



Dominion®

Project Update

Southwest Virginia Power Station

*Clean, reliable
energy for
Virginia's
future*



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Virginia SB 651 (Wampler Amendment) Provides Guidance and Incentives



- Creates opportunity for an investor-owned energy distributor designated as a default electricity provider – such as Dominion
- Facility required to use Virginia coal and be located within the Coalfield Region of Virginia
- Electrical output must be dedicated to Virginians – and new generation will be needed by 2012
- Cost recovery through default rates set by SCC

Southwest Virginia Power Station Utility Consortium



VMEA #1

- Voluntary participation by members
- Dominion leading development activities

Southwest Virginia Power Station Benefits



- 800 new jobs during construction
 - Regional assets to be used whenever possible
- Permanent employment of 75 Plant Operators
 - Annual payroll of over \$4 million
- Additional consumption of 2 million tons of coal per annum from local mines – creating 250 mining jobs
 - Limestone mining also essential to plant operation

Southwest Virginia Power Station Benefits



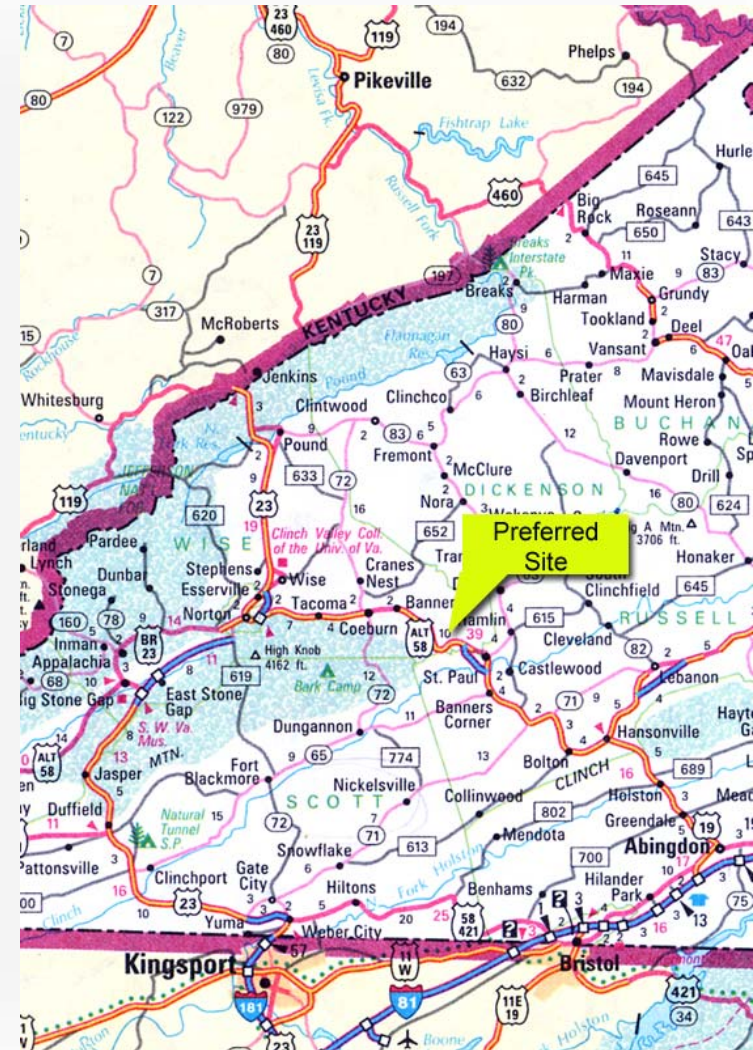
- Boost to regional economy
 - Power Station a permanent regional asset
- Substantial contribution to tax revenues
 - \$4 to \$6 million annual potential
- Will provide clean, reliable & economic electricity for Virginians

Project will comply with all applicable federal and
state environmental laws and regulations

Southwest Virginia Power Station Virginia City Site, Wise County



The Virginia City site, consisting of reclaimed mined land, located at St. Paul, Wise County, Virginia, has been identified as the site for further development.



