November 14, 2017

CURRENT PRICE:	$82.84
RATING:	HOLD
PRICE TARGET:	N/A
CURRENT YIELD:	3.7%

EPS Estimates - Non-GAAP

	DEC 16A	DEC 17E
1Q	$0.96	$0.97A
2Q	$0.73	$0.67A
3Q	$1.14	$1.04A
4Q	$0.99	$0.83
	$3.80	**$3.51**

Trading Data

52-WEEK PRICE RANGE:	$83.04-$70.34
SHARES OUTSTANDING:	642.5(M)
MARKET CAP:	$53,225(M)
AVG. DAILY TRADING VOLUME:	2.21(M)
S&P 500:	2,579

Valuation Data

BOOK VALUE:	$23.67
PRICE TO BOOK:	3.5x
DIVIDEND:	$3.08

Dominion Energy (NYSE: D)

Reports 3Q17 earnings results

Highlights

- 3Q17 operating earnings $1.04/share vs. $1.14/share during 3Q16
- Earnings hurt by mild weather, lower tax credits, & Cove Pt. revenues
- Increased quarterly dividend to $0.77/share from $0.755/share
- Affirmed 2017 operating earnings guidance of $3.40-$3.90/share
- Maintain HOLD rating

Company Summary

Dominion Energy, headquartered in Richmond VA, is one of the largest US electric utilities. The company has three operating units: Power Delivery, Power Generation, and Gas Infrastructure. Power Delivery operates D's regulated electric distribution, transmission and un-regulated retail business (gas & electric). Also, it provides electricity to 2.5 million customers in VA/NC. Power Generation operates the electric generation plants for D. Gas Infrastructure operates the natural gas pipeline/storage business, a liquefied natural gas terminal at Cove Pt. Maryland, and Dominion East Ohio. D recently purchased Questar adding regulated and unregulated gas businesses. On a combined basis, D now has 2.3 million natural gas utility customers in OH, UT, WV, & WY, 1.3 million retail energy/energy related customer accounts in 13 states, 14,400 miles of gas gathering/storage/transmission pipelines and 51,000 miles of gas distribution pipelines. Also, D owns 6,500 miles of electric transimission lines and 25,700 MW of electrical production in 11 states. Since 2003 D has grown its dividend from $1.29/share to $3.08/share and 2016's operating earnings improved to $3.80/share from $3.43/share during 2014.

For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the last two pages of this report.

Recent Earnings

D reported operating earnings of $1.04/share during 3Q17 vs. 3Q16 operating earnings of $1.14/share. The decrease was mainly due to mild weather in its service territory, a step down in solar tax credits, and lower Cove Point import contract revenues. Partly offsetting these was the addition of Dominion Energy Questar and gains from farmout agreements. When comparing the two quarters, total operating revenues rose to $3.18 billion from $3.13 billion and total operating expenses declined to $1.98 billion from $1.99 billion. Operating income improved to $1.20 billion from $1.15 billion and EBIT rose to $1.27 billion from $1.21 billion. 2Q17 GAAP earnings increased decreased to $1.03/share from $1.10/share.

SEGMENT RESULTS

Power Delivery reported 3Q17 operating income of $283 million vs. $281 million during 3Q16. The slight improvement was due to declining operating expenses ($301 million vs. $339 million) more than offsetting a decrease in operating revenues ($584 million vs. $620 million) from milder weather. Other operations/maintenance costs fell $54 million while DD&A and other taxes rose $14 million and $2 million, respectively. The revenue decrease came from milder weather in D's service territory. Adjusted EBITDA rose to $441 million from $423 million and Power Delivery's overall earnings contribution declined to $0.21/share from $0.22/share.

Total delivered GWh fell 4.5% to 22,989 GWh from 24,065 GWh. This occurred due to decreases in Residential (-9.8%), Industrial (-7.1%), Wholesale (-3.7%), Commercial (-0.01%), and was partially countered by Government/other (+0.08%).

Power Generations 3Q17 operating income declined to $665 million from $739 million during 3Q16 because of lower power generation and merchant margins, coupled with milder weather. Operating revenues fell to $1.93 billion from $1.95 billion and operating expenses increased to $1.27 billion $1.21 billion. The rise in operating expenses came from increases in electric fuel/other energy-related purchases (+$33 million), purchased electric capacity (+$27 million), DD&A (+$12 million), and other taxes (+$1 million). These were partly offset by lower other operations/maintenance expense (-$14 million). Adjusted EBITDA declined to $865 million from $921 million and Power Generation's overall earnings contribution fell to $0.57/share from $1.04/share
.
Total merchant generation sales to NEPOOL Merchant Fleet increased to 4,962 GWh from 4,908 GWh and sales to PJM Merchant Fleet decreased to 2,044 GWh from 2,415 GWh.

