



October 23, 2017

Technical Director
File Reference: 2017-290
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: 2017-290 – Proposed ASU, *Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842*

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 of the Proposed ASU, *Leases (Topic 842) – Land Easement Practical Expedient for Transition to Topic 842* (hereafter the "Exposure Draft").

The Edison Electric Institute (EEI) is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for 220 million Americans and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. In addition to our U.S. members, EEI has more than 60 international electric companies as International Members, and hundreds of 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 American Gas Association (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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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.

Overall Comments

EEl and AGA greatly appreciate the Board's proposal to amend Topic 842 to add an optional transition practical expedient for land easements that exist or expired before the effective date of Topic 842 and that were not previously assessed under Topic 840. For our industry, this practical expedient will provide substantial transition relief for the cost and complexity of implementing Topic 842 as utilities typically have tens of thousands of land easement agreements, many of which date back several decades. Utilities are committed to working diligently to implement Topic 842 effectively and accurately. The proposed practical expedient will mitigate our concerns regarding possible negative impacts on our ability to successfully meet the implementation date for Topic 842.

Based upon the minutes of the Board meeting on August 2, 2017, as well as paragraphs BC12 and BC13 in the Exposure Draft, we believe the Board's intent was to provide a practical expedient for existing or expired land easements that were previously not accounted for as a lease (operating or capital) under Topic 840. This would include land easements that utilities account for under other guidance, including for example Topic 350, Intangibles-Goodwill and Other; Topic 360, Property, Plant, and Equipment; or as executory contracts.

However, it has come to our attention that some may interpret the term "assessed" as used in the proposed new subparagraph 842-10-65-1 (gg) broadly to require entities to determine if **any** of their land easements were previously assessed under Topic 840 in any manner, even if those easements are not being accounted for as a lease under Topic 840. In particular, the last sentence in that subparagraph ("An entity that previously assessed existing or expired land easements under Topic 840 shall not be eligible for this practical expedient for those land easements.") could be interpreted to prohibit election of the practical expedient for easements assessed under Topic 840 even though they were determined not to be or contain a lease.

Based on our understanding of the Board's conclusions as set forth in the meeting minutes referenced above as well as paragraphs BC12 and BC13 of the Exposure Draft, we believe that this alternative interpretation is inconsistent with the intent of the proposed practical expedient. However, we are concerned that the current wording of proposed subparagraph 842-10-65-1 (gg) does not convey that intent with sufficient clarity to preclude such an interpretation.

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Therefore, we ask the Board to modify the language of the practical expedient to ensure that only land easements that were previously determined to be or contain a lease be excluded from applying the practical expedient. We suggest that this could be accomplished by modifying that subparagraph as follows (suggested edits blacklined):

An entity also may elect a practical expedient to not assess whether existing or expired land easements that were not previously ~~assessed-accounted for~~ under Topic 840 ~~on-as~~ leases (either capital or operating) are or contain a lease under this Topic. For purposes of (gg), a land easement (also commonly referred to as a right of way) refers to a right to use, access, or cross another entity's land for a specified purpose. This practical expedient shall be applied consistently by an entity to all its existing and expired land easements that were not previously ~~assessed-accounted for as leases (either capital or operating)~~ under Topic 840. This practical expedient may be elected separately or in conjunction with either one or both of the practical expedients in (f) and (g). An entity that elects this practical expedient for existing or expired land easements shall apply the pending content that links to this paragraph to land easements entered into (or modified) on or after the date that the entity first applies the pending content that links to this paragraph as described in (a) and (b). An entity that previously ~~assessed-accounted for~~ existing or expired land easements as leases (either capital or operating) under Topic 840 shall not be eligible for this practical expedient for those land easements.

Specific Questions

Question 1: Would the land easement practical expedient in this proposed Update reduce the cost and complexity to implement Topic 842? If not, please explain why.

Yes. As discussed above, EEI and AGA believe the practical expedient (modified to reflect the clarification we have recommended) will provide substantial transition relief for utilities in implementing Topic 842. We agree with the Board's conclusion that evaluating existing land easements would result in substantial implementation costs for utilities and could result in significant challenges to our industry's ability to adopt Topic 842 in a timely and accurate manner. We also agree that absent the proposed practical expedient there would be limited benefits from evaluating existing land easements on the financial statements of utilities for the reasons cited by the Board in BC10 and BC11 of the Proposed Update.

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Question 2: Would the proposed amendments require transition provisions or an effective date that is different from those of Topic 842? If yes, please explain what transition requirements and/or effective date you would recommend and why.

EEl and AGA agree with the proposed effective date for the Proposed Update which is the same as the effective date for Topic 842. Also, we do not see any reason for transition provisions.

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EEl 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/ Gregory J. Peterson

Gregory J. Peterson
Vice President, Controller, Chief Accounting Officer, Southwest Gas Corporation
Chairman of the American Gas Association Accounting Advisory Council