

>>> "Coseo,David C - FRS-2" <[dccoseo@bpa.gov](mailto:dccoseo@bpa.gov)> 2/2/2009 9:58 AM >>>  
Wendy M. Payne, Executive Director,

Thank you for the opportunity to comment on the exposure draft of a proposed Statement of Federal Financial Accounting Standards entitled, The Hierarchy of Generally Accepted Accounting Principles for Federal Entities, Including the Application of Standards Issued by the Financial Accounting Standards Board.

Bonneville Power Administration appreciates that the Board considers the statutory and legislative requirements placed upon Bonneville to operate as a commercial-like enterprise in a regulated industry that supports the Department of Energy's mission, but also remains distinct from the Department of Energy and other Power Marketing Administrations.

Thank you again for your consideration of our comments. Our aim is to continue to deliver on our public responsibilities through a commercially successful business.

Sincerely,

David Coseo  
Accountant  
Office of Finance and Reporting

**Bonneville Power Administration**  
**Chief Financial Officer's Comment on FASAB Exposure Draft on GAAP Hierarchy**

### **Hierarchy of Generally Accepted Accounting Principles**

- Q1. This Exposure Draft (ED) proposes to incorporate the hierarchy of generally accepted accounting principles (GAAP) that currently resides in the professional auditing literature into the FASAB's authoritative literature. Do you agree or disagree with the hierarchy presented in the Exposure Draft (see paragraphs 5 - 8)? Please explain the reasons for your position in as much detail as possible.
- A1. Bonneville Power Administration agrees with the proposal to incorporate the hierarchy of generally accepted accounting principles (GAAP) that currently resides in the professional auditing literature into the FASAB's authoritative literature.

### **Application of Standards Issued by the Financial Accounting Standards Board**

- Q2. This ED proposes to regard general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) as being in conformity with GAAP for those federal entities that have in the past issued such reports (see paragraph 9). Do you agree or disagree with the Board's position? Please explain the reasons for your position in as much detail as possible. To help you in preparing your response, a listing of some of the entities that apply FASB standards as well as some of the areas where differences occur is included in Appendix C: Examples of Federal Entities that Apply FASB Standards.
- A2. Bonneville Power Administration agrees that general purpose financial reports prepared in conformity with accounting standards issued by the Financial Accounting Standards Board (FASB) are in conformity with GAAP for those federal entities that have in the past issued such reports. Bonneville Power Administration believes that the standards set for general purpose financial reports for federal entities should be consistent with legislation and statutes established by Congress in accordance with the legislative process.

As a Public Enterprise fund, Bonneville Power Administration is a self-funding agency that covers its costs by selling power, transmission and related services in accordance with legislative requirements while operating as a utility in a regulated industry. Bonneville Power Administration prepares FASB based reports for the Federal Columbia River Power System (FCRPS) and FASAB based schedules for Bonneville Power Administration. Bonneville Power Administration FASAB schedules are integrated with the Department of Energy's (DOE) financial statements.

FCRPS financial statements combine the accounts of Bonneville Power Administration, the Pacific Northwest generating facilities of the Army Corps of Engineers and the U.S. Bureau of Reclamation, as well as the operation and maintenance costs of the U.S. Fish and Wildlife Service's facilities on the Lower

**Bonneville Power Administration**  
**Chief Financial Officer's Comment on FASAB Exposure Draft on GAAP Hierarchy**

Snake River. FCRPS FASB based financial statements are prepared to meet statutory reporting requirements and are consistent and comparable with the reporting standards of the regulated utility industry. Bonneville Power Administration is "subject to" the Government Corporation Control Act. Bonneville Power Administration issues FASB based financial statements under the FCRPS entity to fulfill the Administrator's statutory reporting requirements. Also, Bonneville Power Administration prepares official statements required for financial backing of bonds that comply with FASB GAAP, which are sold in support of commercial operations.

As a part of the Department of Energy, BPA prepares quarterly and annual FASAB based schedules and FASAB based financial information for inclusion in DOE's quarterly and annual financial statements. The schedules and information include financial information for Bonneville Power Administration and for "direct funded" costs of the Army Corps of Engineers.

