

DOMINION'S PLAN TO ADDRESS GREENHOUSE GASES

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INTRODUCTION

This report outlines Dominion's integrated strategy to meet the growing energy needs of our customers in an environmentally responsible, reliable and cost-effective manner. This includes working with policymakers to design new incentives to reduce greenhouse gas (GHG) emissions by improving the efficiency with which Dominion produces electricity, by helping our customers to conserve energy and by building low-carbon and non-emitting generation facilities and facilities where carbon emissions can be captured and sequestered.

To meet our customers' needs, it will be necessary to rely on a variety of tools. Each tool is an integral part of our approach to maintain fuel diversity on our system. Conservation, renewable generation development, the construction of other generating capacity and supplemental infrastructure improvements will all be part of what is needed to meet our customers' needs in an environmentally responsible manner.

Dominion is one of the nation's most efficient power producers. Improvements in the efficiency at Dominion's four nuclear power stations have resulted in increased output which is equivalent to building an additional nuclear unit. The company also has implemented programs at other power stations to increase the production of electricity using the same or less fuel. Figure 1 shows Dominion's generation fleet as of April 30, 2008.

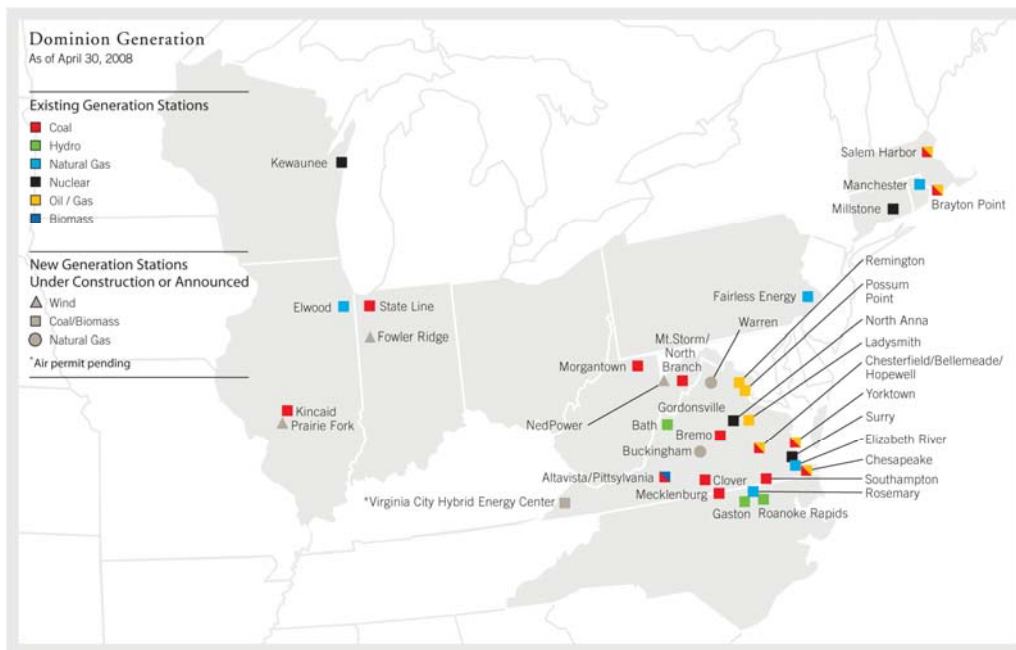


Figure 1: Generation Portfolio

According to the Natural Resources Defense Council (NRDC), Dominion is in the best third of all U.S. electric utilities in minimizing carbon intensity. The NRDC's 2008 report found that the company produced 1,101.6 pounds of carbon dioxide per megawatt-hour of electricity in 2006 compared with 1,615.7 pounds for the median of the nation's 100 largest electric power producers.

