



November 18, 2014

Technical Director
File Reference: 2014-230
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

**File Reference: 2014-230 – Proposed Accounting Standards Update
Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40):
Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement**

Dear Ms. Cosper:

The Edison Electric Institute (EEI) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (FASB or Board) Exposure Draft of the Proposed Accounting Standard Update (ASU) on a customer’s accounting for fees paid in a cloud computing arrangement (hereafter the “Exposure Draft”).

EEI is the association that represents all U.S. investor-owned electric companies. EEI members provide electricity for 220 million Americans, operate in all 50 states, and directly employ more than 500,000 workers. With \$90 billion in annual capital expenditures, the electric power industry is responsible for millions of additional jobs. EEI has 70 international electric companies as Affiliate Members and 250 industry suppliers and related organizations as Associate Members. Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

EEI and the American Gas Association (AGA) regularly work together on projects of mutual interest and impact to the energy utility sector broadly, and we consulted with AGA during the course of reviewing the Exposure Draft and identifying concerns to the utility sector. As a result of this process, our comments are substantially the same as those submitted by AGA.

EEI notes that the Exposure Draft is part of the Board’s overall simplification initiative, which we support, and we acknowledge that there is diversity in practice for a customer’s accounting for fees paid in cloud computing arrangements. However, given the complexity, variety and evolving nature of cloud computing arrangements, we believe the simplification initiative is not the best forum for resolving this diversity in practice.

Technical Director
Financial Accounting Standards Board
November 18, 2014
File Reference: 2014-230
Page 2

There has been tremendous change in the nature and extent of information technology used by organizations since the development of the authoritative literature that addresses the accounting for these costs. Indeed, when SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (ASC 350-40) was issued in 1998, the cloud computing business model was in its infancy and was not addressed within the SOP. Given the significant evolution of information technology over the last 15 years, and specifically the emergence of an entirely new business model for cloud computing, we believe that any modification to existing practice should involve a more comprehensive approach to addressing a customer's accounting for fees paid in cloud computing arrangements.

EI appreciates the opportunity to provide our input on the proposed Exposure Draft. We would be pleased to discuss our comments and to provide any additional information that you may find helpful.

Very truly yours,

/s/ Richard F. McMahon, Jr.

Richard F. McMahon, Jr.
Vice President, Edison Electric Institute