

January 31, 2011

Technical Director
File Reference: 1890-100
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

File Reference: 1890-100 Effective Dates and Transition Methods

The American Gas Association (AGA) respectfully submits our comments on the Financial Accounting Standards Board (FASB) Discussion Paper – *Effective Dates and Transition Methods* (the DP). The American Gas Association, founded in 1918, represents 199 local energy companies that deliver clean natural gas throughout the United States. The 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.

AGA appreciates that the FASB and the International Accounting Standards Board (IASB) are seeking convergence on multiple standards that are the subject of the DP. We have limited our responses to questions for which we have particular insights or make recommendations.

Summary

AGA appreciates the FASB (the "Board") and IASB seeking input on the proposed effective dates and transition methods for the multiple standards that are the subject of the DP. The proposed changes will have significant and unique impacts to members of the AGA when considered both individually and collectively. AGA has elected to limit its responses to the following standards that are included as subjects of the DP. We have also listed below the corresponding dates of AGA comment letters that were submitted for several of the proposed standards. Though we have attempted in this comment letter to respond to the proposed standards as written, we re-affirm the recommendations made in prior AGA comment letters as to the fundamental accounting for Financial Instruments, Revenue Recognition, Leases, and Financial Statement Presentation.

Also note that we work closely with the Edison Electric Institute (EEI) in identifying issues important to regulated businesses and in determining the appropriate industry response. We have done so with respect to formulation of our responses to the DP contained herein. We generally agree with the responses provided within the EEI's related comment letter dated January 31, 2011 and will highlight particular areas that are more unique to the gas industry or for those areas where we do not agree with the EEI's views.

FASB Issuance	AGA Comment Letter Issued	
Financial instruments (ED issued May 26, 2010)	September 30, 2010	
Revenue Recognition (ED issued June 24, 2010)	October 22, 2010	
Leases (ED issued August 17, 2010)	December 15, 2010	
Financial Statement Presentation (Discussion Paper,	April 1, 2009 (response to Discussion	
October 16, 2008)	Paper)	

Reponses to Questions in the DP

Question 1: Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
- b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
- c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
- d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
- e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

AGA members employ approximately 120,000 personnel and provide a broad range of natural gas-related services including gathering, transportation and storage, marketing and risk management services, and end-user sales. There are more than 70 million residential, commercial and industrial natural gas customers in the United States, of which 91 percent — more than 64 million customers — receive their gas from AGA members. Today, natural gas provides almost one-fourth of the United States' energy needs. Key metrics from the twelve

months ended December 31, 2009 covering our investor-owned members at the parent company level include:

•	Total Property, Plant, & Equipment	\$235 billion
•	Net Property, Plant, & Equipment	\$144 billion
•	Total Assets	\$220 billion
•	Revenue	\$87 billion
•	Pre-tax net income	\$16 billion

AGA member companies will be impacted in multiple ways by the proposed standards that are the subject of this DP. We participated in the comment process for each new proposed standard whose deadline has since passed, with the exception of Other Comprehensive Income.

With the exception of items unique to the electric utility industry, we broadly affirm the points raised in the EEI's comment letter on this DP. Implementation of the proposed standards will have a significant impact on both our reported financial results and our ability to adapt to the related requirements due to a number of reasons, including but not limited to:

- High volume of purchase, customer sales, storage, transportation, leasing and asset management contracts which will need to be evaluated under the proposed standards for Revenue Recognition, Leases, and Financial Instruments
- The asset-intensive nature of our members' businesses, corresponding debt leverage models, and related ongoing treasury management practices, resulting in the potential requirement of having to fair value our own debt under the proposed Financial Instruments standard
- Risk management policies and practices necessitating the use of related financial instruments to hedge supply, sales, and/or optimize the value of our assets (whether economically or for accounting purposes)
- The loss of specialized regulatory accounting guidance related to alternative revenue programs and lease accounting if they are overridden by the related proposed standards in current form.

Accordingly, we expect a substantial impact to our member organizations as they attempt to prepare for and adopt the proposed standards.

Question 2: Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard? b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

We reaffirm the responses provided in the EEI's comment letter referenced above.

Question 3: Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

We reaffirm the responses provided in the EEI's comment letter referenced above.

Question 4: In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

We encourage the Board to refer to prior comment letters submitted by the AGA on the Memorandum of Understanding Joint Projects referenced in the Summary above with respect to our views on proposed transition methods and underlying rationale. Specifically, we believe that prospective implementation is the most appropriate and cost-beneficial method for adopting the Lease, Revenue Recognition, and Financial Instruments standards. Although not previously commented upon by the AGA, we believe that the other standards which are the subject of this DP should also be applied prospectively for consistency purposes, with the exception of Financial Statement Presentation. We feel this standard is most appropriately adopted on a retrospective basis due to the overarching changes in financial statement geography and composition proposed therein.

Note that the above comments are limited to the standards as currently proposed, although we reaffirm our prior recommendations as to the proposed accounting contained in our related comment letters.

Question 5: In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
- b. Under a single date approach, what should the mandatory effective date be and why?
- c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
- d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

We strongly believe that a sequential approach would result in higher quality implementations by our member companies at a lower cost. We are concerned that a single-date approach would severely strain available resources, jeopardizing quality and leading to costly labor shortages. However, similar to the EEI membership's collective views, we recognize that there is diversity within our own members as to whether the sequential approach should be applied to "groups" of standards in order to realize synergistic benefits, or individually on a standard-by-standard basis given the scope and breadth of changes throughout all of the proposed standards.

Therefore, in general we would support either of the EEI's proposed sequential approaches and related adoption timing as noted within their comment letter referenced above. We do differ with the EEI's proposed adoption timing in one respect, in that we believe the adoption date of the last standard (Financial Statement Presentation, as currently proposed) should extend to two (2) years from the adoption date of the immediately preceding standard or group of standards. In this way, preparers would have three (3) years of comparative information on the same basis of accounting after having adopted the preceding standards prospectively, which would enable them to effectively adopt the Financial Statement Presentation standard on a full retrospective basis in accordance with our recommendations under Question 4 above.

Question 6: Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

We reaffirm the responses provided in the EEI's comment letter referenced above.

Question 8: Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

We reaffirm the responses provided in the EEI's comment letter referenced above.

Conclusion

We appreciate your consideration of these important topics and our related comments. The proposed accounting standards and the effective dates and transition methodologies for implementing those standards will have a very significant impact on our industry. We would be pleased to discuss any of these subjects with you and to provide any additional information that you may find helpful in addressing these important matters.

Very truly yours,

Jose Simon [s]

Jose Simon, Vice President and Controller, Piedmont Natural Gas Chairman of the American Gas Association Accounting Advisory Council