Exhibit D

Annual Report of Dominion Resources, Inc.

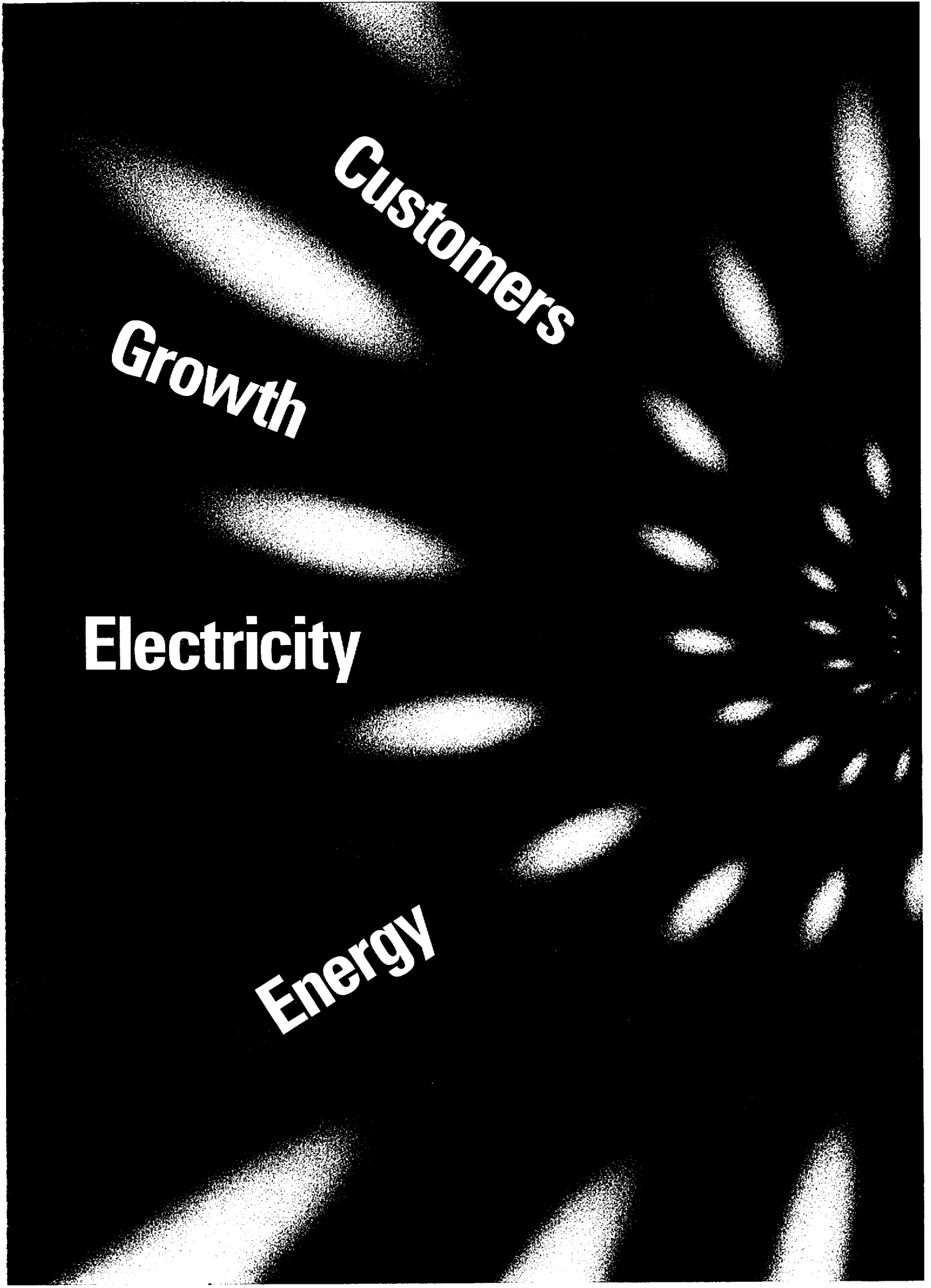
Dominion

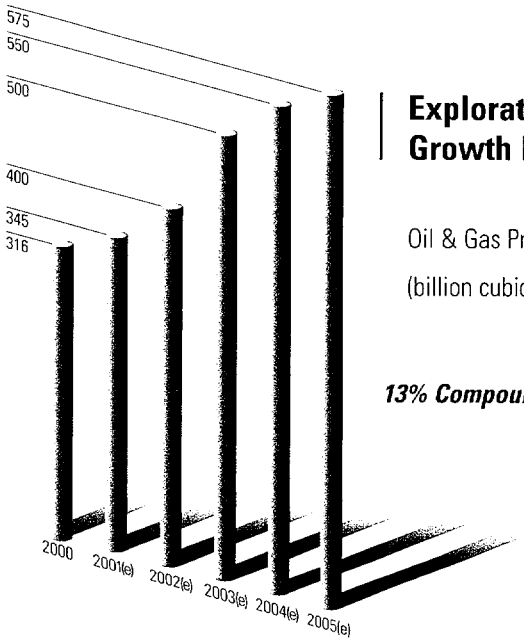
It all starts here.

The Fully Integrated Energy Company

2000 Annual Report

Dominion is one of America's


Customers
Growth
Electricity
Energy

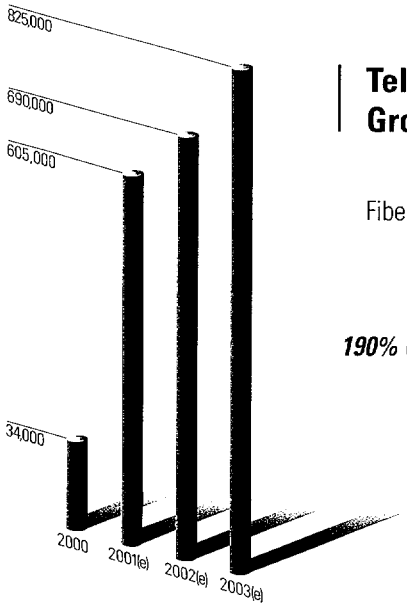


Exploration & Production Growth Plan

Oil & Gas Production

(billion cubic feet equivalent)

13% Compound Annual Growth Rate Targeted

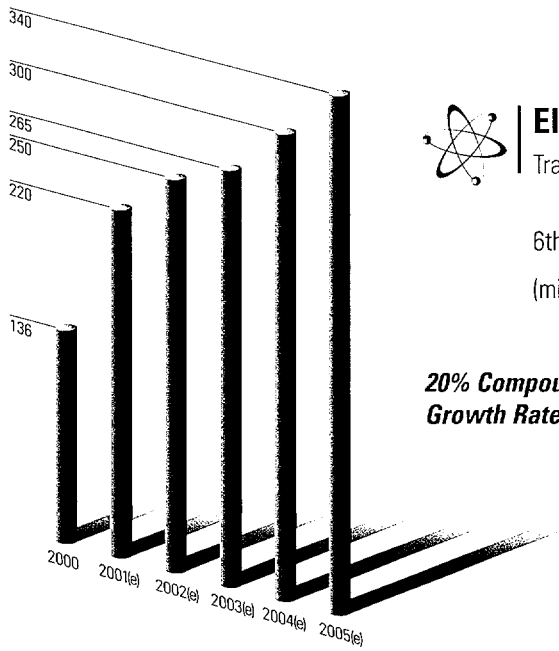


Telecom Growth Plan

Fiber Miles

190% Compound Annual Growth Rate Targeted

Projections of future performance are subject to risks discussed in detail on page 30.

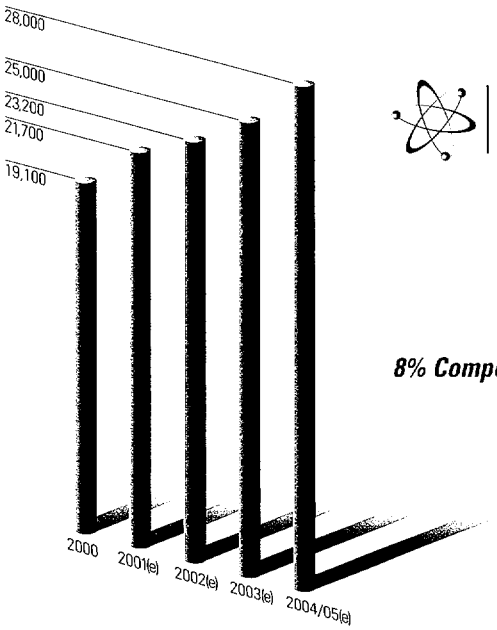


Electricity
Trading & Sales Plan

6th largest in U.S.

(million megawatt-hours)

20% Compound Annual Growth Rate Targeted

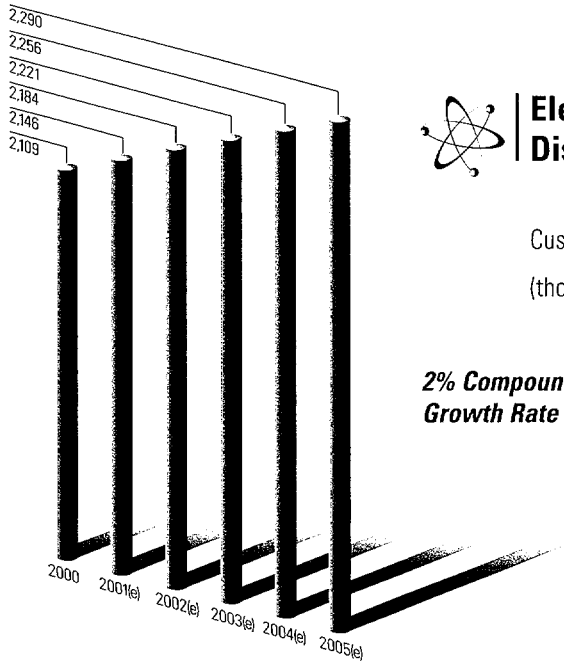


Generation Growth Plan

Electric Generation Portfolio

(megawatts)

8% Compound Annual Growth Rate Targeted



Electricity Distribution Plan

Customer Growth

(thousands)

2% Compound Annual Growth Rate Targeted

largest producers

of energy. From our headquarters in Richmond, Virginia, we provide natural gas and electric power to nearly

3.8 million retail customers

in five states.

With 19,000 megawatts of efficient electric power generation and nearly 3 trillion cubic feet of natural gas reserves, we can produce

2.7 trillion Btus

of energy every day.

We're expanding to serve a market of more than

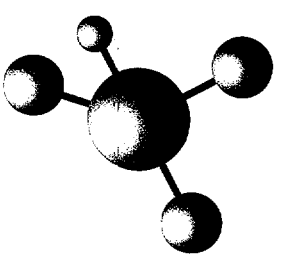
50 million homes and businesses

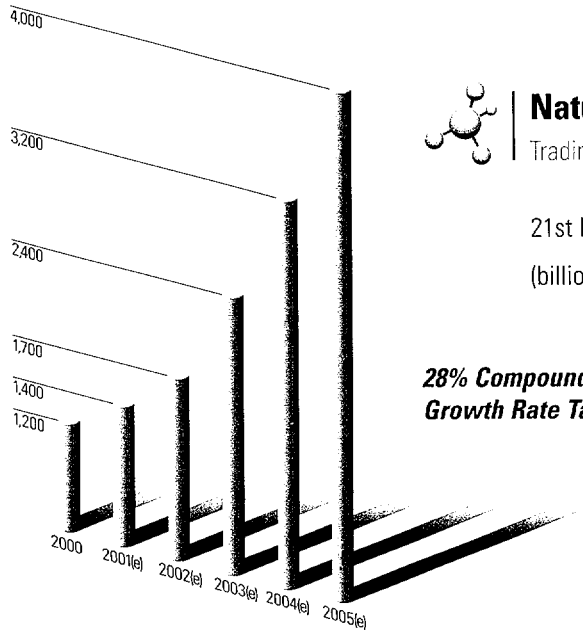
in the Northeast, Midwest and Mid-Atlantic regions—home to 40 percent of the nation's demand for energy. Already, we're the largest producer of Btus in this energy-intensive area.

Our success in providing

clean, safe, reliable energy

benefits not only Dominion's shareholders and its 15,600 employees, but also helps improve the quality of life for all the communities we serve.



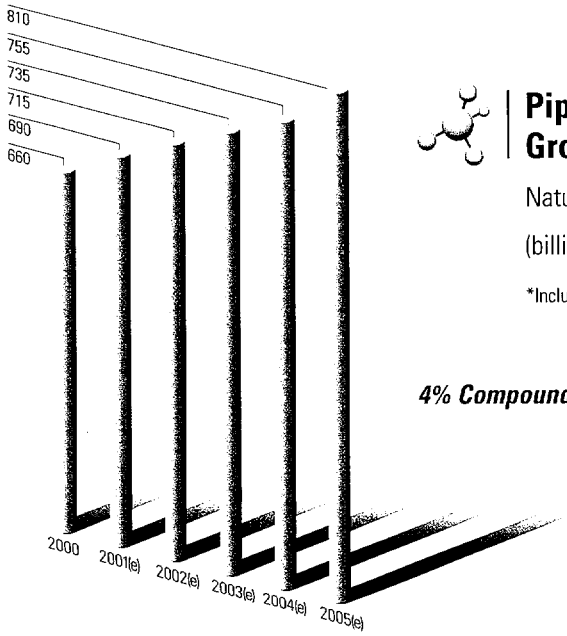


Natural Gas
Trading & Sales Plan

21st largest in U.S.

(billion cubic feet)

28% Compound Annual Growth Rate Targeted



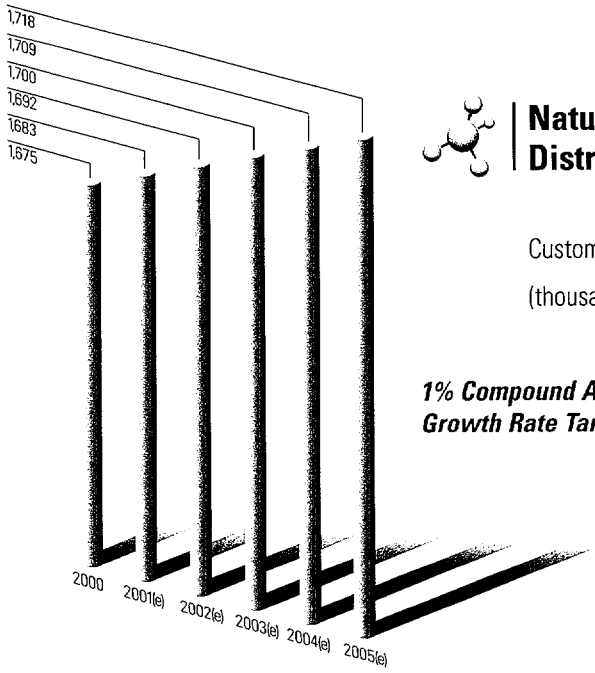
Pipeline Growth Plan

Natural Gas Transmission Throughput

(billion cubic feet)*

*Includes intercompany activity

4% Compound Annual Growth Rate Targeted



Natural Gas Distribution Plan

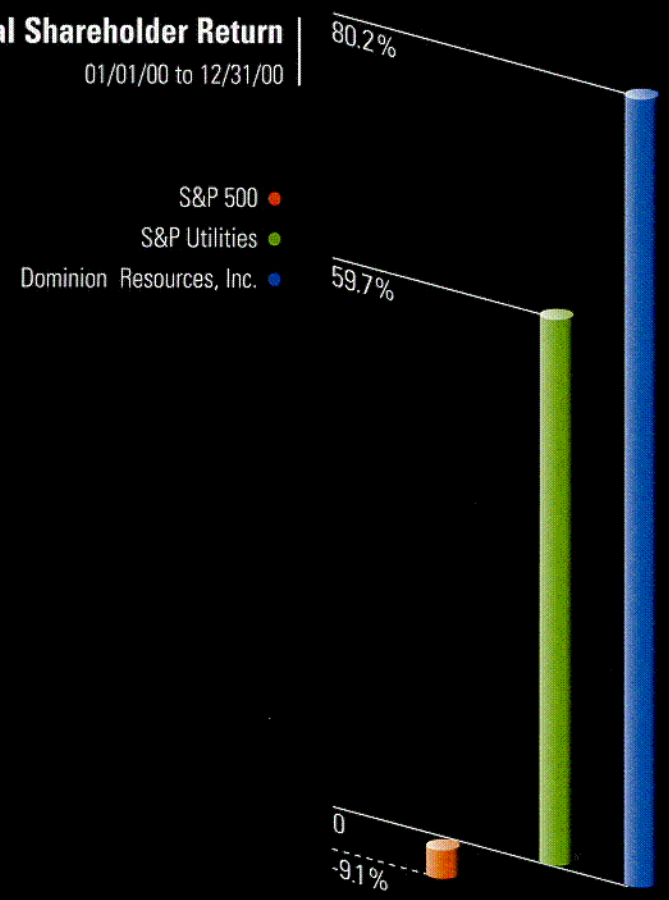
Customer Growth

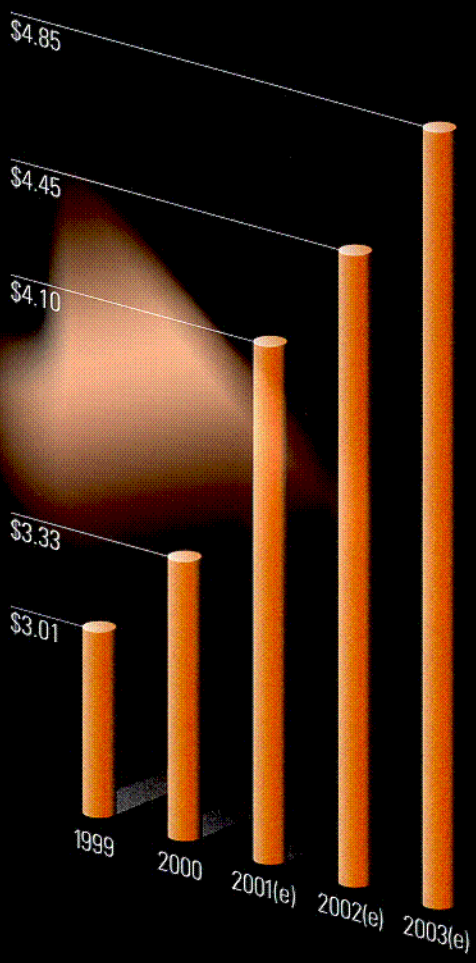
(thousands)

1% Compound Annual Growth Rate Targeted

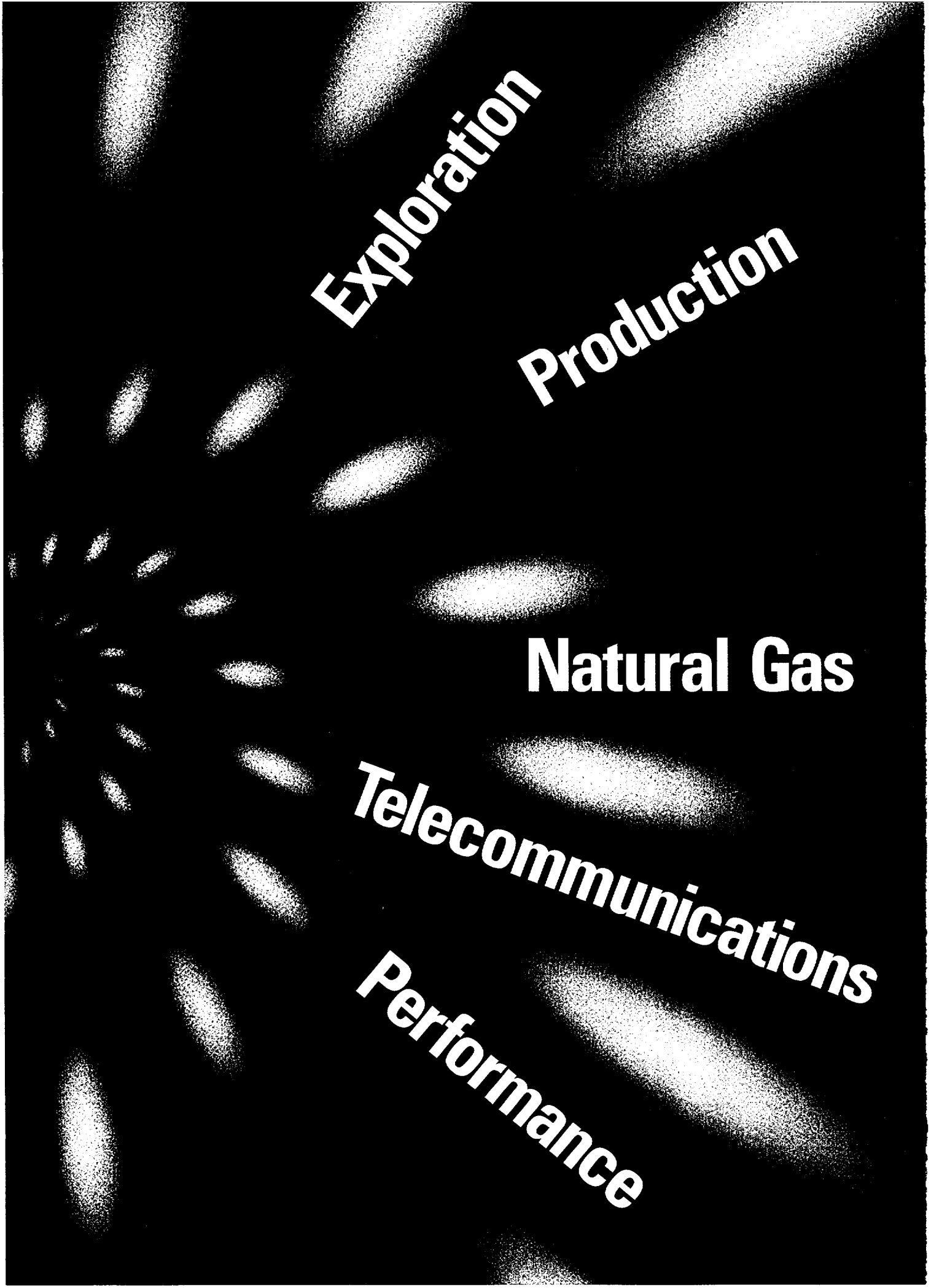
Total Shareholder Return

01/01/00 to 12/31/00

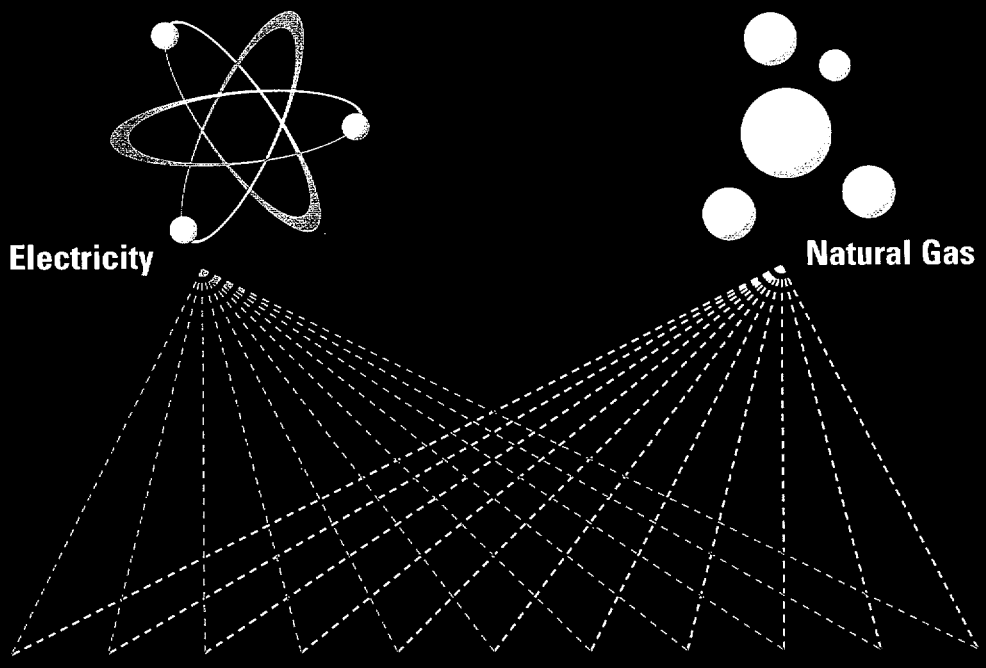




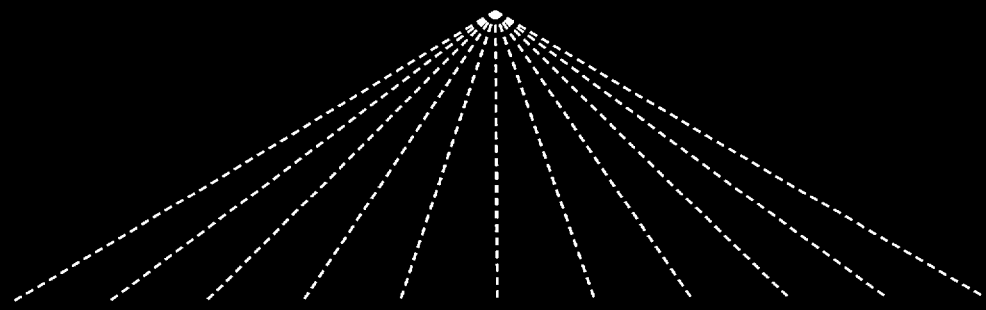
Operating Earnings Per Share Forecast


Exploration
Production
Natural Gas
Telecommunications
Performance

The Fully Integrated Energy Company



N e t w o r k



C u s t o m e r s

Dear Fellow Shareholders

In 2000 our new company produced a record-setting year and successfully completed one of our industry's biggest mergers.

I'm proud of our talented and energetic team. Our share price closed the year at $67, just a fraction shy of our all-time high. Combined with four quarterly dividends, the increase in share price produced a total return exceeding 80 percent.

We surpassed the average total returns on the Dow Jones and S&P Utilities indexes, which closed the year with total returns of 51 percent and nearly 60 percent, respectively. Last year's total company return beat our goal of 15 percent—a mark we've set for future years.

It's tempting to give ourselves all the credit for last year's share price run-up. Make no mistake: The increase reflected the market's confidence in our ability to deliver solid long-term earnings, dividends and share price appreciation.

The Market's Return to Sanity

But our share price run-up also marked a return to sanity by the stock market in general. Last year, investors in so-called "New Economy" stocks and dot.com darlings saw their billion dollar investments shrink to millions. Renewing their interest in companies with real earnings and real cash flow, they returned to "Old Economy" investments like those in the utility and energy sectors.

Last year's total company return beat our goal of 15 percent ——a mark we've set for future years.

And our sector had its own share of volatility in 2000. Nightly newscasts and headlines publicized problems in California, where surging power prices and chronic short supply gave deregulation critics plenty of false ammo. Short on hydropower and facing natural gas constraints, California actually imposed curtailments early in the winter. It's become increasingly clear to everybody—even anti-competition proponents—that problems in the Golden

State stem not from the free market, but from California's own confused and poorly timed restructuring plan.

Fortunately, most other states have avoided similar mistakes. But the need for new capacity to meet increasing demand is evident in other parts of the country.

Nearly 9,000 Megawatts on the Horizon

Today, we're the largest producer of Btus in the Midwest, Northeast and Mid-Atlantic regions of the United States, home to 40 percent of the nation's demand for energy. We'll build an even larger position in this region when we complete our $1.3 billion acquisition of the 1,954-megawatt Millstone Nuclear Power Station, located in Connecticut on Long Island Sound.

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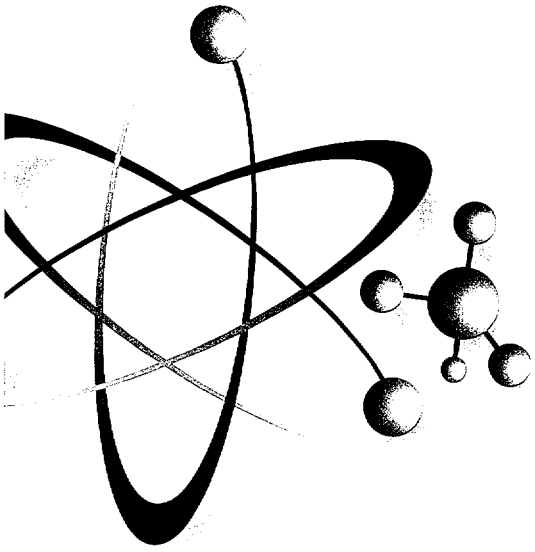


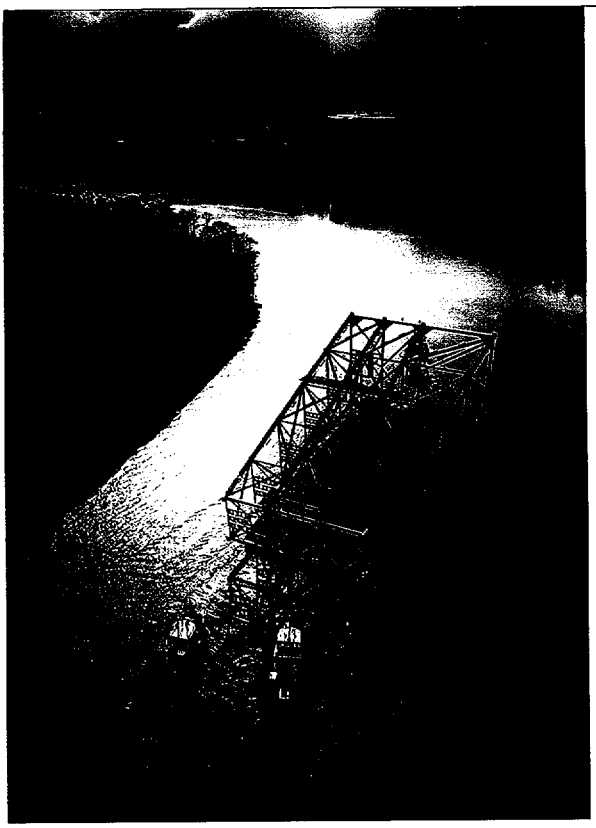
Adding Millstone to our growing generation fleet will boost our combined utility and non-utility electric capacity by 10 percent. We should see at least an extra 5 cents in earnings per share each year in the first two years of ownership—and even greater annual contributions beyond that. In 2001, we'll also bring on line nearly 700 megawatts of additional gas-fired generation in Virginia and at our Elwood facility in Illinois, expanding what long-timers call "iron in the ground."

In the years immediately following this, Dominion's power generation team has nearly 3,850 megawatts of new capacity either under construction or on the drawing boards. We've secured turbines and identified site possibilities for another 2,400 megawatts. In total, we hope to have nearly 9,000 new megawatts in service by 2005, most of it gas fired. Gas from our own production company delivered by our own pipeline will fire four of these facilities in Ohio, Pennsylvania and West Virginia. Locally, our work to site and permit these facilities is running smoothly.

Expanding Our Pipeline

Expanding our pipeline system will help meet a 20 percent increase in new natural gas throughput over the next five years.

We're expanding our natural gas pipeline and storage system—already one of North America's largest. Growth in new gas-fired generation, built by Dominion and others, should help spur an expected 20 percent increase in gas throughput over the next five years.



Dominion offshore platform substructure under tow in Louisiana

But over the past year, as gas prices have reached new and unprecedented highs, some pundits have called into question the viability of gas as a generation fuel. We believe these high prices cannot be sustained. The laws of supply and demand will work to bring down the market price of natural gas within the next few years.

Firing the Economy: Growth in Natural Gas Exploration and Production

In fact, gas is firing the economy. Industry forecasts project growth in natural gas consumption of nearly 50 percent in just ten years—half of which will fuel power units. Virtually every major power facility being developed in the United States will use clean-burning natural gas.

Increased oil and natural gas prices helped our exploration and production businesses contribute $1.14 to operating earnings in 2000.

Last year's high prices reminded us of the need to develop the abundance of natural resources within our reach. Last year, our combined exploration and production unit produced 316 billion cubic feet of natural gas equivalents from a balanced mix of properties. This represented growth of about 190 percent from Dominion's stand-alone 1999 production. We're reinvesting some of our profits to develop additional production.

