

EEI & AGA Executive Accounting News Flash

Q3 2017

Dear Colleagues:

Welcome to the 2017 third quarter edition of the Executive Accounting News Flash.

In this quarter's edition we summarize changes to the FASB's technical agenda, the current status of implementation issues being addressed by the AICPA Power & Utilities Revenue Recognition task force, and recently issued amendments on accounting for easements. We also provide a summary of the annual AGA-EEI annual liaison meeting with the FASB, and highlight certain considerations companies impacted by Hurricane Harvey and other recent storms. A summary of recent training and upcoming EEI-AGA events, near-term comment period deadlines, and recently issued surveys are also included.

For more detail on any of the information provided herein, please click the related links contained within or reach out to:

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Standard Setting & Financial Reporting Update

Updates on select FASB, IASB, and other standard setting activities

Revenue Recognition	
New Revenue Recognition Standard Recent Developments <i>AICPA Power and Utility Revenue Recognition Task Force Updates</i>	The AICPA Power & Utilities task force continues to resolve industry implementation issues. On October 2, FinREC exposed all remaining industry position papers for public comment. Click here for a summary of implementation issues and status.
<i>Joint FASB/IASB Webcast</i>	On September 15, 2016 the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) jointly hosted a webcast about implementing the requirements in Revenue from Contracts with Customers (Topic 606 and IFRS 15). Click here for a link to the presentation from the webcast.

Leases	
<i>FASB proposes clarification to land easements</i>	<p>On September 25, 2017 the FASB issued a proposed Accounting Standards Update (ASU) intended to clarify the application of the new leases guidance to land easements. The amendments in this proposed ASU would clarify that land easements are required to be assessed under Topic 842 to determine whether the arrangements are or contain a lease.</p> <p>Importantly, the amendments also would permit an entity to elect a transition practical expedient to not apply Topic 842 to land easements that exist or expired before the effective date of Topic 842 and that were not previously assessed under Topic 840. An entity would be required to apply the practical expedient consistently to all of its existing or expired land easements that were not previously assessed under Topic 840.</p> <p>An entity would continue to apply its current accounting policy for accounting for land easements that existed before the effective date of Topic 842. Once an entity adopts Topic 842, it would apply that Topic prospectively to all new (or modified) land easements to determine whether the arrangement should be accounted for as a lease.</p> <p>The effective date and transition requirements for the proposed amendments would be the same as the effective date and transition requirements in Update 2016-02.</p> <p>Click here for a link to the proposed ASU.</p>
<i>Next steps</i>	Comments on the proposed ASU are due October 25, 2017. EEI and AGA anticipate submitting a joint comment letter, supporting the proposed practical expedient and recommending that the FASB clarify that it may be applied to all historical land easements not accounted for under Topic 840, even if they were “assessed” but determined not to be leases.

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EITF Issue 17-A – Cloud Computing	
<i>EITF meeting on October 12 to address possible recognition approaches for cloud computing costs</i>	<p>The EITF has been considering Issue 17-A, <i>Customer’s Accounting for Implementation, Setup, and Other Upfront Costs (Implementation Costs) Incurred in a Cloud Computing Arrangement That Is Considered a Service Contract</i>. The Task Force had requested the FASB staff to perform additional research on possible alternatives for accounting for cloud arrangements.</p> <p>The EITF is scheduled to discuss the results of the staff’s research at its October 12, 2017 meeting</p>
<i>For more information</i>	Meeting materials, including agenda, Issue Summaries, and a history of the project, are available at the FASB’s website here .

FASB Technical Agenda	
<i>FASB makes decisions on agenda, invitation to comment</i>	<p>On September 20, the FASB voted to add three new projects to its technical agenda:</p> <ul style="list-style-type: none">• A project on distinguishing liabilities and equity that would improve understandability and reduce complexity• One component of the FASB’s Financial Performance Reporting Research project focused on the disaggregation of performance reporting by function and nature• A narrow-scoped project on segment reporting intended to improve the aggregation criteria and segment disclosure <p>The FASB also voted to remove from its research agenda the following projects:</p> <ul style="list-style-type: none">• Accounting for Financial Instruments: Interest Rate Risk Disclosures• Pensions and Other Postretirement Employee Benefit Plans• A holistic project on accounting for intangibles assets
<i>For more information</i>	More information about the projects is available in the Board handout , as well as the forthcoming summary of tentative Board decisions to be posted on the FASB website in the coming days.

