

June 6, 2011

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 2011-180 Testing Goodwill for Impairment

Dear Technical Director:

The American Gas Association (AGA) 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). AGA appreciates the opportunity to comment on the above referenced ED.

AGA 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.
- 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).

The American Gas Association, founded in 1918, represents 199 local energy companies that deliver clean natural gas throughout the United States. There are more than 70 million residential, commercial and industrial natural gas customers in the U.S., of which 91 percent — more than 64 million customers — receive their gas from AGA members. 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. Today, natural gas meets almost one-fourth of the United States' energy needs.

AGA members are primarily publicly traded companies. Key metrics from the twelve months ended December 31, 2009 covering our investor-owned members at the parent company level include:

Balance Sheet data as of December 31, 2009:

•	Total Property, Plant, & Equipment	\$235 billion
•	Net Property, Plant, & Equipment	\$144 billion
•	Total Assets	\$220 billion

Income Statement data for the twelve months ended December 31, 2009:

•	Revenue	\$87 billion
•	Pre-tax net income	\$16 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 of testing goodwill for impairment based on individual companies' specific facts and circumstances. Certain AGA 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 would result in reduced costs to those 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 under current guidance. When a qualitative assessment is utilized, audit fees could also be reduced as audit firms typically involve their own valuation experts in auditing quantitative assessments. 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 the 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, AGA member companies believe further cost savings 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's did not scope these assets into 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. We believe the reasons and drivers behind potential cost savings noted above are also applicable to 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.

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. We expect that member companies will perform the qualitative assessment in cases where the margin between the fair value and carrying value of a reporting unit has historically been significant and where existing qualitative facts and circumstances do not suggest impairment is otherwise present. We also expect that in the cases where the qualitative assessment is performed, it will most likely result in reduced complexity and reduced costs as noted above.

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.

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?

AGA agrees that the proposed examples of events and circumstances to be assessed in ASC 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, AGA believes the guidance for performing impairment tests between annual tests should refer to the guidance contained within these 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?

AGA agrees that the Board's intention behind application of the guidance in the proposed amendments is clear when read in conjunction with the "Summary and Questions for Respondents" and the "Background Information and Basis for Conclusions" sections. However, without the insights included in these sections, which would be excluded from the *FASB Accounting Standards Codification*, AGA 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. Therefore, we believe that relevant insights included within the above sections regarding application of the interim assessment versus the annual assessment should be incorporated in order to avoid confusion.

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.

AGA 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.

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

Conclusion

As noted above, AGA 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. In addition, we also support simplification of existing US GAAP in performing the quantitative impairment analysis (if required under the proposals of the ED), including possible convergence with the quantitative analysis approach under existing IFRS. We appreciate your consideration of this important topic and our related comments.

Very truly yours,

Jose Simon [s]

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