CHESAPEAKE CLIMATE ACTION NETWORK 6930 Carroll Ave Suite 720, Takoma Park, MD 20912 | www.chesapeakeclimate.org

May 6, 2014

Mr. Andrew Ceresney
Director, Division of Enforcement
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-5631

Mr. Keith F. Higgins
Director, Division of Corporate Finance
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-5631

VIA ELECTRONIC SUBMISSION

Re: Dominion Midstream Partners LP registration statement

Dear Mr. Andrew Ceresney and Mr. Keith F. Higgins,

On March 28, 2014 Dominion Midstream Partners, LP filed a registration statement, Form S-1, with the U.S. Securities and Exchange Commission. The Chesapeake Climate Action Network (CCAN) and Ruth McElroy Amundsen (Ms. Amundsen), an existing shareholder in Dominion Resources, Inc., believe that Dominion Midstream Partners LP (Dominion Midstream) may have omitted or inadequately disclosed material information in its registration statement. For example, CCAN and Ms. Amundsen believe that the registration statement may potentially be characterized by lack of disclosure regarding permitting and litigation delay risks, environmental risk and impact, and Dominion Midstream's ability to generate stable and consistent cash flow.

As a result of our analysis we urge the U.S. Securities and Exchange Commission to require Dominion Midstream to update its registration statement to include material information regarding these issues. CCAN and Ms. Amundsen believe that the issues raised in our attached analysis are material to financial decision-making and merit further investigation by the Division of Enforcement. We look forward to your reply.

Sincerely,

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Enclosure: Analysis of Dominion Midstream Partners, LP Registration Statement with Respect to Material Financial and Non-Financial Disclosure

ANALYSIS OF DOMINION MIDSTREAM PARTNERS, LP REGISTRATION STATEMENT WITH RESPECT TO MATERIAL FINANCIAL AND NON-FINANCIAL DISCLOSURE

Prepared by the Chesapeake Climate Action Network
May 6, 2014

The Chesapeake Climate Action Network (CCAN) and Ruth McElroy Amundsen (Ms. Amundsen) believe that Dominion Midstream Partners LP (Dominion Midstream) may have omitted or inadequately disclosed material information in its registration statement on Form S1, received by the U.S. Securities and Exchange Commission on March 28, 2014. CCAN and Ms. Amundsen believe that the registration statement may potentially be characterized by lack of disclosure and inappropriate disclosure of various risks, including disclosure of permitting and litigation delay risk, environmental risk and impact, and Dominion Midstream's potential inability to generate stable and consistent cash flow.

I. Introduction

The Securities Act of 1933 (Securities Act) provides that all securities offered or sold in the United States by an issuer, underwriter, or dealer in interstate commerce or through the use of mail must be registered with the U.S. Securities and Exchange Commission (SEC), unless an exemption applies.[1] The purpose of this requirement is to provide potential investors with full and fair disclosure and specific legal remedies if the disclosure does not meet statutory and regulatory standards. To register, an offeror of securities files a registration statement with the SEC. The forms of registration prescribed under the Securities Act of 1934 generally include requirements for the disclosures called for by regulation S-K, Items 101, 103, 303, and 503(c), and regulation S-X.[2] Dominion Midstream is required, as an issuer of securities to be traded on a national securities exchange, to file a registration statement with the SEC.[3]

Dominion Midstream's financial statements, including registration statements, should include "a discussion of the most significant factors that make the offering speculative or risky" and "how the risk affects the issuer or the securities being offered."[4] Item 503(c) specifies that risk factor disclosure should clearly state the risk and specify how the particular risk affects the particular registrant. Securities Act Rule 408 and Exchange Act Rule 12b–20 require a registrant to disclose, in addition to the information expressly required by SEC regulation, ''such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."[5] The SEC has found that a fact is material if there is "a substantial likelihood that the . . . fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available."[6]

[1] *See* 15 U.S.C. §77(a-e).
[2] 17 C.F.R. § 229, 210.
[3] 15 U.S.C. § 77(b).
[4] 17 C.F.R. § 229.503(c).
[5] 17 C.F.R. § 230.408, § 240.12b–20.
[6] Security and Exchange Commission Staff Accounting Bulletin: No. 99 – Materiality, Aug. 12,1999 (quoting *TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976). See also *Basic, Inc. v. Levinson*, 485 U.S. 224 (1988). As the

In light of investors' relatively expansive concept of materiality in the United States[7], and the SEC's Staff Accounting Bulletin 99 on materiality of qualitative information, CCAN and Ms. Amundsen believe that Dominion Midstream may have omitted or inadequately disclosed material information in its registration statement.

II. Inadequate Disclosure of Permitting and Litigation Delay Risk

A. Permitting Delay

In its registration statement to the SEC, Dominion Midstream reported that state and federal permitting delay posed a risk that could "negatively affect the timing or overall development of the Liquefaction Project, which could adversely affect Cove Point's ability to make payments on our Preferred Equity Interest."[8] The company does not disclose that the liquefaction project's construction timeline is already at least six months behind schedule due to unanticipated delays in permit and license approvals.

In Dominion's original permit application to the Federal Energy Regulatory Commission (filed on April 1, 2013) the company states that it expects to begin construction in June 2014 and to achieve an "in service" completion in the summer of 2017. [9] But, in the company's first quarter 2014 earnings conference call on April 30, 2014, the company disclosed that the project commencement of construction would not be until the end of 2014 (versus June of 2014).[10] Additionally, during the evidentiary hearing held by the Maryland Public Service Commission (PSC) on February 20, 2014 regarding Dominion Cove Point's application for a state Certificate of Public Convenience and Necessity (CPCN), a Dominion Cove Point representative separately stated that:

> "[The] in-service date has slipped a few months. It's now into the fall of `17. If you look at this, we said we were going to get FERC approval in February [of 2014]. We have not received that yet. So the overall project schedule has slipped a couple of months."[11]

Supreme Court has noted, determinations of materiality require "delicate assessments of the inferences a 'reasonable shareholder' would draw from a given set of facts and the significance of those inferences to him . . . ." *TSC Industries*, 426 U.S. at 450 (defining materiality of qualitative information) (available at https://www.sec.gov/interps/account/sab99.htm).

[7] *See*, *E.g.*, FASB, Statement of Financial Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information ("Concepts Statement No. 2"), 132 (1980). *See also* Concepts Statement No. 2, Glossary of Terms - Materiality. *TSC Industries*, 426 U.S. 438, 449 (1976). *See also Basic, Inc.*, 485 U.S. 224 (1988).

[8] Dominion Midstream Registration Statement 27, filed with the SEC on March 28, 2014.

[9] Dominion Cove Point, FERC Application for Authority to Construct, Modify, and Operate Facilities used for the Export of Natural Gas Under Section 3 of the Natural Gas Act 3 (April 1, 2013) ("commence construction of the Section 3 Facilities in the first quarter of 2014 in order to meet a targeted in-service date of June 2017.") (available through the FERC online eLibrary).

[10] Dominion Announces 1st Quarter 2014 Earnings (March 30, 2014) (transcript available at http://dom.mediaroom.com/index.php?s=26677&item=136896).

[11] Maryland Public Service Commission Evidentiary Hearing Transcript 381.

Although the company stated in its registration statement filing before the SEC that regulatory "proceedings are currently pending and awaiting approvals from the regulatory agencies,"[12] it did not effectively communicate the current project delay already expected by company officials in its registration statement. It would be misleading to not divulge already known information regarding project completion delays occurring based on state and federal permitting requirements. Therefore, to support the needs of investors for information that is accurate and not misleading, we recommend that the company revise its registration statement with the SEC and disclose the currently expected project completion delays as best known to the company at this time. This should include information relating to all known and anticipated delays caused by federal and state permitting, specifically those discussed by Dominion Cove Point representatives in the Maryland Public Service Commission evidentiary hearings.[13] CCAN and Ms. Amundsen also request that the SEC require Dominion Midstream to disclose the details of the force majeure termination clauses included in user contracts. Such disclosures will provide investors with the information needed to identify and assess the extent to which permitting delays will trigger force majeure termination clauses in user contracts.

B. Additional Environmental Litigation Delay

In its registration statement, Dominion Midstream states that the company and Cove Point "may be alleged to be in violation or in default under orders, statutes, rules or regulations relating to environmental, compliance plans" and that "additional litigation may arise in the future prior to completion of the Liquefaction Project."[14] The company does not disclose any details of the current strong opposition to the Federal Energy Regulatory Commission's (FERC) anticipated Environmental Assessment (EA) of the project. Community members, environmental groups, and Maryland politicians continue to call on FERC to conduct a more in-depth and customary Environmental Impact Statement (EIS) for the project instead of an EA. Dominion Midstream is well aware that these groups will demand that FERC conduct an EIS encompassing both the facility and its supporting infrastructure to assess the risks fully.[15] Maryland officials, including Maryland's Attorney General Douglas Gansler, have joined environmental groups in calling on FERC to conduct an EIS.[16]

[12] Dominion Midstream Registration Statement at 107.
[13] *Id*.; *See also* Maryland Public Service Commission Evidentiary Hearing Transcript 381 (discussing Dominion Cove Point being required to conduct a grid connection feasibility study and the study's ability to further delay project completion date.); Wall Street Daily, U.S. LNG Export Projects Face Delays, Tim Maverick (April 10, 2014) (available at http://www.wallstreetdaily.com/2014/04/10/u-s-lng/#.U0bFTjqkx98).
[14] Dominion Midstream Registration Statement 110.
[15] The Baltimore Sun, Natural Gas Bleeds into Gubernatorial Campaign, Tim Wheeler (Dec. 12, 2013) (available at http://articles.baltimoresun.com/2013-12-12/features/bal-bmg-natural-gas-bleeds-into-gubernatorial-campaign-20131212_1_cove-point-mizeur-gas-extraction).
[16] *Id*.; *See also* Douglas F. Gansler letter to FERC requesting an EIS be conducted for the Cove Point liquefaction project (Jan. 8, 2014) (available at http://steventodd.files.wordpress.com/2014/01/ltr-ferc-gansler-reeis-jan-8-2014.pdf).

FERC issued a notice of schedule for its environmental review process on March 12, 2014, which indicated the release of an Environmental Assessment for public comment.[17] An EA does not customarily provide a thorough, scientific analysis of direct, indirect, or cumulative impacts of a project. Because the Dominion Cove Point LNG export facility will have many environmental impacts, it would be inappropriate for FERC to stop short of preparing a comprehensive EIS. This project will have significant adverse effects on Southern Maryland and on communities and ecosystems throughout parts of the mid-Atlantic region. These impacts are significant when considered in both context and intensity, and could likely subsequently trigger FERC's statutory obligation to conduct a comprehensive EIS.[18] Therefore, it is very possible that any EA issued by FERC will face significant challenges and continued opposition from Maryland officials, community members, and environmental groups.

