October 5, 2015

File References: EITF-15D and EITF-15E
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

**File References:**
**EITF 15-D – Derivatives and Hedging (Topic 815) –**
**Effect of Derivative Contract Novations on Existing Hedge Relationships**
**EITF 15-E – Derivatives and Hedging (Topic 815) –**
**Contingent Put and Call Options in Debt Instruments**

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) proposed Exposure Drafts on the Proposed Accounting Standard Updates (ASUs) on the effect of derivative contract novations on existing hedge relationships and the accounting for contingent put and call options in debt instruments (hereafter the "proposed Exposure Drafts").

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 500,000 workers. With $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.

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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.

**Responses to Questions on File Reference EITF 15-D – Derivatives and Hedging (Topic 815) – Effect of Derivative Contract Novations on Existing Hedge Relationships**

*Question 1: Do you agree that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedge accounting relationship should not, in and of itself, require dedesignation of that hedge accounting relationship?*

We strongly agree with the Board that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument in an existing hedge accounting relationship should not require dedesignation of that hedge relationship. A change in the counterparty to a derivative instrument, in and of itself, does not impact the economics of the transaction and therefore should not impact the related accounting (assuming all other hedge criteria included in ASC 815-20-35-14 to 18 continue to be met).

We believe that dedesignating a hedge relationship upon a novation results in increased complexity with no corresponding useful information to investors. In fact, we believe that such accounting is detrimental to investors as it causes economically similar derivative instruments entered into as part of the same risk management strategy to be accounted for differently, which is confusing to investors. Furthermore, requiring a dedesignation as a result of a novation would further dissuade reporting entities from applying hedge accounting and may result in further use of non-GAAP measures to eliminate the resulting mark-to-market volatility from the performance measures reported to investors.

*Question 2: Do you agree that the effects of initially adopting the amendments in this proposed Update should be applied on a prospective basis to all existing and new hedge accounting relationships in which a change in the counterparty to a derivative instrument occurs after the effective date of the proposed guidance?*

We believe reporting entities should have the option to adopt the amendments retrospectively. As the Board noted, there may be instances where an entity was following an abbreviated qualitative method of hedge accounting prior to a novation that caused a dedesignation. Subsequently, an entity may have either used the long-haul method or chosen not to apply hedge accounting. We believe reporting entities should be able to retrospectively continue the use of an abbreviated qualitative method of hedge accounting upon adopting the provisions in this Exposure Draft. Furthermore, we believe the benefits of retrospective adoption should not be limited to reporting entities that had applied an abbreviated qualitative method. The dedesignation and redesignation of any derivative instrument in a hedge relationship results in increased complexity as a result of the derivative having a non-zero fair value upon redesignation. Therefore, we believe this increased complexity should be avoided where possible. As such, retrospective application of the provisions in this Exposure Draft should be available to all hedge relationships within its scope and not just hedge relationships that had effectiveness tested using qualitative methods.

*Question 3: There may be circumstances in which entities have previously dedesignated a hedge accounting relationship upon the occurrence of a novation that, under the proposed amendments, would no longer result in a dedesignation. Those entities may have been following an abbreviated qualitative method of hedge accounting (for example, the shortcut method) before the dedesignation and either (a) redesignated the hedge under the long-haul method or (b) chose not to redesignate the hedge as a result of the complexities of applying the long-haul method when using an off-market derivative as the hedging instrument. Is the scenario described above prevalent? If so, for those entities that had been applying an abbreviated qualitative method of hedge accounting before a dedesignation resulting from a past novation, should the Task Force consider permitting, but not requiring, retrospective transition?*

As further described in our response to Question 2, we agree that entities should be permitted to apply the provisions of the Exposure Draft retrospectively, but that the Board should consider allowing retrospective application to all hedge relationships that had been dedesignated solely due to a novation.

*Question 5: How much time would be needed to implement the proposed amendments and should the implementation period differ for public business entities versus all other entities? Should this guidance be effective upon issuance? If the guidance is not effective upon issuance, should early adoption be allowed? Please explain why.*

We do not believe the provisions in this Exposure Draft will take significant time to implement. Accordingly, we believe the guidance should be effective upon issuance.

*Question 6: Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.*

We believe the disclosure requirements of ASC 250-10-50-1 should apply if the Board allows entities to apply the provisions in the Exposure Draft retrospectively (and the resulting impact is material to the financial statements). If the Board does not allow for retrospective application, we do not believe any transition disclosures should be required as they would not provide decision-useful information to investors.

**Responses to Questions on File Reference EITF 15-E – Derivatives and Hedging (Topic 815) – Contingent Put and Call Options in Debt Instruments**

*Question 1: Do you agree that the assessment of whether a contingent call (put) option in a debt instrument that can accelerate the repayment of principal is clearly and closely related to its debt host should require only an assessment of the four-step decision sequence and not an additional assessment of the event that triggers the ability to exercise the call (put) option? If not, why?*

We concur with the Board that entities should not be required to assess the event that triggers the ability to exercise the contingent call (put) option within debt instruments. It is very common in debt arrangements to have numerous contingent put and call arrangements. In many cases it is very clear that these contingencies are triggered by credit-related events (e.g. default). However, in other cases this determination may be very subjective and could result in different conclusions. For example, a debt instrument may provide the lender the ability to call the loan due to a change in law or modification of a contract. A requirement to analyze each of these features to determine whether they were indexed to interest or credit would be complex and time consuming. Further, as the Board noted in paragraph 9 in its basis for conclusion such an assessment would frequently result in an entity valuing an embedded derivative that is small or zero at inception and on an on-going basis. This would require significant incremental time with no corresponding benefit to users of the financial statements. Accordingly, we fully support the Board's proposal to limit the assessment of these contingent puts (and calls) to the four step decision sequence in ASC 815-15-25-42.

*Question 2: Do you agree that the effects of the proposed amendments should be applied on a modified retrospective basis as of the beginning of the fiscal year, and interim periods within that fiscal year, for which the proposed amendments are effective? If not, why?*

We concur with the Board that the proposed amendments should be applied on a modified retrospective basis as of the beginning of the fiscal year, and interim periods within that fiscal year, for which the proposed amendments are effective.

*Question 4: How much time would be needed to implement the proposed amendments and should the implementation period for entities other than public business entities differ from the implementation period for public business entities? Should early adoption be permitted? Please explain why.*

We do not believe the provisions in this Exposure Draft will take significant time to implement. Accordingly, we believe the guidance should be effective upon issuance.

*Question 5: Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.*

We concur with the Board's proposed transition disclosures to the extent that this proposal has a material impact on an entity's financial statements. We do not believe the impact of adopting the provisions in this proposal will be material to our member companies.

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EEI and AGA appreciate the opportunity to provide our input on these Exposure Drafts. 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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