

Revenue Recognition:

*A Comprehensive Review
for the Energy Industry*

Table of Contents

INTRODUCTION	4
SCOPE	5
COLLABORATIVE ARRANGEMENTS.....	5
COMMODITY EXCHANGE ARRANGEMENTS (CEA).....	6
PRODUCTION IMBALANCES – BALANCING ARRANGEMENTS	6
JOINT OPERATING AGREEMENTS (JOA)	6
DERIVATIVES VERSUS NORMAL PURCHASES & NORMAL SALES	7
SALES OF MINERAL INTERESTS	7
PRODUCTION PAYMENTS	7
CONTRIBUTIONS IN AID OF CONSTRUCTION	8
ALTERNATE REVENUE PROGRAMS (ARP).....	8
THE MODEL	9
STEP 1: IDENTIFY THE CONTRACT WITH A CUSTOMER	9
CONTRACT MODIFICATIONS	10
<i>Blend-and-Extend (B&E) Contract Modifications</i>	10
<i>Partial Contract Cancellations</i>	11
STEP 2: IDENTIFY PERFORMANCE OBLIGATIONS IN A CUSTOMER CONTRACT	11
BUNDLED SALES.....	12
<i>Electricity & Capacity</i>	12
<i>Electricity & Renewable Energy Credit</i>	12
MATERIAL RIGHT	13
<i>Volume Variability/ Volumetric Optionality</i>	13
SERIES PROVISION	14
STAND-READY OBLIGATIONS	14
STEP 3: DETERMINE THE TRANSACTION PRICE	15
VARIABLE PRICING & CONSTRAINT	15
<i>Take-or-Pay Arrangements</i>	15
SIGNIFICANT FINANCING	16
<i>B&E Contract Modification</i>	16
<i>Variable Volumes – Requirement Contracts</i>	17
<i>Noncash Consideration</i>	18
STEP 4: ALLOCATE THE TRANSACTION PRICE TO PERFORMANCE OBLIGATIONS	18
STEP 5: RECOGNIZE REVENUE	19
PERFORMANCE OBLIGATIONS SATISFIED OVER TIME.....	19
PERFORMANCE OBLIGATIONS SATISFIED AT A POINT IN TIME	21
WHEN DOES CONTROL OF A COMMODITY TRANSFER?	22
<i>Take-or-Pay Arrangements</i>	23
<i>Bundled Sales</i>	23

PRINCIPAL VERSUS AGENT CONSIDERATIONS..... 24

 JOINT OPERATING AGREEMENTS (JOA) 25

PRESENTATION 26

 ARPs 26

 PRESENTATION OF SALES TAXES 27

DISCLOSURES 28

 DISAGGREGATION 28

 PERFORMANCE OBLIGATIONS 29

Transaction Price Allocated to the Remaining Performance Obligations 29

 SIGNIFICANT JUDGMENTS 31

 CAPITALIZED CONTRACT COSTS 31

 CONTRACT BALANCES 31

CONTRIBUTOR 33

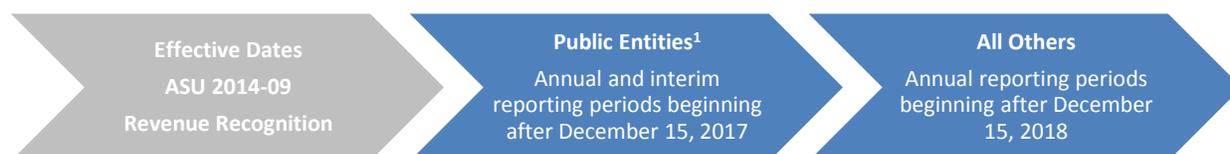
APPENDIX A – INTERNAL CONTROLS 34

APPENDIX B – DISCLOSURE REQUIREMENTS..... 35

Introduction

Revenue recognition has changed as public entities¹ have adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Industry-specific revenue guidance is gone and there are now significant new interim and annual disclosures. Implementation will be a significant undertaking for entities in all industries. Energy companies face additional challenges due to the variety of revenue streams and industry regulations. The effect on each company will vary depending on existing revenue sources, customer base and estimation methodologies. Even if revenue recognition timing does not change, energy companies will have to redraft accounting policies under the new principles and update internal controls for the increases in management's judgments. Energy companies may need to modify systems to track and evaluate different types of information for the new disclosure requirements. In reviewing 2017 10-K U.S. Securities and Exchange Commission (SEC) filings, most energy and utility companies did not expect that adoption would have a material effect on the financial statements; however, anecdotal feedback indicates implementation was more time-consuming and costly than initial estimates.

For a comprehensive overview of Topic 606, see BKD's white paper, [Revenue Recognition: An Updated Look at the Guidance](#). This paper focuses on those items in the new model that will have the greatest effect on energy companies and includes all subsequent amendments, Transition Resource Group (TRG) clarifications, finalized and exposed guidance from two American Institute of CPAs revenue task forces—oil and gas (O&G) and power and utilities (P&U)—and SEC views gathered from official speeches. The paper includes excerpts from large accelerated filers that were required to adopt the standard in the first quarter of 2018.



¹ The new revenue standard defines a public entity as any one of these:

- A public business entity
- A not-for-profit entity that has issued—or is a conduit bond obligor for—securities traded, listed or quoted on an exchange or over-the-counter market
- An employee benefit plan that files or furnishes financial statements to the SEC



Scope

The new revenue standard applies to all contracts with customers, except for those within the scope of other standards, *e.g.*, derivatives, leases and certain nonmonetary exchanges between vendors. Companies should carefully review requirements contracts and similar contracts with variable volumes to determine if the arrangement contains a lease in the scope of Accounting Standards Codification (ASC) 840 or 842, *Leases*, or a derivative in the scope of Financial Accounting Standards Board (FASB) ASC 815, *Derivatives and Hedging*, or both. If the other accounting guidance specifies how to separate and/or initially measure one or more parts of a contract, an entity first should apply those requirements before applying ASC 606.

This determination ensures the correct accounting guidance is applied and also determines income statement presentation—any income streams not in ASC 606’s scope must be broken out separately in the financial statements. While this may seem straightforward, for the energy industry there are several common arrangements and transaction types that merit further analysis.

Collaborative Arrangements

The new revenue standard applies to contracts with a customer defined as “a party that has contracted with an entity to obtain goods or services that are an output of the entity’s ordinary activities in exchange for consideration.” For some contracts, the counterparty may not be a customer but rather a collaborator or partner that shares with the entity the risks and benefits resulting from the activity and, therefore, would **not** be in the new standard’s scope.

Transactions among partners in collaboration arrangements within the scope of ASC 808, Collaborative Arrangements, are out of scope of ASC 606. ASC 808 notes that when payments between parties in a collaboration are not within the scope of other authoritative guidance, an entity would determine income statement classification based on analogy to other authoritative accounting literature; lacking an appropriate analogy, an entity may make an accounting policy election for a reasonable, rational and consistently applied classification. Therefore, an entity could apply the revenue recognition guidance by analogy to these types of arrangements, if that is the policy it has elected.

In November 2017, FASB added a project to its agenda to make targeted improvements to ASC 808 to clarify when transactions between participants in a collaborative arrangement are within the revenue guidance's scope. FASB has hosted several workshops and issued an exposure draft on April 26, 2018. A final standard is expected by year-end.

Commodity Exchange Arrangements (CEA)

CEAs are a cost-effective way for energy companies to meet operational needs. In these arrangements, an entity agrees to sell a certain quantity and grade of a commodity to a counterparty at a specified location and simultaneously agrees to buy a specific quantity and grade of a similar commodity from that same counterparty at another location—the party's specified inventories are exchanged, *e.g.*, in-ground natural gas liquids are exchanged at different storage hubs. Although a CEA counterparty may meet the ASC 606 customer definition, nonmonetary exchanges between two parties in the same line of business are outside the new standard's scope and would be accounted for in accordance with ASC 845, *Nonmonetary Transactions*. This conclusion also would apply to a marketer selling crude oil or gas to a refiner or gas processor and simultaneously buying back separate, refined products such as condensates or natural gas liquids. For nonmonetary exchange contracts with customers not in the same line of business, ASC 606 would apply. See Step 3 for the measurement of noncash consideration.

Production Imbalances – Balancing Arrangements

A producer imbalance arises when the owner of one or more working interests sells a volume of production higher (over lift) or lower (under lift) than its entitled share of production for a period. The over lift party has an obligation to settle the imbalance with the under lift party financially or in kind by the end of the property's life. SEC guidance in ASC 932-10-S99-5 previously permitted owners to record revenue related to these arrangements by using either an entitlements method or a sales method. Under the entitlements method, an owner generally records revenue equivalent to its share of production and a payable (over lift) or receivable (under lift) for the difference between volumes it actually sold to third parties and its working interest. Under the sales method, an owner generally records revenue for the actual amount of the production sold to third parties and adjusts reserves for any shortfall. A follow-up set of amendments to ASC 606 in ASU 2016-11 eliminated this SEC guidance. Therefore, if the sales contract with the third party is considered a customer contract, revenue on those sales would be recognized in accordance with ASC 606. See Steps 3 and 5 for additional considerations.

Joint Operating Agreements (JOA)

Because of economic uncertainties related to exploring for and producing oil and gas, two or more parties often join together to locate and develop prospects. In general, a transaction with another working interest owner will be accounted for under ASC 606 if the counterparty is considered a customer in the specific transaction. Companies should consider whether other applicable guidance (such as ASC 808) should be applied when an arrangement is not a contract with a customer.

The O&G task force provided insights into this assessment. In some arrangements the property operator is reimbursed by the other working interest owners for certain overhead costs incurred on behalf of other working interest owners in the jointly held property. The JOA governs how reimbursement amounts are calculated and allocated. Because these payments represent the shared risks and rewards for their joint, undivided ownership interest in the property, these arrangements do not represent a vendor-customer relationship and the other working interest owners do not meet the definition of a customer. The O&G task force concluded these reimbursements generally are not considered revenue from contracts with customers subject to ASC 606. However, entities that serve as contract operators and are paid to operate properties in which they do not have a working interest would be subject to ASC 606 and should record the reimbursement as revenue in the income statement. In other cases, operators may provide services for other joint operating interest holders and other third parties in the same field. If these services are outputs of the entities' ordinary activities, they should be evaluated to determine if there are performance obligations for such services that are part of a contract with a

customer subject to ASC 606. Evaluating such activities will require significant judgment and depend on specific facts and circumstances.

