Shareholder Proposal # on the Proxy:

FINANCIAL RISKS of RELIANCE on COAL

Dominion Resources, Inc. Symbol: D

Dominion faces material financial risks from its reliance on coal. Dominion does not address the material financial risks identified by industry analysts related to its exposure to coal.

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Shareholder Proposal ##
Filed by Trillium Asset Management
that asks Dominion to

REPORT ON THE FINANCIAL RISKS OF CONTINUED RELIANCE ON COAL

Dominion:

- Ranks 10th among US electric utilities for power generated from coal.[1]
- Operates in regulated markets in Virginia, North Carolina, and Ohio and in deregulated markets in the Northeast and Midwest.
- Owns and or operates 11 utility generating coal plants (with an additional one under construction) and 6 merchant generating coal plants with a combined total generating capacity of over 10,000MW.[2]
- Does not disclose its sources of coal
- Plans to shut the Salem Harbor coal/oil-fired power plant in Massachusetts within five to seven years and, potentially, the 515 MW State Line Plant in Indiana due to environmental compliance costs.[3]
- Took a $163 million impairment charge for its State Line plant and a $31 million write-down for the Salem Harbor plant.[4]
- Estimates that that Dominion and Virginia Power, its subsidiary, will make capital expenditures at their affected generating facilities of approximately $2.4 billion and $2.0 billion, respectively, during the period 2011 through 2015.[5]

1. Dominion's Coal Risk Exposure.
The risk indicators for a coal-burning utility are: the age and size of its coal fleet; whether its plants have environmental controls to meet new and more stringent environmental standards; how much coal it burns and the price of that coal relative to other fuels.

- Coal accounted for 31% of Dominion's generation capacity.
- Two thirds of its coal plants went online between 1950 and 1973. The rest were constructed in the early 1990's, apart from one new one currently being constructed.
- **Dominion is among the top ten CO2 emitting electric utilities.**[6]
- Over 60% of Dominion's facilities do not have SO2 scrubbers.
    - The Electric Power Research Institute (an industry sponsored organization) estimates that installation of one SO_2 scrubber on a 500 MW plant in the mid-west would cost about $420/kW, or $210 million.[7]

Risk Profile of Five Dominion Plants

Name of Plant	Bremo, VA	State Line, IN	Brayton Point, MA	North Branch, WV	Morgantown, WV[8]
Year	1950, 1958	1955, 1962	1963, 1964, 1969	1992	1992
Plant Capacity (MW)	250	515	1,538	74	50
Total MWh Electricity Generated 2008[9]	1,197,670	3,667,665	7,955,043	552,185	205,707
% MW Generated From Coal	99.52	99.52 %	98.96%	99.73%	100%
SO_2 Emissions (Tons) 2008[10]	8691	11625	30085	996	
NOx Emissions (Tons) 2008[11]	2819	9102	5556	1436	417
CO_2 Emissions (Tons) 2008[12]	1258917	4038284	7811708	780612	184239
Emissions Controls SO_2	None	None[13]	None[14]	None	
Emissions Controls NOx[15]	Low NOx burners	None	None	None	
Emissions Controls Particulates/Hg	ESP	None	Ash recovery system, Activated Carbon Injection (Hg)	None	

New Source Review (NSR) and Environmental Compliance

- Dominion has received requests for information and/or Notices or Findings of Violations (NOV/FOV) from the EPA regarding compliance with NSR and Title V permit program at its Salem Harbor, State Line, Kincaid and Brayton Point plants.[16]
- All of Dominion's plants will be subject to the Clean Air Transport rule, starting in 2014, that is designed to reduce SO_2 emissions by 71% below 2005 levels
- Dominion has determined that the new 1−hour SO2 NAAQS will likely require significant future capital expenditures at State Line, and, accordingly, recorded an impairment charge on this facility in the second quarter of 2010.
- Under Virginia regulations, companies emitting more than 900 pounds of mercury in 1999, such as Dominion, will not be allowed to buy allowances in order to comply with the new mercury standards. This means that compliance for these generators can only be met by reductions in emissions and not by purchasing allowances. [17]
- Dominion will also be required to install Maximum Achievable Control Technology for mercury, as determined by EPA.

Water

EPA is developing new rules for Cooling Water Intake Structures for new and existing generators and, by January 2014, will issue new rules regarding limitations on heavy metals in effluents.

Waste

According to the EPA, Dominion owns four ash disposal sites, three of which are ponds.[18] Almost 1.5 million tons of coal ash produced by the company was beneficially reused in 2009.[19]

- The EPA reported an unusual discharge from Dominion's Chesterfield Pond in 2005.
- In December 2008, a dam broke at a large CCW Wet Storage pond at the Tennessee Valley Authority (TVA) coal plant in Kingston, TN with estimated total cleanup costs of $1.2 billion.[20]

The company's Environmental Report states that its coal ash is reused in applications including concrete and mine reclamation.