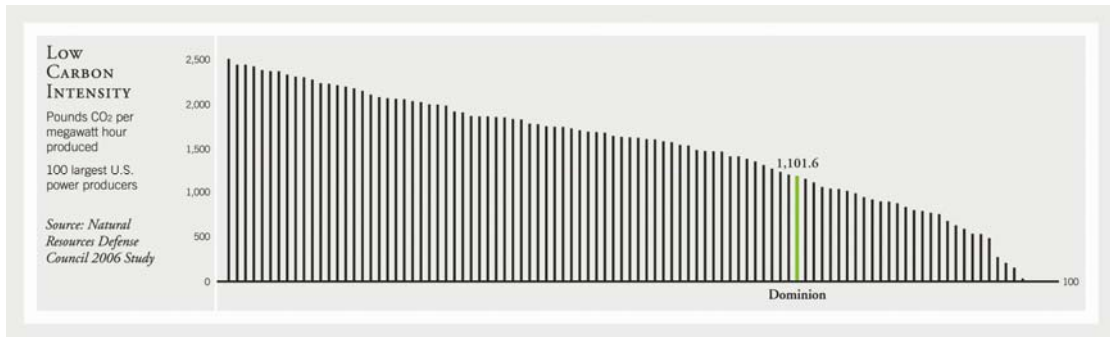


Figure 2: Dominion Carbon Intensity Compared With Peers

This is a result of Dominion's diverse fuel mix and efficiency efforts, both important parts of the company's integrated strategy. Figure 3 shows Dominion's fuel diversity based on 2007 production in megawatt-hours (MWh). Dominion's plans for additional generation – including a new 1,500 megawatt nuclear unit at our North Anna Power Station in Virginia – are expected to further minimize the company's carbon intensity.

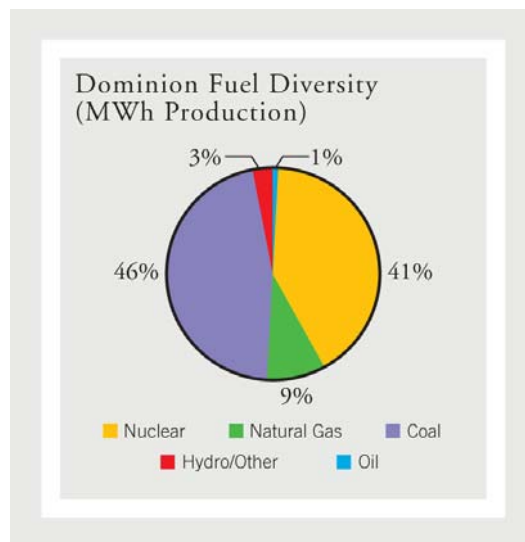


Figure 3: Dominion Fuel Diversity (2007 MWh Production)

DOMINION'S CLIMATE CHANGE INITIATIVE

In August 2007, Dominion announced the creation of a new Climate Change Initiative to determine if there are business opportunities for Dominion in light of increasing demand for ways to reduce greenhouse gas emissions from fossil-fueled power stations and other sources. Eva T. Hardy, Executive Vice President, heads this initiative.

On May 1, 2008, the company created the GHG Offsets group based on a recommendation of the Climate Change Initiative. GHG Offsets seeks out opportunities to reduce greenhouse gas emissions and generate offset credits for Dominion.

The new group will:

- Train Dominion's business unit management and Six Sigma employees on creating greenhouse gas reductions that are verifiable, additional and permanent.
- Manage external verification, qualification and registration of GHG reductions to create offsets.

DOMINION'S INTEGRATED STRATEGY

Dominion's objective is to provide reliable, affordable energy for our customers while being environmentally responsible.

Our integrated strategy to meet this objective consists of four major tools:

- Energy conservation and efficiency;
- Renewable generation development;
- Other generation development to maintain our fuel diversity, including clean coal, advanced nuclear energy and natural gas; and
- Improvements in other energy infrastructure.

Dominion announced its plans in February 2008 to convert the company's coal units at the Bremo Power Station to natural gas. The action is contingent upon the proposed Virginia City Hybrid Energy Center in Wise County, Virginia, entering service and receipt of all necessary approvals. If the conversion is completed, we expect there will be significant carbon dioxide and other emissions reductions in pollutants from the Bremo Power station.

In March 2008, Dominion announced that it had acquired a power station development project in northwest Virginia from Competitive Power Ventures. The station will generate about 600 megawatts of electricity when completed. The 34-acre project will host a combined-cycle, natural gas-fired power station. Dominion plans to build a 2-on-1 unit in which two gas turbines generate electricity and their exhaust heat produces steam to generate additional electricity. In December 2007, Dominion announced that it had acquired another 580-megawatt, combined-cycle, natural gas-fired development project in Buckingham County, Virginia.

CONSERVATION

Conservation can and must play a critical role in meeting the growing demand for electricity.

