

Regional Utilities increases FERC reporting flexibility and labor burden transparency in SAP®

Electric utility company establishes best-in-class ERP financials through HPC America’s certified solution and 20+ years of experience.



Regional Utilities is an electric utility company serving more than 60,000 delivery points throughout its territory. The company’s transmission business also includes 400 miles of transmission lines and five designated collection stations in one region; 400 miles of transmission lines and connected substations in another region; and a high-voltage interconnection between two states.

Challenges and Opportunities

Regional Utilities (“RU”) had been using SAP Financials for a number of years when, in late 2014, its IT and Finance leadership recognized an area for further improvement: regulatory accounting. At that time, the utility managed external reporting processes outside the ERP, because the SAP IS-U/FERC (RRU) module that RU already owned had not yet been implemented. While RU’s spreadsheet-based solution generated all required data for responding to regulatory inquiries, it was not as efficient and flexible as management desired.

In anticipation of its upcoming 2015 test year and 2016 rate case, RU saw an opportunity to take action before beginning the significant effort of rate case prep and filing. RU identified HPC America as an expert in SAP FERC reporting, and brought the consulting firm in for detailed discussions about RU’s current challenges and other utilities’ best practices. The conversation expanded beyond FERC to cost flows, allocations, job costing, and other fundamentals of SAP Financials and Work Management.

This initial period of getting to know one another was highly effective: RU and HPC not only clarified the technical and functional issues at stake, but also established a foundation of good communication and trust. A few short months after first meeting, RU engaged HPC to lead a two-phase project that would move regulatory accounting into SAP, and implement a new fixed overhead design for greater labor cost transparency and efficiency. “When we asked prospective consultants complex utility accounting questions, HPC America’s responses showed very strong subject matter expertise,” said the Controller of Regional Utilities. “HPC’s understanding of both SAP and the business of a utility was exactly what we needed to start this project with confidence.”

The Solution

The project’s first phase focused on replacing RU’s legacy GAAP-to-FERC conversion matrix in Excel with an effective regulatory accounting system directly in SAP ECC. Key requirements included generation of FERC trial balances in SAP, and easy recreation of past FERC trial balances for prior years; detailed account balance support of line items in the ECC; and more efficient creation of financial statements in SAP.

To meet all of RU’s objectives, and to go beyond the limitations of the original FERC module—which HPC itself had created for Pacific Gas & Electric in the mid-1990s—RU also licensed HPC America’s Utility Financials Accelerator (UFA) software. HPC UFA enabled RU to support FERC account balances with both primary and secondary costs, and to eliminate the FI-CO reconciling differences that are inherent in using the FERC module alone. *See the next page for more info about UFA.*

During the first six months of the project, HPC and RU implemented the FERC module and HPC UFA; mapped all natural accounts to the appropriate regulatory accounts; functionalized all WBS elements between transmission, distribution, customer accounts, and administration for Operations and Maintenance; transformed three years of historical data into regulatory accounts in the ECC; and then brought regulatory financials into RU’s BI layer. The team’s extensive, iterative testing fine-tuned the mapping rules until all stakeholders were satisfied with the results, such that RU was able to generate accurate, timely FERC reports directly within SAP.

The project’s second phase on Fixed Overheads was intended to increase the transparency of labor burdens for benefits, payroll taxes, PTO, supervision, engineering, A&G transfer to construction, and stores expense burdens on material issues. To achieve this objective, HPC implemented a more efficient overhead-centric process that enabled RU to meet all reporting requirements with costing sheets on WBS elements with fixed overhead rates instead of assessments from cost centers. This design would minimize reliance on difficult-to-understand assessments, improve the predictability estimating job costs, and ensure that shared costs would be applied as fairly as possible across WBS elements.

* *Regional Utilities is available as an HPC customer reference.*

Results and Benefits

The Regional Utilities Project Manager summed up the results best: “The project was incredibly successful. Not only did the FERC implementation run smoothly and meet all objectives, but it also came in a month ahead of schedule.” RU’s new SAP regulatory accounting solution went live six months after kick-off, greatly assisting RU’s test year work and rate case preparation.

RU now has immediate access to FERC results in SAP upon completion of each month-end close, and highly detailed, user-friendly drill-down reporting that makes responding to regulatory inquiries far more efficient. HPC’s Utility Financials Accelerator allows RU to locate any invoice by drilling down from either FERC or GAAP accounts. HPC also created a unique hybrid GAAP income statement in SAP that RU previously had to generate in BW; the new solution is even more accurate and efficient, as users can work independently in the ECC without requesting assistance from IT.

“The FERC solution that HPC delivered is a whole other story from our legacy system,” said Regional Utilities’ Controller. “We can now go back to source documents easily in SAP, and regenerate trial balances whenever we need to.” RU has full, Form 1-based Balance Sheet reporting and Income Statements in its SAP ERP, both of which are available once the FERC run is done each period.

Results of the Fixed Overheads project phase have been similarly successful. Labor costs are now more transparent, as all WBS elements receive a fair, equitable, and highly predictable proportion of overhead. By replacing previously manual steps outside the ERP with a streamlined process in SAP, Accounting saves several days of work each month, reduces the chance of errors, and gives project managers the most up-to-date view of job costs by running overheads after each timecard entry.

Bigger picture, HPC and RU’s open communication paid dividends throughout the project. “We spent ample time early on making sure that all key stakeholders, business and regulatory requirements, assumptions, and constraints were considered,” recalled Regional Utilities’ Project Manager. “HPC America has been a pleasure to work with, and Regional has come to regard their team as a true partner. HPC has gone above and beyond our expectations!”

Optimized Regulatory Accounting for Modern Utilities on SAP®

RU’s success was partly due to HPC Utility Financials Accelerator (UFA), software for SAP ECC 6.0 and S/4HANA that delivers the data required by regulators faster and more accurately than SAP alone.



HPC UFA strengthens rate case positions and improves responsiveness to regulatory inquiries in a number of ways. It automates natural account translation, and enables easy and controlled cost allocations while maintaining the strictest compliance. It eliminates trace errors and FI-CO-FERC reconciliation discrepancies, thereby speeding up the monthly close and establishing “one version of the truth” between GAAP and FERC. UFA also mitigates cross-subsidization risk for multi-jurisdictional utilities. It is certified by SAP as a NetWeaver solution.

About HPC America

HPC America is a utility industry expert specializing in SAP® consulting for electric, gas, and water utilities for more than 20 years. Our software and services for SAP Financials, Regulatory Reporting (FERC), and Work Management enable utilities to deliver meaningful results enterprise-wide, from management to operations. We are the original developer of the IS-U/FERC module, which SAP acquired from HPC in 1996. Since then, we have continued to innovate new solutions and advise customers such as Pacific Gas & Electric, Southern California Edison, We Energies, Pepco, Sharyland Utilities, Puget Sound Energy, City of Palo Alto, NTUA, AEPCO, Iberdrola, MUD Omaha, PSE&G, Rochester Public Utilities, and other utility companies throughout the United States.