

Technical Director
File Reference No. 2017-290
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via email

Dear Sir or Madam:

The National Rural Electric Cooperative Association (NRECA) is the national service organization for America's Electric Cooperatives. The nation's member-owned, not-for-profit electric cooperatives constitute a unique sector of the electric utility industry – and face a unique set of challenges. NRECA represents the interests of the nation's more than 900 rural electric cooperatives responsible for keeping the lights on for more than 42 million people across 47 states. Electric cooperatives are driven by their purpose to power communities and empower their members to improve their quality of life. Affordable electricity is the lifeblood of the American economy, and for 75 years electric co-ops have been proud to keep the lights on. Because of their critical role in providing affordable, reliable, and universally accessible electric service, electric cooperatives are vital to the economic health of the communities they serve.

America's Electric Cooperatives serve 56 percent of the nation, 88 percent of all counties, and 12 percent of the nation's electric customers, while accounting for approximately 11 percent of all electric energy sold in the United States. NRECA's member cooperatives include 63 generation and transmission (G&T) cooperatives and 834 distribution cooperatives. The G&Ts are owned by the distribution cooperatives they serve. The distribution cooperatives provide electric service directly to the end-of-the-line consumer-members who own the distribution cooperative. The G&Ts generate and transmit power to nearly 80 percent of the distribution cooperatives while the remaining distribution cooperatives receive power directly from other generation sources within the electric utility sector. NRECA members account for about five percent of the nation's electric generation. Electric cooperatives generate approximately 50 percent of the electric energy they sell and purchase the remaining 50 percent from non-NRECA members. Both distribution and G&T cooperatives share an obligation to serve their members by providing safe, reliable, and affordable electric service.

The Practical Expedient

NRECA appreciates the FASB's proposal to amend Topic 842 to add an optional transition practical expedient for land easements that exist or expired before the effective date of Topic 842. We believe that the proposal, if adopted, will provide substantial transition relief for the cost and complexity of implementing Topic 842 as our members typically have thousands of land easement agreements, many of which have been in place for decades and have terms of many years.

We believe, after considering the minutes of the FASB Board meeting on August 2, 2017 and paragraphs BC12 and BC13 in the Exposure Draft that the intent of the Board is to provide a practical expedient for existing or expired land easements that were not being accounted for as a lease (either

operating or capital) under Topic 840. This approach would include land easements which electric cooperatives have typically recorded under Topic 360, as Property, Plant, and Equipment.

Preserve Historical Accounting for Land Easements Which Are Not Leases

While we fully support the concept of the practical expedient, we believe that the language of the practical expedient should be modified to make it absolutely clear that only those land easements which have previously been accounted for as leases are excluded from consideration for the application of the practical expedient. We also believe that the FASB should explicitly state that the Exposure Draft is not intended to modify an entity's accounting treatment of land easements which do not meet the criteria for lease accounting under Topic 842. It is possible that some may interpret the Exposure Draft to require that land easements which are not leases be accounted for only as an intangible asset. We believe that the final Accounting Standards Update should state entities may continue to apply other Topics within the FASB Accounting Standards Codification, such as Topic 350, Intangibles–Goodwill and Other, or Topic 360, Property, Plant, and Equipment to land easements which are not leases.

Additionally, we fully endorse the comments made by the Edison Electric Institute in their comment letter on the Exposure Draft.

We greatly appreciate the practical expedient the FASB has proposed in this matter and if we may be of assistance in any capacity on this issue, we hope you won't hesitate to call upon us.

With warm regards,



Russell D. Wasson
Senior Director of Tax, Finance and Accounting Policy
The National Rural Electric Cooperative Association