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September 12, 2013

Technical Director
Financial Accounting Standards Board
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RE: File Reference No. 2013-270; Proposed Accounting Standards Update (Revised), Leases (Topic 842), a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)

The Williams Companies, Inc. ("Williams") appreciates the opportunity to provide our comments to the Financial Accounting Standards Board ("FASB") on the Proposed Accounting Standards Update regarding Leases. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas.

We are supportive of the objective of this proposal regarding more consistent balance sheet recognition of leases. Regarding the scope of the proposal, we would like more guidance concerning the exception for leases of intangible assets (Topic 350), specifically contracts conveying use rights involving tangible assets, such as an easement, where such contracts are identified as intangible assets in the accounting literature. In ASC 805-20-55-37, a use right is identified as an intangible asset and in ASC 350-30-55-29 through 55-32, an easement is provided as an example of an intangible asset. Generally, an easement creates a nonpossessory right to enter and use land in the possession of another and obligates the transferor of the easement not to interfere with the uses authorized by the easement. Would such an arrangement be excluded from being a lease under the scope exception for leases of intangible assets? If an easement is not exempted from the scope as an intangible asset, this would serve as a good example to include in the final standard regarding identifying a lease and the assessment of whether a contract is or contains a lease. As the holder of the easement receives and the transferor of the easement retains certain rights regarding use of the land, please address the evaluation of the two major considerations in a lease assessment. More specifically, considering that both parties have rights to use of the land, would the holder of the easement hold a portion of land that is considered physically distinct to conclude that fulfillment of the contract depends on the use of an identified asset and, if determined an identified asset exists, would the contract convey the right to control the use of the identified asset as the rights allow each party to direct the use of the land and both parties derive benefits from use of the land. As such, this may allow for/require judgment regarding whether the specific terms of a right-of-way arrangement would govern inclusion or exemption.

Regarding identifying a lease and the assessment of whether a contract is or contains a lease, we suggest more guidance on the two criteria behind the second major consideration in the lease assessment of "whether the contract conveys the right to control the use of the identified asset."

Specifically, situations involving a supplier providing a service to the customer, where both the customer and the supplier have involvement in, or the ability to make, significant decisions regarding providing the service (ability to direct the use), or situations where an identified asset used to provide the service is a significant component of the service being delivered (derive the benefits). Regarding the ability of the customer to direct the use of the identified asset, the proposal includes examples of decisions that could most significantly affect the economic benefits to be derived from use of an asset (paragraph 842-10-15-11), but does not clarify how to distinguish which decisions are most significant when there are multiple significant decisions. Under a service contract, both the customer and the supplier could be making decisions regarding operation of the underlying asset that affect the economic benefits to be derived from use of the asset. Also, additional application guidance would be helpful on the conditions that result in a customer not having the ability to derive the benefits from use of an asset (paragraph 842-10-15-16). Again, under service contracts where the asset is significant, the benefits from use of the asset may not be available on their own, but are only available in conjunction with the supplier delivering their service.

We believe additional guidance would be helpful regarding separation of lease and non lease components, specifically lease related executory costs. The proposal provides an example of maintenance being a service and thus a non lease component, but guidance regarding other common lease related executory costs such as insurance and taxes would be beneficial. Regarding allocating consideration between lease and non lease components for lessees in situations where an observable standalone price is not available for any component, we believe the proposal to combine all lease and non lease components into a single lease may inappropriately result in service arrangements and executory costs being recorded on the balance sheet as an asset and liability. In such situations, we believe a reasonable estimate of standalone selling prices for the components would be appropriate for purposes of separating lease and non lease components.

We are concerned about the cost vs. benefit of the proposed accounting for variable payments that depend on an index or a rate where the index or rate must be included in the lease liability and reassessed each reporting period. We believe variable payments based on an index or a rate should be considered for exclusion from the lease liability, unless the variable payment is in-substance a fixed payment, consistent with variable payments based on performance or usage, whereby the effect of an index or a rate would be recognized in income as incurred. We note that variable payments based on an index or a rate generally involve periodic adjustments to payments that have a significant fixed component and such fixed component would be included in the lease liability.

Regarding the discount rate used by lessees, we support use of the lessee's incremental borrowing rate as the most appropriate rate to use and suggest eliminating consideration of the rate the lessor charges the lessee if that rate can be readily determined. It is unclear to us what readily determinable exactly means and what information the lessee is expected to obtain to determine the rate the lessor is charging. We believe in practice it may be difficult for lessees to determine the rate charged by the lessor. This requirement becomes even more problematic when considering a revised lessee discount rate in certain reassessments of the lease liability.

We would like to see more guidance provided regarding the lease classification exception criteria for Type A and Type B leases. Specifically, what is meant by the terms "insignificant," "major part" and "substantially all."

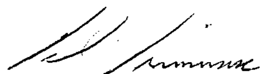
Regarding disclosures, we support certain disclosures, but believe other disclosures may not be necessary. We support certain qualitative disclosures such as a description about significant leases and leasing activities, information regarding restrictions or covenants imposed by leases, information about leases that create significant obligations prior to the lease commencement date and disclosures about lease provisions and assumptions that significantly impact the amount, timing and uncertainty of lease related cash flows. Regarding certain quantitative disclosures, the proposal to reconcile between opening and closing balances for the lease liability may not provide meaningful information when considering the cost and effort to maintain such information. While we support disclosing a maturity analysis of the lease liability showing undiscounted cash flows, we do not believe it is necessary to reconcile this analysis to the lease liability reported in the balance sheet as the difference is attributable to discounting which an informed user should understand. Additionally, we do not believe presenting a maturity analysis of the commitments for separable non lease components adds valuable disclosure as this type of analysis is not required by other guidance for executory contracts that are separate from a lease contract.

While we understand the bias towards presenting the new standard on a retrospective basis, we believe a modified retrospective approach different than in the proposal would be more practical and significantly less costly for preparers. Specifically, we would support an approach where all leases existing at the date of adoption are recorded on the balance sheet at such date with the right-of-use asset for both Type A and Type B leases and the lease liability measured as proposed. Under this approach, there would be no restatement of prior periods for either the balance sheet or income statement. We question the value in adjusting the financial statements beginning with the earliest comparative period presented as the cost and effort of restatement may not exceed the benefit from restated information. Given that the primary impact of the proposal regards recording most leases on the balance sheet, presenting leases only on the most recent balance sheet (initial date of adoption) may adequately accomplish this goal. This approach also presumes the value from restating prior period income statements is muted as the expense from leasing activity recorded under current lease accounting guidance is likely to be sufficiently representative for trend comparison between periods. We believe such an adoption approach would meet investor's needs, as when evaluating a business activity whose impact is most significant to the balance sheet, such as leasing, investors would tend to focus on the most current information and period.

In establishing an effective date, we believe the FASB should consider that the proposal will result in significant changes in practice and will require a significant effort to implement. Therefore, we believe an appropriate effective date for public companies would be no earlier than for fiscal periods beginning on or after January 1, 2018. We suggest this date as it appears a new standard won't be issued until sometime well into 2014 and a retrospective approach for adoption will probably be required. We believe a period of at least one year between issuance of a standard and the earliest comparative period required to be presented is necessary to implement the changes required by the proposal.

We appreciate the opportunity to comment on this matter and voice our concerns. We would be happy to provide any additional information you may require or discuss our comments further.

Sincerely,



Ted Timmermans
VP Controller and Chief Accounting Officer
The Williams Companies, Inc.