

March 13, 2012

Technical Director
Financial Accounting Standards Board
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File Reference No. 2011-230

Dear Technical Director:

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TransCanada Corporation (TransCanada) is pleased to submit its comments in response to the Invitation to Comment on the Exposure Draft on Revenue Recognition (Topic 605) – Revenue from Contracts with Customers (Revision) as issued by the Financial Accounting Standards Board (FASB).

TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada's network of wholly owned natural gas pipelines extends more than 57,000 kilometres (35,500 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 380 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in over 10,800 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America's largest oil delivery systems.

TransCanada supports the FASB's objective to clarify the principles for recognizing revenue and to develop a common standard for US GAAP and IFRS that would remove inconsistencies in existing requirements. In addition, we agree with the FASB's goal to improve comparability of revenue recognition practices across entities, to provide more useful information through improved disclosure requirements, and to simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. We do believe that some of these changes will provide more useful information to the users of our financial statements, however, we are concerned that the cost of implementing certain proposed disclosure requirements in the Exposure Draft will outweigh the value of the information provided to financial statement users. Our specific concerns are outlined below in our responses to select questions contained in the Exposure Draft:

# Question 1:

Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognizes revenue over time. Do you agree with the proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

TransCanada does not have any specific comments for this question.

### Question 2:

Paragraphs 68 and 69 state that an entity would apply Topic 310 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line

item adjacent to the revenue line item. Do you agree with the proposal? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

While we understand the Board's intention to provide greater transparency between revenue and customer credit risk, TransCanada does not feel that this amount should be presented as a separate line item adjacent to the revenue line item on the income statement. Although the underlying concept of bad debt expense has not changed and the proposed guidance would have no overall impact on net income, we feel that the provision is better treated as an operating expense and presented as such. When a provision is recorded against revenue, it does not necessarily relate to the revenue of the given period and would therefore distort the relationship between the operating activity level of the period and the revenue being reported.

Currently, if the amount of bad debt expense is material, users disclose information related to the balance and the credit risk that the company faces, which we feel is sufficient to understand the nature of the balance and how it is determined as opposed to changing the placement of the amount on the income statement. As such, we suggest that the FASB keep existing guidelines related to the presentation of bad debt expense as an alternative to the proposed guidelines.

## Question 3:

Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled.

TransCanada does not have any specific comments for this question.

#### Question 4:

For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognize a liability and corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

TransCanada does not agree with the proposed scope of the test for various reasons. Paragraph 86 is only applicable to contracts that are longer than one year. As a result, similar contracts that are entered into at the same time but for a period less than one year would also result in a loss for the company but would be treated differently. Only liabilities for the longer term contracts would be recognized at each reporting period. This would result in inconsistent accounting treatment for contracts and would pose an issue if such onerous short term contracts are significant. As such, we would recommend that short-term contracts be scoped into the proposed guidelines to keep the accounting treatment consistent for any onerous performance obligations.

TransCanada also believes that in certain instances, recording a liability for an onerous obligation would not accurately represent a company's business reasoning for entering into the contract as a whole. This might occur when an entity includes a low-margin service in a contract with multiple goods and services resulting in recording a loss for the onerous performance obligations included in these contracts without taking into consideration the longer term business benefits of entering into such contracts. As an alternative, we recommend a two step approach in performing the onerous test. Firstly, performance obligations would be assessed to determine if they are considered a part of a series of related transactions and secondly, that series of related transactions would be assessed on an overall basis when determining if an onerous liability should be recorded.

## Question 5:

The Boards proposed to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:

- 1. Disaggregation of revenue
- 2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period
- 3. An analysis of the entity's remaining performance obligations
- 4. Information on onerous performance obligations and a tabular reconciliation on the movements in the corresponding onerous liability for the current reporting period
- 5. A tabular reconciliation of the movements of the assets recognized from the costs to obtain or fulfill a contract with a customer

Do you agree that an entity should be required to provide each of those disclosures in its interim financial statements? In your response, please comment on whether the proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information.

We do not believe that the same level of disclosure should be required for interim financial statements and annual financial statements. We would agree with the proposed interim disclosures only if a transaction entered into during the period is considered material or if there is significant change related to a contract or economic circumstances since the last audited financial statements were prepared. In other instances, we do not believe that including these disclosures at each interim period would provide users with any additional useful information. We would also request that the Board provide additional guidance in determining the level of materiality in the context of these disclosures.

The proposed disclosures include detailed analyses and reconciliations and we believe that the volume of the required information does not necessarily add value to the users of the financial statements as critical information might be lost or hard to find amongst all the disclosures included. The benefits of having this added disclosure do not outweigh the costs that would be incurred to compile and provide the information to the extent described in the proposed guidelines. Although some of the proposed disclosures would be useful, such as the disaggregation of revenues and information around onerous performance obligations, we believe that very few industries would benefit from the extensive level of disclosure as listed above. We would recommend that the Board change these to 'suggested' disclosures but not required, so companies can make an assessment of the extent of revenue disclosure based on the nature of their businesses and their peers reporting.

#### Question 6:

For the transfer of a nonfinancial asset that is not an output of an entity's ordinary activities (for example, property, plant, and equipment within the scope of Topic 360, IAS 16, or IAS 40), the Boards propose amending other standards to require that an entity apply (a) the proposed guidance on control to determine when to derecognize the asset and (b) the proposed measurement guidance to determine the amount of gain or loss to recognize upon derecognition of the asset. Do you agree that an entity should apply the proposed control and measurement guidance to account for the transfer of nonfinancial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

TransCanada does not have any specific comments for this question.

TransCanada 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.

Yours very truly,

G. Glenn Menuz, C.A

TransCanada Corporation Vice-President and Controller