

Guam Power Authority

Financial Strength

September 2009



Do the bright thing.
Energy and Utilities

Highly effective utilities

- › Make finance/accounting a strategic partner
- › Link their budgets to their strategic plan and key performance measures and design processes that allocate resources strategically
- › Provide strong and efficient back office functions that provide accurate and timely financial information to the organization
- › Ensure adequate financial resources are available to meet investments and expenses
- › Evaluate, prioritize and select capital projects aligned to strategic objectives and perform reviews to evaluate performance compared to budgets, project management and cost improvement opportunities



Highly effective utilities (cont.)

- › Record transactions according to accounting standards and maintain an effective internal controls process
- › Use a “top-down, collaborative” approach to establish realistic budget targets and communicate them to participants in order to minimize guesswork and associated revision cycles
- › Report variance and forecast information in a very timely manner
- › Integrate financial analysis with operational and industry analysis to identify opportunities for improving business performance



Highly Effective Utilities need to possess:

- › Robust planning and budgeting, forecasting and ratemaking processes
- › Adequate capital to meet day-to-day needs in the short term and attainable plans that identify funding requirements and sources for long-term infrastructure requirements
- › A skilled and productive workforce and cost management process that makes its operations efficient and cost-effective

Scope under review

- › Review planning, budgeting, forecasting, and rate setting processes
- › Assess whether GPA provides tools and processes to help balance short-term spending and long-term investment
- › Determine if GPA has effective cost management processes for:
 - Labor
 - Fuel
 - Other expenses
 - Capital projects

Phase 2 areas

Areas	Phase 2 Selection	Results
Budgeting, reporting and forecasting	Yes	Recommendations made
Cash management	Yes	Recommendations made
Pricing through cost of service studies and rate cases	Yes	Recommendations made
Accounts payable	Yes	Reviewed, no recommendations made
Payroll	Yes	Recommendation made
Accounts receivable, credit and collections	Yes	Recommendations made
Close the books	Yes	Recommendations made
External financial reporting	Yes	Reviewed, no recommendations made
Internal financial reporting	Yes	Recommendation made
Financial planning and financing	Yes	Recommendation made

Process

- › Conducted eighteen interviews with the Accounting and Budget Departments within GPA
- › Reviewed current processes including budget process, financial planning process, closing and financial statement preparation process and compared these processes to highly effective utilities (HEUs)
- › Reviewed GPA's current accounting practices and compared with HEUs
- › Compared GPA's financial strength in comparison to other utilities per APPA's annual report

Financial ratios

- › Serve as a starting point to identify areas needing closer investigation
- › Used to assess utility performance
- › Help establish benchmarks for operations
- › The following ratios were calculated and compared to the median values from those published in the 2009 APPA annual report on financial and operating ratios:
 - Operating ratio
 - Current ratio
 - Debt to total assets
 - Debt service coverage
 - Uncollectible accounts per revenue dollar
 - Quick Ratio
 - » The 208 utilities included in the report completed the APPA Performance Indicator Survey in 2007. Ratios were calculated from data reported to the Energy Information Administration and from data collected on the survey.

Operating ratio

- › Shows the efficiency of a company's management by comparing operating expense to operating revenues
- › The smaller the ratio, the greater the organization's ability to generate profit if revenues decrease

Per APPA*	GPA 2007	GPA 2008
.874	.884	.918

- › As shown above, GPA's operating ratio is higher than the median per APPA's annual report.
 - Based on customer class size of 20,000 – 50,000

Current ratio

- › Measures a company's ability to pay short-term obligations
- › The higher the current ratio, the more capable the company is of paying its obligations.

Per APPA*	GPA 2007	GPA 2008
1.99	2.02	2.60

- › As shown above, GPA's current ratio is higher than the median per APPA's annual report.
 - Based on customer class size of 20,000 – 50,000

Debt service coverage

- › The Debt Service Coverage ratio measures the cash flow available to meet annual interest and principal payments on debt.
- › A ratio of less than 1 would mean a negative cash flow. For example, a ratio of .95 would mean that there is only enough net operating income to cover 95% of annual debt payments.

Per APPA*	GPA 2007	GPA 2008
3.85	1.26	1.12

- › As shown above, GPA's Debt Service ratio is lower than the median per APPA's annual report, but it is still covering required annual debt payments.
 - Based on customer class size of 20,000 – 50,000

Debt to total assets

- › Indicates what proportion of the company's assets are being financed through debt
- › A ratio under 1 means a majority of assets are financed through equity, above 1 means they are financed more by debt.

Per APPA*	GPA 2007	GPA 2008
.331	.812	.796

- › As shown above, GPA's Debt to Total Assets ratio is higher than the median per APPA's annual report.
 - Based on customer class size of 20,000 – 50,000

Times interest earned

- › Used to measure a company's ability to meet its debt obligations
- › A lower times interest earned ratio means less earnings are available to meet interest payments and that the business is more vulnerable to increases in interest rates.

Per APPA*	GPA 2007	GPA 2008
4.89	1.27	1.12

- › As shown above, GPA's Times Interest Earned is lower than the median per APPA's annual report.
 - Based on customer class size of 20,000 – 50,000

Uncollectible accounts per revenue dollar

- › Measures the percentage of earned revenue that is not collected by the utility.
- › If the level is unusually high, the utility should review its collection policies and practices.

Per APPA*	GPA 2007	GPA 2008
\$.0022	\$.0045	\$.0025

- › As shown above, GPA's Uncollectible accounts per revenue dollar is comparable to the median per APPA's annual report.
 - Based on customer class size of 20,000 – 50,000

Quick ratio

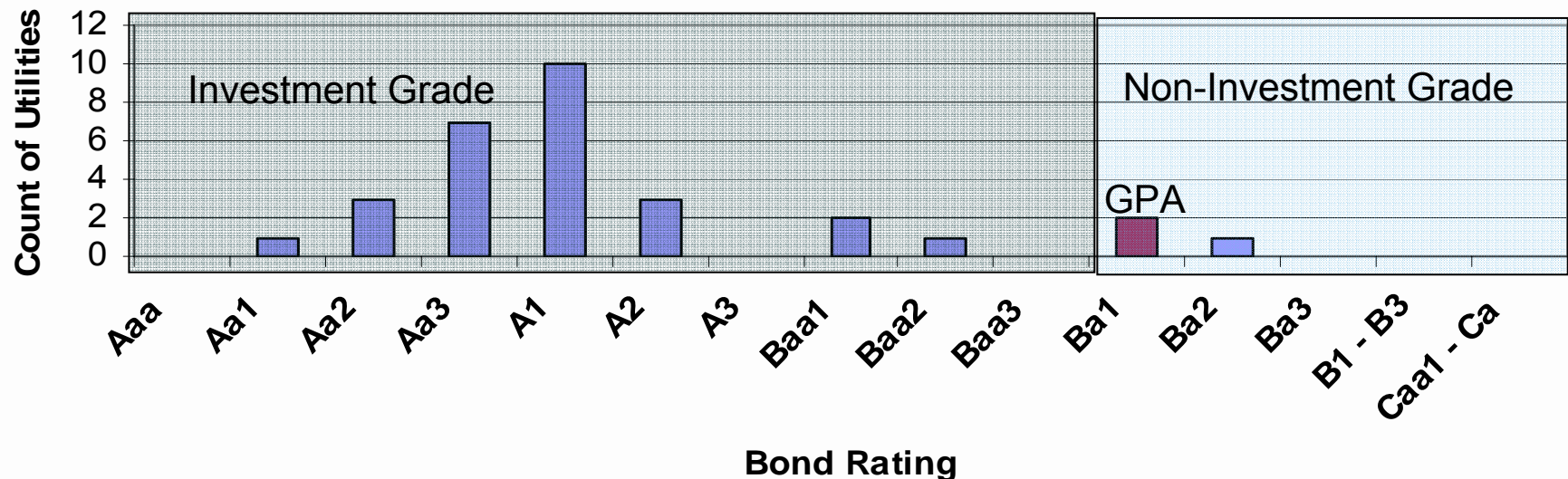
- › Measures the ability to meet short-term obligations with most liquid assets
- › The higher the quick ratio, the better the position of the company.

