

EEI & AGA Executive Accounting News Flash

June 2024

Dear Colleagues:

We hope your summer is off to a great start! We continue with our busy event calendar which recently included the 2024 Spring Accounting Conference in Las Vegas. We had over two hundred people in attendance take advantage of exciting learning and networking opportunities with member companies, professional services firms, and our third-party vendors. If you were not able to make it, we have additional events in the coming months as summarized on page 4.

This edition of the Newsflash includes the latest rulemaking and standard-setting activity from our regulators, details the upcoming events and provides an inventory of technical projects and active task forces. This includes the recent mobilization of EEI's **Climate Rule Implementation Task Force** led by Stephanie Williams, Chief Accounting Officer of PG&E. This cross-functional group is tasked with creating a Roadmap for the industry on implementing the SEC's latest climate disclosure rule.

At the end of the month, we will bid farewell to our colleague, Randall Hartman, who is retiring from EEI after 12 years of service and decades of dedication and commitment to the public utility industry. Randall's contributions to our industry are immeasurable and we will greatly miss his leadership. As Randall embarks on this new journey, we extend our heartfelt gratitude for his invaluable contributions and wish him a fulfilling and joyful retirement!

Please do not hesitate to reach out to any of us with questions or observations.

Taylor Jenkins, Industry Accounting Fellow
tayjenkins@deloitte.com or 765-438-5158

Randall Hartman, Senior Director, Accounting – EEI
rhartman@eei.org or 202-508-5494

Victoria Richardson, Senior Director Finance and Accounting – AGA
vrichardson@aga.org or 202-824-7131

David Dougher, Senior Manager, Accounting – EEI
ddougher@eei.org or 202-508-5570

Regulator Activity

SEC – Climate Disclosure Rule

On March 6, 2024, the SEC issued a [final rule](#) that requires registrants to provide climate disclosures in their SEC filings beginning with annual reports for the year ending December 31, 2025, for calendar-year-end large accelerated filers. The final rule reflects several key differences from the proposed rule, including a longer, phased-in implementation timeline.

Shortly after issuance of the final rule, a number of parties challenged the rule in court. The SEC has voluntarily stayed the rule's effective date pending judicial review and thus, the phased-in compliance dates may be retained or delayed. However, given the work necessary to implement the rule, the implementation task force continues to develop plans to assist the industry.

If the rule becomes effective as adopted, the 2025 reporting requirements for calendar year-end large accelerated filers include financial statement disclosures for the effects of severe weather events and certain carbon offsets and renewable energy certifications, among others. These disclosures would require internal controls over financial reporting and related audit requirements. See a comprehensive analysis of the SEC's landmark disclosure rule [here](#).

EEI will facilitate a webinar on the SEC climate disclosure rule, **SEC Internal Controls for Non-Financial Professionals**, on **Tuesday, June 18th at 2:00 PM EDT**.

This session is designed to assist non-financial professionals responsible for information required by the rule to understand the internal control frameworks, processes, and procedures that govern disclosures in reports filed with the SEC. It may also benefit financial professionals as a refresher in applying these requirements to non-financial disclosures not presently subject to the same processes used for SEC filings. Please share with your colleagues and [click here](#) to [register](#) (registration is required). Upon registration, you will receive a confirmation email with the Join link and the calendar appointment link to add the event to your calendar.

SEC and PCAOB – Amendments to PCAOB Auditing Standards

As previously reported, the 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"). If adopted, the proposal would increase auditor requirements to identify, evaluate, and communicate possible or actual noncompliance with laws and regulations, including fraud.

EEI and AGA disagreed with the proposal for a number of specific reasons which are summarized in our joint [comment letter](#) filed with the PCAOB on August 7, 2023.

There is no timetable communicated for a final standard.

FASB – Income Tax Disclosures ASU

As previously reported, on December 14, 2023, the FASB issued [Accounting Standards Update 2023-09 Income Taxes \(Topic 270\): Improvements to Income Tax Disclosures](#). This standard mandates expanded disclosures and disaggregation requirements for the effective tax rate reconciliation, new disclosures for income taxes paid, and elimination of certain existing disclosures related to unrecognized tax benefits. For a complete summary, see [Deloitte's Heads Up publication](#).