It would be misleading to withhold known information regarding likely project completion delays caused by permitting requirements such as FERC's Environmental Assessment of the project. Therefore, to support the needs of investors for information that is accurate and not misleading, we recommend that the company disclose the ongoing regulatory discussion of FERC's environmental review and the significant likelihood that interested stakeholders, including Maryland community members and environmental groups, will legally contest FERC's decision making as it concerns completion of a comprehensive EIS for the project.

III. Lack of Disclosure of Environmental Risk and Impact

References to environmental matters including water drawdown, air and greenhouse gas mitigation risks and climate change impacts to the facility need to be clarified in Dominion Midstream's registration statement, and may reveal additional potential liability associated with the liquefaction project. In its registration statement, Dominion Midstream reported that Cove Point is "subject to a number of environmental laws and regulations that impose significant compliance costs on Cove Point."[19] Dominion Midstream discussed various federal and state regulatory compliance issues and broadly discussed that at any time these regulated activities may have "material adverse effect on Cove Point's operations and financial position, and its ability to make payments on [the] Preferred Equity Interests."[20] This discussion broadly described current regulation, potentially new regulation and the cost of compliance with regulation. However, this

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[17] FERC Notice of Schedule for Environmental Review of the Proposed Cove Point Liquefaction Project re Dominion Cove Point LNG, LP (March 12th, 2014) (available at http://elibrary.ferc.gov/idmws/file_list.asp?accession_num=20140312-3018).

[18] As the lead agency for coordinating federal authorization of Liquefied Natural Gas export projects, the FERC has the responsibility to ensure its permit review of the Project meets all requirements under NEPA. 10 C.F.R. § 1021.342; *See also* 18 C.F.R. § 380. Under NEPA, FERC is required to consider the environmental impacts of all major agency actions to determine if such action will "significantly affect the quality of the human environment." 42 U.S.C. § 4332(c). The Act requires agencies to take a "hard look" at the environmental impacts of a proposed action including social, cultural, natural, and economic resources. *Mid-Tex Elec. Coop. v. FERC*, 773 F.2d 327 (1985); *See* CCAN Comments on Dominion Cove Point LNG, LP, Docket No. CP13-113-000 (Oct. 23, 2013 (available through the FERC online eLibrary); *See also* EarthJustice Comments on Dominion Cove Point LNG, LP, Docket No. CP13-113-000 (May 3, 2013) (available through the FERC online eLibrary).

[19] Dominion Midstream Registration Statement 30.

[20] *Id.* at 107.

discussion did not sufficiently discuss several key environmental risks that are currently known to Dominion Midstream, including water drawdown potentially contributing to regional land subsidence, known air compliance costs, and increased physical impacts of climate change on the Cove Point facility.

A. Land Subsidence Risk and Cost

In its registration statement, Dominion Midstream does not discuss the potential for land subsidence surrounding the facility caused by water drawdown of the local aquifer. These issues were discussed in great detail at the Maryland Public Service Commission (PSC) evidentiary hearing for the project's CPCN. The PSC's record shows Dominion Cove Point will withdrawal a daily average of 233,000 gallons of water from its main well to support the facility.[21] This will result in an approximate 500% increase in withdrawal from Dominion's main well. Based on this water drawdown the Maryland Department of Natural Resources has asked the Public Service Commission to condition the CPCN on Dominion Cove Point establishing a $190,000 trust to fund land subsidence studies.[22] This trust fund will only study the land subsidence risk and does not include the cost of any land remediation that could be needed should the studies uncover evidence of land subsidence events. A potential investor would not know that the project is expected to comply with land subsidence study requirements as outlined by the Public Service Commission or the potential need for future land subsidence remediation. Land subsidence, if it occurs at the liquefaction plant, could have serious safety and operational impacts on the plant, temporarily stopping its use for potentially long periods of time. Therefore, CCAN and Ms. Amundsen believe Dominion Midstream should update its registration statement to provide investors with this information.

B. Maryland Air Permitting Costs

Furthermore, Dominion Midstream does not include known air permitting costs in its registration statement. The company states that the project will "become subject to RGGI [the Regional Greenhouse Gas Initiative] after equipment associated with the Liquefaction Project is installed" and that the company "expect[s] to continue to incur, substantial capital expenditures to maintain compliance with these and other air emission regulations."[23] However, Dominion Midstream does not specify that these expenditures will likely cost the company at least $20.38 million in in-kind contributions to fund and support Maryland's Greenhouse Gas Reduction Act (GGRA) goals. The Maryland Department of Natural Resources has stated in its Final Recommended Licensing Conditions that Dominion Cove Point "shall provide $20.38 million in in-kind contributions and funding to support Maryland's GGRA goals."[24] CCAN and Ms. Amundsen urge the SEC to require Dominion Midstream to make further disclosures

[21] Maryland Department of Natural Resources Final Recommended Licensing Conditions of the Reviewing State Agencies 52 (April 17, 2014) (available at http://webapp.psc.state.md.us/Intranet/Casenum/submit_new.cfm?DirPath=C:\Casenum\9300-9399\9318\Item_125\&CaseN=9318\Item_125) (hereinafter MDNR Final Recommended Licensing Conditions).
[22] MDNR Final Recommended Licensing Conditions 56.
[23] Dominion Midstream Registration Statement 107-08.
[24] MDNR Final Recommended Licensing Conditions 56.

regarding what the company refers to as substantial capital expenditures to maintain compliance with air permitting requirements. Failing to disclose known air permitting conditions related to the facility's CPCN could materially mislead investors as to known compliance costs.

C. Physical and Financial Risk from Climate Change

Lastly, CCAN and Ms. Amundsen urge the SEC to require Dominion Midstream to make further disclosures regarding what Dominion, in its registration statement, refers to as physical risk of damage caused by changes in the global climate. The SEC Guidance Regarding Disclosure Related to Climate Change specifically calls on registrants to analyze "significant physical effects of climate change, such as the severity of weather for example, floods or hurricanes, sea levels, the arability of farmland, and water availability and quality."[25] Dominion Midstream states in its registration statement that:

> "operations could be adversely affected and physical plants placed at greater risk of damage should changes in global climate produce. . . unusual variations in temperature and weather patterns, resulting in more intense, frequents and extreme weather events, abnormal levels of precipitation, flooding or change in sea level or sea temperatures."[26]

However, the company does not specify the known potential climate risks associated with the Cove Point facility being located directly on a coastline. The Cove Point facility is located on the coastline of the Chesapeake Bay. The Chesapeake Bay's coast is particularly vulnerable to threats such as hurricanes, shore erosion, coastal flooding, storm surge, and inundation.[27] The area also has experienced sea level rise of nearly twice the global average over the last 100 years due to naturally occurring regional land subsidence.[28] The SEC Guidance specifically states that registrants should analyze the material risk of, or consequences from, climate change events in a company's publicly filed disclosure documents. Dominion Midstream has only provided investors with a blanket statement that risk from increased severe weather may adversely affect the physical plant. CCAN and Ms. Amundsen urge the SEC to require Dominion Midstream to produce a Climate Adaptation and Mitigation plan, which should, at a minimum, disclose the "possible consequences of severe weather"[29] and sea level rise impacts, to include the following risk disclosure required by the SEC:

- "[P]roperty damage and disruptions to operations, including manufacturing operations or the transport of manufactured products;

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[25] *See* Commission Guidance Regarding Disclosure Related to Climate Change, Exchange Act Release No. 61,469, 75 Fed. Reg. 6,290, 6,290 (Feb. 8, 2010) (hereinafter Interpretive Release) (available at http://www.sec.gov/rules/interp.shtml).
[26] Dominion Midstream Registration Statement 108.
[27] Maryland Commission on Climate Change Adaptation and Response Working Group, Report: Comprehensive Strategy for Reducing Maryland's Vulnerability to Climate Change, Phase I: Sea-Level Rise and Coastal Storms 3 (July 2008).
[28] *Id.*
[29] Interpretive Release 6297.

- Indirect financial and operational impacts from disruptions to the operations of major customer or suppliers from severe weather, such as hurricanes or floods;
- Increased insurance claims and liabilities for insurance and reinsurance companies…;
- Increased insurance premiums and deductibles, or a decrease in the availability of converge, for registrants with plants or operations in areas subject to severe weather."[30]

Therefore, CCAN and Ms. Amundsen urge the SEC to require Dominion Midstream to update its registration statement to include the required climate change related disclosures.

IV. Inadequate Disclosure of Risks Related to Dominion Midstream Partners Ability to Generate Stable and Growing Cash Flows

In its registration statement, Dominion Midstream reported that Cove Point's "contracts may become subject to termination or force majeure provisions under certain circumstances" including customer termination of contracts due to delay in or failure to complete the liquefaction project.[31] According to Dominion Midstream, several factors may contribute to the company's inability to complete the liquefaction project, including "permits, licenses and approvals from agencies, … Dominion's ability and willingness to provide funding for the development of the Liquefaction Project and, if necessary, Cove Point's ability to obtain additional funding for the development of the Liquefaction Project."[32] Although Dominion Midstream lists these general factors, it fails to provide material information relating to existing permitting delays, Dominion's financial risk, and potential project cost overruns.

A. Permitting Delays

As discussed above in "section II. A. Permitting Delays," Dominion Midstream has not included information in its registration statement that effectively communicates the current project delays. As previously discussed, company officials have stated that the project has apparently been delayed up to six months already due to permitting issues. However, Dominion Midstream does not discuss in its registration statement how these known delays have affected Cove Point's revenue generated by its "limited number of customers."[33] It would be misleading to withhold known information regarding project completion and the effect on revenues caused by permitting delays. Therefore, to support the needs of investors for information that is accurate and not misleading, we recommend that the company disclose the currently expected project completion delays and related revenue impacts.

[30] *Id.*
[31] Dominion Midstream Registration Statement 26-7.
[32] *Id.* at 27.
[33] *Id.* at 26.

