



Response to Inventory
Management Services
Request for Information

Submitted by WESCO Distribution

January 8th, 2015



Matt Boggs
Account Executive
630-327-7017
mboggs@wesco.com



WESCO Distribution Inc.
2401 Internationale Pkwy
Unit C
Woodridge, IL 60517

January 7, 2016

Mr. Jason Bird
Rochelle Municipal Utilities
333 Lincoln Highway
Rochelle, IL 61068

Dear Jason,

On behalf of the entire WESCO team, I'd like to thank you for the opportunity to present our abilities to support RMU's Inventory Management program initiatives. Our track record of success and position as the largest supply chain services provider to the utility market support our proposal as the best solution for RMU. WESCO's advantages include:

- **National Scale, Local Support:** WESCO's provides a national branch network of more than 400 locations, including over 50 dedicated solely to supporting utility customers. Regional sales and technical specialists are available to address individual site needs.
- **Cost Savings Opportunities:** WESCO will leverage its industry presence and product expertise to identify and present product savings opportunities to RMU. We will also draw on our past experiences to promote real improvements in process efficiencies.
- **Tested and Proven Emergency Support:** WESCO will provide RMU with an emergency response process that has successfully supported our Utility customers during the most impactful storms like Hurricanes Gustav, Irene, and Sandy. Our team will assist with incident planning, storm material management, and post-storm reclamation processes.

The pages that follow address RMU's specific RFI questions along with supporting documentation.

We look forward to discussing our proposal and discovering additional service opportunities to support your program needs. Please feel free to contact us with any questions or concerns.

Sincerely,

Matt Boggs
Account Executive



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Materials Management

One of the goals of Rochelle Municipal Utility is to reduce inventory. Do you have experience with other clients utilizing the following methods to reduce and subsequently manage inventory? Please describe the results achieved.

- *Inventory Managed Inventory*
- *Inventory Buy Back*
- *Other*

WESCO manages inventory programs for large IOU's such as Exelon, Duke Energy, and AEP as well as municipal and cooperative utilities across the country including Knoxville Utilities Board, CPS Energy, Orlando Utilities Commission, and many others. Additional reference information can be provided upon request.

Vendor Managed Inventory

WESCO is the largest provider of VMI services for the utility market. We support a variety of inventory management services, including both automated remote inventory processing and the VMI bin replenishment process which is typically managed with barcode scanners and line of site re-ordering. Our program designs are sensitive to union environments and offer extensive flexibility.

WESCO VMI programs include:

- **eStock:** WESCO's barcode-driven eStock program is currently used by nearly 400 customers. The ease of scanning individual bins and setting replenishment amounts reduces lead times and limits down times. For integrated supply programs, a key feature of eStock is that it can be deployed to route orders to multiple second tier suppliers without adding any markups or other costs.
- **Vendor Managed Inventory Services:** VMI services involve WESCO personnel actively placing material orders on behalf of our customers through periodic site visits. During that visit there is a review of routine material needs as well as a discussion about special orders needed or upcoming project material needs. The VMI Technician will then transmit material requests for approval and processing for all supplier participants in the integrated supply program.
- **Consignment Inventory:** WESCO has the ability to consign most types of materials and works to identify potential materials that might be most appropriate for a consignment program.
- **Truck Stock Program:** This program would establish open access bins on loading docks for low dollar, high turnover material stocked on line trucks for service work.



Inventory Buy Back

WESCO has participated in buy back programs to help reduce inventory costs for our customers. In general, materials would need to be resalable as new and currently stocked in WESCO warehouses. We are willing to discuss these options with RMU.

Please fill in the following information regarding services:

Services	Willing to perform for customers (Y/N)	Currently performing for customers (Y/N)	How long have you been performing?	Performing in support of Gas Operations, Electric Operations or Both?
Forward Logistics	Y	Y	Since our founding in 1922	Both
Reverse Logistics	Y	Y	Since our founding in 1922	Both
Scheduled Deliveries	Y	Y	Since our founding in 1922	Both
Job Site Deliveries	Y	Y	20+ years	Both
Emergency/After Hours Deliveries	Y	Y	20+ years	Both
Investment Recovery	Y	Y	20+ years	Both
Hazardous Materials	N	N	N/A	N/A
Returns from Storerooms	Y	Y	20+ years	Both
Returns from Job Sites	Y	Y	20+ years	Both
Manufacturer Warranty Claims	Y	Y	Since our founding in 1922	Both
Kitting	Y	Y	20+ years	Both
Pre-assembly	Y	Y	20+ years	Electrical



Services	Willing to perform for customers (Y/N)	Currently performing for customers (Y/N)	How long have you been performing?	Performing in support of Gas Operations, Electric Operations or Both?
Cross Docking	Y	Y	12 years	Both
Purchasing (Transactional)	Y	Y	12 years	Both
Strategic Sourcing	Y	Y	12 years	Both
Demand Management	Y	Y	12 years	Both
Standardization	Y	Y	12 years	Both

Please describe the types of materials that you currently supply.

WESCO is the distributor of choice for utilities seeking North American solutions to their electrical procurement requirements.

Our capabilities include a comprehensive portfolio of sourcing, procurement, materials management, and system-wide logistics services that enable us to assist utilities in optimizing their overall core supply chain processes and minimize total cost.

We supply the core products for the Utility industry:

- Electrical Transmission and Distribution products
- MRO and Consumable materials
- Gas Transmission and Distribution products
- Automation equipment
- Industrial and Construction supplies
- Electrical supplies
- Data and Telecommunications products
- Utility Packaging & Project Management



Rochelle Municipal Utility integrated supply program includes the integrator performing purchasing functions on behalf of Rochelle Municipal Utility pursuant to demand signals. Please fill in the requested information regarding your experience in managing the following materials categories:

Categories	Forecast (Y/N)	Procure (Y/N)	Inventory (Y/N)	Handling (Y/N)	Material Coordination (Y/N)
Pole Line Hardware	Y	Y	Y	Y	Y
Capacitors	Y	Y	Y	Y	Y
Pole Top Switches	Y	Y	Y	Y	Y
MRO	Y	Y	Y	Y	Y
Streetlight mtl	Y	Y	Y	Y	Y
Substation mtl	Y	Y	Y	Y	Y
Transmission mtl	Y	Y	Y	Y	Y
Switchgear	Y	Y	Y	Y	Y
Tools	Y	Y	Y	Y	Y

Information Systems Capabilities

IT Infrastructure

Please provide an overview of your current IT infrastructure.

WESCO’s current business systems consist of a decentralized Point of Sale (POS) system located at each operating facility (branch location) that leverages a centralized back office solution located in the primary data center in Pittsburgh, PA. The centralized back office solution consists of inventory management, financials, A/P, A/R, Email, Data Warehousing, Business Intelligence and Reporting Services. These systems are then connected by a highly redundant MPLS network provided by AT&T. The individual POS systems and the primary data center are additionally supported by



a secondary data center facility that provides for disaster recovery and business continuity scenarios.

Do you utilize bar code technology?