Per RMA	GPA 2008
1.20	.67

- › According to the Risk Management Association, the quick ratio for electric distribution is 1.2 for similarly sized utilities. As shown above, GPA's quick ratio is below this.

Utility credit ratings

- › A utility's bond rating indicates credit quality, a strong signal of financial strength. Ratings are performed by private independent rating services such as Standard & Poor's or Moody's and Fitch.
- › The graph below depicts the credit ratings of the surveyed utilities per Moody's rating scale. The rating used for each utility is from the most recent bond issue. The last rating dates range from September 2004 – May 2009.



Financial planning

Sub Process	GPA Today	Highly Effective Utilities
Financial planning	<ul style="list-style-type: none">› Currently annual and long range plans are performed and an external consultant provides the cost of service study; however, there is no linkage to a strategic plan.	<ul style="list-style-type: none">› High-level financial plans are included in the organization's strategic plan.› One-to-two year forecasts are developed during the annual budget process and forecasted updates to these plans are provided at least quarterly.› Long-range modeling is performed to set targets for the upcoming five year period for capital and operating expenses.

Financial planning and training

Sub Process	GPA Today	Highly Effective Utilities
Financial planning	<ul style="list-style-type: none">› Management is focused on short term financial management due to cash shortage.› There are gaps in the leadership training related to developing strong financial knowledge across the management team.	<ul style="list-style-type: none">› Utility finance and accounting teams are responsible for providing the tools, processes and ensuring the necessary training occurs to enable strong financial skills, knowledge, and management across the organization.

Financial planning and rate requests

Sub Process	GPA Today	Highly Effective Utilities
Financial planning	<ul style="list-style-type: none">› Regular requests for rate relief based on long term financial forecasts have not been filed as needed, creating a shortfall in resources.› GPA presented a rate petition in late 2007. When approved this will be the first base rate increase in approximately ten years, significantly improving internal financial liquidity	<ul style="list-style-type: none">› Long range planning enables the CFO and finance team to plan future cost of service studies and rate requests› Requests for rate relief are planned far ahead based on the long range financial forecast› Rate planning is continual

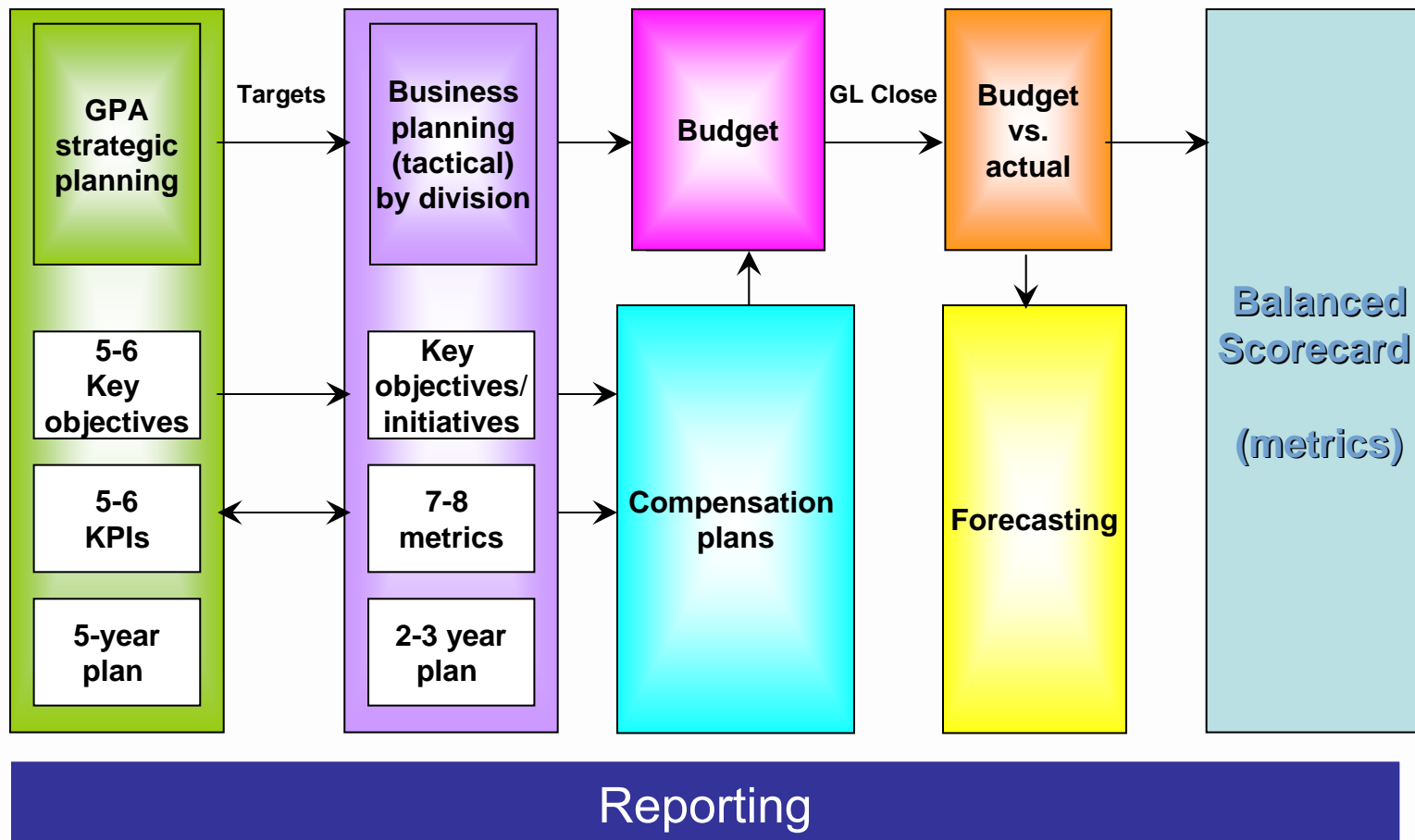


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Capital improvement plan

Sub Process	GPA Today	Highly Effective Utilities
Capital improvement plan	› A five-year CIP was filed with the PUC to support the 2009 capital improvement budget.	› Five-year plans are prepared on an annual basis for capital improvements .

Future planning and financial management information vision:



Financial planning

Sub Process	Gaps	Roadmap/Recommendations
Financial planning	<ul style="list-style-type: none">› Current financial planning is not directly linked with the emerging strategic planning process.› Long term plans should drive budgets and requests for rate increases.› Targets for the utility are set using long term financial plan.	<ul style="list-style-type: none">› Link the financial plans and forecasts to the strategic plan.› The long-term financial plan should reflect necessary rate increases.› Utilize data modeling to create scenarios based on varying assumptions.

Financial planning and rate requests

Sub Process	Gaps	Roadmap/Recommendations
Financial planning	<ul style="list-style-type: none">› Regular requests for rate relief based on long term financial forecasts have not been filed as needed, creating a shortfall in resources.› Cost of service studies are outsourced	<ul style="list-style-type: none">› The long range financial plan should drive rate filings and future price increases› GPA should consider insourcing their cost of service studies

Financial planning (cont.)

