October 7, 2019

Technical Director
Financial Accounting Standard Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Invitation to Comment, Identifiable Intangible Assets and Subsequent Accounting for Goodwill 
(File Reference No. 2019-720)

TC Energy Corporation ("TC Energy", "we" or "our") appreciates the opportunity to respond to the FASB's Invitation to Comment on "Identifiable Intangible Assets and Subsequent Accounting for Goodwill". We support the Financial Accounting Standards Board's consideration to simplify the subsequent accounting for goodwill. Responses to certain questions included in the Invitation to Comment are provided in the attached Appendix A.

TC Energy delivers the energy millions of people rely on every day to power their lives and fuel industry. Our 92,600-kilometre (57,500-mile) portfolio of natural gas pipelines transports more than 25 per cent of the daily North American production of abundant, low-cost, clean-burning natural gas. This pipeline network strategically connects growing supply in the most prolific and lowest cost basins on the continent to key markets across Canada, the U.S. and Mexico. We also operate the continent's largest natural gas storage business, with more than 650 billion cubic feet of regulated and unregulated storage capacity. Our 4,900-kilometre (3,000-mile) liquids pipeline system connects growing continental oil supplies to key refinery markets in the U.S Midwest and Gulf Coast, where it is converted into gasoline and other petroleum products that we use every day.

TC Energy hopes these comments will be useful to the Board in their deliberations. If you have any questions or would like to discuss any of these matters, please do not hesitate to contact us.

Sincerely,

Glenn Menuz
Vice President & Controller
TC Energy Corporation
450 – 1 Street S.W.
Calgary, Alberta
Canada, T2P 5J1
Appendix A – Invitation to Comment, *Identifiable Intangible Assets and Subsequent Accounting for Goodwill*

*Please note that TC Energy only provided responses to the questions that are relevant and significant to our business.*

**Question 1: What is goodwill, or in your experience what does goodwill mainly represent?**

TC Energy’s goodwill recorded on the balance sheet is related to past acquisitions of U.S. natural gas pipelines which are subject to Federal Energy Regulatory Commission (FERC) regulations. These U.S. natural gas pipelines are subject to rate-regulated accounting and their rate bases are expected to be recovered with a reasonable rate of return over the life of the assets. Therefore, the acquired rate-regulated assets generally have fair values equal to their carrying values, often resulting in goodwill equal to the difference between the purchase price and regulated carrying value. For example, this goodwill might represent the potential for future expansion projects related to the acquired assets.

**Question 2: Do the benefits of the information provided by the current goodwill impairment model justify the cost of providing that information? Please explain why or why not in the context of costs and benefits.**

We believe that the information provided by the current goodwill impairment model does not justify the cost of providing the information.

As noted, our acquired natural gas pipelines are subject to rate-regulated accounting where rate base is expected to be recovered with a reasonable rate of return over the life of the asset. For these businesses, the acquired rate regulated assets are generally assumed to have fair values equal to their carrying values. For example, when such pipelines are acquired in the U.S., FERC will not allow a pipeline to increase rate base for toll making purposes for any portion of the purchase price in excess of rate base. The difference between the purchase price and regulated carry value therefore is allocated to goodwill. This accounting treatment can differ from the acquisition of non-regulated assets where a portion (or all) of the difference between fair value and carrying value is allocated to the value of the asset acquired. This difference in practice of allocating purchase price to goodwill versus depreciable property, plant and equipment (PP&E) also results in different earnings profiles because goodwill is not amortized to income over the life of the asset but PP&E is depreciated over the life of the asset.

To better align the accounting for the two similar acquisition scenarios noted above, we believe that a methodology needs to be developed to allow for the systematic reduction in the goodwill balance. The results would be more meaningful to investors as goodwill amortization becomes a regular, recurring expense rather than an impairment charge that is often removed from investor analyses due to its infrequent and unpredictable recognition. Given the nature of goodwill created upon acquisition of rate-regulated pipelines, apart from an "impairment triggering event", we believe that a steady amortization over the life of these long-lived assets provides a better representation of the decline in value of goodwill over time.

