

**RESOLUTION SUBMITTED TO DOMINION RESOURCES ON BIOMASS ENERGY, CONSIDERED AT 2015 ANNUAL MEETING**

**WHEREAS,**

The Intergovernmental Panel on Climate Change states “*Continued emission of greenhouse gases will cause further warming... increasing the likelihood of severe, pervasive and irreversible impacts*”;

About half of anthropogenic CO<sub>2</sub> since 1750 was emitted in the last 40 years;

And, “*Inertia in the economic and climate systems and the possibility of irreversible impacts from climate change increase the benefits of near-term mitigation efforts*”;

The U.S. Environmental Protection Agency (EPA) has proposed to regulate CO<sub>2</sub> emissions from electricity generation under Rule 111(d), with reductions in carbon intensity (pounds CO<sub>2</sub> per MWh of electricity) required by 2030;

Dominion has stated that a “*highly uncertain*” energy policy and regulatory environment, influenced by 111(d), calls for “*sharp reductions in carbon intensity*”<sup>1</sup>;

Dominion has significantly invested in wood-burning plants, which, as the Company acknowledged to the Virginia State Corporation Commission,<sup>2</sup> have a higher carbon intensity than coal plants, emitting more CO<sub>2</sub> per MWh on a day-to-day basis. Holdings include the 83 MW Pittsylvania plant, the Hopewell, Altavista, and Southampton facilities (converted from coal to wood – 153 MW), and the Virginia City Hybrid Energy Center, which can generate up to 60 MW by co-firing wood with fossil fuels. Dominion states 74.4% of its renewable energy will come from bioenergy in 2029;<sup>3</sup>

Dominion claims bioenergy reduces CO<sub>2</sub> emissions,<sup>4</sup> but states that economic viability of the coal-biomass conversions depends on a regulatory assumption of carbon neutrality, without which the net present value of operation is less than if the plants burned coal;<sup>5</sup>

EPA does not automatically consider bioenergy to be carbon neutral, counting all CO<sub>2</sub> from biomass co-fired at fossil fueled plants, such as the Virginia City Hybrid Energy Center, as subject to Rule 111(d). Treatment of emissions from standalone bioenergy facilities is not finalized, but EPA’s carbon accounting framework recognizes logging waste, the fuel Dominion states it burns for bioenergy,<sup>6</sup> as having significant net greenhouse gas emissions.<sup>7</sup>

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<sup>1</sup> Introduction to Dominion’s 2014 Integrated Resource Plan.

<sup>2</sup> SCC Case No. PUE-2011-00073. Vol. III 01-12-2011.

<sup>3</sup> Appendix 6A of Dominion 2014 IRP.

<sup>4</sup> <http://bit.ly/1wQ7nHJ>

<sup>5</sup> SCC Case No. PUE-2011-00073.

<sup>6</sup> <https://www.dom.com/corporate/what-we-do/electricity/generation/biomass>.

<sup>7</sup> Framework for Assessing Biogenic CO<sub>2</sub> Emissions from Stationary Sources. EPA, 11-19-14.

**RESOLVED:** Shareholders request that the Board of Directors prepare a report on bioenergy by November 1, 2015, at reasonable cost and excluding proprietary information, evaluating the net greenhouse gas impact from each of the company's biomass-burning facilities on a timeframe relevant to the near term need to reduce CO<sub>2</sub> emissions, and assessing risks to the company's finances and operations posed by emerging public policies on bioenergy and climate change.

**Supporting Statement:**

Among other things, the report should evaluate:

- For each facility burning biomass, major factors relevant to achieving carbon neutrality, and the time frame that must be considered for the facility and its fuel sources to achieve carbon neutrality;
- Any proposed State or federal policies that might consider CO<sub>2</sub> emissions from Dominion bioenergy facilities or fuel sources in determining subsidies or tax credits.

**Background: Dominion Should Study Climate and Investment Risks Posed by Wood-burning Power Plants**

Written materials are submitted pursuant to Rule 14a-6(g)(1) promulgated under the Securities Exchange Act of 1934. Submission is not required of this filer under the terms of the Rule, but is made voluntarily in the interest of public disclosure and consideration of these important issues.

**What the resolution would do:**

Congruent with Securities and Exchange Commission disclosure requirements<sup>1</sup> for risks associated with climate change, the resolution asks Dominion to prepare a report to analyze greenhouse gas emissions from its wood-burning power plants and assess whether increasing regulation of greenhouse gas emissions reduces the value of Dominion's investments in wood-burning for power generation.

**Background:**

Wood-burning power plants emit significantly more carbon dioxide per megawatt-hour than coal or natural gas-fired power plants on a day-to-day basis. Increasingly, states and the federal government are regulating these greenhouse gas emissions, and reducing or eliminating renewable energy subsidies for these plants.

Dominion has made significant investments in wood-burning power plants, converting three coal plants to burn wood (153 MW), in addition to the existing 83 MW Pittsylvania plant and the new 600 MW Virginia City Hybrid Center, which will generate up to 117 MW by co-firing wood with fossil fuels. The Company depends on renewable energy subsidies to support its wood-burning power plants, stating they are a "key revenue stream" that is "critical" to the plants' "economic viability."<sup>2</sup> Dominion stated to the Virginia State Corporation Commission that if greenhouse gas emissions from wood-burning were regulated, the value of its coal plant conversions would be no more than if the plants had continued to burn coal.<sup>3</sup>

In the last year, Washington DC has eliminated renewable energy subsidies for low-efficiency biomass power plants like Dominion's, meaning the Company will not be able to collect subsidies from this market. The EPA's draft "Clean Power Plan," which sets CO<sub>2</sub> emissions rates for new power plants and seeks to reduce emissions from existing facilities, counts CO<sub>2</sub> from wood that is co-fired at coal plants when calculating facility emissions. EPA's draft plan acknowledges that co-firing wood increases CO<sub>2</sub> emissions and decreases coal plant efficiency, thus plants that co-fire wood, like Dominion's Virginia City Hybrid Center, may be less able to reduce emission rates.

Dominion states that preparing a report on bioenergy emissions would be premature and duplicative, but this is not the case. If Dominion had previously conducted such a study and assessed the potential for subsidies to decrease and regulation to increase, as is occurring now, the Company might not have made such large investments in wood-burning power plants. Dominion continues to project that by 2029, 74 percent of its renewable energy will come from burning wood, leaving investors unable to assess whether the Company's renewable energy investments are cost-effective or whether they may instead become stranded assets. Shareholders should vote FOR the resolution.

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<sup>1</sup> SEC Guidance says that the physical effects of global climate change and the legislation, regulations and policies developed to address it can materially affect companies. Publicly traded companies must thus assess the materiality of climate change matters to their business and determine what should be disclosed in SEC filings. *Commission Guidance Regarding Disclosure Related to Climate Change* (Release Nos. 33-9106; 34-61469; FR-82) February 2010.

<sup>2</sup> Letter from Carolyn Moss, Managing Director, Mid-Atlantic State and Local Affairs, Dominion, to Thomas Middleton, Senate Finance Committee Chair, Maryland Legislature. March 5, 2013.

<sup>3</sup> SCC Case No. PUE-2011-00073. Vol. III 01-12-2011, Direct Testimony of Glenn A. Kelly, Director of Generation System Planning for Dominion. Vol. II 06-27-2011, p. 13, Figure 7.