



April 20, 2009

Ms. Florence E. Harmon
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Reference: File number S7-27-08

Dear Ms. Harmon,

The American Gas Association ("AGA") is pleased to submit its comments concerning the *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers* (the "Roadmap") issued by the Securities and Exchange Commission ("SEC"). The American Gas Association, 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 natural gas companies and industry associates. Today, natural gas meets almost one-fourth of the United States' energy needs.

Summary

AGA agrees that the capital markets have become increasingly global, and the use of a single set of high-quality accounting standards will be beneficial to investors. A uniform set of accounting standards will allow investors to compare financial statements prepared in different regions more easily, and it will provide issuers with greater access to capital markets globally. While we concur with the SEC's intentions, we have several concerns regarding the Roadmap. We have detailed our recommendations and concerns below.

Gradual Conversion

In our opinion, one of the key requirements for adopting a single set of accounting standards is that they are "high quality." Conversion to IFRS for the sake of uniformity if these standards are not a higher quality than current standards will be detrimental to accounting practices in the US and is something against which we should guard. Accordingly, we believe the SEC should strongly consider a gradual convergence of accounting principles generally accepted in the United States of America ("US GAAP") and International Financial Reporting Standards ("IFRS") as an alternative to the

proposed conversion to IFRS discussed in the Roadmap. In the February 2006 Memorandum of Understanding issued by the US Financial Accounting Standards Board ("FASB") and International Accounting Standards Board ("IASB" collectively, the "Boards"), the Boards stated that "Convergence of accounting standards can best be achieved through the development of high quality, common standards over time." The benefits of this approach are that it focuses on the quality of the uniform standards and that convergence of standards will reduce or eliminate many of the implementation costs that would result from IFRS conversion.

Over the past few years, the Boards have worked on joint projects designed to improve the accounting standards for companies reporting under US GAAP and IFRS and to increase the comparability of the financial statements between companies issuing under either set of standards. There are several significant active or completed joint projects that will further converge US GAAP and IFRS, including projects related to business combinations, revenue recognition, financial statement presentation and leases. Additionally, the IASB is currently working on several projects designed to improve IFRS, and in many instances these projects will further narrow the gap between US GAAP and IFRS. It is important that we acknowledge that there may be instances in which US GAAP is preferable to IFRS and vice versa. Accordingly, the current approach of reviewing the rules under both sets of standards and issuing joint standards that incorporate the best aspects of both is the ideal method to create a "single set of high-quality accounting standards." Prior to a mandate requiring the use of IFRS, it would be beneficial for the SEC to perform a formal evaluation of IFRS to determine if it is indeed preferable to US GAAP in terms of providing decision useful information to investors and improving the quality and comparability of financial statements internationally.

This issue is particularly relevant for the utility industry. The regulatory environment in the US has a significant impact on utilities, and it is important that the impact of this regulation is reflected in the accounting for the underlying transactions it will affect. Under US GAAP, FASB Statement 71: *Accounting for the Effects of Certain Types of Regulation* ("FAS 71") contemplates the effect that rate regulation has on an entity's financial position and ensures that the accounting records for companies subject to rate regulation incorporate this effect and that their financial statements accurately reflect the true economic substance of the underlying transactions. Currently, IFRS does not include any specific guidance related to accounting for the impact of rate regulation in a company's accounting records. However, the IASB added a project on rate-regulated activities to their agenda at their December 2008 meeting, and they are expected to issue an exposure draft of a new standard during 2009. The existence of a pronouncement under IFRS that effectively addresses the issue rate-regulation is crucial to ensuring the accuracy and usefulness of financial statements prepared using these standards. It is essential that the SEC remain apprised of this and other projects aimed at improving and further converging IFRS and US GAAP. In the absence of an IFRS standard that addresses this issue properly, it is likely that the financial statements of utilities reported under these standards will not provide a faithful representation of our financial position and the results of our operations. As a result, users of our financial statements will likely

require us to provide information outside of the financial statements in order to properly evaluate companies within our industry.

One of the main arguments against requiring IFRS in the US is the high cost of implementation, but these costs would be significantly reduced or even eliminated under the convergence model. Conversion to IFRS will result in significant costs for US companies, including updating controls, upgrading IT systems, and providing training to employees. Additionally, the Roadmap requires presenting three years of comparative IFRS financial statements upon adoption, which means companies will need to maintain accounting records under both IFRS and US GAAP during the transition period. Many of these costs will be reduced or avoided if US GAAP and IFRS are gradually converged. The issue of maintaining two sets of accounting records during the transition period will no longer exist, and the additional costs related to the implementation of joint standards will not be significantly higher than those currently being incurred to implement new standards under US GAAP.

