



**UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION
IMPLEMENTATION OF SARBANES-OXLEY SECTION 404 INTERNAL
CONTROL PROVISIONS**

**COMMENTS OF THE AMERICAN GAS ASSOCIATION IN SUPPORT OF
COMMENTS SUBMITTED BY THE EDISON ELECTRIC INSTITUTE**

On February 22, 2005 the Securities and Exchange Commission announced that it would host roundtable discussions and seek comments regarding the experiences of registrants, accounting firms and others in implementing the new internal control requirements under Section 404 of the Sarbanes-Oxley Act of 2002. The American Gas Association (AGA) submits these comments in support of those filed by the Edison Electric Institute (EEI).

I. AGA's Interest in This Proceeding

The American Gas Association is a trade association that represents 195 local energy utility companies that deliver natural gas to more than 56 million homes, businesses and industries throughout the United States. AGA member companies account for roughly 83 percent of all natural gas delivered by local natural gas distribution companies in the U.S. AGA is an advocate for local natural gas utility companies and provides a broad range of programs and services for member natural gas pipelines, marketers, gatherers, international gas companies and industry associates. Many of AGA's members are SEC registrants that are directly impacted by the requirements under Section 404 of the Sarbanes-Oxley Act of 2002.

II. Comments

While AGA understands that the Commission's goal underlying the requirements for Section 404 of the Sarbanes-Oxley Act of 2002 is to provide a means to identify and evaluate internal controls over financial reporting, AGA shares the belief expressed by most commenters that the guidance provided by the SEC and the Public Company Accounting Oversight Board (PCAOB) can be made more effective by implementing certain changes. Accordingly, AGA has read and supports the comments submitted by EEI. AGA particularly supports recommendations of EEI that, if implemented, would:

- 1) Allow independent auditors to rely on work performed in prior periods to a greater extent, and allow more testing prior to year end.

- 2) Allow independent auditors to discuss proper accounting treatment of business transactions without jeopardizing their independence.
- 3) Allow external auditors to rely on internal auditor work product to a greater extent.
- 4) Allow companies to comply with Section 404 on their behalf and on behalf of their subsidiaries.
- 5) Clarify that company management, not external auditors, make ultimate decisions regarding implementation of Section 404.
- 6) Clarify that only truly consequential deficiencies in control systems must be further evaluated and addressed by company management.
- 7) Require documentation only for key controls.

IV. Conclusion

AGA supports the need for companies to evaluate the internal controls over financial reporting but asks the Commission to consider reformulating the requirements under Section 404 of the Sarbanes-Oxley Act of 2002 in accordance with the above recommendations and the comments filed by EEI so as to ease the cost and burden on reporting companies.

Respectfully submitted,

The American Gas Association
By: /s/
Joseph Martin, CPA
Chief Accounting Officer
400 North Capitol Street, 4th Floor
Washington, D.C. 20001
202-824-7255
jmartin@aga.org
Dated: March 31, 2005