Sub Process	Gaps	Roadmap/Recommendations
Financial planning	<ul style="list-style-type: none">› The 2006 initial strategic plan lacked financial plans and forecasts, key metrics and ratios required.› The 2006 plan did include tactics related to cash reserves and budgeting.	<ul style="list-style-type: none">› Detailed financial performance evaluation, ratio analysis, and recommendations for improving financial performance are included in plans.› Create long-term and short-term financial plans and include a five-year or longer financial plan in the strategic plan.› Determine key financial metrics and ratios to be monitored and reported on the financial health of GPA.

Highly effective budgeting practices

- › Budgeting team identifies and understands information needed by internal customers to execute strategy
 - Improves understanding of internal financial information needs
 - Relevant and reliable information is available before a decision must be made.
 - Decision makers who participate in designing the reports they receive are more likely to be satisfied with their contents and timing.
 - Variance reports and information focused on relevant performance measures given to decision makers decreases the risk of their missing vital information.
 - Focused reports will reduce costs as well as increase effectiveness.

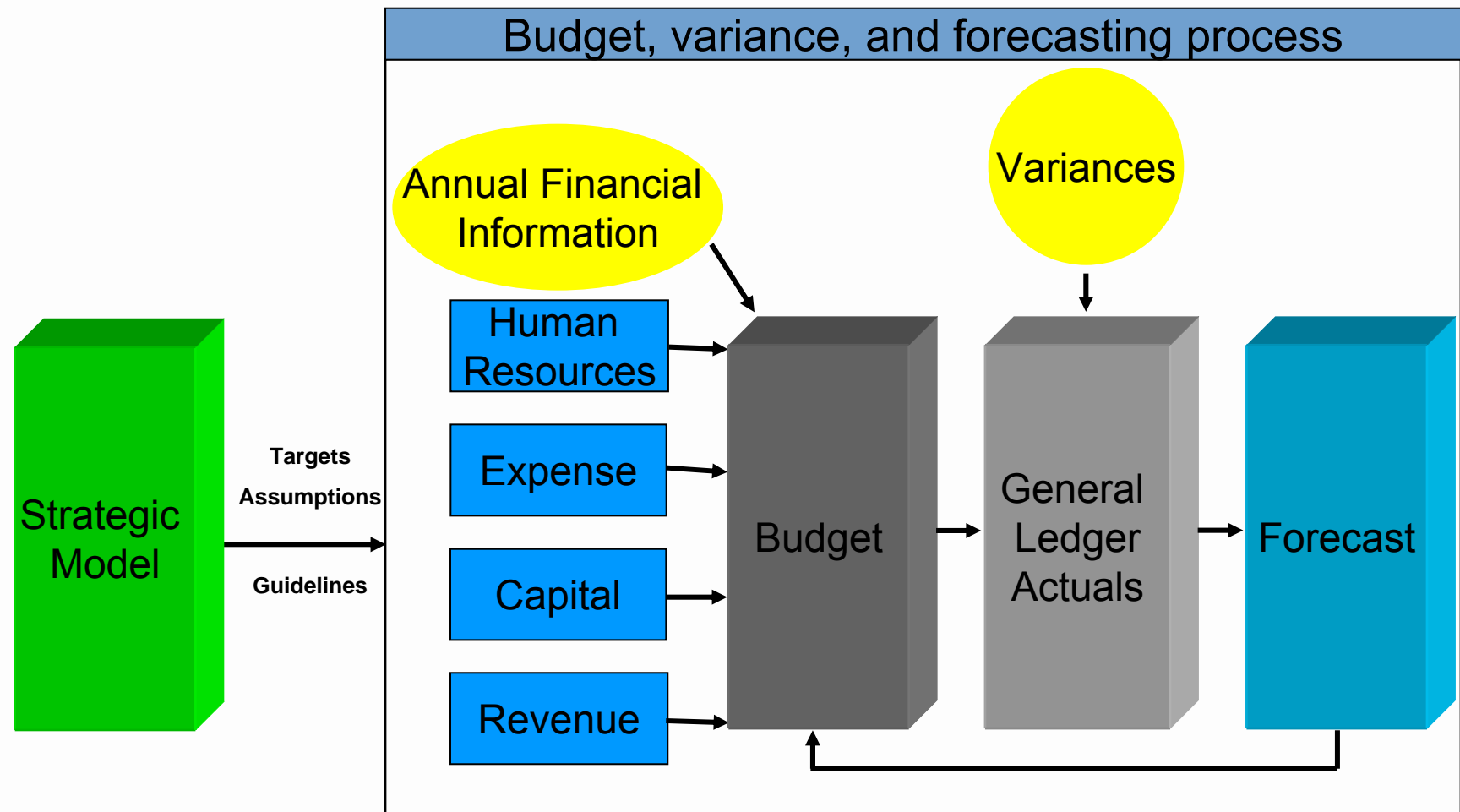
Highly effective budgeting practices (cont.)

- › Integrate financial analysis with operational and industry analysis to identify opportunities for improving business performance
 - Issue timely reports to senior managers.
 - Develop responsive information systems to enable managers to understand results.
 - The closing process should be compressed as much as possible to provide sufficient time for financial analysis.
 - Variance reporting should be designed to facilitate analysis.

Link budgets to strategy

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› The first strategic plan was prepared in 2006, however, it did not provide a financial plan making linkage to the strategy of the organization not possible.	<ul style="list-style-type: none">› Financial planning is performed at the utility level, allowing the organization to set targets and budgeted levels for the upcoming near future.› Budgets are clearly linked to the strategic plan and business plans.› Accountability resides at the lowest responsibility level which is often the department or cost center.

Budget, variance, and forecasting process



Annual budget process

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none"> › Departments meet with the budget team and management to review proposed budgets for the coming year. › Budget department performs detailed analysis of previous spend data. Resources are borrowed from other finance areas to research detailed procurement information for past year. › Budget department actively questions proposed budgets during reviews. 	<ul style="list-style-type: none"> › The budget department provides clear targets, guidelines on documentation required to support proposed budgets and templates for budget review documentation. › Departments prepare information required for management to provide a thorough review of requested budgets. › Management’s responsibility during budget reviews is to understand, approve or request modification based on department provided trends, analysis and benefit costs.

Budget tools and targets

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› Budgets are prepared in JDE and duplicated in more detail in Excel.› The Budget team expressed a lack of confidence in the information in JDE (accuracy and timeliness).› The annual budget process is not linked to a long range CIP or strategic plan. Users expect budgets to be trimmed or across-the-board cuts, resulting in early inflation of needs to retain budget after review process.	<ul style="list-style-type: none">› Utilities utilize technology to minimize duplication of work effort using reporting tools and Excel to provide additional analysis.› Use of JDE and reporting tools provide timely information to departments.› Clear guidance is given to departments with targets to minimize budget review and cutting rounds.› Prioritization and portfolio management tools are utilized to avoid across the board cuts.

Budget team responsibilities

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› Budget organization is quite involved in the daily review of expenses.› All requests to Procurement are reviewed by the Budget team and many are rejected due to either mismatch with budget or timing of procurement which doesn't match budget.› Budget department is often involved in analyzing department plans and making recommendations potentially saving the organization money.	<ul style="list-style-type: none">› Managers are held accountable for meeting their budgets and working within their chain of command.› Management approval of purchase order request is sufficient to authorize procurement.› Utility management is responsible for reallocating budgeted funds as needed if emergent needs require reprioritization of expenditures and communicating changes to the budgeting organization.

Budget system and report writing

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› Excel spreadsheets are used to manage the budget on a monthly basis by the Budget team.	<ul style="list-style-type: none">› JDE or other systems are used to check for available budget dollars and to encumber funds.› Employees are trained on new modules and learn how to manipulate the data for their needs.› Business analysts support departments by writing reporting programs to meet the departments' needs and suggest process improvements.