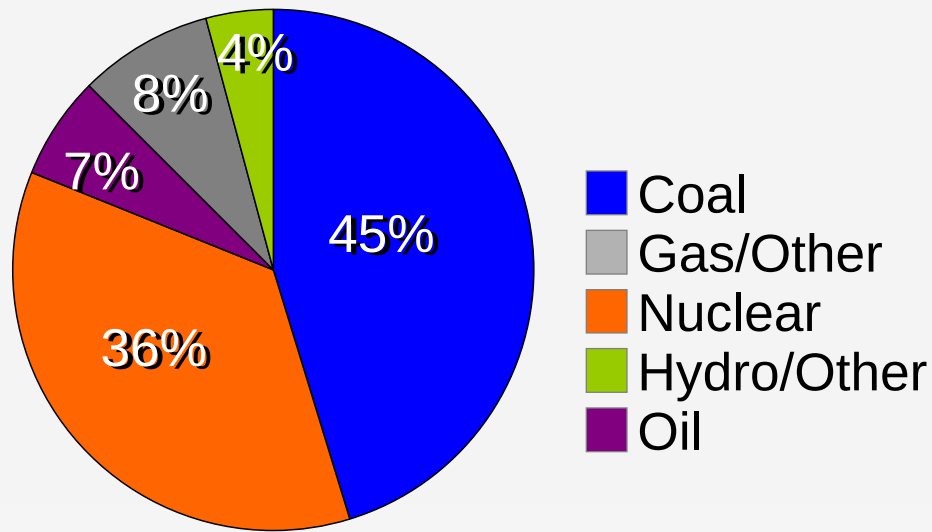
Southwest Virginia Power Station Maintaining a Balanced Fuel Mix



Recent expansion has favored natural gas



Virginia Electricity
Generation
by Source



Year-end 2004

Dominion: Investing in Improved Air Quality in Virginia



Environmental Expenditures

Pre-2000 \$400 million

Since 2001 \$1.6 billion

*2010 – 2015 \$500 million

Total \$2.5 billion

Majority of expenditures borne by
the company – not customers –
because of capped rates

