Dear Colleagues:

Welcome to the 2021 third quarter edition of the Executive Accounting News Flash. We hope that everyone had a nice summer. The third quarter has been eventful and we expect the momentum will continue into the fourth quarter.

From a standard-setting perspective, the industry continues to monitor the FASB’s subsequent accounting for goodwill project and we may provide comments on industry-specific aspects of the project in advance of an exposure draft. We are also evaluating whether to provide comments in response to the FASB’s agenda consultation invitation to comment. We anticipate the SEC will issue a NOPR addressing climate change disclosures sometime this Fall.

AGA and EEI conducted and participated in a number of virtual conferences, trainings, and other events this summer. We plan to begin holding in person meetings, the first being the November Fall Accounting Conference in Orlando, Florida. Please review the EEI & AGA Accounting Meetings and Events section for a listing of upcoming EEI and AGA accounting meetings and events for your consideration as you plan for the next eighteen months.

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Recent Standard Setting Activity

SEC Announces its Annual Regulatory Agenda

The SEC released its Spring 2021 Agenda on June 11, 2021. The notable proposed and final SEC rulemaking areas mentioned in the Press Release include:

- Disclosure relating to climate risk, human capital, including workforce diversity and corporate board diversity, and cybersecurity risk
- Market structure modernization within equity markets, treasury markets, and other fixed income markets
- Transparency around stock buybacks, short sale disclosure, securities-based swaps ownership, and the stock loan market
- Investment fund rules, including money market funds, private funds, and ESG funds
- 10b5-1 affirmative defense provisions
- Unfinished work directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, including, among other things, securities-based swaps and related rules, incentive-based compensation arrangements, and conflicts of interest in securitizations
- Enhancing shareholder democracy
- Special purpose acquisition companies
- Mandated electronic filings and transfer agents

We anticipate the SEC will issue a Notice of Proposed Rulemaking (NOPR) for public comment this Fall addressing climate change disclosures.

FASB Issues ASU 2021-05 to Address Day One Loss on Sales-Type Leases Issue

The Board issued ASU 2021-05 on July 19, 2021. The final standard is effective in 2022 for calendar year filers and provides for retrospective or prospective adoption. Early adoption is also permitted, but not before the adoption of ASC 842.

FASB Issues Agenda Consultation Invitation to Comment

The Board issued an Invitation to Comment (ITC) on June 24, 2021 soliciting stakeholder feedback about the future standard-setting agenda of the FASB. The Board has requested feedback on several financial reporting topics related to the disaggregation of financial reporting information, including: performance reporting metrics, ESG-related disclosures, business combinations, income tax
disclosures, and presentation of the statement of cash flows. The Board also requested feedback on several emerging areas, including accounting for transactions for which there is currently no specific topical authoritative guidance, as well as transactions for which current GAAP results in accounting that some stakeholders say does not reflect the underlying economics of the transactions. This includes: the definition of a derivative, digital assets, ESG-related transactions, financial KPIs and non-GAAP metrics, recognition and measurement of government grants for business entities, and intangibles, including software. The Board also invited stakeholders to provide feedback on areas where current GAAP is unnecessarily complex such as: balance sheet classification, consolidation, debt modifications, distinguishing liabilities from equity, and whether it would be helpful for the materiality guidance in the codification explicitly state that it need not be applied to immaterial items. Lastly, the Board requested feedback on improvements to FASB standard-setting processes. One of the questions for respondents is whether there are other financial reporting topics beyond those described in the ITC that the FASB should consider adding to its agenda and the priority and urgency of those topics.

EEI and AGA are evaluating whether to submit comments in response to the ITC.

**FASB Continues to Deliberate Subsequent Accounting for Goodwill Project**

This project is one that has been of interest to our industry since the FASB issued the July 2019 ITC. Refer to the Q4 2019 EEI & AGA Executive Accounting News Flash for a summary of the comment letter jointly filed by EEI and AGA and visit the Technical Agenda on the FASB’s webpage for a summary of tentative board decisions reached to date.

The Board has decided that:

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.

Most recently at its June 23rd meeting, the Board discussed the staff’s research and analysis on potential changes to the existing goodwill impairment model. Specifically, the discussion involved the unit of account at which goodwill is tested for impairment, the frequency of goodwill impairment testing, and the timing of goodwill impairment assessment. The Board discussed the changes in the context of its tentative decision to amortize goodwill. The Board made no decisions during the meeting.

