

Dominion Resources, Inc.
A PUBLIC CITIZEN CORPORATE PROFILE



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Public Citizen Corporate Profile: Dominion Resources, Inc.

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Public Citizen
215 Pennsylvania Ave SE
Washington, DC 20003
Phone: 202-546-4996
Fax: 202-547-7392
www.energyactivist.org

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Introduction

As a vast, diversified, and aggressive energy company, Dominion Resources, Inc. encompasses virtually every aspect of the energy industry, and it is one of the country's largest public utility holding companies. From oil and gas drilling and storage, to electricity generation, transmission, and distribution, Dominion does it all.

It is a company that has achieved a remarkable degree of vertical integration, and thus power: an insatiable thirst for expansion has compelled Dominion to buy up electricity-generating plants while expanding the market for its power by working towards joining the country's largest electricity interconnection, PJM. The company is even taking steps towards building new nuclear power reactors, something that would have been unthinkable just a few years ago.

Not surprisingly, Dominion has not always operated lawfully. The energy giant has been subject to a slew of lawsuits and government violations. In its quest to perpetually increase profits, the effect of this corporate behemoth's operations on the health and welfare of the public is not always taken into consideration. For example, Dominion skimmed on costly pollution-control equipment at one of its fossil-fuel power plants—a violation of federal clean air laws—and ultimately agreed on a billion-dollar settlement with the federal government over the infraction.

But the ability of regulators to keep Dominion in check is not absolute; indeed, the integrity of state officials has, in many instances, been compromised by the power of Dominion and other large energy companies. The company is even trumping its government regulators in the state of Virginia by pushing through legislation that the regulators themselves say is bad for consumers of electricity.

It is therefore essential that the public is aware of the broad reach and tremendous influence of this massive energy company.

Corporate Overview¹

Dominion Resources, Inc. describes itself as a “diversified, fully integrated electric and gas holding company” and “one of the nation's leading energy companies.”² Indeed, Dominion is a major publicly-traded corporate player in the domestic energy industry, having broad holdings in various sectors of the energy industry.

The company is based in Richmond, Virginia, and has operations in twenty states and Canada, comprising the full range of the energy industry—from fossil fuels exploration to production, electric generation and transmission. Touting the breadth of its industry dominance, the aptly-named Dominion boasts in its 2003 annual report that it “has the capability to discover and produce gas, store it, sell it or use it to generate power; it can generate electricity to sell to customers in its retail markets or in wholesale transactions,” giving the company the ability to “produce and sell energy in whatever form it finds most useful and economic.”³

The mammoth Dominion—with assets of \$44.2 billion, an annual operating revenue of \$12.1 billion, and more than 400,000 shareholders—is divided into four separate business divisions, each comprised of a host of companies:

- **Dominion Generation** is the electric power generation division of Dominion, operating facilities in Virginia (where the majority of its customers reside), West Virginia, North Carolina, Connecticut, Illinois, Indiana, Pennsylvania, and Ohio. Dominion is also seeking to purchase a nuclear plant in Wisconsin and fossil-fuel plants in Rhode Island and Massachusetts. The company operates coal, nuclear, natural gas, and hydro plants. Collectively, Dominion’s generating stations have the capacity to produce between 24,000 and 26,000 megawatts of electricity.
- **Dominion Energy** is the company’s electric and natural gas transmission operation, with 7,900 miles of interstate gas distribution pipelines in Midwest, Mid-Atlantic, and Northeast states; and 6,000 miles of electric transmission lines, principally in Virginia and North Carolina. This division also encompasses Dominion’s multi-state underground natural gas storage system—with 760 billion cubic feet of storage capacity in Pennsylvania, West Virginia, and New York—as well as the country’s second-largest liquefied natural gas (LNG) storage facility (Cove Point) on the Chesapeake Bay near Baltimore, Maryland. Dominion’s energy trading, marketing, and arbitraging⁴ activities—conducted by Dominion Energy Clearinghouse—also fall under this division.
- **Dominion Delivery** comprises the capillaries to Dominion Energy’s arteries. This division operates electric and gas distribution systems that draw from transmission lines to provide energy services to millions of customers in Northeast and Mid-Atlantic states. Dominion Delivery also manages 200 billion cubic feet of natural gas storage in Ohio and Pennsylvania. Combined with the company’s other storage facilities, Dominion runs the nation’s largest gas storage system, with a capacity of 960 billion cubic feet. Dominion’s customer service operations also fall under this category.
- **Dominion Exploration & Production** is the gas and oil exploration, production, and development division of Dominion, with onshore and offshore operations in Canada, the Gulf Coast, the Gulf of Mexico, and the continental United States. Dominion owns 6.4 trillion cubic feet of proven natural gas and oil reserves, and it produces more than a billion cubic feet of gas and oil daily. The company drilled 922 wells in 2003 alone.

