Shareholder Proposal #7 on the Proxy:

FINANCIAL RISKS of RELIANCE on COAL

Dominion Resources, Inc. Symbol: D

Dominion does not address the financial risks related to its exposure to coal.

Vote "FOR"
REPORT ON THE FINANCIAL RISKS OF CONTINUED RELIANCE ON COAL

Dominion:

- Ranks 10th among US electric utilities for power generated from coal.[1]
- In 2010, 29% of Dominion's generation capacity was derived from coal
    - Owns and or operates 11 utility generating coal plants and 5 merchant generating coal plants with a combined total generating capacity of 7,900MW.[2]
    - Is investing in new coal: a $1.8 billion, 585-megawatt coal and wood-burning power station scheduled to begin operation in the summer of 2012.[3]
    - Does not disclose its sources of coal
    - Is retiring 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 years due to environmental regulation compliance costs.[4]
- Took a $163 million impairment charge for its State Line plant and a $31 million write-down for the Salem Harbor plant.[5]

Dominion is particularly susceptible to the significant financial risks of continued reliance on coal outlined in the investor's proxy information sheet.

1. **COAL RISK EXPOSURE**
    - Two thirds of Dominion's coal plants went online between 1950 and 1973. The rest were constructed in the early 1990's, with one new plant currently under construction.
    - Over 60% of Dominion's facilities do not have SO_2 scrubbers.
    - Dominion is among the top ten CO_2 emitting electric utilities.[6]
    - It is the 13th largest consumer of coal.
    - The new plant at Virginia City is mandated to burn Virginia Coal.[7] In Central Appalachia, declining coal reserves and increased regulations are producing price increases and mining companies often rely on controversial Mountain Top Removal in order to produce a lower-priced coal.

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]	8,691	11,625	30,085	996	Data not available
NOx Emissions (Tons) 2008[11]	2,819	9,102	5,556	1,436	417
CO_2 Emissions (Tons) 2008[12]	125,8917	4,038,284	7,811,708	780,612	184,239
Emissions Controls SO_2	None	None[13]	None[14]	None	None
Emissions Controls NOx	Low NOx burners	None	None	None	None
Emissions Controls Particulates/Hg	ESP	None	Ash recovery system, Activated Carbon Injection (Hg)	None	None

2. **REGULATORY AND OPERATIONAL RISKS RELATED TO CONTINUED RELIANCE ON COAL**: Coal-burning utilities are being increasingly required to comply with the Clean Air Act, Clean Water Act, and other environmental laws governing air, water, and waste emissions.

Air

Although many regulations have been "on the books" for decades, we are seeing even greater enforcement of these regulations in recent years due to litigation challenging the EPA as well as utility companies that will require significant capital expenditures to equip coal plants with the necessary controls.

- Dominion and its subsidiary, Virginia Power, estimate that they will make capital expenditures of approximately $2.4 billion and $2 billion respectively during the period 2011 through 2015 in order to bring facilities into compliance with Clean Air Act emissions limits.[15]
- In 2014 all of Dominion's plants will be subject to the Clean Air Transport rule that is designed to reduce SO_2 emissions by 71% below 2005 levels.
- Dominion has determined that the new 1−hour SO_2 NAAQS will likely require significant future capital expenditures at State Line, and, accordingly, recorded an impairment charge of $163 million on this facility in the second quarter of 2010.[16]
- 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.

***Air:* New Source Review (NSR)**

- 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.[18]

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.

- In 2003 the EPA and the Massachusetts Department of Environmental Protection each issued water withdrawal permits for Dominion's Brayton Point plant that included mandates for the installation of cooling towers – at a total cost now estimated to be approximately $600 million – including $354 million yet to be spent for completion of the project by 2012.[19]

Waste

The EPA is moving towards re-classifying coal ash as hazardous waste. Dominion's ponds would represent a significant material liability if this came to force.

- Dominion owns five ash disposal sites, three of which are ponds.[20] Almost 1.5 million tons of coal ash produced by the company was beneficially reused in 2009.[21]
- The EPA reported an unusual discharge from Dominion's Chesterfield Pond in 2005.

