent terminal operators as well as major oil and gas companies on the basis of terminal location, services provided and price. Competition from terminal operators primarily comes from refiners and distribution companies with marketing and trading arms.

DCG s pipeline system generates a substantial portion of its revenue from long-term firm contracts for transportation services and is therefore insulated from competitive factors during the terms of the contracts. When these long-term contracts expire, DCG s pipeline system faces competitive pressures from similar facilities that serve the South Carolina and southeastern Georgia area in terms of location, rates, terms of service, and flexibility and reliability of service.

Dominion s retail energy marketing operations compete against incumbent utilities and other energy marketers in nonregulated energy markets for natural gas. Customers in these markets have the right to select a retail marketer and typically do so based upon price savings or price stability; however, incumbent utilities have the advantage of long-standing relationships with their customers and greater name recognition in their markets.

REGULATION

Dominion Energy Operating Segment Dominion and Dominion Gas

Dominion Gas natural gas transmission, storage, processing and gathering operations are regulated primarily by FERC. East Ohio s gas distribution operations, including the rates that it may charge to customers, are regulated by the Ohio Commission. See *State Regulations* and *Federal Regulations* in *Regulation* for more information.

Dominion Energy Operating Segment Dominion

Cove Point s and DCG s operations are regulated primarily by FERC. Hope s gas distribution operations, including the rates that it may charge customers, are regulated by the West Virginia Commission. See *State Regulations* and *Federal Regulations* in *Regulation* for more information.

PROPERTIES AND INVESTMENTS

For a description of Dominion s and Dominion Gas existing facilities see Item 2. Properties.

Dominion Energy Operating Segment Dominion and Dominion Gas

Dominion Gas has the following significant projects under construction or development to better serve customers or expand its service offerings within its service territory.

In July 2013, East Ohio signed long-term precedent agreements with two customers to move 320,000 Dths per day of processed gas from the outlet of new gas processing facilities in Ohio to interconnections with multiple interstate pipelines. The first phase of the Western Access project provides system enhancements to facilitate the movement of processed gas over East Ohio s system. The initial phase of the project was completed in the fourth quarter of 2014 and cost approximately $85 million. During the second and third quarters of 2014, East Ohio executed long-term precedent agreements with customers for 450,000 Dths per day of service to new interconnects with interstate pipelines. This second phase of the Western Access project will expand the number of interstate pipelines to which East Ohio will deliver processed gas to four. East Ohio commenced service to the Western Access II project customers in January 2016 at a cost of approximately $130 million.

In September 2014, DTI announced its intent to construct and operate the Supply Header project which is expected to cost approximately $500 million and provide 1,500,000 Dths per day of firm transportation service to various customers. In October 2014, DTI requested authorization to use FERC s pre-filing process. The application to request FERC authorization to construct and operate the project facilities was filed in September 2015, with the facilities expected to be in service in the fourth quarter of 2018. In December 2014, DTI entered into a precedent agreement with Atlantic Coast Pipeline for the Supply Header project.

In June 2014, DTI executed binding precedent agreements with two power generators for the Leidy South project. In November 2014, one of the power generators assigned a portion of its capacity to an affiliate, bringing the total number of project customers to three. The project is expected to cost approximately

$210 million and provide 155,000 Dths per day of firm transportation service from Clinton County, Pennsylvania to Loudoun County, Virginia. The application to request FERC authorization to construct and operate the project facilities was filed in May 2015. Service under the 20-year contracts is expected to commence in the fourth quarter of 2017.

During the second quarter of 2014, DTI executed a binding precedent agreement with a customer for the Monroe-to-Cornwell project. The project is expected to cost approximately $70 million and provide 205,000 Dths per day of firm transportation service from Monroe County, Ohio to an interconnect near Cornwell, West Virginia. In December 2015, DTI received FERC authorization to construct, operate and maintain the project facilities, which are expected to be in service in the fourth quarter of 2016. Construction is expected to commence in March 2016.

In the first quarter of 2014, DTI executed a binding precedent agreement for the Lebanon West II project. The project is expected to cost approximately $112 million and provide 130,000 Dths per day of firm transportation service from Butler County, Pennsylvania to an interconnect with Texas Gas Pipeline in Lebanon, Ohio. In November 2015, DTI received FERC authorization to construct, operate and maintain the project facilities, which are expected to be in service in the fourth quarter of 2016. Construction commenced in January 2016.

In September 2013, DTI executed binding precedent agreements with several local distribution company customers for the New Market project. The project is expected to cost approximately $159 million and provide 112,000 Dths per day of firm transportation service from Leidy, Pennsylvania to interconnects with Iroquois and Niagara Mohawk Power Corporation s distribution system in the Albany, New York market. In June 2014, DTI filed an application to request FERC authorization to construct, operate and maintain the project facilities, which are expected to be in service in the fourth quarter of 2016.

In October 2013, DTI executed a binding precedent agreement with CNX Gas Company LLC for the Clarington project. The project is expected to cost approximately $78 million and provide 250,000 Dths per day of firm transportation service from central West Virginia to Clarington, Ohio. In August 2015, DTI received FERC authorization to construct, operate and maintain the project facilities. Construction commenced in December 2015. The project is expected to be placed into service in the fourth quarter of 2016.

In 2008, East Ohio began PIR, aimed at replacing approximately 4,100 miles of its pipeline system at a cost of $2.7 billion. In 2011, approval was obtained to include an additional 1,450 miles and to increase annual capital investment to meet the program goal. The program will replace approximately 25% of the pipeline system and is anticipated to take place over a total of 25 years.

In October 2015, DTI filed an application with FERC seeking authority to abandon by sale its gathering and processing facilities to Dominion Gathering and Processing, Inc., a newly-formed wholly-owned subsidiary of Dominion Gas. Pending approval by FERC, these gathering and processing facilities with a carrying value of approximately $430 million are expected to be transferred in 2016.

Dominion Energy Operating Segment Dominion

Dominion has the following significant projects under construction or development.

Cove Point Dominion is pursuing the Liquefaction Project, which would enable Cove Point to liquefy domestically-produced natural gas for export as LNG. The DOE previously authorized Dominion to export LNG to countries with free trade agreements. In September 2013, the DOE authorized Dominion to export LNG from Cove Point to non-free trade agreement countries.

In May 2014, the FERC staff issued its EA for the Liquefaction Project. In the EA, the FERC staff addressed a variety of topics related to the proposed construction and development of the Liquefaction Project and its potential impact to the environment, and determined that with the implementation of appropriate mitigation measures, the Liquefaction Project can be built and operated safely with no significant impact to the environment. In September 2014, Cove Point received the FERC order authorizing the Liquefaction Project with certain conditions. The conditions regarding the Liquefaction Project set forth in the FERC order largely incorporate the mitigation measures proposed in the EA. In October 2014, Cove Point commenced construction of the Liquefaction Project, with an in-service date anticipated in late 2017. The Cove Point facility is authorized to export at a rate of 770 million cubic feet of natural gas per day for a period of 20 years.

In April 2013, Dominion announced it had fully subscribed the capacity of the project with 20-year terminal service agreements. ST Cove Point, LLC, a joint venture of Sumitomo Corporation, a Japanese corporation that is one of the world s leading trading companies, and Tokyo Gas Co., Ltd., a Japanese corporation that is the largest natural gas utility in Japan, and GAIL Global (USA) LNG LLC, a wholly-owned indirect U.S. subsidiary of GAIL (India) Ltd., have each contracted for half of the capacity. Following completion of the front-end engineering and design work, Dominion also announced it had awarded its EPC contract for new liquefaction facilities to IHI/Kiewit Cove Point, a joint venture between IHI E&C International Corporation and Kiewit Energy Company.

Cove Point has historically operated as an LNG import facility under various long-term import contracts. Since 2010, Dominion has renegotiated certain existing LNG import contracts in a manner that will result in a significant reduction in pipeline and storage capacity utilization and associated anticipated revenues during the period from 2017 through 2028. Such amendments created the opportunity for Dominion to explore the Liquefaction Project, which, assuming it becomes operational, will extend the economic life of Cove Point and contribute to Dominion s overall growth plan. In total, these renegotiations reduced Cove Point s expected annual revenues from the import-related contracts by approximately $150 million from 2017 through 2028, partially offset by approximately $50 million of additional revenues in the years 2013 through 2017.

In 2014, DCG executed binding precedent agreements with three customers for the Transco-to-Charleston project. The project is expected to cost approximately $120 million, and provide 80,000 Dths per day of firm transportation service from an existing interconnect with Transcontinental Gas Pipe Line Company, LLC in Spartanburg County, South Carolina to customers in Dillon, Marlboro, Sumter, Charleston, Lexington and Richland counties, South Carolina. In July 2015, DCG requested authorization to utilize FERC s pre-filing process. DCG expects to file the application to request FERC authorization to construct and operate the project facilities in the first quarter of 2016. The project is expected to be placed into service in the fourth quarter of 2017.

Dominion Energy Equity Method Investments In September 2015, Dominion, through Dominion Midstream, acquired an additional 25.93% interest in Iroquois. Dominion Gas holds a 24.72% interest with TransCanada holding a 44.48% interest and TEN Transmission Company holding a 4.87% interest. Iroquois owns and operates a 416-mile FERC regulated interstate natural gas pipeline providing service to local gas distribution companies, electric utilities and electric power generators, as well as marketers and other end users, through interconnecting pipelines and exchanges. Iroquois pipeline extends from the U.S.-Canadian border at Waddington, New York through the state of Connecticut to South Commack, Long Island, New York and continuing on from Northport, Long Island, New York through the Long Island Sound to Hunts Point, Bronx, New York. See Note 9 to the Consolidated Financial Statements for further information about Dominion s equity method investment in Iroquois.

In September 2014, Dominion, along with Duke Energy, Piedmont and AGL, announced the formation of Atlantic Coast Pipeline. The members, which are subsidiaries of the above-referenced parent companies, hold the following membership interests: Dominion, 45%; Duke Energy, 40%; Piedmont, 10%; and AGL, 5%. In October 2015, Duke Energy entered into a merger agreement with Piedmont. The Atlantic Coast Pipeline partnership agreement includes provisions to allow Dominion an option to purchase additional ownership interest in Atlantic Coast Pipeline to maintain a leading ownership percentage. Atlantic Coast Pipeline is focused on constructing an approximately 600-mile natural gas pipeline running from West Virginia through Virginia to North Carolina, which has a total expected cost of $4.5 billion to $5.0 billion, excluding financing costs. In October 2014, Atlantic Coast Pipeline requested approval from FERC to utilize the pre-filing process under which environmental review for the natural gas pipeline project will commence. It filed its FERC application in September 2015 and expects to be in service in late 2018. The project is subject to FERC, state and other federal approvals. See Note 9 to the Consolidated Financial Statements for further information about Dominion s equity method investment in Atlantic Coast Pipeline.

In December 2012, Dominion formed Blue Racer with Caiman to provide midstream services to natural gas producers operating in the Utica Shale region in Ohio and portions of Pennsylvania. Blue Racer is an equal partnership between Dominion and Caiman, with Dominion contributing midstream assets and Caiman contributing private equity capital. Midstream services offered by Blue Racer include gathering, processing, fractionation, and natural gas liquids transportation and marketing. Blue Racer is expected to leverage Dominion s existing presence in the Utica region with significant additional new capacity designed to meet producer needs as the development of the Utica Shale formation increases. See Note 9 to the Consolidated Financial Statements for further information about Dominion s equity method investment in Blue Racer.

Sources of Energy Supply

Dominion s and Dominion Gas natural gas supply is obtained from various sources including purchases from major and independent producers in the Mid-Continent and Gulf Coast regions, local producers in the Appalachian area and gas marketers. Dominion s and Dominion Gas large underground natural gas storage network and the location of their pipeline systems are a significant link between the country s major interstate gas pipelines and large markets in the Northeast and mid-Atlantic regions. Dominion s and Dominion Gas pipelines are part of an interconnected gas transmission system, which provides access to supplies nationwide for local distribution companies, marketers, power generators and industrial and commercial customers.

Dominion s and Dominion Gas underground storage facilities play an important part in balancing gas supply with consumer demand and are essential to serving the Northeast, mid-Atlantic and Midwest regions. In addition, storage capacity is an important element in the effective management of both gas supply and pipeline transmission capacity.

The supply of gas to serve Dominion s retail energy marketing customers is procured through market wholesalers or by Dominion Energy.

Seasonality

Dominion Energy s natural gas distribution business earnings vary seasonally, as a result of the impact of changes in temperature on demand by residential and commercial customers for gas to meet heating needs. Historically, the majority of these earnings have been generated during the heating season, which is generally from November to March; however, implementation of the straight-fixed-variable rate design at East Ohio has reduced the earnings impact of weather-related fluctuations. Demand for services at Dominion s pipeline and storage business can also be weather sensitive. Earnings are also impacted by changes in commodity prices driven by seasonal weather changes, the effects of unusual weather events on operations and the economy.

The earnings of Dominion s retail energy marketing operations also vary seasonally. Generally, the demand for gas peaks during the winter months to meet heating needs.

Corporate and Other

Corporate and Other Segment Virginia Power and Dominion Gas

Virginia Power s and Dominion Gas Corporate and Other segments primarily include certain specific items attributable to their operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Corporate and Other Segment Dominion

Dominion s Corporate and Other segment includes its corporate, service company and other functions (including unallocated debt) and the net impact of operations that are discontinued, which is discussed in Note 3 and Note 25 to the Consolidated Financial Statements. In addition, Corporate and Other includes specific items attributable to Dominion s operating segments that are not included in profit measures evaluated by executive management in assessing the segments performance or allocating resources among the segments.

Table of Contents

REGULATION

The Companies are subject to regulation by various federal, state and local authorities, including the Virginia Commission, North Carolina Commission, Ohio Commission, West Virginia Commission, Maryland Commission, SEC, FERC, EPA, DOE, NRC, Army Corps of Engineers, and the Department of Transportation.

State Regulations

ELECTRIC

Virginia Power s electric utility retail service is subject to regulation by the Virginia Commission and the North Carolina Commission.

Virginia Power holds CPCNs which authorize it to maintain and operate its electric facilities now in operation and to sell electricity to customers. However, Virginia Power may not construct generating facilities or large capacity transmission lines without the prior approval of various state and federal government agencies. In addition, the Virginia Commission and the North Carolina Commission regulate Virginia Power s transactions with affiliates, transfers of certain facilities and the issuance of certain securities.

Electric Regulation in Virginia

The Regulation Act enacted in 2007 instituted a cost-of-service rate model, ending Virginia s planned transition to retail competition for electric supply service to most classes of customers.

The Regulation Act authorizes stand-alone rate adjustment clauses for recovery of costs for new generation projects, FERC-approved transmission costs, underground distribution lines, environmental compliance, conservation and energy efficiency programs and renewable energy programs, and also contains statutory provisions directing Virginia Power to file annual fuel cost recovery cases with the Virginia Commission. As amended, it provides for enhanced returns on capital expenditures on specific newly-proposed generation projects.

If the Virginia Commission s future rate decisions, including actions relating to Virginia Power s rate adjustment clause filings, differ materially from Virginia Power s expectations, it may adversely affect its results of operations, financial condition and cash flows.

Regulation Act Legislation

In February 2015, the Virginia Governor signed legislation into law which will keep Virginia Power s base rates unchanged until at least December 1, 2022. In addition, no biennial reviews will be conducted by the Virginia Commission for the five successive 12-month test periods beginning January 1, 2015, and ending December 31, 2019. The legislation states that Virginia Power s 2015 biennial review, filed in March 2015, would proceed for the sole purpose of reviewing and determining whether any refunds are due to customers based on earnings performance for generation and distribution services during the 2013 and 2014 test periods. In addition the legislation requires the Virginia Commission to conduct proceedings in 2017 and 2019 to determine the utility s ROE for use in connection with rate adjustment clauses and requires utilities to file integrated resource plans annually rather than biennially. However, in November 2015, the Virginia Commission ordered testimony, briefs and separate bifurcated

hearing in Virginia Power s currently pending Rider B, Rider R, Rider S and Rider W cases on whether the Virginia Commission can adjust the ROE applicable to these rate adjustment clauses prior to 2017. The legislation also required Virginia Power to write-off $85 million of prior-period deferred fuel costs during the first quarter of 2015. In addition, the legislation required the Virginia Commission to implement a fuel rate reduction for Virginia Power as soon as practicable based on this non-recovery as well as any over-recovery for the 2014-2015 fuel year and projected fuel expense for the 2015-2016 fuel year. The legislation also deems the construction or purchase of one or more utility-scale solar facilities located in Virginia up to 500 MW in total to be in the public interest.

2015 Biennial Review

Pursuant to the Regulation Act, in March 2015, Virginia Power filed its base rate case and schedules for the Virginia Commission s 2015 biennial review of Virginia Power s rates, terms and conditions. Per legislation enacted in February 2015, this biennial review was limited to reviewing Virginia Power s earnings on rates for generation and distribution services for the combined 2013 and 2014 test period, and determining whether credits are due to customers in the event Virginia Power s earnings exceeded the earnings band determined in the 2013 Biennial Review Order. In November 2015, the Virginia Commission issued the 2015 Biennial Review Order.

After deciding several contested regulatory earnings adjustments, the Virginia Commission ruled that Virginia Power earned on average an ROE of approximately 10.89% on its generation and distribution services for the combined 2013 and 2014 test periods. Because this ROE was more than 70 basis points above Virginia Power s authorized ROE of 10.0%, the Virginia Commission ordered that approximately $20 million in excess earnings be credited to customer bills based on usage in 2013 and 2014 over a six-month period beginning within 60 days of the 2015 Biennial Review Order. Based upon 2015 legislation keeping Virginia Power s base rates unchanged until at least December 1, 2022, the Virginia Commission did not order certain existing rate adjustment clauses to be combined with Virginia Power s base rates. The Virginia Commission did not determine whether Virginia Power had a revenue deficiency or sufficiency when projecting the annual revenues generated by base rates to the revenues required to recover costs of service and earn a fair return. In December 2015, a group of large industrial customers filed notices of appeal with the Supreme Court of Virginia from both the 2015 Biennial Review Order and the Virginia Commission s order denying their petition for rehearing or reconsideration. This appeal is pending.

See Note 13 to the Consolidated Financial Statements for additional information.

Electric Regulation in North Carolina

Virginia Power s retail electric base rates in North Carolina are regulated on a cost-of-service/rate-of-return basis subject to North Carolina statutes and the rules and procedures of the North Carolina Commission. North Carolina base rates are set by a process that allows Virginia Power to recover its operating costs and an ROIC. If retail electric earnings exceed the authorized ROE established by the North Carolina Commission, retail electric rates may be subject to review and possible reduction by the North Carolina Commission, which may decrease Virginia Power s future earnings. Additionally, if the North Carolina Commission does not allow recovery of costs incurred in providing service on a timely basis, Virginia Power s future earnings could be negatively impacted. Fuel rates are subject to revision under annual fuel cost adjustment proceedings.

Virginia Power s transmission service rates in North Carolina are regulated by the North Carolina Commission as part of Virginia Power s bundled retail service to North Carolina customers. In March 2012, Virginia Power filed an application with the North Carolina Commission to increase base non-fuel revenues with January 1, 2013 as the proposed effective date for the permanent rate revision. In December 2012, the North Carolina Commission approved a $36 million increase in Virginia Power s annual non-fuel base revenues based on an authorized ROE of 10.2%, and a $14 million decrease in annual base fuel revenues for a combined total base revenue increase of $22 million. These rate changes became effective on January 1, 2013. Following an appeal to the Supreme Court of North Carolina, the North Carolina Commission issued an opinion reaffirming its 10.2% ROE determination in July 2015.

In August 2015, Virginia Power submitted its annual filing to the North Carolina Commission to adjust the fuel component of its electric rates. Virginia Power proposed an $11 million decrease to the fuel component of its electric rates for the rate year beginning January 1, 2016. This decrease includes the North Carolina Commission s previous approval to defer recovering 50% of Virginia Power s estimated $17 million jurisdictional deferred fuel balance to the 2016 fuel year, without interest. In December 2015, the North Carolina Commission approved Virginia Power s proposed fuel charge adjustment.

See Note 13 to the Consolidated Financial Statements for additional information.

Gas

East Ohio s natural gas distribution services, including the rates it may charge its customers, are regulated by the Ohio Commission. Hope s natural gas distribution services are regulated by the West Virginia Commission.

Gas Regulation in Ohio

East Ohio is subject to regulation of rates and other aspects of its business by the Ohio Commission. When necessary, East Ohio seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost of service by rate class. A straight-fixed-variable rate design, in which the majority of operating costs are recovered through a monthly charge rather than a volumetric charge, is utilized to establish rates for a majority of East Ohio s customers pursuant to a 2008 rate case settlement which included an authorized ROE of 10.38%.

In addition to general base rate increases, East Ohio makes routine filings with the Ohio Commission to reflect changes in the costs of gas purchased for operational balancing on its system. These purchased gas costs are subject to rate recovery through a mechanism that ensures dollar for dollar recovery of prudently incurred costs. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The rider filings cover

unrecovered gas costs plus prospective annual demand costs. Increases or decreases in gas cost rider rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

The Ohio Commission has also approved several stand-alone cost recovery mechanisms to recover specified costs and a return for infrastructure projects and certain other costs that vary widely over time; such costs are excluded from general base rates. See Note 13 to the Consolidated Financial Statements for additional information.

Gas Regulation in West Virginia

Dominion s gas distribution subsidiary is subject to regulation of rates and other aspects of its business by the West Virginia Commission. When necessary, Hope seeks general base rate increases to recover increased operating costs and a fair return on rate base investments. Base rates are set based on the cost of service by rate class. Base rates for Hope are designed primarily based on rate design methodology in which the majority of operating costs are recovered through volumetric charges.

In addition to general rate increases, Hope makes routine separate filings with the West Virginia Commission to reflect changes in the costs of purchased gas. The majority of these purchased gas costs are subject to rate recovery through a mechanism that ensures dollar for dollar recovery of prudently incurred costs. Costs that are expected to be recovered in future rates are deferred as regulatory assets. The purchased gas cost recovery filings generally cover a prospective twelve-month period. Approved increases or decreases in gas cost recovery rates result in increases or decreases in revenues with corresponding increases or decreases in net purchased gas cost expenses.

Legislation was passed in West Virginia authorizing a stand-alone cost recovery mechanism to recover specified costs and a return for infrastructure upgrades, replacements and expansions between general base rate cases.

Status of Competitive Retail Gas Services

Both of the states in which Dominion and Dominion Gas have gas distribution operations have considered legislation regarding a competitive deregulation of natural gas sales at the retail level.

Ohio Since October 2000, East Ohio has offered the Energy Choice program, under which residential and commercial customers are encouraged to purchase gas directly from retail suppliers or through a community aggregation program. In October 2006, East Ohio restructured its commodity service by entering into gas purchase contracts with selected suppliers at a fixed price above the New York Mercantile Exchange month-end settlement and passing that gas cost to customers under the Standard Service Offer program. Starting in April 2009, East Ohio buys natural gas under the Standard Service Offer program only for customers not eligible to participate in the Energy Choice program and places Energy Choice-eligible customers in a direct retail relationship with selected suppliers, which is designated on the customers bills.

In January 2013, the Ohio Commission granted East Ohio s motion to fully exit the merchant function for its nonresidential customers, beginning in April 2013, which requires those customers to choose a retail supplier or be assigned to one at a monthly variable rate set by the supplier. At December 31, 2015, approximately 1.0 million of Dominion Gas 1.2 million Ohio customers were participating in the Energy Choice program. Subject to the Ohio Commission s approval, East Ohio may eventually exit the gas merchant function in Ohio entirely and have all customers select an alternate gas supplier. East Ohio continues to be the provider of last resort in the event of default by a supplier. Large industrial customers in Ohio also source their own natural gas supplies.

West Virginia At this time, West Virginia has not enacted legislation allowing customers to choose providers in the retail natural gas markets served by Hope. However, the West Virginia Commission has issued regulations to govern pooling services, one of the tools that natural gas suppliers may utilize to provide retail customers a choice in the future and has issued rules requiring competitive gas service providers to be licensed in West Virginia.