Companies will need to apply judgment to evaluate whether the parties in transactions between working interest owners have a vendor-customer relationship.

Derivatives Versus Normal Purchases & Normal Sales

Contracts for the purchase or sale of oil and natural gas often meet the definition of a derivative and would continue to be subject to the guidance in ASC 815, including the related disclosure requirements, rather than the more voluminous ASC 606 disclosure requirements. As a refresher, a contract for the physical delivery of electricity on a forward basis meets the definition of a derivative under ASC 815 when it has all of the following characteristics:

- An underlying
- A notional amount
- No initial net investment
- Net settlement (typically in the form of either an asset readily convertible to cash or a market mechanism when there is a liquid market)

Contracts expected to result in physical delivery may be eligible for the normal purchases and normal sales (NPNS) scope exception in ASC 815. NPNS are contracts for the purchase or sale of a nonfinancial asset or derivative to be deliverable in quantities expected to be used or sold by the company over a reasonable period in the normal course of business. The NPNS exception is a contract-by-contract irrevocable election, which allows qualifying contracts to be accounted for as a normal sales contract rather than as a derivative. General criteria include the following:

- Contract terms must be consistent with the entity's "normal" purchases or "normal" sales. Judgment about an entity's needs for the related assets, the locations to which delivery is made, the entity's prior practices, etc., is required.
- Contracts with a price not clearly and closely related to the asset being sold or purchased are not eligible for NPNS.
- It must be probable at inception and throughout the term that the contract will result in physical delivery.

If an entity elects to treat a physical commodity sale contract as a normal sale, that contract should be accounted following the guidance in ASC 606.

Sales of Mineral Interests

Industry guidance in ASC 932-360, *Extractive Activities—Oil and Gas, Property, Plant, and Equipment*, remains in effect for conveyances of mineral interests and oil and gas properties and, therefore, outside ASC 606's scope. Companies that retain a portion of a well's operating and nonoperating interests would continue to use ASC 932. However, that same entity's sale of its drilling equipment on the property would be accounted for in accordance with ASC 606 because certain guidance in ASC 360-20, *Property, Plant, and Equipment—Real Estate Sales*, has been superseded by ASU 2014-09—it was replaced by ASC 610-20, which governs the accounting treatment for partial sales of nonfinancial assets.

Production Payments

Production payments are covered by guidance in ASC 932. A production payment repayable in cash plus interest out of proceeds from a specific mineral interest is considered to be a financing and not a sale of that mineral interest and, therefore, out of ASC 606's scope. A volumetric production payment (VPP) that is repaid in a

specified amount of commodity lifted from a specific mineral interest and delivered free and clear of all expense associated with that interest's operation reflects a sale of that mineral interest and also is outside ASC 606's scope.

The accounting for VPPs is not expected to change as a result of the new revenue model.

Contributions in Aid of Construction

Utilities must serve all customers at regulator-approved prices covering utility service costs, but there are special provisions for customers that cannot be economically served. Contributions in aid of construction (CIAC) represent money or other property contributed to a regulated utility to ensure the appropriate parties are paying for utility infrastructure costs and the service price is economical and fair for all customers. The CIAC payment is computed using a regulator-set methodology and is paid upfront to cover the uneconomic portion of the utility's investment with no profit margin for the utility. The utility maintains ownership, has full control over and is responsible for operating and maintaining the connection along with the larger distribution network. The CIAC payment does not affect the price the utility charges the customer for ongoing service.

The accounting for CIAC is subject to interpretation and will require management judgment, supporting documentation and disclosure if amounts are material. The P&U task force concluded CIAC can reasonably be viewed as a cost reimbursement from a customer that is **not** within ASC 606's scope based on the following considerations:

- ASC 606 was not intended to address accounting for costs and cost reimbursements on a comprehensive basis. CIAC fundamentally represents a reimbursement of utility infrastructure costs (as evidenced by the fact that CIAC does not provide a margin to the utility). The CIAC payment does not relate to the transfer of a deliverable to the customer (the utility retains title to and operational control over the infrastructure). There is no performance obligation associated with the construction of utility infrastructure, and it does not relate to any delivery of power or other utility services.
- It would be reasonable to conclude that building out a utility's delivery infrastructure is not a revenue-producing activity and would not constitute a utility's "ongoing major or central operations." Regulated utilities generally are not in the business of constructing transmission and distribution assets for sale to others. Rather, such construction generally is a cost activity as evidenced by the utility's continued ownership of the infrastructure and continued responsibility for all related operating and maintenance costs. This is true for all of the utility's infrastructure, regardless of the amount of the CIAC payment, if any.
- Separating revenue and nonrevenue aspects of a contract is consistent with ASC 606. The CIAC payment is determined by regulations and is not subject to negotiation between the utility and the customer; there is no ability to shift payments between upfront reimbursements of uneconomic investments (nonrevenue) and ongoing consideration for delivery of utility service (revenue).

The task force noted this analysis requires the exercise of judgment and that others may reach different conclusions based on the facts and circumstances of their arrangements.

Alternate Revenue Programs (ARP)

Current guidance in ASC 980, *Regulated Operations*, addresses recognition of revenue and regulatory assets/liabilities from ARPs. ARPs enable the utility to adjust future rates in response to past activities or completed events if certain criteria are met, even for programs that do not qualify for recognition of "traditional" regulatory assets and liabilities. ASU 2014-09 amended ASC 980 to specifically exclude ARPs from ASC 606 because such programs represent contracts between the utility and its regulators, not customers.

Entities with regulated operations will have to present revenues from ARPs separately from revenue they recognize under ASC 606.

The Model

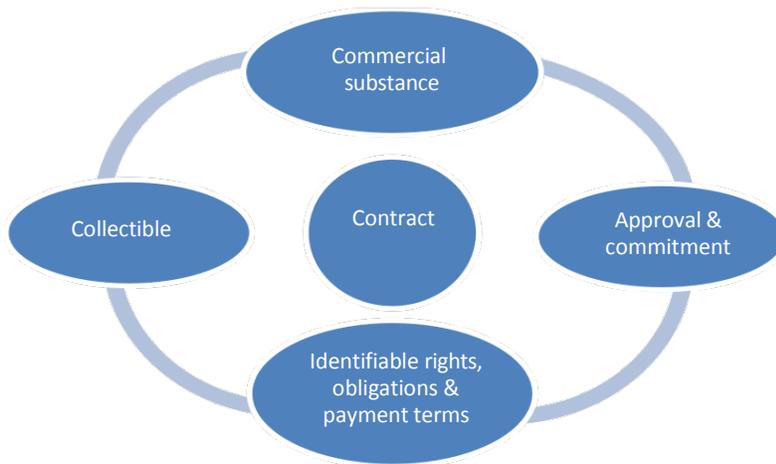
The revenue recognition model's core principle is that an entity would recognize as revenue the amount that reflects the consideration to which it expects to be entitled in exchange for goods or services when (or as) it transfers control to the customer. To achieve that core principle, an entity will apply a five-step model:

- Identify the contract(s) with a customer
- Identify the separate performance obligations
- Determine the transaction price
- Allocate the transaction price to the separate performance obligations
- Recognize revenue when (or as) a performance obligation is satisfied



Step 1: Identify the Contract with a Customer

ASC 606 defines a contract as “an agreement between two or more parties that creates enforceable rights and obligations.” Accounting for contracts with customers under the new model only begins when all the following criteria are met:



For energy companies, these criteria are straightforward; the biggest challenge will be evaluating the accounting for contract changes.

Contract Modifications

A contract modification occurs when the parties to a contract approve a change in the scope or price of a contract that creates new enforceable rights and obligations or changes existing ones. Previous revenue recognition guidance did not include an accounting framework for contract modifications, except for construction- and production-type contracts.

Accounting for contract modifications will depend on the type of modification. A contract modification would be recognized as a separate contract only if distinct goods or services are added for additional consideration that reflects their standalone selling prices. If these two criteria are not met, the modification would be accounted for on a combined basis with the original contract, either prospectively or on a cumulative catch-up basis depending on whether the remaining goods or services are distinct from the goods or services transferred before the modification. If distinct, the modification is accounted for prospectively with the unrecognized consideration allocated to the remaining performance obligations and revenue recognized when (or as) the remaining performance obligations are satisfied. If the remaining goods or services are not distinct, the modification is accounted for as if it were part of the existing contract, forming part of a single partially satisfied performance obligation at the date of the modification. The modification's effect on the transaction price and on progress toward satisfaction of the performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis.

Separate Contract	Termination of Existing Contract	Part of Existing Contract
<ul style="list-style-type: none">• Additional goods or services are distinct• At standalone selling price	<ul style="list-style-type: none">• Remaining services are distinct• Not at standalone selling price• Prospective adjustment	<ul style="list-style-type: none">• Remaining services are not distinct• Form part of a single partially complete performance obligation• Cumulative catch-up adjustment

Blend-and-Extend (B&E) Contract Modifications

In a typical B&E modification, a supplier and customer may renegotiate the contract to allow the customer to take advantage of lower commodity pricing while the supplier increases future delivery. The customer and supplier agree to “blend” the remaining, original, higher contract rate with the lower, extension-period rate for the remainder of the original contract term plus an extended term.

Entities must carefully evaluate the facts and circumstances for a B&E contract modification to determine whether it should be accounted for as a new contract or a prospective contract modification. The P&U task force identified two acceptable accounting approaches under ASC 606:

- The extension period is a separate contract. An entity could conclude the modification results in the addition of distinct goods or services because the additional deliveries are discrete and separate from the deliveries under the original contract. A seller could conclude the contract's price increases by an amount of consideration that reflects the entity's standalone selling price for the additional deliveries. As such, the seller would continue to recognize revenue at the pre-modification contract rate during the remainder of the original term and would record the difference between the new contract rate and the original rate as a contract asset. The contract asset would unwind during the extension period as the recorded revenue would exceed the billed amounts.

- Termination of the existing contract and the creation of a new contract. The seller would conclude the additional deliveries are distinct but that the remaining consideration for the goods yet to be provided (the blended price) is not consistent with the then-current standalone selling price of those remaining deliveries. The new contract would be accounted for as a single performance obligation satisfied over time—a series of distinct goods or services—and revenue would be recognized at the contract rate. This view is deemed to be consistent with the standard’s core principle because recognizing revenue at the modified price for each delivery after the modification reflects the amount of consideration to which the selling party is entitled for each distinct delivery after the modification.

