VIA ELECTRONIC MAIL
AND VIA FIRST CLASS MAIL

June 21, 2013

Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
director@fasp.org; smcosper@fasp.org; mkilcran@fasp.org


Dear Ms. Cosper (and other relevant FASB Directors):

We are writing concerning the subject file reference, and specifically wish to comment on the Financial Accounting Standards Board (“FASB” or the “Board”) and Private Company Council (“PCC”) Invitation to Comment regarding the Private Company Decision-Making Framework.

The Virginia, Maryland & Delaware Association of Electric Cooperatives (the “Association”) is a not-for-profit § 501(c)(6) trade association organized to represent the electric cooperatives of our three states, and their member-owners. The Association’s Member Systems serve more than two million people in three states. This equates to over 600,000 meters in Virginia, over 52,000 in Maryland, and approximately 83,700 in Delaware. The Association is closely allied with Old Dominion Electric Cooperative (“ODEC”), a FERC-regulated generation and transmission cooperative serving a majority of the Association’s Member Systems. ODEC is a not-for-profit § 501(c)(12) cooperative which owns and operates generation assets in the mid-Atlantic region. Both the Association and ODEC closely follow federal regulatory affairs, along with our national trade association, the National Rural Electric Cooperative Association, known as “NRECA.”

As you know, NRECA has already commented on this file reference, and supported the Board in creating the PCC and agrees with the PCC’s overall mission. The Association’s Member Systems are rate-regulated entities using specialized accounting standards to account for the effects of regulation pursuant to Accounting Standards Codification 980 (“ASC 980”), and would be affected directly by any changes or limitations to the application of ASC 980. In Virginia and Maryland, the relevant regulators are the Virginia State Corporation Commission and the Maryland Public Service Commission. In Delaware, the relevant regulator is Delaware Electric Cooperative’s Board of Directors. As a cooperative owned by other cooperatives, ODEC is a user of the financial statements of its Members.
Financial Accounting Standards Board
Page 2

The Association’s Member Systems have made extensive use of Statement of Financial Accounting Standards ("SFAS") No. 71 (now ASC 980) since its inception in December, 1982. During the time of the promulgation of this standard, entities in rate-regulated enterprises heartily endorsed the idea that Generally Accepted Accounting Principles ("GAAP") in the United States should include a mechanism to account for the effects of regulation since a regulator can order that items of income or expense be included in different periods for ratemaking purposes than would otherwise be the case under GAAP as it applies to enterprises in general.

The inability of entities to reflect the actions of a regulator would seriously damage the credibility of GAAP-based financial statements to our stakeholders. Over the years, our lenders and regulators have come to rely on and make strategic decisions based on the GAAP-basis financial statements including SFAS No. 71.

It appears that the PCC and FASB are considering whether private companies would be eligible to apply GAAP for specialized industries as it applies to enterprises in general. Specifically, this language in the Invitation to Comment was concerning to us:

If an entity is within the scope of this guide, that entity may not necessarily be eligible to apply all financial accounting and reporting alternatives within U.S. GAAP that are made available to business entities that are within the scope of this guide. The Board and the PCC will consider factors such as user needs, on a standard-by-standard basis, when determining which business entities within the scope of this guide will be eligible to apply accounting and reporting alternatives within U.S. GAAP. For example, this guide indicates that business entities within the scope of this guide may be subject to the same requirements as public companies for certain industry-specific accounting guidance in instances in which the Board and the PCC determine that industry-specific guidance is relevant to financial statement users of both public companies and private companies. The Board also may evaluate whether a particular accounting or reporting alternative that is permitted to be applied by a business entity within the scope of this guide should be extended to a public company, a not-for-profit organization, or an employee benefit plan.