Currently, WESCO provides customized bar coding labels and shipping documents for hundreds of customers around the world and has the capability to provide the barcoding services in accordance with the RFP requirements. WESCO provides labels and barcodes on several of our outgoing documents. These documents can be customized for a variety of specifications based on our customers' needs. WESCO can provide shipping labels at the item, box, and pallet level. All levels can contain bar-coded information as requested. In addition to the shipping labels, we have the capability to label and barcode packing slips. These packing lists contain, but are not limited to, barcodes and detail such as customer part numbers and purchase order reference numbers. A sample barcode is shown below:

PO #  TEST LABEL	DATE: 20110222
	BOX: 1 of 1 QTY IN BOX: 1
CUSTOMER ITEM ID:  123456	Packing List #:  117853 01
SERIAL NUMBER:  AA123456789	WESCO - RALEIGH 3025 STONYBROOK DR. TEST ADDRESS 2 RALEIGH NC 27604
COMMENTS:	

How have you applied technology to provide innovative customer supply chain solutions? Provide specific examples.

WESCO's IT organization includes over 100 employees dedicated to providing automated solutions to a diverse set of customers. The goal is to leverage technology to simplify customer order management and procurement processes. Implementing automation technology to supply chain processes has proven to be a significant contributor to increased efficiencies and quality with WESCO's customers. The IT organization has fully integrated many companies with differing operating systems onto WESCO's enterprise-wide platform. Systems we have integrated include SAP, Oracle, Ariba, PeopleSoft and many others.

The key areas of technology utilization by our customers include:

- **Ecommerce Tools:** buy.WESCO.com
- **Transactions:** EDI, invoicing, ERS, Punchout, XML, customized data transfers
- **VMI Automation:** eStock
- **Inventory Optimization:** Min/max levels, auto replenishment
- **Performance Tracking:** Web-based collaborative portal

Site Matching / Distribution

Geographic

Do you have experiences in serving broad geographic areas? If yes, please describe your experience including the breadth of services provided.

WESCO provides services across North America and internationally. Our network includes nine fully automated distribution centers and approximately 485 full-service branches in North America and international markets, providing a local presence for customers and a global network to serve multi-location businesses and multi-national corporations. This local support backed by a national logistics network will provide RMU assurance of supply and 24/7 support when needed as described below under "Emergency Support".

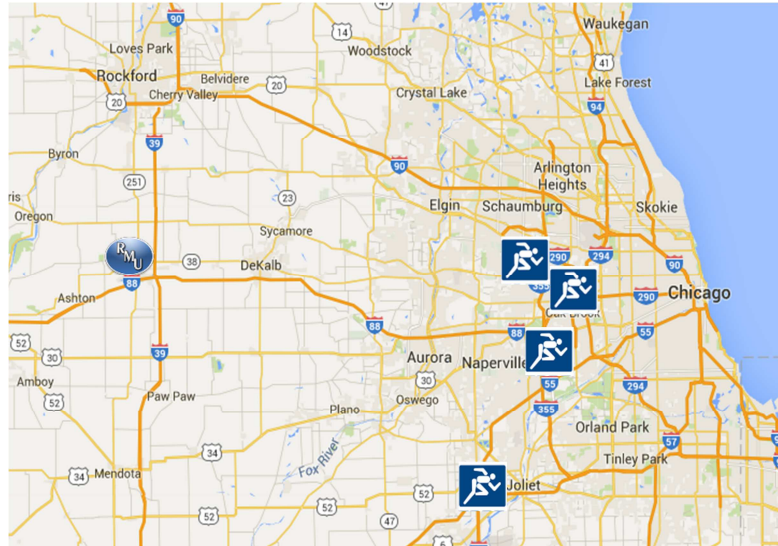
Our capabilities include a comprehensive portfolio of sourcing, procurement, materials management, and system-wide logistics services that enable us to assist utilities in optimizing their overall core supply chain processes and minimize total cost. WESCO's LEAN business process improvement program expertise is available to develop and implement supply chain improvement programs that create value by reducing the total operating cost structure associated with the sourcing, procurement, materials management, and logistics business processes.

Please provide a map illustrating your geographic coverage which identifies your corporate headquarters, regional distribution centers, local branches, etc.

The following maps illustrate WESCO's full North American and our regional networks that would specifically support RMU.



One of WESCO's key advantages is our regional branch network that includes four facilities within 100 miles of RMU:



The proximity of these facilities to RMU will ensure continuity of supply and 24/7 emergency support.

Performance

Performance Metrics

What types of performance metrics have you utilized previously to demonstrate the efficiency of your services? Please include examples of the performance levels you have achieved.

WESCO can provide RMU with daily and quarterly reporting for KPI's as required for the program. Through our Collaborative Alliance Portal described below, RMU can have access to a secure, customizable, web-based platform used to share up to date information about the program. The system is web-based and available 24/7 at RMU's convenience.

WESCO's typical performance metrics include:

- Cost Savings
- Invoice Accuracy
- On-Time and Complete
- Order Accuracy
- Fill Rate
- Safety Compliance

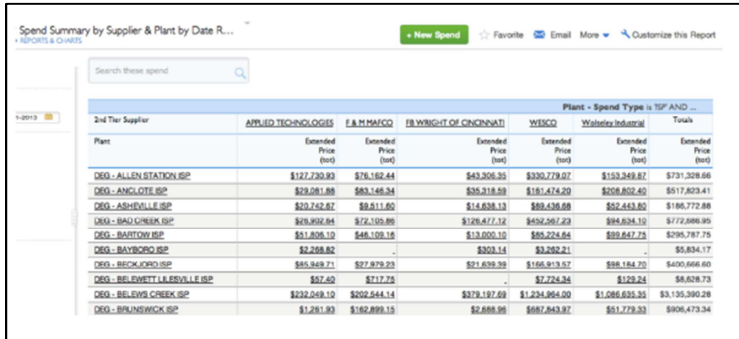
- Local/Diversity Spending

WESCO can customize nearly any report to match the requirements of our program.

Collaborative Alliance Portal

One of WESCO's key differentiators is our Collaborative Alliance Portal (CAP). CAP is a secure, customizable, web-based platform used to share up to date information taken from our systems system and shared online between WESCO and our customers. This system allows 24 hour accessibility to program data to all program personnel. CAP also supports multi-tier supplier reporting and operational collaboration on mutually agreed upon Key Performance Indicators. Most reports are updated on a real-time or daily basis and can be presented in real-time or within timeframes that meet the program's needs and customer expectations.

WESCO utilizes this customer specific site to provide program metrics and results to help standardize reporting and operational requirements for the customer. The end result is a uniformed standard reporting platform streamlining the internal tracking, reporting and supplier management and performance to the customer. The following are some examples of WESCO's CAP:



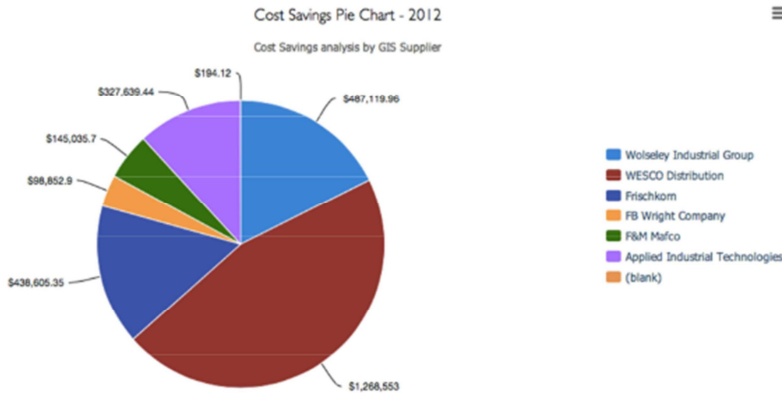
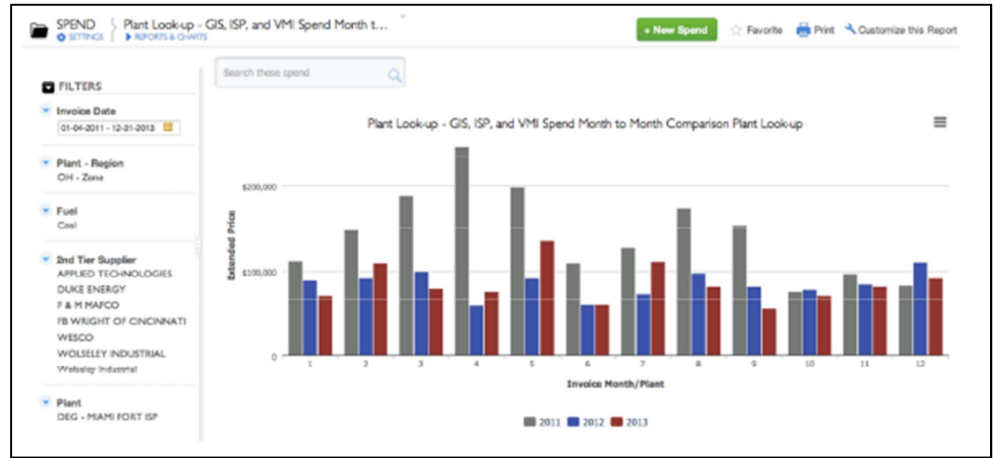
Plant	APPLIED TECHNOLOGIES		F & H MARCO		FB WRIGHT OF CINCINNATI		WESCO		Wolsley Industrial		Totals
	Extended Price (net)	Extended Price (net)	Extended Price (net)	Extended Price (net)	Extended Price (net)	Extended Price (net)	Extended Price (net)	Extended Price (net)			
DEG - ALLEN STATION ISP	\$127,730.93	\$76,162.44	\$43,306.35	\$330,779.07	\$153,349.87	\$731,328.66					
DEG - ANGLOTE ISP	\$29,081.88	\$83,146.34	\$35,318.59	\$161,474.20	\$208,802.60	\$517,823.41					
DEG - ASHEVILLE ISP	\$20,742.67	\$9,811.60	\$14,838.13	\$69,438.68	\$82,443.80	\$186,772.88					
DEG - BAU CREEK SIC	\$29,932.84	\$72,109.89	\$129,477.12	\$452,367.23	\$84,834.10	\$772,886.95					
DEG - BARTTOW ISP	\$51,836.10	\$46,108.16	\$13,000.10	\$65,224.64	\$99,647.72	\$795,787.75					
DEG - BAYBROS ISP	\$2,258.92	-	\$508.14	\$3,269.21	-	\$5,824.17					
DEG - BECK CREEK ISP	\$85,849.21	\$27,879.23	\$27,639.38	\$168,913.52	\$98,184.20	\$400,666.60					
DEG - BELMONT LEBEVILLE ISP	\$87.40	\$717.29	-	\$7,224.24	\$129.24	\$8,628.73					
DEG - BELDOWS CREEK ISP	\$232,049.10	\$202,544.14	\$379,197.69	\$1,234,964.00	\$1,086,633.31	\$3,135,390.28					
DEG - BIRLNEWICK ISP	\$1,281.93	\$162,899.15	\$2,686.96	\$687,843.87	\$51,779.33	\$906,473.34					

Spend by Plant and Supplier (for sub-tier partner programs)

Monthly Facility Spend Summary



Three Year Spend Comparison



Cost Savings

Please describe your experience in delivering year over year savings on the price of materials.

WESCO is committed to driving yearly material cost reductions through product optimization efforts. Product standardization and SKU rationalization are key value creation components in all of our utility alliances. Properly deployed, a standardization and rationalization program can provide significant long term benefits to RMU and stronger relationships with manufacturers. Benefits of a standardization program include:

- Reduced material cost
- Reduced inventory
- Reduced number of single source items

- Improved service levels
- Increased ability to disposition excess or inactive inventory
- Reduced catalog maintenance

The following are ways standardization initiatives help achieve savings goals:

- **New Product Introductions:** WESCO works closely with customers to identify new products that could replace existing, approved products at lower costs.
- **SKU Reduction:** WESCO facilitates the standardization and consolidation of multiple suppliers within product categories.
- **Standardization and Consolidation:** WESCO works with customer Standards and Engineering groups to approve new products that would help us leverage suppliers for better pricing and deliveries.
- **WESCO Resources Support:** WESCO's internal product and supplier management teams are engaged with customers provide the latest product advancements to enhance efficiency and costs.

Inventory Management

Please explain your technical method for establishing an optimized and dynamic customer inventory portfolio.

WESCO employs a variety of inventory analysis tools to maintain high levels of material availability and service levels. We use a combination of the three approaches listed below:

- **Statistical Demand Planning:** WESCO uses a proprietary inventory optimization package called InReCalc. This tool is used to calculate Order Points and Economic Order Quantities for all stocked items. These target inventory levels are updated on a monthly basis, incorporating a two year demand history. InReCalc targets service levels of 95% or greater. The inventory levels of each item vary with numerous factors such as demand variability and lead time, however typically approach 90 days' supply in aggregate.
- **Integrated Forecasting:** WESCO will utilize data obtained from RMU's planning, scheduling, engineering, and procurement groups to assess forward looking demand. Insight into anticipated demand shifts allows us to react with minimal or no service disruption.
- **Network Leverage:** Despite best efforts, unforeseen events occur, such as weather events or urgent projects. In order to mitigate any disruptions that may be caused by these large, unforeseen demand spikes, WESCO can shuffle material from within our national network inventory from branches and

distribution centers. We will also expedite material from approved manufacturers, and identify the availability of functionally equivalent products for potential approval by RMU.

This combination of approaches has proven very effective at managing the highly variable and intermittent demand patterns characteristic of the electric utility industry.

Please describe the current breadth and depth of inventory you are currently managing for existing Electric Utility customers.

WESCO complete inventory management for our utility customers. This includes smaller customized product-specific programs as well as full integrated supply programs. The following is a case study demonstrating our support for a smaller regional electric cooperative:

Case Study: Ozarks Electric Cooperative

Program Requirements

Ozarks desired to have WESCO manage their new warehouse facility, including the ownership of all existing and new inventory with the exception of poles and transformers which were provided by another distributor. Specific program requirements included:

- Transaction automation
- Inventory visibility
- Integrated work order management
- Job-specific material management

WESCO's Solution

WESCO performed an extensive analysis of system requirements and provided a customized integration with Ozarks' NISC system and visibility into key program components, including:

- Inventory Management: WESCO provided visibility into both Ozarks and WESCO inventory and used program data to effectively manage materials to provide expected stocking and product availability levels.
- Work Order Management: Work order (PO) requests from Ozarks were integrated into the WESCO branch systems as inquiries triggering a review process to ensure accuracy and inventory availability.
- Job Material Tracking: Billing data per job was integrated to provide internal account by specific project. Credits for excess job materials were also integrated into Ozarks' NISC system.