Bonneville Power Administration requests the insertion of the bolded text into paragraph 9 of the exposure draft:

"Some federal entities, including government corporations listed in, **or subject to** the Government Corporation Control Act and certain others, such as the United States Postal Service, **will** continue to publish financial reports pursuant to the accounting and reporting standards issued by the FASB **or future standard setting body as a replacement for FASB.**"

- Q3. This ED proposes to clarify that a federal entity that is preparing GAAP-based financial statements for the first time is required to implement FASAB standards unless the entity clearly demonstrates that the needs of its primary users would be best met through the application of FASB standards (see paragraphs 10 and 11). Do you agree or disagree with the Board's position? Please explain the reasons for your position in as much detail as possible.
- A3. Bonneville Power Administration agrees that a federal entity that is preparing GAAP-based financial statements for the first time is required to implement FASAB standards unless the entity is a government corporation listed in, or subject to the Government Corporation Control Act or otherwise required in statute or legislation to apply GAAP other than FASAB, or clearly demonstrates that the needs of its primary users would be best met through the application of GAAP other than FASAB standards.

The Board would greatly appreciate your responses to the following questions to aid in the Board's future deliberations on its companion project on reporting by federal entities that primarily apply standards issued by the FASB. Further information on this project may be found in paragraphs A7 through A16 of Appendix A: Basis for Conclusions and on the FASAB website at <http://www.fasab.gov/projectsqaap.html>.

**Bonneville Power Administration**  
**Chief Financial Officer's Comment on FASAB Exposure Draft on GAAP Hierarchy**

- Q4. The Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether additional reporting may be required in order to meet the objectives of federal financial reporting (e.g., budgetary reporting, cost accounting, management's discussion and analysis). What FASAB reporting requirements are you aware of that would complement or enhance current reporting by federal entities following FASB standards (see paragraphs A8 through A12 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.
- A4. Bonneville Power administration does not believe that additional reporting would enhance current reporting and should not be required.
- Q5. As noted in the previous question, the Board has tentatively decided that no federal entities will be required to convert to FASAB standards for their stand-alone general purpose financial reports at this time; however, the Board is considering whether information provided by these entities to a parent agency or the U.S. Department of the Treasury for the consolidated financial report of the U.S. Government (CFR) should conform with accounting and reporting principles issued by the FASAB where there are material differences between the two sources (see paragraphs A13 through A15 of Appendix A: Basis for Conclusions). Do you agree or disagree that the information provided for consolidated financial reports should conform to FASAB accounting and reporting standards? Please explain the reasons for your position in as much detail as possible.
- A5. Bonneville Power Administration believes that the FASAB should recognize the unique nature of federally owned public enterprises, which are generally intended to operate in a business-like manner. FASAB should include within its standards those FASB guidelines that address the commercial-like nature of these public enterprises, especially those that operate within a regulated industry. Until such time, the FASAB standard alone and as currently written would not permit such public enterprises to meet their reporting requirements as a commercial-like enterprise.

Bonneville Power Administration agrees that the information provided for consolidated financial reports should conform to FASAB accounting and reporting standards at the consolidated level of the parent entity. However, if FASAB were to require public enterprises to report under a single reporting standard, Bonneville Power Administration would not be able to meet its statutory requirements to report the financial results of the FCRPS for its ratepayers and bond holders.

**Bonneville Power Administration****Chief Financial Officer's Comment on FASAB Exposure Draft on GAAP Hierarchy**

- Q6. Do you have a current opinion on whether federal entities that report in conformance with FASB standards should be permitted to convert to International Financial Reporting Standards (IFRS), given the discussions regarding whether public companies should use IFRS (see paragraph A16 of Appendix A: Basis for Conclusions)? Please explain the reasons for your position in as much detail as possible.
- A6. Bonneville Power Administration agrees that federal entities that prepare GAAP-based financial statements in accordance with standards other than FASAB should be permitted to continue to prepare GAAP-based financial statements in accordance with the standard setter recognized for commercial enterprises.

While there is currently insufficient information to determine whether public companies will be required to comply with IFRS, Bonneville Power Administration's position is to continue to file in accordance with standards for commercial enterprises operating in the utility industry, whether that be the FASB or IFRS. Absent legislative action Bonneville Power Administration's statutory requirement to obtain a commercial-type audit remains under either standard.