



PNM Engages Track to Achieve Contract Transparency and Cost Control

PNM, New Mexico's largest electric utility, provides reliable electricity service to more than 500,000 New Mexicans as well as wholesale customers throughout the Southwest. Like most of the nation's electric utilities, PNM relies on skilled contract labor for plant maintenance and complex construction projects. For years PNM handled its contractor spend manually, from timesheets to invoicing. With an outside services budget reaching \$100MM during its last back-to-back major overhaul and peaking at over 1,000 on-site contractors, PNM needed more visibility and accountability, and a more efficient process for managing the work and dollars associated with that budget.



Gaining Visibility into Contract Management

In July of 2009, PNM sought a way to automate its contractor management process, improve administrative efficiency and reduce inaccuracies in invoicing.

Shay Jacquez, Track Administrator for PNM, said, "Keeping our billed hours reconciled with a paper-based process and isolated computer systems required an immense amount of administrative time, both on our part and our vendors."

PNM chose to implement Track Software's Labor module for contract cost management, finding no other providers that aligned with their unique needs. Track was compatible with PNM's other existing enterprise systems (including Passport and Primavera), and fit with the company's business processes. Jacquez added, "Track's software design matched our workflow from the creation of the initial contract through payment processing, and Track required the same key data as our process did from start to finish."

Proven Savings Revealed By Pilot

Track began with a pilot project that ran parallel with PNM's previous contract management process, allowing the company to evaluate and prove potential cost savings. Two of PNM's major contractors at its San Juan generating station (the largest generating plant) were selected for the pilot.

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PNM also discovered that its contractor agreements were missing necessary business rules, such as the incorporation of grace periods into pay formulas, and specifying how early contract employees could leave without having their pay docked, for example. Identifying opportunities for adding rules into contracts meant that both contractors and plant owners mutually agreed upon terms, and that invoices were a more accurate reflection of work performed.

Track also positively impacted security — PNM began receiving near real-time personnel security and safety reports, made possible by Track's communication with its badge access control system. This data gave insight into contractor time in and out, but also provided data on plant employees' locations, which had important safety and compliance implications.

As a result of these findings, the company engaged Track for a full implementation in early 2010. Jacquez said, “With the results demonstrated during the pilot phase, it was easy to convince management to implement Track plant-wide.”

Throughout the full implementation, which included two major outages and hundreds of contract employees’ time being processed through Track, PNM relied heavily on Track personnel for questions with formulas, reports and problem solving, and had full-time access to Track’s administrative and timekeeper support. Track was live with PNM by the end of Q1 2010.

Increased Visibility Yielded Savings

With Track in place, PNM had new visibility into its contractor spend, and was assured of the accuracy of its timesheets and contractor invoices. Many elements contributed to PNM’s return-on-investment, including:

Capturing actual on-site hours and billing them appropriately

PNM required all workers to badge in and out (for compliance with federal plant safety mandates), and with Track, the company is able to capture all gate activity in one system. Track’s primary advantage is calculating hours based on activity, something that wasn’t being done before. Track also goes a step further, applying contract terms and conditions to activities, then determining how many hours should be allocated to each job.

Decreasing errors

With Track, timesheets reflected actual time worked. Reconciling timesheets with contracts meant that contractors invoice PNM accurately, and that PNM had more control over its contractor payments.

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Identifying practices that were not included in the contract agreements

Tying contract terms to work activities means that Track helped contractors hold their employees accountable to contract terms and conditions — for example, identifying overtime work improperly charged.

Reducing manual timesheets

With Track, timesheets are signed electronically, instead of manually. Track’s system gives contractors the ability to download data directly to their payroll systems, for ease of invoicing.

Ultimately, Track provided a streamlined process for the documentation and coordination of contract employee headcount each day. Hours and costs were allocated to specific project and work orders on a daily basis, providing a clear snapshot of actual work performed, and costs.

Additional Implementation

The cost savings Track’s Labor module provided also led PNM to implement Track’s Equipment and Materials module in early 2011. The Equipment & Materials module manages contractor equipment and materials spend and is integrated with Track’s Labor module. Terms are incorporated into contracts, and then automated, so anytime a contractor uses a truck or other specialized industrial equipment, or purchases materials or supplies, that information is reconciled to the contract and allocated to open, authorized purchase order/ work order/ work breakdown structure elements.

“Incorporating equipment and material costs with our labor invoices should further streamline our work management processes, and simplify things administratively for our contractors,” Jacquez added. “The Equipment and Materials module will also make invoices more accurate — for example, identifying equipment charged that wasn’t in the contract, or certain charges that should be included in the labor rate.”

With visibility into contractor time and activities, and new insight into equipment and materials management, PNM has the tools needed to secure accurate contractor invoices and control its total contractor spend, thus positively impacting budget and timetables of crucial plant construction and maintenance projects.