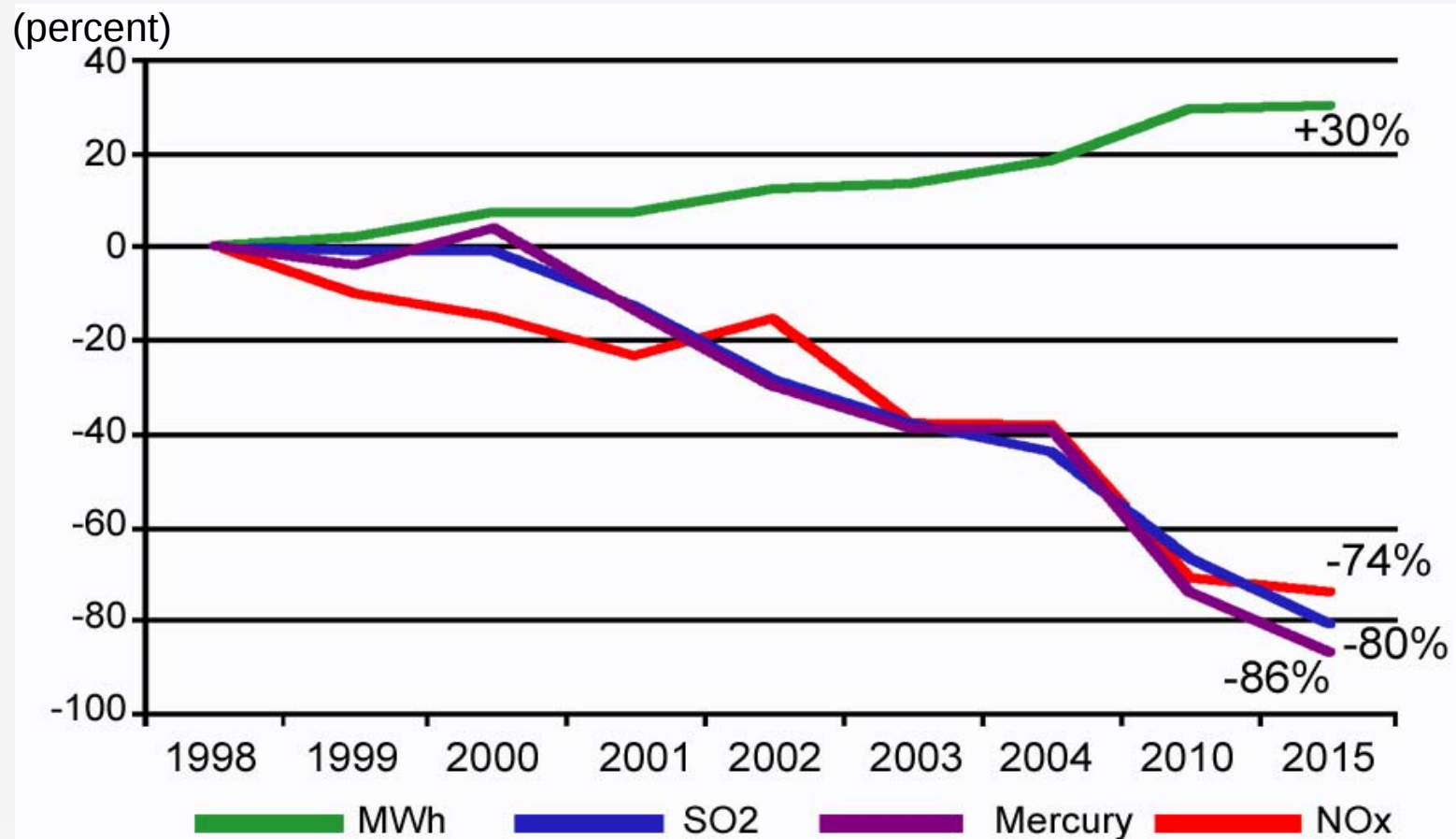


* projected

Dominion: Emissions Drop as Demand Grows



Dominion's Emissions Trend*



* Based on existing Dominion Virginia Power generating units

Clean Coal Technology Selection



Both Circulating Fluidized Bed (CFB) and Integrated Gasification Combined Cycle (IGCC) can meet Clean Air Act Standards.

	CFB	IGCC
Fuel Flexibility	Wide range of fuels of varying quality. Can utilize diverse fuel supply in SWVA.	Intolerant of coals of widely varying quality. Not readily amenable to multiple fuels.
Reliability	Runs at more than 90% availability, reflecting its maturity.	Existing facilities available only 59% to 84% of the time.
Rate Impact	Well-documented construction and O&M costs. Will help hold rates down.	Few facilities for benchmarking. Cost estimates for IGCC substantially higher.

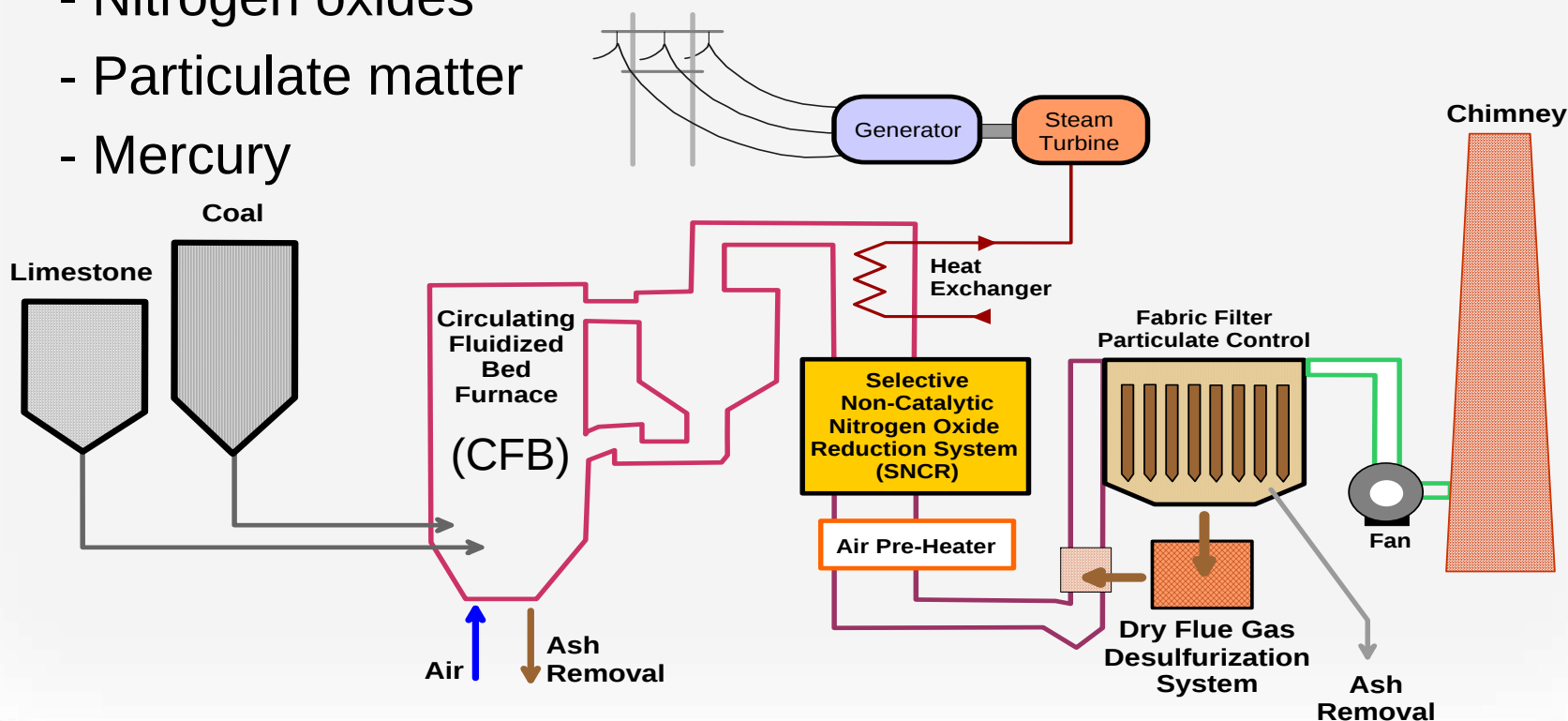
CFB clearly is the preferred technology for SWVA.

