

EEI & AGA Executive Accounting News Flash

December 2023

Dear Colleagues:

We've now completed a busy year of conferences, meetings, and virtual trainings. Your participation and collaboration have been fruitful and appreciated, especially as we continue to be responsive to a significant volume of regulator proposals and relevant accounting hot topics. This edition of the Newsflash summarizes rulemaking and topics that are most imminent this quarter.

In September, members of the EEI and AGA Chief Accounting Officers' leadership and EEI/AGA staff engaged with the FERC Chief Accountant and staff, SEC Chief Accountant and staff, and FASB Board Members and staff as part of our annual liaison meetings. These meetings served as a tremendous opportunity to share emerging matters and challenges most pressing to the industry with our regulators and to seek feedback on various matters. See a summary of the topics discussed at those meetings below. For more details, please do not hesitate to reach out.

Last month, we welcomed nearly 150 people to Scottsdale, Arizona for our Fall Accounting Conference. Over the course of 3 days, we heard from a number of engaging speakers on accounting, industry, and leadership topics. The AGA and EEI Corporate and Property Accounting committees led insightful roundtable discussions and we enjoyed networking at the Desert Botanical Gardens. As a reminder, next year's Fall conference will be replaced by committee-focused virtual meetings. We look forward to seeing everyone at 2024's Spring Accounting Conference in Las Vegas, Nevada!

As previously announced, Victoria Richardson recently joined AGA as Senior Director of Finance and Accounting. Victoria is succeeding 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!

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

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Annual Liaison Meetings

FERC Meeting – September 20, 2023 (Washington D.C.)

Topics of discussion included:

- Order 898 – Final Rule on Accounting for Renewable Assets and RECs
- Income statement classification for transferable tax credits
- Potential implications of various FASB projects, including Software and Hedging
- Status updates on various FERC projects and initiatives

SEC Meeting – September 21, 2023 (Washington D.C.)

Topics of discussion included:

- Industry trends and other issues
- Proposed Climate Disclosure Rule
- Cybersecurity Disclosure Rule
- Potential Governance / Human Capital rules
- PCAOB proposal on audits of noncompliance with laws and regulations
- Other SEC priorities, including year-end reporting **input from SEC Staff:**
 - Companies to ensure their EDGAR contact information is up to date
 - Revisit disclosures on wind and solar generation under Reg. S-K Item 102 because of observed diversity in extent of disclosing actual output (not just capacity) of generation sources

FASB Meeting – September 22, 2023 (Norwalk, CT)

Topics of discussion included:

- Land lease cost capitalization during construction (see additional considerations within *Regulator Activity* section)
- Alternative revenue programs
- FASB's project on environmental credits
- FASB Disclosure/Disaggregation projects, including:
 - Income statement disaggregation exposure draft
 - Income tax disclosure exposure draft
 - Segments final standard
- FASB's project on software costs
- Staff outreach on Topic 815: Hedge Accounting Improvements

Regulator Activity

FASB – Membership Transition

On November 14, 2023, the Board of Trustees of the Financial Accounting Foundation announced the appointment of Hillary Salo to a five-year term on the Financial Accounting Standards Board. Her term will begin on July 1, 2024 following the conclusion of James Kroeker's second term. Mr. Kroeker and Ms. Salo have both been active in engaging with AGA and EEI and we expect our collaborative relationship to continue.

Industry CAO Named to FASAC

Jim May, Vice President, Controller and Chief Accounting Officer of NextEra Energy and a member and former Chair of the EEI Accounting Executive Advisory Committee, has been named to the Financial Accounting Standards Advisory Council (FASAC) for a one-year term beginning in January, 2024.

This prestigious group is drawn from the ranks of CEOs, CFOs, senior partners of public accounting firms, and senior members of the academic and analyst communities as a window through which the Board can obtain and discuss the representative views of the diverse groups the FASB affects. FASAC members advise the Financial Accounting Standards Board on issues related to projects on the Board's agenda, possible new agenda items, project priorities, and other matters as requested by the chairman of the FASB. FASAC meetings provide the Board with an opportunity to obtain and discuss the views of a very diverse group of individuals from varied business and professional backgrounds.

We extend our congratulations to Jim and look forward to supporting him in this important role!

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.

AGA and EEI submitted their joint [comment letter](#) to FASB on October 27, 2023.

FASB – Treatment of Land Lease Costs Incurred During Construction

At the September 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.

SEC – Final Cybersecurity Rule

As summarized in the Q2 edition of the Newsflash, the SEC issued a final rule in July requiring registrants to provide enhanced and standardized disclosures regarding cybersecurity risk management, strategy, governance, and incidents. **The rule becomes effective this month** (December 15, 2023) and among other disclosure requirements, requires SEC filers to report cyber incidents within four business days once determined material.

The rule does provide an opportunity to delay disclosure of a material cyber incident if

the U.S. Attorney General determines the disclosure could pose a substantial risk to national security or public safety. **EEI is engaging with the Department of Justice to advocate for clear guidance on how, and through whom, a deferral of 8-K disclosure might be granted.**

SEC - Proposed Climate Disclosure Rule

As previously communicated, in June 2022, AGA and EEI 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 by the end of the year.** However, the scope and exact timing of any rule remains uncertain. EEI and AGA will offer a year-end update webcast featuring representatives from the Big 4 accounting firms to summarize the status of the proposal. The webcast is scheduled for December 20, 2-3 pm eastern time. **You may [use this link to join the webcast on December 20](#).**

SEC and PCAOB – Amendments to PCAOB Auditing Standards

As summarized in the Q2 edition of the Newsflash, 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").

