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Dominion®

March 28, 2011

*Filed Electronically*

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Re: Security Rating – Release No. 33-9176; 34-63874; File No. S7-18-08

Dear Ms. Murphy:

Dominion Resources, Inc. ("Dominion") welcomes this opportunity to respond to the request for comments by the Securities and Exchange Commission (the "Commission") with respect to the Commission's proposed rules relating to security ratings. Pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, on February 9, 2011, the Commission issued a proposed rule that would, among other things, replace the investment grade credit rating transaction requirement for use of Form S-3 with a requirement that a registrant have issued over $1 billion of non-convertible securities, other than common equity, for cash in registered primary offerings within the prior three years (the "Proposed Rule"). For the reasons set forth below, Dominion concurs with the position of the Edison Electric Institute ("EEI") that the Proposed Rule is not an appropriate standard for determining Form S-3 eligibility.

Dominion is one of the nation's largest producers and transporters of energy, and is a well-known seasoned issuer ("WKSI") with a market capitalization of over $25 billion. Dominion owns all of the common stock of Virginia Electric and Power Company ("Virginia Power"), a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. Virginia Power's assets and revenues contribute significantly to Dominion's assets and revenues, and the operations of Virginia Power are closely followed by market analysts and the public. Currently, Virginia Power is a WKSI in its own right. Dominion and Virginia Power file reports with the Commission pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") and meet the Registrant Requirements of the General Instructions to Form S-3.

***The Proposed Rule Would Result in the Loss of Form S-3 Eligibility for a Large Number of Issuers***

The Commission estimates that approximately 45 issuers eligible to use Form S-3 that made a registered offering between January 1, 2006 and August 15, 2008 would lose eligibility under the Proposed Rule.[1] The Commission's review does not account for eligible users that did not make a registered offering during that period, but may require access to public debt markets in the future. This likely results in a significant underestimate, given that both the recession and capital markets instability during this period chilled many companies' need and desire to issue debt securities.

Virginia Power currently exceeds the Commission's proposed debt issuance threshold and, on this basis, would currently satisfy the Form S-3 eligibility requirements reflected in the Proposed

[1] *See Security Ratings*, Release No. 33-9186; 34-63874; File No. S7-18-08 (February 9, 2011).

Rule. However, Virginia Power could enter a less active phase of major infrastructure development and fail to issue $1 billion of debt securities over a three-year period. In addition, since Virginia Power's common stock is held by Dominion, Virginia Power is not eligible for Form S-3 registration on the alternate basis of having public equity float in excess of $75 million. As a result, Virginia Power would lose its ability to use the Form S-3 registration statement, and indeed will if the Proposed Rule is adopted, unless it issues at least $350 million of debt securities in registered transactions between the current date and January 5, 2012. Many other public utility holding company systems are organized in a similar manner, are similarly subject to capital requirements that vary over time, and, therefore, would face the same risk of Form S-3 ineligibility for their regulated subsidiaries under the Proposed Rule. We note that a number of energy companies filed comments recently, and in response to the Commission's related release in 2008, indicating that certain of their operating subsidiaries would face an immediate loss of S-3 eligibility if the Proposed Rule were to be adopted.[2]

We also note that the Capital Markets Committee of the Securities Industry and Financial Markets Association ("SIFMA") reviewed information regarding companies in the electric utility sector that issued non-convertible securities, other than common stock, in public offerings between March 2008 and March 2011 and concluded that approximately 60 of such issuers would lose Form S-3 eligibility under the Proposed Rule, in that they appeared to have issued less than $1 billion of such debt and also appear to be operating company subsidiaries that would not meet the $75 million public float test.[3]

***Adoption of the Proposed Rule Would Result in Unintended Adverse Consequences***

The ability to satisfy the Proposed Rule depends on capital needs that are cyclical in nature and market conditions that are outside an issuer's control. If adopted, the Proposed Rule would prevent many well-followed utility issuers from continuing to use Form S-3, thereby impairing their ability to register debt quickly and efficiently and execute capital markets transactions opportunistically. Accordingly, we expect that the primary effect of the Proposed Rule would be to deter issuers from engaging in registered offerings of debt securities. Faced with the prospect of using the more burdensome and cumbersome Form S-1 registration statement, most issuers would likely instead conduct a private placement – a result that seems contrary to the Commission's policy preference for registered offerings.[4]

Further, both Form S-1 registration and private placements are significantly more expensive than short-form registration. It is our expectation that utility ratepayers would bear such increased financing costs in the form of higher rates with no resultant benefit to investors.

Given these concerns with the Proposed Rule, we urge the Commission to instead grant Form S-3 eligibility to subsidiaries of WKSIs. We also support the following alternative eligibility standards, each of which is intended to ensure that widely-followed issuers maintain continued Form S-3 eligibility, thereby providing efficient access to capital markets and a measure of predictability in the registration process. The following proposed eligibility criteria should be made available to companies that satisfy the Commission's existing Registrant Requirements for Form S-3.