B. Dominion Resources' Financial and Litigation Risk

Dominion Midstream stated in its registration statement that "existing revenue streams and cash reserves will be insufficient for Cove Point to complete the Liquefaction Project. If Dominion is unwilling or unable to provide funding for the remaining development costs, Cove Point would have to obtain additional funding from lenders."[34] Such funding "may not be available in the amounts required" and could "cause the Liquefaction Project to be delayed or not be completed."[35] Accordingly, the financial health of Dominion Resources is material to Cove Point's ability to complete the liquefaction facility. For example, Dominion Midstream did not disclose any information regarding Fitch Ratings' recent rating of Dominion's issuance of $400 million in new senior notes as "BBB+". Fitch cited the "primary concern" as "execution risk, and exposure to material delays and/or cost overruns, particularly related to Cove Point, that could put downside pressure on the company's financial metrics."[36] It is misleading to explain to investors that the liquefaction facility completion is contingent in great part on Dominion's ability to fund its construction, but then withhold known information regarding Dominion's financial note rating from Fitch.

Furthermore, the Board of Directors of Dominion Resources (the parent company) is currently being investigated by a leading Wall Street securities law firm representing existing Dominion Resources shareholders for potential "breaches of fiduciary duties in connection with their conduct in seeking shareholders' approval of the Company's 2014 Incentive Compensation Plan." This investigation is centered around a:

> "Proxy Statement filed by the Company with the [SEC] on March 26, 2014, the Board of Directors recommends that Dominion Resources' shareholders vote to approve the 2014 Incentive Compensation Plan to authorize an issuance of 25,000,000 shares of the common stock. The issuance of the additional shares could have a substantial dilutive effect on the shares of Dominion Resources common stock."[37]

Such investigations could lead Dominion Resources to engage in costly and time consuming shareholder derivative lawsuits. It may be misleading for Dominion Midstream to withhold this information in its SEC registration statement. Disclosure of Dominion Resources' financial risk may affect Dominion Midstream's ability to complete the liquefaction project, since much of the financing for Cove Point's construction costs will be provided by existing Dominion Resources shareholders and

[34] *Id*. at 29.
[35] *Id.*
[36] Market Watch, Fitch Rates Dominion Resources Senior Notes 'BBB+' (Mar. 21, 2014) (available at http://www.marketwatch.com/story/fitch-rates-dominion-resources-senior-notes-bbb-2014-03-21?reflink=MW_news_stmp).
[37] Wall Street Journal, Faruqi & Faruqi, LLP Launches An Investigation Against Dominion Resources, Inc. (D) Potential Breaches Of Fiduciary Duties By Its Board Of Directors (April 11, 2014) (available at http://online.wsj.com/article/PR-CO-20140411-911202.html).

bondholders.[38] Therefore, to support the needs of investors for information that is accurate and not misleading, we recommend that Dominion Midstream disclose Dominion's pertinent financial risk information including Fitch Ratings recent senior note rating and known litigation risks.

C. Project Cost Overruns

Dominion Midstream does not discuss how permitting delays discussed above in "section IV. A." and the unique mechanical infrastructure of this project could cause cost overruns. Although the company generally discusses various factors that could affect the completion of the liquefaction facility, it fails to outline how known and anticipated permitting delays and the mechanical infrastructure unique to this project could affect the cost of the project.

A number of unique safety concerns regarding explosion and proximity to nearby homes in Lusby, Maryland are well documented in the FERC docket.[39] Because of these unique safety risks associated with this particular liquefaction project site, it is probable that FERC will require additional mechanical and facility design protections for the community from any potential explosion that could occur at the facility. Indeed, the recent resignation of a local assistant fire chief in Calvert County, Maryland has called into question the readiness of local fire and rescue organizations to respond to any potential accident at the facility.[40] Therefore, it is also likely that FERC could require additional fire and rescue mitigation components onsite which may also cause construction delay and cost overruns.

In light of the regularity by which LNG facilities run over budget[41], CCAN and Ms. Amundsen believe Dominion Midstream should update its registration statement to include information discussing how permitting delays and additional physical infrastructure and facility design changes necessary to mitigate potential safety risks could cause cost overruns.

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[38] Jan Willem van Gelder and Joeri de Wilde, Profundo Report: Financing and Cash Flow Evaluation of Dominion Resources 4-8 (May 5, 2014) (included in this report's Appendix).

[39] *See* Dale Allison, Dominion Cove Point LNG, LP, Cove Point Liquefaction Project, Docket CP13-113, Comments on Requirement for Assessment of Aging Effects on Storage Tanks and Other Terminal Systems (March 31, 2014) (available through the FERC online eLibrary); *See* Dale Allison, Dominion Cove Point LNG, LP, Cove Point Liquefaction Project, Docket CP13-113, Comments on Remote Site Requirements for LNG Liquefaction and Export Terminals (Mar. 7 2014) (available through the FERC online eLibrary); *See* Dale Allison, Dominion Cove Point LNG, LP, Cove Point Liquefaction Project, Docket CP13-113, Comments on Engineering and Safety Assessments (May 2, 2014) (available through the FERC online eLibrary).

[40] Sarah Fleischman, First Responder Raises Concerns about Cove Point LNG Emergency Preparedness, Resigns Position (April 25, 2014) (available at http://www.somdnews.com/article/20140425/NEWS/140429498/1057/first-responder-raises-concerns-about-cove-point-lng-emergency&template=southernMaryland).

[41] The Motley Fool, LNG Projects Are Encountering Some Big Problems (Oct. 14, 2013) (available at http://www.fool.com/investing/general/2013/10/14/lng-projects-are-encountering-some-big-problems.aspx).

V. Conclusion

Based on CCAN and Ms. Amundsen's review of Dominion Midstream's registration statement, we urge the SEC to require the company to update its registration statement to more effectively inform and clarify to investors the material risks associated with permitting and litigation delay, environmental risk and impact, and the company's potential inability to generate stable cash flow. We encourage the SEC to review Dominion Midstream's registration statement in light of the SEC's broad definition of materiality and the requisite disclosure of climate change risks. Such scrutiny may be less appealing for the issuer, but would provide better information for investors to evaluate the integrity and intentions of those who will ultimately control the use of their investment monies.

Appendix

Financing and cash flow evaluation of Dominion Resources

A research paper prepared for Pacific Environment, the Chesapeake Climate Action Network and Earthjustice

profundo
RESEARCH & ADVICE

Financing and cash flow evaluation of Dominion Resources

A research paper prepared for Pacific Environment and the Chesapeake Climate Action Network

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24 April 2014

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Contents

Summary

This report assesses the financing of the U.S. energy company Dominion Resources by financial institutions since January 2010. The report mainly focuses on the financing that could be used for the announced Cove Point project. The Cove Point project of Dominion aims to construct liquefaction facilities for exporting liquefied natural gas (LNG) at its existing Dominion Cove Point LNG Terminal located on the Chesapeake Bay in Lusby, Md.[1]
Dominion Resources was first told to attract a project loan for 60-70% of the total estimated construction costs of US$ 3.8 billion, which would mean that 30-40% had to be financed by the existing financial stakeholders of Dominion Resources. The most important of these financial stakeholders are Dominion Resources' bondholders and shareholders, which finance a major part of the total assets of Dominion. However, recently Dominion announced its plans to create a master limited partnership (MLP) that will hold the Cove Point liquefied natural gas terminal. The MLP will raise capital through an IPO (initial public offerering) of the MLP's units in order to finance the Cove Point project.
Table 1 presents an overview of the most important financiers of Dominion Resources. Four categories are distinguished:

- Financial institutions which owned or managed at least 0.50% of the outstanding shares of Dominion Resources at the most recent filing date;
- Financial institutions which owned or managed at least 1.00% of the outstanding bonds of Dominion Resources at the most recent filing date;
- Financial institutions which have assisted Dominion Resources to issue new bonds since January 2013 (because these bond issuances are more likely to be used for the Cove Point project than older issuances);
- Financial institutions that have provided revolving credit facilities (loans) to Dominion Resources since January 2010 that have not yet matured.

The major financier of Dominion Resources is Bank of America (United States). Bank of America is an important shareholder, assisted in a recent bond issuance and provided loans. Another important financier is the Vanguard Group (United States), being both an important shareholder and an important bondholder. Furthermore, the Bank of New York Mellon (United States) is an important shareholder and also provided loans. Finally, JP Morgan Chase (United States) is an important financier by being involved in a recent bond issuance and by providing loans.

Table 1 Most important financial institutions financing Dominion Resources

Financial institution	Country	Important shareholder (at least 0.50% of shares)	Important bondholder (at least 1.00% of bonds)	Bond underwriter	Provider of bank loans
Timeline		*Most recent filing date*		*Since 2013*	*Since 2010*
AIG	United States		X		
Allianz	Germany		X		
Bank of America	United States	X		X	X
Bank of New York Mellon	United States	X			X
Bayerische Landesbank	Germany				X
BB&T Corp	United States				X
Blackrock	United States	X	/		
Barclays	United Kingdom				X

Financial institution	Country	Important shareholder (at least 0.50% of shares)	Important bondholder (at least 1.00% of bonds)	Bond underwriter	Provider of bank loans
Timeline		***Most recent filing date***		***Since 2013***	***Since 2010***
BNP Paribas	France				X
Capital Group	United States	X			
Deutsche Bank	Germany	X			
Federated Investors	United States	X			
Fidelity Investments	United States		X		
Fifth Third Bancorp	United States				X
Franklin Resources	United States	X	/		
Lincoln National Corporation	United States		X		
Geode Capital Management	United States	X			
Goldman Sachs	United States			X	
Intesa Sanpaolo	Italy				X
JP Morgan Chase	United States			X	X
KeyBank Corp	United States				X
Metlife	United States		X		
Mizuho Financial	Japan				X
Neuberger Berman Group	United States	X			
Northern Trust	United States	X			
Northwestern Mutual	United States		X		
Norwegian Government Pension Fund - Global	Norway	X			
Pictet & Cie	Switzerland	X			
Prudential	United Kingdom		X		
Royal Bank of Scotland	United States				X
Sasco Capital	United States	X			
Schafer Cullen Capital Management	United States	X			
SunTrust Bank	United States				X
State Street Corporation	United States	X			
TIAA-CREF	United States	/	X		
UBS	Switzerland	/		X	
U.S. Bancorp	United States				X
Vanguard Group	United States	X	X		
Wellington Management	United States	X			
Wells Fargo	United States				X

/ = minor shareholder or bondholder (less than threshold indicated): only included if the financial institution is an important financier in one of the other categories.

Next to the analyses of the existing financiers, this report also shows that Dominion Resources will need to attract external funds in the coming years in order to finance the Cove

Point project and its other ongoing businesses. The combined value of the US$ 2.1 billion proceeds from the corporate units issued in June 2013 and the US$ 1.3 billion of unused capacity of the revolving credit facilities are not enough to cover the US$ 3.8 billion of capital expenditures for the Cove Point project. On top of that, Dominion Resources as a whole will need external funds to maintain a positive cash flow to finance its ongoing businesses and expansion plans (including the Cove Point project) in the years 2014 to 2017.

