

**UPMG**

**2009 Supply Chain Metrics**

**Benchmarking Study**

**Data From 2008**

**EXAMPLE**

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**Benchmarking Study Provided By: Applied Energy Group, Inc.**

**August 24, 2009**

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### **Foreword**

*“The only comprehensive Supply Chain benchmark study that is conducted by and for the utility industry”*

The UPMG Benchmark Study originated from UPBEAT (Utility Procurement Benchmarks for Evaluating Activities and Techniques) which was conceived and conducted by an informal group of utility companies to provide industry data that was not available elsewhere.

In 2004, UPMG and the Applied Energy Group, Inc. (AEG) accepted responsibility for conducting this study on behalf of the participating utilities. Since then, the Study Report has nearly doubled in size with the number of metrics increasing from 62 in 2004 to 121 in the current study. Accounts Payable metrics were added and the Qualitative section continues to expand.

Now in its sixth year the Study has produced an historical database of metrics from more than forty companies.

In 2005, AEG introduced the Benchmarking Scorecard. Using data from the Study, the Scorecard graphically depicts the performance of participants in twenty-four ratios. Distilling a large amount of data into these key performance metrics enables participants to more easily compare themselves to other companies. AEG offers an optional customized Scorecard to assist participants in identifying high profile performance improvement opportunities and best practices that may apply.

A half day Workshop is conducted for participating companies at the conclusion of the UPMG Annual Conference in September. The Workshop provides an important forum for the active involvement of the participants which has resulted in the continuous development and improvement of the Study and the Report.

The attendance and level of discussion at the Workshops demonstrate the importance of benchmarking and the value of the Study. The comments of the participants are another indication of the benefits of the study, for example:

- Thank you for what you do. We have already used some of the information to get additional funding for next year’s budget.
- The metrics in the Study and the Scorecard were instrumental in developing our own internal dashboard.
- The Scorecard has helped us identify several performance improvement initiatives.
- The Benchmark Report is used as part of our annual budgeting process.

Please refer to the Introduction on the following page for information on other changes this year.

## **I. Introduction**

This report presents the findings of the sixth annual UPMG Supply Chain Metrics Benchmarking Study. The UPMG and Applied Energy Group, Inc. (AEG) continue to work together to provide UPMG members a service that will help them evaluate their performance against key supply chain indicators and industry best-of-breed companies. The goal of this report is to assist participants in identifying key issues where improvement will enhance the overall performance of their supply chain processes.

This year, 22 utilities participated in the study, four of which are participating for the first time. The benchmarking data base is becoming more robust every year.

The report is divided into two main sections; A. Strategic or Key metrics, and B. Operational metrics. The Key metrics are ratios that are indicative of performance which facilitate comparison of companies to each other. In this section, each topic begins with a brief description of the process being measured, examples of best practices for that process and a summary of performance in each metric, high, median, mean and low. Operational metrics primarily provide the raw data used in the Study.

The website and this report continue to evolve and improve. More metrics are calculated using data already provided reducing the need for data entry. For example, Inventory Turnover Rate is calculated using twelve month year end net issue value and average inventory value. This not only reduces data entry for participants, it insures one common method of calculation and facilitates “apples to apples” comparisons. Based on input from participants, numerous new charts have been added (e.g. Tier 2 diversity spend, inventory returns as a percent of issue value, etc.) and definitions have been improved.

As in the past, no company names appear on the charts. Numbers are used to represent the companies that have provided data. In keeping with confidentiality requirements, while the names of all of the companies that participated in this Study are known, the data for a specific company cannot be isolated.

In addition to the report, AEG provides the Benchmarking Scorecard which targets the efficiency and effectiveness of a utility's performance based on the Benchmarking Study data. The information contained in that document helps identify where to focus attention and where to apply industry best practices.