Benefits to Ozarks

WESCO's customized integration provides several benefits to Ozarks, including:

- **Automation:** Purchasing and work flow automation through EDI enabled a "hands-off" process for Ozarks and improved inventory availability.
- **Single Inventory Approach:** Both WESCO and Ozarks-owned materials were treated equally in the system eliminating the need for Ozarks' intervention.
- **Job-Specific Tracking:** WESCO's solution provided project-specific material tracking and credits. This gave Ozarks an accountability process for each job.

Sourcing & Purchasing

Warehousing and Logistics

What practices or processes do you utilize to optimize warehousing facilities and reduce warehousing costs?

As a globally successful distributor, warehousing and inventory management are part of WESCO's core strengths. Our North American network of over 400 local branches is supported by eight advanced distribution centers. This network is designed to be flexible to meet the unique needs of our customers with features including:

- Access to local customer service and technical and sales support
- Tailored branch products and services to meet local customer needs
- Multi-site distribution capabilities to large customers and national accounts
- Same-day deliveries to local sites

Additionally, in the past two years, WESCO has established customer-focused DC's in Dayton, NJ and Cerritos, CA in support of customized Integrated Supply platforms with PSEG and Southern California Edison.

Operations

WESCO maintains established standard operating procedures for warehouse operations that meet or exceed industry standards. These procedures include:

- **Receiving, Pick, Pack, Ship:** Processes managed through documented procedures. Metrics in each area are established to drive continuous improvement.
- **Warehouse Labor:** WESCO utilizes established and tested KPI's to model staffing requirement to efficiently manage the work volume. These metrics are established based on the scope of work included within the warehouse (type of material, amount of kitting required, etc.) and are adjusted accordingly as changes in scope occur.



- **Cycle Counts:** Documented operating procedures; all inventory counted twice per year.
- **Customized Labeling:** WESCO provides customized barcoding and labeling on several of our outgoing documents. These documents can be customized for a variety of specifications based on customer needs, including shipping labels at the item, box, and pallet level.
- **Cross Dock Shipping:** WESCO operates cross-docks with many utilities across the country. Services include managing supplier-owned inventory from 2nd tier suppliers as part of integrated supply programs well as receiving and shipping supplemental materials such as repair/replace programs.
- **Safety Program:** WESCO maintains a formal and documented safety program. Our team will also fully adhere to and participate in RMU's safety program.

LEAN Warehousing

WESCO's LEAN Warehousing Program is the most mature LEAN program within WESCO, being continually refined through over 1,000 internal and customer warehouse optimization events. LEAN Warehousing promotes a more organized and efficient warehouse operation by applying lean principles to warehouse organization, storage, layout, processes, and inventory. Some examples of how we apply these principles are:

- Creating a layout to optimize space utilization and storage space accounting for material type, racking/shelving needs, and material handling equipment.
- Incorporating material and labor flow efficiency concepts into the layout design to reduce transportation and motion waste in receiving, processing, and picking of material
- Using visual management and LEAN 5S principles to reduce errors, increase efficiencies, and improve safety.
- Implementing velocity slotting to locate the most commonly used items in the most accessible locations to reduce picking and put away effort.
- Sharing of best practices observed from WESCO's 1,000+ LEAN Warehousing events.
- Assist in setting up KPI's to measure warehouse productivity for performance tracking and identifying improvement opportunities



How long does it typically take your company to establish a new facility to service a company the size of Rochelle Municipal Utility?

New facilities can generally be established within 90 days of contract execution. However, WESCO maintains local established facilities to support RMU so we do not expect to implement a new warehouse to support this business.

What practices or processes do you utilize to optimize your logistics program and employed assets?

To optimize our logistics programs, WESCO's corporate transportation department uses route optimization software for planned, recurring delivery runs. The overall transportation model will include additional capacity to accommodate urgent shipments, job deliveries, and other non-recurring delivery requirements.

To support these routes, WESCO uses equipment selection criteria based on projected customer volume, type of product, and characteristics of the given route. We use a combination of owned vehicles (from tractor/trailer to small pick-ups) with WESCO employed drivers to support customer requirements. We supplement this with agreements with national transportation carriers and suppliers of contract drivers.

Describe your logistics processes for providing emergency and storm restoration support?

As described in the "Emergency Response Support" section below, providing storm response and disaster recovery assistance is one of WESCO's core competencies. Our advantage is the ability to leverage resources from across our national network sending drivers, trucks, material, buyers, and warehousemen to the point of need quickly and efficiently.

WESCO works closely with our customers to develop a customized emergency response plan including planning, logistics, and restoration procedures to ensure superior support before, during, and after the incident. We have provided an example of our standard Emergency Response Plan for review. Please see the attached file, "WESCO – Emergency Response Plan".

Quality Management

Quality Program

Please describe the program and processes you have in place to manage material quality and integrated supply management process integrity.

WESCO's Quality System is documented and establishes WESCO procedures for:

- document control

- management review
- personnel training
- supplier evaluation
- measuring and monitoring equipment
- customer satisfaction
- operations review
- control of nonconforming product
- corrective and preventive action

WESCO strives to be a high-performance organization delivering a competitive advantage to our customers through innovative product solutions and value-added service, and continually improving as a world-class distributor through partnerships with our suppliers. We expect to achieve these goals through the consistent application of the processes documented in the WESCO Instruction Manual (WIM), a commitment to independent auditing for process compliance, and through the use of our continuous improvement program, LEAN.

In pursuit of these goals, WESCO focuses on the following four main objectives:

Process Documentation through our WIM

- The WIM is a controlled document system consisting of the basic operating tools for process implementation. It serves as a quick reference of work requirements for customer-related tasks and internal procedures.

Process Compliance through Internal Auditing

- Our internal audit process is independent of operational management and performs objective reviews and appraisals of the internal control environment.
- Compliance is monitored and reported for each key control and location.
- Daily audit test counts are performed to ensure inventory accuracy
- Physical audits of outbound shipments to ensure shipment accuracy

Continuous Process Improvement through the LEAN ZDI (Zero Defects Initiative)

- LEAN ZDI addresses operational and administrative business processes applicable to all Operating Groups, with a primary focus on branch operations.
- LEAN ZDI's mission is to simplify and error-proof processes to improve efficiency and internal control compliance through the application of LEAN methodologies.
- This Initiative addresses IT- related issues and serves as a liaison between operating units and information systems.

Process Performance Measures through the Balanced Scorecard

- The Balanced Scorecard is a sequence of metrics that allows business leaders to quantify, deploy and measure the results of strategic business initiatives.

- The Scorecard offers a holistic view of our business and encompasses three broad perspectives:
 - ✓ financial results
 - ✓ customer service
 - ✓ internal operations

Describe your material receipt inspection process.