Dominion’s telecommunications business has been discontinued, and its financial services subsidiary is being divested according to the terms of an order from the U.S. Securities and Exchange Commission (SEC).⁵

The various companies held by parent Dominion Resources include Dominion Virginia Power (also known as Virginia Electric and Power Company, or VEPCO) and Dominion North Carolina Power, electric utilities (or “distribution companies,” in industry parlance) in Virginia and North Carolina, respectively; Dominion Peoples, a gas distribution company in Pennsylvania; Dominion Cove Point LNG, LP, in Maryland; and Dominion Technical Solutions, Inc., an engineering and construction services company for operators of electric transmission lines, substations, and distribution facilities.

Money and Politics

When it comes to politics, Dominion knows how to play the game. Through lobbying, campaign contributions, and favors to legislators, Dominion has been able to exert a considerable influence over government officials, most notably in pushing through Virginia's electric deregulation law in 1999—a highly sought prize for the company. Whether on the federal or state level, Dominion knows that money equals access.

Dominion has been a prodigious funder of the campaigns of candidates for federal elective office. The company has emerged as the fourth-largest federal campaign contributor in the energy sector, giving even more than ExxonMobil: since 1999, Dominion has given over \$3 million to presidential candidates and prospective members of Congress; about two-thirds of that total went to Republican candidates.⁶ In that same period, Dominion spent more than \$2.4 million lobbying Congress.⁷

Dominion's access to government regulators extends beyond mere campaign contributions. Dominion's president and chief operating officer, Thomas F. Farrell, was part of the new Bush administration's transition team for the U.S. Department of Energy (DOE), just as Dominion was facing litigation from the federal government for alleged violations of the Clean Air Act.⁸ Since 2003, Susan B. Warner, the wife of U.S. Sen. George Allen (R-Va.), has had a seat on Dominion's board of directors, a position for which she earns approximately \$54,000 per year, despite virtually no experience in corporate governance or the electric utility business. The *Virginian-Pilot and The Ledger-Star* of Norfolk called the appointment "influence-buying, pure and simple."⁹ Sen. Allen has said that he will continue to vote on legislation that might affect Dominion,¹⁰ and he has accepted \$39,900 in campaign contributions from Dominion, his third-largest contributor, since 1999.¹¹

Neither has Dominion ignored the Republican senators from Ohio—home of the company's "East Ohio" natural gas distribution subsidiary. During the Republican Party's 2004 national convention in New York City, Dominion hosted a luncheon in honor of Sens. Mike DeWine and George V. Voinovich. According to a Dominion official, such a gathering provided "an effective way to get all the officeholders together in one location and introduce ourselves or reintroduce ourselves."¹² Both senators have supported comprehensive energy legislation (derived from the infamous energy "task force" lead by Vice President Richard Cheney) favored by Dominion. Dominion has been a top campaign contributor to Sen. Voinovich, shelling out \$26,353 to the Ohio politician since 1999.¹³

Dominion has also been an aggressive lobbyist on the state level in Virginia, where it has won passage of electric restructuring legislation that is opposed by the state's own utility regulator, the Virginia State Corporation Commission.¹⁴ During the 2003-2004 legislative session, Dominion spent more money lobbying Virginia government officials than any other entity, shelling out \$459,990 to fund its small army of lobbyists.¹⁵ Moreover, in apparent attempts to seek favor from state officials, Dominion treated seven Virginia legislators to a Washington Redskins football game at a cost of \$3,154, and the company spent \$1,899 on a hunting outing in Georgia for state Sens. William C. Wampler Jr. (R-Bristol) and Martin E. Williams, (R-Newport News).¹⁶

Exorbitant Executive Compensation

Dominion treats its executives well—perhaps too well. In 2003, Dominion’s chairman and chief executive officer, Thomas E. Capps, received \$7.22 million in total compensation, up from \$2.79 million for his work in the previous year. Chief Operating Officer Thomas F. Farrell took home \$3.7 million in 2003—almost three times his earnings the previous year—and Thomas N. Chewning, the executive vice president and chief financial officer, received \$2.85 million in compensation last year.¹⁷ Dominion’s rank-and-file has not failed to notice the remarkable disparity between their compensation and that of Dominion’s elite. The Utility Workers Union of America (UWUA), which represents approximately 3,000 Dominion employees,¹⁸ has pointed out that in 2003, compensation for Dominion’s top five executives increased by 174 percent to \$17.7 million, more than 5 percent of Dominion’s net income, compared to their 2002 earnings of \$6.5 million or half a percent of Dominion’s net income. Dominion executives experienced this extraordinary windfall in a year when the financial performance of the company was less than stellar: net income in 2003 dropped 77 percent from the previous year.¹⁹

