

EEI & AGA Executive Accounting News Flash

March 2021

Dear Colleagues:

Thank you for your support throughout 2020 and welcome to the 2021 first quarter edition of the Executive Accounting News Flash.

In this edition, we have highlighted certain personnel changes occurring at the SEC along with recent communications from Acting Chair Allison Herren Lee related to the SEC's enhanced focus on climate-risk disclosures.

From a standard-setting perspective, we are currently analyzing the IASB's long awaited rate regulation exposure draft and EEI filed comments in response to the FERC Notice of Inquiry on the accounting and reporting treatment of certain renewable energy generating assets and renewable energy credits. We also continue to have dialogue with the FASB Staff related to the lessor day one loss issue.

We refreshed the listing of upcoming EEI and AGA accounting meetings and events for your consideration as you plan for the remainder of 2021. EEI and AGA continue to partner with the Big Four accounting firms to deliver CPE to members in a virtual environment.

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Recent Standard Setting Activity

FERC AFUDC Waiver Extended through September 30, 2021

On February 23, 2021, FERC issued an order in [Docket No. AC20-127-000](#) extending its June 2020 AFUDC rate waiver for an additional seven months. The extension allows companies the option to modify their AFUDC rate calculation through September 30, 2021 to mitigate the impact of short-term debt issued during the COVID-19 emergency.

The original Waiver Order allowed jurisdictional entities to use a methodology for calculating an AFUDC rate that would remove the distorting effects of temporary increases in the amount of current period short-term debt needed in response to the COVID-19 emergency, by using a simple average of historical short-term debt balances for the year ended 2019, while leaving all other aspects of the AFUDC rate formula (including current period short-term debt cost rates) unchanged. The extension allows continued use of this methodology for up to an additional 7 months.

SEC to Enhance its Focus on Climate-Related Disclosures

The SEC has taken a number of actions related to climate-related disclosures. Acting SEC Chair Allison Herren Lee has directed the Division of Corporation Finance to enhance its focus on climate-related disclosure in public company filings. Additionally, the SEC announced the creation of a Climate and ESG Task Force in the Division of Enforcement to be led by Kelly L. Gibson, the Acting Deputy Director of Enforcement. The initial focus will be to identify any material gaps or misstatements in issuers' disclosure of climate risks under existing rules such as the 2010 Commission Guidance Regarding Disclosure Related to Climate Change.

Most recently, EEI Senior Vice President of Energy Supply & Finance, Richard McMahon, presented EEI and AGA perspectives at a meeting of the SEC Investor Advisory Committee, emphasizing our support for a principles-based approach that allows flexibility for the disclosure of ESG information, as opposed to a rules-based, one-size-fits-all approach, that doesn't recognize differences between industry and company-specific ESG information. The SEC has asked for stakeholder input on climate-change disclosures, and EEI and AGA plan to provide comments.

FASB Directs Staff Outreach on Alternative Language for Lease (Topic 842): Targeted Improvements Exposure Draft

Refer to the Q4 2020 News Flash for a summary of the Exposure Draft and [EEI comments](#). The Board discussed comment letter feedback on the three issues in the proposed ASU. The Board decided to consider amendments to lessors' accounting only (rather than both lessees' and lessors' accounting) to resolve the day one loss issue, but directed the staff to further research an alternative raised in the comment letters that would require lessors to classify and account for a lease as an operating lease if a lessor (a) meets any of the criteria for sales-type lease classification (in paragraph 842-10-25-2) and (b) would recognize a selling loss at lease commencement as a direct result of variable lease payments that do not depend on an index or a rate.

The objectives of the proposed revision are to extend the exception to all leases affected by this issue and not to prohibit lessors from recording selling gains on leases with variable payments. The Board directed the staff to perform outreach on whether that alternative is operable and would result in conclusions that are consistent with those reached when applying the lease classification guidance under Topic 840, Leases.

Industry representatives discussed the potential impacts of this alternative with FASB Staff on March 5, including emphasizing that a timely fix of this issue is our highest priority, with which the Staff agreed. We expressed concerns with the proposed wording, and the Staff indicated virtually all stakeholders had done the same. We anticipate the Staff may propose revised language that addresses these concerns.

The Board removed the option for lessees to remeasure lease liabilities when future lease payments are based on a referenced index or rate only from its technical agenda. The Board decided not to finalize the proposed amendments related to lease modifications without considering the other potential improvements to the lease modification model that were raised in the comment letters and at the September 2020 roundtable meeting.