Dominion promotes efficient use of energy by its customers. The company regularly works to educate customers on the benefits of energy conservation and how they can take steps to do so. Dominion also has programs and rate schedules in place for industrial, commercial and residential customers that provide incentives for reducing energy consumption and shifting electricity use to off-peak hours. Helpful energy conservation information can be found on our website at <http://www.dom.com>, key word: conservation.

In the fall of 2007, Dominion initiated a program to promote energy efficient lighting by partnering with retailer The Home Depot to provide discounts on the purchase of compact fluorescent light bulbs (CFLs) for our customers. The initial goal was to promote the sale of 1.4 million CFLs by the end of 2009. The program is greatly exceeding expectations, with more than 1 million energy-saving bulbs sold by the end of March 2008. The company has raised the target to 5 million CFLs. CFLs consume about 75 percent less energy than traditional incandescent bulbs and can last up to 10 times longer, resulting in significant savings for consumers.

The U.S. Environmental Protection Agency estimates that total savings if consumers purchased 5 million CFLs would be about \$270 million over the life of the bulbs. Additionally, those CFLs would reduce carbon dioxide emissions by 1.5 million tons – the equivalent of removing 264,710 cars from the road for one year – because of the reduced need for electricity.

As previously noted, Dominion has a low carbon emissions rate (amount of carbon per megawatt-hour produced) when compared with other electric energy providers. However, our generation portfolio does include power stations which emit carbon dioxide. In turn, when our customers use energy more efficiently and their electricity consumption goes down, carbon dioxide emissions are reduced. For example, our average carbon dioxide emissions rate is 0.559 tons per net megawatt-hour. So, if an average residential customer (15 megawatt-hours per year) reduces energy use by 10 percent, then the amount of carbon dioxide produced would be reduced by 0.8 tons or 1,600 pounds per year. This is just one example of how energy conservation can help minimize environmental impact.

As a result of the Virginia re-regulation legislation (House Bill 3068/Senate Bill 1416) that was enacted in 2007 and supported by Dominion, the company has been working with the Virginia State Corporation Commission staff and stakeholders around the Commonwealth to develop an energy conservation plan for Virginia. This legislation includes incentives for renewable energy and certain other forms of new electric generation facilities, as well as energy conservation. The legislation specified that each utility may seek rate adjustment clauses to recover costs of providing incentives for the utility to design and operate fair and effective demand-management, conservation, energy efficiency and load-management programs.

The 2007 re-regulation legislation also states:

The Commonwealth shall have a stated goal of reducing the consumption of electric energy by retail customers through the implementation of such programs by the year 2022 by an amount equal to ten percent of the amount of electric energy consumed by retail customers in 2006. The State Corporation Commission shall conduct a proceeding to (i) determine whether the ten percent electric energy consumption reduction goal can be achieved cost-effectively through the operation of such programs, and if not, determine the appropriate goal for the year 2022 relative to base year of 2006, (ii) identify the mix of programs that should be implemented in the Commonwealth to cost-effectively achieve the defined electric energy consumption reduction goal by 2022, including but not limited to demand side management, conservation, energy efficiency, load management, real-time pricing, and consumer education, (iii) develop a plan for the development and implementation of recommended programs, with incentives and alternative means of compliance to achieve such goals, (iv) determine the entity or entities that could most efficiently deploy and administer various elements of the plan, and (v) estimate the cost of attaining the energy consumption reduction goal.

Dominion is committed to helping customers meet the 10 percent conservation goal set forth in the 2007 re-regulation legislation. The 2007 re-regulation legislation provides an important framework for incentives to accomplish this important objective.

Dominion announced plans in September 2007 for a series of pilot programs focused on energy conservation and demand response to help customers reduce energy consumption and save money. Given consumers' varying attitudes and behaviors, the pilots are designed to provide valuable information about which programs are likely to gain the most acceptance among Dominion customers and prove to be the most effective at conserving energy. These pilot projects include:

- Enrolling a total of 4,000 residential customers in four different energy-saving pilots. The pilots are designed to cycle air-conditioning during peak-demand times, inform consumers about their real-time energy consumption patterns, install programmable thermostats that allow customers to manage their use of electricity, and educate customers about the value of reducing energy use during peak-demand times.
- Providing free energy audits and energy efficiency kits to 150 existing residential customers and 50 small-commercial customers. In addition, 250 new homes will receive energy efficiency welcome kits that include CFLs.
- Providing incentives to large commercial, industrial and other non-residential customers to reduce load during periods of peak demand by using their generators to produce up to 100 megawatts of electricity. That is enough electricity to power as many as 25,000 residences. This would be in addition to existing Dominion tariff-based options in which large commercial and industrial customers already reduce demand by 275 megawatts during peak demand periods.

