

MEMORANDUM

Dominion Shareholder Proposal

Request to report on the financial risks to investors posed by climate change, as well as actions to address these risks

Dominion Resources, Inc

**Vote “FOR”
Shareholder Proposal for Climate Risk Report**

Shareholders request that within 6 months of the 2014 annual meeting, the Board of Directors provide a report to shareholders, prepared at reasonable cost and omitting proprietary information, describing the financial risks to Dominion Resources posed by climate change and resulting impacts on share value, specifically including the impact of more frequent and more intense storms, as well as any actions the Board plans to address these risks.

**Note: this resolution received 22% of the vote at the 2013 shareholder meeting*

Why a “FOR” vote on the Shareholder Proposal:

The economic, business and societal impacts of climate change are of critical importance to investors. The consensus among climate scientists is that without significant reduction of greenhouse gas emissions, climate change will continue to result in more severe and more frequent storms, sea-level rise, drought, and other adverse effects. The 2013 report by the Intergovernmental Panel on Climate Change (IPCC) reinforced scientific certainty of these climate impacts to an unprecedented extent. The report found that human-caused “warming of the climate system is unequivocal.”¹

The costs of climate change are rising, and businesses and governments are focusing increasing attention on these costs and taking action to assesses the financial risks that climate change poses. The Center for American Progress and New York Times have both recently reported on these rising costs nationwide:

The Crushing Cost of Climate Change (Center for American Process)

¹ <http://www.ipcc.ch/report/ar5/wg1/>

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Industry Awakes to Threat of Climate Change (New York Times)

Increased and more severe storms, sea-level rise, and drought pose significant financial risk for Dominion's electricity and natural gas operations. Dominion's current public disclosure of information related to climate change is insufficient to allow investors to assess how the company is managing these risks.

I. Addressing climate change is good business

1. Extreme weather, drought, and sea-level rise are expensive, and Dominion is not immune to these costs.

Climate scientists predict that rising levels of atmospheric carbon dioxide will cause an increase in extreme weather events, water shortages, and rising sea levels. The consequences of these impacts are costly in both economic and social terms. In 2011, the US experienced 14 extreme weather events with losses exceeding \$1 billion each. In 2012, there were 11 such events resulting in an estimated \$110 billion in total damages and 377 fatalities. Superstorm Sandy caused losses projected at more than \$65 billion. The three most costly storms in Dominion's operating history of more than 100 years, Hurricane Isabel, Hurricane Irene and the June 2012 derecho, have occurred in the last decade.

Dominion's restoration costs amounted to \$128 million after Hurricane Isabel in 2003, \$59 million after Hurricane Irene in 2011 and \$42 million after the June 2012 derecho storm. With the addition of storms like Superstorm Sandy in October, Dominion's restoration costs for major storm activity in 2012 totaled \$81.6 million throughout the year.

Loss of power for customers also means lost sales for Dominion. Lost electricity sales after Hurricane Isabel, for instance, reduced operating earnings by 4 cents per share.

A significant portion of Dominion's electric transmission and distribution network is in coastal Virginia and North Carolina. Dominion plans to build a large new LNG (liquefied natural gas) export facility in coastal Maryland. All this infrastructure is vulnerable to sea-level rise and increased severe weather.

Failing to plan for climate change, and to disclose its plans fully and publicly, also carries reputational risks for Dominion. After the derecho, more than a million customers of Dominion's regulated Virginia electric utility division lost power, some for as long as a week. "Freak" storms like the derecho are expected to become more common as climate change progresses.

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2. As climate change impacts increase, so will regulation of carbon emitters.

Ruth Amundsen 3/28/14 9:20 PM

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With the increasing recognition of the dangers of greenhouse-gas emissions, regulation presents potential financial risk to companies that emit large amounts of carbon dioxide, methane, and other greenhouse gases. Dominion emits more carbon dioxide in Virginia than any other business. Its Virginia utility’s Integrated Resource Plan proposes measures that will increase the company’s carbon emissions in that state by 37% over a 15-year period and 49% over a 20-year period—making Dominion a target for regulatory action. Many utilities are taking steps to reduce risk associated with volatility of energy prices. For example, companies are increasing their procurement of renewable energy, either directly through on-site generation, power purchase agreements, or renewable-energy credits. These actions help manage risks of climate change; but Dominion’s renewable residential PPA program is capped at 3 MW, much smaller than many other utilities.

Failure to take strong steps now to reduce Dominion’s carbon emissions over the next 20 years puts the company and its investors at increasing financial risk.

II. Dominion faces risks to its reputation

As public knowledge of the impacts of climate change increases, companies seen as being unable or unwilling to address the problem will likely face public disapproval and significant brand damage.

1. Dominion faces increasingly angry customers, a skeptical public, and critical media.

Dominion has had problems with its public image in recent years. These would be much ameliorated by full disclosure of its climate risk, combined with a realistic plan to reduce those risks. Some examples of recent issues:

- Shifting cost to customers for power lines
- Dominion is seen by the public as making no investment in renewables, and yet when others take steps toward increasing Virginia’s production of renewable energy, Dominion actively steps in to oppose it – as demonstrated when the Washington and Lee University attempted to install a large solar array as part of a power purchase agreement, and received a cease-and-desist letter from Dominion².
- In case PUE-2012-00064 to the Virginia SCC, Dominion proposed an extremely low purchase price for customer-generated solar. Dozens of Dominion customers from all over the state attended the hearing, many public witnesses spoke in opposition to the low rates and short term of the program, and over 1200 public comments were submitted in opposition to the program.