In an attempt to curb excessive executive pay, a coalition of Dominion shareholders called the “Reform Dominion Now Coalition,” led by the UWUA, proposed a resolution to shareholders to require their approval of executive compensation exceeding the limits established by the U.S. Internal Revenue Code for deductibility of employee remuneration—generally \$1 million. Despite an attempt by Dominion management to get the U.S. Securities and Exchange Commission to squash the proposal,²⁰ the coalition succeeded in getting a vote on the measure at the annual Dominion Resources, Inc. shareholder meeting on April 23, 2004, in Cleveland, where the resolution ultimately failed.²¹

Shareholders had previously sued Dominion and its corporate leadership in 1994, alleging securities fraud and mismanagement. The case was ultimately dismissed.²²

III Corporate Citizenship

While Dominion treats its executives as royalty and strives incessantly to win the favor of public officials, the company does not appear to hold the public itself in such high esteem. Dominion doesn’t seem eager to contribute much to the commonwealth, as it has proved remarkably adept at exploiting favorable tax provisions to avoid paying taxes: according to the public interest groups Citizens for Tax Justice and the Institute on Taxation and Economic Policy, Dominion avoided 82 percent of its federal income taxes between 2001 and 2003, paying a mere 3.1 percent rate on its almost \$4.5 billion in profits during that period—a far cry from the statutory corporate tax rate of 35 percent and the sixth-lowest rate among energy companies.²³

But Dominion’s operation of nuclear reactors has proved especially troubling for its neighbors.

Millstone

Dominion Nuclear Connecticut—a Dominion subsidiary and the operator of the Millstone nuclear power station—is party to a lawsuit against the town of Waterford, Connecticut, alleging that the town’s appraisal of Millstone, at \$1.2 billion, was too high (Dominion values the plant at about \$1 billion). The difference is significant: if Dominion wins the case, the town could lose up to \$24 million in tax revenue in 2004 alone. According to *The Day* newspaper of New London, Conn., Waterford city officials accused Dominion of refusing to provide the town with information regarding the methodology the company employed in valuating its plant—until a judge ultimately ordered disclosure of this information.²⁴

Other Millstone neighbors have had a disharmonious relationship with Dominion and the plant it operates. On two separate occasions, local fishermen have pursued legal action against the operator of Millstone, most recently in 2002, seeking to recover damages for “intentional interference with fishermen’s livelihood.”²⁵ The fishermen claimed that discharges of hot water from the Millstone plant—due to its “once-through” cooling system²⁶—had depleted the winter flounder stock in the Niantic Bay of Long Island Sound, adversely affecting their business. (In both cases, the court directed the fishermen to pursue their complaint through state regulatory agencies.)

The Millstone nuclear plant may also contribute to public health problems: according to a recent report by the Connecticut Department of Public Health, New London County—where Millstone is located—has the highest age-adjusted cancer incidence rate for women and the second-highest rate for men in the state.²⁷

Should an accident or attack occur at Millstone, the safety of nearby residents may not be Dominion’s highest priority. Under a commission from the state of New York, James Lee Witt Associates—a consulting firm headed by its namesake, the former director of the Federal Emergency Management Agency—issued a scathing report on the adequacy of emergency plans for Millstone and the Indian Point nuclear power station near New York City. Nevertheless, Dominion did not compel Connecticut’s Office of Emergency Management to make the recommended changes to an emergency response booklet distributed to residents near Millstone.²⁸

North Anna

Dominion’s North Anna nuclear station has also not always been welcome by its neighbors in Virginia. In 1971, displaced landowners brought legal action against Virginia Electric and Power Company (VEPCO), a subsidiary of Dominion, to protest the license it had been granted by the Virginia State Corporation Commission to construct a dam to create a reservoir—which became Lake Anna—for use to cool components of the power station.²⁹ Another lawsuit was brought against VEPCO by environmental groups in the 1970s alleging an unjust and unnecessary seizure of land for five electric transmission projects, one of which connected the new North Anna power station to the grid.³⁰ Both lawsuits were ultimately unsuccessful.

Property Trespass

In 2002, landowners again sued VEPCO and its subsidiary Dominion Telecom, Inc., alleging that the company had illegally used easements on their property for a commercial fiber optic network, constituting a “continuing trespass.”³¹ The parties eventually agreed to a class action settlement in which Dominion was required to pay about \$7 million to the plaintiffs.³²

Market Malfeasance

Dominion’s aggressive business tactics have not only adversely affected the public, but have also crossed the line of legality, violating federal rules governing sensitive market information.

On August 2, 2004, Dominion agreed to a legal settlement with the U.S. Federal Energy Regulatory Commission (FERC) for violations of regulations regarding the sharing of natural gas market information. Over a period of three years, Dominion Transmission, Inc. had shared sensitive, non-public information regarding natural gas inventory levels with its affiliate, Dominion Energy Clearinghouse—Dominion’s energy trading and marketing operation—which, in turn, shared that data with other industry participants before the information became public. This special knowledge gave Dominion, which has the country’s largest underground natural gas storage system, a distinct and unfair advantage in the volatile natural gas market.