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[2] *See*, e.g., letter from American Electric Power dated September 4, 2008; letter from Excel Energy dated December 8, 2009; letter from Entergy Corporation dated March 21, 2011.
[3] *See* letter from SIFMA dated March 18, 2011.
[4] *See* Securities Offering Reform, Release Nos. 33-8591; 34-52056; IC-26993; FR-75 (December 1, 2005).

***Subsidiaries of WKSIs should be Eligible to Use Form S-3 without Restrictions on the Amount or Frequency of Issuance***

In order to avoid the potential loss of Form S-S eligibility among utility operating subsidiaries as a class, Dominion supports Form S-3 eligibility for any majority-owned subsidiary of a WKSI that contributes significantly to the operations of its WKSI parent. We suggest that any "significant subsidiary", as defined by Regulation S-X, could be deemed to contribute significantly to the operations of its parent. We believe that such subsidiaries generate a large following in the marketplace in connection with their WKSI parents' securities such that it is appropriate to permit use of Form S-3.

***Reduce the Threshold Amount and Extend the Look-Back Period of the Proposed Rule***

If the Commission continues to support the adoption of Form S-3 eligibility criteria based on a historical debt issuance test, we urge the Commission to modify both the proposed threshold amount and look-back period. Dominion recommends a debt issuance threshold of $500 million over a five-year period. Such modifications would recognize that an issuer's need to access public debt markets may vary over a number of years, and would preserve Form S-3 eligibility for a greater proportion of issuers than the Proposed Rule. This would equate to an issuer having issued the equivalent of two securities that would meet the size criteria for inclusion in the Barclays Capital U.S. Corporate Bond Index, during the most recent five-year period. To be included in the index, an issuer must, among other things, have at least $250 million par value of debt outstanding. This index is widely followed in the market and tracked by other funds, such that any included issuer will correspondingly be closely followed in the market.

In our 2008 comments, we noted that a former Dominion subsidiary, Consolidated Natural Gas Company ("CNG")[5] would have been eligible to use Form S-3 for only one debt issuance between 2000 and 2007, had the Proposed Rule been in effect at the time. CNG would only have satisfied the WKSI criteria for one of its debt issuances between 2000 and 2007, despite having issued over $2.2 billion in principal amount, aggregated across seven series of registered securities issued during that period.[6] In contrast, had CNG been subject to our proposed eligibility standard, it would have been eligible to use Form S-3 for each its seven marketing efforts during that period.

***Provide Form S-3 Eligibility to Public Utility Companies Regulated by a State Public Utilities Commission without Restrictions on the Amount or Frequency of Issuance***

Public utility companies are subject to extensive regulatory oversight that helps minimize the risks associated with utility debt securities. A regulated utility typically may not issue debt securities without the prior approval of its state utility commission, which approval is generally premised on such commission's determination that the issuance is not contrary to the public good, which includes consideration of the utility's ability to meet its public service obligation. Further, such extensive regulation creates significant transparency in the operations and finances of public utilities. Most filings and reports are publicly available and easily accessible by the analysts and investors that follow public utilities, such that regulation by the applicable regulatory agency is a suitable basis for permitting Form S-3 eligibility.

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[5] CNG was merged into Dominion in June 2007.

[6] During the 2000-2007 period, CNG in fact issued each of the seven series of registered securities pursuant to two Form S-3 shelf filings, on the basis of its investment grade credit ratings.

***Provide Form S-3 Eligibility Based on "Debt Float"***

An issuer's aggregate amount of outstanding debt ("Debt Float") correlates well with the extent of interest in such issuer in the marketplace. Accordingly, an issuer with a Debt Float of at least $250 million in each of at least two debt securities should be allowed to register its debt security issuances on Form S-3. As noted above, the $250 million threshold tracks one of the requirements for inclusion in the Barclays Capital U.S. Corporate Bond Index. This level of aggregate issuance should give the Commission comfort that such issuer will be widely followed in the marketplace. One advantage of adopting a Form S-3 eligibility test based on Debt Float is that it would provide significant stability in the registration process for the many issuers that have issued debt securities on Form S-3 for decades on the basis of investment grade credit ratings.

***"Grandfathering" of Continued Form S-3 Eligibility***

Finally, Dominion supports grandfathering relief for a transitional period to allow issuers to review their capital needs and modify their debt issuance strategies as necessary in response to the rules changes. Such grandfathering relief should apply for the remaining term of any Form S-3 registration statement in effect as of the effective date of the new rules.

Dominion appreciates the opportunity to comment on this important matter.

Sincerely,

James P. Carney
Vice President and Assistant Treasurer