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July 29, 2011

Ms. Elizabeth M. Murphy
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Reference: File No. 4-600: Exploring a Possible Method of Incorporation

Dear Ms. Murphy:

Constellation Energy Group, Inc. ("Constellation Energy") respectfully submits comments on the Securities and Exchange Commission ("the Commission") Staff Paper entitled *Work Plan For the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers: Exploring a Possible Method of Incorporation* ("the Staff Paper"). Constellation Energy is a leading supplier of energy products and services to wholesale and retail electric and natural gas customers in the United States (U.S.). In addition, we own a diversified fleet of generating units located throughout the U.S. and Canada. A FORTUNE 500 company headquartered in Baltimore, Maryland, Constellation Energy had revenues of $14.3 billion in 2010.

Summary Comment

We support the goal of a single set of high-quality, globally accepted accounting standards. However, we believe this goal will be difficult, if not impossible, to achieve when individual countries retain the ability to modify the accounting standards issued by the IASB, including the proposals in the Staff Paper. Even at present, a significant number of jurisdictions are applying a country-specific version of IFRS, reducing comparability between countries. We note that the Commission's primary mission is the protection of U.S. capital markets, not the adoption of worldwide accounting standards. In this light, we recommend the Commission adopt a more comprehensive process for converging U.S. GAAP towards IFRS through the framework outlined in the Staff Paper, but should formally acknowledge that it is retaining U.S. GAAP and not adopting IFRS.

Detailed Comments

Retain U.S. GAAP

In considering whether the U.S. should incorporate IFRS, we believe the Commission is faced with the competing objectives of:

- Supporting a true single set of high quality accounting standards or
- Maintaining control over accounting standards used in the U.S. capital markets

We believe a single set of global accounting standards can only be achieved when there is a single standards-setter. This is similar to an observation contained in the *Final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission* from August 2008 which stated:

> "We believe that there should be a single standards-setter for all authoritative accounting standards and interpretive implementation guidance of general significance. The FASB should perform this function for U.S. GAAP, while the SEC should focus on registrant specific guidance as explained below. If the SEC staff identifies accounting issues of relatively broad significance in the process of reviewing filings by registrants, the SEC staff should refer such issues to the FASB through the proposed FRF. In those rare instances when the SEC staff believes it is necessary to quickly announce an accounting interpretation of broad significance, we strongly encourage the SEC to inform the FASB Chairman in advance of such interpretations."

The divergence that occurs when multiple bodies have the authority to set the standards is currently displayed by the ongoing work of the FASB and IASB to converge the standards covered by the Memorandum of Understanding ("MoU"). While full convergence was achieved in a number of the projects, there are substantive differences (at least in the tentative decisions) in the Accounting for Financial Instruments project as well as the Offsetting project. Thus, even in a process that has convergence as its ultimate goal, differences in the final standards between jurisdictions are likely to result. We do not believe this outcome would change under an endorsement approach. Further, to the extent that the U.S., as one of the world's largest capital markets, adopts IFRS with more than rare modifications, it reinforces and perhaps encourages other countries to do the same which further compromises IFRS as the global set of accounting standards.

Given that the primary mission of the Commission is 'to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation', we would argue that the objective of maintaining control over accounting standards used in the U.S. capital markets is the Commission's primary concern. As such, we agree with the Staff Paper that the FASB should be retained as the primary standards setter for U.S. GAAP and that the Commission should retain ultimate authority to establish financial reporting requirements for U.S. issuers.

However, based upon our observation of the inability to obtain full convergence in the MoU projects, we believe that retaining the FASB as the authoritative standards setter in the U.S. is likely to result in differences in applying IFRS in the U.S. compared with other countries. Therefore, for the sake of clarity, we believe that U.S. GAAP should be formally retained. That is, we do not believe the Commission should adopt IFRS for the U.S. capital markets or allow registrants to imply that they are using IRFS as issued by the IASB unless they do so with no modification.

Converge U.S. GAAP Towards IFRS

While we recommend that the Commission should retain U.S. GAAP, we do not believe the United States should abandon its efforts to work towards a highly converged set of accounting standards. Investors and companies, even domestic companies, are best served by comparability in financial statements. The framework and transition elements described in the Staff Paper are appropriate for converging U.S. GAAP towards IFRS and should result in U.S. GAAP being improved for investors. At the same time it will greatly reduce the differences between U.S. GAAP and IFRS and thus improve comparability.

