

Consolidated Power Supply

Project Management



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Project Management

At **Consolidated Power Supply**, project management begins when an RFP is received. Some companies believe that project management begins when an order is received, however, by that time because of deadlines, it's often too late to take an in depth look at the overall impact of a project on company resources, production, product management, cost savings implementation, etc.

Consolidated Power Supply has been successful in managing large contracts and orders due to it's ability to plan in advance, interpret the customers needs, and evaluate orders to determine where cost savings can take place, both for our customer and us.

The method used at Consolidated Power Supply to evaluate a project is through a technique called, **Total Cost of Ownership**.

Total Cost of Ownership: Customer Considerations

The Total Cost of Ownership method is a technique that can be used to make sure that all associated costs over a given time period are considered when making purchasing decisions. It is described as the cost of owning or operating an asset over time. TCO does not only reflect the costs of purchase. It also includes all other aspects in the further use and maintenance of the asset:

The main thrust of TCO is to identify all of the primary elements required to make any innovation succeed, no matter what the organization. The following list contains typical cost elements of Total Cost of Ownership:

- *Purchase price*
- *Installation cost*
- *Training cost*
- *Support cost*
- *Service*
- *Maintenance*
- *Downtime*
- *Safety*
- *Productivity*
- *Risk*
- *Disposal*

Each of these elements may be essential, much like keystones in a curved archway. If we pull out one or two stones, we know the entire archway is likely to come tumbling down.

Order Management

Account Managers

Consolidated Power Supply's processing of orders is standardized. All purchase orders follow the same process to ensure that materials supplied to the customer are correct and timely.

Consolidated Power Supply has developed a Shipping Order Tracking System. All Orders are monitored closely in this system. Every step the order takes through our various to date information. Many of our customers, per request, receive weekly reports as to the progress of their orders. These reports are created in our Shipping Order System and can be made available to our customers at any time.

Order Acceptance / Data Entry

Account Managers, Project Managers, Sales Service Personnel

- 1) Orders are received by the Sales Department.
- 2) After a preliminary write-up by Sales, the customer's order is forwarded to Sales Service personnel for order entry where a Sales Order is entered into the computer system. The Sales Order functions as a simple shop traveler and reflects the item being ordered, quantities, and customer requirements.
- 3) When the item being ordered by the customer is not available from CPS inventory, the appropriate procurement documents are generated during this order activity. Sales Service personnel then place the documents generated during order entry along with the customer's order into a file folder labeled with the customer name and purchase order number.
- 4) The customer order file is then forwarded to the Quality Assurance Department for review.

Quality Assurance Review

Quality Assurance Personnel

Quality Assurance reviews the Sales Order against the customer's order to ensure all requirements have been adequately translated into work instructions on the Sales Order. For items not being supplied from inventory, the applicable CPS procurement documents are reviewed against the Sales Order and customer order. When the review concludes that all requirements have been satisfactorily translated into internal CPS work instructions and procurement documents, the documents are stamped as approved and are initialed and dated by

Order Management

the QA personnel performing the review. The Sales Order is then released to Warehouse personnel for processing, and procurement documents are transmitted to the applicable vendors.

Expediting

Account Manager, Project Managers and Warehouse Manager

Warehouse personnel process the ordered items as prescribed by the instructions reflected on the Sales Order. When the items have been sufficiently prepared, the Sales Order is then forwarded to a Quality Assurance Inspector for the appropriate inspections.

Inspection & Documentation

Quality Assurance *Personnel*

When inspection determines the items meet specified requirements, the Inspector completes an Inspection Report indicating such, and the Sales Order is then forwarded to a Quality Assurance Representative for generation of a certification package.

