

VIRGINIA ELECTRIC & POWER CO  
Form 10-K405  
March 11, 2002  
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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2001

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2255

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## VIRGINIA ELECTRIC AND POWER COMPANY

(Exact name of registrant as specified in its charter)

Virginia  
(State or other jurisdiction  
of incorporation or organization)

54-0418825  
(I.R.S. Employer  
Identification Number)

701 East Cary Street  
Richmond, Virginia  
(Address of principal executive offices)

23219  
(Zip Code)

(804) 771-3000  
(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Preferred Stock (cumulative), \$100 par value, \$5.00 dividend	New York Stock Exchange
Trust Preferred Securities (cumulative), \$25 par value, 8.05% dividend	New York Stock Exchange
7.15% Senior Notes, due 2038	New York Stock Exchange
6.70% Senior Notes, due 2009	New York Stock Exchange

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

None

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 1, 2002, was zero.

As of March 1, 2002, there were issued and outstanding 171,484 shares of the registrant's common stock, without par value, all of which were held, beneficially and of record, by Dominion Resources, Inc.

**DOCUMENTS INCORPORATED BY REFERENCE.**

None

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**PART I**

**ITEM 1. BUSINESS**

**THE COMPANY**

Virginia Electric and Power Company (the Company) is a regulated public utility that generates, transmits and distributes power for sale in Virginia and northeastern North Carolina. In Virginia, the Company trades under the name Dominion Virginia Power. The Virginia service area comprises about 65 percent of Virginia's total land area, but accounts for over 80 percent of its population. In North Carolina, the Company trades under the name Dominion North Carolina Power and serves retail customers located in the northeastern region of the state, excluding certain municipalities. In addition, the Company sells electricity at wholesale to rural electric cooperatives, power marketers, municipalities and other utilities. Within this document, the Company refers to the entirety of Virginia Electric and Power Company, including our Virginia and North Carolina operations and all of our subsidiaries.

**Recent Developments**

Dominion Resources, Inc. (Dominion), our parent company, completed its acquisition of Consolidated Natural Gas Company (CNG) in January 2000. As a result of the merger, Dominion became a registered public utility holding company under the Public Utility Holding Company Act of 1935 (the 1935 Act) when it completed the CNG acquisition. The 1935 Act prohibits registered companies from owning businesses unrelated to our utility operations or other energy related businesses. In connection with the acquisition, a number of organizational changes were implemented within the Company. Some of these changes were required as a result of Dominion's new status as a 1935 Act company and some were based on business decisions relating to the integration of the merged companies.

As part of the acquisition of CNG, Dominion created a subsidiary service company, Dominion Resources Services, Inc. (Services), which provides certain services to Dominion's operating subsidiaries. During 2000, CNG also had a service company, Consolidated Natural Gas Service Company, Inc. Effective January 1, 2001, the two service companies were combined into one service company. The Company provided certain administrative and support services to Services under the Virginia Electric and Power Company Support Agreement between the Company and Services effective January 1, 2000.

In July 2000, the Virginia State Corporation Commission (Virginia Commission) approved the Company's transfer of all of its issued and outstanding common stock in VPS Communications, Inc. (VPSC) to Dominion. In August 2000, VPSC became a direct subsidiary of Dominion and was renamed Dominion Telecom, Inc. (DTI). See Note 21 to the Consolidated Financial Statements for additional information on transactions with DTI.

**Business Segments**

The Company manages its business through two principal segments: Energy and Delivery.

*Energy* Energy manages the Company's portfolio of generating facilities and purchased power contracts, trading and marketing activities, hedging and arbitrage activities.

*Delivery* Delivery manages the Company's electric distribution and transmission systems, serving approximately 2 million customers, about 6,000 miles of electric transmission lines and customer service operations.

The majority of the Company's revenue is provided through bundled rate tariffs. This revenue is allocated between the Energy and Delivery segments for internal reporting purposes and discussion in this document. While the Company manages its daily operations as described above, its assets remain wholly-owned and operated by the Company. For additional financial information on business segments, see Note 23 to the Consolidated Financial Statements.

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As of December 31, 2001, the Company had approximately 7,900 full-time employees. Approximately 3,700 employees are subject to collective bargaining agreements. The contract of those employees represented by the International Brotherhood of Electrical Workers (IBEW) Local Union 50 expires at the end of the first quarter of 2002. Contract negotiations between the Company and IBEW Local Union 50 have commenced.

