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November 16, 2016

Technical Director
Financial Accounting Standards Board
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RE: File Reference No. 2016-310, Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities

The Williams Companies, Inc. (Williams) appreciates the opportunity to provide our comments to the Financial Accounting Standards Board (Board) on the proposal regarding improvements to the accounting for hedging activities. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas, and produces olefins.

We support the Board's objective of more closely aligning hedge accounting and financial reporting with an entity's risk management activities. This project is important to Williams as we use derivative instruments in our management of commodity price risk in the purchase and sale of natural gas, natural gas liquids and olefins. We have comments on certain of the proposed changes as follows.

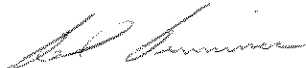
We strongly support the proposal that would allow risk components of nonfinancial instruments, such as commodity contracts, to be hedged items. While we support this proposal, we are concerned about limiting component hedging of nonfinancial risk to only "contractually specified components." We believe the Board should provide further opportunities beyond "contractually specified components" for entities to bifurcate risk and achieve hedge accounting for nonfinancial items. Hedging of components that are "separately identifiable" and "reliably measureable," as allowed under IFRS, is a reasonable framework beyond the "contractually specified components" approach. In applying this approach, entities would consider the fundamentals of the market in which the risk arises and where the hedging activity occurs. In certain commodities markets, there are components that are not specified in purchase and sale contracts for which it is the market practice to use the component as a basis in determining the overall price of the commodity product. For example, the pricing in a natural gas purchase or sale contract for delivery at a specific location generally contains an overall purchase price comprised of an implied Henry Hub price and a locational basis differential. As such, components of overall price may not be explicitly specified in certain of our current commodity purchase and sale contracts and to now begin documenting such components in our contracts to achieve hedge accounting would be a significant change and undertaking.

For highly effective cash flow hedges, we support recording the entire change in fair value of the hedging derivative in other comprehensive income and reclassifying the change to earnings when the hedged item affects earnings. We also agree that reporting the entire effect of the hedging instrument in the same income statement line item as the earnings effect of the hedged item in the period(s) that the hedged item affects earnings is the most appropriate financial reporting.

We support the proposal to allow the initial prospective quantitative assessment of hedge effectiveness to be performed any time between hedge inception and the quarterly effectiveness testing date using data applicable at hedge inception. Providing more time to finalize this aspect of the hedge documentation brings efficiencies to an overall process that is already complex and time sensitive. Under the proposal, entities still must contemporaneously document the method of performing the initial quantitative effectiveness assessment. Consistent with the relief for performing the initial quantitative assessment, we believe entities should have the same time frame to complete the documentation of the assessment methodology. We also agree with allowing subsequent assessments of hedge effectiveness to be performed qualitatively.

We appreciate the opportunity to comment on these matters 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.