



December 21, 2012

Technical Director
File Reference No. 2012-250
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, CT 06856-5116

Via Electronic Mail

File Reference: 2012-250, Proposed ASU to Clarify the Scope of ASU 2011-11

Dear Ms. Cosper:

The Edison Electric Institute (EEI) and the American Gas Association (AGA) appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) proposed ASU to clarify the scope of ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.* We have reviewed the proposed ASU and determined that our members' views on this document are similar. Therefore, we are submitting our comments jointly in a single letter that reflects the views of each Association's members.

EEI is the association of United States shareholder-owned electric companies. Our members provide service to 98 percent of the ultimate customers in the shareholder-owned segment of the industry and represent approximately two-thirds of the United States electric power industry. AGA, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 71 million residential, commercial and industrial natural gas customers in the U.S., of which 92 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.

We support the Board's proposed ASU to clarify which instruments and transactions are subject to the disclosure requirements of ASU 2011-11 for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. We understand that a central part of the Board's intent in providing this scope clarification was to respond to other industries' concerns that items such as trade receivables and payables arising from standard commercial agreements and regular way trade agreements would need to be included in the scope of ASU 2011-11 absent such a clarification. Prior to the proposed clarification, our industries shared similar concerns that the periodic settlement or

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realized activity associated with forward derivative contracts which are separately reported as trade receivables or payables on our members' balance sheets, may need to be included in the requirements of ASU 2011-11. This concern would apply to any derivative contract which permits or requires periodic settlement or deliveries prior to ultimate maturity. For example, some derivative instruments (including commodity-related derivative agreements) give rise to periodic settlements when a portion of the forward period has passed and the risk associated with the underlying is fixed. Such amounts often are recorded as trade receivables or payables.

By limiting the scope of ASU 2011-11 to "recognized derivative instruments, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions", we believe that the settlement activity associated with such derivative instruments will be excluded from the disclosure requirements, consistent with the intended exclusion of receivables and payables arising from other similar agreement types mentioned above. As it relates to the disclosure requirements of ASU 2011-11, we believe excluding such settled amounts provides a more accurate picture of an entity's overall gross and net forward exposures and provides better linkage to reported balance sheet derivative line item amounts. Further, such treatment is consistent with the exclusion of trade receivable and payable amounts from the balance sheet disclosure requirements of ASC 815 and 820 as formerly contained within FASB 161 and FASB 157, respectively.

Notwithstanding the above, we believe additional clarity is necessary to ensure that the intent to exclude trade receivables and payables (including those arising from periodic derivative settlements) is supported by the language of the final standard. We understand that some may hold a view (not shared by our members) that the phrase "recognized derivative instruments" in the board's proposed scope clarification could be taken to include any and all activity associated with a contractual derivative agreement "unit of account," including any settled activity which has yet to be collected or paid. We disagree with this view based on the fact that trade receivables and payables, although they may have arisen from a derivative agreement, do not meet the definition of a derivative. Further, the inclusion of such amounts would result in an unnecessary reconciliation in order to tie the disclosure amounts back to the derivative line items on the balance sheet.

To provide further clarity and avoid diversity in interpretation or practice, we recommend adding specific application guidance within the final standard which would make clear that receivables and payables arising from the periodic settlement activity associated with derivative and other agreements within the scope of the disclosure requirements is not itself subject to the scope of the requirements.

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EEI and AGA appreciate the opportunity to provide our input on the proposed ASU. We would be pleased to discuss our comments and to provide any additional information that you may find helpful.

Very truly yours,

/s/ Richard F. McMahon, Jr.

Richard F. McMahon, Jr. Vice President, Edison Electric Institute

/s/ Stephen P. Feltz

Stephen P. Feltz, Treasurer and Controller, NW Natural Chairman of the American Gas Association Accounting Advisory Council