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.

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 by the end 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 [final standard](#) was issued in November.

This Accounting Standard Update is aimed at enhancing the disclosures public entities provide regarding significant segment expenses so that investors can "better understand an entity's overall performance" and assess "potential future cash flows." It includes requirements to disclose significant segment expenses that are regularly reviewed by your chief operating decision maker, among other requirements. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

FERC - USofA Order 898

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

AGA and EEI's FERC Accounting Liaison Committee is continuing to evaluate the final rules. AGA members are actively working to identify and communicate recommendations to share with FERC staff for potential rulemaking action given many of the new renewables accounts added to the USofA in this most recent Order are specific to only electric operations. Please reach out if you are interested in participating in this process or learning more.

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, Victoria Richardson, or Dave Dougher for more information.

Date	Location	Event
January 4, 2024	Virtual	Accounting EAC Winter Meeting Attendees: Accounting EAC Members
March 13-14, 2024	TBD	Accounting EAC and EEI Committee Leadership Strategic Planning Meeting Attendees: Accounting EAC Members and Accounting Committee Leaders
March TBD	Virtual	FERC Reporting Refresher, Sponsored by EEI, AGA & Deloitte Attendees: Open to all
May 21-24, 2024	Las Vegas, Nevada	Spring Accounting Conference Save the Date! More information to be announced soon!
June 23-26, 2024	Niagara-on-the-Lake, Ontario, Canada	<ul style="list-style-type: none"> - Accounting Leadership Conference - Chief Audit Executives Conference - Accounting Standards Committee Meeting - AGA Accounting Principles Committee Meeting - Accounting EAC Summer Meeting - AGA Accounting Advisory Council Meeting Save the Date! More information to be announced soon!
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 TBD	TBD	AGA-EEI Utility Internal Auditor's Training Course AGA-EEI Introduction to Public Utility Accounting and Advanced Public Utility Accounting Training Courses

September TBD	Virtual	FERC Accounting and Reporting Training, Sponsored by EEI, AGA & Deloitte
September 4, 2024	FERC Offices Washington, D.C.	AGA/EEI FERC, SEC and FASB Liaison Meetings Attendees: Accounting EAC Members and AGA Accounting Advisory Council Members
September 4, 2024	SEC Offices Washington, D.C.	
September 5, 2024	FASB Offices, Norwalk, Connecticut	
Fall TBD	Virtual	Fall Committee Meetings Attendees: EEI Accounting, Reporting, and Automation Committee AGA Corporate Accounting Committee EEI Property Accounting & Valuation Committee AGA Property Accounting Committee

Inventory of selected technical projects and their status:

Standard Setter	Project	Task Force	Status
Final Standard Implementation			
FASB	Land Lease Costs During Construction	ASC Leaders	Submitted Agenda Request on 11/8/23
FASB	ASC 980 Alternative Revenue Programs – 24-month criterion	TBD	Considering Agenda Request
ISSB	IFRS S-1 General Sustainability Related Disclosures	IFRS/ESG	Reviewing Final Standards
ISSB	IFRS S-2 Climate-related disclosures	IFRS/ESG	Reviewing Final Standards
FERC	Order No. 898 – Accounting and Reporting Treatment of Certain Renewable Energy Assets under RM21-11	FERC Accounting Liaison Committee Task Force	Reviewing Final Order
SEC	Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure	SEC	Reviewing Final Rule
Exposure Draft/NOPR			
IASB	IFRS – Rate Regulation	IFRS	Redeliberations – std. in 2024
SEC	Climate Disclosures	ESG Internal Controls	Redeliberations, possible rule in 4Q 2023
SEC	Human Capital Management	SEC	NOPR possible in 2023 or 2024
FASB	Disaggregation—Income Statement Expenses	Ad hoc	Submitted comments on 10/27/23
FASB	Income Tax Disclosures	TBD	Final Standard 4Q 2023
FASB	Segment reporting	Ad hoc/industry fellow	Final Standard 4Q 2023
FASB	Hedge Accounting Improvements	Derivatives & Hedging	Member info call w/FASB staff; Board deliberations ongoing
Project Initiation/Preliminary Due Process Document			
FASB	Environmental Credits	Environmental Credits	Ongoing input to FASB; recent meetings w/staff in 4Q 2023
FASB	Accounting for Government Grants	Government Grants	Recommend no comment on ITC; Transf. Tax Credits paper to Staff
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

The following are industry accounting task forces:

Task Force	Summary	Chair	Status
Accounting Standards Committee - Active			
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
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 ✓
ESG Internal Controls	Developing work plan and deliverables for EAC review	Kristin Susick, FirstEnergy; Tabitha Argent, Southern Company; Steve Busser, Evergy	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 ✓
Accounting Standards Committee - Inactive			
Benefits Accounting	Standing	Open	Inactive
Derivatives and Hedging	Standing	Open	Inactive
Simplification Standards	Standing	Open	Inactive
			✓ EEI-only