UPMG Supply Chain Metrics Benchmarking Study 2008 Year-End Data

**1. Table of participating utilities**

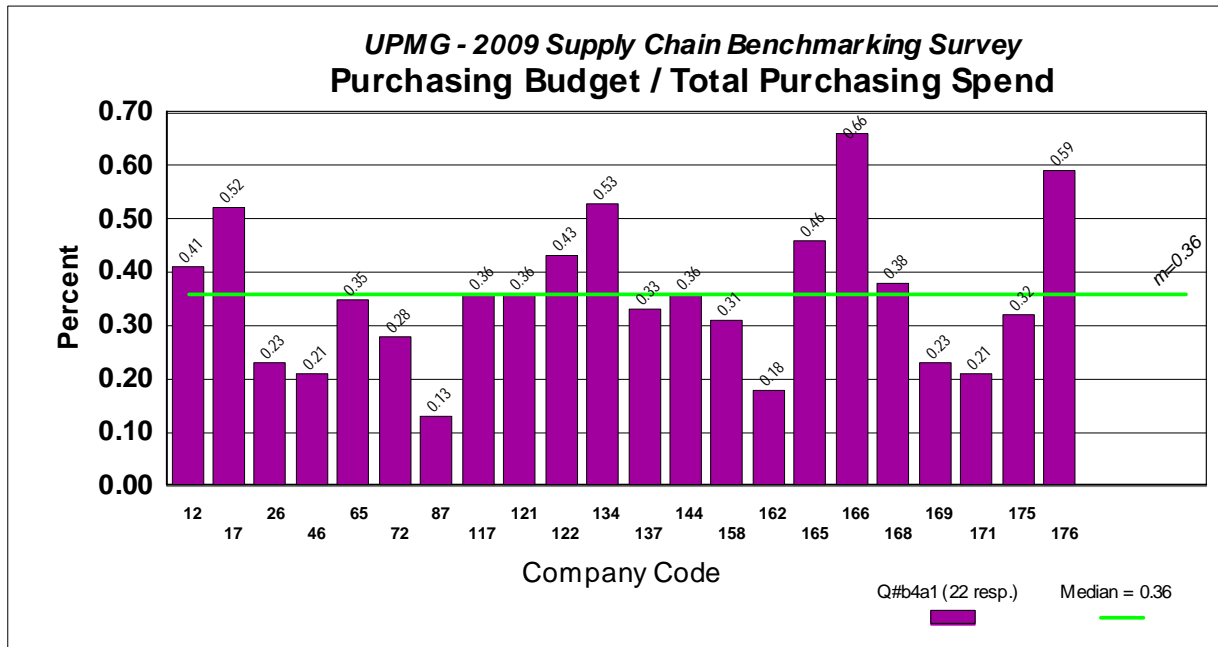
<b>Utility</b>	<b>Contact</b>	<b>Phone Number</b>	<b>Location</b>
AEP	Derek Ash	614-883-7769	Ohio
Allegheny Energy	Chuck Balieu	724-838-6881	Pennsylvania
Allete	Michael Firth	218-723-3968	Minnesota
American Transmission Company	Andrew Mikulak	262-832-8659	Wisconsin
Ameren	Mark Brandt	314-554-3090	Missouri
Baltimore Gas & Electric Company	Jeannine Beran	410-234-6081	Maryland
Dominion	Robert O'Berry	804-771-3939	Virginia
E.ON U.S.	Sherry Townsend	502-627-2157	Kentucky
Energy East – Utility Shared Services	Steve Oakes	585-724-8082	New York
Indianapolis Power & Light Company	Justin Sufan	317-261-8072	Indiana
National Grid	Lonny O'Rourke	516-545-4328	New York
NVEnergy	Debbie Lynds	702-402-2140	Nevada
Northeast Utilities Service Company	Jan Gorman	860-665-6957	Connecticut
NorthWestern Energy	Danny Kaluza	406-497-3236	Montana
PNMR Services Company	Rebecca Newport	505-241-4166	New Mexico
Portland General Electric	John Nobriga	503-464-8735	Oregon
Progress Energy	Bob Stevens	919-546-2193	North Carolina
PSEG	Jo Ann Bowden	973-430-6967	New Jersey
Puget Sound Energy	Chad Nesland	425-462-3070	Washington
San Diego Gas & Elec	Steven Reese	858-654-1832	California
Southern California Edison	Edward Berggren	626-302-8830	California
Southern Company	Glen Fellows	404-506-7821	Georgia

