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Accountants and Business Advisors

LETTER OF COMMENT NO. 8

July 31, 2006

Mr. Lawrence W. Smith
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Financial Accounting Standards Board
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Via E-Mail to director@fasb.org

Proposed FSP AUG AIR-a, "Planned Major Maintenance Activities"

We appreciate the opportunity to comment on proposed FASB Staff Position AUG AIR-a "Accounting for Planned Major Maintenance Activities." Although we support the Board's decision to eliminate the accrue-in-advance method of accounting for planned major maintenance activities, we do not believe the proposed FSP resolves the accounting in this area. We understand that the Board decided not to fully address the accounting for planned major maintenance activities because of time constraints. We appreciate the Board's dilemma; however, the proposed FSP will perpetuate the use of other methods of accounting that may not be conceptually sound.

The proposed FSP states that the Board believes that the accrue-in-advance method results in recognition of amounts that do not meet the definition of a liability without further explanation. We believe that it would be helpful if the Board elaborated on the basis for its conclusion. In this regard, the Board might want to explain how an obligation to perform planned major maintenance activities differs from an asset retirement obligation as defined in Statement 143, *Accounting for Asset Retirement Obligations.*

The different methods of accounting permitted by the proposed FSP may result in the inconsistent application of the provisions of Statement 95, *Statement of Cash Flows.* Classification of cash flows has been and presumably will continue to be a significant focus of investors and regulators. It may

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be useful to provide guidance on the appropriate classification of cash flows under the various allowed methods.

We would be pleased to discuss our comments and recommendations with Board members or the staff. Please direct your questions or comments to Joseph Graziano at (732) 516-5560 or John Hepp at (312) 602-8050.

Very truly yours,

/s/ Grant Thornton LLP