Virginia Electric and Power Company was incorporated in 1909 as a Virginia public service corporation. Its principal office is located at 701 East Cary Street, Richmond, Virginia 23219-3932. The telephone number is (804) 771-3000. All of the Company's common stock is held by Dominion.

### **COMPETITION**

Various factors are currently affecting the electric utility industry, including increasing competition and related regulatory changes, costs to comply with environmental regulations, and the potential for new business opportunities outside of traditional rate-regulated operations. To meet the challenges of this new competitive environment, the Company continues to consider new business opportunities, particularly those which allow the Company to use its existing expertise and resources.

Prior to 2002, competition for retail electric sales in Virginia was limited to the extent customers moved into another utility service territory, used other energy sources instead of electric power, generated their own electricity, or participated in a retail pilot program. The Virginia Electric Utility Restructuring Act (Virginia Restructuring Act) provides for a phased-in transition to a fully competitive retail electric market during the period January 1, 2002 through January 1, 2004. The Virginia Commission has ordered that retail choice be fully implemented in Virginia by January 1, 2003.

Under the Virginia Restructuring Act, the Company's generation portion of its Virginia jurisdictional operations will no longer be subject to cost-based rate regulation effective January 1, 2002. Base rates (excluding fuel costs and certain other allowable adjustments) are capped and will remain unchanged until July 2007 unless terminated sooner as provided by the Virginia Restructuring Act. Recovery of generation-related costs will continue to be provided through capped rates and wires charges. A wires charge, where applicable, will be assessed to those customers opting for alternative suppliers. The Virginia Restructuring Act also requires the Company to join or establish a regional transmission entity, phase in retail choice beginning January 1, 2002, and functionally separate its electric generation from its electric transmission and distribution operations. For additional information on electric deregulation in Virginia, see Regulated Electric Operations in Future Issues and Outlook of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

In North Carolina, regulators and legislators continue to explore the issues related to electric industry restructuring, the development of a competitive wholesale market and retail competition. However, there has been little recent activity.

The Company plans to continue to participate actively in both the legislative and regulatory processes to ensure an orderly transition from a regulated environment. The Company has responded to the trends toward competition by cutting costs, re-engineering our core business processes, and pursuing innovative approaches to serving traditional and future markets.

### **REGULATION**

#### **General**

Many aspects of our business are presently subject to regulation by the Virginia Commission, the North Carolina Utilities Commission (North Carolina Commission), the Federal Energy Regulatory Commission (FERC), the Environmental Protection Agency (EPA), the Department of Energy (DOE), the Nuclear Regulatory Commission (NRC), the Army Corps of Engineers, the Securities and Exchange Commission (SEC), and other federal, state and local authorities.

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### **State Regulation**

The Virginia Commission and the North Carolina Commission regulate the Company's rates for retail electric sales in those states and FERC approves the rates for electric sales to wholesale customers. The current Virginia fuel factor applied to the Company's regulated generation is 1.613 cents per kWh, which will remain in effect through December 31, 2002. The North Carolina Commission has approved a fuel adjustment factor of 1.285 cents per kWh, effective January 1, 2002.

Under the Virginia Restructuring Act, the generation portion of the Company's Virginia jurisdictional operations is no longer subject to cost-based rate regulation effective January 1, 2002. Base rates (excluding fuel costs and certain other allowable adjustments) will remain capped until July 2007 unless terminated sooner as provided by the Virginia Restructuring Act. Recovery of generation-related costs will continue to be provided through capped rates and, where applicable, a wires charge assessed to those customers opting for alternative suppliers of electricity. The Virginia Restructuring Act also requires the Company to join or establish a regional transmission entity, phase in retail choice beginning January 1, 2002, and functionally separate its electric generation from its electric transmission and distribution operations.

In connection with the North Carolina Commission approval of the CNG acquisition, the Company agreed not to request an increase in North Carolina retail electric base rates until 2006, except for certain events that would have a significant financial impact on the Company. Fuel rates are still subject to change under the annual fuel cost adjustment proceedings.

The Company holds certificates of public convenience and necessity issued by the Virginia Commission and the North Carolina Commission authorizing the construction and operation of electric facilities now in operation for which certificates are required, and to sell electricity to retail customers. However, the Company may not construct, or incur financial commitments for construction of, any substantial generating facilities or large capacity transmission lines without the prior approval of various state and federal governmental agencies.