By the terms of the settlement, Dominion agreed to pay a \$500,000 civil penalty and offer a refund of \$4.5 million to its natural gas storage customers, as well as institute reforms to prevent future transgressions of this kind.³³

Clean Air Act Violations

Misusing market data is a serious infraction, but it is not the only time that Dominion has crossed the federal regulators.

In April 2003, Dominion’s VEPCO agreed to a \$1.2 billion enforcement settlement with the U.S. Department of Justice (DOJ) and the U.S. Environmental Protection Agency (EPA) for violations of the Clean Air Act. The settlement stemmed from violations cited by the EPA for VEPCO’s failure to comply with the New Source Review (NSR) requirements of the Clean Air Act.³⁴

The EPA charged VEPCO with failing to obtain the requisite NSR permits for significant modifications it made to its coal-fired Mount Storm Power Plant in West Virginia that resulted in increased power-generating capacity. The Clean Air Act requires that such modifications be accompanied by the installation of pollution-control equipment to mitigate environmental contamination. But VEPCO neglected to install such equipment, which, according to the EPA, resulted in the release of “massive amounts” of sulfur dioxide (SO₂), nitrogen oxide (NO_x), and particulate matter.³⁵

The Commonwealth of Virginia and the states of New York, New Jersey, Connecticut, and West Virginia joined the suit against VEPCO and ultimately agreed to the consent decree,³⁶ in which VEPCO agreed to pay the sum of \$1.2 billion for pollution control installations to eliminate thousands of tons of SO₂ and NO_x emissions by 2013.³⁷

The terms of the settlement also include a requirement that VEPCO install emissions-control equipment at eight of its coal-fired electricity-generating plants. VEPCO must also pay a \$5.3 million civil penalty and \$13.9 million for environmental and public health projects.³⁸ Two of the plants that VEPCO agreed to upgrade are among the biggest polluters in the country. The Mount Storm station was the second-highest plant in mercury emissions in 2001, emitting 1,400 pounds of mercury. Dominion's coal-fired Chesterfield station was also among the top thirty mercury polluters that year, and it was among the top thirty SO₂ polluters in 2003.³⁹

Other Violations

Dominion's natural gas pipeline operator, Dominion Transmission, Inc., has also been under fire from the federal government for wrongdoing. In 2001, the U.S. Department of Transportation (DOT) issued the company a fine for mismanaging its pipeline infrastructure in the state of New York.⁴⁰ In 2003, the DOT issued the company a corrective action order following a pipeline rupture and subsequent fire in Pennsylvania.⁴¹

Reactor Operation Malfeasance

In addition to violating federal regulations for fossil fuel plants, Dominion has frequently violated U.S. Nuclear Regulatory Commission (NRC) operating regulations for nuclear power stations. Violations and other management lapses cited in just the past several years include:

Surry Power Station (near Newport News, Va.); operated by Dominion subsidiary VEPCO

- A January 2004 NRC inspection revealed a ventilation system problem that could impair emergency reactor shutdown. That inspection also revealed that Surry's operators' "fire response procedures were not effective in assuring a safe shutdown of the Unit 1 reactor."⁴² That same month, inspectors reported that VEPCO operators had failed to properly monitor the moisture containment barriers of the reactor's concrete containment unit, an oversight that could leave potentially serious corrosion unnoticed.⁴³
- An April 2003 NRC inspection revealed the improper storage of flammable materials near "safety-related equipment."⁴⁴
- In December 2001, the NRC cited VEPCO with a violation for improper maintenance of its emergency diesel generators, which power critical safety operations in the event of a loss of offsite power.⁴⁵
- In December 1997, VEPCO was charged by the NRC with a regulatory violation for failing "to provide adequate fire protection features for structures, systems and components important to safe shutdown," compromising essential safety features of the plant.⁴⁶
- In August 1997, VEPCO was issued a notice of violation and slapped with a penalty of \$55,000, for what the NRC regarded as a "serious failure" to adequately monitor its

maintenance activities to ensure that critical operations are functioning properly. The NRC predicted that because the nature of the problem was “corporate,” “similar deficiencies likely exist at the North Anna facility.”⁴⁷

Surry was also the site of a terrible accident in 1986, when a pipe burst due to corrosion and erosion, spewing boiling water on eight nearby workers, four of whom subsequently died from their injuries.⁴⁸

Millstone Power Station (near New London, Conn.); operated by Dominion subsidiary Dominion Nuclear Connecticut, Inc.