Companies should establish an approach based on the facts and circumstances of their modifications and apply that approach consistently to similar fact patterns. Companies should disclose their approach, if material.

Partial Contract Cancellations

An energy company may enter into a customer contract to deliver goods or services over time and later agree with the customer to only terminate a distinct, unsatisfied portion of that contract. This situation is not specifically addressed in ASU 2014-09, but the P&U task force believes such transactions are modifications of the existing agreements and should be assessed in the context of the contract modifications framework. The task force concluded payments made or received in conjunction with partial contract modifications are part of the transaction price and should be allocated to the remaining performance obligations under the contract. For example, if the last two years of a five-year contract were terminated after year one, the settlement payment would be reflected as revenue over years two and three of the contract since the seller still has performance obligations to the customer for those periods.

The task force’s conclusions would apply to both a single performance obligation satisfied over time and a contract containing multiple performance obligations only if the remaining goods or services are distinct from the goods or services transferred on or before the date of the partial termination.



Step 2: Identify Performance Obligations in a Customer Contract

Under ASC 606, performance obligations and fulfillment of those obligations determine revenue recognition. Properly identifying the performance obligations will be time-consuming but critical because these determinations drive the pattern of revenue recognition (see Step 5) and financial statement disclosures.

A performance obligation is a promise to transfer goods or services to a customer that can be explicitly identified in a contract or implied by customary business practices, published policies or specific statements. Both of the following criteria must be met for a promised good or service to be considered distinct and a separate performance obligation:

- Capable of being distinct because the customer can benefit from the good or service on its own or with other readily available resources

- Distinct within the contract’s context—the good or service to the customer is separately identifiable from other promises in the contract. The following indicators would be used to evaluate if a good or service is distinct within the contract’s context:
 - Significant integration services are not provided.
 - The goods are not highly interdependent or interrelated.
 - The good or service does not significantly modify or customize another good or service promised in the contract.

Duke Energy 1Q 2018 10-Q

*Retail electric service is generally marketed throughout Duke Energy's electric service territory through standard service offers. The standard service offers are through tariffs determined by regulators in Duke Energy's regulated service territory. **Each tariff, which is assigned to customers based on customer class, has multiple components such as an energy charge, a demand charge, a basic facilities charge, and applicable riders. Duke Energy considers each of these components to be aggregated into a single performance obligation for providing electric service, or in the case of distribution only customers in Duke Energy Ohio, for delivering electricity. Electricity is considered a single performance obligation satisfied over time consistent with the series guidance and is provided and consumed over the billing period (generally one month).***

Bundled Sales

Electricity & Capacity

Many energy companies offer bundled sale arrangements featuring a mix of goods and services sold each month over a multiyear term—most commonly electricity and capacity. Capacity represents the reservation of an electric-generating facility and conveys the ability to call on that plant to produce electricity when needed by the customer. In addition to entitling a customer to call on the facility’s electrical output, capacity commonly is required to be procured by utility providers to demonstrate their ability to serve their anticipated customer demand.

The P&U task force concluded capacity bundled with electricity in a single sale arrangement will often each be distinct performance obligations; however, depending on facts and circumstances, it may be appropriate to conclude the electricity and capacity are not distinct in the context of the contract, *i.e.*, they would be viewed as together comprising one performance obligation. Relevant considerations in making this determination may include:

- Whether capacity and electricity are transacted separately in the marketplace
- Whether the pricing of one is dependent on the pricing of the other
- Whether the customer can benefit from the capacity on its own, *e.g.*, as generally would be the case for a load-serving entity that is required to demonstrate access to capacity to its regulator

This conclusion will affect the pattern of revenue recognition in Step 5.

Electricity & Renewable Energy Credit

Owners of renewable generation assets such as wind and solar farms receive renewable energy credits (REC) for producing green electricity. The RECs can be retained by the generator or sold to others. RECs can be sold to a utility individually or bundled with the electricity produced. The utility buyer uses the electricity to meet customer demand and uses the RECs to comply with various regulatory requirements after appropriate certification. The P&U task force concluded RECs are distinct performance obligations because:

- The buyer/customer can benefit from the good or service on its own.

- The seller has made a promise to transfer RECs to the customer that is separately identifiable from other promises (electricity) in the contract.
- The buyer can resell RECs in a secondary market or may use RECs to satisfy renewable portfolio standards within a particular jurisdiction.
- In contracts containing the sale of renewable energy (electricity and RECs), RECs generally are separately delineated from the sale of electricity, though pricing may be bundled.

This evaluation will require management judgment. A company's conclusion should be fully documented and disclosure is required if these bundled sales are material.

Duke Energy 1Q 2018 10-Q

*Commercial Renewables earns the majority of its revenues through long-term PPAs and generally sells all of its wind and solar facility output, electricity and Renewable Energy Credits (RECs) to customers. The majority of these PPAs have historically been accounted for as leases. **For PPAs that are not accounted for as leases, the delivery of electricity and the delivery of RECs are considered separate performance obligations.** The delivery of electricity is a performance obligation satisfied over time and represents generation and consumption of the electricity over the billing period, generally one month. **The delivery of RECs is a performance obligation satisfied at a point in time and represents delivery of each REC generated by the wind or solar facility. The majority of self-generated RECs are bundled with energy in Duke Energy's contracts and, as such, related revenues are recognized as energy is generated and delivered as that pattern is consistent with Duke Energy's performance.** Commercial Renewables recognizes revenue based on the energy generated and billed for the period, generally one month, at contractual rates (including estimated billings) according to the invoice practical expedient. Amounts are typically due within 30 days of invoice.*

Material Right

A contract may contain an option to acquire additional goods or services. A separate performance obligation could exist if the option provides a material right to the customer that it would not receive without entering into that contract. Material right obligations must be separately valued to allocate part of the transaction price to those specific performance obligations. This topic generated a number of discussions at TRG meetings. Management judgment will be required in making this determination. The identification of a material right affects the pattern of revenue recognition in Step 5.

Volume Variability/Volumetric Optionality

Arrangements that include volume variability, *i.e.*, take-or-pay arrangements, should be evaluated to determine if the optional purchase creates a material right. Options for customers to purchase additional goods or services would not be considered performance obligations—and, therefore, the resulting consideration would not be included in the transaction price—unless the options give rise to a material right, *i.e.*, additional quantities at prices that are significantly in-the-money at contract inception. If the optional purchases do not give rise to a material right, an entity only would account for the optional purchases when exercised.

Upfront Payments

A contract that includes options for additional goods or services may include an upfront payment, *i.e.*, that payment may reflect the present value of the difference between a fixed price for optional quantities and consideration determined by using the supplier's forward commodity price curve. When that is the case, the upfront payment is included in the overall transaction price, which would be allocated by applying the ASU's allocation method to the performance obligations identified (which may include a separate performance obligation for a material right). In addition, the entity should evaluate whether a significant financing component is present (see Step 3).

Series Provision

The series provision is a concept introduced in ASU 2014-09 and does not exist in current generally accepted accounting principles (GAAP). The series provision **requires** goods or services to be accounted for as a single performance obligation in certain instances, even though the underlying goods or services are distinct. A series of distinct goods or services should be accounted for as a single performance obligation if they are substantially the same, have the same pattern of transfer and both of the following criteria are met:

- Each distinct good or service in the series represents a performance obligation that will be satisfied over time.
- The entity would measure its progress toward satisfaction of the performance obligation using the same measure of progress for each distinct good or service in the series.

Entities will need to determine whether a single performance obligation is created in this manner to appropriately allocate variable consideration and apply the guidance on contract modification and changes in transaction price. This provision prevents an entity from having to allocate the transaction price on a relative standalone selling price basis to each increment of a distinct service in repetitive service contracts.

TRG members agreed that a series of distinct goods or services need not be consecutively transferred. The series guidance also must be applied even when there is a gap or overlap in an entity's transfer of goods or services if the other criteria are met. The TRG also addressed questions related to the application of the series provision to service contracts. If the nature of the promise is the delivery of a specified quantity of a service, then the evaluation should consider whether each service is distinct and substantially the same. If the nature of the entity's promise is the act of standing ready or providing a single service for a period of time, the evaluation likely would focus on whether each time increment—rather than the underlying activities—is distinct and substantially the same. An example was included for a daily management service. TRG members noted the underlying activities may vary within a day and from day to day, but that should not prevent an entity from concluding the service is distinct and substantially the same.

Stand-Ready Obligations

ASU 2014-09 notes that a contract may include “a service of standing ready to provide goods or services or of making goods or services available for a customer to use as and when the customer decides.” TRG members generally agreed the promise in a stand-ready obligation is the assurance the customer will have **access** to the good or service, not the **delivery** of the underlying good or service. This conclusion determines the pattern of revenue recognition in Step 5.

Duke Energy 1Q 2018 10-Q

*Wholesale electric service is generally provided under long-term contracts using cost-based pricing. Wholesale contracts include both energy and demand charges. For full requirements contracts, Duke Energy considers both charges as a single performance obligation for providing integrated electric service. For contracts where energy and demand charges are considered separate performance obligations, energy and demand are each a distinct performance obligation under the **series guidance** and are satisfied as energy is delivered and **stand-ready service** is provided on a monthly basis. This service represents consumption **over the billing period** and revenue is recognized consistent with billings and unbilled estimates, which generally occur monthly.*



Step 3: Determine the Transaction Price

Revenues are recorded at the transaction price, which is the amount the entity expects to be entitled to and may be net of amounts paid on behalf of others (including royalties, discounts and allowances), as applicable. Contracts for the forward sale of commodities often are priced by reference to forward commodity price curves that often are available for the key components of energy contracts (power, gas, capacity, etc.). While the forward commodity curves may be a component of the contract price, there are a number of other pricing components that should be considered when determining the amount of consideration the seller expects to receive, *i.e.*, counterparty credit, delivery location and other entity-specific factors may materially affect the price. Several factors go into determining the transaction price, which are noted below.