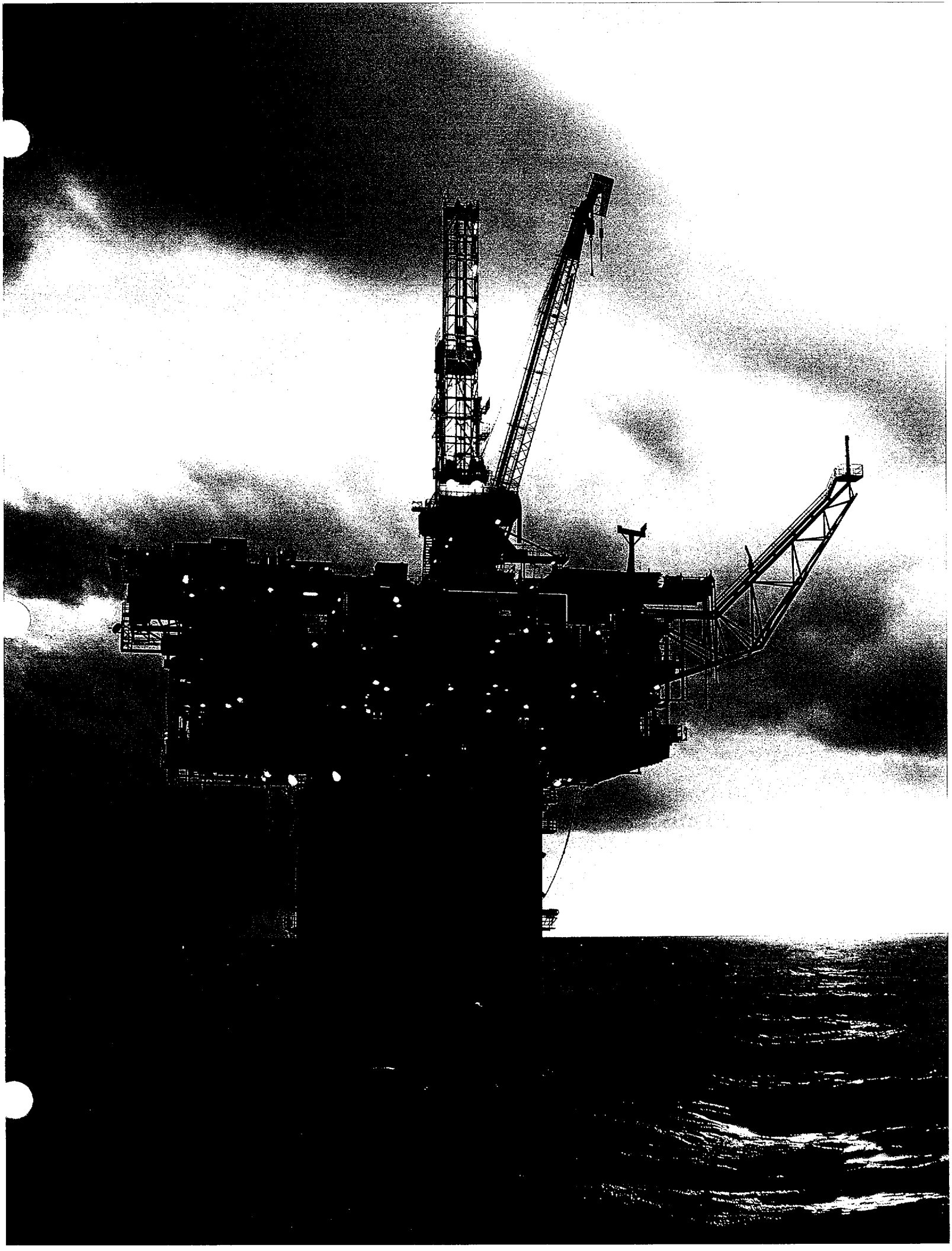
Industry forecasts project growth in natural gas consumption of nearly 50 percent in just ten years—half of which will fuel power units. Virtually every major power facility being developed in the United States will use clean-burning natural gas.

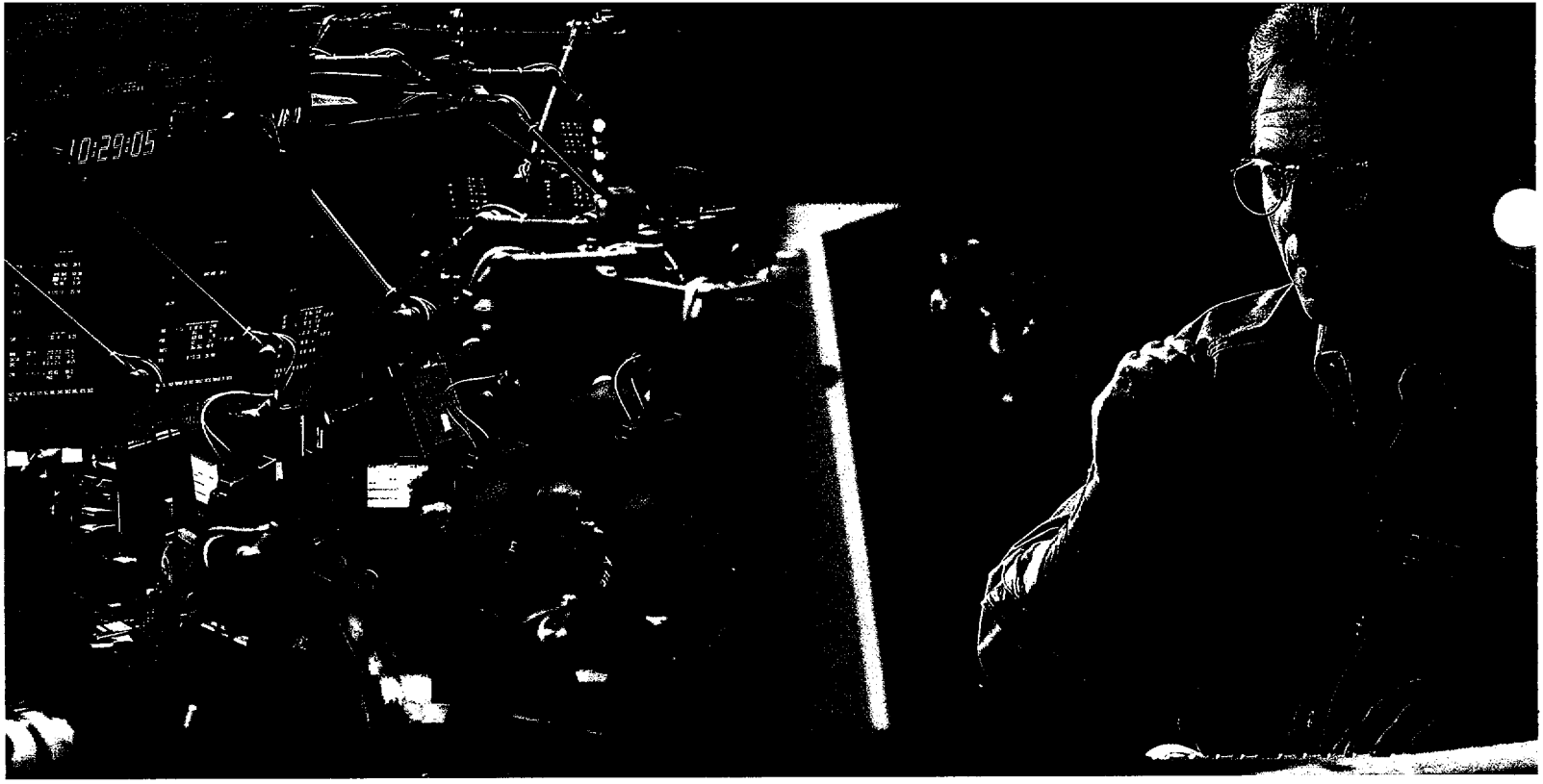
In gas production alone, we've become one of the nation's largest independent producers.

Selling Gas or Power—When Conditions Are Right

Dominion is one of the nation's largest independent natural gas producers with operations in Canada and Appalachia, and on the Gulf Coast.

It's ironic—and instructive—that the energy sector witnessed such volatility during our first year as a combination electric and gas company. It showed why our merger made sense. As I told you last year, our merged company has the ability to hedge shifting commodity prices. We can serve consumers efficiently and reliably under a variety of market conditions while delivering value to you, our shareholders.





Dominion produced an 80 percent total return for the year, besting industry indexes.

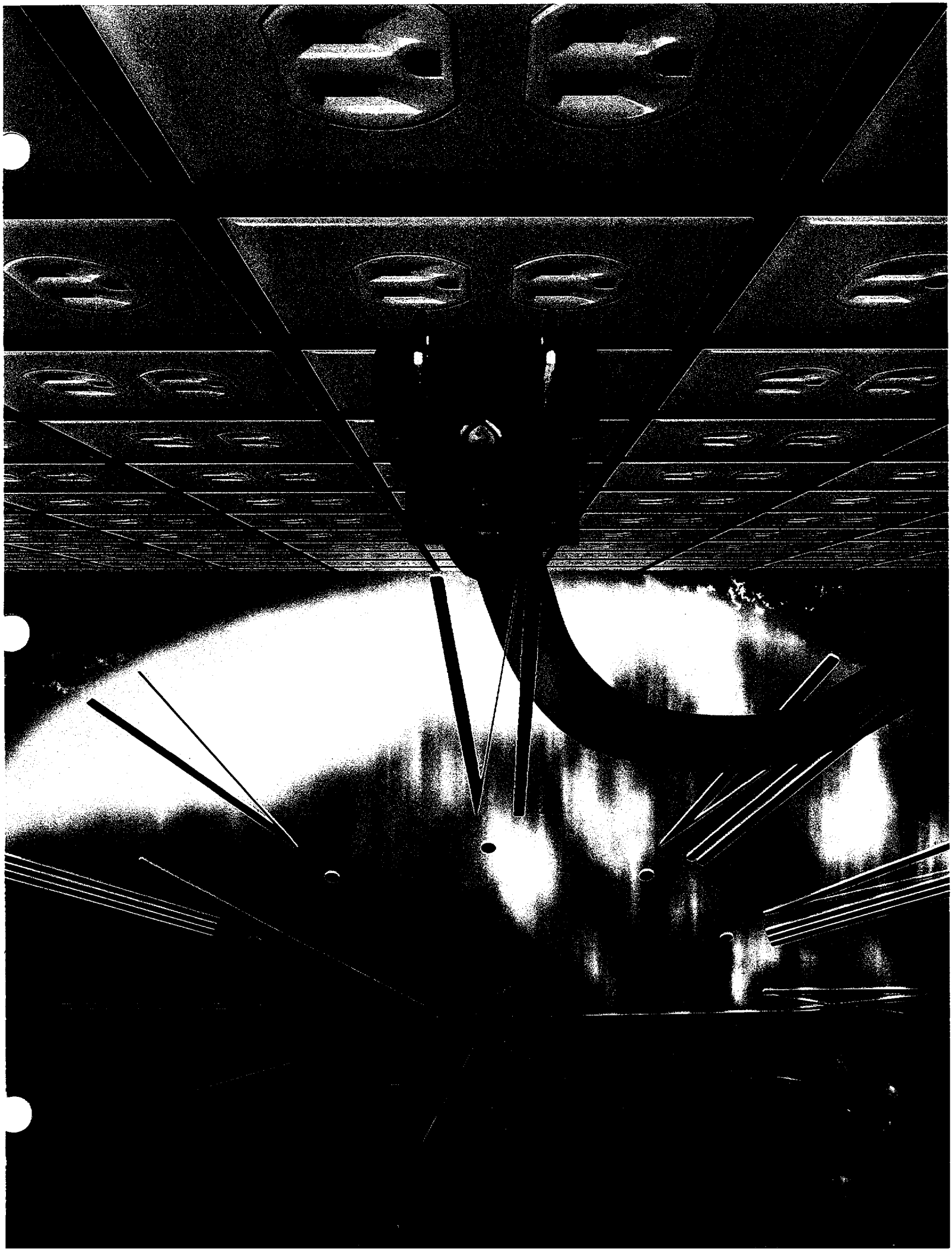
In other words, we'll sell gas directly when market conditions for gas sales are good. When demand for gas slackens and prices go down, we'll burn the gas in our power plants, put it on the wires, and sell the energy as electricity. Sometimes we'll use our storage system to store the gas and wait for a better sales day.

In our view, it's critically important to own and operate businesses and infrastructure that can produce and deliver energy in any form.

In our view, it's critically important to own and operate businesses and infrastructure that can produce and deliver energy in any form. In tomorrow's marketplace, institutional and individual customers will shop for Btus —whether electrons or gas molecules—just as surely as they shop for credit cards and long-distance phone service.

Trading and Marketing

Last winter's high prices and cold weather made it tough on many retail customers. They don't have the ability to hedge. We worked with regulators —and on our own—to help soften the blow. We boosted our contributions to emergency relief programs and worked to educate customers about them. We promoted energy conservation. When we could, we even encouraged our customers to shop around for better deals.

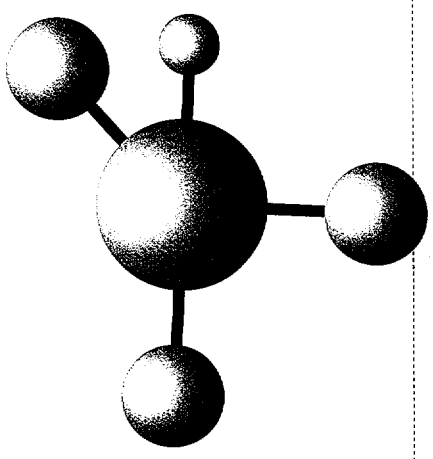


We'll bring greater urgency and innovation to our longstanding tradition of operational excellence and customer service.

Last year, our trading and marketing groups contributed about 20 cents per share, and we're looking for a bigger contribution in 2001. At present, we're one of the nation's largest electricity marketers, with about 136 million megawatt-hours traded in 2000. We rank in the top 25 on the natural gas side, with trading volumes of roughly 1.2 trillion cubic feet. Our goal is to more than triple our power volumes by 2005 and achieve a five-fold increase in gas volumes during the same period.

In short, we aim to build value in old ways, new ways and ways we're just discovering. We'll bring greater urgency and innovation to our long-standing tradition of operational excellence and customer service.

Top Nuclear Performance



When our acquisition of Millstone is complete in 2001, its units will join our other top-rated nuclear power stations. In 2000, just as in past years, *Nucleonics Week* magazine rated our North Anna and Surry facilities in Virginia as two of the most efficiently run nuclear stations in the United States. For the fifth year in a row, the magazine ranked North Anna the nation's top performer on a three-year basis, which more accurately reflects the impact of refueling outages on production costs. Surry came in at number four.

In April, Surry Units 1 and 2 set an industry record for models of their type by running 277 days concurrently. Unit 1 achieved a world-record refueling outage for a three-loop Westinghouse reactor in 23 days, 15 hours and 45 minutes. August 19 marked the 100th day that all four Dominion units operated concurrently, the sixth time in our history this has happened. Our nuclear team is taking these strides by demonstrating what I call a "bias for action."

A Bias for Action

Last May, our Bulk Power organization showed us their bias for action in a big, bold way. In the Virginia port city of Norfolk, a tall crane being barged along the Elizabeth River snagged company transmission lines

more than 150 feet above the river. Four conductors crashed into the water, damaging two others and blacking out a major portion of downtown during rush hour. Under old ways of business, repairs to the line would have halted traffic on the river for a week to ten days while the cable was lowered and work performed from another barge.

Instead, three Bulk Power employees—Mark Allen, Don Koonce and Danny Bowers—acted quickly and decisively. Our people chartered a specialized helicopter and crew so that they could work on the damaged cables from the air. Leaning out of that chopper, the aerial linemen spliced lines together above the water, bringing the substation back into operation in a matter of hours.

Operating Earnings Rise

All in all, we had an excellent year.

Our 2000 operating earnings rose to $3.33 per share, up 10.6 percent over 1999 with an operating return on equity of about 12 percent. Our earnings performance exceeded our growth target of 8 to 10 percent. Recognizing the full potential of the combined company, we twice increased projected operating earnings for 2001. We now project per-share operating earnings of $4.10—a level that we originally believed we would reach by 2004—with continued annual growth in the range of 8 to 10 percent in coming years. We set this target expecting that gas and oil prices will decline from historic highs, our electric production costs will remain low, and demand for gas and electricity in our geographic market will continue to grow.

We're committed to continuing our $2.58 annual dividend. Dividends are an important, if neglected, component of total return.

We're committed to continuing our $2.58 annual dividend. Dividends are an important, if neglected, component of total return. Maintaining the dividend is important to many shareholders who depend on dividends for income.

Some Wall Street pundits say a company intent on share-price growth can't afford to reward its investors with cash. I disagree. Unless the laws of gravity change, our share price should rise with rising earnings. And the percentage of earnings we pay as dividends will go down—something Wall Street will view favorably. At year's end, our payout was about 77 percent of total earnings. Over time, we'll work to have earnings growth move that in the neighborhood of 50 to 55 percent.

Voting with Our Pocketbooks

Last year, I told you I wanted our senior management—an energetic, ambitious bunch—to begin each day warm under the collar at any thought or hint of a decline in share value or dividend reductions.

Last year, I purchased an additional ten times my annual salary in shares, making me one of the company's largest individual shareholders.

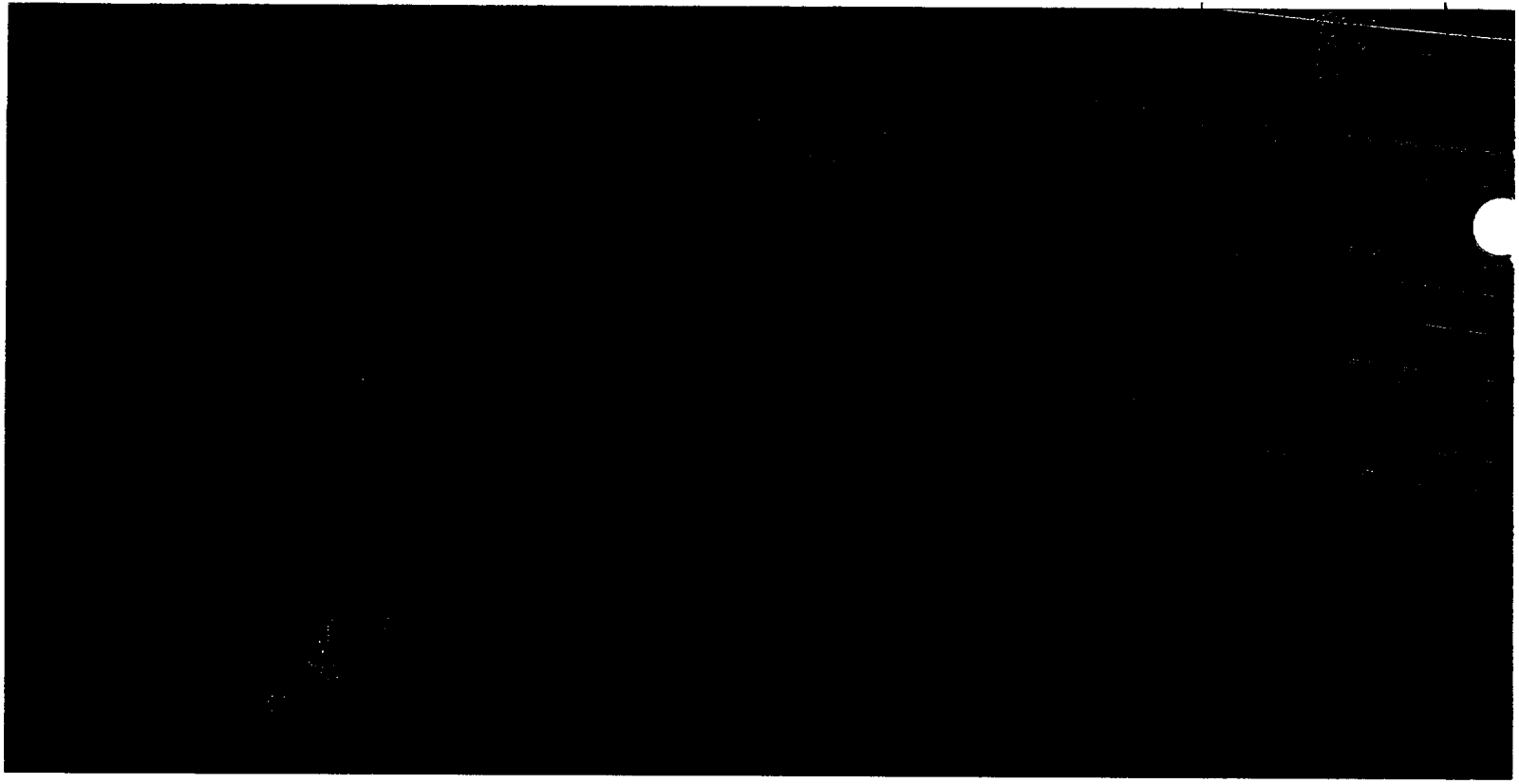
Under voluntary guidelines adopted by our board, Dominion's officers are expected to own company shares in amounts totaling from three to eight times their base salaries. This is a major obligation which required most officers to borrow money. Loans to purchase these shares come due in five years, and our dividends help pay the interest. We're all personally on the hook if, in the interim, we have not made sound business decisions and grown the company profitably. Last year, I purchased an additional ten times my annual salary in shares, making me one of the company's largest individual shareholders. Together, our senior management team also makes up one of the largest shareholder groups, with more than 2.4 million shares valued at year end in excess of $161 million.

Overall, our entire family of employees—executives, management, staff, field or supervision—own about 15.6 million shares. At year's end, our total investment in our business exceeded $1 billion. Employees are Dominion's biggest shareholder as a group, a confidence vote straight from the pocketbook.

Technology and Telecommunications: New Opportunities

In the telecommunications and technology arena, we're fortunate to have in-house expertise at Dominion Telecom that opens new opportunities. Dominion Telecom plans to invest approximately $700 million over the next two to three years to build out our fiber-optic network. We'll use our expanded network—planned to span more than 9,000 route miles—to provide Internet, video conferencing and other broadband services.

Yes, we're looking to be a niche player. We aren't interested in going toe-to-toe with the national telecoms. But we see a real opportunity in offering telecom capacity to Cleveland, Buffalo, Toledo and other under-served cities in our core energy markets.



We'll use our expanded network—planned to span more than 9,000 route miles —to provide Internet, video conferencing and other broadband services.

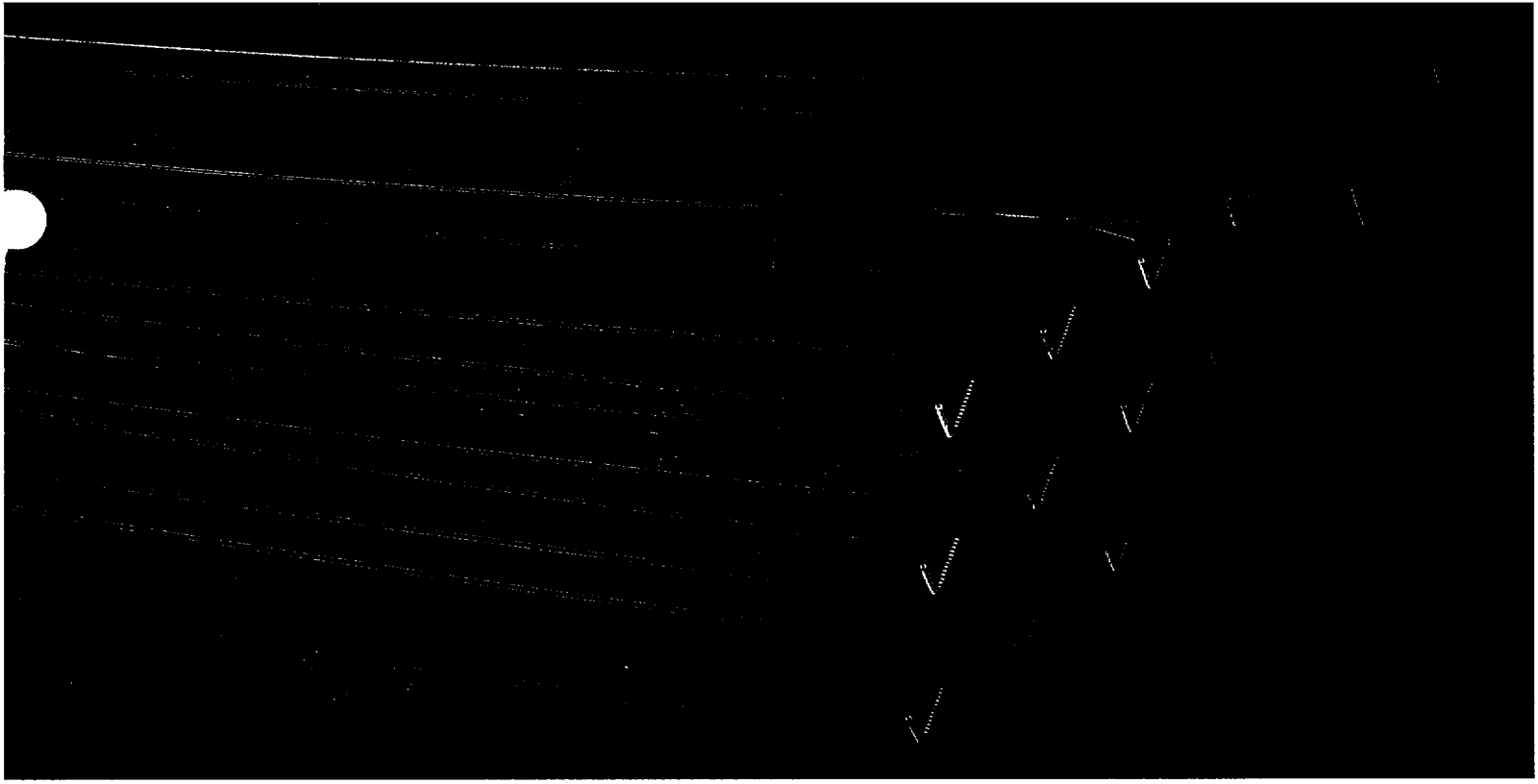
Our power technology group is investing in fuel cells and other distributed generation technologies. They're studying new innovations to discover how we can apply them to improve service, work smarter and better, and protect the environment better.

Stricter Environmental Regulations: A Fact of Life

We take our environmental responsibilities seriously. Protecting the environment is a growing concern for many Americans. They expect and deserve responsible stewardship from industry. Our challenge is to comply fully with all federal and state environmental regulations while growing the company and increasing shareholder value.

Late last year, we announced a groundbreaking agreement in principle with the United States Environmental Protection Agency. It commits us to more than $1.2 billion—most of it already planned and budgeted—in environmental protection projects over the next dozen years at several of our coal-fired power stations in West Virginia and Virginia.

We're pleased with this agreement and the certainty it will give us going forward. And it will have a huge and positive impact on the environment.



Our wholesale marketing business traded about 136 million megawatt-hours last year.

Industry Change Still Unfolding

We've been active in Washington and in state capitals helping resolve many matters that affect us beyond environmental protection. At the state level, West Virginia became the latest state to begin deregulating. In Pennsylvania, more than 500,000 customers switched their electricity supplier. In Virginia, our home base for retail electric operations, one of the largest pilot programs in the history of electric utility restructuring lifted successfully off the launch pad. The lessons learned from this pilot will smooth our move into competition next year.

Managing Our Debt

Growth doesn't come cheap.

We've got to spend money to reach new markets, provide top-notch customer service and manage the challenges I've just set forth. Last year, we raised $2.5 billion in debt capital through six well-received debt issues in addition to more than $750 million in equity or equity "hybrid" securities. We also received commitments totaling $5.5 billion from 30 financial institutions to support our growth.

We borrow under two unwavering conditions: First, we strive to maintain our strong investment grade ratings. Second, we maintain our bankers' confidence by committing to repay our obligations as quickly as possible.

Last year, Dominion maintained its strong "High BBB" bond ratings from both Moody's and Standard & Poor's—ratings considered strong for corporates. We've reduced our debt levels aggressively by selling non-core international, financial services and other assets. At year's end, those moves produced nearly $1.1 billion in net proceeds, with more on the way. We've targeted debt as a percentage of our total capitalization to be about 55 percent by the end of 2002.

In short, we had to stretch our balance sheet. Our chief financial officer compares it to a rubber band that's tight—nowhere near the snapping point—but now returning to more comfortable levels.

Beyond the Call of Duty

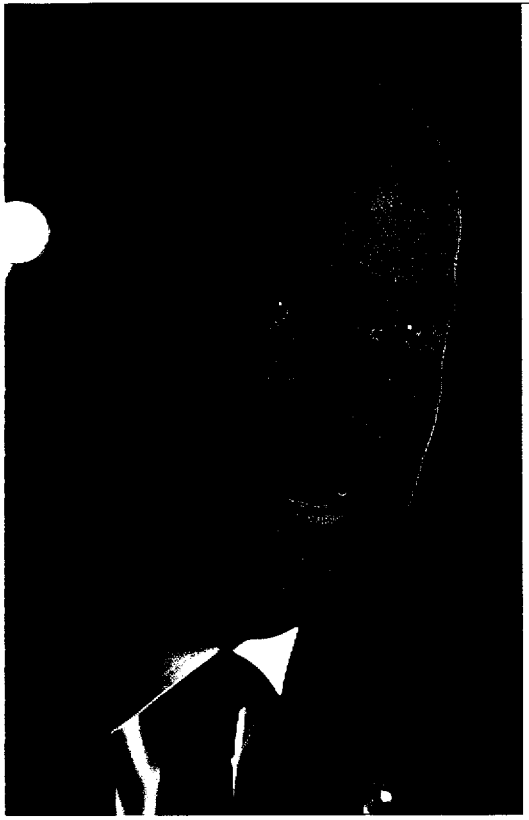
Along the way, we also managed to give back what we could to our communities. In October, more than 400 employees in five states volunteered to help beautify their neighborhoods by working at schools and parks to create nature trails, gardens and environmental education centers.

The very next month, several hundred more employees in Virginia pitched in to build Habitat for Humanity® houses. United Way recognized our employees with its "Spirit of Caring Award"—the organization's highest honor. Beyond that, our company gave more than $6 million to health and human services, community development, environmental, cultural and educational efforts in the states where we operate.

A Special Tribute

I want to pay special tribute to my fellow employees for their willingness to adapt to an ever-changing competitive marketplace. Their initiative and creativity demonstrate courage and the ability to focus on the task at hand in a very dynamic environment. My hat is off.

I want to thank our board of directors for its continued guidance. We have a top-notch board that always keeps us on track. We also appreciate the hard-working vendors, suppliers, contractors and agencies who help us serve nearly 3.8 million retail energy customers. To our customers, I express deepest gratitude for your continued confidence in our delivery,



Thos. E. Capps
Chairman, President and
Chief Executive Officer

I want to pay special tribute to my fellow employees for their willingness to adapt to an ever-changing competitive marketplace.

price, products and service. To serve you at the highest possible level, we pledge to find new ways to improve our products and services.

None of this would be possible without you—our owners. Thank you once again for your continuing investment and confidence. As always, we promise to be careful stewards of your investment and to look for opportunities to grow our company even more profitably.

New Heights

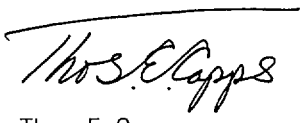
Last summer, we offered to help state wildlife officials house five Peregrine falcons in hopes of creating a nesting pair of the endangered species in Central Virginia. The birds lived 22 stories above downtown Richmond atop the Dominion building on Cary Street.

The falcons grew up in comfort and safety, under the care of trained state professionals. But they had never flown, and the day finally came for them to set out on their own. They stepped one-by-one beyond the familiar nesting box, walked to the roof's edge and stretched their untested wings. One bird hopped off, fell over the side and disappeared for several long seconds before soaring up, flapping high above the building and winging towards the sun.

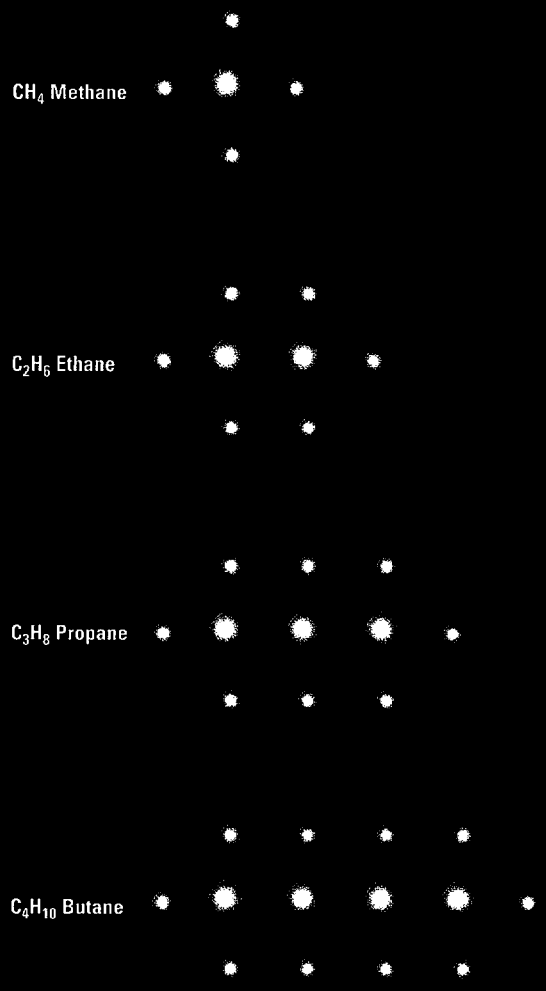
I'm feeling bullish. We'll do our best to soar.

He took flight and surpassed our highest expectations. It reminds me of our own first year as a newly combined company. I'm feeling bullish. We'll do our best to soar.

