



February 12, 2016

Mr. Henry Shilling
Senior Vice President
Moody's Investor Service
7 World Trade Center at 250 Greenwich Street
New York, NY 10007

Re: AMWA Comments on *Green Bonds Assessment (GBA) Proposed Approach and Methodology*.

Dear Mr. Shilling,

The Association of Metropolitan Agencies (AMWA) is an organization representing the largest publicly owned drinking water utilities in the U.S., and together the membership serves drinking water to over 130 million people from Alaska to Puerto Rico. Member representatives to AMWA are the top managers and CEOs of these large water systems. AMWA appreciates the opportunity to provide comment on the Green Bonds Assessment (GBA) Proposed Approach in Methodology. Although the GBA methodology is not a credit ratings methodology, AMWA urges Moody's to, in the final document, describe how it would be used in the context of a bond rating. Access to capital is important for the viability and sustainability of utilities, and many of our members are following the evolution of the green bond market and/or beginning to explore the possibility of issuing so-called "green bonds." The ability for utilities to issue revenue bonds is a key financial tool. (In 2014 AMWA submitted comments on Moody's Proposed Rating Methodology for Municipal Revenue Bonds.)

Our comments provide observations and questions about Moody's GBA proposed approach. If there are any questions about our comments (provided as Attachment A), please contact Erica Brown (brown@amwa.net), AMWA's Director of Sustainability and Climate Programs, or me (vandehei@amwa.net) at 202-331-2820.

Sincerely,

Diane VanDe Hei
CEO

Attachment

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Attachment A – AMWA’s Specific Comments

General Observations and Questions

1. Overall the GBA proposed approach and methodology is a well-written document with a methodology that is easy to follow.
2. Although the GBA is described as a “forward-looking opinion” of the issuer’s approach for managing and reporting on environmental projects financed by green bonds, in the final document, Moody’s should describe how the GBA integrates with bond ratings and would be used in the context of a bond rating. Is Moody’s proposing to provide third party assessment/verification service for a fee, separate from credit rating services?
3. Does Moody’s expect to use any third party information in its assessment? For example, would Moody’s assess a green bond more favorably if certain third party assessment tools were used for GHG accounting or baseline methodologies?

Specific Comments and Questions

Page 2-Defining Green Bonds:

4. Please include the link for the Green Bond Principles document in the final GBA.
5. The definition of green bonds is quite vague, noting it includes “specific climate or environmental sustainability purposes”; what does Moody’s mean by this phrase? It would be helpful if it were further defined in the final GBA.
6. Please provide clarity on how the assessment report will be refreshed. What is the follow up process for Moody’s to monitor application of proceeds, reported progress against the initial plans for investments and their environmental impacts, etc.? Is continuing disclosure on EMMA sufficient?
7. The draft acknowledges that there are variations and interpretation in the use of the Green Bond Principles, yet the Use of Proceeds Section (Page 4) provides eight categories (sustainable waste management for example) of potentially eligible projects per the Green Bond Principles. It seems that these categories should be copied over to the discussion on the definition of green bonds, if indeed Moody’s will use these categories to help identify a project worthy of being identified for a green bond assessment.
8. The document references climate change and COP21 on p.3 without providing context for the paragraph. Is Moody’s implying that green bonds are only for mitigation-related projects? It would seem from the narrative that bonds for “climate projects” are one of the categories that are eligible for the green bond label (as indicated by the eight categories noted above.)
9. Would repair and replacement of existing infrastructure (i.e., water system pipes) be included as a project eligible for a green bond designation?
10. Based on the eight categories recognized by the Green Bonds Principles and Moody’s draft GBA, it appears that most large-scale water projects in the U.S. and conducted by the public sector are in fact green bond worthy. Is this an accurate assessment?

Page 3. Assessment and Methodology.

11. It's not clear how or why Moody's weighted the criteria as proposed. It would be helpful for Moody's to explain in the final document why the approach and weightings are written in this way.

Page 4. Use of Proceeds.

12. The "use of proceeds" counts for 40% of the score; yet there are no sub-factors described, whereas the other factors do have sub-factors identified. Although there are eight categories of potential projects listed here, it is not clear how the scoring will be done for this category. How will Moody's score projects under this factor?

For example, if a project touches on more than one category (such as drinking water treatment, sustainable land use, energy efficiency and biodiversity conservation) yet the degree to which each of these outcomes is accomplished varies, how will the project be scored?

Page 4-Disclosure on the Use of Proceeds

13. Is it Moody's intention to have the key considerations touch solely on financial issues and metrics and not other key considerations, such as those that might be included in a triple-bottom-line analysis?
14. Does Moody's think that a key consideration should include an evaluation of the state of good repair of the infrastructure that may be relevant to the project?

Page 5- Management of Proceeds

15. "Practices and procedures applicable to the segregation and tracking of proceeds, temporary investment practices pending distribution or investment in eligible projects" - Is having a procedure in place to track investment of these funds on identified projects sufficient, is this similar to tracking procedures for traditional bond proceeds?

Page 5-Ongoing Reporting and Disclosure

16. What sort of expected disclosures regarding environmental impacts is Moody's planning to evaluate under this factor?
17. Is risk (either financial or environmental) reporting or disclosure (or a risk management strategy, for example) included under this factor?
18. Moody's expectation of ongoing annual reporting until the last maturity seems to be different than Green Bond Principles, which expects ongoing annual reporting only until the proceeds are spent. If this is true, why is this the case?
19. Is it Moody's intention that the reporting category sets strict guidelines ("detailed reporting") without regard to confidentiality and/or competitive considerations, as recognized in Green Bond Principles?