FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 30, 2013

International Accounting Standards Board
30 Cannon St.
London, EC4M 6XH
United Kingdom

Reference: Regulatory Deferral Accounts, Exposure Draft

The Federal Energy Regulatory Commission (Commission) staff respectfully submits comments on the proposed International Accounting Standards Board's (IASB) Exposure Draft ED/2013/5, *Regulatory Deferral Accounts,* issued by the IASB on April 25, 2013 ([draft] interim Standard). The Commission is an independent energy regulator in the United States charged with regulating the transmission of electricity, natural gas, and oil in interstate commerce, wholesale sales of electricity and natural gas in interstate commerce, and the reliability of the electric transmission system, among other responsibilities.[1] The Commission has a fundamental responsibility to ensure that rates, terms, and conditions of providing service are just and reasonable and not unduly discriminatory or preferential. Cost-of-service rate regulation is a tool the Commission uses to carryout these responsibilities. Under such rate regulation, the Commission establishes the rate a public utility is authorized to charge for providing utility service. In establishing the rate, the Commission may allow certain expenditures to be recovered in future periods or require refunds of costs previously recovered in rates.[2]

We greatly appreciate the IASB's efforts in developing the [draft] interim Standard for regulatory deferral accounts because, if adopted, it will enable cost-of-service rate-regulated entities (herein referred to as rate-regulated entities) to recognize the economic effects of rate regulation under International Financial Reporting Standards

[1] For additional information, see http://www.ferc.gov/about/about.asp.

[2] The Commission's cost-of-service rate regulation creates legal rights to receive future revenues or obligations to return past revenues, where there are no competitive markets. Other types of rate regulation employed by the Commission rely primarily on competitive markets to determine rates, terms, and conditions of providing service. Under these circumstances, the ratemaking does not result in financial statement recognition of regulatory assets and regulatory liabilities because price is determined by the market, not the regulator.

(IFRS). We believe the [draft] interim Standard will ease the transition to IFRS and reduce the costs of the initial implementation of IFRS for rate-regulated entities. Also, we are hopeful that the [draft] interim Standard will lead to the proper characterization of the financial position of rate-regulated entities and provide users of financial statements with meaningful, decision-useful information.

We support the [draft] interim Standard's eligibility criteria finding that a regulator must restrict the price the entity can charge to its customers, and the price is designed to recover the entity's costs of providing service and is binding to the customers. Also, we support the [draft] interim Standard's proposal to permit an entity within its scope to continue to apply its previous GAAP accounting policies for the recognition, measurement, and impairment of regulatory deferral account balances. We take no issue with the decision to limit the scope of the [draft] interim Standard to first-time adopters of IFRS. We note that during the interim period a first time adopter of IFRS that previously was not under a form of rate regulation that would afford regulatory deferral accounting may acquire assets subject to cost-of-service rate regulation. We believe that the IASB should consider such an entity to be within the scope of the interim Standard once it meets the eligibility criteria set out in paragraph 7 of the [draft] interim Standard.

Additionally, we support the IASB's proposal that the [draft] interim Standard require separate presentation of regulatory deferral account balances from assets, liabilities, income, and expenses that are recognized in accordance with other IFRS Standards. This approach will assist users of IFRS financial statements to fully understand the nature and financial effects of rate regulation and at the same time preserve the presentation of all other assets, liabilities, income, and expenses that are recognized in accordance with other IFRS Standards intact and, thus, comparable to those of non-rate-regulated entities. We believe that this approach, if adopted, will result in reporting of financial information that is relevant, comparable, and readily available to users of such financial information from both rate-regulated entities and non-rate-regulated entities.

Further, we support the proposed disclosure requirements, which will assist users of IFRS financial statements to fully understand the nature and financial effects of rate regulation. We also support the proposed requirement for the consideration of the materiality impact of a specific rate regulatory action when deciding how to meet the proposed disclosure requirements.

We thank you for considering our responses to the [draft] interim Standard on this essential matter to the Commission and the rate-regulated entities it regulates. We look forward to continued discussion of these issues.

Sincerely,

Bryan K. Craig

Bryan K. Craig
Director and Chief Accountant
Division of Audits and Accounting
Office of Enforcement
Bryan.Craig@ferc.gov