In addition, "point in time" fair value calculations may decline as a result of changing macroeconomic assumptions that are external to the business. For example, assumptions regarding terminal value multiples and discount rates can have a significant impact on fair value calculations determined using cashflow models. At any point in time, these assumptions could change and the fair value calculated...
under the current impairment-only model could suggest an impairment charge be taken. Later, these assumptions could swing the other direction and could suggest fair value has increased, however a reversal of the impairment charge in a future period is not permitted. Therefore, we believe that under the current impairment-only methodology, the impairment calculation could result in an impairment charge being taken when in reality there has only been a temporary decline in fair value. We do not believe this provides useful information to the users of the financial statements and in certain cases may be misleading. For clarity, we are not suggesting reversals of prior impairments of goodwill be permitted.

Finally, the current impairment assessment for goodwill is time consuming to prepare and can be costly to audit. The information prepared does not typically provide information that readers of the financial statements could use to better predict when an impairment expense would potentially be recorded or how material the expense would be.

**Question 3: On a cost-benefit basis, relative to the current impairment-only model, do you support (or oppose) goodwill amortization with impairment testing? Please explain why in your response.**

We would support a goodwill amortization with impairment testing model over the current impairment-only model. As noted in our response to Question 2, the current accounting methodology does not fairly represent the decline in the fair value of goodwill over time which might ultimately occur as consistent growth and capital expenditures might eventually decline for the acquired assets. Therefore, a methodology needs to be developed to allow for the systematic reduction in the goodwill balance. In this way, the expense would align better with the long-term benefit being utilized by the entity over the life of the asset.

We believe that, in addition to amortization, an impairment assessment should be completed, but only when triggering events occur which indicate a permanent impairment to ensure that the goodwill balance on the balance sheet is recoverable. This would align the accounting for goodwill with the methodology used for long-lived assets such as PP&E.

**Question 4: If the Board were to decide to amortize goodwill, which amortization period characteristics would your support? Please include all that apply in your response and explain why you did not select certain characteristics.**

a. A default period
b. A cap (or maximum) on the amortization period
c. A floor (or minimum) on the amortization period
d. Justification of an alternative amortization period other than a default period
e. Amortization based on the useful life of the primary identifiable asset acquired
f. Amortization based on the weighted-average useful lives of identifiable asset(s) acquired
g. Management’s reasonable estimate (based on expected synergies or cash flows as a result of the business combination, the useful live of acquired processes, or other management judgements).

We support the following as the methodology to be used for the amortization of goodwill:
• (g) Management’s reasonable estimate (based on expected synergies or cash flows as a result of the business combination, the economic life of acquired assets and processes, or other management judgements).

An approach based on management’s reasonable estimate allows organizations the ability to develop a systematic amortization methodology that is in line with its own specific, business-related factors such as the economic life of the assets acquired, continued use of processes acquired and potential for growth of the reporting unit associated with the goodwill. As such, it would be difficult to justify a default period that would be suitable for all organizations to use or to determine a cap or floor on the amortization period as these may not be meaningful to all companies. For example, the goodwill that arises from the acquisition of a company that develops new software may be very different from an acquisition of an infrastructure company because the assets and business processes change much more rapidly in a software development environment than in an infrastructure company.

Question 5: Do your views on amortization versus impairment of goodwill depend on the amortization method and/or period? Please indicate yes or no and explain.

Our view on amortization versus impairment of goodwill would depend on the method and the period in which goodwill would be amortized. We believe the methodology and period used to amortize goodwill should reflect the nature of each business’ operations and the industry in which they operate.

TC Energy’s goodwill is mainly driven by the difference between the purchase price and regulated carrying value of U.S. natural gas pipelines subject to rate-regulated accounting. Since the rate base is expected to be recovered with a reasonable rate of return over the life of the asset, the resulting goodwill should be amortized using a similar timeframe. These rate-regulated assets often have useful lives over 40 years. As such, for example, a defined amortization methodology such as the private company alternative which mandates the use of a straight-line basis of 10 years (or less, if more appropriate) for private companies would not be appropriate or meaningful for long-term assets.