- Dominion’s Millstone station, which it acquired in 2001, was the site of one of the country’s most startling lapses in radioactive waste management: two irradiated fuel rods—the most radioactive form of nuclear waste—were found missing, and they have never been recovered. The Northeast Nuclear Energy Company, from which Dominion acquired Millstone, initially reported the missing fuel rods at Millstone in 2000. Although Dominion was not operating the plant at the time, it was sanctioned by the NRC for the violation and served with a \$288,000 civil penalty for the unprecedented mismanagement of nuclear fuel. Investigations into the incident revealed that the fuel rods were probably mistaken for other reactor components, “cut up,” and sent to a low-level radioactive waste facility, probably in South Carolina.⁴⁹
- A recent study of the Millstone site ordered by the state of Connecticut revealed nineteen areas of oil or metal alloy contamination in the ground requiring cleanup.⁵⁰

North Anna Power Station (near Richmond, Va.); operated by VEPCO

- A September 2003 inspection by the NRC revealed that VEPCO had failed to report the “unplanned release of a toxic gas which could affect safety of station personnel.”⁵¹

While recent operation of the North Anna nuclear station has been relatively smooth, the licensing of the plant, as well as its early years of operation, were wrought with serious misrepresentations and violations of government regulations by VEPCO, including:

- In September 1975, the Atomic Safety and Licensing Board (ASLB), the judicial arm of the NRC, cited VEPCO for making “material false statements” in its application to construct the North Anna station. VEPCO said there was no geologic fault at the site, but it was ultimately uncovered that a fault does exist at the site. As a result, a penalty of \$60,000—the legal maximum—was levied against VEPCO, its third such fine. This was the largest fine ever assessed against the nuclear industry up to that time⁵²; however, the NRC later reduced the amount to \$32,500.⁵³ High-level NRC officials were later investigated by the Department of Justice for their role in the cover-up.⁵⁴
- In September 1976, the U.S. Occupational Safety and Health Administration (OSHA) cited VEPCO for 59 safety violations at the North Anna construction site, after four fatalities on the site.⁵⁵ The NRC later ordered VEPCO to pay \$31,900 in fines for safety violations at the site.⁵⁶

- In September 1979, radioactive gas was discharged into the air after a series of malfunctions triggered a shutdown of North Anna’s Unit 1 reactor.⁵⁷
- In May 1980, Unit 1 malfunctioned again and was shut down when operators were unable to close an essential water valve. A second malfunction a couple of hours later caused the activation of the emergency cooling system.⁵⁸
- In June 1987, tubing ruptured inside one of Unit 1’s steam generators, resulting in the release of radioactive gas into the atmosphere for over an hour and forcing the shutdown of the reactor.⁵⁹
- In January 1994, the NRC issued a notice of violation and proposed a \$15,000 civil penalty against VEPCO for violating safety regulations at North Anna. Under testing, the emergency backup system for pumping cooling water into one of the reactors had failed twice.⁶⁰

Plans for Nuclear Expansion

Despite this rough history of nuclear plant operation, Dominion’s plans for nuclear expansion are evident from its recent designs to acquire licenses for at least one new nuclear reactor at its North Anna site, as well as efforts to buy another nuclear plant and extend the licenses of the reactors it currently operates.

New Reactors

On September 25, 2003, Dominion submitted an application to the NRC for an Early Site Permit (ESP) for a potential reactor location at its North Anna nuclear station in central Virginia. If the NRC grants Dominion an ESP, it will then be able to seek a combined Construction and Operating License (COL) at any time in the next ten to twenty years (with the opportunity for a ten- to twenty-year renewal) for one or two reactors at the North Anna site without having to revisit site-specific licensing criteria. Under the DOE’s *Nuclear Power 2010* program—a plan to expedite the licensing and construction of new nuclear power plants—taxpayers will pay up to half the cost of Dominion’s ESP application as part of a “public-private partnership.”⁶¹ The DOE expects to spend up to \$15 million⁶² of taxpayers’ money on three ESPs, of which Dominion’s is one. Public Citizen, the Blue Ridge Environmental Defense League (BREDL), and the Nuclear Information and Resource Service (NIRS) are engaged in a legal intervention in the licensing hearing for Dominion’s ESP.

The primary concern of the intervenors is the potential impact of one or two more reactors on Lake Anna, the man-made lake created for cooling purposes at the North Anna nuclear station. Initially, Dominion proposed to build two very large reactors with once-through cooling systems, but the company has since revised its application, instead planning to build one reactor with a dry cooling tower. Yet even one additional reactor would have a detrimental effect on aquatic life in the lake and on public recreation. The Virginia Department of Environmental Quality (VDEQ) stated in a letter to Dominion that the water drawdown required to serve additional generation capacity would “adversely affect lake access, and local economic conditions in the process.”⁶³ The VDEQ is also concerned that another reactor would degrade conditions for aquatic life downstream because of the voluminous water intake required for such an operation.⁶⁴ While the NRC’s Atomic Safety and Licensing Board affirmed the role of the citizens’ groups in

the licensing proceedings, it rejected all contentions brought against Dominion's plan except for the challenge that a new reactor would harm Lake Anna's population of striped bass, a popular sport fish.⁶⁵