The recent plans of Dominion Resources to create an MLP which will include the Cove Point liquefied natural gas terminal indeed indicates that Dominion will use external funds in the form of an IPO of the MLP's units in order to finance the Cove Point project. When the IPO of the MLP is not around midyear 2014 (as scheduled) or when the MLP is not formed at all, the Cove Point investment programme will be seriously delayed.

Introduction

This report presents an overview of the financing of the U.S. energy company Dominion Resources by the most important financial institutions since January 2010, focusing on the financing that could be used for the announced Cove Point project.

This report is organised as follows: Chapter 1 provides a short profile of the company, including information on its key activities (paragraph 1.1) and the Cove Point project (paragraph 1.2). 0 deals with the financing of Dominion Resources since January 2010, covering its financial structure (paragraph 2.1), share issuances (paragraph 2.2), shareholders including pension funds (paragraph 2.3), bond issuances (paragraph 2.4), bondholders (paragraph 2.4) and bank loans (paragraph 2.6). Finally, Chapter 3 provides a cash flow analysis, discussing corporate units (paragraph 3.2) and existing credit facilities (paragraph 3.3), and providing a cash flow evaluation (paragraph 3.4) and a conclusion to the cash flow analysis (paragraph 3.5).

A summary can be found on the first pages of this report.

Chapter 1 Dominion Resources and Cove Point

1.1 Company profile

Dominion Resources, headquartered in Richmond, Virginia and incorporated in Virginia in 1983, is one of the United States' largest producers and transporters of energy. Dominion manages its daily operations through three primary operating segments:

- **Dominion Virginia Power** is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. All of Virginia Power's common stock is owned by Dominion.
- **Dominion Energy** focuses on the storage, transmission and distribution of natural gas.
- **Dominion Generation** operates the company's fleet of regulated power stations serving its electric utility franchise, as well as a merchant power fleet supplying wholesale markets.[2]

Dominion Resources owns a portfolio of approximately 27,400 megawatts of generation, 11,000 miles of natural gas transmission, gathering and storage pipeline and 6,300 miles of electric transmission lines. The company also operates the largest natural gas storage system in the United States with 947 billion cubic feet of storage capacity and serves retail energy customers in 15 states.[3]

Dominion's strategy is to be a leading provider of electricity, natural gas and related services to customers in the energy-intensive Midwest, Mid-Atlantic and Northeast regions of the United States.[4]

In the financial year ended December 2012, Dominion Resources generated revenues of US$ 13,093 million, resulting in a net profit of US$ 302 million. At the end of December 2012, the company owned total assets of US$ 46,838 million.[5]

1.2 Dominion Cove Point

On 10 April 2013, Dominion Cove Point LNG announced a new project called "Dominion Cove Point Liquefaction and LNG Export Terminal Project". Dominion Cove Point LNG is an offshore liquid natural gas shipping terminal that receives imported liquefied natural gas (LNG) and also stores gas. It is a subsidiary of Dominion Energy.

The announced new project will be exporting liquefied natural gas at the existing LNG Terminal. Applications for natural gas exports to non-Free Trade Agreement countries and Free Trade Agreement countries have been approved by the U.S. Department of Energy. Dominion was reported to be looking at long-term debt for the Cove Point project, seeking a 16-year project loan for 60% to 70% of the projects total cost.[6] This means that 30 to 40% of the financing would have to be provided by the present financial stakeholders of Dominion Resources.

Dominion Cove Point (DCP) LNG filed a formal application to construct and operate a liquefaction and LNG export terminal at the site of its existing LNG import terminal in Calvert County, Maryland. Total construction costs are currently estimated to be approximately US$ 3.8 billion. DCP has fully contracted the proposed bi-directional service at the LNG terminal with two customers, each of which would contract for 50% of the available capacity. The customers are Pacific Summit Energy, a subsidiary of Sumitomo Corporation, and a US subsidiary of GAIL India. These export customers each entered into a 20-year agreement for the planned liquefaction and export/import services at the LNG Terminal, as well as a pipeline precedent agreement for an accompanying 20-year service agreement for firm transportation on the existing Cove Point pipeline.[7]

Chapter 2 The financing of Dominion Resources

2.1 Financial structure

At the end of December 2012, Dominion Resources owned assets with a total value of US$ 46,838 million. The following financial stakeholders financed these assets:[8]

• Shareholders	US$ 10,568 mln	23%
• Join-venture partners	US$ 57 mln	0%
• Bondholders	US$ 16,851 mln	36%
• Banks	US$ 2,438 mln	5%
• Others	US$ 16,924 mln	36%

Bondholders and shareholders are the most important financiers of the company, financing 36% respectively 23% of the company's total assets. Banks play a less important role, financing only 2% of the total assets.
The different groups of financial stakeholders will be discussed in the next sections.

2.2 Share issuances

Dominion Resources and its subsidiaries did not issue any shares since January 2010.

2.3 Shareholders

Dominion Resources is listed on the New York Stock Exchange. Its shareholders financed 23% of its total assets at the end of 2012 (see section 2.1).
Table 2 presents an overview of the largest shareholders of Dominion Resources, excluding pension funds, owning at least 0.45% of its ordinary shares. Together, these shareholders own or manage 39.74% of the ordinary shares of Dominion Resources. The total value of these shareholdings is US$ 14,4 billion.

Table 2 Largest shareholders of Dominion Resources

Investor	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date
Blackrock	United States	2.695.3	7.43	30 Sep 2013
Capital Group	United States	2.300.7	6.34	30 Sep 2013
Vanguard Group	United States	1.777.3	4.90	30 Sep 2013
State Street Corporation	United States	1.733.5	4.78	30 Sep 2013
Wellington Management	United States	1.380.8	3.81	30 Sep 2013
Franklin Resources	United States	995.31	2.75	30 Sep 2013
Northern Trust	United States	546.83	1.50	30 Sep 2013
Bank of America	United States	555.3	1.53	30 Sep 2013
Bank of New York Mellon	United States	365.9	1.04	30 Sep 2013
Sasco Capital	United States	304.3	0.84	30 Sep 2013
Pictet & Cie	Switzerland	267.2	0.74	30 Sep 2013
Deutsche Bank	Germany	250.9	0.77	30 Sep 2013

Investor	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date
Geode Capital Management	United States	248.2	0.68	30 Sep 2013
Federated Investors	United States	216.4	0.60	30 Sep 2013
Neuberger Berman Group	United States	208.8	0.58	30 Sep 2013
Schafer Cullen Capital Management	United States	186.0	0.51	30 Sep 2013
Legal & General	United Kingdom	169.5	0.47	30 Sep 2013
UBS	Switzerland	168.1	0.47	30 Sep 2013
Total		**14,370.3**	**39.74**	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in November 2013.

Table 3 shows the shareholdings in Dominion Resources of large pension funds worldwide. Among the pension funds for which we could identify holdings, the Norwegian Government Pension Fund and the American pension funds TIAA-CREF and CalPERS have the largest holdings.

Table 3 Shareholdings pension funds

Pension fund	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date	Source
Norwegian Government Pension Fund - Global	Norway	275.1	0.92	31 Dec 2012	[9]
TIAA-CREF	United States	164.4	0.45	30 Sep 2013	[10]
CalPERS	United States	89.6	Unknown	31 Dec 2012	[11]
PFZW	Netherlands	44.1	Unknown	31 Dec 2012	[12]
ABP	Netherlands	39.0	Unknown	30 Jun 2013	[13]
Caisse de dépôt et placement du Québec	Canada	29.8	Unknown	30 Sep 2013	[14]
AP1	Sweden	26.6	Unknown	30 Jun 2013	[15]
AP7	Sweden	25.7	Unknown	30 Jun 2013	[16]
AP4	Sweden	12.9	Unknown	30 Jun 2013	[17]
AP2	Sweden	5.2	Unknown	30 Jun 2013	[18]
New Zealand Superannuation Fund	New Zealand	4.7	Unknown	30 Jun 2013	[19]
BpfBOUW	Netherlands	4.4	Unknown	30 Jun 2013	[20]
AP3	Sweden	4.1	Unknown	30 Jun 2013	[21]
PGB	Netherlands	2.8	Unknown	30 Sep 2012	[22]
KY Teachers' Retirement System	United States	Unknown	Unknown	30 Jun 2013	[23]
Pensioenfonds Detailhandel	Netherlands	Unknown	Unknown	30 Sep 2013	[24]
Pensioenfonds Openbaar Vervoer	Netherlands	Unknown	Unknown	30 Sep 2013	[25]

Pension fund	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date	Source
Pensioenfonds Vervoer	Netherlands	Unknown	Unknown	20 Nov 2013	26
PME	Netherlands	Unknown	Unknown	1 Jan 2013	27
PNO Media	Netherlands	Unknown	Unknown	20 Nov 2013	28
Spoorwegpensioenfonds	Netherlands	Unknown	Unknown	30 Sep 2013	29

2.4 Bond issuances

The following bond issuances of Dominion Resources and its subsidiaries since early 2010 could be found:

- In August 2010, Dominion Resources issued new 2.250% five-year maturity bonds with a total value of US$ 250 million. The proceeds were used for general corporate purposes. The issuing syndicate consisted of the following three banks, each underwriting an amount of:[30]

• **Deutsche Bank**	Germany	$ 83.3 mln
• **Morgan Stanley**	United States	$ 83.3 mln
• **UBS**	Switzerland	$ 83.3 mln

- In March 2011, Dominion Resources issued new bonds with a total value of € 638.37 million. The issue was divided in two tranches: a 4.450% ten-year tranche with a value of US$ 500 million and a 1.800% three-year tranche with a value of US$ 400 million. The proceeds were used for general corporate purposes and to reduce indebtedness. The issuing syndicate consisted of the following four banks, each underwriting an amount of:[31]

• **Bank of Nova Scotia**	Canada	$ 225.0 mln
• **Citi**	United States	$ 225.0 mln
• **Goldman Sachs**	United States	$ 225.0 mln
• **JPMorgan Chase**	United States	$ 225.0 mln

- In August 2011, Dominion Resources issued new 1.950% five-year maturity bonds with a total value of US$ 450 million. The proceeds were used for general corporate purposes and to finance indebtedness. The issuing syndicate consisted of the following three banks, each underwriting an amount of:[32]

• **Bank of America**	United States	$ 150.0 mln
• **Royal Bank of Scotland**	United Kingdom	$ 150.0 mln
• **Wells Fargo**	United States	$ 150.0 mln