- Dominion is currently being sued by two different groups regarding coal ash reuse in a golf course in the Chesapeake Bay area. The total amount being asked is over $2.25 billion.[21]
- Constellation Energy Group stored fly ash in sand and gravel mines in Anne Arundel County, Maryland for over a decade.[22] Constellation was forced to pay a $45 million settlement after local homeowners filed a class action lawsuit against the company. Constellation had to pay the costs for converting 84 homes from well water to public water, stop delivering CCW to the quarry, and establish trust funds to adequately compensate property owners and the neighborhood.

2. Dominion has not adequately addressed the material financial risks identified by industry analysts related to its exposure to coal.

Bernstein Research (February 2011): The gross margin of merchant coal plants "has fallen by over three quarters since 2008, from $20 billion to $5 billion" and forward price curves "suggest that in 2011 aggregate unregulated gross margin will erode further, dropping by a fifth from $5 billion to $4 billion. This dramatic erosion in gross margin reflects the collapse in the price of natural gas […] aggravated by continued upward pressure on the price of Appalachian coal.[23]

- Dominion's coal-fired merchant plants are at high risk from competitively priced power from natural gas.

The company has not provided investors with sufficient information to enable them to determine whether the company recognizes and is properly managing the risks associated with its continued reliance on coal.
In the absence of meaningful disclosure, investors have no way of fully assessing the risks and rewards from investing in various companies in the utilities sector, and are concerned about unpleasant shocks to shareholder value.

Vote "FOR" Shareholder Proposal ##
Report on the Financial Risks of Reliance on Coal

[1] NRDC, *Benchmarking Air Emissions* (2010). http://www.nrdc.org/air/pollution/benchmarking/default.asp
[2] Dominion 2010 10-K Filing, p. 27-28. Dominion Website, Electric Generating Stations. http://www.dom.com/about/stations/index.jsp
[3] http://www.sourcewatch.org/index.php?title=Dominion
[4] Dominion 2010 10-K Filing, p. 81.
[5] *Id.* p. 111, n. 23 to Consolidated Financial Statements.
[6] *Id.*
[7] Wynne, Hugh, Francois D. Broquin, Saurabh Singh. "Black Days Ahead for Coal: EPA Air Emissions Regulations for the Energy & Power Markets." *Bernstein Research*. 21 July 2010. p. 4. Print.
[8] Dominion owns 50% of this plant. Emissions data is based on 50% ownership.
[9] NRDC, *Benchmarking Air Emissions* (2010). http://www.nrdc.org/air/pollution/benchmarking/default.asp
[10] Emissions data from NRDC *Benchmarking Air Emissions*, supra
[11] NRDC, supra.
[12] *Id.*
[13] Environmental Law & Policy Center released a report in November 2010 that estimated that State Line power plant has caused up to $720 million in health and related damages in the last 8 years. http://elpc.org/2010/11/16/report-finds-dominion-resources%E2%80%99-state-line-coal-plant-caused-up-to-720-million-in-health-damages-since-2002
[14] Dominion is installing air emission control equipment. http://www.dom.com/about/stations/fossil/brayton-point-power-station.jsp
[15] CMS does not specify which units have SCR – simply states that three units currently have them installed. "New and Cleaner Generation." *Consumers Energy*. Web. Feb. 2011. <http://www.consumersenergy.com/content.aspx?id=1512>.
[16] Dominion 10K Report 2009, pp 112
[17] Dominion Website. http://www.dom.com/about/environment/report/emerging-regulations.jsp
[18] EPA survey of electric utilities http://www.epa.gov/epawaste/nonhaz/industrial/special/fossil/surveys/index.htm
[19] http://www.dom.com/about/environment/report/waste.jsp
[20] "T.V.A. to Pay $43 Million on Projects in Spill Area," Sheila Dewan, *New York Times*. 9/15/2009.
[21] http://hamptonroads.com/2009/08/lawsuit-claims-dominion-saw-golf-course-coal-ash-dump
[22] Final U.S. EPA, "Steam Electric Power Generating Point Source Category: Final Detailed Study Report," October 2009, pg 6-12
[23] H. Wynne,N. Beveridge, *et al. Bernstein Commodities & Power: No Light for Dark Spreads: How Ruinous Economics of Coal-Fired Power Plants Affect the Markets for Coal and Gas.* Bernstein Research. February 18, 2011. P. 1.