Federal Regulations

FEDERAL ENERGY REGULATORY COMMISSION

Electric

Under the Federal Power Act, FERC regulates wholesale sales and transmission of electricity in interstate commerce by public utilities. Virginia Power purchases and sells electricity in the PJM wholesale market and Dominion s merchant generators sell electricity in the PJM, MISO, CAISO and ISO-NE wholesale markets, and to wholesale purchasers in the states of Tennessee, Georgia, California and Utah, under Dominion s market-based sales tariffs authorized by FERC. In addition, Virginia Power has FERC approval of a tariff to sell wholesale power at capped rates based on its embedded cost of generation. This cost-based sales tariff could be used to sell to loads within or outside Virginia Power s service territory. Any such sales would be voluntary.

Dominion and Virginia Power are subject to FERC s Standards of Conduct that govern conduct between transmission function employees of interstate gas and electricity transmission providers and the marketing function employees of their affiliates. The rule defines the scope of transmission and marketing-related functions that are covered by the standards and is designed to prevent transmission providers from giving their affiliates undue preferences.

Dominion and Virginia Power are also subject to FERC s affiliate restrictions that (1) prohibit power sales between Virginia Power and Dominion s merchant plants without first receiving FERC authorization, (2) require the merchant plants and Virginia Power to conduct their wholesale power sales operations separately, and (3) prohibit Virginia Power from sharing market information with merchant plant operating personnel. The rules are designed to prohibit Virginia Power from giving the merchant plants a competitive advantage.

EPACT included provisions to create an ERO. The ERO is required to promulgate mandatory reliability standards governing the operation of the bulk power system in the U.S. FERC has certified NERC as the ERO and also issued an initial order approving many reliability standards that went into effect in 2007. Entities that violate standards will be subject to fines of up to $1 million per day, per violation and can also be assessed non-monetary penalties, depending upon the nature and severity of the violation.

Dominion and Virginia Power plan and operate their facilities in compliance with approved NERC reliability requirements. Dominion and Virginia Power employees participate on various NERC committees, track the development and implementation of standards, and maintain proper compliance registration with NERC s regional organizations. Dominion and Virginia Power anticipate incurring additional compliance expenditures over the next several years as a result of the implementation of new cybersecurity programs as well as efforts to ensure appropriate facility ratings for Virginia Power s transmission lines. In October 2010, NERC issued an industry alert identifying possible discrepancies between the design and actual field conditions of transmission facilities as a potential reliability issue. The alert recommends that entities review their current facilities rating methodology to verify that the methodology is based on actual field conditions, rather than solely on design documents, and to take corrective action if necessary. Virginia Power has evaluated its transmission facilities for any discrepancies between design and actual field conditions and has taken necessary corrective actions. In addition, NERC has redefined critical assets which expanded the number of assets subject to NERC reliability standards, including cybersecurity assets. While Dominion and Virginia Power expect to incur additional compliance costs in connection with the above NERC requirements and initiatives, such expenses are not expected to significantly affect results of operations.

In April 2008, FERC granted an application for Virginia Power s electric transmission operations to establish a forward-looking formula rate mechanism that updates transmission rates on an annual basis and approved an ROE of 11.4%, effective as of January 1, 2008. The formula rate is designed to recover the expected revenue requirement for each calendar year and is updated based on actual costs. The FERC-approved formula method, which is based on projected costs, allows Virginia Power to earn a current return on its growing investment in electric transmission infrastructure.

Gas

FERC regulates the transportation and sale for resale of natural gas in interstate commerce under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978, as amended. Under the Natural Gas Act, FERC has authority over rates, terms and conditions of services performed by DTI, DCG, Iroquois and certain services performed by Cove Point. Pursuant to FERC s February 2014 approval of DTI s uncontested settlement offer, DTI s base rates for storage and transportation services are subject to a moratorium through the end of 2016. The design, construction and operation of Cove Point s LNG facility, including associated natural gas pipelines, the Liquefaction Project and the import and export of LNG are also regulated by FERC.

Dominion Gas interstate gas transmission and storage activities are conducted on an open access basis, in accordance with certificates, tariffs and service agreements on file with FERC and FERC regulations.

Dominion Gas operates in compliance with FERC standards of conduct, which prohibit the sharing of certain non-public transmission information or customer specific data by its interstate gas transmission and storage companies with non-transmission function employees. Pursuant to these standards of conduct, Dominion Gas also makes certain informational postings available on Dominion s website.

See Note 13 to the Consolidated Financial Statements for additional information.

Safety Regulations

Dominion Gas is also subject to the Pipeline Safety Improvement Act of 2002 and the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, which mandate inspections of interstate and intrastate natural gas transmission and storage pipelines, particularly those located in areas of high-density population. Dominion Gas has evaluated its natural gas transmission and storage properties, as required by the Department of Transportation regulations under these Acts, and has implemented a program of identification, testing and potential remediation activities. These activities are ongoing.

The Companies are subject to a number of federal and state laws and regulations, including Occupational Safety and Health Administration, and comparable state statutes, whose purpose is to protect the health and safety of workers. The Companies have an internal safety, health and security program designed to monitor and enforce compliance with worker safety requirements, which is routinely reviewed and considered for improvement. The Companies believe that they are in material compliance with all applicable laws and regulations related to worker health and safety. Nothwithstanding these preventive measures, incidents may occur that are outside of the Companies control.

Environmental Regulations

Each of the Companies operating segments faces substantial laws, regulations and compliance costs with respect to environmental matters. In addition to imposing continuing compliance obligations, these laws and regulations authorize the imposition of substantial penalties for noncompliance, including fines, injunctive relief and other sanctions. The cost of complying with applicable environmental laws, regulations and rules is expected to be material to the Companies. There are significant new regulations affecting Dominion s electric generation and gas businesses in the Clean Power Plan and NSPS regulating methane and VOC emissions, respectively. If expenditures for GHG emissions reductions and pollution control technologies and associated operating costs are not recoverable from customers through regulated rates (in regulated businesses) or market prices (in unregulated businesses), those costs could adversely affect future results of operations and cash flows. The Companies have applied for or obtained the necessary environmental permits for the operation of their facilities. Many of these permits are subject to reissuance and continuing review. For a discussion of significant aspects of these matters, including current and planned capital expenditures relating to environmental compliance required to be discussed in this Item, see *Environmental Matters* in *Future Issues and Other Matters* in Item 7. MD&A, which information is incorporated herein by reference. Additional information can also be found in Item 3. Legal Proceedings and Note 22 to the Consolidated Financial Statements, which information is incorporated herein by reference.

GLOBAL CLIMATE CHANGE

The national and international attention in recent years on GHG emissions and their relationship to climate change has resulted in federal, regional and state legislative and regulatory action in this area. See, for example, the discussion of the Clean Power Plan

and the United Nation s Paris Agreement in *Environmental Matters* in *Future Issues and Other Matters* in Item 7. MD&A. The Companies support national climate change legislation that would provide a consistent, economy-wide approach to addressing this issue and are currently taking action to protect the environment and address climate change while meeting the growing needs of their service territory. The Companies are actively developing plans to comply with new Clean Power Plan and NSPS regulations for new and existing electric generating sources and its natural gas business. Dominion s CEO and operating segment CEOs are responsible for compliance with the laws and regulations governing environmental matters, including climate change, and Dominion s Board of Directors receives periodic updates on these matters. See *Environmental Strategy* below*, Environmental Matters* in *Future Issues and Other Matters* in Item 7. MD&A and Note 22 to the Consolidated Financial Statements for information on climate change legislation and regulation, which information is incorporated herein by reference.

WATER

The CWA is a comprehensive program requiring a broad range of regulatory tools including a permit program to authorize and regulate discharges to surface waters with strong enforcement mechanisms. Dominion must comply with applicable aspects of the CWA programs at its operating facilities.

Threatened And Endangered Species

The Endangered Species Act establishes prohibitions on activities that can result in harm of specific species of plants and animals. In some cases those prohibitions could result in impacts to the viability of projects or requirements for capital expenditures to reduce a facility s impacts on a species.

Nuclear Regulatory Commission

All aspects of the operation and maintenance of Dominion s and Virginia Power s nuclear power stations are regulated by the NRC. Operating licenses issued by the NRC are subject to revocation, suspension or modification, and the 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 facilities. If the NRC adopts such requirements in the future, it could result in substantial increases in the cost of operating and maintaining Dominion s and Virginia Power s nuclear generating units. See Note 22 to the Consolidated Financial Statements for further information.

The NRC also requires Dominion and Virginia Power to decontaminate their nuclear facilities once operations cease. This process is referred to as decommissioning, and Dominion and Virginia Power are required by the NRC to be financially prepared. For information on decommissioning trusts, see *Dominion Generation-Nuclear Decommissioning* above and Note 9 to the Consolidated Financial Statements. See Note 22 to the Consolidated Financial Statements for information on spent nuclear fuel.

Table of Contents

ENVIRONMENTAL STRATEGY

Environmental stewardship is embedded in the Companies culture and core values and is the responsibility of all employees. They are committed to working with their stakeholders to find sustainable solutions to the energy and environmental challenges that confront our company and our nation. It is the Companies belief that sustainable solutions must balance the interdependent goals of environmental stewardship and economic prosperity. Their integrated strategy to meet this objective consists of four major elements:

- Compliance with applicable environmental laws, regulations and rules;
- Conservation and load management;
- Renewable generation development; and
- Improvements in other energy infrastructure, including natural gas operations.

This strategy incorporates the Companies efforts to voluntarily reduce GHG emissions, which are described below. See *Dominion Generation-Properties* and *Dominion Energy-Properties* for more information on certain of the projects described below.

Environmental Compliance

The Companies remain committed to compliance with applicable environmental laws, regulations and rules related to their operations. As part of their commitment to compliance with such laws, Dominion and Virginia Power have sold or closed a number of coal-fired generation units over the past several years, and have plans to close additional units in the future. A significant recent development in environmental regulation was the EPA s issuance in August 2015 of final carbon standards for existing fossil fuel power plants known as the Clean Power Plan, which involves coordination with the states on specific plans to reduce carbon emissions to specified levels. In February 2016, the U.S. Supreme Court stayed the Clean Power Plan pending resolution of litigation challenging the regulations. Additional information related to these and other of the Companies environmental compliance matters can be found in *Operating Segments* and *Future Issues and Other Matters* in Item 7. MD&A and in Notes 3, 6 and 22 to the Consolidated Financial Statements.

Conservation and Load Management

Conservation and load management play a significant role in meeting the growing demand for electricity. The Regulation Act provides incentives for energy conservation through the implementation of conservation programs. Additional legislation

in 2009 added definitions of peak-shaving and energy efficiency programs, and allowed for a margin on operating expenses and recovery of revenue reductions related to energy efficiency programs.

Virginia Power s DSM programs, implemented with Virginia Commission approval, provide important incremental steps in assisting customers to reduce energy consumption through programs that include energy audits and incentives for customers to upgrade or install certain energy efficient measures and/or systems. The DSM programs began in Virginia in 2010 and in North Carolina in 2011. Currently, there are residential and non-residential DSM programs active in the two states. Virginia Power continues to evaluate opportunities to redesign current DSM programs and develop new DSM initiatives in Virginia and North Carolina.

In Ohio, East Ohio offers three DSM programs, approved by the Ohio Commission, designed to help customers reduce their energy consumption.

Virginia Power continues to upgrade meters to AMI, also referred to as smart meters, in areas throughout Virginia. The AMI meter upgrades are part of an ongoing project that will help Virginia Power further evaluate the effectiveness of AMI meters in monitoring voltage stability, remotely turning off and on electric service, power outage and restoration detection and reporting, remote daily meter readings and offering dynamic rates.

Renewable Generation

Renewable energy is also an important component of a diverse and reliable energy mix. Both Virginia and North Carolina have passed legislation setting targets for renewable power. Virginia Power is committed to meeting Virginia s goals of 12% of base year electric energy sales from renewable power sources by 2022, and 15% by 2025, and North Carolina s Renewable Portfolio Standard of 12.5% by 2021 and plans to add utility solar capacity in Virginia.

See *Operating Segments* and Item 2. Properties for additional information, including Dominion s merchant solar properties.

Improvements in Other Energy Infrastructure

Virginia Power s existing five-year investment plan includes significant capital expenditures to upgrade or add new electric transmission and distribution lines, substations and other facilities to meet growing electricity demand within its service territory, maintain reliability and address environmental requirements. These enhancements are primarily aimed at meeting Virginia Power s continued goal of providing reliable service, and are intended to address both continued population growth and increases in electricity consumption by the typical consumer. An additional benefit will be added capacity to efficiently deliver electricity from the renewable projects now being developed or to be developed in the future. See *Properties* in Item 1., *Operating Segments, DVP* for additional information.

Dominion and Dominion Gas, in connection with their existing five-year investment plans, are also pursuing the construction or upgrade of regulated infrastructure in their natural gas businesses. See *Properties and Investments* in Item 1., *Operating Segments, Dominion Energy* for additional information, including natural gas infrastructure projects.

The Companies Strategy for Voluntarily Reducing GHG Emissions

The Companies have not established a standalone GHG emissions reduction target or timetable, but they are actively engaged in voluntary reduction efforts. The Companies have an integrated voluntary strategy for reducing GHG emission intensity with diversification as its cornerstone. The six principal components of the strategy include initiatives that address electric energy management, electric energy production, electric energy delivery and natural gas storage, transmission and delivery, as follows:

- Enhance conservation and energy efficiency programs to help customers use energy wisely and reduce environmental impacts;
- Expand the Companies renewable energy portfolio, principally wind power, solar, fuel cells and biomass, to help diversify the Companies fleet, meet state renewable energy targets and lower the carbon footprint;

- Evaluate other new generating capacity, including low emissions natural-gas fired and emissions-free nuclear units to meet customers future electricity needs;
- Construct new electric transmission infrastructure to modernize the grid, promote economic security and help deliver more green energy to population centers where it is needed most;
- Construct new natural gas infrastructure to expand availability of this cleaner fuel, to reduce emissions, and to promote energy and economic security both in the U.S. and abroad; and
- Implement and enhance voluntary methane mitigation measures through the EPA s Natural Gas Star Program.

Since 2000, Dominion and Virginia Power have tracked the emissions of their electric generation fleet, which employs a mix of fuel and renewable energy sources. Comparing annual year 2000 to annual year 2014, the entire electric generating fleet (based on ownership percentage) reduced its average CO_2 emissions rate per MWh of energy produced from electric generation by approximately 39%. Comparing annual year 2000 to annual year 2014, the regulated electric generating fleet (based on ownership percentage) reduced its average CO_2 emissions rate per MWh of energy produced from electric generation by approximately 20%. Dominion and Virginia Power do not yet have final 2015 emissions data.

Dominion also developed a comprehensive GHG inventory for calendar year 2014. For Dominion Generation, Dominion s and Virginia Power s direct CO_2 equivalent emissions, based on equity share (ownership), were 33.6 million metric tons and 30.1 million metric tons, respectively, in 2014, compared to 33.9 million metric tons and 30.2 million metric tons, respectively, in 2013. For the DVP operating segment s electric transmission and distribution operations, direct CO_2 equivalent emissions for 2014 were 75,671 metric tons, compared to 46,446 metric tons in 2013. The increase was due to new containing equipment purchased and installed to handle growth in the electric transmission and distribution system. Although emissions from the equipment increased, the leak rate has remained relatively consistent at 1.1%. For 2014, DTI s and Cove Point s direct CO_2 equivalent emissions together were 1.3 million metric tons, and Hope s and East Ohio s direct CO_2 equivalent emissions together were 0.9 million metric tons, similar to 2013. Dominion s GHG inventory follows all methodologies specified in the EPA Mandatory Greenhouse Gas Reporting Rule, 40 CFR Part 98 for calculating emissions.

CYBERSECURITY

In an effort to reduce the likelihood and severity of cyber intrusions, the Companies have a comprehensive cybersecurity program designed to protect and preserve the confidentiality, integrity and availability of data and systems. In addition, the Companies are subject to mandatory cybersecurity regulatory requirements, interface regularly with a wide range of external organizations, and participate in classified briefings to maintain an awareness of current cybersecurity threats and vulnerabilities. The Companies current security posture and regulatory compliance efforts are intended to address the evolving and changing cyber threats. See Item 1A. Risk Factors for additional information.

Item 1A. Risk Factors

The Companies businesses are influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond their control. A number of these factors have been identified below. For other factors that may cause actual results to differ materially from those indicated in any forward-looking statement or projection contained in this report, see *Forward-Looking Statements* in Item 7. MD&A.

The Companies results of operations can be affected by changes in the weather. Fluctuations in weather can affect demand for the Companies services. For example, milder than normal weather can reduce demand for electricity and gas transmission and distribution services. In addition, severe weather, including hurricanes, winter storms, earthquakes, floods and other natural disasters can disrupt operation of the Companies facilities and cause service outages, production delays and property damage that require incurring additional expenses. Changes in weather conditions can result in reduced water levels or changes in water temperatures that could adversely affect operations at some of the Companies power stations. Furthermore, the Companies operations could be adversely affected and their physical plant placed at greater risk of damage should changes in global climate produce, among other possible conditions, unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events, abnormal levels of precipitation and, for operations located on or near coastlines, a change in sea level or sea temperatures.

The rates of Dominion s and Dominion Gas gas transmission and distribution operations and Virginia Power s electric transmission, distribution and generation operations are subject to regulatory review. Revenue provided by Virginia Power s electric transmission, distribution and generation operations and Dominion s and Dominion Gas gas transmission and distribution operations is based primarily on rates approved by state and federal regulatory agencies. The profitability of these businesses is dependent on their ability, through the rates that they are permitted to charge, to recover costs and earn a reasonable rate of return on their capital investment.

Virginia Power s wholesale rates for electric transmission service are updated on an annual basis through operation of a FERC-approved formula rate mechanism. Through this mechanism, Virginia Power s wholesale rates for electric transmission reflect the estimated cost of service for each calendar year. The difference in the estimated cost of service and actual cost of service for each calendar year is included as an adjustment to the wholesale rates for electric transmission service in a subsequent calendar year. These wholesale rates are subject to FERC review and prospective adjustment in the event that customers and/or interested state commissions file a complaint with FERC and are able to demonstrate that Virginia Power s wholesale revenue requirement is no longer just and reasonable. They are also subject to retroactive corrections to the extent that the formula rate was not properly populated with the actual costs.

Similarly, various rates and charges assessed by Dominion s and Dominion Gas gas transmission businesses are subject to review by FERC. Pursuant to FERC s February 2014 approval of DTI s uncontested settlement offer, DTI s base rates for storage and transportation services are subject to a moratorium through the end of 2016. In addition, the rates of Dominion s and Dominion Gas gas distribution businesses are subject to state regulatory review in the jurisdictions in which they operate. A failure by us to support these rates could result in rate decreases from current rate levels, which could adversely affect our results of operations, cash flows and financial condition.

Virginia Power s base rates, terms and conditions for generation and distribution services to customers in Virginia are reviewed by the Virginia Commission on a biennial basis in a proceeding that involves the determination of Virginia Power s actual earned ROE during a combined two-year historic test period, and the determination of Virginia Power s authorized ROE prospectively. Under certain circumstances described in the Regulation Act, Virginia Power may be required to share a portion of its earnings with customers through a refund process.

Legislation signed by the Virginia Governor in February 2015 suspends biennial reviews for the five successive 12-month test periods beginning January 1, 2015 and ending December 31, 2019, and no changes will be made to Virginia Power s existing base rates until at least December 1, 2022. During this period, Virginia Power bears the risk of any severe weather events and natural disasters, the risk of asset impairments related to the early retirement of any generation facilities due to the implementation of the Clean Power Plan regulations, as well as an increase in general operating and financing costs, and Virginia Power may not recover its associated costs through increases to base rates. If Virginia Power incurs any such significant additional expenses during this period, Virginia Power may not be able to recover its costs and/or earn a reasonable return on capital investment, which could negatively affect Virginia Power s future earnings.

Virginia Power s retail electric base rates for bundled generation, transmission, and distribution services to customers in North Carolina are regulated on a cost-of-service/rate-of-return basis subject to North Carolina statutes, and the rules and procedures of the North Carolina Commission. If retail electric earnings exceed the returns established by the North Carolina Commission, retail electric rates may be subject to review and possible reduction by the North Carolina Commission, which may decrease Virginia Power s future earnings. Additionally, if the North Carolina Commission does not allow recovery through base rates, on a timely basis, of costs incurred in providing service, Virginia Power s future earnings could be negatively impacted.

Governmental officials, stakeholders and advocacy groups may challenge these regulatory reviews. Such challenges may lengthen the time, complexity and costs associated with such regulatory reviews.

The Companies are subject to complex governmental regulation, including tax regulation, that could adversely affect their results of operations and subject the Companies to monetary penalties. The Companies operations are subject to extensive federal, state and local regulation and require numerous permits, approvals and certificates from various governmental agencies. Such laws and regulations govern the terms and conditions of the services we offer, our relationships with affiliates, protection of our critical electric infrastructure assets and pipeline safety, among other matters. These operations are also subject to legislation governing taxation at the federal, state and local level. They must also comply with environmental legislation and associated regulations. Management believes that the necessary approvals have

been obtained for existing operations and that the business is conducted in accordance with applicable laws. The Companies businesses are subject to regulatory regimes which could result in substantial monetary penalties if any of the Companies is found not to be in compliance, including mandatory reliability standards and interaction in the wholesale markets. New laws or regulations, the revision or reinterpretation of existing laws or regulations, changes in enforcement practices of regulators, or penalties imposed for non-compliance with existing laws or regulations may result in substantial additional expense.

Dominion s and Virginia Power s generation business may be negatively affected by possible FERC actions that could change market design in the wholesale markets or affect pricing rules or revenue calculations in the RTO markets. Dominion s and Virginia Power s generation stations operating in RTO markets sell capacity, energy and ancillary services into wholesale electricity markets regulated by FERC. The wholesale markets allow these generation stations to take advantage of market price opportunities, but also expose them to market risk. Properly functioning competitive wholesale markets depend upon FERC s continuation of clearly identified market rules. From time to time FERC may investigate and authorize RTOs to make changes in market design. FERC also periodically reviews Dominion s authority to sell at market-based rates. Material changes by FERC to the design of the wholesale markets or its interpretation of market rules, Dominion s or Virginia Power s authority to sell power at market-based rates, or changes to pricing rules or rules involving revenue calculations, could adversely impact the future results of Dominion s or Virginia Power s generation business. For example, in July 2015, FERC approved changes to PJM s Reliability Pricing Model capacity market establishing a new Capacity Performance Resource product. This product offers the potential for higher capacity prices but can also impose significant economic penalties on generator owners such as Virginia Power for failure to perform during periods when electricity is in high demand. In addition, there have been changes to the interpretation and application of FERC s market manipulation rules. A failure to comply with these rules could lead to civil and criminal penalties.

The Companies infrastructure build and expansion plans often require regulatory approval before construction can commence. The Companies may not complete facility construction, pipeline, conversion or other infrastructure projects that they commence, or they may complete projects on materially different terms or timing than initially anticipated, and they may not be able to achieve the intended benefits of any such project, if completed. Several facility construction, pipeline, electric transmission line, expansion, conversion and other infrastructure projects have been announced and additional projects may be considered in the future. The Companies compete for projects with companies of varying size and financial capabilities, including some that may have competitive advantages. Commencing construction on announced and future projects may require approvals from applicable state and federal agencies, and such approvals could include mitigation costs which may be material to the Companies. Projects may not be able to be completed on time as a result of weather conditions, delays in obtaining or failure to obtain regulatory approvals, delays in obtaining key materials, labor difficulties, difficulties with partners or potential partners, a decline in the credit strength of counterparties or vendors, or other factors beyond the Companies control. Even if facility construction, pipeline, expansion, electric transmission line, conversion and other infrastructure projects are completed, the total costs of the projects may be higher than anticipated and the performance of the business of the Companies following completion of the projects may not meet expectations. Start-up and operational issues can arise in connection with the commencement of commercial operations at our facilities, including but not limited to commencement of commercial operations at our power generation facilities following expansions and fuel type conversions to natural gas and biomass. Such issues may include failure to meet specific operating parameters, which may require adjustments to meet or amend these operating parameters. Additionally, the Companies may not be able to timely and effectively integrate the projects into their operations and such integration may result in unforeseen operating difficulties or unanticipated costs. Further, regulators may disallow recovery of some of the costs of a project if they are deemed not to be prudently incurred. Any of these or other factors could adversely affect the Companies ability to realize the anticipated benefits from the facility construction, pipeline, electric transmission line, expansion, conversion and other infrastructure projects.

