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Financial Accounting Standards Board
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RE: Proposed Accounting Standards Update, Financial Instruments (Topic 825-15) Credit Losses

The Williams Companies, Inc. ("Williams") appreciates the opportunity to provide our comments to the Financial Accounting Standards Board ("FASB") on the Proposed Accounting Standards Update regarding credit losses. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas.

While we appreciate the FASB's effort in moving toward a more concise credit loss model for financial assets, the endeavor to alter the recognition and measurement of credit losses seems in large part attributable to financial institutions and similar types of entities and not to significant concerns from users about entities that are not engaged in financial services activities. For companies like Williams, whose financial assets involving the extension of credit primarily consist of trade and notes receivables issued to investment grade entities or to entities that provide sufficient collateral and for which we experience minimal credit losses, the proposed expected loss model and the related disclosures required by the proposal seem excessive. The portfolios of financial services entities more clearly lend themselves to the proposed changes in the recognition and measurement of credit losses and the relevancy of the proposed disclosure requirements. As discussion continues on this topic, we encourage the FASB to consider distinguishing the application of the proposal between entities engaged in financial services and those that do not provide such services.

The proposal requires the recognition of a credit impairment allowance that reflects the current estimate of future contractual cash flows not expected to be collected. As such, the measurement of expected credit losses will reflect historical loss experience for similar assets, current conditions that may affect historical experience, as well as reasonable and supportable forecasts of the future. Estimating credit losses over long periods of time will require significant judgment in predicting economic events expected to occur in the future. Disparity in the judgments and estimates involved in predicting future events and the impact such events may have on the collectability of contractual cash flows may diminish comparability between financial statement preparers. Subjecting forecasts of future economic events to audit procedures/evidence may

prove challenging and will add time and cost to the audit process. For financial assets such as trade receivables that are generally of a short-term nature, considering historical loss experience and current conditions may be a sufficient indicator of loss experience. We encourage the FASB to give further consideration to the applicability of the proposed standard to trade receivables, particularly those that are short-term in nature.

The proposal eliminates the probability criterion for recognizing expected credit losses in favor of requiring an entity to assume at least two outcomes: the possibility that a credit loss will occur and the possibility a credit loss will not occur. Such guidance will result in the recognition of credit losses for virtually all financial assets, even when the likelihood of a loss occurring is remote. This is likely to result in some level of overstatement for credit losses and may not be representative of the actual credit losses ultimately realized. We do not believe that recognizing credit losses for situations in which it is unlikely a credit loss will ever be realized provides any value to financial statement users. For example, our subsidiary that provides natural gas transmission services historically experiences minimal credit loss. The average annual trade receivable balance for this entity over the past three years was approximately \$107 million, while the average credit loss experienced over the three year period was \$8 thousand per year - an average annual loss rate of 0.007%. Due to the very low actual and historical credit loss experience, in 2012, the trade receivable allowance was decreased to zero which is more representative of actual loss experience. As currently proposed, the entity would be required to record an expected credit loss amount for all outstanding trade receivables even though it is unlikely the entity will actually incur such losses. While we recognize the FASB is addressing concerns that credit losses are not recognized early enough under current practice, we encourage the FASB to contemplate a model that allows consideration of the facts and circumstances to determine whether to use multiple outcomes, or the most likely outcome.

We question whether the proposed disclosures provide a level of incremental information materially benefitting the users of our financial statements. For companies that routinely only issue credit for trade and notes receivables to investment grade entities, require sufficient collateral when issuing credit to entities with a credit rating less than investment grade and experience minimal credit losses, the proposed disclosures may not warrant the additional effort and cost.

Should the FASB continue to include within the scope of the proposal entities that are neither a financial institution nor provide financial services, we encourage the FASB to provide more robust examples including situations applicable to entities that do not provide financial services. We believe this would aide in promoting comparability between entities that are not financial institutions.

Overall, we agree with the proposed transition provision of a cumulative-effect adjustment to beginning retained earnings in the period of adoption. However, we encourage the FASB to further consider transition issues related to purchased credit-impaired (PCI) assets. For PCI designated assets that exist prior to the effective date of the proposal, we recommend the FASB allow the current accounting model to continue and only require the proposed accounting model for PCI designated assets acquired subsequent to adoption. Should the FASB prohibit using the current accounting model for PCI designated assets that exist prior to the date of adoption, we

encourage the FASB to clarify that the proposed cumulative-effect transition adjustment is applicable to such assets.

In establishing an effective date, we believe the FASB should consider the proposal will result in significant changes to current practice and that entities will need to establish new processes and procedures related to both the recognition and measurement of credit losses and the disclosure requirements. The information required in the proposal will be subject to audit and will require adequate time to implement. If a final standard is issued in 2013, we believe an appropriate period of adoption to be fiscal periods beginning on or after January 1, 2015.

We appreciate the opportunity to comment on this matter and voice our concerns. We would be happy to provide any additional information you may require or discuss our comments further.

Sincerely,

Ted Timmermans

Controller and Chief Accounting Officer

The Williams Companies, Inc.