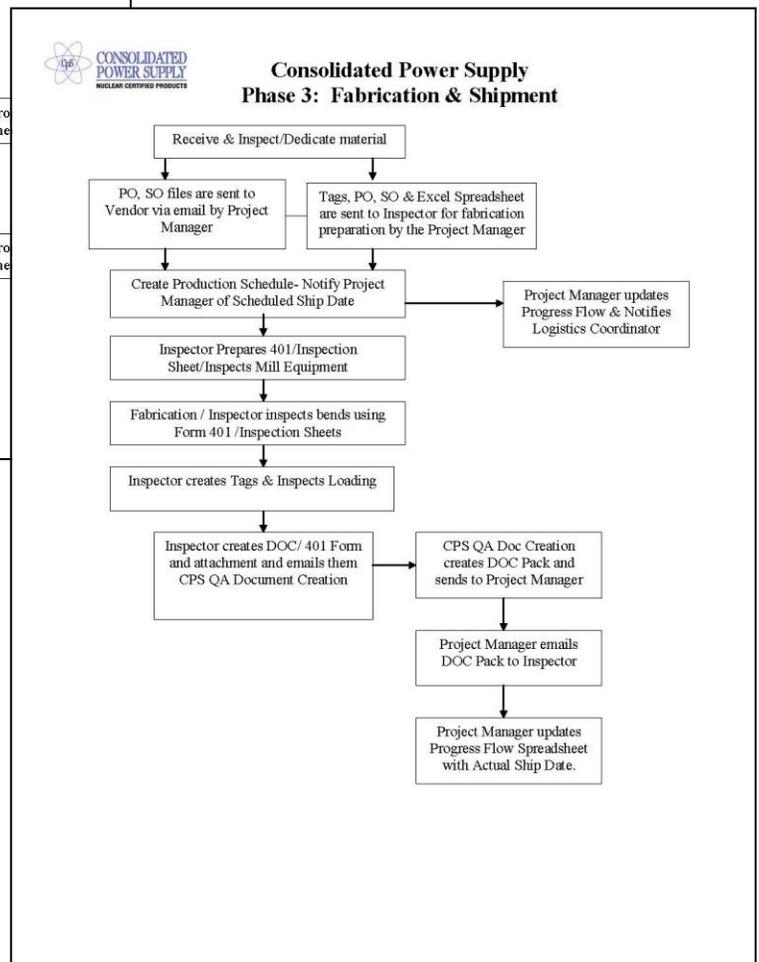
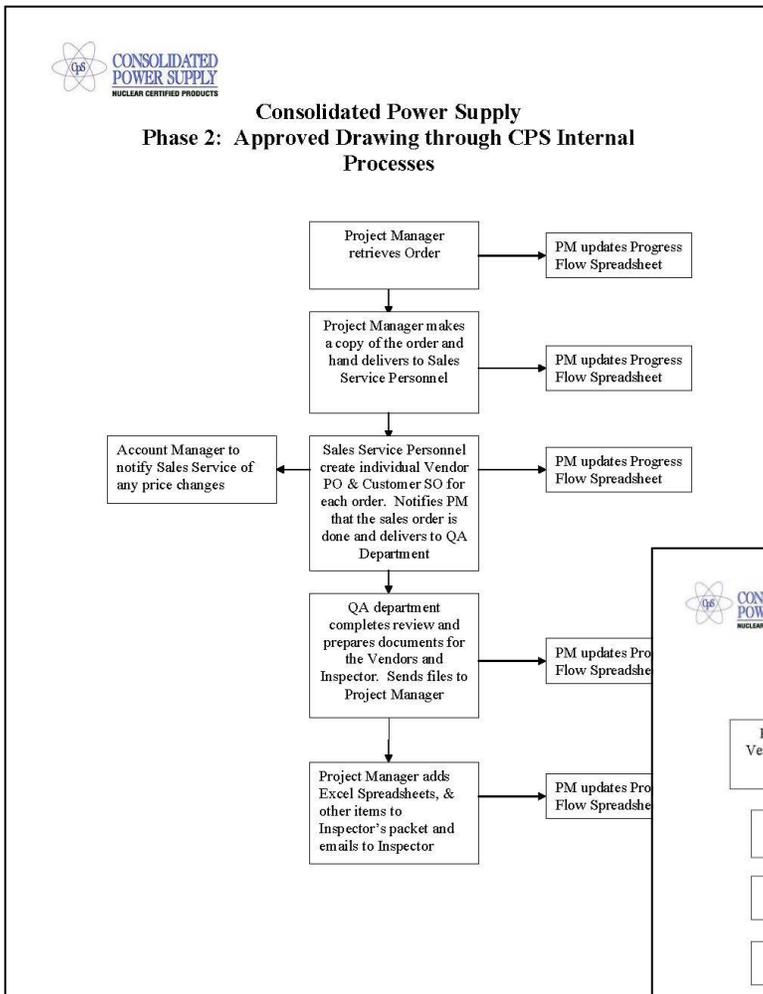
Shipping

The Sales Order and applicable certification package is then returned to Warehouse personnel, and the items and certification are packaged for shipment to the customer.