## Examples of Key Metrics Included in the Report

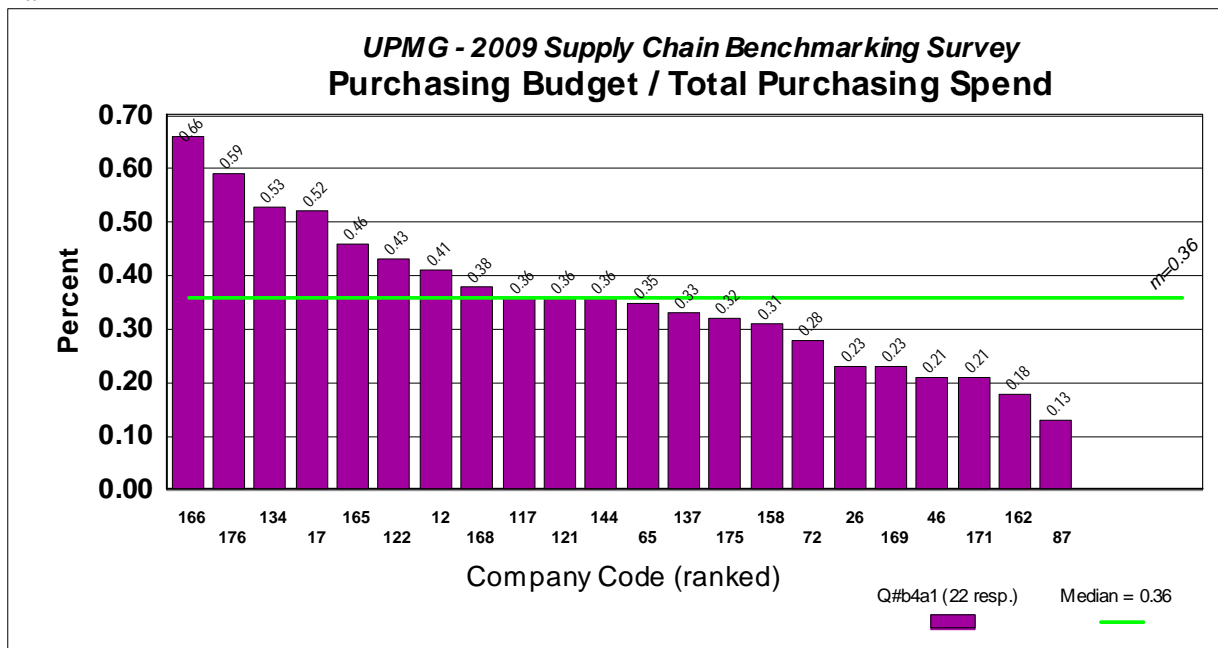
**I. Purchasing Key Metrics – continued**