Deliberation with Other Groups

Given the magnitude of the decision to convert to IFRS, we believe it is crucial for the SEC to coordinate with other agencies affected and gain acceptance from all levels of the US Government. It is unclear if Congress will be amenable to accepting a foreign entity as the lone standard setter for public companies in the US. This is particularly likely to be an issue given the concerns around the funding of the IASC, which governs the IASB, as discussed in the Roadmap. As a result of the Sarbanes-Oxley act of 2002, a funding structure was designed to prevent undue influence from being applied to US standard setters and ensure the independence of the regulatory bodies, but a similar structure is not in place for international standard setters. As the IASC is currently funded largely through voluntary contributions, there is a fear that the IASC and IASB could be influenced by these contributions to promote an agenda that is not in the best interest of the general public. Accordingly, it is vital that an appropriate funding mechanism for the IASC is established prior to the mandatory use of IFRS in the US.

It is also important that the SEC coordinates with other government agencies, including the Internal Revenue Service, and confirms that they will accept IFRS financial statements as the starting point for regulatory filings. In our industry, we are required to file financial data with the Federal Energy Regulatory Commission (“FERC”), the Department of Energy (“DOE”), and state public service commissions. If these agencies do not accept IFRS and require the continued application of US GAAP, we will need to maintain multiple sets of accounting records which will result in additional costs being incurred not just upon implementation, but on a continual basis.

Finally, the SEC should consider the impact that IFRS adoption will have on private companies as part of its decision making process. Although the Roadmap only applies to "U.S. issuers," the mandatory adoption of IFRS will likely have a ripple effect on private companies. It would not be an ideal situation for public companies to report under one set of accounting principles while private companies report under another. Accordingly, it is

important the SEC does not ignore the impact that IFRS conversion will have on all US companies.

Suitability of IFRS in the US

In conjunction with the previous discussion of the gradual conversion, we believe the SEC should also evaluate the suitability of IFRS for use in the US based on some key differences that currently exist. As noted above, IFRS does not currently include guidance related to the accounting for activities subject to rate regulation. Additionally, the loss contingency disclosures required under IFRS are similar to those proposed by the FASB in 2008. As these disclosures were rejected for use in the US due to the overwhelmingly negative comment letters received and objections from the legal community, it is likely that similar issues will arise if IFRS becomes mandatory. Another area of divergence between US GAAP and IFRS is the inclusion of forward looking disclosures related to financial instruments under IFRS. The SEC should consider if it is comfortable with such disclosures and evaluate if the forward looking information will be potentially misleading to the users of the financial statements. One of the principal differences between the two sets of standards is the increased level of judgment allotted to management and auditors. In a September 10, 2008 speech, Charles Niemeier, Board Member of the Public Company Accounting Oversight Board, pointed out the potential danger of this approach by citing the 1969 case of *United States vs. Simon*. In this case, the judge stated that compliance with GAAP was "not necessarily conclusive that (the auditors) acted in good faith, and that the facts as certified were not materially false or misleading." As Mr. Niemeier notes, this resulted in the call for and issuance of more detailed guidance than what was originally provided under the broad principles of US GAAP at the time. With the litigious nature that exists in the US, the SEC should be wary that the adoption of the broad principles in IFRS might result in history repeating itself and evaluate the likelihood of this occurring.

Timeline

If it is determined that the conversion to IFRS rather than convergence is the path preferred by the SEC, we believe there are certain aspects of the current timeline that are not feasible. Under the Roadmap, a decision will be made regarding the conversion to IFRS in 2011. Given the proposal for issuers to report under IFRS in 2014 and the requirement to present three years of comparative IFRS financial statements upon adoption, this means companies will need to implement IFRS for an opening balance sheet as of January 1, 2012. As IFRS implementation represents a significant undertaking for US companies, this is an extremely small window. In order to properly begin reporting under IFRS, companies will need to evaluate and upgrade their current IT systems to appropriately capture and report all required balances, amend their existing controls or add additional controls to ensure they remain compliant with section 404 of the Sarbanes-Oxley Act, and provide training to their accounting and internal audit personnel. Accordingly, we believe a full three years between the date on which the decision is made to convert to IFRS and the opening balance sheet date is needed to provide for a smooth transition. This will allow companies greater flexibility in scheduling and budgeting the conversion and make the conversion more meaningful. Furthermore, we believe that quarterly reporting regarding the progress against the

Roadmap's milestones should be provided prior to 2011. By communicating this information to issuers on an ongoing basis, it will allow companies to plan and budget any conversion efforts more appropriately, and also prevent whatever decision is made from being a surprise to those affected. Finally, we do not believe that the benefits of requiring three years of IFRS financial statements are sufficient to justify the costs. In addition to the impact this will have on the opening balance sheet date discussed previously, this will require companies to maintain an extra year of dual records under both IFRS and US GAAP. As investors will already have US GAAP statements for these periods and current IFRS only requires presentation of two years of IFRS income statements, it is questionable if the requirement to include three years of IFRS income statements as proposed in the Roadmap will provide an additional benefit to users that will justify the costs.

Conclusion

We appreciate the SEC's consideration of this issue and your continuing efforts to improve financial reporting. We support the overall objective of this project - a single set of high quality financial standards for use globally- although we recommend the SEC review the points noted above and address them within the final Roadmap.

Very truly yours,

[s] Roy R. Centrella

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