

Accounting for Consolidated Money Pools

In Reply Refer To:
OED-DRAP
Docket No. AI02-2-000

August 1, 2002

**TO ALL JURISDICTIONAL PUBLIC UTILITIES, LICENSEES,
NATURAL GAS COMPANIES, AND OIL PIPELINE COMPANIES**

Many jurisdictional entities that are members of a consolidated group enter into arrangements to combine their cash in a money pool arrangement to manage their working capital. The enclosed Accounting Release No. 17 provides guidance on how jurisdictional entities shall account for money pool arrangements and the types of documentation that shall be maintained for these inter-company agreements. This Accounting Release will provide consistency and uniformity in the accounting for these pooling arrangements by jurisdictional entities and is effective August 1, 2002.

Authority to act on this matter is delegated to the Chief Accountant pursuant to § 375.303 of the Commission's regulations. This Accounting Release constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this letter order, pursuant to 18 C.F.R. § 385.713.

John Delaware
Deputy Executive Director
and Chief Accountant

FEDERAL ENERGY REGULATORY COMMISSION

ACCOUNTING RELEASE NUMBER 17
Accounting for Consolidated Money Pools

Background:

Many jurisdictional entities that are members of a consolidated group have arrangements to pool their cash in a consolidated money pool to manage their overall cash flow requirements due to differences in their cash receipts and cash disbursements. Money pool arrangements can provide the participants with greater financing flexibility and a

lower cost of borrowing than would otherwise be available to an individual entity. These arrangements can help smaller affiliates within the group to receive the same favorable borrowing rates as larger entities.

Under money pools, the participants may contribute their cash surpluses to the money pool, and/or borrow funds from the pool as needed to meet their working capital needs. Any excess funds, after borrowing requirements are met, should be invested by the pool. Interest is received on funds placed in the pool and interest expense is paid by participants that borrow from the pool.

The Commission's accounting regulations require that jurisdictional entities keep their books of account, and all other books, records, and memoranda which support the entries, so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto.¹ Because money pools are arrangements among affiliated entities directly or indirectly controlled by, or under common control with parent companies, it is vital that jurisdictional entities maintain appropriate documentation to support and verify all of the facts related to the transactions under these arrangements.

Question:

What are the proper accounting treatment and related documentation requirements for money pool arrangements involving jurisdictional entities?

Answer:

Public Utilities and Licensees, Natural Gas Companies and Oil Pipeline Companies must account for money pool arrangements and maintain the following documentation for these arrangements under the Commission's Uniform Systems of Accounts as discussed below:

Public Utilities, Licensees and Natural Gas Companies

Amounts deposited with money pools are to be recorded in Account 145, Notes receivable from associated companies, or Account 146, Accounts receivable from associated companies, unless such amounts deposited are evidenced by notes with maturities of more than one year from date of issue. If the notes have maturities of more than one year from date of issue, they shall be recorded in Account 123, Investment in associated companies, or Account 123.1, Investment in subsidiary companies.

Borrowings from money pools shall be credited to Account 233, Notes payable to associated companies, or Account 234, Accounts payable to associated companies, unless such borrowings are evidenced by notes with maturities of more than one year from date of issue. If the notes have maturities of more than one year from date of issue, they shall be credited to Account 223, Advances from associated companies.

Interest earned on deposits with money pools shall be credited to Account 419,

Interest and dividend income. Interest expense incurred on borrowings from money pools shall be charged to Account 430, Interest on debt to associated companies.

Oil Pipeline Companies

Amounts deposited with money pools are to be recorded in Account 13, Receivables from affiliated companies, unless such investments are evidenced by notes with maturities of more than one year from date of issue. If the notes have maturities of more than one year from date of issue, they shall be recorded in Account 20, Investments in affiliated companies.

Borrowings from money pools shall be credited to Account 50, Notes payable, or Account 51, Payables to affiliated companies, unless such borrowings are evidenced by notes with maturities of more than one year from date of issue. If the notes have maturities of more than one year from date of issue, they shall be credited to Account 60, Long-term debt payable after one year.

Interest earned on deposits with money pools shall be credited to Account 630, Interest and dividend income. Interest expense incurred on borrowings from money pools shall be charged to Account 650, Interest expense.

Documentation Requirements

All jurisdictional entities participating in money pool arrangements shall maintain supporting documentation for all deposits into, borrowings from, interest income from, and interest expense to such money pools. The written documentation shall include evidences of:

1. individual deposits with money pools, including the date of the deposit, the amount of the deposit, the maturity date, if any, of the deposit, and the interest earning rate on the deposit.
2. borrowings from money pools, including the date of the borrowing, the amount of the borrowing, the maturity date, if any, of the borrowing, and the interest rate on the borrowing.
3. the security provided by the money pool for repayment deposits into the money pool and required by the money pool in support of borrowings from the money pool.
4. daily balances of deposits with and borrowings from money pools for each individual deposit or borrowing. Cash deposits and borrowings may not be netted.

All jurisdictional entities shall also maintain current and up-to-date copies of the documents authorizing the establishment of the money pool that specifies the:

5. duties and responsibilities of the money pool, its administrator and the other participants in the money pool.
6. restrictions on deposits or borrowings by pool members.
7. method used to determine the interest earning rates and interest borrowing rates by pool members.
8. method used to allocate interest income and expenses among the pool members.

John Delaware
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Effective:
August 1, 2002