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.[22] Recently Dominion was forced to connect local residents' houses to grid water so that they would not be reliant upon potentially contaminated well water.[23]

3. **CONSTRUCTION AND COST RECOVERY:** Dominion has not disclosed actual costs for construction of the 585 MW Virginia City Hybrid Energy Center.
   - Dominion can raise rates to finance the plant's $1.8 billion construction for a return on equity of 12.12 percent. Cost overruns beyond that cannot automatically be charged back to ratepayers.[24]
     - Costs for plant construction in the Southeast are rising exponentially. A single Cliffside unit cost Duke Energy almost as much the company estimated for a two-unit plant only two years earlier.[25]
     - Dominion's 2010 10-K indicates adjusted revenue requirements for an ROE within the prescribed range.[26]
   - Dominion customers have faced several rate hikes in order to cover the cost of constructing the plant.[27]

4. **A CONSENSUS AMONG INDUSTRY ANALYSTS:** Studies since 2009 increasingly conclude that coal plants are uncertain, risky, volatile, costly investments requiring extra diligence.[28]

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

In its Statement in Opposition to this Proposal, Dominion claims that it has addressed the financial risks of its reliance on coal, and the need to meet new demand in its region (the PJM) with efficiency, conservation, and a diversified portfolio of fuel sources "to provide reliable electricity at reasonable cost."

Our company does not address the cumulative risks noted in the industry analyst reports and how they will affect the operations and profitability of its coal fleet, 60% of which lack SO_2 controls.

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

2010 PJM State of the Market: Analysis of actual 2010 net revenues shows that a number of sub-critical and supercritical coal units did not recover avoidable costs even after capacity revenues were considered. […] Units lacking controls for either NOx emissions, SO2 emissions, or both were identified as units at risk of significant capital expenditure on environmental control technologies in response to regulatory mandates. For existing units, project investments associated with environmental controls are avoidable in nature and units facing these investments may be retired if it is not expected that the units will recover investments through a combination of energy or capacity revenue.[29]

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.[30]

5. CONCLUSION:

Our 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 #7
Report on the Financial Risks of Reliance on Coal

[1] Natural Resources Defense Council (NRDC), "Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States, All 2008 Data," accessed 20 April 2011, available at: http://www.nrdc.org/air/pollution/benchmarking/2008/benchmark2008_data.zip
[2] Dominion Resources, Inc, "2010 Form 10-K," *U.S. Securities and Exchange Commission*, 28 February 2011, pps. 27-28. Dominion, "Electric Generating Stations," accessed 19 April 2011, available at: http://www.dom.com/about/stations/index.jsp.
[3] Dominion, "Virginia City Hybrid Energy Center," accessed 19 April 2011, available at: http://www.dom.com/about/stations/fossil/virginia-city-hybrid-energy-center.jsp.
[4] S. DiSavino and E. O'Grady, "Dominion to shut Mass. Salem Harbor coal/oil plant," *Reuters*, 18 November 2010, available at: http://reuters.com/article/2010/11/18/utilities-dominion-salem-idUSN1811822820101118.
[5] Dominion, "2010 Form 10-K," *U.S. Securities and Exchange Commission*, 28 February 2011, p. 81.
[6] NRDC, "Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States, All 2008 Data," accessed 20 April 2011.