**2. Purchasing Budget as a % of Total Purchasing Spend**

The median percent in 2008 was .39



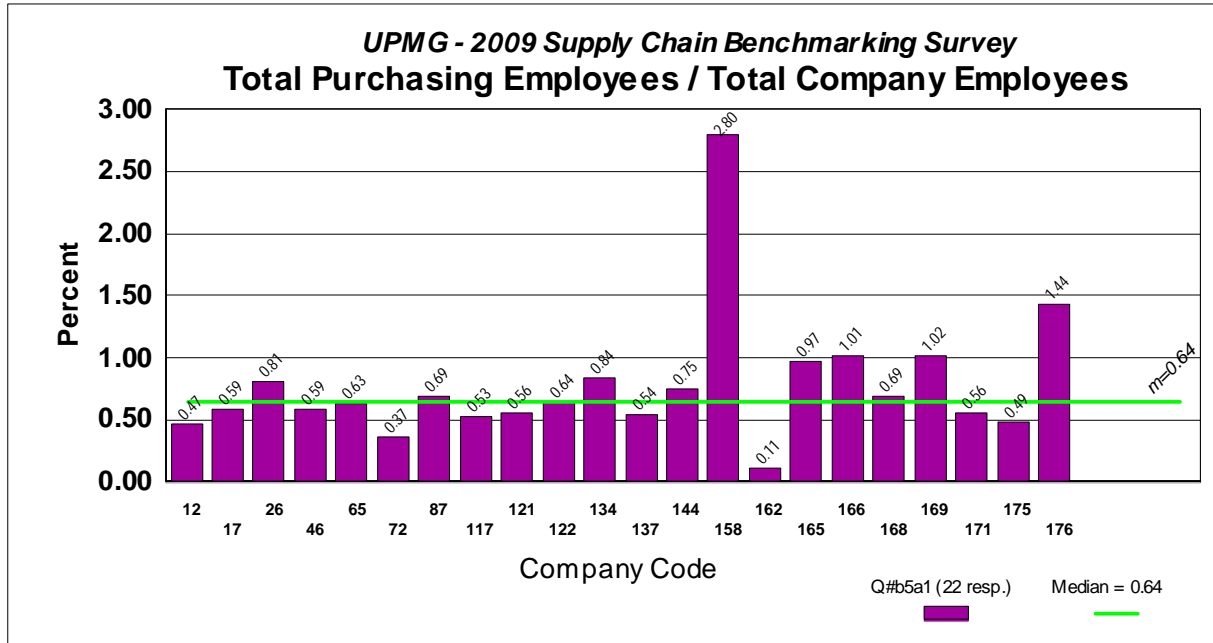
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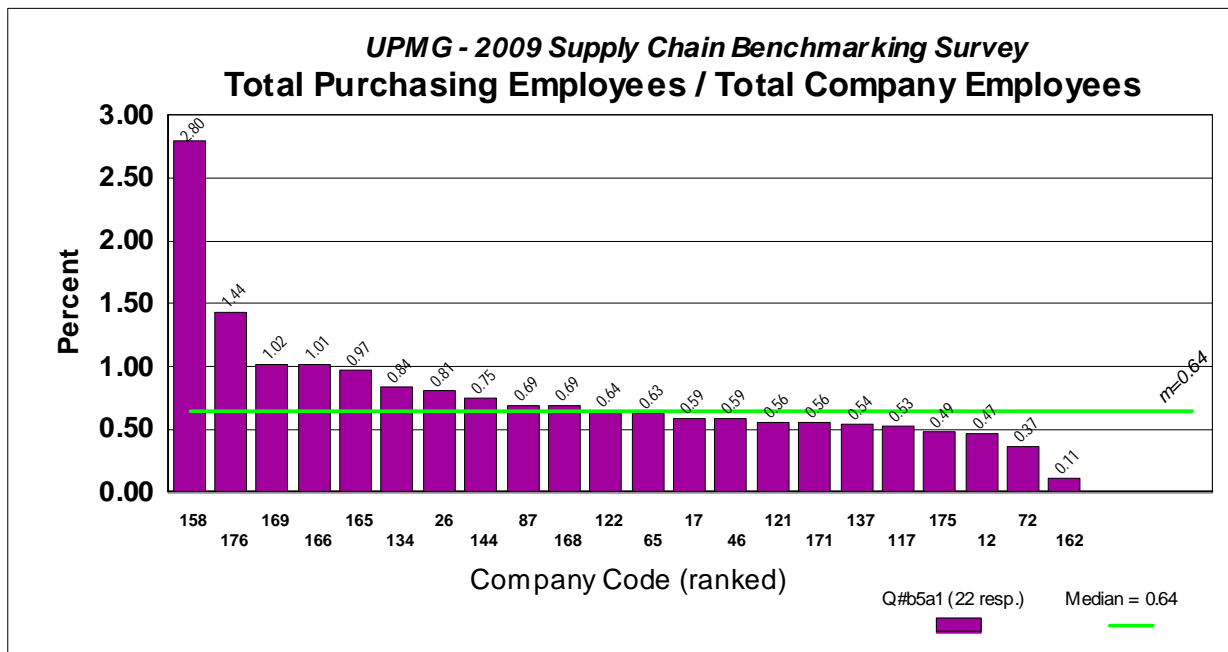
**I. Purchasing Key Metrics– continued**

