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Dominion®

April 20, 2009

Mrs. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-0609

File Reference: File Number S7-27-08, IFRS Roadmap

Dear Ms. Murphy:

Dominion Resources, Inc. (Dominion) is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 27,000 megawatts of generation, 1.2 trillion cubic feet equivalent of proved natural gas and oil reserves, 14,000 miles of natural gas transmission, gathering and storage pipeline and 6,000 miles of electric transmission lines. Dominion operates the nation's largest natural gas storage facility with 975 billion cubic feet of storage capacity and serves retail energy customers in 12 states.

Thank you for the opportunity to provide comments on the Security and Exchange Commission's (SEC) proposed roadmap for the adoption of International Financial Reporting Standards (the "Roadmap") for your consideration. We first would like to point out to the SEC that we concur with the issues raised in the letter to the SEC from the Edison Electric Institute (EEI) regarding implementation and practice concerns related to the Roadmap. In addition, we have expanded on a few of these key issues and noted additional issues below.

We understand that the purpose of the convergence to IFRS, consistent with the statement on page 23 of the Roadmap, is that "it is important that the accounting standards produced are capable of improving the accuracy and effectiveness of financial reporting and the protection of investors." As such, the goal should be to create a single set of high quality standards and not conversion for the sake of uniformity alone. Dominion agrees and supports the movement to a single set of high quality accounting standards. To achieve this, Dominion believes that if the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) are permitted to continue their work towards convergence, a more robust set of standards will emerge over time. There are several significant active and completed joint projects that will further converge U.S. GAAP and IFRS, including projects related to business combinations, revenue recognition, financial statement presentation and leases. Additionally, the IASB is currently working on several projects designed to narrow the gap between U.S. GAAP and IFRS. With this continued convergence, the best elements of each existing set of standards would presumably survive to form the single set of high quality accounting standards. Dominion would support this process of gradual convergence by the FASB and IASB, as opposed to date-certain conversion. The benefits of this approach are that it focuses on the quality of the uniform standards and that convergence of standards will reduce or eliminate many of the implementation costs that would result from IFRS date-certain conversion.

As noted above, we do not support a date-certain conversion to IFRS as proposed in the Roadmap and would prefer a gradual convergence. However, if the SEC decides that date-certain conversion to IFRS is the appropriate course of action to take, Dominion believes the current timeline proposed in the Roadmap is too aggressive. Under the current proposed timeline, a decision is to be made in 2011, with the first time adoption of IFRS for large accelerated filers reflected in their 2014 financial statements, which would include three years of IFRS income statements. As such, a company would need to implement a dual system of reporting by January 1, 2012 to begin capturing the necessary information. As investors will already have U.S. GAAP statements for these periods and current IFRS only requires presentation of two years of income statements, it is questionable if the requirement to include three years of IFRS income statements as proposed in the Roadmap will provide an additional benefit to users to justify the costs.

Also, as many companies will wait until the final decision is made by the SEC before they incur significant costs for a conversion project, the proposed timeline does not give ample time for companies to coordinate with all facets of the business that will be affected by the conversion (i.e. IT systems, SOX controls, training for employees, audit test-work, etc.). Dominion believes that if date-certain conversion is required, at least three years is needed between the final decision date and the required IFRS opening balance sheet date to allow companies flexibility in scheduling and budgeting for conversion. Dominion also believes the SEC should provide quarterly reporting on the progress towards the milestones, regardless of what timetable is ultimately adopted. This will allow companies to stay informed, plan accordingly, and prevent the final decision in 2011 (as proposed) from coming as a surprise.

In conjunction with the previous discussion of gradual convergence, Dominion believes the SEC should also evaluate the suitability of IFRS for use in the U.S. based on some key differences that currently exist. Most notably, IFRS does not currently include guidance related to the accounting for activities subject to rate regulation, which is significant to U.S. energy companies. Additionally, the loss contingency disclosures required under IFRS are similar to those proposed by the FASB in 2008. As these disclosures were rejected for use in the U.S. primarily due to objections from the legal community, it is likely that similar issues will arise if IFRS becomes mandatory.

In addition, the SEC should consider performing a more detailed study on the cost-benefit of converting to IFRS using different conversion scenarios that are identified in the release (i.e. date-certain conversion vs. gradual convergence, IFRS as issued by the IASB vs. IFRS as issued by the FASB, etc.). In their study, due to the magnitude of this decision, broader deliberation, participation and acceptance from different levels of the U.S. government and industry regulators should be sought out by the SEC. The SEC will need to ensure that regulators will accept IFRS financial statements as a starting point for regulatory filings (i.e. the IRS for tax returns, FERC for regulatory filings, etc.). Therefore, it is unclear if Congress will be willing to accept a foreign entity as the lone standard setter for public companies in the U.S. when considering these broader considerations.

