

Energy Future Holdings



EFH
Business
Services



SUPPLY CHAIN POLICY AND PROCEDURE GUIDE

Updated: February 13, 2015

Document Version: 1.83

Document Status-**Draft**

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Comments and Questions about this Guide

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Using Hyperlinks to Navigate in the Supply Chain Policy and Procedure Guide

You can move about the Acrobat PDF file using these hyperlinks:

- Bookmarks in left pane (follows table of contents)
- Table of Contents hyperlinks in body of the document
- Hyperlink to term explained in the glossary (for example, [8\(a\) Firm](#))
- Cross-reference to appendix section (for example, see [A01-Equipment Criticality, Spare Parts, and Critical Codes](#))

Revision History

The Revision History records the changes made to the policies and procedures in this guide. New policies and procedures are inserted, some deleted, and many procedures have changes. Some terminology is removed in favor of using more current terms. For example, [Item](#) replaces *TSN* for unique inventory item identifiers.

Supply Chain Policy and Procedure Guide Information

Updated: February 13, 2015

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Author: Steve Smith

Document Conventions

Language and Formatting Conventions

Throughout this document, the Company uses specific language and formatting to alert the reader. This table summarizes the document format and language conventions used.

Convention	Meaning
Document Format	
<i>italics</i>	Used for titles of specific policies, procedures, forms, or reference documents. Also used to emphasize text in place of quotes.
Blue underlined text	Hyperlink to the definition of a term in the glossary. For example one type of a diverse firm is an 8(a) Firm .
Blue italicized and underlined text	Hyperlink to a more extensive explanation of a concept that provides added information or criteria about a policy or procedure. For example, the Using the SC Policy and Procedure Guide link provides you brief procedures to use this online guide effectively.
Text Annotations	
(XXXNN)	Denotes a step number within a procedure. The short xxx prefix is usually the acronym of the procedure's name. For example, RTV for Return to Vendor.
[group]	Name of the organization [Materials management] responsible for performing this procedure step
{decision}	Denotes a decision {Item value>\$1500} applicable to this procedure step.
Language	
will	<i>Will</i> reflects the Company's commitment to a specific position or action.
shall	<i>Shall</i> reflects an action or procedure step the Company enforces using one or specific actions described in the Compliance subsection.
Compliance	Procedure subsection that describes how the Supply Chain team would prove to auditors that we adhere to the written procedure.
Active voice, present tense	The guide describes all policies and procedures using present tense (procedures done today!) and uses active voice writing.

Instructions for Viewing the Supply Chain Policy and Procedure Guide

This introductory section to the document provides you with a brief set of procedures to help you navigate the online version of this document. The hyperlinks (see [Using the SC Policy and Procedure Guide](#)), the Acrobat® Reader full-text search feature, and page range printing function helps you use this guide as:

- An online help tool to find answers fast to specific questions
- A reference that contains detailed information tables used to make decisions with complex procedures
- A resource to display diagrams to help navigate a complex procedure

Table of Contents

Document Conventions	3
Table of Contents	4
Revision History	8
Using the SC Policy and Procedure Guide	10
PDF01–Hyperlinks to Move You Around the Guide	10
PDF02–Setting the Document Text Size	10
PDF03–Go to a Specific Guide Page	10
PDF04–Displaying Visio Flowcharts	11
PDF05–Sending Comments or Corrections about the Guide	11
PDF06–Displaying Bookmarks	12
PDF07–Use Full-text Search to Find Content	12
PDF08–Acrobat Keyboard Shortcuts to Quickly Find Information	13
PDF09–Printing Pages	14
Overview	15
Policies and Procedures Management Policy	16
PPM01–Managing SC Policies and Procedures	17
PPM02–Sarbanes-Oxley Procedures	18
PPM03–Annual Access Review Procedure	19
Supplier Relationship Management	20
SRM01–Supplier Segmentation Procedure	22
SRM02–Risk Management	24
Additional References	25
Sample questions to assess supplier risk	25
SRM03–Supplier Qualification	26
SRM04–Vendor Setup Procedure	28
New Vendor Setup Procedure	28
Change Vendor Information Procedure	34
SRM06–Supplier Performance Procedure	36
Sourcing/Procurement of Goods and Services Policy	38
PGS01–Sourcing Event Procedure	39
PGS02–Request for X [RFX] Procedure	44
PGS03–Competitive Bidding Procedure	48
PGS04–Non-competitive Sourcing Opportunity	49
PGS05–Supplier Selection Procedure	51
PGS06–Sourcing and Procurement Governance	52

Contract Management Policy	53
CMP01–Contract Management Procedures	54
CMP01A–Creating a Contract	54
CMP01A–Creating a blanket for items	58
CMP01A–Creating a New Pricing Lists Going Forward	59
CMP01B–Changing a Contract	60
CMP01C–Closing out (terminating) a Contract	60
CMP02–Terms and Conditions Maintenance Procedure	62
CMP03–Purchase Order Management	64
CMP03A–Issuing a Purchase Order	64
CMP03B–Approve Purchase Requisition for PO	65
CMP03C–Close Out Purchase Order	65
CMP04–Invoice Mismatch Procedure	66
CMP05–Warranty or Back Charge Procedure	67
Supplier Diversity Policy	68
SD01–Diverse Supplier Sourcing	69
SD02–Supplier Diversity Status Verification	71
SD03–Multi-Tier Initiative Procedure	72
SD04–Tracking and Reporting Procedure	74
SD05–Growth and Capacity Building Procedure	76
Supply Chain IT Support Policy	78
ITS01–Enhancement Development Procedure	79
ITS02–Incident Response Procedure	80
ITS03–Metadata/Data Changes Procedure	81
ITS04–Security Requirements Procedure	82
ITS05–Reports Creation Procedures	83
ITS06–Supplier Inquiries Procedure	84
ITS07–E-Catalog Development and Maintenance	85
ITS08–Supplier eCommerce Configuration	88
Materials Management Policy	90
MM01–Receiving Procedure	91
MM02–Stock Action Request Procedure	98
SAR Business Scenarios.....	98
MM03–Miscellaneous Shipping Order	106
MM04–VMI; Vendor Managed Vendor Owned Procedure.....	108
MM05–Vendor Shelving	114
Manual Vendor Shelving Overview	114
eQuote Vendor Shelving Procedure.....	117
MM06–Inventory Usage Procedure.....	122
MM07–Return to Vendor Procedure	130
MM08–Inventory Items Repair Procedure.....	134
Repair Procedure Sub-processes	143

MM09–Over, Short, and Damaged Material Procedure.....	145
Receiving overages.....	147
Receiving shortages.....	150
Receiving damaged material.....	152
MM10–Storeroom Return Procedure.....	155
MM11–Transfer Procedure.....	159
MM12–Inventory Quantity Adjustments Procedure.....	163
MM13–Cycle Count Procedure.....	165
MM14–Bin-to-Bin Procedure.....	169
MM15–Freight Claims Procedure.....	172
MM16–Non-inventory Core Tracking.....	178
MM17–Manual Inventory Replenishment.....	181
MM18–Closing/Combining Warehouses Procedure.....	182
MM19–Fuel Handling Procedure.....	199
MM20–Hazardous Materials Procedure.....	200
MM21–Warehouse Safety Procedures.....	201
MM22–Outage Management Procedure.....	202
MM23–Direct Charge Material from Work Order.....	203
MM24–Vendor Consignment.....	205
MM25–Parts Pull Procedure.....	210
MM26–Capitalization Procedure.....	211
Salvage and Disposal of Assets Policy.....	212
DA01–Salvage and Disposal of Assets.....	214
Standardized High-Level Procedure–Investment Recovery.....	215
RACI Legend.....	226
Glossary.....	227
Appendixes.....	247
A01–Equipment Criticality, Spare Parts, and Critical Codes.....	247
A02–Supply Chain Database Subsystems.....	248
A03–MBE, Minority Business Enterprise.....	249
A04–Material Receiving Action Codes.....	250
A05–Salvage and Disposal of Assets–General Information.....	251
Examples of Company Material and Equipment Assets.....	251
A06–Sale and Abandonment Notices.....	254
Sale and Abandonment Notice Parties.....	254
Sale Notice Documentation.....	254
Abandonment Notice Documentation.....	254
A07–New Asset Sales / Abandonment Procedures–Court Ordered.....	255
A08–EAM SC Business Support Reference.....	257
Methods to Obtain Support for the EAM and PeopleSoft Applications.....	257
EAM Support Teams.....	257
SC Business incident Responsibility Tiers.....	257

EAM Metadata Request Support Contacts	258
EAM Process/Workflow Request Support Contacts	259
A09–EAM Application Status Reference	260
Inventory Usage Application	260
Shipping Application Statuses	260
Inventory Adjustment Reasons	261
Stock Action Request Status	262
Repair Evaluation (Rotating Spares) Status	262
Contract Statuses	262
A10–Supplier Segmentation Background	264
Partner Suppliers	264
Strategic Suppliers	264
Valued Suppliers	265
Vendors	265
A11–Supplier Criticality Determination	266
Assess Supplier Impact on a Company Business Unit	266
Segmentation Criticality Questions	266
A12–Risk Management Framework	268
A13–Third-party Logistics Coordinator	270
A14–Example Supplier Performance and Strength Metrics	271
Key Performance Indexes	271
Supplier Business Strength Indicators	271
A15–Contract Requirements (by Contract Type)	273
Master Contract	273
Purchase Contract	273
Standard Blanket Contract	274
Key Alliance Contract	274
Purchase Orders (Purchase or Standard Blanket Contracts)	275
Purchase Orders (Stand Alone)	275

Revision History

Instructions

- Use this table to record major changes to this document.
- Provide links to new procedures and policy sections.

Guide Version	Revision Date	Section Changed	Description of Addition, Deletion, or Changes
1.12	12/12/2014	Supplier Diversity	Send to SC Leadership for Approval
0.962	10/29/2014	SRM and MM #01	Inserted drafts of Materials Management #4 procedures Processed 3 reviews (JAH, JAH, RD) Added two ad-hoc MM procedures created from MM Meeting #4
0.954	10/17/2014	MM02	Stock Action Request Procedure
0.954	10/17/2014	SRM Policy	Initial Supplier Relationship Management policy, SRM01, SRM02, and Appendix 10-12
0.940	09/23/2014	All	Consistently used the (step number) in parentheses (xxx03) and [responsible party] in square brackets [x]. Use bold curly braces {y} to denote a decision with this procedure step.
0.939	09/19/2014	All	Revised terminology throughout document to suppress legacy terms and insert terminology consistent (if not exact) with the Enterprise Asset Management (EAM) system.
0.935	09/10/2014	MM18	Reorder steps for Warehouse Closing/Combining Procedure Created Excel spreadsheet from 9/9 meeting. Add key definitions to the glossary.
0.934	9/08/2014	Appendix	Add SC IT Support Reference tables
0.90	8/20/2014	6.0	Add five reviewer's comments into Supplier Diversity Policy , do this for a single test procedure for Lorinda. Clean-up non-contested document areas.
0.87	8/15/2014	7.0	Restart SC IT Development and Enhancement procedures
0.85	8/11/2014	8.0	Revise MM18-Warehouse Closing straw man procedure
0.83	8/08/2014	6.0	Complete final of Supplier Diversity Policy procedures. Route to SC Cross-BU Working leadership for feedback
0.81	8/05/2014	9.0 and Entire Document	Added procedure names in header for policies with several large procedures or large number of procedures Salvage and Disposal of Assets Policy
0.77	8/01/2014	1.0	Add procedure to show reader how to rotate PDF page to see Visio Diagrams.
0.76	7/29/2014	8.0 & Appendix	Preparing second set of procedures with flow charts. Test how to display flowcharts effectively so they can be printed and displayed effectively in Acrobat.
0.62	07/23/2014	8.0	Management procedures group #1 (MM18, MM19, and MM20)
0.6	07/21/2014	6.0	Finalize Supplier Diversity Policy procedures for team review.
0.56	07/17/2014	7.0	E-catalog Procedures
0.52	07/15/2013	n/a	Create example of Supplier Diversity section for leadership

Guide Version	Revision Date	Section Changed	Description of Addition, Deletion, or Changes
			Add new SC IT Support Organization pages
0.5	07/13/2014	6.0	Complete first draft of Supplier Diversity Policy procedures and begin review process
0.45	07/09/2014	8.0	Start adding Materials Management Policy and Salvage and Disposal of Assets Policy procedures
0.365	07/05/2014	6.0	Edit completed Supplier Diversity Policy procedures for consistency and terminology usage
0.36	07/05/2014	Entire Document	Simplify the first heading levels and eliminate section breaks
0.35	07/03/2014	6.0 Glossary	Revised Supplier Diversity Policy procedures based on review meetings held on 7/02/14 and 07/03/14
0.3	07/02/2014	Front Matter	Added conventions used in this guide Add Acrobat guide usage procedures Add Acrobat keyboard shortcuts
0.25	07/01/2014	6.0	Revised Supplier Diversity based on 6/30/14 review meeting and comments from Jackie Hartleroad
0.2	6/29/2014	6.0/Glossary Appendixes	Added initial supplier diversity content with edits Supplier Diversity Policy
0.1	6/28/2014	n/a	Started with new template and inserted initial organization

Using the SC Policy and Procedure Guide

The Supply Chain Policy and Procedure Guide displays using the standard Adobe® Acrobat® PDF format. The Adobe Portable Document File (PDF) displays the user guide in full color and acts similar to an online help system. Energy Future Holdings designed the PDF document to help you quickly find policies and procedures.

Displaying the Supply Chain P&P Guide

Double-click the *Supply Chain Policy and Procedure Guide* file (file extension *.pdf) using Microsoft Windows Explorer or use the Acrobat Reader's **Open** command found under the **File** menu.

PDF01–Hyperlinks to Move You Around the Guide

The hyperlinks described in the *Language and Formatting Conventions* section can take the reader to:

- The glossary definition for an underlined term
- An appendix or procedure that provides added details

Once you move to another document area, you probably want to return immediately to your original document location.

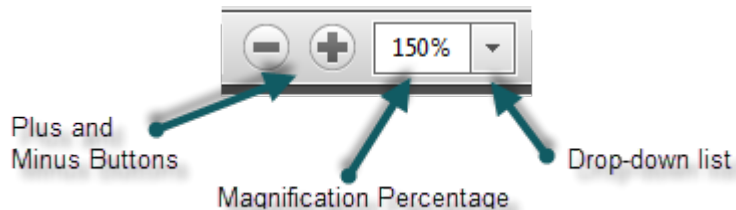
To return to the original document location after clicking a hyperlink

- 1 Press the **[Alt]** and **Left Arrow** keys.

You return to the original location in the guide.

PDF02–Setting the Document Text Size

You can increase or decrease the guide text size (magnification) for your reading comfort.



To increase or decrease the document text size

- 1 Type a value in the **Magnification Percentage** textbox (50 to 400) and press **Enter**.

Alternatively, click the **Plus** or **Minus** button to increase or decrease the text size.

Alternatively, you click the **Drop-down List** and select a magnification percentage.

PDF03–Go to a Specific Guide Page

The page number on the Acrobat Reader Toolbar matches the page number at the bottom of each guide page.



Page Number

To go directly to a selected page

- 1 Type the page number in the **Page Number** textbox and press **Enter**.

PDF04–Displaying Visio Flowcharts

The *Supply Chain Policy and Procedure Guide* displays flowcharts that visually describe the steps and decisions used by one or more company teams to complete a procedure.

