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Technical Director
File Reference No. EITF-15A
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Derivatives and Hedging (Topic 815)

Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The committee appreciates the opportunity to respond on Topic 815 as follows:

Question 1: Is the scope of the proposed amendments sufficiently clear about the type of contracts to which the proposed amendments apply? Should the scope of the proposed amendments be limited to entities that enter into contracts for the purchase or sale of electricity on a forward basis for delivery to a location within an electricity grid operated by an independent system operator whereby one of the contracting parties incurs charges (or credits) for the subsequent transmission of that electricity based in part on locational marginal pricing differences payable to (or receivable from) the independent system operator? If not, please explain why.

The Committee concludes that the scope is clear and that the provisions of the proposed ASU should be limited to the described circumstances. Although there may be other transactions which are similar and that should be eligible for the scope exception, each type of transaction is sufficiently different to warrant consideration apart from the conclusions reached in this proposed ASU.

Question 2: Do you agree that the use of locational marginal pricing by an independent system operator to determine the transmission charge (or credit) should not constitute net settlement of a contract for the purchase or sale of electricity, even in scenarios in which legal title to the associated electricity is conveyed to the independent system operator during transmission? If not, please explain why.

Yes, the Committee agrees with the proposed ASU. The Committee agrees that the economics of the transaction are not consistent with recording the transaction as a derivative prior to the physical delivery of electricity.

Question 3: Should the proposed amendments be applied prospectively? If not, what transition method should be applied and why?

Yes, the Committee agrees with prospective treatment and proposed transition.

Question 4: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

The Committee has insufficient information to comment of time for implementation. The Committee believes that early adoption should be permitted since the proposed ASU is considered by the Committee to be an improvement in practice.

Question 5: Do entities other than public business entities (that is, private companies and not-for-profit entities) need additional time to apply the proposed amendments? Why or why not?

The Committee does not believe that participants in these types of transactions that may be private companies or not-for-profit entities would require additional time to implement the proposed ASU.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads "A.J. Major III". The signature is written in a cursive style with a large initial "A" and a stylized "J".

A.J. Major III
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants