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Financial experts differ about Dominion risks

By John Bruce • Staff Writer

MONTEREY — Investment analysts offer mixed outlooks of Dominion Resources Inc., ahead of its annual shareholders meeting next month.

Zacks Investment Research last week cut Dominion from hold to sell rating. "Dominion Resources bears risks associated with the operation of nuclear facilities and unplanned outages at power stations, which might derail management's planned production goal and adversely impact its earnings … Further, completion of ongoing projects within the stipulated time and budget is a cause of concern," Zacks said.

Large ongoing capital improvement projects include the Cove Point LNG export terminal under construction in Calvert County, Md., and the proposed Atlantic Coast Pipeline planned to cross Highland and Bath counties, which has faced delay.

During 2016, Fitch Ratings, Moody's and Standard and Poor's maintained stable outlooks, and the stock has been trading at near-record premiums, rising 5 percent in the past year. Some analysts expect earnings to exceed the industry average over the next two years and recommend investors buy. Most say hold. While Zacks has said sell, others caution to avoid Dominion and utility stocks due to concerns over the company's debt level, commodity prices and regulatory environment. Most Dominion assets are regulated.

Last week, Dominion announced plans to build, own and operate 81 megawatts of solar power capacity in Jasper County, S.C. Two solar projects – a 71.4-megawatt facility that would be that state's largest and a 10-megawatt array – are expected to begin service in 2017. Dominion earlier announced an expansion of plans for solar in the region to a total of 500 megawatts of utility-scale solar to be developed in Virginia and North Carolina through 2020. The company has spent $2.6 billion since 2013 on solar power.

Dominion in February warned earnings were expected to slip this year reportedly due to lower income from Asian gas export contracts at its Cove Point terminal and other reasons, including solar investment tax credit cuts. At least one analyst pointed to Dominion's softened earnings, in the wake of a fallen post-presidential election stock market rally, as a reason to buy bonds instead of equities.

Adding to uncertainties over Dominion's shifting business model and gas prices at near all-time lows, the administration's agenda to revive the coal industry could influence a reversal in the regulation of carbon emissions. The nation's new top environmental officer said an executive order in late March began gutting President Obama's Clean Power Plan to cut emissions and stifle coal-fired power.

Ironically, CEO Thomas Farell in Dominion's latest annual report agreed more with the former administration than the new one when it comes to environmental safeguards. "In recent years, we have closed or converted six uneconomic, inefficient power generation stations that used a lot of fuel, but produced little electricity," Farrell's CEO letter states.

"Coal was their principal fuel. In their place, we have built or added highly efficient units that produce dependable electricity while consuming less fuel. In addition, Dominion is building one of the largest solar portfolios owned by an integrated natural gas and electric company, with 45 arrays operating in eight states.

"These actions are paying off, placing Dominion among the industry's leaders in reducing carbon and other emissions … Since Dominion began its long-term energy infrastructure growth plan in 2007, carbon emissions from our company-wide power fleet have fallen 36 percent. Also since 2007, emissions of acid rain-causing compounds sulfur dioxide and nitrogen oxides from our Virginia Power fleet have plunged 87 percent and 63 percent, respectively," Farrell said.