

October 15, 2015

Technical Director  
File Reference: 2015-290  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**File Reference: 2015-290 – Proposed Accounting Standards Update  
Revenue from Contracts with Customers (Topic 606)  
Principal versus Agent Considerations (Reporting Revenue Gross versus Net)**

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 Principal versus Agent Considerations (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.

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 and respond only to certain questions that are most relevant to our members.

We do not expect significant changes in gross versus net reporting conclusions for our industry under the principal versus agent amendments to Topic 606. However, we support the clarifications provided in the exposure draft and believe they will lead to more consistent application of the guidance.

We provide our comments on certain specific questions in the Exposure Draft below.

**Question 1:** *The proposed amendments to paragraph 606-10-55-36 clarify the unit of account (the “specified good or service”) at which an entity would determine whether it is a principal or an agent and clarify that an entity can be both a principal and an agent in a single contract. Would the proposed amendments improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

We believe that the amendments to this paragraph better articulate how the principal versus agent guidance should be applied, particularly as it relates to identifying the unit of account. Some contracts in our industry include multiple products or services, and we believe the amendments clarify how to apply this guidance in such situations.

**Question 2:** *Paragraph 606-10-55-37A clarifies application of the control principle to certain types of arrangements by explaining what a principal controls before the specified good or service is transferred to the customer. Would the proposed amendments improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

We believe that the proposed amendments improve the operability and understandability of the principal versus agent guidance, particularly in the area of determining what control means with respect to a service.

**Question 3:** *The proposed amendments to paragraph 606-10-55-39 provide indicators of when an entity controls the specified good or service before it is transferred to the customer and, therefore, would be a principal. The amendments also clarify the relationship of each indicator to the control principle in paragraph 606-10-55-37. Paragraph 606-10-55-39A was added to explain that the indicators may be more or less relevant to the principal versus agent assessment depending on the nature of the arrangement and that different indicators may provide more or less persuasive evidence about whether the entity controls the specified good or service before it is transferred to the customer in different contracts. Would the proposed amendments improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.*

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We believe these amendments improve the standard. We particularly appreciate that the new guidance clarifies that none of the indicators is stronger than others but rather, indicates that some indicators may not be as relevant in certain types of transactions. We also believe that clarity is improved by defining the characteristics of a principal affirmatively.

**Question 4: *Would the revisions to the principal versus agent illustrative examples (Examples 45 through 48) and the added illustrative examples (Examples 46A and 48A) improve the operability and understandability of the principal versus agent guidance in Topic 606? If not, please explain why and suggest alternatives.***

We believe that the revisions to the existing examples and the added illustrative examples provide clarity on application of the principal versus agent guidance. The examples demonstrate consistent application of the principles outlined in the standard and will benefit financial statement preparers in our industry. We believe the inclusion of examples is important in a principles-based standard that does not provide industry-specific guidance.

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EEI and AGA appreciate the opportunity to provide our input on this 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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