Sagar Teotia Concludes Tenure as SEC Chief Accountant

Mr. Teotia concluded his tenure as the SEC Chief Accountant in February 2021. He served as the SEC's principal advisor on accounting and auditing matters since he became Acting Chief Accountant in June 2019 and then Chief Accountant in July 2019. Paul Munter has been serving as Acting Chief Accountant since Mr. Teotia's departure. Mr. Munter has served as Deputy Chief Accountant leading the international work in the agency's Office of the Chief Accountant since 2019.

President Biden Nominates Gary Gensler as Next Chairman of the SEC

Mr. Gensler, a former chairman of the Commodity Futures Trading Commission (CFTC), currently conducts research and teaches on blockchain technologies, digital currencies, financial technologies, and public policy at MIT. As Chairman of CFTC he played a key role in drafting the Dobb-Frank Act. Allison Heron Lee was designated Acting Chair by President Biden on January 21, 2021 and will serve in this role until Mr. Gensler is confirmed by the Senate.

EEI & AGA Comment Letters

FERC Accounting and Reporting Treatment of Certain Renewable Energy Assets

EEI, on behalf of its member companies, filed comments in response to the FERC's [Notice of Inquiry Docket No. RM21-11-000](#) (NOI) on the accounting and reporting treatment of certain renewable energy generating assets and renewable energy credits (RECs). The NOI was concurrently issued with an order denying the Locke Lord LLP accounting request that we previously summarized in the Q2 2020 edition of this news flash.

FERC requested comments on: 1) whether to create new accounts within the Uniform System of Accounts (USofA) for non-hydro renewable energy generating assets, and, if so, how such accounts should be organized, 2) how to modify the FERC Form No. 1 to reflect any new accounts, 3) whether to codify the proper accounting treatment of the purchase, generation, and use of RECs, and 4) the rate setting implications of the potential accounting and reporting changes. [Comments](#) were filed on March 29, 2021.

IASB Rate Regulation Exposure Draft

EEI and AGA, on behalf of their member companies, intend to submit a joint comment letter in response to the International Accounting Standards Board's [Exposure Draft Regulatory Assets and Regulatory Liabilities](#), which was released on January 2021. Comments are due on or before June 30, 2021. The IASB published a [Snapshot](#) that provides a comprehensive overview of the exposure draft.

EEI & AGA Trainings and Other Events

Refer to the EEI & AGA Accounting Meetings and Events section below for a listing of upcoming trainings and meetings occurring in 2021.

EEI & AGA Accounting Meetings and Events

Below is a summary of upcoming accounting related events (joint AGA-EEI meetings unless indicated otherwise) scheduled as of the issuance of this news flash. However, given the uncertainty surrounding the COVID-19 pandemic and rapidly changing circumstances, please check EEI's and AGA's websites for the most recent information on scheduled in-person meetings.

Additional details are posted on the websites of EEI and AGA as they become available. Check with Randall Hartman, Joe Martin, or Dave Dougher for more information, and watch for email announcements about future webcasts.

Date	Location	Event
April 14, 2021	Virtual	Power & Utilities - ESG in the Industry with PwC, EEI & AGA
April 21, 2021	Virtual	EEI-AGA-EY Renewables Webcast 2: Regulated Renewables, Tax Equity, Future Trends
May 13, 2021	Virtual	EEI-AGA-EY Renewables Webcast 3: Renewables Investments, Structures, Products
May 20-21 & 24-26, 2021	Virtual	EEI-AGA Spring Accounting Conference
June 7-9, 2021	Virtual	AGA Taxation Committee Meeting
June 7-9, 2021	Virtual	EEI Taxation Committee Meeting
June 14-16, 2021	Virtual	EEI-AGA Accounting Leadership Conference
June 14-16, 2021	Virtual	EEI-AGA Chief Audit Executives Conference
August 16-18, 2021	Napa, CA (tentative)	AGA Accounting Principles Committee Meeting
August 23-26, 2021	Atlanta, GA (tentative)	AGA-EEI Introduction and Advanced Public Utility Accounting Training