Sincerely,



Thos. E. Capps
Chairman, President and Chief Executive Officer



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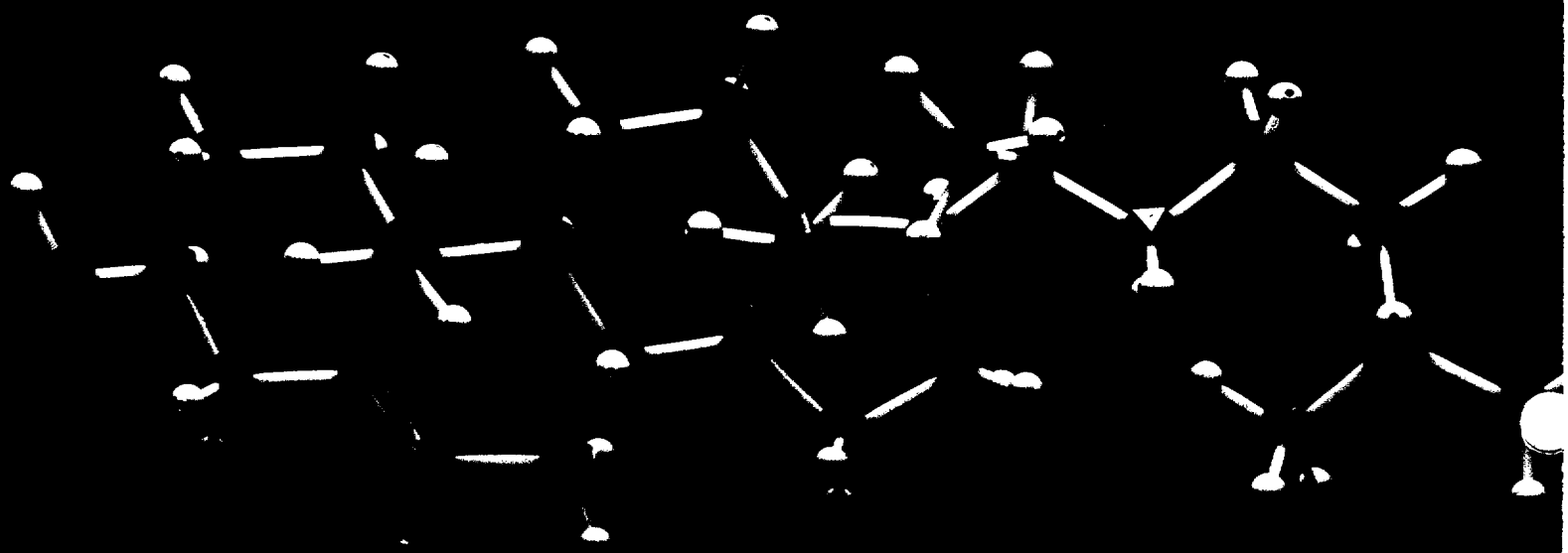

Consolidated Statements of Income

(millions, except per share amounts)	For The Year Ended December 31, 2000	1999	1998
Operating revenue and income:			
Regulated sales			
Electric	**$4,492**	$4,227	$3,979
Gas	**1,374**		
Nonregulated sales			
Electric	**97**	180	190
Gas	**593**		
Gas transportation and storage	**486**		
Oil and gas production	**856**	218	141
East Midlands			1,010
Other	**1,362**	895	761
Total	**9,260**	5,520	6,081
Expenses:			
Fuel, net	**1,106**	996	961
Purchased power capacity, net	**741**	809	806
Purchased gas, net	**1,453**		
Liquids, capacity and other products purchased	**299**		
Supply and distribution—East Midlands			655
Restructuring and other acquisition-related costs	**460**		
Impairment of regulatory assets			159
Other operation and maintenance	**2,011**	1,376	1,357
Depreciation, depletion and amortization	**1,176**	707	733
Other taxes	**485**	304	306
Total	**7,731**	4,192	4,977
Income from operations	**1,529**	1,328	1,104
Other income:			
Gain on sale—East Midlands			332
Other	**95**	75	99
Total	**95**	75	431
Income before interest and income taxes	**1,624**	1,403	1,535
Interest and related charges:			
Interest charges	**958**	507	583
Preferred dividends and distributions of subsidiary trusts	**66**	67	65
Total	**1,024**	574	648
Income before income taxes, minority interests, extraordinary item and cumulative effect of a change in accounting principle	**600**	829	887
Income taxes	**183**	259	312
Minority interests	**2**	18	27
Income before extraordinary item and cumulative effect of a change in accounting principle	**415**	552	548
Extraordinary item (net of income taxes of $197)		(255)	
Cumulative effect of a change in accounting principle (net of income taxes of $11)	**21**		
Net income	**$ 436**	$ 297	$ 548
Average shares of common stock—basic	**235.2**	191.4	194.9
Basic earnings per common share:			
Income before extraordinary item and cumulative effect of a change in accounting principle	**$ 1.76**	$ 2.88	$ 2.81
Extraordinary item		(1.33)	
Cumulative effect of a change in accounting principle	**0.09**		
Net income	**$ 1.85**	$ 1.55	$ 2.81
Average shares of common stock—diluted	**235.9**	191.4	194.9
Diluted earnings per share:			
Income before extraordinary item and cumulative effect of a change in accounting principle	**$ 1.76**	$ 2.81	$ 2.81
Extraordinary item		(1.33)	
Cumulative effect of a change in accounting principle	**0.09**		
Net income	**$ 1.85**	$ 1.48	$ 2.81
Dividends paid per common share	**$ 2.58**	$ 2.58	$ 2.58

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

Consolidated Balance Sheets
Assets

(millions)	At December 31, 2000	1999
Current assets:		
Cash and cash equivalents	**$ 360**	$ 280
Accounts receivable:		
Customers (less allowance for doubtful accounts of $67 in 2000 and $12 in 1999)	**1,872**	664
Other	**486**	269
Inventories:		
Materials and supplies (average cost method)	**150**	143
Fossil fuel (average cost method)	**102**	111
Gas stored—current portion	**75**	
Investment securities—trading	**275**	2
Mortgage loans held for sale	**104**	119
Commodity contract assets	**1,058**	363
Unrecovered gas costs	**263**	
Broker margin deposits	**267**	36
Prepayments	**173**	154
Net assets held for sale	**73**	
Other	**608**	37
Total current assets	**5,866**	2,178
Investments:		
Loans receivable, net	**676**	2,049
Investments in affiliates	**392**	433
Available for sale securities	**292**	512
Nuclear decommissioning trust funds	**851**	818
Investments in real estate	**65**	86
Other	**326**	334
Total net investments	**2,602**	4,232
Property, plant and equipment	**28,011**	18,703
Less accumulated depreciation, depletion and amortization	**13,162**	7,906
Property, plant and equipment, net	**14,849**	10,797
Deferred charges and other assets:		
Goodwill, net	**3,502**	132
Regulatory assets, net	**516**	221
Prepaid pension costs	**1,455**	22
Other, net	**558**	200
Total deferred charges and other assets	**6,031**	575
Total assets	**$29,348**	$17,782

Liabilities and Shareholders' Equity

(millions)	At December 31, 2000	1999
Current liabilities:		
Securities due within one year	**$ 336**	$ 536
Short-term debt	**3,237**	870
Accounts payable, trade	**1,736**	711
Accrued interest	**195**	121
Accrued payroll	**127**	93
Accrued taxes	**316**	89
Commodity contract liabilities	**1,021**	348
Other	**624**	232
Total current liabilities	**7,592**	3,000
Long-term debt	**10,101**	6,936
Deferred credits and other liabilities:		
Deferred income taxes	**2,820**	1,710
Deferred investment tax credits	**147**	146
Other	**801**	223
Total deferred credits and other liabilities	**3,768**	2,079
Total liabilities	**21,461**	12,015
Minority interest	**1**	99
Commitments and contingencies (see Note 22)		
Obligated mandatorily redeemable preferred securities of subsidiary trusts*	**385**	385
Preferred stock not subject to mandatory redemption	**509**	509
Common shareholders' equity:		
Common stock—no par; authorized—500.0 shares; outstanding—245.8 shares at 2000 and 186.3 shares at 1999	**5,979**	3,561
Other paid-in capital	**16**	16
Accumulated other comprehensive income	**(31)**	(15)
Retained earnings	**1,028**	1,212
Total common shareholders' equity	**6,992**	4,774
Total liabilities and shareholders' equity	**$29,348**	$17,782

* As described in Note 17, the 7.83% and 8.05% Junior Subordinated Notes totaling $258 million and $139 million principal amounts, respectively, constitute 100% of the trusts' assets.

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

Consolidated Statements of Common Shareholders' Equity

(millions)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Other Paid-In Capital	Total
Balance at January 1, 1998	188	$3,674	$1,363	$ (3)	$16	$5,050
Issuance of stock through public offering	7	268				268
Issuance of stock through employee and direct stock purchase plans	2	86				86
Stock repurchase and retirement	(2)	(99)				(99)
Other common stock activity		4				4
Comprehensive income			548	(17)		531
Dividends and other adjustments			(503)			(503)
Balance at December 31, 1998	195	3,933	1,408	(20)	16	5,337
Stock repurchase and retirement	(9)	(372)				(372)
Comprehensive income			297	5		302
Dividends and other adjustments			(493)			(493)
Balance at December 31, 1999	186	3,561	1,212	(15)	16	4,774
Issuance of stock—CNG acquisition	**87**	**3,527**				**3,527**
Issuance of stock through public offering	**6**	**354**				**354**
Issuance of stock through employee, executive loan and direct stock purchase plans	**4**	**195**				**195**
Stock repurchase and retirement	**(37)**	**(1,641)**				**(1,641)**
Premium income equity securities		**(21)**				**(21)**
Other common stock activity		**4**				**4**
Comprehensive income			**436**	**(16)**		**420**
Dividends and other adjustments			**(620)**			**(620)**
Balance at December 31, 2000	**246**	**$5,979**	**$1,028**	**$(31)**	**$16**	**$6,992**

Consolidated Statements of Comprehensive Income

(millions)	For The Year Ended December 31, 2000	1999	1998
Net income	**$436**	$297	$548
Other comprehensive income, net of tax:			
Unrealized holding gains (losses) on investment securities	**9**	(14)	(3)
Less: reclassification adjustment for gains (losses) realized in net income	**(3)**	3	3
Unrealized gains (losses) on investment securities	**12**	(17)	(6)
Foreign currency translation adjustment	**(4)**	22	(11)
Minimum pension liability adjustment	**(24)**		
Other comprehensive income (loss)	**(16)**	5	(17)
Comprehensive income	**$420**	$302	$531

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

Consolidated Statements of Cash Flows

(millions)	For The Year Ended December 31, 2000	1999	1998
Cash flows from (used in) operating activities:			
Net income	**$ 436**	$ 297	$ 548
Adjustments to reconcile net income to net cash from operating activities:			
Cumulative effect of a change in accounting principle	**(21)**		
Restructuring and other acquisition related costs	**124**		
DCI impairment losses	**292**		
Extraordinary item, net of income taxes		255	
Impairment of regulatory assets			159
Gains on sales of subsidiaries	**(23)**		(332)
Depreciation and amortization	**1,268**	798	814
Deferred income taxes	**22**	64	22
Deferred fuel expense	**(33)**	(35)	(34)
Changes in current assets and liabilities:			
Accounts receivable	**(842)**	81	(90)
Inventories	**(62)**	(6)	(24)
Unrecovered gas costs	**(217)**		
Purchase and origination of mortgages	**(4,281)**	(2,575)	(2,503)
Proceeds from sale and principal collections of mortgages	**4,295**	2,597	2,450
Accounts payable, trade	**674**	(24)	65
Accrued interest and taxes	**139**	(48)	100
Commodity contract assets and liabilities	**(32)**	(92)	66
Net assets held for sale	**(24)**		
Other	**(372)**	(57)	(16)
Net cash flows from operating activities	**1,343**	1,255	1,225
Cash flow from (used in) investing activities:			
Plant construction and other property additions	**(1,385)**	(871)	(739)
Acquisition of exploration and production assets	**(353)**	(90)	(96)
Loan originations	**(2,911)**	(2,581)	(2,580)
Repayments of loan originations	**4,255**	2,238	1,778
Sale of businesses, including East Midlands	**836**	180	1,462
Sale of marketable securities	**137**	35	70
Purchase of debt securities	**(235)**	(53)	(120)
Acquisitions of businesses	**(2,779)**	(167)	(338)
Other investments	**(140)**	(152)	(75)
Other	**(22)**	(81)	(30)
Net cash flow used in investing activities	**(2,597)**	(1,542)	(668)
Cash flow from (used in) financing activities:			
Issuance of common stock	**532**		354
Repurchase of common stock	**(1,641)**	(372)	(99)
Issuance (repayment) of short-term debt	**1,820**	394	65
Issuance of long-term debt	**8,108**	6,446	4,027
Repayment of long-term debt	**(6,813)**	(5,790)	(4,207)
Common dividend payments	**(615)**	(493)	(503)
Other	**(57)**	(44)	(90)
Net cash flow from (used in) financing activities	**1,334**	141	(453)
Increase (decrease) in cash and cash equivalents	**80**	(146)	104
Cash and cash equivalents at beginning of the year	**280**	426	322
Cash and cash equivalents at end of the year	**$ 360**	$ 280	$ 426
Supplemental cash flow information:			
Cash paid during the year for:			
Interest, excluding capitalized amounts	**$ 988**	$ 522	$ 474
Income taxes	**240**	199	202
Non-cash transactions from investing and financing activities:			
Common stock issuance—CNG acquisition	**3,527**		
Note received in sale of business		260	26
Exchange of securities			57

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

Management's Discussion and Analysis of Financial Condition and Results of Operations
(unaudited)

Forward-Looking Information

This annual report includes certain information which contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995, including (without limitation) discussions as to expectations, beliefs, plans, objectives and future financial performance, or assumptions underlying or concerning matters discussed in this document. These discussions, and any other discussions, including certain contingency matters (and their respective cautionary statements) discussed elsewhere in this report, that are not historical facts, are forward-looking and, accordingly, involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The business and financial condition of Dominion Resources, Inc. and its subsidiaries (Dominion or the Company) are influenced by a number of factors including political and economic risks, market demand for energy, inflation, capital market conditions, and other general and specific economic conditions in the Company's service areas, governmental policies, legislative and regulatory actions (including those of the Federal Energy Regulatory Commission [FERC], the Securities and Exchange Commission [SEC], the Environmental Protection Agency [EPA], the Department of Energy, the Nuclear Regulatory Commission [NRC] and various state regulatory commissions), industry and rate structure, and legal and administrative proceedings. Some other important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include changes in and compliance with environmental laws and policies, weather conditions and catastrophic weather-related damage, present or prospective wholesale and retail competition, electric and gas deregulation, the restructuring of the organization, operations and financing of Dominion's electric power business to separate generation, transmission and distribution, competition for new energy development opportunities, pricing and transportation of commodities, operation of nuclear power facilities, competition in the telecommunications industry, successful implementation of the Company's telecommunications strategy, effects and risks associated with the Company's acquisition, generation growth and divestiture strategies, recovery of potentially stranded costs, including nuclear decommissioning costs, exposure to risks associated with Dominion's portfolio of derivative commodity contracts, counter-party credit risk and unanticipated changes in operating expenses and capital expenditures. All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond the control of Dominion. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on Dominion.

Any forward-looking statement speaks only as of the date on which such statement is made, and Dominion undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

Introduction

Management's Discussion and Analysis of Financial Condition and Results of Operations explain the general financial condition and the results of operations for Dominion. "Dominion" or the "Company" is used throughout this report and, depending on the context of its use, may represent any of the following: the legal entity, Dominion Resources, Inc., one of Dominion's consolidated subsidiaries, or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries.

Dominion is a holding company headquartered in Richmond, Virginia. Its principal subsidiaries are Virginia Electric and Power Company (Virginia Power) and Consolidated Natural Gas Company (CNG), which was acquired on January 28, 2000. Dominion is subject to the Public Utility Holding Company Act of 1935 (1935 Act).

Virginia Power is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within a 30,000 square-mile area in Virginia and northeastern North Carolina. Virginia Power sells electricity to approximately 2.1 million retail customers (including governmental agencies) and to wholesale customers such as rural electric cooperatives, municipalities, power marketers and other utilities. Virginia Power also engages in off-system wholesale purchases and sales of electricity and purchases and sales of natural gas beyond the geographic limits of its retail service territory.

CNG operates in all phases of the natural gas industry in the United States, including exploration for and production of oil and natural gas and natural gas transmission, storage and distribution. Its regulated retail gas distribution subsidiaries serve approximately 1.7 million residential, commercial and industrial gas sales and transportation customers in Ohio, Pennsylvania and West Virginia. Its interstate gas transmission pipeline system services each of its distribution subsidiaries, non-affiliated utilities and end use customers in the Midwest, the Mid-Atlantic and the Northeast states. CNG's exploration and production operations are conducted in several of the major gas and oil producing basins in the United States, both onshore and offshore, and in Canada.

The Company's other major subsidiaries are Dominion Energy, Inc. (DEI) and Dominion Capital, Inc. (DCI). DEI is engaged in independent power production and the acquisition and production of natural gas and oil reserves. In Canada, DEI is engaged in natural gas exploration, production and storage. DCI is Dominion's financial services subsidiary. DCI's primary business is financial services which includes commercial lending and residential mortgage lending. See Note 6 to the Consolidated Financial Statements for a discussion of management's strategy to exit and windup DCI's businesses as ordered by the SEC under the 1935 Act.

Under the 1935 Act, 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. Effective January 1, 2001, the two service companies were combined into one service company.

On March 3, 2000, Dominion announced a new business structure that integrates CNG's businesses, streamlines operations, and positions Dominion for long-term growth in the competitive marketplace. Under the structure, Dominion operates three principal business segments—Dominion Energy, Dominion Delivery and Dominion Exploration & Production. In addition, Dominion reviews the financial services business of DCI and Corporate Operations as segments. Items for which the operating segments are not held accountable, as well as inter-segment eliminations, are included in Corporate Operations. See Note 27 to the Consolidated Financial Statements. While Dominion manages its daily operations as described above, assets remain wholly owned by its legal subsidiaries. For more information on business segments, see Note 27 to the Consolidated Financial Statements.

Results of Operations

Overview

Dominion achieved net income of $436 million in 2000, or $1.85 per diluted share, compared with net income of $297 million in 1999, or $1.48 per share. Since its acquisition, CNG's various businesses have had a significant impact on Dominion's current year operations. Consequently, the primary reason for the increase in operating results when comparing 2000 to 1999 is the contributions of CNG's operations. CNG's various businesses contributed $157 million, or $0.67 per share, to Dominion's net income in 2000. Net income for the comparative periods was impacted by an extraordinary item for the write-off of certain generation-related assets and liabilities in 1999 and the following factors in 2000:

- a change in the method of accounting for pensions (see Note 3 to the Consolidated Financial Statements);
- the increased earnings contributions by Dominion Energy, Dominion Delivery and Dominion Exploration & Production;
- the gain on the sale of Dominion's interest in Corby Power Station (see Note 5 to the Consolidated Financial Statements);
- the charges for restructuring and other acquisition-related costs and the charges resulting from the impairment and revaluation of DCI's assets (see Note 6 to the Consolidated Financial Statements);
- the amortization of the goodwill associated with the purchase of CNG (see Note 5 to the Consolidated Financial Statements);
- an increase in interest charges primarily due to debt incurred to finance the acquisition of CNG and the interest expense of DCI;
- a decrease in income tax expense primarily due to restructuring and other acquisition-related charges and the impairment and revaluation of DCI's assets.

Net income decreased $251 million in 1999 as compared to 1998 and was impacted by the following:

- the write-off of generation-related assets and liabilities in 1999, resulting in an after-tax charge to earnings of $255 million (see Note 7 to the Consolidated Financial Statements);
- the loss recorded by Dominion Energy in 1999 related to its interests in Latin American power generation;
- the sale of East Midlands which resulted in a gain in 1998 and the absence of East Midlands' contribution to earnings in 1999;
- the increased contribution from Dominion Energy's energy marketing business during 1999;
- the impairment of regulatory assets and one-time base rate refund resulting from the settlement of 1998 Virginia jurisdictional rate proceedings;
- lower interest charges primarily due to the retirement of debt upon the sale of East Midlands, the capitalization of interest on utility generation construction beginning in 1999 and the interest portion of the 1998 Virginia jurisdictional rate refund. These factors were offset, in part, by interest charges from debt issued to fund the acquisition of Kincaid Power Station and Dominion Energy Canada, Ltd. in 1998 and increased funding for loan originations at Dominion's financial services businesses; and
- a decrease in income tax expense due to taxes on the gain on the East Midlands sale recorded in 1998.

A comparison of net income and earnings per share contributions by segment follows:

Year ended December 31,	**2000**		1999		1998	
(millions, except per share amounts)	**Net Income**	**EPS**	Net Income	EPS	Net Income	EPS
Dominion Delivery	**$ 339**	**$ 1.44**	$ 175	$ 0.91	$168	$ 0.86
Dominion Energy	**478**	**2.03**	271	1.42	262	1.35
Dominion E&P	**270**	**1.14**	44	0.23	34	0.17
DCI	**11**	**0.05**	78	0.41	59	0.30
East Midlands					26	0.14
	1,098	**4.66**	568	2.97	549	2.82
Corporate Operations	**(662)**	**(2.81)**	(271)	(1.42)	(1)	(0.01)
Consolidated	**$ 436**	**$ 1.85**	$ 297	$ 1.48[1]	$548	$ 2.81
Average shares—diluted	**235.9**		191.4		194.9	

(1) Diluted earnings per share calculation includes the effect of the total return equity swap. For more information, see Note 19 to the Consolidated Financial Statements.

Regulated Sales Revenue

Regulated sales—electric consist primarily of sales to retail customers in Dominion's electric service territory at rates authorized by the Virginia and North Carolina regulatory commissions and sales to cooperatives and municipalities at wholesale rates authorized by FERC. Also, included in this revenue are amounts received from others for use of Dominion's transmission system to transport electric energy under tariffs authorized by FERC.

Regulated sales—electric for fiscal years 2000, 1999 and 1998 were allocated to the electric utility operations of the Dominion Energy and Dominion Delivery businesses as follows:

(millions) Year ended December 31,	**2000**	1999	1998
Revenue:			
Dominion Energy	**$3,341**	$3,122	$3,069
Dominion Delivery	**1,151**	1,109	1,063
Corporate Operations		(4)	(153)
Total revenue	**$4,492**	$4,227	$3,979

Weather typically has a significant impact on retail electric sales revenue. However, for the comparative periods presented, weather did not have a significant impact.

The primary factors affecting the increase in regulated sales—electric in both fiscal years 2000 and 1999 were customer growth and changes in rates. Dominion's electric retail customer base increased, on average, approximately 39,000 in both 2000 and 1999 over the respective prior year periods. These additional customers increased electric regulated sales by an estimated $76 million in 2000 compared to 1999 and an estimated $68 million in 1999 compared to 1998. Fuel revenue increased $117 million in 2000 as compared to 1999 reflecting higher fuel rates approved in the first quarter of 2000. In addition, regulated sales—electric in 1999 were higher as a result of a one-time $150 million base rate refund in 1998, the effect of which is reported in Corporate Operations along with other intersegment eliminations.

For the period January 28, 2000 through December 31, 2000, regulated sales—gas were $1.4 billion. The revenue in 2000 reflects the cold weather experienced in the Company's retail gas service areas in the fourth quarter of 2000. Average sales rates for all customer groups increased sharply during the year, reflecting the pass through of higher purchased gas costs.

Dominion Energy

Dominion Energy includes Dominion's 19,000-megawatt generation portfolio, consisting of generating units and power purchase agreements. It also manages the Company's generation growth strategy; energy trading, marketing, hedging and arbitrage activities; and gas pipeline and storage operations. Selected financial information relevant to Dominion Energy is as follows:

Year ended December 31,	2000			1999	1998
(millions)	Total	CNG	All Other		
Regulated sales revenue:					
Electric	**$3,341**		**$3,341**	$3,122	$3,069
Nonregulated sales revenue:					
Electric	**97**		**97**	180	190
Gas	**518**	**$494**	**24**		
Gas transportation and storage	**291**	**291**			
Other revenue	**517**	**287**	**230**	291	251
Operating expenses	**3,830**	**857**	**2,973**	2,970	2,895
Operating income	**934**	**215**	**719**	623	615

2000 Compared to 1999; 1999 Compared to 1998

Regulated sales—electric increased, reflecting growth in the number of retail customers and an increase in Virginia jurisdictional fuel rates.

The decrease in nonregulated electric sales is primarily attributable to the sale of Dominion Energy's interests in its Latin American power generation in 1999 and early 2000.

Nonregulated gas sales to marketers and end users were $518 million. Nonregulated gas sales to other Dominion segments, included in Other revenue, were $122 million.

Gas transportation volumes in 2000 were 425 Bcf, reflecting the cold weather experienced late in the year.

Operating expenses in 2000 included purchased gas costs of $602 million associated with nonregulated gas sales.

There were no significant variations in revenue, operating expenses or operating income for 1999 as compared to 1998.

Dominion Delivery

Dominion Delivery consists primarily of Dominion's electric transmission and distribution system and local gas distribution systems. Selected financial information relevant to Dominion Delivery is as follows:

Year ended December 31,	2000			1999	1998
(millions)	Total	CNG	All Other		
Regulated sales revenue:					
Electric	**$1,151**		**$1,151**	$1,109	$1,063
Gas	**1,374**	**$1,374**			
Gas transportation and storage	**197**	**197**			
Operating expenses	**2,117**	**1,398**	**719**	735	687
Operating income	**707**	**205**	**502**	431	424

2000 Compared to 1999; 1999 Compared to 1998

Regulated sales—electric increased, reflecting growth in the number of retail customers.

Regulated sales—gas reflects the cold weather experienced in the Company's retail service areas during the fourth quarter of 2000. Gas sales and transportation volumes were 187 Bcf.

Operating expenses increased due to the inclusion of CNG's other operations and maintenance expenses. The increase was mitigated by lower electric service restoration costs associated with storm damage, pension credits (see Note 3 to the Consolidated Financial Statements) and the effect of staffing reductions attributable to restructuring initiatives.

There were no significant variations in revenue, operating expenses or operating income for 1999 as compared to 1998.

Dominion Exploration & Production

Dominion Exploration & Production consists of the gas and oil exploration, development and production operations of DEI and CNG. The CNG acquisition added 1.5 trillion cubic feet equivalent (Tcfe) of gas reserves located primarily in the Gulf of Mexico, Gulf Coast and Appalachian and Rocky Mountain regions of the United States. Production from these reserves added nearly 475 million cubic feet of gas and 20,000 barrels of oil per day to Dominion's existing production. Dominion now owns 2.8 Tcfe reserves. Acquisition activity in early 2000 included the purchase of additional interests in two deepwater Gulf of Mexico fields and various South

Texas gas fields. Selected financial information relevant to Dominion Exploration & Production is as follows:

Year ended December 31,	2000			1999	1998
(millions)	Total	CNG	All Other		
Operating revenue	**$1,369**	**$998**	**$371**	$256	$164
Operating expenses	**931**	**670**	**261**	212	135
Operating income	**438**	**328**	**110**	44	29

2000 Compared to 1999

Operating revenue and income were higher as a result of increased production and higher oil and gas prices. The 2000 results of operations reflect the addition of CNG's operations and new property acquisitions, as well as increased production from existing properties. CNG's exploration and production operations acquired in early 2000 contributed $998 million to the segment's total Operating revenue and income, including brokered gas and oil sales of $306 million.

Natural gas production from operations other than CNG rose to 115 Bcfe in 2000, compared to 109 Bcfe in 1999. The increase was primarily due to a full year of operations from properties acquired by Dominion during 1999. Property additions in 1999 included the purchase of Remington Energy Ltd. (Remington), a natural gas exploration and production company headquartered in Calgary, Alberta, Canada and gas producing properties in the San Juan Basin of New Mexico.

Operating expenses increased primarily due to the addition of CNG's operations and a full year of Remington's operations. Operating expenses attributable to CNG's operations also included $296 million for the cost of gas and oil purchased for brokered sales.

1999 Compared to 1998

Oil and gas production revenues increased primarily due to increased natural gas production. Natural gas production rose to 109 Bcfe in 1999, compared to 69 Bcfe in 1998. At December 31, 1999, proved reserves totaled 1,234 Bcfe, an increase of 618 Bcfe over 1998. The 1999 increase in production and reserves resulted primarily from the development of existing acreage, a full year's operations at Dominion Energy Canada, Ltd. and the acquisition of Remington and gas producing properties in the San Juan Basin of New Mexico.

Operating expenses increased primarily due to increased natural gas operations.

Dominion Capital

Selected financial information relevant to DCI is as follows:

(millions) Year ended December 31,	2000	1999	1998
Other revenue	**$433**	$473	$409
Operating expenses	**218**	208	199
Operating income	**215**	265	210

2000 Compared to 1999

Operating income decreased primarily due to decreased contributions from financial services businesses. Mortgage volumes were $2.1 billion in 2000, down from $2.4 billion in 1999. As a result of the sale and restructuring of loans, the commercial finance operations portfolio decreased to $676 million at the end of 2000 compared to $2.0 billion at the end of 1999. For additional information, see Note 6 to the Consolidated Financial Statements.

1999 Compared to 1998

Operating income increased primarily due to increased contributions from financial services businesses. Mortgage lending volumes were $2.4 billion, up from $2.1 billion in 1998. The commercial finance operations portfolio increased to $2.0 billion compared to $1.7 billion at the end of 1998.

Liquidity and Capital Resources

Internal Sources of Liquidity

Cash flow from operating activities provided approximately $1.3 billion during 2000 and $1.2 billion in 1999 and 1998. Cash requirements not met by the timing or amount of cash flow from operations are generally satisfied with proceeds from the short-term borrowings, sales of securities in the case of major acquisitions and additional long-term debt financings.

External Sources of Liquidity

During 2000, Dominion issued a combination of common stock and short-term and long-term debt, totaling $10.5 billion. As discussed below, these issuances were used primarily to finance the acquisition of CNG and the pending acquisition of Millstone Nuclear Power Station (Millstone), support financial services operations and for other general corporate purposes including the repayment of approximately $7.0 billion of long-term debt and preferred securities. See Notes 15 and 16 to the Consolidated Financial Statements for information on Dominion's short-term borrowings and long-term debt as of December 31, 2000.

CNG Acquisition and Related Financing

On January 28, 2000, Dominion acquired the outstanding shares of CNG's common stock for $6.4 billion, consisting of approximately 87 million shares of Dominion common stock and approximately $2.9 billion in cash. In addition, in connection with the acquisition, Dominion shareholders exchanged approximately 33 million shares of Dominion common stock for $1.4 billion. Dominion initially financed the CNG acquisition with bridge financing consisting of a $3.5 billion commercial paper program backed by a short-term credit facility and $1 billion of short-term, privately placed money market notes.

During 2000, Dominion issued the following securities whose proceeds were used primarily to refinance a portion of the bridge financing:

- $700 million of 10-year fixed rate 8.125% notes;
- $700 million of 5-year fixed rate 7.625% notes;

- $400 million of 3-year fixed rate 7.60% notes;
- $200 million of 12-year fixed rate 7.40% remarketable notes;
- $250 million of 14-year fixed rate 7.82% remarketable notes;
- $250 million of 12-year variable rate remarketable notes; and
- $413 million of Premium Income Equity Securities (registered trademark of Lehman Brothers, Inc.).

Also during 2000, Dominion used net proceeds from the sales of non-core assets to pay down a portion of the bridge financing.

In January 2001, Dominion issued $250 million of 8.4% Capital Securities due in January 2031 and $1 billion of 2-year fixed rate 6% notes to refinance the remaining bridge financing. For additional information on the capital securities, see Note 17 to the Consolidated Financial Statements.

Millstone Nuclear Power Station Acquisition and Related Financing

Dominion has reached an agreement to acquire Millstone, located in Waterford, Connecticut, for a total purchase price of approximately $1.3 billion. The acquisition is expected to close by the end of April 2001, following regulatory approvals. See Note 5 to the Consolidated Financial Statements. During 2000, Dominion issued 6 million shares of common stock generating proceeds of $354 million to pre-finance a portion of the Millstone acquisition. Also in January 2001, Dominion issued $300 million of 8.4% Trust Preferred Securities due in January 2041 in anticipation of the Millstone purchase. For additional information on the preferred securities, see Note 17 to the Consolidated Financial Statements. Dominion plans to finance the remainder of the Millstone acquisition with bridge financing or through the issuance of long-term debt.

Short-Term Borrowings

In addition to the bridge financing discussed above, Dominion has three separate commercial paper programs with an aggregate limit of $2.85 billion supported by various credit facilities. One facility is a $1.75 billion 364-day revolving credit facility that matures May 31, 2001. Two of the facilities, aggregating $500 million, are accessible by CNG only and will terminate by March 31, 2001. The other facilities are multi-year, one of which matures in June 2001.

Net borrowings under the commercial paper program were $2.7 billion at December 31, 2000, an increase of $1.5 billion from amounts outstanding at December 31, 1999. Commercial paper borrowings are used primarily to fund working capital requirements and bridge financing of acquisitions, and therefore may vary significantly during the course of the year depending upon the timing and amount of cash requirements not satisfied by cash provided by operations.

In addition to commercial paper, Dominion may also issue extendible commercial notes (ECNs) to meet working capital requirements. This program became effective in July 2000 and will allow Dominion to issue up to $200 million aggregate outstanding principal of ECNs. ECNs are unsecured notes expected to be sold in private placements. Any ECNs Dominion issues would have a stated maturity of 390 days from issuance and may be redeemed, at Dominion's option, within 90 days or less from issuance.

Equity Plans

In 2000, Dominion raised $195 million from the sale of common stock through Dominion Direct (a dividend reinvestment open enrollment direct stock purchase plan) and employee savings plans. Beginning in August 2000, Dominion began using newly issued shares rather than shares purchased on the open market for these plans.

Other Securities Issuances and Repayments

In 2000, Dominion issued the following securities:

- $220 million of variable-rate medium-term notes maturing in 2002; and
- $30 million of Tax-Exempt Pollution Control Revenue Bonds due September 1, 2030.

The proceeds from the issuances were used for general corporate purposes, including the scheduled retirement of outstanding debt and preferred stock.

In 2000, Dominion repaid approximately $867 million of scheduled maturities of its long-term debt and preferred stock, excluding debt repaid in connection with financial services operations, and retired $45 million of debt securities through sinking fund provisions and open market purchases.

In February 2001, Dominion issued through the Industrial Development Authority of the Town of Louisa, Virginia, $50 million in aggregate principal amount of Tax-Exempt Pollution Control Revenue Bonds due 2031. The net proceeds of the bonds were used to finance qualifying expenditures made during the construction of facilities at the North Anna Power Station.

Dominion Capital Financing Activities

In connection with purchases and originations of loans and sales and collections of loans during 2000, the Company repaid $237 million of short-term commercial paper and issued and repaid long-term debt of $5.0 billion and $6.1 billion, respectively.

Amounts Available under Shelf Registrations

As of December 31, 2000, Dominion had available $5.0 billion of remaining principal amount under currently effective shelf registrations with the SEC to meet capital requirements. Financing activities in January 2001 reduced this amount by $1.55 billion.

