



Salt River Project Simplifies FERC Reporting and Increases Readiness for SAP S/4HANA®

Utegration's add-on software Utility Financials Accelerator (UFA) establishes greater financial data transparency in SAP ECC that also streamlines the move to S/4HANA

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Connecting utilities to the future.

The Customer

Salt River Project (SRP) is a community-based not-for-profit utility that provides reliable, affordable water and power to more than two million people in central Arizona. SRP has provided these essential resources for more than a century to meet the needs of customers and help the region grow. SRP has been on SAP since 2013, and currently runs SAP Suite on HANA and BW on HANA.

The Challenges and Opportunities

In early 2018, anticipating its migration to SAP S/4HANA in 2023, Salt River Project engaged Utegration* to help evaluate its SAP Financials processes and results. Together with SRP management and subject matter experts, Utegration explored SRP's approach to financial statement creation, overheads and assessments, regulatory reporting, cash statement preparation, and other elements of utility accounting.

SRP Solution Architect Gibbs Saint Paul oversaw the assessment. He said, "Utegration's team truly understands the business of a utility company. The workshops they led resonated with everyone at SRP—from our controller focused on financial reporting, to our analysts responsible for the day-to-day work."

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- Gibbs Saint Paul, Solution Architect, Salt River Project

One particular area for improvement the team identified was around SRP's FERC data: it was hard to understand and tie back to participation billing, and it did not fully support audit and pricing processes. The data required for external audiences did not reconcile to the operational data used to create internal financial statements, and, as experienced by many utilities running the standard FERC module, the differences were difficult, if not impossible, to explain.

In addition, SRP's use of Profit Centers to identify and break down costs was not supported with actual transactions, because the delivered FERC module data did not reconcile by account to the natural accounts that were charged. SRP's financial statements were supported by Final Cost Centers, which were only derived after a complex closing process that delayed analysis each month.

Lastly, SRP's IT department had owned the process for generating FERC data, but was slated to transfer that responsibility to the Financial Systems & Controls department. This impending change called for a simpler way to run and analyze FERC reports each month.

Many of SRP's challenges stemmed from its traditional "FI-centric" model for FERC accounting, which only utilized primary costs from the SAP Finance (FI) module. This design has some inherent weaknesses that most utilities on it experience: CO and FERC do not reconcile at the cost object level; the FERC module's trace is error-prone; and complex cost flows are opaque and difficult to explain.

The Solution

One version of the truth between FERC and GAAP improves transparency and responsiveness

In 2008, Jerry Cavalieri, now Utegration's Managing Director of Regulatory Reporting, began to advocate for a better model that eliminates those limitations by supporting FERC balances with secondary costs from the SAP Controlling (CO) module. This "CO-centric" design establishes one version of the truth between FERC and GAAP, and delivers even greater clarity by turning off FERC clearing and negative flows. Utilities that adopt the CO-centric model improve cost flow transparency and responsiveness to regulatory interrogatories, and, ultimately, strengthen their rate case positions.

In August 2018, SRP engaged Utegration to realize a CO-centric model through its Utility Financials Accelerator (UFA) add-on software. UFA, part of the Utegration Finance4U™ Suite, builds on the FERC module and eliminates its constraints.

Utegration Finance4U™ Utility Financials Accelerator (UFA)

For utility companies running SAP and the delivered FERC module, UFA resolves the challenges in complying with today's more stringent regulatory requirements:

- Eliminates reconciling differences between CO and FERC
- Runs the FERC trace without errors, up to 50% faster
- Allocates costs across multiple lines of business and companies while maintaining compliance standards
- Improves data transparency further by turning off FERC clearing and preventing negative cost flows

In doing so, UFA improves responsiveness to regulatory inquiries and strengthens rate case positions for utilities running the FERC module in SAP. To learn more, visit Utegration.com.

The Benefits

Major efficiency improvements today plus greater readiness for SAP S/4HANA

Just five months after kickoff, in January 2019, SRP was ready to go live with its optimized, CO-centric FERC model in SAP Suite on HANA. This efficient schedule enabled SRP to use its new FERC model from the start of the calendar year to ensure consistent annual results for joint participation projects with other utilities. The project achieved all intended objectives and more:

- Balances by FERC account now match exactly its reports by order number, WBS element, cost element, and cost center, thereby making functionalized data far more intuitive to analyze
- Business analysts gained an interactive drill-down from net income to individual transactions
- Profit Center reporting by FERC account to support participation billing
- Identifying costs associated with any job now only takes a few clicks directly in the SAP ERP
- Financial records were reduced by an order of magnitude—from 2 million to 200,000 per month—and UFA's trace algorithm cut FERC run times by 50%
- BW data load time was cut by nearly 90%

Thinking ahead to their migration to SAP S/4HANA, SRP recognized that optimizing FERC while still on Suite on HANA would also have longer-term benefits. By elevating secondary costs from CO to the same importance as primaries, SRP's financials in SAP Suite on HANA now resemble very closely what they will look like in the SAP S/4HANA Universal Journal—in which secondaries are treated just like primary accounts. This seemingly simple change will establish much greater financial data consistency years before SRP moves to S/4HANA.

“By aligning SRP's data model in the ECC to S/4HANA's, SRP is just a step away from functionalized financial statements at any time of the month,” said Jerry Cavalieri. “Generating a ‘daily P&L’ will become the norm for utilities on SAP, and SRP has made significant progress towards that future state.”

**This story details work done by HPC America, which was acquired and re-branded by Utegration in January 2020. HPC was a consulting and software development firm that created the original “FERC module” and innovated other accounting solutions for utilities on SAP from 1994 through 2019.*