² http://articles.washingtonpost.com/2011-12-30/opinions/35288335_1_renewable-energy-renewable-portfolio-dominion-power

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- Dominion has been pressured a great deal in the press recently because it seems to be opposed to altering its behavior, regardless of reputational or financial consequences. The Norfolk *Virginian-Pilot*, a major daily paper in one of Virginia’s most populous regions, which is threatened by sea-level rise, published an editorial criticizing Dominion’s “no comment” policy³ which has been strictly enforced on every story for the last year: Dominion has declined to give the *Virginian-Pilot* information on any story the newspaper is going to run. This is hardly the mark of an open and transparent company.

Numerous media outlets have reported on Dominion’s legislative agenda as hostile to renewable energy and sustainability:

- [Dominion Power’s wind and solar façade \(The Washington Post\)](#)
- [Virginia needs a better energy policy \(The Washington Post\)](#)
- [Dominion’s bait and switch \(Virginian-Pilot\)](#)
- [Dominion’s excess profits \(Virginian-Pilot\)](#)
- [Dominion must invest in clean energy \(Virginian-Pilot\)](#)
- [Utility’s overcharging shows need for true regulation \(Virginian-Pilot\)](#)
- [On Dominion’s money and energy stance \(Daily Press\)](#)
- [State law hurting Virginia’s green future? Lawmakers eye changes \(WSLS News 10\)](#)
- [Here we go again – another power play \(Virginian-Pilot\)](#)
- [Where’s Virginia’s Renewable Energy? \(Richmond Times-Dispatch\)](#)
- [Squelching sun power \(Virginian-Pilot\)](#)
- [From coal-burning to carbon-free \(The Washington Post\)](#)
- [Hundreds protest at Dominion VA Power \(NBC News Channel 12\)](#)
- [Environmental protesters target Dominion Va. Power \(Richmond Times-Dispatch\)](#)

Contrarily, major polls indicated public support for renewable energy:

- [59% of Americans prefer clean energy production over oil, gas and coal \(Gallup\)](#)
- [By a 3-to-1 margin, Americans prefer clean energy subsidies \(Civil Society Institute\)](#)

III. Dominion has not implemented this resolution

Dominion provides inadequate disclosure of its financial risks pertaining to climate change,. Without improved disclosure, shareholders cannot adequately assess the climate risks of their investment in Dominion.

In the Company’s request to exclude this Proposal from the Proxy Materials, they listed examples of public documents citing the risks posed to the Company by climate change. However, none of the listed documents clearly or substantially connect the impact of more

³ <http://hamptonroads.com/2012/10/utilitys-policy-no-comment-hardly-useful-customers-0>

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frequent and intense storms due to climate change as a source of risk on share value. Below are what the Company listed as examples of the implementation of climate risk assessment; these do not provide adequate disclosure or information.

- Dominion online environmental report (2013) section on Greenhouse Gases and Climate Change: However, this section of their report does not address climate risk. The sole mention of “climate change” is in their opening statement on the webpage: “Greenhouse gases and the impact on climate change continue to be a focus both nationally and worldwide.”
- The Company website: rather than addressing the large risks that climate change carries and its relation to share value, this site only addresses carbon reduction efforts and does not directly (or indirectly) connect carbon reduction with risk associated with more frequent or intense storms and the resulting impacts.
- The Company’s Climate Change Policy Principles: the Company only mentions Dominion’s policy positions on potential national carbon legislation and does not in any way overtly address climate change risk to business.
- The Company’s Citizenship and Sustainability Report on the Company’s website: The challenge letter to our Climate Risk proposal claims that this report addresses Climate Risk under the “Business- Risk management” section, which should therefore outline the connection between weather related incidents, climate change, and storm costs as examples of risk. However, these risks, found under “operating risks” are in no way connected to climate change and there is no explanation of how the increased likelihood of more frequent and more intense storms related to climate change can affect shareholders. (“Operating risks: Weather related incidents, such as hurricanes and winter snow storms, can damage our utility infrastructure and cause power outages, which can result in a drop in energy use and significant repair costs.”- dom.com).
- The section heading “Environmental - Climate Change” in Dominion’s Citizenship and Sustainability report: Again, this report simply repeats their policy position on carbon legislation rather than discuss the risk assessment related to climate change and its impacts.

IV. Conclusion

The economic costs and risks of climate change continue to mount. Cities and states across the country are beginning to recognize the imminent threat of climate change, and are mandating that utilities start to analyze these risks. A recent ruling in New York required Con Edison to carry out an immediate and comprehensive assessment of climate risks to its power grid. This study will inform future planning, as the New York Public Service Commission has stated that utilities have an obligation to consider the local effects of climate change.⁴ As the Commission wrote, “We expect the utilities to consult the most current data to evaluate the climate impacts

⁴ <http://insideclimateneews.org/news/20140312/ny-regulator-con-ed-embrace-plan-climate-proof-power-grid>

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anticipated in their regions over the next years and decades, and to integrate these considerations into their system planning and construction forecasts and budgets.”

Dominion faces serious financial challenges with regard to climate change risks that are not being addressed. Financial and reputational risks to Dominion’s shareholders are numerous and severe. Dominion should be required provide adequate climate risk assessments by a FOR vote on this shareholder resolution.