Transaction Price				
Total amount of consideration to which an entity expects to be entitled				
Variable consideration	Constraining estimates of variable consideration	Significant financing	Noncash consideration	Consideration payable to a customer

Variable Pricing & Constraint

The new revenue model requires that variable consideration be included in the transaction price if it is probable that subsequent changes in the estimate would not result in a significant reversal of revenue. This concept is commonly referred to as the “constraint.” The ASU requires entities to perform a qualitative assessment that takes into account the likelihood and magnitude of a potential revenue reversal and provides factors that could indicate an estimate of variable consideration is subject to significant reversal, *e.g.*, susceptibility to factors outside the entity’s influence, long period before uncertainty is resolved, limited experience with similar types of contracts, practices of providing concessions or a broad range of possible consideration amounts. This estimate would be updated in each reporting period to reflect changes in facts and circumstances. When the transaction price includes a variable amount, an entity must estimate the variable consideration by using either an “expected value” (probability-weighted) approach or a “most likely amount” approach, whichever is more predictive of the amount to which the entity expects to be entitled.

The use of variable consideration, e.g., index or formula-based pricing, may present challenges related to estimating and allocating the transaction price and applying this constraint guidance. Energy companies should consider if the practical expedient for measuring progress completed for performance obligations satisfied over time can be applied (Step 5) or if changes in variable consideration can be allocated to satisfied portions of distinct services provided to the customers (Step 4).

Take-or-Pay Arrangements

For the undelivered goods in a take-or-pay arrangement, oil and gas companies may only recognize revenue when the likelihood of reversal is remote.

Valero Energy 1Q 2018 10-Q

The transaction price is the consideration that we expect to be entitled to in exchange for our products. The transaction price for substantially all of our contracts is generally based on commodity market pricing (i.e., variable consideration). As such, this market pricing may be constrained (i.e., not estimable) at the inception of the contract but will be recognized based on the applicable market pricing, which will be known upon transfer of the goods to the customer. Some of our contracts also contain variable consideration in the form of sales incentives to our customers, such as discounts and rebates. For contracts that include variable consideration, we estimate the factors that determine the variable consideration in order to establish the transaction price.

Duke Energy 1Q 2018 10-Q

*Duke Energy recognizes revenue as customers obtain control of promised goods and services in an amount that reflects consideration expected in exchange for those goods or services. Generally, the delivery of electricity and natural gas results in the transfer of control to customers at the time the commodity is delivered and the amount of revenue recognized is equal to the amount billed to each customer, **including estimated volumes delivered when billings have not yet occurred.***

Significant Financing

Contract terms may explicitly or implicitly provide the entity or customer with favorable financing terms. An entity is required to adjust the transaction price to reflect the time value of money if the financing component is significant—the transaction price should reflect a selling price as though the customer had paid cash at the time of transfer. If an entity determines a significant financing component exists and adjusts the transaction price, the entity would continue to use the same assumed discount rate at contract inception unless there is a contract modification.

Payment terms in the energy industry often include upfront fees or extended payment terms, e.g., long-term volumetric production payments. Under current guidance, arrangements that offer extended payment terms often result in the deferral of revenue recognition since the fees typically are not considered fixed or determinable unless the entity has a history of collecting fees under such payment terms without providing any concessions. In the absence of such a history, revenue is recognized when payments become due or when cash is received from the customer, whichever is earlier. Typically, under today's accounting, there would be no adjustment for advance payments.

Under ASC 606, if the financing term extends beyond one year and a significant financing component is identified, the entity would need to initially estimate the transaction price by incorporating the effect of any variable pricing and then adjust this amount to account for the time value of money. When the entity is providing financing, interest income would be recognized as the discount on the receivable unwinds over the payment period. However, when the entity receives an upfront fee, the entity is deemed to be receiving financing from the customer and interest expense is recognized with a corresponding increase to revenue recognized. This recognition pattern may differ from the pattern under current U.S. GAAP.

B&E Contract Modification

The P&U task force believes there is no presumption that B&E contract modifications contain an inherent financing element, i.e., the mere act of blending the rate in connection with a contract extension does not create a financing, that would require separate accounting. Each contract's facts and circumstances would have to be evaluated as a matter of judgment to determine if the transaction price should be adjusted for the effects of the time value of money if the payments agreed to by the parties in the contract provide the customer or entity with a significant financing benefit.

Variable Volumes – Requirements Contracts

Energy companies often use requirements contracts to buy and sell electricity or gas. These contracts provide for delivery of as much electricity or gas as the customer needs. Customers use these variable-quantity contracts to source supply to meet their expected need. The pricing for such contracts generally is known at the time the contract is executed and reflects the standalone selling price. While such contracts may take different forms, including a single price for all deliveries or different but specified prices depending on the time of day and/or season of year, the primary unknown at the time of contract execution is the ultimate quantity to be delivered.

Accounting for a contract that contains an option to purchase additional goods and services and a contract that includes variable consideration sometimes would result in minimal differences in the timing and measurement of revenue recognized in a reporting period. For example, the accounting for a contract that requires an entity to process transactions for a constant amount of consideration per transaction over a specified period likely would result in revenue recognized as each transaction is processed. This would be the case regardless of whether each transaction processed was considered an optional purchase or, instead, variable consideration for the entity's service of processing transactions over the specified period. However, there could be a difference in required disclosures. If each transaction was considered an optional purchase, an entity would not be required to disclose an estimate of the consideration received from the exercise of future options. In contrast, if each transaction processed was considered variable consideration, the entity would be required to estimate the remaining transactions to be processed to disclose the transaction price allocated to the remaining performance obligations unless it qualifies for one of the practical expedients.

Management judgment will be needed to distinguish between contracts with an option to purchase additional goods or services and contracts that have variable consideration. The TRG concluded the determination of whether a contract has variable consideration or an optional purchase is highly dependent on the evaluation of the nature of the promise in the contract and provided some distinctions:

- Options for additional goods or services – The customer has a present contractual right that allows it to choose the amount of additional distinct goods or services purchased. Prior to the customer's exercise of that right, the vendor is not obligated to provide—and does not have a right to consideration for delivering—those goods or services.
- Variable consideration – The customer previously has entered into a contract that obligates the vendor to transfer the promised goods or services. The future events—including the customer's own actions—that result in additional consideration occur after (or as) control of the goods or services have (or are) transferred. The customer's actions do not obligate the vendor to provide additional distinct goods or services (or change the goods or services to be transferred).

The P&U task force believes variable quantities in a requirements contract do not represent variable consideration, based on an analogy to a master supply agreement example provided in TRG meeting materials, “customer purchases under a master supply agreement are not part of the stand-ready performance obligation but rather represent the customer contracting for a specific number of distinct goods in which each order creates a new performance obligation.” The task force believes variable quantities in requirements contracts are options for additional goods and services because the customer has a current contractual right to choose the amount of additional distinct goods. Before the exercise of that right, the vendor is not obligated to provide any goods and does not have a contractual right to consideration.

An entity may have to estimate the volumes transferred for the timely preparation of financial statements. For the sale of gas production, the O&G task force believes that—if the actual volumes transferred are not known in time to prepare financial statements—entities should record revenue based on an estimate of the volumes delivered at the agreed-upon price and then adjust revenue in subsequent periods based on the data received from the purchaser that reflects actual volumes received. This recognition would be subject to the revenue constraint. In general, proceeds from gas production are received from one to three months after the actual delivery has occurred, and gas revenue is estimated based on prior months' production volumes and current lease operating data, *e.g.*, meter readings. Revenue associated with liquefied natural gas, liquefied petroleum gas, gas-to-liquids

and products from other emerging technologies should be analyzed to ensure appropriate recognition policies are in place.

Noncash Consideration

If a customer promises consideration in a form other than cash, an entity would measure the noncash consideration at fair value (FV) to determine the transaction price. If a reasonable estimate of FV of the noncash consideration cannot be made, the entity would use the estimated selling price of the promised goods or services, similar to current accounting standards. A subsequent amendment to ASU 2014-09 clarifies noncash consideration would be measured at contract inception. Subsequent changes in the FV of the noncash consideration due to the form of the consideration would be recorded, if required, as a gain or loss in accordance with other accounting guidance—rather than as revenue. For example, if the GAAP related to the form of noncash consideration required an asset to be measured at FV, then an entity will recognize a gain or loss (outside of revenue) upon receipt of the asset if the FV of the noncash consideration increased or decreased since contract inception.



Step 4: Allocate the Transaction Price to Performance Obligations

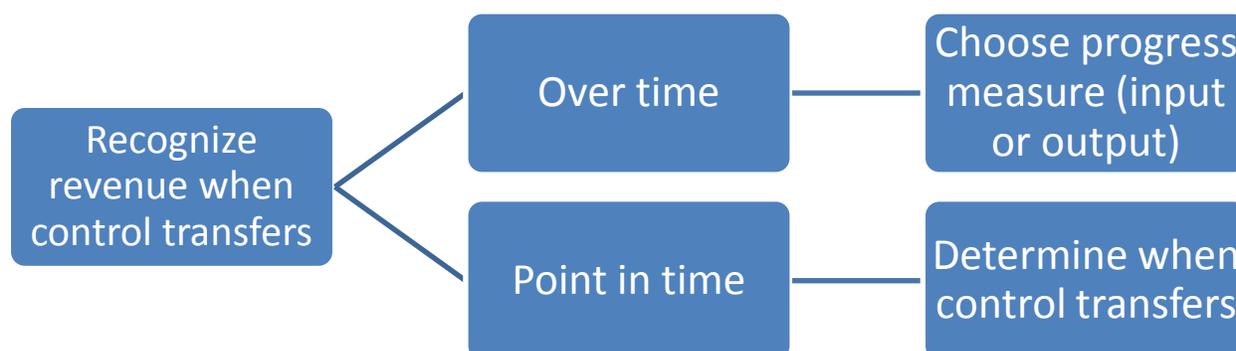
An entity would allocate the transaction price to performance obligations based on the relative standalone selling price of separate performance obligations. The best evidence of standalone selling price would be the observable price for which the entity sells goods or services separately. In the absence of separately observable sales, the standalone selling price would be estimated by using observable inputs and considering all information reasonably available to the entity. Several approaches could be used—adjusted market assessment, cost plus margin or residual value.