- In August 2011, Dominion Resources issued new 4.900% thirty-year maturity bonds with a total value of US$ 500 million. The proceeds were used for general corporate purposes and to finance indebtedness. The issuing syndicate consisted of the following three banks, each underwriting an amount of:[33]

• **Barclays**	United Kingdom	$ 166.7 mln
• **BNP Paribas**	France	$ 166.7 mln

- **Royal Bank of Scotland** United Kingdom $ 166.7 mln

- In September 2012, Dominion Resources issued new bonds with a total value of US$ 1,050 million. The issue was divided in three tranches: a 1.400% five-year tranche with a value of US$ 350 million, a 2.750% ten-year tranche with a value of US$ 350 million and a 4.050% thirty-year tranche with a value of US$ 350 million. The proceeds were used for general corporate purposes. The issuing syndicate consisted of the following six banks, each underwriting an amount of:[34]

  - **BNP Paribas** France $ 175.0 mln
  - **Deutsche Bank** Germany $ 175.0 mln
  - **JPMorgan Chase** United States $ 175.0 mln
  - **Royal Bank of Canada** Canada $ 175.0 mln
  - **Royal Bank of Scotland** United Kingdom $ 175.0 mln
  - **Wells Fargo** United States $ 175.0 mln

- In June 2013 Dominion Resources issued 20 million *Corporate Units* in two series. Each *Corporate Unit* has a value of US$ 50 and consists of a long-term bond of the company and the obligation to buy one of the company's shares in 2016. The *Corporate Units* therefore resemble convertible bonds, but with an obligation to convert. The total value of the issuance amounted to US$ 1,100 million. The proceeds were used for general corporate purposes, to reduce indebtedness and for capital expenditures (mainly for the Cove Point Liquefaction project). The following banks participated in the issuing syndicate, underwriting an amount of:[35]

  - **Goldman Sachs** United States $ 275.0 mln
  - **JPMorgan Chase** United States $ 275.0 mln
  - Merrill Lynch, Pierce, Fenner & Smith, part of **Bank of America** United States $ 275.0 mln
  - **UBS** Switzerland $ 275.0 mln

2.5 Bondholders

Bondholders financed about 36% of Dominion Resources' total assets at the end of December 2012 (see section 2.1). Table 4 presents an overview of the largest holders of the ordinary bonds of Dominion Resources at the latest filing date. Together these bondholders own or manage 20.73% of Dominion Resources' outstanding bonds, with a total value of US$ 3.8 billion.

Table 4 Largest bondholders of Dominion Resources

Investor	Country	Value (US$ mln)	% all bonds	Filing date
Prudential	United Kingdom	471.2	2.60	June to August 2013
Vanguard Group	United States	473.8	2.62	June to September 2013
Northwestern Mutual	United States	324.4	1.80	June 2013
Allianz	Germany	292.4	1.61	June 2013
Metlife	United States	291.2	1.61	June 2013
TIAA-CREF	United States	286.7	1.59	June to August 2013

Investor	Country	Value (US$ mln)	% all bonds	Filing date
Fidelity Investments	United States	275.2	1.52	September 2013
AIG	United States	202.2	1.12	June 2013
Lincoln National Corporation	United States	183.3	1.01	June 2013
New York Life Insurance	United States	213.9	1.18	June 2013
State Farm	United States	141.6	0.78	June 2013
Ameriprise Financial	United States	128.4	0.71	June 2013
ING Group	Netherlands	127.6	0.70	June 2013
Blackrock	United States	122.2	0.68	December 2012 to November 2013
Allstate Corporation	United States	110.9	0.60	June 2013
Aegon	Netherlands	108.5	0.60	June 2013
Total		**3,753.5**	**20.73**	

Source: Bloomberg Database, "Bondholdings", *Bloomberg Database*, viewed October 2013.

Table 5 presents an overview of the largest holders of Dominion Resources' corporate units, which were issued in June 2013. Corporate units consist of a long-term bond of the company and the obligation to buy one of the company's shares in 2016. The holders of corporate units are therefore bondholders as well.
Together, these bondholders own or manage 2.92% of the value of all of the corporate units and bonds of Dominion Resources. The total value of all of the outstanding corporate units and other bonds of Dominion Resources at the end of 2013 was approximately US$ 17,951 million: US$ 16,851 million of bonds and corporate units reported at the end of 2012 (see section 2.1) plus the corporate units issuance of US$ 1,100 million in June 2013.

Table 5 Largest holders of Dominion Resources' corporate units

Investor	Country	Value of corporate units (US$ mln)	% of total value of all bonds	Filing date
Franklin Resources	United States	122.9	0.69	30 Sep 2013
Fidelity Investments	United States	100.5	0.56	30 Sep 2013
Sun Life Financial	United States	94.0	0.53	30 Sep 2013
Camden Asset Management	United States	70.8	0.40	30 Sep 2013
Manulife Financial	Canada	61.1	0.34	30 Sep 2013
BPCE Group	France	55.9	0.31	30 Sep 2013
J.P Morgan Chase	United States	51.5	0.29	30 Sep 2013
BlueMountain Capital Management	United States	32.1	0.18	30 Sep 2013
Legg Mason	United States	30.6	0.17	30 Sep 2013
Victory Capital Management	United States	25.4	0.14	30 Sep 2013
Total		**644.8**	**2.92**	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in November 2013.

2.6 Loans

This section provides an overview of the revolving credit facilities, secured by Dominion Resources, which have not yet matured and thus could be used for the Cove Point project. A revolving credit facility is an agreement between a bank and a company to provide a certain amount of money as a loan as required by the borrower. The borrower is under no obligation to actually take out a loan at any particular time, but may take part of the funds at any time over a period of several years. The following revolving credit facilities secured by Dominion Resources and its subsidiaries that have not yet matured were found:

- In October 2011 Dominion Resources secured a US$ 500 million five-year LIBOR+107.500bps credit facility from a syndicate of banks. The proceeds were used for the refinancing of bank debt. The syndicate consisted of the following nine financial institutions, each committing an amount of:[36]

• **Bank of New York Mellon**	United States	$ 50.0 mln
• **Bayerische Landesbank**	Germany	$ 66.7 mln
• **BB&T Corp**	United States	$ 50.0 mln
• **Intesa Sanpaolo**	Italy	$ 50.0 mln
• **KeyBank Corp**	United States	$ 66.7 mln
• **Mizuho Financial**	Japan	$ 50.0 mln
• **PNC Bank**	United States	$ 50.0 mln
• **SunTrust Bank**	United States	$ 50.0 mln
• **U.S. Bancorp**	United States	$ 66.7 mln

- In September 2013 Dominion Resources secured a US$ 3,000 million four-year LIBOR+107.500bps credit facility from a syndicate of banks. The proceeds were used for general corporate purposes. The syndicate consisted of the following six financial institutions, each committing an amount of:[37]

• **Bank of America**	United States	$ 360.0 mln
• **Barclays**	United Kingdom	$ 360.0 mln
• **BNP Paribas**	France	$ 240.0 mln
• **JP Morgan Chase**	United States	$ 360.0 mln
• **Royal Bank of Scotland**	United Kingdom	$ 360.0 mln
• **Wells Fargo**	United States	$ 360.0 mln

- In September 2013 Virginia Electric & Power Company secured a US$ 120 million five-year LIBOR+125.000bps credit facility from a syndicate of banks. The proceeds were used for general corporate purposes. The syndicate consisted of the following six financial institutions, each committing an amount of:[38]

• **Bank of America**	United States	$ 20.0 mln
• **Barclays**	United Kingdom	$ 20.0 mln
• **Fifth Third Bank**	France	$ 20.0 mln
• **JP Morgan Chase**	United States	$ 20.0 mln
• **Royal Bank of Scotland**	United Kingdom	$ 20.0 mln
• **Wells Fargo**	United States	$ 20.0 mln

Chapter 3 Cash flow analysis

3.1 Introduction

This chapter analyses whether or not Dominion Resources has enough cash at hand to finance the planned Dominion Cove Point project without the use of new external funding. Dominion Resources has expressed its intention to finance the Cove Point project mainly from the proceeds of the corporate units issued in June 2013 (see section 2.4).Therefore paragraph 3.2 analyses whether or not the issue of the corporate units raised sufficient funds for the planned Cove Point project. After that, paragraph 3.3 analyses the existing revolving credit facilities of Dominion Resources, to see how much money can be drawn from those existing facilities. Thirdly, paragraph 3.4 analyses whether or not Dominion Resources' as a consolidated group has enough cash and cash equivalents to finance the Cove Point project and its other ongoing businesses without the use of new external funding. Next, paragraph 3.5 analyses the recently announced master limited partnership plans of Dominion Resources. Finally, paragraph 3.5 concludes this analysis.

3.2 Corporate units

As can be seen in section 2.4, the issuance of the corporate units in June 2013 raised US$ 1,100 million and will raise an additional US$ 1,000 million in 2016. Since the construction costs of the Cove Point Liquefaction and LNG Export Terminal Project are estimated at US$ 3.8 billion (see section 1.2), the proceeds from the issued corporate units clearly can't provide enough money to fund the entire Cove Point project.

3.3 Existing credit facilities

At September 30, 2013, Dominion had US$ 1.3 billion of unused capacity under its revolving credit facilities.[39] This means that Dominion can draw an additional US$ 1.3 billion from its revolving credit facilities to finance the Cove Point project. However, even together with the US$ 2.1 billion proceeds from the corporate units this is not enough to finance the necessary US$ 3.8 billion of capital expenditures for the Cove Point project.

3.4 Cash flow evaluation

Table 6 shows the cash flow of Dominion Resources for the years 2010, 2011 and 2012. The table indicates that the amount of cash and cash equivalents at the end of each financial year is growing, from US$ 62 million in 2010 to US$ 248 million in 2012.

Table 6 Cash flow Dominion Resources 2010-2012

In US$ million	2010	2011	2012
Cash and cash equivalents at beginning of year	50	62	102
Cash flow provided by:			
• Operating activities	1,825	2,983	4,137
• Investing activities	419	(3,321)	(3,840)
• Financing activities	(2,232)	378	(151)
Net increase in cash and cash	12	40	146

equivalents			
Cash and cash equivalents at the end of the year	**62**	**102**	**248**

Source: Dominion Resources, “Annual Report 2012”, *Dominion Resources*, 2013.

For the financial year ending December 2013 there is no cash flow statement available yet. However, the nine-month cash flow statement until 30 September 2013 is available. This statement is used to model the expected cash flow for the entire year 2013, and also for the years 2014 to 2017.