Specific Elements of the Approach We Support

We recognize that the Commission ultimately may decide to adopt IFRS. Regardless of whether the Commission endorses IFRS or adopts our recommendation for converging U.S. GAAP towards IFRS, we strongly support the following aspects of the Staff Paper:

- Multi-step transition process over a period of 5 to 7 years
    - Projects that cover an extended time period are generally more conducive to the use of internal resources as the business decision to create a position and hire additional personnel for 7 years is easier to support than creating a position for 3 years. The shorter the time frame for adoption, the increased need to use temporary external consultants which usually results in higher costs due to the competition for these limited resources.
- Standard by Standard Approach
    - It is our belief that a one-time, full adoption of IFRS is likely to be costly in many respects, including training requirements to assure that registrants as well as auditors are thoroughly knowledgeable in, and can correctly implement, an entirely new set of standards. By contrast, by using a standard by standard approach, registrants and auditors can prepare for the adoption of each standard and perform the necessary training and implement other changes in measurable increments. We believe this will ultimately result in a more thorough understanding of the standards and thus a smoother and cleaner adoption process.
- Preference for Prospective Application
    - IFRS 1 generally requires retrospective adoption of IFRS which will be very costly. The Commission’s example of componentization is a typical example of the costs involved in retrospective adoption that are unlikely to result in incremental benefits to investors. IFRS 1, by necessity, is general enough to apply to all countries including those that previously used less rigorous standards. Because we believe that U.S. GAAP should be retained and converged over time, we believe that retrospective adoption is not necessary in all instances. Prospective application will significantly reduce the time and costs needed for adopting the new requirements.

For the reasons outlined above, should the Commission determine to incorporate IFRS into the U.S. reporting system, we believe the approach in the Staff Paper represents a superior method to the one-time, simultaneous approach based on IFRS 1. The approach in the Staff Paper will be less costly and more efficient and will focus company efforts on substantive differences rather than require significant work in areas, such as componentization, where investors will not receive incremental benefit from the time and effort.

<u>Specific Concerns with the Approach</u>

In considering the Staff Paper as a method of adopting IFRS, we have the following concerns and recommendations:

- Assumes Complete Convergence of MoU Projects
    - The transition strategy for the MoU Projects assumes the Boards will achieve converged standards. Based on the progress of these projects, however, achieving this objective does not seem likely since the Boards have reached different conclusions on a number of the projects. If the Boards ultimately fail to reach converged standards for any of these projects, and the Commission mandates adoption of IFRS, U.S. companies could have to adopt these standards twice – once as part of U.S. GAAP, and a second time (in a different form) upon adoption of IFRS. As noted above, this is a main reason we believe the Commission should retain U.S. GAAP because it appears to us that adoption of a true single set of worldwide accounting standards is unlikely.
    - We recommend that the Commission review the process involved in the deliberation and issuance of the MoU projects to determine the likelihood that a U.S. version of IFRS will develop under an endorsement approach. To the extent that such an outcome is deemed more likely, we believe it provides greater support for retaining U.S. GAAP and seeking convergence as appropriate over time.
- Could Lead to Excessive Disclosure
    - Under the endorsement approach, the FASB would retain the authority to amend IFRS to include additional disclosures. We are concerned that this will result in excessive disclosure requirements for U.S. companies to comply with the IASB's preferred approach and the FASB's preferred approach. In several of the MoU projects the Boards have reached different conclusions on the base accounting and have resolved these differences through disclosure (at least in the tentative decisions). We are concerned this will become common practice under the endorsement approach.
    - We recommend the Commission establish a rigorous process and high threshold for the FASB to amend IFRS standards including through additional disclosure. The default presumption should not be that additional disclosure always benefits investors.

Conclusion

We believe the framework and transition elements outlined in the Staff Paper are better suited for improving U.S. GAAP by incorporating the superior aspects of IFRS through gradual amendments to GAAP rather than as a method of adopting IFRS. We believe that the endorsement approach will likely result in a U.S version of IFRS which will ultimately create increased complexity for investors while failing to achieve, in reality, a single set of worldwide accounting standards. In contrast, we believe that maintaining a strong U.S. GAAP is the most practical way to achieve the Commission's mission of protecting U.S. investors and will serve as incentive for both IASB and FASB to continue to improve the standards and thus ultimately benefit investors.

Very truly yours,

/s/ Bryan P. Wright
Vice President, Chief Accounting Officer, and Controller for Constellation Energy