



April 1, 2009

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Sir David Tweedie International Accounting Standards Board 30 Cannon Street, London, EC4M 6XH United Kingdom

Reference: Preliminary Views on Financial Statement Presentation

Dear Sirs,

The American Gas Association ("AGA") is pleased to submit its comments concerning the joint Financial Accounting Standards Board ("FASB") and International Accounting Standards Board ("IASB") Discussion Paper, *Preliminary Views on Financial Statement Presentation*. The American Gas Association, founded in 1918, represents 202 local energy companies that deliver clean natural gas throughout the United States. There are more than 70 million residential, commercial and industrial natural gas customers in the U.S., of which almost 93 percent — more than 65 million customers — receive their gas from AGA members. AGA is an advocate for natural gas utility companies and their customers and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international natural gas companies and industry associates. Today, natural gas meets almost one-fourth of the United States' energy needs.

AGA sincerely appreciates the efforts of the FASB and IASB to improve financial reporting and increase the usefulness of the information provided to the users of financial statements. We welcome the opportunity to respond to the exposure draft and address the proposals made by the Boards. While we concur with the Boards' intentions, we have several concerns regarding the changes recommended in the exposure draft. We have detailed our concerns below.

Disaggregation

We agree that financial statements need to have a level of disaggregation that presents information in a manner that is useful to their users and allows for readers to completely

understand a company's results, but we believe that the proposals included within the exposure draft do not achieve those objectives. Much of the information that would be required to be broken out on the statements is already provided within the footnote disclosures or would be better suited to be shown there. By requiring an excessive level of disaggregation on the face of the financial statements, many users will be unable to discern a company's financial position or the results of their operations as there will be too much information presented. Furthermore, the implementation of eXtensible Business Reporting Language (XBRL) will allow users seeking a certain level of disaggregation in order to prepare their own analyses or calculate their own specific ratios to do so provided the information is presented within the notes and tagged appropriately. We believe that the current level of disaggregation on the face of the financial statements is appropriate and that any further detail required by the users of financial statements should be included within the disclosures.

The management approach

While we understand the benefits of the management approach to classification, we are concerned that this will result in a lack of comparability between companies' financial statements and increase the possibility of manipulation of a company's position due to the subjective nature of this approach. Accordingly, we suggest that additional guidelines regarding the management approach be provided to ensure that there is sufficient comparability and safeguards against manipulation while still retaining the benefits of the management approach.

The direct method of cash flows

We believe that the indirect method of cash flows utilized by the majority of companies within the United States is still the most appropriate method. The indirect method is preferred by most financial statement preparers because it provides an appropriate level of detail to allow users to understand the sources of company's operating, investing and financing cash flows while being less costly and difficult to prepare than the direct method. The information needed to present a direct cash flow is not currently prepared by most companies, and it will require significant efforts and system upgrades to effectively capture the needed information. Further, the fact that management does not use a direct cash flow to evaluate and run its business indicates that the requirement to present the statement of cash flows in this format would be inconsistent with the management approach that is promoted elsewhere in the exposure draft. Additionally, the requirement to include a formal reconciliation between earnings and cash flows suggests that the indirect method of cash flows will still be used by many financial statement users. Accordingly, we believe that the indirect method is still the optimal format for presenting cash flows as the benefits derived from the direct method have not been shown and do not justify the additional costs.

Timing

If adopted without modification, the proposals included within the exposure draft will result in a drastic overhaul to financial presentation. In order to properly implement these proposals, we believe ample lead time will be needed. The increased level of disaggregation, the preparation of the cash flows on the direct method and the capturing

of data by function and nature will require significant upgrades to existing systems or new systems to be implemented. Companies will also be required to analyze the impact the new standard will have on their internal controls over financial reporting and amend or add controls as needed. Additionally, the users of these financial statements will need to be educated on the new format and the changes to the existing reporting model. In order to lessen the burden on the preparers and users of financial statements, we believe it would be prudent to align the timing of this project with the other significant pending projects, particularly the conversion to International Financial Reporting Standards currently proposed by the Securities and Exchange Commission. By implementing these initiatives in conjunction with each other, it will allow the preparers to upgrade their systems and controls a single time and thereby mitigate some of the cost and effort required by these changes. We also believe that aligning the implementation dates of the major projects will be beneficial for the users of the financial statements as they will only need to become comfortable with a new basis for financial reporting once. If we have a significant change to our reporting model one year and then change the set of standards under which we report our results a few years later, it will likely result in confusion in the marketplace. Aligning the projects will allow the users of the financial statements to adjust to these significant changes a single time and thereby mitigate some of the difficulties that will likely arise as a result of the changes.

Conclusion

We appreciate the Boards' consideration of this issue and your continuing efforts to improve financial reporting. We support the overall objectives of this project, although we recommend the Boards review the points noted above and address them within the final amendments.

Very truly yours,

[s] Roy R. Centrella

Roy R. Centrella Chairman, American Gas Association, Accounting Advisory Council Vice President and Controller, Southwest Gas Corporation