In March 2008, Dominion announced that it had begun the enrollment for the first of its nine energy conservation pilot programs.

The first pilot to be implemented – the PowerCost Monitor™ – will provide eligible residential customers with a free in-home display that gives real-time feedback on energy consumption and cost for the entire residence. Participants will be given a sensor to install on their home meters. The sensor sends a wireless signal to an in-home display estimating how much is being spent on electricity at any given time. Customers will be able to track energy costs by either kilowatts or dollars for different appliances. As the appliances are turned on and off, customers will be able to view energy savings in the device display.

The nine pilots are consistent with the new Virginia Energy Plan and are designed to complement efforts by the Commonwealth to reduce electrical consumption 10 percent by 2022.

Customers seeking additional ways to increase the energy efficiency of their homes and businesses also have a new tool at their disposal. An energy calculator recently installed on Dominion's Web site helps customers determine the amount of energy they are using and explore possible ways to save.

The energy calculator, available at www.dom.com, allows customers to create a profile of their current household energy usage, calculate the energy used by a variety of household appliances, and discover ways to make better energy decisions by reducing consumption and improving efficiency.

POWER STATION OPERATIONS

Dominion is working to improve its own energy efficiency, both in using less fuel to produce the same amount of energy and to use less energy in its own operations. In both cases, the result is lower emissions than would have occurred otherwise to meet the energy needs of our customers.

For example, the Bath County Pumped Storage Station is in the midst of a six-year overhaul to increase the efficiency of its turbines, resulting in a total generation capacity increase of 288 megawatts. Upgrades of 75 megawatts at nuclear-powered Millstone Power Station and 120 megawatts at natural gas-powered Fairless Works Power Station are planned for 2008.

In all, Dominion has completed in recent years or has plans for upgrades and other efficiency projects at its generating stations totaling more than 900 megawatts.

Dominion also is installing Carbon Burn-out™ systems at its Chesapeake Energy Center in Virginia and at its Brayton Point Station in Massachusetts that is resulting in significant offsets of carbon dioxide emissions. As part of our ash management programs, these systems recover the energy from the carbon-rich fly ash generated at our coal-burning facilities and produce an ash product suitable for beneficial reuse. In addition, energy, which would otherwise be lost by landfilling of ash will be recovered, improving power plant efficiency.

The system will reduce the carbon content and the ammonia content in the fly ash generated during the production of electricity. The environmentally beneficial process will allow the sale and beneficial use of the fly ash which otherwise would have to be land filled. In addition, the recovered energy will be used for electricity production, offsetting the need to burn approximately 38,000 tons per year of raw coal.

Combustion of the carbon-rich fly ash in the process will yield the following environmental benefits:

- Recovery of approximately 918,000 million Btu per year of energy from the fly ash (equivalent to burning 38,000 tons of coal) which otherwise would be lost;

- Reduction of emissions to the atmosphere due to the reduction in the amount of coal burned;
- Collateral carbon dioxide reduction of up to 320,000 tons per year by beneficially using processed ash to displace equivalent tonnages of Portland cement production; and
- Avoided disposal to landfill of up to 370,000 tons of ash per year.

Dominion also is among the industry leaders in operating efficiency at its nuclear power stations, as measured by capacity factor. In 2007, our nuclear power stations generated nearly 48.3 million megawatt-hours of electricity – its second-highest total ever – and had a capacity factor of 91.7 percent. Higher nuclear capacity factors reduce the need for generation from other sources, including those that emit carbon.

RENEWABLE ENERGY

Renewable energy is an important component of a diverse and reliable energy mix. Dominion is committed to meeting Virginia's goal of 12 percent renewable power by 2022 and North Carolina's renewable portfolio standard of 12.5 percent by 2021.

The company is growing its renewable portfolio. It now has nearly 1,300 megawatts of renewable generation in operation or under development. About 750 megawatts of Dominion's renewable energy portfolio involves wind projects.

