



NRG Energy Optimizes Fixed Asset Accounting Natively in SAP S/4HANA®

Utegration Finance4U™ Property and Lease Accounting improves efficiency, transparency, and compliance – all with a lower total cost of ownership

UTEGRATION®
Connecting utilities to the future.

The Customer

NRG Energy (NRG) is a Fortune 500 integrated power company headquartered in Princeton, NJ and Houston, TX. NRG operates numerous lines of business, including power generation, and provides gas and electric retail services to 3.7 million residential and commercial customers throughout North America.

The Challenges and Opportunities

Several years ago, NRG underwent a company-wide transformation plan, which included a robust digital transformation program. The company set out to improve information sharing across the company by upgrading its financial systems, the cornerstone of this program being a migration to SAP® S/4HANA, which commenced in early 2019.

Within this initiative, the company's property and lease accounting teams and their processes presented a rich opportunity for streamlining and improvement. NRG's asset accounting relied on systems that offered functionality, but lacked the flexibility and efficiency that NRG's digital transformation plan was looking to achieve. In reassessing current program capability, NRG capitalized on the opportunity to achieve a new level of operational efficiency, statutory reporting, and forecasting accuracy. A new approach to fixed asset accounting afforded NRG the ability to optimize the timeliness and transparency of their processes. "Better access to accurate data makes everyone at NRG more informed and capable of doing their jobs well," said David Callen, Chief Accounting Officer of NRG. "Our former system afforded us functionality, but moving to S/4HANA gave us the opportunity to bring new capability to our approach."

The Solution

During its planning for S/4HANA, NRG considered maintaining its existing third-party asset and lease accounting solution, with the understanding that it might still function on SAP's latest platform. The proposed high cost to migrate that solution, however, outweighed the benefits.

For guidance, NRG turned to its long-time SAP partner, Utegration, a leading North American technology consulting and solutions company focused on the utility industry. Utegration offered NRG the first viable and comprehensive fixed asset accounting solution native to S/4HANA: Finance4U™ Property and Lease Accounting.

Finance4U is add-on software that runs directly in S/4HANA. In combination with the SAP Fixed Asset and Asset Retirement Obligation modules, Finance4U makes standard SAP functionality even more powerful by adding utility-specific features and process automation. It enables efficient, accurate accounting for capitalization and depreciation of both regulated and non-regulated assets, including depreciation studies. It helps property accounting managers make well-informed decisions in their daily work. And it facilitates compliance with new lease

accounting standard ASC 842's requirements for operating lease contracts, usage terms and schedules, and payments.

In addition, Finance4U eliminates costly, interfaced, third-party fixed asset accounting solutions, helping utilities to get closer to an all-SAP system and achieve a lower total cost of ownership.

“Finance4U has made our move to S/4HANA even more valuable than anticipated. Looking ahead, I envision that we’ll build on this success in other areas of our business that can benefit from Utegration’s approach.”

- Dave Callen, Chief Accounting Officer, NRG

During NRG’s implementation of S/4HANA, Utegration and NRG worked collaboratively to plan, refine, implement, and test Finance4U Property and Lease Accounting over eight months. The joint team focused on automation of the asset unitization process; trailing charges, accelerated depreciation, and resulting depreciation recalculation; AFUDC calculation and postings; SAP Analysis for Office (AO)-based reporting; conversion of existing asset balances and lease contracts; lease usage term and payment schedules; partial retirement and remeasurement; and integration with standard SAP payment functionality.

Utegration’s approach to the project ensured that NRG knew precisely how the replacement of its third-party asset accounting solution would work far in advance of the scheduled go-live date. “We built consensus and trust among NRG’s stakeholders in Accounting and Operations by successfully demonstrating an accurate solution with NRG’s own data before moving to the productive landscape,” recalled Kai Bi, Managing Director of Product Development at Utegration. “Even better, NRG business users didn’t need to alter their preferred steps for unitization and depreciation or invest heavily in change management because Finance4U simply optimized existing processes as an integral component of S/4HANA.”

Utegration Finance4U™ Property and Lease Accounting

Utilities are required to comply with property and lease accounting rules for capitalization and depreciation. Many use and maintain a separate system, outside of their ERP-based financials, which is inefficient and costly.

Utegration’s Finance4U™ Property and Lease Accounting solution complements SAP’s Fixed Asset and Asset Retirement Obligation modules to deliver simplified and streamlined utility property accounting processes:

- Provides CWIP, RWIP, CCNC, and PIS asset types
- Allows depreciation starting from CCNC
- Supports Reserve Assets, and Removal and Retirement process
- Enables utility-specific depreciation methods
- Generates reports to support depreciation studies
- Compliant with new accounting standard ASC 842
- Supports both regulated assets, and non-regulated assets

[Learn more about Utegration’s Finance4U Property and Lease Accounting add-on solution.](#)

The Benefits

NRG's S/4HANA system with Utegration's Finance4U Property and Lease Accounting solution went live in January 2020, and NRG's fixed asset accounting stakeholders now enjoy many meaningful benefits:

- **A comprehensive view of fixed asset accounting directly in SAP** from expense entry through unitization, with asset orders as the bridge between operations and accounting
- **More productive people** in engineering, finance, and property accounting because everyone who needs asset accounting information can get it directly in SAP
- **More current data**, since fixed asset financials are updated in real time in SAP rather than only after infrequent batch jobs
- **Extra time for value-add analysis**, since the accounting team no longer has to reconcile information from different systems
- **Faster identification** of potential issues and opportunities to improve forecasts
- **Easier compliance** with ASC 842 and enhanced ability to manage a high volume of lease contracts
- **Less dependence** on any single group of subject matter experts, and **greater transparency** into NRG's cost flow for everyone with authorized SAP access
- **Less work** at month-end compared to third-party solutions because Finance4U **simplified system architecture** and **reduced multi-system reconciliation**
- **Lower total cost of ownership** and **reduced IT maintenance effort** by eliminating the third-party solution

During its first month-end close with Finance4U in February of 2020, NRG's team experienced a more efficient process than with its former third-party solution: fewer administrative steps, no reconciliation between systems, and reporting that is both simplified and improved. NRG's Dave Callen was thrilled with the outcome of the project. "Finance4U has made our move to S/4HANA even more valuable than anticipated. Looking ahead, I envision that we'll build on this success in other areas of our business that can benefit from Utegration's approach."