Investing Activities

In 2000, investing activities resulted in a net cash outflow of $2.6 billion reflecting the following primary investing activities:

- Dominion's cash payment of approximately $2.9 billion in connection with the CNG acquisition;
- plant and nuclear fuel expenditures of $1.4 billion that included construction and expansion of generation facilities, environmental upgrades, purchase of nuclear-fuel, and construction and improvements of gas and electric transmission and distribution assets;

- exploration and production expenditures of $353 million that included the purchase of gas and oil producing properties, drilling and equipment costs and undeveloped lease acquisitions;
- proceeds from the sales of non-core businesses of $836 million; and
- repayments of loans (net of new originations) associated with DCI of $1.3 billion.

Capital Requirements

Capital Expenditures

Dominion's planned capital expenditures during 2001, 2002 and 2003 are expected to total $2.0 billion, $3.0 billion and $2.8 billion, respectively. These expenditures include construction and expansion of generation facilities, environmental upgrades, purchase of nuclear fuel, construction improvements of gas and electric transmission and distribution assets, and expenditures for natural gas and oil producing properties.

Maturities

Dominion will require $336 million to meet current maturities of long-term securities in 2001.

Dominion expects to fund its capital requirements and debt maturities with cash flow from operations and a combination of sales of securities and short-term borrowings.

Electric and Gas Industry Issues

Deregulation Legislation—Electric Industry

Virginia

Historically, Dominion has had the exclusive right to provide electricity at retail within its assigned service areas in Virginia and North Carolina.

However, during 1998 and 1999, deregulation legislation was enacted in Virginia that established a plan to restructure Virginia's electric utility industry and provided for a phased-in transition to a fully competitive retail electric market during the period January 1, 2002 through January 1, 2004. In connection with the implementation of the phase-in of retail electric competition, the Virginia Commission Staff recommended transition schedules for each of Virginia's electric utilities. For Dominion, the Virginia Commission Staff's plan recommended the phase-in of retail choice for all customers by January 1, 2003. Dominion filed comments on the Commission Staff's recommended plan in February 2001.

Under the deregulation legislation, the generation portion of Dominion's Virginia jurisdictional operations will no longer be subject to cost-based rate regulation beginning in 2002. Base rates will remain unchanged until July 2007 and recovery of generation-related costs will continue to be provided through capped rates and a wires charge assessed to those customers opting for alternate suppliers. In addition, under the deregulation legislation, Dominion may petition the Virginia Commission to terminate the capped rates after January 1, 2004. The capped rates may be terminated if the Virginia Commission finds that a competitive market for generation services exists within Dominion's service area.

As discussed further in sections below, the deregulation legislation addressed divestiture, functional separation, regional transmission entities and other corporate relationships. It also established a task force to work with the Virginia Commission during the phase-in of competition. The task force's specific assignments include the monitoring of possible over or under-recovery of stranded costs by incumbent utilities. Technical amendments to the deregulation legislation were approved by the 2001 General Assembly.

North Carolina

The North Carolina General Assembly is exploring the future of electric service in North Carolina, including retail competition.

Federal

The United States Congress may consider federal legislation in the near future authorizing or requiring retail competition or repealing the 1935 Act and the Public Utility Regulatory Policy Act of 1978.

Deregulation Legislation—Gas Industry

Each of the three states in which Dominion has gas distribution operations has enacted or considered legislation regarding deregulation of natural gas sales at the retail level.

Pennsylvania

As early as 1984, large industrial customers in Pennsylvania began to buy natural gas supplies from third parties, rather than directly from local utilities. Local distributors transported these third-party gas supplies to the industrial facilities. Since that time, nearly all Pennsylvania industrial and large commercial customers have started buying natural gas from unregulated suppliers.

In 1997, Dominion's Pennsylvania gas utility voluntarily launched an Energy Choice program for all of its retail consumers in Pennsylvania. Subsequently, in 1999, Pennsylvania enacted legislation mandating supplier choice for residential and small commercial customers. At December 31, 2000, approximately 106,000 customers had opted for Energy Choice in the Company's Pennsylvania service area.

Ohio

Large industrial customers in Ohio also began to source their own natural gas supplies in the mid-1980s, as interstate pipeline transportation services became more widely available. However, to date Ohio has not enacted legislation requiring supplier choice for residential and commercial natural gas consumers. Dominion has made significant progress in offering Energy Choice to customers on its own initiative, in cooperation with the Public Utilities Commission of Ohio. In 1997, Dominion's Ohio gas utility launched a pilot program, designed to make gas transportation service available to residential and small commercial customers, and to the suppliers that market gas to these customer classes. In 2000, the Energy Choice program was expanded to all 1.2 million customers in Dominion's Ohio service area. At December 31, 2000, approximately

175,000 of Dominion's Ohio customers were participating in this open-access program.

West Virginia

At this time, West Virginia has not enacted legislation to require customer choice in its retail natural gas markets. The West Virginia Public Service Commission recently issued regulations to govern pooling services; these services are one of the tools that natural gas suppliers may utilize to provide retail customer choice in the future.

Virginia Retail Access Pilot Program

In 1998, the Virginia Commission issued an order instructing Dominion and AEP-Virginia, Virginia's two largest investor-owned utilities, each to design and file a retail access pilot program relating to electric distribution in Virginia. During 1998 and 1999, Dominion worked with the Virginia Commission Staff to develop the plans for the size and scope of the program and the market price methodology. In 2000, the Virginia Commission approved Dominion's retail access pilot program and issued a final order on the interim rules governing pilot programs. Dominion began its pilot program in September 2000. In January 2001, the Virginia Commission established a proceeding to determine the permanent rules for retail access.

Separation of Electric Generation and Delivery Operations in Virginia

The deregulation legislation requires functional separation of electric generation and delivery utility operations by January 1, 2002. In November 2000, Dominion filed with the Virginia Commission an application for approval of a functional separation plan for its regulated electric utility operations. The plan provides for the following:

- transfer of generation assets into a separate legal entity, Dominion Generation Corporation;
- transfer of rights and obligations under non-utility power purchase contracts to Dominion Generation Corporation;
- retention of Dominion's electric transmission and distribution assets and operations, to be known as Dominion Virginia Power;
- collection of nuclear decommissioning funding costs and wires charges from retail customers by Dominion Virginia Power on behalf of Dominion Generation Corporation;
- Dominion Virginia Power to be responsible for providing capped rate service until July 1, 2007 and default service obligations, if any;
- Dominion Generation Corporation to supply Dominion Virginia Power with electric power during and after the capped rate period under a power purchase agreement to ensure that adequate capacity and energy is available to meet Dominion's capped rate service and default supply obligations;
- upon expiration of the capped rate period, any power purchases by Dominion Virginia Power from Dominion Generation Corporation to be at prevailing market prices;
- an index-based fuel cost recovery mechanism based on the forecasted generation by fuel type and projected fuel price indices after January 1, 2002;
- unbundled rates to reflect the separation and deregulation of generation;
- a wires charge, effective January 1, 2002, and subject to annual adjustment, to be paid by retail customers choosing an alternative generation supplier during the capped rate period;
- proposed internal controls to prevent cross-subsidies between regulated and unregulated entities and to ensure that the regulated company does not give undue advantages to unregulated affiliated generation companies; and
- planned allocation between Dominion Virginia Power and Dominion Generation Corporation of payment responsibility for existing Virginia Power debt with the objective that ratings on outstanding debt will remain unchanged.

In October 2000, the Virginia Commission issued its final order promulgating regulations governing the functional separation of incumbent electric utilities' generation, transmission, and distribution services. The order adopted rules for how Virginia's existing electric utilities should organize themselves to participate in the competitive energy supply market, which begins a two-year phase-in period in 2002. The rules govern how utilities which generate, transmit and distribute electricity can separate operations so their generating plants can participate in the competitive market without raising anti-competitive and other concerns.

Regional Transmission Entities/ Regional Transmission Organizations

The deregulation legislation required that Virginia's incumbent electric utilities join or establish regional transmission entities (RTE) by January 1, 2001, and seek authorization from the Virginia Commission to transfer ownership or operational control of their transmission facilities to such RTEs. In July 2000, the Virginia Commission issued regulations governing the transfer of ownership or control of electric transmission assets to a RTE. In October 2000, Dominion filed its application with the Virginia Commission pursuant to the RTE regulations seeking authorization to transfer control of its electric transmission facilities to the Alliance Regional Transmission Organization (Alliance RTO). As discussed below, the formation of the Alliance RTO began according to FERC initiatives, but Dominion expects it to satisfy the RTE requirements under the Virginia deregulation legislation.

In 1999, FERC issued regulations (Order No. 2000) to advance the formation of Regional Transmission Organizations (RTO). The regulations require 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 operating and participating in a RTO. Dominion, together with AEP, Consumers Energy Company, The Detroit Edison Company and First Energy Corporation, on behalf of themselves and their public utility operating company subsidiaries (Alliance Companies), filed with FERC applications under Sections 205 and 203 of the Federal Power Act for approval of the proposed Alliance RTO. FERC approved most aspects of the Alliance RTO in January 2001. Dayton Power and Light Company, Illinois Power, Commonwealth Edison Company of

Indiana, Commonwealth Edison Company, Ameren UE and Ameren CIPS subsequently requested FERC approval to join the Alliance RTO.

Competition—Wholesale Market

Dominion 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. During 2000, Dominion filed applications with FERC to make sales under its market-based sales tariff to loads within its Virginia service territory participating in its retail access pilot program and to amend its open access transmission tariff to accommodate the Virginia retail access pilot program. FERC has accepted both applications. Until authorization is granted by FERC, any sales of wholesale power to loads located within Dominion's Virginia service territory, other than sales to loads participating in the retail access pilot program, are to be at cost-based rates accepted by FERC.

Dominion's sales of oil and natural gas in wholesale markets are not regulated by the FERC. The deregulation of gas sales began through a multi-year schedule established under the Natural Gas Policy Act (NGPA) of 1978 and was completed under the Natural Gas Wellhead Decontrol Act of 1989.

Exposure to Potentially Stranded Costs

The most significant potential impact of transitioning from a regulated to a competitive environment is stranded costs. Stranded costs are those costs incurred or commitments made by utilities under cost-based regulation that may not be reasonably expected to be recovered in a competitive market. If no recovery mechanism is provided during the transition, the financial position of a utility could be materially adversely affected. At December 31, 2000, Dominion's exposure to potentially stranded costs was comprised of: long-term purchased power contracts that could ultimately be determined to be above market; generating plants that could possibly become uneconomic in a deregulated environment; and unfunded obligations for nuclear plant decommissioning and postretirement benefits not yet recognized in the financial statements.

Dominion believes capped electric retail rates provided under the Virginia deregulation legislation present a reasonable opportunity to recover a substantial portion of its potentially stranded costs. In the absence of capped rates, at March 31, 1999, Dominion would have otherwise been exposed, on a pre-tax basis, to an estimated $3.2 billion of potential losses related to long-term power purchase commitments. Recovery of Dominion's potentially stranded costs is subject to numerous risks including, among others, exposure to long-term power purchase commitment losses, future environmental compliance requirements, changes in tax laws, nuclear decommissioning costs, inflation, increased capital costs, and recovery of certain other items. See Notes 14, 21 and 22 to the Consolidated Financial Statements.

Environmental Matters

Dominion is subject to rising costs resulting from a steadily increasing 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 and can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations. To the extent environmental costs are incurred through June 30, 2007, in excess of the level currently included in electric retail Virginia jurisdictional rates, the amounts will be reflected in Dominion's results of operations. After that date, recovery through regulated rates may be sought for only those environmental costs related to regulated electric transmission and distribution operations. Dominion may seek recovery through regulated rates for environmental expenditures related to regulated gas transmission and distribution operations.

Environmental Protection and Monitoring Expenditures

Dominion incurred approximately $94 million, $78 million, and $72 million of expenses (including depreciation) during 2000, 1999, and 1998, respectively, in connection with the use of environmental protection and monitoring activities, and expects these expenses to be approximately $91 million in 2001. In addition, capital expenditures related to environmental controls were $214 million, $84 million, and $22 million for 2000, 1999, and 1998, respectively. The amount estimated for 2001 for these expenditures is $200 million.

Clean Air Act Compliance

The Clean Air Act requires Dominion to reduce its emissions of SO_2 and NO_X, which are gaseous by-products of fossil fuel combustion. The Clean Air Act also requires Dominion to obtain operating permits for all major emissions-emitting facilities. Permit applications have been submitted for Dominion's power stations. The Clean Air Act's SO_2 reduction program is based on the issuance of a limited number of SO_2 emission allowances, each of which may be used as a permit to emit one ton of SO_2 into the atmosphere or may be sold to a third party.

In September 1998, the EPA adopted a rule requiring 22 states, including Virginia, West Virginia, Illinois and North Carolina, to reduce and cap ozone-season NO_X emissions beginning in May 2003. A recent court ruling has extended the compliance date to May 31, 2004. In response to these requirements, Dominion plans to install NO_X reduction equipment at its coal-fired generating facilities at an estimated capital cost of approximately $635 million over the next several years. Whether these costs are actually incurred is dependent on the outcome of pending litigation of these rules, the implementation plans adopted by the states in which Dominion operates and Dominion's agreement in principle with the federal government as discussed below.

Evaluation and planning of future projects to comply with SO_2 and NO_X reduction requirements are ongoing and will be influenced by changes in the regulatory environment, availability of SO_2 allowances, and emission control technology.

During 2000, Dominion received a Notice of Violation from the EPA alleging that it 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. Management believes that Dominion has obtained the permits necessary in connection with its generating facilities. Dominion has reached an agreement in principle with the federal government and the state of New York concerning the implementation of certain additional environmental controls at its coal-fired generating stations in connection with the resolution of various Clean Air Act matters. 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 Dominion's coal-fired generating stations in Virginia and West Virginia. Dominion had already committed to a substantial portion of the $1.2 billion expenditures for SO_2 and NO_x emissions controls as discussed above. Although Dominion has reached an agreement in principle, the terms of a final binding settlement are still under negotiation. See Note 22 to the Consolidated Financial Statements.

Global Climate Change

In 1993, the United Nation's Global Warming Treaty became effective. The objective of the treaty is the stabilization of greenhouse gas concentrations at a level that would prevent man-made emissions from interfering with the climate system.

As a continuation of the effort to limit man-made greenhouse emissions, an international Protocol was formulated in December 1997 in Kyoto, Japan. This Protocol calls for the United States to reduce greenhouse emissions by 7 percent from 1990 baseline levels by the period 2008-2012. The Protocol has been signed by the United States but will not constitute a binding commitment unless submitted to and approved by the United States Senate. Emission reductions of the magnitude included in the Protocol, if adopted, would likely result in a substantial financial impact on companies that consume or produce fossil fuel-derived electric power, including Dominion.

Recently Issued Accounting Standards

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 requires that all derivative instruments be recorded on the Company's balance sheet at their fair value effective January 1, 2001.

Dominion has determined that certain contracts used in its operations will be subject to fair value accounting under SFAS No. 133. A substantial portion of these contracts is used by Dominion in its production and delivery of energy to its customers and the contracts involve various hedging strategies. In addition to these commodity contracts, Dominion uses interest rate swaps to manage its cost of capital.

The Company will record one-time, non-operating after-tax charges to net income of approximately $1 million and other comprehensive income of approximately $180 million in the first quarter of 2001 for the initial adoption of SFAS No. 133. These adjustments will be recognized as of January 1, 2001 as the cumulative effect of a change in accounting principle. The ongoing effects will depend on future market conditions, the Company's hedging activities, and further interpretations of the standard. The Derivatives Implementation Group (DIG), a group sponsored by the FASB, continues to develop interpretive guidance. The DIG has not yet resolved certain issues that could ultimately impact the application of the standard.

Restructuring and Other Acquisition-Related Charges

Subsequent to its acquisition of CNG, Dominion developed and began the implementation of a plan to restructure the operations of the combined companies. Restructuring activities include workforce reductions and the consolidation of post-merger operations and information technology systems. For the year ended December 31, 2000, the Company recognized $460 million of restructuring costs and other acquisition-related costs. See Note 6 to the Consolidated Financial Statements.

The 2000 workforce reductions and other restructuring actions should reduce future annualized operating costs by approximately $102 million that would otherwise have been incurred.

Business Opportunities and Other Operations

Because Dominion's industry is rapidly changing, there are many opportunities for acquisitions of assets and business combinations. Dominion investigates any opportunity that may increase shareholder value and build on existing businesses. Dominion has participated in the past, and its security holders may assume that at any time Dominion may be participating, in bidding or other negotiating processes for such transactions. Such participation may or may not result in a transaction for Dominion. However, any such transaction that does take place may involve consideration in the form of cash, debt or equity securities and may involve payment of a premium over book or market values. Such transactions or payments could affect the market prices and rates for Dominion's securities.

Exploration and Production Operations

Dominion continues to focus on maintaining and increasing earnings from oil and gas properties primarily through development and acquisition activities and operating efficiencies. Dominion will continue to seek opportunities to optimize the value of its reserves through the convergence of its gas and electric products and maximization of its gas storage facilities. In addition, sharing past experiences and sound business practices developed over time in oil and gas operations should help improve operational efficiencies and minimize finding, developing and lifting costs. Additional efficiencies are being achieved by elimination of duplicate administrative functions.

Due to unprecedented supply and demand factors, natural gas prices are now at levels not seen in years. While increased prices can benefit Dominion, where over 80 percent of reserves are natural gas, higher prices also will impact the future cost of acquiring, finding, developing and producing reserves. Higher oil and gas prices have impacted both the availability and cost of oilfield equipment and materials, such as rigs, boats and drill pipe.

Independent Power Production Operations
Dominion's future focus in its power generation business is to acquire and develop additional power generation in the MAIN to Maine region. The region begins at the Mid-America Interconnected Network (MAIN) and extends northeastward through Maine. MAIN includes electric service territories of the upper Midwest. Dominion is benefiting from the CNG acquisition as it plans to develop natural gas-fired power generation facilities along its natural gas pipeline system. Dominion has identified a number of potential development sites in Ohio, Pennsylvania, New York, West Virginia and Virginia.

Telecommunications Operations
The Company plans to expand its telecommunications operations as a competitive provider of telecommunications service, including the development of a facilities-based high-bandwidth capacity telecommunications network throughout the eastern United States. Initially, Dominion will build its network through the acquisition of dark fiber capacity on existing third-party networks. It expects future growth of its network to occur through joint development projects on third-party rights of way. The Company anticipates financing these expansion plans through a financing structure that will allow Dominion to deconsolidate its telecommunications business, while maintaining management flexibility for future growth. Dominion expects to close the approximately $700 million financing plan in early 2001 and will use the proceeds to fund telecommunications expansion.

Divestitures
Under the SEC's order approving the CNG acquisition, Dominion must divest itself of DCI within three years. No formal plan of divestiture has been adopted. However, Dominion has sold certain portions of its financial services businesses. Until DCI is sold, Dominion will continue to operate these financial service activities and be subject to their risks.

Restructuring of Contracts with Non-Utility Generating Facilities
The Company has reached an agreement, pending regulatory approvals, to terminate three long-term power purchase agreements. Dominion expects the transaction to be completed in the first quarter of 2001, resulting in a one-time, non-operating charge of approximately $135 million, after taxes. The transaction is part of an ongoing program which seeks to achieve competitive cost structures at its power generating business.

Nuclear Relicensing
In June 2001, Dominion plans to file applications with the NRC to renew the operating licenses for its Surry and North Anna nuclear stations. The technical work required to support a license renewal application was completed in 2000. The renewal of the license will extend the plants' useful lives by 20 years. See Note 14 to the Consolidated Financial Statements.

Effect of Changes in Natural Gas and Oil Prices
Dominion's operations are impacted by changes in energy commodity prices. To the extent energy commodities are sold by one of Dominion's cost-of-service rate regulated utilities, the cost of such commodities are generally recovered through rates. For sales of Dominion's production of natural gas and oil and for sales of energy commodities through nonregulated subsidiaries, price changes impact Dominion's sales revenue. However, Dominion has established an enterprise risk management function to manage such price risk exposures.

Market Rate Sensitive Instruments and Risk Management

Dominion is exposed to market risk because it utilizes financial instruments, derivative financial instruments and derivative commodity instruments. The market risks inherent in these instruments are represented by the potential loss due to adverse changes in interest rates, commodity prices and equity security prices as described below. Interest rate risk generally is related to Dominion's outstanding debt as well as its commercial, consumer, and mortgage lending activities. Commodity price risk is experienced in Dominion's electric operations, gas production and procurement operations, and energy marketing and trading operations due to the exposure to market shifts for prices received and paid for natural gas and electricity. Dominion uses derivative commodity instruments to hedge price exposures for these operations. Dominion is exposed to equity price risk through various portfolios of equity securities.

Dominion uses the sensitivity analysis methodology to disclose the quantitative information for interest rate and commodity price risks. The 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% unfavorable change in interest rates and commodity prices.

Interest Rate Risk

Dominion manages its interest rate risk exposure by maintaining a mix of fixed and variable rate debt. In addition, Dominion enters into interest rate sensitive derivatives. Examples of these derivatives are swaps, forwards and futures contracts. In addition, Dominion, through subsidiaries, retains ownership in mortgage investments, including subordinated bonds and interest-only residual assets retained at securitization of mortgage loans originated and purchased. For financial instruments outstanding at December 31, 2000, a hypothetical 10% increase in market interest rates would decrease annual earnings by approximately $40 million. A hypothetical 10% increase in market interest rates, as determined at December 31, 1999, would have resulted in a decrease in annual earnings of $31 million.

Commodity Price Risk—Non-Trading Activities

Dominion manages the price risk associated with purchases and sales of natural gas and oil by selecting derivative commodity instruments including futures, forwards, options, swaps, and collars.

For sensitivity analysis purposes, the fair value of Dominion's oil and natural gas derivative financial contracts are determined from models which take into account the market prices of oil and natural gas in future periods, the volatility of the market prices in each period, as well as the time value factors of the underlying commitments. In most instances, market prices and volatility are determined from quoted prices on the futures exchange.

Dominion has determined a hypothetical change in fair value for its oil and natural gas derivative financial contracts assuming a 10% unfavorable change in market prices. This hypothetical 10% change in market prices would have resulted in a decrease in fair value of approximately $56 million and $20 million as of December 31, 2000 and December 31, 1999, respectively.

The impact of a change in oil and natural gas commodity prices on Dominion's oil and natural gas derivative financial contracts at a point in time is not necessarily representative of the results that will be realized when such contracts are ultimately settled. Net losses from oil and natural gas financial derivative contracts used for hedging purposes, to the extent realized, should generally be offset by recognition of the hedged transaction.

Commodity Price Risk—Trading Activities

As part of its strategy to market energy from its generation capacity and to manage related risks, Dominion manages a portfolio of derivative commodity contracts held for trading purposes. These contracts are sensitive to changes in the prices of natural gas and electricity. Dominion employs established policies and procedures to manage the risks associated with these price fluctuations and uses various commodity instruments, such as futures, swaps and options, to reduce risk by creating offsetting market positions. In addition, Dominion seeks to use its generation capacity, when not needed to serve customers in its service territory, to satisfy commitments to sell energy.

A hypothetical 10% change in commodity prices would have resulted in a hypothetical loss of approximately $3 million and $5 million in the fair value of its commodity contracts, held for trading purposes, as of December 31, 2000 and 1999, respectively.

Equity Price Risk

Dominion is subject to equity price risk due to marketable securities held as investments and in trust funds. In accordance with current accounting standards, the marketable securities are reported on the balance sheet at fair value. The following table presents descriptions of the equity securities held by Dominion at December 31, 2000 and 1999.

	2000		1999	
(millions)	Cost	Fair Value	Cost	Fair Value
Trading:				
Short-term marketable securities	**$275**	**$275**	$ 1	$ 2
Other than trading:				
Marketable securities	**134**	**118**	134	126
Nuclear decommissioning trust investments	**279**	**549**	274	565

Risk Management Policies

Dominion has operating procedures in place that are administered by experienced management to help ensure that proper internal controls are maintained. In addition, Dominion has established an independent function at the corporate level to monitor compliance with the price risk management policies of all subsidiaries. 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 which 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. Dominion believes it unlikely that a material adverse effect on its financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

Notes to Consolidated Financial Statements

Note 1 | Nature of Operations

General Organization and Legal Description

Dominion Resources, Inc. (Dominion or the Company) is a holding company headquartered in Richmond, Virginia. Its principal subsidiaries are Virginia Electric and Power Company (Virginia Power) and, with the completion of the acquisition on January 28, 2000, Consolidated Natural Gas Company (CNG). Dominion is subject to the Public Utility Holding Company Act of 1935 (1935 Act).

Virginia Power is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within a 30,000 square-mile area in Virginia and northeastern North Carolina. Virginia Power sells electricity to approximately 2.1 million retail customers (including governmental agencies) and to wholesale customers such as rural electric cooperatives, municipalities, power marketers and other utilities. Virginia Power engages in off-system wholesale purchases and sales of electricity and purchases and sales of natural gas beyond the geographic limits of its retail service territory.

CNG operates in all phases of the natural gas industry, including exploration for and production of oil and natural gas in the United States. Its regulated retail gas distribution subsidiaries serve approximately 1.7 million residential, commercial and industrial gas sales and transportation customers in Ohio, Pennsylvania and West Virginia. Its interstate gas transmission pipeline system services each of its distribution subsidiaries, non-affiliated utilities and end use customers in the Midwest, the Mid-Atlantic and the Northeast states. CNG's exploration and production operations are conducted in several of the major gas and oil producing basins in the United States, both onshore and offshore. CNG also holds equity investments in energy activities in Australia, which are held for sale.

The Company's other major subsidiaries are Dominion Energy, Inc. (DEI) and Dominion Capital, Inc. (DCI). DEI is engaged in independent power production and the acquisition and production of natural gas and oil reserves. In Canada, DEI is engaged in natural gas exploration, production and storage. DCI is Dominion's financial services subsidiary. DCI's primary business is financial services which includes commercial lending and residential mortgage lending. See Note 6 for a discussion of management's strategy to exit and windup DCI's businesses as ordered by the Securities and Exchange Commission (SEC) under the 1935 Act.

In mid-1998 Dominion sold East Midlands Electricity, plc (East Midlands), an electricity distribution and supply company in the United Kingdom.

Dominion created a subsidiary service company under the 1935 Act, Dominion Resources Services, Inc. (Services), which provided certain services to Dominion's operating subsidiaries. During 2000, CNG also had a service company. Effective January 1, 2001, the two service companies were combined into one service company.

Dominion manages its operations based on the following operating segments: Dominion Energy, Dominion Delivery and Dominion Exploration & Production. In addition, Dominion also reviews the financial services business of DCI and Corporate Operations as segments.

While Dominion manages its daily operations as described above, assets remain wholly owned by its legal subsidiaries. For more information on business segments, see Note 27.

"Dominion" or the "Company" is used throughout this report and, depending on the context of its use, may represent any of the following: the legal entity, Dominion Resources, Inc., one of Dominion's consolidated subsidiaries or the entirety of Dominion Resources, Inc. and its consolidated subsidiaries.

Note 2 | Significant Accounting Policies

General

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements represent the accounts of the Company after the elimination of intercompany transactions. The Company follows the equity method of accounting for investments in partnerships and corporate joint ventures when the company is able to influence the financial and operating policies of the investee. For all other investments, the cost method is applied.

Accounting for the utility businesses conforms with generally accepted accounting principles as applied to regulated public utilities and as prescribed by federal agencies and the commissions of the states in which the utility business operates.

Revenue

Revenue is recorded on the basis of services rendered, commodities delivered or contracts settled and include amounts yet to be billed to customers. Revenue from trading activities include realized commodity contract revenue, net of related cost of sales, amortization of option premiums, and unrealized gains and losses resulting from marking to market those commodity contracts not yet settled. Dividend income on securities owned is recognized on the ex-dividend date.

Fuel, Net

Fuel, net includes the cost of fossil fuel and nuclear fuel used in electric generation and purchased energy used to serve electric sales. It also includes the cost of purchased energy associated with power marketing sales subject to cost of service rate regulation.

Practically all of Dominion's electric service regulated fuel costs are subject to deferral accounting. Deferral accounting provides that the difference between reasonably incurred actual expenses and the level of expenses included in current rates is deferred and matched against future revenues. Fuel, net includes the effect of this deferral accounting and may therefore show expenses that are marginally higher or lower than the actual cost of fuel consumed during the period.

Unrecovered Gas Costs

Where permitted by regulatory authorities, the Company defers the difference between the cost of gas (including certain related costs) and the amount of such costs included in current customer rates. The differences are accounted for as either unrecovered gas costs or amounts payable to customers. Unrecovered amounts are recognized as purchased gas expenses in future periods when the costs are recovered through adjusted rates.

Goodwill, Net

Goodwill is the excess of the cost of net identifiable assets acquired in business combinations over their fair value. It is amortized on a straight-line basis over periods up to 40 years.

Utility and Other Plant

Property, plant and equipment are stated at cost. Additions and betterments are charged to the property accounts at cost. Maintenance, repairs and related costs are charged principally to expense as incurred.

Impairment of Long-Lived Assets

Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets or intangible assets, including goodwill, may not be recoverable, an evaluation for impairment is performed. Such evaluations may consider various analyses, including undiscounted future cash flows attributable to the assets.

Exploration and Production Properties

Effective with the acquisition of CNG on January 28, 2000, Dominion changed its method of accounting for its oil and gas exploration and production activities to the full cost method of accounting. Previously, the Company had accounted for these activities, which were primarily directed toward development and extraction rather than exploration, using the successful efforts method of accounting. Prior periods have been restated. The effect of restatement on 1999 and 1998 was not material. For more information on the accounting change, see Note 3.

Under the full cost method, all costs directly associated with property acquisition, exploration, and development activities are capitalized, with the principal limitation that such amounts not exceed the present value of estimated future net revenues to be derived from the production of proved gas and oil reserves (the "ceiling test"). If net capitalized costs exceed the ceiling test at the end of any quarterly period, then a permanent write-down of the assets must be recognized in that period. The ceiling test is performed separately for each cost center, with cost centers established on a country-by-country basis.

Depreciation, Depletion and Amortization

Depreciation and amortization are recorded over the estimated service lives of plant assets by application of the straight-line method or, in the case of gas and oil producing properties, the unit-of-production method. The cost of depreciable gas utility and electric transmission and distribution property retired and related cost of removal, less salvage, are charged to accumulated depreciation. For generation-related property, cost of removal is charged to expense as incurred. The Company records gains and losses upon retirement of generation-related property based upon the difference between proceeds received, if any, and the property's undepreciated basis at the retirement date. Owned nuclear fuel is amortized on a unit-of-production basis sufficient to amortize fully, over the estimated service life, the cost of the fuel plus permanent storage and disposal costs.

Estimated useful lives of the Company's property, plant and equipment are as follows: production 10–66 years, transmission 10–77 years, distribution 10–66 years, storage 10–69 years, and other 5–50 years.

Under the full cost method of accounting, amortization is also accrued on estimated future costs to be incurred in developing proved gas and oil reserves, and on estimated dismantlement and abandonment costs net of projected salvage values. However, the costs of investments in unproved properties and major development projects are excluded from amortization until it is determined whether or not proved reserves are attributable to such properties.

Capitalized Interest

Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as part of the asset and is depreciated over the asset's estimated useful life. In 2000, 1999 and 1998, $22 million, $30 million and $10 million of interest cost was capitalized, respectively.

Income Taxes

Dominion and its subsidiaries file a consolidated federal income tax return. Deferred income taxes are provided for all significant temporary differences between the financial and tax basis of assets and liabilities. The regulatory treatment of temporary differences can differ from the requirements of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. Accordingly, a regulatory asset has been recognized if it is probable

that future revenues will be provided for the payment of deferred tax liabilities.

Dominion accounts for investment tax credits related to utility plant subject to cost-based regulation under the "deferral method," which provides for the amortization of these credits over the service lives of the property giving rise to the credits.

Regulatory Assets and Liabilities

Generally, Dominion uses the same accounting policies and practices used by nonregulated companies for financial reporting under generally accepted accounting principles. However, regulatory authorities may order an accounting treatment different from that used by nonregulated companies to determine the rates charged to customers. When this occurs, certain utility income and expenses are deferred as regulatory assets and liabilities. See Notes 7 and 12 for additional information on regulatory assets and liabilities and the impact of legislation on continued application of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation.*

Foreign Currency Translation

Dominion translates foreign currency financial statements by adjusting balance sheet accounts using the exchange rate at the balance sheet date and income statement accounts using the average exchange rate for the year. Translation gains and losses are recorded in shareholders' equity as a component of accumulated other comprehensive income. Gains and losses resulting from the settlement of transactions in a currency other than the functional currency are reflected in income.

Amortization of Debt Issuance Costs

Dominion defers and amortizes the expenses incurred in the issuance of long-term debt, together with premiums and discounts associated with such debt, over the lives of the respective issues. Any gains or losses resulting from the refinancing of debt allocable to utility operations that are subject to cost-based regulation are also deferred and amortized over the lives of the new issues of long-term debt as permitted by regulatory commissions. In addition, gains or losses resulting from the redemption of debt allocable to utility operations that are subject to cost-based regulation without refinancing are amortized over the remaining lives of the redeemed issues.

Investment Securities

Dominion accounts for and classifies investments in equity securities that have readily determinable fair values and for all investments in debt securities based on management's intent. The investments are classified into three categories. Debt securities which are intended to be held to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities purchased and held with the intent of selling them in the current period are classified as trading securities and are reported at fair value with unrealized gains and losses included in earnings. Debt and equity securities that are neither held-to-maturity nor trading are classified as available-for-sale securities. These are reported at fair value with unrealized gains and losses reported in shareholders' equity, as a component of accumulated other comprehensive income, net of tax. For a discussion of the treatment for securities held in nuclear decommissioning trusts and classified as available-for-sale, see Note 14.

Mortgage Loans Held for Sale

Mortgage loans held for sale consist of mortgage loans secured by single family residential properties. Any price premiums or discounts on mortgage loans, including any capitalized costs or deferred fees on originated loans, are deferred as an adjustment to the cost of the loans and are therefore included in the determination of any gains or losses on sales of the related loans. Mortgage loans held for sale are carried at the lower of cost or market value.

