

June 29, 2015

Technical Director
File Reference: 2015-250
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: 2015-250
Proposed Accounting Standards Update
Revenue from Contracts with Customers (Topic 606)
Identifying Performance Obligations and Licensing

Dear Ms. Cosper:

The Edison Electric Institute (EEI) and the American Gas Association (AGA) appreciate the opportunity to comment on certain matters in the Financial Accounting Standards Board's (FASB or Board) proposed Exposure Draft on the Proposed Accounting Standard Update (ASU) on Revenue from Contracts with Customers (Topic 606) Identifying Performance Obligations and Licensing (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.

The 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.

EEl 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.

Question 1: *Paragraphs 606-10-25-14(b) through 25-15 include guidance on accounting for a series of distinct goods or services as a single performance obligation. Should the Board change this requirement to an optional practical expedient? What would be the potential consequences of the series guidance being optional?*

We support the guidance on accounting for a series of distinct goods or services as a single performance obligation ("Series Provision") in ASC 606-10-25-14 (b) Identifying Performance Obligations. Therefore, we are not opposed to the Series Provision being an optional practical expedient, so long as our members can continue to apply this approach, either as a proposed optional provision or under the current mandatory provision in paragraph 606-10-25-14 (b).

Question 2: *Paragraph 606-10-25-16A specifies that an entity is not required to identify goods or services promised to a customer that are immaterial in the context of the contract. Would the proposed amendment reduce the cost and complexity of applying Topic 606? If not, please explain why.*

We support the addition of explicit language in the proposed amendment to clarify that an entity is not required to identify goods or services promised to a customer that are immaterial in the context of the contract. We believe that it will reduce the cost and complexity of applying Topic 606.

As currently written, paragraph BC90 in Topic 606 does not include an exemption for inconsequential or perfunctory promises which, in our view, could be interpreted to suggest that each and every explicit or implicit good or service in a contract should be assessed as a potential performance obligation.

As stated in SEC Chief Accountant James Schnurr's recent remarks at the 34th annual SEC and Financial Reporting Institute Conference, the intention of the new revenue guidance was not to add significantly more performance obligations that would be meaningless in the context of the contract with the customer. We believe the addition of 606-10-25-16A is consistent with these remarks and supports the FASB's intention that the notion of a promised good or service be similar to the notion of deliverables, components, or elements of a contract in previous revenue guidance.

Question 4: *Would the revisions to paragraph 606-10-25-21 and the related examples improve the operability of Topic 606 by better articulating the separately identifiable principle and better linking the factors to that principle? If not, what alternatives do you suggest and why?*

We agree that the revisions to paragraphs 606-10-25-21 improve the operability of evaluating whether goods or services are distinct within the context of the contract in accordance with paragraph 606-10-25-19(b). Explicitly stating the objective of this aspect of the standard will provide a useful framework for users as they evaluate which promises in a contract are distinct within the context of the contract. We agree with the Board that an entity should consider whether the nature of the entity's overall promise in the contract is to transfer each of those goods or services or whether the promise is to transfer a combined item or items to which the promised goods or services are inputs when evaluating the unit of account in a contract for purposes of applying Topic 606. Likewise, we believe the proposed examples in the Exposure Draft provide useful application guidance and context in evaluating paragraph 606-10-25-19(b).

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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/ William R. Ford

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