

# EEI & AGA Executive Accounting News Flash

September 2023

Dear Colleagues:

As usual, summer has flown by with a busy schedule of live events and responding to regulator actions. We enjoyed seeing many of you in Nashville and at our other training events and webcasts. An equally busy fall schedule is quickly approaching! Refer below for a schedule of upcoming events.

We are excited to introduce Victoria Richardson, who has joined AGA as Senior Director of Finance and Accounting. Victoria will succeed Joe Martin upon his retirement at the end of 2023. We congratulate Victoria on this new role and offer our gratitude to Joe for his many years of leadership!

We have an extensive update this month with several significant actions from both the SEC and FASB. We now have a final cybersecurity rule from the SEC and have reasons to believe their final climate rule is likely imminent. FASB has also issued both proposed and final standards on various matters that will have a meaningful impact on the financial statements.

Later this month, representatives of our Chief Accounting Officers' leadership will be meeting with the FERC, SEC and FASB accounting teams in our annual liaison meetings. This is a tremendous opportunity for us to have dialogue in a live setting with some of our key regulators. There is much to discuss given the volume of activity as outlined below. We will provide summaries of these meetings in our Q4 edition of the News Flash.

As always, please do not hesitate to reach out to any of us with questions or observations!

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# Regulator Activity

## SEC and PCAOB – Amendments to PCAOB Auditing Standards

In June, the SEC's Public Company Accounting Oversight Board issued [Release No. 2023-003](#) which proposes amendments to their Auditing Standards related to a Company's Noncompliance with Laws and Regulations and Other Related Amendments (referred to as "NOCLAR"). The revised standards would require auditors to:

- 1) Identify laws and regulations that could reasonably have a material effect on the financial statements if the company does not comply with them
- 2) Assess and respond to the risks of material misstatement due to noncompliance, and
- 3) Determine whether there is information indicating noncompliance or potential noncompliance

NOCLAR would expand the evidence auditors need to obtain to understand the registrant's processes and identify laws and regulations that could have a material effect on the financial statements if the company did not comply. Auditors would then be required to perform specific procedures to determine whether there is any indication that noncompliance may have occurred. See an executive summary of NOCLAR from EY [here](#).

**Comments on the proposed auditing standard were due in August. EEI and AGA disagree with the proposal for a number of specific reasons which are summarized in their joint [comment letter](#) filed with the PCAOB on August 7, 2023.**

## SEC – Final Cybersecurity Rule

On July 26, 2023, the SEC issued a final rule requiring registrants to provide enhanced and standardized disclosures regarding cybersecurity risk management, strategy, governance, and incidents. The final ruling addresses some concerns over investor access to timely and consistent information related to cybersecurity as a result of the widespread use of digital technologies and artificial intelligence, the shift to hybrid work environments, and the increase in ransomware and stolen data.

See an executive summary from Deloitte [here](#). While there were some key changes from the original proposal, SEC filers must still report "material" cyber incidents within four business days unless the U.S. Attorney General determines the disclosure could pose a substantial risk to national security or public safety. **EEI is working with the Securities and Exchange Commission to establish efficient protocols for communications with the U.S. Attorney General.**

Other requirements include extensive disclosures in Companies' Form 10-K regarding processes for managing risks and governance structure. The new disclosure requirements take effect starting on or after December 15, 2023.

## SEC - Proposed Climate Disclosure Rule

As previously communicated, in June 2022, EEI and AGA filed joint comments on the [SEC's proposed climate disclosure rule](#). Our comments reflect industry support for investor-focused reporting of material climate information as demonstrated by our ESG/Sustainability Template. **Based on informal intelligence, we anticipate that a final rule could be issued within the next two months with an effective date of no earlier than 2025.** The scope and exact timing of any rule remains unknown.

## FASB – Income Statement Disaggregation

On July 31, 2023, the FASB issued a [proposed Accounting Standards Update](#) that would enhance disclosures related to disaggregation of income statement expenses. The objective of the proposed ASU is to “address requests from investors for more detailed information about the types of expenses (including employee compensation, depreciation, and amortization) in commonly presented expense captions contained within a new footnote to the financial statements.

A summary of the requirements, including example disclosures, can be found in Deloitte’s [Heads Up publication](#). There is not yet any timetable determined for issuance of a final standard or effective date. Comments are due to the FASB by October 30, 2023.

**AGA and EEI are currently evaluating if we should submit a comment letter. Please do not hesitate to share with us any observations or input to this critical process!**

## FASB – Other Standard Setting

As previously communicated, on March 15, 2023, the FASB issued a proposed Accounting Standards Update, *Income Taxes (Topic 270): Improvements to Income Tax Disclosures*. **The FASB has indicated that a final standard is expected to be issued during Q4 of 2023.**

On October 6, 2022, the FASB issued a proposed Accounting Standards Update, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. We mobilized an ad hoc Segments task force and submitted an industry [comment letter](#) to the FASB on December 20, 2022. **The FASB has indicated that a final standard is expected to be issued during Q3 of 2023.**

**For a complete list of active technical projects and task forces, see the schedule attached. Please let us know if you would like to get involved with any of these projects!**

# Upcoming Events

Additional details are posted on the websites of EEI and AGA as they become available. Check with Randall Hartman, Joe Martin, Victoria Richardson, or Dave Dougher for more information.