Dominion has supplemented this application by leading an industry consortium that applied to the DOE on March 17, 2004 for taxpayer funds to pay for up to half of the consortium's COL application expenses.⁶⁶ The funding is also through the DOE's *Nuclear Power 2010* program. The consortium—which includes the engineering firms Hitachi America, Bechtel Corp., and Atomic Energy of Canada, Ltd—referenced the North Anna station as a model in studying the feasibility of building a new reactor.⁶⁷ The predicted cost of the COL permitting process is \$500 million, of which the federal government will pay up to \$250 million and Dominion would pay roughly \$61 million.⁶⁸

License Renewals, New Acquisitions, and Waste Storage Expansion

Dominion operates three nuclear power stations: North Anna, with two reactors; Surry, with two reactors; and Millstone, acquired in 2001, with two operating reactors and one decommissioned reactor. In March 2003, the operating licenses for the reactors at North Anna and Surry were renewed by the NRC, extending their legal period of operation beyond 2030.

The license renewal application for the Millstone station is currently under review. A citizens' group, the Connecticut Coalition Against Millstone, petitioned to intervene in the license renewal proceeding for operation of the plant, but the NRC licensing board assigned to the project ultimately denied the petition.⁶⁹

Despite an apparent conflict of interest, Dominion has hired Connecticut state Sen. Melodie Peters to work as a public relations consultant for the Millstone license renewal. Sen. Peters, whose term will end this year, is the co-chairperson of the Senate's Energy and Technology Committee, and she was a major proponent of Connecticut's 1998 energy deregulation law, which paved the way for Dominion to acquire the Millstone nuclear power station.⁷⁰

Dominion's recent public relations efforts—possibly to promote Millstone's license renewal—have included hosting a tour at the plant for a group of children from the 2004 Tunza International Children's Conference on the Environment, a United Nations event initiated by the 1992 Rio Earth Summit. Dominion put up \$10,000 to cosponsor the event, which was held in Connecticut.⁷¹

Dominion is also seeking to expand its nuclear generating capacity. The company intends to purchase the Kewaunee nuclear power plant near Green Bay, Wisconsin, and the NRC recently approved the transfer of the Kewaunee operating license to Dominion.⁷² According to Wisconsin's Nuclear WatchDog—a project of the Madison branch of the public health organization Physicians for Social Responsibility—the sale of Kewaunee to Dominion would deny the people of Wisconsin their ability to effectively regulate and ensure the safe operation of the plant by eviscerating the oversight powers of the Wisconsin Public Service Commission (PSC).⁷³ The Citizens' Utility Board of Wisconsin also opposes sale of the facility, arguing that ceding the plant to Dominion would not be in the best interests of Wisconsin ratepayers.⁷⁴ Dominion has objected to a condition of the sale that would maintain state jurisdiction over the

plant, currently owned by the Wisconsin Public Service Corporation and Wisconsin Power and Light Co., a subsidiary of Alliant Energy.⁷⁵

The legacy of deadly irradiated nuclear fuel haunts the nuclear industry, with no acceptable solution, as it continues to pile up at nuclear sites around the country. Dominion has discovered no magical solution to the problem: the company is planning to expand the storage facility for irradiated (or “spent”) fuel at its Surry station, which would allow Dominion to store its exhausted uranium fuel rods through the year 2019.⁷⁶ Moreover, a Connecticut government agency recently granted Dominion a permit to construct a two-acre “dry cask” storage facility at Millstone to accommodate the glut of nuclear waste that is overflowing the plant’s existing capacity.⁷⁷ Meanwhile, the company is party to a lawsuit against the DOE for its failure to construct a nuclear waste repository to store nuclear plant operators’ irradiated fuel, a project for which ratepayers have been paying millions of dollars in fees to the Nuclear Waste Fund.⁷⁸

Dominion is planning to expand not only its nuclear holdings, but its possessions in other energy sectors as well. For example, the company is seeking a permit to build a 600-megawatt coal-fired power plant in Conneaut, Ohio,⁷⁹ and it has reached a preliminary deal to buy three fossil fuel-burning plants—with a total generating capacity of 2,839 megawatts—in New England.⁸⁰ The company has also recently announced plans to buy a 310-megawatt gas-fired power plant, an 80-megawatt wood-burning plant, and a 138-megawatt coal-fired plant, all in the state of Virginia. Dominion’s acquisition of these plants is designed to lower the collective cost of its long-term power purchase contracts in an attempt to improve its competitive position—and hence make more money—in the forthcoming deregulated energy market in Virginia.⁸¹ With regard to asset acquisition, the company assures its investors that “Dominion investigates any opportunity that may increase shareholder value...with an objective to enter into transactions that would be immediately accretive to earnings per share.”⁸²

