

# EEI & AGA Executive Accounting News Flash

**December 2024**

Dear Colleagues:

Welcome to the 2024 fourth quarter edition of the Executive Accounting News Flash. We hope you had a wonderful Thanksgiving and send our warmest wishes for this holiday season!

As we conclude a busy year filled with conferences, meetings, and virtual trainings, we want to express our gratitude for your active participation and collaboration. Your engagement has been invaluable, especially as we navigate a significant volume of regulatory proposals and pertinent accounting hot topics.

This quarter has been particularly active, with numerous standard-setting activities and ongoing evaluations and implementations of new standards. Below, we have highlighted some key accounting implications that you may encounter.

We look forward to seeing everyone in 2025! See the list of EEI and AGA 2025 activities below.

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

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# Regulator Activity

## FASB – Key Accounting Standards Updates (ASUs) Pending Adoption

### **Disaggregation of Income Statement Expense (DISE) ASU**

On November 4, 2024, the FASB issued [ASU 2024-03](#), which requires disaggregated disclosure of income statement expenses for public business entities (PBEs). The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements.

There are numerous changes made in the final guidance as compared to the proposed ASU including giving entities the ability to use estimates or other methods that produce a reasonable approximation of the amounts required to be disclosed, providing clarifications regarding certain disclosures, and a delayed implementation timeline.

The final ASU also included the following suggestions from EEI/AGA industry comment letter:

- Definition of inventory changed to exclude long-term assets subject to depreciation accounting, or goods which, when put into use, will be so classified.
- Clarification that further disaggregation is not required for the subsequent recognition of amounts initially capitalized as an asset, with the exception of inventory within the scope of ASC 330, Inventory.

The FASB issued a [Disaggregation-Income Statement Expenses: Clarifying the Effective Date exposure draft](#) with comments due December 10, 2024. The exposure draft clarifies the initial effective date for entities that do not have an annual reporting that ends on December 31 (referred to as non-calendar year-end entities).

ASU 2024-03 is effective for all PBEs for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. PBEs are required to adopt the ASU prospectively. However, PBEs are permitted to apply the amendments in the ASU retrospectively.

**We will activate the Disaggregation—Income Statement Expenses task force in 2025.**

### **Segment Reporting ASU**

As previously reported, in November 2023, the FASB issued [ASU 2023-07 Segment Reporting \(Topic 280\): Improvements to Reportable Segment Disclosures](#). This standard 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.

EEI and AGA have an active segment task force that has been meeting regularly as companies implement ASU 2023-04, Improvements to Reportable Segment Disclosures in 2024. Recently, the task force has requested the Accounting Standards Committee Members and Accounting Principles Committee members to complete a survey to obtain information about how companies are implementing ASU 2023-04,

Improvements to Reportable Segment Disclosures. **Survey responses are due Monday December 9, 2024 and the survey results will be shared with the member companies.**

### **Income Tax Disclosures ASU**

As previously reported, in December 2023, the FASB issued [ASU 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. 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 – Current Projects**

The 2024 calendar year has been busy for the [FASB](#) with a number of accounting standards open for comments or expected to be issued as draft exposures in the coming months that are directly relevant to our industry. We will continue to monitor the items below and provide additional communications once issued. These items include:

Topic	Status
<a href="#">Accounting for Environmental Credit Programs</a>	Exposure draft expected 4Q 2024
<a href="#">Accounting for and Disclosure of Software Costs</a>	Exposure draft issued, comments due 1/27/2025
<a href="#">Accounting for Government Grants</a>	Exposure draft issued, comments due 3/31/2025
<a href="#">Interim Reporting – Narrow-Scope Improvements</a>	Exposure draft issued, comments due 3/31/2025
<a href="#">Accounting for Debt Exchanges</a>	Exposure draft expected 1Q 2025

### **Accounting for and Disclosure of Software Costs**

The [proposed ASU](#) aims to make the internal-use software guidance in US GAAP (ASC 350-40) more compatible with agile software development methods. It also proposes adding new factors for entities to consider when determining whether a software project is ‘probable’ of completion (and capitalization of eligible development costs should begin). Additionally, the proposal specified that financial statement presentation of cash outflows for capitalized internal-use software be presented as a separate item in the investing section of the cash flow statement.

We have an active Software task force that provided our industry views on accounting for software costs. This task force is also evaluating potential actions in response to FASB’s Exposure Draft, and EEI is preparing an industry comment letter for submission to the FASB by the due date of January 27, 2025.