For additional information on deregulation in the electric industry and rate matters, see COMPETITION above and Regulated Electric Operations in Future Issues and Outlook of MD&A.

### **Public Utility Holding Company Act of 1935 (1935 Act)**

When Dominion completed the acquisition of CNG in January 2000, it became a registered public utility holding company under the 1935 Act. The 1935 Act and related regulations issued by the SEC govern the activities of Dominion and its subsidiaries, including the Company, with respect to the issuance and acquisition of securities, acquisition and sale of utility assets, certain transactions among affiliates and other matters. In most cases, the Company's activities in these areas are also regulated at the state level by the Virginia Commission. The SEC's rules under the 1935 Act generally provide that the obtaining of state approvals will suffice for the 1935 Act purposes also, subject to the fulfillment of certain post-transaction reporting requirements.

### **Federal Energy Regulatory Commission (FERC)**

Under the Federal Power Act, FERC regulates wholesale sales of electricity and transmission of electricity in interstate commerce by public utilities. The Company sells electricity in the wholesale market under its market based-sales tariff authorized by FERC but has agreed not to make wholesale power sales under this tariff to loads located within its service territory. In January 2002, the Company filed for FERC approval of a tariff to sell wholesale power within or outside its service territory at capped rates based on the Company's embedded cost of generation. For additional discussion on this matter, see Regulated Electric Operations Wholesale Competition in Future Issues and Outlook of MD&A.

FERC Order No. 2000 requires that each public utility that owns, operates, or controls facilities for the transmission of electric energy in interstate commerce make certain filings with respect to forming and

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participating in an regional transmission organization (RTO). To meet the requirements of Order No. 2000, the Company and eight other member companies (Alliance Companies), filed with FERC for approval of a proposed Alliance RTO. In December 2001, FERC concluded the Alliance Companies lack sufficient scope as an RTO and also ordered the Alliance Companies to determine how they could fit within the Midwest Independent System Operator. The Company will examine the possibility of joining RTOs other than those representing Midwest utilities, as directed by FERC. For additional information, see Alliance RTO in Future Issues and Outlook of MD&A.

### **Environmental Matters**

Each business segment faces substantial regulation and compliance costs with respect to environmental matters. For discussion of significant aspects of these matters, including current and planned capital expenditures relating to environmental compliance, see Future Issues and Outlook Environmental Matters under MD&A. Additional information can also be found in Item 3. LEGAL PROCEEDINGS and Note 19 to the Consolidated Financial Statements.

From time to time the Company may be identified as a potentially responsible party to a superfund site. The EPA (or a state) can either (a) allow such a party to conduct and pay for a remedial investigation, feasibility study and remedial action or (b) conduct the remedial investigation and action and then seek reimbursement from the parties. Each party can be held jointly, severally and strictly liable for all costs. These parties can also bring contribution actions against each other and seek reimbursement from their insurance companies. As a result, the Company may be responsible for the costs of remedial investigation and actions under the Superfund Act or other laws or regulations regarding the remediation of waste. The Company does not believe that any currently identified sites will result in significant liabilities.

In accordance with applicable federal and state environmental laws, the Company has applied for or obtained the necessary environmental permits material to the operation of the Company's generating stations. Many of these permits are subject to re-issuance and continuing review.

### **Nuclear Regulatory Commission (NRC)**

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

The Company filed applications for 20 year life-extension for the North Anna and Surry units in May 2001. The NRC has accepted and is reviewing the applications. For more information on this matter, see Nuclear Relicensing in Future Issues and Outlook of MD&A.

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 the Company's nuclear generating units.

Disposal of spent nuclear fuel (SNF) is a significant issue associated with the operation and decommissioning of nuclear power plants. The Nuclear Waste Policy Act of 1982 (NWPA) requires the federal government to make available by January 31, 1998 a permanent repository for high-level radioactive waste and spent nuclear fuel. In February 2002, the Secretary of Energy recommended that Yucca Mountain located in the state of Nevada be developed as the permanent repository. The plan may be appealed by the state of Nevada and is subject to various congressional approvals and NRC licensing.