The new standard does not specify how to determine the standalone selling price, *e.g.*, use a calculated value, a current market price or a forward price, for contracts that have separate performance obligations for each unit of the commodity. The P&U task force believes ASC 606 does not require entities to use forward curves as the standalone selling price simply because there are observable commodity price curves. In the absence of a significant financing element or other factors into the determination of the contractual selling price, the task force believes it may be reasonable to use the invoice price as the standalone selling price when allocating the transaction price to the performance obligations associated with delivery of storable commodities.

There is no single method for determining standalone selling price, and a seller must take into account the individual facts and circumstances surrounding each contract when allocating the transaction price to the individual performance obligations.



Step 5: Recognize Revenue



An entity would recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. If the performance obligations are satisfied at a point in time, the associated revenue would be recognized at that point in time.

Performance Obligations Satisfied over Time

An entity transfers control over time if **any** of the following criteria are met:

- The customer receives and consumes the benefits of the entity's performance as the entity performs.
- The customer controls the asset as it is created or enhanced by the entity's performance (could be tangible or intangible).
- The entity's performance does not create an asset with an alternative use to the entity and the customer does not have control over the asset created, but the entity has an enforceable right to payment for performance completed to date and expects to fulfill the contract as promised.
 - Alternative use – To determine if an asset has an alternative use, the entity considers at **contract inception** the effects of contractual and practical limitations on its ability to readily direct the asset to another customer. An asset would not have an alternative use if an entity is prohibited from transferring the asset to another customer or would incur significant costs to do so. TRG members agreed an entity only should consider the characteristics of the asset ultimately transferred to the customer.
 - Enforceable right to payment – An entity has an enforceable right to payment for performance to date if it is allowed to recover cost plus margin on goods and services transferred to date. The right to payment for performance completed to date does not need to be for a fixed amount. Application of this guidance will require judgment. An entity should consider whether it has an enforceable right to payment related to its performance completed to date. If the entity's performance obligation is to customize its standard goods for a customer, an entity would

Revenue Recognition: A Comprehensive Review for the Energy Industry

evaluate whether it has an enforceable right to payment at the point the entity begins to satisfy the performance obligation to customize the goods for the customer.

For over-time revenue recognition, an entity must be able to reasonably measure its progress toward completion using either output or input methods. An entity would be required to apply that method consistently to similar performance obligations in similar circumstances.

Under an output method, an entity would recognize revenue by directly measuring the value of the goods and services transferred to date to the customer (units produced). The output selected should faithfully depict the entity's progress toward satisfaction of a performance obligation.

As a practical expedient, companies can recognize revenue in the amount they are entitled to invoice if it directly corresponds with the value of the goods or services transferred to date. TRG members agreed a contract does not need to have a fixed unit price for the contract's duration to qualify for this practical expedient, provided the changing rates directly correspond to changes in value to the customer, *e.g.*, a multiyear electricity contract that contemplates the forward market price of electricity. Upfront payments or retroactive adjustments would need to be considered when determining if the amount an entity has a right to bill for each incremental good or service directly corresponds to the customer value. The presence of an agreed-upon customer payment schedule does not mean the amount an entity has a right to invoice directly corresponds to the customer value of performance completed to date. The existence of contract minimums would not always preclude the application of the practical expedient if the clause is nonsubstantive.

NextEra Energy 1Q 2018 10-Q

*For the vast majority of contracts with customers, **NEE believes that the obligation to deliver energy, capacity or transmission is satisfied over time as the customer simultaneously receives and consumes benefits as NEE performs.** For the three months ended March 31, 2018, NEE's revenue from contracts with customers was approximately \$3.3 billion (\$2.6 billion at FPL). At March 31, 2018, NEE's accounts receivable balances related to contracts with customers was approximately \$1.3 billion (\$951 million at FPL) which are primarily included in customer receivables on NEE's and FPL's condensed consolidated balance sheets.*

Duke Energy 1Q 2018 10-Q

Performance obligations are satisfied over time as energy or natural gas is delivered and consumed with billings generally occurring monthly and related payments due within 30 days, depending on regulatory requirements. In no event does the timing between payment and delivery of the goods and services exceed one year. Using this output method for revenue recognition provides a faithful depiction of the transfer of electric and natural gas service as customers obtain control of the commodity and benefit from its use at delivery. Additionally, Duke Energy has an enforceable right to consideration for energy or natural gas delivered at any discrete point in time, and will recognize revenue at an amount that reflects the consideration to which Duke Energy is entitled for the energy or natural gas delivered.

Southern Company Gas 1Q 2018 10-Q

*The majority of the revenues of the traditional electric operating companies and Southern Company Gas are generated from contracts with retail electric and natural gas distribution customers. Revenues from this integrated service to deliver electricity or gas when and if called upon by the customer is recognized as a **single performance obligation satisfied over time** and is recognized at a tariff rate as electricity or gas is delivered to the customer during the month.*

*The registrants generally have a right to consideration in an amount that corresponds directly with the value to the customer of the entity's performance completed to date and may recognize revenue in the amount to which the entity has a **right to invoice** and has elected to recognize revenue for its sales of electricity, capacity, and natural gas using the invoice **practical expedient**.*

Performance Obligations Satisfied at a Point in Time

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time when control is transferred. FASB provided the following indicators of the transfer of control:

- The entity has a present right to payment for the asset.
- The customer has legal title to the asset.
- The entity has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

ASC 606 provides indicators that an entity controls the specified good or service before it is transferred to the customer. Unlike current guidance that attached more weight to certain indicators of control, FASB notes the ASC 606's new indicators may be more or less relevant depending on the nature of the specified goods or services and specific contract terms. These indicators include—but are not limited to—the following:

- The entity is primarily responsible for fulfilling the promise to provide the specified good or service.
- The entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer, *e.g.*, if the customer has a right of return.
- The entity has discretion in establishing the price for the specified good or service.

Valero Energy 1Q 2018 10-Q

*Our revenues are primarily generated from contracts with customers. We generate revenue from contracts with customers from the sale of products by our refining and ethanol segments. Revenues are recognized when we satisfy our performance obligation to transfer products to our customers, **which typically occurs at a point in time upon shipment or delivery of the products**, and for an amount that reflects the transaction price that is allocated to the performance obligation.*

The customer is able to direct the use of, and obtain substantially all of the benefits from, the products at the point of shipment or delivery. As a result, we consider control to have transferred upon shipment or delivery because we have a present right to payment at that time, the customer has legal title to the asset, we have transferred physical possession of the asset, and the customer has significant risks and rewards of ownership of the asset.

EOG 1Q 2018 10-Q

Revenues are recognized for the sale of crude oil and condensate, natural gas liquids (NGLs) and natural gas at the **point control of the product is transferred to the customer**, typically when production is delivered and title or risk of loss transfers to the customer. Arrangements for such sales are evidenced by signed contracts with prices typically based on stated market indices, with certain adjustments for product quality and geographic location.

Crude Oil and Condensate. EOG sells its crude oil and condensate production at the wellhead or further downstream at a contractually-specified delivery point. **Revenue is recognized when control transfers to the customer.** Any costs incurred prior to the transfer of control, such as gathering and transportation, are recognized as Operating Expenses.

Natural Gas Liquids. EOG delivers certain of its natural gas production to either EOG-owned processing facilities or third-party processing facilities, where extraction of NGLs occurs. For EOG-owned facilities, revenue is recognized after processing upon transfer of NGLs to a customer. For third-party facilities, extracted NGLs are sold to the owner of the processing facility at the tailgate, or EOG takes possession and sells the extracted NGLs at the tailgate or further downstream to various customers.

Under typical arrangements, sales of **NGLs are recognized when control transfers** after processing occurs either at the tailgate of the processing plant or further downstream. EOG recognizes revenues based on contract terms which reflect prevailing market prices, with processing fees recognized as Gathering and Processing Costs.

Natural Gas. EOG sells its natural gas production either at the wellhead or further downstream at a contractually-specified delivery point. In connection with the extraction of NGLs, EOG sells residue gas under separate agreements. Typically, EOG takes possession of the natural gas at the tailgate of the processing facility and sells it at the tailgate or further downstream. In each case, **EOG recognizes revenues when control transfers to the customer**, based on contract terms which reflect prevailing market prices.

When Does Control of a Commodity Transfer?

This topic was the subject of lively debate at a July 2015 TRG meeting. When a commodity is not treated as a derivative, is the nature of an energy company's promise to deliver a commodity at a point in time or to provide a service of delivering a commodity the customer consumes and from which the customer benefits over time? This determination affects the timing of revenue recognition, a company's ability to apply the series guidance (Step 2) and the disclosure requirements.

Distinct goods or services that are substantially the same and transfer over time are a series, which may allow companies to recognize the amounts billed as revenue. Distinct goods or services that transfer at a point in time are not eligible for the series guidance, meaning an entity would be required to estimate prices and quantities when determining transaction price and allocate the transaction price to the performance obligations based on the projected delivery quantities.

The TRG concluded an entity should consider all relevant facts and circumstances in assessing the pattern of revenue recognition. An entity may consider not only the inherent nature of the commodity, but also specific contract terms, e.g., a continuous supply contract to meet immediate demands, and information about infrastructure or other delivery mechanisms, e.g., a natural gas utility delivering directly to residential consumers.

The O&G task force concluded the performance obligation for the sale of oil and gas production not simultaneously received and consumed, e.g., crude oil, is not satisfied over time as the criteria generally are not met, but rather the performance obligation generally is satisfied at a point in time (transfer of the goods to the customer). The task force also believes the performance obligation for the sale of oil and gas production simultaneously received and consumed, e.g., natural gas sold to and immediately consumed by a third-party power plant operator, would meet the criteria for over time recognition.

Take-or-Pay Arrangements

Commodity transactions can be structured as a take-or-pay contract whereby a customer pays a specified price to a supplier for a minimum volume of product or level of services and is required to pay for the product or services regardless of whether delivery is taken. Service arrangements, such as those for natural gas storage or transportation, also can be structured as take-or-pay. These arrangements have characteristics similar to stand-ready obligations (Step 2).

Under the ASU, a supplier in a take-or-pay arrangement could conclude it has entered into a contract with a customer to deliver a series of distinct—but substantially the same—goods or services consecutively over time (see Step 2). Therefore, the supplier should account for that series of distinct goods or services as a single performance obligation—and as a single unit of account—when both of the following criteria are met:

- The performance obligation will be satisfied over time – The customer simultaneously receives and consumes the benefits of each distinct delivery (or period of availability).
- The same measure of progress for each distinct delivery of natural gas or another commodity, *e.g.*, a time- or unit-based measure, would be used.