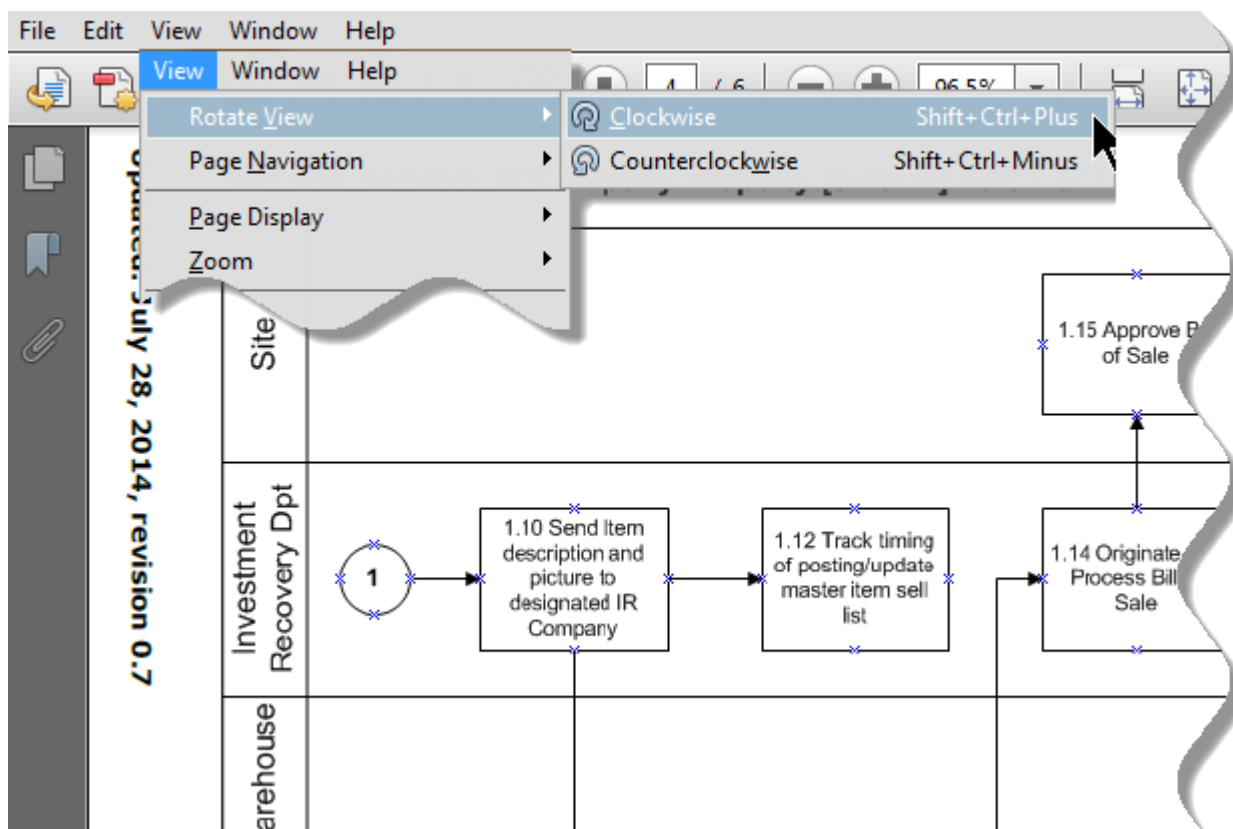
To display the flowchart horizontally

- 1 Press the key combination [Ctrl] + [Shift] + [plus] to display the flowchart horizontally.

Alternatively, you can select the **View > Rotate View > Clockwise** menu command.

- 2 When you want to display the guide normally, you can turn off the page rotation by pressing the key combination [Ctrl] + [Shift] + [minus], or by selecting the **View > Rotate View > Counterclockwise** menu command.

Figure 1: Commands to Rotate Pages in Acrobat



PDF05–Sending Comments or Corrections about the Guide

At the bottom of the guide pages, you can click the [Email Comments and Corrections](#) link and send an email to the Supply Chain person responsible for the updating the *Supply Chain Policy and Procedure Guide*.

To send an email containing comments or corrections

- 1 Click the [Email Comments and Corrections](#) link. The Microsoft® Outlook software should display a new message window that supplies a **To** email address and **Subject** line.
- 2 Add your comment or correction to the body of the email.
- 3 Send the Outlook email, with or without spell checking is OK.

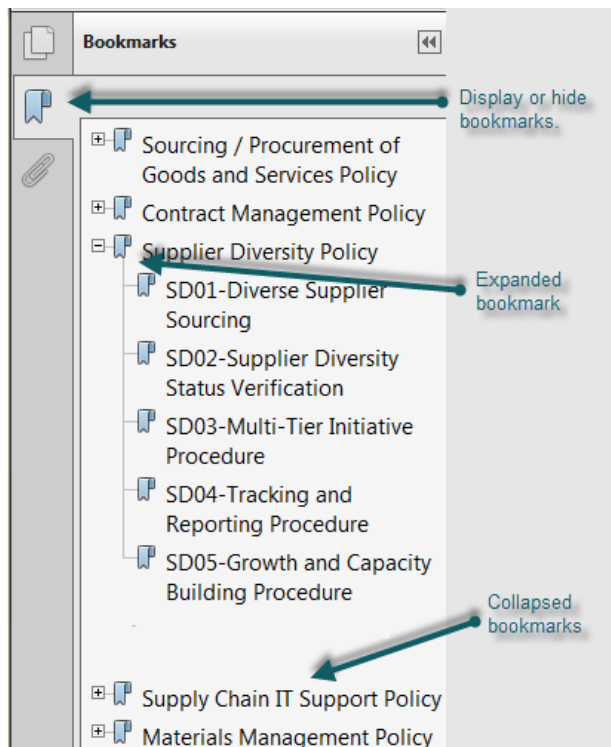
PDF06–Displaying Bookmarks

This guide contains Bookmarks that act like an interactive table of contents.


Using the Bookmarks you can:

- Move from one major section of the guide to another.
- Show more details about a policy. For example, you can click a chapter bookmark (policy) and display all its underlying procedures.
- Hide details about a policy. You can click a Bookmark to hide the low-level procedures.

Figure 2: Acrobat Bookmarks Pane

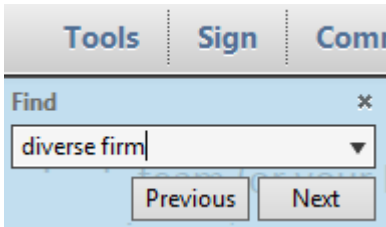


To display, expand, and collapse guide bookmarks

- 1 Click the Bookmark icon () in the upper left-hand corner to display or hide the Bookmarks pane.
- 2 Click the **Plus** box on the left side of a Bookmark to display lower-level details. A **Minus** box indicates there are no lower-level detail bookmarks.
- 3 Click the **Minus** box on the Bookmark to hide lower-level bookmarks. The collapsed Bookmark displays as a **Plus** box to indicate more details.

PDF07–Use Full-text Search to Find Content

If you know a distinctive keyword you can use to locate a policy or a procedure, you can use the **Find** dialog to type the keyword and move through the *Supply Chain Policy and Procedure Guide*, jumping from one instance of the keyword to another. In this example, the words *diverse firm* controls the search.



To search the guide using one or more keywords

- 1 Press the **[Ctrl]** and **[F]** keys. The **Find** dialog displays in the top right-hand corner of the Acrobat window (under the Toolbar).
- 2 Type the keyword(s) with which to search. For this example we used *diverse firm*.
- 3 Click the **Next** button to find the next occurrence of the keywords.
- 4 Click the **Previous** button to reach the document’s last occurrence of the typed words.

When you see the information message, “Reader has finished searching the document. No matches were found,” no more instances of the key words exist in the document.

PDF08–Acrobat Keyboard Shortcuts to Quickly Find Information

You can use keyboard shortcuts to rapidly perform Acrobat Reader functions.

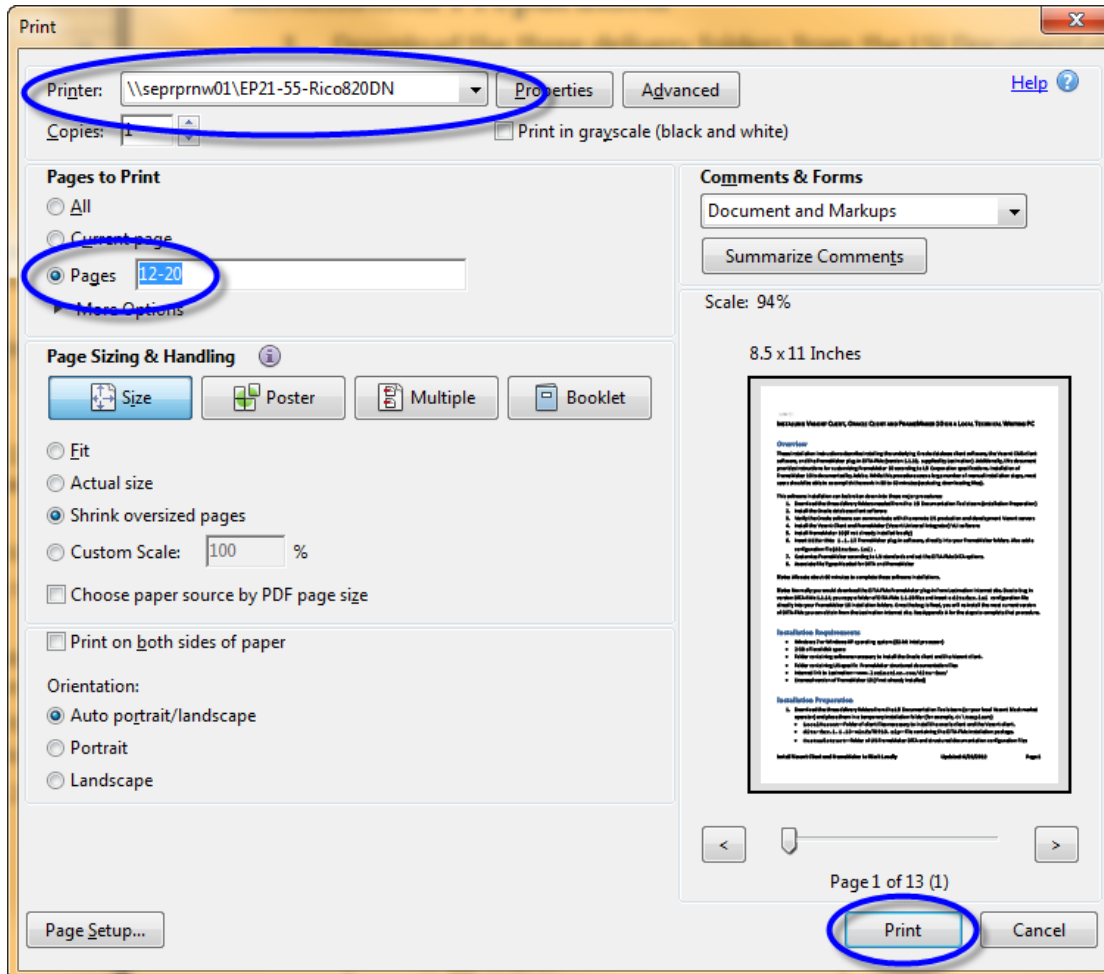
Table 1: Selected Acrobat Reader Keyboard Shortcuts

Press Keyboard Keys	Resulting Action in Acrobat Reader
[Ctrl] + [O]	Display an Acrobat file [* .pdf filename extension]
[Alt] + [←]	Return to previous document location before you clicked a hyperlink
[Ctrl] + [+]	Increase displayed text size
[Ctrl] + [-]	Decrease displayed text size
[Ctrl] + [Shift] + [plus]	Rotate the page clockwise to display a flowchart
[Ctrl] + [Shift] + [minus]	Rotate the page counter-clockwise to display text
[Ctrl] + [P]	Print a range of pages
[Ctrl] + [F]	Search using full-text search (type keywords)
[Ctrl] + [G]	Move to <i>next</i> occurrence of keyword during a full-text search
[Ctrl] + [Shift] + [G]	Move to <i>previous</i> occurrence of keyword during a full-text search
[→] or [+]	Expand bookmark to show procedures
[←] or [-] or [/]	Collapse bookmark to hide procedures
[Shift] + [*]	Expand all bookmarks within the guide

PDF09–Printing Pages

You probably have no interest in printing the entire *Supply Chain Policy and Procedure Guide*. However, you might want to print a procedure or reference page to help with your work. Adobe Acrobat can print a range of pages. The Acrobat Reader **Print** dialog is an *enhanced* version of a standard Windows **Print** dialog. You only need to be concerned with three items on the dialog.

Figure 3: Acrobat Reader Print Dialog



Print a range of pages from the Supply Chain Policy and Procedure Guide

- 1 Use the **File > Print** menu command to display the **Print** dialog.
- 2 Select the desired **Printer** using the drop-down selection list.
- 3 Select the **Pages** option button.
- 4 Type a page number (4) or page range (12-20) in the textbox, next to the **Pages** option button.
- 5 Click **Print** in the lower right-hand corner of the **Print** dialog.

Overview

<i>Title</i>	Overview – All EFH except Oncor
<i>Business Owner</i>	Vice President of Supply Chain Business Services
<i>Contact</i>	Don Smith, +1 972.868.8265
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxxx

EFH Definitions

Policy–The Company’s predetermined approach or course of action established to guide current and future decision-making. Policies describe what must be done. Policies have wide application, do not change frequently, and support the Company’s principles, higher-level policies, and initiatives.

Procedures–Different Company approaches, standards, guidelines, and methods by which activities described in the policies can be accomplished. Typically how a policy, principle, or initiative is performed. Procedures are more task-oriented, narrow in application, change more frequently, contain more detail, and support higher-level policies.

Desktop Procedures–Manual or automated step-by-step operations needed to accomplish one or more steps in a procedure. In the *Supply Chain Policy and Procedure Guide* links refer to locations containing the desktop procedures.

Policies and Procedures Management Policy

<i>Title</i>	Policies and Procedures Management – All EFH except Oncor
<i>Business Owner</i>	Director – Operational Excellence
<i>Contact</i>	Lorinda Birdsong, +1 214.812.1261
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxxx

PPM01–Managing SC Policies and Procedures

<i>Title</i>	Managing SC Policies and Procedures – All EFH except Oncor
<i>Business Owner</i>	Implementation Manager – Operational Excellence
<i>Contact</i>	Jackie Hartleroad, +1 214.875.9306
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

PPM02–Sarbanes-Oxley Procedures

<i>Title</i>	Sarbanes-Oxley Procedures – All EFH except Oncor
<i>Business Owner</i>	Implementation Manager – Operational Excellence
<i>Contact</i>	Jackie Hartleroad, +1 214.875.9306
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

PPM03–Annual Access Review Procedure

<i>Title</i>	Annual Access Review Procedure – All EFH except Oncor
<i>Business Owner</i>	Implementation Manager – Operational Excellence
<i>Contact</i>	Jackie Hartleroad, +1 214.875.9306
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

Supplier Relationship Management

<i>Title</i>	Supplier Relationship Management Policy – All EFH except Oncor
<i>Business Owner</i>	Sr. Director – Supply Chain
<i>Contact</i>	Colin Carrell, +1 214.875.8780
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To build a relationship that encourages the Company and the supplier to demonstrate collaborative attitudes and progress towards achieving maximum mutual benefits. A continuous supplier relationship management ([SRM](#)) strategy helps the Company become a “preferred customer” throughout the supply base. By having (a) a robust process to identify the right suppliers to meet the Company’s critical requirements, (b) effective two-way communication, and (c) a performance monitoring system, the Company can achieve a world-class supply base that provides the lowest total cost of ownership ([TCO](#)) and highest reliability.

Scope

This policy applies to all Supply Chain employees and business unit representatives who manage critical relationships with the Company’s suppliers.