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The Company and other utilities have petitioned for review in the U.S. Court of Appeals for the 11th Circuit, a matter involving the DOE and PECO Energy Company (PECO). The petitioners are challenging the DOE's action in allowing PECO to take credits against payments PECO would have been making into the Nuclear Waste Fund (NWF). The credits are part of a DOE settlement agreement with PECO for potential claims arising out of DOE's breach of its SNF storage obligation. The petition asserts that DOE violated the NWPA by improperly depleting the NWF and releasing PECO from a portion of its NWF obligation. The petition also seeks a declaration that credits against NWF payments violate the NWPA, an injunction against DOE implementing the credit and fee reduction provisions of the settlement agreement, and an injunction against DOE entering into similar agreements. The case was argued in December 2001, and is pending before the court.

The NRC also requires the Company to decontaminate its nuclear facilities once operations cease. This process is referred to as decommissioning, and the Company is required by the NRC to prepare for it financially. For information on compliance with NRC financial assurance requirements, see Note 8 to the Consolidated Financial Statement.

**CAPITAL REQUIREMENTS AND FINANCING PROGRAM**

See Liquidity and Capital Resources of MD&A for details about the Company's capital requirements and financing program including material estimated capital expenditures for environmental control facilities.

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<u>Plant</u>	<u>Location</u>	<u>Type of Fuel</u>	<u>Net Owned Summer Capacity (Mw)</u>
Surry	Surry, VA	Nuclear	1,625
North Anna	Mineral, VA	Nuclear	1,628(a)
Bremo	Bremo Bluff, VA	Coal	227
Chesterfield	Chester, VA	Coal	1,229
Clover	Clover, VA	Coal	441(b)
Mt. Storm	Mt. Storm, WV	Coal	1,587
Chesapeake	Chesapeake, VA	Coal	595
Possum Point	Dumfries, VA	Coal	322
Yorktown	Yorktown, VA	Coal	326
Possum Point	Dumfries, VA	Oil	929
Yorktown	Yorktown, VA	Gas/Oil	818
North Branch	Bayard, WV	Waste Coal	74
Altavista	Altavista, VA	Coal	63
Hopewell	Hopewell, VA	Coal	63
Southampton	Southampton, VA	Coal	63
Remington (CT)	Remington, VA	Gas/Oil	576
Gravel Neck (CT)	Surry, VA	Gas/Oil	329
Darbytown (CT)	Richmond, VA	Gas/Oil	288
Ladysmith (CT)	Ladysmith, VA	Gas/Oil	296
Chesapeake (CT)	Chesapeake, VA	Gas/Oil	144
Possum Point (CT)	Dumfries, VA	Gas/Oil	78
Northern Neck (CT)	Lively, VA	Gas/Oil	64
Low Moor (CT)	Covington, VA	Gas/Oil	60
Kitty Hawk (CT)	Kitty Hawk, NC	Gas/Oil	44
Mt. Storm (CT)	Mt. Storm, WV	Gas/Oil	12
Bellmeade (CC)	Richmond, VA	Gas/Oil	230
Chesterfield (CC)	Chester, VA	Gas/Oil	397
Gaston	Roanoke Rapids, NC	Hydro	225
Roanoke Rapids	Roanoke Rapids, NC	Hydro	99
Bath County	Warm Springs, VA	Hydro	1,260(c)
Other	Various	Various	2
			<b>14,094</b>
Purchased Capacity			3,770
Net Purchases			145
		<b>Total Capacity</b>	<b>18,009</b>

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

(a) Excludes 11.6 percent undivided interest owned by Old Dominion Electric Cooperative (ODEC).

(b) Excludes 50 percent undivided interest owned by ODEC.

(c) Excludes 40 percent undivided interest owned by Allegheny Generating Company, a subsidiary of Allegheny Energy, Inc.

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**SOURCES OF ENERGY USED AND FUEL SUPPLY COSTS**

For information as to energy supply mix and the average fuel cost of energy supply, see Discussion of Segments Energy under MD&A.

**Power Purchase Contracts**

The Company's Energy segment purchases electricity under contracts with other suppliers to meet a portion of our own system capacity requirements and makes other wholesale electric power transactions. As of December 31, 2001, the Company has 43 power purchase contracts with a combined dependable summer capacity of 3,770 Mw. For information on the financial obligations under these agreements, see Note 19 to the Consolidated Financial Statements.

In 2001, the Company completed the purchase of three generating facilities and the termination of seven long-term power purchase contracts with non-utility generators. The Company recorded a charge of approximately \$136 million, after taxes, in connection with these transactions.