If it is determined the performance obligation in a take-or-pay arrangement is satisfied over time, the supplier recognizes revenue by measuring progress toward satisfying the performance obligation in a manner that best depicts the transfer of goods or services to the customer. The best depiction of the supplier's performance in transferring control of the goods and satisfying its performance obligation may differ depending on the terms of the take-or-pay arrangement. Consider a vanilla take-or-pay arrangement involving monthly deliveries of natural gas in which the customer pays irrespective of whether it takes delivery and cannot make up deliveries not taken. In this case, it may be appropriate for the supplier to use an output measure of progress based on time to recognize revenue because the performance obligation is satisfied as each month passes.

Bundled Sales

As noted in Step 2, the P&U task force believes bundled sale arrangements generally will be treated as two distinct performance obligations.

Electricity

The P&U task force believes electricity sales generally will be eligible to be accounted for as a series, and progress toward satisfaction of the single performance obligation generally will be measured using an output method. The most accurate measure of progress for electricity accounted for as a series is output method based on units produced and delivered (unlike other commodities, production and delivery of electricity are contemporaneous). Revenue from electricity sales generally will be recognized as units are produced and delivered to the customer within the production month. However, in some circumstances, the task force believes it also may be appropriate to use input methods for measuring progress toward complete satisfaction for a single performance obligation.

Capacity

The P&U task force concluded the nature of a generator's promise in an agreement to deliver capacity is a stand-ready obligation (see Step 2). The generator stands ready over a period of time (generally monthly) to deliver power to the customer. The customer is not obligated to take the associated power—capacity does not reflect a firm commitment to buy electricity. The customer both receives and consumes benefit from each monthly stand-ready obligation in the assurance a scarce resource, *i.e.*, electricity, is available to it when and if needed or called upon throughout the month. Capacity generally will be eligible to be accounted for under the series provision and progress toward satisfaction of the single performance obligation will be measured using an output method, time elapsed. Revenue from capacity sales generally will be recognized each month as the plant stands ready to deliver electricity to the customer (regardless of whether the plant is actually called to produce power). The use of an output measure of progress based on time elapsed is premised on the task force's understanding the customer will receive and consume the benefit from the entity's promise to stand ready equally throughout the contract period. To the extent the customer's consumption of benefits is expected to be uneven throughout the contract period,

another method of measuring progress toward completion may be more appropriate, *e.g.*, one based on the seller's expected efforts to fulfill its stand-ready obligation. An entity could elect a practical expedient to recognize revenue based on the amount it is entitled to invoice if it directly corresponds with the value of the goods or services transferred to date.

RECs

Because certification requirements may result in a delay between the electricity's production and delivery of the RECs to the buyer's account, companies questioned when to recognize revenue for RECs subject to a certification lag. Because the forward sale of RECs does not meet any of the criteria to qualify for over time recognition, control over each individual REC transfers at a point in time. The P&U task force concluded the two approaches below could be appropriate depending on the specific facts and circumstances. If material, a company should disclose this significant judgment and have documentation supporting management's conclusion.

- Recognize revenue on production/delivery of the electricity. The REC certification could be viewed as a record-keeping function, and revenue recognition should not be postponed simply because an oversight body needs to validate the REC before customer delivery.
- Recognize revenue when the REC is delivered to the customer, *i.e.*, once certified.

The P&U task force believes the timing of revenue recognition from both electricity and RECs in a bundled sale arrangement may be the same to the extent a seller concludes revenue from REC sales should be recognized upon generation of the associated electricity. Although electricity would reflect a performance obligation satisfied over time while each REC would be a performance obligation satisfied at a point in time, the "trigger" for the transfer of control to the customer and recognition for both would be the delivery of the associated electricity.

If a seller concludes REC revenue only should be recognized once the REC is certified and delivered to the customer, the company will see a delay in the recognition of the REC revenue and, therefore, may need to perform an allocation of contract consideration between the electricity and the associated RECs.

Principal Versus Agent Considerations

If other parties are involved in providing goods or services to an entity's customer, the entity must determine whether it is acting as a principal or agent. Distinguishing between principal and agency roles requires significant judgment and is challenging even under current guidance. This distinction is important because it determines if revenue is recognized on a gross or net basis. In general, principals will record revenues' gross as long as they control the goods before they are transferred to the customer. Agents often do not control the end product and they would record their agency service earnings net of their costs.

An entity will need to evaluate the nature of its promise in a performance obligation and determine when control is transferred to a customer. A principal provides the specified goods or services itself. An agent arranges for those goods and services to be provided by another party. If an entity obtains control of goods or services from another party before transfer to the customer, the entity's performance obligation is to provide the goods or services, meaning the entity is acting as a principal and would recognize revenue at the gross amount collected from the customer. However, if an entity obtains legal title of a good only momentarily before being transferred to a customer, the entity may not be acting as a principal. An entity is an agent if the entity's performance obligation is to arrange for the provision of goods or services by another party. If an entity does not obtain control of the goods or services from another party before transfer to a customer, the entity is acting as an agent and would recognize revenue at the net amount, such as a fee or commission.

EOG 1Q 2018 10-Q

Gathering, Processing and Marketing. Gathering, processing and marketing revenues represent sales of third-party crude oil and condensate, NGLs and natural gas, as well as fees associated with processing and gathering third-party natural gas and revenues from sales of EOG-owned sand. EOG evaluates whether it is the principal or agent under these transactions. As control of the underlying commodity is transferred to EOG prior to the gathering, processing and marketing activities, EOG considers itself the principal of these arrangements. Accordingly, EOG recognizes these transactions on a gross basis. Purchases of third-party commodities are recorded as Marketing Costs, with sales of third-party commodities and fees received for gathering and processing recorded as Gathering, Processing and Marketing revenues.

In connection with the adoption of ASU 2014-09, EOG presents natural gas processing fees for certain processing and marketing agreements within its United States segment as Gathering and Processing Costs, instead of a deduction to Revenues within its Condensed Consolidated Statements of Income and Comprehensive Income. There was no impact to operating income, net income or cash flows resulting from changes to the presentation of natural gas processing fees. The impacts of the adoption of ASU 2014-09 for the three months ended March 31, 2018, were as follows (in thousands):

	As Reported	Amounts Without Adoption of ASU 2014-09	Effect of Change
Operating Revenues and Other			
Crude Oil and Condensate	\$ 2,101,308	\$ 2,101,308	\$ —
Natural Gas Liquids	221,415	219,646	1,769
Natural Gas	299,766	256,620	43,146
Gathering, Processing and Marketing	1,101,822	1,096,236	5,586
Total Operating Revenues and Other	3,681,162	3,630,661	50,501
Operating Expenses			
Gathering and Processing Costs	101,345	56,430	44,915
Marketing Costs	1,106,390	1,100,804	5,586
Total Operating Expenses	2,806,574	2,756,073	50,501
Operating Income	874,588	874,588	—

PSEG 1Q 2018 10-Q

PSEG LI has a contract with LIPA which generates revenues. PSEG LI's subsidiary, Long Island Electric Utility Servco, LLC (Servco) records costs which are recovered from LIPA and records the recovery of those costs as revenues when Servco is a principal in the transaction.

Joint Operating Agreements (JOA)

All parties in a JOA must determine what their roles are in the sales process. This analysis should be performed by the operator and other interest holders, e.g., nonoperating working interest owners, for the commodities sold to third-party customers. ASC 606 provides the following examples of when a principal obtains control:

- A good or another asset from the other party that it transfers to the customer
- A right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide service to the customer on the entity's behalf
- A good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer

Operators should evaluate the above guidance to determine whether to recognize revenue on a gross or net basis, depending on whether the operator is acting as a principal or agent in the marketing—and transportation—of the production. This evaluation will vary based on the unique facts and circumstances of each joint operating or lease agreement and related marketing contract. In the case of oil and gas interests, in many cases, the entities have a

joint undivided interest and, therefore, their product is commingled. It is possible the operator may or may not have taken “control” of all produced hydrocarbons in a sale to a customer within the meaning of the revenue standard.

If the operator determines control of another interest holder’s production transfers to the operator before that commodity is sold to the third-party customer, the other interest holders have effectively sold their production to the operator, and the operator, as principal, should recognize gross revenues based on the sales price and separate charges for transportation and other costs, as applicable, when the production is sold to the end customer.

Alternatively, if the operator determines control of another interest holder’s production does not transfer to the operator before that commodity is sold to the third-party customer, the operator, as agent, should recognize net revenues on their proportionate interest based on the sales price.

Operators will need to evaluate all facts and circumstances to determine if and when control transfers.

Presentation

Any income streams not in ASC 606’s scope must be separately identified on the income statement. Income streams outside of ASC’s scope include—but are not limited to—collaborative arrangements, certain commodity exchange transactions, derivatives, leases and alternative revenue programs. Entities will need to make this disclosure in the notes to the financial statements, if not presented separately on the face of the financial.

ARPs

Guidance in ASC 980 was amended to require separate presentation of ARP revenues. When previously recognized ARP revenues are billed to customers, they are included in the overall price of utility service in a period subsequent to when they are initially recognized. Since the overall price of utility service for deliveries reflects amounts charged to and paid by customers as part of the company’s ongoing central activities of delivering power, the question arises as to the treatment of those portions of that price that were initially recognized in the income statement in prior periods as ARP revenue. The P&U task force believes either of the following approaches would be appropriate when such amounts are included in the price for utility service (total revenue recorded in each period is the same under both methods):

- Revenue from contracts with customers should be recorded based on the total tariff price at the time utility service is rendered, **including amounts representing the billing of previously recognized ARP revenues**. The ARP revenue amount in a given period should include both:
 - The recognition of “originating” ARP revenues, *i.e.*, when the regulator-specified conditions for recognition have been met
 - An equal and offsetting reversal of the amount of ARP revenues recorded in revenue from contracts with customers that are being recovered through incorporation in the price of utility service
- Revenue from contracts with customers should **exclude the portion of the ARP revenues initially recorded in prior periods**. The ARP revenue amount only should reflect the initial recognition of “originating” ARP revenues, *i.e.*, when the regulator-specified conditions for recognition have been met. When those amounts are subsequently included in the price of utility service and billed to customers, such amounts should be recorded as a recovery of the associated regulatory asset or liability.

