



PAA NATURAL GAS STORAGE

September 29, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 2006

Re: Rulemaking Docket Matter No.34

As members of management of a publicly traded partnership, we are writing to comment on the concept release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements, dated June 21, 2011. It is our opinion that the proposed revisions being considered have the potential to significantly alter the roles and responsibilities of both management and independent auditors in the financial statement reporting process. Given the potentially significant impacts of the proposed revisions, we believe that it is imperative that any changes are thoroughly analyzed and assessed from the perspectives of all impacted parties. We fully appreciate and support the need for financial statement transparency and the continually evolving need to provide financial statement users with a sufficient level of information for use in their applicable evaluation and decision-making processes. However, we also believe the manner in any changes made to facilitate achieving such objectives must be appropriately evaluated to ensure such changes will be effective and, at the same time, not result in any unintended, adverse consequences.

Principles Underlying our Response

As the preparation of a company's financial statements is ultimately the responsibility of the company's management, management should have the sole responsibility for financial statement reporting. If additional information regarding a company or its financial statements is determined to be necessary to be reported via a company's financial statements, the responsibility for providing such information should be placed upon management and not the company's auditor. Any communications provided by a company's auditor should be focused on the nature of audit procedures performed and the results of such procedures. These views are reflected in our responses to selected elements of the concept release further discussed below.

Auditor's Discussion and Analysis

We are not totally opposed to the concept of adding an Auditor's Discussion and Analysis ("AD&A"). However, we do believe that several respondents have raised compelling points regarding the sophistication of the investing community and the wealth, depth and sheer volume of information publicly available regarding auditing standards that cast doubt on the real benefit that will be gained in adding a significant amount of new disclosure. We also believe that the suggested alternatives will result in already lengthy audit reports and Form 10-Ks that may discourage investors and analysts from reading the reports and will be challenging for readers and difficult to compare between registrants. In

addition, we believe there is a strong likelihood that the alternatives presented could result in significantly increased costs to issuers.

Although we do not have an outright opposition to the concept of an AD&A, we do feel strongly that if an AD&A were adopted, the focus should be on audit risk, procedures and results and not adding additional disclosure about the financial statements of the company. Understood and, at the heart of, the AD&A concept release is the belief that investors would benefit from the unique and relevant insights into the company provided by additional information in the auditor's report. The concept release goes on to mention that one alternative is for the AD&A to include the auditors discussion of the company's financial statements, such as management's judgments and estimates, accounting policies and practices, and difficult or contentious issues. It also suggests in the additional disclosure that auditors highlight where management could have applied different accounting approaches or disclosures. We believe that these alternatives create a fundamental shift in the responsibilities of the auditor away from performing an audit to provide reasonable assurance that the financial statements are free of material misstatement to a responsibility for disclosing any and all information about the company that they are auditing. We have several significant concerns with this.

Our foremost concern is the potential impact that this may have on communication. We believe that open communication between management, the auditor and the audit committee is vitally important to the audit process. We believe that this type of AD&A may reduce or hamper that important open communication.

The managements of public companies are responsible for the completeness and accuracy of the financial statements, footnotes and related disclosures. The company employs significant resources to ensure that the appropriate systems, policies, procedures and resources are in place to ensure that business activities are appropriately captured and reported in accordance with the applicable accounting standards. Underpinning these activities are significant time and resources dedicated to researching and concluding on the appropriate accounting for a number of matters. While we agree that the auditors expend a significant amount of time in the process of performing their audits and do gain insight and knowledge about the company that they are auditing, management remains the best and most appropriate source for information about the company and related accounting matters. To the extent that there is a real need by the investment community for additional disclosure regarding judgments and estimates used or the availability of alternate accounting methods, we believe that the Board should recommend that the FASB or the SEC consider amending the applicable disclosure requirements to meet those needs.

Further, a focus by the auditors on creating content and disclosure would require significant high-level input from the audit team which could distract the partner and manager from focusing on the audit itself, which could prove to be detrimental to the quality of the audit.

In addition, the illustration included in the concept release is difficult to assess for usefulness as it does not include any of the challenging concepts that are proposed in the AD&A concept release. The discussion of these matters would most likely extend to multiple pages and even at that length, be

subject to confusion and potential undue concern without elaborate, detailed explanations. Also, there would be a significant challenge to the audit firms to determine the appropriate subjective wording that is appropriate for a specific company and yet still be consistent and comparable with similar fact patterns at other companies. There would be even more significant challenges for investors in attempting to compare and contrast disclosures made by different audit firms when attempting to appropriately consider the information provided in making their investment decisions. These conflicting issues would move us away from the clear, concise and consistent audit report that provides investors reasonable assurance that the financial statements are materially free of misstatement to a lengthy, subjective, inconsistent report that potentially creates confusion.

Required and Expanded Use of Emphasis Paragraphs

We are not totally opposed to the required and expanded use of emphasis paragraph, but we do believe that certain principles should be maintained. Foremost, the alternate presentation style should focus on audit risks, procedures and results and should not extend to disclosing additional information about the company or the company's financial statements. The disclosure of information about the company and the financial statements should remain the responsibility of management. Current reporting standards require comprehensive disclosures covering a broad range of topics in an attempt to provide relevant information to financial statement users. To the extent more information is needed on certain topics, the relevant reporting standards should be amended to incorporate those requirements.

One practical downside to requiring auditors to disclose or summarize significant matters or risks highlighted, by design in an emphasis paragraph, is the potential increased exposure it would present to the auditor. We believe that a practical reaction would be for the auditor to provide laundry lists of lesser significant matters to mitigate that risk, which could eliminate or largely offset any meaningful intended benefit.

Auditor reporting on information outside the financial statements

The concept release includes alternatives for expanding auditor reporting to a wide range of areas ranging from MD&A to press releases. We believe that the costs of expanding the auditor's reporting responsibilities far outweigh the benefits associated with such changes. As noted in the concept release, the auditor's currently have responsibility to read and consider whether information outside the financial statements or the manner it is presented is materially inconsistent with the financial statements or represents a material misstatement of fact. To the extent there is real demand for additional assurance, a current PCAOB standard exists for the auditors to provide such assurance. We have not experienced demand for this level of assurance from investors and analysts and we do not believe that creating additional required reporting would be cost beneficial.

We understand that timely access to financial information is a key priority of the investment community regarding press releases. Any efforts to require an auditor report on press releases would necessitate a delay in the timing of disseminating that information to the public and would run contrary to the priority of timely access to that financial information.

Clarification of language in the auditor's report

We do not have any objections to the suggested alternatives to clarify the language in the auditor's report.

Thank you for the opportunity to comment on this concept release.

Sincerely,



Al Swanson
Executive Vice President and Chief Financial Officer



Don O'Shea
Chief Accounting Officer