Date	Location	Event
September 20-22, 2023	Washington, D.C. and Norwalk, CT	EEI-AGA FERC, SEC and FASB Liaison Meetings  <b>Attendees:</b> EEI Accounting EAC and AGA Accounting Leadership Council Members
October 3, 2-3:30 pm eastern	Virtual	Accounting EAC Fall Meeting  <b>Attendees:</b> Accounting EAC Members
November 12-15, 2023 (Final Fall Conference – discontinued after 2023)	Scottsdale, AZ	AGA-EEI Fall Accounting Conference  <b>Attendees:</b> Committee members and middle or upper management from general accounting and plant accounting managers and depreciation specialists
January 4, 2024, 2-3:30 pm eastern	Virtual	Accounting EAC Winter Meeting  <b>Attendees:</b> Accounting EAC Members
March 13-14, 2024	TBD	Accounting EAC and EEI Committee Leadership Strategic Planning Meeting
June 23-26, 2024	Niagara-on-the-Lake, Ontario, Canada	Accounting Leadership Conference Chief Audit Executives Conference Accounting Standards Committee Meeting  Save the Date! More information to be announced in the near future!

## Inventory of selected technical projects and their status:

Standard Setter	Project	Task Force	Status
<b>Final Standard Implementation</b>			
FASB	Land Lease Costs During Construction	ASC Leaders	Drafting Technical Inquiry Request
FASB	ASC 980 Alternative Revenue Programs – 24-month criterion	TBD	Considering Agenda Request
ISSB	IFRS S-1 <a href="#">General Sustainability Related Disclosures</a>	IFRS/ESG	Reviewing Final Standards
ISSB	IFRS S-2 <a href="#">Climate-related disclosures</a>	IFRS/ESG	Reviewing Final Standards
FERC	<a href="#">Order No. 898 – Accounting and Reporting Treatment of Certain Renewable Energy Assets under RM21-11</a>	FERC Accounting Liaison Committee Task Force	Evaluating Final Order
SEC	<a href="#">Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure</a>	SEC	Reviewing Final Rule
<b>Exposure Draft/NOPR</b>			
IASB	<a href="#">IFRS – Rate Regulation</a>	IFRS	Redeliberations – std. in 2024
SEC	<a href="#">Climate Disclosures</a>	ESG Internal Controls	Redeliberations, rule in 3Q/4Q 2023
SEC	Human Capital Management	SEC	NOPR possible in 2023
FASB	<a href="#">Disaggregation—Income Statement Expenses</a>	Ad hoc	Evaluating Exposure Draft
FASB	Income Tax <a href="#">Disclosures</a>	TBD	Final Standard 4Q 2023
FASB	<a href="#">Segment reporting</a>	Ad hoc/industry fellow	Final Standard 3Q 2023
<b>Project Initiation/Preliminary Due Process Document</b>			
FASB	<a href="#">Environmental Credits</a>	Environmental Credits	Written input to FASB 10/22; meetings w/staff Nov. & Dec. 2022
FASB	<a href="#">Accounting for Government Grants</a>	Government Grants	Recommend no comment on ITC; Transf. Tax Credits paper to Staff
<b>Research Projects</b>			
FASB	<a href="#">Software Costs</a>	Software	Member info call w/FASB staff; Board deliberations ongoing
FASB	ESG-linked financial instruments	ESG-Linked Fin. Instr.	Initial research
FASB	Hedge Accounting Phase 2	Derivatives & Hedging	Initial research

**The following are industry accounting task forces:**

<b>Task Force</b>	<b>Summary</b>	<b>Chair</b>	<b>Status</b>
<b>Accounting Standards Committee - Active</b>			
Energy Storage Accounting	Published energy storage whitepapers	David Batten, Entergy	Active
Environmental Credits	Provided input to FASB staff	Mike Dixon, National Grid	Active ✓
ESG-Linked Financial Instruments	Awaiting FASB actions	TBD	Active ✓
Government Grants	Awaiting exposure draft	Amin Mohamed, NextEra Energy	Active ✓
IFRS – Rate Regulation	Final standard in 2024	Open	Active ✓
SEC	Standing	Coordinated by EEI Staff	Active ✓
Segments ad hoc group	Comments filed 12/2022	Coordinated by industry fellow	Active ✓
Software	Call w/FASB staff 12/9/22	Cindy Grippando, Southern Co., Eric Lundberg, ATC	Active ✓
<b>Cross-Committee - Active</b>			
Automation	Technology and Finance	John Crennen, Xcel Energy	TBD
ESG Internal Controls	Developing work plan and deliverables for EAC review	Kristin Susick, FirstEnergy; Tabitha Argent, Southern Company; Steve Busser, Eversource	Active
FERC NOPR – Accounting for Renewable Assets	Filed Comments 11/17/22; evaluating final rule	Dave Dougher	Active ✓
PowerPlan User Group	Standing	Amber DeLucenay, FPL	Active
Workiva/Systrends ad hoc group	Standing	Dave Dougher	Active
<b>Accounting Standards Committee - Inactive</b>			
Benefits Accounting	Standing	Open	Inactive
Derivatives and Hedging	Standing	Open	Inactivated
Simplification Standards	Standing	Open	Inactive
			✓ Joint with AGA