March 5, 2018

Director of Research and Technical Activities, Project No. 9-5  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Sent by e-mail to director@gasb.org

Re:     Comments on Exposure Draft of a proposed Statement of the Governmental Accounting Standards Board on 
Accounting for Interest Cost During the Period of Construction, Project No. 9-5

Dear Director of Research and Technical Activities:

Thank you for the opportunity to comment on the Governmental Accounting Standards Board’s (GASB) Exposure Draft on 
Accounting for Interest Cost During the Period of Construction (Project No. 9-5). The Nebraska Public Power District 
(NPPD) has reviewed the Exposure Draft and is providing comments in this letter.

NPPD, a public corporation and political subdivision of the State of Nebraska, operates an integrated electric utility system 
including generation, transmission and distribution facilities. NPPD’s revenue is mainly derived from wholesale power 
supply agreements with 46 municipalities and 25 public power districts and cooperatives. NPPD also serves about 80 
communities at the retail level. Over 5,200 miles of transmission / sub-transmission lines make up the NPPD electrical grid 
system. Because of its role as both a retail and wholesale provider, an estimated 600,000 people in Nebraska depend on 
NPPD for electricity. Control of NPPD and its operations is vested in an 11-member Board of Directors, popularly elected 
from within NPPD’s chartered territory, including all or parts of 86 of Nebraska’s 93 counties.

The concerns we have related to this Exposure Draft are outlined in detail in comment letters to GASB from the American 
Public Power Association (APPA) and the Sacramento Municipal Utility District (SMUD). We agree with the concerns 
expressed in these letters and respectfully request the continued allowance of interest capitalization for public power utilities. 
The capitalization of interest costs has been supported by GASB for regulatory operations, which is consistent with FERC 
guidelines and long-standing industry practice for both public power and investor-owned utilities. The inability to capitalize 
interest by public power utilities would add complexity and costs to the financial reporting and rate-making processes to 
avoid a loss of revenues.

The two objectives listed in the exposure draft on Accounting for Interest Cost During the Period of Construction (Project 
No. 9-5) are: (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for 
a reporting period; and, (2) to simplify accounting for interest cost incurred during the period of construction. The first 
objective is not met as public power utilities compare themselves with other utilities, including investor-owned utilities which 
will continue to capitalize interest; and, as for the second objective, the loss of revenue and/or additional costs incurred as a 
result of this change far exceeds any benefits from simplification.

We also request that guidance for interest capitalization for regulated operations, as proposed by APPA and SMUD, be 
included in the new standard to help ensure application consistent with industry practice and the needs of public power 
utilities. If you have any questions regarding this comment letter, please do not hesitate to contact me at jtdavis@nppd.com 
or 402-563-5124.

Sincerely,

Joni J. Davis  
Accounting Manager

Nebraska Public Power District  
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