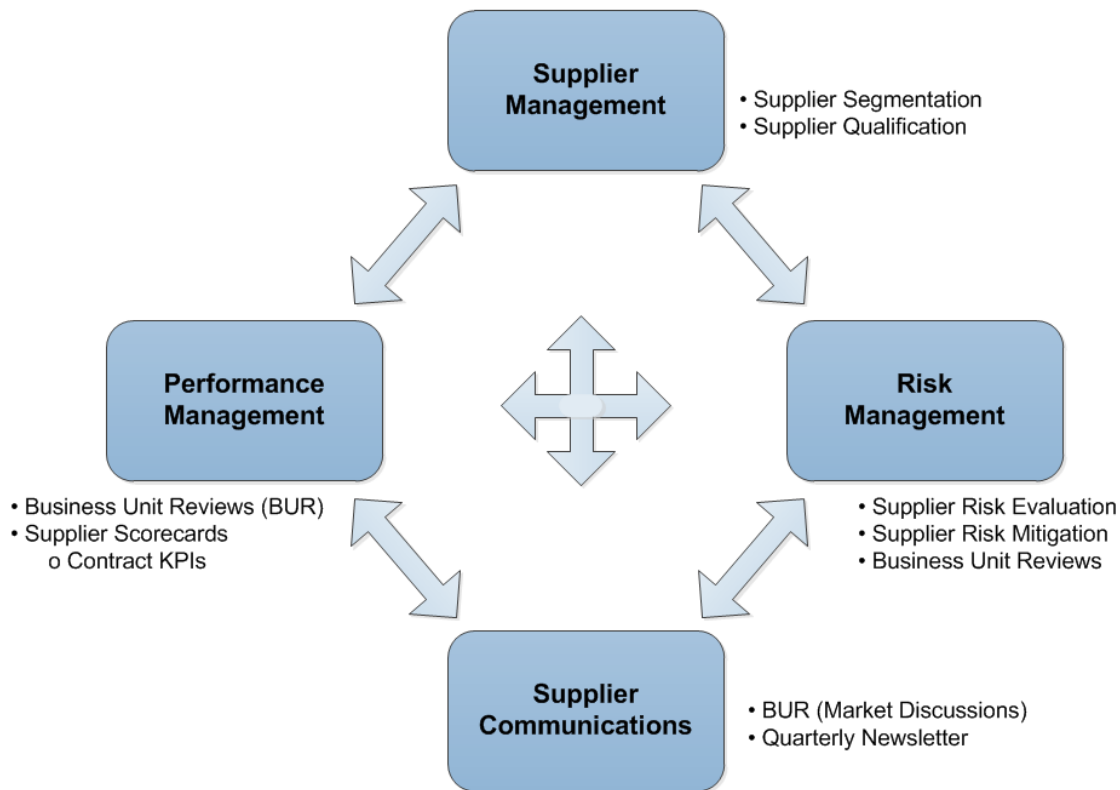
Supplier Relationship Management Benefits

- Quantifiable improvement in supplier performance
- Reduce supply chain risk
- Collaborative demand planning
- Improve resource prioritization
- Eliminate low-value activities
- Enhance alliance quality
- Develop better supplier communication, collaboration, and innovation
- Standardize processes across the entire supply chain department
- Automate information processes where possible

Procedures that support the supplier relationship management policy

- [SRM01–Supplier Segmentation Procedure](#)
- [SRM02–Risk Management](#) procedure and risk mitigation
- [SRM03–Supplier Qualification](#)
- [SRM04–Vendor Setup Procedure](#)
- [SRM06–Supplier Performance Procedure](#), including measurable Key Performance Indicators ([KPIs](#)) and business reviews

Figure 4: SRM Parts



Definitions

- Business Unit Review ([BUR](#))
- Key Performance Indicators ([KPIs](#))
- Minority Women Business Enterprise (MWBE, see [WBE](#) and [A03-MBE, Minority Business Enterprise](#) on page 249)
- Risk Management Forum ([RMF](#))
- Supplier Relationship Management ([SRM](#))
- Supplier Risk Management Program ([SRMP](#))
- [supplier segmentation](#)
- Total cost of ownership ([TCO](#))

SRM01–Supplier Segmentation Procedure

<i>Title</i>	Supplier Segmentation Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Quality
<i>Contact</i>	Lee Kader, +1 214.875.8061
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Provide a methodology for Supply Chain personnel to segment suppliers according to operational criticality and total cost of ownership (TCO). This segmentation guides the management, measurement, and resource allocation for our supply base.

Scope

Procedure applies to all Supply Chain employees involved with supplier segmentation activities.

Procedure

Supply Chain personnel classify suppliers into these segments (categories):

- [Partner Supplier](#)
- [Strategic Supplier](#)
- [Valued Supplier](#)
- [Vendor](#)

To segment the suppliers into categories (annually refresh):

- 1 Supply Quality senior manager takes the existing supplier segmentation list and receives additional information about essential suppliers from the business units (TXU Energy, Mining, Generation–fossil/nuclear/construction development, and EFH Business Services).
- 2 Supply Quality senior manager adds essential or critical information to supplier information:
 - Supplier name
 - Current segmentation (unless new supplier)
 - Supply Chain Owner (SC Sourcing employee managing the relationship)
 - Current Spend (previous two to three years Company spend)
 - Essential–Yes/No
- 3 Supply Quality senior manager provides list of suppliers to the SC Sourcing personnel who own each of the business relationships.
- 4 Each SC Sourcing employee does research and due diligence on their suppliers, performing approximately one month of research.
- 5 During the second month, SC Sourcing employees reconcile findings, meet with SC management, and update supplier segmentation information in the [Supplier Intelligence Tool](#).
- 6 SRM research, staff discussions, and staff investigation ultimately decides to which segment each supplier *rightly* belongs.

Based on the segmentation decisions, the SRM team collaborates and communicates with suppliers.

Table 2: SRM Collaboration and Communication Matrix

Supplier Segment Characteristic	Vendor	Valued Supplier	Strategic Supplier	Partner Supplier
Target Range for Percentage of Total Suppliers	94–96%	2–3%	1–1.5%	0.1–0.3%
Competitive Advantage Contribution	Purchase Price Management	Total Cost of Ownership	Strategic Cost Management ¹	Integrated SC Strategic Cost Management
Chain Link Distribution	As Needed	Quarterly	Quarterly	Quarterly
Risk Assessment		As Needed	Yes	Yes
Risk Management Forum Radar Screen Discussion			As Needed	Routinely
Score Cards Key Performance Indicators	n/a	Depends on spend and opportunity ²	Yes	Yes
Minority Women Business Enterprise Tier II Participants		Depends on spend and opportunity ¹	Depends on spend and opportunity ²	Yes
Cross-functional Business Unit Reviews		n/a	As Needed Semi Annual/Annual	Quarterly Semi Annual
Supplier Conference Participant			Determined by Customer	Yes
Executive Relationship			n/a	Yes

For a complete description of the attributes that characterize each supplier segment, see [A10–Supplier Segmentation Background](#) on page 264.

To review questions in business unit criticality questionnaires (every three years)

- 1 Identify senior SC management team for all business units.
- 2 Evaluate all the questions used in the criticality questionnaires. (See [Segmentation Criticality Questions](#) on page 266 for the previous set of questions used by each business unit.)
- 3 Potentially change questions to match the supplier segments attributes.
- 4 Perform a complete re-segmentation for major changes or do the standard annual segmentation (soft refresh).

Compliance

- Each year, update the previous segmentation file with new suppliers and suppliers whose segment classification changed. Compare previous year’s segmentation file with current year’s results. The SC Shared Drive retains both the previous year’s results and the current year’s results.
- Every three years (beginning with 2015), review the questions in the business unit criticality questionnaires. These changes help align the supplier questionnaire with actual desired supplier attributes. The SC Shared Drive retains all historical spreadsheets for each revision of the different business unit criticality questionnaires.

¹ Measure Supply Chain savings and flow into a measured [EBITDA](#). Use process improvement techniques (for example, [VA/VE](#), cost models, and so forth) to assist supplier cost improvement.

² Directed by Category Strategy

SRM02–Risk Management

<i>Title</i>	Risk Management Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Quality
<i>Contact</i>	Lee Kader, +1 214.875.8061
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Design a Supplier Risk Management Program ([SRMP](#)) to systematically identify and mitigate, manage or eliminate supply base related issues that can result in a significant disruption or increased cost to the business. Develop two strategic initiatives, Risk Assessment, and Risk Management Forum ([RMF](#)).

Scope

This procedure applies to the Supply Chain team members with responsibilities for monitoring the financial, operational, legal, value chain, geographic, geo-political, and regulatory risk of the Company suppliers (see [Figure 106: Business Impact Map](#) on page 268).

Applies to participating suppliers the Company selected, based on total annual spend and criticality to the business. (See [SRM01–Supplier Segmentation Procedure](#) on page 22.) By segmenting the supply base and basing governance on a supplier’s role and importance, the Company Supply Chain organization is better equipped to anticipate and prevent disruption (see [Figure 108: Areas of Supply Base Risk](#) on page 269) with its limited resources. The [SRMP](#) uses the Dun and Bradstreet Supplier Risk Manager.

Procedure

Doing Risk Assessment Using the Dun and Bradstreet Supplier Risk Manager Alert

- 1 The Dun and Bradstreet Risk Manager generates an alert based on several indicators. (See [Figure 107: Dun and Bradstreet Supplier Risk Manager Values](#) on page 268 for details.) Other sources such as news, conversations, etc. can indicate the need to evaluate a supplier’s risk.
- 2 Evaluate the supplier against risk questions. (See Sample questions to assess supplier risk on page 25.)
- 3 Contact supplier to confirm data accuracy, as appropriate.
- 4 Decide if the identified risk goes on risk register. If **No**, continue monitoring the supplier performance.
- 5 If **supplier presents a significant risk**:
 - Place the risk (and supplier) on the Risk Register List.
 - Use regular meetings with SC management to discuss the risk.
 - If needed, identify short-term improvement and risk mitigation plan.
 - Use Dun and Bradstreet Supplier Risk Manager tool to continue monitoring the supplier.
 - Track until the supplier risk is closed.
 - When necessary, identify an alternative supplier while enacting risk mitigation actions.

Compliance

- Review previous Risk Register List entries for all at-risk suppliers.
- Review alerts in Dun and Bradstreet Supplier Risk Manager to audit and prove a supplier’s listing on the Risk Register List.

- Individual supplier improvement and risk mitigation plans stored on SC Shared Drive.

Additional References

Vendor Risk presentation at Supply Chain “All hands” November 2014 meeting and Vendor Risk Assessment Diagram. See flowchart showing interaction of Technology Risk Management (TRM), Supply Chain, the vendor, and IT Security/IT Compliance group in assessing vendor risk.

Ask key questions pertaining business continuity and cyber security:

- Vendor’s business continuity and disaster recovery plans. Include Company’s right to review, audit, and test results.
- Define shared data and rules for access.
- How is Company data stored by vendor?
- Vendor staff access to Company data and imposed security roles.
- Relationship termination–data disposition
- Ability to audit vendor cyber security (including site visits)

Sample questions to assess supplier risk

- How critical is the supplier?
- Does the commentary on the **Risk Profile** tab of the [Supplier Intelligence Tool](#) for this supplier warrant placing this risk on the Risk Register?
- What kind of supplier information does Company have? [Data Depth]
- How does the overall risk profile of supplier look against—Financial, Geopolitical, Operating, and Commercial/Legal risk.
- What percent of supplier revenue comes from the Company? [High dependency]
- How do the scores/indicators for parent company and subsidiaries look?
- What do the supplier's Key Performance Indicators ([KPIs](#)) look like?
- Should the Company survey the supplier using PowerAdvocate templates or D&B?
- Any risk for supply interruption or large [TCO](#) spike?
- Are the market conditions changing for the supplier's key business?

SRM03–Supplier Qualification

<i>Title</i>	Supplier Qualification – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Quality
<i>Contact</i>	Lee Kader, +1 214.875.8061
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Caveat: Currently

Purpose

Define a procedure to commercially and technically qualify or re-certify new and existing vendors; with a priority made for [high spend](#) or [high impact](#) vendors. This qualification ensures applicable minimum standards are met prior to performed work and identifies these suppliers (including [diverse firms](#)) as alternative or replacement sources for the Company.

Scope

Supplier qualification is a collaborative effort involving Supply Chain (including Supplier Diversity), Engineering, and Operations. This procedure applies to all new or existing vendors not yet qualified for a given scope of work.

Note: The term *supplier* is used in this procedure to refer to one or more suppliers (vendors).

Procedure

Qualifying a New or Existing Supplier

- 1 Supply chain performs a preliminary assessment using these [new supplier](#) questions:
 - What category does the supplier product or service meet?
 - Who are the incumbents?
 - What is the business case for adding a new supplier and what are the potential negative impacts of not using incumbents (performance, [TCO](#) competitiveness, quality, and delivery)?

For an [existing supplier](#), the preliminary assessment is more streamlined:

- What segmentation does the supplier currently occupy?
 - Is there a possibility of identifying other viable competitors that could provide better [TCO](#)?
- 2 When appropriate, continue with supplier qualification by picking the team used for the initial supplier evaluation cycle. Pick members from technical, business end user, and supply chain
 - 3 Conduct the initial assessment of a new supplier’s financial evaluation:
 - Company name
 - Categorize evaluated supplier
 - Identify incumbent suppliers
 - [DUNS](#) Number–Dun and Bradstreet Supplier Risk Manager tool used, as required.
 - Three year financials–revenues, business profile, assets, liabilities
 - Terms and conditions negotiation
 - Preliminary safety data (use preliminary safety form from Safety)
 - Customer references

- Certifications or capabilities documents

Conduct a screening of the existing supplier’s background for performing a new scope of work:

- Prior three year financials
 - DUNS Number– Dun and Bradstreet Supplier Risk Manager tool used as required (to the extent a separate business entity is involved).
 - Rates/Pricing for new scope of work being qualified
 - Safety certification (as required)
 - Terms and Conditions accepted (to the extent required)
- 4 Determine the team that is part of supplier’s technical evaluation, in partnership with Fossil/Mining technical groups.
 - 5 Conduct a screening of the supplier’s technical capabilities:
 - **Shop**–Use service qualification or audit forms. Conduct any on-site visits as needed.
 - **Service**–Use service qualification or audit forms. Conduct any on-site meetings as needed.
 - 6 Team completes the technical evaluation. Supplier completes any open issues or questions raised during the evaluation process.
 - 7 Set up the new vendor (see SRM04–Vendor Setup Procedure on page 28) in PeopleSoft SCM. For an existing supplier performing a new scope of work, update the SRM profile using the Supplier Intelligence Tool.
 - 8 Vendor completes Safety certification requirements and MSHA specific requirements (mining only) prior to awarding first on-site assignment.
 - 9 [Optional] Supplier Diversity, category manager, and diverse firm travel to Business Unit/Site to build relationship between Diverse Suppliers and Internal/Site Clients. If appropriate, officially award *BU/Site Qualification* based on user acceptance.
 - 10 Provide supplier a trial opportunity for evaluation. Company opportunity owner can follow up and provide feedback to diverse suppliers to increase competitiveness and performance.
 - 11 Evaluate performance, debrief, and add to *Approved Vendor List* when qualified.
 - 12 Communicate to stakeholders the updated *Approved Vendor List* for category.

Compliance

- Provide the supplier criteria (high impact or high spend) used to select suppliers for qualification.
- Supplier Diversity Team documents updates to the *Category Strategy Gap Analysis plan* using a revision history.
- Examine commercial documentation to ensure supplier meeting standards for qualification.
- Examine technical and site qualification documentation as applicable.

References

- Shop Qualification Form in reference library
- Service Qualification Form in reference library

SRM04–Vendor Setup Procedure

<i>Title</i>	Vendor Setup Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Quality
<i>Contact</i>	Lee Kader, +1 214.875.8061
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To define what vendor information SC buyers, the vendor, and the Supplier Diversity team need to provide that supports procurement management in making quality approval decisions for new vendors.

Scope

This procedure applies to Supply Chain procurement, Vendor Maintenance Group, SC Business Support, Supplier Diversity, individual suppliers,

Documentation Used

During the vendor setup procedure multiple SC personnel use several documents/forms/applications to record specific information about a new vendor.

These vendor documentation items include:

- Buy From Vendor Setup Approval Request (Vendor Setup Form)
SC Shared Disk Location:
\\ddcnasshares\c_scm_shared_drive\Forms and Templates\New Vendor Setup and Sourcing
- Cost Savings Form (required to validate savings and satisfy governance for a business unit or portfolio)
- Supplier W-9 Form for taxpayer ID
- Order From/Remit To ACH banking information
- Certifications (WSOB, [HUBzone](#), [VOB](#), [WBE](#), [A03-MBE](#), [Minority Business Enterprise](#)), if vendor is a diverse supplier

New Vendor Setup Procedure

Figure 5: Vendor Setup Procedure (Part 1 of 4)

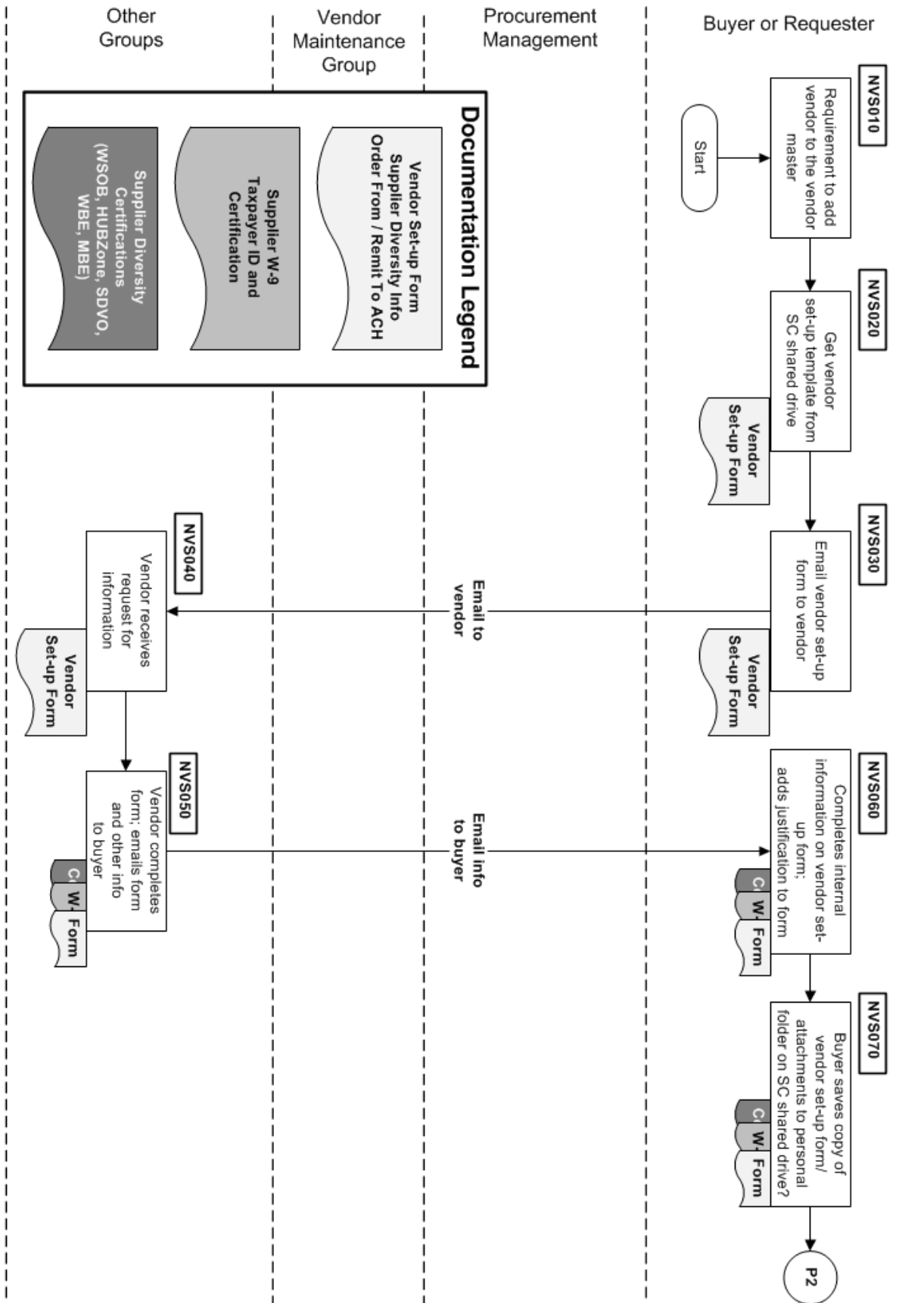


Figure 6: Vendor Setup Procedure (Part 2 of 4)

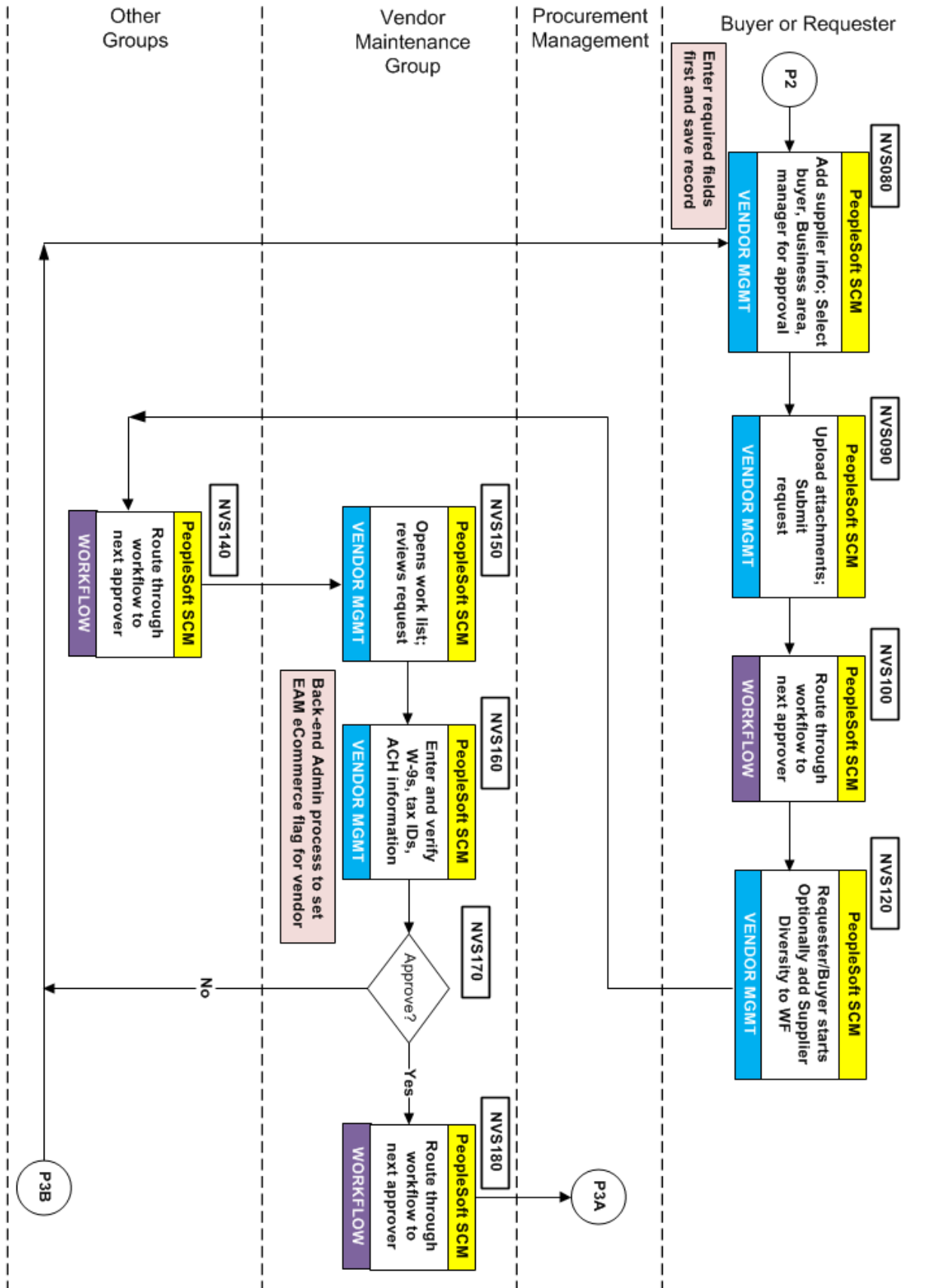


Figure 7: Vendor Setup Procedure (Part 3 of 4)

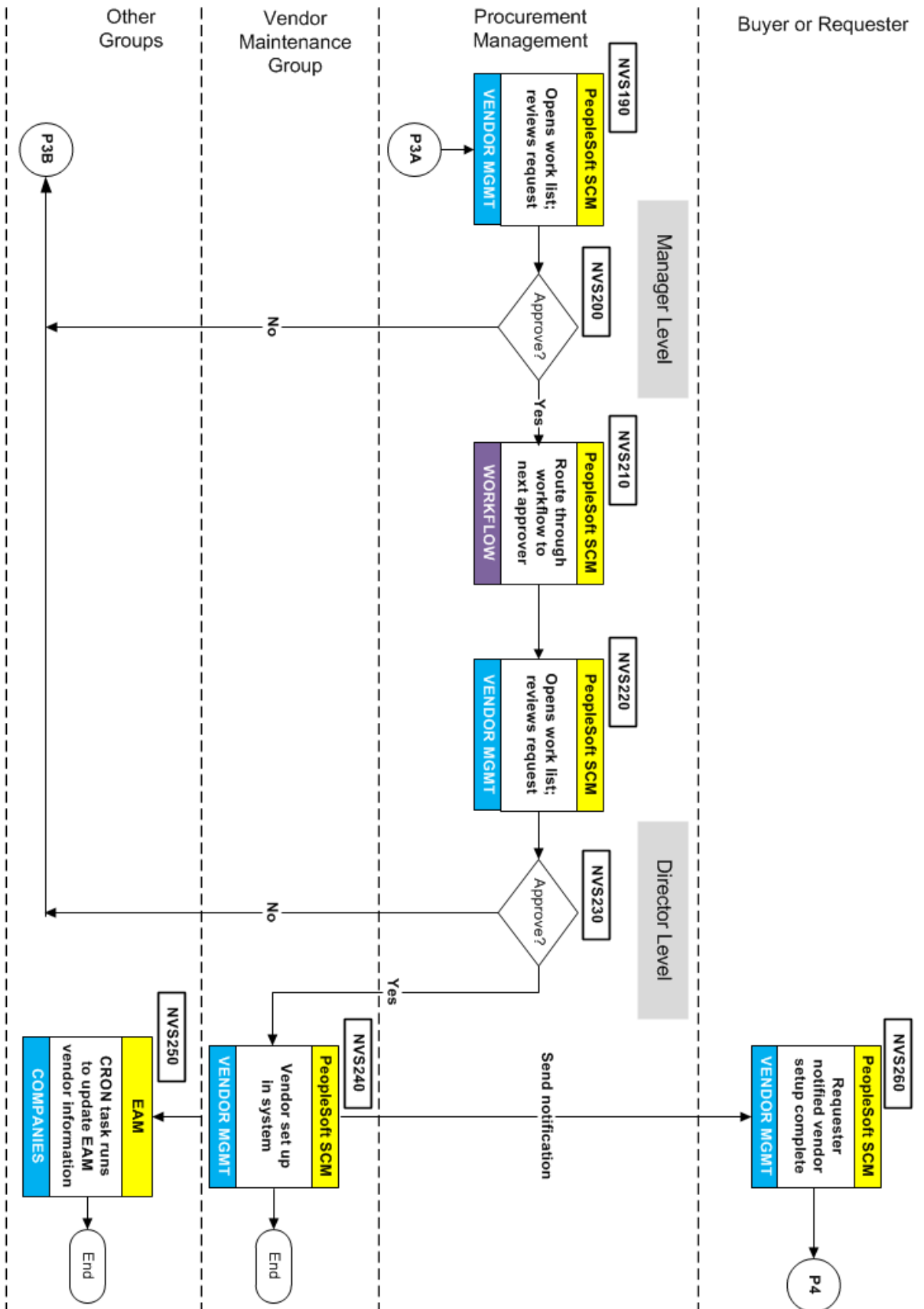
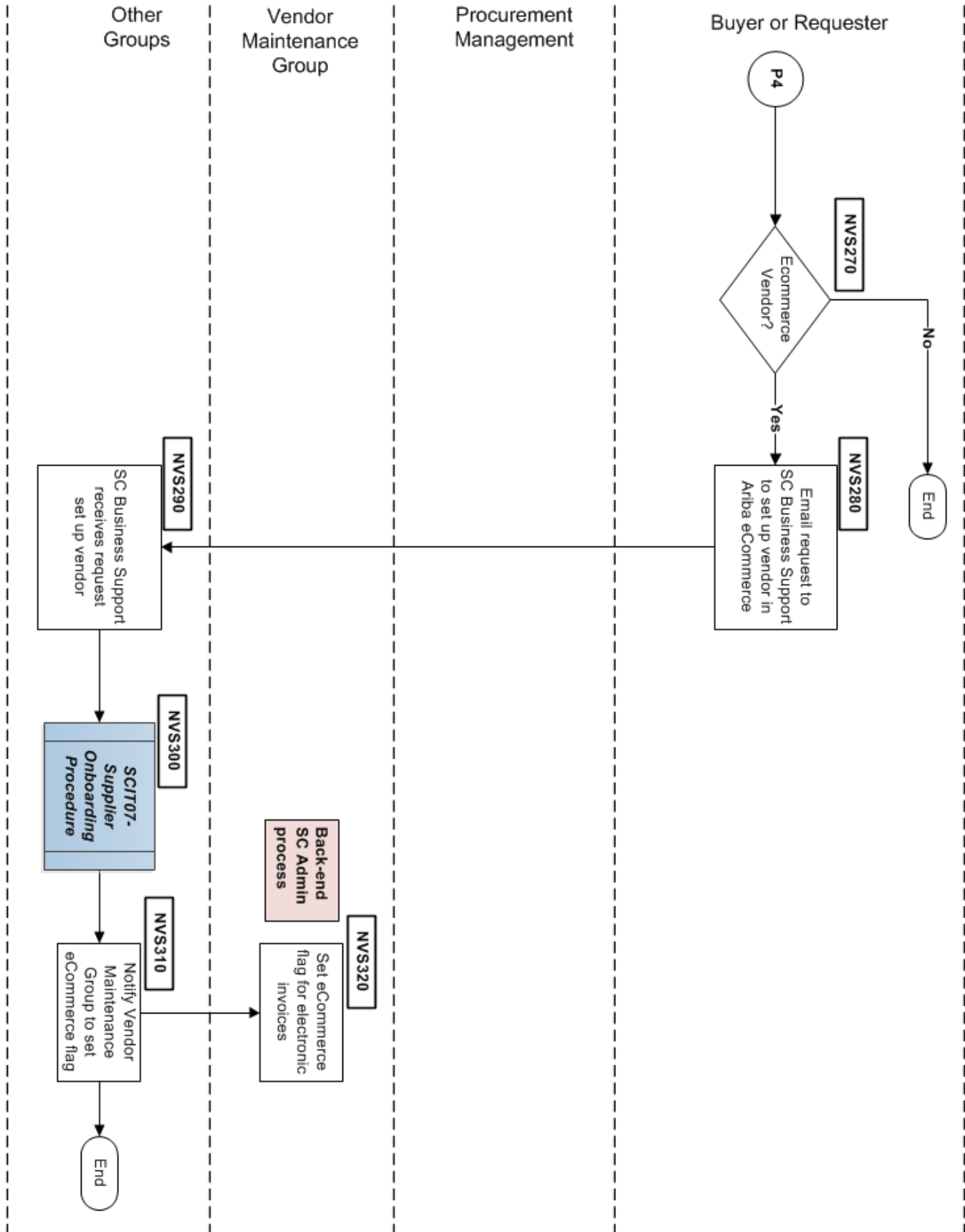


Figure 8: Vendor Setup Procedure (Part 4 of 4)



To initially set up a vendor in PeopleSoft

- 1 (NVS010) [Buyer / Requester] Need to add vendor to conduct business with the Company.
- 2 (NVS020) From the Supply Chain shared drive, copy the Vendor Set-up template to your laptop. The template can be found using the directory path:
\\ddcnasshares\c_scm_shared_drive\Forms and Templates\New Vendor Setup and Sourcing
Name the file according to the Vendor you plan to set up in the PeopleSoft SCM application.
- 3 (NVS030) Email the Vendor Set-up form (spreadsheet) to obtain information.
- 4 (NVS040) [Vendor] Receives the request for company information.
- 5 (NVS050) [Vendor] Completes the Vendor Set-up form and sends other requested documentation such as supplier diversity information, W-9 taxpayer number, and Supplier Diversity certifications.
- 6 (NVS060) [Buyer / Requester] Add company internal information to the Vendor Set-up form and add any other information to justify the request.
- 7 (NVS070) Save vendor set-up form on your laptop or SC shared drive.
- 8 (NVS080) [Buyer] Using the Vendor Management application of the PeopleSoft Supply Chain Management (SCM), enter the supplier information and select buyer's name, business area, and manager needed to approve request.
- 9 (NVS090) Upload attachments (certifications and other documentation) to the New Vendor Set-up request and submit it for approval.
- 10 (NVS100) Route request to next approver.
- 11 (NVS120) [Buyer / Requester] Provide initial approval to request. Add Supplier Diversity to the end of the workflow to review/add vendor information at a later date.
- 12 (NVS140) Route request to next approver, usually the Vendor Maintenance Group.
- 13 (NVS150) [Vendor Maintenance Group] Opens work list and reviews Vendor Set-up request.
- 14 (NVS160) Enter and verify (a) W-9 information, (b) taxpayer IDs, and (c) bank ACH information.
- 15 (NVS170) **{Approve Vendor set-up request?}** If **No**, go to Step #NVS080.
- 16 (NVS180) Route request to next approver, usually the Requester's Manager according to DOA.
- 17 (NVS190) [Procurement - Manager] Open work list and review request.
- 18 (NVS200) **{Approve Vendor set-up request?}** If **No**, go to Step #NVS080.
- 19 (NVS210) Route request to next approver, usually the Requester's Director.
- 20 (NVS220) [Procurement - Director] Open work list and review request.
- 21 (NVS230) **{Approve Vendor set-up request?}** If **No**, go to Step #NVS080.
- 22 (NVS240) [Vendor Maintenance Group] Complete vendor setup in PeopleSoft and notify requester.
- 23 (NVS250) [EAM Automation] A CRON script runs every 20 minutes to update the EAM system with vendor information changes made in PeopleSoft.
- 24 (NVS260) [Requester] Notified that New Vendor Setup is done.
- 25 (NVS270) **{Does vendor want to be invoiced electronically, that is eCommerce?}** If **No**, end this procedure.
- 26 (NVS280) [Requester] Send email to SC Business Support to set up this vendor in the Contract Management system
- 27 (NVS290) [SC Business Support] Receives request to set up vendor in ARIBA for electronic invoicing.

- 28 (NVS300) [SC Business Support] Performs vendor eCommerce set-up procedure with the Ariba website and the vendor. (See [ITS08-Supplier eCommerce Configuration](#) on page 88 for details.)
- 29 (NVS310) [SC Business Support] Notify Vendor Maintenance Group that vendor is set up in ARIBA.
- 30 (NVS320) [Vendor Maintenance Group] Sets flag in PeopleSoft for electronic invoicing.

Change Vendor Information Procedure

To change vendor information, a buyer and the Vendor Maintenance Group must change the information in PeopleSoft SCM. Once entered, the request is approved by the requester's manager (DOA).

The Vendor Maintenance group changes all vendor information except:

- Legal name
- Remit to address
- Bank information (ACH routing and vendor account number)
- Payment terms

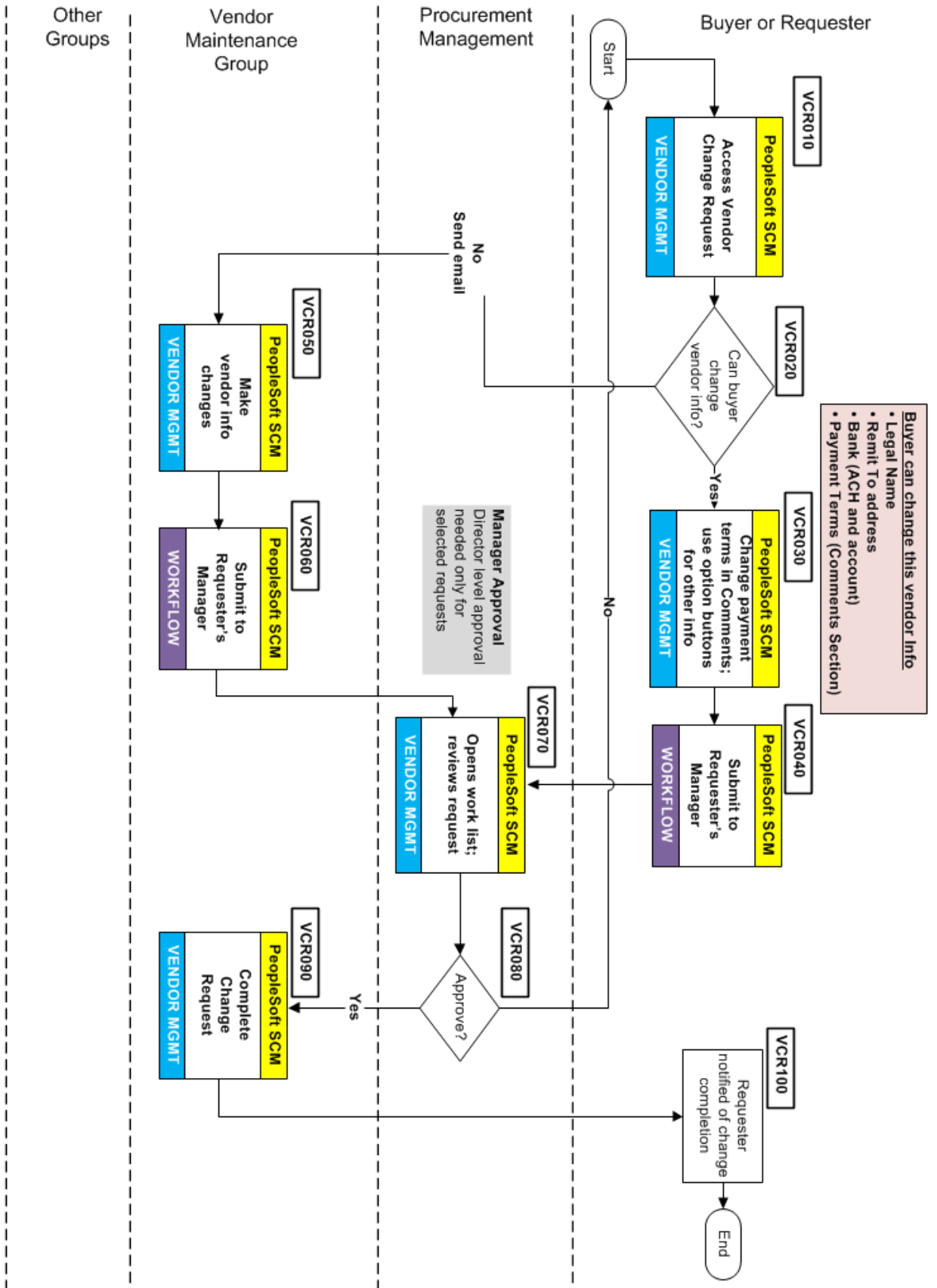
To change the vendor information

- 1 (VCR010) [Buyer or requester] Start the PeopleSoft application and use the Vendor Change request under the Vendors.
- 2 (VCR020) {Can the buyer change this vendor information?} If **No**, go to Step #VCR050.
- 3 (VCR030) Change Payment terms, vendor legal name, remit to address, or bank information (ACH or account number).
- 4 (VCR040) Submit changes to requester's manager.
Note: For some changes, a requester needs director-level approval.
- 5 (VCR050) [Vendor Management Group] Make the vendor information changes.
- 6 (VCR060) Submit changes to requester's manager.
- 7 (VCR070) [Procurement Management] Open work list and reviews request.
- 8 (VCR080) {Does manager approve the request?} If **No**, restart the procedure at Step #VCR010.
- 9 (VCR090) [Vendor Management Group] Complete the change request.
- 10 (VCR100) [Buyer or requester] Receives notification that vendor changes completed.

Compliance

- Complete Vendor Setup Forms stored on buyer's laptop computers.
- Vendors in PeopleSoft with uploaded attachments.
- Vendor Maintenance Group keeps emails from buyers with vendor information change requests.
- A PeopleSoft application log describing whether Buyer or VMG staff made changes to a vendor's information.

Figure 9: Change Vendor Information Procedure



SRM06–Supplier Performance Procedure

<i>Title</i>	Supplier Performance Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Quality
<i>Contact</i>	Lee Kader, +1 214.875.8061
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Provide opportunities for two-way communication with Company suppliers that breaks down internal and external cooperation barriers. Host Business Unit Reviews (BURs) and use Key Performance Indexes (KPIs) to promote a team atmosphere and mutual trust.

Scope

Procedure applies to all SRM staff and business unit directors that run business review meetings and score suppliers based on public, established scorecards (KPIs).

Business Unit Reviews

High-level Meeting Organization

What the Company needs from its suppliers?

- Cost Management, Innovation, market intelligence, demand or quantity
- Operations metrics (On-time-delivery, MRs, RFQs, etc.)
- Risk assessment / mitigation plans by suppliers

What the suppliers need from the Company?

- Cash Flow / invoices in dispute
- New Products or services / upcoming bids
- Contract Status or Renewal

Example Business Unit Review Agenda

20%–Review of Supplier and Company since last BUR or quarterly meeting.

- Supplier
 - Company performance since last BUR–contracts, new PO/contracts, amendments
 - Sales and spend vs. projections
- Company BU describing supplier performance
 - Scorecard (KPI) performance
 - Contract Performance–safety, environment, dollars (spend/plan)
 - PO Performance–product quality, on-time delivery
 - Cost Reduction–price, productivity
- Company and Supplier
 - Open issues—Areas of safety, environment, cost, quality, delivery, or responsiveness
 - Overall business performance

80%–Remainder of the meeting looks forward to do future business together

- Supplier
 - Projected sales and spend
 - New products and services described (not a presentation)
 - Supplier specific business projection (visuals and statistics)
 - Supplier competing in their overall market (does it match Company Supplier intelligence).
 - Cost drivers
- Company supplier metrics shared with the supplier
 - On-time delivery
 - Safety record
 - MR Hold and RFP/RFQ turn-around time
 - Invoice accuracy and timeliness
 - IIDs (invoices in dispute)
 - Tier 2 Supplier diversity spend
 - Quality issues
- Additional Topics (try to avoid using as a dumping ground)
 - Market conditions and expectations
 - R&D or innovation
 - Cost reduction initiatives
 - Opportunities for cost reduction

Compliance

- BUR meeting agendas and any minutes of each meeting.
- KPI operational metrics (supplier-specific template scorecards) used with Company suppliers.

Sourcing/Procurement of Goods and Services Policy

<i>Title</i>	Sourcing/Procurement of Goods and Services Policy – All EFH except Oncor
<i>Business Owner</i>	Senior Director – Supply Chain
<i>Contact</i>	Collin Carrell, +1 214.875.8580
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

The purpose of this Policy is to provide the functional responsibilities of Supply Chain. Supply Chain uses the appropriate procurement process to execute sourcing, contracting and acquiring materials, goods and services on behalf of EFH. These functions include but are not limited to managing accurate inventory, competitive bidding, leveraging spend, negotiating contracts, managing supplier performance to contracts, and utilizing technology to enable an efficient process. Supply Chain manages risk to ensure compliance to EFH policies, and will comply with the Supplier Diversity Policy.

Scope

Xxxxxxx

PGS01–Sourcing Event Procedure

<i>Title</i>	Sourcing Event Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Sourcing Manager – Supply Chain
<i>Contact</i>	John Berardi, +1 214.875.8619
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Obtain goods and services from suppliers for the Company within necessary lead times, while determining the appropriate method of procurement/sourcing to ensure the lowest total evaluated cost.

Provide guidelines that permit sourcing personnel the flexibility to minimize total spend, meet business unit requirements (and lead time), and create opportunities for using diverse suppliers.

Scope

This procedure applies to Supply Chain sourcing and procurement personnel who evaluate business unit statements of work and requirements. Upon evaluation of these requirements, they conduct the resulting competitive sourcing events needed to obtain the necessary goods and services.

General

Types of Purchases:

- [sole-source supplier](#)
- [single-source supplier](#) (strategic and non-strategic)
- Competitive, using eSourcing or using traditional methods (Email, telephone, etc.)
- Emergency

When a demand for materials, goods or services arises, the requester as the Business Owner / internal customer must provide sufficient information to begin the sourcing event.

The requester submits:

- Approved request to Supply Chain
- Completed business requirements
- Scope of work or specifications
- Appropriate GL account

Table 3: Company-wide Cost Criteria for Sourcing/Procurement Actions

Sourcing/Procurement Action	\$0 to \$25K	\$25K to \$100K	\$100K or greater
Verbal Quotes	Yes	No	No
Written Quotes	No	Yes	Yes
Need Minimum Quotes	1	3	3
Need Request for Proposal (RFP)	No	No	Yes
Diversity rule of at least one	No	Yes	Yes

Comments for Providing Sourcing Guidelines

- Provide guidelines that don't restrict supply chain procurement from acting outside the sourcing guidelines when situation is justified
- Do a data pull on transactions between \$25K and \$50K to see number
- What guidelines can cover 90% of the situations

Procedure

High-level Sourcing Event Steps

- 1 (SEP010) [Requester] Business unit needs a commodity or service.
- 2 (SEP020) [Sourcing/procurement] Obtain a statement of work, requirements, and lead time from requester.
- 3 (SEP030) **{Qualifies for competitive sourcing event?}**. If **No**, go to Step SEP050.
- 4 (SEP040) Generate a request for proposal, information, or quote by performing the [*PGS02–Request for X \[RFX\] Procedure*](#) on page 44.
- 5 (SEP050) Perform the [*PGS04–Non-competitive Sourcing Opportunity*](#) described on page 49.

Compliance

- Ariba contains services
- EAM items
- Sourcing event in the Supplier Intelligence Portal. Only CapGemini is storing this information.

Figure 10: High-level Sourcing Event Procedure

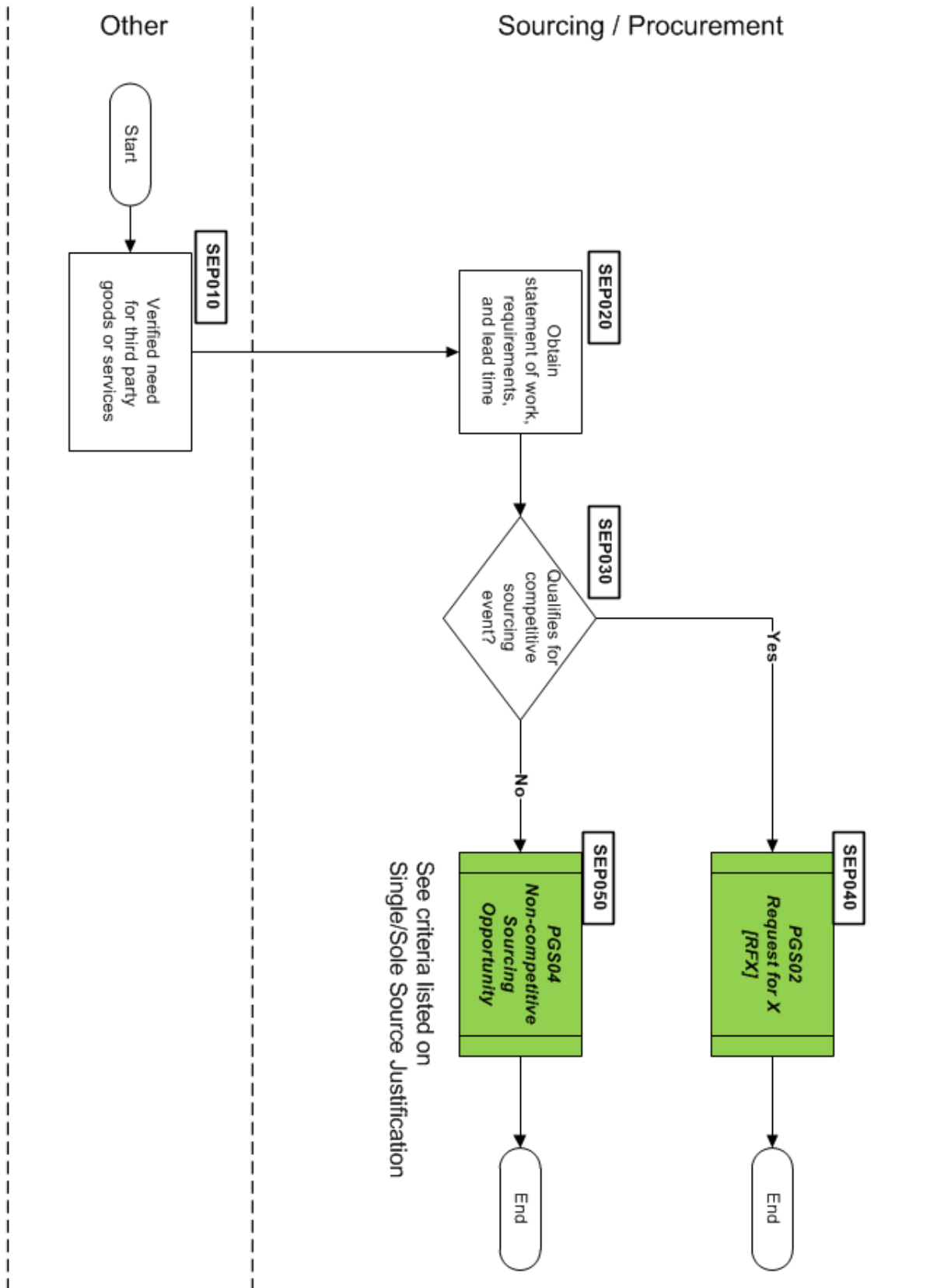
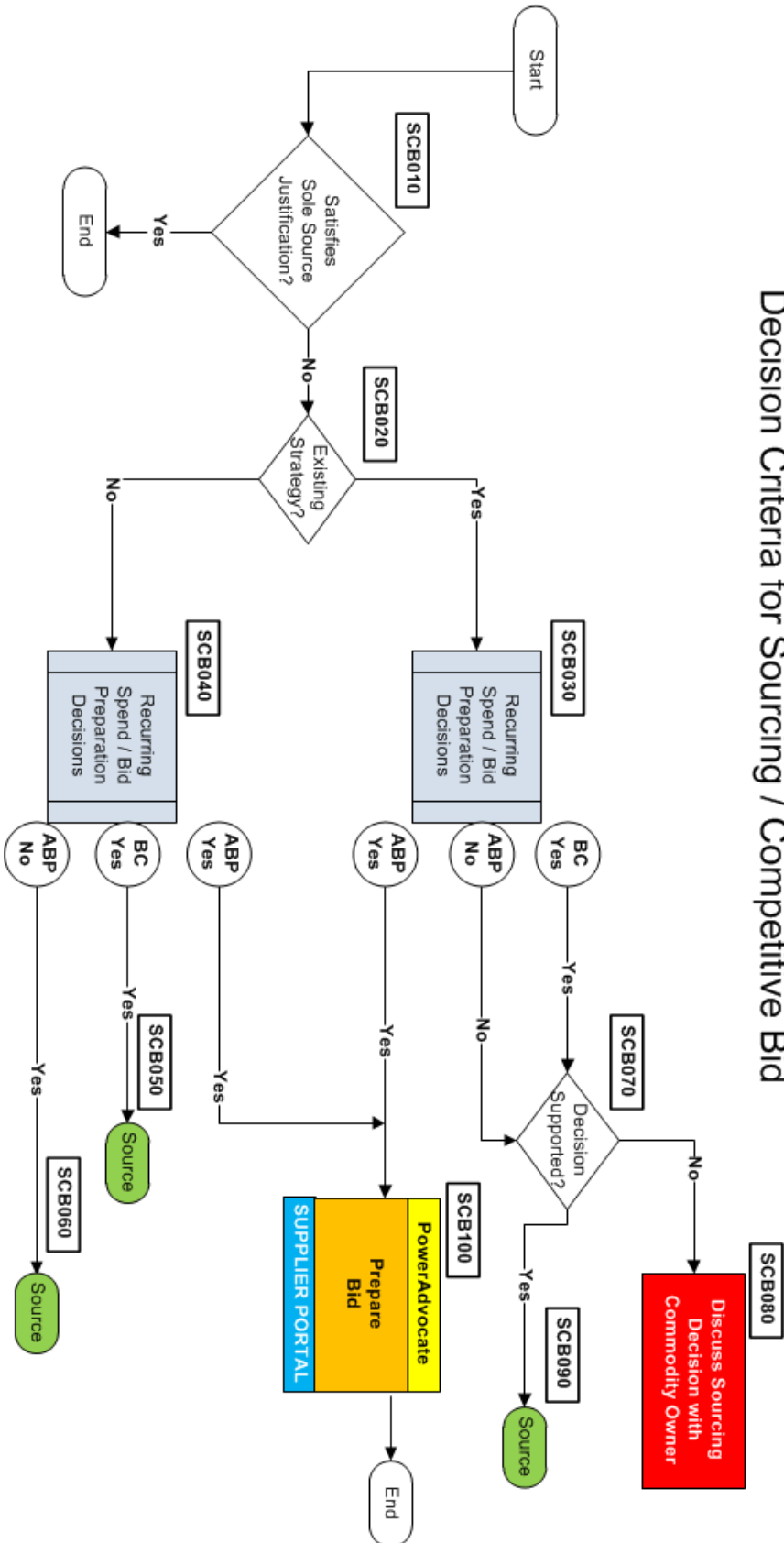


Figure 11: Decision Criteria for Sourcing/Competitive Bids

Decision Criteria for Sourcing / Competitive Bid

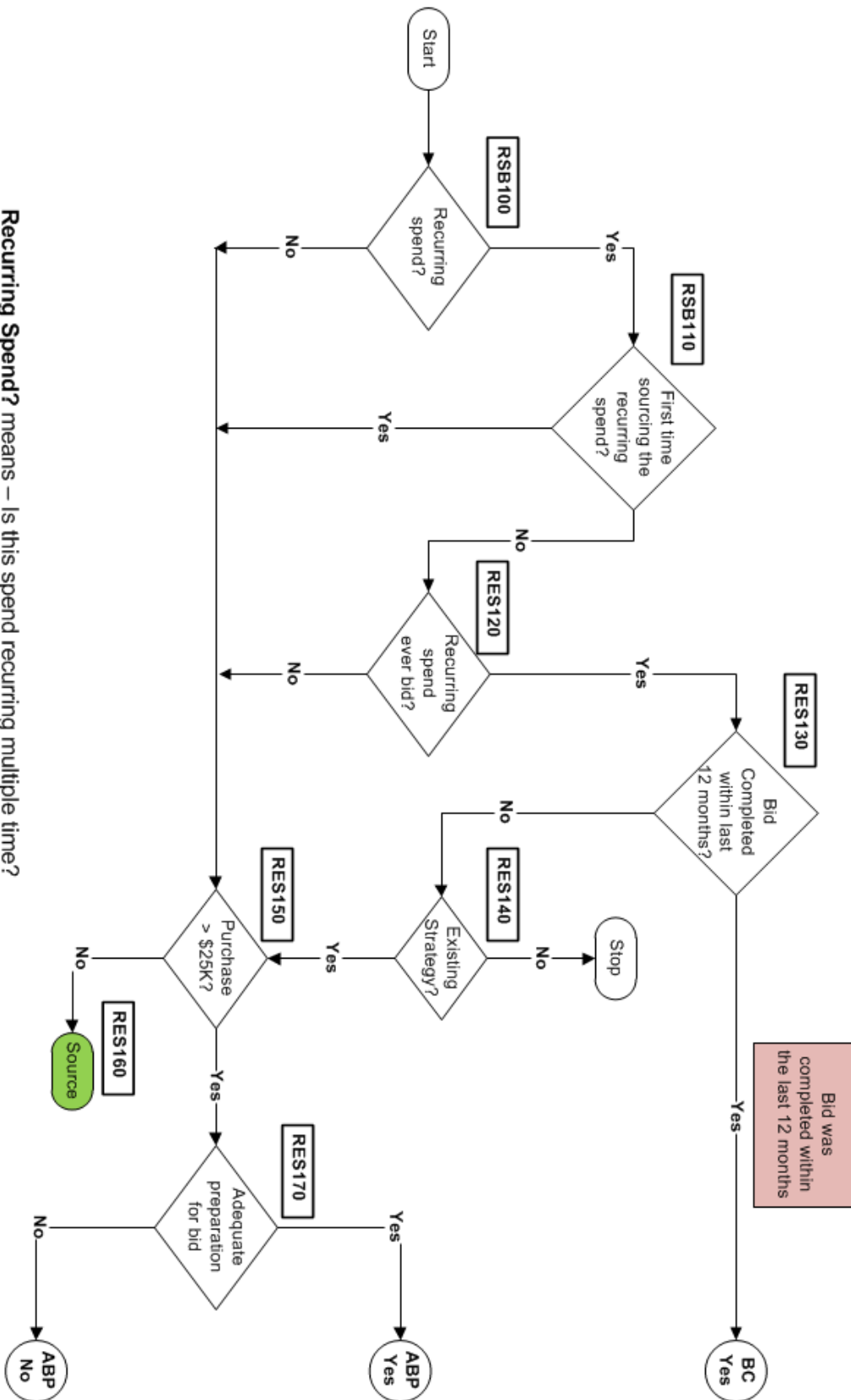


Existing Strategy? means – Does a documented commodity strategy exist for this purchase?

Decision supported? means – Does the documented commodity strategy support your sourcing decision?

Figure 12: Recurring Spend Bid Preparation

Recurring Spend / Bid Preparation Decisions



Recurring Spend? means – Is this spend recurring multiple time?

Existing Strategy? means – Does a documented commodity strategy exist for this purchase?

Adequate preparation for bid? means – Were you given adequate lead time (greater than a week) to prepare a bid?

PGS02–Request for X [RFX] Procedure

<i>Title</i>	Request For X Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Sourcing Manager – Supply Chain
<i>Contact</i>	John Berardi, +1 214.875.8619
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Develop a uniform procedure to send out and evaluate Requests for Information ([RFI](#)), Requests for Proposal ([RFP](#)), and Requests for Quotation ([RFQ](#)).

Scope

This procedure applies to Supply Chain Sourcing and Procurement personnel who send and evaluate Requests for Information (RFI), Requests for Proposal (RFP), and Requests for Quote (RFQ).

Procedure

Bids are requested when the Company has a business need or Supply Chain realizes an opportunity to reduce costs for the Company. Supply Chain personnel requests bids from an appropriate number of qualified suppliers and may use the bid process for obtaining information from single source suppliers.

Supply Chain personnel issue invitations for competitive bids, conduct pre-bid meetings when necessary, receive and control the bids, and make the recommendation for the award.

Under no circumstances does the Supply Chain personnel alter the requisition technical or quality assurance requirements without approval of the Company requester.

Questions related to commercial or technical information from suppliers are directed to Supply Chain personnel. Supply Chain personnel coordinate answers to technical questions in conjunction with the Company requester. Such information is then conveyed to all bidding suppliers. The requester should not provide information to suppliers without the involvement by Supply Chain personnel.

Figure 13: Request for X [RFX] (Part 1 of 2)

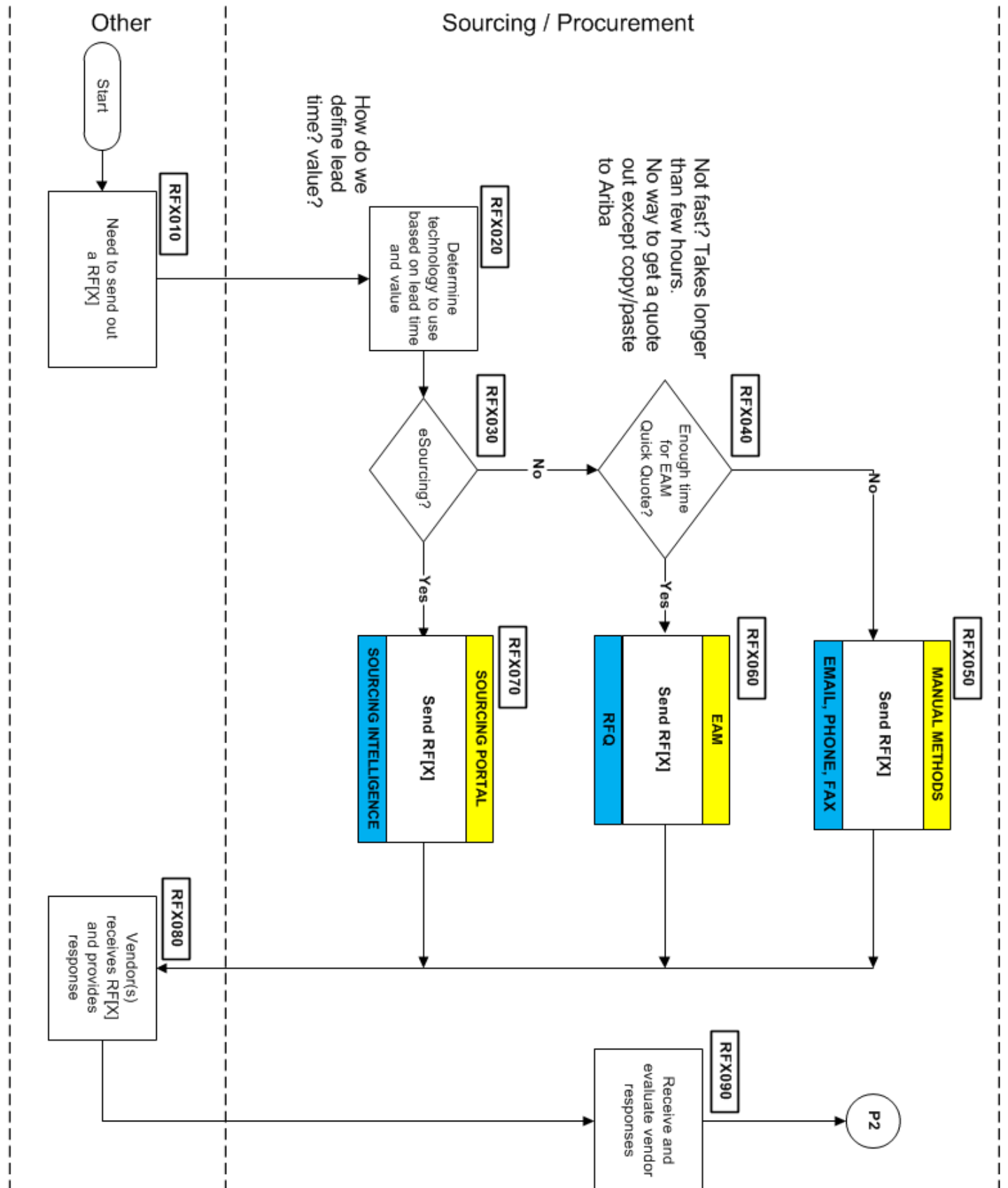
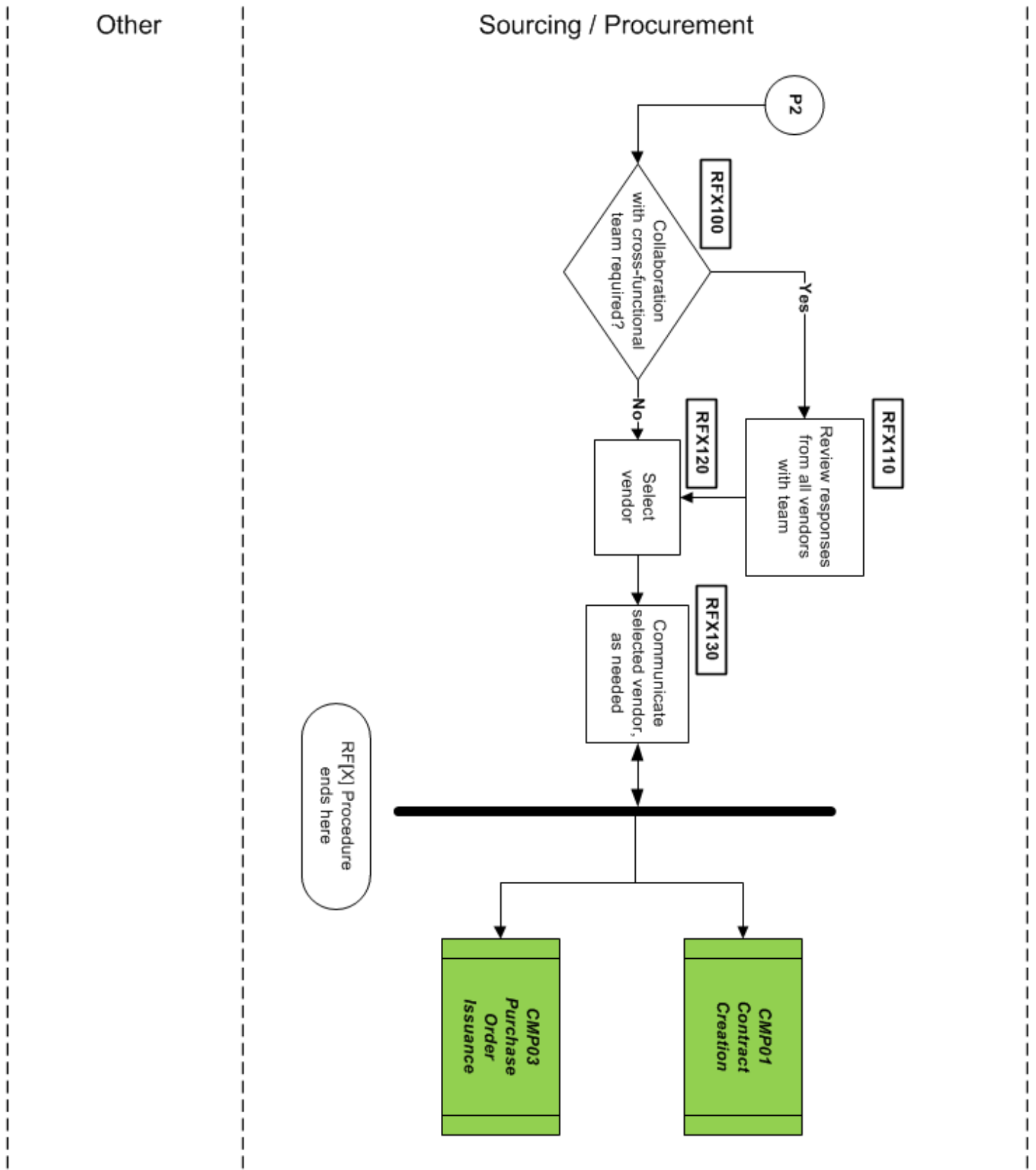


Figure 14: Request for X [RFX] (Part 2 of 2)



To conduct an RFX process

- 1 (RFX010) Need to send out an RF[X] (**RFQ, RFP, or RFI**).
- 2 (RFX020) [Sourcing/Procurement] Select Sourcing Portal, the EAM application, or manual technique (email and telephone) to use based on the lead time and spend level.
- 3 (RFX030) **{Use the Sourcing Portal (eSourcing)?}** If **Yes**, go to Step RFX070.
- 4 (RFX040) **{Enough lead time to use the EAM?}** If **Yes**, go to Step RFX060.
- 5 (RFX050) Send RF[X] document using email or fax. Follow-up responses with telephone. Go to Step RFX080.
- 6 (RFX060) Create RF[X] and send using the EAM application. Go to Step RFX080.
- 7 (RFX070) Use the Sourcing Portal to send the RF[X].
- 8 (RFX080) [Vendors] Receive the RF[X] and provide responses.
- 9 (RFX090) [Sourcing/Procurement] Receive and evaluate all vendor responses.
- 10 (RFX100) **{Need additional cross-functional team knowledge?}** If **No**, go to Step RFX120.
- 11 (RFX110) Review vendor responses with cross-functional team members having desired expertise.
- 12 (RFX120) Select the vendor.
- 13 (RFX130) Communicate selected vendor to business units. Procedure ends.

Vendor is awarded a contract (see [CMP01-Contract Management Procedure](#) on page 54) or issued a purchase order (see [CMP03-Purchase Order Management](#) on page 64).

Compliance

- Ariba contains services
- EAM items
- Sourcing event in the Supplier Intelligence Portal. Only CapGemini is storing this information.

PGS03-Competitive Bidding Procedure

<i>Title</i>	Competitive Bidding Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Sourcing Manager – Supply Chain
<i>Contact</i>	John Berardi, +1 214.875.8619
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define the process for

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

PGS04–Non-competitive Sourcing Opportunity

<i>Title</i>	Non-competitive Sourcing Opportunity – All EFH except Oncor
<i>Business Owner</i>	Sr. Sourcing Manager – Supply Chain
<i>Contact</i>	John Berardi, +1 214.875.8619
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define procedure for sourcing items/materials for which a [sole-source supplier](#) or [single-source supplier](#) is the only viable option due to business requirements or time constraints.

Scope

Applies to all supply chain sourcing and procurement staff.

Procedure

The supplier should satisfy single/sole source justification:

- Services are one of a kind or only known provider who can meet business requirements
- Time constraints (especially emergency conditions) prevent competitive bidding or using a non-regional supplier
- Service or transaction size is insufficient to justify expensive bidding
- Services provided are proprietary nature
- Approved strategic direction established for items/services in this category

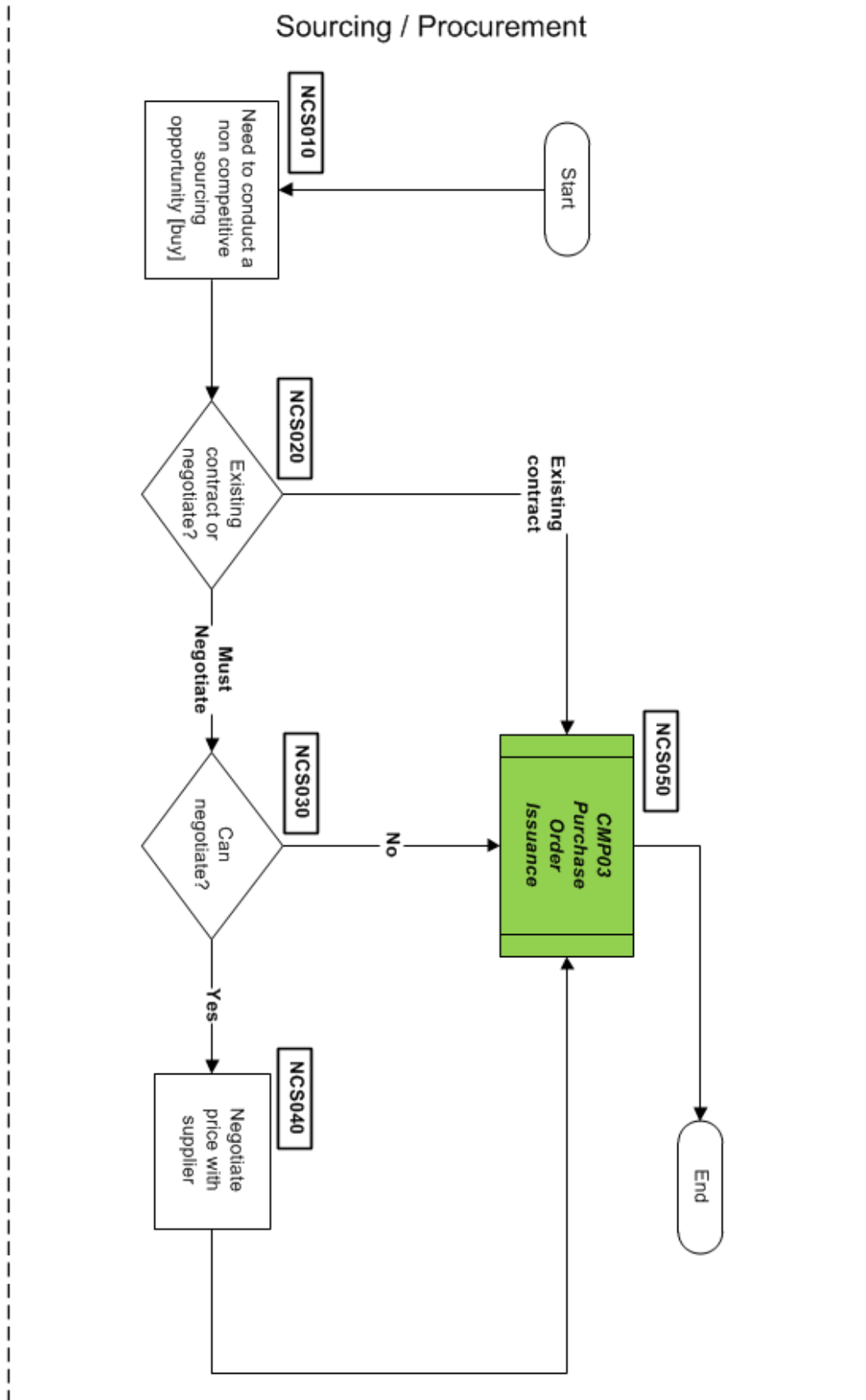
To implement a non-competitive sourcing opportunity

- 1 (NCS010) [Sourcing/Procurement] Need to conduct a non-competitive sourcing opportunity due to business requirements or lack of lead time (including emergencies).
- 2 (NCS020) **{Existing contract in place or negotiate?}** If **Existing Contract**, go to Step NCS050.
- 3 (NCS030) **{Can we negotiate price with supplier?}** If **No**, go to Step NCS050.
- 4 (NCS040) Negotiate price with supplier.
- 5 (NCS050) Issue purchase order, see [CMP03–Purchase Order Management](#) on page 64.

Compliance

- First compliance action
- Second
- Last

Figure 15: Non-competitive Sourcing Opportunity



PGS05–Supplier Selection Procedure

<i>Title</i>	Supplier Selection Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Sourcing Manager – Supply Chain
<i>Contact</i>	John Berardi, +1 214.875.8619
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

PGS06–Sourcing and Procurement Governance

<i>Title</i>	Sourcing and Procurement Governance – All EFH except Oncor
<i>Business Owner</i>	Sr. Sourcing Manager – Supply Chain
<i>Contact</i>	John Berardi, +1 214.875.8619
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

Contract Management Policy

<i>Title</i>	Contract Management Policy – All EFH except Oncor
<i>Business Owner</i>	Sr. Director – Supply Chain
<i>Contact</i>	Colin Carrell, +1 214.875.8580
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxxx

CMP01–Contract Management Procedures

<i>Title</i>	Contract Management Procedures – All EFH except Oncor
<i>Business Owner</i>	Procurement Manager – Supply Chain
<i>Contact</i>	Fred Stobaugh, +1 214.875.9304 Brenda Peinado, +1 214.875.9152
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This defines the contract procedures and documentation necessary to support supply chain operations throughout the contract service lifetime. This includes:

- Creating the different types of contracts
- Changing contract information
- Closing out a contract
- Required documentation in the [EAM](#) and [Contract Management](#) system needed

Scope

Xxxxxxx

Procedures

CMP01A–Creating a Contract

To create a new contract requires you to use both the EAM and Contract Management software applications.

Creating a contract happens with a:

- Sourcing event (Sourcing Intelligence tool-PowerAdvocate)
- Request for contract renewal
- Sole source request
- Non-sourced event
- Contract addendum required

You use the Purchase Contracts application (EAM) to create, view, modify and revise purchase contracts with outside vendors. On the contract, you can specify items or services along with their costs, shipping and handling, expected delivery times, financial terms, and vendor information. A Purchase Contract must have at least one authorized site.