Gas Infrastructure's 3Q17 operating income increased to $277 million from $196 million during 3Q16. The improvement came from a rise in revenues, $663 million vs. $564 million offsetting an increase in operating expenses, $386 million vs. $368 million. Higher expenses in DD&A ($134 million vs. $77 million) and Other taxes ($62 million vs. $48 million) were partly countered by lower purchased gas ($23 million vs. $73 million) and other operations/maintenance ($163 million vs. $166 million). Adjusted EBITDA improved to $471 million from $310 million and Gas Infrastructure's overall earnings contribution rose to $0.29/share from $0.21/share.

D has a majority ownership of Dominion Midstream Partners (DM-$30.00). As a result, DM generated distributable cash flow of $45.8 million during 3Q17, an increase of approximately 90% compared to distributable cash flow generated during 3Q16. Most of the increase came from the inclusion of Questar's Pipeline results during 3Q17.

RECENT DEVELOPMENTS

The Connecticut House of Representatives passed a bill potentially allowing the Millstone nuclear plant to remain open going forward. The bill would permit state energy officials to change rules on D's selling of electricity produced by Millstone.

D agreed to sell its home service repair services business, with 500,000 customers across 16 states, to UK home repairs provider, HomeServe.

D's Cove Point liquefied natural gas export facility in Maryland is approximately 96% and should enter service by the end of this year.

FERC approved the Atlantic Coast project by a 2-1 vote. The $5 billion 600 mile Atlantic Coast Pipeline, owned by D, Duke Energy (DUK-$91.09), and Southern Co. (SO-$52.31) will start in WV and go through VA and NC. Additionally, in the future this pipeline may expand into SC.

Our Thoughts

D reported operating earnings of $1.04/share during 3Q17 vs. 3Q16’s $1.14/share. The decrease was mainly due to mild weather in its service territory, a step down in solar tax credits, and lower Cove Point import contract revenues. 3Q17 GAAP earnings decreased to $1.03/share from $1.10/share during 3Q16. These results were in line with previous guidance and D’s shares and investors were further pleased when the Board of Directors recently increased the quarterly dividend to $0.77/share from $0.755/share . Additionally, D reaffirmed its 2017 operating earnings guidance of $3.40-$3.90/share.

Going forward, D expects the Atlantic Coast Pipeline (when completed and operational) and the Cove Point plant to contribute additional new cash flow potentially allowing dividend increases in the future. We continue to rate this stock a HOLD given this electric utility is now trading at 23.6x our 2017 earnings estimate of $3.51/share.

Risks

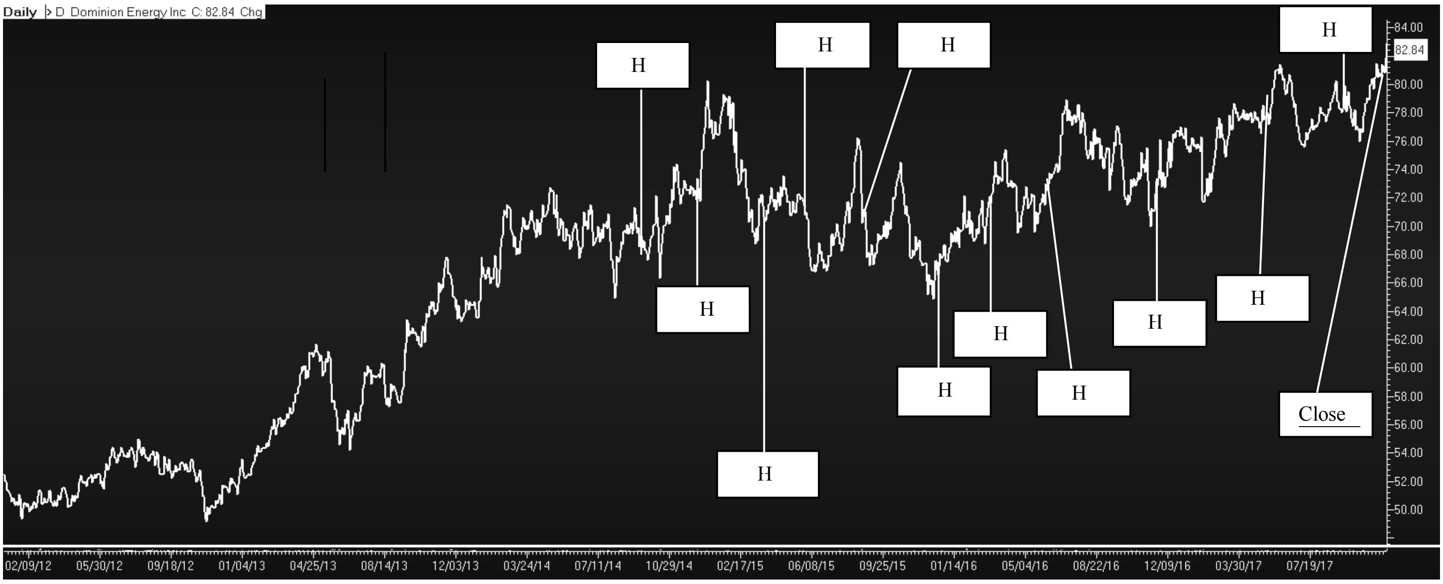
There is no guarantee D will improve earnings/cash flow. Declining US electric sales volumes may hurt the company's revenues and profits. Rising interest rates, higher fuel prices, negative rate case decisions, tax issues, or rising operating costs could negatively impact D's earnings. D's stock may be adversely impacted by negative equity/credit markets, terrorist attacks, and failure to comply with Sarbanes Oxley guidelines.