Southwest Virginia Power Station

CFB – Clean Coal Technology



- Limestone injection, post-combustion controls and fabric filters capture:
 - Sulfur dioxide
 - Nitrogen oxides
 - Particulate matter
 - Mercury



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Proposed Air Emissions Controls



Circulating Fluidized Bed Combustion Technology with Limestone Injection

- Controls sulfur dioxide and other acid gases
- Lower combustion temperature compared with other technologies reduces formation of nitrogen oxides

Post-Combustion Flue Gas Desulfurization System

- Provides additional control of sulfur dioxide and other acid gases
- Reduces mercury when used in combination with the fabric filtration system

Selective Non-catalytic Reduction System

- Controls nitrogen oxides

Fabric Filtration System

- Controls particulate matter
- Controls mercury in combination with limestone injection and post-combustion flue gas desulfurization system

Southwest Virginia Power Station Water Use Minimization



The Power Station will utilize
Air Cooled Condenser technology

- Reduces overall water consumption
- Eliminates evaporation of cooling water into the atmosphere
- Water supplied by a 6-inch pipe instead of an 18-inch pipe

Typical
Power Plant



10 million
gallons
per day

Air Cooled
Condenser
Power
Plant



< 1 million
gallons
per day

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Virginia City and CFB Technology



- ✓ Virginia City – Best site for development
 - Scored highest on site assessment criteria
- ✓ CFB – Best technology
 - Environmental performance
 - Fuel flexibility
 - Reliability
 - Cost

Creating the optimal combination of location and generating technology

Southwest Virginia Power Station Regulatory Compliance



Will comply with numerous applicable local, state, and federal regulations, including:

Prevention of Significant Deterioration Permit – State approval of impact on local and regional air quality as well as Federal Class I areas

Water Protection Permit – State approval of impact to streams and wetlands

Army Corps of Engineers 404 Permit – Federal approval of impact to streams and wetlands

Encroachment Permit – State approval to encroach on stream/river bottoms

Wastewater Discharge Permit – State approval of operational wastewater and stormwater discharges from the facility