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Updates on select FASB, IASB, and other standard setting activities

Hedge Accounting	
<i>FASB issues final hedging guidance, can be adopted immediately</i>	<p>On August 28, the FASB issued significant amendments to hedge accounting. The amendments can be adopted immediately in any interim or annual period (including the current period). The mandatory effective date for calendar year-end public companies is January 1, 2019.</p> <p>The FASB's new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs.</p> <p>Industry Considerations: <i>Many companies in the power and utilities industry currently have hedging programs but do not apply hedge accounting due to the onerous requirements under existing guidance. Instead, they often opt to present non-GAAP measures to investors that exclude the impacts of hedging programs on earnings.</i></p> <p><i>The amended guidance provides an opportunity for companies to reevaluate whether the application of hedge accounting may be a means to provide investors with meaningful information about its hedging programs and risk management activities, especially considering the recent increased focus on non-GAAP measures from the SEC.</i></p>
<i>Next steps</i>	<p>Companies that early adopt the guidance in calendar year 2017 will have to apply the new guidance as of the beginning of the year. The standard includes detailed transition provisions for most aspects of the new guidance, including certain transition provisions that provide relief if elected at the date of adoption.</p>
<i>For more information</i>	<p>For additional background refer to the FASB's exposure draft and the following PwC Financial Instruments and Hedging site for additional resources including a more detailed summary and webcast where hedging specialists discuss considerations for early adoption.</p>

Standard Setting & Financial Reporting Update

Updates on select SEC, PCAOB, and other regulatory activities

AGA-EEI Annual FASB Liaison Meeting

Members of the EEI Accounting Executive Advisory Committee and the AGA Accounting Leadership Council met with FASB Board members Kroeker, Botosan, and Monk, along with the Technical Director and other FASB staff, for the annual AGA-EEI FASB Liaison meeting at FASB's offices in Norwalk, CT on October 3. The group discussed topics of mutual interest, including readiness for implementation of Topic 606 on Revenue Recognition and Topic 842 on Leases and the outstanding Exposure Draft intended to exempt easements historically not accounted for as leases from evaluation under Topic 842 (see Leases section). Additionally, FASB representatives noted that the EITF is considering options for potentially increasing the ability to recognize certain cloud computing costs as assets under GAAP. See the detailed recap report distributed separately for more details on the meeting.

Accounting and Disclosure Implications of Recent Storms

Recent storms and natural disasters such as Hurricane Harvey and Hurricane Irma have resulted in widespread flooding, damage, and power outages and disrupted many businesses across the southeastern U.S. Companies with operations or customers in the affected territories should evaluate the accounting and disclosure implications of these recent events including, but not limited to, the potential recoverability of costs, asset impairments, insurance recoveries, impact on the collectibility of customer receivable, and impacts on forecasted hedging transactions and normal purchase-normal sale designation of commodity contracts.

Click [here](#) for PwC's In depth that discusses the accounting and disclosure-related matters companies may encounter in dealing with the financial reporting implications of these natural disasters.

Exposure Drafts Open for Comment

<i>Deadline for Comment</i>	<i>Description</i>
October 25, 2017	<p><u>Proposed Accounting Standards Update—Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842</u></p> <p>EEI and AGA are currently reviewing the proposed amendments and expect to formally comment on the exposure draft.</p>
December 4, 2017	<p><u>Proposed Accounting Standards Update—Consolidation (Topic 812)—Reorganization</u></p> <p>EEI and AGA are currently evaluating the potential impacts of the proposed amendments and whether to formally comment on the exposure draft.</p>

Recent EEI & AGA Training and Other Events

Lease workshop

AGA and EEI along with KPMG held a workshop in September on the implementation of Topic 842 that helped participants understand the logic, implications, problem areas and major changes around lease accounting for power and utility companies. Topics covered include: lease definition, components and key concepts; power and utility contracts and issues; lessee accounting; lessor accounting; key implementation issues, diagnostics, and best practices; interactions with current GAAP including ASC 980; and presentation, disclosures and transition. The workshop was attended by 175 industry professionals.

Revenue Recognition Workshop

AGA and EEI along with PwC held a workshop in September on the implementation of Topic 606 that included: the latest updates on activities of the FASB's Revenue Recognition Transition Resource Group and the AICPA Power & Utilities task force; case studies focusing on questions that were raised during implementation; group discussion and case studies on disclosures, transition, implementation, and controls issues, and overlap between the leasing and revenue standard. The workshop was attended by 165 industry professionals.

Public Utility Training Courses

EEI and AGA conducted their annual industry training program in August which includes the following courses:

- *Utility Internal Auditor's Training Course*
- *Introduction to Public Utility Accounting Course*
- *Advanced Public Utility Accounting Training Course*

The courses are taught by expert utility instructors and respected leaders in the field. The accounting courses cover the fundamentals of the utility business and public utility accounting, as well as more complex and specific advanced accounting and industry topics plus timely accounting issues. The audit course consists of a wide range of audit topics in areas affecting the regulated utility, competitive business operations, information technology and corporate services. The training program was attended by nearly 250 industry professionals.

Upcoming EEI & AGA Accounting Committee Events

<i>Date</i>	<i>Location</i>	<i>Description</i>
November 6 – 8, 2017	Naples, FL	AGA-EEI Taxation Committee Meeting
November 12-15, 2017	Miami, FL	AGA-EEI Fall Accounting Conference
May 20 – 23, 2018	San Diego, CA	AGA-EEI Spring Accounting Conference
May 23 – 24, 2018	San Diego, CA	AGA-EEI Property Accounting and Depreciation Training Seminar
June 10 -13, 2018	Minneapolis, MN	AGA-EEI Accounting Leadership Conference
June 10 -13, 2018	Minneapolis, MN	AGA-EEI Chief Audit Executive Conference