**3. Total Purchasing employees as a percent of total Company employees**

The median percent in 2008 was .62



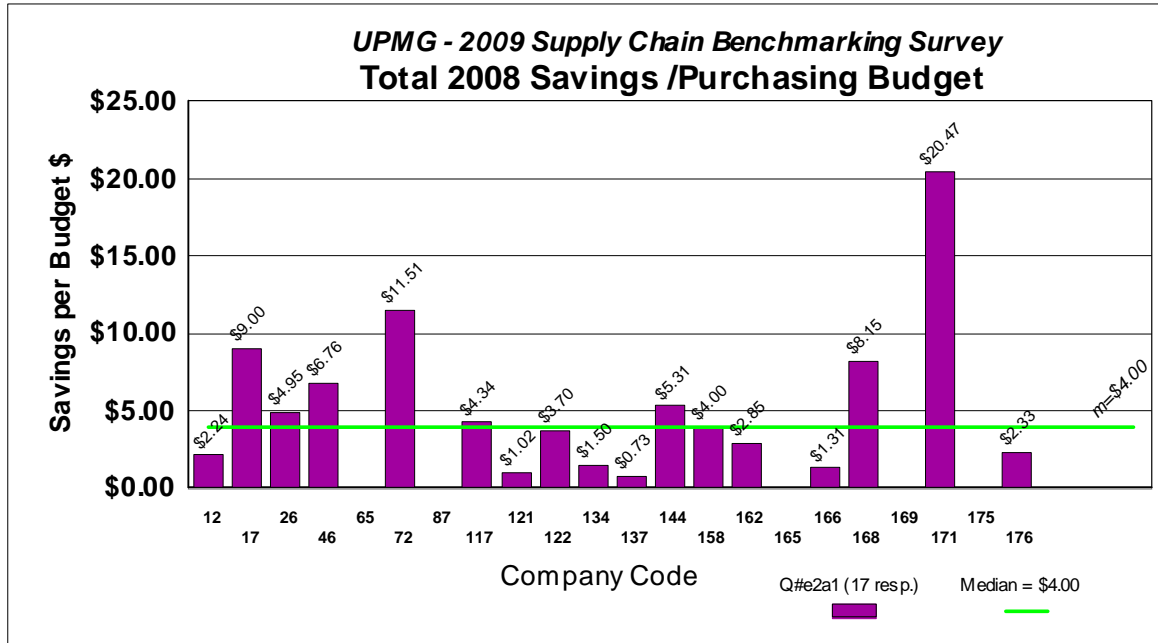
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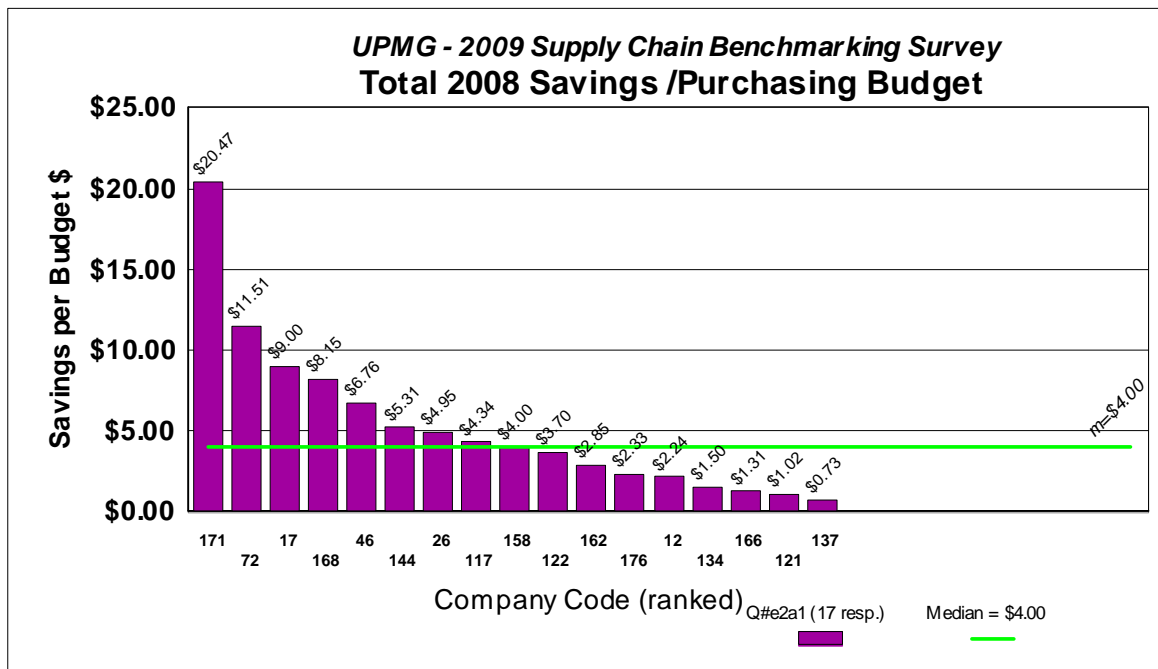
**II. Savings and Cost Avoidance Key Metrics - continued**

