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Letter of Comment No: 7
File Reference: 1099-001
Date Received:

Ms. Suzanne Q. Bielstein
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Exposure Draft: Proposed FASB Interpretation, *Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143* (File Reference No. 1099-001)

Dear Ms. Bielstein:

We agree with the guidance in the proposed Interpretation, which is consistent with our view that a legal obligation for which timing of performance is conditional on a future event—including an obligation to perform asset retirement activities *if and when* the asset is retired—is within the scope of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. We believe, however, that the Interpretation would be strengthened by including within the body of the Interpretation, the three characteristics of a liability described in paragraph 35 of FASB Concepts Statement No. 6, *Elements of Financial Statements*.

While we agree with the guidance in the proposed Interpretation, we are concerned that the use of the word *conditional* in the title of and throughout the proposed Interpretation could be misinterpreted to suggest that the asset retirement obligation itself is conditional. The Interpretation is intended to require the recognition of liabilities for asset retirement obligations where there is little or no discretion to avoid future sacrifice and, therefore, the retirement obligation is not conditional on any future event but rather the *timing for performing* the retirement obligation is conditional. As an example, the second sentence of paragraph 2 of the proposed Interpretation could be rewritten as follows: “Accordingly, an entity shall recognize a liability for the fair value of an asset retirement obligation *whose performance* is conditional on a future event if the liability’s fair value can be estimated reasonably.”

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Ms. Suzanne Q. Bielstein

July 28, 2004

Page 2

Finally, we suggest noting in Example 4 that, although an entity did not recognize a liability for the asset retirement obligation related to the refinery because of the indeterminate settlement date, the entity may still be required to recognize a liability for an asset retirement obligation because, in order to operate the refinery for an indeterminate period of time, component parts of the refinery will need to be replaced and, upon replacement, the company has an obligation related to the component parts that is within the scope of the Standard and has a determinate settlement date.

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If you have questions about our comments or wish to discuss any of the matters addressed herein, please contact John Guinan at (212) 909-5449 or Mark Bielstein at (212) 909-5419.

Very truly yours,

KPMG LLP