Loans Receivable, Net and Finance Receivables Held for Sale

Loans receivable and finance receivables held for sale are stated at their outstanding principal balance, net of the allowance for credit losses and any deferred fees or costs. Origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield of the related loans receivable.

The allowance for credit losses is established through provisions for credit losses charged against income. Loans and finance receivables deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance. At December 31, 2000 and 1999, the allowance for credit losses for loans receivable, net was $61 million and $47 million, respectively.

Gain on Sale of Loans

Gain on sale of loans represents the present value of amounts based on the difference between the interest rate to be received on the mortgage loans sold and the interest rate to be paid to investors participating in securitizations, after considering estimated prepayments, credit losses, servicing costs, and nonrefundable fees and premiums. Securitizations involve selling mortgage loans to an unconsolidated special purpose trust in exchange for cash proceeds and an interest in the loans securitized (residual assets). Gains on the sale of loans are recognized on the settlement date. Residual assets may include interest-only strips and servicing rights. Interest-only residual assets are recorded based on the net present value of the projected cash flows, using management's best estimates of the key assumptions, including credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved.

Loan Servicing Rights

Dominion recognizes as separate assets its rights to service mortgage loans. Mortgage servicing rights are recorded when purchased or when mortgage loans are originated and subsequently sold or securitized with the servicing rights retained. Servicing rights are recorded based on the relative fair value of the mortgage loans and the servicing rights. The fair value of the servicing rights

is determined based on market prices under comparable servicing sales contracts or the present value of estimated future cash flows. Dominion assesses the impairment of mortgage servicing rights based on the fair value of those rights, and any impairment is recognized through a valuation allowance.

Mortgage loans serviced require regular monthly payments from borrowers. Income on loan servicing is generally recorded as payments are collected and is based on a percentage of the principal balance of loans serviced. Loan servicing expenses are charged to operations when incurred.

Mortgage Investments

Mortgage investments consist of subordinated bonds and interest-only residual assets retained at securitization of mortgage loans. Mortgage investments are classified as trading securities. Interest-only strip residual assets are amortized in proportion to the estimated income received but are analyzed quarterly to determine whether prepayment experience, losses and changes in the interest rate environment have had an impact on the valuation. Expected cash flows of the underlying loans sold are reviewed based upon current economic conditions and the type of loans originated and are revised as necessary.

Derivatives—Other Than Trading

Dominion utilizes futures and forward contracts and derivative financial instruments, including swaps, caps and collars, to manage exposure to fluctuations in interest rates, lease payments, and natural gas and electricity prices.

These futures, forwards and derivative financial instruments are deemed effective hedges when the item being hedged and the underlying financial or commodity instrument show strong historical correlation. Dominion uses deferral accounting to account for futures, forwards and derivative instruments which are designated as hedges. Under this method, gains and losses (including the payment of any premium) related to effective hedges of existing assets and liabilities are recognized in earnings in conjunction with earnings of the designated asset or liability. Gains and losses related to effective hedges of firm commitments and anticipated transactions are included in the measurement of the subsequent transaction. Cash flow from derivatives designed as hedges are reported in net cash flow from operating activities.

Derivatives—Trading

The fair value method, which is used for those derivative transactions which do not qualify for settlement or deferral accounting, requires that derivatives are carried on the balance sheet at fair value, with changes in that value recognized in earnings or common shareholders' equity. As part of Dominion's strategy to market energy from its generation capacity and to manage the risks related thereto, it enters into contracts for the purchase and sale of energy commodities. Dominion uses the fair value method for its trading activities.

Options, swaps and future contracts are marked to market with resulting gains and losses reported in earnings. Forward contracts, initiated for trading purposes, are also marked to market with resulting gains and losses reported in earnings. For swaps, forward contracts, and options, market value reflects management's best estimates considering over-the-counter quotations, time value and volatility factors of the underlying commitments. Exchange-traded futures and options are marked to market based on exchange closing prices.

Commodity contracts representing unrealized gain positions are reported as Commodity contract assets; commodity contracts representing unrealized losses are reported as Commodity contract liabilities. In addition, purchased options and options sold are reported as Commodity contract assets and Commodity contract liabilities, respectively, at estimated market value until exercise or expiration. Realized commodity contract revenues, net of related cost of sales, settlement of futures contracts, amortization of option premiums, and unrealized gains and losses resulting from marking positions to market are included in Operating revenue. Cash flow from trading activities is reported in net cash flow from operating activities.

Other Derivatives

Dominion uses total return swaps to accumulate loans and securities for future sale as collateralized debt obligation securities. Gains and losses from the settlements and sale of total return swaps are recorded as Operating revenue and income—Other. Total return swaps are marked to market with the corresponding unrealized gains and losses also recorded in Operating revenue and income—Other. Cash flow from total return swaps are reported in net cash flow from operating activities. As of December 31, 2000, all total return swaps relating to the above have been terminated.

Dominion has used total return equity swaps to reacquire shares of its outstanding common stock. Dominion has recorded all amounts received or paid in 2000 under such arrangements as either increases or decreases to equity.

The net of amounts paid and amounts received under interest rate swaps is reported as interest expense in the Consolidated Statement of Income.

See Note 4 for discussion of recently issued accounting standards and their impact on the Company's accounting for derivatives in 2001.

Cash and Cash Equivalents

Current banking arrangements generally do not require checks to be funded until actually presented for payment. At December 31, 2000 and 1999, accounts payable included the net effect of checks outstanding but not yet presented for payment of $171 million and $61 million, respectively.

For purposes of the Consolidated Statements of Cash Flows, Dominion considers cash and cash equivalents to include cash on hand and temporary investments purchased with a maturity of three months or less.

Reclassification
Certain amounts in the 1999 and 1998 Consolidated Financial Statements have been reclassified to conform to the 2000 presentation.

Note 3 | Accounting Changes

Accounting for Net Periodic Pension Cost
Effective January 1, 2000, Dominion adopted a company-wide method of calculating the market related value of pension plan assets used to determine the expected return on pension plan assets, a component of net periodic pension cost. Under the new method, the market related value of pension plan assets reflects the difference between actual investment returns and expected investment returns evenly over a four-year period. Prior to Dominion's acquisition of CNG, each company used different methods to determine the "calculated value" of the market related value of pension plan assets. The previous Dominion method recognized interest, dividends and realized gains immediately and deferred unrealized gains and losses evenly over a five-year period. The former CNG method calculated the market related value of pension plan assets as the average of market values at the end of each of the preceding four years, with appropriate adjustments for receipts, disbursements, and investment income during the period. Dominion believes that the new method is preferable to continuing to use either or both of the former methods as the new method enhances the predictability of expected return on pension plan assets, provides consistent treatment of all investment gains and losses, and results in calculated market related pension plan asset values that are closer to market value as compared to values calculated under the previous methods.

The $21 million cumulative effect of the change on prior years (net of income taxes of $11 million) is included in income for the year ended December 31, 2000. The effect of the change on 2000 was to increase income before extraordinary item and cumulative effect of a change in accounting principle by $11 million ($0.05 per share-basic and diluted) and net income by $32 million ($0.14 per share-basic and diluted).

Retroactive application of the new method, on a pro forma basis, would not have materially changed Dominion's net income for 1999 or 1998.

Accounting for Oil and Gas Activities
Effective upon the acquisition of CNG on January 28, 2000, Dominion changed its method of accounting for oil and gas exploration and production activities to the full cost method of accounting. Previously, Dominion accounted for these activities, which were primarily directed toward development and extraction rather than exploration, using the successful efforts method of accounting.

While the Company's previous method of accounting was in accordance with generally accepted accounting principles, the Company believes that the full cost method of accounting is preferable for its merged exploration and production operations. CNG's exploration and production business is historically larger than Dominion's and consists of substantial investments in exploration activities. CNG uses the full cost method of accounting for its exploration and production activities which management believes better reflects the economics associated with the discovery and development of oil and gas reserves. It is anticipated that the strategic direction of the combined exploration and production operations will be consistent with CNG's past operations, thus supporting the adoption of the full cost method of accounting.

Prior year financial statements have been restated to reflect this change on a retroactive basis. The effect of the accounting change on income in 2000, and on income as previously reported for 1999 and 1998 is not significant.

The balances of retained earnings for 1999 and 1998 have been restated for the effect (net of income taxes) of applying retroactively the new method of accounting.

Note 4 | Recently Issued Accounting Standards

In June 2000, the Financial Accounting Standards Board (FASB) issued SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 requires that all derivative instruments be recorded on the Company's balance sheet at their fair value effective January 1, 2001.

The Company holds certain commodity contracts for trading purposes that are currently subject to fair value accounting under Emerging Issues Task Force Issue No. 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*. The Company determined that certain additional contracts will be subject to fair value accounting under SFAS No. 133. A substantial portion of these contracts is used by Dominion in its production and delivery of energy to its customers and involves various hedging strategies. In addition to these commodity contracts, Dominion uses interest rate swaps to manage its cost of capital.

Under SFAS No. 133, changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge strategy, and, if it is, whether such strategy represents a fair value or cash flow hedge. For fair value hedge strategies, where Dominion is hedging the changes in the fair value of assets, liabilities or firm commitments, changes in the fair value of the derivative instruments will generally be offset in the income statement by changes in the fair value of the hedged items. For cash flow hedge strategies, where Dominion is hedging the variability of cash flows related to variable-priced assets, liabilities or forecasted transactions, including anticipated production, purchases or sales, changes in the fair value of the derivative instruments will be reported in other comprehensive income. Amounts recorded in other comprehensive income will be adjusted for changes in fair value until reclassified to earnings. Such reclassification will generally occur when earnings are affected by the hedged transactions (e.g., anticipated sales). As amounts

are reclassified from other comprehensive income, the impact on earnings should generally be offset by the recognition of the hedged transactions.

The Company will record after-tax charges to net income of approximately $1 million and other comprehensive income of approximately $180 million in the first quarter of 2001 for the initial adoption of SFAS No. 133. These adjustments will be recognized as of January 1, 2001 as the cumulative effect of a change in accounting principle.

The Derivatives Implementation Group (DIG), a group sponsored by the FASB, continues to develop interpretive guidance. The DIG has not yet concluded on certain issues that could ultimately impact the application of the standard.

Note 5 | Acquisitions and Divestitures

Consolidated Natural Gas Company

On January 28, 2000, Dominion acquired all of the outstanding shares of CNG common stock for a purchase price of $6.4 billion, consisting of approximately 87 million shares of Dominion common stock valued at $3.5 billion and approximately $2.9 billion in cash. Dominion has accounted for the acquisition of CNG's operations that are not subject to cost-based rate regulation, primarily its oil and gas exploration and production operations, using the purchase method of accounting. For CNG's interstate pipeline and local gas distribution businesses that are subject to cost-based rate regulation, Dominion has accounted for the acquisition in accordance with SFAS No. 71.

The purchase price has been allocated to assets acquired and liabilities assumed based on the estimated fair value of those assets and liabilities as of the date of the acquisition. Such allocation was based on the Company's evaluations. The excess of the purchase price over the fair value of CNG's operations not subject to cost-based rate regulation and the historical carrying value of CNG's operations subject to cost of service rate regulation resulted in goodwill of $3.5 billion. The goodwill is being amortized on a straight-line basis over the weighted average useful lives of CNG's gas utility plant and equipment, a period approximating 40 years. As of December 31, 2000, $77 million of amortization associated with the goodwill had been recognized. The results of operations of CNG for the period January 28, 2000 through December 31, 2000 are included in the accompanying consolidated financial statements.

Initially, the allocation of the purchase price included estimated values for amounts expected to be realized from the sale of Virginia Natural Gas (VNG) and CNG International, which were classified as Net assets held for sale. In addition, the allocation of the purchase price provided for recognition of liabilities associated with change of control payments triggered by the acquisition of CNG under certain employment contracts ($31 million) and seismic licensing agreements ($26 million).

The Company has made adjustments during 2000 to the allocation of the purchase price for changes in preliminary assumptions and analyses based on receipt of additional information, to reflect the following:

- actuarial valuations of CNG's pension and other postretirement benefit plan obligations and related plan assets; and
- actual proceeds realized from the disposition of VNG and CNG International's Argentine investments.

Net assets held for sale at December 31, 2000 included the unsold portion of CNG International, which is primarily its equity investment in Australian energy activities. The December 31, 2000 consolidated balance sheet includes $73 million representing the carrying amount of CNG International, which includes the effects of $12 million of interest and $4 million of operating losses capitalized during the post-acquisition period.

The following unaudited pro forma combined results of operations for the years ended December 31, 2000 and 1999 have been prepared assuming the acquisition of CNG had occurred at the beginning of each period. The pro forma results are provided for information only. The results are not necessarily indicative of the actual results that would have been realized had the acquisition occurred on the indicated date, nor are they necessarily indicative of future results of operations of the combined companies.

Year ended December 31,	2000		1999	
(millions, except per share amounts)	**As Reported**	**Pro Forma**	As Reported	Pro Forma
Consolidated Results				
Revenue	**$9,260**	**$9,627**	$5,520	$8,390
Income before extraordinary item and cumulative effect of a change in accounting principle	**$ 415**	**$ 475**	$ 552	$ 546
Net income	**$ 436**	**$ 496**	$ 297	$ 291
Earnings per share—basic:				
Income before extraordinary item and cumulative effect of a change in accounting principle	**$ 1.76**	**$ 1.99**	$ 2.88	$ 2.29
Net income	**$ 1.85**	**$ 2.08**	$ 1.55	$ 1.22
Average shares—basic	**235.2**	**238.9**	191.4	238.4
Earnings per share—diluted:				
Income before extraordinary item and cumulative effect of a change in accounting principle	**$ 1.76**	**$ 1.98**	$ 2.81	$ 2.22
Net income	**$ 1.85**	**$ 2.07**	$ 1.48	$ 1.15
Average shares—diluted	**235.9**	**240.0**	191.4	238.4

Millstone Nuclear Power Station

Dominion has reached an agreement to acquire the Millstone Nuclear Power Station located in Waterford, Connecticut. Dominion is acquiring the three-unit station from subsidiaries of Northeast Utilities and other owners for a total purchase price of approximately $1.3 billion, including approximately $1.19 billion for plant assets and $105 million for fuel. The acquisition will include 100% ownership interest in Unit 1 and Unit 2, and a 93.47% ownership interest in Unit 3, for a total of 1,954 Mw of generating capacity. Unit 1 is being decommissioned and is no longer in service. Dominion will assume the decommissioning trusts for the three units and expects the trusts to be fully funded to the regulatory minimum at the time of the closing.

Divestitures

In October 2000, Dominion completed the sale of VNG to AGL Resources Inc. Cash proceeds from the sale were $533 million.

After Dominion acquired CNG in the first quarter of 2000, CNG committed to a plan to sell CNG International as part of its desire to focus on the United States oil and gas markets. In October 2000, CNG International completed the sale of its Argentine assets to Sempra Energy International for $145 million.

In September 2000, Dominion completed the sale of its 80 percent interest in Corby Power Limited (Corby) to PowerGen plc. for 52.5 million pounds sterling ($78 million at December 31, 2000). Corby is the owner of a 350-megawatt natural gas-fired facility about 90 miles north of London, England. The sale of Corby resulted in an after-tax gain of $13 million ($0.05 per share).

In 1999, Dominion reached an agreement to sell its interests in approximately 1,200 megawatts of gross generation capacity located in Latin America. Duke Energy International purchased the interests for approximately $405 million. The Company completed the sale of its interests in Belize and Peru in November 1999. In 2000, Dominion completed the sale of its interests in the generation capacity located in Argentina and Bolivia.

Note 6 | Restructuring and Acquisition-Related Activities

General

As a result of the CNG acquisition and Dominion's desire to focus its businesses in the MAIN to Maine area of the United States, Dominion is divesting certain businesses. The region begins at the Mid-America Interconnected Network (MAIN) and extends northeastward through Maine. MAIN includes electric service territories of the upper Midwest. In addition, Dominion and its subsidiaries developed and began the implementation of a plan to restructure the operations of the combined companies. The restructuring plan included an involuntary severance program, a voluntary early retirement program (ERP) and a transition plan to consolidate operations after the CNG acquisition.

For the year ended December 31, 2000, Dominion recognized $460 million of restructuring and other acquisition-related costs as follows:

(millions)	
Severance liability accrued	$ 70
Commodity contract losses	55
Information technology related costs	35
Lease termination and restructuring	14
DCI exit strategies	172
ERP benefit costs	114
Curtailment gains (see Note 21)	(26)
Other, net	26
Total restructuring costs	$460
Severance paid	$ 41
Ending severance liability	$ 29
Positions eliminated at December 31, 2000	679
Estimated positions yet to be eliminated	89
ERP participants	860

Employee Severance Programs

Dominion established a comprehensive involuntary severance package for salaried employees impacted by workforce reductions. Severance payments are based on the individual's base salary and years-of-service at the time of termination. In addition, severance payments are being provided to employees at DCI (and certain subsidiaries of DCI) who are terminated as part of Dominion's implementation of its strategy to exit certain businesses of DCI.

Change in Risk Management Strategy

During the first quarter of 2000, Dominion implemented a new hedging strategy for its combined operations. Under its new strategy, Dominion created an enterprise risk management group with responsibility for managing Dominion's aggregate energy portfolio, including the related commodity price risk, across its consolidated operations. Previously, individual business segments managed their respective energy portfolios and related price risk exposure on a stand-alone basis. Dominion management believes this new structure should result in more effective risk management with the objective of maximizing the value of Dominion's diversified energy portfolio and market opportunities.

As part of the implementation of the new strategy, management evaluated CNG's hedging strategy associated with its oil and gas operations in relation to Dominion's combined operations. As a result of the evaluation, CNG designated its portfolio of derivative contracts that existed at January 28, 2000 as held for purposes other than hedging for accounting purposes. This action required a change to mark-to-market accounting where derivative contracts are carried at fair value in the balance sheet with any future unrealized gains and losses included in the determination of net income. In addition, CNG entered into offsetting contracts for those contracts in the January 28, 2000 portfolio that would not be

settled during the first quarter of 2000. Due to these offsetting contracts, absent any not yet identified future losses from credit risk exposure, no additional material losses are expected to be realized as these derivative contracts mature through 2003.

Early Retirement Program

On January 28, 2000, Dominion announced an early retirement program. This program was a voluntary program for all salaried employees of Dominion, excluding officers and employees of DCI, VNG and CNG International. The early retirement option provides up to three additional years of age and three additional years of employee service for benefit formula purposes, subject to age and service maximums under the Company's postretirement medical and pension plans. Qualifying salaried employees and employees covered by several collective bargaining agreements of CNG and its participating subsidiaries who had attained age 52 and completed at least 12 years of service as of July 1, 2000 were eligible under the ERP. For Dominion's other participating subsidiaries, qualifying employees who had attained age 52 and completed at least 5 years of service as of July 1, 2000 were eligible under the ERP.

Certain ERP participants will also receive benefits under the involuntary severance package, which are subject to reduction as a result of coordination with additional benefits provided by the ERP.

Dominion Capital

DCI is a diversified financial services company. Its principal subsidiaries are:

- First Source Financial, LLP (First Source), a provider of financial services to middle market companies;
- First Dominion Capital LLC, (First Dominion Capital) an integrated merchant banking and asset management business;
- Saxon Mortgage, Inc. and its affiliates (Saxon), are involved in the origination, purchase and servicing of single-family residential mortgage loans; and
- Dominion Lands, a developer of real estate projects.

With the acquisition of CNG, Dominion became a registered public utility holding company subject to the requirements of the 1935 Act. One such requirement restricts investment in non-regulated businesses which are not functionally related to the public utility business. As a result, the SEC order authorizing the CNG acquisition required divestiture of DCI's financial services businesses within three years. As of December 31, 2000, Dominion had implemented exit strategies for certain DCI businesses.

During the second quarter of 2000, management adopted a strategy to exit certain businesses of DCI and to de-emphasize the remaining components of the businesses that are expected to be retained or possibly held only as long as necessary to wind up affairs. At this time, the Company does not have a formal plan of disposal for substantive portions of the DCI segment and does not expect to dispose of all such portions of the business within one year. Management has continued to monitor and evaluate its investments in its financial services and real estate businesses. In 2000, Dominion recognized impairment losses of $291 million, of which $172 million was determined to be attributable to Dominion's exit strategy rather than other factors and are included in Restructuring and other acquisition-related costs. The remaining $119 million of impairment charges are related to normal operations of DCI. These charges, net of related income taxes of $105 million, reduced net income by $186 million for 2000. These amounts were recorded and derived from:

- a $106 million impairment at Saxon concerning its interest-only residual assets and servicing assets;
- additional provisions of $36 million for loan losses applicable to the loans receivable at First Source and First Dominion Capital;
- a $46 million loss in value in venture capital equity and other equity investments at First Source and First Dominion Capital;
- a $49 million impairment loss related to its investment in First Source; and
- a $54 million impairment recorded with respect to certain real estate projects managed and held by Dominion Lands.

As the planned exit strategies at DCI are implemented, additional charges may be incurred to reflect updated information.

In September 2000, Dominion sold First Dominion Capital's asset management division. Dominion received approximately $10 million in cash after certain fees were paid.

Also in October 2000, Dominion sold $823 million in principal amount of commercial loans held in First Source's loan portfolio. The transaction settled in a series of closings which began in mid-October and was completed in the fourth quarter of 2000. Dominion received proceeds of $600 million.

In October 2000, Dominion securitized $716 million in principal amount of commercial loans held by First Source and First Dominion Capital in a collateralized loan obligation (CLO) transaction. In the securitization, the loans were sold to an unconsolidated special purpose loan securitization trust, First Source Loan Obligations Trust, in exchange for cash proceeds of $570 million. In addition, Dominion holds a $76 million investment in the subordinated debt of the CLO. First Source will manage the financial assets of the CLO.

Dominion closed on another CLO in the first quarter of 2001. It included $461 million of the remaining First Source and First Dominion Capital commercial loans. Dominion retained a $196 million investment in the subordinated debt of the CLO.

Dominion's exit strategy for Dominion Lands, DCI's real estate development and management business, is to minimize resources committed to the winding down and exiting of these projects. In addition, Dominion is seeking offers that would expedite its exit from these projects. In August 2000, Dominion realized $8 million from the sale of its interests in certain real estate.

Dominion continues to evaluate exit strategies for Saxon.

Other

Restructuring and other acquisition-related costs also include amounts paid to employees to retain their services during the post-merger transition period, amounts payable under certain employee contracts and information technology systems and operations integration costs. The information technology costs include excess

amortization expense attributable to shortening the useful lives of capitalized software being impacted by systems integration.

Note 7 | Extraordinary Item and 1998 Rate Settlement

Extraordinary Item—Discontinuance of SFAS No. 71

In 1999, legislation was enacted that established a detailed plan to restructure the electric utility industry in Virginia. The legislation's deregulation of generation is an event that required discontinuation of SFAS No. 71 for Dominion's utility generation operations in 1999. Dominion's electric transmission and distribution operations continue to meet the criteria for recognition of regulatory assets and liabilities as defined by SFAS No. 71. In addition, fuel continues to be subject to deferral accounting.

In order to measure the amount of regulatory assets to be written off upon discontinuance of SFAS No. 71, Dominion evaluated the estimated recovery of regulatory assets through capped rates during the transition period ending July 2007. Generation-related assets and liabilities that will not be recovered through capped rates were written off in 1999, resulting in an after-tax charge to earnings of $255 million. See Note 12 for discussion of regulatory assets at December 31, 2000. The $255 million charge also included the write-off of approximately $38 million, after-tax, of deferred investment tax credits and approximately $18 million, after-tax, of other generation-related assets. A corresponding regulatory asset of $23 million was established representing the amount expected to be recovered during the transition period related to these assets.

The events that caused the discontinuance of SFAS No. 71 for generation-related assets and liabilities also required a review of generation assets for impairment. This review was based on estimates of possible future market prices, load growth, competition and many other assumptions and included the effects of nuclear decommissioning and other currently identified environmental expenditures. Based on those analyses, no plant write-downs were appropriate at that time.

Dominion also reviewed its long-term power purchase contracts for potential loss in accordance with SFAS No. 5, *Accounting for Contingencies*, and Accounting Research Bulletin No. 43, Chapter 4, *Inventory Pricing*. Based on projections of possible future market prices for wholesale electricity, the results of the analyses indicated no loss recognition was appropriate at that time. Other projections of possible future market prices indicated a possible loss of $500 million. In the absence of capped rates as provided by the legislation, the potential loss exposure would have been approximately $3.2 billion at March 31, 1999.

Significant estimates were required in recording the effect of the deregulation legislation, including the resulting impact on the fair value determination of generating facilities and estimated purchases under long-term power purchase contracts. Such projections are highly dependent on future customer load projections, generating unit availability, the timing and type of future capacity additions in Dominion's market area and future market prices for fuel and electricity.

Virginia Rate Settlement

Dominion's 1998 settlement of its outstanding Virginia jurisdictional electric base rate proceedings defined a new regulatory framework for the Company's transition to electric competition. The impact of the settlement provisions was largely recognized in 1998 and 1999 and included: a $150 million base rate reduction phased-in over 1998 and 1999; a $150 million one-time refund in 1998; and the accrual of a $159 million impairment charge which, when coupled with $65 million previously recorded in earlier years, provided for the write-off of $220 million of regulatory assets.

Note 8 | Income Taxes

Income before provision for income taxes, classified by source of income, before minority interests, was as follows:

(millions) Year ended December 31,	**2000**	1999	1998
U.S.	**$552**	$797	$420
Non-U.S.	**48**	32	467
Total	**$600**	$829	$887

The provision for income taxes, classified by the timing and location of payment, was as follows:

(millions) Year ended December 31,	**2000**	1999	1998
Current:			
U.S.	**$255**	$187	$153
State	**20**	18	25
Non-U.S		4	101
Total current	**275**	209	279
Deferred:			
U.S.	**(111)**	66	32
State	**16**		(3)
Non-U.S	**22**	(1)	21
Total deferred	**(73)**	65	50
Amortization of deferred investment tax credits—net	**(19)**	(15)	(17)
Total provision	**$183**	$259	$312

The statutory U.S. federal income tax rate reconciles to the effective income tax rates as follows:

Year ended December 31,	2000	1999	1998
U.S. statutory rate	**35.0%**	35.0%	35.0%
Utility plant differences	**0.8**	0.3	3.0
Preferred dividends	**2.1**	1.6	1.4
Amortization of investment tax credits	**(2.3)**	(1.8)	(1.9)
Nonconventional fuel credit	**(7.1)**	(4.4)	(2.8)
Other—benefits and taxes related to foreign operations	**(2.7)**	(0.2)	(0.1)
State taxes, net of federal benefit	**4.3**	1.5	1.5
Goodwill amortization	**4.4**		
Employee pension and other benefits	**(1.4)**		
Other, net	**(2.6)**	(0.8)	(0.9)
Effective tax rate	**30.5%**	31.2%	35.2%

The tax benefit associated with dispositions of employee stock plans reduced taxes currently payable for 2000.

In 1998, the United Kingdom reduced its corporate income tax rate, effective April 1, 1999, by one percent to 30 percent. Accordingly, deferred tax liabilities and 1998 income tax expense were reduced by $8.3 million.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Dominion's net deferred tax liability is attributable to:

(millions) At December 31,	2000	1999
Assets:		
Deferred investment tax credits	**$ 55**	$ 52
Other	**4**	
Total deferred income tax asset	**59**	52
Liabilities:		
Depreciation method and plant basis differences	**1,994**	1,493
Income taxes recoverable through future rates	**20**	20
Partnership basis differences	**141**	159
Postretirement and pension benefits	**481**	(6)
Intangible drilling costs	**269**	44
Other	**(26)**	52
Total deferred income tax liability	**2,879**	1,762
Net deferred income tax liability	**$2,820**	$1,710

Note 9 | Transfers and Servicing of Financial Assets

During 2000 Dominion sold commercial loans in a securitization transaction. In that securitization, Dominion retained servicing responsibilities and subordinated interests. Dominion receives annual servicing fees approximating 38 basis points of the outstanding balance and rights to future cash flows arising after the investors in the securitization trust have received the return for which they contracted. The investors and the securitization trusts have no recourse to Dominion's other assets for failure of debtors to pay when due. Dominion's retained interests are subordinate to investors' interests. Their value is subject to credit and general economic risks on the transferred financial assets. All of the loans in the securitization are variable rate loans, consequentially changes in interest rates will not cause a material change in the performance of the portfolio of loans.

Dominion also securitizes receivables of residential mortgage loans.

When Dominion sells receivables in securitizations of residential mortgage loans, it retains interest-only strips, one or more subordinated tranches, servicing rights and future rights to prepayment penalties, all of which are retained interests in the securitized receivables. Gain on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer. Dominion generally estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions—credit losses, prepayment speeds, forward yield curves and discount rates commensurate with the risks involved.

During 2000 and 1999, Dominion sold residential mortgage loans through securitization transactions. In each of those securitizations, Dominion retained servicing responsibilities and subordinated interests. Dominion receives annual servicing fees approximating 50 basis points of the outstanding balance and rights to future cash flows arising after the investors in the securitization trust have received the return for which they contracted. In addition, Dominion receives future cash flows from prepayment penalties on mortgage loans that prepay during the contractual penalty period. The investors and the securitization trusts have no recourse to Dominion's other assets for failure of debtors to pay when due. Dominion's retained interests are subordinate to the investors' interests. The retained interests' value is subject to credit, prepayment and interest rate risks on the transferred financial assets.

In 2000 and 1999, Dominion recognized pretax gains of $85 million and $107 million, respectively, on the securitization of residential mortgage loans.

The weighted-average rates (per annum) for key economic assumptions used in measuring the retained interests from securitizations completed during 2000 were as follows:

	Residential Mortgage Loans	Servicing Rights
Prepayment speed	*	*
Weighted-average life (in years)	**6.05/2.44**	**3.63**
Expected credit losses	**2.26%**	**2.26%**
Residual cash flows discounted at	**15.07%**	**14.09%**

*Fixed rate loans ramp up to 24 Constant Prepayment Rate (CPR) over 13 months and thereafter.
Adjustable rate loans ramp up to 40 CPR over 13 months; ramping down to 24 CPR over 32 months and thereafter.
Two-year hybrid loans ramp up to 29 CPR over 13 months; ramping up to 57 CPR in month 21 ramping down to 29 CPR over 18 months and thereafter.
Three-year hybrid loans ramp up to 29 CPR over 13 months; ramping up to 57 CPR in month 34 ramping down to 29 CPR over 18 months and thereafter.

As a result of changes in the market conditions during the first half of 2000, the discount rate used to value interest-only residual assets was increased from 12% to 17%, and a loss of $106 million was recognized. In addition, due to the events described in Note 6, these assets were transferred from available-for-sale to trading. Accordingly, these assets are recorded at fair value.

Activity for the interest-only residual assets and servicing rights is summarized as follows:

(millions)	Residual Assets*	Servicing Rights	Total
Balance at January 1, 1998	$ 213	$ 18	$ 231
Retained from securitization	157	24	181
Amortization	(3)	(7)	(10)
Cash received	(57)		(57)
Fair value adjustment	(28)		(28)
Balance at December 31, 1998	282	35	317
Retained from securitization	169	16	185
Amortization	(7)	(12)	(19)
Cash received	(79)		(79)
Fair value adjustment	(18)		(18)
Balance at December 31, 1999	347	39	386
Retained from securitization	**99**	**18**	**117**
Amortization	**(16)**	**(7)**	**(23)**
Cash received	**(51)**		**(51)**
Gain on trading securities	**25**		**25**
Fair value adjustment	**(102)**	**(5)**	**(107)**
Balance at December 31, 2000	**$ 302**	**$ 45**	**$ 347**

*Includes prepayment penalties.

At December 31, 2000, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions are as follows:

(millions, except percentages)	Residual Mortgage Loans	Servicing Rights
Carrying amount/fair value of retained interests	**$301**	**$ 46**
Weighted-average life (in years)	**5.23/1.74**	**3.64**
Prepayment speed assumption (annual rate)	(1)	(1)
Impact on fair value of 10% adverse change	**$ (20)**	**$ (4)**
Impact on fair value of 20% adverse change	**$ (37)**	**$ (6)**
Expected credit losses (annual rate)	**2.28%**	**2.28%**
Impact on fair value of 10% adverse change	**$ (10)**	**N/A**
Impact on fair value of 20% adverse change	**$ (20)**	**N/A**
Residual cash flows discount rate (annual)	**17%**	**15%**
Impact on fair value of 10% adverse change	**$ (9)**	**$ (1)**
Impact on fair value of 20% adverse change	**$ (20)**	**$ (3)**
Interest rates on variable and adjustable contracts	(2)	(2)
Impact on fair value of 10% adverse change	**$ (7)**	**N/A**
Impact on fair value of 20% adverse change	**$ (18)**	**N/A**

(1) Fixed rate loans ramp up to 24 CPR over 13 months and thereafter for series 96-1, 96-2, 97-1, 99-3, 99-4, 99-5 and 00-1; ramp up to 22 CPR over 13 months and thereafter for series 98-1 and 99-2; ramp up to 27 CPR over 13 months and thereafter for series 97-2 and 97-3.
Adjustable rate loans ramp up to 40 CPR over 13 months; ramping down to 24 CPR over 32 months and thereafter.
Two-year hybrid loans ramp up to 30 CPR over 13 months; ramping up to 60 CPR in month 21 ramping down to 30 CPR over 18 months and thereafter.
Three-year hybrid loans ramp up to 30 CPR over 13 months; ramping up to 60 CPR in month 33 ramping down to 30 CPR over 18 months and thereafter.
(2) Based on the full forward 1-month LIBOR, 6-month LIBOR or 1 year CMT through 1/1/2004 based on the variable component of the variable rate contracts.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

Note 10 | Collateralized Debt Obligation Investments

Until September 20, 2000, Dominion managed financial assets held in three collateralized debt obligations (CDO). That business was sold as part of Dominion's strategy to divest its non-core operations. Dominion continues to hold an investment in the subordinated debt of each CDO. The total investment in the CDOs was $159 million and $58 million at December 31, 2000 and 1999, respectively.