August 23-25, 2021	Atlanta, GA (tentative)	AGA-EEI Utility Internal Auditor Training
September 13-14, 2021	Virtual	EEI-AGA-Deloitte FERC Accounting & Reporting Workshop
November 14-17, 2021	Orlando, FL (tentative)	AGA-EEI Fall Accounting Conference
November 14-17, 2021	TBD	AGA-EEI Taxation Committee Meeting
November 17-18, 2021	Orlando, FL (tentative)	Property Accounting & Depreciation Training Seminar

Inventory of Relevant Standard Setter Activity as of March 31, 2021

Organization	Title	Key Date and Status	Description
SEC	Climate-change Disclosures	Comments are due June 13, 2021.	On March 15, 2021, Acting Chair Lee gave a speech regarding the SEC's role in ensuring that investors have access to reliable, comparable information on climate change and other ESG matters. On the same day, she issued the request for input on climate-change disclosures. EEI and AGA plan to provide comments. Refer to Deloitte's Heads Up for a summary of the SEC Request for Input on Climate-Related and Other ESG Disclosures.
SEC	Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information	Effective February 10, 2021	Refer to the Q4 2020 News Flash for a summary of the Final Rule.
SEC	Modernizing SEC Regulation S-K Items 101, 103, and 105	Effective November 9, 2020	Refer to the Q3 2020 News Flash for a summary of the Final Rule.
FASB	Leases – Targeted Improvements	Exposure Draft Issued October 20, 2020; EEI filed comments December 4, 2020	Refer above for an update on the latest developments.

FASB	Derivatives and Hedging	Comments were due on January 13, 2020 (comment letter filed)	Refer to the Q1 2020 EEI & AGA Executive Accounting News Flash for a summary of the Comment Letter jointly filed by EEI and AGA.
FASB	Intangibles and Goodwill	Comments were due on October 7, 2019 (comment letter filed)	<p>Refer to the Q4 2019 EEI & AGA Executive Accounting News Flash for a summary of the comment letter jointly filed by EEI and AGA.</p> <p>At its December 16, 2020 meeting, the Board discussed the staff’s research and analysis on goodwill amortization periods and methods for an impairment-with-amortization model, as well as evolving amortization models in which the subsequent accounting for goodwill changes over time.</p> <p>The Board decided that:</p> <ol style="list-style-type: none"> 1. An entity should amortize goodwill on a straight-line basis; an evolving amortization model would not be permitted. 2. An entity should amortize goodwill over a 10-year default period, unless an entity elects and justifies another amortization period based on the facts and circumstances of the acquisition. 3. An entity that elects another amortization period would be subject to a cap. 4. An entity would not be required to reassess the amortization period. <p>The Board directed staff to perform additional research and outreach relating to:</p> <ol style="list-style-type: none"> 1. Factors and criteria that would justify deviation from the default amortization period. 2. How the factors to consider for the amortization period and the criteria to justify a deviation would interact with the specifics of a cap. <p>EEI is evaluating providing comments on industry-specific aspects of goodwill amortization periods in advance of FASB issuing an exposure draft.</p>

FASB	Balance sheet classification of debt	Comments were due October 28, 2019 (comment letter filed)	Refer to the Q4 2019 News Flash for a summary of the comment letter jointly filed by EEI and AGA. The Board is considering comment letter feedback on the revised proposed Update. There are no updates to report in Q2 2020.
FASB	Income Taxes Disclosure	Comments were due May 31, 2019 (comment letter filed)	The revised proposed ASU would (1) remove disclosures that no longer are considered cost beneficial or relevant and (2) add disclosure requirements identified as relevant to financial statement users. EEI and AGA jointly commented in favor of the proposal as a whole on May 31, 2019. The Board discussed comment letter feedback at a meeting on February 12, 2020. No Board decisions were made and there are no updates to report in Q2 2020.
FERC	AFUDC	Initial Order issued June 30, 2020 and Order Extending Waiver issued February 23, 2021	Refer to the Recent Standard Setting Activity section above.
FERC	XBRL Project	Order issued July 17, 2020	Refer to the Q3 2020 News Flash for a summary of the order in Docket No. RM19-12-000 .
IASB	General Presentation and Disclosures	Comments were due on September 30, 2020 (comment letter filed)	Refer to the Q4 2020 News Flash for a summary of the Comment Letter filed by EEI.
IASB	Accounting for Rate Regulation	Exposure draft released in January 2021. Comments are due on or before June 30, 2021	Refer to the EEI & AGA Comment Letters section above.