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FPL moves to next step in e-procurement

With \$1 billion worth of procurement projects annually, Florida Power & Light was in line to expand its electronic procurement process beyond the highly effective reverse auctions the company initiated more than two years ago.

As the one who oversees sourcing of procurement projects annually — which will amount to about 285 separate projects in 2004 — Gerald Thompson, director of strategic sourcing, had been investigating solutions that would further automate, organize and centralize the supply chain processes. Thompson wanted an electronic, end-to-end program that would centralize the data and help eliminate the hassle of Excel spreadsheets, paperwork, separate and inconsistent reports from managers, and time-consuming requests for proposals, information and quotes.

FPL had rapidly embraced the reverse auction process and was ready to expand into other areas. After issuing RFPs to six vendors, FPL chose Pantellos OneSource and the Frictionless Commerce suite of ASP-based e-sourcing solutions. Frictionless is the engine behind Pantellos OneSource, a comprehensive solution that provides the centralized application FPL was seeking. It is designed to further automate the supply chain life cycle, improve spending controls and deliver tangible cost savings, according to Pantellos.

Frictionless Commerce, based in Cambridge, Mass., develops high-performance enterprise software applications. The company's software is a complete enterprise-sourcing platform "that minimizes the total cost of acquisition for all direct and indirect materials, services and capital equipment," according to the company.

Pantellos, based in The Woodlands, Texas, is a supply chain services company for the utility and energy industries, serving more than 30 buyers and 500 suppliers. FPL was one of the 21 utilities that formed the company in 2000. The online Pantellos Marketplace is a site where users buy and sell goods and services through either direct integration with Marketplace or managed Web solutions.

Although FPL is an equity owner of Pantellos, the system was selected on its own merit after a comprehensive search that narrowed the field to six vendors, according to Thompson. The ASP version that FPL selected provides both electronic procurement and supply chain services.

Executive Summary

Utility: Florida Power & Light, Juno Beach, the principal subsidiary of FPL Group, is among the largest and fastest growing electric utilities in the United States, serving more than four million accounts within a population of 8 million, or about half the state of Florida. Electric power is delivered from 33 generating units through more than 500 substations and over more than 69,000 miles of transmission and distribution lines. FPL Group records annual revenues of more than \$9.6 billion. The company operates in 26 states.

Topic: With \$1 billion worth of procurement projects annually, Florida Power & Light has taken the next step in its quest to automate supply-chain processes. FPL selected the ASP version of Pantellos OneSource, a system driven by the Frictionless Commerce suite of e-sourcing solutions. The Pantellos OneSource platform consists of specialized modules supported by Pantellos that allow FPL to manage all sourcing activities from a desktop application. FPL has implemented the auction, RFx and project management modules, and is considering expanding to other modules in the future. The solution met FPL's goal to further automate, organize and centralize the workflow and is rapidly transforming FPL's procurement process.

"The Pantellos OneSource suite of solutions evolved out of our search last fall for a company that would help us achieve more of an end-to-end electronic basin or supply chain, what is typically referred to as 'req to check' - from requisition to issuing the check," Thompson explains. "We gain efficiencies through automating that process."

Strategic plan points to automation

FPL has been moving in this direction for a number of years. "Our strategic vision all along has been to create efficiencies through automation. We began this journey in 1999 with the implementation of SAP, [which gave us] a better view of our spend-out. Along the way we have added e-procurement. We started the electronic reverse auction process a couple of years ago. In fact, we used the Pantellos solution initially, went to another company, and we're now back with Pantellos," says Thompson.

The monetary benefits were calculated in terms of efficiencies. "We did do a good bit of analysis. Obviously this system cost us some money, so you're looking for a return on investment. But the big advantage it's given me is [related to] the increase in the amount of work that my group does. We're engaged in many more things than we were a year ago. I'm able to do that without significant increases of staff. Some of the automation things that we've done, this being one of them, have allowed that to occur."