Note 11 | Investment Securities

Securities classified as available-for-sale as of December 31 follow:

(millions) Security Type	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
2000				
Equity	**$132**	**$1**	**$15**	**$118**
Debt	**175**		**1**	**174**
Total	**$307**	**$1**	**$16**	**$292**
1999				
Equity	$134	$2	$10	$126
Debt	396		10	386
Total	$530	$2	$20	$512

Debt securities held at December 31, 2000 do not have stated contractual maturities because borrowers have the right to call or repay obligations with or without call or prepayment penalties.

For the years ended December 31, 2000 and 1999, the proceeds from the sales of available-for-sale securities were $3 million and $35 million, respectively. The gross realized gains were $1 million and $5 million for 2000 and 1999, respectively. The gross realized loss for 1998 was $1 million. The basis on which the cost of these securities was determined is specific identification. The changes in net unrealized holding gains and losses on available-for-sale securities have resulted in an increase of $7 million, net of tax, in accumulated other comprehensive income during the year ended December 31, 2000. During the twelve months ended December 31, 1999, the changes in net unrealized holding gains and losses resulted in a decrease of $17 million, net of tax, in accumulated other comprehensive income. The changes in net unrealized holding gains and losses on trading securities increased earnings during the year 2000 by $6 million. Included in the $6 million increase was a $14 million loss relating to the reclassification of certain available-for-sale securities to the trading category. In 1999, the change in net unrealized holding gains and losses on trading securities increased earnings by $1 million.

For a discussion of investment securities held in nuclear decommissioning trusts, see Note 14.

Note 12 | Regulatory Assets and Liabilities

Regulatory assets and liabilities included the following:

(millions) At December 31,	2000	1999
Regulatory assets:		
Other postretirement benefit costs	**$126**	
Income taxes recoverable through future rates	**182**	$ 57
Deferred fuel costs	**98**	63
Cost of decommissioning DOE uranium enrichment facilities	**49**	55
Other	**61**	46
	516	221
Unrecovered gas costs (See Note 2)	**263**	
Total	**$779**	$221
Regulatory liabilities:		
Estimated rate contingencies and refunds	**$ 41**	
Income taxes refundable through future rates	**18**	
Total	**$ 59**	

The incurred costs underlying these regulatory assets and regulatory liabilities may represent expenditures by Dominion's rate regulated electric and gas operations or may represent the recognition of liabilities that ultimately will be settled at some time in the future. See Note 7 for information about the write-off of regulatory assets that resulted from 1999 deregulation legislation and the settlement of Dominion's 1998 Virginia rate proceeding.

Other postretirement benefit costs consist of the difference between recognized costs and the amounts included in rates charged by Dominion's local gas distribution subsidiaries, pending the expected recovery through future rates.

Unrecovered gas costs and deferred fuel costs represent the difference between the actual cost of purchased gas or fuel used in electric generation and amounts recovered for such costs through current rates.

Income taxes recoverable or refundable through future rates resulted from the recognition of additional deferred income taxes, not previously recorded because of past rate-making practices, as part of the implementation of SFAS No. 109.

The costs of decommissioning the Department of Energy's (DOE) uranium enrichment facilities represents the unamortized portion of Dominion's required contributions to a fund for decommissioning and decontaminating DOE's uranium enrichment facilities. Dominion began making contributions in 1992 and will continue over a 15-year period with escalation for inflation. These costs are currently being recovered in fuel rates.

Estimated rate contingencies and refunds are associated with certain increases in prices by Dominion's rate regulated utilities and other rate-making issues that are subject to final modification in regulatory proceedings.

Note 13 | Gas Stored

At December 31, 2000, stored gas inventory used in local gas distribution operations was valued at $41 million under the LIFO method. Based upon the average price of gas purchased during 2000, the current cost of replacing the inventory of "Gas stored-current portion" exceeded the amount stated on a LIFO basis by approximately $283 million. At December 31, 2000, the stored gas inventory of certain non-regulated gas operations of Dominion was valued at $34 million using the weighted average cost method.

A portion of gas in underground storage used as a pressure base and for operational balancing is included in Property, plant and equipment in the amount of $126 million at December 31, 2000.

Note 14 | Property, Plant and Equipment

Major classes of property, plant and equipment and their respective balances are:

(millions) At December 31,	**2000**	1999
Utility:		
Production	**$ 8,103**	$ 7,758
Transmission	**3,085**	1,517
Distribution	**6,764**	4,835
Storage	**573**	
Plant under construction	**562**	677
Nuclear fuel	**755**	801
Other electric and gas	**1,574**	901
Total utility	**21,416**	16,489
Nonutility:		
Exploration and production properties:		
Proved	**5,210**	1,116
Unproved	**550**	69
Independent power properties	**358**	811
Other	**477**	218
Total nonutility	**6,595**	2,214
Total property, plant and equipment	**$28,011**	$18,703

Costs of unproved properties capitalized under the full cost method of accounting that are excluded from amortization at December 31, 2000, and the years in which such excluded costs were incurred, follow:

(millions)	Incurred in Year Ended December 31,			
	Total	**2000**	1999	1998
Property acquisition costs	$112	**$ 69**	$25	$18
Exploration costs	46	**46**		
Capitalized interest	2	**2**		
Total	$160	**$117**	$25	$18

Amortization of capitalized costs under the full cost method of accounting for Dominion's United States and Canadian cost centers were as follows:

(Per Mcf Equivalent) Year ended December 31,	**2000**	1999	1998
United States cost center	**$1.13**	$0.75	$0.82
Canadian cost center	**0.92**	0.80	0.97

When Dominion's nuclear units cease operations, it is obligated to decontaminate or remove radioactive contaminants so that the property will not require Nuclear Regulatory Commission (NRC) oversight. This phase of a nuclear power plant's life cycle is termed decommissioning. While the units are operating, amounts are currently being collected from ratepayers that, when combined with investment earnings, will be used to fund this future obligation. These dollars are deposited into external trusts through which the funds are invested.

The total estimated cost to decommission the four nuclear units is currently estimated at $1.6 billion based on a site-specific study that was completed in 1998. The cost estimate assumes that the method of completing decommissioning activities is prompt dismantlement. This method assumes that dismantlement and other decommissioning activities will begin shortly after cessation of operations, which under current operating unit licenses will begin in 2012, 2013, 2018 and 2020. The balance in the external trusts available for decommissioning was $851 million at December 31, 2000. The Company intends to file relicensing applications in 2001 to extend the life of each unit by 20 years.

The amount being accrued for decommissioning is equal to the amount being collected from ratepayers and is included in depreciation, depletion and amortization expense. The decommissioning collections were $36 million per year for the period 1998 through 2000. The expense provisions were $36 million, $36 million and $26 million in 2000, 1999 and 1998, respectively. Net earnings of the trusts' investments are included in Other income. In 2000, 1999 and 1998, net earnings were $20 million, $17 million and $18 million, respectively. The accretion of the decommissioning obligation is equal to the trusts' net earnings and is also recorded in Other income.

The accumulated provision for decommissioning, which is included in Accumulated depreciation, depletion and amortization in the Consolidated Balance Sheets, includes the accrued expense and accretion described above and any unrealized gains and losses on the trusts' investments. At December 31, 2000, the net unrealized gains were $268 million, which is a decrease of $23 million over the December 31, 1999 amount of $291 million. The accumulated provision for decommissioning at December 31, 2000 was $851 million. It was $818 million at December 31, 1999.

The NRC requires nuclear power plant owners to annually update minimum financial assurance amounts for the future decommissioning of the nuclear facilities. Dominion's 2000 NRC minimum financial assurance amount, aggregated for the four nuclear units, was $1.0 billion. Financial assurance is provided by a combination of surety bonds and the funds being collected and funded in the external trusts.

FASB is reviewing the accounting for nuclear plant decommissioning. FASB has tentatively determined that the estimated cost of decommissioning should be reported as a liability rather than as accumulated depreciation and that a substantial portion of the decommissioning obligation should be recognized earlier in the operating life of the nuclear unit.

Dominion's proportionate share of jointly-owned utility plants at December 31, 2000 follows:

(millions, except percentages)	Bath County Pumped Storage Station	North Anna Power Station	Clover Power Station
Ownership interest	60.0%	88.4%	50.0%
Plant in service	$1,067	$1,875	$538
Accumulated depreciation	294	1,135	69
Nuclear fuel		350	
Accumulated amortization of nuclear fuel		335	
Construction work in progress	2	33	3

The co-owners are obligated to pay their share of all future construction expenditures and operating costs of the jointly-owned facilities in the same proportions as their respective ownership interest. Such operating costs are classified in the appropriate expense category in the Consolidated Statements of Income.

Note 15 | Short-Term Debt and Credit Agreements

Dominion and its subsidiaries have credit agreements with various expiration dates and pay fees in lieu of compensating balances in connection with these agreements. These agreements provided for maximum borrowings of $4.4 billion and $5.1 billion at December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999, $295 million and $2.3 billion, respectively, was borrowed under such agreements.

Dominion and its subsidiaries' credit agreements also supported $2.7 billion and $1.2 billion of commercial paper at December 31, 2000 and 1999, respectively. A significant portion of the commercial paper is supported by credit agreements that have expiration dates extending beyond one year. Therefore, a total of $250 million and $364 million of the commercial paper was classified as long-term in 2000 and 1999, respectively. These borrowings were used primarily to fund the interim financing of the CNG acquisition and operational needs at Dominion and its subsidiaries.

In June 2000, Dominion established a $1.75 billion credit facility that supports its combined commercial paper programs. Subject to the maximum aggregate limit of $1.75 billion, Virginia Power and CNG may borrow up to the full commitment and Dominion may borrow up to $750 million.

A summary of the amounts that are classified as short-term debt at December 31 follows:

(millions, except percentages)	2000		1999	
	Amount Outstanding	Weighted Average Interest Rate	Amount Outstanding	Weighted Average Interest Rate
Commercial paper	$2,414	6.5%	$813	5.3%
Term-notes	823	7.0%	57	9.7%
Total	$3,237		$870	

Note 16 | Long-Term Debt

(millions) At December 31,	2000		1999	
	Balance	**Interest Rate[6]**	Balance	Interest Rate[6]
First and Refunding Mortgage Bonds[1]:				
1992 Series E, due 2002	**$ 155**	**7.4%**	$ 155	7.4%
1993 Various Series, 2001-2003	**400**	**6.0-6.6**	535	5.9-6.6
Various Series, 2004-2007	**665**	**6.8-8.0**	665	7.6-8.0
Various series, due 2021-2025	**1,101**	**6.8-8.8**	1,101	5.4-8.8
Total First and Refunding Mortgage Bonds	**2,321**		2,456	
Other Long-Term Debt:				
Notes:				
Due 2004	**400**	**7.3**		
Debentures:				
Due 2003-2027	**1,334**	**5.8-8.8**		
Senior notes:				
2000 Series C, due 2003	**400**	**7.6**		
2000 Series B, due 2005	**700**	**7.6**		
2000 Various series, due 2010-2014	**1,400**	**7.2-8.1**		
Mandatory Convertibles, convert 2004	**413**	**8.1**		
Commercial paper[2]	**250**		300	
Term notes, fixed interest rate, due 2000-2008	**581**	**5.7-10.0**	422	5.7-10.0
Various series, due 2004-2038	**375**	**6.7-7.2**	375	6.7-7.1
Tax exempt financings[3]:				
Money market municipals, due 2007-2027	**489**	**3.3**	489	3.3
Other, due 2022-2030	**59**	**4.9-5.5**	29	5.4
Variable rate debt, 2000-2007			54	5.8
Secured revolving lines of credit, variable rates, due 2002-2005	**237**	**6.3-7.0**	303	5.6-6.0
Total other long-term debt	**6,638**		1,972	
Nonrecourse debt:				
Bank loans, due 2004-2008[4]	**18**	**7.3**	18	5.8
Revolving credit agreements, due 2001	**129**	**6.3-7.0**	363	5.7-6.7
Bank loans, due 2000-2024			39	4.5-6.6
Senior secured bonds, fixed rate, due 2020	**259**	**7.3**	265	7.3
Other	**19**	**6.9**	3	5.4
Senior notes[5]:				
Fixed rate, due 2003	**46**	**7.6**	96	6.1-7.6
Term notes, fixed rate, due 2000-2012	**959**	**6.5-9.0**	159	6.5-12.1
Line of credit, variable rate, due 2000	**76**	**6.9**	48	6.2
Line of credit, fixed rate, due 2000-2001	**3**	**6.3**	44	6.2
Notes payable, due 2006	**23**	**6.9**	298	6.5
Commercial paper			64	5.6
Revolving credit agreements			1,492	5.9
Total nonrecourse debt	**1,532**		2,889	
Total debt	**10,491**		7,317	
Less amounts due within one year:				
First and refunding mortgage bonds	**100**		135	
Other long-term debt	**141**		60	
Nonrecourse debt	**95**		161	
Total amount due within one year	**336**		356	
Less unamortized discount, net of premium	**54**		25	
Total long-term debt	**$10,101**		$6,936	

Notes:

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

(2) See Note 15.

(3) Certain pollution control equipment at Virginia Power's generating facilities has been pledged or conveyed to secure these financings.

(4) Real estate at Dominion is pledged as collateral.

(5) Certain common stock owned by DCI is pledged as collateral to secure the loan.

(6) Interest rates are rounded to the nearest one-tenth of one-percent and consist of weighted average interest rates for variable rate debt.

At December 31, 2000 and 1999, the Company had aggregate notional principal amounts of interest rate swaps on outstanding debt of $1.5 billion and $600 million, respectively, maturing between March 2002 and October 2023. The impact of the interest rate swaps on interest expense and on the Company's effective borrowing rates in 2000, 1999 and 1998 was not significant.

Maturities (including sinking fund obligations) through 2005 are as follows (in millions): 2001-$336; 2002-$1,658; 2003-$843; 2004-$1,314 and 2005-$858.

In January 2001, Dominion issued $1.0 billion of 2-year fixed rate 6% notes. In addition, in February 2001, Dominion issued $50 million in aggregate principal amount of Tax-Exempt Pollution Control Revenue Bonds due 2031.

Note 17 | Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts

In December 1997, Dominion established Dominion Resources Capital Trust I (DR Capital Trust). DR Capital Trust sold 250,000 Capital Securities for $250 million, representing preferred beneficial interests and 97% beneficial ownership in the assets held by DR Capital Trust. Dominion issued $258 million of 7.83% Junior Subordinated Debentures (Debentures) in exchange for the $250 million realized from the sale of the Capital Securities and $8 million of common securities of DR Capital Trust. The common securities represent the remaining 3% beneficial ownership interest in the assets held by DR Capital Trust. The Debentures constitute 100% of DR Capital Trust's assets.

In 1995, Virginia Power established Virginia Power Capital Trust I (VP Capital Trust). VP Capital Trust sold 5 million preferred securities for $135 million, representing preferred beneficial interests and 97% beneficial ownership in the assets held by VP Capital Trust. Virginia Power issued $139 million of its 1995 Series A, 8.05% Junior Subordinated Notes (the Notes) in exchange for the $135 million realized from the sale of the preferred securities and $4 million of common securities of VP Capital Trust. The common securities represent the remaining 3% beneficial ownership interest in the assets held by VP Capital Trust. The Notes constitute 100% of VP Capital Trust's assets.

In January 2001, Dominion established Dominion Resources Capital Trust II (DR Capital Trust II) and Dominion Resources Capital Trust III (DR Capital Trust III). DR Capital Trust II sold 12 million Trust Preferred Securities for $300 million, representing preferred beneficial interests and 97% beneficial ownership in the assets held by DR Capital Trust II. Dominion issued approximately $309 million of 8.4% Junior Subordinated Debentures due 2041 in exchange for the $300 million realized from the sale of the preferred securities and approximately $9 million of common securities of DR Capital Trust II. The Debentures constitute 100% of DR Capital Trust II's assets. DR Capital Trust III sold 250,000 Capital Securities for approximately $247 million, representing preferred beneficial interests and 97% beneficial ownership in the assets held by DR Capital Trust III. Dominion issued approximately $258 million of 8.4% Junior Subordinated Debentures due 2031 in exchange for the $247 million realized from the sale of the capital securities and approximately $8 million of common securities of DR Capital Trust III. The common securities represent the remaining 3% beneficial ownership in the assets held by DR Capital Trust III. The Debentures constitute 100% of DR Capital Trust III's assets.

Note 18 | Preferred Stock

Dominion is authorized to issue up to 20 million shares of preferred stock; however, no such shares are issued and outstanding.

Virginia Power is authorized to issue 10 million shares of preferred stock, $100 liquidation preference. Upon involuntary liquidation, dissolution or winding-up of Virginia Power, each share is entitled to receive $100 per share plus accrued dividends. Dividends are cumulative. During 2000, the following series of preferred stock subject to mandatory redemption matured:

- 400,000 shares of the $5.58 Series of Preferred Stock matured on March 1, 2000; and
- 1,400,000 shares of the $6.35 Series of Preferred Stock matured on September 1, 2000.

There were no redemptions of preferred stock in 1999.

At December 31, 2000, preferred stock not subject to mandatory redemption, $100 liquidation preference, included:

Dividend	Issued and Outstanding Shares	Entitled Per Share Upon Redemption
$5.00	106,677	$112.50
4.04	12,926	102.27
4.20	14,797	102.50
4.12	32,534	103.73
4.80	73,206	101.00
7.05	500,000	105.00[1]
6.98	600,000	105.00[2]
MMP 1/87[3]	500,000	100.00
MMP 6/87[3]	750,000	100.00
MMP 10/88[3]	750,000	100.00
MMP 6/89[3]	750,000	100.00
MMP 9/92 Series A[3]	500,000	100.00
MMP 9/92 Series B[3]	500,000	100.00
Total	5,090,140	

Notes:
(1) Through 7/31/03 and thereafter to amounts declining in steps to $100.00 after 7/31/13.
(2) Through 8/31/03 and thereafter to amounts declining in steps to $100.00 after 8/31/13.
(3) Money Market Preferred (MMP) dividend rates are variable and are set every 49 days via an auction. The weighted average rates for these series in 2000, 1999, and 1998, including fees for broker/dealer agreements, were 5.71%, 4.82%, and 4.49%, respectively.

Note 19 | Common Stock

On July 20, 1998, Dominion's Board of Directors authorized the repurchase of up to $650 million of Dominion common stock outstanding. As of December 31, 1999, Dominion had repurchased approximately 11 million shares valued at approximately $471 million.

In addition, Dominion repurchased approximately 3.2 million shares of stock in 2000 through the implementation of a total return

swap facility. These shares were repurchased at a cost of approximately $145 million. For additional information on the total return swap, see Note 24.

Immediately before the CNG acquisition, Dominion concluded a first step transaction in which 33 million shares of Dominion common stock were exchanged for approximately $1.4 billion.

Basic earnings per common share are calculated by dividing net income by the average number of common shares outstanding during the year. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. In 1999, diluted earnings per share includes an adjustment to reflect the cost incurred under a total return equity swap associated with Dominion's repurchase of common stock. A reconciliation of income before extraordinary item and cumulative effect of a change in accounting principle and basic to diluted share amounts follows:

	2000	**EPS**	1999	EPS	1998	EPS
Numerator:						
Income before extraordinary item and cumulative effect of a change in accounting principle—basic	**$415**		$552		$548	
Income effect of total return equity swap, net of taxes			(12)			
Income before extraordinary item and cumulative effect of a change in accounting principle—dilutive	**$415**		$540		$548	
Denominator:						
Weighted average shares—basic	**235.2**	**$1.76**	191.4	$2.88	194.9	$2.81
Effect of dilutive securities—stock options	**.7**			(0.07)		
Weighted average shares—dilutive	**235.9**	**$1.76**	191.4	$2.81	194.9	$2.81

Note 20 | Stock Compensation Plans

The Dominion Resources Incentive Compensation Plan (Incentive Plan) provides for the granting of stock options, restricted stock and performance shares to employees of Dominion and its affiliates. The aggregate number of shares of common stock that may be issued under the Incentive Plan is 30 million. The Dominion Resources Leadership Stock Option Plan (Leadership Stock Option Plan), adopted by the Board of Directors in 2000, provides for the granting of non-statutory stock options to salaried employees of Dominion. The aggregate number of common shares that may be issued under the Leadership Stock Option Plan is 10 million.

The changes in restricted share incentives and option awards under the combined plans were as follows:

	Restricted Shares	Weighted Average Price	Stock Options	Weighted Average Price	Options Exercisable
Balance at December 31, 1997	105,264	$38.88	4,826	$29.38	4,826
Awards granted—1998	75,866	$39.78			
Exercised/distributed/forfeited	(83,162)	$38.37	(2,700)	$29.29	
Balance at December 31, 1998	97,968	$40.02	2,126	$29.49	2,126
Awards granted—1999	24,758	$43.51	7,146,383	$41.38	
Exercised/distributed/forfeited	(94,113)	$40.71	(1,113)	$29.37	
Balance at December 31, 1999	28,613	$42.29	7,147,396	$41.37	7,147,396
Awards granted—2000	**169,886**	**$41.88**	**5,388,822**	**$43.87**	
Exercised/distributed/forfeited	**(108,077)**	**$42.25**	**(2,204,765)**	**$40.07**	
Balance at December 31, 2000	**90,422**	**$41.56**	**10,331,453**	**$41.77**	**6,966,695**

Under SFAS No. 123, *Accounting for Stock Based Compensation*, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service (or vesting) period. However, as permitted under SFAS No. 123, the Company instead measures compensation cost in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under this standard, compensation cost is measured as the difference between the market price of the Company's common stock and the exercise price of the option at the grant date. Accordingly, no compensation expense has been recognized for the stock option grants.

Had compensation cost associated with the stock options been determined under SFAS No. 123 based on the fair market value of the options at the grant date, such cost, net of related income taxes, would have been approximately $6 million for the year ended December 31, 2000. Basic and diluted earnings per share for the

year would have decreased by $0.03, due to the issuance of the stock options. In 1999, had compensation costs associated with the stock options been determined under SFAS No. 123, compensation cost, net of tax, would have been approximately $20 million for the year ended December 31, 1999. Both basic and diluted earnings per share for the year would have decreased by $0.10.

The fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions were used: expected dividend yield of 5.22 percent; expected volatility of 21.54 percent; contractual life of 10 years; risk-free interest rate of 5.18 percent; and expected lives of six years.

The weighted-average fair value of options granted during 2000 and 1999 was $6.86 and $4.35, respectively.

In 2000, Dominion instituted a third-party loan program whereby Dominion officers may borrow funds to increase their investment in the common stock of Dominion. Under certain phases of this program, approximately 1.7 million options were issued under the Incentive Plan, which were then immediately exercised. Certain of the officers who met their target ownership level under the loan program received bonus restricted shares equal to five percent of the number of shares they purchased under the program. The number of bonus shares totaled 101,666 in the aggregate. Dominion officers are responsible for the payment of such loans.

Note 21 | Employee Benefit Plans

In 2000 and 1999, Dominion and its subsidiaries maintained qualified noncontributory defined benefit retirement plans covering virtually all employees of Dominion. The benefits of the retirement plans are based on years of service, age, and the employee's compensation. Dominion's funding policy is to contribute annually an amount that is in accordance with the provisions of the Employment Retirement Income Security Act of 1974. For the year 1998, non-U.S. activity refers to the pension plan of East Midlands, which was sold in July 1998. The pension program also includes the payment of benefits to certain retired executives under company-sponsored nonqualified employee benefit plans. Certain of these nonqualified plans are funded through contributions to a grantor trust.

Dominion and its subsidiaries provide retiree health care and life insurance benefits with annual premiums based on several factors such as age, retirement date, and years of service. From time to time in the past, Dominion and its subsidiaries have changed benefits. Some of these changes have reduced benefits. Under the terms of their benefit plans, the companies reserve the right to change, modify or terminate the plans.

On January 28, 2000, Dominion offered an early retirement program (ERP). The ERP provided up to three additional years of age and three additional years of employee service for benefit formula purposes, subject to age and service maximums under the companies' postretirement medical and pension plans. Certain employees who satisfied certain minimum age and years of service requirements were eligible under the ERP. The effect of the ERP on the Company's pension plan and post retirement benefit expenses was $81 million and $33 million, respectively. These expenses were offset, in part, by curtailment gains of approximately $20 million and $6 million from pension plans and other postretirement benefit plans, respectively, attributable to reductions in expected future years of service as a result of ERP participation and involuntary employee terminations.

In addition, effective January 1, 2000, Dominion adopted a change in the method of calculating the market-related value of pension plan assets. The change is reported as a change in accounting principle. See Note 3.

The components of the provision for net periodic benefit cost were as follows:

(millions)	Pension Benefits				Other Benefits		
Year ended December 31,	**2000**	1999	1998	1998	**2000**	1999	1998
	U.S.	U.S.	U.S.	Non-U.S.			
Service cost	**$ 65**	$ 40	$ 32	$ 10	**$ 30**	$ 17	$ 12
Interest cost	**161**	76	71	44	**52**	28	24
Expected return on plan assets	**(298)**	(93)	(80)	(49)	**(31)**	(20)	(16)
Recognized gain	**6**						
Amortization of prior service cost	**3**						
Amortization of transition obligation	**(4)**				**13**	12	12
Curtailment gains	**(20)**				**(6)**		
ERP benefit costs	**81**				**33**		
Net amortization and deferral			(1)		**(2)**		(1)
Net periodic benefit cost	**$ (6)**	$ 23	$ 22	$ 5	**$ 89**	$ 37	$ 31

(millions)	Pension Benefits		Other Benefits	
Year ended December 31,	**2000**	1999	**2000**	1999
Change in plan assets:				
Fair value of plan assets at beginning of year	**$1,305**	$1,094	**$ 272**	$ 212
Acquisition of CNG	**2,332**		**128**	
Actual return on plan assets	**64**	232	**3**	45
Contributions	**34**	22	**45**	16
Benefits paid from plan assets	**(141)**	(43)	**(20)**	(1)
Sale of VNG	**(37)**		**(11)**	
Fair value of plan assets at end of year	**3,557**	1,305	**417**	272
Expected benefit obligation at beginning of year	**1,097**	1,126	**401**	377
Acquisition of CNG	**1,002**		**297**	
Actuarial (gain) loss during prior period		(13)		26
Actual benefit obligation at beginning of year	**2,099**	1,113	**698**	403
Extraordinary accounting charge	**10**			
Service cost	**65**	40	**30**	17
Interest cost	**161**	76	**52**	28
Benefits paid	**(141)**	(43)	**(43)**	(18)
Actuarial (gain) loss during the year	**112**	(89)	**82**	(29)
ERP benefit costs	**81**		**33**	
Sale of VNG	**(45)**		**(20)**	
Change in APBO due to curtailment	**(20)**		**(6)**	
Plan amendments	**(18)**		**(27)**	
Expected benefit obligation at end of year	**2,304**	1,097	**799**	401
Funded status	**1,253**	208	**(382)**	(129)
Unrecognized net actuarial (gain) loss	**177**	(177)	**13**	(45)
Unamortized prior service cost	**(1)**	3	**(7)**	
Unrecognized net transition (asset) obligation	**(9)**	(12)	**125**	158
Prepaid (accrued) benefit costs	**$1,420**	$ 22	**$(251)**	$ (16)
Amounts recognized in the Consolidated Balance Sheets at December 31 consist of the following:				
Prepaid benefit costs	**$1,455**	$ 22		
Accrued benefit costs	**(77)**		**$(251)**	$ (16)
Intangible asset	**14**			
Accumulated other comprehensive income	**28**			
Net amount recognized	**$1,420**	$ 22	**$(251)**	$ (16)

The Company has nonqualified pension plans which are reflected in the table above. The projected benefit obligation for these plans was $93 million at December 31, 2000. In addition, Dominion had recognized a minimum liability associated with these plans of $42 million at December 31, 2000.

Significant assumptions used in determining net periodic pension cost, the projected benefit obligation, and postretirement benefit obligations were:

	Pension Benefits		Other Benefits	
	2000	1999	**2000**	1999
Discount rates	**7.50%**	7.50%	**7.50%**	7.50%
Expected return on plan assets	**9.50%**	9.50%	**6.50%**	9.00%
Rate of increase for compensation	**5.00%**	5.00%	**5.00%**	5.00%
Medical cost trend rate			**9.00%**	4.75%
			Decreasing to 4.75% in 2005 and years thereafter	

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Other Postretirement Benefits

(millions)	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components for 2000	**$10**	**$ (8)**
Effect on postretirement benefit obligation at 12/31/00	**$86**	**$(71)**

In addition, Dominion sponsors defined contribution thrift-type savings plans. During 2000, 1999 and 1998, Dominion's recognized $30 million, $29 million and $28 million, respectively, as contributions to these plans.

The funds collected for other postretirement benefits in regulated utility rates, in excess of other postretirement benefits actually paid during the year, are contributed to external benefit trusts.

Note 22 | Commitments and Contingencies

As the result of issues generated in the course of daily business, Dominion and its subsidiaries are involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies, some of which involve substantial amounts of money. Management believes that the final disposition of these proceedings will not have an adverse material effect on its operations or the financial position, liquidity or results of operations.

Utility Rate Regulation

The acquisition of CNG has expanded the Company's exposure to utility rate regulation. Dominion's retail gas distribution companies are subject to price regulation in the states of Ohio, Pennsylvania and West Virginia. In addition, Dominion's gas transmission business is subject to rate regulation.

Dominion currently faces competition as a result of utility industry deregulation. Under Virginia's electric utility industry deregulation legislation, the Company's base rates will remain unchanged until July 2007 and recovery of certain generation-related costs will be provided through these capped rates. The Company remains exposed to numerous risks, including, among others, exposure to potentially stranded costs, future environmental compliance requirements, changes in tax laws, inflation and increased capital costs. At December 31, 2000, Dominion's exposure to potentially stranded costs was comprised of the following:

- long-term purchased power contracts that could ultimately be determined to be above market—See Purchased Power Contracts below;
- generating plants that could possibly become uneconomic in a deregulated environment; and
- unfunded obligations for nuclear plant decommissioning and postretirement benefits not yet recognized in the financial statements—See Notes 14 and 21.

Purchased Power Contracts

Dominion has contracts for the long-term purchase of capacity and energy from other utilities, qualifying facilities and independent power producers. Dominion has 54 power purchase contracts with a combined dependable summer capacity of 3,973 megawatts.

The following table reflects the Company's minimum commitments as of December 31, 2000, for power purchases from utility and nonutility suppliers.

(millions)	Commitment	
Year	Capacity	Other
2001	$ 727	$ 43
2002	724	43
2003	674	31
2004	672	29
2005	665	25
Later years	6,683	169
Total	$10,145	$340
Present value of the total	$ 5,580	$193

In addition to the minimum purchase commitments in the table above, under some of these contracts Dominion may purchase, at its option, additional power as needed. Purchased power expenditures, subject to cost of service rate regulation, (including economy, emergency, limited term, short-term and long-term purchases) for the years 2000, 1999 and 1998 were $1.1 billion, $1.2 billion and $1.1 billion, respectively.

See Note 7 for an evaluation of Dominion's potential exposure under its long-term purchased power commitments.

Fuel Purchase Commitments

Estimated fuel purchase commitments for the next five years for system generation are as follows: 2001—$379 million; 2002—$193 million; 2003—$166 million; 2004—$153 million; and 2005—$133 million.

Leases

Future minimum lease payments under the Company's noncancellable capital leases and operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2000 are: 2001-$115 million; 2002-$58 million; 2003-$51 million; 2004-$40 million; 2005-$29 million; and years after 2005-$92 million. Rental expense included in other operation and maintenance expense was $107 million, $31 million and $27 million for 2000, 1999 and 1998, respectively.

Sales of Power

Subsidiaries of Dominion enter into agreements with other utilities and with other parties to purchase and sell electric capacity and energy. These agreements may cover current and future periods. The volume of these transactions varies from day to day, based on the market conditions, Dominion's current and anticipated load, and other factors. The combined amounts of sales and purchases range from 3,000 megawatts to 15,000 megawatts at various times during a given year. These operations are closely monitored from a risk-management perspective.

Environmental Matters

Dominion is subject to rising costs resulting from a steadily increasing 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. These laws and regulations can result in increased capital,

operating and other costs as a result of compliance, remediation, containment and monitoring obligations of Dominion.

Dominion currently recovers environmental-related costs from electric service customers through regulated utility rates. However, to the extent environmental costs are incurred during the period ending June 30, 2007, in excess of the level currently included in Virginia jurisdictional rates, Dominion's results of operations will decrease. After that date, Dominion may seek recovery from customers through utility rates of only those environmental costs related to transmission and distribution operations.

In 1987, the U.S. Environmental Protection Agency (EPA) identified Dominion and several other entities as Potentially Responsible Parties (PRPs) at two Superfund sites located in Kentucky and Pennsylvania. Current cost studies estimate total remediation costs for the sites to range from $98 million to $156 million. Dominion's proportionate share of the total cost is expected to be in the range of $2 million to $3 million, based upon allocation formulas and the volume of waste shipped to the sites. Dominion has accrued a reserve of $2 million to meet its obligations at these two sites. Based on a financial assessment of PRPs involved at these sites, Dominion has determined that it is probable that the PRPs will fully pay the costs apportioned to them. Dominion generally seeks to recover its costs associated with environmental remediation from third-party insurers. Any pending or possible claims were not recognized as an asset or offset against such obligations.

