

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to authorize General Manager Frank Lawson to approve a software license contract with **SAP** for a **Utility Enterprise Resource Platform (ERP) Software Solution**.

Board Meeting Date: November 1, 2022
Project Name/Contract #: SAP Cloud Services Agreement / 22-020-PSC
Executive Officer: Travis Knabe Ext. 7770

Contract Amount:

Original Contract Amount: \$7.9 million
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$7.9 million
% Increase over last approval: NA
Resulting Cumulative Total: **\$7.9 million (over 6.5 years)**

Contracting Method:

Method of Solicitation: Formal Request for Proposals
If applicable, basis for exemption: NA
Term of Agreement: 6.5 Years
Option to Renew? Yes - Option for annual license renewals
Approval for purchases "as needed": Yes No
Proposals/Bids Received (Range): 2 / \$7.9 - \$12 million
Selection Basis: Highest Ranked Proposer

Narrative:

Operational Requirement and Alignment with Strategic Plan

EWEB takes great responsibility in the delivery of electric and water services to our community. We are passionate in our mission to enhance our community's vitality through ongoing operation resilience and executing on the board approved strategic goals and initiatives. Our ability to continually improve service quality and to deliver on customer commitments have increasingly become a challenge as our core business application platforms have aged and are now legacy by all industry standards. This limits our ability to seamlessly adapt to modern business and industry trends and promote technical innovations across the Utility.

EWEB will modernize its core business applications to improve business agility and flexibility in meeting our strategic initiatives and ultimately our commitment to our customers. This is the objective of goal 4, "PREPARE TO REPLACE CHANGING AND AGING TECHNOLOGY that supports both business continuity and strategic priorities by: completing an RFP and the Utility-Software selection...." Through our robust RFP process, SAP S/4HANA is the selected solution to deliver a modern application platform that natively integrates core business applications and automates these business application processes to a master data repository (a single record of truth for business/utility data). With information compiled in a central database, it allows us to gain cross-divisional end-to-end visibility to data and to understand, monitor, and control our data with unprecedented access to data analytics. SAP S/4HANA is design-specific to Energy and Utility organizations.

Contracted Goods or Services

If the Board authorizes, and the General Manager approves, EWEB will implement RISE with SAP S/4HANA. RISE is an SAP subscription cloud-service offering S/4 HANA Cloud edition. It bundles the cloud infrastructure, applications, platforms, tools, and services in support of an innovative and intelligent enterprise service. RISE with SAP S/4HANA provides business-as-a-service in these key areas:

- Cloud ERP – it is a comprehensive cloud ERP across all business needs. It is Utility-specific and designed to meet the needs of the EWEB water, electric and overall energy delivery services
- Business Process Intelligence – native business tools to continuously understand, innovate, and transform business processes. It promotes our guiding principles for native out-of-box configuration with business simplification
- Business Platform Analytics – brings together data management, analytics, artificial intelligence, application development, automation, and integration in one environment. This integrated platform enables collaboration across partners and customers

The EES Program is a multi-year program that will transform the EWEB legacy technology landscape and modernize business processes. RISE with SAP will revolutionize EWEB's business services through these RISE with SAP application and platform services:

RISE with SAP Application Suite

- Customer Information CIS
- Foundational ERP / Finance
- Field Service Management / Asset Management
- Human Resources

Data Analytic & Business Technology Platform

- SAP Integration Suite
- Analytic Cloud
- Process Automation

RISE with SAP Cloud-Services Suite

- RISE with SAP S/4HANA Cloud, private edition
- RISE with SAP S/4HANA Access Control, private edition
- RISE with SAP S/4HANA Disaster Recovery, private edition

RISE with SAP Operations Suite

- SAP Cloud Application Services for Application Monitoring
- SAP Cloud Application Services for Application Operations
- SAP Cloud Application Services for Regression Testing
- SAP Cloud Applications Services for Release Version Upgrade

EWEB's data will be hosted by SAP in a private cloud that includes a geographically diverse disaster recovery site. If EWEB's business continuity strategy calls for it, we have the ability to download and maintain local copies of our data at any time. The data hosted in the SAP cloud is protected by means of technology redundancies and through contractual agreements. For these reasons, any significant negative impact to SAP services adversely affect EWEB business continuity and strategic priorities is considered extremely low.

SAP as a company was founded in 1972. They currently have a \$108 Billion market cap. SAP employs ~110,000 people and are the largest provider of enterprise application software with over 400,000 customers, 80% of those being small and midsized. SAP has been in the utility specific space for 35 years with 4500 utility customers (largest customer base in the industry).

Purchasing Process

On February 1, 2022, in accordance with public procurement rules, EWEB initiated a Request for Proposals (RFP) for a Utility Enterprise Resource Platform (ERP) Software Solution. The RFP was advertised on the State of Oregon bid site, OregonBuys, and a voluntary pre-proposal conference was held on February 8, 2022. Staff participated in an extensive eight-month RFP process to select software to replace changing and aging technology that support both our business continuity and strategic priorities. The goal of the RFP was to seek companies with longevity and a strong industry market position. We achieved this goal by requiring respondents to have a utility specific vertical as well as a minimum of 10 years in the industry.

Two (2) proposals were received, and both were deemed responsive and responsible. Proposals were evaluated by a committee consisting of seventeen (17) employees from across the utility, using a three-phase approach. Evaluation criteria and points were as follows:

- Phase 1 addressed system functionality, service level capabilities, the Proposer’s company data, and technical requirements. Total available points = 400.
- Phase 2 focused on demonstrations, site visits and reference checks. Total available points = 600.
- Phase 3 addressed cost. Total available points = 200.

After evaluations, SAP earned the highest overall score and an Intent to Award letter was issued. The procurement process was a very positive experience, and the results appear to be economic, efficient, and in EWEB’s best interest. Staff and SAP are negotiating in good faith to finalize this contract and are expected to come to agreement shortly.

Proposals Received

Vendor Name	City, State	Offered Price	Ranking (for RFPs)
SAP	Newtown Square, PA	\$7.9 million	1
Oracle	Redwood Shores, CA	\$12 million	2

Competitive Fair Price

The solicitation was formally advertised on the State of Oregon’s bid site, OregonBuys. The two (2) proposals received were within a reasonable range.

Prior Contract Activities

New Vendor

ACTION REQUESTED:

Management requests the Board authorize General Manager Frank Lawson to approve a software license contract with SAP for a Utility Enterprise Resource Platform (ERP) Software Solution. This approval will support goal 4 in the EWEB Strategic Plan. RISE with SAP S/4HANA is a comprehensive ERP Cloud solutions offering end-to-end services to address the overall immediate and future strategic mission for EWEB and the community at large. Approximately \$4 million was planned for these goods or services in the IS Division 2022 budget of \$10.7 million. Variances will be managed within the budget process and Board policy.