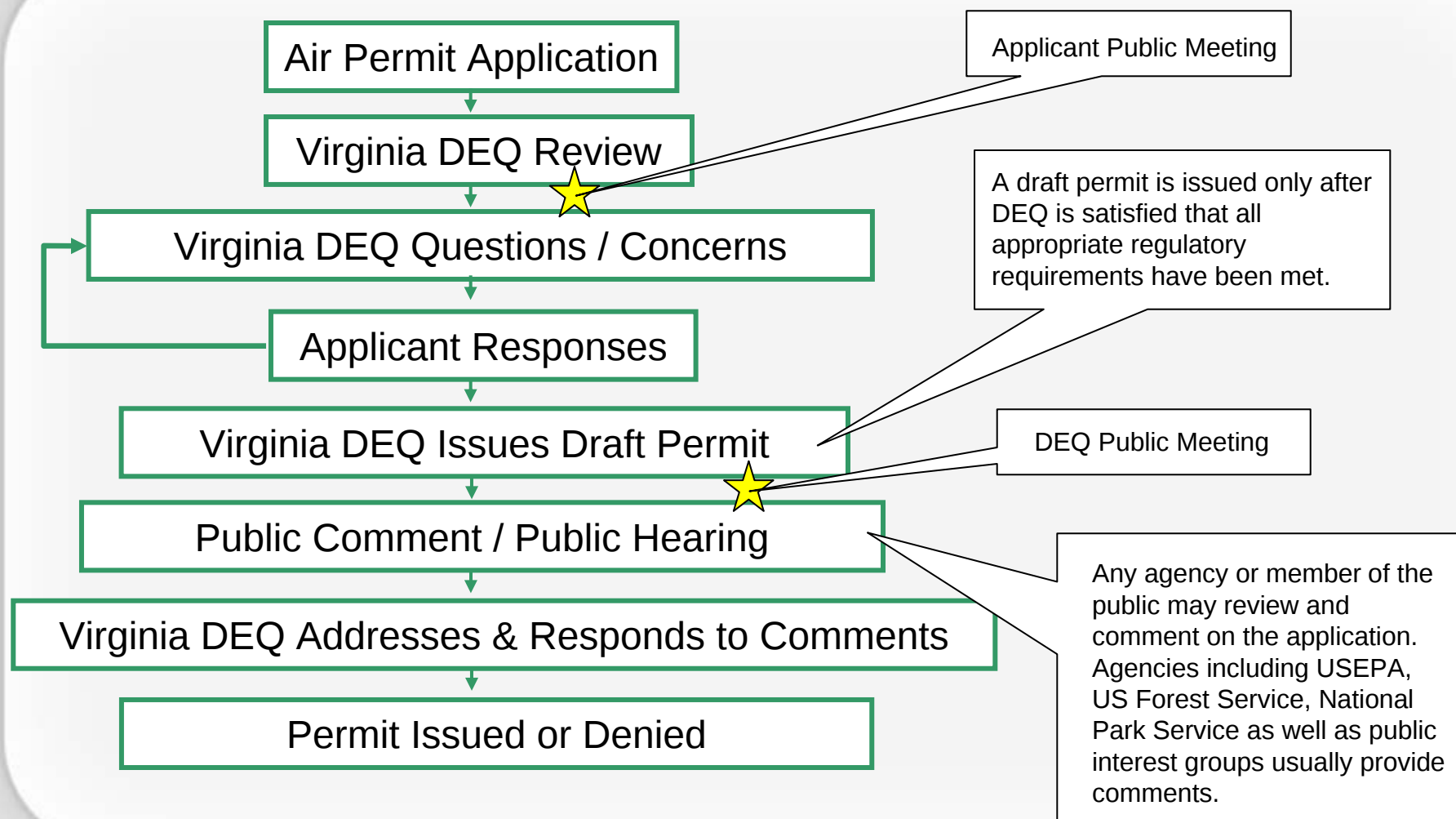
Local Erosion and Sediment Control Plan – Local approval of plan to control erosion

Construction Stormwater Permit – State approval of stormwater management during construction