The standard is effective for fiscal years beginning after December 15, 2024. **There are Power & Utility industry-specific considerations for this standard related to the classification of ASC 980-740 rate reconciliation items and disclosures of income taxes paid for subsidiary reporting entities that do not file income tax returns – stay tuned for more information in future communications.**

FASB – Income Statement Disaggregation

As previously reported, on July 31, 2023, the FASB issued a [proposed Accounting Standards Update](#) that would require disclosures that further disaggregated 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.

AGA and EEI submitted their joint [comment letter](#) to FASB on October 27, 2023. **No timeline has been announced for an anticipated final standard.**

FASB – Treatment of Land Lease Costs Incurred During Construction

At the September 2023 Liaison meeting with FASB, Chief Accounting Officers’ leadership solicited feedback on the potential of filing an agenda request specific to the treatment of land lease costs incurred during construction. As a result of the informal discussion, EEI and AGA jointly submitted an [Agenda Request](#) on November 8, 2023 proposing amendments to either ASC 842 or ASC 970.

Such changes would ensure the accounting for costs of assets constructed on land leased from others, which is increasingly common in our industry (particularly for construction of renewable generation sources), better reflect the underlying economics of these types of transactions. **We are anticipating a FASB response to the Agenda Request later this year.**

FERC - Uniform System of Accounts (USofA) Order 898

On July 28, 2022, the FERC issued a Notice of Proposed Rulemaking (NOPR) to update the USofA. The final [Order 898](#) (Accounting and Reporting Treatment of Certain Renewable Energy Assets) was issued on June 29, 2023. The rule is effective on January 1, 2025.

Within this Order, FERC establishes new subfunctions and accounts for a variety of

renewable generating assets, energy storage, environmental credits, and computer hardware and software, among others. The Order also codifies an accounting treatment for environmental credits. EEI's Accounting Committees are continuing to prepare for the implementation of the final rules.

Related to this matter, AGA submitted an informal Notice of Inquiry ("NOI") to the FERC in December 2023 to discuss the existing USofA for the gas industry. In April 2024, the FERC contacted AGA to request a formal meeting to discuss the NOI. The FERC, AGA staff and the distribution company USofA Task Force met along with INGAA and its pipeline member company employees to discuss the FERC accounts for the gas industry. INGAA pipeline member companies agreed with the white papers written by the distribution company USofA Task Force and subsequently requested the FERC to allow the pipeline companies to also address their FERC account structure issues.

The FERC agreed to allow the pipeline companies to join this proceeding. In addition, the FERC asked the distribution company USofA Task Force if they had any objections to using the same account structure as the electric companies for computer hardware, and software and computer equipment. The distribution company USofA Task Force had no objections. AGA is expected to hear back from the FERC staff soon on next steps.

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

| Date | Location | Event |
|--------------------------------|--|---|
| June 18, 2024 2-3:30 PM EDT | Virtual Webcast | SEC Internal Controls for Non-Financial Professionals Register here! |
| June 23-26, 2024 | Niagara-on-the-Lake, Ontario, Canada | <ul style="list-style-type: none"> - EEI/AGA Accounting Leadership Conference - EEI/AGA Chief Audit Executives Conference - EEI Accounting Standards Committee Meeting - AGA Accounting Principles Committee Meeting - EEI Accounting EAC Summer Meeting - AGA Q2 Accounting Leadership Council Meeting |
| July 22-23, 2024 | EEI Offices, Washington D.C. | EEI/AGA FERC Accounting Liaison Committee Meeting with FERC Staff Attendees: FERC Accounting Liaison |