Thompson had been on a quest for a solution that offered a suite of services that would, in effect, transform the supply chain organization. The decision to make the investment in Pantellos OneSource "evolved out of our electronic reverse auction process. In that process, we go out electronically and conduct an auction for people who want to do business with us on a particular product. The Frictionless software expands that capability."

At this time, FPL has opted to implement three of the modules in the suite: electronic auctions, RFx [for vendor requests] and project management. FPL settled on the three modules that are most needed at this time.

"There were three primary things that I was looking to initially accomplish with the software. One was project management, to give me and my management team a quick review of outstanding sourcing projects, to enable us to know how many projects we have, what the spend is, what the contract award date is and key pieces of information of that type."

The system has only been in service since January 2004, "so we're evolving with the system," adds Thompson. One of the early benefits has been the elimination of "a multitude of spreadsheets."

Additionally, the system will bring consistency to the procurement process. It enables Thompson to pull up all project data and quickly scan project timelines as well, rather than having to keep track of scattered resources.

"We now have the majority of our work in Pantellos OneSource. So I know by person, by management team and by category team what the workload is for this year. It [also] tells me what phase of the sourcing process a particular project is in — the bid phase, the negotiation phase or

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The screenshot displays the Pantellos OneSource dashboard. At the top, the user is logged in as S. Sage. The main navigation bar includes tabs for Projects, Demand, RFX, Auctions, Contracts, Vendors, Analysis, BOM, and RFQuick. The 'My Workbench' section is highlighted in red and contains several widgets:

- Calendar:** A calendar for June 2004 with days of the week (S, M, T, W, T, F, S) and dates (1-30).
- Events for 6/1/04:** A section titled 'Events for 6/1/04' with a table containing a 'Title' and 'Active Dates' column. The text below the table states 'There are currently no events.'
- Buyer Alerts:** A table with columns for 'Created On' and 'Message Text'. One alert is listed: '5/29/04 Auction: RFX 5_29_1 Closed with Winning Bids'.
- To Do List:** A list of tasks with counts in parentheses:
 - Master Agreements: (0)
 - Master Agreements Requiring Attention: (0)
 - RFXs: (7)
 - RFXs Open for Bidding: (4)
 - RFXs Scoring and Awarding: (5)
 - Projects: (0)
 - Auctions Scheduled: (0)
 - Auctions Running: (0)
 - Auctions Closing: (0)
 - Vendor Registration Requests: (0)
 - Vendor Modification Requests: (0)
 - Vendor Invite Requests: (0)
 - Demand Aggregation Documents: (0)
 - Demand Aggregation Responses: (0)
- New Discussions:** A table with columns for 'Title', 'Thread', 'Last Post', 'Author', and 'Message'. One discussion is listed: 'M & T Equipment Calibration Services' with a thread of 'Test in Default', last post on 5/28/04 at 4:17 PM (CDT) by Dorian Elliott.
- Other Widgets:** 'Links', 'Master Agreements Search', and 'Currency Exchange Rates'.

Screen shot of the Pantellos OneSource "dashboard" view.

Source: Pantellos Corp.

the contract finalization phase."

Because FPL was already involved in electronic bidding with another vendor, in order to maintain continuity the company wasted no time in implementing the auction module, "so that we did not lose the initiative on auctions for this year." The value of electronic bidding through reverse auctions is the speed of the process compared to non-automated bidding and the ability it provides "to give you a better assessment of true market price." Moving the reverse auctions to Pantellos OneSource accomplished Thompson's goal of having all electronic procurement tools in one place.

Project management tool delivers consistency

Following implementation of the auction module, FPL implemented the project management module. The first step was to modify the system to accommodate FPL's needs, "so that the reports I receive meet my re-

quirements," says Thompson.

"The next step was purely a manual effort on the part of my agents to load all the data into it, and that's a bit of an onerous task from a time consumption aspect. That has occurred over the last two or three months and it has gone well. We're now in the fine-tuning phase. We're structuring the reports a little bit differently and making the reports a little bit more user-friendly, but it's almost there."