Variance reporting and forecasting

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› Budget to actual reports are prepared for management review.› Variance analysis is not prepared by responsible departments.› A monthly cash flow forecast is performed by the accounting organization.› Forecasts are not regularly prepared of expected year end budget performance.	<ul style="list-style-type: none">› Budget to actual reports are provided on a timely basis to departments.› Regular forecasts are used to indicate changes in planned expenditures so that the Budget group can plan appropriately or communicate with the department on issues with proposed spending plans and timing.› Variance analysis is used as an input to forecasts for the remainder of the year.

Budget prioritization

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› Capital and expense budgets are prepared, however, no consistent prioritization process has been developed to help the utility make resource allocation decisions.› Realignment of budgeted dollars and changes in expenditure patterns are captured in the forecasting process. Focus is on long-term trends vs. short-term fluctuations.	<ul style="list-style-type: none">› Capital and large expense projects are prioritized using a utility wide prioritization process.› The review of operating and capital budgets is coordinated enabling managers to look at the organization as a whole and analyze how the two budgets are interrelated.

Policies, procedures and training

Sub Process	GPA Today	Highly Effective Utilities
Budgets	<ul style="list-style-type: none">› Procedures exist for many of the budgeting sub-processes.› Annual training is performed prior to onset of the budgeting process.	<ul style="list-style-type: none">› Budget team provides policies, procedures, annual directions and training so that the organization has the appropriate processes, tools and direction to perform their budget.› Budget departments are focused on providing tools, drafting policies and procedures for management approval, providing timely reporting out of the systems, managing the budget preparation and review process, and accurate variance and forecasting reports.

Link budgets to strategy

Sub Process	Gaps	Roadmap/Recommendations
Budgets	<ul style="list-style-type: none">› Current process is not effective in providing effective guidance on budget targets and required analysis due to lack of linkage with strategic planning process.	<ul style="list-style-type: none">› Budget targets should be set by the long-range financial plans providing linkage to the organizations strategies and rate processes.› Prioritization process should be developed to provide guidance to management if needed to make resource decisions and budget cuts/deferrals.

Annual budget process

Sub Process	Gaps	Roadmap/Recommendations
Budgets	<ul style="list-style-type: none">› Accountability is shared between the departments and the budget team.› Departments do not produce and provide necessary justification for budgets, analysis of past history, and trends and review their budgets with their appropriate management prior to budget review meetings.› Budget department expends significant resources researching past spending patterns.	<ul style="list-style-type: none">› Budget team should set policies, procedures, and targets.› Budget team should provide guidance on required documentation to justify budgets.› Questions on proposed budgets should be provided to departments prior to review meetings.› Departments and management hierarchy is responsible for results and budget decisions.› Budget preparation and analysis should be performed by responsible department and reviewed/approved by appropriate management.

Budget prioritization

Sub Process	Gaps	Roadmap/Recommendations
Budgets	<ul style="list-style-type: none">› No common prioritization process is used to make resource allocation decisions.› Across the board cuts and other methods are used to reduce budgets to meet financial goals› Spending this year's budget helps retain funds for future years.› The General Manager and the budget team frequently modify budgets and spending during the year.	<ul style="list-style-type: none">› The strategic planning process should drive a common prioritization process used to justify budgets and make resource allocation decisions during the year.› Budget and resource allocation decisions should be made by a cross-functional management team using the above-mentioned prioritization process.

Budget system and report writing

Sub Process	Gaps	Roadmap/Recommendations
Budgets	<ul style="list-style-type: none">› Budget personnel are not trained in other modules and are not able to complete processes efficiently in JDE. They do not proactively manage budget information due to a lack of knowledge on navigating JDE.› Budget keeps duplicate data sets in Excel› Departments do not utilize JDE efficiently due to lack of knowledge of JDE capabilities and training.	<ul style="list-style-type: none">› GPA should prepare and conduct formal training for users on various JDE modules based upon their job duties.› GPA should develop Business Analysts who can support users in greater depth for the financial and operational functions of the JDE system. The analysts would be a bridge between the end user and IT by assisting users with problems, designing and building new reports and the training of new users. <i>(See IT Strategy recommendations.)</i>

Variance reporting and forecasting

Sub Process	Gaps	Roadmap/Recommendations
Budgets	<ul style="list-style-type: none">› Departments are not accountable for performing variance analysis on monthly performance or providing forecasts on a regular basis to the Budget team.	<ul style="list-style-type: none">› A process for monthly variance reporting based on a threshold of over/under budget performance should be established.› A summary of budget variances at the GPA level should be provided within 5 days of the monthly close.› Quarterly forecasts of expected year end results should be prepared by the departments and provided to Budget to summarize expected GPA year end results for management.› Corporate controlled expenses, such as depreciation and rent, will be forecasted by the Budget team.

Internal financial reporting

Sub Process	GPA Today	Highly Effective Utilities
Financial reporting	<ul style="list-style-type: none">› A reporting package is provided to the legislature on the tenth of the following month (using estimates).› Management financial reports are distributed approximately forty-four days after the end of the month.› Broad distribution of financial reports showing budget performance are not distributed to departments .	<ul style="list-style-type: none">› Reports supply critical and well-timed information to the executive management team allowing them to make appropriate decisions for the company and to provide meaningful, forward-looking information to the external world including analysts, Commissions, and other key business partners.› Monthly reports are provided to departments focused on current state and performance to help build understanding and ownership of the utility's financial situation.

Financial reporting tools

Sub Process	GPA Today	Highly Effective Utilities
Financial reporting	<ul style="list-style-type: none">› JDE queries are not used effectively by departments.› Procurement and Accounting cannot run query reports on re-order points.› Data is not transparent across the organization. For example, customer service information is not readily available to those in the meter shop.	<ul style="list-style-type: none">› Financial reports and queries are run by departments to gather information related to budgets and expenditures.› Report writing tools and standard reports are run by analysts and managers to gather necessary information out of ERP systems to help them manage their organization.

Use of JDE report writing

Sub Process	GPA Today	Roadmap/Recommendations
Financial reporting	<ul style="list-style-type: none">› The JDE system and report writing tools are not broadly used across GPA.	<ul style="list-style-type: none">› Additional reports could be built as World Writers (built by Business Analysts), DREAMWriters (built by IT) or as ShowCase reports (built by Business Analysts and/or end users).› Trained Business Analysts need to assist in creating the functional specifications of the reports. In addition, a third-party reporting tool such as ShowCase or Crystal reports, along with appropriate training from the vendor, would be required.

External and regulatory reporting

Sub Process	GPA Today	Highly Effective Utilities
External reporting	<ul style="list-style-type: none">› GPA provides monthly reporting to the Commission, bi-annual LEAC reports, and regular reports to the CCU.› Annual report is given to the Trustee on a timely basis.	<ul style="list-style-type: none">› Monthly reports are sent out on time.
Regulatory reporting	<ul style="list-style-type: none">› Reporting to the Commission, CCU, and other regulators is performed on schedule.	<ul style="list-style-type: none">› External reporting is performed timely and accurately.

