



Edison Electric
INSTITUTE



November 2, 2016

The Honorable Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**File Number S7-15-16
Request for Comment on Proposed Rules on Disclosure
Update and Simplification**

Dear Mr. Fields:

The Edison Electric Institute (EEI) and the American Gas Association (AGA) appreciate the opportunity to respond to the Securities and Exchange Commission's (SEC or Commission) request for comment on certain business and financial disclosure requirements (hereafter the "Proposed Rules").

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 the District of Columbia, and directly and indirectly employ more than one million workers. Safe, reliable, affordable, and clean energy powers the economy and enhances the lives of all Americans. EEI has dozens of 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.

AGA, founded in 1918, represents 202 local energy companies that deliver clean natural gas throughout the U.S. 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 energy needs in the U.S.

EI and AGA regularly work together on projects of mutual interest and impact to the energy utility sector broadly. The comments expressed herein respond only to certain topics that are most relevant to our members. We make no comment on the proposed changes that apply specifically to insurance companies, bank holding companies, or real estate investments trusts.

We provide our comments on certain specific questions on the Proposed Rules below.

Conceptual Considerations

As indicated in the request for comment, the proposed changes give rise to several broader conceptual considerations including prominence, disclosure location, and the use of bright-line thresholds. The following comments have been prepared to address those considerations.

Prominence

Does the location of a disclosure make it more or less prominent?

We do not believe a disclosure in the financial statements is either more or less prominent than a disclosure outside of the financial statements (e.g., management's discussion and analysis (MD&A)). However, disclosures in the financial statements include third party assurance because they are audited as opposed to being unaudited when presented outside of the financial statements.

We also believe that the location of a disclosure should be based on the nature and purpose of the information being disclosed. For example, historical information that gives context to the financial statements should be included in the audited financial statements while forward-looking information is more appropriate outside of the financial statements.

Should cross-referencing be added to the document to assist investors in navigating the document?

We believe it is unnecessary to mandate cross-referencing to indicate where disclosures had been previously included prior to the application of the Proposed Rules. We believe there should be a certain level of investor sophistication assumed, and many registrants already effectively make use of cross-referencing in their SEC documents.

Do the disclosure location changes either benefit or adversely impact investors? What about issuers?

We believe the disclosure location changes would have little to no impact to investors. From an issuer perspective, the purpose of the disclosure more appropriately dictates where information should be disclosed.

The financial statements and notes contain historical information regarding the results of operations and financial position of the company. In addition to a discussion of the historical results of operations, MD&A also contains forward-looking information to provide investors insight to the company's future performance. If forward-looking information were to be required in the notes, issuers would be subject to additional burdens in providing sufficient documentation, support and audit evidence to their external auditors so that the forward-looking disclosure can be audited. There may also be additional administrative burdens on issuers (e.g., XBRL tagging).

Disclosure Location

The Commission's proposed changes would allow registrants to provide the following information outside of the financial statements:

- i. Interim financial events
- ii. Dividend restrictions
- iii. Event of default not cured

We support these changes as they would provide preparers greater flexibility as to where to present the information without limiting or reducing the information provided to investors.

Bright Line Thresholds

Dividend Restrictions

We support the proposal to require these disclosures when material, rather than with a bright line threshold.

Products and Services

We recommend that registrants provide disclosures pertaining to their products and services in line with accounting principles generally accepted in the United States (U.S. GAAP). Allowing management to determine the products and services that will be

separately disclosed allows for those disclosures to represent how management views and operates the business, which is consistent with the intent of other disclosures (e.g., segment disclosures). Requiring disclosure according to a bright-line threshold may result in less meaningful disclosures.

Major Customers

Regulation S-K requires disclosure if a loss of a customer, or a few customers, would have a material adverse effect on a segment. This differs from U.S. GAAP in that U.S. GAAP requires disclosure for each customer that comprises 10 percent or more of total revenue. In this case, U.S. GAAP has the bright line.

Regulation S-K requires disclosure of the name of any customer that represents 10 percent or more of the issuer's revenue and whose loss would have a material adverse effect on the issuer. Since the requirements in Regulation S-K differ from the current requirement in U.S. GAAP, the incorporation of these requirements into U.S. GAAP would potentially add a requirement to name certain customers.