| | | |
|-----------------------|---------------------------------------|---|
| | | Committee |
| August 26 – 28, 2024 | Atlanta, Georgia | AGA/EEI Utility Internal Auditor's Training Course Register here! |
| August 26-29, 2024 | Atlanta, Georgia | AGA/EEI Introduction to Public Utility Accounting and Advanced Public Utility Accounting Training Courses Register here! |
| September TBD | Virtual | EEI Let's Talk Accounting – Implementing FERC Order No. 898 |
| September 4, 2024 | FERC Offices Washington, D.C. | AGA/EEI FERC, SEC and FASB Liaison Meetings Attendees: EEI Accounting EAC Members and AGA Accounting Leadership Council Members |
| September 4, 2024 | SEC Offices Washington, D.C. | |
| September 5, 2024 | FASB Offices, Norwalk, Connecticut | |
| September 17-18, 2024 | Virtual | FERC Accounting and Reporting Training, Sponsored by EEI, AGA & Deloitte |
| Fall TBD | Virtual | Training Topics TBD Attendees: EEI Accounting, Reporting, and Automation Committee AGA Corporate Accounting Committee EEI Property Accounting & Valuation Committee AGA Property Accounting & Valuation Committee |

Inventory of selected technical projects and their status:

| Standard Setter | Project | Task Force | Status |
|--|---|------------------------------------|--|
| Final Standard Implementation | | | |
| FASB | Land Lease Costs During Construction | EEI ASC Leaders AGA APC Leaders | Submitted Agenda Request on 11/8/23 |
| FASB | Income Tax Disclosures | ASC Leaders AGA APC Leaders | Evaluating final standard |
| FASB | Segment reporting | Ad hoc/industry fellow | Evaluating final standard |
| FERC | Order No. 898 – Accounting and Reporting Treatment of Certain Renewable Energy Assets under RM21-11 | FERC Accounting Liaison Committee | Implementing Final Order |
| SEC | Climate-Related Disclosures Rule | Climate Rule Implementation | Evaluating final rule |
| Exposure Draft/NOPR | | | |
| SEC | Human Capital Management Disclosures | SEC | NOPR in 2024 |
| SEC | Board Diversity Disclosures | SEC | NOPR in 2024 |
| IASB | IFRS – Rate Regulation | IFRS | Redeliberations – std. in 2024 |
| FASB | Disaggregation—Income Statement Expenses | Ad hoc | Submitted comments on 10/27/23 |
| FASB | Hedge Accounting Improvements | Derivatives & Hedging | Member info call w/FASB staff; Exposure draft 3Q 2024 |
| Project Initiation/Preliminary Due Process Document | | | |
| FASB | Environmental Credits | Environmental Credits | Ongoing input to FASB; recent meetings w/staff in 4Q 2023; Board deliberations ongoing |
| FASB | Accounting for Government Grants | Government Grants | Transferable Tax Credits paper to Staff; Board deliberations ongoing |
| FASB | Software Costs | Software | Member info call w/FASB staff; Board deliberations ongoing |
| Research Projects | | | |
| FASB | ESG-linked financial instruments | ESG-Linked Fin. Instr. | Initial research |
| FASB | Hedge Accounting Phase 2 | Derivatives & Hedging | Initial research |
| FASB | Statement of Cash Flows | Ad hoc | Initial research |

The following are industry accounting task forces:

| Task Force | Summary | Chair | Status |
|---|--------------------------------------|---|---------------|
| Accounting Standards Committee - 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 | Final standard issued | Coordinated by industry fellow | Active |
| Software | Standing | Cindy Grippando, Southern Co., Eric Lundberg, ATC | Active |
| Disaggregation—Income Statement Expenses ad hoc group | Comments filed 10/2023 | David Dougher, EEI | Active |
| Cross-Committee - Active | | | |
| Automation | Technology and Finance | John Crennen, Xcel Energy | TBD ✓ |
| Climate Rule Implementation | Developing roadmap for industry | Stephanie Williams, PG&E | Active ✓ |
| FERC Order 898 – Accounting for Renewable Assets | Implementing final rule. | Dave Dougher, coordinating with FERC Accounting Liaison Committee | Active |
| PowerPlan User Group | Standing | Amber DeLucenay, FPL | Active ✓ |
| Workiva/Systrends ad hoc group | Standing | Dave Dougher | Active ✓ |
| Accounting Standards Committee - Inactive | | | |
| Benefits Accounting | Standing | Open | Inactive |
| Derivatives and Hedging | Standing | Open | Inactive |
| Simplification Standards | Standing | Open | Inactive |
| Energy Storage Accounting | Published energy storage whitepapers | David Batten, Entergy | Inactive ✓ |
| | | | ✓ EEI-only |