MAGELLAN
MIDSTREAM PARTNERS, L.P.

September 13, 2013

Via email to director @ fasb.org

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

Re: File Reference No. 2013-270, Exposure Draft: Leases (Topic 842)

Magellan Midstream Partners, L.P. (Magellan) appreciates the opportunity to provide comments to the Financial Accounting Standards Board and the International Accounting Standards Boards (the "Boards") regarding the proposed Accounting Standards Update (ASU), *Leases (Topic 842).*

Magellan is a publicly traded limited partnership principally engaged in the transportation, storage and distribution of petroleum products and crude oil. Our operations, which are based entirely with the United States, include over 10,000 miles of pipeline with an aggregate storage capacity of over 40 million barrels. As part of our operating practices we routinely engage in leasing activities and we have entered into thousands of agreements both as lessee and lessor.

We support the Boards overall objectives of providing financial statement users with greater transparency related to an entity's lease obligations. However, we believe the proposed ASU for leases will result in unnecessary complexities and excessive costs for us as well as all other financial statement preparers, with little benefit for the financial statement users.

Our specific concerns are as follows:

- We believe the proposed definition of lease will be very difficult to apply in practice and will result in inconsistent financial results by preparers and a lack of comparability among entities in the same industry. Specifically, in situations where goods and services are bundled together in a contractual agreement, the guidance is insufficient to make effective decisions as to whether or not the arrangement includes a lease.

- The concept of "control of an identified asset" is nebulous, which we believe will create unnecessary difficulties for preparers and inconsistent financial results. One example is, for Magellan and others in our industry, we routinely enter into agreements for the storage of petroleum products. While we own the tanks, our customer owns the inventory in the tanks. We schedule the movement of products in and out of the tanks, and the decisions regarding those movements are made by our customer. While our customer derives the benefits from use of the tanks, they could not do so without the services and other infrastructure of the facility provided by Magellan. These services and infrastructure usage are not sold separately and the tanks would not be considered incidental to the delivery of the services.

- When a contract includes both a lease and service component and stand-along pricing is not available for the service component, we believe we should be able to allocate values between these components based on our best estimates, rather than including both components into a lease component, as prescribed in the current exposure draft. Including the service component with the lease component would overstate assets and liabilities.

- The guidance regarding lease classification include undefined terms such as the "major" part of an asset's remaining economic life, "substantially all" of the asset's fair value and "insignificant" part of an asset's total economic life and the present value of the lease payments. While we understand the Board's position for not including "bright lines" in current accounting standards, their exclusion will create confusion and unnecessary conflicts between management and the independent accountants of entities when applying these standards. We would ask the Boards to either clearly define these terms or, at a minimum, provide further guidance.

We believe the proposed lease accounting model is overly complex and will be very difficult and expensive for Magellan to apply in practice, with little additional benefits to financial statement users. Implementation of this standard will require us to either develop a custom application or acquire and install such a system. Further, we will incur costs to develop processes and controls necessary to the implementation of this proposed standard. Our position is that the costs to implement this proposed standard far outweigh the limited benefits provided by the proposed standard. Further, we believe the resources we will be required to employ to implement this proposed standard could be better employed elsewhere to the benefit of our unitholders.

In our opinion, the objectives that the Boards have put forward could be achieved through additional disclosures rather than through the complex and costly processes included in the proposed standard. We would encourage the Boards to consider limiting the quarterly disclosures to include only significant changes from those included in an entity's annual report.

We strongly urge the Boards to reconsider the proposal to clarify the definition of a lease, including additional guidance on controlling identified assets, providing provisions for allocating service and lease components, addressing the cost/benefit issues and overall reducing the complexity of proposed standard. Because of the efforts that will be required in the implementation of this standard, we would further ask the Boards to consider establishing an effective date that is separate from their other initiatives.

We hope our comments are helpful to the Boards and we thank the Boards for taking our comments into consideration.

Sincerely,

John D. Chandler,
Chief Financial Officer

John H. Walkup,
Vice President and Controller