Rating agency management

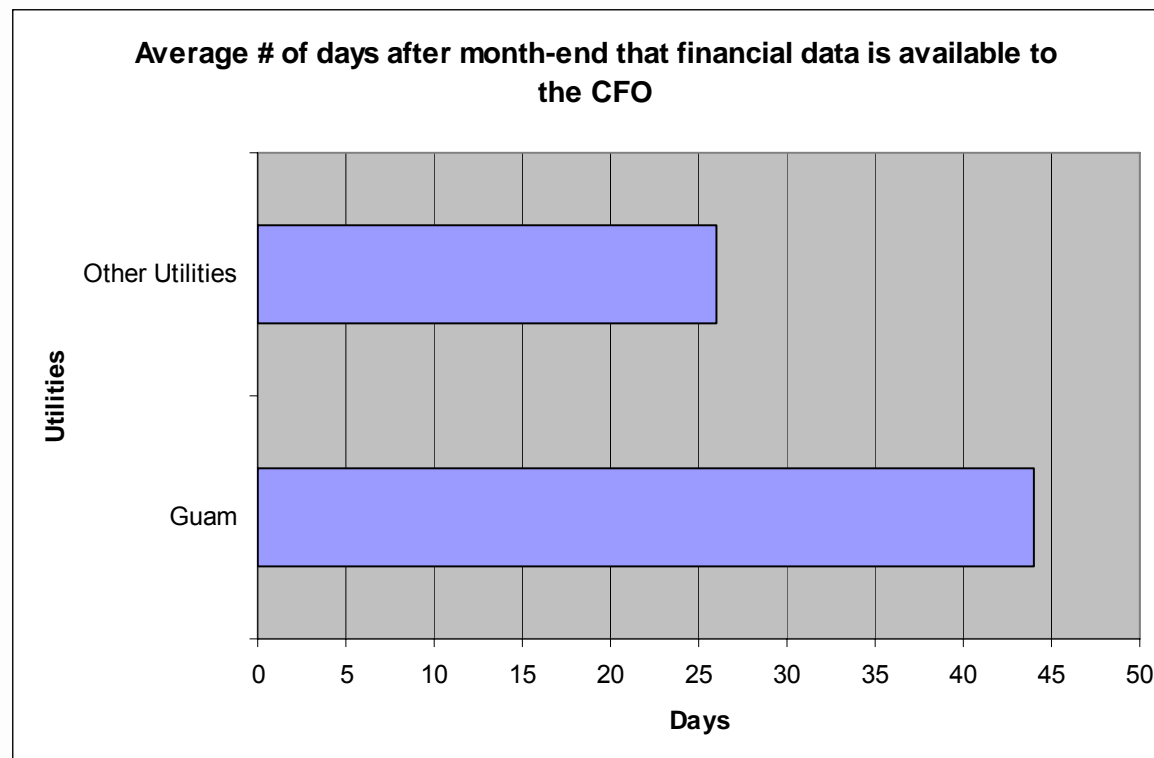
Sub Process	GPA Today	Highly Effective Utilities
<p>Rating agency management</p>	<ul style="list-style-type: none"> › Recent work with the rating agencies, resulting in a recent upgrade and an upcoming review. › Standard and Poor's cites improved financial condition, the CCU and reduced dependence on diesel fuels as reasons for upgrade from negative to stable. › Moody's affirmed Ba1 rating due to financial and operational objectives being met, reduced Guam receivables and stable debt service coverage. 	<ul style="list-style-type: none"> › Rating agencies are carefully managed to obtain the most favorable rating possible.

Close the books process

Sub Process	GPA Today	Highly Effective Utilities
Close of books	<ul style="list-style-type: none"> › The current close process takes an average of 44 days. › In 2004, the goal was twenty-two days. In April, 2008, the target was shortened to 15 days due to management complaints of lack of timeliness. For the last 12 months reviewed, this goal was not achieved. › Actual costs are used in the monthly close process except for the monthly report to the Commission on Day 10 (estimated). 	<ul style="list-style-type: none"> › Providing timely financial information (financial statements and budget information) is critical to effective and timely decisions related to utility finances. Closing the books takes an average of twenty-six days in surveyed utilities, which is slower than highly effective utilities. › Estimates with true-ups or lagging actuals are used to facilitate timely information for management decisions

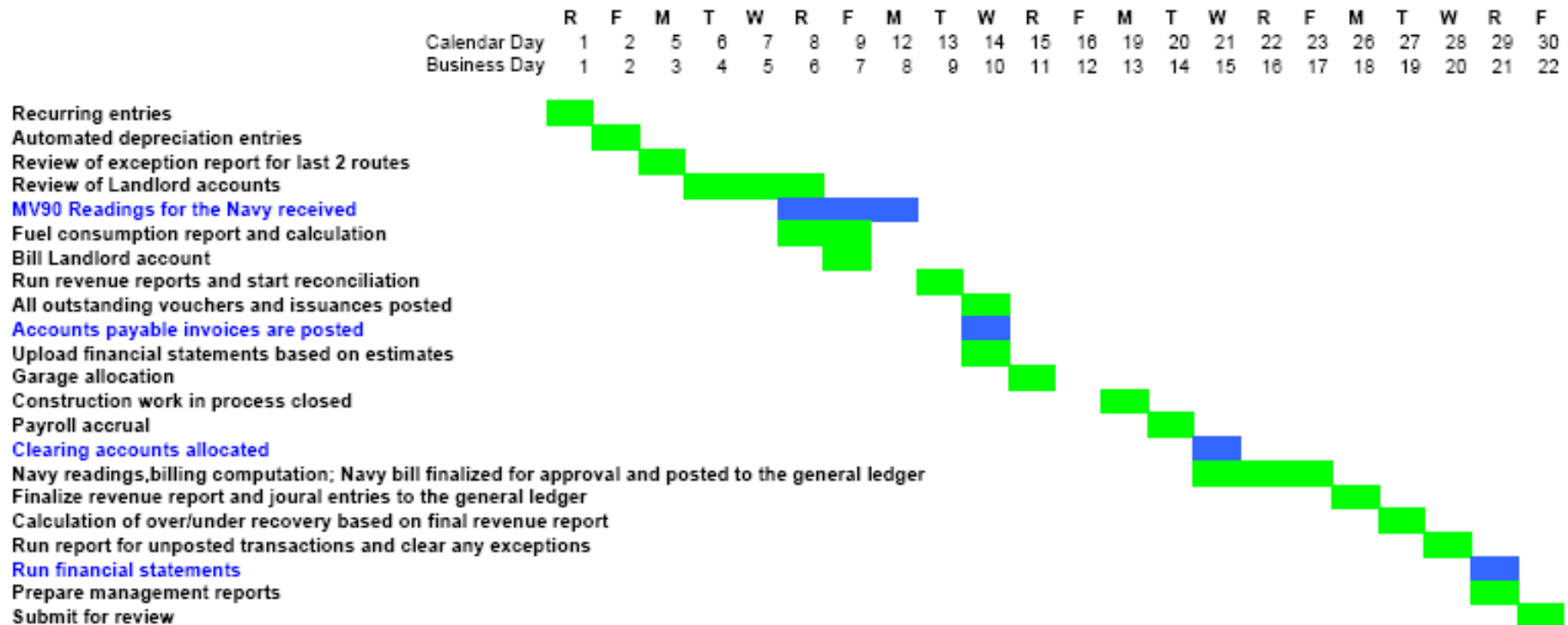
Close the books process (cont.)

- › GPA's financial data isn't available to the CFO and management team until forty-four days after month end on average.
- › The average per the utilities surveyed is twenty-six days.



GPA's close of books process

Month End Closing and Reporting Timeline



Close cycle

Sub Process	GPA Today	Highly Effective Utilities
Close of books	<ul style="list-style-type: none">› The two largest customers of GPA contribute significantly to the long close cycle. The Navy meter reads are performed on the last day of the month, and the Government of Guam sends their readings in on the fifth day of the following month.› Five of the twenty-four billing cycles are finished and billed during the following month.	<ul style="list-style-type: none">› The close cycle is carefully designed to remove as many activities from the final week of the month so as to facilitate a timely close.› The meter reading schedule is designed to move the largest and most complicated billings early in the month to allow for adequate review and adjustments as needed.› If needed, estimates are used with true-ups the following month.

