August 23, 2019

Director of Research and Technical Activities  
Governmental Accounting Standards Board  
Project No. 38  
director@gasb.org

Dear Director of Research and Technical Activities,

CPS Energy appreciates the opportunity to provide comments on the exposure draft, *Subscription-Based Information Technology Arrangements (SBITA)*, Project No. 38. With the increased use of information technology in both private and public sectors, accounting and reporting requirements for subscription-based information technology arrangements is in conformity with GASB’s theme in striving for comparability in financial statements for financial statement users. The proposed guidance in the exposure draft aims to provide improvements in transparency by requiring obligations related to SBITAs to be recorded on the balance sheet and aligns accounting for such arrangements with guidance included in GASB Statement No. 87, *Leases*. CPS Energy is supportive of GASB’s efforts to improve transparency; however, we have a few concerns with the proposed standard as it reads currently.

- Based on the current wording in paragraph 6, clarification is needed on the applicability of the proposed SBITA guidance regarding hardware. We believe additional guidance is needed to determine when to apply GASB Statement No. 87 (which applies to nonfinancial assets) and when to apply the new proposed SBITA standard.

- We appreciate the inclusion of paragraph 46, as we currently have many arrangements with several components that would be administratively time-consuming to separate out all the components of the various contracts.

- We recognize the Board's continued efforts to revise requirements for footnote disclosures that provide necessary information for financial statement users; yet, in paragraph 57 a-g the listing of information to be disclosed is overly extensive. Implementation costs and continued revisions of such agreements would not increase the transparency of the arrangements as the additional information would not impact the measurement of the liability that is already recognized. Paragraph 57a states “...and conditions on which variable payments not included in the measurement of the subscription liability are determined,” can include numerous items and be applicable for several of the SBITAs, causing a footnote to span multiple pages with little to no value. We recommend the removal of 57c, 57d, and 57f to facilitate the disclosure process related to the SBITAs without compromising relevant information to financial statement users.
• In general, we believe an appendix that includes practical illustrations for the accounting entries, financial statements and note disclosures would aid all governments in properly implementing this standard and would ensure consistent application.

We appreciate GASB’s efforts in preparing the exposure draft and express our gratitude for the opportunity to respond. Should you require additional information, please feel free to contact either of us.

Sincerely,

Gary Gold
VP Corporate Services & Assistant Treasurer
(210) 353-2523
gwgold@cpsenergy.com

Julie Johnson
Senior Director, Controller
(210) 353-2462
mjjohnson@cpsenergy.com