The development and construction of several large-scale infrastructure projects simultaneously involves significant execution risk. The Companies are currently simultaneously developing or constructing several major projects, including the Liquefaction Project, the Atlantic Coast Pipeline Project, the Supply Header project, Greensville County, Brunswick County, and multiple DTI producer outlet projects, which together help contribute to the over $23 billion in capital expenditures planned by the Companies through 2020. Several of the Companies key projects are increasingly large-scale, complex and being constructed in constrained geographic areas (for example, the Liquefaction Project) or in difficult terrain (for example, the Atlantic Coast Pipeline Project). The advancement of the Companies ventures is also affected by the interventions, litigation or other activities of stakeholder and advocacy groups, some of which oppose natural gas-related and energy infrastructure projects. For example, certain landowners and stakeholder groups oppose the Atlantic Coast Pipeline, which could impede the acquisition of rights-of-way and other land rights on a timely basis or on acceptable terms. Given that these projects provide the foundation for the Companies strategic growth plan, if the Companies are unable to obtain or maintain the required approvals, develop the necessary technical expertise, allocate and coordinate sufficient resources, adhere to budgets and timelines, effectively handle public outreach efforts, or otherwise fail to successfully execute the projects, there could be an adverse impact to the Companies financial position, results of operations and cash flows. For example, while Dominion has received the required approvals to commence construction of the Liquefaction Project from the DOE, all DOE export licenses are subject to review and possible withdrawal should the DOE conclude that such export authorization is no longer in the public interest. Failure to comply with regulatory approval conditions or an adverse ruling in any future litigation could adversely affect the Companies ability to execute its business plan.

The Companies are dependent on their contractors for the successful and timely completion of large-scale infrastructure projects. The construction of such projects is expected to take several years, is typically confined within a limited geographic area or difficult terrain and could be subject to delays, cost overruns, labor disputes and other factors that could cause the total cost of the project to exceed the anticipated amount and adversely affect the Companies financial performance and/or impair the Companies ability to execute the business plan for the project as scheduled.

Further, an inability to obtain financing or otherwise provide liquidity for the projects on acceptable terms could negatively affect the Companies financial condition, cash flows, the projects anticipated financial results and/or impair the Companies ability to execute the business plan for the projects as scheduled.

Any additional federal and/or state requirements imposed on energy companies mandating limitations on GHG emissions or requiring efficiency improvements may result in compliance costs that alone or in combination could make some of the Companies electric generation units or natural gas facilities uneconomical to maintain or operate. The Clean Power Plan is targeted at reducing CO_2 emissions from existing fossil fuel-fired power generation facilities.

Compliance with the Clean Power Plan may require increasing the energy efficiency of equipment at facilities, committing significant capital toward carbon reduction programs, purchase of allowances and/or emission rate credits, fuel switching, and/or retirement of high-emitting generation facilities and potential replacement with lower emitting generation facilities. The Clean Power Plan uses a set of measures for reducing emissions from existing sources that includes efficiency improvements at coal plants, displacing coal-fired generation with increased utilization of natural gas combined cycle units, and expanding renewable resources. Compliance with the Clean Power Plan s anticipated implementing regulations may require Virginia Power to prematurely retire certain generating facilities, with the potential lack or delay of cost recovery and higher electric rates, which could affect consumer demand. The cost of compliance with the Clean Power Plan is subject to significant uncertainties due to the outcome of several interrelated assumptions and variables, including timing of the implementation of rules, required levels of reductions, allocation requirements of the new rules, the maturation and commercialization of carbon controls and/or reduction programs, and the selected compliance alternatives. Dominion and Virginia Power cannot estimate the aggregate effect of such requirements on their results of operations, financial condition or their customers. However, such expenditures, if material, could make Dominion s and Virginia Power s generation facilities uneconomical to operate, result in the impairment of assets, or otherwise adversely affect Dominion s or Virginia Power s results of operations, financial performance or liquidity.

There are also potential impacts on Dominion s and Dominion Gas natural gas businesses as federal or state GHG regulations may require GHG emission reductions from the natural gas sector and could affect demand for natural gas. Additionally, GHG requirements could result in increased demand for energy conservation and renewable products, which could impact the natural gas businesses.

The Companies operations are subject to a number of environmental laws and regulations which impose significant compliance costs to the Companies. The Companies operations are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, natural resources, and health and safety. Compliance with these legal requirements requires the Companies to commit significant capital toward permitting, emission fees, environmental monitoring, installation and operation of environmental control equipment and purchase of allowances and/or offsets. Additionally, the Companies could be responsible for expenses relating to remediation and containment obligations, including at sites where they have been identified by a regulatory agency as a potentially responsible party. Expenditures relating to environmental compliance have been significant in the past, and the Companies expect that they will remain significant in the future. Certain facilities have become uneconomical to operate and have been shut down, converted to new fuel types or sold. These types of events could occur again in the future.

Existing environmental laws and regulations may be revised and/or new laws may be adopted or become applicable to the Companies. Risks relating to expected regulation of GHG emissions from existing fossil fuel-fired electric generating units are discussed above. In addition, further regulation of air quality and GHG emissions under the CAA will be imposed on the natural gas sector, including rules to limit methane leakage. The Companies are also subject to recently finalized federal water and waste regulations, including regulations concerning cooling water intake structures, coal combustion by-product handling and disposal practices, wastewater discharges from steam electric generating stations and the potential further regulation of polychlorinated biphenyls.

Compliance costs cannot be estimated with certainty due to the inability to predict the requirements and timing of implementation of any new environmental rules or regulations. Other factors which affect the ability to predict future environmental expenditures with certainty include the difficulty in estimating clean-up costs and quantifying liabilities under environmental laws that impose joint and several liability on all responsible parties. However, such expenditures, if material, could make the Companies facilities uneconomical to operate, result in the impairment of assets, or otherwise adversely affect the Companies results of operations, financial performance or liquidity.

Virginia Power is subject to risks associated with the disposal and storage of coal ash. Virginia Power historically produced and continues to produce coal ash, or CCRs, as a by-product of its coal-fired generation operations. The ash is stored and managed in impoundments (ash ponds) and landfills located at eight different facilities.

Virginia Power may face litigation regarding alleged CWA violations at Possum Point, and is facing litigation regarding alleged CWA violations at Chesapeake and could incur settlement expenses and other costs, depending on the outcome of any such litigation, including costs associated with closing, corrective action and ongoing monitoring of certain ash ponds. In addition, the EPA and Virginia recently issued regulations concerning the management and storage of CCRs and West Virginia may impose additional regulations that will apply to the facilities noted above. These regulations will require Virginia Power to make additional

capital expenditures and increase its operating and maintenance expenses.

Further, while Virginia Power operates its ash ponds and landfills in compliance with applicable state safety regulations, a release of coal ash with a significant environmental impact, such as the Dan River ash basin release by a neighboring utility, could result in remediation costs, civil and/or criminal penalties, claims, litigation, increased regulation and compliance costs, and reputational damage, and could impact the financial condition of Virginia Power.

The Companies operations are subject to operational hazards, equipment failures, supply chain disruptions and personnel issues which could negatively affect the Companies. Operation of the Companies facilities involves risk, including the risk of potential breakdown or failure of equipment or processes due to aging infrastructure, fuel supply, pipeline integrity or transportation disruptions, accidents, labor disputes or work stoppages by employees, acts of terrorism or sabotage, construction delays or cost overruns, shortages of or delays in obtaining equipment, material and labor, operational restrictions resulting from environmental limitations and governmental interventions, and performance below expected levels. The Companies businesses are dependent upon sophisticated information technology systems and network infrastructure, the failure of which could prevent them from accomplishing critical business functions. Because the Companies transmission facilities, pipelines and other facilities are interconnected with those of third parties, the operation of their facilities and pipelines could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties.

Operation of the Companies facilities below expected capacity levels could result in lost revenues and increased expenses, including higher maintenance costs. Unplanned outages of the Companies facilities and extensions of scheduled outages due to mechanical failures or other problems occur from time to time and are an inherent risk of the Companies business. Unplanned outages typically increase the Companies operation and maintenance expenses and may reduce their revenues as a result of selling less output or may require the Companies to incur significant costs as a result of operating higher cost units or obtaining replacement output from third parties in the open market to satisfy forward energy and capacity or other contractual obligations. Moreover, if the Companies are unable to perform their contractual obligations, penalties or liability for damages could result.

In addition, there are many risks associated with the Companies operations and the transportation, storage and processing of natural gas and NGLs, including nuclear accidents, fires, explosions, uncontrolled release of natural gas and other environmental hazards, pole strikes, electric contact cases, the collision of third party equipment with pipelines and avian and other wildlife impacts. Such incidents could result in loss of human life or injuries among employees, customers or the public in general, environmental pollution, damage or destruction of facilities or business interruptions and associated public or employee safety impacts, loss of revenues, increased liabilities, heightened regulatory scrutiny and reputational risk. Further, the location of pipelines and storage facilities, or generation, transmission, substations and distribution facilities near populated

Table of Contents

areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks.

Dominion and Virginia Power have substantial ownership interests in and operate nuclear generating units; as a result, each may incur substantial costs and liabilities. Dominion s and Virginia Power s nuclear facilities are subject to operational, environmental, health and financial risks such as the on-site storage of spent nuclear fuel, the ability to dispose of such spent nuclear fuel, the ability to maintain adequate reserves for decommissioning, limitations on the amounts and types of insurance available, potential operational liabilities and extended outages, the costs of replacement power, the costs of maintenance and the costs of securing the facilities against possible terrorist attacks. Dominion and Virginia Power maintain decommissioning trusts and external insurance coverage to minimize the financial exposure to these risks; however, it is possible that future decommissioning costs could exceed amounts in the decommissioning trusts and/or damages could exceed the amount of insurance coverage. If Dominion s and Virginia Power s decommissioning trust funds are insufficient, and they are not allowed to recover the additional costs incurred through insurance, or in the case of Virginia Power through regulatory mechanisms, their results of operations could be negatively impacted.

Dominion s and Virginia Power s nuclear facilities are also subject to complex government regulation which could negatively impact their results of operations. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generating facilities. In the event of noncompliance, the NRC has the authority to impose fines, set license conditions, shut down a nuclear unit, or take some combination of these actions, depending on its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could require Dominion and Virginia Power to make substantial expenditures at their nuclear plants. In addition, although the Companies have no reason to anticipate a serious nuclear incident at their plants, if an incident did occur, it could materially and adversely affect their results of operations and/or financial condition. A major incident at a nuclear facility anywhere in the world, such as the nuclear events in Japan in 2011, could cause the NRC to adopt increased safety regulations or otherwise limit or restrict the operation or licensing of domestic nuclear units.

Sustained declines in natural gas and NGL prices have resulted in, and could result in further, curtailments of third-party producers drilling programs, delaying the production of volumes of natural gas and NGLs that Dominion and Dominion Gas gather, process, and transport and reducing the value of NGLs retained by Dominion Gas, which may adversely affect Dominion and Dominion Gas revenues and earnings. Dominion and Dominion Gas obtain their supply of natural gas and NGLs from numerous third-party producers. Most producers are under no obligation to deliver a specific quantity of natural gas or NGLs to Dominion s and Dominion Gas facilities. A number of other factors could reduce the volumes of natural gas and NGLs available to Dominion s and Dominion Gas pipelines and other assets. Increased regulation of energy extraction activities could result in reductions in drilling for new natural gas wells, which could decrease the volumes of natural gas supplied to Dominion

and Dominion Gas. Producers with direct commodity price exposure face liquidity constraints, which could present a credit risk to Dominion and Dominion Gas. Producers could shift their production activities to regions outside Dominion s and Dominion Gas footprint. In addition, the extent of natural gas reserves and the rate of production from such reserves may be less than anticipated. If producers were to decrease the supply of natural gas or NGLs to Dominion s and Dominion Gas systems and facilities for any reason, Dominion and Dominion Gas could experience lower revenues to the extent they are unable to replace the lost volumes on similar terms. In addition, Dominion Gas revenue from processing and fractionation operations largely results from the sale of commodities at market prices. Dominion Gas receives the wet gas product from producers and may retain the extracted NGLs as compensation for its services. This exposes Dominion Gas to commodity price risk for the value of the spread between the NGL products and natural gas, and relative changes in these prices could adversely impact Dominion Gas results.

Dominion s merchant power business operates in a challenging market, which could adversely affect its results of operations and future growth. The success of Dominion s merchant power business depends upon favorable market conditions including the ability to sell power at prices sufficient to cover its operating costs. Dominion operates in active wholesale markets that expose it to price volatility for electricity and fuel as well as the credit risk of counterparties. Dominion attempts to manage its price risk by entering into hedging transactions, including short-term and long-term fixed price sales and purchase contracts.

In these wholesale markets, the spot market price of electricity for each hour is generally determined by the cost of supplying the next unit of electricity to the market during that hour. In many cases, the next unit of electricity supplied would be provided by generating stations that consume fossil fuels, primarily natural gas. Consequently, the open market wholesale price for electricity generally reflects the cost of natural gas plus the cost to convert the fuel to electricity. Therefore, changes in the price of natural gas generally affect the open market wholesale price of electricity. To the extent Dominion does not enter into long-term power purchase agreements or otherwise effectively hedge its output, these changes in market prices could adversely affect its financial results.

Dominion purchases fuel under a variety of terms, including long-term and short-term contracts and spot market purchases. Dominion is exposed to fuel cost volatility for the portion of its fuel obtained through short-term contracts or on the spot market, including as a result of market supply shortages. Fuel prices can be volatile and the price that can be obtained for power produced from such fuel may not change at the same rate as fuel costs, thus adversely impacting Dominion s financial results.

In addition, in the event that any of the merchant generation facilities experience a forced outage, Dominion may not receive the level of revenue it anticipated.

The Companies financial results can be adversely affected by various factors driving demand for electricity and gas and related services. Technological advances required by federal laws mandate new levels of energy efficiency in end-use devices, including lighting, furnaces and electric heat pumps and could lead to declines in per capita energy consumption. Additionally, certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by a fixed date. Further, Virginia Power s business model is premised upon the cost efficiency of the production, transmission and distribution of large-scale centralized utility generation. However, advances in distributed generation technologies, such as solar cells, gas microturbines and fuel cells, may make these alternative generation methods competitive with large-scale utility generation, and change how customers acquire or use our services.

Reduced energy demand or significantly slowed growth in demand due to customer adoption of energy efficient technology, conservation, distributed generation, regional economic conditions, or the impact of additional compliance obligations, unless substantially offset through regulatory cost allocations, could adversely impact the value of the Companies business activities.

Dominion Gas has experienced a decline in demand for certain of its processing services due to competing facilities operating in nearby areas.

Dominion Gas may not be able to maintain, renew or replace its existing portfolio of customer contracts successfully, or on favorable terms. Upon contract expiration, customers may not elect to re-contract with Dominion Gas as a result of a variety of factors, including the amount of competition in the industry, changes in the price of natural gas, their level of satisfaction with Dominion Gas services, the extent to which Dominion Gas is able to successfully execute its business plans and the effect of the regulatory framework on customer demand. The failure to replace any such customer contracts on similar terms could result in a loss of revenue for Dominion Gas.

Certain of Dominion and Dominion Gas gas pipeline services are subject to long-term, fixed-price negotiated rate contracts that are not subject to adjustment, even if the cost to perform such services exceeds the revenues received from such contracts. Under FERC policy, a regulated service provider and a customer may mutually agree to sign a contract for service at a negotiated rate which may be above or below the FERC regulated, cost-based recourse rate for that service. These negotiated rate contracts are not generally subject to adjustment for increased costs which could be produced by inflation or other factors relating to the specific facilities being used to perform the services. Any shortfall of revenue as result of these negotiated rate contracts could decrease Dominion and Dominion Gas earnings and cash flows.

Exposure to counterparty performance may adversely affect the Companies financial results of operations. The Companies are exposed to credit risks of their counterparties and the risk that one or more counterparties may fail or delay the performance of their contractual obligations, including but not limited to payment for services. For example, some of Dominion s operations are conducted through less than wholly-owned subsidiaries, such as Four Brothers and Three Cedars. In such arrangements, Dominion is dependent on third parties to fund their required share of capital expenditures. Counterparties could fail or delay the performance of their contractual obligations for a number of reasons, including the effect of regulations on their operations. Defaults or failure to perform by customers, suppliers, joint venture partners or other third parties may adversely affect the Companies financial results.

Dominion will also be exposed to counterparty credit risk relating to the terminal services agreements for the Liquefaction Project. While the counterparties obligations are supported by parental guarantees and letters of credit, there is no assurance that such credit support would be sufficient to satisfy the obligations in the event of a counterparty default. In addition, if a controversy arises under either agreement resulting in a judgment in Dominion s favor, Dominion may need to seek to enforce a final U.S. court judgment in a foreign tribunal, which could involve a lengthy process.

Market performance and other changes may decrease the value of Dominion s decommissioning trust funds and Dominion s and Dominion Gas benefit plan assets or increase Dominion s and Dominion Gas liabilities, which could then require significant additional funding. The performance of the capital markets affects the value of the assets that are held in trusts to satisfy future obligations to decommission Dominion s nuclear plants and under Dominion s and Dominion Gas pension and other postretirement benefit plans. Dominion and Dominion Gas have significant obligations in these areas and holds significant assets in these trusts. These assets are subject to market fluctuation and will yield uncertain returns, which may fall below expected return rates.

With respect to decommissioning trust funds, a decline in the market value of these assets may increase the funding requirements of the obligations to decommission Dominion s nuclear plants or require additional NRC-approved funding assurance.

A decline in the market value of the assets held in trusts to satisfy future obligations under Dominion s and Dominion Gas pension and other postretirement benefit plans may increase the funding requirements under such plans. Additionally, changes in interest rates will affect the liabilities under Dominion s and Dominion Gas pension and other postretirement benefit plans; as interest rates decrease, the liabilities increase, potentially requiring additional funding. Further, changes in demographics, including increased numbers of retirements or changes in mortality assumptions, may also increase the funding requirements of the obligations related to the pension and other postretirement benefit plans.

If the decommissioning trust funds and benefit plan assets are negatively impacted by market fluctuations or other factors, Dominion s and Dominion Gas results of operations, financial condition and/or cash flows could be negatively affected.

The use of derivative instruments could result in financial losses and liquidity constraints. The Companies use derivative instruments, including futures, swaps, forwards, options and FTRs, to manage commodity and financial market risks. In addition, Dominion and Dominion Gas purchase and sell commodity-based contracts for hedging purposes.

The Dodd-Frank Act was enacted into law in July 2010 in an effort to improve regulation of financial markets. The Dodd-Frank Act includes provisions that will require certain over-the-counter derivatives, or swaps, to be centrally cleared and executed through an exchange or other approved trading platform. Non-financial entities that use swaps to hedge or mitigate commercial risk, often referred to as end users, can choose to exempt their hedging transactions from these clearing and exchange trading requirements. Final rules for the over-the-counter derivative-related provisions of the Dodd-Frank Act will continue to be established through the ongoing rulemaking process of the applicable regulators, including rules regarding margin requirements for non-cleared swaps. If, as a result of the rulemaking process, the Companies derivative activities are not exempted from the clearing, exchange trading or margin requirements, the Companies could be subject to higher costs, including from higher margin requirements, for their derivative activities. In addition, implementation of, and compliance with, the swaps provisions of the Dodd-Frank Act by the Companies counterparties could result in increased costs related to the Companies derivative activities.

Changing rating agency requirements could negatively affect the Companies growth and business strategy. In order to maintain appropriate credit ratings to obtain needed credit at a reasonable cost in light of existing or future rating agency requirements, the Companies may find it necessary to take steps or change their business plans in ways that may adversely affect their growth and earnings. A reduction in the Companies credit ratings could result in an increase in borrowing costs, loss of access to certain markets, or both, thus adversely affecting operating results and could require the Companies to post additional collateral in connection with some of its price risk management activities.

An inability to access financial markets could adversely affect the execution of the Companies business plans. The Companies rely on access to short-term money markets and longer-term capital markets as significant sources of funding and liquidity for business plans with increasing capital expenditure needs, normal working capital and collateral requirements related to hedges of future sales and purchases of energy-related commodities. Deterioration in the Companies creditworthiness, as evaluated by credit rating agencies or otherwise, or declines in market reputation either for the Companies or their industry in general, or general financial market disruptions outside of the Companies control could increase their cost of borrowing or restrict their ability to access one or more financial markets. Further market disruptions could stem from delays in the current economic recovery, the bankruptcy of an unrelated company, general market disruption due to general credit market or political events, or the failure of financial institutions on which the Companies rely. Increased costs and restrictions on the Companies ability to access financial markets may be severe enough to affect their ability to execute their business plans as scheduled.

Potential changes in accounting practices may adversely affect the Companies financial results. The Companies cannot predict the impact that future changes in accounting standards or practices may have on public companies in general, the energy industry or their operations specifically. New accounting standards could be issued that could change the way they record revenues, expenses, assets and liabilities. These changes in accounting standards could adversely affect earnings or could increase liabilities.

War, acts and threats of terrorism, intentional acts and other significant events could adversely affect the Companies operations. The Companies cannot predict the impact that any future terrorist attacks may have on the energy industry in general, or on the Companies business in particular. Any retaliatory military strikes or sustained military campaign may affect the Companies operations in unpredictable ways, such as changes in insurance markets and disruptions of fuel supplies and markets. In addition,

the Companies infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror. For example, a physical attack on a critical substation in California resulted in serious impacts to the power grid. Furthermore, the physical compromise of the Companies facilities could adversely affect the Companies ability to manage these facilities effectively. Instability in financial markets as a result of terrorism, war, intentional acts, pandemic, credit crises, recession or other factors could result in a significant decline in the U.S. economy and increase the cost of insurance coverage. This could negatively impact the Companies results of operations and financial condition.

Hostile cyber intrusions could severely impair the Companies operations, lead to the disclosure of confidential information, damage the reputation of the Companies and otherwise have an adverse effect on the Companies business. The Companies own assets deemed as critical infrastructure, the operation of which is dependent on information technology systems. Further, the computer systems that run the Companies facilities are not completely isolated from external networks. There appears to be an increasing level of activity, sophistication and maturity of threat actors, in particular nation state actors, that wish to disrupt the U.S. bulk power system and the U.S. gas transmission or distribution system. Such parties could view the Companies computer systems, software or networks as attractive targets for cyber attack. For example, malware has been designed to target software that runs the nation s critical infrastructure such as power transmission grids and gas pipelines. In addition, the Companies businesses require that they and their vendors collect and maintain sensitive customer data, as well as confidential employee and shareholder information, which is subject to electronic theft or loss.

A successful cyber attack on the systems that control the Companies electric generation, electric or gas transmission or distribution assets could severely disrupt business operations, preventing the Companies from serving customers or collecting revenues. The breach of certain business systems could affect the Companies ability to correctly record, process and report financial information. A major cyber incident could result in significant expenses to investigate and repair security breaches or system damage and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to the Companies reputation. In addition, the misappropriation, corruption or loss of personally identifiable information and other confidential data could lead to significant breach notification expenses and mitigation expenses such as credit monitoring. The Companies maintain property and casualty insurance that may cover certain damage caused by potential cyber incidents; however, other damage and claims arising from such incidents may not be covered or may exceed the amount of any insurance available. For these reasons, a significant cyber incident could materially and adversely affect the Companies business, financial condition and results of operations.