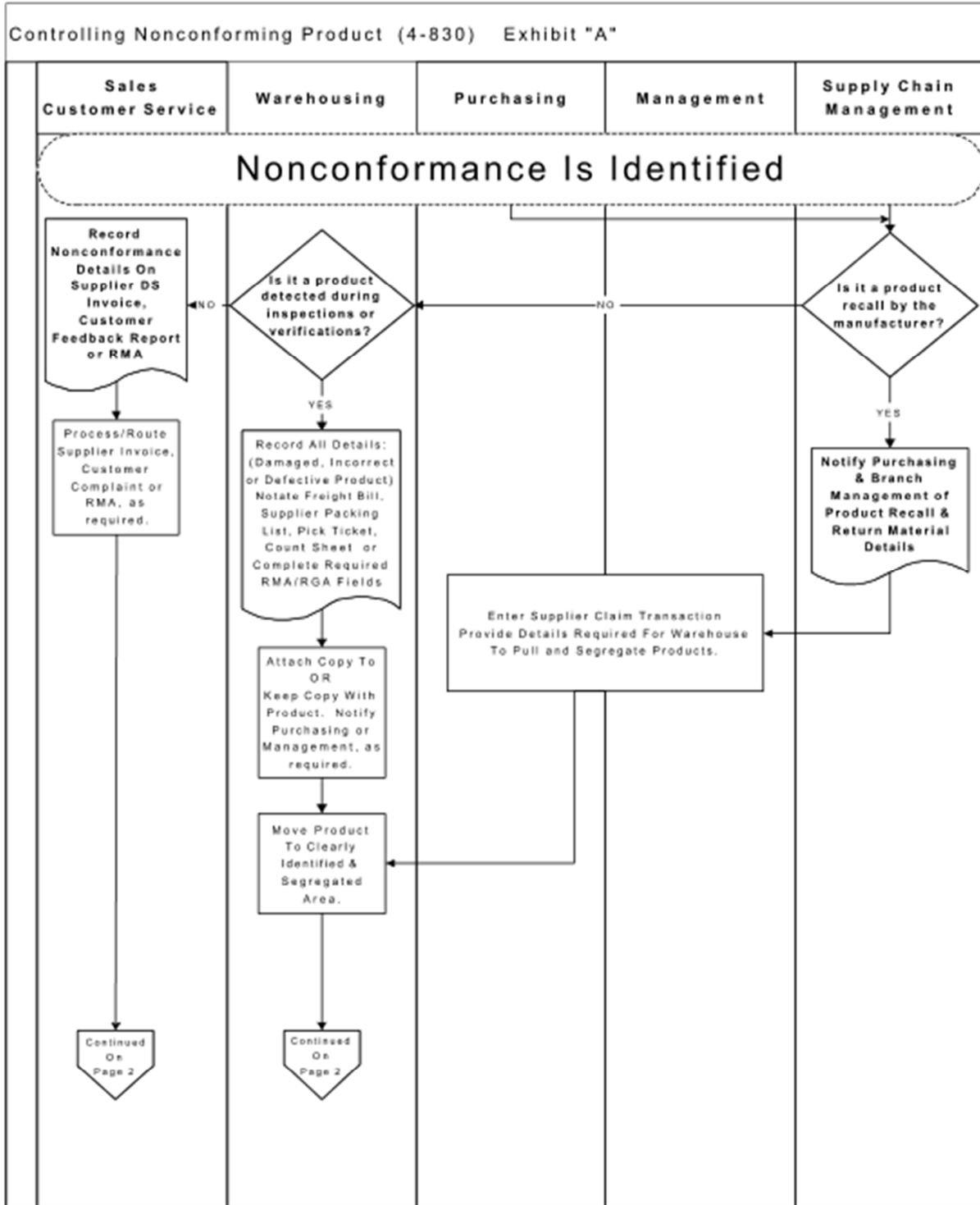
WESCO's material receipt process is focused on performing a thorough review of products received to ensure the right product was shipped and was received undamaged. Our general process is as follows:

- Read and review freight bill for any special instructions from the shipper.
- Review shipments received and compare listed number of skids, boxes, etc. versus the included bill of lading from manufacturer.
- Note any shortages or overages on the bill of lading signature sheet and contact shipper for resolution.
- If obvious package damage is present, make note on bill of lading and inspect package

Describe how your company resolves identified material defects.

WESCO's non-conformance process is as follows:

1. Receive Customer Non-Conformance Notice and Identify Interim/immediate action regarding product replacement
2. Issue RGA/RMA to Customer and Ship replacement Material or Register Service Non-Conformance in Customer Feedback System
3. Inspect/Segregate Material in Non-Conforming Area and prepare return claim to Manufacturer or Evaluate/Correct Service Issue
4. Determine w/ Customer if additional Corrective Action Process is required
5. Initiate Corrective Action w/Product Manufacturer or Internal WESCO Service team.



Governance

What is your company's approach to providing governance and oversight to an engagement with a company the size of Rochelle Municipal Utility?

Utilizing our experience with multiple integrated supply programs, WESCO has created an Alliance Management Program to service our most strategic customers. For each customer, we deploy a service model which allows us to meet our contractual commitments while providing the best possible service to supply chain and the operation. This program consists of seven Alliance Management Principles and three Core Operational Components which create the framework from which a successful integrated supply program can be run.

Principles of Alliance Management

1. Do what we say we will do - meet or exceed our customer commitments everyday
2. Earn the right every day to be a preferred supplier for our customers
3. Measure and Report our performance
4. Drive continuous improvement and innovation across the supply chain
5. Leverage all WESCO and supplier resources and capabilities to deliver value to the customer
6. Make supply chain's customer our customer
7. Build long term customer relationships and sponsorship based on trust, respect, and demonstrated value

These principles are the basis from which we manage our Alliances and are exemplified in WESCO's ability to win and maintain Integrated Supply relationships with Utility customers. Each Alliance employee is expected to perform to these principles and they are communicated and managed by our leadership team.

Core Operational Components

There are four Core Operational Components to managing a successful Alliance:

- Creation of a Dedicated Alliance Leadership Team
- Engagement of Key Customer Contacts
- Deployment of Alliance Program Committees
- Consistent Reporting

This structure integrates best practices, experienced personnel from existing programs, and investment in new strategic resources to provide the highest possible service level to the enterprise.

Third Party Contractor Support

Material Supply

Describe your experience for providing material and logistics support to third party construction contractors that are performing work for a Utility customer.

WESCO's Project Services team provides material management and logistics services for specific projects and clients from base locations including right-of-way, warehouses and marshaling yards. Logistics services include key elements comprehensively modeled for each opportunity and tailored to the unique requirements of each project and customer.

The following is WESCO's solution set for supporting major construction project initiatives. Each of these solutions is described below, including recent reference projects where the solutions were applied.

1. **Job Site Bin Stock:** Manage the material that is pre-positioned in a suitable container near the construction site or where the installation is being performed.
 - Pods (Duke)
 - Substation parts Trailer (Progress)
2. **BOM Validation:** Review and validate the form, fit and function of the customer's BOM and take-off against the electrical drawings and material specifications as well as the mechanical integrity of the installation through a detailed fit-up process
 - CREZ-Lonestar (Owner = NEXTERA; Customer = IRBY / QUANTA)
 - Central Maine Power (Owner = Iberdrola; Customer = LE Myers / MYR)
 - Trenton, Salem, Hope Creek, Lawrence, Lumberton, Thorofare, Pleasant Valley & New Freedom Substation Upgrades (PSEG)
3. **Material Take-off:** Create a detailed BOM based on a one line electrical drawing (substation & URD), staking sheets, plan & profile drawings (transmission & OH distribution) and in accordance with the customer's specifications and standards. Potential alternatives are identified and submitted for customer evaluation.
 - Blue Creek Wind Farm (Owner = Iberdrola; Customer = Par / QUANTA)
 - 765kV Rolling Hill (Owner = AEP; Customer = Dynegy)
 - N. Madison 345kV (ATC)
4. **Project Material Requirement Management:** WESCO's Remote Project Management (RPM) tool is a collaborative project management platform, designed to aid in the development of BOMs and manage drawing so that work can be released and scheduled to multiple providers on a large construction project.
 - IGCC (Duke): WESCO has processed over 2,500 drawings and material take-offs using RPM on this Duke owned project.

5. **Project Material Sourcing:** Leverage WESCO's sourcing strategy to drive additional cost savings due to incremental project spend and meet specific project requirements – milestones and budget.

- Northeast Grid Reliability (PSE&G)
- Central Maine Power (Owner = Iberdrola; Customer = LE Myers / MYR)
- CREZ-Lonestar (Owner = NEXTERA; Customer = IRBY / QUANTA)
- All WESCO High Voltage Project Packages

How do you track and report the consumptions of materials by individual third party construction contractors?

WESCO tracks transactions through our Sales Order Management (SOM) process which captures the requirement per customer purchase, release or bill of material. Material status and transactions through SOM are captured as they occur and are systematically updated as those events change the status of those materials. Each transaction is driven by a documentable action such as manufacturer acknowledgment, quantity or price revisions and invoice. Utilization of the SOM enables WESCO to trace the progress of material usage through completion of line item deliveries and ultimately, project completion. Concurrently, WESCO's Inventory Management process captures material movement from receipt to shipment with documented title transfer mirroring the systematic receipt and release of inventory as it occurs. Each of these core systems and their supporting processes ensure finite material traceability throughout their life cycle as they transact to the project.

Emergency Response Support

Emergency Response Support

Rochelle Municipal Utility requires emergency restoration support to assist with Logistics functions such as manning staging sites and assisting with expediting material replenishment.

Provide an overview of you emergency response capabilities.

WESCO provides 24/7 access to a highly motivated resource team that has successfully supported restoration events for events such as ice storms, hurricanes, heat waves, fires, wind, tornadoes, snow storms, and other disasters.

Emergency Response Process

WESCO implements customized storm support programs based on the best practice principles learned from our extensive past experience. WESCO's procedures include the following:

Incident Planning and Training

WESCO will take an active role in facilitating annual incident planning and storm drills as required. The focus of this training will be developing:

- accurate material lists of “must-have, never-out” items to streamline the procurement timeline and minimize waste
- staffing plans to provide the resources necessary to support the storm response
- logistics models to understand where products and services need to be provided

Once the storm support plan is finalized, it will be reviewed and modified each year. Please Appendix 1 for a sample emergency response plan.

Storm Material Management

In the event of an emergency, inventory required beyond any dedicated storm stock will be procured from other sources in the following order:

1. Supplier inventory
2. Locally-based inventory
3. Branch network inventory
4. WESCO Utility Group storm stock
5. Other utility customer inventory

WESCO will maintain a complete cross-referenced list of customer-specific storm items identified from inventory of other customers served by WESCO. This list is updated 24 hours prior to the event and then updated daily during the incident.

WESCO normally implements the following incident response material management process:

- **96 Hours Prior to Event:** The WESCO Alliance Manager and supply chain team reviews the storm’s projected path to identify a similar storm model to use as a guide when providing orders for additional materials to manufacturers.
 - Storm material is ordered from suppliers
- **48 Hours Prior to Event:** WESCO and the customer’s supply chain team adjust storm orders as needed based on the current storm model.
 - National stock lists are populated
- **Event:** WESCO coordinates with the identified staging areas to determine any material needs.

WESCO can provide prepackaged storm pallets as part of our support plan. These pallets will be made in advance and stored in an area to be used only in the event of an emergency. Our storm pallet response procedure is as follows:

- **96 Hours Prior to Event:** WESCO and customer representatives work to identify potential material staging areas based on projected path of the storm.
- **48 Hours Prior to Event:** WESCO pulls all storm pallets from inventory and loads them on trucks to prepare for shipment.

- **Event:** WESCO ships pallets to the identified staging areas for receipt within 12 hours. WESCO begins the process of pallet replenishment in the event a second shipment is requested. This process will continue until restoration is complete.

Reclamation Process

WESCO understands the difficulty in accurately predicting the quantities of storm items needed to service a storm and fully realizes that material will be returned after the storm is over. WESCO will commit additional resources to assist in the return of material back to inventory.

Provide specific examples of emergency response support activities and experience with your Integrated Supply partners.

The following are examples of events that demonstrate WESCO's storm support capabilities:

Hurricane Sandy

In late October, 2012, Hurricane Sandy became the largest storm ever to hit the United States impacting 24 states and more than 14 IOU's. WESCO enacted pre-storm preparations that included readiness calls and local branch preparedness checklists. More than 60 WESCO employees were involved in the restoration process with 30 deployed to affected areas to be the front line liaisons for product and service needs. 20 local branches and WESCO's corporate sourcing teams provided around the clock support for our customers across the northeast.

Hurricane Irene

In Aug. 2011, Hurricane Irene caused millions of power outages on the east coast. WESCO local Utility branches started storm preparation in advance through daily "pre-storm" readiness calls, expediting existing supplier orders and ordering additional storm specific material for our Northeast branches. The Utility Group had 20+ first responders on call, ready to assist where possible.

Hurricane Gustav

In 2008, Hurricanes Gustav and Ike hit the Gulf Coast, challenging our customers to meet the needs of thousands of customers. WESCO deployed first responders before the Hurricanes made landfall. Local branches were fully staffed with employees and additional first responders while corporate staff was on call to aid in procurement and service requirements.

Additional Value-Added Services

LEAN Value Creation

WESCO utilizes LEAN Value Creation (LVC) as a continuous improvement program to identify process improvements and other value creation strategies. This program focuses our LEAN resources on specific optimization projects to achieve immediate and substantial results. LEAN has been applied internally since 2003, and has led to an industry leading low cost operational expense as benchmarked by the industry association, NAED. In 2005, WESCO began deploying LEAN externally, as a value add service to our customers. This process has yielded tens of millions of dollars in productivity, operational, and working capital savings to our customers.

From a relationship management perspective, WESCO provides a structured program management program that focuses on dedicated resources along with frequent and open communications with our customers.

Applying LEAN Methodology

WESCO utilize LEAN Value Creation (LVC) business practices in all aspects of our support for customer programs. Our strategy is to utilize input from the local management team and WESCO resources from across the enterprise to share and create best practices. These customer facing teams are supported by dedicated LEAN resources to provide incremental process improvement savings for our clients. Our initial recommendations for deploying LEAN practices with customers usually include:

- **Value Stream Mapping:** This process maps various internal processes to help identify potential improvements in process flow.
- **Sustainability Opportunities:** WESCO assists in identifying sustainable and green opportunities that will reduce waste and lower costs.
- **LEAN Warehousing:** Our team assists in the material storage layout, business process design, and material handling equipment specifications to increase efficiencies.

In our experience, these opportunities are best reviewed and discussed through mutually agreed upon meetings and committees that convene regularly for the benefit of supply chain personnel, field operations, and WESCO. All opportunities and approved LVC events are managed and captured on the WESCO Collaborative Alliance Portal.

Project Services

WESCO's Project Services team provides material management and logistics services for specific projects and clients from base locations including right-of-way, warehouses and marshaling yards. Logistics services include key elements comprehensively modeled for each opportunity and tailored to the unique requirements of each project and customer.



Diversity

WESCO has a national supplier diversity program that includes over 3,600 suppliers, all certified as MWBE in their trading areas. WESCO works with numerous utilities, governmental agencies, and other diversity-seeking businesses (all being our customers) to increase the percentage of diversity spend for materials and services procured through our systems, reporting all such purchases on a monthly basis per customer.

