ASSOCIATION OF METROPOLITAN WATER AGENCIES

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Bryan Esterly
Sector Analyst, Infrastructure
Sustainability Accounting Standards Board (SASB)
1045 Sansome Street, Suite 450
San Francisco, CA 94111

Re: *Water Utilities Sustainability Accounting Standard* - October 2015 Exposure Draft Standard for Public Comment, *AMWA follow up comments*

Dear Mr. Esterly,

This letter is a follow up on our initial comments sent on January 4, 2015. Upon further review SASB's proposed Water Utilities Sustainability Accounting Standard, AMWA has concluded that the draft standard misrepresents water sector utilities due to many gross inaccuracies, including differences between publicly owned and privately owned utilities and water, wastewater and stormwater utilities. (Attachment A provides a partial list of examples of these inaccuracies.) Accurately describing and representing the diverse components and nuances of the sector is paramount to a credible standard. AMWA strongly believes that as currently written the draft standard is in many ways, plain wrong about the water sector and therefore should not go forward as written.

AMWA is committed to sustainability principles in water utility management and accounting and therefore strongly urges SASB to consult directly with AMWA and its members as well to develop a credible, accurate accounting standard that considers sustainability metrics.

We await your response to this letter and look forward to further discussion on the appropriate characterization of water utility sector sustainability practices.

Sincerely,

Diane VanDe Hei
Executive Director

Attachment

Attachment A

1. Overall:
    a. In reading the draft, it is uncertain how disclosing information for this standard without context will contribute to accurate disclosure – what's the benchmark or "best practice" being standardized here?
    b. The introduction suggests this document is for investor-only utilities, but the language throughout the document does not make a distinction between publicly and privately owned utilities.
    c. Jargon used isn't the vocabulary of the water sector, e.g. "extraction of raw water";
    d. The standard inaccurately describes how public water systems (drinking water utilities) access source water or finished water.
    e. In the U.S., utilities are municipally owned or privately owned, and as this standard is for privately owned utilities, they may purchase both raw or finished water from other utilities (public or private)
    f. Criteria from the existing bond ratings agencies consider environmental compliance, capital planning and management of utilities. Recommend SASB consider criteria published from Moody's, S&P etc. that consider these items that are relevant to topics addressed in SASB's draft standard such as drinking water quality, effluent quality, fair pricing and network resiliency.

2. Characterization of the water sector
    a. Parts of the standard will apply to drinking water, wastewater, stormwater, joint utilities differently or not at all – the standard does not accurately distinguish between these utility types and what topics apply to which utility types. For example, IF0103-05 volume of recycled water delivered – the write-up suggests this is an item that only applies to wastewater utilities, this should be clarified. (In the case of potable reuse, the water must also be at a minimum, treated to drinking water standards).

3. Energy management (IF0103-01 (a typo on p. 11 references CN0103-01): Agencies have partnerships with their power providers which contributes to energy management by reducing total energy consumed, especially at peak times; this should be referenced.

4. Effluent quality management (IF 0103-02 and -03): This appears to be focused on Clean Water Act (CWA) violations only and by extension wastewater utilities/processes. Some drinking water utilities also have effluent management responsibilities.

5. Water scarcity
    a. Description of how water supply systems obtain water is incomplete. (p.15) E.g., "water rights" in industry parlance is law that defines access and use of water in the western U.S.; water rights is not the avenue through which water is purchased from a third party government entity (though rights may affect the amount of water available to purchase in certain scenarios).

b. Water stress definition is taken from a tool developed for private companies (the WRI aqueduct project) not water utilities, which are public water systems (PWS). The WRI aqueduct site says about the tool that, "It is structured, in particular, to help companies and investors understand indicators of water-related risk to their business, but is intended for all users, including government and civil society to better understand geographic water issues." (http://aqueduct.wri.org/about/methodology, accessed 1/13/2016).

   A PWS is defined in the Code of Federal Regulations (42 CFR § 300f(4)(A) accessible at https://www.law.cornell.edu/uscode/text/42/300f) as a system that provides water for human consumption through pipes or other constructed conveyances if such system has at least fifteen service connections or regularly serves an average of at least 25 individuals at least 60 days out of the year. A PWS may be a municipally owned utility or a privately owned utility, but PWS are a public service; drinking water utilities exist to provide fire protection services to a community, protect public health and provide for the economy and well-being of a community. Thus, caution must be exercised when applying the WRI aqueduct tool to water systems with a public service mandate (in contrast to the application of the tool to private company working in strictly market-driven conditions).

c. While the realities of drought and water stress in a community could affect a company's bottom line (i.e., resulting in reduced revenue) as suggested on page 15, measuring this stress as outlined in IF0103-04 does not account for the underlying nuances, agreements and regulations that govern water supply and water access in the U.S., particularly in the western states, such as the Colorado River compact.
d. IF0103-05 recycled water
   i. Description under .21 suggests this is for wastewater utilities, but if the recycled water is used for potable reuse, then it must also, at a minimum, meet drinking water regulations.

6. Drinking Water Quality p. 19
   a. Most of section 03-07 must be revised for clarity and to minimize burden. Compliance with international standards should only apply in reference to those facilities/operations physically located in the jurisdiction subject to the regulation/guideline.
   b. European Directive or WHO water quality guidelines, should only be applicable to facilities/operations in the jurisdictions were those laws and guidelines are in effect.
   c. Greater clarity is also needed to emphasize that non-health criteria should NOT be required as a primary accounting metric.
   d. Emphasis should be on reporting violations and other data in the same manner as already required to be reported to the relevant oversight/enforcement agency. Most of the information is already publicly available. In the U.S., PWSs,

inclusion and reference to the annual Consumer Confidence Report(s) should satisfy most of the reporting requirements in this section.

e. The standard inaccurately references the USEPA's Unregulated Contaminant Monitoring Program. This is a regulatory program and not a voluntary program.

7. Fair Pricing and Access: Pricing for municipal utilities and privately owned utilities has a different regulatory component in the U.S. Also the reality of setting rates is often driven by complex political concerns and household affordability rather than utility or community needs. These complexities are not well considered in the context of U.S. based companies. In general, access to drinking water and sanitation is an issue in developing countries and not in the U.S. – i.e., reference to the UN Millennium development goals.

8. Downstream water efficiency
    a. Discussion of the pipe replacement rate needs to have clarifying text specifying that there is not a "standard replacement rate." Rather, the rate of replacement is subject to pipe materials, soil medium and a variety of other local conditions. Information/statements supplied should focus on the whether the existing rate is adequate for sustainable operations.
    b. While many utilities may promote EPA's water sense program, it must be noted that this is a program that labels water efficient products for homeowners via third party certification. It is not intended to help utilities manage non-revenue water.

9. Network Resiliency and Impacts of Climate Change
    a. 0103-19 manage climate change risks: A discussion of the need/desire for "privatization of municipal water infrastructure" is not appropriate. It is not clear that privatization would reduce any risk and experience in the U.S. shows otherwise. In some cases, public ownership may be the path to greater long-term accountability. capacity and, thus, sustainability.

These examples only highlight many (but not all) of the drinking water utility inaccuracies. There are also errors in descriptions of wastewater and stormwater processes.