Allocations and clearing accounts

Sub Process	GPA Today	Highly Effective Utilities
Close of books	<ul style="list-style-type: none">› During the close process, allocations for overheads and other clearing accounts are manually calculated using actuals.	<ul style="list-style-type: none">› Financial systems provide tools to determine and allocate overhead and other clearing costs using algorithms determined by the utility.› Quarterly or annually, accounting organizations review allocation clearings and make adjustments if needed to ensure accurate clearing.

Close process

Sub Process	Gaps	Roadmap/Recommendations
Close of books	<ul style="list-style-type: none">› The current process takes an average of forty-four days.› The goal of closing by the fifteenth calendar day was not achieved creating management dissatisfaction and the lack of timely information for management decisions.	<ul style="list-style-type: none">› A detailed process review should be performed to document current process.› Current process should be optimized to provide timely information to the organization.› The use of estimates and/or changes to the current schedules should be carefully examined.› Goal should be re-evaluated with consideration of common utility practice.

Allocations

Sub Process	Gaps	Roadmap/Recommendations
Allocations	<ul style="list-style-type: none">› Four allocations are performed today:<ul style="list-style-type: none">– Garage – vehicles– A&G clearing– Stores clearing– T&D Engineering clearing› Allocations are calculated monthly and cleared to actuals every month.› Allocations are a manual process. Automated initial allocation entries are not set up in the system.	<ul style="list-style-type: none">› Utilize ERP system functionalities where clearing accounts are set based on expected performance and adjusted for actuals on a quarterly or annual basis.› Consider and evaluate allocations done by fixed amount, percent and units.

Payroll

Sub Process	GPA Today	Highly Effective Utilities
Payroll	<ul style="list-style-type: none">› Payroll processing is frequently delayed due to employees not submitting their time. If they do not submit their time, they are not paid.› Employees are able to change their deductions monthly (estimated 100 changes per month), creating significant work and potential issues/errors if not closely.› Timekeeper errors require oversight of entries by Payroll personnel.	<ul style="list-style-type: none">› Policies are in place that require employees to submit their time when required. Some utilities have an account set up to pay an employee for the standard number of work hours which is cleared the following period when accurate time entry is performed.› Accurate time entry and reporting is consistently managed through use of policies, procedures, and training.

Payroll (cont.)

Sub Process	GPA Today	Highly Effective Utilities
Payroll	<ul style="list-style-type: none"> › Payroll processing is currently finished on Day 14 of the closing cycle. › There are many reasons for the delays including waiting for actuals based on the bi-weekly pay cycle. › All but twenty employees utilize automatic deposit (this is a huge improvement during this last year). › About sixty timekeepers key time entries into JDE. › Overtime is recorded manually outside of JDE. 	<ul style="list-style-type: none"> › Utilities with bi-weekly cycles book payroll as it is run, and estimate accruals for the remainder of the month not yet recorded in payroll on a monthly basis. Adjustments are made to accruals at year end if needed. › Automatic deposit is encouraged or required. › Timekeeping is performed efficiently and effectively. › Utilities record reason codes for overtime management in JDE.

Payroll system

Sub Process	GPA Today	Highly Effective Utilities
Payroll	<ul style="list-style-type: none">› Payroll accounting accruals are a manual process.› Detailed payroll reports that include statistics and project details are not available to payroll.	<ul style="list-style-type: none">› Payroll accruals are handled by payroll AAI (Automatic Accounting Instruction) for accrued deductions and accrued taxes.› Payroll reports are available for use to track labor costs. Custom reports may have to be built to meet specific business needs, but the data will exist within JDE.

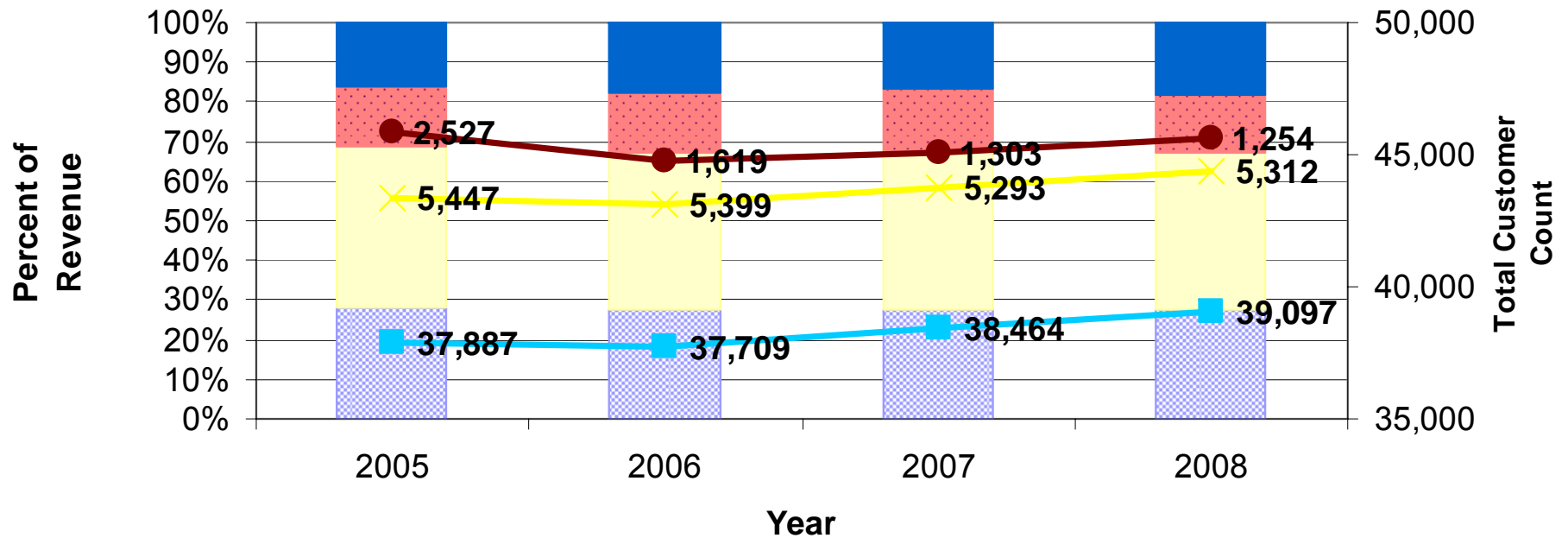
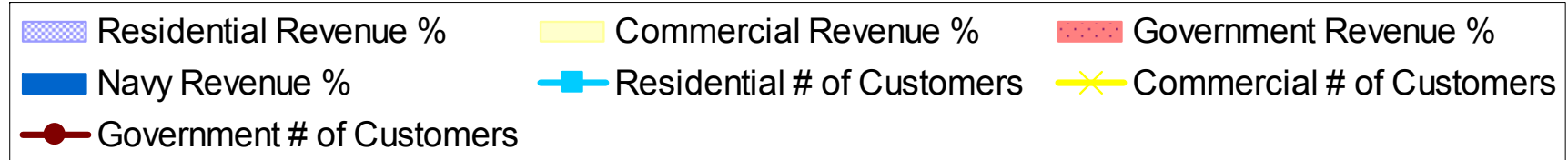
Payroll

Sub Process	Gaps	Roadmap/Recommendations
Payroll	<ul style="list-style-type: none">› The current process is slow in providing information.› Lack of policies related to time entry completeness and getting time into system delays closings.› Complexity and frequent changes to deductions slows payroll process.› Time entry process is spread across approximately 60 time keepers.› JDE tools and reporting could be better used.	<ul style="list-style-type: none">› Payroll process should be reviewed to improve timeliness and accuracy of time entry.› Policies should be reviewed to encourage more timely and comprehensive time reporting.› Centralization of time entry and other options should be considered.› Elimination of manual entries through increased use of JDE payroll tools and reporting should be evaluated.