Table 7 shows Dominion Resources’ cash flow over the first months of 2013 and the predictions for the full years 2013 to 2017. The assumptions made to model future cash flows are described below the table.

Table 7 Expected cash flow of Dominion Resources 2013-2017

In US$ million	30 Sep 2013	2013	2014	2015	2016	2017
Operating activities						
Net cash provided by operating activities	**2,950**	**3,933**	**3,933**	**3,933**	**3,933**	**3,933**
Investing activities						
Plant construction and other property additions	(2,978)	(3,971)	(5,100)	(4,300)	(1,950)	(750)
Proceeds from sales of assets	595	793	-	-	-	-
Proceeds from sales of securities	1,260	1,680	-	-	-	-
Purchases of securities	(1,278)	(1,704)	-	-	-	-
Restricted cash equivalents	23	31	31	31	31	31
Other	30	40	40	40	40	40
Net cash used in investing activities	**(2,348)**	**(3,131)**	**(5,029)**	**(4,229)**	**(1,879)**	**(679)**
Financing activities						
Repayment of short-term debt, net	(267)	(356)	-	-	-	-
Issuance of long-term debt	2,935	3,913	1,300	-	-	-
Repayment of (long-term) debt, including redemption premiums	(1,214)	(1,619)	(1,612)	(1,065)	(1,983)	(1,303)
Repayment of junior subordinated notes	(258)	(344)	-	-	-	-
Acquisition of Juniper noncontrolling interest in Fairless	(923)	(1,231)	-	-	-	-
Issuance of common stock	206	275	-	-	1,000	-
Common dividend payments	(976)	(1,301)	-	-	-	-
Subsidiary preferred dividend payments	(12)	(16)	-	-	-	-
Other	(54)	(72)	(72)	(72)	(72)	(72)
Net cash used in financing activities	**(563)**	**(751)**	**(384)**	**(1,137)**	**(1,055)**	**(1,375)**
Increase (decrease) in cash and cash equivalents	*39*	*51*	*(1,480)*	*(1,433)*	*999*	*1,879*
Cash and cash equivalents at beginning of period	*248*	*287*	*338*	*(1,142)*	*(2,575)*	*(1,576)*
Cash and cash equivalents at end of	**287**	**338**	**(1,142)**	**(2,575)**	**(1,576)**	**303**

In US$ million	30 Sep 2013	2013	2014	2015	2016	2017
period						

Sources: Dominion Resources, "Quarterly Report for the nine-month ended September 30, 2013", *Dominion Resources*, 5 November 2013 and assumptions and calculations made as explained below.

The predictions made in Table 7 are based upon the following assumptions and calculations:

- **Operating activities:**
  - *All operating activities for the fourth quarter of 2013 are assumed to provide the same cash flow as the average cash flow of the previous three quarters;*
  - *After 2013 the cash flow from operating activities is assumed to stay at the same level as in 2013.*

- **Investing activities:**
  - *All investing activities for the fourth quarter of 2013 are assumed to provide the same cash flow as the average cash flow of the previous three quarters;*
  - *After 2013 no future purchases or sales of assets and securities are assumed;*
  - *The construction costs of Dominion Resources will rise as is stated in the quarterly report for the nine-month ending September 2013:*

  Dominion Resources states that the construction of the liquefaction facilities of the Cove Point project could begin in 2014 with an in-service date in 2017. This means that in the years 2014-2017 Dominion will make capital expenditures for the construction of the Cove Point project. According to the quarterly report ending 30 September 2013, Dominion's planned capital expenditures for 2013, 2014 and 2015 are expected to total approximately US$ 5.1 billion, US$ 5.1 billion and US$ 4.3 billion, respectively.[40] This is an increase in planned capital expenditures as compared to the amounts originally forecasted in the annual report for the year ended December 31, 2012. Those forecasts estimated Dominion's planned capital expenditures to total approximately US$ 4.7 billion, US$ 4.2 billion and US$ 3.3 billion in 2013, 2014 and 2015.[41] The increase primarily reflects the planned construction of the Cove Point liquefaction project.[42] The additional capital expenditures in the year 2013, 2014 and 2015 that are primarily used for the planned construction of the Cove Point project are:

$$\mathbf{US\$(5.1 + 5.1 + 4.3)\ billion - US\$(4.7 + 4.2 + 3.3)\ bilion = US\$\ 2.3\ billion}$$

  However, despite Dominion Resources projected a capital expenditure of US$ 5.1 billion for 2013, we don't think that this level of capital expenditure was actually reached as this would have caused a negative cash balance at the end of 2013. We therefore assume that capital expenditures in the fourth quarter of 2013 were at the same level as the average capital expenditures in the first three quarters of 2013. And we assume that the additional US$ 1.2 billion of capital expenditures originally planned for 2013 were postponed to the year 2016.

  Furthermore, the total costs of the Cove Point project we estimated at US$ 3.8 billion (see section 1.2). This means the remaining US$ 1.5 billion of the total capital expenditure for the Cove Point project should be invested in the years 2016 and 2017. We assume that this capital expenditure will be equally divided between these years and we assume no additional capital expenditures. This gives a capital expenditure for the years 2014 to 2017 of:

  - 2014: US$ 5,100 million
  - 2015: US$ 4,300 million

- 2016: $\textbf{US\$ 1,200 million} + \textbf{US\$ 750 million} = \textbf{US\$ 1,950 million}$
- 2017: US$ 750 million

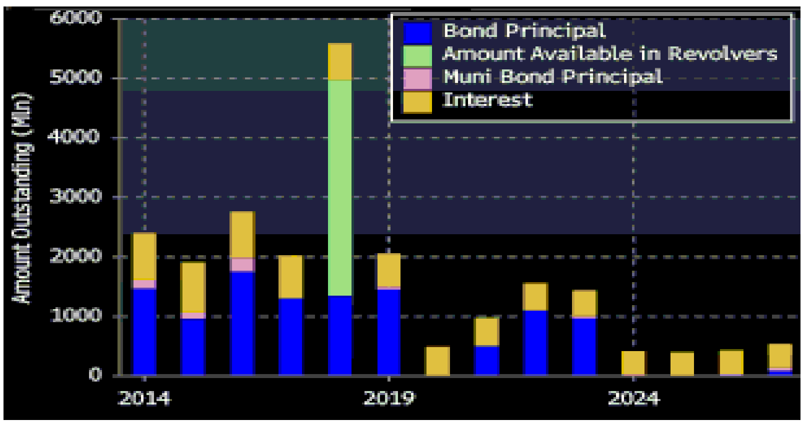
- *After 2013 restricted cash equivalents and 'other' are assumed to stay at the same level as in 2013.*

- **Financing activities:**
  - *All financing activities for the fourth quarter of 2013 are assumed to provide the same cash flow as the average cash flow of the previous three quarters;*
  - *After 2013 no new issuances of long-term debt are assumed;*
  - *The existing revolving credit facility of US$ 1.3 billion (see section 3.3) will be completely used in 2014;*
  - *After 2013 the junior subordinated notes are completely repaid;*
  - *The issuance of common stock in 2016 related to the corporate units will raise approximately:*[43]

$$\textbf{20,000,000}\ (\textbf{\# shares}) \times \textbf{US\$ 50}\ (\textbf{share price}) = \textbf{US\$ 1,000 million}$$

  - *To model the maximum cash flow which could be generated by Dominion Resources itself, it is assumed that dividend payments are suspended after 2013;*
    Debt repayments are assumed to follow the repayment schedule as provided by Figure 1 and 'other' is assumed to stay at the same level as in 2013. Short-term debt repayments are included in long-term debt repayments after 2013.

Figure 1 Scheduled debt repayments by Dominion Resources



Source: Bloomberg, "Debt Distribution Dominion Resources", Viewed in January 2014.

Figure 1 shows the debt repayment schedule for Dominion Resources, including both principal repayments and interest payments. This schedule includes the repayment of the principal of the bonds portion of the corporate units. Since interest payments are already included in the net income of the operating earnings section, the debt repayments as included in the cash-flow projection under ""Financing activities" only reflect the principal repayments. This means debt repayments for 2014 to 2017 will have a value of US$ 1,612 million, US$ 1,065 million, US$ 1,983 million and US$ 1,303 million respectively.

As Table 7 clearly shows, the cash and cash equivalents at the end of the years 2014 to 2016 are all predicted to be negative. This shows that Dominion Resources has to attract new external funds in order to maintain a positive cash flow to finance its ongoing businesses and expansion projects (including the Cove Point project).

When Dominion Resources would continue paying dividends to its shareholders, and when Dominion does have other capital expenditures in 2016 and 2017 besides the Cove Point project, which both seems likely, the cash flow deficit is even larger.

3.5 Master limited partnership

Recently Dominion Resources announced its intention to form a master limited partnership (MLP).[44] An MLP is a type of limited partnership that is publicly traded on a securities exchange. It combines the tax benefits of a limited partnership with the liquidity of publicly traded securities. There are two types of partners in this type of partnership: the limited partner and the general partner. The limited partner is the person or group that provides the capital to the MLP (and thus receives MLP units (shares) and partly owns the MLP) and receives periodic income distributions from the MLP's cash flow. The general partner (in this case Dominion Resources) is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture. The general partner retains the portion of the MLP’s units not sold to the public, as well as a 2 percent general partner interest in the MLP. One of the most crucial criteria that must be met in order for a partnership to be legally classified as an MLP is that the partnership must derive most (~90%) of its cash flows from real estate, natural resources and commodities.[45]
Initial holdings of Dominion Resources’ MLP will include the Cove Point liquefied natural gas terminal in Maryland and Dominion’s stake in Blue Racer Midstream, a joint venture in Ohio’s Utica Shale. This means that Dominion Resources will transfer these assets to the MLP. Dominion targets the IPO (initial public offering) of the MLP’s units around midyear 2014, after it has required all necessary permits for the Cove Point project.[46] The size of the planned IPO is unknown. Given certain tax limitations, the buyers of the MLP’s units are typically domestic, rather than foreign. Dominion expects the earnings of the MLP to be up to US$ 1 billion before interest, taxes, depreciation, and amortization (EBITDA). Dominion’s pipelines may be added later to the partnership, yielding another US$1 billion in EBITDA.[47]

3.6 Conclusion

Concluding, it can be stated that Dominion Resources will need to attract external funds in the following years in order to finance the Cove Point project and its other ongoing businesses. The combined value of the US$ 2.1 billion proceeds from the corporate units and the US$ 1.3 billion of unused capacity of the revolving credit facilities are not enough to cover the US$ 3.8 billion of capital expenditures for the Cove Point project. On top of that, Dominion Resources as a whole will need external funds to maintain a positive cash flow to finance its ongoing business and its investment programme (including the Cove Point project) in the years 2014 to 2017.
The recent plans of Dominion Resources to create an MLP that will hold the Cove Point liquefied natural gas terminal indeed indicate that Dominion will use external funds in the form of an IPO of the MLP’s units in order to finance the Cove Point project. When the IPO of the MLP is not around midyear 2014 (as scheduled) or when the MLP is not formed at all, the Cove Point investment programme will be seriously delayed.

