February 15, 2018

David R. Bean, CPA
Director of Research and Technical Activities GASB
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Via email: director@gasb.org.


Dear Mr. Bean,

Thank you for the opportunity to comment on the Exposure Draft. On behalf of our organizations, which work with a wide diversity of institutional investors, public water utility managers, and elected officials nationwide, we are very grateful that the Governmental Accounting Standards Board (GASB) is including direction in the Implementation Guide regarding the application of GASB’s standard for Regulated Assets to distributed water infrastructure. We believe that on the whole the Exposure Draft is helpful in providing clarification on this critical issue. However, certain aspects of the draft are unnecessarily confusing and complex.

We offer the following recommendations for language changes, which have been developed in concert with a number of partners, to better crystalize the issues and ensure that public water providers fully appreciate the scope and application of GASB 62 to distributed infrastructure expenditures for utilities that have made the decision to invest in such solutions.

**Question 4.4** as currently drafted provides an example of program costs where GASB 62 might apply as:

“The plan and subsequent amendments identify certain period costs (for example, postemployment benefits and conservation program costs of providing assets, such as low-flow shower heads, to customers) that are proposed for recovery in future rates.”

We concur with the spirit of this statement. However, the example provided is quite limited and could lead to the misperception that only very minor expenditures are eligible for GASB 62 treatment. We propose the following modest language modification to ensure clarity and certainty on this point:

The plan and subsequent amendments identify certain period costs (for example, postemployment benefits and conservation program costs of providing assets, such as efficient washers, turf removal, permeable pavement, service line replacements, greywater systems, low-flow shower heads and other decentralized infrastructure, to customers either directly or in the
form of rebates) that are proposed for recovery in future rates.

**Question 4.5** We appreciate that GASB might want to provide a counter example demonstrating where GASB 62 would not appropriately apply. However, as currently drafted, Question 4.5 is opaque and quite complex and we are concerned could be counter-productive. We believe that the answer set forth in Question 4.4 is clear about requirements of GASB 62 and the limitations of the application of that standard, and do not perceive that Question 4.5 provides additional value. For this reason, we recommend that it be dropped from the Exposure Draft.

Thank you again for addressing this issue in the Implementation Guide. We believe your actions will have a significant impact on public water service agencies nationwide. Thank you for your consideration of our suggestions.

Sincerely,

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