**Fuel for Electric Generation**

The Company uses a variety of fuels to power its electric generation. These include a mix of both nuclear fuel and fossil fuel as described further below.

*Nuclear Fuel Supply*

The Company's Energy segment utilizes both long-term contracts and spot purchases to support the Company's nuclear fuel requirements. Worldwide market conditions are continuously evaluated to ensure a range of supply options at reasonable prices. Current agreements, inventories and spot market availability are expected to support current and planned fuel supply needs. Additional fuel is purchased as required to achieve optimum cost and inventory levels.

The DOE did not begin accepting of SNF in 1998 as specified in the DOE contract. However, on-site SNF pool and dry container storage at the Surry and North Anna Power Stations are expected to be adequate for our needs until the DOE begins accepting SNF. See REGULATION Nuclear Regulatory Commission (NRC) for additional information regarding SNF.

*Fossil Fuel Supply*

The Company's Energy segment utilizes coal, oil, and natural gas in its fossil operations. Coal is obtained through long-term contracts and spot purchases. The Company anticipates sufficient supplies of coal will continue to be available at reasonable prices.

Oil and oil-fired generation are used primarily to support heavier system generation loads during very cold or very hot weather periods. System requirements are purchased under both short-term spot agreements and longer term contracts. A sufficient supply of oil is expected to be available over the next five to ten year period.

Firm natural gas transportation contracts (capacity) exist that allow delivery of gas to generating facilities. The Company has positioned its capacity portfolio in such a way that allows flexible natural gas deliveries to its gas turbine fleet, while minimizing costs. With natural gas being the preferred source of new electric generation, competition for existing gas capacity has increased. In order to ensure reliable delivery of natural gas, the Company has acquired more natural gas capacity and has a capacity plan in place designed to protect its fleet from any perceived or real capacity shortage in the market.

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### **FUTURE SOURCES OF POWER**

In March 2001, the Virginia Commission issued an order approving the Company's application to make modifications to its Possum Point Power Station. The order approves the Company's plan to remove two existing oil-fired units from service, convert two existing coal-fired units to natural gas, and construct a new 540 Mw combined cycle unit to be operational by May 2003.

### **INTERCONNECTIONS**

The Delivery segment maintains major interconnections with Carolina Power and Light Company, American Electric Power Company, Inc., Allegheny Energy, Inc. and the utilities in the Pennsylvania-New Jersey-Maryland Power Pool. Through this major transmission network, the Company has arrangements with these utilities for coordinated planning, operation, emergency assistance and exchanges of capacity and energy.

In June 1999, the Company and eight other member companies (Alliance Companies) filed with FERC for the approval of an RTO. In December 2001, FERC concluded the Alliance Companies lack sufficient scope as an RTO and also ordered the Alliance Companies to determine how they can fit within the Midwest Independent System Operator. The Company will examine the possibility of joining RTOs other than those representing Midwest utilities, as directed by FERC. See REGULATION State Regulations and Federal Regulations and Alliance RTO under MD&A for a discussion of state and federal laws and proceedings relating to the establishment of regional transmission entities and RTO's.

### **ITEM 2. PROPERTIES**

The Company owns its principal properties in fee (except as indicated below), subject to defects and encumbrances that do not interfere materially with their use. Substantially all of the Company's property is subject to the lien of a mortgage securing its First and Refunding Mortgage Bonds.

The Delivery segment has obtained right-of-way grants from the apparent owners of real estate for most of the Company's electric lines, but underlying titles have not been examined except for transmission lines of 69 Kv or more. Where rights-of-way have not been obtained, they could be acquired from private owners by condemnation, if necessary. Many electric lines are on publicly owned property, where permission to operate can be revoked. Portions of transmission lines cross national parks and forests under permits entitling the federal government to use, at specified charges, surplus capacity in the line if any exists.

The Company leases its headquarters facility from Dominion. In addition, the Energy and Delivery segments share certain leased buildings and equipment.

See Virginia Electric and Power Company's Power Generation under Item 1. BUSINESS for a list of the principal facilities utilized by the Energy segment.

