



# Rochester Public Utilities Streamlines Regulatory Reporting in SAP®

*Municipal utility simplifies admission to Independent System  
Operator with Utegration Utility Financials Accelerator (UFA)*

**U**TEGRATION®  
*Connecting utilities to the future.*

## The Customer

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Rochester Public Utilities (RPU), a division of the City of Rochester, MN, is the largest municipal utility in the state of Minnesota. RPU employs over 170 full-time employees and serves 50,000 electric customers and 37,000 water customers. The utility operates several power production stations, plus transmission and distribution lines.

## The Challenges and Opportunities

*Outdated accounting processes negatively impacted efficiency and compliance*

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More than a decade after implementing SAP, RPU sought to improve a number of its original accounting processes that no longer met the company's needs. For example, regulatory indicators on cost centers required the manipulation of large volumes of data manually and outside of SAP to mimic the flow-of-cost trace. The ERP's handling of fleet, capital labor, purchasing and other costs created massive amounts of line item detail that regulators had difficulty understanding. And generating FERC reports was such a complex, time-consuming process that RPU undertook it only once a year.

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*I've worked with consultants on other projects where they gathered the desired outcomes, but then deliver what they've delivered at other clients because that's all they know how to do. Utegration's team actually delivered on our desired outcomes and developed creative solutions to do so.*

*- Bryan Blom, Controller, Rochester Public Utilities*

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RPU's controller Bryan Blom recognized the need to change RPU's FERC accounting to address these back-office issues, and to comply more easily with an audit by the Midcontinent Independent System Operator (MISO). He identified four key areas for improvement:

1. An automated process to assign costs to FERC accounts without replicating the flow-of-cost trace outside SAP
2. A more efficient and accurate means of calculating actual labor charges, and applying payroll taxes and benefits through an overhead process
3. A consolidated process for managing fleet costs and equipment charges, so line-item detail for maintenance would not appear in transmission and distribution O&M FERC accounts
4. Streamlined FERC reporting that could be run monthly in SAP

"We had previously tried to achieve these results with internal and external resources, but those efforts were not successful," said Blom. "I knew about HPC America, now a Utegration company, and their work at Pacific Gas & Electric in developing the original FERC module, and

engaged them to conduct a brief assessment. From that work, we determined that Utegration's proposed solution would meet our requirements, and that their SAP consultants had the skill, knowledge, and experience to deliver what they proposed."

## The Solution

### *RPU engaged Utegration to put FERC reporting issues behind them*

Utegration first looked critically at RPU's existing SAP configuration and accounting processes. The company's separate company codes for its electric and water utilities would be retained, as would the shared Controlling area. Changes made within this framework would need to accommodate cross-company charges each month, as well as meet both FERC and American Water Works Association (AWWA) reporting standards.

Within these requirements, Utegration reconfigured all of the key FERC tables, changed overhead burdens from cost centers to orders, configured costing sheets, settlement profiles, and allocation structures on orders to improve FERC reporting, and configured secondary cost elements to support FERC balances.

At the core of Utegration's work was the implementation of its add-on software Utility Financials Accelerator (UFA), which is now part of Utegration's Finance4U® suite. UFA builds on the "FERC module" to deliver immediate benefits and streamline migration to SAP S/4HANA (see sidebar).

At RPU, UFA reduced the FERC trace workload, eliminated errors, improved the speed and accuracy of new order creation, automated the translation of natural accounts to regulatory categories, and, most importantly, eliminated the GAAP to FERC reconciliation issues that every utility running the standard FERC module experiences. UFA also increased the project's efficiency, such that Utegration's and RPU's joint team of five people completed everything in just six months, on time and budget.

### **Utegration Finance4U® Utility Financials Accelerator (UFA)**

For utility companies running SAP ECC, UFA resolves the challenges in complying with today's more stringent regulatory requirements:

- Eliminates reconciling differences between CO and FERC
- Runs the FERC trace without errors, up to 50% faster
- Allocates costs across multiple lines of business and companies while maintaining compliance standards
- Improves data transparency further by turning off FERC clearing and preventing negative cost flows

In doing so, UFA improves responsiveness to regulatory inquiries and strengthens rate case positions for utilities running the FERC module in SAP ECC. To learn more, visit [Utegration.com/innovations/](https://Utegration.com/innovations/).

## The Benefits

*Efficiency beyond expectations, including reducing regulator’s audit questions from 1,200 to 50*

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Utegration’s approach to the project achieved all of RPU’s objectives, plus some unexpected bonuses. Bryan Blom commented that, “Working with Utegration’s team was a great experience. They took our goals very seriously. I’ve worked with consultants on other projects where they gathered the desired outcomes, but then deliver what they’ve delivered at other clients because that’s all they know how to do. Utegration’s team actually delivered on our desired outcomes and developed creative solutions to do so.”

Key benefits from the project included:

- *Streamlined regulatory reporting process.* RPU can now generate regulatory reports monthly, without any offline calculations. Costs are assigned directly to orders and the appropriate regulatory category as requisitions are created or invoices are coded, all automatically within SAP.
- *More intuitive reporting.* Supporting drilldown reports by regulatory account show only the charges directly related to that regulatory account, eliminating the voluminous cost flows that were so difficult for regulatory agencies like MISO to understand. Using UFA, Utegration also enhanced RPU’s data from the previous two years to provide a solid history for comparison against the current year’s numbers.
- *Improved handling of labor rate accounting.* Payroll taxes and benefits are now applied as overheads in unique cost elements, greatly simplifying the supporting detail for labor in the company’s drilldown reports.
- *Improved management of fleet costs.* RPU now only sees fleet usage charges in regulatory accounts. Fleet department costs—such as labor for repairs, and the outflowing rental rates—are netted in a clearing account that allows management to see if rates are set appropriately.

All of this optimization work paid off further for RPU when it joined MISO: the utility’s more transparent, understandable regulatory accounting reduced the regulator’s audit questions from 1,200 to 50, which RPU’s Blom could easily answer. “I credit Utegration’s recommendation to treat secondary costs as primary as the key in making our data understandable. They have very deep technical knowledge about the FERC module and explained all of our options so that we could make the right decision on what best fits RPU.”