The auction module didn't represent a concept change for the 45 to 50 employees in the procurement area, but the other modules in the suite will take some training and a bit of adjustment. However, the benefits of eliminating the paper trail and simplifying the workload are not lost on the procurement specialists, and managers can see that, through the new system, they will have the data they need to get the work done efficiently.

"With any system, you have to change the management aspect associated with it. This has been very well-received because it appears to be a little bit more user-friendly, it's not as awkward as spreadsheets and the data is more consistent. The managers in particular like it because they have a more consistent and a more accurate database."

The project management tool is delivering the consistency Thompson was seeking. "I have five managers who report to me. Previously I got five different views of data and I didn't have a consolidated view. Now I get the same view from each of the managers, plus I have the ability to roll up. I look at one report versus five. For example, if I want to know how many projects I have working where there is a minority vendor being considered, I can determine that information very easily."

As another example, Thompson says, "I have a target for my managers' reverse auctions that they need to do this year. I can go to this database and determine how many reverse auctions are programmed; therefore, I know whether we are on target to accomplish our goal. Also, I have a cost savings target for this year, and this database will tell me what my potential cost savings are in the projects that are in the pipeline."

75% of vendor requests to be automated in 2004

Perhaps the most valuable module in terms of overall time savings and efficiencies is the RFx module, due to the high number of requests that are issued to vendors. This module represents the greatest change to the organization. The tool is used for requests for proposals, information or quotes.

"My goal is that by the end of this year, 75% of all requests will be done electronically. So instead of someone FedExing 15 documents to 15 different suppliers and then receiving replies to that request via FedEx or UPS, that process now has the potential of being done all electronically. Let's say, for example, that we're going to buy transformers. We can send [a request] to all the vendors who supply transformers and they will have all the documentation they need. All they require is a Web browser. And they can go into our request and respond to all elements associated with it. Once the response time has ended, the agent who is working that particu-

lar project can go back into the system and in the matter of a few key strokes get an assessment of the bid, whereas before he or she might have to take all of these responses, sit down with an Excel spreadsheet and fill in data for every vendor. This is all consolidated, and literally with the click of a mouse you can get your bid matrix completed."

Once the RFX tool is fully implemented it will represent a tremendous time and cost savings. "Keep in mind that we source about \$1 billion worth of new requirements annually, and this year we had something like 285 projects," ranging from office supplies to wind turbines. Fuel is the only purchase Thompson's group is not engaged in.

Because Pantellos operates primarily in the electric utility space, it brings added benefits such as the creation of templates for the electronic RFPs, RFQs and RFIs. The templates are helpful, but in some cases FPL is still responsible for modifying them as needed to suit their working conditions.

The Pantellos OneSource solution is a major, transformational undertaking for FPL as the supply chain marches toward greater automation. With three new modules that will impact procurement from this day forward, the procurement team is taking the transformation in stride, considering the heavy training and change-out required by the staff.

"It's been surprisingly less painful than some other ventures we've taken, but it's a big step. With any change you have to answer the question, 'What's in it for me?' Most people see that there is benefit to them in terms of saving time. They also recognize that there's a tremendous amount of work that has to be done in order to get to the point of saving time."

Thompson has his plate full with the project, but he suggests that more electronic solutions are on the horizon. "Right now our view for the year 2004 is to get this system up and running and make sure it's supporting our processes, and to ensure that our processes are what we want them to be. As we go through our planning cycle for 2005, we'll take a look at where we're going to go next. There are some other modules available from Pantellos. The contract management module is one that I'm going to take a look at, [but] I'm not sure we're going to engage that. We still have some work to do on linking this system with a couple of other systems so that we can achieve that end-to-end electronic process. On the front end ... I want to integrate the electronic requisition with our database so that there's a seamless transition between the requisition and the project management tool."

In the meantime, the procurement staff will be busy riding the learning curve. "The system is certainly not perfect. We're learning as we're going through the system. Pantellos is also learning. But so far it's positive. I'm pleased with the decision we made and I think it's going to be beneficial to us for the long term."