Failure to attract and retain key executive officers and other appropriately qualified employees could have an adverse effect on the Companies operations. The Companies business strategy is dependent on their ability to recruit, retain and motivate employees. The Companies key executive officers are the CEO, CFO and presidents and those responsible for financial, operational, legal, regulatory and accounting functions. Competition for skilled management employees in these areas of the Companies business operations is high. In addition, certain specialized knowledge is required of the Companies technical employees for transmission, generation and distribution operations. The Companies inability to attract and retain these employees could adversely affect their business and future operating results. An aging workforce in the energy industry also necessitates recruiting, retaining and developing the next generation of leadership.

Dominion may be unable to complete the Questar Combination or, in order to do so, the combined company may be required to comply with material restrictions or conditions. On February 1, 2016, Dominion announced the execution of a merger agreement with Questar. Before the Questar Combination may be completed, approval by the shareholders of Questar will have to be obtained. In addition, various filings must be made with various state utility, regulatory, antitrust and other authorities in the U.S. These governmental authorities may impose conditions on the completion, or require changes to the terms, of the transaction, including restrictions or conditions on the business, operations, or financial performance of the combined company following completion of the transaction. Several parties have filed a complaint in court seeking to enjoin the merger. Additional parties may also seek to enjoin the merger in court or challenge regulatory filings. These conditions, changes or challenges could have the effect of delaying completion of the acquisition or imposing additional costs on or limiting the revenues of the combined company following the transaction, which could have a material adverse effect on the financial position, results of operations or cash flows of the combined company and/or cause either Dominion or Questar to abandon the transaction.

If completed, the Questar Combination may not achieve its intended results. Dominion and Questar entered into the merger agreement with the expectation that the transaction would result in various benefits, including, among other things, being accretive to earnings and adding to Dominion s inventory of regulated energy infrastructure assets. Achieving the anticipated benefits of the transaction is subject to a number of uncertainties, including whether the business of Questar is integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues generated by the combined company and diversion of management s time and energy, all of which could have an adverse effect on the combined company s financial position, results of operations or cash flows.

Failure to complete the transaction with Questar could negatively impact Dominion s stock price and Dominion s future business and financial results. If the Questar Combination is not completed, Dominion s ongoing business and financial results may be adversely affected and Dominion will be subject to a number of risks, including (i) Dominion may be required, under specified circumstances set forth in the Merger Agreement, to pay Questar a termination fee of $154 million; (ii) Dominion will be required to pay costs relating to the transaction, including legal, accounting, financial advisory, filing and printing costs, whether or not the transaction is completed; and (iii) execution of the Questar Combination (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to Dominion.

Dominion could also be subject to litigation related to any failure to complete the transaction with Questar. If the transaction is not completed, these risks may materialize and may adversely affect Dominion s financial position, results of operations or cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2015, Dominion owned its principal executive office and three other corporate offices, all located in Richmond, Virginia. Dominion also leases corporate offices in other cities in which its subsidiaries operate. Virginia Power and Dominion Gas share Dominion s principal office in Richmond, Virginia, which is owned by Dominion. In addition, Virginia Power s DVP and Generation segments share certain leased buildings and equipment. See Item 1. Business for additional information about each segment s principal properties, which information is incorporated herein by reference.

Dominion s assets consist primarily of its investments in its subsidiaries, the principal properties of which are described here and in Item 1. Business.

Substantially all of Virginia Power s property is subject to the lien of the Indenture of Mortgage securing its First and Refunding Mortgage Bonds. There were no bonds outstanding as of December 31, 2015; however, by leaving the indenture open, Virginia Power expects to retain the flexibility to issue mortgage bonds in the future. Certain of Dominion s merchant generation facilities are also subject to liens.

DOMINION ENERGY

Dominion and Dominion Gas

East Ohio s gas distribution network is located in Ohio. This network involves approximately 18,900 miles of pipe, exclusive of service lines. The rights-of-way grants for many natural gas pipelines have been obtained from the actual owners of real estate, as underlying titles have been examined. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many natural gas pipelines are on publicly-owned property, where company rights and actions are determined on a case-by-case basis, with results that range from reimbursed relocation to revocation of permission to operate.

Dominion Gas has approximately 10,500 miles of gas transmission, gathering and storage pipelines located in the states of Maryland, New York, Ohio, Pennsylvania, Virginia and West Virginia. Dominion Gas also owns NGL processing plants capable of processing over 270,000 mcf per day of natural gas. Hastings is the largest plant and is capable of processing over 180,000 mcf per day of natural gas. Hastings can also fractionate over 580,000 Gals per day of NGLs into marketable products, including propane, isobutane, butane and natural gasoline. NGL operations have storage capacity of 1,226,500 Gals of propane, 109,000 Gals of isobutane, 442,000 Gals of butane, 2,000,000 Gals of natural gasoline and 1,012,500 Gals of mixed NGLs.

Table of Contents

Dominion Gas also operates 20 underground gas storage fields located in New York, Ohio, Pennsylvania and West Virginia, with approximately 2,000 storage wells and approximately 399,000 acres of operated leaseholds.

The total designed capacity of the underground storage fields operated by Dominion Gas is approximately 933 bcf. Certain storage fields are jointly-owned and operated by Dominion Gas. The capacity of those fields owned by Dominion Gas partners totals approximately 224 bcf.

Dominion

Cove Point s LNG facility has an operational peak regasification daily send-out capacity of approximately 1.8 million Dths/day and an aggregate LNG storage capacity of approximately 14.6 bcfe. In addition, Cove Point has a liquefier that has the potential to create approximately 15,000 Dths/day.

The Cove Point Pipeline is a 36-inch diameter underground, interstate natural gas pipeline that extends approximately 88 miles from Cove Point to interconnections with Transcontinental Gas Pipe Line Company, LLC in Fairfax County, Virginia, and with Columbia Gas Transmission, LLC and DTI in Loudoun County, Virginia. In 2009, the original pipeline was expanded to include a 36-inch diameter expansion that extends approximately 48 miles, roughly 75% of which is parallel to the original pipeline.

DCG s interstate natural gas pipeline system in South Carolina and southeastern Georgia is comprised of approximately 1,500 miles of transmission pipeline. DCG s pipeline system is substantially fully subscribed with a contracted pipeline capacity of 765,773 Dths/day. Dominion has 148 compressor stations with approximately 904,000 installed compressor horsepower.

DVP

See Item 1. Business, *General* for details regarding DVP s principal properties, which primarily include transmission and distribution lines.

Dominion Generation

Dominion and Virginia Power generate electricity for sale on a wholesale and a retail level. Dominion and Virginia Power supply electricity demand either from their generation facilities or through purchased power contracts. As of December 31, 2015, Dominion Generation s total utility and merchant generating capacity was approximately 24,300 MW.

The following tables list Dominion Generation s utility and merchant generating units and capability, as of December 31, 2015:

VIRGINIA POWER UTILITY GENERATION[1]

Plant	Location	Net Summer Capability (MW)	Percentage Net Summer Capability
Gas			
Warren County (CC)	Warren County, VA	1,342	
Ladysmith (CT)	Ladysmith, VA	783	
Remington (CT)	Remington, VA	608	
Bear Garden (CC)	Buckingham County, VA	590	
Possum Point (CC)	Dumfries, VA	573	
Chesterfield (CC)	Chester, VA	397	
Elizabeth River (CT)	Chesapeake, VA	348	
Possum Point	Dumfries, VA	316	
Bellemeade (CC)	Richmond, VA	267	
Bremo[2]	Bremo Bluff, VA	227	
Gordonsville Energy (CC)	Gordonsville, VA	218	
Gravel Neck (CT)	Surry, VA	170	
Darbytown (CT)	Richmond, VA	168	
Rosemary (CC)	Roanoke Rapids, NC	165	
Total Gas		6,172	31%
Coal			
Mt. Storm	Mt. Storm, WV	1,629	
Chesterfield	Chester, VA	1,267	
Virginia City Hybrid Energy Center	Wise County, VA	610	
Clover	Clover, VA	439[3]	
Yorktown[4]	Yorktown, VA	323	
Mecklenburg	Clarksville, VA	138	
Total Coal		4,406	22
Nuclear			
Surry	Surry, VA	1,676	
North Anna	Mineral, VA	1,672 [5]	
Total Nuclear		3,348	17
Oil			
Yorktown	Yorktown, VA	790	
Possum Point	Dumfries, VA	786	
Gravel Neck (CT)	Surry, VA	198	
Darbytown (CT)	Richmond, VA	168	
Possum Point (CT)	Dumfries, VA	72	
Chesapeake (CT)	Chesapeake, VA	51	
Low Moor (CT)	Covington, VA	48	
Northern Neck (CT)	Lively, VA	47	
Total Oil		2,160	11
Hydro			
Bath County	Warm Springs, VA	1,802[6]	

Gaston	Roanoke Rapids, NC	220	
Roanoke Rapids	Roanoke Rapids, NC	95	
Other	Various	3	
Total Hydro		2,120	11
Biomass			
Pittsylvania	Hurt, VA	83	
Altavista	Altavista, VA	51	
Polyester	Hopewell, VA	51	
Southhampton	Southampton, VA	51	
Total Biomass		236	1
Various			
Mt. Storm (CT)	Mt. Storm, WV	11	
		18,453	
Power Purchase Agreements		1,569	7
Total Utility Generation		20,022	100%

Note: (CT) denotes combustion turbine and (CC) denotes combined cycle.

(1) The table excludes Virginia Power s Morgans Corner solar facility located in Pasquotank County, NC which has a net summer capacity of 20 MW, as the facility is dedicated to serving a non-jurisdictional customer.
(2) Converted from coal to gas in 2014.
(3) Excludes 50% undivided interest owned by ODEC.
(4) Coal-fired units are expected to be retired at Yorktown as early as 2017 as a result of the issuance of the MATS rule.
(5) Excludes 11.6% undivided interest owned by ODEC.
(6) Excludes 40% undivided interest owned by Allegheny Generating Company, a subsidiary of Allegheny Energy, Inc.

Table of Contents

DOMINION MERCHANT GENERATION

Plant	Location	Net Summer Capability (MW)	Percentage Net Summer Capability
Nuclear			
Millstone	Waterford, CT	2,001 (1)	
Total Nuclear		2,001	46%
Gas			
Fairless (CC)	Fairless Hills, PA	1,196	
Manchester (CC)	Providence, RI	468	
Total Gas		1,664	39
Wind			
Fowler Ridge(2)	Benton County, IN	150(3)	
NedPower(2)	Grant County, WV	132(4)	
Total Wind		282	7
Solar(5)			
Pavant Solar	Holden, UT	50	
Camelot Solar	Mojave, CA	30(6)	
Cottonwood Solar	Kings and Kern counties, CA	23	
Alamo Solar	San Bernardino, CA	20	
Maricopa West Solar	Kern County, CA	20	
Imperial Valley 2 Solar	Imperial, CA	20	
Richland Solar	Jeffersonville, GA	20	
Indy Solar	Indianapolis, IN	19(6)	
Catalina 2 Solar	Kern County, CA	18	
CID Solar	Corcoran, CA	13(6)	
Kansas Solar	Lenmore, CA	13(6)	
Kent South Solar	Lenmore, CA	13(6)	
Old River One Solar	Bakersfield, CA	13(6)	
West Antelope Solar	Lancaster, CA	13(6)	
Adams East Solar	Tranquility, CA	13(6)	
Mulberry Solar	Selmer, TN	11(6)	
Selmer Solar	Selmer, TN	11(6)	
Columbia 2 Solar	Mojave, CA	10(6)	
Azalea Solar	Davisboro, GA	5(6)	
Somers Solar	Somers, CT	3(6)	
Total Solar		338	8
Fuel Cell			
Bridgeport Fuel Cell	Bridgeport, CT	15	
Total Fuel Cell		15	
Total Merchant Generation		4,300	100%

Note: (CC) denotes combined cycle.

(1) Excludes 6.53% undivided interest in Unit 3 owned by Massachusetts Municipal and Green Mountain.
(2) Subject to a lien securing the facility s debt.
(3) Excludes 50% membership interest owned by BP.

(4) Excludes 50% membership interest owned by Shell.
(5) All solar facilities are alternating current.
(6) Excludes 33% noncontrolling interest owned by Terra Nova Renewable Partners.

Table of Contents

Item 3. Legal Proceedings

From time to time, the Companies are alleged to be in violation or in default under orders, statutes, rules or regulations relating to the environment, compliance plans imposed upon or agreed to by the Companies, or permits issued by various local, state and/or federal agencies for the construction or operation of facilities. Administrative proceedings may also be pending on these matters. In addition, in the ordinary course of business, the Companies and their subsidiaries are involved in various legal proceedings.

In February 2016, Virginia Power received a notice of violation from the Virginia Department of Environmental Quality relating to a release of mineral oil from the Crystal City substation. In January 2016, Virginia Power self-reported the discharge and began an extensive cleanup. Virginia Power has assumed the role of responsible party and is continuing to cooperate with ongoing requirements for investigative and corrective action. Virginia Power may enter into a consent order with the Virginia Department of Environmental Quality that includes a penalty. The amount of that penalty cannot be reasonably estimated at this time.

See Notes 13 and 22 to the Consolidated Financial Statements and *Future Issues and Other Matters* in Item 7. MD&A, which information is incorporated herein by reference, for discussion of various environmental and other regulatory proceedings to which the Companies are a party.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

Executive Officers of Dominion

Information concerning the executive officers of Dominion, each of whom is elected annually, is as follows:

Name and Age	Business Experience Past Five Years[1]
Thomas F. Farrell II (61)	Chairman of the Board of Directors, President and CEO of Dominion from April 2007 to date; Chairman and CEO of Dominion Midstream GP, LLC (the general partner of Dominion Midstream) from March 2014 to date; CEO of Dominion Gas from September 2013 to date and Chairman from March 2014 to date; Chairman and CEO of Virginia Power from February 2006 to date.
Mark F. McGettrick (58)	Executive Vice President and CFO of Dominion from June 2009 to date, Dominion Midstream GP, LLC from March 2014 to date, Virginia Power from June 2009 to date and Dominion Gas from September 2013 to date.
David A. Christian (61)	Executive Vice President and CEO Energy Infrastructure Group of Dominion from January 2016 to date; President of Dominion Gas from January 2016 to date; Executive Vice President and CEO Dominion Generation Group of Dominion from February 2013 to December 2015; Executive Vice President of Dominion from May 2011 to February 2013; President and COO of Virginia Power from June 2009 to date; Executive Vice President of Dominion Midstream GP, LLC from January 2016 to date.
Paul D. Koonce (56)	Executive Vice President and CEO Dominion Generation Group of Dominion from January 2016 to date; Executive Vice President and CEO Energy Infrastructure Group of Dominion from February 2013 to December 2015; Executive Vice President of Dominion from April 2006 to February 2013; Executive Vice President of Dominion Midstream GP, LLC from March 2014 to December 2015; President and COO of Virginia Power from June 2009 to date; President of Dominion Gas from September 2013 to December 2015.
David A. Heacock (58)	President and CNO of Virginia Power from June 2009 to date.
Robert M. Blue (48)	Senior Vice President Law, Regulation & Policy of Dominion, Dominion Gas and Dominion Midstream GP, LLC from February 2016 to present; Senior Vice President Regulation, Law, Energy Solutions and Policy of Dominion and Dominion Gas from May 2015 to January 2016 and Dominion Midstream GP, LLC from July 2015 to January 2016; Senior Vice President Regulation, Law, Energy Solutions and Policy of Virginia Power from May 2015 to December 2015; President of Virginia Power from January 2016 to date; President of Virginia Power from January 2014 to May 2015; Senior Vice President-Law, Public Policy and Environment of Dominion from January 2011 to December 2013.
Michele L. Cardiff (48)	Vice President, Controller and CAO of Dominion from April 2014 to date; Vice President-Accounting of DRS from January 2014 to March 2014; Vice President, Controller and CAO of Virginia Power from April 2014 to date, Dominion Gas from March 2014 to date, and Dominion Midstream GP, LLC from March 2014 to date; General Auditor of DRS from September 2012 to December 2013; Controller of Virginia Power from June 2009 to August 2012.
Diane Leopold (49)	President of DTI, East Ohio and Dominion Cove Point, Inc. from January 2014 to date; Senior Vice President of DTI from April 2012 to December 2013; Senior Vice President Business Development & Generation Construction of Virginia Power from April 2009 to March 2012.

(1) Any service listed for Virginia Power, Dominion Midstream GP, LLC, Dominion Gas, DTI, East Ohio, Dominion Cove Point, Inc. and DRS reflects service at a subsidiary of Dominion.

Part II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Dominion

Dominion s common stock is listed on the NYSE. At January 31, 2016, there were approximately 129,000 record holders of Dominion s common stock. The number of record holders is comprised of individual shareholder accounts maintained on Dominion s transfer agent records and includes accounts with shares held in (1) certificate form, (2) book-entry in the Direct Registration System and (3) book-entry under Dominion Direct®. Discussions of expected dividend payments and restrictions on Dominion s payment of dividends required by this Item are contained in *Liquidity and Capital Resources* in Item 7. MD&A and Notes 17 and 20 to the Consolidated Financial Statements. Cash dividends were paid quarterly in 2015 and 2014. Quarterly information concerning stock prices and dividends is disclosed in Note 26 to the Consolidated Financial Statements, which information is incorporated herein by reference.

The following table presents certain information with respect to Dominion s common stock repurchases during the fourth quarter of 2015:

DOMINION PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased(1)	Average Price Paid per Share (or Unit)(2)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased under the Plans or Programs(3)
10/1/2015-10/31/15	**21,185**	**$ 69.16**	**N/A**	**19,629,059 shares/$ 1.18 billion**
11/1/2015-11/30/15		**$**	**N/A**	**19,629,059 shares/$ 1.18 billion**
12/1/2015-12/31/15	**114,784**	**$ 67.23**	**N/A**	**19,629,059 shares/$ 1.18 billion**
Total	**135,969**	**$ 67.53**	**N/A**	**19,629,059 shares/$ 1.18 billion**

(1) 21,185 and 114,784 shares were tendered by employees to satisfy tax withholding obligations on vested restricted stock in October and December 2015, respectively.

(2) Represents the weighted-average price paid per share.

(3) The remaining repurchase authorization is pursuant to repurchase authority granted by the Dominion Board of Directors in February 2005, as modified in June 2007. The aggregate authorization granted by the Dominion Board of Directors was 86 million shares (as adjusted to reflect a two-for-one stock split distributed in November 2007) not to exceed $4 billion.

Virginia Power

There is no established public trading market for Virginia Power s common stock, all of which is owned by Dominion. Restrictions on Virginia Power s payment of dividends are discussed in Note 20 to the Consolidated Financial Statements. Virginia Power paid quarterly cash dividends on its common stock as follows:

(millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2015	**$ 149**	**$ 121**	**$ 146**	**$ 75**	**$ 491**
2014	148	121	196	125	590

As discussed in Note 18 to the Consolidated Financial Statements in this report, during 2014, Virginia Power redeemed all shares of each outstanding series of its preferred stock. Effective October 30, 2014, the Virginia Power Board of Directors approved amendments to Virginia Power s Articles of Incorporation to delete references to the redeemed series of preferred stock.

Dominion Gas

All of Dominion Gas membership interests are owned by Dominion. Restrictions on Dominion Gas payment of distributions are discussed in Note 20 to the Consolidated Financial Statements. Dominion Gas paid quarterly distributions as follows:

(millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2015	**$ 96**	**$ 68**	**$ 80**	**$ 448**	**$ 692**
2014	78	67	61	140	346

Table of Contents

Item 6. Selected Financial Data

Dominion

Year Ended December 31,	2015	2014[(1)]	2013[(2)]	2012[(3)]	2011[(4)]
(millions, except per share amounts)					
Operating revenue	**$ 11,683**	$ 12,436	$ 13,120	$ 12,835	$ 13,765
Income from continuing operations, net of tax[(5)]	**1,899**	1,310	1,789	1,427	1,466
Loss from discontinued operations, net of tax[(5)]			(92)	(1,125)	(58)
Net income attributable to Dominion	**1,899**	1,310	1,697	302	1,408
Income from continuing operations before loss from discontinued operations per common share-basic	**3.21**	2.25	3.09	2.49	2.56
Net income attributable to Dominion per common share-basic	**3.21**	2.25	2.93	0.53	2.46
Income from continuing operations before loss from discontinued operations per common share-diluted	**3.20**	2.24	3.09	2.49	2.55
Net income attributable to Dominion per common share-diluted	**3.20**	2.24	2.93	0.53	2.45
Dividends declared per common share	**2.59**	2.40	2.25	2.11	1.97
Total assets	**58,797**	54,327	50,096	46,838	45,614
Long-term debt	**23,616**	21,805	19,330	16,851	17,394

(1) *Includes $248 million of after-tax charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities, a $193 million after-tax charge related to Dominion s restructuring of its producer services business and a $174 million after-tax charge associated with the Liability Management Exercise.*

(2) *Includes a $109 million after-tax charge related to Dominion s restructuring of its producer services business ($76 million) and an impairment of certain natural gas infrastructure assets ($33 million). Also in 2013, Dominion recorded a $92 million after-tax net loss from the discontinued operations of Brayton Point and Kincaid.*

(3) *Includes a $1.1 billion after-tax loss from discontinued operations, including impairment charges, of Brayton Point and Kincaid and a $303 million after-tax charge primarily resulting from management s decision to cease operations and begin decommissioning Kewaunee in 2013.*

(4) *Includes a $139 million after-tax charge reflecting generation plant balances that are not expected to be recovered in future periods due to the anticipated retirement of certain utility coal-fired generating units and a $59 million after-tax charge reflecting restoration costs associated with damage caused by Hurricane Irene.*

(5) *Amounts attributable to Dominion s common shareholders.*

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

MD&A discusses Dominion s results of operations and general financial condition and Virginia Power s and Dominion Gas results of operations. MD&A should be read in conjunction with Item 1. Business and the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data. Virginia Power and Dominion Gas meet the conditions to file under the reduced disclosure format, and therefore have omitted certain sections of MD&A.

CONTENTS OF MD&A

MD&A consists of the following information:

FORWARD-LOOKING STATEMENTS

This report contains statements concerning the Companies expectations, plans, objectives, future financial performance and other statements that are not historical facts. These statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In most cases, the reader can identify these forward-looking statements by such words as anticipate, estimate, forecast, expect, believe, should, could, plan, may, continue, target or other similar words.