Steven F. Marascia
Director of Research
Capitol Securities Management
804-612-9715

Dominion Resources
(in millions, except per share data)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17e	2017e
Operating Revenue	$2,921	$2,598	$3,132	$3,086	$3,384	$2,813	$3,179	$3,328	$12,704
Operating Expenses									
Electric fuel/other energy-related purchases	634	551	606	542	575	498	638	546	2,257
Purchased electric capacity	68	45	6	8	-17	-12	21	22	14
Purchased gas	119	56	77	207	305	112	24	223	664
Other operations & maintenance	632	931	765	931	738	779	649	865	3,031
Depreciation, depletion, & amortization	360	447	400	369	469	467	485	398	1,819
Other taxes	159	148	145	125	189	168	162	147	666
Total operating expenses	1,972	1,817	1,987	2,267	2,259	2,012	1,979	2,201	8,451
Income from operations	949	781	1,145	819	1,125	801	1,200	1,127	4,253
Other income	52	72	63	61	116	60	73	29	278
Income before interest & income taxes	1,001	853	1,208	880	1,241	861	1,273	1,156	4,531
Interest & related charges	224	239	250	295	292	308	305	302	1,207
Income before income taxes	777	614	958	585	949	553	968	854	3,324
Income taxes	198	152	230	94	275	136	272	299	982
noncontrolling interests	7	10	38	34	42	27	31	31	131
Operating Earnings	$572	$452	$690	$457	$611	$421	$665	$524	$2,221
Operating Earnings per Share	$0.96	$0.73	$1.14	$0.73	$0.97	$0.67	$1.04	$0.83	$3.51
Items excluded from operating earnings (net of taxes)	48	12	25	161	$21	$31	$7	$55	$100
Reported Net Income	$524	$440	$605	$618	$632	$390	$658	$579	$2,259
Reported Earnings Per Common Share-Diluted	$0.88	$0.71	$1.10	$0.99	$1.01	$0.62	$1.03	$0.92	$3.58
Average shares outstanding, diluted	598.2	617	626	627.1	628.1	628.1	642.5	642.5	642.5

Important Disclosures



11/27/09 $36.14 Initiate BUY
6/18/10 $42 Lower Rating to HOLD
Ratings:
Buy: B
Hold: H
Sell: S

Steven Marascia certifies, with respect to the companies or securities that he analyzes, that (1) the views expressed in this report accurately reflect his personal views about all of the subject companies and securities and (2) no part of his compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Steven Marascia owns shares of Dominion Resources

Stock ratings used in this report are defined as follows:

(1) Buy – The stock's total return including dividends is expected to exceed the industry or market average by at least 10% over the next twelve months.
(2) Hold – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
(3) Sell – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

The distribution of investment ratings for all companies in our coverage universe are as follows: (1)37.5%, (2) 62.5%, (3) 0%

The distribution of investment ratings used for companies whom we have performed banking services in the last 12 months are (1) 100%, (2) 0%, (3) 0%

Capitol Securities Management's Investment Banking/Public Finance unit has not received compensation for investment banking services from the subject company in the past 12 months. Nor does it expect to receive, or intend to seek compensation for, investment banking services from the subject company in the next 3 months.

No affiliate of Capitol Securities Management, or Capitol Securities Management, received compensation from the subject company for products or services during the past 12 months.

The subject company is not, or during the past 12 months, was not, a client of Capitol Securities Management's Investment Banking/Public Finance unit.

Other Disclosures

This report is not directed to, or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Capitol Securities or its affiliates to any registration or licensing requirement within such jurisdiction. The information presented in this report is provided to you for information purposes only and is not to be used or considered as an offer or the solicitation of an offer to sell or buy or subscribe for securities or other financial instruments. Capitol Securities may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. Capitol Securities will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Capitol Securities does not advise on the tax consequences of investments and you are advised to contact an independent tax advisor. Information and opinions presented in this report have been obtained or derived from sources believed by Capitol Securities to be reliable, but Capitol Securities

makes no representation as to their accuracy or completeness. This report is not to be relied upon in substitution for the exercise of independent judgment. Capitol Securities may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the informationpresented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Capitol Securities and are subject to change without notice. The price,value of and income from any of the securities mentioned in this report can fall as well as rise.

For more information on this report, please contact us at 800.612.1484 or write to Capitol Securities, 100 Concourse Boulevard, Suite 101, Glen Allen, Virginia 23059