

HPC creates real-time FERC solution for SAP New General Ledger at We Energies

Wisconsin utility company gains improved SAP regulatory and management reporting, immediate access to FERC data, and a faster monthly close from the original developer of the SAP FERC solution.



We Energies provides electric service to 2.2 million customers in portions of Wisconsin and Michigan's Upper Peninsula, and also serves natural gas customers in Wisconsin and steam customers in downtown Milwaukee. We Energies is the trade name of Wisconsin Electric Power Co. and Wisconsin Gas LLC, the principal utility subsidiaries of Wisconsin Energy Corporation. The company maintains more than 45 thousand miles of electric distribution lines and over 350 substations.

Challenges and Opportunities

We Energies first implemented SAP and the IS-U/FERC module in 1997, guided by HPC America, the original developer of the FERC solution. Fast-forward 15 years later, and the utility company began a review of its financials within SAP to simplify business processes and increase transparency between natural and FERC accounts.

"We faced a number of reporting challenges, primarily because the original FERC module did not provide a drill down to the original source of charges," explained Steve Mueller, Team Leader of Applications at We Energies. "Our Wisconsin and Michigan auditors are increasingly particular, and want to know who did what work. We needed a solution beyond the FERC module itself to meet their requirements easily."

In addition, like many utilities, We Energies found it difficult to determine capital versus expense splits from natural accounts alone. As such, it relied on FERC reporting for this information—but that meant waiting 30+ days for each monthly close. A solution that accelerated the close or otherwise improved access to key data would address management's capital and expense reporting needs.

The Solution

While We Energies had briefly considered a homegrown solution involving UI Planner, it quickly turned to HPC America for the next generation of its SAP FERC configuration.

"We read about HPC's development of a real-time FERC solution utilizing Functional Areas in the New General Ledger, which was

also under consideration by our team," said Mueller. "Based on that new solution, plus our prior experience with the firm, we were confident that HPC had the right knowledge of FERC, finance, and utilities to meet our needs."

In early 2012, We Energies engaged HPC to develop its real-time FERC solution on the SAP New General Ledger as a precursor to the utility's GL migration planned for 2013. "Our solution-agnostic approach to FERC includes several alternative designs based on each utility's specific requirements," said HPC CEO Jerry Cavaliere. "Due to Wisconsin's commitment to the New GL and desire to phase out the FERC module, our real-time FERC design was obviously the most suitable." HPC's other solutions for utilities include optimizing existing FERC module installations, and implementing HPC Utility Financials Accelerator (UFA), a solution certified by SAP as powered by the NetWeaver® technology platform.

At Wisconsin, HPC set up the SAP New GL in a development environment, configuring Functional Areas to deliver desired FERC results in a "real time" manner. HPC tested different scenarios based on a large range of transactions to ensure the correct sequence of rules were applied to each transaction type, such as benefits and payroll taxes, capital expenditures, and the equivalent of direct postings.

Moving to a real-time FERC solution that leverages functional areas in the New GL would ordinarily mean the loss of some SAP FERC functionality, but HPC established a number of ways to retain all of that, plus detailed data for all transactions. Unlike configurations that result in an "hourglass" flow of information that sacrifices granularity, HPC's design maintains as much detail as possible for greater business intelligence.

During the project, the team ran into one notable surprise when running overheads, due to SAP's handling of derivation rules. To solve the matter, HPC utilized the New GL's extensibility features to keep the Controlling module and the General Ledger in sync when showing more than one functional area for a single CO

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Team Leader - Applications, We Energies*

object. As a result, when looking at standard CO reports or FI financials, the same FERC account is shown in real-time. No FERC derivation at the end of the period is required.

Initial Results

In the fall of 2012, HPC completed its real-time FERC solution for the SAP New General Ledger at We Energies. The cutting edge solution allows a utility to replace the classic IS-U/FERC module through the use of four different derivation methods for functional areas. In this design, both primary and secondary cost elements post to the New GL. Functional Area derivations can be defined during document entry, if desired. And cost objects with pre-assignments to FERC functional areas can be cost centers, IO's, PM orders, WBS elements or Networks. This flexibility accommodates the need for overriding translations as necessary. In addition, We Energies can get FERC data anytime during the month, without having to run the FERC module, and with zero manual intervention or separate processes to update FERC accounts.

Based on successful results in testing, the project team presented the solution to its review committee and Chief Financial Officer. Management agreed that HPC's real-time FERC solution and the New General Ledger would meet the utility's immediate regulatory reporting objectives, and approved the next steps to production.

Looking forward, We Energies can migrate to the New GL and phase out the FERC module, while moving to a real-time FERC ledger. Users will be able to make journal entries and translate GL accounts to FERC functional areas on-the-fly when entering a document. Using the New GL with the cost of sales ledger active and real-time CO/FI integration running results in a faster close. And the design eliminates differences in orders between the FERC and Controlling modules, providing "one version of the truth" for both regulators and management.

HPC CEO Cavalieri commented that, "Our real-time FERC solution for the SAP New GL is the latest evolution in HPC's thinking since we first created the FERC module in 1995. It's an ideal design for utilities new to SAP, as well as for long-time users open to a major change. But there is no one-size-fits-all approach, since an optimized FERC module alone or one supplemented by HPC UFA is also proven to be effective for utilities in today's more demanding regulatory environment."

About HPC America

HPC America is a utility industry expert and certified SAP partner with nearly 20 years of experience implementing SAP and developing back-office solutions in accounting, regulatory reporting, billing, supply chain management, plant maintenance, and business intelligence.

HPC is also the original developer of the IS-U/FERC module, which SAP acquired from us in 1996. Since then, we have pioneered advanced solutions for regulatory reporting on SAP, including HPC Utility Financials Accelerator, certified by SAP as powered by the NetWeaver® technology platform, and the Real-Time FERC solution for the SAP New General Ledger.

Some of our customers include Pacific Gas & Electric, Southern California Edison, We Energies, RPU, PHI, Sonoma County Water Agency, Trans Bay Cable, NTUA, AEPCO, and City of Palo Alto.