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LETTER OF COMMENT NO. 4



**EDISON ELECTRIC
INSTITUTE**

DAVID K. OWENS
Executive Vice President
Business Operations

June 10, 2008

Russell G. Golden
Director of Technical Application
and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

File Reference: Proposed FSP ARB 43-a

The Edison Electric Institute (EEI) appreciates the opportunity to provide comments regarding proposed FSP ARB No. 43-a, "Amendment of the Inventory Provisions of Chapter 4 of ARB No. 43," which contains guidance pertaining to the accounting for trading inventories. EEI is the association of U.S. shareholder-owned electric companies. Our members serve 95 percent of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70 percent of the U.S. electric power industry.

EEI appreciates the Board's consideration of this issue and agrees with the overall requirement that inventories included in an entity's trading activities should be initially and subsequently measured at fair value with changes in fair value recognized in earnings. It is within this context of general agreement with the proposal that we suggest the following points of clarification.

Scope Clarification

We understand the proposed FSP is designed to amend ARB 43 to require mark-to-market accounting for inventories designated as held for trading, but that it would not amend the scope of ARB 43. In other words, the amendment would not change which items presently are accounted for under ARB 43, either by adding new items to its scope or by removing items currently accounted for under its provisions.

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We believe that the scope clarification is necessary, because many energy companies currently account for emissions allowances and renewable energy credits as inventory. We are aware that there is diversity in the accounting for these assets, and it is our understanding that this diversity has, within the last several years, been brought to the attention of the SEC staff, the FASB staff, and certain of the largest international accounting firms. Further, we understand that those consultations acknowledged the existence of diversity in the accounting for such items yet also permitted current practice to continue in the absence of a formal examination of the scope of ARB 43.

We do not believe that the proposed FSP constitutes a formal reexamination of, or is intended to modify, the scope of ARB 43 or will change the current practice of entities that account for these items as inventories. Therefore, in view of the existence of diversity in this area and in order to avoid the potential for confusion or misinterpretation, we request the final FSP to state explicitly that it does not change the present scope of ARB 43.

Clarification of Trading versus Nontrading Inventories

We note that paragraphs 7 and 8 of the proposed FSP appear to support an approach under which classification of inventories as part of trading activities requires an affirmative designation. We also note that paragraph 8 appears to acknowledge that other types of activities, beyond the specific examples listed, would be considered non-trading. We agree with this principles-based approach, but we also believe it is possible that some may interpret the examples in paragraph 8 as all-inclusive and could conclude that trading activity treatment must be applied by default to any assets not falling within one of the specific examples of nontrading activities. Therefore, we believe that the guidance in the final FSP would be improved if it were to include a clear statement that the entity must explicitly designate the inventories it has determined to represent trading activities based on its specific facts and circumstances. We believe that this clarification of the principles in paragraphs 7 and 8 of the proposed FSP would reduce the potential for misinterpretation.

Disclosures

We believe that the disclosures proposed in paragraph 11.a. pertaining to the description of trading activities and the basis for concluding that such inventory is part of the entity's trading activity should be required only for annual reporting

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periods. We do not believe that such policy-oriented information requires repetition in each interim period unless there is a material change from the information disclosed in the most recent annual reporting period. We note that no similar disclosures are required for trading securities under SFAS No. 115, and we see no conceptual reason or other principle that would justify more frequent or granular disclosures regarding inventories classified as part of trading activities.

We also do not believe that the proposed disclosure of the typical holding period for trading inventory should be required in either interim or annual periods. We do not believe that there is a direct, causal link between such disclosures and the financial statement amounts related to trading inventories. Those amounts are influenced by a variety of factors and are not necessarily or solely related to holding period. Further, the "typical" holding period is only historical information that is not necessarily indicative of future holding periods. Finally, as we observed above regarding the proposed interim disclosures, we note no similar disclosure requirements relating to the holding period for trading securities.

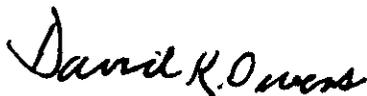
Readily Determinable Fair Value

We agree with the Board's rejection of the alternative that would limit the scope of this proposed FSP solely to trading inventories that have readily determinable fair values. As the Board noted, this alternative would have conflicted with the provisions of SFAS No. 157, "Fair Value Measurements," and would have led to more diversity in practice among companies and less comparability of reported financial results.

Summary

EI companies appreciate the opportunity to provide information to the Board pertaining to this matter.

Sincerely,



David K. Owens