June 6, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, CT 06856-5116


Dear Technical Director:

The Edison Electric Institute (EEI) respectfully submits our comments on the Financial Accounting Standards Board’s (FASB) Exposure Draft Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment (the ED). EEI appreciates the opportunity to comment on the above referenced ED.

EEI supports the Board’s objective to simplify how an entity is required to test goodwill for impairment and believes that the ED meets that objective.

Our responses to specific questions in the ED are outlined below. We have limited our responses to questions for which we have particular insights or make recommendations.

**Question 1:** Please describe the entity or individual responding to this request. For example:

a. Please indicate whether you primarily are a preparer, user, or auditor of financial statements or, if other, please specify.

b. If you are a preparer of financial statements, please indicate whether your entity is public or nonpublic and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).

c. If you are an auditor, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, nonpublic entities, or both.
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d. If you are a user of financial statements, please indicate in what capacity (for example, investor, analyst, or rating agency) and where in the capital structure you are most focused (for example, debt or equity).

Edison Electric Institute (EEI) is the association of United States shareholder-owned electric companies. Our members provide service to 95 percent of the ultimate customers in the shareholder owned segment of our industry, and represent approximately 70 percent of the United States electric power industry. EEI's members are primarily publicly traded preparers of financial statements. Our member companies employ over 500,000 American workers. In our nation's economy, our industry represents 3 percent of real GDP. Key metrics about the shareholder-owned electric utility industry at the parent company level include:

Balance Sheet data as of December 31, 2010:
- Total Property, Plant & Equipment $998 billion
- Net Property, Plant & Equipment $737 billion
- Goodwill $50 billion
- Total Assets $1,135 billion
- Long-term Debt $400 billion

Income Statement data for the twelve months ended December 31, 2010:
- Revenue $372 billion
- Pre-tax Income $44 billion

Question 2: For preparers, do you believe that the proposed amendments will reduce overall costs and complexity compared with existing guidance? If not, please explain why.

The addition of a qualitative assessment could simplify the process for testing goodwill for impairment. Certain member companies may be able to determine through a review of qualitative events and circumstances that the fair value of a reporting unit is more likely than not greater than its carrying amount, and, therefore, no further testing would be required. This could result in reduced costs to companies who perform their goodwill impairment test internally as well as those who utilize the services of an external valuation firm to assist with performing a quantitative assessment. To the extent a qualitative analysis is supportable and satisfactory to our members' external auditors, audit fees could also potentially be reduced, particularly given our auditors would not need to involve their own internal valuation experts in such circumstances. We also believe it is important that the Board provided an option to bypass the qualitative assessment for any given
reporting unit and proceed directly to performing Step 1 of the two-step quantitative impairment test. This flexibility will allow companies to choose the most cost effective approach in their particular circumstances.

Additionally, EEI believes further cost savings and simplification could be achieved by including other indefinite-lived intangible assets in the scope of the new guidance. We understand from the ED’s basis for conclusions that the Board did not include these assets in the scope of the proposed guidance primarily because it had not received similar concerns from preparers of financial statements about the cost and complexity of testing indefinite-lived intangible assets for impairment. Similar to the goodwill impairment test, the costs and effort incurred in quantitatively testing indefinite-lived intangible assets can be significant. The events and circumstances that would indicate an impairment of goodwill are very similar to those that would indicate an impairment of other indefinite-lived intangible assets. As such, our opinion is that the qualitative assessment option should be extended to include other indefinite-lived intangible assets in order to achieve consistency with the Board’s objective of simplifying and reducing the overall expenses associated with annual impairment testing. Although the impairment model for indefinite-lived intangible assets would continue to be different than the models for goodwill and other long-lived assets, including a qualitative assessment for indefinite-lived intangible assets would more closely align the models. A quantitative impairment test would only be required if certain events or circumstances exist, which is already the model for other long-lived intangible assets.

**Question 3:** For preparers, do you expect your entity will choose to perform the qualitative assessment proposed in the amendments, or will your entity choose to proceed directly to performing the first step of the two-step impairment test? Please explain.

As noted in the response to Question 2, certain member companies may benefit from the ability to perform the qualitative assessment. In fact, some of these member companies have expressed interest in early adopting the guidance. Other companies, such as those that have recently recognized goodwill impairments or those that do not have a substantial margin between the carrying amount and fair value of their reporting units, may find it difficult to meet the more likely than not threshold based on an assessment of qualitative events and circumstances. These companies would likely find it most efficient to proceed directly to Step 1 of the goodwill impairment test.
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Question 6: Do you agree that the proposed examples of events and circumstances to be assessed are adequate? If not, what changes do you suggest?

EEI agrees that the proposed examples of events and circumstances to be assessed in paragraph 350-20-35-3C are generally adequate and, when considered in conjunction with the guidance in paragraphs 350-20-35-3D through 350-20-35-3G, should guide the preparer in determining whether it is more likely than not that goodwill has been impaired. Because of the significance of the guidance included in paragraphs 350-20-35-3D through 350-20-35-3G, particularly the discussion on the consideration of recent fair value calculations and whether fair value exceeded the carrying amount by a substantial margin, EEI believes the guidance for performing impairment tests between annual tests in paragraph 350-20-35-30 should refer to the guidance contained within the above paragraphs, not just the examples of events and circumstances included in paragraph 350-20-35-3C. This will help ensure consistent application of the guidance during both interim and annual impairment tests. Additionally, we believe it would be equally appropriate and beneficial to include in the ED that, if an entity has recently performed Step 2 of the annual goodwill impairment test for a reporting unit and the implied fair value of goodwill exceeded the carrying amount of goodwill by a substantial margin, this positive event should be given appropriate consideration as well.

Question 7: Do you agree that the guidance in the proposed amendments about how an entity should assess relevant events or circumstances is clear? If not, how can the guidance be improved?

EEI agrees that within the ED, in its totality, including the “Summary and Questions for Respondents” and the “Background Information and Basis for Conclusions” sections, the Board’s intention for the application of the guidance in the proposed amendments is clear about how an entity should assess relevant events or circumstances. However, without the insights included in these sections, which are excluded from the FASB Accounting Standards Codification, EEI is not confident that it will be clear how the assessment of the relevant events or circumstances for the annual impairment test should differ from the assessment performed on an interim basis since both assessments are based on the same events and circumstances and both use a “more-likely-than-not” probability criteria. As such, we recommend that the Board provide clarifying guidance on this matter.

Question 8: Do you agree with the Board’s decision to make the proposed amendments applicable to both public entities and nonpublic entities? If not, please explain why.
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EEI agrees with the Board’s decision to make the proposed amendments applicable to both public and nonpublic entities.

**Question 9:** Do you agree with the proposed effective date provisions? If not, please explain why.

EEI agrees with the proposed effective date provisions including the ability to early adopt.

**Conclusion**  
As we’ve noted within our responses, EEI supports the Board’s objective to simplify how an entity is required to test goodwill for impairment. We commend the Board for taking a reasonable approach to swiftly address concerns raised by preparers of financial statements and to help companies reduce unnecessary costs associated with determining a reporting unit’s fair value when there is no reasonable evidence of impairment. We appreciate your consideration of this important topic and our related comments.

Very truly yours,

[Signature]

Richard F. McMahon, Jr.