



Letter of Comment No: 54  
File Reference: 1250-001  
4-10-06

April 10, 2006

Implementation Activities  
Mr. Lawrence Smith  
Director – Technical Application and Implementation Activities  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: File Reference No. 1250-001, Exposure Draft - Proposed Statement of Financial Accounting Standards, *The Fair Value Option for Financial Assets and Financial Liabilities***

Dear Mr. Smith:

Thank you for providing the chance to comment on the exposure draft for The Fair Value Option for Financial Assets and Financial Liabilities. We believe that the exposure draft presents significant progress in providing users of the financial statements with relevant data and better presents the true financial position of an entity.

We would like to strongly urge the Board to begin Phase 2 in an expeditious manner and recommend that the Board conduct Phase 2 in two parts. The first of these two parts should include items such as non-derivative energy contracts that we believe can be addressed in a relatively short timeframe. Some of the more complex issues could be addressed in the second part of Phase 2. We believe that the Board should consider allowing the fair value election for non-derivative energy contracts. Many firms in the energy sector actively utilize non-derivative energy contracts – including but not limited to storage capacity, transportation and transmission, emissions - in their daily operations. It is our experience that market data and/or valuation techniques exist that allow for objectively and reliably pricing non-derivative energy contracts at fair value.

Some companies manage their risk exposure to these non-derivative energy contracts based on fair value. The option to elect fair value treatment for non-derivative energy contracts will provide another alternative other than the current rules under FAS 133 which preclude hedge accounting for these types of risk management strategies in many instances. A second benefit in applying a fair value measurement to non-derivative energy contracts would be the elimination of artificial volatility in reported earnings caused by the mixed attribute model.

In summary, we support the Fair Value Option exposure draft and appreciate the opportunity to comment on what we feel is an important step forward in providing the users of the financial statements with relevant, meaningful information. We believe that the Fair Value Option in concert with the Fair Value Measurement initiative will provide a more prudent framework to provide financial statements that present meaningful data to their users.

Respectfully,

Donna A. Henderson  
Assistant Controller, Commercial