

## Arizona Electric Power Cooperative Meets Multi-Company Demands with HPC America



Arizona Electric Power Cooperative (AEPCO) began its implementation of SAP in 2006, but ended the year unable to close its books as smoothly and accurately as intended. The cooperatives engaged a CPA firm in 2007 to help develop a close-of-books process and complete monthly financial statements, but that work did not include a Rural Utility Service (RUS) reporting solution. In 2008, an SAP optimization and upgrade initiative was undertaken, in part to create a set of books for RUS reporting and rate case filing requirements. After giving several outside experts a shot during the optimization project, AEPCO engaged HPC America to resolve the utility's "soap opera" once and for all.

### Company Background

Arizona Electric Power Cooperative is headquartered in Benson, Arizona, and was originally founded in 1961 to meet the energy needs of rural southeastern Arizona. AEPCO's generation facility, Apache Station, generates 520 megawatts of electric energy for the cooperative's members, who collectively serve over 120,000 customers located throughout Arizona and California.

Like other utilities in the last decade, AEPCO was restructured in response to deregulation mandates. After 1999, AEPCO's administration, generation, and transmission services were split into three separate corporate entities. This multi-company environment created a number of new requirements for the cooperative's management to tackle, such as cross charging labor and allocating overheads to each generation facility and transmission line.

### Challenges and Opportunities

When Richard Franklin, AEPCO's cost accounting and tax manager, describes the cooperative's first experience with SAP in 2006, he recalls a "quick and dirty installation" that did not turn out

as well as it could have. AEPCO had expected to implement SAP's IS-U/FERC module in addition to standard ERP functionality for accounting and logistics. But for a variety of reasons the project was cut short. Over the course of the next two years, the cooperative did what any mid-size utility would in the face of adversity: hire new consultants with new fixes, and work through the tough stuff manually as well as possible.

In 2008, AEPCO began an optimization and upgrade project to add the SAP FERC module and work management functionality for its field staff. Dissatisfied with the progress being made, AEPCO invited HPC America CEO Jerry Cavalieri to present his approach to solving the cooperative's recurring problems and address the multi-company accounting challenges. "When Jerry met our team, you could see that everyone on our side was weary and skeptical — 'Here's another consultant with a solution.' Within an hour, Jerry had totally changed the mood because we could see that he really knew what to do."

### Solution: HPC America and HPC Utility Financials Accelerator

HPC began its work at AEPCO with a detailed plan that would not only catch up to the rest of the project team's advance work, but also avoid impacting the Controlling cost model already in place. HPC collaborated closely with AEPCO's stakeholders to understand their requirements and flexibility. Franklin noted that, "HPC left all preconceived notions at the door, and accommodated our special business processes. Most consultants tell you they're going to do that, but then they want to move ahead with a stock solution."

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*Richard Franklin  
AEPCO Cost Accounting and Tax Manager*

HPC and AEPCO worked extensively on the cooperative’s mapping issues. Cavalieri took the natural chart of accounts, and showed Franklin the ideal way to map orders and direct charge accounts to the appropriate RUS and FERC accounts. Then HPC created the necessary tables and relationships for all of the data to be mapped correctly in SAP. Once this infrastructure was in place, HPC tested all of the 2008 data to give AEPCO a clear idea of how it would look after go-live in 2009.

### Results: Accurate Reporting and No Multi-Company Headaches

Since going live with the FERC reporting module in early 2009, AEPCO has been able to run successful month-end closes consistently for the generation and transmission cooperatives. The intra-company account mapping that Franklin’s and Cavalieri’s teams developed together has eliminated discrepancies and burdensome manual processes that AEPCO was compelled to do previously. Franklin estimates that his staff spends approximately three to five days less on administrative tasks now that SAP and HPC’s solutions are properly in place.

AEPCO’s monthly Board meetings include financial reports in formats the Directors can understand easily—a presentation of accounts by generating facility with full allocation of common costs. These reports come from the interactive P&L functionality in HPC’s Utility Financial Accelerator, which also provides AEPCO with a mass update feature to change thousands of lines of translation quickly and automatically.

In reviewing HPC’s contribution over the 18 months, Franklin noted HPC’s responsiveness to issues and its deep understanding of SAP. He has confidence that his accounting department will be able to plan future rate case submittals stress-free, and, on a more

regular basis, answer executive management’s financial questions quickly. “HPC’s drill-down P&L functionality is invaluable, both for our annual external audit and the countless day-to-day questions that come up in the normal course of business.”

AEPCO has also enjoyed the benefits of a solution HPC developed for RUS budgeting, tracking, and reporting. The cooperative is now able to create rate cases and tax adjustments from actual RUS numbers posted to the general ledger by the new FERC module processes. As a result, Richard Franklin said that “AEPCO’s first rate case filing with the corporation commission under SAP was relatively easy; without HPC, it would have been a nightmare...The better data we have now increases our credibility with RUS, and that positively impacts the RUS funding we receive and the services we’re able to provide our members.”

### About HPC America

HPC America is a utility industry expert with more than 15 years of experience implementing SAP and developing back-office solutions in accounting, customer billing, supply chain management, and business intelligence specifically for utilities large and small. We are an SAP software and service partner, and work with all SAP IS-Utility solutions from IS-U/FERC to CCS and Work Clearance.

HPC America is also the original developer of the FERC module, which SAP acquired in 1996. Since then, we have been intimately involved in its implementation and maintenance at more than a dozen utilities throughout the United States. Our customers include Pacific Gas & Electric, Southern California Edison, Navajo Tribal Utility Authority, Tacoma Public Utilities, Oklahoma Gas & Electric, Puget Sound Energy, Wisconsin Electric, and Arizona Electric Power Cooperative.