The method selected is an accounting policy election that should be adopted and applied on a consistent basis and disclosed if material.

Duke Energy 1Q 2018 10-Q

Other revenue arrangements, such as alternative revenue programs and certain purchase power agreements (PPAs) and lighting tariffs accounted for as leases, are excluded from the scope of this guidance and, therefore, are accounted for and evaluated for separate presentation and disclosure under other relevant accounting guidance.

Presentation of Sales Taxes

Step 3 of the standard, as originally issued, required amounts collected on behalf of third parties, e.g., some sales taxes, to be excluded from the transaction price. Entities would have to evaluate taxes collected in multiple jurisdictions to determine if a tax is levied on the entity or customer; this analysis would include sales, use, excise and value-added taxes. Assessment would be on a tax-by-tax and jurisdiction-by-jurisdiction basis.

For many industries, reviewing and segregating these tax amounts would have been costly and operationally challenging. FASB reconsidered, and a subsequent set of amendments allows entities to make an accounting policy election to present sales taxes collected from customers on a net basis. The practical expedient would apply to all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer. Taxes assessed on an entity's total gross receipts or imposed during the inventory procurement process are excluded from the scope of this election. An entity not making this accounting policy election would apply the new revenue standard—as originally issued—in determining if those taxes should be included in the transaction price.

Most of the large energy companies have indicated they will exclude sales-based taxes collected on behalf of third parties from the transaction price.

Change in Accounting Policy Election – Exxon

Effective December 31, 2017, the corporation revised its accounting policy election for sales, excise and value-added taxes assessed on our customers that are included in "Sales-based taxes" from gross reporting (included in both "Total revenues and other income" and "Sales-based taxes") to the preferable method of net reporting. This change in accounting principle was applied retrospectively and does not affect net income attributable to ExxonMobil. Also effective December 31, 2017, the corporation reclassified U.S. Federal excise tax from "Sales-based taxes" to "Other taxes and duties" that are included in "Total other taxes and duties". This change was applied retrospectively.

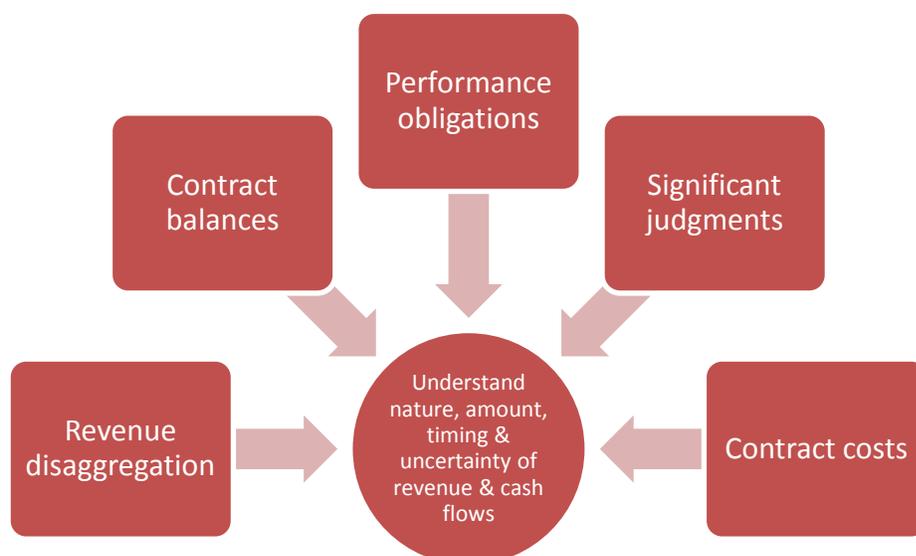
Valero Energy 1Q 2018 10-Q

We have elected to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from a customer (e.g., sales tax, use tax, value-added tax, etc.). We continue to include in the transaction price excise taxes that are imposed on certain inventories in our international operations. The amount of such taxes is provided in supplemental information in a footnote on the statements of income.

Disclosures

The objective of the disclosure requirements is to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. BKD has prepared a separate white paper on the new required disclosures applicable for all industries, [Revenue Recognition: New Disclosures](#). The standard's early adaptors have found this area to be more challenging than initially anticipated. The standard provides significant relief for nonpublic entities and less focus on quantitative disclosures (see [Appendix B](#) for a summary of requirements for public and nonpublic entities). In most cases, additional data will need to be collected and additional monitoring and record keeping will be required. Energy companies should ensure they have systems, internal controls and procedures in place to accumulate the information required to satisfy these new presentation and disclosure requirements.

Existing disclosure guidance in ASC 410, 845 and 932 continue to apply.



Disaggregation

When determining how to disaggregate revenue for disclosures, an entity should consider how investors, regulators and lenders use the information to evaluate the entity's financial performance. **Public** entities must disaggregate revenue in meaningful categories. This could be by type of commodity, geographical region or type of contract. Entities must disclose sufficient information to enable users to understand the relationship between the amounts from this disclosure and those reported for segment reporting purposes if they are different.

Several SEC filers have included this information with segment reporting.

Valero Energy 1Q 2018 10-Q

Revenue is presented in the table below under “Segment Information” disaggregated by product because this is the level of disaggregation that management has determined to be beneficial to users of the financial statements.

EOG 1Q 2018 10-Q

EOG presents disaggregated revenues by type of commodity within its Condensed Consolidated Statements of Income and Comprehensive Income and by geographic areas defined as operating segments. See Note 5.

Duke Energy 1Q 2018 10-Q

For the Electric and Gas segments, revenue by customer class is most meaningful to Duke Energy as each respective customer class collectively represents unique customer expectations of service, generally has different energy and demand requirements, and operates under tailored, regulatory approved pricing structures. Additionally, each customer class is impacted differently by weather and a variety of economic factors including the level of population growth, economic investment, employment levels, and regulatory activities in each of Duke Energy’s jurisdictions. As such, analyzing revenues disaggregated by customer class allows Duke Energy to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

For the Commercial Renewables segment, the majority of revenues from contracts with customers are from selling all of the unit-contingent output at contractually defined pricing under long-term PPAs with consistent expectations regarding the timing and certainty of cash flows.

Performance Obligations

All entities must disclose how performance obligations are satisfied, *i.e.*, at a point in time or over time, significant payment terms, if the consideration is variable and if the estimate of variable consideration is constrained. All entities must describe the nature of goods or services provided and highlight if an entity is acting as an agent.

Transaction Price Allocated to the Remaining Performance Obligations

Companies may have remaining performance obligations at the end of the reporting period, *e.g.*, if an entity estimates a total transaction price—subject to the constraint on any variable consideration included in the transaction price—of \$24 million and has recognized \$18 million to date, it will be required to disclose it has measured \$6 million of transaction price that is yet to be recognized, along with other qualitative information. The following disclosures are required for **public** entities:

- The aggregate amount of the transaction price allocated to the performance obligations unsatisfied at the end of the reporting period
- An explanation of when the entity expects to recognize such revenue in either of the following ways:
 - Quantitatively using time bands based on the duration of the remaining performance obligations
 - Qualitatively

FASB provided two practical expedients from the above requirement:

- Disclosure is not required for remaining performance obligations if either of the following conditions is met:
 - The contract has an original expected duration of one year or less.
 - The entity recognizes revenue in an amount that directly corresponds with the value of the performance completed to date, *e.g.*, an entity bills a fixed amount for each hour of service provided.

Revenue Recognition: A Comprehensive Review for the Energy Industry

- Disclosure is not required for variable consideration within unsatisfied performance obligations if either condition is met:
 - The variable consideration is a sales- or usage-based royalty promised in exchange for a license of intellectual property.
 - The variable consideration is fully allocated to a wholly unsatisfied performance obligation or wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation under the series provision.

If an entity elects either of these practical expedients, it must disclose what exemptions it is applying, the nature of the performance obligations, remaining duration and a description of the excluded variable consideration. An entity shall explain whether any consideration is not included in the transaction price and, therefore, not included in the information disclosed, e.g., an estimate of the transaction price would not include any estimated amounts of constrained variable consideration.

Anadarko Petroleum Corporation 1Q 2018 10-Q

Transaction Price Allocated to Remaining Performance Obligations Revenue expected to be recognized from certain performance obligations that are unsatisfied as of March 31, 2018, is reflected in the table below. The Company applies the optional exemptions in Topic 606 and does not disclose consideration for remaining performance obligations with an original expected duration of one year or less or for variable consideration related to unsatisfied performance obligations. Therefore, the following table represents only a small portion of Anadarko's expected future consolidated revenues as future revenue from the sale of most products and services is dependent on future production or variable customer volumes and variable commodity prices for those volumes.

millions	Exploration & Production	WES Midstream	Other Midstream	Other and Intersegment Eliminations	Total
Remainder of 2018	\$ 74	\$ 268	\$ 38	\$ (167)	\$ 213
2019	102	440	74	(327)	289
2020	103	496	87	(394)	292
2021	103	470	94	(395)	272
2022	7	461	98	(394)	172
Thereafter	62	1,698	194	(1,321)	633
Total	\$ 451	\$ 3,833	\$ 585	\$ (2,998)	\$ 1,871

Valero Energy 1Q 2018 10-Q

The majority of our contracts with customers are spot contracts and therefore have no remaining performance obligations. All of our remaining contracts with customers are primarily term contracts, the majority of which expire by 2020. The transaction price for these term contracts includes an immaterial fixed amount and variable consideration (i.e., a commodity price). The variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct good that forms part of a single performance obligation; therefore, the variable consideration is not included in the remaining performance obligation. As of March 31, 2018, after excluding contracts with an original expected duration of one year or less, the aggregate amount of the transaction price allocated to our remaining performance obligations was immaterial as the transaction price for these contracts includes only an immaterial fixed amount.

Significant Judgments

All entities are required to disclose judgments and changes in judgments that significantly affect the amount and timing of revenue from customer contracts. This includes the timing of satisfaction of performance obligations and the transaction price and amounts allocated to performance obligations. All entities also must disclose the methods, inputs and assumptions made in assessing whether an estimate of variable consideration is constrained. Only public entities additionally must disclose the methods, inputs and assumptions for determining the transaction price, including estimating variable consideration, adjusting for significant financing and measuring noncash consideration and allocating the transaction price to goods and services.

