Williams

TED TIMMERMANS
Vice President Controller and
Chief Accounting Officer
918/573-3437
918/573-4054 fax
ted.timmermans@williams.com

One Williams Center
P.O. Box 2400
Tulsa, OK 74102-2400
918/573-2000

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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Electronic Address: director@fasb.org

RE: File Reference No. 2015-280, Proposed Accounting Standards Update, Investments – Equity Method and Joint Ventures (Topic 323), Simplifying the Equity Method of Accounting

The Williams Companies, Inc. (Williams) appreciates the opportunity to provide our comments to the Financial Accounting Standards Board (Board) on the Proposed Accounting Standards Update regarding simplifying the equity method of accounting. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas.

We support the Board's effort to simplify the accounting for investments where the equity method is applied and we agree the effort required to account for a basis difference arising from an investment as if the investee were a consolidated subsidiary is substantial and complex. However, we believe there are some disadvantages to completely eliminating the adjustment to equity method earnings from periodic amortization of basis differences that need to be considered. While the proposal would reduce the near term effort and accounting complexity, we believe the proposal will create an increased likelihood of additional future effort and accounting complexity in the form of impairment evaluation and certain administrative and audit efforts. By not systematically reducing a basis difference, the risk of an impairment from an other than temporary decline in fair value is more likely to occur on a recurring basis, particularly if the investee is not growing the underlying business. This could result in a situation much like the current accounting for goodwill by public companies requiring an annual and sometimes interim assessment for potential impairment, which is often complex.

The proposal could potentially increase the cost and effort to comply with certain reporting requirements for SEC registrants. SEC Regulation S-X Rule 1.02(w) defines a significant subsidiary which definition is used to determine significance in certain situations including investments accounted for under the equity method. One of the three tests using the definition of a significant subsidiary is income from continuing operations and not periodically amortizing basis differences would increase the percent of income that comes from equity method investments thus increasing their significance and potentially requiring additional financial reporting. Reporting summarized financial information of investees under SEC Regulation S-X Rule 4.08(g) and filing separate financial statements of investees under SEC

Regulation S-X Rule 3.09 are examples. Additionally, the relative significance of the equity investee's earnings could result in the requirement for the primary auditor to refer to the work of other auditors as well as add complications to a company's evaluation of whether it is subject to the Investment Company Act.

We prefer an approach where basis differences would continue to be periodically amortized as an adjustment to equity earnings, but simplified to eliminate the cost and complexity associated with determining the fair values of the investee's assets and liabilities, whether recorded or not recorded, less their underlying carrying values. Such an approach might be to utilize a qualitative assessment where the accounting life of the predominant asset(s) of the investee is identified, whether such asset(s) is recognized or not in the financial statements of the investee, and a basis difference is periodically amortized over that life. We understand the Board discussed a similar approach during their deliberations. Also, our suggested approach encompasses amortization of the entire basis difference, thus eliminating the notion of "equity method goodwill."

If the accounting to eliminate basis differences is adopted as proposed, we support the Board's proposed modified prospective transition method where the proposed Update would be applied prospectively and periodic amortization would cease for basis differences that exist at the transition date.

We support elimination of the requirement to retroactively adjust prior periods when an existing investment initially qualifies for use of the equity method from increases in the level of ownership interest. We support the Board's proposal to apply this guidance prospectively for investments initially qualifying for the equity method from ownership increases occurring after the effective date.

For both proposals, we believe an effective date immediately upon issuance of an Update is appropriate, as the effort required to adopt the proposed amendments would not be significant and the amendments would be cost beneficial.

We appreciate the opportunity to comment on this matter and would be happy to provide any additional information you may require or discuss our comments further.

Sincerely,

Ted Timmermans
Vice President, Controller and Chief Accounting Officer
The Williams Companies, Inc.