Question 6: Regarding the goodwill amortization period, would equity investors receive decision-useful information when an entity justifies an amortization period other than a default period? If so, does the benefit of this information justify the cost (whether operational or other types of costs)? Please explain.

Yes, we believe that equity investors would receive decision-useful information if goodwill were to be amortized on a justified period other than a default period. This is because the nature of the goodwill acquired differs between different businesses and industries and the methodology established should be relevant to the company to reflect these differences.

Question 7: Do the amendments in Update 2017-04 (eliminating Step 2 of the goodwill impairment test) reduce the cost to perform the goodwill impairment test? Do the amendments in Update 2017-04 reduce the usefulness of financial reporting information for users? Please explain.

Yes, the elimination of Step 2 of the goodwill impairment test reduces the cost to perform the test as the implied fair value of the reporting unit’s goodwill is not used. We believe this does not reduce the usefulness of the financial reporting information for users.
Question 8: Do the amendments in Update 2011-08 (qualitative screen) reduce the cost to perform the goodwill impairment test? Do the amendments in Update 2011-08 reduce the usefulness of financial reporting information for users? Please explain and describe any improvements you would recommend to the qualitative screen.

The qualitative screen reduces the cost to perform the goodwill impairment test as quantitative tests are more time consuming. The use of the qualitative screen does not reduce the usefulness of financial reporting information to the users of the financial statements. We do not have any recommendations to improve the qualitative screen.

Question 12: The possible approaches to the subsequent accounting for goodwill include (a) an impairment-only model, (b) an amortization model combined with an impairment test, or (c) an amortization-only model. In addition, the impairment test employed in alternative (a) or (b) could be simplified or retained as is. Please indicate whether you support the following alternatives by answering “yes” or “no” to the questions in the table below. Please explain your response.

<table>
<thead>
<tr>
<th>Model</th>
<th>Do You Support the Indicated Model? Yes/No</th>
</tr>
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<tbody>
<tr>
<td>Impairment Only</td>
<td>No. Please refer to our previous comments for our discussion on why we believe a methodology needs to be developed to allow for the systematic reduction in the goodwill balance to better represent the long-term benefit of goodwill utilized by the entity.</td>
</tr>
<tr>
<td>Amortization with impairment</td>
<td>Yes. We support implementing a methodology that allows for the systematic reduction in the goodwill balance. We believe an impairment test is necessary to ensure that assets are not overstated.</td>
</tr>
<tr>
<td>Amortization only</td>
<td>No. We support implementing a methodology that allows for the systematic reduction in the goodwill balance. We believe an impairment test is necessary to ensure that goodwill is recoverable.</td>
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</tbody>
</table>

Question 20: What is your assessment of the incremental costs and benefits of disclosing the facts and circumstances that led to impairment testing that have not led to a goodwill impairment loss?

We believe the notes to financial statements should be limited to those disclosures necessary to ensure fair presentation of the historical financial information. Therefore, we disagree with a requirement to disclose facts and circumstances associated with goodwill impairment tests where the test does not result in an impairment loss. However, we do support the inclusion of cautionary language if it has been determined through the impairment test that the goodwill cushion is minimal when compared to the carrying value of a reporting segment.

Question 24: Under current GAAP, to what extent does noncomparability in the accounting for goodwill and certain recognized intangible assets between public business entities (PBEs) and private business entities and not-for-profit entities reduce the usefulness of financial reporting information? Please explain your response.

We do not believe that the noncomparability in the accounting for goodwill and certain recognized assets between PBEs and private business entities and not-for-profit entities reduce the usefulness of financial reporting information. There are a number of accounting differences between public, private and not-for-profit entities already.
Question 25: Please describe the implications on costs and benefits of providing PBEs with an option on how to account for goodwill and intangible assets and the option for the method and frequency of impairment testing (described previously in Sections 1 and 2).

Allowing PBEs with an option on how to account for goodwill and the option for the method and frequency of impairment testing would result in more meaningful information to investors as the amortization and impairment expenses would be reflective of the benefits acquired from the business combination acquisition that the goodwill was obtained from.

Question 29: Would you be interested and able to participate in the roundtables?

Yes, we would.