Expanding Dominion’s Domain: Electric Utility Restructuring in Virginia

Beyond Dominion’s new plants and acquisitions, the company’s aggressive promotion of Virginia’s electric utility deregulation demonstrates its ceaseless drive to expand its domain—and thus its profits. Deregulation—fiercely sought by public utility holding companies and touted as a way to lower electric rates through competition—has not developed as predicted by its promoters. The low rates never materialized, and market-manipulation scandals have plagued freshly-deregulated markets, most spectacularly in the Enron-orchestrated California energy crisis of 2000. Deregulation has gone so badly, in fact, that most states that were considering it have abandoned their plans in recent years: 32 states have either repealed, delayed, suspended, or ceased considering electric restructuring legislation.⁸³ Nevertheless, Dominion has obstinately advocated deregulation in Virginia, against all evidence that it will not benefit consumers and even protest from Virginia’s utility regulators.

Dominion Pushes for Deregulation and Rate Caps

Dominion has been recognized as “one of the driving forces”⁸⁴ behind the passage of the 1999 Virginia Electric Utility Restructuring Act, and it remains a vehement proponent of the law, despite warnings from state officials about the extreme harm that could befall consumers if the

law is fully implemented. (Virginia is in the midst of a period of transition period to a deregulated electric market, the end of which is set by the Act at mid-2007.) The restructuring law is designed to introduce competitive retail markets for electricity in Virginia instead of the current system of regulated monopolies. Deregulation would free Dominion from the yoke of Virginia state regulators, allowing it to generate and sell electricity to whomever it wants at whatever price the market will bear. The profit incentive under deregulated markets has compelled companies to engage in wanton manipulation of electricity supply; such practice would be well within Dominion's power in a retail market, since it has such broad control over electricity generation, transmission, distribution, and trading.

Virginia's own State Corporation Commission (SCC), in its 2003 annual report to the governor and state legislature on the state of electric utility restructuring in Virginia, recommended a suspension of the 1999 Virginia Electric Utility Restructuring Act, calling such a move necessary in order to "preserve Virginia's authority."⁸⁵ The SCC expressed its strong skepticism at the consumer benefits of electric deregulation, suggesting that its research has left it with "substantial doubt as to the ability of retail electric competition to provide...lower prices for Virginians than would have been charged under the traditional regulation of the industry."⁸⁶ As evidence, the SCC cites the lack of consumer benefits realized in other deregulated markets,⁸⁷ and asserts further that "[i]t is in the public interest to avoid ceding jurisdiction over transmission, generation, reliability, and, ultimately, the cost of power, to federal regulators and regional entities."⁸⁸ Even Dominion has admitted the "sluggish pace"⁸⁹ at which its imagined competitive electric supply market has developed; the company was forced to abandon an electric retail choice pilot program in February 2004 for lack of alternative electricity suppliers willing to participate.⁹⁰

Yet Dominion has remained steadfast in its support for electric deregulation. In remarks before the Virginia Commission on Electric Utility Restructuring—a body of the Virginia General Assembly—Thomas F. Farrell, Dominion's president and chief operating officer, said that Dominion strongly opposes "any and all efforts to suspend the [Virginia Electric Utility Restructuring] Act," calling such proposals "purely and simply anti-consumer legislation."⁹¹

But Dominion has proven remarkably adept at purposely confusing its personal and shareholder interest with that of the consumer. For example, Dominion has touted the consumer benefits of capping electricity rates at the onset of Virginia's electric retail market, suggesting that this will compel utilities to reduce costs and become more efficient.⁹² At the same time, however, a Wall Street investment firm, Morgan Stanley, has reported that the legislation mandating rate caps until 2011 is good news for Dominion investors, predicting that the cap will result in a \$1.50 per share increase of Dominion's value, since Dominion's electric transmission division will be able to purchase power from its generation division at a set rate in a virtual monopoly while potentially having access to cheaper power generated by Midwestern plants under deregulation.⁹³ Dominion calls operating under capped rates a "competitive advantage because savings from productivity gains go to the bottom line."⁹⁴

Moreover, Dominion has convinced the Virginia legislature that it is entitled to recover the "stranded costs" incurred from the transition from a regulated electricity distribution system to a deregulated electricity market. Dominion claims that it has made capital investments under state

regulation that will be uneconomical in a deregulated environment, leaving it “stranded” in the new electricity market with costs it would not have incurred were it not for erstwhile directives from the state.⁹⁵ Despite the fact that Dominion lobbied for Virginia’s electric deregulation legislation, its shareholders will not be liable for any “competitive transition” costs. Thanks to Dominion’s friends in the Virginia General Assembly, this will instead befall Dominion’s ratepayers, even though the company has considerable funds available for the “recovery” of these stranded costs and the retail competition that was supposed to curb Dominion’s profits has not yet materialized.⁹⁶ Even those who have chosen to switch to another electricity provider will be saddled with “wires charges” for using Dominion’s transmission lines to get their power.⁹⁷ Despite this huge windfall, Dominion’s COO Thomas Farrell disingenuously told Virginia legislators that the electric restructuring act has “shifted the financial burden from the customer to our shareholders,” leaving the company with the responsibility to meet its obligations “without asking for more money from their customers.”⁹⁸