## **Accounting for Government Grants**

On November 19, 2024, the FASB issued a [proposed ASU](#) that would add guidance to ASC 832 on the recognition, measurement, and presentation of government grants. In the absence of such guidance, many companies have analogized to other GAAP, including IAS 20 or ASC 958-605, when accounting for these grants. In developing the proposed ASU's recognition and measurement framework, the FASB largely leveraged the guidance in IAS 20. The proposal also defines a government grant as a transfer of a monetary or tangible nonmonetary asset, other than an exchange transaction from a government to a business entity as well as providing a recognition threshold under which a grant would be recognized when it is probable that the entity will comply with the grant's conditions and that the grant will be received.

We have an active Government Grants task force that is evaluating potential actions in response to the FASB's exposure draft and EEI and AGA plan to issue an industry comment letter.

## **Interim Reporting – Narrow-Scope Improvements**

On November 13, 2024, the FASB issued a [proposed ASU](#) to clarify the interim reporting requirements in ASC 270. The proposed amendments to ASC 270 are not intended to significantly change interim reporting or expand or reduce interim disclosure requirements. However, the proposed ASU has three primary objectives:

- specify the form and content choices for interim financial statements and accompanying notes;
- incorporate a comprehensive list of required interim disclosures; and
- introduce a disclosure principle to disclose events and changes since the end of the previous annual reporting period which have material impact on the entity.

EEI and AGA are still evaluating the potential actions in response to the FASB's Exposure draft.

**For a further overview of accounting and regulatory developments refer to the [Heads Up Newsletters](#) and [Financial Reporting Views](#).**

## **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. 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 delayed. The Eight Circuit Court anticipates hearing oral arguments in Fall of 2024.

Given the work necessary to implement the rule, AGA and EEI continue to monitor events and develop plans to assist the industry.

## **FERC's Notice of Proposed Accounting Release (NOPAR) – Accounting for the Transferability of Tax Credits**

On September 12, 2024, the FERC issued a NOPAR regarding the accounting for the transferability of tax credits. The NOPAR requested comments on the following four accounting topics:

1. The proposed accounting release would require an entity to treat the transfer of income tax credits as a nonoperating activity, including the revenue received from the transfer of the income tax credit (i.e. the entirety of the cash proceeds) and any costs to facilitate the transfer of income tax credits.
2. The proposed accounting release would require an entity, upon the transfer of its income tax credits to an independent third party, to derecognize all associated balances previously recorded on its books, including associated accumulated deferred income tax (ADIT) balances.
3. The proposed accounting release would require an entity that purchases a non-investment tax credit, from an independent third party, to record the tax credit on its books using the same account (i.e., an ADIT asset) that it would have used had it itself generated the tax credit for use on its own income tax return, with any costs incurred to facilitate the purchase recorded as nonoperating.
4. The proposed accounting release would require an entity that purchases an investment tax credit from an independent third party to use either the flowthrough or deferred method of accounting for investment tax credits, consistent with the Commission's existing accounting regulations, as if it itself received the upfront tax credit from the IRS, with any costs incurred to facilitate the purchase recorded as nonoperating.

**Comments on the [NOPAR](#) were due in October. EEI and AGA disagree with the proposal for a number of specific reasons included within their joint [comment letter](#) filed with the FERC on October 28, 2024.**

## Upcoming Events

Additional details are available on the websites of EEI and AGA as they become available. Check with Victoria Richardson or Jennifer Porter for more information.

Date	Location	Event
December 11, 2024	Virtual	AGA FERC Accounting Liaison Committee Annual Meeting <b>Attendees: Accounting Committee</b>
December 12, 2024	Virtual	AGA Accounting Principles Committee Annual Meeting <b>Attendees: Accounting Committee</b>
December 19, 2024	Virtual	AGA Accounting Leadership Council 4 <sup>th</sup> Quarter Meeting <b>Attendees: ALC Chief Accounting Officers</b>
January 6, 2025	Virtual	EEI Accounting EAC Winter Meeting <b>Attendees: Accounting EAC Members</b>
March 12 – 13, 2025	Dallas, Texas	EEI Accounting EAC and Committee Leadership Strategic Planning Meeting, Westin Dallas Fort Worth