Once an item has been shipped customer receives an email that is auto generated from our Shipping Order Tracking System.

Order Management

Example of Consolidated Power Supply Workflow Charts:



Accountability & Reporting

How does Consolidated Power Supply know they are on target with our customer's deadlines?

We study our processes, evaluate our procedures, and look for ways to improve through the use of various tools we've created over the years. Every step an purchase order takes is carefully monitored.

From start to finish, we know the status. Consolidated Power Supply understands the importance of accountability to our customers with regard to on-time delivery, early and late shipments.

- 1) We give our customers weekly updates via email as to their purchase orders status.
- 2) When an item is shipped, we send email notifications with the tracking information.
- 3) We provide monthly, quarterly and yearly reporting for our overall accuracy for On-Time Delivery.

Below is an example of performance measures currently being used by our customers to evaluate Consolidated Power Supply performance.

Performance Metric	Weight	Threshold	Target
Order Fill Performance Percent of line items shipped within the quoted lead-times (per Open Order Status) vs. total line items shipped	20%	98%	100%
Over, Short, Damaged and Discrepant Percent of shipped items with verified reports from our Customers	20%	5%	0%
Issue Reports (IR) Annual number of IR's issued or generated as a result of poor quality of material and performance as reported by Action Tracking System.	20%	10%	0%
Diversity Utilization by Consolidated Power Supply of certified Diversity suppliers both directly and indirectly (sub-tier) in support of business by supplier.	20%	1%	5%
Equipment Reliability Loss of operation or damage to equipment due to material or services provided by Consolidated Power Supply.	20%	5%	0%

Consolidated Power Supply's targets are set according to the standards of our customers.

Accountability & Reporting

Consolidated Power Supply employs highly skilled professionals with a background in project management, expediting/inventory/warehouse management to infuse it's workforce with the talent required to get customer's orders in and out the door.

Workflow Tracking System

In an effort to expedite orders, report accurate and timely activities related to a customer sales order, Consolidated Power Supply developed a database system that allows easy tracking of daily activities as related to a specific customer sales order. The original version of this system was developed in late 1999. From this system, Consolidated Power Supply's expediting department and account representatives follow customer orders from start to finish. Orders are reviewed daily through the use of Open Order Status Reports and Order Shipment Scheduling Reports.

#	Item	Customer Number	Confirmed	Unit	Quantity	Shipped	Balance	Description
1	LINE 0001	CATID 00000371	1/27/2003	EA	2	0	0	2112 THRD HEX PLUG SA105
2	LINE 0002	CATID 0000						
3	LINE 0003	CATID 0001						
8	LINE 0008	CATID 0001						
9	LINE 0009	CATID 0001						

The system allows all Consolidated Power Supply's personnel to track the activities that are taking place – lab, review, schedule for shipment, delivery tracking numbers. In addition, because the information is constantly updated, reports can be generated for customers. Various reports are available including, Weekly Customer Order updates, and Shipping Accuracy by Month, Year, or range of dates.

Expediting Reports

Consolidated Power Supply has been providing weekly expediting reports for its customers for the past 16 years. These reports can be sent via e-mail or fax. This reports is customized for each customer.

Accountability & Reporting

Order Expediting

Consolidated Power Supply maintains the following expediting procedures for all orders:

1. Upon receiving a customer's order, the order is entered into our AS400/Workflow Tracking System.
2. Orders are sent for review to the respective departments based upon quality assurance and testing requirements.
3. Once the review is complete, items are pulled or ordered appropriately based upon stock or non-stock category.
4. Documentation is packaged and prepared for shipment with each order.

These reports contain information on every outstanding order referencing items, purchase orders and the tracking information required to monitor items being delivered

Project Monitoring / System Development

Consolidated Power Supply, to ensure adequate communications with the customer developed the Process Flow Reporting System.

This system tracks, from initial drawing release through submittal, approval, revision, fabrication, shipping and doc creation all dates and personnel involvement. This information is maintained by Consolidated Power and is transmitted to the customer for their evaluation and notification.

Consolidated Power Supply's Information Services personnel are responsible for administration of this program and is overseen by the Quality Assurance Department to ensure overall accuracy and accountability. The system incorporates our proprietary SQL Workflow application, Excel spreadsheets, and email systems.