In 1999, Dominion was notified by the Department of Justice of alleged noncompliance with EPA's oil spill prevention, control and counter-measures (SPCC) plans and facility response plan (FRP) requirements at one of Dominion's power stations. If, in a legal proceeding, such instances of noncompliance are deemed to have occurred, Dominion may be required to remedy any alleged deficiencies and pay civil penalties. Settlement of this matter is currently in negotiation and is not expected to have a material impact on Dominion's financial condition or results of operations. Dominion identified matters at certain other power stations that EPA might view as not in compliance with the SPCC and FRP requirements. Dominion reported these matters to the EPA and in December 1999 submitted revised FRP and SPCC plans. Presently, the EPA has not assessed any penalties against Dominion, pending its review of Dominion's disclosure information. Future resolution of these matters is not expected to have a material impact on Dominion's financial condition or results of operations.

During 2000, the Company received a Notice of Violation (NOV) from the EPA alleging that Dominion is operating its Mt. Storm Power Station in West Virginia in violation of the Clean Air Act. The NOV alleges that Dominion failed to obtain New Source Review permits prior to undertaking specified construction projects at the station. Violations of the Clean Air Act may result in the imposition of substantial civil penalties and injunctive relief. Also in 2000, the Attorney General of New York filed a suit against Dominion alleging similar violations of the Clean Air Act at the Mt. Storm Power Station. Dominion has also received notices from the Attorneys General of Connecticut and New Jersey of their intentions to file suit against Dominion for similar violations. Currently, Dominion has reached an agreement in principle with the federal government and the state of New York about the resolution of various Clean Air Act matters. The agreement in principle includes payment of a $5 million civil penalty, a commitment of $14 million for major 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 Dominion's coal-fired generating stations in Virginia and West Virginia. Dominion has already committed to a substantial portion of the $1.2 billion expeditures for SO_2 and NO_X emissions controls in response to other Clean Air Act requirements. Although Dominion and EPA have reached an agreement in principle, the terms of a final binding settlement are still being negotiated. As of December 31, 2000, Dominion has recorded, on a discounted basis, $17 million for the civil penalty and environmental projects.

In 1990, Dominion Transmission entered into a Consent Order and Agreement with the Commonwealth of Pennsylvania Department of Environmental Protection (DEP) in which Dominion Transmission has agreed with the DEP's determination of certain violations of the Pennsylvania Solid Waste Management Act, the Pennsylvania Clean Streams Law and the rules and regulations promulgated thereunder. No civil penalties have been assessed. Pursuant to the Order and Agreement, Dominion Transmission continues to perform sampling, testing and analysis, and conducts remediation at some of its affected Pennsylvania facilities. Total remediation costs in connection with these sites and the Order and Agreement are not expected to be material with respect to the Company's financial position, results of operations or cash flows.

The Company has recognized an estimated liability amounting to $6 million at December 31, 2000, for future costs expected to be incurred to remediate or mitigate hazardous substances at these sites and at facilities covered by the Order and Agreement.

Nuclear Insurance

The Price-Anderson Act limits the public liability of an owner of a nuclear power plant to $9.5 billion for a single nuclear incident. The Price-Anderson Act Amendment of 1988 allows for an inflationary provision adjustment every five years. Dominion has purchased $200 million of coverage from the commercial insurance pools, with the remainder provided through a mandatory industry risk sharing program. In the event of a nuclear incident at any licensed nuclear reactor in the United States, Dominion could be assessed up to $88 million for each of its four licensed reactors not to exceed $10 million per year per reactor. There is no limit to the number of incidents for which this retrospective premium can be assessed.

Dominion's current level of property insurance coverage ($2.55 billion for North Anna and $2.55 billion for Surry) exceeds the NRC's minimum requirement for nuclear power plant licensees of $1.06 billion per reactor site and includes coverage for premature decommissioning and functional total loss. The NRC requires that the proceeds from this insurance be used first to return the reactor to

and maintain it in a safe and stable condition, then to decontaminate the reactor and station site in accordance with a plan approved by the NRC. Dominion's nuclear property insurance is provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurance company, and is subject to retrospective premium assessments in any policy year in which losses exceed the funds available to the insurance company. The maximum assessment for the current policy period is $21 million. Based on the severity of the incident, the board of directors of Dominion's nuclear insurer has the discretion to lower or eliminate the maximum retrospective premium assessment. For any losses that exceed the limits or for which insurance proceeds are not available because they must first be used for stabilization and decontamination, Dominion has the financial responsibility for these losses.

Dominion purchases insurance from NEIL to cover the cost of replacement power during the prolonged outage of a nuclear unit due to direct physical damage of the unit. Under this program, Dominion is subject to a retrospective premium assessment for any policy year in which losses exceed funds available to NEIL. The current policy period's maximum assessment is $7 million.

As part owner of the North Anna Power Station, Old Dominion Electric Cooperative is responsible for its share of the nuclear decommissioning obligation and insurance premiums applicable to that station, including any retrospective premium assessments and any losses not covered by insurance.

Guarantees

Dominion has issued guarantees to various third parties in relation to the payment obligations by certain of its subsidiaries and officers. At December 31, 2000, Dominion had issued $1.8 billion of guarantees, and the subsidiaries' debt subject to such guarantees totaled $1.2 billion.

DEI

Subsidiaries of DEI have general partnership interests in certain of its energy ventures. These subsidiaries may be required to fund future operations of these investments, if operating cash flow is insufficient.

DCI

At December 31, 2000, DCI had commitments to fund loans of approximately $230 million.

Note 23 | Fair Value of Financial Instruments

The fair value amounts of Dominion's financial instruments have been determined using available market information and valuation methodologies deemed appropriate in the opinion of management. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market estimation assumptions may have a material effect on the estimated fair value amounts.

(millions) At December 31,	Carrying Amount		Estimated Fair Value	
	2000	1999	**2000**	1999
Assets:				
Cash and cash equivalents[1]	**$ 360**	$ 280	**$ 360**	$ 280
Investment securities, trading[2]	**275**	2	**275**	2
Mortgage loans held for sale[3]	**104**	119	**104**	119
Commodity-based swaps, trading[4]	**281**	25	**281**	25
Commodity-based options, trading[4]	**29**	6	**29**	6
Available-for-sale securities[2]	**292**	512	**292**	512
Loans and notes receivable and finance receivables held for sale[5]	**676**	2,131	**676**	2,131
Nuclear decommissioning trust funds[2]	**851**	818	**851**	818
Liabilities:				
Short-term debt[6]	**3,237**	870	**3,237**	870
Commodity-based swaps, trading[4]	**325**	24	**325**	24
Commodity-based options, trading[4]	**56**	6	**56**	6
Long-term debt[6]	**10,491**	7,317	**10,555**	7,185
Preferred securities of subsidiary trusts[7]	**385**	385	**383**	359
Preferred stock[8]		180		181
Loan commitments[9]			**230**	937
Unrecognized financial instruments:				
Interest rate-swaps[10]			**17**	(15)
Total return equity swap[11]				(19)
Swaps, collars and options, hedging[4]			**(277)**	5

Notes:

(1) The carrying amount of these items is a reasonable estimate of their fair value.

(2) The estimated fair value is based on quoted market prices, dealer quotes, and prices obtained from independent pricing sources.

(3) The fair value is based on outstanding commitments from investors.

(4) Fair value reflects the Company's best estimates considering over-the-counter quotations, time value and volatility factors of the underlying commitments.

(5) The carrying value approximates fair value due to the variable rate or term structure.

(6) Market values are used to determine the fair value for debt securities for which a market exists. For debt issues that are not quoted on an exchange, interest rates currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value. The carrying amount of debt issues with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(7) The fair value is based on market quotations.

(8) Preferred stock matured in 2000. See Note 18.

(9) The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit-worthiness of the counterparties.

(10) The fair value is based upon the present value of all estimated net future cash flows, taking into account current interest rates and the creditworthiness of the swap counterparties.

(11) The fair value of the total return equity swap is estimated by obtaining quotes from brokers.

Note 24 | Derivative Transactions

Dominion uses derivative financial instruments for the purposes of managing commodity price and interest rate risks.

Commodity-Based Instruments—Non-Trading

Dominion manages the price risk associated with purchases and sales of natural gas and oil by selecting derivative commodity instruments whose historical price fluctuations correlate strongly with those of the transactions being hedged. These commodity-based financial derivatives include swaps, options, and collars which require settlement in cash. As these instruments qualify and have been designated as hedges, any gains or losses resulting from market price changes are expected to be generally offset by the related physical transaction.

At December 31, 2000, Dominion held swaps with notional quantities of approximately 267 Bcf of natural gas maturing through 2001-2005 with an aggregate unrealized gain of $158 million. Net notional quantities do not represent the quantities exchanged by the parties and are not a measure of Dominion's exposure through the use of swaps but are used in the determination of cash settlements under the swap agreements.

At December 31, 2000, Dominion held options and collars covering approximately 202 Bcf of natural gas and 11 million barrels of crude oil maturing through 2001 with an aggregate unrealized loss of $435 million.

At December 31, 1999, Dominion held swaps, options and collars covering approximately 42 Bcf of natural gas maturing through 2002 with an aggregate unrealized gain of $5 million.

Commodity-based Instruments—Trading

As part of Dominion's strategy to market energy from its generation capacity and to manage related risks, the Company manages a portfolio of commodity contracts held for trading purposes. These contracts are reported at fair value on the Consolidated Balance Sheet. Commodity contract assets (including long-term) totaled $1.1 billion and $367 million at December 31, 2000 and 1999, respectively. Commodity contract liabilities (including long-term) totaled $1.1 billion and $354 million at December 31, 2000 and 1999, respectively. As disclosed in Note 23, included in these amounts was a net commodity-based derivative liability consisting of swaps and options totaling $71 million and a net commodity-based derivative asset of $1 million at December 31, 2000 and 1999, respectively. Net gains and losses associated with Dominion's commodity trading activities are reported net of related cost of sales in Operating revenue and income—other and totaled $95 million and $65 million for 2000 and 1999, respectively.

Interest Rate Contracts

Dominion enters into interest rate sensitive financial derivative instruments, including swaps and futures, in order to manage exposure to the effects of interest rate changes on outstanding debt and mortgage loans that the Company has funded or has committed to fund, as well as residual interests retained. Net notional quantities or amounts do not represent the quantities or amounts exchanged by the parties, and are not a measure of Dominion's exposure through the use of swaps and futures but are used in the determination of cash settlements under the agreements.

At December 31, 2000, Dominion held swaps used to synthetically convert approximately $450 million of variable-rate debt to fixed rates, and approximately $1.0 billion of fixed-rate debt to variable-rate debt.

Also, at December 31, 2000, Dominion recorded its interest rate swaps and futures held for trading purposes at fair value, a net liability of $13 million. These contracts had notional quantities of $5.0 billion and resulted in net trading losses of $14 million for 2000.

At December 31, 1999, all interest rate swaps and futures were held for purposes other than trading with notional quantities of $3.7 billion. The net deferred hedging losses were not material.

Risk Management Policies

Dominion has operating procedures in place that are administered by experienced management to help ensure that proper internal controls regarding the use of derivatives are maintained. In addition, Dominion has established an independent function to monitor compliance with the price risk management policies of all subsidiaries. In addition, Dominion maintains credit policies with respect to its counterparties that management believes minimize overall credit risk. Such policies include the evaluation of a prospective counterparty's financial condition, collateral requirements where deemed necessary, and the use of standardized agreements which facilitate the netting of cash flows associated with a single counterparty. Dominion also monitors the financial condition of existing counterparties on an ongoing basis. Considering the system of internal controls in place and credit reserve levels at December 31, 2000, management believes it unlikely that a material adverse effect on its financial position, results of operations or cash flows would occur as a result of counterparty nonperformance.

In addition to the financial derivatives disclosed above, Dominion held futures and forwards that may be settled through the purchase or delivery of commodities. As of December 31, 2000, these instruments were not considered financial derivatives. However, effective January 1, 2001, Dominion adopted SFAS No. 133 which changed the scope and method of accounting for derivatives. See Note 4 for a discussion of impact of adoption of this standard.

Other Derivatives

In 1998, Dominion entered into total return swap agreements with swap counterparties. The notional amount of the swaps is based on the purchase price of the securities to be acquired by the swap counterparties. As a result of the winding down of the financial services business, the total return swap agreement was terminated in 2000. At December 31, 1999, the notional amount was $249 million. The gains or losses from the sale, settlement or mark to market of the total return swaps are recorded in Other revenue. Earnings due to swap transactions were $2 million and $18 million in 2000 and

1999, respectively. Total return swap transactions require additional funding of or return of cash collateral resulting from decreases or increases in the fair market value of the swap position. Total return swap cash collateral is included in cash and cash equivalents. Such cash collateral was $59 million at December 31, 1999.

During the fourth quarter of 1999, Dominion entered into a total return equity swap facility agreement (Agreement). The Agreement gave Dominion the right to direct the counterparty to purchase shares of Dominion common stock during the term of the Agreement. In addition, Dominion paid the counterparty a carrying cost equal to a LIBOR-based rate on the counterparty's cost of acquiring the shares from the date of such acquisitions until the date of settlement. Due to Dominion's ability to issue shares to settle periodic price fluctuations and fees under the Agreement, Dominion recorded all amounts received and paid as equity. As of December 31, 1999, the counterparty had acquired 3.2 million shares of Dominion common stock under this Agreement at an aggregate cost that was approximately $19 million more than the fair market value of the shares at December 31, 1999. On February 3, 2000, Dominion settled all transactions under the Agreement and received the 3.2 million shares at a cost of $145 million.

Note 25 | Gas and Oil Producing Activities (unaudited)

Capitalized Costs

The aggregate amounts of costs capitalized for gas and oil producing activities, and related aggregate amounts of accumulated depreciation and amortization, follow:

(millions)	At December 31,	
	2000	1999
Capitalized costs of:		
Proved properties	**$5,210**	$1,116
Unproved properties	**550**	69
	5,760	1,185
Accumulated depreciation of:		
Proved properties	**2,959**	245
Unproved properties	**233**	6
	3,192	251
Net capitalized costs	**$2,568**	$ 934

Total Costs Incurred

The following costs were incurred in gas and oil producing activities during the years 1998 through 2000:

(millions)

Year ended December 31,	2000			1999			1998		
	Total	**United States**	**Canada**	Total	United States	Canada	Total	United States	Canada
Property acquisition costs:									
Proved properties	**$1,475**	**$1,459**	**$16**	$280	$121	$159	$165		$165
Unproved properties	**125**	**125**		33	3	30			
	1,600	**1,584**	**16**	313	124	189	165		165
Exploration costs	**159**	**115**	**44**	4	2	2	20	$16	4
Development costs	**261**	**236**	**25**	85	34	51	28	25	3
Total	**$2,020**	**$1,935**	**$85**	$402	$160	$242	$213	$41	$172

Results of Operations

The Company cautions that the following standardized disclosures required by the FASB do not represent the results of operations based on its historical financial statements. In addition to requiring different determinations of revenue and costs, the disclosures exclude the impact of interest expense and corporate overheads.

(millions) Year ended December 31,	2000			1999			1998		
	Total	**United States**	**Canada**	Total	United States	Canada	Total	United States	Canada
Revenues (net of royalties) from:									
Sales to nonaffiliated companies	**$861**	**$691**	**$170**	$229	$142	$87	$141	$119	$22
Transfers to other operations	**93**	**93**							
Total	**954**	**784**	**170**	229	142	87	141	119	22
Less:									
Production (lifting) costs	**158**	**133**	**25**	77	47	30	43	37	6
Depreciation and amortization	**345**	**294**	**51**	84	47	37	59	45	14
Income tax expense	**134**	**93**	**41**	(10)	(19)	9	(10)	(11)	1
Results of operations	**$317**	**$264**	**$ 53**	$ 78	$ 67	$11	$ 49	$ 48	$ 1

Company-Owned Reserves

Estimated net quantities of proved gas and oil (including condensate) reserves in the United States and Canada at December 31, 1998 through 2000, and changes in the reserves during those years, are shown in the two schedules which follow.

	2000			1999			1998		
(billion cubic feet)	**Total**	**United States**	**Canada**	Total	United States	Canada	Total	United States	Canada
Proved developed and undeveloped reserves—Gas									
At January 1	**1,114**	**600**	**514**	591	473	118	447	447	
Changes in reserves:									
Extensions, discoveries and other additions	**274**	**232**	**42**	156	94	62	66	57	9
Revisions of previous estimates	**(89)**	**(59)**	**(30)**	(18)	25	(43)	17	17	
Production	**(269)**	**(222)**	**(47)**	(97)	(60)	(37)	(63)	(50)	(13)
Purchases of gas in place	**1,322**	**1,322**		512	98	414	129	6	123
Sales of gas in place	**(15)**	**(15)**		(30)	(30)		(5)	(4)	(1)
At December 31	**2,337**	**1,858**	**479**	1,114	600	514	591	473	118
Proved developed reserves—Gas									
At January 1	**1,005**	**600**	**405**	591	473	118	447	447	
At December 31	**1,954**	**1,593**	**361**	1,005	600	405	591	473	118

	2000			1999			1998		
(thousands of barrels)	**Total**	**United States**	**Canada**	Total	United States	Canada	Total	United States	Canada
Proved developed and undeveloped reserves—Oil									
At January 1	**20,808**	**659**	**20,149**	4,204	2,661	1,543	2,349	2,349	
Changes in reserves:									
Extensions, discoveries and other additions	**14,213**	**12,813**	**1,400**	2,051	118	1,933	966	925	41
Revisions of previous estimates	**(5,082)**	**(2,443)**	**(2,639)**	8,339	(552)	8,891	140	140	
Production	**(7,694)**	**(6,436)**	**(1,258)**	(2,057)	(595)	(1,462)	(1,025)	(751)	(274)
Purchases of oil in place	**54,977**	**48,359**	**6,618**	9,244		9,244	1,897		1,897
Sales of oil in place	**(1,880)**	**(1,880)**		(973)	(973)		(123)	(2)	(121)
At December 31	**75,342**	**51,072**	**24,270**	20,808	659	20,149	4,204	2,661	1,543
Proved developed reserves—Oil									
At January 1	**6,102**	**659**	**5,443**	4,204	2,661	1,543	2,349	2,349	
At December 31	**36,236**	**21,709**	**14,527**	6,102	659	5,443	4,204	2,661	1,543

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein

The following tabulation has been prepared in accordance with the FASB's rules for disclosure of a standardized measure of discounted future net cash flows relating to Company-owned proved gas and oil reserve quantities.

(millions) Year ended December 31,	2000			1999			1998		
	Total	**United States**	**Canada**	Total	United States	Canada	Total	United States	Canada
Future cash inflows	**$22,762**	**$18,277**	**$4,485**	$2,401	$1,282	$1,119	$1,311	$1,102	$209
Less:									
Future development and production costs	**2,558**	**1,945**	**613**	1,097	497	600	485	381	104
Future income tax expense	**7,145**	**5,591**	**1,554**	209	125	84	120	137	(17)
Future cash flows	**13,059**	**10,741**	**2,318**	1,095	660	435	706	584	122
Less annual discount (10% a year)	**5,721**	**4,620**	**1,101**	546	310	236	324	280	44
Standardized measure of discounted future net cash flows	**$ 7,338**	**$ 6,121**	**$1,217**	$ 549	$ 350	$ 199	$ 382	$ 304	$ 78

In the foregoing determination of future cash inflows, sales prices for gas were based on contractual arrangements or market prices at each year-end. Prices for oil were based on average prices received from sales in the month of December each year. Future cash inflows also reflect the effects of hedging activities. Future costs of developing and producing the proved gas and oil reserves reported at the end of each year shown were based on costs determined at each such year end, assuming the continuation of existing economic conditions. Future income taxes were computed by applying the appropriate year-end or future statutory tax rate to future pretax net cash flows, less the tax basis of the properties involved, and giving effect to tax deductions, or permanent differences and tax credits.

It is not intended that the FASB's standardized measure of discounted future net cash flows represent the fair market value of the Company's proved reserves. The Company cautions that the disclosures shown are based on estimates of proved reserve quantities and future production schedules which are inherently imprecise and subject to revision, and the 10% discount rate is arbitrary. In addition, present costs and prices are used in the determinations and no value may be assigned to probable or possible reserves.

The following tabulation is a summary of changes between the total standardized measure of discounted future net cash flows at the beginning and end of each year.

(millions) Year ended December 31,	2000	1999	1998
Standardized measure of discounted future net cash flows at January 1	**$ 549**	$ 382	$ 329
Changes in the year resulting from:			
Sales and transfers of gas and oil produced during the year, less production costs	**(796)**	(152)	(98)
Prices and production and development costs related to future production	**8,706**	(110)	(114)
Extensions, discoveries and other additions, less production and development costs	**1,602**	103	61
Previously estimated development costs incurred during the year	**82**	57	71
Revisions of previous quantity estimates	**(778)**	34	8
Accretion of discount	**259**	44	40
Income taxes	**(3,309)**	(44)	8
Acquisition of CNG	**1,322**		
Other purchases and sales of proved reserves in place	**994**	245	83
Other (principally timing of production)	**(1,293)**	(10)	(6)
Standardized measure of discounted future net cash flows at December 31	**$ 7,338**	$ 549	$ 382

Note 26 | Quarterly Financial and Common Stock Data (unaudited)

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

(millions, except per share amounts)	2000	1999
Operating revenue and income		
First Quarter	**$2,072**	$1,293
Second Quarter	**2,056**	1,315
Third Quarter	**2,351**	1,663
Fourth Quarter	**2,781**	1,249
Year	**$9,260**	$5,520
Income from operations		
First Quarter	**$ 415**	$ 322
Second Quarter	**71**	300
Third Quarter	**658**	492
Fourth Quarter	**385**	214
Year	**$1,529**	$1,328
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle		
First Quarter	**$ 143**	$ 138
Second Quarter	**(103)**	120
Third Quarter	**255**	235
Fourth Quarter	**120**	59
Year	**$ 415**	$ 552
Net income (loss)		
First Quarter	**$ 143**	$ (117)
Second Quarter	**(103)**	120
Third Quarter	**255**	235
Fourth Quarter	**141**	59
Year	**$ 436**	$ 297

Earnings (loss) per share before extraordinary item and cumulative effect of a change in accounting principle

	Basic		Diluted	
	2000	1999	2000	1999
First Quarter	**$ 0.64**	$ 0.71	**$ 0.64**	$ 0.71
Second Quarter	**(0.44)**	0.63	**(0.44)**	0.63
Third Quarter	**1.07**	1.23	**1.07**	1.23
Fourth Quarter	**0.49**	0.31	**0.49**	0.24
Year	**$ 1.76**	$ 2.88	**$ 1.76**	$ 2.81

Earnings (loss) per share

	Basic		Diluted	
	2000	1999	2000	1999
First Quarter	**$ 0.64**	$ (0.61)	**$ 0.64**	$ (0.61)
Second Quarter	**(0.44)**	0.63	**(0.44)**	0.63
Third Quarter	**1.07**	1.23	**1.07**	1.23
Fourth Quarter	**0.58**	0.30	**0.58**	0.23
Year	**$ 1.85**	$ 1.55	**$ 1.85**	$ 1.48

Quarterly Financial and Common Stock Data—Unaudited (continued)

	2000	1999
Dividends per share		
First Quarter	**$0.645**	$0.645
Second Quarter	**0.645**	0.645
Third Quarter	**0.645**	0.645
Fourth Quarter	**0.645**	0.645
Year	**$ 2.58**	$ 2.58
Stock price range		
First Quarter	**43 1/8 -34 13/16**	47 1/16 -36 7/8
Second Quarter	**47 1/2 -38 1/16**	44 13/16-36 9/16
Third Quarter	**59 13/16-42 13/16**	47 3/16 -43
Fourth Quarter	**67 15/16-50 3/4**	49 3/8 -39 1/4
Year	**67 15/16-34 13/16**	49 3/8 -36 9/16

Certain amounts recorded in 2000 and 1999 were not ordinary, recurring adjustments.

For the year ended December 31, 2000, Dominion recognized $460 million of restructuring and other acquisition-related costs. See Note 6.

During the second quarter of 2000, management adopted a strategy to exit certain businesses of DCI and to de-emphasize the remaining components of the businesses that are expected to be retained or possibly held only as long as necessary to wind up affairs. Under this strategy, DCI reevaluated certain assets and businesses and impairment losses were recognized. During 2000, Dominion has recognized impairment losses of $291 million, of which $172 million was determined to be attributable to Dominion's exit strategy rather than other factors and are included in Restructuring and other acquisition-related costs.

During the quarter ended September 30, 2000, Dominion adopted a company-wide method of calculating the market related value of plan assets used to determine the expected return on pension plan assets, a component of net periodic pension cost. Dominion recorded $21 million, net of income taxes of $11 million, as a cumulative effect of the change on prior years' income. The effect of the change for the year 2000 was to increase income before extraordinary item and cumulative effect of a change in accounting principle by $11 million, or $0.05 per share, and net income by $32 million, or $0.14 per share.

Extraordinary Item

In the first quarter of 1999, Dominion recorded an after-tax charge of $255 million, or $1.33 per share, to reflect the write-off of assets and liabilities that will not be recovered through base rates capped by Virginia legislation enacted into law on March 25, 1999. This legislation establishes a detailed plan to restructure the electric utility industry in Virginia. The after-tax charge was recorded as an extraordinary item on Dominion's Consolidated Statements of Income.

Note 27 | Business Segments

Business segment financial information follows for each of the three years in the period ended December 31, 2000. Corporate includes intersegment eliminations.

(millions, except total assets)	Dominion Delivery	Dominion Capital	Dominion Energy	Dominion UK	Dominion E&P	Corporate Operations	Total Consolidated
2000							
Revenue	**$2,824**	**$433**	**$4,764**		**$1,369**	**$(130)**	**$9,260**
Interest income						**8**	**8**
Interest expense	**198**	**192**	**207**		**83**	**278**	**958**
Operating income	**707**	**215**	**934**		**438**	**(765)**	**1,529**
Depreciation and amortization	**318**	**34**	**340**		**352**	**132**	**1,176**
Unusual items						**351**	**351**
Equity income		**6**	**23**		**12**	**6**	**47**
Income tax expense (benefit)	**187**	**12**	**262**		**97**	**(375)**	**183**
Net income	**339**	**11**	**478**		**270**	**(662)**	**436**
Equity investments		**111**	**223**		**71**	**68**	**473**
Capital expenditures	**457**	**5**	**330**		**751**	**22**	**1,565**
Total assets (billions)	**7.9**	**2.0**	**10.6**		**3.6**	**5.2**	**29.3**
1999							
Revenue	1,166	473	3,593		256	32	5,520
Interest income			12		4	7	23
Interest expense	141	152	173		39	2	507
Operating income	431	265	623		44	(35)	1,328
Depreciation and amortization	246	32	313		84	32	707
Extraordinary item						(255)	(255)
Equity income		4	14		5	10	33
Income tax expense (benefit)	109	35	161		(29)	(17)	259
Net income	175	78	271		44	(271)	297
Equity investments		166	186		23	31	406
Capital expenditures	317	9	461		86	21	894
Total assets (billions)	4.6	3.6	7.5		1.2	0.9	17.8
1998							
Revenue	1,111	409	3,510	$1,009	164	(122)	6,081
Interest income			12		2	15	29
Interest expense	145	121	179	102	19	17	583
Operating income	424	210	615	142	29	(316)	1,104
Depreciation and amortization	237	25	337	75	59		733
Unusual items				332			332
Equity income		21	14		4	2	41
Income tax expense (benefit)	104	31	157	133	(20)	(93)	312
Net income	168	59	262	227	34	(202)	548
Equity investments		203	122		18	39	382
Capital expenditures	282	6	260	92	50	65	755
Total assets (billions)	4.6	3.1	7.5		0.8	1.5	17.5

Geographic Areas

Revenue (millions)		International				
Year	Domestic	United Kingdom	Latin America	Canada	Total International	Consolidated
2000	**$9,068**		**$ 13**	**$179**	**$ 192**	**$9,260**
1999	5,392		106	22	128	5,520
1998	4,913	$1,009	133	26	1,168	6,081

Long-Lived Assets (billions)		International				
Year	Domestic	United Kingdom	Latin America	Canada	Total International	Consolidated
2000	**$21.5**			**$0.5**	**$0.5**	**$22.0**
1999	10.7	$0.1	$0.4	0.5	1.0	11.7

Under SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Informations*, Dominion has defined segments based on product, geographic location and regulatory environment.

On March 3, 2000, Dominion announced a new business structure that integrates CNG's businesses, streamlines operations, and positions Dominion for long-term growth in the competitive marketplace. Under the structure, Dominion operates three principal business units:

- Dominion Energy manages Dominion's 19,000-megawatt generation portfolio, consisting of generating units and power purchase agreements. It also manages the Company's generation growth strategy; energy trading, marketing, hedging and arbitrage activities; and gas pipeline and storage operations.
- Dominion Delivery manages Dominion's electric and gas distribution systems, as well as customer service and electric transmission. The Company's telecommunications business is also included in the Dominion Delivery segment.
- Dominion Exploration & Production manages Dominion's onshore and offshore oil and gas exploration, development and production operations. Operations are located on the outer continental shelf and deep water areas of the Gulf of Mexico and in selected regions in the lower 48 states and Canada.

In addition, Dominion also reviews the following as business segments:

- the financial services businesses of DCI; and
- Corporate Operations.

The Corporate Operations category includes:

- corporate costs of Dominion's and CNG's holding companies;
- Corby Power (UK) operations, prior to its sale on September 29, 2000;
- intercompany eliminations;
- restructuring and acquisition related costs (see Note 6);
- cumulative effect of a change in the method of accounting for pensions (see Note 3);
- impairment and re-valuation of DCI's assets (see Note 6);
- the write-off of generation-related assets and liabilities at Dominion in 1999 (see Note 7); and
- the impairment of regulatory assets and one-time base rate refund resulting from the settlement of Virginia Power's 1998 Virginia jurisdictional rate proceedings (see Note 7).

While Dominion manages its daily operations as described above, assets remain wholly owned by its legal subsidiaries.

Selected Consolidated Financial Data

(millions, except per share amounts)	**2000**	1999	1998	1997	1996
Operating revenue and income	**$ 9,260**	$ 5,520	$ 6,081	$ 7,263	$ 4,815
Income before extraordinary item and cumulative effect of a change in accounting principle	**$ 415**	$ 552	$ 548	$ 412	$ 482
Extraordinary item (net of income taxes of $197)		$ (255)			
Cumulative effect of change in accounting principle (net of income taxes of $11)	**$ 21**				
Net income	**$ 436**	$ 297	$ 548	$ 412	$ 482
Total assets	**$29,348**	$17,782	$17,549	$20,184	$14,911
Long-term debt, preferred stock subject to mandatory redemption and preferred securities of a subsidiary trust[1]	**$10,486**	$ 7,321	$ 6,817	$ 7,761	$ 5,362
Common stock data:					
Earnings per share—basic	**$ 1.85**	$ 1.55	$ 2.81	$ 2.22	$ 2.70
Dividends paid per share	**$ 2.58**	$ 2.58	$ 2.58	$ 2.58	$ 2.58

Note:
(1) In 1999, preferred stock subject to mandatory redemption is included in Securities due within one year and is excluded from this amount.

Report of Management's Responsibilities

The management of Dominion Resources, Inc. is responsible for all information and representations contained in the Consolidated Financial Statements and other sections of the annual report. The Consolidated Financial Statements, which include amounts based on estimates and judgments of management, have been prepared in conformity with generally accepted accounting principles. Other financial information in the annual report is consistent with that in the Consolidated Financial Statements.

Management maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that Dominion's and its subsidiaries' assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed and recorded in accordance with established procedures. Management recognizes the inherent limitations of any system of internal accounting control, and therefore cannot provide absolute assurance that the objectives of the established internal accounting controls will be met.

This system includes written policies, an organizational structure designed to ensure appropriate segregation of responsibilities, careful selection and training of qualified personnel, and internal audits. Management believes that during 2000 the system of internal control was adequate to accomplish the intended objectives.

The Consolidated Financial Statements have been audited by Deloitte & Touche LLP, independent auditors, who were designated by the Board. Their audits were conducted in accordance with auditing standards generally accepted in the United States of America and include a review of Dominion's and its subsidiaries' accounting systems, procedures and internal controls, and the performance of tests and other auditing procedures sufficient to provide reasonable assurance that the Consolidated Financial Statements are not materially misleading and do not contain material errors.

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

Management recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal corporate conduct. This responsibility is characterized and reflected in Dominion's Code of Ethics, which addresses potential conflicts of interest, compliance with all domestic and foreign laws, the confidentiality of proprietary information, and full disclosure of public information.

Dominion Resources, Inc.

Thos. E. Capps
Chairman, President and
Chief Executive Officer

Steven A. Rogers
Vice President, Controller and
Principal Accounting Officer

Independent Auditors' Report

To the Shareholders and Board of Directors of
Dominion Resources, Inc.
Richmond, Virginia

We have audited the accompanying consolidated balance sheets of Dominion Resources, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, common shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting used to develop the market-related value of pension plan assets in 2000. Also, as discussed in Note 3 to the consolidated financial statements, in 2000 the Company changed its method of accounting for its oil and gas exploration and production activities to the full cost method of accounting and, retroactively, restated the 1999 and 1998 consolidated financial statements for the change to the full cost method.

Deloitte & Touche LLP

Richmond, Virginia
January 25, 2001

Directors and Officers

Dominion Resources, Inc.