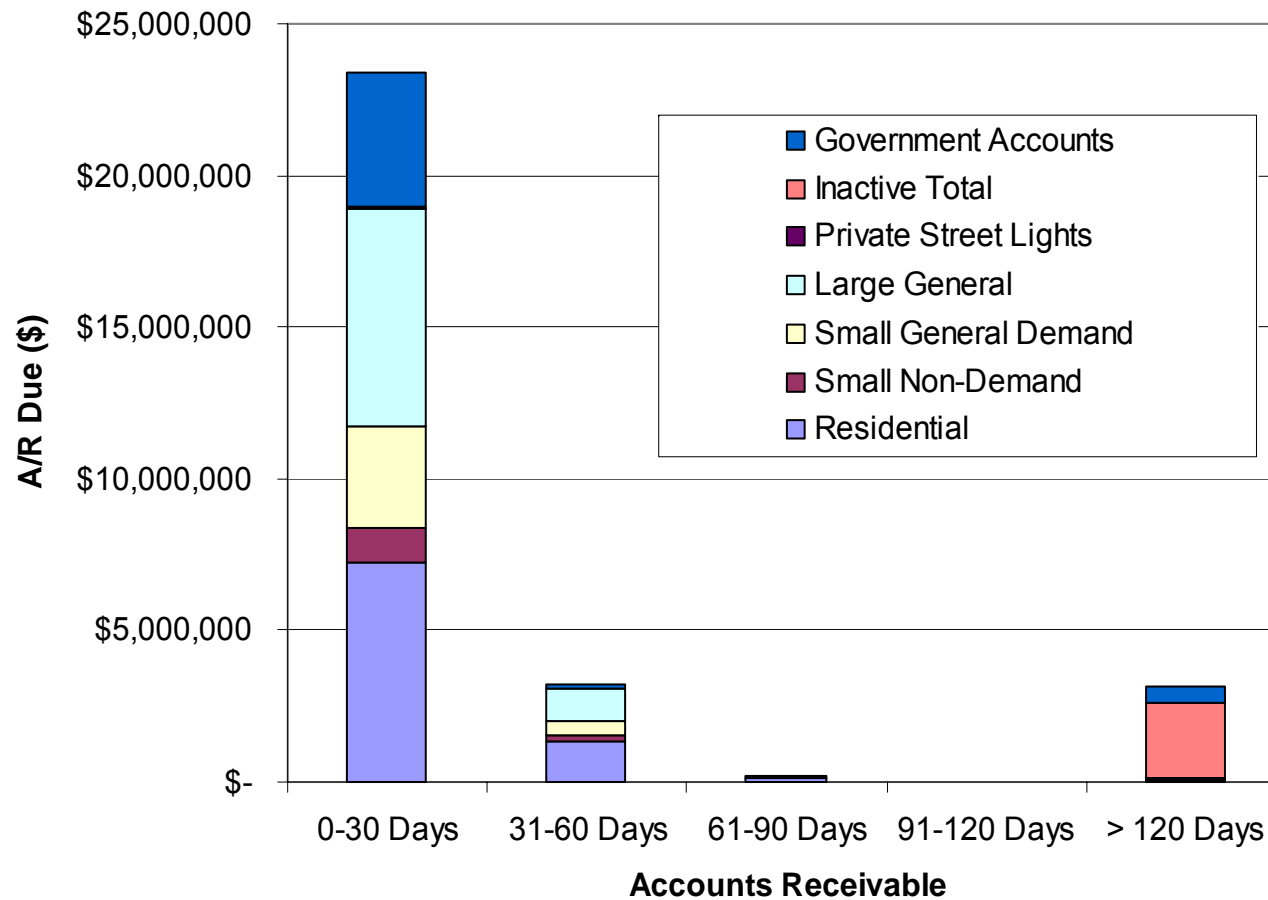
Accounts receivable

Sub Process	GPA Today	Highly Effective Utilities
Accounts receivable	<ul style="list-style-type: none">› Billing and exception reports are reviewed and processed daily.› A preformatted bill out of Utiligy is used for customer billing and transactions in Utiligy are interfaced with JDE.› Customer service collects cash received and uses PayPoint (Utiligy interface)› The collections function resides in Customer Service while the billing function is performed by Accounting.	<ul style="list-style-type: none">› Billing and collections are performed by the same organization.› The accuracy and efficiency of the billing process is very high priority.› Customer billing for large customers is often complex.

Revenue and customer count percentages



Accounts Receivable dollars by rate type



Fixed assets

Sub Process	GPA Today	Highly Effective Utilities
Fixed assets	<ul style="list-style-type: none">› A project to update and load the fixed assets information into the Fixed Assets module has been underway for quite a while.› Approximately 75% of the asset records have been updated and loaded into JDE.› The last depreciation study was performed in the early 1990s.	<ul style="list-style-type: none">› Utilities very capital intensive and accurate asset records are important.› Depreciation studies are performed on a regular basis.› Finance organizations closely monitor expenditures and encumbrances as a tool to manage operating cash flow.

Hire business analyst to improve analysis

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Use business analysts as a resource to end users.

Recommendation Scope:

- › Hire business analysts to support departmental users.
- › Optimize use of current IT systems.
- › Provide the processes and tools to enable the departments to perform their own budget analyses, variance analyses, and forecasts.
- › Push accountability for budget performance to the departments rather than the Budgeting team.

B. Approach/Work Plan

- › Review current processes and reporting.
- › Interview representative departments on information needed and currently used.
- › Review current analysis and reports used by the Budget team.
- › Evaluate current tools and reports and compare to user needs.
- › Develop two business analyst positions to support departmental reporting and analysis needs (transition current budget team staff).
- › Develop needed processes and tools to support end users of the budgeting process.
- › Train employees on the systems they use and develop reporting super users within the organization.

C. Risks and Dependencies

- › Appropriate business analysts are needed.
- › Departments need to work with business analysts to improve the system.
- › Departments and IT need to be accountable for producing results.
- › Budget team needs to refrain from performing detailed analysis, instead request information from departments supporting the change.

D. Benefits

- › Reporting is tailored to end users.
- › Manual work is reduced or eliminated in data entry.
- › Users learn how to manipulate existing data to use for analytics.
- › Budget variances and forecasts are reported in a timely fashion allowing for management to react appropriately.
- › Accountability for budget analysis and reporting is transitioned to responsible departments.

E. ROI

- › Intangible benefit resulting from accounting being shifted from Budget team to departments
- › Current staff to be transitioned to new role

F. Deliverable(s)

- › Business analysts in place
- › Report documenting areas for reporting improvements.
- › Processes and standard analytical reports developed.

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K - 75K
- \$75K - \$100K
- > \$100K

Improve the budgeting process

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Strengthen the accountability of responsible departments through modification of the current budgeting process.
- › Provide necessary processes and tools for users related to budgeting.

Recommendation Scope:

- › Improve current budgeting process.

B. Approach/Work Plan

- › Document current budgeting process at a detailed level.
- › Identify opportunities for work flow improvement.
- › Evaluate current use of JDE and Excel in the budgeting process.
- › Interview key users in the budget team and representative department managers to determine needs.
- › Review and propose budget review process pushing the accountability for analysis to departments and GPA management.
- › Determine areas for improvement.
- › Document future process, tools and policies/procedures needed to improve the processes.

C. Risks and Dependencies

- › The shift in accountability and other changes may result in resistance across the organization.
- › The results of the evaluation may require new tools (not included in this estimate).
- › The timeliness and sophistication of department analysis may require time to develop.