### **ITEM 3. LEGAL PROCEEDINGS**

From time to time, the Company is alleged to be in violation or in default under orders, statutes, rules or regulations relating to the environment, compliance plans, or permits issued by various local, state and federal agencies for the construction or operation of facilities. From time to time, there may be pending administrative proceedings on these matters. In addition, in the normal course of business, the Company is involved in various legal proceedings. Management believes that the ultimate resolution of these proceedings will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

See REGULATION under Item 1. BUSINESS, Future Issues and Outlook of MD&A, and Note 19 to the Consolidated Financial Statements for additional information on various regulatory proceedings to which the Company is a party.

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In April 1999, the Department of Justice (DOJ) notified the Company of alleged noncompliance with the EPA's oil spill prevention, control and countermeasures (SPCC) plans and facility response plan (FRP) requirements at one of our power stations. In December 2001, the Company reached a settlement agreement with the DOJ and EPA covering all alleged noncompliance issues. The settlement will not have a material impact on the Company's financial condition or results of operations. The Company also identified matters at other power stations that the EPA might view as not in compliance with the SPCC and FRP requirements and reported these matters to the EPA. The Company also reported its plans for correcting the issues. The Company does not believe that the settlement of these self-reported matters, if any, will be material to its results of operations or financial conditions.

During 2000, the Company received a Notice of Violation from the EPA alleging that the company failed to obtain New Source Review permits under the Clean Air Act prior to undertaking specified construction projects at the Mt. Storm Power Station in West Virginia. The Attorney General of New York filed a suit against the Company alleging similar violations of the Clean Air Act at the Mt. Storm Power Station. The Company also received notices from the Attorneys General of Connecticut and New Jersey of their intentions to file suit for similar violations. Management believes that the Company has obtained the necessary permits for its generating facilities. The Company has reached an agreement in principle with the federal government and the state of New York to resolve this situation. The agreement in principle includes payment of a \$5 million civil penalty, a commitment of \$14 million for environmental projects in Virginia, West Virginia, Connecticut, New Jersey and New York, and a 12-year, \$1.2 billion capital investment program for environmental improvements at the Company's coal-fired generating stations in Virginia and West Virginia. The Company had already committed to a substantial portion of the \$1.2 billion expenditures for SO<sub>2</sub> and NO<sub>x</sub> emissions controls. The negotiations over the terms of a binding settlement have expanded beyond the basic agreement in principle and are ongoing.

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

A special meeting of the Company's shareholders was held on December 12, 2001 and was reconvened on December 18, 2001. On December 12, 2001 shareholders voted on matters (A),(B) and (D) below, and on December 18, 2001 shareholders voted on (C).

(A) *To amend the Articles to increase the percentages in the definition of AA Rate Multiple set forth in the Articles of Amendment relating to the October 1988 Series Money Market Cumulative Preferred Stock.*

The results of the vote taken was as follows:

Security	FOR	AGAINST	ABSTAIN
Common Stock	171,484	0	0
All Preferred Stock	2,505,603	3,678	33,409
\$5 Dividend Preferred Stock	35,953	620	2,020
\$4.04 Dividend Preferred Stock	3,221	310	220
\$4.20 Dividend Preferred Stock	2,852	200	142
\$4.12 Dividend Preferred Stock	24,841	474	10
\$4.80 Dividend Preferred Stock	28,287	2,074	717
\$7.05 Dividend Preferred Stock	76,499	0	1,000
\$6.98 Dividend Preferred Stock	2,950	0	29,300
January 1987 Series Money Mkt	20,000	0	0
June 1987 Series Money Mkt	706,000	0	0
October 1988 Series Money Mkt	396,000	0	0
June 1989 Series Money Mkt	509,000	0	0
September 1992A Series MM	295,000	0	0
September 1992AB Series MM	405,000	0	0

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(B) To amend the Articles to increase the percentages in the definition of AA Rate Multiple set forth in the Articles of Amendment relating to the June 1989 Series Money Market Cumulative Preferred Stock.

The results of the vote taken was as follows:

<b>Security</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Common Stock	171,484	0	0
All Preferred Stock	2,505,723	3,680	33,287
\$5 Dividend Preferred Stock	35,953	622	2,018
\$4.04 Dividend Preferred Stock	3,221	310	220
\$4.20 Dividend Preferred Stock	2,972	200	22
\$4.12 Dividend Preferred Stock	24,841	474	10
\$4.80 Dividend Preferred Stock	28,287	2,074	717
\$7.05 Dividend Preferred Stock	76,499	0	1,000
\$6.98 Dividend Preferred Stock	2,950	0	29,300
January 1987 Series Money Mkt	20,000	0	0