The Companies make forward-looking statements with full knowledge that risks and uncertainties exist that may cause actual results to differ materially from predicted results. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Additionally, other factors may cause actual results to differ materially from those indicated in any forward-looking statement. These factors include but are not limited to:

- Unusual weather conditions and their effect on energy sales to customers and energy commodity prices;
- Extreme weather events and other natural disasters, including hurricanes, high winds, severe storms, earthquakes, flooding and changes in water temperatures and availability that can cause outages and property damage to facilities;

Federal, state and local legislative and regulatory developments, including changes in federal and state tax laws and regulations;
Changes to federal, state and local environmental laws and regulations, including those related to climate change, the tightening of emission or discharge limits for GHGs and other emissions, more extensive permitting requirements and the regulation of additional substances;
Cost of environmental compliance, including those costs related to climate change;
Changes in enforcement practices of regulators relating to environmental standards and litigation exposure for remedial activities;
Changes in regulator implementation of environmental standards and litigation exposure for remedial activities;
Difficulty in anticipating mitigation requirements associated with environmental and other regulatory approvals;
Risks associated with the operation of nuclear facilities, including costs associated with the disposal of spent nuclear fuel, decommissioning, plant maintenance and changes in existing regulations governing such facilities;
Unplanned outages at facilities in which the Companies have an ownership interest;
Fluctuations in energy-related commodity prices and the effect these could have on Dominion s and Dominion Gas earnings and the Companies liquidity position and the underlying value of their assets;
Counterparty credit and performance risk;
Capital market conditions, including the availability of credit and the ability to obtain financing on reasonable terms;
Risks associated with Virginia Power s membership and participation in PJM, including risks related to obligations created by the default of other participants;
Fluctuations in the value of investments held in nuclear decommissioning trusts by Dominion and Virginia Power and in benefit plan trusts by Dominion and Dominion Gas;
Fluctuations in interest rates;
Changes in rating agency requirements or credit ratings and their effect on availability and cost of capital;
Changes in financial or regulatory accounting principles or policies imposed by governing bodies;
Employee workforce factors including collective bargaining agreements and labor negotiations with union employees;
Risks of operating businesses in regulated industries that are subject to changing regulatory structures;
Impacts of acquisitions, divestitures, transfers of assets to joint ventures or Dominion Midstream, and retirements of assets based on asset portfolio reviews;
The expected timing and likelihood of completion of the proposed acquisition of Questar, including the ability to obtain the requisite approvals of Questar s shareholders and the terms and conditions of any required regulatory approvals;
Receipt of approvals for, and timing of, closing dates for other acquisitions and divestitures;
The timing and execution of Dominion Midstream s growth strategy;
Changes in rules for RTOs and ISOs in which Dominion and Virginia Power participate, including changes in rate designs, changes in FERC s interpretation of market rules and new and evolving capacity models;
Political and economic conditions, including inflation and deflation;
Domestic terrorism and other threats to the Companies physical and intangible assets, as well as threats to cybersecurity;
Changes in demand for the Companies services, including industrial, commercial and residential growth or decline in the Companies service areas, changes in supplies of natural gas delivered to Dominion and Dominion Gas pipeline and

processing systems, failure to maintain or replace customer contracts on favorable terms, changes in customer growth or usage patterns, including as a result of energy conservation programs, the availability of energy efficient devices and the use of distributed generation methods;

Additional competition in industries in which the Companies operate, including in electric markets in which Dominion s merchant generation facilities operate, and competition in the development, construction and ownership of certain electric transmission facilities in Virginia Power s service territory in connection with FERC Order 1000;

Changes in technology, particularly with respect to new, developing or alternative sources of generation and smart grid technologies;

Changes to regulated electric rates collected by Virginia Power and regulated gas distribution, transportation and storage rates, including LNG storage, collected by Dominion and Dominion Gas;

Changes in operating, maintenance and construction costs;

Timing and receipt of regulatory approvals necessary for planned construction or expansion projects and compliance with conditions associated with such regulatory approvals;

The inability to complete planned construction, conversion or expansion projects at all, or with the outcomes or within the terms and time frames initially anticipated;

Adverse outcomes in litigation matters or regulatory proceedings; and

The impact of operational hazards including adverse developments with respect to pipeline and plant safety or integrity, equipment loss, malfunction or failure, operator error, and other catastrophic events.

Additionally, other risks that could cause actual results to differ from predicted results are set forth in Item 1A. Risk Factors.

The Companies forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. The Companies caution the reader not to place undue reliance on their forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. The Companies undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

Accounting Matters

Critical Accounting Policies and Estimates

Dominion has identified the following accounting policies, including certain inherent estimates, that as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved, could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Dominion has discussed the development, selection and disclosure of each of these policies with the Audit Committee of its Board of Directors.

Accounting for Regulated Operations

The accounting for Dominion s regulated electric and gas operations differs from the accounting for nonregulated operations in that Dominion is required to reflect the effect of rate regulation in its Consolidated Financial Statements. For regulated businesses subject to federal or state cost-of-service rate regulation, regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred. Generally, regulatory assets and liabilities are amortized into income over the period authorized by the regulator.

Dominion evaluates whether or not recovery of its regulatory assets through future rates is probable and makes various assumptions in its analysis. The expectations of future recovery are generally based on orders issued by regulatory commissions, legislation or historical experience, as well as discussions with applicable regulatory authorities and legal counsel. If recovery of a regulatory asset is determined to be less than probable, it will be written off in the period such assessment is made. See Notes 12 and 13 to the Consolidated Financial Statements for additional information.

Asset Retirement Obligations

Dominion recognizes liabilities for the expected cost of retiring tangible long-lived assets for which a legal obligation exists and the ARO can be reasonably estimated. These AROs are recognized at fair value as incurred and are capitalized as part of the cost of the related long-lived assets. In the absence of quoted market prices, Dominion estimates the fair value of its AROs using present value techniques, in which it makes various assumptions including estimates of the amounts and timing of future cash flows associated with retirement activities, credit-adjusted risk free rates and cost escalation rates. The impact on measurements of new AROs or remeasurements of existing AROs, using different cost escalation rates in the future, may be significant. When Dominion revises any assumptions used to calculate the fair value of existing AROs, it adjusts the carrying amount of both the ARO liability and the related long-lived asset for assets that are in service; for assets that have ceased operations, Dominion adjusts the carrying amount of the ARO liability with such changes recognized in income. Dominion accretes the ARO liability to reflect the passage of time. In 2015, Dominion recorded an increase in AROs of $403 million primarily related to future ash pond and landfill closure costs at certain utility generation facilities. See Note 22 to the Consolidated Financial Statements for additional information.

In 2015, 2014 and 2013, Dominion recognized $93 million, $81 million and $86 million, respectively, of accretion, and expects to recognize $99 million in 2016. Dominion records accretion and depreciation associated with utility nuclear decommissioning AROs as an adjustment to the regulatory liability related to its nuclear decommissioning trust.

A significant portion of Dominion s AROs relates to the future decommissioning of its merchant and utility nuclear facilities. These nuclear decommissioning AROs are reported in the Dominion Generation segment. At December 31, 2015, Dominion s nuclear decommissioning AROs totaled $1.5 billion, representing approximately 70% of its total AROs. Based on their significance, the following discussion of critical assumptions inherent in determining the fair value of AROs relates to those associated with Dominion s nuclear decommissioning obligations.

Dominion obtains from third-party specialists periodic site-specific base year cost studies in order to estimate the nature, cost and timing of planned decommissioning activities for its nuclear plants. These cost studies are based on relevant information available at the time they are performed; however, estimates of future cash flows for extended periods of time are by nature highly uncertain and may vary significantly from actual results. In addition, Dominion s cost estimates include cost escalation rates that are applied to the base year costs. Dominion determines cost escalation rates, which represent projected cost increases over time due to both general inflation and increases in the cost of specific decommissioning activities, for each nuclear facility. The selection of these cost escalation rates is dependent on subjective factors which are considered to be critical assumptions.

Primarily as a result of a shift of the delayed planned date on which the DOE was expected to begin accepting spent nuclear fuel, in 2014, Dominion recorded an increase of $95 million to the nuclear decommissioning AROs.

Income Taxes

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities. The interpretation of tax laws involves uncertainty, since tax authorities may interpret the laws differently. Ultimate resolution of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material.

Given the uncertainty and judgment involved in the determination and filing of income taxes, there are standards for recognition and measurement in financial statements of positions taken or expected to be taken by an entity in its income tax returns. Positions taken by an entity in its income tax returns that are recognized in the financial statements must satisfy a more-likely-than-not recognition threshold, assuming that the position will be examined by tax authorities with full knowledge of all relevant information. At December 31, 2015, Dominion had $103 million of unrecognized tax benefits. Changes in these unrecognized tax benefits may result from remeasurement of amounts expected to be realized, settlements with tax authorities and expiration of statutes of limitations.

Deferred income tax assets and liabilities are recorded representing future effects on income taxes for temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Dominion evaluates quarterly the probability of realizing deferred tax assets by considering current and historical financial results, expectations for future taxable income and the availability of tax planning strategies that can be implemented, if necessary, to realize deferred tax assets. Failure to achieve forecasted taxable income or successfully implement tax planning strategies may affect the realization of deferred tax assets. Dominion establishes a valuation allowance when it is more-likely-than-not that all or a portion of a

deferred tax asset will not be realized. At December 31, 2015, Dominion had established $73 million of valuation allowances.

Accounting for Derivative Contracts and Other Instruments at Fair Value

Dominion uses derivative contracts such as futures, swaps, forwards, options and FTRs to manage commodity and financial market risks of its business operations. Derivative contracts, with certain exceptions, are reported in the Consolidated Balance Sheets at fair value. Accounting requirements for derivatives and related hedging activities are complex and may be subject to further clarification by standard-setting bodies. The majority of investments held in Dominion s nuclear decommissioning and rabbi and benefit plan trust funds are also subject to fair value accounting. See Notes 6 and 21 to the Consolidated Financial Statements for further information on these fair value measurements.

Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, management seeks indicative price information from external sources, including broker quotes and industry publications. When evaluating pricing information provided by brokers and other pricing services, Dominion considers whether the broker is willing and able to trade at the quoted price, if the broker quotes are based on an active market or an inactive market and the extent to which brokers are utilizing a particular model if pricing is not readily available. If pricing information from external sources is not available, or if Dominion believes that observable pricing information is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, Dominion must estimate prices based on available historical and near-term future price information and use of statistical methods, including regression analysis, that reflect its market assumptions.

Dominion maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Use of Estimates in Goodwill Impairment Testing

As of December 31, 2015, Dominion reported $3.3 billion of goodwill in its Consolidated Balance Sheet. A significant portion resulted from the acquisition of the former CNG in 2000.

In April of each year, Dominion tests its goodwill for potential impairment, and performs additional tests more frequently if an event occurs or circumstances change in the interim that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. The 2015, 2014 and 2013 annual tests and any interim tests did not result in the recognition of any goodwill impairment.

In general, Dominion estimates the fair value of its reporting units by using a combination of discounted cash flows and other valuation techniques that use multiples of earnings for peer group companies and analyses of recent business combinations involving peer group companies. Fair value estimates are dependent on subjective factors such as Dominion s estimate of future cash flows, the selection of appropriate discount and growth rates, and the selection of peer group companies and recent transactions. These underlying assumptions and estimates are made as of a point in time; subsequent modifications, particularly changes in discount rates or growth rates inherent in Dominion s estimates of future cash flows, could result in a future impairment of goodwill. Although Dominion has consistently applied the same methods in developing the assumptions and estimates that underlie the fair value calculations, such as estimates of future cash flows, and based those estimates on relevant information available at the time, such cash flow estimates are highly uncertain by nature and may vary significantly from actual results. If the estimates of future cash flows used in the most recent tests had been 10% lower, the resulting fair values would have still been greater than the carrying values of each of those reporting units tested, indicating that no impairment was present. See Note 11 to the Consolidated Financial Statements for additional information.

Use of Estimates in Long-Lived Asset Impairment Testing

Impairment testing for an individual or group of long-lived assets or for intangible assets with definite lives is required when circumstances indicate those assets may be impaired. When an asset s carrying amount exceeds the undiscounted estimated future cash flows associated with the asset, the asset is considered impaired to the extent that the asset s fair value is less than its carrying amount. Performing an impairment test on long-lived assets involves judgment in areas such as identifying if circumstances indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted and discounted estimated future cash flows (used to estimate fair value in the absence of market-based value) associated with the asset, including probability weighting such cash flows to reflect expectations about possible variations in their amounts or timing, expectations about operating the long-lived assets and the selection of an appropriate discount rate. When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has identifiable cash flows. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For example, estimates of future cash flows would contemplate factors which may change over time, such as the expected use of the asset, including future production and sales levels, expected fluctuations of prices of commodities sold and consumed and expected proceeds from dispositions. See Note 6 to the Consolidated Financial Statements for a discussion of impairments related to certain long-lived assets.

Employee Benefit Plans

Dominion sponsors noncontributory defined benefit pension plans and other postretirement benefit plans for eligible active employees, retirees and qualifying dependents. The projected costs of providing benefits under these plans are dependent, in part, on historical information such as employee demographics, the level of contributions made to the plans and earnings on plan assets. Assumptions about the future, including the expected long-term rate of return on plan assets, discount rates applied to benefit obligations, mortality rates and the anticipated rate of increase in healthcare costs and participant compensation, also have a significant impact on employee benefit costs. The impact of changes in these factors, as well as differences between Dominion s assumptions and actual experience, is generally recognized in the Consolidated Statements of Income over the remaining average service period of plan participants, rather than immediately.

The expected long-term rates of return on plan assets, discount rates, healthcare cost trend rates and mortality rates are critical assumptions. Dominion determines the expected long-term rates of return on plan assets for pension plans and other postretirement benefit plans by using a combination of:

- Expected inflation and risk-free interest rate assumptions;
- Historical return analysis to determine long-term historic returns as well as historic risk premiums for various asset classes;
- Expected future risk premiums, asset volatilities and correlations;
- Forecasts of an independent investment advisor;
- Forward-looking return expectations derived from the yield on long-term bonds and the expected long-term returns of major stock market indices; and
- Investment allocation of plan assets. The strategic target asset allocation for Dominion s pension funds is 28% U.S. equity, 18% non-U.S. equity, 35% fixed income, 3% real estate and 16% other alternative investments, such as private equity investments.

Strategic investment policies are established for Dominion s prefunded benefit plans based upon periodic asset/liability studies. Factors considered in setting the investment policy include those mentioned above such as employee demographics, liability growth rates, future discount rates, the funded status of the plans and the expected long-term rate of return on plan assets. Deviations from the plans strategic allocation are a function of Dominion s assessments regarding short-term risk and reward opportunities in the capital markets and/or short-term market movements which result in the plans actual asset allocations varying from the strategic target asset allocations. Through periodic rebalancing, actual allocations are brought back in line with the target. Future asset/liability studies will focus on strategies to further reduce pension and other postretirement plan risk, while still achieving attractive levels of returns.

Dominion develops assumptions, which are then compared to the forecasts of an independent investment advisor to ensure reasonableness. An internal committee selects the final assumptions. Dominion calculated its pension cost using an expected long-term rate of return on plan assets assumption of 8.75% for 2015 and 2014 and 8.50% for 2013. For 2016, the expected long-term rate of return for pension cost assumption is 8.75%. Dominion calculated its other postretirement benefit cost using an expected long-term rate of return on plan assets assumption of 8.50% for 2015 and 2014 and 7.75% for 2013. For 2016, the expected long-term rate of return for other postretirement benefit cost assumption is 8.50%. The rate used in calculating other postretirement benefit cost is lower than the rate used in calculating pension cost because of differences in the relative amounts of various types of investments held as plan assets.

Dominion determines discount rates from analyses of AA/Aa rated bonds with cash flows matching the expected payments to be made under its plans. The discount rates used to calculate pension cost and other postretirement benefit cost were 4.40% in 2015, ranged from 5.20% to 5.30% for pension plans and 5.00% to 5.10% for other postretirement benefit plans in 2014, and ranged from 4.40% to 4.80% in 2013. Dominion selected a discount rate ranging from 4.96% to 4.99% for pension plans and ranging from 4.93% to 4.94% for other postretirement benefit plans for determining its December 31, 2015 projected benefit obligations.

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

Dominion establishes the healthcare cost trend rate assumption based on analyses of various factors including the specific provisions of its medical plans, actual cost trends experienced and projected, and demographics of plan participants. Dominion s healthcare cost trend rate assumption as of December 31, 2015 was 7.00% and is expected to gradually decrease to 5.00% by 2019 and continue at that rate for years thereafter.

Dominion develops its mortality assumption using plan-specific studies and projects mortality improvement using scales developed by the Society of Actuaries.

The following table illustrates the effect on cost of changing the critical actuarial assumptions previously discussed, while holding all other assumptions constant:

		Increase in Net Periodic Cost	
	Change in Actuarial Assumption	Pension Benefits	Other Postretirement Benefits
(millions, except percentages)			
Discount rate	**(0.25)%**	**$ 15**	**$ 1**
Long-term rate of return on plan assets	**(0.25)%**	**16**	**3**
Healthcare cost trend rate	**1 %**	**N/A**	**21**

In addition to the effects on cost, at December 31, 2015, a 0.25% decrease in the discount rate would increase Dominion s projected pension benefit obligation by $212 million and its accumulated postretirement benefit obligation by $40 million, while a 1.00% increase in the healthcare cost trend rate would increase its accumulated postretirement benefit obligation by $157 million.

See Note 21 to the Consolidated Financial Statements for additional information on Dominion s employee benefit plans.

New Accounting Standards

See Note 2 to the Consolidated Financial Statements for a discussion of new accounting standards.

DOMINION

RESULTS OF OPERATIONS

Presented below is a summary of Dominion s consolidated results:

Year Ended December 31, (millions, except EPS)	**2015**	**$ Change**	2014	$ Change	2013
Net Income attributable to Dominion	**$ 1,899**	**$ 589**	$ 1,310	$ (387)	$ 1,697
Diluted EPS	**3.20**	**0.96**	2.24	(0.69)	2.93

Overview

2015 vs. 2014

Net income attributable to Dominion increased by 45% primarily due to the absence of charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities, the absence of losses related to the repositioning of Dominion s producer services business in the first quarter of 2014, and the absence of charges related to Dominion s Liability Manage-

ment Exercise. See Note 13 to the Consolidated Financial Statements for more information on legislation related to North Anna and offshore wind facilities. See *Liquidity and Capital Resources* for more information on the Liability Management Exercise.

2014 vs. 2013

Net income attributable to Dominion decreased by 23% primarily due to charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities, charges associated with Dominion s Liability Management Exercise, and the repositioning of Dominion s producer services business, which was completed in the first quarter of 2014. See Note 13 to the Consolidated Financial Statements for more information on legislation related to North Anna and offshore wind facilities. See *Liquidity and Capital Resources* for more information on the Liability Management Exercise. These decreases were partially offset by an increase in investment tax credits received, primarily from new solar projects.

Analysis of Consolidated Operations

Presented below are selected amounts related to Dominion s results of operations:

Year Ended December 31, (millions)	**2015**	**$ Change**	2014	$ Change	2013
Operating Revenue	**$ 11,683**	**$ (753)**	$ 12,436	$ (684)	$ 13,120
Electric fuel and other energy-related purchases	**2,725**	**(675)**	3,400	(485)	3,885
Purchased electric capacity	**330**	**(31)**	361	3	358
Purchased gas	**551**	**(804)**	1,355	24	1,331
Net Revenue	**8,077**	**757**	7,320	(226)	7,546
Other operations and maintenance	**2,595**	**(170)**	2,765	306	2,459
Depreciation, depletion and amortization	**1,395**	**103**	1,292	84	1,208
Other taxes	**551**	**9**	542	(21)	563
Other income	**196**	**(54)**	250	(15)	265
Interest and related charges	**904**	**(289)**	1,193	316	877
Income tax expense	**905**	**453**	452	(440)	892
Loss from discontinued operations				92	(92)

An analysis of Dominion s results of operations follows:

2015 vs. 2014

Net revenue increased 10%, primarily reflecting:

- The absence of losses related to the repositioning of Dominion s producer services business in the first quarter of 2014, reflecting the termination of natural gas trading and certain energy marketing activities ($313 million);
- A $159 million increase from electric utility operations, primarily reflecting:
  - An increase from rate adjustment clauses ($225 million);
  - An increase in sales to retail customers, primarily due to a net increase in cooling degree days ($38 million); and
  - A decrease in capacity related expenses ($33 million); partially offset by
  - An $85 million write-off of deferred fuel costs associated with Virginia legislation enacted in February 2015;

- A decrease in sales to customers due to the effect of changes in customer usage and other factors ($24 million); and
- A decrease due to a charge based on the 2015 Biennial Review Order to refund revenues to customers ($20 million).

- The absence of losses related to the retail electric energy marketing business which was sold in the first quarter of 2014 ($129 million);
- A $77 million increase from merchant generation operations, primarily due to increased generation output reflecting the absence of planned outages at certain merchant generation facilities ($83 million) and additional solar generating facilities placed into service ($53 million), partially offset by lower realized prices ($58 million);
- A $38 million increase from regulated natural gas distribution operations, primarily due to an increase in rate adjustment clause revenue related to low income assistance programs ($12 million), an increase in AMR and PIR program revenues ($24 million) and various expansion projects placed into service ($22 million); partially offset by a decrease in gathering revenues ($9 million); and
- A $30 million increase from regulated natural gas transmission operations, primarily reflecting:
  - A $61 million increase in gas transportation and storage activities, primarily due to the addition of DCG ($62 million), decreased fuel costs ($24 million) and various expansion projects placed into service ($24 million), partially offset by decreased regulated gas sales ($46 million); and
  - A $46 million net increase primarily due to services performed for Atlantic Coast Pipeline and Blue Racer; partially offset by
  - A $61 million decrease from NGL activities, primarily due to decreased prices.

Other operations and maintenance decreased 6%, primarily reflecting:

- The absence of charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities ($370 million);
- An increase in gains from agreements to convey shale development rights underneath several natural gas storage fields ($63 million);
- A $97 million decrease in planned outage costs primarily due to a decrease in scheduled outage days at certain merchant generation facilities ($59 million) and non-nuclear utility generation facilities ($38 million); and
- A $22 million decrease in charges related to future ash pond and landfill closure costs at certain utility generation facilities.

These decreases were partially offset by:

- The absence of a gain on the sale of Dominion s electric retail energy marketing business in March 2014 ($100 million), net of a $31 million write-off of goodwill;
- An $80 million increase in certain electric transmission-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income;
- The absence of gains on the sale of assets to Blue Racer ($59 million);
- A $53 million increase in utility nuclear refueling outage costs primarily due to the amortization of outage costs that were previously deferred pursuant to Virginia legislation enacted in April 2014;
- A $46 million net increase due to services performed for Atlantic Coast Pipeline and Blue Racer. These expenses are billed to these entities and do not significantly impact net income; and
- A $22 million increase due to the acquisition of DCG.

Other income *decreased 22%, primarily reflecting lower tax recoveries associated with contributions in aid of construction ($17 million), a decrease in interest income related to income taxes ($12 million), and lower net realized gains on nuclear decommissioning trust funds ($11 million).*

Interest and related charges decreased 24%, primarily as a result of the absence of charges associated with Dominion s Liability Management Exercise in 2014.

Income tax expense increased 100%, primarily reflecting higher pre-tax income.

2014 vs. 2013

Net revenue decreased 3%, primarily reflecting:

- A $263 million decrease from retail energy marketing operations, primarily due to the sale of the retail electric business in March 2014; and
- A $195 million decrease primarily related to the repositioning of Dominion s producer services business which was completed in the first quarter of 2014, reflecting the termination of natural gas trading and certain energy marketing activities.

These decreases were partially offset by:

- A $171 million increase from electric utility operations, primarily reflecting:
  - An increase from rate adjustment clauses at electric utility operations ($132 million); and
  - An increase in sales from electric utility operations primarily due to an increase in heating degree days ($34 million);
- A $46 million increase in gas transportation and storage activities and other revenues, largely due to various expansion projects being placed into service; and
- A $35 million increase in merchant generation margins, primarily due to higher realized prices ($120 million), partially offset by lower generation output due to the decommissioning of Kewaunee beginning in May 2013 ($95 million).

Other operations and maintenance increased 12%, primarily reflecting:

- $370 million in charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities;
- A $135 million increase in planned outage costs at certain merchant generation facilities and at certain non-nuclear utility facilities; and
- A $121 million charge related to a settlement offer to incur future ash pond closure costs at certain utility generation facilities.

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

These increases were partially offset by:

- A gain on the sale of Dominion s electric retail energy marketing business in March 2014 ($100 million), net of a $31 million write-off of goodwill;
- A $67 million decrease primarily due to the deferral of utility nuclear outage costs beginning in the second quarter of 2014, pursuant to the Virginia legislation enacted in April 2014;
- The absence of a $65 million charge primarily reflecting impairment charges recorded in 2013 for certain natural gas infrastructure assets; and
- A decrease in bad debt expense at regulated natural gas distribution operations primarily related to low-income assistance programs ($53 million). These bad debt expenses are recovered through rates and do not impact net income.

Interest and related charges increased 36%, primarily due to charges associated with Dominion s Liability Management Exercise in 2014 ($284 million) and higher long-term debt interest expense resulting from debt issuances in 2014 ($44 million).

Income tax expense decreased 49%, primarily reflecting lower pre-tax income ($350 million) and the impact of federal renewable energy investment tax credits ($105 million).

Loss from discontinued operations reflects the sale of Brayton Point and Kincaid in 2013.