The Association and ODEC would like to comment on two aspects of the Private Company Decision-Making Framework. First, we are both concerned that our utility Members continue to be able to apply the accounting standards that are germane to our industry, without any anxiety about whether the PCC might alter our ability to do this, especially in light of the fact that there is no industry representation on the PCC. Second, we are particularly concerned that no changes be made to the recognition and measurement standards under Generally Accepted Accounting Principles for specialized industries such as utilities. We would have no objection and would support the FASB and PCC if they wished to change disclosure for private companies utilizing specialized industry accounting, but we strongly encourage the FASB and PCC not to alter recognition and measurement under GAAP as it currently exists for specialized
Financial Accounting Standards Board

Page 3

industries, and to allow us to continue to use existing ASC 980 accounting standards without specialized endorsement or approval from the PCC while maintaining GAAP-basis accounting.

We would respond specifically to the following parts of the *Invitation to Comment*.

**Question 4:** With respect to industry-specific guidance:

a. Do you agree that this guide appropriately considers industry-specific accounting guidance for private companies? That is, should private companies follow the same industry-specific guidance that public companies are required to follow in instances in which the Board and the PCC determine that the guidance is relevant to financial statement users of both public companies and private companies operating in those industries? If not, why?

**Response 4(a).** We believe that private companies should be allowed to continue using GAAP as it currently applies to all enterprises. We would be more understanding if there were problems in the application and use of ASC 980 by our stakeholders, but we believe that the use of industry-specific guidance in our case allows us to present financial statements which much more clearly reflect the results of our operations than would be the case absent the ability of our Members to utilize ASC 980 as they have for the past thirty-one years.

b. Do you think factors other than user relevance, such as cost and complexity, should be considered when the Board and the PCC are determining whether or not to provide alternatives within industry-specific guidance?

**Response 4(b).** Since our stakeholders including our Members, lenders, rating agencies, and others have been relying on our ability to clearly reflect the results of our operations for the over three decades under SFAS No. 71 and ASC 980, and neither the FASB nor PCC have heard any evidence to the contrary, we submit that the costs associated with eliminating regulatory assets and liabilities and maintaining two sets of books and records would be borne by our Members and their underlying member-consumers without any commensurate benefit.

Instead, our Members would be placed at a competitive disadvantage with regard to public entities who may continue using ASC 980. Regulators, lenders, and others who have relied on our GAAP-based financials for over three decades would be forced to adapt to a new basis of financial reporting that may significantly distort the results of our operations and the ability of our Members to match and recover items of regulatory income and expense. If the FASB and PCC should decide that the application of industry-specific guidance for private entities would be optional, we would be happy to support this approach, but we would most vigorously oppose any effort to mandate that private companies could not use industry-specific guidance (in particular ASC 980). Please do not remove
our Members’ ability to currently use industry-standard and widely-accepted GAAP accounting methodologies by virtue of any PCC action.

c. Do you think that industry-specific accounting considerations should be different between (i) recognition and measurement and (ii) disclosure?

Response 4(c). In our industry, we do not see the need for any differences with respect to private company’s recognition and measurement or disclosure of regulatory assets and liabilities under ASC 980. However, as we mentioned previously, if the FASB and PCC wished to amend disclosure but not recognition and measurement for private companies utilizing specialized industry accounting, we would accept this effort.

Finally, we would like to highlight the absence of cooperative representation on the PCC, despite our requests and NRECA’s (and other national cooperative groups’) attempts to nominate some cooperative accounting professional as a PCC member. While we know that the FASB is aware of the nature of the cooperative business model, we hope that the PCC, will take the needs of cooperative forms of private companies into account, as we are certain they will, in their future deliberations.

We generally would like to echo the sentiments of NRECA’s Russ Wasson in NRECA’s previously-submitted comments. If either the Association or ODEC can answer any questions about this request, please contact the Association’s Sam Brumberg, using the information on the first page of this letter.

Very truly yours,

Bryan Rogers
Vice President & Controller
Old Dominion Electric Cooperative

Samuel R. Brumberg
Association Counsel
Virginia, Maryland & Delaware
Association of Electric Cooperatives

cc: Richard G. Johnstone, Association Executive Vice President
Susan B. Rubin, Association Vice President of Legislative Affairs
Lisa D. Johnson, ODEC Senior Vice President & Chief Operating Officer
Bob Kees, ODEC Senior Vice President & Chief Financial Officer
Russ Wasson, Director, Tax & Accounting Policy, NRECA