Capitalized Contract Costs

If a public entity capitalized costs to obtain or fulfill a contract, it will be required to make the following disclosures:

- Description of the judgments made in determining the amount of the costs incurred to obtain or fulfill a contract
- Description of the method to determine the amortization for each reporting period
- The closing balances of assets recognized from the costs incurred by main category of asset, e.g., costs to obtain contracts, precontract costs and setup costs
- The amount of amortization and any impairment losses recognized in the reporting period

Contract Balances

Entities must report contract assets separately from accounts receivable on the balance sheet. A contract asset is an unbilled amount for goods or services provided, while a receivable is a billed but not collected payment for goods or services rendered. A contract liability is generated when a customer prepays before an energy company completes all its obligations. A contract liability does not include amounts expected to be refunded. Companies also will need to disclose whether there is a financing component included in its payment arrangements and how it is estimated.

All entities must present opening and closing balances of receivables, contract assets and liabilities on the balance sheet or in the notes to the financial statements. FASB again provides significant relief for nonpublic entities. Only public entities are required to explain significant changes in the contract asset and liability balances during the reporting period. Public entities will need to disclose reductions in a contract liability balance for services provided during the reporting period. The explanation must include both qualitative and quantitative information. Public entities must disclose how the timing of satisfaction of their performance obligations relates to the typical timing of payment and the effect those factors have on the contract asset and liability balances. An entity can use qualitative information.

Entities can use different descriptions of contract assets, contract liabilities and receivables and could use additional line items to present those assets and liabilities if the entity also provides sufficient information for financial statement users to distinguish them.

Anadarko Petroleum Corporation 1Q 2018 10-Q

Contract Liabilities Contract liabilities primarily relate to midstream fees and capital reimbursements that are charged to customers for only a portion of the contract term and must be recognized as revenues over the expected period of benefit, fixed and variable fees that are received from customers but revenue recognition is deferred under midstream cost of service contracts, and hard-minerals bonus payments received from customers that must be recognized to revenue over the expected period of benefit. The following table summarizes the current period activity related to contract liabilities from contracts with customers:

<i>millions</i>	
Balance at December 31, 2017	\$ 37
Increase due to cumulative effect of adopting Topic 606	98
Increase due to cash received, excluding revenues recognized in the period	40
Decrease due to revenue recognized	(12)
Balance at March 31, 2018	\$ 163
Contract liabilities at March 31, 2018	
Other current liabilities	\$ 39
Other long-term liabilities - other	124
Total contract liabilities from contracts with customers	\$ 163

EOG 1Q 2018 10-Q

As EOG typically invoices customers shortly after performance obligations have been fulfilled, contract assets and contract liabilities are not recognized. The balances of accounts receivable from contracts with customers on January 1, 2018 and March 31, 2018, were \$1,343 million and \$1,428 million, respectively, and are included in Accounts Receivable, Net on the Condensed Consolidated Balance Sheets.

SEC Comment Letters

A small number of companies early adopted the new revenue standard in 2017. The SEC staff has raised the following issues:

- Costs to obtain a contract – Comments focused on companies' determination of what costs to capitalize and the related amortization period*
- Over time recognition method – Comments focused on disclosing the method of recognition and an explanation of why the selected method accurately depicts the transfer of control*
- Performance obligations – Comments focused on the nature of performance obligations and questions about why the obligations are separately identifiable*

Additional topics on which the SEC staff commented include contract modification accounting, the disclosure of remaining performance obligations and practical expedients, estimating variable consideration and considerations related to nonmonetary exchange transactions.

The adoption of this ASU will be complex and likely will require significant hours to implement correctly. BKD can help educate your team, provide implementation tools and assist with analysis and documentation. If you would like assistance complying with the new revenue recognition standard, contact your trusted BKD advisor. BKD has prepared a library of **BKD Thoughtware**[®] on revenue recognition issues. Visit our Hot Topics page to learn more.

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Appendix A – Internal Controls

Five-Step Model	Considerations for New or Amended Controls
<p>Step 1: Identify the Contract with the Customer</p>	<ul style="list-style-type: none"> Identifying arrangements (whether written or unwritten) that meet the contract criteria Reassessing arrangements not initially meeting the contract criteria as significant changes may occur in the underlying facts and circumstances Assessing management’s and the customer’s commitment and ability to perform under the contract Checking that payment terms are properly considered Assessing the collectibility criterion Evaluating contract modifications
<p>Step 2: Identify Performance Obligations</p>	<ul style="list-style-type: none"> Identifying performance obligations, including those explicitly stated in the contract and those that may be implied based on customary business practices Evaluating whether a promised good or service is distinct, particularly within the context of the contract Evaluating whether a series of goods or services should be treated as a single performance obligation
<p>Step 3: Determine the Transaction Price</p>	<ul style="list-style-type: none"> Estimating the amount to which the entity expects to be entitled, <i>i.e.</i>, the transaction price, including any variable consideration. When valuation consultants are hired, it is normally expected that controls are in place to help ensure their competence and objectivity Evaluating whether any portion of variable consideration should be constrained Determining the fair value of noncash consideration Identifying and measuring whether there is a significant financing component in the contract Determining the accounting for consideration payable to a customer
<p>Step 4: Allocate the Transaction Price</p>	<ul style="list-style-type: none"> Estimating the standalone selling price, including the increasing of observable inputs in that process Determining the appropriate transaction price allocation, including variable consideration and discounts
<p>Step 5: Satisfaction of Performance Obligations and Revenue Recognition</p>	<ul style="list-style-type: none"> Determining whether performance obligations are satisfied at a point in time or over time Measuring progress toward complete satisfaction of a performance obligation that is satisfied over time, <i>i.e.</i>, the input and output methods Recognizing revenue only when (or as) control is transferred to the customer

Appendix B – Disclosure Requirements

New or Modified Revenue Disclosures				
Description	Public ¹ Entities	All Other Entities	Annual	Interim (Public ¹ Entities Only)
Contracts with Customers				
Revenue recognized from contracts with customers, separate from other sources of revenue	YES	YES	YES	
Any impairment loss on any receivable or contract assets arising from a contract with a customer, separate from impairment losses on other contracts	YES	YES	YES	
Disaggregation of Revenue				
An entity shall disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors	YES	NO	YES	YES
An entity shall disclose sufficient information to enable the users of financial statements to understand the relationship between the disclosures of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies Topic 280	YES	NO	YES	YES
Disaggregation Practical Expedient for Private Companies				
Nonpublic entities electing not to disclose the quantitative disaggregation information above shall disclose, at a minimum, revenue disaggregated according to the timing or transfer of goods or services and qualitative information about how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows	N/A	YES	YES	
Contract Balances				
Opening and closing balances of receivables, contract assets and liabilities from contracts with customers, if not otherwise separately presented or disclosed	YES	YES	YES	YES
Revenue recognized in the reporting period included in the contract liability balance at the beginning of the period	YES	NO	YES	YES

¹ The new revenue standard defines a public entity as any one of these:

- A public business entity
- A not-for-profit entity that has issued—or is a conduit bond obligor for—securities traded, listed or quoted on an exchange or over-the-counter market
- An employee benefit plan that files or furnishes financial statements to the SEC

Contract Balances				
Explanation of how the timing of satisfaction of its performance obligations related to the typical timing of payment and the effect those factors have on the contract asset and liability balances; may use qualitative information	YES	NO	YES	
Explanation of significant changes in the contract asset and liability balances during the reporting period	YES	NO	YES	
Performance Obligations – Some Practical Expedients Available				
When an entity typically satisfies its performance obligations	YES	YES	YES	
Significant payment terms (when payment is typically due, existence of significant financing component, any variable consideration, any constraints on variable consideration)	YES	YES	YES	
Nature of goods or services promised, highlighting if entity is acting as an agent	YES	YES	YES	
Obligations for returns, refunds and other similar obligations	YES	YES	YES	
Types of warranties and related obligations	YES	YES	YES	
Aggregate transaction price allocated to unsatisfied or partially satisfied performance obligations at the end of the reporting period ^{2 3}	YES	NO	YES	YES
Revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods	YES	NO	YES	YES
When an entity expects to recognize as revenue the amount disclosed immediately above on either a quantitative basis using the most appropriate time bands for the duration of the remaining performance obligations or using qualitative information ^{2 3}	YES	NO	YES	

² An entity need not disclose this information for a performance obligation if either condition is met:

- a. The performance obligation is part of a contract with an original expected duration of one year or less.
- b. The entity recognizes revenue in the amount to which the entity has a right to invoice.

³ An entity need not disclose this information for variable consideration if either condition is met:

- a. The **variable** consideration is a sales-based or usage-based royalty promised in exchange for a license of intellectual property.
- b. The **variable** consideration is entirely allocated to a wholly unsatisfied performance obligation or wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation under the series provision.

If Practical Expedients Are Elected for Performance Obligations				
An entity shall disclose what optional exemptions it is applying as well as the nature of the performance obligations, the remaining duration and a description of the excluded variable consideration. An entity shall explain whether any consideration is not included in the transaction price and, therefore, not included in the information disclosed, <i>e.g.</i> , an estimate of the transaction price would not include any estimated amounts of constrained variable consideration	YES	YES	YES	
An entity shall disclose if a practical expedient is elected for either the existence of a significant financing component or the incremental costs of obtaining a contract	YES	YES	YES	
Significant Judgments				
Judgments and changes in judgments that significantly affect the amount and timing of revenue from customer contracts. This includes the timing of satisfaction of performance obligations, the transaction price and the amounts allocated to performance obligations	YES	YES	YES	
For performance obligations satisfied over time: <ul style="list-style-type: none"> The method used to recognize revenue Explanation of why the methods used faithfully depict the transfer of goods or services 	YES YES	YES NO	YES YES	
For performance obligations satisfied at a point in time, the significant judgments made in evaluating when a customer obtains control of the promised goods or services	YES	NO	YES	
Methods, inputs and assumptions used for:				
Determining the transaction price, including estimating variable consideration, adjusting the price consideration for the time value of money and measuring noncash consideration	YES	NO	YES	
Assessing whether an estimate of variable consideration is constrained	YES	YES	YES	
Allocating the transaction price, including estimating the standalone selling price of promised goods or services and allocating discounts and variable consideration to a specific part of a contract	YES	NO	YES	
Measuring obligations for returns, refunds and similar obligations	YES	NO	YES	