Directors

Thos. E. Capps, 65
Chairman, President and Chief Executive Officer

William S. Barrack, Jr., 71
Former Senior Vice President, Texaco, Inc.
New Canaan, Connecticut

George A. Davidson, Jr., 62
Former Chairman, Dominion Resources, Inc.
Pittsburgh, Pennsylvania

Raymond E. Galvin, 69
Former President, Chevron USA Production Company
Houston, Texas

John W. Harris, 53
President, Lincoln Harris, LLC, Charlotte, North Carolina

Benjamin J. Lambert, III, 64
Optometrist, Richmond, Virginia

Richard L. Leatherwood, 61
Former President and Chief Executive Officer,
CSX Equipment, Baltimore, Maryland

Paul E. Lego, 70
Former Chairman and Chief Executive Officer,
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

Margaret A. McKenna, 55
President, Lesley University, Cambridge, Massachusetts

Steven A. Minter, 62
President and Executive Director,
The Cleveland Foundation, Cleveland, Ohio

Kenneth A. Randall, 73
Corporate director of various companies,
Williamsburg, Virginia

Frank S. Royal, M.D., 61
Physician, Richmond, Virginia

S. Dallas Simmons, 61
Chairman, President and Chief Executive Officer,
Dallas Simmons & Associates, Inc., Richmond, Virginia

Robert H. Spilman, 73
President, Spilman Properties, Bassett, Virginia

David A. Wollard, 63
Chairman of the Board, Exempla Healthcare, Denver, Colorado

Officers

Thomas F. Farrell, II, 46
Executive Vice President
(Chief Executive Officer of Dominion Energy)

H. Patrick Riley, 63
Executive Vice President
(Chief Executive Officer and President of Dominion Exploration & Production)

Edgar M. Roach, Jr., 52
Executive Vice President
(Chief Executive Officer of Dominion Delivery)

Thomas N. Chewning, 55
Executive Vice President and Chief Financial Officer

James P. O'Hanlon, 57
Executive Vice President
(President and Chief Operating Officer of Dominion Energy)

Robert E. Rigsby, 51
Executive Vice President
(President and Chief Operating Officer of Dominion Delivery)

James L. Trueheart, 49
Group Vice President and Chief Administrative Officer

Eva Teig Hardy, 56
Senior Vice President—External Affairs & Corporate Communications

G. Scott Hetzer, 44
Senior Vice President and Treasurer

James L. Sanderlin, 59
Senior Vice President—Law

William C. Hall, Jr., 47
Vice President—External Affairs & Corporate Communications

Simon C. Hodges, 39
Vice President—Financial Planning

Karen E. Hunter, 46
Vice President—Tax

Steven A. Rogers, 39
Vice President, Controller and Principal Accounting Officer

James F. Stutts, 56
Vice President and General Counsel

Patricia A.Wilkerson, 45
Vice President and Corporate Secretary

Shareholder Information

Dominion Resources Services, Inc. is the transfer agent and registrar for Dominion's common stock. Shareholder Services provides personal assistance for any inquiries Monday through Friday from 9:00 a.m. to 4:00 p.m. (ET). In addition, you can access your shareholder account online and obtain automated information 24 hours a day with our voice response system.

1-800-552-4034 (toll free)
1-804-775-2500

E-mail Address
Shareholder_Administration@dom.com

Buy Stock Directly
You may buy Dominion common stock directly from the company through Dominion Direct℠ with no brokerage fees.

Please contact Shareholder Services for a prospectus and enrollment form or visit our website at www.dom.com.

Dominion Direct℠

Common Stock Listing
New York Stock Exchange
Trading symbol: D

Common Stock Price Range

	2000		1999	
	High	**Low**	High	Low
First Quarter	**43 1/8**	**34 13/16**	47 1/16	36 7/8
Second Quarter	**47 1/2**	**38 1/16**	44 13/16	36 9/16
Third Quarter	**59 13/16**	**42 13/16**	47 3/16	43
Fourth Quarter	**67 15/16**	**50 3/4**	49 3/8	39 1/4
Year	**67 15/16**	**34 13/16**	49 3/8	36 9/16

Dividends on Dominion common stock are paid as declared by the board. Dividends are typically paid on the 20th of March, June, September and December. Dividends can be paid by check or electronic deposit, or may be reinvested.

Annual Meeting
The 2001 Annual Meeting of Shareholders of Dominion Resources, Inc. will be held Friday, April 27 at 9:30 a.m. at the Company's corporate headquarters located at 120 Tredegar Street, Richmond, Virginia.

Corporate Street Address
Dominion Resources, Inc.
120 Tredegar Street
Richmond, Virginia 23219

Mailing Address
Dominion Resources, Inc.
P.O. Box 26532
Richmond, Virginia 23261-6532

Website
www.dom.com

Independent Auditors
Deloitte & Touche LLP
Richmond, Virginia

Additional Information
Dominion will provide, without charge, a copy of any of the following items:

- 2000 SEC Form 10-K (excluding exhibits)
- 2000 Statistical Summary and Financial Forecast

Requests for these items should be made by writing to:

Investor Relations Department
Dominion Resources, Inc.
P.O. Box 26532
Richmond, Virginia 23261-6532

Or by e-mail to:

Dominion_Resources@dom.com

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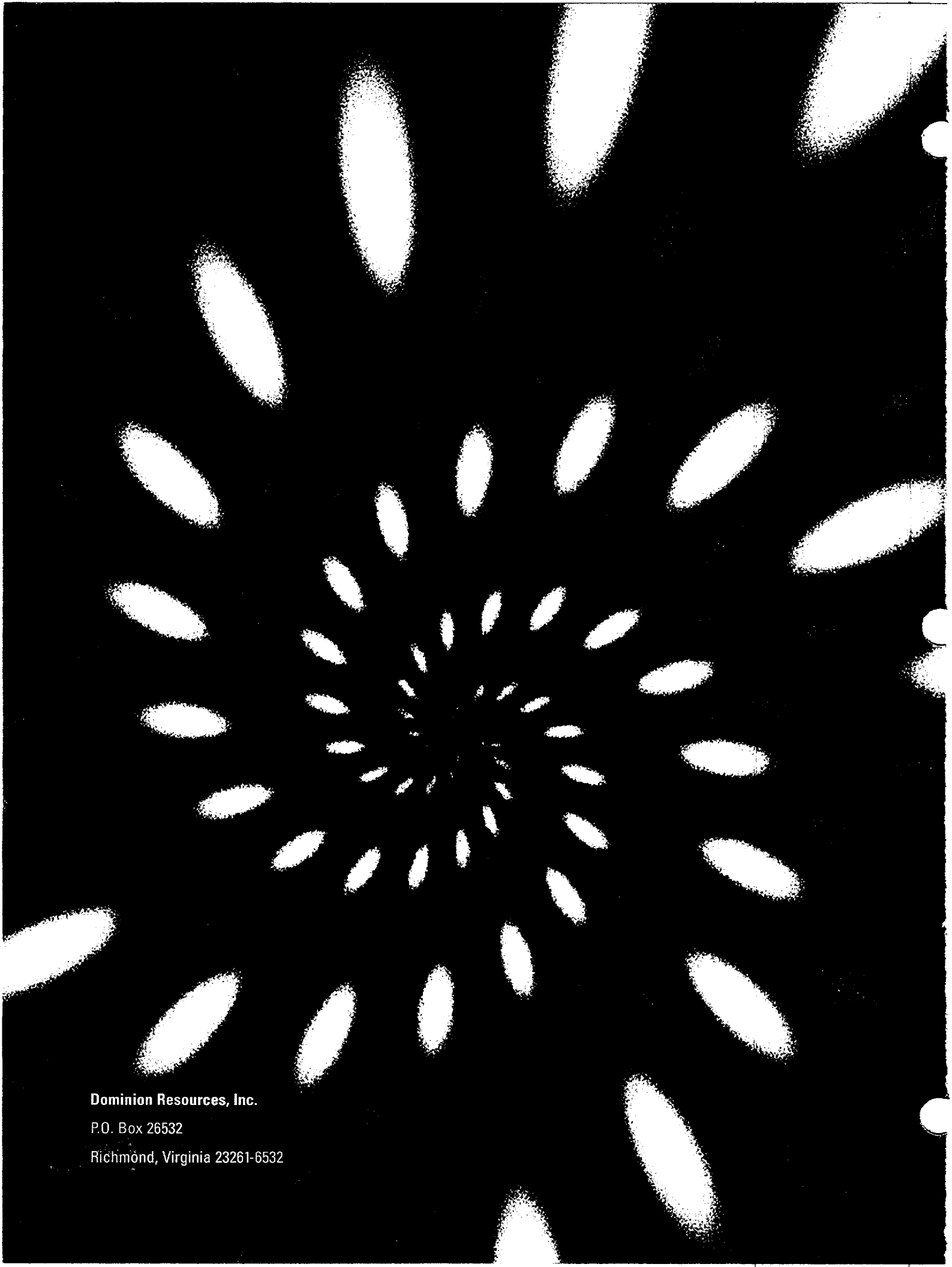

Dominion Resources, Inc.

P.O. Box 26532

Richmond, Virginia 23261-6532

Exhibit E

Organization Chart for Dominion Generation

Exhibit E

Dominion Generation Corporation

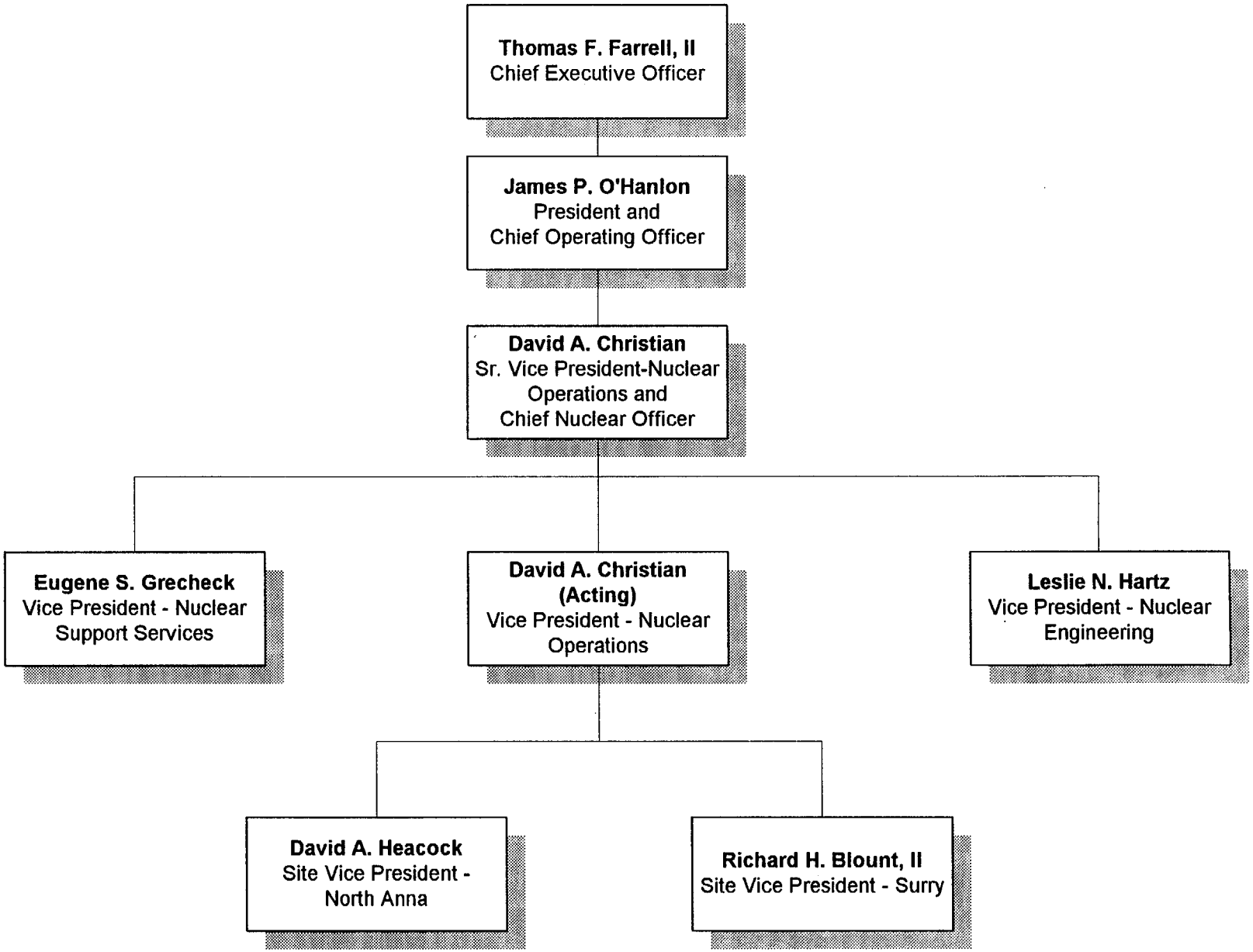

Exhibit G

DOMINION GENERATION
PROJECTED OPENING BALANCE SHEET
(Dollars in Millions)

	Dec-01
Assets	
Cash	$0.0
Current Assets	$247.3
Property Plant and Equipment	
Gross	$9,266.7
Accumulated depreciation	$4,696.7
Net	$4,570.0
Nuclear Fuel (Net)	$169.7
Total	$4,739.7
Investments	
Nuclear Decommissioning	$945.2
Other	$26.6
Total	$971.8
Deferred Debits	$25.0
Total Assets	$5,983.8
Liabilities and Shareholders Equity	
Short-term Debt	$284.7
Current Liabilities	$117.1
Long-term Debt	$1,966.0
Deferred Credits	$1,020.3
Preferred Stock	$328.4
Common Equity	
Common Stock	$1,396.1
Retained Earnings	$871.3
Total Common Equity	$2,267.4
Total Liabilities and Common Equity	$5,983.8

Exhibit H

Status of Decommissioning Funds and Summary of Continuing Collections

Status of Surry Decommissioning Funds		
	Surry 1	**Surry 2**
Current Fund Balances (as of 12/31/00)	$189,496,736	$185,853,354
Projected Fund Balances at Transfer (12/31/01)	$210,843,115	$207,128,074
Credited Value of Fund Growth at Transfer (with 2% growth through license expiration)	$51,313,797	$55,560,406
Credited Value of Funds at Transfer (with 2% growth through license expiration)	$262,156,913	$262,688,480
Credited Value of Future Contributions at Transfer (with 2% growth through license expiration)	$50,173,618	$52,127,700
Credited Value of Funds and Contributions at Transfer (with 2% growth through license expiration)	$312,330,531	$314,816,180
NRC Minimum Requirement	$293,188,461	$293,188,461

Status of North Anna Decommissioning Funds		
	North Anna 1	**North Anna 2**
Current Fund Balances (as of 12/31/00)	$158,116,315	$148,665,050
Projected Fund Balances at Transfer (12/31/01)	$174,829,234	$164,427,527
Credited Value of Fund Growth at Transfer (with 2% growth through license expiration)	$69,973,901	$75,112,331
Credited Value of Funds at Transfer (with 2% growth through license expiration)	$244,803,135	$239,539,859
Credited Value of Future Contributions at Transfer (with 2% growth through license expiration)	$39,844,483	$39,319,637
Credited Value of Funds and Contributions at Transfer (with 2% growth through license expiration)	$284,647,619	$278,859,495
NRC Minimum Requirement (Dominion Generation's 89.6% share of obligation)	$270,932,298	$270,932,298

Exhibit H

Status of Decommissioning Funds and Summary of Continuing Collections

Summary of Decommissioning Collections		
(Millions of Dollars)		
	Surry 1	**Surry 2**
Collection in Capped Rates through 7/1/07	$7.1	$7.1
Collection in North Carolina Rates through 12/31/05	$0.4	$0.4
FERC-regulated wholesale contracts through 9/30/06	$0.2	$0.3
Retail sales in Virginia not subject to SCC jurisdiction through 7/01/07	$0.9	$0.9
	$8.6	$8.7
	North Anna 1	**North Anna 2**
Collection in Capped Rates through 7/1/07	$4.9	$4.7
Collection in North Carolina Rates through 12/31/05	$0.3	$0.3
FERC-regulated wholesale contracts through 9/30/06	$0.1	$0.1
Retail sales in Virginia not subject to SCC jurisdiction through 7/01/07	$0.7	$0.7
	$6.0	$5.7

Exhibit H

Status of Decommissioning Funds and Summary of Continuing Collections

Surry Unit 1 - NRC Minimum Calculation	
Thermal Power Rating - MWt	2,546
PWR Formula for Units between 1,200 Mwt and 3,400 Mwt (10 CFR 50.75(c)) in millions.	$(75 + 0.0088P)
Base Cost (January 1986 Dollars)	$97,404,800
Adjustment Factor (2002 Dollars)	3.0100
Adjusted Level (2002 Dollars)	$293,188,461

	Factor L	Factor E	Factor B [1]	Adjustment Factor
Weighting	0.65	0.13	0.22	
2002	1.6768	1.1432	8.052	
Components	1.0899	0.1486	1.7714	3.0100

Region - Labor	1986 Ref	Current Year 2002	Scaling Factor [2]	
South	127.7	148.6	1.441	1.6768

	1986 Ref	Current Year 2002	2002/1986	
Industrial Electric (Px)	114.2	131.5	1.15149	58%
Light Fuel Oil (Fx)	82	92.8	1.13171	42%

Burial Adjustment Factor (PWR)	8.052	NUREG SR1307 Rev 9 [1]

(1) LLW Burial/Disposition (PWR) cost adjustment per NUREG-1307, Rev 9 Table 2.1 to South Carolina via waste vendor.
(2) Per NUREG-1307 Rev 9, Table 3.2 Regional Factors for Labor Cost Adjustment.

Exhibit H

Status of Decommissioning Funds and Summary of Continuing Collections

Surry Unit 2 - NRC Minimum Calculation	
Thermal Power Rating - MWt	2,546
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Exhibit H

Status of Decommissioning Funds and Summary of Continuing Collections

North Anna Unit 1 - NRC Minimum Calculation	
Thermal Power Rating - MWt	2,893
PWR Formula for Units between 1,200 Mwt and 3,400 Mwt (10 CFR 50.75(c)) in millions.	$(75 + 0.0088P)
Base Cost (January 1986 Dollars)	$100,458,400
Adjustment Factor (2002 Dollars)	3.0100
Adjusted Level (2002 Dollars)	$302,379,797
Dominion Generation's 89.6 % Share of Obligation	$270,932,298

	Factor L	Factor E	Factor B [1]	Adjustment Factor
Weighting	0.65	0.13	0.22	
2002	1.6768	1.1432	8.052	
Components	1.0899	0.1486	1.7714	3.0100

Region - Labor	1986 Ref	Current Year 2002	Scaling Factor [2]	
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Exhibit H

Status of Decommissioning Funds and Summary of Continuing Collections

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(1) LLW Burial/Disposition (PWR) cost adjustment per NUREG-1307, Rev 9 Table 2.1 to South Carolina via waste vendor.
(2) Per NUREG-1307 Rev 9, Table 3.2 Regional Factors for Labor Cost Adjustment.

Exhibit I

DECOMMISSIONING FUNDS COLLECTION AGENT AGREEMENT

THIS DECOMMISSIONING FUNDS COLLECTION AGENT AGREEMENT is made as of _____, 2001, by and between Virginia Electric and Power Company ("Virginia Power" or "Dominion Virginia Power") and Dominion Generation Corporation ("Dominion Generation").

a) RECITALS

A. Effective of even date herewith, pursuant to a separate agreement (the "Plan of Reorganization"), Virginia Power will retain all the transmission and distribution related operations and related assets and liabilities currently owned by Virginia Power and its subsidiaries. Electric generation operations and related assets and liabilities will be transferred to a new subsidiary of Virginia Power, Dominion Generation.

B. Nuclear Regulatory Commission (NRC) regulations require the licensee of the nuclear power plants (North Anna Units 1 and 2 and Surry Units 1 and 2, collectively, the "Facilities") to provide financial assurance for decommissioning expenses of the Facilities.

C. Upon implementation of the Plan of Reorganization, the master trust for decommissioning expenses of the Facilities will be transferred from Virginia Power to Dominion Generation.

D. The Virginia State Corporation Commission's Order approving the Plan of Reorganization ("Order") allows Dominion Virginia Power to collect funds from its electric customers to provide for the decommissioning expenses of the Facilities (the "Decommissioning Funds"). Consequently, pursuant to the Plan of Reorganization, Dominion Virginia Power has assigned and transferred to Dominion Generation all of its rights, titles, and interests in the Decommissioning Funds to be collected from electric customers that are included in the capped rates as specified in the Order.

The parties, for adequate consideration and intending to be legally bound, hereby agree to the following:

1. Collections. Dominion Virginia Power will collect funds from electric customers for the decommissioning of the Facilities following the execution and delivery of this Agreement.

2. Remittance. Dominion Virginia Power will remit to Dominion Generation any and all Decommissioning Funds actually received by Dominion

Virginia Power from electric customers. Under no circumstances will Dominion Virginia Power make any payments for decommissioning expenses of the Facilities to Dominion Generation except to the extent Decommissioning Funds have been received by Dominion Virginia Power. Upon receipt of Decommissioning Funds, Dominion Virginia Power will, as fiscal agent for Dominion Generation, (i) hold such Decommissioning Funds in trust for the benefit of Dominion Generation and (ii) remit such Decommissioning Funds to Dominion Generation every month to the account designated from time to time by Dominion Generation.

3. Fiscal Agent Only. Dominion Virginia Power undertakes to perform as fiscal agent on behalf of Dominion Generation the collection duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against Dominion Virginia Power. Dominion Virginia Power is not providing a guaranty of any obligations that Dominion Generation may have under any applicable law including, but not limited to, payment for the decommissioning of the Facilities. Dominion Generation is solely responsible for the proper use and contribution of the Decommissioning Funds to the master trust in accordance with applicable law and for the decommissioning of the Facilities.

4. Dominion Virginia Power Covenants.

   a. Compliance with Laws, etc. Dominion Virginia Power will comply in all material respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises and qualifications, except to the extent that the failure to do so would not materially adversely affect the collectibility of the Decommissioning Funds or the ability of Dominion Virginia Power to perform its obligations under this Agreement.

   b. Offices, Records and Books of Account. Dominion Virginia Power will keep its principal place of business and chief executive office and the office where it keeps its records concerning the Decommissioning Funds at the address set forth below its signature or, upon 30 days prior written notice to Dominion Generation, at any other location. Dominion Virginia Power will implement and maintain appropriate administrative and operating procedures to perform its duties hereunder; including procedures

that allow it to reasonably identify all Decommissioning Funds received.

c. Performance and Compliance with Collection Policy. Dominion Virginia Power will at its expense timely and fully comply in all material respects with any collection policies that have previously been delivered to Dominion Generation.

d. Sales, Liens, Setoff, etc. Dominion Virginia Power will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any lien upon or with respect to, Decommissioning Funds in its possession or Dominion Generation's interest in the Decommissioning Funds, or assign any right to receive income in respect thereof. Under no circumstances will Dominion Virginia Power have any right of setoff regarding the Decommissioning Funds.

e. Change in Business or Collection Policy. Dominion Virginia Power will not make any change in the character of its business or in the collection policy that would, in either case, materially adversely affect the collectibility of the Decommissioning Funds or the ability of Dominion Virginia Power to perform its obligations under this Agreement, without the prior written approval of Dominion Generation.

f. Audits. Dominion Virginia Power will from time to time during regular business hours as reasonably requested by Dominion Generation, at Dominion Generation's expense, permit Dominion Generation or its agents or representatives to (i) examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of Dominion Virginia Power relating to the Decommissioning Funds, and (ii) visit the offices of Dominion Virginia Power for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to the Decommissioning Funds or Dominion Virginia Power's performance hereunder with any of the officers or employees of Dominion Virginia Power having knowledge of such matters.

g. Records. At Dominion Generation's expense, upon the reasonable request of Dominion Generation, Dominion Virginia Power will provide Dominion Generation with documentation or records

evidencing that the Decommissioning Funds have been collected in accordance with this Agreement.

h. Further Assurances. Dominion Virginia Power agrees from time to time, at Dominion Generation's expense, promptly to execute and deliver all further instruments and documents, and to take all further actions that may be necessary or desirable, or that Dominion Generation may reasonably request, to perfect, protect or more fully evidence Dominion Generation's interest in the Decommissioning Funds. Without limiting the foregoing, Dominion Virginia Power will, upon the request of Dominion Generation, at Dominion Generation's expense, execute and file such financing or continuation statements, or amendments thereto, and such other instruments and documents that may be necessary or desirable, or that Dominion Generation may reasonably request, to perfect, protect or evidence its interest in the Decommissioning Funds.

i. Cooperation in Future Proceedings. Dominion Virginia Power agrees that it will, at Dominion Generation's expense and direction, fully cooperate with Dominion Generation in any future proceedings that Dominion Generation or Dominion Virginia Power may become involved in regarding any changes in the amount of funds that may be collected from electric customers to provide for decommissioning expenses of the Facilities.

j. Rules Regarding Disclosure. Provision of market or operational information by Dominion Virginia Power to Dominion Generation pursuant to this Article 4 shall be subject to and in accordance with disclosure limitations or requirements imposed by applicable laws and regulations by any governmental or regulatory authority, including but not limited to the Federal Energy Regulatory Commission, the Virginia State Corporation Commission, and the North Carolina Utilities Commission.

5. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

6. Governing Law and Amendment. This Agreement shall be governed by Virginia law. It may be amended only in writing signed by the parties.

7. Terms and Assignment. The term of this Agreement begins on the effective date of the Power Supply Agreement between Dominion Virginia Power and Dominion Generation and continues until the funds necessary to pay for the decommissioning of the Facilities as authorized by the Final Order have been collected from electric customers and remitted as set forth herein. Neither party may assign its rights, duties or obligations under this Agreement, in whole or in part, without the prior written consent of the other party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, under seal, as of the day and year first above written.

Dominion Generation Corporation	**Virginia Electric and Power Company**
Insert Address	Insert Address
_____	_____
By: _____	By: _____
Name	Name
_____	_____
Title	Title

EXHIBIT J

Decommissioning Funding Work Sheets

Surry Unit 1	Decommissioning Obligation %	100.00%
	Proration percentage for 2007 (see footnote 1)	50.00%
Projected Total Qualified and Non-Qualified Fund Balances at Transfer		$210,843,115
Surry Unit 1 License Expiration Year		2012

Year	Beginning Balance	Growth %	Earnings	Contributions [1]	Ending Balance
2002	$210,843,115	2.0%	$4,216,862	$8,554,402	$223,614,379
2003	$223,614,379	2.0%	$4,472,288	$8,265,122	$236,351,789
2004	$236,351,789	2.0%	$4,727,036	$7,985,626	$249,064,451
2005	$249,064,451	2.0%	$4,981,289	$7,715,580	$261,761,320
2006	$261,761,320	2.0%	$5,235,226	$7,070,141	$274,066,687
2007	$274,066,687	2.0%	$5,481,334	$3,339,364	$282,887,384
2008	$282,887,384	2.0%	$5,657,748	$0	$288,545,132
2009	$288,545,132	2.0%	$5,770,903	$0	$294,316,035
2010	$294,316,035	2.0%	$5,886,321	$0	$300,202,355
2011	$300,202,355	2.0%	$6,004,047	$0	$306,206,403
2012	$306,206,403	2.0%	$6,124,128	$0	$312,330,531

Ending Balance for 2012	$312,330,531
NRC Minimum Reflecting Dominion Generation's 100% interest in Surry Unit 1	$293,188,461
Trust Funds in Excess of NRC Minimum	$19,142,070

(1) Annual Contributions are discounted at 3.5%. Year 2006 contributions are prorated to reflect anticipated reduction in wholesale contract collections and North Carolina collections. Year 2007 contributions are prorated to reflect expiration of capped rates on June 30, 2007 for SCC jurisdictional and non-jurisdictional customers.

EXHIBIT J

Decommissioning Funding Work Sheets

Surry Unit 2	Decommissioning Obligation %	100.00%
	Proration percentage for 2007 (see footnote 1)	50.00%
Projected Total Qualified and Non-Qualified Fund Balances at Transfer		$207,128,074
Surry Unit 2 License Expiration Year		2013

Year	Beginning Balance	Growth %	Earnings	Contributions [1]	Ending Balance
2002	$207,128,074	2.0%	$4,142,561	$8,728,689	$219,999,325
2003	$219,999,325	2.0%	$4,399,986	$8,433,516	$232,832,828
2004	$232,832,828	2.0%	$4,656,657	$8,148,325	$245,637,809
2005	$245,637,809	2.0%	$4,912,756	$7,872,778	$258,423,343
2006	$258,423,343	2.0%	$5,168,467	$7,165,692	$270,757,502
2007	$270,757,502	2.0%	$5,415,150	$3,375,106	$279,547,759
2008	$279,547,759	2.0%	$5,590,955	$0	$285,138,714
2009	$285,138,714	2.0%	$5,702,774	$0	$290,841,488
2010	$290,841,488	2.0%	$5,816,830	$0	$296,658,318
2011	$296,658,318	2.0%	$5,933,166	$0	$302,591,484
2012	$302,591,484	2.0%	$6,051,830	$0	$308,643,314
2013	$308,643,314	2.0%	$6,172,866	$0	$314,816,180

Ending Balance for 2013	$314,816,180
NRC Minimum Reflecting Dominion Generation's 100% interest in Surry Unit 2	$293,188,461
Trust Funds in Excess of NRC Minimum	$21,627,719

(1) Annual Contributions are discounted at 3.5%. Year 2006 contributions are prorated to reflect anticipated reduction in wholesale contract collections and North Carolina collections. Year 2007 contributions are prorated to reflect expiration of capped rates on June 30, 2007 for SCC jurisdictional and non-jurisdictional customers.

EXHIBIT J

Decommissioning Funding Work Sheets

North Anna Unit 1	Decommissioning Obligation %	89.60%
	Proration percentage for 2007 (see footnote 1)	50.00%
Projected Total Qualified and Non-Qualified Fund Balances at Transfer		$174,829,234
North Anna Unit 1 License Expiration Year		2018

Year	Beginning Balance	Growth %	Earnings	Contributions [1]	Ending Balance
2002	$174,829,234	2.0%	$3,496,585	$6,039,277	$184,365,096
2003	$184,365,096	2.0%	$3,687,302	$5,835,051	$193,887,449
2004	$193,887,449	2.0%	$3,877,749	$5,637,730	$203,402,928
2005	$203,402,928	2.0%	$4,068,059	$5,447,082	$212,918,069
2006	$212,918,069	2.0%	$4,258,361	$4,948,497	$222,124,927
2007	$222,124,927	2.0%	$4,442,499	$2,364,133	$228,931,559
2008	$228,931,559	2.0%	$4,578,631	$0	$233,510,190
2009	$233,510,190	2.0%	$4,670,204	$0	$238,180,394
2010	$238,180,394	2.0%	$4,763,608	$0	$242,944,002
2011	$242,944,002	2.0%	$4,858,880	$0	$247,802,882
2012	$247,802,882	2.0%	$4,956,058	$0	$252,758,939
2013	$252,758,939	2.0%	$5,055,179	$0	$257,814,118
2014	$257,814,118	2.0%	$5,156,282	$0	$262,970,400
2015	$262,970,400	2.0%	$5,259,408	$0	$268,229,808
2016	$268,229,808	2.0%	$5,364,596	$0	$273,594,405
2017	$273,594,405	2.0%	$5,471,888	$0	$279,066,293
2018	$279,066,293	2.0%	$5,581,326	$0	$284,647,619

Ending Balance for 2018	$284,647,619
NRC Minimum Reflecting Dominion Generation's 89.6% obligation to decommission North Anna Unit 1	$270,932,298
Trust Funds in Excess of NRC Minimum	$13,715,320

(1) Annual Contributions are discounted at 3.5%. Year 2006 contributions are prorated to reflect anticipated reduction in wholesale contract collections and North Carolina collections. Year 2007 contributions are prorated to reflect expiration of capped rates on June 30, 2007 for SCC jurisdictional and non-jurisdictional customers.

EXHIBIT J

Decommissioning Funding Work Sheets

North Anna Unit 2	Decommissioning Obligation %	89.60%
	Proration percentage for 2007 (see footnote 1)	50.00%
Projected Total Qualified and Non-Qualified Fund Balances at Transfer		$164,427,527
North Anna Unit 2 License Expiration Year		2020

Year	Beginning Balance	Growth %	Earnings	Contributions [1]	Ending Balance
2002	$164,427,527	2.0%	$3,288,551	$5,726,843	$173,442,921
2003	$173,442,921	2.0%	$3,468,858	$5,533,182	$182,444,961
2004	$182,444,961	2.0%	$3,648,899	$5,346,069	$191,439,929
2005	$191,439,929	2.0%	$3,828,799	$5,165,284	$200,434,012
2006	$200,434,012	2.0%	$4,008,680	$4,696,705	$209,139,397
2007	$209,139,397	2.0%	$4,182,788	$2,245,275	$215,567,460
2008	$215,567,460	2.0%	$4,311,349	$0	$219,878,809
2009	$219,878,809	2.0%	$4,397,576	$0	$224,276,385
2010	$224,276,385	2.0%	$4,485,528	$0	$228,761,913
2011	$228,761,913	2.0%	$4,575,238	$0	$233,337,151
2012	$233,337,151	2.0%	$4,666,743	$0	$238,003,894
2013	$238,003,894	2.0%	$4,760,078	$0	$242,763,972
2014	$242,763,972	2.0%	$4,855,279	$0	$247,619,251
2015	$247,619,251	2.0%	$4,952,385	$0	$252,571,636
2016	$252,571,636	2.0%	$5,051,433	$0	$257,623,069
2017	$257,623,069	2.0%	$5,152,461	$0	$262,775,531
2018	$262,775,531	2.0%	$5,255,511	$0	$268,031,041
2019	$268,031,041	2.0%	$5,360,621	$0	$273,391,662
2020	$273,391,662	2.0%	$5,467,833	$0	$278,859,495

Ending Balance for 2020	$278,859,495
NRC Minimum Reflecting Dominion Generation's 89.6% obligation to decommission North Anna Unit 2	$270,932,298
Trust Funds in Excess of NRC Minimum	$7,927,197

(1) Annual Contributions are discounted at 3.5%. Year 2006 contributions are prorated to reflect anticipated reduction in wholesale contract collections and North Carolina collections. Year 2007 contributions are prorated to reflect expiration of capped rates on June 30, 2007 for SCC jurisdictional and non-jurisdictional customers.