Outlook

Dominion s strategy is to continue focusing on its regulated businesses while maintaining upside potential in well-positioned nonregulated businesses. The goals of this strategy are to provide EPS growth, a growing dividend and to maintain a stable credit profile. Dominion expects 80% to 90% of earnings from its primary operating segments to come from regulated and long-term contracted businesses.

In 2016, Dominion is expected to experience an increase in net income on a per share basis as compared to 2015. Dominion s anticipated 2016 results reflect the following significant factors:

- A return to normal weather in its electric utility operations;
- Growth in weather-normalized electric utility sales of approximately 1%;
- Construction and operation of growth projects in electric utility operations and associated rate adjustment clause revenue;
- The absence of a write-off of deferred fuel costs associated with Virginia legislation enacted in February 2015 and decreased charges related to future ash pond and landfill closure costs at certain utility generation facilities;
- A lower effective tax rate, driven primarily by additional investment tax credits;
- Construction and operation of growth projects in gas transmission and distribution; partially offset by
- An increase in depreciation, depletion, and amortization;
- Higher operating and maintenance expenses; and
- Share dilution.

Additionally, in 2016, Dominion expects to focus on meeting new and developing environmental requirements, including by making investments in utility solar generation, particularly in Virginia.

Segment Results of Operations

Segment results include the impact of intersegment revenues and expenses, which may result in intersegment profit or loss. Presented below is a summary of contributions by Dominion s operating segments to net income attributable to Dominion:

Year Ended December 31,	**2015**		2014		2013	
	Net Income attribu-table to Dominion	**Diluted EPS**	Net Income attribu-table to Dominion	Diluted EPS	Net Income attribu-table to Dominion	Diluted EPS
(millions, except EPS)						
DVP	**$ 490**	**$ 0.82**	$ 502	$ 0.86	$ 475	$ 0.82
Dominion Generation[1]	**1,120**	**1.89**	1,061	1.81	963	1.66
Dominion Energy[1]	**680**	**1.15**	717	1.23	711	1.23
Primary operating segments	**2,290**	**3.86**	2,280	3.90	2,149	3.71
Corporate and Other	**(391)**	**(0.66)**	(970)	(1.66)	(452)	(0.78)
Consolidated	**$ 1,899**	**$ 3.20**	$ 1,310	$ 2.24	$ 1,697	$ 2.93

(1) Amounts have been recast to reflect nonregulated retail energy marketing operations in the Dominion Energy segment.

DVP

Presented below are operating statistics related to DVP s operations:

Year Ended December 31,	**2015**	**% Change**	2014	% Change	2013
Electricity delivered (million MWh)	**83.9**	**%**	83.5	1%	82.4
Degree days:					
Cooling	**1,849**	**13**	1,638		1,645
Heating	**3,416**	**(10)**	3,793	4	3,651
Average electric distribution customer accounts (thousands)[1]	**2,525**	**1**	2,500	1	2,475

(1) Period average.

Presented below, on an after-tax basis, are the key factors impacting DVP s net income contribution:

2015 vs. 2014

	Increase (Decrease)	
	Amount	**EPS**
(millions, except EPS)		
Regulated electric sales:		
Weather	**$ 5**	**$ 0.01**
Other	**(4)**	
FERC transmission equity return	**36**	**0.06**
Tax recoveries on contribution in aid of construction	**(10)**	**(0.02)**
Depreciation and amortization	**(9)**	**(0.02)**
Other operations and maintenance	**(12)**	**(0.02)**
AFUDC equity return	**(6)**	**(0.01)**
Interest expense	**(5)**	**(0.01)**
Other	**(7)**	**(0.01)**
Share dilution		**(0.02)**
Change in net income contribution	**$ (12)**	**$ (0.04)**

2014 vs. 2013

(millions, except EPS)	Increase (Decrease) Amount	EPS
Regulated electric sales:		
Weather	$ 8	$ 0.01
Other	(1)	
FERC transmission equity return	27	0.04
Storm damage and service restoration	13	0.02
Depreciation and amortization	(8)	(0.01)
Other	(12)	(0.02)
Change in net income contribution	$ 27	$ 0.04

Dominion Generation

Presented below are operating statistics related to Dominion Generation s operations:

Year Ended December 31,	**2015**	**% Change**	2014	% Change	2013
Electricity supplied (million MWh):					
Utility	**85.2**	**2%**	83.9	1%	82.8
Merchant[(1)]	**26.9**	**8**	25.0	(6)	26.6
Degree days (electric utility service area):					
Cooling	**1,849**	**13**	1,638		1,645
Heating	**3,416**	**(10)**	3,793	4	3,651

(1) Excludes 7.6 million MWh for 2013 related to Kewaunee, Brayton Point, Kincaid, State Line power station, Salem Harbor power station and Dominion s equity method investment in Elwood. There are no exclusions related to these stations in 2014 or 2015.

Presented below, on an after-tax basis, are the key factors impacting Dominion Generation s net income contribution:

2015 vs. 2014

(millions, except EPS)	**Increase (Decrease) Amount**	**EPS**
Merchant generation margin	**$ 53**	**$ 0.09**
Regulated electric sales:		
Weather	**19**	**0.03**
Other	**(13)**	**(0.02)**
Rate adjustment clause equity return	**20**	**0.03**
PJM ancillary services	**(15)**	**(0.02)**
Outage costs	**26**	**0.05**
Depreciation and amortization	**(32)**	**(0.05)**
Capacity related expenses	**20**	**0.03**

Other	**(19)**	**(0.03)**
Share dilution		**(0.03)**
Change in net income contribution	**$ 59**	**$ 0.08**

2014 vs. 2013

	Increase (Decrease)	
	Amount	EPS
(millions, except EPS)		
Merchant generation margin	$ 64	0.11
Regulated electric sales:		
Weather	13	0.02
Other	(7)	(0.01)
Rate adjustment clause equity return	(8)	(0.01)
PJM ancillary services	24	0.04
Renewable energy investment tax credits	97	0.17
Outage costs	(40)	(0.07)
AFUDC equity return	(17)	(0.03)
Salaries and benefits	(11)	(0.03)
Other	(17)	(0.04)
Change in net income contribution	$ 98	$ 0.15

Dominion Energy

Presented below are selected operating statistics related to Dominion Energy s operations.

Year Ended December 31,	**2015**	**% Change**	2014	% Change	2013
Gas distribution throughput (bcf):					
Sales	**27**	**(16)%**	32	10%	29
Transportation	**470**	**33**	353	26	281
Heating degree days	**5,666**	**(10)**	6,330	8	5,875
Average gas distribution customer accounts (thousands)(1):					
Sales	**240**	**(2)**	244	(1)	246
Transportation	**1,057**		1,052		1,049
Average retail energy marketing customer accounts (thousands)(1)	**1,296**	**1**	1,283(2)	(39)	2,119

(1) Period average.
(2) Excludes 511 thousand average retail electric energy marketing customer accounts due to the sale of this business in March 2014.

Presented below, on an after-tax basis, are the key factors impacting Dominion Energy s net income contribution:

2015 vs. 2014

	Increase (Decrease)	
	Amount	**EPS**
(millions, except EPS)		
Gas distribution margin:		
Weather	**$ (5)**	**$ (0.01)**
Rate adjustment clauses	**16**	**0.03**
Other	**9**	**0.02**
Assignment of shale development rights	**33**	**0.06**
Depreciation and amortization	**(12)**	**(0.02)**
Blue Racer	**(39)(1)**	**(0.07)**
Noncontrolling interest(2)	**(13)**	**(0.02)**
Retail energy marketing operations	**(11)**	**(0.02)**
Other	**(15)**	**(0.04)**
Share dilution		**(0.01)**
Change in net income contribution	**$ (37)**	**$ (0.08)**

(1) Primarily represents absence of a gain from the sale of the Northern System.
(2) Represents the portion of earnings attributable to Dominion Midstream s public unitholders.

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

2014 vs. 2013

(millions, except EPS)	Increase (Decrease) Amount	EPS
Gas distribution margin:		
Weather	$ 4	$ 0.01
Rate adjustment clauses	15	0.02
Other	5	0.01
Assignment of shale development rights	31	0.05
Depreciation and amortization	(8)	(0.01)
Blue Racer(1)	(1)	
Retail energy marketing operations(2)	(20)	(0.03)
Other	(20)	(0.03)
Share dilution		(0.02)
Change in net income contribution	$ 6	$

(1) Includes a $24 million decrease in gains from the sale of assets.
(2) Excludes earnings from Retail electric energy marketing, which was sold in March 2014.

Corporate and Other

Presented below are the Corporate and Other segment s after-tax results:

Year Ended December 31, (millions, except EPS amounts)	**2015**	2014	2013
Specific items attributable to operating segments	**$ (136)**	$ (544)	$ (184)
Specific items attributable to Corporate and Other segment	**(5)**	(149)	
Total specific items	**(141)**	(693)	(184)
Other corporate operations	**(250)**	(277)	(268)
Total net expense	**$ (391)**	$ (970)	$ (452)
EPS impact	**$ (0.66)**	$ (1.66)	$ (0.78)

Total Specific Items

Corporate and Other includes specific items attributable to Dominion s primary operating segments that are not included in profit measures evaluated by executive management in assessing those segments performance or allocating resources among the segments. See Note 25 to the Consolidated Financial Statements for discussion of these items in more detail. Corporate and other also includes specific items attributable to the Corporate and Other segment. In 2014, this primarily included $174 million in after-tax charges associated with Dominion s Liability Management Exercise.

Virginia Power

RESULTS OF OPERATIONS

Presented below is a summary of Virginia Power s consolidated results:

Year Ended December 31, (millions)	2015	$ Change	2014	$ Change	2013
Net Income	**$ 1,087**	**$ 229**	$ 858	$ (280)	$ 1,138

Overview

2015 vs. 2014

Net income increased by 27% primarily due to the absence of charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities.

2014 vs. 2013

Net income decreased by 25% primarily due to charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities.

Analysis of Consolidated Operations

Presented below are selected amounts related to Virginia Power s results of operations:

Year Ended December 31, (millions)	2015	$ Change	2014	$ Change	2013
Operating Revenue	**$ 7,622**	**$ 43**	$ 7,579	$ 284	$ 7,295
Electric fuel and other energy-related purchases	**2,320**	**(86)**	2,406	102	2,304
Purchased electric capacity	**330**	**(30)**	360	2	358
Net Revenue	**4,972**	**159**	4,813	180	4,633
Other operations and maintenance	**1,634**	**(282)**	1,916	465	1,451
Depreciation and amortization	**953**	**38**	915	62	853
Other taxes	**264**	**6**	258	9	249
Other income	**68**	**(25)**	93	7	86
Interest and related charges	**443**	**32**	411	42	369
Income tax expense	**659**	**111**	548	(111)	659

An analysis of Virginia Power s results of operations follows:

2015 vs. 2014

Net revenue increased 3%, primarily reflecting:

- An increase from rate adjustment clauses ($225 million);
- An increase in sales to retail customers, primarily due to a net increase in cooling degree days ($38 million); and
- A decrease in capacity related expenses ($33 million); partially offset by
- An $85 million write-off of deferred fuel costs associated with Virginia legislation enacted in February 2015;
- A decrease in sales to customers due to the effect of changes in customer usage and other factors ($24 million); and
- A decrease due to a charge based on the 2015 Biennial Review Order to refund revenues to customers ($20 million).

Other operations and maintenance decreased 15%, primarily reflecting:

- The absence of $370 million in charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities; and
- A $38 million decrease in planned outage costs primarily due to a decrease in scheduled outage days at certain non-nuclear utility generation facilities.

These decreases were partially offset by:

- An $80 million increase in certain electric transmission-related expenditures. These expenses are primarily recovered through state and FERC rates and do not impact net income; and
- A $53 million increase in utility nuclear refueling outage costs primarily due to the amortization of outage costs that were previously deferred pursuant to Virginia legislation enacted in April 2014.

Other income decreased 27%, primarily reflecting lower tax recoveries associated with contributions in aid of construction.

Table of Contents

Income tax expense increased 20%, primarily reflecting higher pre-tax income.

2014 vs. 2013

Net revenue increased 4%, primarily reflecting increases from rate adjustment clauses ($132 million) and sales to customers due to an increase in heating degree days ($34 million).

Other operations and maintenance increased 32%, primarily reflecting:

- $370 million in charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities; and
- A $121 million charge related to a settlement offer to incur future ash pond closure costs at certain generation facilities.

Interest and related charges increased 11%, primarily due to higher long-term debt interest expense resulting from debt issuances in August 2013 and February 2014.

Income tax expense decreased 17%, primarily reflecting lower pre-tax income.

DOMINION GAS

RESULTS OF OPERATIONS

Presented below is a summary of Dominion Gas consolidated results:

Year Ended December 31, (millions)	2015	$ Change	2014	$ Change	2013
Net Income	**$ 457**	**$ (55)**	$ 512	$ 51	$ 461

Overview

2015 vs. 2014

Net income decreased by 11% primarily due to the absence of gains on the indirect sale of assets to Blue Racer, a decrease in income from NGL activities and higher interest expense, partially offset by increased gains from agreements to convey shale development rights underneath several natural gas storage fields.

2014 vs. 2013

Net income increased by 11% primarily due to the absence of impairment charges for certain natural gas infrastructure assets and increased gains due to assignments of Marcellus acreage, partially offset by decreased gains on sales of assets to related parties.

Analysis of Consolidated Operations

Presented below are selected amounts related to Dominion Gas results of operations:

Year Ended December 31, (millions)	**2015**	**$ Change**	2014	$ Change	2013
Operating Revenue	**$ 1,716**	**$ (182)**	$ 1,898	$ (39)	$ 1,937
Purchased gas	**133**	**(182)**	315	(8)	323
Other energy-related purchases	**21**	**(19)**	40	(53)	93
Net Revenue	**1,562**	**19**	1,543	22	1,521
Other operations and maintenance	**390**	**52**	338	(85)	423
Depreciation and amortization	**217**	**20**	197	9	188
Other taxes	**166**	**9**	157	9	148
Other income	**24**	**2**	22	(6)	28
Interest and related charges	**73**	**46**	27	(1)	28
Income tax expense	**283**	**(51)**	334	33	301

An analysis of Dominion Gas results of operations follows:

2015 vs. 2014

Net revenue increased 1%, primarily reflecting:

- A $43 million increase from regulated natural gas distribution operations, primarily due to an increase in AMR and PIR program revenues ($24 million) and various expansion projects placed into service ($22 million); partially offset by
- A $27 million decrease from regulated natural gas transmission operations, primarily reflecting:
  - A $62 million decrease from NGL activities, primarily due to decreased prices; partially offset by
  - A $2 million increase in gas transportation and storage activities, primarily due to decreased fuel costs ($24 million) and various expansion projects placed into service ($24 million), partially offset by decreased regulated gas sales ($46 million); and
  - A $33 million net increase in other revenue primarily due to services performed for Atlantic Coast Pipeline and Blue Racer ($47 million), partially offset by a decrease in non-regulated gas sales ($8 million) and decreased farmout revenues ($6 million).

Other operations and maintenance increased 15%, primarily reflecting:

- A $47 million net increase due to services performed for Atlantic Coast Pipeline and Blue Racer. These expenses are billed to these entities and do not significantly impact net income; and
- The absence of gains on the sale of assets to Blue Racer ($59 million); partially offset by
- An increase in gains from agreements to convey shale development rights underneath several natural gas storage fields ($63 million).

Depreciation and amortization increased 10% primarily due to various expansion projects placed into service.

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

Interest and related charges increased $46 million, primarily due to higher long-term debt interest expense resulting from debt issuances in December 2014.

Income tax expense decreased 15% primarily reflecting lower pre-tax income.

2014 vs. 2013

Other operations and maintenance decreased 20%, primarily reflecting:

- The absence of impairment charges related to certain natural gas infrastructure assets ($55 million);
- A decrease in bad debt expense at regulated natural gas distribution operations primarily related to low income assistance programs ($53 million). These bad debt expenses are recovered through rates and do not impact net income; and
- An increase in gains associated with assignments of Marcellus acreage ($42 million); partially offset by
- Decreased gains on the sale of assets to related parties ($43 million).

Income tax expense increased 11% primarily reflecting higher pre-tax income.

Liquidity and Capital Resources

Dominion depends on both internal and external sources of liquidity to provide working capital and as a bridge to long-term debt financings. Short-term cash requirements not met by cash provided by operations are generally satisfied with proceeds from short-term borrowings. Long-term cash needs are met through issuances of debt and/or equity securities.

At December 31, 2015, Dominion had $932 million of unused capacity under its credit facilities. See additional discussion below under *Credit Facilities and Short-Term Debt.*

A summary of Dominion s cash flows is presented below:

Year Ended December 31,	**2015**	2014	2013
(millions)			
Cash and cash equivalents at beginning of year	**$ 318**	$ 316	$ 248
Cash flows provided by (used in):			
Operating activities	**4,475**	3,439	3,433
Investing activities	**(6,503)**	(5,181)	(3,458)
Financing activities	**2,317**	1,744	93
Net increase in cash and cash equivalents	**289**	2	68
Cash and cash equivalents at end of year	**$ 607**	$ 318	$ 316

Operating Cash Flows

Net cash provided by Dominion s operating activities increased $1.0 billion, primarily due to the absence of losses related to the repositioning of Dominion s producer services business in 2014, higher deferred fuel cost recoveries in its Virginia jurisdiction, higher revenue from rate adjustment clauses, lower outage costs and the absence of losses related to the retail electric energy marketing business in 2014.

Dominion believes that its operations provide a stable source of cash flow to contribute to planned levels of capital expenditures and maintain or grow the dividend on common shares. In

December 2015, Dominion s Board of Directors affirmed the dividend policy it set in February 2015 targeting a payout ratio of 70-75%, and established an annual dividend rate for 2016 of $2.80 per share of common stock, an 8.1% increase over the 2015 rate. Dividends are subject to declaration by the Board of Directors. In January 2016, Dominion s Board of Directors declared dividends payable in March 2016 of 70 cents per share of common stock.

Dominion s operations are subject to risks and uncertainties that may negatively impact the timing or amounts of operating cash flows, and which are discussed in Item 1A. Risk Factors.

Credit Risk

Dominion s exposure to potential concentrations of credit risk results primarily from its energy marketing and price risk management activities. Presented below is a summary of Dominion s credit exposure as of December 31, 2015 for these activities. Gross credit exposure for each counterparty is calculated as outstanding receivables plus any unrealized on- or off-balance sheet exposure, taking into account contractual netting rights.

(millions)	Gross Credit Exposure	Credit Collateral	Net Credit Exposure
Investment grade[(1)]	**$ 103**	**$ 48**	**$ 55**
Non-investment grade[(2)]	**2**		**2**
No external ratings:			
Internally rated-investment grade[(3)]	**14**		**14**
Internally rated-non-investment grade[(4)]	**30**		**30**
Total	**$ 149**	**$ 48**	**$ 101**

(1) Designations as investment grade are based upon minimum credit ratings assigned by Moody s and Standard & Poor s. The five largest counterparty exposures, combined, for this category represented approximately 45% of the total net credit exposure.
(2) The five largest counterparty exposures, combined, for this category represented approximately 2% of the total net credit exposure.
(3) The five largest counterparty exposures, combined, for this category represented approximately 14% of the total net credit exposure.
(4) The five largest counterparty exposures, combined, for this category represented approximately 20% of the total net credit exposure.

Investing Cash Flows

In 2015, net cash used in Dominion s investing activities increased $1.3 billion, primarily due to Dominion s acquisition of DCG in 2015, an increase in acquisitions of solar development projects in 2015, and the absence of proceeds from the sale of Dominion s electric retail energy marketing business in 2014.

Financing Cash Flows and Liquidity

Dominion relies on capital markets as significant sources of funding for capital requirements not satisfied by cash provided by its operations. As discussed in *Credit Ratings*, Dominion s ability to borrow funds or issue securities and the return demanded by investors are affected by credit ratings. In addition, the raising of external capital is subject to certain regulatory requirements, including registration with the SEC for certain issuances.

Dominion currently meets the definition of a well-known seasoned issuer under SEC rules governing the registration, communications and offering processes under the Securities Act of 1933. The rules provide for a streamlined shelf registration

process to provide registrants with timely access to capital. This allows Dominion to use automatic shelf registration statements to register any offering of securities, other than those for exchange offers or business combination transactions.

In 2015, net cash provided by Dominion s financing activities increased $573 million, primarily due to the issuance of common stock through an at-the-market program, proceeds from the sale of interest in merchant solar projects and the absence of subsidiary preferred stock redemption in 2014, partially offset by the absence of proceeds from the issuance of Dominion Midstream common units in 2014.

Liability Management

During 2014, Dominion elected to redeem certain debt and preferred securities prior to their stated maturities. Proceeds from the issuance of lower-cost senior and enhanced junior subordinated notes were used to fund the redemption payments. See Note 17 to the Consolidated Financial Statements for descriptions of these redemptions.

From time to time, Dominion may reduce its outstanding debt and level of interest expense through redemption of debt securities prior to maturity and repurchases in the open market, in privately negotiated transactions, through tender offers or otherwise.

Credit Facilities and Short-term Debt

Dominion uses short-term debt to fund working capital requirements and as a bridge to long-term debt financings. The levels of borrowing may vary significantly during the course of the year, depending upon the timing and amount of cash requirements not satisfied by cash from operations. In January 2016, Dominion expanded its short-term funding resources through a $1.0 billion increase to one of its joint revolving credit facility limits. In addition, Dominion utilizes cash and letters of credit to fund collateral requirements. Collateral requirements are impacted by commodity prices, hedging levels, Dominion s credit ratings and the credit quality of its counterparties.

In connection with commodity hedging activities, Dominion is required to provide collateral to counterparties under some circumstances. Under certain collateral arrangements, Dominion may satisfy these requirements by electing to either deposit cash, post letters of credit or, in some cases, utilize other forms of security. From time to time, Dominion may vary the form of collateral provided to counterparties after weighing the costs and benefits of various factors associated with the different forms of collateral. These factors include short-term borrowing and short-term investment rates, the spread over these short-term rates at which Dominion can issue commercial paper, balance sheet impacts, the costs and fees of alternative collateral postings with these and other counterparties and overall liquidity management objectives.

Dominion s commercial paper and letters of credit outstanding, as well as capacity available under credit facilities, were as follows:

December 31, 2015	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit	Facility Capacity Available
(millions)				
Joint revolving credit facility[(1)(2)]	**$ 4,000**	**$ 3,353**	**$**	**$ 647**
Joint revolving credit facility[(1)]	**500**	**156**	**59**	**285**
Total	**$ 4,500**	**$ 3,509**[(3)]	**$ 59**	**$ 932**

(1) These credit facilities mature in April 2019, and can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to a combined $2.0 billion of letters of credit.
(2) In January 2016, this facility limit was increased from $4.0 billion to $5.0 billion.
(3) The weighted-average interest rate of the outstanding commercial paper supported by Dominion s credit facilities was 0.62% at December 31, 2015.

Short-term Notes

In November 2014, Dominion issued $400 million of private placement short-term notes that matured and were repaid in November 2015 and bore interest at a variable rate. The proceeds were used for general corporate purposes.

In November 2015, Dominion issued $400 million of private placement short-term notes that mature in May 2016 and bear interest at a variable rate. In December 2015, Dominion issued an additional $200 million of the variable rate short-term notes that mature in May 2016. The proceeds were used for general corporate purposes.

In February 2016, Dominion purchased and cancelled $100 million of the variable rate short-term notes that would have otherwise matured in May 2016 using the proceeds from the February 2016 issuance of senior notes that mature in 2018. As a result, at December 31, 2015, $100 million of the notes were included in long-term debt in the Consolidated Balance Sheets.