EEI and AGA may provide comments on industry-specific aspects of goodwill amortization periods in advance of an exposure draft.
EEI & AGA Comment Letters

IASB Rate Regulation Exposure Draft

EEI and AGA, on behalf of their member companies, submitted a joint comment letter in response to the International Accounting Standards Board’s Exposure Draft Regulatory Assets and Regulatory Liabilities. The comment letter was prepared by a joint task force of the technical accounting committees of both associations, assisted by Industry Accounting Fellow Conor Tamms, with the review and input of IASB Consultative Group member David Campbell of National Grid, and in consideration of the information gleaned from the June 30th outreach meeting with representatives of the IASB.

The primary message and tone of the comments are intended to communicate our support for the IASB completing this project that generally gives financial statement recognition to the economic effects of utility rate regulation, even though it does not align in all respects with ASC Topic 980 in U.S. GAAP. Much of this divergence is due to the IASB’s conceptual focus on total allowed compensation for providing regulated services versus ASC 980’s focus on costs that would otherwise be charged to expense.

Our comments are intended to support the IASB finalizing this standard such that regulated businesses reporting under IFRS will be able to recognize substantially all of the economic effects of rate regulation in their financial statements.

EEI and AGA File Request with FERC to Extend the AFUDC Rate Computation Waiver

EEI and AGA jointly filed a request with FERC seeking approval to extend the currently approved waiver to modify the calculation of the AFUDC rate through March 31, 2022. As discussed in the filing, the waiver allows companies the option to use a simple average of the historical short-term debt balance for the year ended 2019, while leaving all other aspects of the AFUDC rate formula unchanged.
EEI & AGA Trainings and Other Events

AGA-EEI Advanced Public Utility Accounting Training
AGA and EEI conducted their annual Advanced Public Utility Accounting Training via a three-day webinar held August 24-27. The course concentrated on complex and specific advanced accounting and industry topics plus timely accounting issues. The course was taught by expert utility instructors and respected leaders in the field.

AGA-EEI Introduction to Public Utility Accounting Training
AGA and EEI conducted their annual Introduction to Public Utility Accounting via a four-day webinar held August 19 & 20 and August 23 & 24. The course concentrated on the fundamentals of public utility accounting and provided an understanding of the utility business. The course was taught by expert utility instructors and respected leaders in the field.

AGA-EEI Utility Internal Auditor Training
AGA and EEI conducted their annual Utility Internal Auditor Training via a two-day webinar held August 30 & 31. The course concentrated on the fundamentals of public utility auditing and provided an understanding of the utility business. The course was taught by expert utility instructors and respected leaders in the field.

Standard-Setter Liaison Meetings
Annual liaison meetings between the EEI Accounting Executive Advisory Committee (AEAC) and AGA Accounting Advisory Council (AAC) and representatives of the SEC and the FASB will occur later this month on September 23 & 24, respectively. Also, the AEAC and AAC, as well as the FERC Accounting Liaison Committee held their annual liaison meetings with Gerald Williams, FERC Chief Accountant, and FERC staff on August 19th. Through these meetings, EEI and AGA CAO leadership continue to build constructive relationships with key standard-setters which affords opportunities to address issues of industry concern.

AGA Accounting Principles Committee Meeting
The AGA Accounting Principles Committee (APC) meeting was held via two half-day webinars on August 16 & 17. Ryan Ginty, Director of Gas Accounting & Rate Administration at Atmos Energy and APC Chair, was the MC of the meeting, which included sessions led by representatives from three of the Big Four accounting firms, AGA, and a FASB Update led by Nicholas Cappiello, Supervising Project Manager at the FASB.
AGA-EEI Accounting Leadership Conference
The 2021 EEI and AGA Accounting Leadership Conference was held virtually June 14-16. The conference focused on the accounting, finance, business, and leadership issues facing today’s energy accounting/finance executive. Some of this year’s sessions included: a FASB accounting update from Susan Cosper, FASB Board Member, an interview of Kristen Fleet, Deputy Director of FERC’s Division of Audits and Accounting, conducted by Jason Gambone, Deloitte Managing Director, and three separate panels covering ESG Reporting, DEI, and Industry Accounting Issues. The conference concluded with a Let’s Talk Accounting session.

AGA-EEI Chief Audit Executives Conference
The 2021 EEI and AGA Chief Audit Executives Conference was held virtually June 14-16. The conference focused on the internal audit issues facing today’s energy audit executive. The objectives of this conference are to improve performance in the leadership principles of internal audit, expand your peer network that you can turn to for sustainable ideas and strategic insights, understand industry best practices, data-driven insights, and trends that will position you as a seasoned professional, and gain perspectives from some of the industry’s leading authorities in and outside the internal audit field.
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.