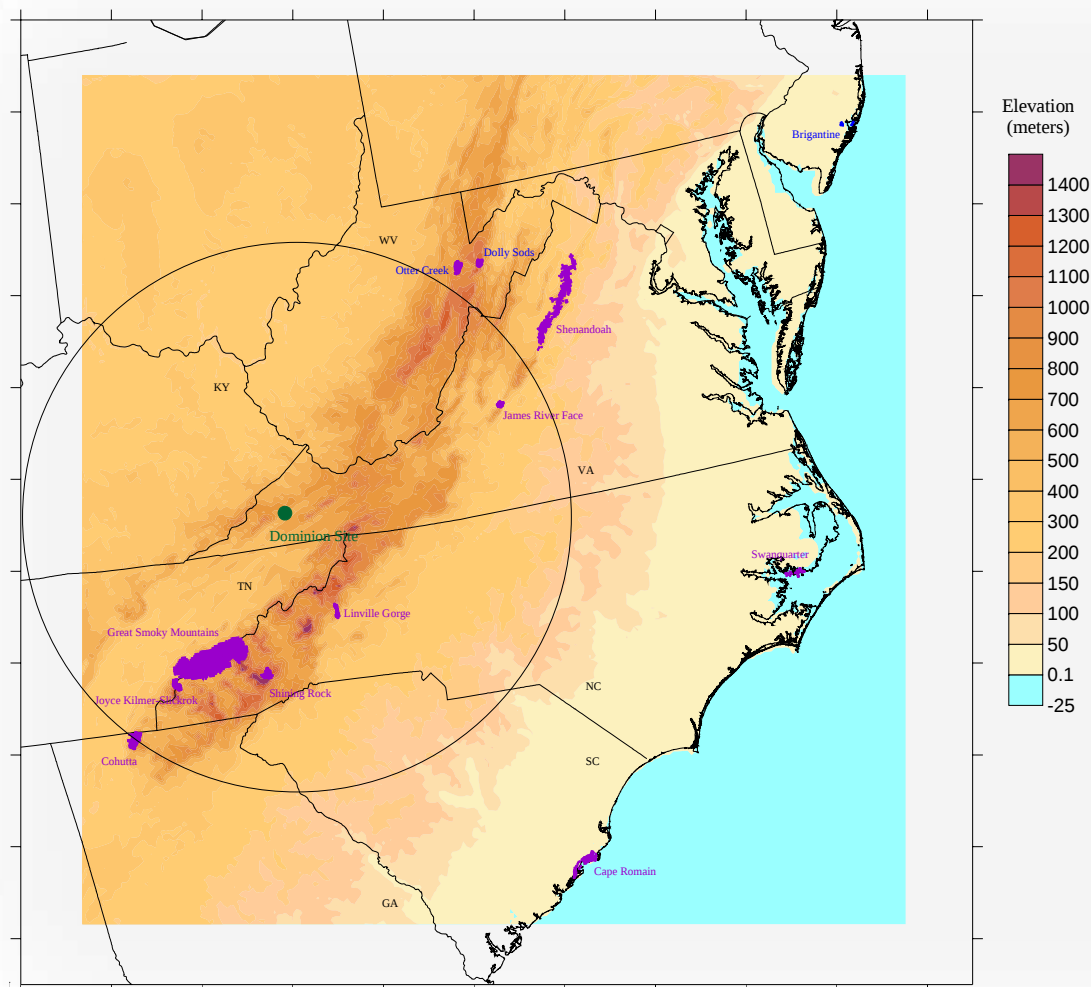
Federal Aviation Administration Part 77 – Federal approval for smokestack height

Railroad Encroachment Permit – Approval to insure no rail right-of-way obstruction

Southwest Virginia Power Station Air Permitting Process



Southwest Virginia Power Station Federal Class I Areas



An applicant for a Prevention of Significant Deterioration (PSD) air permit is required to assess the potential impact of the proposed facility upon Federal Class I areas in the region.

Federal Class I areas are specific parks, wilderness areas and wildlife refuges that have special protection under the Clean Air Act

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SCC Process to Date



- June 30th, 2006 - Dominion files Petition for critical guidance to SCC. Petition asked the SCC to make initial determinations on:
 - Rate on AFUDC (Funds Used During Construction)
 - Approval of appropriate risk premium, in light of the unique risks of project
 - Waiver from certain competitive bidding rules
- September 15th- Hearing Examiner recommends that Dominion's petition be dismissed
- October 17th--SCC hears public testimony on Motion to Dismiss--overwhelming support expressed by witnesses.
- November 1--SCC issues Final Order Dismissing Dominion's Petition.

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SCC Ruling Rejects Dominion's Petition



The SCC Declared:

- Construction of power station under 56-585G is in the public interest.
- Funds used during construction (AFUDC) may be accrued for recovery later.
- Dominion must file petition for approval to construct with SCC within 12 months or cease booking AFUDC
- The SCC has the authority to grant exemption from bidding rules for this project.

Southwest Virginia Power Station SCC Ruling Rejects Dominion's Petition



The SCC Refused:

- To establish a rate of return on construction costs as requested.
- To approve inclusion of a “risk premium” in rates during the plant’s operation.

Southwest Virginia Power Station

The View of the Future

