Roadmap for Accelerating the Close

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About UNS Energy

• Holding company located in Tucson, Arizona that Owns 100% of Tucson Electric Power Company (TEP), UniSource Energy Services, Inc. (UES), and two unregulated subsidiaries.
Tucson Electric Power & UniSource Energy Services

- TEP
  - Approximately 422,000 retail electric customers
  - 1,155 square miles of service territory in southeastern Arizona
  - Vertically integrated with generation, transmission and distribution

- UES
  - Holding company that owns 100% of two regulated utilities, UNS Electric (UNSE) and UNS Gas (UNSG)
  - Serves various counties in northern and southern Arizona
  - UNSE – vertically integrated electric company with approximately 96,000 retail customers
  - UNSG – gas distribution company with approximately 156,000 retail customers
Overview

• Define UNS close and timeframe
• Brief history of UNS close process
• Process evaluation and efficiency tools
• Key takeaways
Defining UNS close and timeframe

- UNS has a 4 day close
  - Pre-close through Day 2 is posting of the majority of journal entries
  - Day 3 AM posting of remaining non-tax entries
  - Day 3 PM posting of all tax entries
  - Day 4 consolidations and distribution of financial statements, reports and analysis
Polling Question #1

How do you define the completion of your close?

A) Last non-tax entry posted

B) Final entry posted (eg. tax or consolidations)

C) Issuance of financial statements

D) Issuance of all financial statements, reports and analysis

E) Other
Polling Question #2

What day do you typically issue financial statements and analysis?

A) Day 4

B) Day 5

C) Day 6

D) Day 7+
History of UNS close

• 2007: Journal entries posted by the 15th of the month and analysis was completed by the 20th or later

• 2008: Moved to a 10 day close
  • Biggest driver was simply requesting the data earlier

• 2009: New CEO, new close deadline. 5 days!
  • Similar work in shorter time = more overtime
  • Dissected and streamlined close process
  • Increased estimates to move more JEs to pre-close
  • Established interim reporting deadlines
History of UNS close cont.

• 2017: 4 day close test
  • Evaluated journal entries and financial reporting risks

• 2018: Formally established 4 day close deadline
  • Initial change moved Day 5 assignments to Day 4
  • Evaluated assignments for refinement opportunities and increased use of HFM reports, improved OBIEE queries
Process evaluation and efficiency tools

- “Mapping backwards”
  - Where do we need everything to fall to meet the end deadline and what do we need to do to get there?
  - Final tax hand off and generating FS

- Formalization of Close admin team
  - Pre-close planning meetings/ OT tracker
  - Run status check-in meetings
  - Facilitate management review (FS distribution checklist)
  - Final posting and distribution
### Financial Statement/Analysis Distribution Checklist

<table>
<thead>
<tr>
<th>Company</th>
<th>Financial Statement/Analysis</th>
<th>Day Due</th>
<th>Time due</th>
<th>Date available</th>
<th>Time available</th>
<th>Hyperlink to document</th>
<th>Date Caleb entered review comments</th>
<th>Date Caleb Approved by</th>
<th>Date Brian entered review comments</th>
<th>Date Approved by Brian</th>
<th>Date Email Approval Received Caleb</th>
<th>Date Email Approval Received Brian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary Highlight Memo-not posted to shared folder</td>
<td>4</td>
<td>3pm</td>
<td>2/6/2019</td>
<td></td>
<td></td>
<td>Not reviewed</td>
<td>Scheduled for Day 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Process evaluation and efficiency tools cont.

- Refined journal entry and reporting assignments log
  - Documented time to prep/check(review all assignments
  - Established deadlines for FS, reports and analysis by the hour
  - Distributed work more evenly
- Asked everyone to review entries for efficiencies
  - Can entry be done pre-close, data be obtained sooner, entry be setup as repeat? Also, consider more estimation, frequency and level of review needed.
- Created Focus Areas to develop expertise
Process evaluation and efficiency tools cont.

- HFM, OBIEE (streamlined data collection and reporting), Smartview, advanced Excel use (automated unbilled revenue calculation)

- Starting to use robotic process automation (RPA) software
Key Takeaways

• Get the entire team involved. It generates more ideas and everyone feels like they are part of the process.
• It never hurts to ask.
• Develop environment of constant process evaluation/improvement.
• Importance of planning and monitoring the close process. Teamwork helps to keep everything on track.
• Celebrate your successes! Even the little ones.
Questions