**1. Total Savings for Every Budget Dollar**

The 2008 median was \$4.17



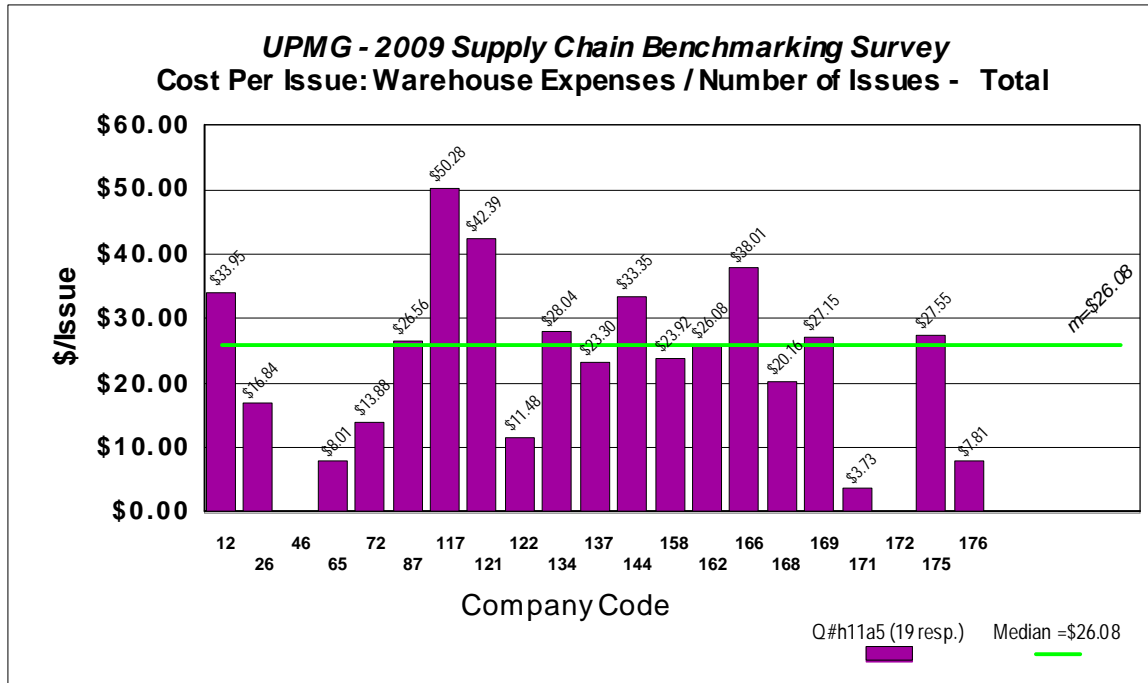
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**VII. Warehousing Key Metrics - continued**

**2. Total cost per issue for all issues included in all business units for each utility**

The 2008 median was \$24.68



Rank

