

Cash & Treasury Management Process: Business Unit Cash Split Overview

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The BPA cash analysis or “cash split” is an estimated calculation. It is calculated monthly and used to 1) support a FERC separate business line accounting for rate-making¹; 2) calculate the allocation percentage rates for the application of interest offset credit and investment income to Power and Transmission Services; and 3) determine year-end reserves for Power and Transmission.

Summary

The cash split analysis is a methodology for determining an ending monthly cash balance for Power and Transmission Services respectively. It was implemented in fiscal year 2004. The starting cash balance was determined from the fiscal year-end business line reserves reported to FERC in separate accounting by Analysis and Requirements (FS) analyst.

The purpose of the cash analysis is to assign actual cash transactional data from the accounting system to Power and Transmission. The accounting system records all cash inflows and outflows to one cash general ledger account in the Corporate business unit. The cash split process is a manual effort which relies on a significant amount of system and institutional knowledge. Although it is based on actual data, it relies on some assumptions (discussed below) and interpretations of transactional data. Monthly capital expenditure accounting data is also analyzed and attributed to Power or Transmission for purposes of tracking deferred borrowing. The monthly Power and Transmission reserves balances are comprised of the ending cash and deferred borrowing balances respectively.

Monthly, the cash split analysis is performed, expressed as percentages and provided to Accounting for a true-up of the prior month’s interest offset credit allocation to Power and Transmission. The investment income allocation is tried up quarterly. Cash and Treasury Management (FTT) staff use the cash analysis for inputting actuals into the monthly reserve forecast model. FS uses the cash analysis to validate their results.

History

The original purpose of the cash split analysis was to support a reallocation of interest offset credit income to Power and Transmission per a request from Transmission. Revenue Requirements analysts were able to leverage this analysis and use it for the calculation of business unit reserves for rate case and separate accounting purposes beginning with data as of the end of FY 2004.

The interest offset credit had been applied as a 50-50 split between the Power Business Unit and Transmission Business Unit for fiscal years 2002 and 2003. Prior to that 100% of the interest income was credited to the Power Business Unit. During fiscal year 2003 the Transmission

¹ In compliance with the Commission order, BPA developed a system that separately tracks generation and transmission revenues, costs, **and resulting surpluses/deficits**. See 25 FERC ¶ 61,140, at 61,375 (1983). See also 20 FERC ¶61,142 (1982); 26 FERC ¶61,096 (1984); 28 FERC ¶61,325 (1984).



Business Line made a request for a fair allocation of the interest income credit between the Business Units (Power, Transmission and Corporate) based on actual cash receipts and disbursements. Since the beginning of FY 2004 the allocation of the monthly accrual of business unit interest offset credit has been updated monthly.

In fiscal year 2003 Corporate Accounting Operations developed procedures for the business unit cash analysis. The procedures for determining each Business Unit's monthly cash balance start with the actual cash receipts and disbursements in PeopleSoft by General Ledger Business Unit and the cash flows are adjusted for the following items:

Corporate Receipts/Disbursements: Corporate receipts and disbursements are allocated between the Power and Transmission Business Units based on weighted average of actual allocations set in the PeopleSoft General Ledger for Corporate overhead at the beginning of each fiscal year.

Payroll Disbursements: These disbursements are distributed to Power and Transmission based on the current month's salary allocation percentage from Corporate to the two Business Units.

Energy Northwest Debt Service: Based on analysis we determined that Transmission has an obligation for a portion of the Energy Northwest debt service due to Debt Service Reassignment actions taken by BPA. Debt and Investment Management maintains the Debt Service Reassignment balances for all years. The Transmission portion is used to adjust the cash balances from Transmission to Power.

Inter-Business Unit Revenue/Expenses: Although these transactions have no bearing on the agency cash position, the expenses are collected through the Business Unit rates and both revenues and expenses have been recognized as if they were cash transactions. This data is found in the income statements for the Business Units. In this case, the cash transactions are deemed to occur simultaneously with the revenue and expense recognition.

Debt Service Reassignment: When proceeds from debt restructuring are used to repay Transmission's Federal debt, the "avoided" Energy Northwest principal payment is assigned as a cash obligation to Power at the time the Energy Northwest bonds would otherwise have been paid. Corporate holds the gain from July until the end of September when Corporate provides an inter-business unit loan to Transmission. This transaction has no impact on cash in the Bonneville Fund.

Interest Offset Credit: Each business unit earns a portion of the calculated interest offset credit based on the allocation percentage in the prior month. The IOC is applied to the bond interest payments to U.S. Treasury as a whole amount for the agency and does not consider which unit earned it. A monthly balance of earned and taken IOC by business unit is maintained to determine if one unit is taking more than it has earned. Adjustment to each business unit's cash balance is made accordingly. We use this same methodology for investment income.



The above assumptions are periodically reviewed by the Subject Matter Experts and updated as needed. FTT performs the cash analysis calculations for the Business Units' monthly cash balances for rate-making and allocation percentage rates. FTT provides results to the Business Unit analysts monthly.

