June 21, 2013

Ms. Susan M. Cosper
Technical Director
File Reference No. 2013-250
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to director@fasb.org

Re: Private Company Decision-Making Framework
A Guide for Evaluating Financial Accounting and Reporting for Private Companies

Dear Ms. Cosper:

The National Rural Utilities Cooperative Finance Corporation (CFC) appreciates the opportunity to submit comments in response to the Financial Accounting Standards Board (FASB) and Private Company Council (PCC) Invitation to Comment regarding the Private Company Decision-Making Framework.

CFC is a finance cooperative operated on a nonprofit basis that was created, and is owned, by America’s rural electric cooperative network. Electric cooperatives formed CFC in 1969 to provide financing to supplement the loan programs of the U.S. Department of Agriculture’s Rural Electric Administration, now called the Rural Utilities Service (RUS). Today, with approximately $21 billion in assets, we continue the mission of providing electric cooperatives with a variety of loan programs and financial products. Our nearly 1,000 electric cooperative members provide electric service to approximately 42 million consumers in 47 states.

We write in support of the comments submitted by the National Rural Electric Cooperative Association (NRECA) and to provide our views, as a lender to electric cooperatives.

In general, CFC accesses the capital markets to raise the funds needed to extend loans and other credit products to our electric cooperative members—the vast majority of which are private companies. CFC’s market access, and the price we pay, is underpinned by the financial strength of our members. Investors and rating agencies look through CFC to the credit strength of our members. While electric cooperatives have generally been viewed as “lower risk” than other electric utilities, namely investor-owned utilities, having industry-specific accounting guidance that provides comparability and consistency across all electric utilities is important. We believe that continuing this uniformity and consistency is essential to an investor’s ability to evaluate the financial strength of our members.
More specifically, related to the questions posed in 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 the those industries? If not, why?

We agree that private electric utility companies should follow the same industry-specific guidance as public electric utility companies, especially ASC 980 Regulated Operations (formerly Statement of Financial Accounting Standards No. 71 “Accounting for the Effects of Certain Types of Regulation”). We believe that ASC 980 is equally relevant to users of both private electric utility company and public electric utility company financial statements in evaluating financial performance. The electric industry is very capital intensive and as such, the cooperative electric utilities as a whole are competing against other electric utilities for capital. As stated above, we believe it is important to maintain consistency and comparability for all electric company financial reporting.

In addition to U.S. GAAP, most electric cooperatives also follow guidance promulgated by the RUS or the Federal Energy Regulatory Commission (FERC), which are very similar in content and apply to more detailed accounting and recordkeeping requirements. Accordingly, the combination of guidance provides a more standardized structure which, in turn, results in more uniformity and consistency among electric utilities and the electric utility industry than would likely be found among private companies as a whole.

A number of the cooperative electric utilities are rated by Moody’s Investors Service and Standard & Poor’s Ratings Services. Alternative accounting guidance could create significant differences in the reporting for similar transactions, making comparability and analysis difficult for investors and rating agencies.

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?**

We believe the need for comparable and consistent financial statements for companies in the electric industry justifies the added cost and complexity of applying consistent U.S. GAAP for the recognition and measurement of transactions. The same reasons cited above supporting consistency and comparability are relevant to this answer as well.
c. Do you think that industry-specific accounting considerations should be different between (i) recognition and measurement and (ii) disclosure?

We believe there should be comparability in the base financial results reported, thus recognition and measurement should be consistent within an industry. We do believe that there is an opportunity to reduce the cost and complexity of GAAP compliance for private companies through allowing alternative (i.e., reduced) footnote disclosure requirements, such as the extensive fair value footnote disclosures that are required under current U.S. GAAP. The extensive fair value footnotes do not provide additional information that we use with regard to analyzing the credit quality of a borrower or with regard to borrower covenant compliance.

**Question 5:** Do the different sections of this guide appropriately describe and consider the primary information needs of users of private company financial statements and the ability of those users to access management, and does the disclosure section appropriately describe the red-flag approach often used by users when reviewing private company financial statements (see paragraphs BC45 and BC46)? If not, why?

We believe the needs of private electric utility company and public electric utility company users are aligned. We do agree there is better access to management at private electric utility companies that allows financial statement users to be more informed about company operations compared to public electric utility companies. Additionally, while we believe there should be a minimum level of industry-specific disclosure for private companies, we agree that the red flag approach allows private electric utility company stakeholders to follow up on items in more detail than is typically provided in the financial statements. This lessens the importance of the extensive footnote disclosures currently required under U.S. GAAP.

It is important to recognize that electric cooperatives are subject to audit due to lender requirements. While we agree that private electric utility company financial statement users are typically more informed about company operations due to better access to management, we believe there is still a need, in the instance of electric cooperative borrowers, for an independent audit of financial statements to validate the integrity of the information they receive. We believe such audits should be conducted based on consistent application of U.S. GAAP within an industry to allow for comparability.
Concluding Comments

It is well recognized that accounting guidance has become more complex and costly, while at times not as relevant to many business entities and financial statement users. We applaud the board's efforts to establish the Private Company Council to address some of these issues.

We appreciate the opportunity to comment on the proposed guidance. We hope that you find our comments constructive and, if desired, we would be happy to address any additional comments or inquiries that you have regarding the attached.

Sincerely,

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

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