November 17, 2011

Director of Research and Technical Activities  
Project No. 3-23  
Governmental Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Dear Sir:

CPS Energy is an electric and gas utility company owned by the City of San Antonio, Texas. As a municipally owned utility, CPS Energy complies with all applicable Governmental Accounting Standards Board (GASB) pronouncements. The purpose of this letter is to comment on the GASB's recently issued exposure draft titled, Reporting Items Previously Recognized as Assets and Liabilities.

We recognize and acknowledge that certain items currently on the balance sheet do not meet the definition of an asset or a liability, and we agree that separately reporting deferred outflows and deferred inflows of resources would allow for more transparency for users of financial statements.

The area of concern for CPS Energy is with the proposed accounting treatment for debt issuance costs. In our view, recording debt issuance costs as deferred outflows of resources and recognizing those costs over the life of the associated debt is the most appropriate accounting treatment. The cost of issuing debt is applicable to all periods in which the debt is outstanding and should be amortized over the life of the debt.

As a utility, rates are set to allow recovery of costs over a period of time, such as the long-term period an asset is in service or the comprehensive period the debt service is outstanding. By recognizing these charges solely in the period of issuance, the matching of recoveries to these costs is not effective. By amortizing these costs over the period the debt is outstanding and serviced, financial statements provide a more effective matching of the expense to the revenue recovery.

Additionally, our assessment is that recognizing issuance costs over the term of the debt does not compromise interperiod equity. CPS Energy's bond issuances are generally used for capital projects that benefit our ratepayers for many years into the future. The ratepayers that share in the benefits of those capital projects in future years should also share in the cost of financing the projects, including the cost to issue the debt used to pay for those projects.
Further, as a municipally owned utility, CPS Energy's financial statements are compared to other governmental entities, as well as those of investor owned utilities and other nongovernmental entities. This substantial change in generally accepted accounting principles would impair consistency across financial statements, impeding comparability for financial statement users.

We request that you reconsider your assessment that debt issuance costs should be considered an outflow of resources in the current period. As previously stated, we believe the most appropriate accounting treatment is that those costs should be classified as deferred outflows of resources and recognized over the term of the associated debt.

Thank you for the opportunity to provide comments on the proposed exposure draft.

Sincerely,

Paula Gold-Williams
Executive Vice President & CFO

DW/PGW:skh

cc: Gary Gold
   Senior Director & Controller

   Debra Wainscott
   Manager, Financial Accounting & External Reporting