In November 2007, Dominion issued a request for proposals (RFP) for renewable energy projects in Virginia, North Carolina or elsewhere in the PJM Interconnect region. The RFP sought the purchase of renewable energy generation projects in development or early construction, as well as renewable energy credits. A number of potential projects were identified as a result of the RFP and analysis of the projects is underway.

Within our regulated system, Dominion currently provides approximately two percent of its generation from renewable sources.

- Run-of-river hydro provides 327 megawatts of renewable power.
- Use of wood waste at two of our generating stations:
 - Pittsylvania Power Station provides 80 megawatts of power from biomass.
 - Altavista Power Station is co-fired with 10 percent biomass.

We also anticipate using up to 20 percent biomass (wood waste) at the proposed Virginia City Hybrid Energy Center.

Dominion has also been moving to develop wind energy resources. Among the projects and initiatives announced are:

- Dominion is a 50 percent owner of a wind energy facility under construction in Grant County, West Virginia near its Mount Storm Power Station. When completed, Dominion's share of this project will produce 132 megawatts of renewable energy.

- In January 2008, Dominion announced a partnership with BP Alternative Energy North America Inc. (BP) to build one of the largest wind farms in the United States in Indiana (Fowler Ridge). Dominion is a 50 percent partner in 650 megawatts of a 750 megawatt total facility.
- In April 2008, Dominion announced plans to develop a 300-megawatt wind generation facility in central Illinois. If built, the Prairie Fork Wind Farm would feature 150 to 200 turbines constructed across about 25,000 acres in Christian and Montgomery counties.
- Also in April 2008, the company announced an agreement with BP to jointly develop, own and operate wind energy projects in Virginia.

OTHER INFRASTRUCTURE IMPROVEMENTS

Dominion plans to invest approximately \$2.27 billion in improving the capabilities and reliability of its electric transmission and distribution system. There are a number of benefits that will result from these investments, including lower emissions of greenhouse gases than would otherwise occur. Along with helping the company to meet its goal of providing the most reliable service possible, circuit upgrades will result in lower losses on the system and improve our overall transmission and delivery efficiency. As a result, less electricity will have to be generated and lower emissions of greenhouse gases will occur. An additional benefit will be in providing additional capacity to efficiently deliver electricity from the renewable projects. Without the planned improvements, transmission capacity constraints and bottlenecks could prevent the delivery of some electricity generated by renewable resources.

DOMINION'S ENVIRONMENTAL RECORD

We are proud of our environmental stewardship record and the measures we have taken to minimize emissions from our existing fleet of generating facilities.

- By 2015, the company expects to spend \$3.4 billion on air-quality improvement projects at facilities company-wide.
- Dominion has been praised for being one of the few major utilities to seek an advance agreement with the U.S. Environmental Protection Agency rather than fight New Source Review requirements. As a result, we have spent or are spending \$1.7 billion on air quality improvements and are well ahead of many of its peers in this work.
- Dominion has spent \$1.3 billion to meet the Clean Air Interstate Rule and the Clean Air Mercury Rule.

These investments in our Dominion systems will yield substantial benefits for Virginia's air quality. Emissions from our current generation fleet will decrease significantly from 1998 to 2015. As Figure 4 shows, NO_x emissions will decrease by 74 percent, SO₂ emissions will decrease by 80 percent and mercury emissions will decrease by 86 percent.

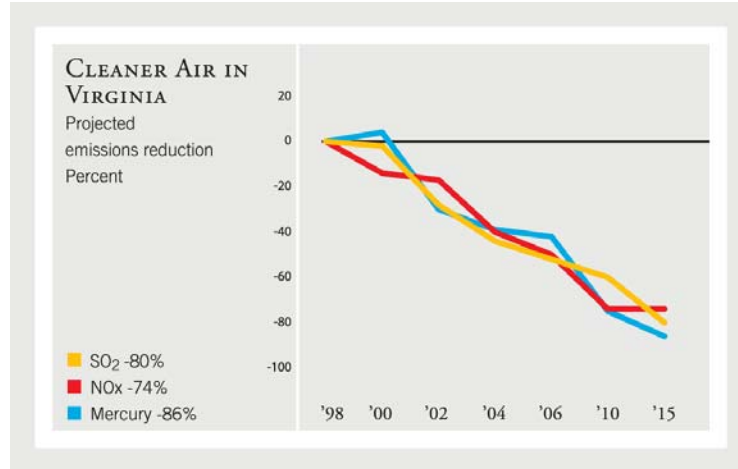


Figure 4: Emission Reductions at Dominion Virginia Power Facilities: 1998 - 2015

At the company's two largest fossil-fueled power stations serving Virginia, the following results have been achieved:

- New pollution-control equipment was dedicated in May 2008 at the company's largest fossil-fueled power station, Chesterfield Power Station near Richmond, Virginia. The equipment removes more than 95 percent of sulfur dioxide emissions and more than 90 percent of mercury emissions from the company's largest coal-fired generating unit, Unit 6. Dominion plans to install additional equipment to reduce emissions on the other three coal units at Chesterfield, to be operational in 2011.
- At the company's second largest fossil-fuel power station, the Mt. Storm Power Station in Mt. Storm, West Virginia, emissions controls remove 99 percent of the ash and 95 percent of the sulfur dioxide.

Additionally, our capital expenditures in New England will dramatically reduce emissions by 2015. As Figure 5 illustrates, NO_x emissions will decrease by 77 percent, SO₂ emissions will decrease by 84 percent and mercury emissions will decrease by 86 percent.

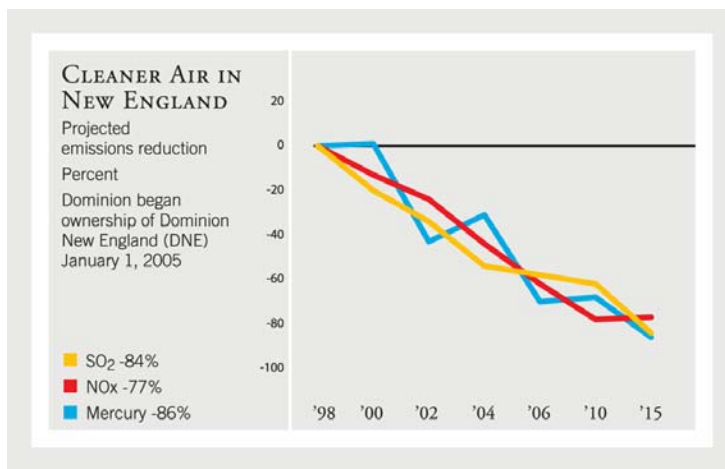


Figure 5: Emission Reductions at Dominion New England Power Facilities: 1998-2015

Discussions about air quality have increasingly focused more on the issue of climate change and less on criteria pollutants. The integrated strategy described in this report will help Dominion address the challenges presented by evolving climate change laws and regulations while meeting its customers' needs.

DOMINION AND FEDERAL CLIMATE CHANGE LEGISLATION

Dominion has supported federal legislation to address greenhouse gas emissions that:

- Regulates GHG emissions economy-wide;
- Establishes a system of tradable allowances;
- Slows the growth of GHG emissions in the near term and reduces GHG emissions in the long term;
- Sets a realistic baseline year and schedule of compliance;
- Promotes technology development; and
- Includes a “safety valve” to protect consumers from dramatic and potentially ruinous rate increases.

Dominion has supported the Bingaman/Specter bill as the current legislation that best embodies these principles. This legislation has a wide range of supporters including labor (AFL-CIO, IBEW, UAW); utility companies (Allegheny, Duke, Exelon); and wildlife/conservation groups (Trout Unlimited, Ducks Unlimited, Association of Fish and Wildlife Agencies).

Furthermore, we are actively pursuing research on carbon capture, transport and storage technologies.

Dominion is gaining hands-on experience with technologies related to carbon capture. In October 2007, Dominion announced that it will host a large-scale coal gasification test facility and research center at its Brayton Point Power Station in Massachusetts. The test facility owned by GreatPoint Energy will convert coal, petroleum coke and biomass into pipeline-quality natural gas and a separate stream of sequestration-ready carbon dioxide. The process also captures mercury, sulfur and other pollutants.

Dominion is also one of the leading gas transport companies in the world and can apply this experience to the transportation of carbon dioxide from capture to storage.

We expect the successful commercial application of carbon storage on a utility scale will be an important part of Dominion’s energy future.

Dominion is also a major sponsor of research being conducted by Virginia Tech on carbon storage in unmineable coal seams. In November 2007, Dominion announced it would contribute \$500,000 to the university's Virginia Center for Coal and Energy Research for this research. Some of the most promising sites for carbon storage are in the Virginia coalfield region near the company's proposed Virginia City Hybrid Energy Center. Dominion's contribution is to support a planned full-scale carbon storage demonstration project that would be located near the Virginia City project site in adjacent Russell County. This proximity to significant potential carbon sequestration capacity would reduce the cost of carbon transport.

Our financial support makes it possible for Virginia Tech to qualify for substantial funding from the U.S. Department of Energy.

VIRGINIA REGULATION AND LEGISLATION

Frequency of Rate Cases in Virginia Law and Decoupling

Virginia's re-regulation law, adopted in 2007, (Section 56-585.1 A of the Code of Virginia) provides for biennial reviews of investor-owned electric utility rates. This frequent review of rates provides an opportunity for regular recovery in rates of utility spending on conservation programs. By contrast, before the adoption of the re-regulation law, Dominion had only one base rate case in the 1990's and it has had none since then. In the future, rate cases will provide more frequent opportunities for regulators to encourage conservation spending by recognizing such spending in rates going forward.

Conversely, gas utilities in Virginia pursued legislation in 2008 that decoupled rates (House Bill 543). This legislation defines a decoupling mechanism as follows.

"Decoupling mechanism" means a rate, tariff design or mechanism that decouples the recovery of a utility's allowed distribution revenue from the level of consumption of natural gas by its customers, including (i) a mechanism that adjusts actual nongas distribution revenues per customer to allowed distribution revenues per customer, such as a sales adjustment clause, (ii) rate design changes that substantially align the percentage of fixed charge revenue recovery with the percentage of the utility's fixed costs, such as straight fixed variable rates, provided such mechanism includes a substantial demand component based on a customer's peak usage, or (iii) a combination of clauses (i) and (ii) that substantially decreases the relative amount of nongas distribution revenue affected by changes in per customer consumption of gas.

Gas utilities differ from electric utilities in an important aspect which would complicate a decoupling mechanism for electric utilities: there is no generation component for a gas utility. Dominion operates retail gas utilities in Ohio, Pennsylvania and West Virginia and is well familiar with this business. The generation component is not relevant to the gas business, but it is critical to the electric utility business. Virginia law encourages energy self sufficiency and provides incentives for utilities to add baseload generation to serve native load.

Dominion's view is that the frequency of rate cases allowed under Virginia law, combined with the complexities of the generation component of electric utilities, reduces the need to pursue decoupling legislation for the electric business at this time.

Other Relevant Legislation from the 2008 General Assembly

The 2008 Virginia General Assembly passed and the Governor signed Senate Bill 718. This legislation requires investor-owned electric utilities to report annually on their efforts to conserve energy. The measure also provides that the Virginia Energy Plan be updated by July 1, 2010, and every four years thereafter, rather than requiring an update in July 2012 and every five years thereafter as previously proposed. This change allows for the Virginia Energy Plan to be updated in the first year of each gubernatorial administration. The measure also requires utilities to report annually on their efforts to meet the renewable portfolio standard goals, renewable generation overall and relevant advances in renewable energy generation technology.

The Virginia General Assembly also passed Senate Bill 464. This legislation, as amended in the House of Delegates, requires a newly formed legislative Commission on Energy and the Environment to devote much of its attention to energy conservation.

SUMMARY

Dominion has an integrated strategy to meet its customers' needs for affordable and reliable electricity while protecting the environment. The four prongs of this strategy are conservation, renewable energy, other generation development and improvements in energy infrastructure. Virginia's 2007 electric utility re-regulation legislation provides important incentives for conservation, renewable energy and development of certain baseload generation. Dominion will continue to work with policymakers at the state and federal level to encourage incentive-based policies to promote these important energy priorities.

Additional information about the company's efforts regarding the environment, GHG emissions and its strategy for meeting the energy needs of its customers is available on the Web at the following locations:

- Environmental Responsibility, including the company's environmental report and environmental policy, can be found at <http://www.dom.com/about/environment/index.jsp>;
- Conservation, including energy-saving tools for customers, can be found at http://www.dom.com/customer/efficiency/energy_conservation_index.jsp;
- "Dimensions," a report to stakeholders on values, goals and performance, can be found at <http://www.dom.com/dimensions/index.jsp>; and
- Powering Virginia, the company four-pronged strategy for responsibly and reliably meeting the electricity needs of our Virginia customers for the next decade and beyond, can be found at <http://www.poweringvirginia.com>.