

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



HPC America's Utility Financials Accelerator (UFA) add-on software lays the foundation for greater financial data consistency years before SRP moves to S/4HANA

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 ECC 6.0 on Suite on HANA and BW on HANA.

Challenges and Opportunities

In anticipation of its migration to SAP S/4HANA in 2023, Salt River Project engaged HPC America in early 2018 to help evaluate its current SAP Financials processes and results.

HPC is a consulting and software development firm that has optimized accounting solutions for utilities on SAP since 1994. Together with SRP management and subject matter experts, HPC explored SRP's approach to financial statement creation, overheads and assessments, regulatory reporting, cash statement preparation, and other elements of utility accounting—both in the context of SRP's current ECC system and its future SAP S/4HANA system.

SRP Solution Architect Gibs Saint Paul oversaw the assessment and brought together stakeholders from across the organization. "HPC truly understands the business of a utility company, and 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."

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 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.

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

Business Case for CO-Centric Financials

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: FI, CO and FERC do not reconcile; the FERC module's trace is error-prone; and complex cost flows are opaque and difficult to explain.

Since 2008, HPC America has advocated a "CO-centric" model for regulatory accounting that eliminates those limitations by supporting FERC balances with secondary costs from the SAP Controlling (CO) module. This 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, ultimately, improve responsiveness to regulatory interrogatories and strengthen rate case positions.

Project Overview and Immediate Benefits

In August 2018, SRP engaged HPC to realize a CO-centric model through HPC Utility Financials Accelerator (UFA) add-on software. HPC UFA eliminates the FERC module's limitations, runs on both SAP ECC and SAP S/4HANA, and is certified by SAP as a NetWeaver solution.



The team's goal was to complete work by January 2019, so that the new FERC model could be used from the start of the calendar year and ensure consistent annual results for joint participation projects with other utilities.

Five months after kickoff, SRP was ready to go live with its optimized, CO-centric FERC model in SAP ECC on HANA. The project achieved all intended objectives and more: SRP's balances by FERC account now match exactly—to the penny—its reports by order number, WBS element, cost element, and cost center, thereby making functionalized data far more intuitive for users to analyze.

HPC's CO-centric design reduced SRP's records by an order of magnitude—from 2 million to 200,000 per month—and UFA's trace algorithm cut FERC run times by 50%. SRP also realized greater efficiency for data loads to BW, reducing the time required by nearly 90%.

Greater Readiness for SAP S/4HANA

Thinking ahead to S/4HANA, SRP recognized that optimizing FERC on ECC would also have longer-term benefits. By elevating secondary costs from CO to the same importance as primaries, SRP's financials in SAP ECC now resemble very closely what they will look like in S/4HANA's 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 SAP 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, CEO of HPC America. “Continuous accounting is going to be the norm for utilities on SAP, and SRP has made significant progress towards that future state.”

“Our old FERC model required IT to answer questions about costs, and the process wasn't clear to business users. The new model through HPC UFA makes analysis much easier, and the business will be able to run and analyze FERC independently.”

*Drake Winfrey
SAP Business Analyst
Salt River Project*

SRP's business analysts gained an interactive drill-down from Net Income to individual transactions, plus Profit Center reporting by FERC account to support participation billing. Identifying the exact costs associated with any job now only takes a few clicks directly in the SAP ERP.

Since going live with the new FERC model, SRP's Gibbs Saint Paul noted that there is growing interest in using it to replace SRP's homegrown financial statement process in order to make month-end work even more efficient.

About HPC America

HPC is a consulting and software development firm dedicated to utility companies on SAP solutions since 1994. Our utility industry experts implement and optimize SAP Financials, Work Management, and Billing/CRM solutions for electric, gas, and water utilities. Some of our customers include Pacific Gas & Electric, FirstEnergy, We Energies, Southern California Edison, Pepco, Iberdrola, RPU, SRP, MUD, LES, Sharyland, and other utilities throughout the United States.