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Event</th>
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<tbody>
<tr>
<td>September 27, 2021</td>
<td>Virtual</td>
<td>EEI-AGA-Deloitte FERC Accounting &amp; Reporting Workshop Day 1 rescheduled</td>
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<tr>
<td>November 14-17, 2021</td>
<td>Orlando, FL</td>
<td>AGA-EEI Fall Accounting Conference</td>
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<tr>
<td>November 14-17, 2021</td>
<td>Virtual</td>
<td>AGA-EEI Taxation Committee Meeting</td>
</tr>
<tr>
<td>November 17-18, 2021</td>
<td>Orlando, FL</td>
<td>Property Accounting &amp; Depreciation Training Seminar</td>
</tr>
<tr>
<td>May 22-25, 2022</td>
<td>Santa Ana Pueblo, NM</td>
<td>AGA-EEI Spring Accounting Conference</td>
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<td>June 12-15, 2022</td>
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<td>August 22-24, 2022</td>
<td>Indianapolis, IN</td>
<td>AGA-EEI Utility Internal Auditor’s Training Course</td>
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<tr>
<td>August 22-25, 2022</td>
<td>Indianapolis, IN</td>
<td>AGA-EEI Introduction to Public Utility Accounting and Advanced Public Utility Accounting Training Courses</td>
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<tr>
<td>May 21-24, 2023</td>
<td>Denver, CO</td>
<td>AGA-EEI Spring Accounting Conference</td>
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### Inventory of Relevant Standard Setter Activity as of September 15, 2021

<table>
<thead>
<tr>
<th>Organization</th>
<th>Title</th>
<th>Key Date and Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEC</td>
<td>Climate change Disclosures</td>
<td>Comments filed June 2, 2021.</td>
<td>Refer to the Q2 2021 News Flash for a summary of the EEI and AGA joint comment letter.</td>
</tr>
<tr>
<td>SEC</td>
<td>Management’s Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information</td>
<td>Effective February 10, 2021</td>
<td>EEI and AGA held a working group session on August 18th to discuss implementation matters. Only a handful of companies in the industry early adopted the amendments. Refer to the Q4 2020 News Flash for a summary of the Final Rule.</td>
</tr>
<tr>
<td>SEC</td>
<td>Modernizing SEC Regulation S-K Items 101, 103, and 105</td>
<td>Effective November 9, 2020</td>
<td>Refer to the Q3 2020 News Flash for a summary of the Final Rule.</td>
</tr>
<tr>
<td>FASB</td>
<td>Agenda Consultation Invitation to Comment</td>
<td>Comments due September 22, 2021</td>
<td>Refer to the Recent Standard Setting Activity section above.</td>
</tr>
<tr>
<td>FASB</td>
<td>Derivatives and Hedging</td>
<td>Comments were due on January 13, 2020 (comment letter filed)</td>
<td>Refer to the Q1 2020 EEI &amp; AGA Executive Accounting News Flash for a summary of the comment letter jointly filed by EEI and AGA.</td>
</tr>
<tr>
<td><strong>FASB</strong></td>
<td>Intangibles and Goodwill</td>
<td>Comments were due on October 7, 2019 (comment letter filed)</td>
<td>Refer to the Recent Standard Setting Activity section above.</td>
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<tr>
<td><strong>FASB</strong></td>
<td>Income Taxes Disclosure</td>
<td>Comments were due May 31, 2019 (comment letter filed)</td>
<td>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.</td>
</tr>
<tr>
<td><strong>FERC</strong></td>
<td>AFUDC</td>
<td>Initial Order issued June 30, 2020 and Order Extending Waiver issued February 23, 2021</td>
<td>EEI and AGA jointly filed a request with FERC seeking approval to extend the currently approved waiver through March 31, 2022.</td>
</tr>
<tr>
<td><strong>FERC</strong></td>
<td>XBRL Project</td>
<td>Order issued July 17, 2020</td>
<td>Refer to the Q3 2020 News Flash for a summary of the order in Docket No. RM19-12-000.</td>
</tr>
<tr>
<td><strong>IASB</strong></td>
<td>Accounting for Rate Regulation</td>
<td>Comments were due on or before July 31, 2021 (comment letter filed)</td>
<td>Refer to the EEI &amp; AGA Comment Letters section above.</td>
</tr>
<tr>
<td><strong>IASB</strong></td>
<td>General Presentation and Disclosures</td>
<td>Comments were due on September 30, 2020 (comment letter filed)</td>
<td>Refer to the Q4 2020 News Flash for a summary of the comment letter filed by EEI.</td>
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