



January 22, 2016

Technical Director  
File Reference: 2015-330  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**File Reference: 2015-330 – Proposed Accounting Standards Update  
Business Combinations (Topic 805)  
Clarifying the Definition of a Business**

Dear Ms. Cosper:

The Edison Electric Institute (EEI) and the American Gas Association (AGA) appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Exposure Draft on the Proposed Accounting Standard Update (ASU) on *Business Combinations (Topic 805) – Clarifying the Definition of a Business* (hereafter the "Exposure Draft").

EEI is the association that represents all U.S. investor-owned electric companies. EEI members provide electricity for 220 million Americans, operate in all 50 states, and directly employ more than a 500,000 workers. With more than \$90 billion in annual capital expenditures, the electric power industry is responsible for millions of additional jobs. EEI has 70 international electric companies as Affiliate Members and 250 industry suppliers and related organizations as associate Members. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

AGA, founded in 1918, represents 202 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 almost 93 percent – more than 65 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 gas companies and industry associates. Today, natural gas meets almost one-fourth of the United States' energy needs.

EEI and AGA regularly work together on projects of mutual interest and impact to the energy utility sector broadly, and the comments expressed herein represent the majority view of each organization's member companies.

We support the proposed amendments to the definition of a business in this Exposure Draft, in particular, the incorporation of a materiality threshold to bring balance to the interpretation of the definition of a business. We provide below our specific comments on Questions 6 and 7 in the Exposure Draft which are most relevant to our members.

**Question 6:** Paragraphs 805-10-55-9A through 55-9C specify that if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset, the set is not a business. Is it appropriate to include such a threshold, and would it be operable? If not, why?

**Question 7:** The threshold in paragraph 805-10-55-9A also applies to a group of similar identifiable assets. Would the identification of a group of similar identifiable assets be operable? If not, why?

EEl and AGA are in favor of narrowing the scope of transactions that will be defined as a business combination. The proposed clarifications would simplify the process for how we analyze transactions within the Power and Utility industry and would result in fewer transactions that are more akin to asset acquisitions being accounted for as businesses. We believe using the proposed threshold is both appropriate and feasible. The identification of a group of similar assets, as defined in the exposure draft, would provide us with a practical way to assess whether assets in a transaction should be grouped for the purposes of applying the specified threshold in paragraphs ASC 805-10-55-9A through 55-9C. For example, we would use the guidance in ASC 805-10-55-9B to combine similar nonfinancial tangible assets of a solar plant or power plant and then apply the threshold to determine if substantially all of the fair value of the gross assets acquired was concentrated in this group of similar identifiable assets.

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EI and AGA appreciate the opportunity to provide our input on selected portions of the Exposure Draft. We would be pleased to discuss our comments and to provide any additional information that you may find helpful.

Very truly yours,

/s/ Richard F. McMahon, Jr.

Richard F. McMahon, Jr.  
Vice President, Edison Electric Institute

/s/ Patrick J. Migliaccio

Patrick J. Migliaccio  
Senior Vice President & Chief Financial Officer  
Chairman of the American Gas Association Accounting Advisory Council