



July 21, 2016

**Electronic Filing**

Ms. Elizabeth M. Murphy  
Secretary  
File Reference: S7-06-16  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**Re: AGA's Supplemental Comments on Business and Financial Disclosure Requirements in Regulation S-K**

Dear Ms. Murphy:

The American Gas Association (AGA) appreciates the opportunity to comment on the Securities and Exchange Commission's (SEC or Commission) request for comment on Business and Financial Disclosure Requirements in Regulation S-K (hereafter the "Request for Comment"). The comments provided in this letter are intended to supplement AGA's comments provided in the joint Edison Electric Institute (EEl) and AGA comment letter, also submitted in this docket, on the issue of sustainability disclosures and to specifically respond to statements made by the Sustainability Accounting Standards Board (SASB).

The American Gas Association, founded in 1918, represents more than 200 local energy companies that deliver clean natural gas throughout the United States. There are more than 72 million residential, commercial and industrial natural gas customers in the U.S., of which 95 percent – just under 69 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 natural gas companies and industry associates. Today, natural gas meets more than one-fourth of the United States' energy needs.

As described in detail in AGA and EEl's joint comment letter, AGA believes that maintaining a principles-based disclosure framework allows a registrant to more effectively tailor its disclosures to provide the information it believes is relevant for investors to understand its business and financial condition. Essential to the effectiveness of such a framework is the application of an appropriate threshold, which AGA believes should be rooted in the concept of materiality, in determining when and what information should be disclosed. AGA encourages the Commission to consider revising the disclosure requirements to remove prescriptive thresholds where such thresholds may result in the disclosure of information that is immaterial in the context of a registrant's business. AGA's disclosure-specific comments can be found in AGA and EEl's joint comment letter.

AGA does not agree with the addition of sustainability or public policy issues or similar matters as a distinct category for disclosure, or through frameworks proposed by others, including the SASB. AGA believes it appropriate to address the comments of the SASB in particular, given the SASB's involvement in developing draft standards for the gas utility industry and clarify any misconceptions regarding industry's involvement in developing those standards.

The filings governed by Regulation S-K are focused on information designed to help investors assess the amount, timing, and risks associated with a registrant's future cash flows. That is, they are focused on financial information. As such, Regulation S-K articulates principles designed to identify when any topic could have a material impact on investors' assessment of the registrant's financial information.

The overall context of SEC filings, and the purpose for which they exist, is to provide materially correct financial information, material disclosures necessary to understand that information, explanations of the reasons for material changes from period to period, and explanations of material known trends or uncertainties that would cause the historical information not to be representative of the future. A transaction, event, contingency, or policy required to be reported is only relevant within this context: to support and explain the historical financial results and to indicate to what extent, if any, they would need to be adjusted by investors for known trends and uncertainties in order for investors to project future results.

AGA believes that the existing framework for identifying disclosures based upon whether they are material to the registrant's financial information is sufficiently robust and well-focused to encompass any disclosures related to these topics that investors need for evaluating this financial information. For this reason, AGA agrees with SASB that requiring generally applicable line-item disclosures would result in additional corporate reporting burden and a large volume of information that is immaterial to investors. Management appropriately uses its judgment to report on matters that it determines are material to investors and other users of its financial statements. As a result, and to the extent necessary, sustainability matters are discussed in SEC filings in a focused manner that considers whether each specific issue is material to that registrant's financial information. This approach fully satisfies the applicable requirements for those filings, which are designed to provide only material financial information.

The fact that utility registrants are in fact reporting sustainability or public policy issues where material is supported by SASB's own research.<sup>1</sup> SASB conducted an analysis of the quality of current disclosure on these issues in SEC filings by the leading utility companies in the industry, which examined the types of disclosure on sustainability topics, whether no disclosure, boilerplate, industry-specific, or metrics. The results of this analysis suggest that for gas utilities, registrants are reporting sustainability issues in SEC filings, and that these disclosures are industry-specific or rely on other metrics. These findings flatly contradict statements by organizations, including SASB, suggesting that registrants are not reporting sustainability information, or that reporting is done through boilerplate language that is not effective.