Accountability & Reporting

Current Report Samples

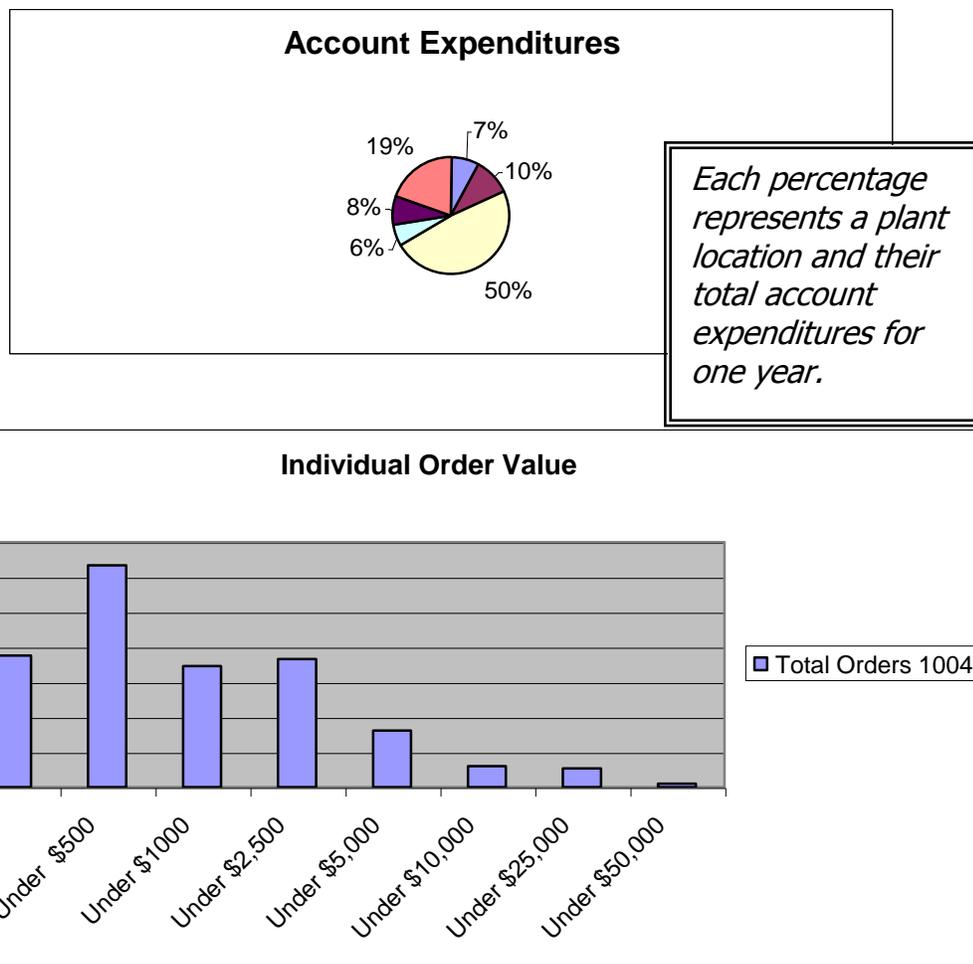
PO #	PO Line Item	CPS SO	Order Date	CPS PO	CPS Vendor	Description	Orig. QTY	Shipped Qty	Remaining QTY	Latest Update	Comment	3/14	3/21	3/28	4/4	4/11
33387	6	6540400	1/23/2014	D65-45067	OSI	PLATE 1 X 96 X 120 ASTM A240 S32101	1	1	1	1-Apr	"Ship delayed" May 11, 2014					
33388	1	6540376	1/23/2014	D65-45063	OSI	Plate 1" x 96 x 240 ASTM A240 S32101 Duplex-	4	4	1	1-Apr	Vendor-"May 11, 2014"					
33388	2	6540376	1/23/2014	D65-45063	OSI	Plate 1.25" x 96 x 240 ASTM A240 S32101 Duplex-	1	1	1	1-Apr	Vendor-"May 11, 2014"					
33388	3	6540376	1/23/2014	D65-45063	OSI	Plate 1/2" x 96 x 240 ASTM A240 S32101 Duplex-	2	2	1	1-Apr	Vendor-"May 11, 2014"					
33388	6	6540376	1/23/2014	D65-45063	OSI	Plate 3/8" x 96 x 240 ASTM A240 TP 304L-	1	1	0	26-Mar	Shipped 3/28					
33388	7	6540376	1/23/2014	D65-45063	OSI	Plate 1" x 96 x 240 ASTM A240 TP 304L-	2	2	0	26-Mar	Shipped 3/28					
33388	8	6540377	1/23/2014	Z65-45064	Stainless Struct	Angle-L6x6 x 3/4" ASTM A276 TP 304L- (6936lbs @5.56)	12	12	1	1-Apr	In Process					
33388	9	6540377	1/23/2014	Z65-45064	Stainless Struct	Channel C6x10.5# x 120" LG ASTM A276- TP 304L= Channel size allows for coupon.see fused ASTM A1069 (210 @ 3.65)	1	1	1	1-Apr	Need question answered regarding Laser Fused or Roled.					
33388	30	6540378	1/23/2014	Z65-45062	K. Atl	Plate 1/2" x 96 x 240 ASTM A572 Gr 60-	8	0								
33388	31	6540378	1/23/2014	Z65-45062	K. Atl	Plate 1/4" x 96 x 240 ASTM A572 Gr 60	1	0								
33388	32	6540625	1/23/2014	D65-45042	SPP	Plate 1/4" x 96 x 240 ASTM A240 TP 304L-	15									