In addition to the issues noted above, several issues that effect Dominion (and the utility industry as a whole) were noted in evaluating the questions included in the Roadmap. A few of these issues are as follows:

- As noted above, there currently is no guidance under IFRS for rate-regulated activities, although we commend the IASB on adding a rate-regulated project. Under cost of service-based rate regulation, rates are established based on unique costs, which results in future economic benefits or obligations that are both probable and measurable. Therefore, recording regulatory assets and liabilities reflects the true economic substance of these transactions and properly matches our expenses with our revenues. However, these regulatory assets and liabilities recorded under U.S. GAAP would likely not meet the definition of an asset or liability under IFRS. Without direct guidance on accounting for rate-regulated activities, application of IFRS by regulated entities in countries already reporting under IFRS has resulted in accounting which is generally significantly different than that currently applied by regulated entities in the U.S. applying SFAS 71, *Accounting for the Effects of Certain Types of Regulation*. Dominion believes that the accounting treatment resulting under current IFRS would not provide a faithful representation of our financial position and the results of our operations. As a result, users of our financial statements would likely require us to provide information outside of the financial statements in order to properly evaluate companies within our industry.
- Due to the issuance of SFAS 157, *Fair Value Measurements*, U.S. GAAP provides more comprehensive guidance on fair value measurements than IFRS. This lack of guidance in IFRS could potentially lead to inconsistencies in valuation techniques used among companies that have adopted IFRS. The IASB considered adopting an equivalent fair value standard, but put the project on hold, likely due to the current economic crisis. However, the IASB did amend IAS 39, *Financial Instruments: Recognition and Measurement,* during the economic crisis as a result of pressure from European politicians that wanted to allow certain financial instruments to be reclassified to prevent them from being measured at fair value. During this process, the IASB allowed the suspension of the normal due process so the reclassification

could take effect as soon as possible. Therefore, we are concerned about the influence that special interests outside the U.S. could have on the IASB. Furthermore, this is also likely to be an issue given the concerns around the funding of the IASC, which governs the IASB. As the IASC is currently funded largely through voluntary contributions, there is a fear that the IASC and IASB could be influenced by these contributions to promote an agenda that is not in the best interest of the U.S. general public. Accordingly, it is vital that an appropriate funding mechanism for the IASC is established prior to the mandatory use of IFRS in the U.S.

- For fixed assets, IFRS requires separate identification and depreciation of the components of an asset. This would require a significant amount of effort to break down large assets such as power plants into component parts, which are currently being depreciated as a single asset. The benefit to the users of the financial statements would not outweigh the cost of resources and effort to identify the components and adjust depreciation calculations. Additionally, Dominion, as well as many energy companies subject to rate regulation following group depreciation, would have to assess the capabilities of our fixed asset accounting software to determine if there is a need to convert to another platform that can handle component depreciation.
- The use of derivative instruments to manage our commodity and financial market risks is a significant process at Dominion. The FASB provides numerous interpretive issues to foster consistent interpretation of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* among U.S. registrants, whereas IFRS provides no such equivalent guidance. There are several distinct differences from U.S. GAAP in accounting for derivatives under IFRS that would require fully retrospective application upon adoption. For example, under IAS 39, a contract does not have to require or permit net settlement to qualify as a derivative instrument. This would bring many more of our contracts into scope as derivatives, which would have a significant impact on our financial statements. Re-evaluating all of our derivative instruments would require significant time and resources, with questionable benefit to users of our financial statements.
- IFRS standards lack detailed industry-specific guidance, particularly Oil & Gas industry guidance. *IFRS 6 Exploration For And Evaluation Of Mineral Resources* provides limited guidance on accounting for exploration and evaluation activities and was intended to be an interim solution to facilitate adoption of IFRS by European companies. We recognize that the IASB is engaged in a research project on extractive industries that is intended to ultimately result in a standard that supersedes IFRS 6, but currently IFRS 6 stands as the only oil and gas industry-specific guidance in IFRS. This standard would have a significant impact on Dominion, as it does not recognize the full cost method of accounting for oil and gas reserves; does not address disclosure of reserves and resources; and provides little industry guidance which could result in differing accounting alternatives among peer companies. We are concerned that this could lead to greater diversity in practice and would necessitate providing U.S. GAAP-equivalent disclosures, in addition to IFRS disclosures, in order to accurately depict the results of our operations.

In summary, we support the SEC's efforts to develop high-quality standards that improve the transparency, usefulness and credibility of financial reporting. However, Dominion believes this is most effectively achieved through gradual convergence. Dominion also believes that the proposed effective date does not provide adequate time for companies to successfully implement a conversion project. Thank you for this opportunity to comment and please feel free to call me at (804) 771-3962 with any questions or comments you may have.

Sincerely,

/s/ Ashwini Sawhney

Ashwini Sawhney
Vice President and Controller