D. Benefits

- › Accountability for budgets and financial results should strengthen.
- › The budget team will be seen as a service to the departments.
- › Use of automated tools such as budget checking through JDE should streamline procurement and provide immediate feedback to departments.

E. ROI

- › Intangible benefit of improved management information and the ability to influence results due to timely information and actions

F. Deliverable(s)

- › Detailed process review
- › Identification and work plan related to process improvement

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K - 75K
- \$75K - \$100K
- > \$100K

Improve variance reporting and forecasting

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Strengthen the accountability of responsible departments through variance reporting related to their budgets and utilize variance reporting to forecast the remaining year.
- › Utilize JDE encumbrances and other tools to eliminate budget review of all procurement activity.

Recommendation Scope:

- › Variance reporting should cover operations and maintenance, staffing and capital expenditures.
- › Reporting performed by the budget team and the responsible departments and project managers

B. Approach/Work Plan

- › Document current variance analysis process at a detailed level.
- › Identify requirements for variance reporting and forecasting including content, which users, which budget items, thresholds, and frequency.
- › Identify opportunities for work flow improvement.
- › Evaluate current use of JDE and Excel in the actuals, variance analysis, and reporting process.
- › Determine areas for improvement.
- › Document future process, tools, and policies/procedures needed to implement the processes.
- › Evaluate use of a quarterly review meeting of key management to drive accountability and visibility of financial results.

C. Risks and Dependencies

- › The shift in accountability and other changes may result in resistance across the organization.
- › The results of the evaluation may require new tools (not included in this estimate).
- › The timeliness and sophistication of department analysis and forecasting (future view) may require time to develop.

D. Benefits

- › Accountability for budgets and financial results should increase.
- › The budget team will be seen as a service to the departments.
- › Variance analysis and forecasts should improve information available to management and accounting on current status.

E. ROI

- › Intangible benefit of improved management information and the ability to influence results due to timely information and actions

F. Deliverable(s)

- › Detailed process review
- › Identification and work plan related to process improvement

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K – 75K
- \$75K - \$100K
- > \$100K

Improve the close of books process

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Improve the close of books timing process.
- › Provide timely monthly financial information so that actions can be taken.

Recommendation Scope:

- › Streamline the close of books process.
- › Change allocation process for accounts.

B. Approach/Work Plan

- › Document current close of books process at a detailed level.
- › Identify opportunities for work flow improvement.
- › Evaluate opportunities to close sub-modules earlier.
- › Determine areas for improvement.
- › Review and consider available tools (JDE, etc.) and the use of estimates to provide timely management reporting and feedback on results.

C. Risks and Dependencies

- › Whenever estimates are used, a risk of accuracy exists.
- › Meter reading schedule is challenging to change due to contract obligations, the involvement of other areas and past practices.
- › Changes in current processes such as payroll, meter reading, etc. are beyond the direct control of the Accounting Group.

D. Benefits

- › Financial statements and budget performance results will be available at an earlier date.
- › Management can make decisions based on more current financial information.

E. ROI

- › Intangible benefit of improved management information and the ability to influence results due to timely information and actions

F. Deliverable(s)

- › Detailed process review
- › Identification and work plan related to process improvement

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K – 75K
- \$75K - \$100K
- > \$100K

Automate monthly clearings

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Change allocation process of clearing accounts to simplify and expedite the monthly closing process.

Recommendation Scope:

- › The four monthly overhead clearings need to be performed in a timely and efficient manner.
 - Garage-vehicles
 - Administrative and General
 - Stores clearing
 - T&D engineering clearing

B. Approach/Work Plan

- › Evaluate current allocation calculations.
- › Review timeliness of source data used to perform analysis.
- › Review historical information and perform a study of monthly clearing amounts.
- › Review JDE allocation automation options.
- › Modify current JDE setups to enable monthly automated clearings.
- › Document new process.
- › Develop schedule for true-ups of clearings.
- › Monitor performance and clearing account balances.

C. Risks and Dependencies

- › Historical information on allocations needs to be available.
- › Judgment is used to determine monthly clearing allocations.
- › Changes in accounting need to be monitored to assure accurate clearing account and allocations.

D. Benefits

- › Assists in making financial statements available at an earlier date
- › Indirectly helps management make decisions based on more current financial information
- › Reduces accounting department workload
- › Better utilizes JDE

E. ROI

- › Estimated savings of two days per month in accounting

F. Deliverable(s)

- › Document of current practices
- › Document and develop new process
- › Modification of JDE to automate allocations

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K – 75K
- \$75K - \$100K
- > \$100K

Move collections to accounts receivable

A. Recommendation Scope & Objectives Objectives in Order of Impact: <ul style="list-style-type: none"> › Move collections process to accounts receivable to streamline the billing and collections process. Recommendation Scope: <ul style="list-style-type: none"> › Collections function should be reviewed. 		B. Approach/Work Plan <ul style="list-style-type: none"> › Review and document current collections process. › Evaluate options and requirements including necessary internal controls, out-sourcing vs. in-sourcing certain collection functions, policies, reporting and account records in Utiligy, and needed interfaces with customer service related to connects, disconnects and reconnects. › Develop transition plan to move collections from customer service to accounts receivable. › Set appropriate goals and metrics for accountability. 	
C. Risks and Dependencies <ul style="list-style-type: none"> › Customer service is dependent upon excellent customer payment records as calls from customers will still go to the CSRs. › Current regulatory policies affect the collections process. 		D. Benefits <ul style="list-style-type: none"> › Focuses one group on billing AND collections › Strengthens accountability for accurate and timely billings and collections › Moves GPA to similar processes of other utilities 	
E. ROI <ul style="list-style-type: none"> › Estimated benefits of quicker collections cannot be estimated 	F. Deliverable(s) <ul style="list-style-type: none"> › Document of current practices › Document and develop new process › Transition of collection function 	G. Estimated Timeframe <ul style="list-style-type: none"> <input type="radio"/> Less than 4 weeks <input type="radio"/> 4 - 8 weeks <input checked="" type="radio"/> 8 – 12 weeks <input type="radio"/> 12 + weeks 	H. Estimated Cost <ul style="list-style-type: none"> <input checked="" type="radio"/> < \$50k <input type="radio"/> \$50K – 75K <input type="radio"/> \$75K - \$100K <input type="radio"/> > \$100K

Improve time entry and payroll process

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Improve payroll process.

Recommendation Scope:

- › Payroll process, including policies, practices, time entry process, and personnel and use of JDE should be reviewed and optimized.
- › Staffing of payroll function (backup needed)

B. Approach/Work Plan

- › Review and document current payroll policies and processes.
- › Analyze barriers to timely and accurate time reporting including improvement to the monthly close cycle.
- › Document and analyze need for about sixty timekeepers.
- › Review JDE reporting and processing options.
- › Evaluate options to have backup to current single payroll person.
- › Document proposed process changes.
- › Develop work plan to improve payroll process.

C. Risks and Dependencies

- › Historical information on allocations needs to be available.
- › Judgment is used to determine monthly clearing allocations.
- › Changes in accounting need to be monitored to assure accurate clearing account and allocations.

D. Benefits

- › Assists in making financial statements available at an earlier date
- › Indirectly helps management make decisions based on more current financial information
- › Reduces accounting department workload
- › Better utilizes JDE

E. ROI

- › Reduced time entry personnel should improve process and accountability.
- › Increased use of JDE should eliminate manual operations.

F. Deliverable(s)

- › Document of current practices
- › Document and develop new process
- › Work plan to improve payroll process

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K – 75K
- \$75K - \$100K
- > \$100K