Dominion Applies to Join the PJM Electric Interconnection

In the spring of 2004, Dominion’s electric utility subsidiary, VEPCO, applied to the FERC to join the PJM Interconnection, L.L.C., a “Regional Transmission Organization” (RTO) that operates an enormous competitive wholesale electricity market in the Northeast and parts of the Midwest, including Delaware, Illinois, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia.⁹⁹ Per the requirements of Virginia’s electric restructuring law, Dominion had previously filed an application with the Virginia SCC in June 2003 to join PJM.¹⁰⁰ At the time that Dominion and PJM reached an agreement on the merger, in 2002, then president and chief executive officer Edgar M. Roach, Jr. said that the “established wholesale electricity markets covered by the PJM Interconnection will provide access to a larger competitive market...”¹⁰¹ This statement—combined with recent power plant acquisitions and the quest to attain preliminary licenses for new nuclear reactors—indicates that Dominion is thirsty for an export market for the electricity it generates, despite whatever consequences such generation might have for local authorities who want to maintain some measure of control over the utilities producing power in their districts. By joining PJM, Virginia will very likely become an exporter of power through Dominion, since the state’s electricity rates are cheaper than the PJM average. Virginia’s retail electric rates are 5.5 percent lower than the PJM average (6.3 cents per kilowatt/hour versus 6.7 cents per Kwh).¹⁰² Indeed, Virginia’s SCC has expressed wariness over the prospect of Virginia customers losing priority transmission service, which the FERC considers undue discrimination in a deregulated market.¹⁰³ This situation has prompted the *Richmond Times-Dispatch* to question, “If, as the [FERC] suggests, states can pull no strings to protect their native load, then can PJM brown-out rate-paying Virginians to avert a blackout elsewhere?”¹⁰⁴

In its report to Virginia government officials, the SCC specifically recommended a suspension of the portion of the 1999 Virginia Electric Utility Restructuring Act that requires electric utilities to join or create RTOs such as PJM.¹⁰⁵ The SCC called such a suspension necessary as a “means to best preserve Virginia’s jurisdiction.”¹⁰⁶

Legislative Discipline

The critical SCC has recently been reprimanded by Virginia lawmakers, who eviscerated the Commission’s authority to perform independent environmental reviews before issuing operating

licenses to companies proposing new electric generating plants. Legislators also barred the SCC from issuing licenses to new power plants in certain polluted areas that are contingent upon environmental reviews.¹⁰⁷ The Chief Patron of this legislation was state Sen. Thomas K. Norment, a Republican from the third district who had recently been treated to two hunting trips—one all the way to the Arctic Circle—by Dominion, which picked up the nearly \$5,000 tab.¹⁰⁸ Norment was also Chief Patron of the Virginia Electric Utility Restructuring Act, which he is credited with authoring, although it appears that he is merely a vessel for Dominion-crafted legislation.¹⁰⁹

The Eminent Domain of Dominion

When it comes to exercising dominance in the domain of the energy industry, Dominion is an eminent player. The company has demonstrated a remarkable ability to exert influence over lawmakers and public officials, and its aggressive asset acquisition and expansion of market territory are the marks of a company bent on maximizing profit, regardless of the effects on its ratepayers or the public.

The company is positioning itself to develop new nuclear generating capacity at time when the enormous waste and security problems of this technology are far from resolved. Meanwhile, the company is buying up fossil-fuel power plants giving scant attention to renewable energy, with a mere seven percent of its electric-generation capacity coming from renewable sources, almost all of which are hydro.¹¹⁰

Government regulators have not been completely blind to Dominion's misdeeds, but, unfortunately, the company's incredible influence over public officials has thwarted government efforts to protect consumers from the abuses of companies like Dominion.

Dominion does not shy from playing the game, so to speak, in the infamously ruthless energy industry. The result may make the company's shareholders happy, but ratepayers and the general public may suffer the brunt of the effects stemming from the behavior of this market-hungry company.

Endnotes

¹ Most of the information in this section is drawn from Dominion's 2003 Annual Report, its 2003 annual "Form 10-K" filing with the U.S. Securities Exchange Commission (much of which is identical to the annual report), and a fact sheet produced by Dominion called "Facts About Dominion, 2004 Edition: Based on Data as of December 31, 2003," as well as general information available on the Web site of Dominion, <<http://www.dom.com>>.

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