PO #	PO Line Item	CPS SO	Order Date	CPS PO	CPS Vendor	Description	Orig. QTY	Shipped Qty	Remaining QTY
33387	1	6540382	1/23/2014	Z65-45073	K. Atl	Plate 3/8" x 48 x 96 ASTM A572-50	1	1	0
33387	2	6540382	1/23/2014	Z65-45073	K. Atl	Plate 1/2" x 60 x 120 ASTM A572-50	1	1	0
33387	3	6540382	1/23/2014	Z65-45073	K. Atl	Plate 3/4" x 48 x 96 ASTM A572-50	1	1	0
33387	4	6540382	1/23/2014	Z65-45073	K. Atl	Plate 1" x 96 x 240 ASTM A572-50	2	2	0
33387	7	6540382	1/23/2014	Z65-45073	K. Atl	Plate 1.25" x 60 x 120 ASTM A572-50	1	1	0
33387	8	6540382	1/23/2014	Z65-45073	K. Atl	Plate 1.5" x 96 x 240 ASTM A572-50	1	1	0
33387	9	6540382	1/23/2014	Z65-45073	K. Atl	Plate 1.75" x 60 x 240 ASTM A572-50	1	1	0
33387	11	6540382	1/23/2014	Z65-45073	K. Atl	Plate 2.75" x 48 x 96 ASTM A572-50	2	2	0
33387	27	6540383	1/23/2014	Z65-45074	Siskin	Angle L6x6 x .75 x 20' RL ASTM A36	4	4	0
33387	12	6540383	1/23/2014	Z65-45074	Siskin	Angle L6x6 x .75 x 40' RL ASTM A36	4	4	0
33387	20	6540385	1/21/2014	Z65-45076	Harris	Rebar #9 Threaded for Lenton Coupler EL28C3J 42.00 +/-1.00 LG ASTM A706	60	60	0
33387	21	6540385	1/21/2014	Z65-45076	Harris	Rebar #9 Threaded for Lenton Coupler EL22P9J 36.19 +/- 1.00 ASTM A706	60	60	0
33387	22	6540385	1/21/2014	Z65-45076	Harris	Rebar #9 Threaded for Lenton Coupler EL28P9J 48.25 +/-1.00 ASTM A706	150	150	0
33387	23	6540385	1/21/2014	Z65-45076	Harris	Rebar #10 Threaded for Lenton Coupler EL32C3J 47.00 +/-1.00 ASTM A706	23	23	0
33387	24	6540385	1/21/2014	Z65-45076	Harris	Rebar #11 Threaded for Lenton Coupler EL36C3J 58.00 +/-1.00 ASTM A706	70	70	0
						Rebar #6 Threaded for			

Cost Saving Strategies

Consolidated Power Supply has held many long-term blanket contracts. As our experience with these contracts has grown, we have developed some cost saving strategies that benefit our customers as well as Consolidated Power Supply. We prefer to extend the typical buyer/seller relationship to a complete Win-Win for all parties. Each company receiving mutual benefits through shared information, capabilities or resources.

The following is a breakdown of an average \$750,000 year contract with Consolidated Power Supply.