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A research paper prepared for Pacific Environment and the Chesapeake Climate Action Network

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Contents

Summary

This report assessed the financing of the U.S. energy company Dominion Resources by financial institutions since January 2010. The report mainly focused on the financing that could be used for the announced Cove Point project. The Cove Point project of Dominion aims to construct liquefaction facilities for exporting liquefied natural gas (LNG) at its existing Dominion Cove Point LNG Terminal located on the Chesapeake Bay in Lusby, Md.[1] Dominion Resources will attract a project loan for 60-70% of the total estimated construction costs of US$ 3.8 billion, which means that 30-40% has to be financed by the existing financial stakeholders of Dominion Resources. The most important of these financial stakeholders are Dominion Resources' bondholders and shareholders, which finance a major part of the total assets of Dominion.
Table 1 presents an overview of the most important financiers of Dominion Resources. Four categories are distinguished:

- Financial institutions which owned or managed at least 0.50% of the outstanding shares of Dominion Resources at the most recent filing date;
- Financial institutions which owned or managed at least 1.00% of the outstanding bonds of Dominion Resources at the most recent filing date;
- Financial institutions which have assisted Dominion Resources to issue new bonds since January 2013 (because these bond issuances are more likely to be used for the Cove Point project than older issuances);
- Financial institutions that have provided revolving credit facilities (loans) to Dominion Resources since January 2010 that have not yet matured.

The major financier of Dominion Resources is Bank of America (United States). Bank of America is an important shareholder, assisted in a recent bond issuance and provided loans. Another important financier is the Vanguard Group (United States), being both an important shareholder and an important bondholder. Furthermore, the Bank of New York Mellon (United States) is an important shareholder and also provided loans. Finally, JP Morgan Chase (United States) is an important financier by being involved in a recent bond issuance and by providing loans.

Table 1 Most important financial institutions financing Dominion Resources

Financial institution	Country	Important shareholder (at least 0.50% of shares)	Important bondholder (at least 1.00% of bonds)	Bond underwriter	Provider of bank loans
Timeline		*Most recent filing date*		*Since 2013*	*Since 2010*
AIG	United States		X		
Allianz	Germany		X		
Bank of America	United States	X		X	X
Bank of New York Mellon	United States	X			X
Bayerische Landesbank	Germany				X
BB&T Corp	United States				X
Blackrock	United States	X	/		
Barclays	United Kingdom				X
BNP Paribas	France				X
Capital Group	United States	X			

Financial institution	Country	Important shareholder (at least 0.50% of shares)	Important bondholder (at least 1.00% of bonds)	Bond underwriter	Provider of bank loans
Timeline		***Most recent filing date***		***Since 2013***	***Since 2010***
Deutsche Bank	Germany	X			
Federated Investors	United States	X			
Fidelity Investments	United States		X		
Franklin Resources	United States	X	/		
Lincoln National Corporation	United States		X		
Geode Capital Management	United States	X			
Goldman Sachs	United States			X	
Intesa Sanpaolo	Italy				X
JP Morgan Chase	United States			X	X
KeyBank Corp	United States				X
Metlife	United States		X		
Mizuho Financial	Japan				X
Neuberger Berman Group	United States	X			
Northern Trust	United States	X			
Northwestern Mutual	United States		X		
Norwegian Government Pension Fund - Global	Norway	X			
Pictet & Cie	Switzerland	X			
Prudential	United Kingdom		X		
Royal Bank of Scotland	United States				X
Sasco Capital	United States	X			
Schafer Cullen Capital Management	United States	X			
SunTrust Bank	United States				X
State Street Corporation	United States	X			
TIAA-CREF	United States	/	X		
UBS	Switzerland	/		X	
U.S. Bancorp	United States				X
Vanguard Group	United States	X	X		
Wellington Management	United States	X			
Wells Fargo	United States				X

/ = minor shareholder or bondholder (less than threshold indicated): only included if the financial institution is an important financier in one of the other categories.

Introduction

This report presents an overview of the financing of the U.S. energy company Dominion Resources by the most important financial institutions since January 2010, focusing on the financing that could be used for the announced Cove Point project.

This report is organised as follows: Chapter 1 provides a short profile of the company, including information on its key activities (paragraph 1.1) and the Cove Point project (paragraph 1.2). Chapter 2 deals with the financing of Dominion Resources since January 2010, covering its financial structure (paragraph 2.1), share issuances (paragraph 2.2), shareholders including pension funds (paragraph 2.3), bond issuances (paragraph 2.4), bondholders (paragraph 2.5) and bank loans (paragraph 2.6).

A summary can be found on the first pages of this report.

Chapter 1 Dominion Resources

1.1 Company profile

Dominion Resources, headquartered in Richmond, Virginia and incorporated in Virginia in 1983, is one of the United States' largest producers and transporters of energy. Dominion manages its daily operations through three primary operating segments:

- **Dominion Virginia Power** is a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. All of Virginia Power's common stock is owned by Dominion.
- **Dominion Energy** focuses on the storage, transmission and distribution of natural gas.
- **Dominion Generation** operates the company's fleet of regulated power stations serving its electric utility franchise, as well as a merchant power fleet supplying wholesale markets.[2]

Dominion Resources owns a portfolio of approximately 27,400 megawatts of generation, 11,000 miles of natural gas transmission, gathering and storage pipeline and 6,300 miles of electric transmission lines. The company also operates the largest natural gas storage system in the United States with 947 billion cubic feet of storage capacity and serves retail energy customers in 15 states.[3]

Dominion's strategy is to be a leading provider of electricity, natural gas and related services to customers in the energy-intensive Midwest, Mid-Atlantic and Northeast regions of the United States.[4]

In the financial year ended December 2012, Dominion Resources generated revenues of US$ 13,093 million, resulting in a net profit of US$ 302 million. At the end of December 2012, the company owned total assets of US$ 46,838 million.[5]

1.2 Dominion Cove Point

In the fall of 2011, Dominion Cove Point LNG announced a new project called "Dominion Cove Point Liquefaction and LNG Export Terminal Project". Dominion Cove Point LNG is an offshore liquid natural gas shipping terminal that receives imported liquefied natural gas (LNG) and also stores gas. It is part of Dominion Energy. The announced new project will be exporting liquefied natural gas at the existing LNG Terminal. Applications for natural gas exports to non-Free Trade Agreement countries and Free Trade Agreement countries have been approved by the U.S. Department of Energy. Dominion was reported to be looking at long-term debt for the Cove Point project, seeking a 16-year project loan for 60% to 70% of the projects total cost. This means that 30 to 40% of the financing has to be provided by the present financial stakeholders of Dominion Resources.
Dominion Cove Point (DCP) LNG filed a formal application to construct and operate a liquefaction and LNG export terminal at the site of its existing LNG import terminal in Calvert County, Maryland. Total construction costs are currently estimated to be approximately US$ 3.8 billion. DCP has fully contracted the proposed bi-directional service at the LNG terminal with two customers, each of which would contract for 50% of the available capacity. The customers are Pacific Summit Energy, a subsidiary of Sumitomo Corporation, and a US subsidiary of GAIL India. These export customers each entered into a 20-year agreement for the planned liquefaction and export/import services at the LNG Terminal, as well as a pipeline precedent agreement for an accompanying 20-year service agreement for firm transportation on the existing Cove Point pipeline.[6]

Chapter 2 The financing of Dominion Resources

2.1 Financial structure

At the end of December 2012, Dominion Resources owned assets with a total value of US$ 46,838 million. The following financial stakeholders financed these assets:[7]

• Shareholders	US$ 10,568 mln	23%
• Join-venture partners	US$ 57 mln	0%
• Bondholders	US$ 16,851 mln	36%
• Banks	US$ 1,062 mln	2%
• Others	US$ 18,300 mln	39%

Bondholders and shareholders are the most important financiers of the company, financing 36% respectively 23% of the company's total assets. Banks play a less important role, financing only 2% of the total assets.
The different groups of financial stakeholders will be discussed in the next sections.

2.2 Share issuances

Dominion Resources and its subsidiaries did not issue any shares since January 2010.

2.3 Shareholders

Dominion Resources is listed on the New York Stock Exchange. Its shareholders financed 23% of its total assets at the end of 2012 (see section 2.1).
Table 2 presents an overview of the largest shareholders of Dominion Resources, excluding pension funds, owning at least 0.45% of its ordinary shares. Together, these shareholders own or manage 39.74% of the ordinary shares of Dominion Resources. The total value of these shareholdings is US$ 14,4 billion.

Table 2 Largest shareholders of Dominion Resources

Investor	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date
Blackrock	United States	2.695.3	7.43	30 Sep 2013
Capital Group	United States	2.300.7	6.34	30 Sep 2013
Vanguard Group	United States	1.777.3	4.90	30 Sep 2013
State Street Corporation	United States	1.733.5	4.78	30 Sep 2013
Wellington Management	United States	1.380.8	3.81	30 Sep 2013
Franklin Resources	United States	995.31	2.75	30 Sep 2013
Northern Trust	United States	546.83	1.50	30 Sep 2013
Bank of America	United States	555.3	1.53	30 Sep 2013
Bank of New York Mellon	United States	365.9	1.04	30 Sep 2013
Sasco Capital	United States	304.3	0.84	30 Sep 2013
Pictet & Cie	Switzerland	267.2	0.74	30 Sep 2013
Deutsche Bank	Germany	250.9	0.77	30 Sep 2013

Investor	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date
Geode Capital Management	United States	248.2	0.68	30 Sep 2013
Federated Investors	United States	216.4	0.60	30 Sep 2013
Neuberger Berman Group	United States	208.8	0.58	30 Sep 2013
Schafer Cullen Capital Management	United States	186.0	0.51	30 Sep 2013
Legal & General	United Kingdom	169.5	0.47	30 Sep 2013
UBS	Switzerland	168.1	0.47	30 Sep 2013
Total		**14,370.3**	**39.74**	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in November 2013.

Table 3 shows the shareholdings in Dominion Resources of large pension funds worldwide. The Norwegian Government Pension Fund, TIAA-CREF and CalPERS have the largest holdings.