[7] http://www.virginiabusiness.com/index.php/news/article/keeping-the-lights-on-in-a-low-carbon-world/1090/
[8] Dominion owns 50% of this plant. Emissions data is based on 50% ownership.
[9] NRDC, "Benchmarking Air Emissions of the 100 Largest Electric Power Producers in the United States, All 2008 Data," accessed 20 April 2011
[10] NRDC, 2008.
[11] NRDC, 2008.
[12] NRDC, 2008.
[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. Environmental Law & Policy Center, "Report finds Dominion Resources' State Line Coal Plant Caused up to $720 Million in Health Damages Since 2002," 16 November 2010, available at: 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 currently installing air emission control equipment. Dominion, "Brayton Point Power Station", accessed 20 April 2011, available at: http://www.dom.com/about/stations/fossil/brayton-point-power-station.jsp
[15] Dominion, "2010 Form 10-K," *U.S. Securities and Exchange Commission*, 28 February 2011, p. 112.
[16] Dominion, 2010 Form 10-K, p. 81.
[17] Dominion, "Emerging Regulations," accessed 20 April 2011, available at: http://www.dom.com/about/environment/report/emerging-regulations.jsp
[18] Dominion, "2010 Form 10-K," *U.S. Securities and Exchange Commission*, 28 February 2011, p. 112.
[19] , "2010 Form 10-K," *U.S. Securities and Exchange Commission*, 28 February 2011, p. 113.
[20] U.S. EPA, Wastes- Non-Hazardous Waste- Industrial Waste, "Information Request Responses from Electric Utilities," last updated 23 November 2010, available at: http://www.epa.gov/epawaste/nonhaz/industrial/special/fossil/surveys/index.htm
[21] Dominion, "Coal Combustion Products," accessed 20 April 2011, available at: http://www.dom.com/civism/dimensions/coal-combustion-products.jsp,
[22] L. Hansen, "Lawsuit claims Dominion saw golf course as 'coal ash dump'," *The Virginian-Pilot*, 27 August 2009, available at: http://hamptonroads.com/2009/08/lawsuit-claims-dominion-saw-golf-course-coal-ash-dump
[23] M. Rostami, "Chesapeake connects residences near golf course to water services," *The Virginian-Pilot*, 16 March 2011, available at: http://hamptonroads.com/2011/03/chesapeake-connects-residences-near-golf-course-water-service
[24] http://www.virginiabusiness.com/index.php/news/article/keeping-the-lights-on-in-a-low-carbon-world/1090/
[25] D. Schlissel, A. Smith, and R. Wilson, "Coal-Fired Power Plant Construction Costs," Synapse Energy Economics, July 2008, accessed 26 April 2011, p. 1, available at: http://www.synapse-energy.com/Downloads/SynapsePaper.2008-07.0.Coal-Plant-Construction-Costs.A0021.pdf.
[26] Dominion, 2010 10-K, p. 160.
[27] G. Kranz and P. C. Squires, "Keeping the lights on in a low-carbon world," *Virginia Business,* July 2008, available at: http://www.sourcewatch.org/index.php?title=Wise_County_Plant and http://www.sierraclub.org/environmentallaw/coal/getBlurb.aspx?case=va-dominion.aspx.
[28] M. Celebi, F.Graves, G. Bethla and L. Brennan, *Potential Coal Plant Retirements Under Emerging Environmental Regulation*s, Brattle Group, 8 December 2010; Deutsche Bank Climate Change Advisors, *Natural Gas and Renewables: A Secure Low Carbon Future Energy Plan for the United States*, November 2010; Bernstein Research, *U.S. Utilities Coal-Fired Generation Is Squeezed in the Vice of EPA Regulation: Who Wins and Who Loses?*, October 2010; Bernstein Research, *Black Days Ahead for Coal: EPA Air Emissions Regulation & the Outlook for Coal Fired Generation*, 22 September 2011; MJ Bradley and Analysis Group, *Ensuring A Clean, Modern Electric Generation Fleet while maintaining electric Reliability*, August 2010; Fahey, Jonathan, "Why Small Coal-Fired Plants Are Going Away," *Forbes*, 19 July 2010; Bernstein Research, *U.S. Utilities: A Visit to Washington Finds Utility Lobbyists and Environmentalists Agreeing on the Grim Outlook for Coal*, 9 March 2010; M. Kaplan, *Displacing Coal with Generation from Existing Natural Gas-Fired Power plants*, Congressional Research Service, 19 January 2010. See also: North American Electric Reliability Corporation (NERC), *2010 Special Reliability Scenario Assessment: Resource Adequacy and Impact of Potential U.S. Environmental Regulations*, October 2010; Mike Morris, CEO, American Electric, Power, *Power and Gas Leaders Conference*, Bank of America Merrill Lynch, New York, 29 September 2010; *ICF International, Clean Air Regulations: Impacts of EPA Proposed Rules*, 16 September 2010.
[29] Monitoring Analytics, LLC, "2010 PJM State of the Market," 10 March 2011, vol.2, p. 13, available at: http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2010/2010-som-pjm-volume2-sec1.pdf
[30] Bernstein Research, "Bernstein Commodities & Power: No Light for Dark Spreads: How the Ruinous Economics of Coal-Fired Power plants Affect the Markets for Coal and Gas," 18 February 2011, p. 1.