		<b>Attendees:</b> Accounting EAC Members and Accounting Committee Leaders
March TBD	Virtual	Deloitte/EEI/AGA FERC Virtual Training – FERC Filings
May 18 – 21, 2025	Bellevue, Washington	EEI/AGA Spring Accounting Conference, Hyatt Regency on Seattle’s Eastside
June, 1-4, 2025	Philadelphia, PA	EEI Taxation Committee Meeting
June 8-11, 2025	Coeur d’Alene, Idaho	AGA Taxation Committee Meeting, The Coeur d’Alene Golf & Spa Resort
June 22 – 25, 2025	Carlsbad, California	AGA/EEI Accounting Leadership Conference, Omni La Costa Resort & Spa
June 22 – 25, 2025	Carlsbad, California	AGA/EEI Chief Accounting Leadership Conference, Omni La Costa Resort & Spa
July 28-29, 2025	Washington, DC	AGA/EEI FERC Accounting Liaison Meeting, AGA’s Headquarter, Washington. DC
August TBD	Washington, DC	AGA Accounting Principles Committee Meeting, AGA’s Headquarter Washington, DC
August 18-21, 2025	Saint Paul, Minnesota	EEI/AGA Public Utility Accounting & Auditing Training, Intercontinental Saint Paul Waterfront
September TBD	SEC Offices Washington, D.C.	AGA/EEI SEC, FERC and FASB Liaison Meetings <b>Attendees:</b> Accounting EAC Members and AGA Accounting Leadership Council (ALC) Members
	FERC Offices Washington, D.C.	
	FASB Offices Norwalk, Connecticut	
September TBD	Virtual	Deloitte/EEI/AGA FERC Accounting and Reporting Training
November TBD	TBD	EEI/AGA Taxation Committee Meeting Location TBD

## Inventory of selected technical projects and their status:

Standard Setter	Project	Task Force	Status
<b>Final Standard Implementation</b>			
FASB	<a href="#">Income Tax Disclosures</a>	EEI ASC AGA APC	Evaluating final standard
FASB	<a href="#">Segment reporting</a>	Ad hoc/industry fellow	Implementing final standard
FERC	<a href="#">Order No. 898 – Accounting and Reporting Treatment of Certain Renewable Energy Assets under RM21-11</a>	FERC Accounting Liaison Committee	Implementing Final Order
SEC	<a href="#">Climate-Related Disclosures Rule</a>	Climate Rule Implementation	Evaluating final rule and related Stay Order
FASB	<a href="#">Disaggregation—Income Statement Expenses</a>	Ad hoc	Evaluating final standard
<b>Exposure Draft/NOPR</b>			
FERC	<a href="#">Accounting for Transferability of Income Tax Credits</a>	FERC	Submitted comments on 10/28/2024
IASB	<a href="#">IFRS – Rate Regulation</a>	IFRS	Final standard in 2025
FASB	<a href="#">Accounting for Government Grants</a>	Government Grants	Comments on exposure draft due 3/31/2025
FASB	<a href="#">Software Costs</a>	Software	Comments on exposure draft due 1/17/2025
FASB	<a href="#">Interim Reporting – Narrow-Scope Improvements</a>	Interim Reporting	Comments on exposure draft due 3/31/2025
<b>Project Initiation/Preliminary Due Process Document</b>			
FASB	<a href="#">Environmental Credits</a>	Environmental Credits	Exposure Draft 4Q 2024
FASB	<a href="#">Accounting for Debt Exchanges</a>	Debt	Exposure Draft 1Q 2025
<b>Research Projects</b>			
FASB	ESG-linked financial instruments	ESG-Linked Fin. Instr.	Initial research
FASB	Statement of Cash Flows	Ad hoc	Initial research

## The following are industry accounting task forces:

If you are interested in joining any of the industry accounting task forces, please do not hesitate to reach out to any of us.

Task Force	Summary	Chair	Status
<b>Accounting Standards Committee - Active</b>			
Environmental Credits	Provided input to FASB	Mike Dixon, National	Active

	staff; Awaiting exposure draft	Grid	
ESG-Linked Financial Instruments	Awaiting FASB actions	TBD	Active
Government Grants	Comments on exposure draft due 3/31/2025	Amin Mohamed, NextEra Energy	Active
IFRS – Rate Regulation	Final standard in 2025	Open	Active
SEC	Standing	Coordinated by EEI Staff	Active
Segments ad hoc group	Final standard issued	Coordinated by industry fellow	Active
Accounting for and Disclosure of Software Costs	Comments on exposure draft due 1/27/2025	Cindy Grippando, Southern Co., Eric Lundberg, ATC	Active
Disaggregation—Income Statement Expenses ad hoc group	Final standard issued	David Dougher, EEI	Active
<b>Cross-Committee - Active</b>			
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	David Dougher, EEI, coordinating with FERC Accounting Liaison Committee	Active ✓
FERC USofA Task Force	Awaiting FERC actions	Angela Cahill, New Jersey Resources	Active ^
Workiva/Systrends ad hoc group	Standing	David Dougher, EEI	Active ✓
<b>Accounting Standards Committee - Inactive</b>			
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 ^ AGA-only