In the request for comment, SEC staff is asking in what way disclosure of customer's name(s) would be competitively harmful to the issuer or the customer, taking into consideration whether the loss of the customer could have an adverse material effect on the issuer. This requirement could be harmful to companies within our industry that operate competitive business ventures by requiring disclosure of competitively sensitive customer information. Therefore, we encourage the Commission to delete this requirement to conform to U.S. GAAP. We believe that deleting the requirement would simplify compliance efforts while not significantly altering the total mix of information provided to investors.

Duplicative Disclosures

We support the Commission's proposal to eliminate redundant or duplicative disclosure requirements to simplify issuer compliance efforts while providing substantially the same information to investors. The Commission proposed elimination of disclosure requirements related to 15 topical areas, two of which do not relate to the electric and gas industry. Therefore, we refrain from commenting on those changes pertaining to insurance and bank holding companies.

The elimination of duplicative Commission disclosure requirements does not substantially change disclosure requirements as a majority of the proposed eliminations have a corresponding U.S. GAAP disclosure requirement. Further, we believe these eliminations will not result in a significant impact to preparers, auditors, or information available to investors given other existing disclosure requirements.

Overlapping Disclosures

We support the Commission's objective of simplifying and reducing redundancy in disclosures that require substantially the same or similar information. We have included the additional suggestions below for the Commission to consider.

Proceedings known to be contemplated but which are not probable of being asserted

We recommend removing the disclosure requirements for these proceedings if management has concluded that they are not probable of being asserted. Including discussion of proceedings that are not probable of being asserted does not provide useful information to investors, and may reduce the prominence of other disclosed proceedings that have actually been or are probable of being asserted. The application of these disclosure requirements can be very subjective and difficult in practice.

Adding additional detail to the financial statements regarding specific legal cases without a materiality threshold will create additional burdens for issuers (e.g., additional disclosure preparation and review time, XBRL tagging) and auditors (e.g., obtaining sufficient audit evidence) to develop and audit additional estimates and disclosures.

Material bankruptcy, receivership, or similar proceeding

We support requiring disclosure of material bankruptcy, receivership, or similar proceedings in the financial statements, as we believe the information would be of value to investors and provide transparency.

Proceedings involving capital expenditure or deferred charges

We recommend that disclosures regarding the commitment of significant capital resources to comply with the outcome of proceedings be combined with U.S. GAAP disclosures related to charges that affect the income statement. This disclosure will provide investors with information relating to future expenditures of the registrant, including the nature of those expenditures.

Environmental proceedings in excess of the 10 percent or \$100,000 thresholds that may not be otherwise material to the registrant

We propose eliminating the \$100,000 threshold requirement. The arbitrary \$100,000 threshold is below what is presented in many financial statements, i.e., those that present only millions, and does not provide meaningful information to investors or enhance an investor's analysis of the registrant. Registrants should only disclose

proceedings that are reasonably possible to have a material impact on the financial statements.

Low probability-high magnitude proceedings

We recommend that these disclosures follow the requirements under U.S. GAAP concerning the likelihood of loss. Using the U.S. GAAP guidelines provides similar disclosure if, as the “Disclosure Update and Simplification” proposed rule notes, materiality depends on likelihood and magnitude. If the likelihood is remote, providing this information is not helpful to investors. Having a separate rule that requires disclosure of potential losses beyond those that are considered “reasonably possible” will create additional burdens for issuers (e.g., additional disclosure preparation and review time, XBRL tagging) and auditors (e.g., obtaining sufficient audit evidence) to develop and audit additional estimates and disclosures.

Obsolete Disclosures

We support the Commission’s proposal to eliminate the following disclosures identified in the Proposed Rules as obsolete:

- Eliminating the requirement to provide a ratio of earnings to fixed charges.
- Reducing the information required to be disclosed regarding the trading market and trading prices for a company’s common equity.
- Eliminating required disclosures about the availability of information in person at the SEC’s reading room in Washington, D.C.

We agree with the Commission that these disclosure requirements have become obsolete or superseded as a result of the passage of time or changes in the regulatory, business or technological environment.

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EEl and AGA appreciate the opportunity to provide our input on the Proposed Rules. 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.

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/s/ Patrick J. Migliaccio

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