Long-term Debt

During 2015, Dominion issued the following long-term debt:

Type	Principal (millions)	Rate	Maturity
Senior notes	**$ 500**	**1.90%**	**2018**
Senior notes	**700**	**2.80%**	**2020**
Senior notes	**350**	**3.10%**	**2025**
Senior notes	**650**	**3.90%**	**2025**
Senior notes	**350**	**4.20%**	**2045**
Total notes issued	**$ 2,550**		

In August 2015, Virginia Power remarketed five series of tax-exempt bonds, with an aggregate outstanding principal of $412 million to new investors. Two of the bonds will bear interest at a coupon rate of 1.75% until May 2019 after which they will bear interest at a market rate to be determined at that time. Three of the bonds will bear interest at a coupon rate of 2.15% until September 2020 after which they will bear interest at a market rate to be determined at that time. Previously, interest on all of the remarketed bonds was variable and reset monthly. This remarketing was accounted for as a debt extinguishment with the previous investors.

During 2015, Dominion repaid and repurchased $892 million of long-term debt.

Issuance of Common Stock and Other Equity Securities

Dominion maintains Dominion Direct® and a number of employee savings plans through which contributions may be invested in Dominion s common stock. These shares may either be newly issued or purchased on the open market with proceeds contributed to these plans. In January 2014, Dominion began purchasing its common stock on the open market for these plans. In April 2014, Dominion began issuing new common shares for these direct stock purchase plans.

During 2015, Dominion issued 4.2 million shares of common stock totaling $295 million through employee savings plans, direct stock purchase and dividend reinvestment plans and other employee and director benefit plans. Dominion received cash proceeds of $284 million from the issuance of 4.1 million of such shares through Dominion Direct® and employee savings plans.

During 2015, Dominion issued 6.8 million shares of common stock and received cash proceeds of $499 million, net of fees and commissions paid of $3 million, through an at-the-market program and a registered underwritten public offering. See Note 19 to the Consolidated Financial Statements for a description of the at-the-market program and public offering.

During 2016, Dominion plans to issue shares for employee savings plans, direct stock purchase and dividend reinvestment plans, stock purchase contracts and to finance the Questar Combination. See Note 17 to the Consolidated Financial Statements for a description of common stock to be issued by Dominion for stock purchase contracts.

Repurchase of Common Stock

Dominion did not repurchase any shares in 2015 and does not plan to repurchase shares during 2016, except for shares tendered by employees to satisfy tax withholding obligations on vested restricted stock, which does not count against its stock repurchase authorization.

Purchase of Dominion Midstream Units

In September 2015, Dominion initiated a program to purchase from the market up to $50 million of common units representing limited partner interests in Dominion Midstream. The common units may be acquired by Dominion over the 12 month period following commencement of the program at the discretion of management. Through December 31, 2015, Dominion purchased approximately 887,000 common units for $25 million. In the first quarter of 2016, Dominion purchased approximately 377,000 additional common units for approximately $10 million. At February 23, 2016, Dominion still has the ability to purchase up to $15 million of common units under the program.

Proposed Acquisition of Questar

Under the terms of the Questar Combination announced in February 2016, Dominion has agreed to pay Questar shareholders $25 per share, totaling approximately $4.4 billion as well as assume Questar s outstanding debt, currently approximately $1.6 billion, which is expected to remain outstanding following the merger. Additionally, Dominion entered into agreements with several of its lending banks pursuant to which they have commit-

ted to provide temporary debt financing consisting of a $3.9 billion acquisition facility. Dominion intends to permanently finance the transaction in a manner that supports its existing credit ratings targets by issuing a combination of common stock, mandatory convertibles (including RSNs) and debt at Dominion and indirectly through an issuance of common units at Dominion Midstream, the proceeds of which will be applied to pay Dominion for certain assets of Questar, which are expected to be contributed to Dominion Midstream. Subject to receipt of Questar shareholder and any required regulatory approvals and meeting closing conditions, Dominion targets closing by the end of 2016.

Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold securities. Dominion believes that its current credit ratings provide sufficient access to the capital markets. However, disruptions in the banking and capital markets not specifically related to Dominion may affect its ability to access these funding sources or cause an increase in the return required by investors. Dominion s credit ratings affect its liquidity, cost of borrowing under credit facilities and collateral posting requirements under commodity contracts, as well as the rates at which it is able to offer its debt securities.

Both quantitative (financial strength) and qualitative (business or operating characteristics) factors are considered by the credit rating agencies in establishing an individual company s credit rating. Credit ratings should be evaluated independently and are subject to revision or withdrawal at any time by the assigning rating organization. The credit ratings for Dominion are affected by its financial profile, mix of regulated and nonregulated businesses and respective cash flows, changes in methodologies used by the rating agencies and event risk, if applicable, such as major acquisitions or dispositions.

In November 2014, Standard & Poor s changed Dominion s rating outlook to negative from stable. In February 2016, Standard & Poor s lowered the following ratings for Dominion: issuer to BBB+ from A-, senior unsecured debt securities to BBB from BBB+ and junior/remarketable subordinated debt securities to BBB- from BBB. In addition, Standard & Poor s affirmed Dominion s commercial paper rating of A-2 and revised its outlook to stable from negative.

Credit ratings as of February 23, 2016 follow:

	Fitch	Moody s	Standard & Poor s
Dominion			
Issuer	**BBB+**	**Baa2**	**BBB+**
Senior unsecured debt securities	**BBB+**	**Baa2**	**BBB**
Junior/remarketable subordinated debt securities	**BBB-**	**Baa3**	**BBB-**
Commercial paper	**F2**	**P-2**	**A-2**

As of February 23, 2016, Fitch, Moody s and Standard & Poor s maintained a stable outlook for their respective ratings of Dominion.

A downgrade in an individual company s credit rating does not necessarily restrict its ability to raise short-term and long-term financing as long as its credit rating remains investment grade, but it could result in an increase in the cost of borrowing. Dominion works closely with Fitch, Moody s and Standard & Poor s with the objective of achieving its targeted credit ratings. Dominion may find it necessary to modify its business plan to maintain or achieve appropriate credit ratings and such changes may adversely affect growth and EPS.

Debt Covenants

As part of borrowing funds and issuing debt (both short-term and long-term) or preferred securities, Dominion must enter into enabling agreements. These agreements contain covenants that, in the event of default, could result in the acceleration of principal and interest payments; restrictions on distributions related to capital stock, including dividends, redemptions, repurchases, liquidation payments or guarantee payments; and in some cases, the termination of credit commitments unless a waiver of such requirements is agreed to by the lenders/security holders. These provisions are customary, with each agreement specifying which covenants apply. These provisions are not necessarily unique to Dominion.

Some of the typical covenants include:

- The timely payment of principal and interest;
- Information requirements, including submitting financial reports filed with the SEC and information about changes in Dominion s credit ratings to lenders;
- Performance obligations, audits/inspections, continuation of the basic nature of business, restrictions on certain matters related to merger or consolidation and restrictions on disposition of all or substantially all assets;
- Compliance with collateral minimums or requirements related to mortgage bonds; and
- Limitations on liens.

Dominion is required to pay annual commitment fees to maintain its credit facilities. In addition, Dominion s credit agreements contain various terms and conditions that could affect its ability to borrow under these facilities. They include maximum debt to total capital ratios and cross-default provisions.

As of December 31, 2015, the calculated total debt to total capital ratio, pursuant to the terms of the agreements, was as follows:

Company	Maximum Allowed Ratio	Actual Ratio[1]
Dominion	**65%**	**61%**

(1) Indebtedness as defined by the bank agreements excludes junior subordinated and remarketable subordinated notes reflected as long-term debt as well as AOCI reflected as equity in the Consolidated Balance Sheets.

If Dominion or any of its material subsidiaries fails to make payment on various debt obligations in excess of $100 million, the lenders could require the defaulting company, if it is a borrower under Dominion s credit facilities, to accelerate its repayment of any outstanding borrowings and the lenders could terminate their commitments, if any, to lend funds to that company under the credit facilities. In addition, if the defaulting company is Virginia Power, Dominion s obligations to repay any outstanding borrowing under the credit facilities could also be accelerated and the lenders commitments to Dominion could terminate.

Dominion executed RCCs in connection with its issuance of the following hybrid securities:

- June 2006 hybrids;
- September 2006 hybrids; and
- June 2009 hybrids.

In October 2014, Dominion redeemed all of the June 2009 hybrids. The redemption was conducted in compliance with the RCC. See Note 17 to the Consolidated Financial Statements for additional information, including terms of the RCCs.

At December 31, 2015, the termination dates and covered debt under the RCCs associated with Dominion s hybrids were as follows:

Hybrid	RCC Termination Date	Designated Covered Debt Under RCC
June 2006 hybrids	**6/30/2036**	**September 2006 hybrids**
September 2006 hybrids	**9/30/2036**	**June 2006 hybrids**

Dominion monitors these debt covenants on a regular basis in order to ensure that events of default will not occur. As of December 31, 2015, there have been no events of default under or changes to Dominion s debt covenants.

Dividend Restrictions

Certain agreements associated with Dominion s credit facilities contain restrictions on the ratio of debt to total capitalization. These limitations did not restrict Dominion s ability to pay dividends or receive dividends from its subsidiaries at December 31, 2015.

See Note 17 to the Consolidated Financial Statements for a description of potential restrictions on dividend payments by Dominion in connection with the deferral of interest payments on junior subordinated notes and equity units, initially in the form of corporate units, which information is incorporated herein by reference.

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

Future Cash Payments for Contractual Obligations and Planned Capital Expenditures

CONTRACTUAL OBLIGATIONS

Dominion is party to numerous contracts and arrangements obligating it to make cash payments in future years. These contracts include financing arrangements such as debt agreements and leases, as well as contracts for the purchase of goods and services and financial derivatives. Presented below is a table summarizing cash payments that may result from contracts to which Dominion is a party as of December 31, 2015. For purchase obligations and other liabilities, amounts are based upon contract terms, including fixed and minimum quantities to be purchased at fixed or market-based prices. Actual cash payments will be based upon actual quantities purchased and prices paid and will likely differ from amounts presented below. The table excludes all amounts classified as current liabilities in the Consolidated Balance Sheets, other than current maturities of long-term debt, interest payable and certain derivative instruments. The majority of Dominion s current liabilities will be paid in cash in 2016.

(millions)	2016	2017-2018	2019-2020	2021 and thereafter	Total
Long-term debt[1]	**$ 1,926**	**$ 3,279**	**$ 4,250**	**$ 16,018**	**$ 25,473**
Interest payments[2]	**1,071**	**1,863**	**1,579**	**11,719**	**16,232**
Leases[3]	**67**	**116**	**68**	**153**	**404**
Purchase obligations[4]:					
Purchased electric capacity for utility operations	**249**	**261**	**117**	**46**	**673**
Fuel commitments for utility operations	**1,183**	**1,270**	**523**	**1,645**	**4,621**
Fuel commitments for nonregulated operations	**94**	**165**	**87**	**159**	**505**
Pipeline transportation and storage	**202**	**351**	**306**	**1,237**	**2,096**
Other[5]	**1,884**	**157**	**15**	**6**	**2,062**
Other long-term liabilities[6]:					
Other contractual obligations[7]	**120**	**81**	**15**	**10**	**226**
Total cash payments	**$ 6,796**	**$ 7,543**	**$ 6,960**	**$ 30,993**	**$ 52,292**

(1) Based on stated maturity dates rather than the earlier redemption dates that could be elected by instrument holders. In February 2016, Dominion purchased and cancelled $100 million of variable rate short-term notes that would have otherwise matured in May 2016 using the proceeds from the February 2016 issuance of senior notes that mature in 2018. As a result, at December 31, 2015, $100 million of the notes were included in long-term debt in the Consolidated Balance Sheets.

(2) Includes interest payments over the terms of the debt and payments on related stock purchase contracts. Interest is calculated using the applicable interest rate or forward interest rate curve at December 31, 2015 and outstanding principal for each instrument with the terms ending at each instrument s stated maturity. See Note 17 to the Consolidated Financial Statements. Does not reflect Dominion s ability to defer interest and stock purchase contract payments on junior subordinated notes or RSNs and equity units, initially in the form of Corporate Units.

(3) Primarily consists of operating leases.

(4) Amounts exclude open purchase orders for services that are provided on demand, the timing of which cannot be determined.

(5) Includes capital, operations, and maintenance commitments.

(6) Excludes regulatory liabilities, AROs and employee benefit plan obligations, which are not contractually fixed as to timing and amount. See Notes 12, 14 and 21 to the Consolidated Financial Statements. Due to uncertainty about the timing and amounts that will ultimately be paid, $67 million of income taxes payable associated with unrecognized tax benefits are excluded. Deferred income taxes are also excluded since cash payments are based primarily on taxable income for each discrete fiscal year. See Note 5 to the Consolidated Financial Statements.

(7) Includes interest rate swap agreements.

PLANNED CAPITAL EXPENDITURES

Dominion s planned capital expenditures are expected to total approximately $6.9 billion, $4.9 billion and $4.3 billion in 2016, 2017 and 2018, respectively. Dominion s planned expenditures include construction and expansion of electric generation and natural gas transmission and storage facilities, construction improvements and expansion of electric transmission and distribution assets, purchases of nuclear fuel, the construction of the Liquefaction Project and funding of Dominion s portion of the Atlantic Coast Pipeline Project.

Dominion expects to fund its capital expenditures with cash from operations and a combination of securities issuances and short-term borrowings. Planned capital expenditures include capital projects that are subject to approval by regulators and the Board of Directors.

See *DVP, Dominion Generation* and *Dominion Energy-Properties* in Item 1. Business for a discussion of Dominion s expansion plans.

These estimates are based on a capital expenditures plan reviewed and endorsed by Dominion s Board of Directors in late 2015 and are subject to continuing review and adjustment and actual capital expenditures may vary from these estimates. Dominion may also choose to postpone or cancel certain planned capital expenditures in order to mitigate the need for future debt financings and equity issuances.

Use of Off-Balance Sheet Arrangements

GUARANTEES

Dominion primarily enters into guarantee arrangements on behalf of its consolidated subsidiaries. These arrangements are not subject to the provisions of FASB guidance that dictate a guarantor s accounting and disclosure requirements for guarantees, including indirect guarantees of indebtedness of others. See Note 22 to the Consolidated Financial Statements for additional information, which information is incorporated herein by reference.

FUTURE ISSUES AND OTHER MATTERS

See Item 1. Business and Notes 13 and 22 to the Consolidated Financial Statements for additional information on various environmental, regulatory, legal and other matters that may impact future results of operations, financial condition and/or cash flows.

Environmental Matters

Dominion is subject to costs resulting from a number of federal, state and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations. They can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations.

ENVIRONMENTAL PROTECTION AND MONITORING EXPENDITURES

Dominion incurred $190 million, $192 million and $182 million of expenses (including depreciation) during 2015, 2014, and 2013 respectively, in connection with environmental protection and monitoring activities, excluding charges related to ash pond and landfill closure costs, and expects these expenses to be approximately $186 million and $187 million in 2016 and 2017, respectively. In addition, capital expenditures related to environmental controls were $59 million, $101 million, and $64 million for 2015, 2014 and 2013, respectively. These expenditures are expected to be approximately $85 million and $113 million for 2016 and 2017, respectively.

Future Environmental Regulations

Air

The CAA is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation s air quality. At a minimum, delegated states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of the Companies facilities are subject to the CAA s permitting and other requirements.

In August 2015, the EPA issued final carbon standards for existing fossil fuel power plants. Known as the Clean Power Plan, the rule uses a set of measures for reducing emissions from existing sources that includes efficiency improvements at coal plants, displacing coal-fired generation with increased utilization of natural gas combined cycle units and expanding renewable resources. The new rule requires states to impose standards of performance limits for existing fossil fuel-fired electric generating units or equivalent statewide intensity-based or mass-based CO_2 binding goals or limits. States are required to submit interim plans to the EPA by September 2016 identifying how they will comply with the rule, with final plans due by September 2018. The EPA also proposed a federal plan and model trading rules that, when finalized, states can adopt or that would be put in place if, in response to the final guidelines, a state either does not submit a state plan or its plan is not approved by the EPA. Virginia Power s most recent integrated resources plan filed in July 2015 includes four alternative plans that represent plausible compliance strategies with the rule as proposed, and which include additional coal unit retirements and additional low or zero-carbon resources. The final rule has been challenged in the U.S. Court of Appeals for the D.C. Circuit. In February 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan until the disposition of the petitions challenging the rule now before the Court of Appeals, and, if such petitions are filed in the future, before the U.S. Supreme Court. Dominion does not know whether these legal challenges will impact the submittal deadlines for the state implementation plans. Subsequent to the stay, Virginia has announced that it will continue development of a state plan. Unless the rule survives the court challenges and until the state plans are developed and the EPA approves the plans, Dominion cannot predict the potential financial statement impacts but believes the potential expenditures to comply could be material.

In December 2012, the EPA issued a final rule that set a more stringent annual air quality standard for fine particulate matter. The EPA issued final attainment/nonattainment designations in January 2015. Until states develop their implementation plans, Dominion cannot determine whether or how facilities located in areas designated nonattainment for the standard will be impacted, but does not expect such impacts to be material.

The EPA has finalized rules establishing a new 1-hour NAAQS for NO_2 and a new 1-hour NAAQS for SO_2, which could require additional NO_X and SO_2 controls in certain areas

where Dominion operates. Until the states have developed implementation plans for these standards, the impact on Dominion s facilities that emit NO_X and SO_2 is uncertain. Additionally, the impact of permit limits for implementing NAAQS on Dominion s facilities is uncertain at this time.

In June 2005, the EPA finalized amendments to the Regional Haze Rule, also known as the Clean Air Visibility Rule. The rule requires the states to implement best available retrofit technology requirements for sources to address impacts to visual air quality through regional haze state implementation plans, but allows other alternative options. Dominion anticipates that the emission reductions achieved through compliance with other CAA-required programs will generally address this rule.

In December 2015, the EPA published a proposed revision to CSAPR. The proposal substantially reduces the CSAPR Phase II ozone season NO_X emission caps in 23 states including Virginia, West Virginia and North Carolina, relative to the Phase II caps under the current CSAPR rule, that would take effect beginning with the 2017 ozone season. The proposed reductions in state ozone season NO_X caps would in turn reduce, by approximately 55% overall, the number of allowances Dominion electric generating units will receive under the CSAPR ozone season NO_X program beginning with the 2017 May - September ozone season. In addition, the EPA is proposing to discount the use of banked Phase I allowances for compliance in Phase II by applying either a 2:1 or 4:1 surrender ratio. Until the proposal is finalized, Dominion is unable to predict with certainty the impact to future CSAPR ozone season allowance streams and to what extent the rule may require additional controls. The EPA expects to issue a final revision to CSAPR in August 2016.

In April 2014, the Pennsylvania Department of Environmental Protection issued proposed regulations to reduce NO_X and VOC emissions from combustion sources. The regulations are expected to be finalized in the second quarter of 2016. To comply with the regulations, Dominion Gas anticipates installing emission control systems on existing engines at several compressor stations in Pennsylvania. Until the regulations are finalized, Dominion Gas cannot estimate the potential impacts on results of operations, financial condition, and/or cash flows related to this matter.

Climate Change

In December 2015, the Paris Agreement was formally adopted under the United Nations Framework Convention on Climate Change. The accord establishes a universal framework for addressing GHG emissions involving actions by all nations through the concept of nationally determined contributions in which each nation defines the GHG commitment it can make and sets in place a process for increasing those commitments every five years. It also contains a global goal of holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels and to aim to reach global peaking of GHG emissions as soon as possible.

A key element of the initial U.S. nationally determined contributions of achieving a 26% to 28% reduction below 2005 levels by 2025 is the implementation of the Clean Power Plan, which establishes interim emission reduction targets for fossil fuel-fired electric generating units over the period 2022 through

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations, Continued

2029 with final targets to be achieved by 2030. The EPA estimates that the Clean Power Plan will result in a nationwide reduction in CO_2 emissions from fossil fuel-fired electric generating units of 32% from 2005 levels by 2030.

Dodd-Frank Act

The Dodd-Frank Act was enacted into law in July 2010 in an effort to improve regulation of financial markets. The CEA, as amended by Title VII of the Dodd-Frank Act, requires certain over-the counter derivatives, or swaps, to be cleared through a derivatives clearing organization and, if the swap is subject to a clearing requirement, to be executed on a designated contract market or swap execution facility. Non-financial entities that use swaps to hedge or mitigate commercial risk, often referred to as end users, may elect the end-user exception to the CEA s clearing requirements. Dominion has elected to exempt its swaps from the CEA s clearing requirements. The CFTC may continue to adopt final rules and implement provisions of the Dodd-Frank Act through its ongoing rulemaking process, including rules regarding margin requirements for non-cleared swaps. If, as a result of the rulemaking process, Dominion s derivative activities are not exempted from clearing, exchange trading or margin requirements, it could be subject to higher costs due to decreased market liquidity or increased margin payments. In addition, Dominion s swap dealer counterparties may attempt to pass-through additional trading costs in connection with the implementation of, and compliance with, Title VII of the Dodd-Frank Act. Due to the ongoing rulemaking process, Dominion is currently unable to assess the potential impact of the Dodd-Frank Act s derivative-related provisions on its financial condition, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The matters discussed in this Item may contain forward-looking statements as described in the introductory paragraphs of Item 7. MD&A. The reader s attention is directed to those paragraphs and Item 1A. Risk Factors for discussion of various risks and uncertainties that may impact the Companies.

MARKET RISK SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

The Companies financial instruments, commodity contracts and related financial derivative instruments are exposed to potential losses due to adverse changes in commodity prices, interest rates and equity security prices as described below. Commodity price risk is present in Dominion s and Virginia Power s electric operations and Dominion s and Dominion Gas natural gas procurement and marketing operations due to the exposure to market shifts in prices received and paid for electricity, natural gas and other commodities. The Companies use commodity derivative contracts to manage price risk exposures for these operations. Interest rate risk is generally related to their outstanding debt and future issuances of debt. In addition, the Companies are exposed to investment price risk through various portfolios of equity and debt securities.

The following sensitivity analysis estimates the potential loss of future earnings or fair value from market risk sensitive instruments over a selected time period due to a 10% change in commodity prices or interest rates.

Commodity Price Risk

To manage price risk, Dominion and Virginia Power primarily hold commodity-based financial derivative instruments held for non-trading purposes associated with purchases and sales of electricity, natural gas and other energy-related products and Dominion Gas primarily holds commodity-based financial derivative instruments held for non-trading purposes associated with purchases and sales of natural gas and other energy-related products.

The repositioning of Dominion s producer services business was completed in the first quarter of 2014. This, combined with Dominion s sale of its electric retail energy marketing business, has reduced Dominion s commodity price risk exposure.

The derivatives used to manage commodity price risk are executed within established policies and procedures and may include instruments such as futures, forwards, swaps, options and FTRs that are sensitive to changes in the related commodity prices. For sensitivity analysis purposes, the hypothetical change in market prices of commodity-based financial derivative instruments is determined based on models that consider the market prices of commodities in future periods, the volatility of the market prices in each period, as well as the time value factors of the derivative instruments. Prices and volatility are principally determined based on observable market prices.

A hypothetical 10% increase in commodity prices of Dominion s commodity-based financial derivative instruments would have resulted in a decrease in fair value of $62 million and $101 million as of December 31, 2015 and 2014, respectively. The decline in sensitivity is largely due to decreased commodity derivative activity and lower commodity prices.

A hypothetical 10% increase in commodity prices would not have resulted in a material change in the fair value of Virginia Power s commodity-based financial derivatives as of December 31, 2015 or 2014.

A hypothetical 10% increase in commodity prices of Dominion Gas commodity-based financial derivative instruments would have resulted in a decrease in fair value of $5 million and $2 million as of December 31, 2015 and 2014, respectively. The increase in sensitivity is largely due to an increase in commodity derivative volume.

The impact of a change in energy commodity prices on the Companies commodity-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when the contracts are ultimately settled. Net losses from commodity derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction, such as revenue from physical sales of the commodity.

Interest Rate Risk

The Companies manage their interest rate risk exposure predominantly by maintaining a balance of fixed and variable rate debt. They also enter into interest rate sensitive derivatives, including interest rate swaps and interest rate lock agreements. For variable rate debt and interest rate swaps designated under fair value hedging and outstanding for the Companies, a hypothetical 10% increase in market interest rates would not have resulted in a material change in annual earnings at December 31, 2015 or 2014.