As shown in the charts above, the majority of orders are less than \$1,000 dollars. With a slight percentage markup there is not a great deal of cost savings that can occur. Consider the following:

Cost Saving Strategies – continued

As can be seen in the illustration below, there is very little savings that can occur through the reduction of item cost. Together with our customers, we have to reduce redundant effort across the board by creating automatic order processes, free access points and automated billing, to name a few areas of savings.

The Cost of Doing Business A Single Order of \$100

What Are the Real Costs of \$100 Product Purchase?

The Cost of the Product (+) the Cost of Processing
= Actual Cost

<i>Process</i>	<i>Effect on Cost</i>
Requisition Process	(+) \$
Fax Inquiry Process	(+) \$
Evaluation Process	(+) \$
Purchase Order Process	(+) \$
Security Screen and Unload Truck	(+) \$
Receiving Process	(+) \$
Inventory Management Process	(+) \$
Issue Process	(+) \$
Invoice Evaluation Process	(+) \$
Payment Process	(+) \$

Your Order for \$100 of Product costs
you more in effort and time.

What happens to Consolidated Power Supply's Dollars of Profit?

The Sale Profit (-) the Cost of Processing
= Actual Profit

<i>Process</i>	<i>Department</i>	<i>Effect on Profit</i>
Receive Inquiry	Sales	(-) \$
Quote Inquiry	Sales	(-) \$
Fax Inquiry	Sales	(-) \$
Receive Purchase Order	Sales	(-) \$
Create & Enter Sales Order	Sales Support	(-) \$
Print Sales Order	Sales Support	(-) \$
Review/Approve Sales Order	Quality Assurance	(-) \$
Pull Product	Warehouse	(-) \$
Inspect Product	Quality Assurance	(-) \$
Pack Product	Warehouse	(-) \$
Document Product	Quality Assurance	(-) \$
Ship Product	Warehouse	(-) \$
Receive Freight Charges	Accounting	(-) \$
Invoice Product	Accounting	(-) \$
Receive and Apply Payment	Accounting	(-) \$

Consolidated Power Supply has reduced costs with our other clients by taking our relationship from typical to aggressive business partnerships working towards increased profits by reducing overall costs.

Material Management System

Consolidated Power Supply and its parent company Consolidated Pipe & Supply, Inc. have created an Inventory Materials Management System to supplement our client's efforts at reducing their overall cost of business.

Our system has been designed to be as flexible as necessary to accommodate the individuality of each customer.

- Reduces Costs
- Designed for flexibility
- Free Access/Point of Use Inventories
- Latest Technology Use
- Integrates with AS/400 IBM Mainframe

This system manages "free access/point of use" inventories in multiple plant locations, consignment stock programs, mobile materials units as well as central stores facilities, either individually or in conjunction with one another.

System Incorporates:

- Durable high volume hand held bar code scanners.
- All traditional inventory management functions.
- Additional features include security, periodic cycle counting, area, row & bin storage, cost code assignment and a host of activity reports associated with each feature.
- Integrates with Consolidated Pipe & Supply's AS/400 IBM mainframe.

Cost Reduction Opportunities

- Analyze slow moving inventory
- Liquidate surplus inventory
- Identify obsolete materials
- Standardize SKU values
- Eliminate OEM part requirements
- Eliminate percentage of emergency stores
- Utilize EDI of information
- Establish "Free Access/Point of Use" Inventory
- Summary invoicing

Material Management System - continued

Mobile Materials Units

This program was created for the purpose of serving capital construction projects with a need for on-site materials management and outage support. Since September 11, 2001 transportation and security measurements have become a critical mindset. Not only due to the dollars involved but also the time.

Consolidated Power Supply combats this by providing customers with Mobile Materials Unit. These can enter a plant fully loaded with product at one time versus making multiple trips for each order.



Consolidated has fitted 50' LTL trailers with area, row and bin, bar coded shelving to serve as mobile warehouse space for small bore pipe and fitting requirements.

Each unit has been hardwired for phone, fax and personal computer back-up. Large bore materials can be tracked and managed from a central or multiple lay down areas normally associated with construction projects.

Benefits

The obvious benefits of the system are many, along with the additional benefits of usage, cost code, security and additional reporting capability.

These units also allow the client to use the benefits of the system in a multi-contractor environment.

Cost Reduction Opportunities

- Eliminate bulk procurement and storage costs
- Eliminate surplus material at project conclusion
- Eliminate "gang box" stuffing
- Track materials by cost code, area, craft and commodity by data range
- Automatic reporting to authorized personnel
- Security
- Summary Invoicing