Table 3 Shareholdings pension funds

Pension fund	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date	Source
Norwegian Government Pension Fund - Global	Norway	275.1	0.92	31 Dec 2012	[8]
TIAA-CREF	United States	164.4	0.45	30 Sep 2013	[9]
CalPERS	United States	89.6	Unknown	31 Dec 2012	[10]
PFZW	Netherlands	44.1	Unknown	31 Dec 2012	[11]
ABP	Netherlands	39.0	Unknown	30 Jun 2013	[12]
Caisse de dépôt et placement du Québec	Canada	29.8	Unknown	30 Sep 2013	[13]
AP1	Sweden	26.6	Unknown	30 Jun 2013	[14]
AP7	Sweden	25.7	Unknown	30 Jun 2013	[15]
AP4	Sweden	12.9	Unknown	30 Jun 2013	[16]
AP2	Sweden	5.2	Unknown	30 Jun 2013	[17]
New Zealand Superannuation Fund	New Zealand	4.7	Unknown	30 Jun 2013	[18]
BpfBOUW	Netherlands	4.4	Unknown	30 Jun 2013	[19]
AP3	Sweden	4.1	Unknown	30 Jun 2013	[20]
PGB	Netherlands	2.8	Unknown	30 Sep 2012	[21]
KY Teachers' Retirement System	United States	Unknown	Unknown	30 Jun 2013	[22]
Pensioenfonds Detailhandel	Netherlands	Unknown	Unknown	30 Sep 2013	[23]
Pensioenfonds Openbaar Vervoer	Netherlands	Unknown	Unknown	30 Sep 2013	[24]
Pensioenfonds Vervoer	Netherlands	Unknown	Unknown	20 Nov 2013	[25]

Pension fund	Country	Value of total shares (US$ mln)	% ordinary shares	Filing date	Source
PME	Netherlands	Unknown	Unknown	1 Jan 2013	26
PNO Media	Netherlands	Unknown	Unknown	20 Nov 2013	27
Spoorwegpensioenfonds	Netherlands	Unknown	Unknown	30 Sep 2013	28

2.4 Bond issuances

The following bond issuances of Dominion Resources and its subsidiaries since early 2010 could be found:

- In August 2010, Dominion Resources issued new 2.250% five-year maturity bonds with a total value of US$ 250 million. The proceeds were used for general corporate purposes. The issuing syndicate consisted of the following three banks, each underwriting an amount of:[29]

  - **Deutsche Bank** Germany $ 83.3 mln
  - **Morgan Stanley** United States $ 83.3 mln
  - **UBS** Switzerland $ 83.3 mln

- In March 2011, Dominion Resources issued new bonds with a total value of € 638.37 million. The issue was divided in two tranches: a 4.450% ten-year tranche with a value of US$ 500 million and a 1.800% three-year tranche with a value of US$ 400 million. The proceeds were used for general corporate purposes and to reduce indebtedness. The issuing syndicate consisted of the following four banks, each underwriting an amount of:[30]

  - **Citi** United States $ 225.0 mln
  - **Goldman Sachs** United States $ 225.0 mln
  - **J.P. Morgan Chase** United States $ 225.0 mln
  - **Bank of Nova Scotia** Canada $ 225.0 mln

- In August 2011, Dominion Resources issued new 1.950% five-year maturity bonds with a total value of US$ 450 million. The proceeds were used for general corporate purposes and to finance indebtedness. The issuing syndicate consisted of the following three banks, each underwriting an amount of:[31]

  - **Bank of America** United States $ 150.0 mln
  - **Royal Bank of Scotland** United Kingdom $ 150.0 mln
  - **Wells Fargo** United States $ 150.0 mln

- In August 2011, Dominion Resources issued new 4.900% thirty-year maturity bonds with a total value of US$ 500 million. The proceeds were used for general corporate purposes and to finance indebtedness. The issuing syndicate consisted of the following three banks, each underwriting an amount of:[32]

  - **Barclays** United Kingdom $ 166.7 mln
  - **BNP Paribas** France $ 166.7 mln
  - **Royal Bank of Scotland** United Kingdom $ 166.7 mln

- In September 2012, Dominion Resources issued new bonds with a total value of US$ 1,050 million. The issue was divided in three tranches: a 1.400% five-year tranche with a value of US$ 350 million, a 2.750% ten-year tranche with a value of US$ 350 million and a 4.050% thirty-year tranche with a value of US$ 350 million. The proceeds were used for general corporate purposes. The issuing syndicate consisted of the following six banks, each underwriting an amount of:[33]

  - **BNP Paribas** France $ 175.0 mln
  - **Deutsche Bank** Germany $ 175.0 mln
  - **JP Morgan Chase** United States $ 175.0 mln
  - **Royal Bank of Canada** Canada $ 175.0 mln
  - **Royal Bank of Scotland** United Kingdom $ 175.0 mln
  - **Wells Fargo** United States $ 175.0 mln

- In June 2013 Dominion Resources issued 20 million *Corporate Units* in two series. Each *Corporate Unit* has a value of US$ 50 and consists of a long-term bond of the company and the obligation to buy one of the company's shares in 2016. The *Corporate Units* therefore resemble convertible bonds, but with an obligation to convert. The total value of the issuance amounted to US$ 1,000 million. The proceeds were used for general corporate purposes, to reduce indebtedness and for capital expenditures. The following banks participated in the issuing syndicate, underwriting an amount of:[34]

  - **Goldman Sachs** United States $ 250.0 mln
  - **JPMorgan Chase** United States $ 250.0 mln
  - Merrill Lynch, Pierce, Fenner & Smith, part of **Bank of America** United States $ 250.0 mln
  - **UBS** Switzerland $ 250.0 mln

2.5 Bondholders

Bondholders financed about 36% of Dominion Resources' total assets at the end of December 2012 (see section 2.1). Table 4 presents an overview of the largest holders of the ordinary bonds of Dominion Resources at the latest filing date. Together these bondholders own or manage 20.73% of Dominion Resources' outstanding bonds, with a total value of US$ 3.8 billion.

Table 4 Largest bondholders of Dominion Resources

Investor	Country	Value (US$ mln)	% all bonds	Filing date
Prudential	United Kingdom	471.2	2.60	June to August 2013
Vanguard Group	United States	473.8	2.62	June to September 2013
Northwestern Mutual	United States	324.4	1.80	June 2013
Allianz	Germany	292.4	1.61	June 2013
Metlife	United States	291.2	1.61	June 2013
TIAA-CREF	United States	286.7	1.59	June to August 2013
Fidelity Investments	United States	275.2	1.52	September 2013
AIG	United States	202.2	1.12	June 2013
Lincoln National Corporation	United States	183.3	1.01	June 2013

Investor	Country	Value (US$ mln)	% all bonds	Filing date
New York Life Insurance	United States	213.9	1.18	June 2013
State Farm	United States	141.6	0.78	June 2013
Ameriprise Financial	United States	128.4	0.71	June 2013
ING Group	Netherlands	127.6	0.70	June 2013
Blackrock	United States	122.2	0.68	December 2012 to November 2013
Allstate Corporation	United States	110.9	0.60	June 2013
Aegon	Netherlands	108.5	0.60	June 2013
Total		**3,753.5**	**20.73**	

Source: Bloomberg Database, "Bondholdings", *Bloomberg Database*, viewed October 2013.

Table 5 presents an overview of the largest holders of Dominion Resources' corporate units. Together, these bondholders own or manage 2.92% of the value of all of the corporate units and bonds of Dominion Resources. The total value of all of the outstanding corporate units and other bonds of Dominion Resources at the reporting date was approximately US$ 17.851 million (US$ 16,851 million of bonds and corporate units from annual report plus the recent corporate units issuance of US$ 1,000 million).

Table 5 Largest holders of Dominion Resources' corporate units

Investor	Country	Value of corporate units (US$ mln)	% Total value	Filing date
Franklin Resources	United States	122.9	0.69	30 Sep 2013
Fidelity Investments	United States	100.5	0.56	30 Sep 2013
Sun Life Financial	United States	94.0	0.53	30 Sep 2013
Camden Asset Management	United States	70.8	0.40	30 Sep 2013
Manulife Financial	Canada	61.1	0.34	30 Sep 2013
BPCE Group	France	55.9	0.31	30 Sep 2013
J.P Morgan Chase	United States	51.5	0.29	30 Sep 2013
BlueMountain Capital Management	United States	32.1	0.18	30 Sep 2013
Legg Mason	United States	30.6	0.17	30 Sep 2013
Victory Capital Management	United States	25.4	0.14	30 Sep 2013
Total		**644.8**	**2.92**	

Source: Thomson ONE Banker, "Share ownership", *Thomson ONE Banker* (www.thomsonone.com), Viewed in November 2013.

2.6 Loans

This section provides an overview of the revolving credit facilities, secured by Dominion Resources, which have not yet matured and thus could be used for the Cove Point project. A revolving credit facility is an agreement between a bank and a company to provide a certain amount of money as a loan as required by the borrower. The borrower is under no obligation to actually take out a loan at any particular time, but may take part of the funds at any time over a period of several years. The following revolving credit facilities secured by Dominion Resources and its subsidiaries that have not yet matured were found:

- In October 2011 Dominion Resources secured a US$ 500 million five-year LIBOR+107.500bps credit facility from a syndicate of banks. The proceeds were used for the refinancing of bank debt. The syndicate consisted of the following nine financial institutions, each committing an amount of:[35]

• **Bank of New York Mellon**	United States	$ 50.0 mln
• **Bayerische Landesbank**	Germany	$ 66.7 mln
• **BB&T Corp**	United States	$ 50.0 mln
• **Intesa Sanpaolo**	Italy	$ 50.0 mln
• **KeyBank Corp**	United States	$ 66.7 mln
• **Mizuho Financial**	Japan	$ 50.0 mln
• **PNC Bank**	United States	$ 50.0 mln
• **SunTrust Bank**	United States	$ 50.0 mln
• **U.S. Bancorp**	United States	$ 66.7 mln

- In September 2013 Dominion Resources secured a US$ 3,000 million four-year LIBOR+107.500bps credit facility from a syndicate of banks. The proceeds were used for general corporate purposes. The syndicate consisted of the following six financial institutions, each committing an amount of:[36]

• **Bank of America**	United States	$ 360.0 mln
• **Barclays**	United Kingdom	$ 360.0 mln
• **BNP Paribas**	France	$ 240.0 mln
• **JP Morgan Chase**	United States	$ 360.0 mln
• **Royal Bank of Scotland**	United Kingdom	$ 360.0 mln
• **Wells Fargo**	United States	$ 360.0 mln

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