The Companies may also use forward-starting interest rate swaps and interest rate lock agreements as anticipatory hedges. As of December 31, 2015, Dominion, Virginia Power and Dominion Gas had $4.6 billion, $2.0 billion and $250 million, respectively, in aggregate notional amounts of these interest rate derivatives outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of $71 million, $52 million and $2 million, respectively, in the fair value of Dominion s, Virginia Power s and Dominion Gas interest rate derivatives at December 31, 2015. As of December 31, 2014, Dominion, Virginia Power and Dominion Gas had $4.1 billion, $1.5 billion and $250 million, respectively, in aggregate notional amounts of these interest rate derivatives outstanding. A hypothetical 10% decrease in market interest rates would have resulted in a decrease of $46 million, $25 million and $2 million, respectively, in the fair value of Dominion s, Virginia Power s and Dominion Gas interest rate derivatives at December 31, 2014.

The impact of a change in interest rates on the Companies interest rate-based financial derivative instruments at a point in time is not necessarily representative of the results that will be realized when the contracts are ultimately settled. Net gains and/or losses from interest rate derivative instruments used for hedging purposes, to the extent realized, will generally be offset by recognition of the hedged transaction.

Investment Price Risk

Dominion and Virginia Power are subject to investment price risk due to securities held as investments in nuclear decommissioning and rabbi trust funds that are managed by third-party investment managers. These trust funds primarily hold marketable securities that are reported in the Consolidated Balance Sheets at fair value.

Dominion recognized net realized gains (including investment income) on nuclear decommissioning and rabbi trust investments of $184 million and $176 million in 2015 and 2014, respectively. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. Dominion recorded, in AOCI and regulatory liabilities, a net decrease in unrealized gains of $157 million in 2015, and a net increase in unrealized gains of $172 million in 2014.

Virginia Power recognized net realized gains (including investment income) on nuclear decommissioning trust investments of $88 million and $77 million in 2015 and 2014, respectively. Net realized gains and losses include gains and losses from the sale of investments as well as any other-than-temporary declines in fair value. Virginia Power recorded, in AOCI and regulatory liabilities, a net decrease in unrealized gains of $76 million in 2015, and a net increase in unrealized gains of $87 million in 2014.

Dominion sponsors pension and other postretirement employee benefit plans that hold investments in trusts to fund employee benefit payments. Virginia Power and Dominion Gas

employees participate in these plans. Dominion s pension and other postretirement plan assets experienced aggregate actual losses of $72 million in 2015 and aggregate actual returns of $706 million in 2014, versus expected returns of $648 million and $610 million, respectively. Dominion Gas pension and other postretirement plan assets for employees represented by collective bargaining units experienced aggregate actual losses of $13 million in 2015 and aggregate actual returns of $157 million in 2014, versus expected returns of $150 million and $138 million, respectively. Differences between actual and expected returns on plan assets are accumulated and amortized during future periods. As such, any investment-related declines in these trusts will result in future increases in the net periodic cost recognized for such employee benefit plans and will be included in the determination of the amount of cash to be contributed to the employee benefit plans. A hypothetical 0.25% decrease in the assumed long-term rates of return on Dominion s plan assets would result in an increase in net periodic cost of $16 million and $15 million as of December 31, 2015 and 2014, respectively, for pension benefits and $3 million as of both December 31, 2015 and 2014, for other postretirement benefits. A hypothetical 0.25% decrease in the assumed long-term rates of return on Dominion Gas plan assets, for employees represented by collective bargaining units, would result in an increase in net periodic cost of $4 million as of both December 31, 2015 and 2014 for pension benefits and $1 million as of both December 31, 2015 and 2014, for other postretirement benefits.

Risk Management Policies

The Companies have established operating procedures with corporate management to ensure that proper internal controls are maintained. In addition, Dominion has established an independent function at the corporate level to monitor compliance with the credit and commodity risk management policies of all subsidiaries, including Virginia Power and Dominion Gas. Dominion maintains credit policies that include the evaluation of a prospective counterparty s financial condition, collateral requirements where deemed necessary and the use of standardized agreements that facilitate the netting of cash flows associated with a single counterparty. In addition, Dominion also monitors the financial condition of existing counterparties on an ongoing basis. Based on these credit policies and the Companies December 31, 2015 provision for credit losses, management believes that it is unlikely that a material adverse effect on the Companies financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

Table of Contents

Item 8. Financial Statements and Supplementary Data

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Dominion Resources, Inc.

Richmond, Virginia

We have audited the accompanying consolidated balance sheets of Dominion Resources, Inc. and subsidiaries (Dominion) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of Dominion s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 consolidated financial statements present fairly, in all material respects, the financial position of Dominion Resources, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dominion s internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2016 expressed an unqualified opinion on Dominion s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 26, 2016

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Income

Year Ended December 31, (millions, except per share amounts)	2015	2014	2013
Operating Revenue	**$ 11,683**	$ 12,436	$ 13,120
Operating Expenses			
Electric fuel and other energy-related purchases	**2,725**	3,400	3,885
Purchased electric capacity	**330**	361	358
Purchased gas	**551**	1,355	1,331
Other operations and maintenance	**2,595**	2,765	2,459
Depreciation, depletion and amortization	**1,395**	1,292	1,208
Other taxes	**551**	542	563
Total operating expenses	**8,147**	9,715	9,804
Income from operations	**3,536**	2,721	3,316
Other income	**196**	250	265
Interest and related charges	**904**	1,193	877
Income from continuing operations including noncontrolling interests before income taxes	**2,828**	1,778	2,704
Income tax expense	**905**	452	892
Income from continuing operations including noncontrolling interests	**1,923**	1,326	1,812
Loss from discontinued operations(1)			(92)
Net income including noncontrolling interests	**1,923**	1,326	1,720
Noncontrolling interests	**24**	16	23
Net income attributable to Dominion	**1,899**	1,310	1,697
Amounts attributable to Dominion:			
Income from continuing operations, net of tax	**1,899**	1,310	1,789
Loss from discontinued operations, net of tax			(92)
Net income attributable to Dominion	**1,899**	1,310	1,697
Earnings Per Common Share-Basic:			
Income from continuing operations	**$ 3.21**	$ 2.25	$ 3.09
Loss from discontinued operations			(0.16)
Net income attributable to Dominion	**$ 3.21**	$ 2.25	$ 2.93
Earnings Per Common Share-Diluted:			
Income from continuing operations	**$ 3.20**	$ 2.24	$ 3.09
Loss from discontinued operations			(0.16)
Net income attributable to Dominion	**$ 3.20**	$ 2.24	$ 2.93
Dividends declared per common share	**$ 2.59**	$ 2.40	$ 2.25

(1) Includes income tax benefit of $43 million in 2013.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements.

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Comprehensive Income

Year Ended December 31, (millions)	**2015**	2014	2013
Net income including noncontrolling interests	**$ 1,923**	$ 1,326	$ 1,720
Other comprehensive income (loss), net of taxes:			
Net deferred gains (losses) on derivatives-hedging activities, net of $(74), $(20) and $161 tax	**110**	17	(243)
Changes in unrealized net gains on investment securities, net of $23, $(59) and $(136) tax	**6**	128	203
Changes in net unrecognized pension and other postretirement benefit costs, net of $29, $189 and $(341) tax	**(66)**	(305)	516
Amounts reclassified to net income:			
Net derivative (gains) losses-hedging activities, net of $68, $(59) and $(53) tax	**(108)**	93	77
Net realized gains on investment securities, net of $29, $33 and $35 tax	**(50)**	(54)	(55)
Net pension and other postretirement benefit costs, net of $(35), $(24) and $(39) tax	**51**	33	55
Changes in other comprehensive loss from equity method investees, net of $1, $3 and $ tax	**(1)**	(4)	
Total other comprehensive income (loss)	**(58)**	(92)	553
Comprehensive income including noncontrolling interests	**1,865**	1,234	2,273
Comprehensive income attributable to noncontrolling interests	**24**	16	23
Comprehensive income attributable to Dominion	**$ 1,841**	$ 1,218	$ 2,250

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

Table of Contents

Dominion Resources, Inc.

Consolidated Balance Sheets

At December 31, (millions)	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 607**	$ 318
Customer receivables (less allowance for doubtful accounts of $32 and $34)	**1,200**	1,514
Other receivables (less allowance for doubtful accounts of $2 and $3)	**169**	119
Inventories:		
Materials and supplies	**902**	923
Fossil fuel	**381**	413
Gas stored	**65**	74
Derivative assets	**255**	536
Margin deposit assets	**16**	287
Prepayments	**198**	167
Deferred income taxes		800
Regulatory assets	**351**	347
Other	**47**	117
Total current assets	**4,191**	5,615
Investments		
Nuclear decommissioning trust funds	**4,183**	4,196
Investment in equity method affiliates	**1,320**	1,081
Other	**271**	284
Total investments	**5,774**	5,561
Property, Plant and Equipment		
Property, plant and equipment	**57,776**	51,406
Accumulated depreciation, depletion and amortization	**(16,222)**	(15,136)
Total property, plant and equipment, net	**41,554**	36,270
Deferred Charges and Other Assets		
Goodwill	**3,294**	3,044
Pension and other postretirement benefit assets	**943**	956
Intangible assets, net	**570**	570
Regulatory assets	**1,865**	1,642
Other	**606**	669
Total deferred charges and other assets	**7,278**	6,881
Total assets	**$ 58,797**	$ 54,327

Table of Contents

At December 31, (millions)	**2015**	2014
LIABILITIES AND EQUITY		
Current Liabilities		
Securities due within one year	**$ 1,826**	$ 1,375
Short-term debt	**3,509**	2,775
Accounts payable	**726**	952
Accrued interest, payroll and taxes	**515**	566
Derivative liabilities	**312**	591
Other[(1)]	**1,232**	939
Total current liabilities	**8,120**	7,198
Long-Term Debt		
Long-term debt	**20,172**	18,348
Junior subordinated notes	**1,358**	1,374
Remarketable subordinated notes	**2,086**	2,083
Total long-term debt	**23,616**	21,805
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**7,414**	7,444
Asset retirement obligations	**1,887**	1,633
Pension and other postretirement benefit liabilities	**1,199**	1,296
Regulatory liabilities	**2,285**	1,991
Other	**674**	1,003
Total deferred credits and other liabilities	**13,459**	13,367
Total liabilities	**45,195**	42,370
Commitments and Contingencies (see Note 22)		
Equity		
Common stock-no par[(2)]	**6,680**	5,876
Retained earnings	**6,458**	6,095
Accumulated other comprehensive loss	**(474)**	(416)
Total common shareholders equity	**12,664**	11,555
Noncontrolling interests	**938**	402
Total equity	**13,602**	11,957
Total liabilities and equity	**$ 58,797**	$ 54,327

(1) See Note 3 for amounts attributable to related parties.
(2) 1 billion shares authorized; 596 million shares and 585 million shares outstanding at December 31, 2015 and 2014, respectively.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements.

Table of Contents

Dominion Resources, Inc.

Consolidated Statements of Equity

	Common Stock		Dominion Shareholders				
(millions)	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Common Shareholders Equity	Noncontrolling Interests	Total Equity
December 31, 2012	576	$ 5,655	$ 5,790	$ (877)	$ 10,568	$ 57	$ 10,625
Net income including noncontrolling interests			1,714		1,714	6	1,720
Issuance of stock-employee and direct stock purchase plans	4	278			278		278
Stock awards (net of change in unearned compensation)		12			12		12
Other stock issuances[(1)]	1	7			7		7
Present value of stock purchase contract payments related to RSNs[(2)]		(154)	(2)		(156)		(156)
Fairless lease buyout		(15)			(15)	(57)	(72)
Dividends			(1,319)[(3)]		(1,319)	(6)	(1,325)
Other comprehensive income, net of tax				553	553		553
December 31, 2013	581	5,783	6,183	(324)	11,642		11,642
Net income including noncontrolling interests			1,323		1,323	3	1,326
Issuance of Dominion Midstream common units, net of offering costs						392	392
Issuance of stock-employee and direct stock purchase plans	3	205			205		205
Stock awards (net of change in unearned compensation)		14			14		14
Other stock issuances[(4)]	1	14			14		14
Present value of stock purchase contract payments related to RSNs[(2)]		(143)			(143)		(143)
Dividends			(1,411)[(3)]		(1,411)		(1,411)
Other comprehensive loss, net of tax				(92)	(92)		(92)
Other		3			3	7	10
December 31, 2014	585	5,876	6,095	(416)	11,555	402	11,957
Net income including noncontrolling interests			**1,899**		**1,899**	**24**	**1,923**
Dominion Midstream s acquisition of interest in Iroquois						**216**	**216**
Acquisition of Four Brothers and Three Cedars						**47**	**47**
Contributions from SunEdison to Four Brothers and Three Cedars						**103**	**103**
Sale of interest in merchant solar projects		**26**			**26**	**179**	**205**
Purchase of Dominion Midstream common units		**(6)**			**(6)**	**(19)**	**(25)**
Issuance of common stock	**11**	**786**			**786**		**786**
		13			**13**		**13**

Stock awards (net of change in unearned compensation)							
Dividends			**(1,536)**		**(1,536)**		**(1,536)**
Dominion Midstream distributions						**(16)**	**(16)**
Other comprehensive loss, net of tax				**(58)**	**(58)**		**(58)**
Other		**(15)**			**(15)**	**2**	**(13)**
December 31, 2015	**596**	**$ 6,680**	**$ 6,458**	**$ (474)**	**$ 12,664**	**$ 938**	**$ 13,602**

(1) Primarily includes $28 million in shares issued in excess of principal amounts related to converted securities, net of reclassification from other paid-in capital. See Note 17 for further information on convertible securities.
(2) See Note 17 for further information.
(3) Includes subsidiary preferred dividends related to noncontrolling interests of $13 million and $17 million in 2014 and 2013, respectively.
(4) Contains shares issued in excess of principal amounts related to converted securities. See Note 17 for further information on convertible securities.
The accompanying notes are an integral part of Dominion s Consolidated Financial Statements

Dominion Resources, Inc.

Consolidated Statements of Cash Flows

Year Ended December 31, (millions)	2015	2014	2013
Operating Activities			
Net income including noncontrolling interests	**$ 1,923**	$ 1,326	$ 1,720
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:			
Depreciation, depletion and amortization (including nuclear fuel)	**1,669**	1,560	1,390
Deferred income taxes and investment tax credits	**854**	449	737
Gains on the sale of assets and businesses	**(123)**	(220)	(122)
Charges associated with North Anna and offshore wind legislation		374	
Charges associated with Liability Management Exercise		284	
Charges associated with future ash pond and landfill closure costs	**99**	121	
Other adjustments	**(42)**	(113)	(86)
Changes in:			
Accounts receivable	**294**	131	(98)
Inventories	**(26)**	(43)	(29)
Deferred fuel and purchased gas costs, net	**94**	(180)	102
Prepayments	**(25)**	24	123
Accounts payable	**(199)**	(202)	50
Accrued interest, payroll and taxes	**(52)**	(41)	(27)
Margin deposit assets and liabilities	**237**	361	(414)
Other operating assets and liabilities	**(228)**	(392)	87
Net cash provided by operating activities	**4,475**	3,439	3,433
Investing Activities			
Plant construction and other property additions (including nuclear fuel)	**(5,575)**	(5,345)	(4,065)
Acquisition of solar development projects	**(418)**	(206)	(39)
Acquisition of DCG	**(497)**		
Proceeds from sales of securities	**1,340**	1,235	1,476
Purchases of securities	**(1,326)**	(1,241)	(1,493)
Proceeds from the sale of Brayton Point, Kincaid and equity method investment in Elwood			465
Proceeds from the sale of electric retail energy marketing business		187	
Proceeds from Blue Racer		85	160
Proceeds from assignments of shale development rights	**79**	60	18
Other	**(106)**	44	20
Net cash used in investing activities	**(6,503)**	(5,181)	(3,458)
Financing Activities			
Issuance (repayment) of short-term debt, net	**734**	848	(485)
Issuance of short-term notes	**600**	400	400
Repayment of short-term notes	**(400)**	(400)	(400)
Issuance and remarketing of long-term debt	**2,962**	6,085	4,135
Repayment and repurchase of long-term debt, including redemption premiums	**(892)**	(3,993)	(1,245)
Repayment of junior subordinated notes			(258)
Acquisition of Juniper noncontrolling interest in Fairless			(923)
Net proceeds from issuance of Dominion Midstream common units		392	
Contributions from SunEdison to Four Brothers and Three Cedars	**103**		
Proceeds from sale of interest in merchant solar projects	**184**		
Subsidiary preferred stock redemption		(259)	
Issuance of common stock	**786**	205	278
Common dividend payments	**(1,536)**	(1,398)	(1,302)
Subsidiary preferred dividend payments		(11)	(17)

Other	**(224)**	(125)	(90)
Net cash provided by financing activities	**2,317**	1,744	93
Increase in cash and cash equivalents	**289**	2	68
Cash and cash equivalents at beginning of year	**318**	316	248
Cash and cash equivalents at end of year	**$ 607**	$ 318	$ 316
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest and related charges, excluding capitalized amounts	**$ 843**	$ 889	$ 852
Income taxes	**75**	72	56
Significant noncash investing activities:[1]			
Accrued capital expenditures	**478**	315	375
Dominion Midstream s acquisition of a noncontrolling partnership interest in Iroquois in exchange for issuance of Dominion Midstream common units	**216**		

[1] *See Note 3 for noncash activities related to the acquisition of Four Brothers and Three Cedars.*

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

65

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Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of

Virginia Electric and Power Company

Richmond, Virginia

We have audited the accompanying consolidated balance sheets of Virginia Electric and Power Company (a wholly-owned subsidiary of Dominion Resources, Inc.) and subsidiaries (Virginia Power) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, common shareholder s equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of Virginia Power s management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Virginia Electric and Power Company and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Richmond, Virginia

February 26, 2016

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Income

Year Ended December 31, (millions)	**2015**	2014	2013
Operating Revenue[1]	**$ 7,622**	$ 7,579	$ 7,295
Operating Expenses			
Electric fuel and other energy-related purchases[1]	**2,320**	2,406	2,304
Purchased electric capacity	**330**	360	358
Other operations and maintenance:			
Affiliated suppliers	**279**	286	290
Other	**1,355**	1,630	1,161
Depreciation and amortization	**953**	915	853
Other taxes	**264**	258	249
Total operating expenses	**5,501**	5,855	5,215
Income from operations	**2,121**	1,724	2,080
Other income	**68**	93	86
Interest and related charges	**443**	411	369
Income from operations before income tax expense	**1,746**	1,406	1,797
Income tax expense	**659**	548	659
Net Income	**1,087**	858	1,138
Preferred dividends[2]		13	17
Balance available for common stock	**$ 1,087**	$ 845	$ 1,121

(1) See Note 24 for amounts attributable to affiliates.

(2) Includes $2 million associated with the write-off of issuance expenses related to the redemption of Virginia Power s preferred stock in 2014. See Note 18 for additional information.

The accompanying notes are an integral part of Virginia Power s Consolidated Financial Statements.

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Comprehensive Income

Year Ended December 31, (millions)	2015	2014	2013
Net income	**$ 1,087**	$ 858	$ 1,138
Other comprehensive income (loss), net of taxes:			
Net deferred gains (losses) on derivatives-hedging activities, net of $2, $2 and $(3) tax	**(1)**	(4)	6
Changes in unrealized net gains (losses) on nuclear decommissioning trust funds, net of $1, $(9) and $(13) tax	**(4)**	15	20
Amounts reclassified to net income:			
Net derivative (gains) losses-hedging activities, net of $, $2 and $ tax	**1**	(3)	
Net realized gains on nuclear decommissioning trust funds, net of $4, $4 and $2 tax	**(6)**	(6)	(3)
Other comprehensive income (loss)	**(10)**	2	23
Comprehensive income	**$ 1,077**	$ 860	$ 1,161

The accompanying notes are an integral part of Virginia Power s Consolidated Financial Statements.

Table of Contents

Virginia Electric and Power Company

Consolidated Balance Sheets

At December 31, (millions)	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 18**	$ 15
Customer receivables (less allowance for doubtful accounts of $27 and $25)	**822**	986
Other receivables (less allowance for doubtful accounts of $1 in both periods)	**109**	64
Affiliated receivables	**296**	1
Inventories (average cost method):		
Materials and supplies	**502**	455
Fossil fuel	**371**	398
Prepayments(1)	**38**	252
Regulatory assets	**326**	298
Deferred income taxes		6
Other(1)	**22**	76
Total current assets	**2,504**	2,551
Investments		
Nuclear decommissioning trust funds	**1,945**	1,930
Other	**3**	4
Total investments	**1,948**	1,934
Property, Plant and Equipment		
Property, plant and equipment	**37,639**	35,180
Accumulated depreciation and amortization	**(11,708)**	(11,080)
Total property, plant and equipment, net	**25,931**	24,100
Deferred Charges and Other Assets		
Intangible assets, net	**213**	205
Regulatory assets	**667**	439
Other(1)	**359**	280
Total deferred charges and other assets	**1,239**	924
Total assets	**$ 31,622**	$ 29,509

(1) See Note 24 for amounts attributable to affiliates.

70

At December 31, (millions)	2015	2014
LIABILITIES AND SHAREHOLDER S EQUITY		
Current Liabilities		
Securities due within one year	**$ 476**	$ 211
Short-term debt	**1,656**	1,361
Accounts payable	**366**	458
Payables to affiliates	**73**	92
Affiliated current borrowings	**376**	427
Accrued interest, payroll and taxes(1)	**190**	199
Derivative liabilities(1)	**80**	60
Customer deposits	**119**	107
Asset retirement obligations	**143**	7
Regulatory liabilities	**35**	90
Other	**216**	264
Total current liabilities	**3,730**	3,276
Long-Term Debt	**8,949**	8,726
Deferred Credits and Other Liabilities		
Deferred income taxes and investment tax credits	**4,654**	4,415
Asset retirement obligations	**1,104**	848
Regulatory liabilities	**1,929**	1,683
Pension and other postretirement benefit liabilities(1)	**316**	219
Other(1)	**299**	287
Total deferred credits and other liabilities	**8,302**	7,452
Total liabilities	**20,981**	19,454
Commitments and Contingencies (see Note 22)		
Common Shareholder s Equity		
Common stock-no par(2)	**5,738**	5,738
Other paid-in capital	**1,113**	1,113
Retained earnings	**3,750**	3,154
Accumulated other comprehensive income	**40**	50
Total common shareholder s equity	**10,641**	10,055
Total liabilities and shareholder s equity	**$ 31,622**	$ 29,509

(1) See Note 24 for amounts attributable to affiliates.
(2) 500,000 shares authorized; 274,723 shares outstanding at December 31, 2015 and 2014.
The accompanying notes are an integral part of Virginia Power s Consolidated Financial Statements.

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Common Shareholder s Equity

	Common Stock					
(millions, except for shares)	Shares (thousands)	Amount	Other Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2012	275	$ 5,738	$ 1,113	$ 2,357	$ 25	$ 9,233
Net income				1,138		1,138
Dividends				(596)		(596)
Other comprehensive income, net of tax					23	23
Balance at December 31, 2013	275	5,738	1,113	2,899	48	9,798
Net income				858		858
Dividends				(603)		(603)
Other comprehensive income, net of tax					2	2
Balance at December 31, 2014	275	5,738	1,113	3,154	50	10,055
Net income				**1,087**		**1,087**
Dividends				**(491)**		**(491)**
Other comprehensive loss, net of tax					**(10)**	**(10)**
Balance at December 31, 2015	**275**	**$ 5,738**	**$ 1,113**	**$ 3,750**	**$ 40**	**$ 10,641**

The accompanying notes are an integral part of Virginia Power s Consolidated Financial Statements.

Table of Contents

Virginia Electric and Power Company

Consolidated Statements of Cash Flows

Year Ended December 31, (millions)	**2015**	2014	2013
Operating Activities			