When given specific diversity KPIs, WESCO has proven capable of hitting much higher spend targets depending on the mix of products under contract. In the case of WESCO's integrated supply contract at Duke Energy, we regularly attain the 13% KPI for diversity. At Exelon, WESCO developed a 100% diversity led program by acting in a second-tier role to a diversity supplier.

Sustainability

WESCO is actively working with customers and suppliers to reduce environmental impacts, and offers a number of products and services to help our supply chain become more sustainable. WESCO offers thousands of energy efficient, renewable energy, and sustainably manufactured products through our Sustainability catalogs. WESCO also offers a suite of sustainability services through our Value Creation Program, from commissioning and energy assessments to power factor correction and hazardous waste reduction and recycling. Finally, WESCO's Integrated Supply Model often results in reductions to our customers' energy consumption and environmental impact by helping customers consolidate shipments and rationalize inventory. This in turn reduces fleet fuel use and facility energy consumption through a more efficient procurement system.

Safety Program

The safety, health, and well-being of employees are of major importance to WESCO. We believe that each individual working within the company desires to have a safe and healthful working environment and accepts personal responsibility for their safety and the safety of others. To assist all employees, our company provides training programs and sufficient resources to assure protection of all individuals, company materials, equipment, and facilities.

Within company operations, safety is a part of every job and we believe that every job can and must be done safely. Safety is considered equal in importance to productivity, quality, cost, and personal relationships.

WESCO's Health & Safety statement is included below. Our Health and Safety Plan (HASP) includes three major sections, and an Appendix. Each section serves a unique purpose. The following is a brief description of each section:



Section 1 - Health and Safety Management

This section establishes lines of authority, responsibility, accountability, and general employee safety training guidelines. It also contains guidelines for establishing safety program goals, the corporate safety commitment, and discusses the use of safety metrics to benchmark specific performance indicators.

Section 2 - Recommendations for Safe Work Practices

This section establishes operational safety objectives and expectations. It contains individual safety programs and recommendations for addressing unsafe conditions, behavioral based safety hazards, and regulatory safety compliance.

Section 3 - Contract Safety and Health Compliance Program

This section addresses compliance and best practices in the application of meeting external contract compliance requirements.

Appendix

This Appendix includes safety reference materials, forms, document templates, and safety checklists. along with the table of contents for the WESCO Health & Safety Program.

A copy of the entire program can be provided upon request.

WESCO Health and Safety Policy Statement

It is the policy of WESCO Distribution Inc. that injury and illness prevention shall be considered of primary importance in all phases of operations and administration.

It is the intention of WESCO Distribution's management to provide safe working conditions and to establish and insist upon safe work practices at all times and by all employees.

The prevention of injury and illness is an objective affecting all levels of the organization and its activities. It is therefore, a basic requirement that each supervisor make the safety of employees an integral part of his or her regular management function. It is equally the duty of each employee to accept and follow established safety regulations and procedures.

Every effort will be made to provide adequate training to employees. However, if an employee is ever in doubt on how to safely complete a task, it is his or her responsibility to ask a manager or qualified co-worker for guidance.

Employees are expected to assist management in injury and illness prevention activities. Unsafe conditions, behaviors, and injuries must be immediately reported to management.

Work place safety is a shared responsibility by all WESCO employees. If each employee does his or her part, all will share in the benefit of a better place to work.



Appendix 1 – Sample Emergency Response Plan



Purpose

To provide a plan of action to obtain and deliver products and services for WESCO to our Utility Customers in the event of a natural disaster or as required by an occurrence unique to our Utility Customers.

Personnel

During normal business hours, the staff shall be tiered for assistance to the Utility Customers. If the scope of the customer requirement is beyond normal assigned staff, additional staff shall be re-assigned from other duties to a WESCO utility support team.

Staff shall be available during non-business hours to provide access to WESCO warehouses within one hour of first contact from the Utility Customer. An Emergency contact list shall be maintained which will include contact numbers for each employee (attached at the end of this document). In the event of an emergency, the Utility Customer's **first point of contact shall be the Account Representative or Alliance Manager**. The Account Representative or Alliance Manager will then contact the Operations Manager and/or Branch Manager to facilitate whatever is necessary to meet the Utility Customer's needs.

WESCO has developed an emergency plan with its employees that will include the following actions:

- If the storm is predicted, we will reserve local hotel rooms for key employees to ensure they will be able to get to work safely
- All available personnel will be on-call for the duration of the storm
- Those with four-wheel drive vehicles will act as pick-up and drop off personnel for other employees who are unable to safely get to work.

Facilities

Our facilities are equipped with backup generators which are able to run our telephone and computer systems in the event of a loss of power. Likewise, all of our key employees have cellular phones that will be available for use during an emergency.

Local Branch Inventory

Inventory shall be available to Utility Customers as requirements dictate. In the event of emergency, Alliance and Blanket customers will have priority access to inventory in the branch warehouses as well as other inventory that WESCO can acquire.

WESCO Regional Inventory

WESCO maintains an excellent base of utility inventory on a regional basis. Inventory is transferred between branches on an actual cost only basis.

WESCO Distribution Centers

Utility and MRO products are stocked in depth at WESCO's Distribution Centers.

DC Locations

Warrendale, PA

Byhalia, MS

Sparks, NV

WESCO National Inventory

In addition to local, regional and distribution center inventory, WESCO's 400+ branches are connected through EDI with inventory levels available instantly. An emergency contact list is also maintained for each of these branches.

Manufacturer's "Storm Stock"

Many utility product manufacturers maintain emergency or storm stock inventory. This is normally available on a premium freight (air) basis. WESCO maintains an extensive, up-to-date contact list for these manufacturers for both normal and off-business hours.

Delivery

As demonstrated in previous storm emergencies, the biggest opportunity to provide excellent customer services was the transportation of material. Because of this, the below proposed emergency tier has been established. WESCO shall make available its delivery vehicles with qualified drivers to the best of our ability. Following is a tiered list of delivery options, based on the ability to control the flow of the material. Left off the list, but relevant is the Utility Customers' ability to pick-up material at our branch location if possible.

Delivery Method Tier for Storm Situations

- 1) Current WESCO Drivers and Trucks
- 2) Reliable Contract Carriers or Expedited Courier service
- 3) Reliable LTL carriers that will guarantee service
- 4) Current WESCO Employees in a rented truck (such as U-Haul or Ryder - must be under 10K lbs.)
- 5) Borrowed WESCO Drivers and trucks from other branches

If you have special needs or would like WESCO to provide emergency trailers, set-up storm stock, or provide any other service, please contact your Account Representative or Alliance Manager to get a quote of our diverse capabilities.

Price

Customer pricing shall be consistent with contractual obligations or normal utility price levels. Additional freight charges or manufacturers' surcharges shall be identified as a separate item and shown on each invoice, if applicable. Items deemed to be acceptable alternates (if the supply of currently approved items is exhausted) will be provided if possible at a reasonable mark-up, based on the preferred item's existing sell price.

Labor

During major storm events in the past, WESCO has been asked to provide labor to assist customers in their storm restoration. WESCO is able to pull employees from around the country to build a storm response team that will fit the Utility Customer's needs and offer expertise in several areas including materials management, warehousing, transportation, and operations. The cost for labor services is often based on a blended labor rate plus mark-up, overtime, and the associated travel expense.