Despite the fact that SASB's own analysis would suggest that a mandated disclosure framework is not warranted for the gas utility industry, SASB has developed disclosure standards for both electric and gas utilities. AGA has serious concerns about the non-transparent and faulty process used to develop SASB's Gas Utilities Provisional Standard as well as the failure of SASB's Proposed Rules

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<sup>1</sup> Sustainability Accounting Standards Board, Gas Utilities Research Brief, Appendix IV Analysis of SEC Disclosures, page 19, [http://www.sasb.org/wp-content/uploads/2016/03/IF0102\\_GasUtilities\\_Brief.pdf?utm\\_referrer=http%3A%2F%2Fwww.sasb.org%2Fapproach%2Four-process%2Findustry-briefs%2Finfrastructure-sector-industry-briefs%2F](http://www.sasb.org/wp-content/uploads/2016/03/IF0102_GasUtilities_Brief.pdf?utm_referrer=http%3A%2F%2Fwww.sasb.org%2Fapproach%2Four-process%2Findustry-briefs%2Finfrastructure-sector-industry-briefs%2F).

of Procedure to meet basic requirements for AINSI-accredited standards bodies. AGA has provided SASB with detailed comments on its concerns,<sup>2</sup> but highlights its concerns here.

As the leading voice representing the natural gas distribution sector, AGA felt compelled to provide comments on the Draft Gas Utilities Provisional Standard as well as the Proposed Rules of Procedure. However, AGA's comments should not be considered equivalent to participation in the development of either because neither AGA nor natural gas distribution companies were consulted or involved in developing the Provisional Standard or the Proposed Rules of Procedure.

AGA has identified to SASB its significant concerns with the process through which the SASB developed the Gas Utilities Standard, and, specifically, the lack of input provided by the gas utility industry in developing the standards. The Provisional Standard was based on input from a limited number of individuals employed by the natural gas distribution industry, some without the necessary expertise, and participating as individuals, not on behalf of the natural gas industry. As a result of the way that the SASB solicited involvement and responses on the Provisional Standard, it is misleading and wrong to suggest that the Gas Utilities Draft Standard is the product of industry collaboration. This flawed process resulted in a Provisional Standard that lacks a comprehensive understanding of all aspects of the gas utility industry, which is critical to developing meaningful metrics and standards for the industry.

AGA also identified to SASB the flaws in its Proposed Rules of Procedure. In particular, AGA feels that a fundamental flaw is the absence of any meaningful representation on its key voting bodies by individuals with operational expertise in the 79 industries to be covered by SASB's "standards." The Proposed Rules of Procedure provide for "consultation" with corporate issuers, but there is no provision for true, balanced representation of the affected industry on the body that is balloted and allowed to vote on proposed standards, as would be required for ANSI consensus standards. In addition, although SASB claims ANSI accreditation in the Rules of Procedure and in its website and other materials, SASB has not followed ANSI Essential Requirements for processing the proposed change in procedure.

AGA is not alone with its concerns with the SASB's Provisional Standards and Proposed Rules of Procedure. Numerous other organizations have submitted detailed comments to SASB voicing their concerns.<sup>3</sup>

For these reasons, AGA does not support the adoption of mandatory sustainability disclosure requirements. AGA's member companies voluntarily disclose sustainability metrics in separate reports (other than SEC filings) specifically designed to discuss these matters for stakeholders who find them relevant. We believe that these separate reporting vehicles, through programs such as the Global Reporting Initiative, Carbon Disclosure Project, and Ceres, are the most effective and appropriate means for communicating such information. The existence and development of such reports absent any specific regulatory requirement illustrates that such information is best

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<sup>2</sup> AGA's Comments on the SASB's Exposure Draft Sustainability Accounting Standard for Gas Utilities, January 28, 2016, [https://www.aga.org/sites/default/files/2016\\_01\\_28\\_aga\\_comments\\_sasb\\_natural\\_gas\\_distribution\\_final.pdf](https://www.aga.org/sites/default/files/2016_01_28_aga_comments_sasb_natural_gas_distribution_final.pdf).

AGA's Comments on the SASB's Proposed Rules of Procedure, July 6, 2016, [https://www.aga.org/sites/default/files/160706\\_aga\\_comments\\_on\\_sasb\\_procedures.pdf](https://www.aga.org/sites/default/files/160706_aga_comments_on_sasb_procedures.pdf).

<sup>3</sup> See, e.g., all comments received on SASB's Proposed Rules of Procedures, [http://www.sasb.org/wp-content/uploads/2016/07/All-comments-received-compilation\\_Redacted.pdf](http://www.sasb.org/wp-content/uploads/2016/07/All-comments-received-compilation_Redacted.pdf).

communicated outside SEC filings in reporting formats that best suit the needs of preparers and users.

AGA appreciates the opportunity to provide input on this Request for Comment. We would be pleased to discuss our comments and to provide any additional information that you may find helpful.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Christine Wyman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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