Storm Lists and Alliance Spreadsheets

Several WESCO locations have weathered large outages in the recent past, and one overwhelming fact comes to light during each storm. Having current customer part number information, acceptable alternates, and local inventory will mean the difference between success and failure. Below are some things that should be discussed, executed, and maintained throughout the year to prepare for a possible storm:

- 1) Provide WESCO with a current spreadsheet on your preferred material and usage.
- 2) Work with your Account Representative or Alliance Manager to identify items that you consider "storm stock". We have the ability to flag these items in our procurement system to ensure we keep specific quantities during peak storm seasons.
- 3) Work with your Account Representative or Alliance Manager to identify sole source items. During a storm event, the sole source items can be problematic and efforts should be made to identify and approve alternate items.

WESCO Internal Communication Plan

WESCO uses our past storm experience to develop a proven internal communication plan to keep everyone working together and efficiently during storm emergencies.

Once we are in storm mode, internal conference calls will be set up at **9:00 AM and 1:00 PM daily**.

1. There will be an additional conference call for the local management teams at 5:00 PM to recap the day's events and discuss immediate plans/issues for the next day.
2. The Utility Group team located in our Pittsburgh Corporate Office will participate in our calls and provide additional assistance as required.

Outline of the Conf Call Prior to the Storm

1. Operations – update on facility, staffing, transportation preparedness as outlined by the Region Storm Plan.
 - a. To do's for before the storm hits
 - b. Plan for during the storm
 - c. Plan for immediately after the storm – when do you expect the branch to be operational again?

2. Sales Team - clear communication with the Utility Customers regarding the point of contact information
 - a. Feedback from Utility Customers and what are they doing to prepare.
 - b. *Are there any scheduled Utility Customer/WESCO conference calls?*
 - c. What type of reporting will be necessary during the storm? Who, What, Where and When
 - d. Where will the Sales person be?
 - e. Do we have a list of storm stock for Alliance and key customers?
3. MMP (Materials Management & Procurement) – Branch inventory status, on order status and B/O status
 - a. Specific material issues
 - b. Feedback from suppliers
4. Create any necessary action items based on the above communication.

Outline of the Conf Call During the Storm

- Operations – update on facility, staffing, transportation status.
 - Facility
 - Staffing
 - RECEIVING – operating hours
 - Shipping
 - Transportation
 - HOT items (must be received and shipped ASAP after they arrive)
 - Needs (labor, trucks, food, cash, ect)
- Sales Team - clear communication with the customers regarding the point of contact information
 - Feedback from customers and how our storm response is so far.
 - Are there any scheduled Utility Customer/WESCO conference calls?
 - Where will the Sales person be?
 - HOT items
 - Needs
- MMP – Branch inventory status, on order status and B/O status (creates a starting point)
 - Specific material issues
 - Feedback from suppliers
 - HOT items and when they should arrive.
 - Information needs

Create any necessary action items based on the above communication

WESCO Utility Customer Communication Plan

WESCO's Utility Customer communication method is flexible based on specific Utility Customer needs:

1. We have found it advantageous to have the Account Representative or Alliance Manager on-site with the customer during a large event. While not always possible, it does streamline the communication and problem resolution between the local branch and the customer.
2. When appropriate, it is helpful to have WESCO representation on customer conference calls pertaining to inventory and/or operations. In lieu of participating on the customers internal conference calls, the Account Representative or Alliance Manager may schedule other calls to get the information that WESCO needs to provide excellent customer service during the storm event.

Example of Internal WESCO Branch Storm Readiness Checklist:

Storm Plan Actions

5 Days Ahead

- 1) Order flashlights
- 2) Order batteries from WDC
- 3) Collect all updated phone numbers for Manufacturers and freight carriers
- 4) Run inventory reports and compare to customer's storm stock items
- 5) Send out emergency contact numbers to all Utility Customers who may be affected
- 6) Get updated emergency contact information from Utility Customers
- 7) Run full test on generator(s).

4 Days Ahead

- 1) Review all storm related inventory and have MMP place orders for material
- 2) Fill up gas cans for generators. Gather all extension cords
- 3) Contact emergency carriers to assure we have adequate trucks and drivers available
- 4) Rent additional fork lifts if necessary
- 5) LP tanks filled

3 Days Ahead

- 1) Run 373 stock status reports
- 2) Run 473 open order report
- 3) Collect all manual tickets
- 4) Fill up fuel tanks on truck
- 5) Rent additional trucks, if necessary. Remember to only rent trucks that we have a **qualified** driver to operate.
- 6) Plan with employees as to report to work and when. Do not assume cell phones will work right after a storm, some give you employees specific direction and expectations on when and where they should show up for duty. Note: with a large storm, typically the day after the storm is slow as the utilities assess what the extent of the damage is. Staff the branch, but use this lull to allow employees to take care of personal issues and secure personal property
- 7) Reserve hotel rooms for employees from out of town
- 8) Operations manager should make an effort to get enough cash to cover several days of food/beverages for the crew in case the ATM system is not up and running.
- 9) Charge electric forklifts and order pickers
- 10) Secure temp labor if appropriate
- 11) Contact Tracy Fye to remove weekend limits on gas cards if necessary.

The following is WESCO's solution set for supporting major construction project initiatives. Each of these solutions is described below, including recent reference projects where the solutions were applied.

6. **Job Site Bin Stock:** Manage the material that is pre-positioned in a suitable container near the construction site or where the installation is being performed.
 - Pods (Duke)
 - Substation parts Trailer (Progress)
7. **BOM Validation:** Review and validate the form, fit and function of the customer's BOM and take-off against the electrical drawings and material specifications as well as the mechanical integrity of the installation through a detailed fit-up process
 - CREZ-Lonestar (Owner = NEXTERA; Customer = IRBY / QUANTA)
 - Central Maine Power (Owner = Iberdrola; Customer = LE Myers / MYR)
 - Trenton, Salem, Hope Creek, Lawrence, Lumberton, Thorofare, Pleasant Valley & New Freedom Substation Upgrades (PSEG)
8. **Material Take-off:** Create a detailed BOM based on a one line electrical drawing (substation & URD), staking sheets, plan & profile drawings (transmission & OH distribution) and in accordance with the customer's specifications and standards. Potential alternatives are identified and submitted for customer evaluation.
 - Blue Creek Wind Farm (Owner = Iberdrola; Customer = Par / QUANTA)
 - 765kV Rolling Hill (Owner = AEP; Customer = Dynegy)
 - N. Madison 345kV (ATC)
9. **Project Material Requirement Management:** WESCO's Remote Project Management (RPM) tool is a collaborative project management platform, designed to aid in the development of BOMs and manage drawing so that work can be released and scheduled to multiple providers on a large construction project.
 - IGCC (Duke): WESCO has processed over 2,500 drawings and material take-offs using RPM on this Duke owned project.
10. **Project Material Sourcing:** Leverage WESCO's sourcing strategy to drive additional cost savings due to incremental project spend and meet specific project requirements – milestones and budget.
 - Northeast Grid Reliability (PSE&G)
 - Central Maine Power (Owner = Iberdrola; Customer = LE Myers / MYR)
 - CREZ-Lonestar (Owner = NEXTERA; Customer = IRBY / QUANTA)
 - All WESCO High Voltage Project Packages