Use the Purchase Contracts application to create the following contract types:

- Standard Blanket
- Funded Blanket (future??)
- Purchase

Figure 16: Creating a Contract (Part 1 of 3)

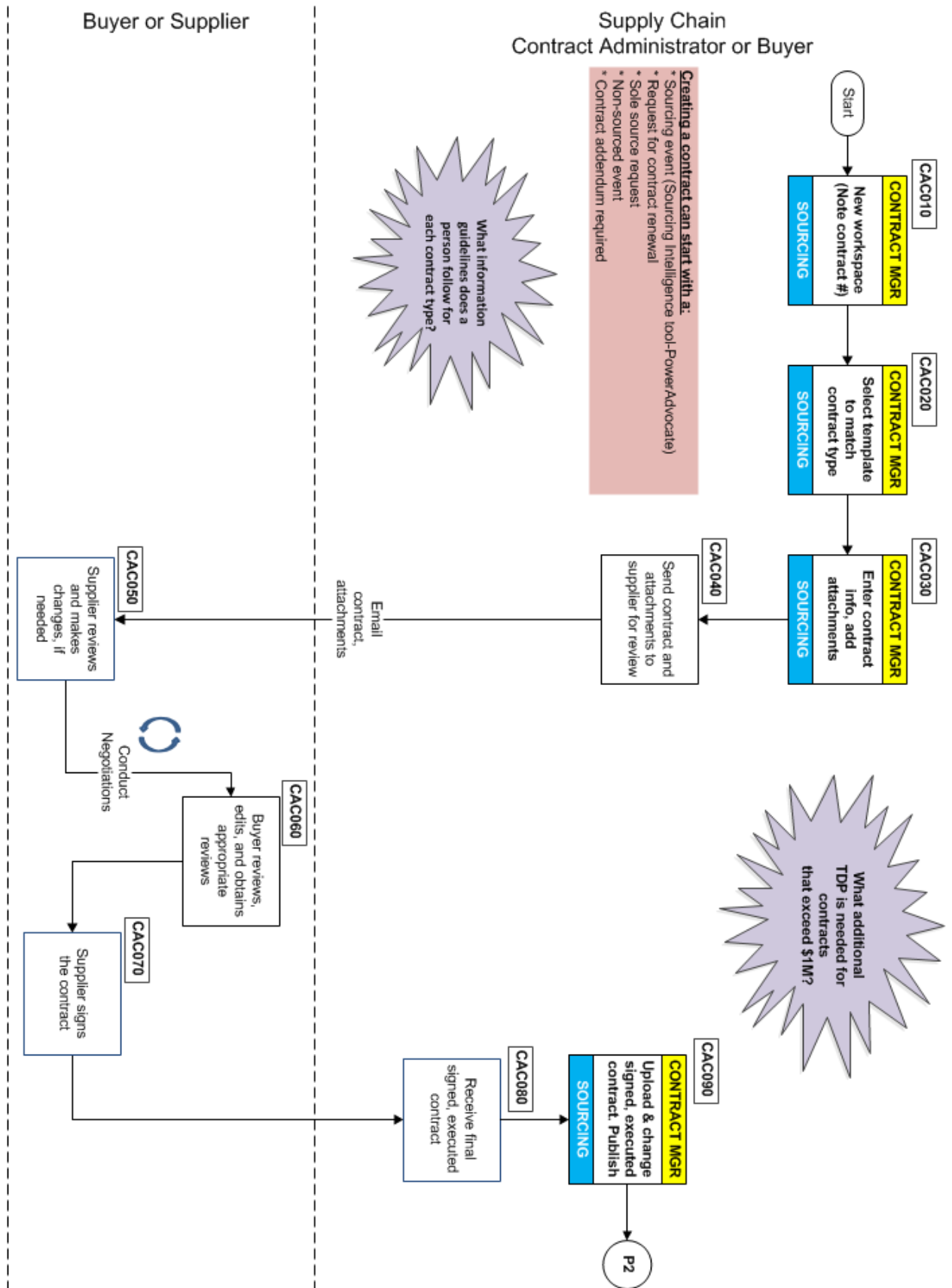


Figure 17: Creating a Contract (Part 2 of 3)

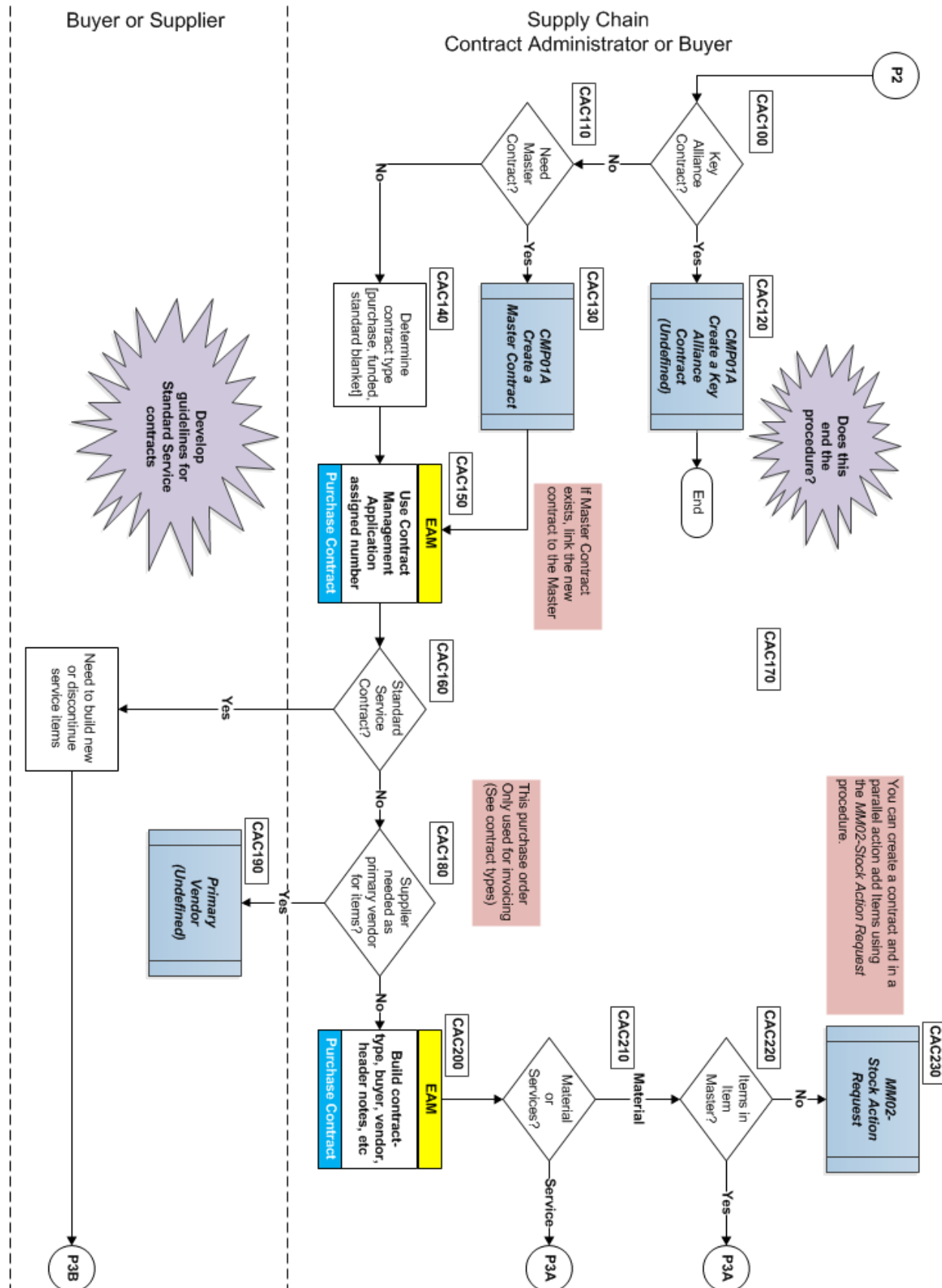
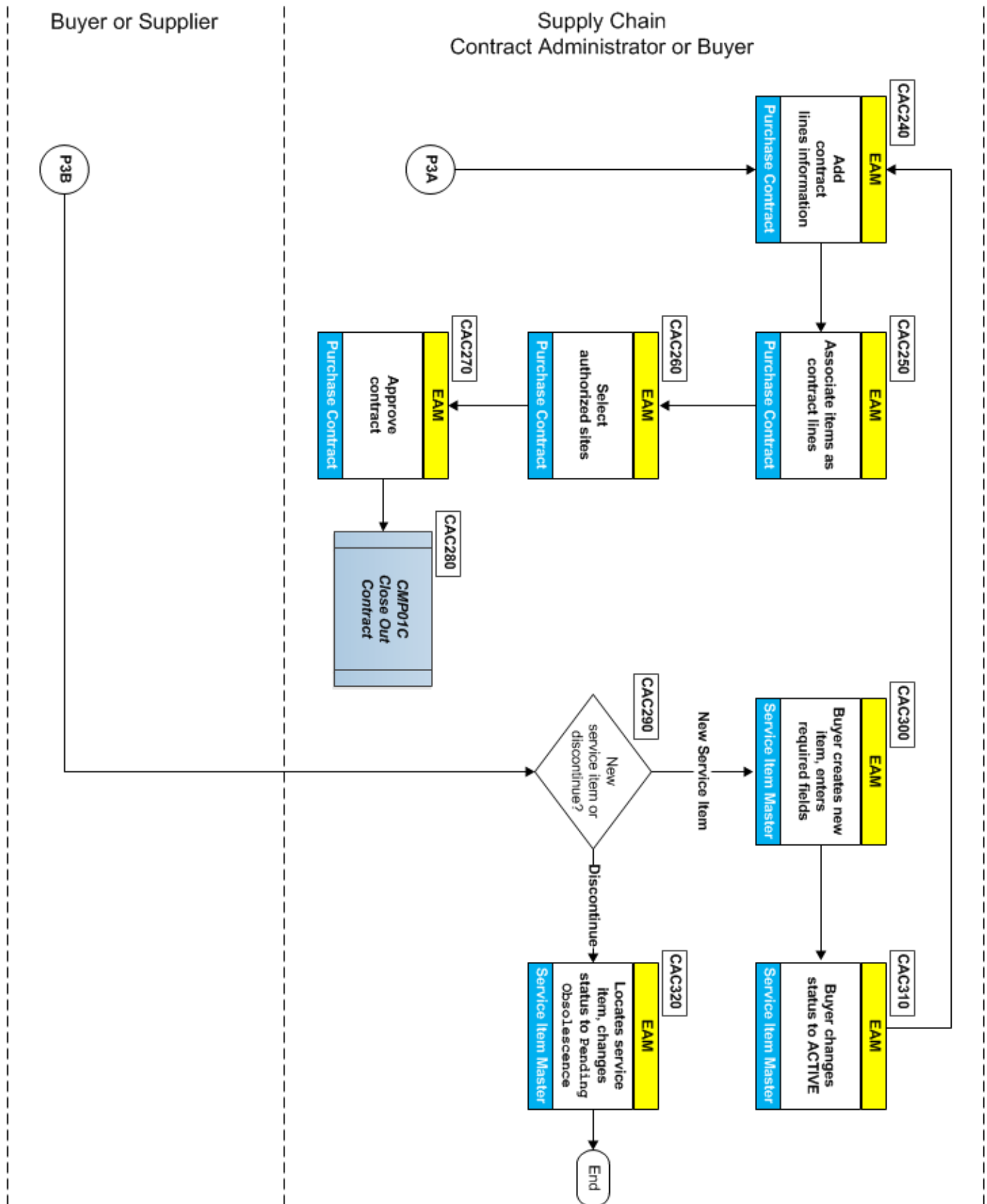


Figure 18: Creating a Contract (Part 3 of 3)



To create a contract

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx

CMP01A–Creating a blanket for items

Creating a blanket for itemst

- 1 (SBC010) [Miscellaneous] Need new blanket contract identified.
- 2 (SBC020) [Buyer/Contract Manager] Creates agreement [standard blanket contract] and obtains auto created contract number to be used in EAM.
- 3 (SBC030) [Buyer] Sends agreement [standard blanket contract] to supplier.
- 4 (SBC040) [Buyer/Supplier] Negotiates agreement/standard blanket contract with supplier using email or telephone.
- 5 (SBC050) [Buyer/Supplier] Finalized, executed agreement/blanket contract completed.
- 6 (SBC060) [Buyer] Uploads executed agreement [standard blanket contract] with supporting documentation into Contract Manager (ARIBA); including a pricing list and terms and conditions. (Terms and conditions may identify when pricing changes can occur.)
- 7 (SBC070) [Buyer] Using the pricing list; enter contract pricing and general contract information in the EAM Contract application as a purchase `type=std blanket`, the contract number is the number from ARIBA. No terms and conditions are loaded in the contract application (allows for auto-generated purchase orders).
- 8 (SBC080) [EAM] Work Orders and Purchase Requests issued referencing the contract number.
- 9 (SBC090) [EAM/Manual] Purchase Order issued referencing contract number.
- 10 (SBC100) [Supplier] Accepts and acknowledges purchase order [ecomm or manual] and ships items

Note: By accepting or acknowledging the purchase order; the supplier agrees to pricing.

[eCommerce-enabled suppliers] When a purchase contract is referenced on the purchase order; current functionality removes the defaulted standard PO T&Cs link and references the contract number. The supplier should have received a copy of the agreement including the T&Cs, as the supplier is instructed to reference the contract T&Cs when a PO is sent out using the ARIBA network.

- 11 (SBC110) [Buyer] Receives notification of price change from either supplier or sourcing manager.
- 12 (SBC120) [Buyer] Updates pricing in the contract application (revision functionality).
- 13 (SBC130) [EAM] Work Orders and Purchase Requests issued referencing the contract number.
- 14 (SBC140) PO issued with reference to the contract number which can include defaulted standard PO T&Cs or other T&Cs.
- 15 (SBC150) [Supplier] Accepts and acknowledges purchase order [eCommerce or manual] and ships items.

Note: By accepting or acknowledging the purchase order; the supplier agrees to pricing.

Recommendations

- No change to the current process: pricing changes will not be input or tracked in ARIBA.

- The golden source for pricing is in EAM and the golden source for the blanket contract T&Cs is in ARIBA; if auditing T&Cs use ARIBA, if auditing pricing use EAM; as the PO is the agreed upon price with the supplier.
- The revision functionality in EAM will be used to show when the pricing was changed. this can be accomplished by downloading and comparing the list of items and pricing in excel for each of the revisions. The buyer is responsible for documenting the changes in the notes field in maximo.
- The price change notification is not required to be saved; as the contract T&Cs should address the agreed upon timing and pricing changes. Prior to making the price changes; the buyer will validates the requested changes to the contract T&Cs in ARIBA.

CMP01A–Creating a New Pricing Lists Going Forward

- 1 (CPL010) Need for new pricing list identified
- 2 (CPL020) [Buyer] Receives supplier’s standard pricing list
- 3 (CPL030) [Buyer/Ariba] Creates pricing lists agreement, obtains auto-created contract number to be used in EAM.
- 4 (CPL040) [Buyer] Sends agreement for pricing list to supplier.
- 5 (CPL050) [Buyer/Supplier] Signed and executed agreement completed
- 6 (CPL060) [Buyer] Uploads executed basic agreement; including a pricing list and terms and conditions [can be defaulted standard PO T&Cs].
- 7 (CPL070) [Buyer] Using the pricing list; enters contract pricing and general contract information in the contract application as a purchase type=std blanket, the contract number is the number from ARIBA. No T&Cs are loaded in the contract application. (Permits auto-generated purchase orders.)
- 8 (CPL080) [EAM] Work Orders and Purchase Requests issued referencing the contract number.
- 9 (CPL090) [EAM/Manual] PO issued with refernce to the contract number which can include defaulted std PO T&Cs or other T&Cs.
- 10 (CPL100) [Supplier] Accepts and acknowledges purchase order [eCommerce or manual] and ships items.

Note: By accepting or acknowledging the purchase order; the supplier agrees to pricing.

[eCommerce-enabled suppliers] When a purchase contract is referenced on the purchase order; current functionality removes the defaulted standard PO T&Cs link and references the contract number. The supplier should have received a copy of the agreement including the T&Cs, as the supplier is instructed to reference the contract T&Cs when a PO is sent out using the ARIBA network.

- 11 (CPL110) [Buyer] Receives notification of price change from either supplier or sourcing manager.
- 12 (CPL120) [Buyer] Updates pricing in the contract application (revision functionality).
- 13 (CPL130) [EAM] Work Orders and Purchase Requests issued referencing the contract number.
- 14 (CPL140) PO issued with reference to the contract number which can include defaulted standard PO T&Cs or other T&Cs.
- 15 (CPL150) [Supplier] Accepts and acknowledges purchase order [ecommerce or manual] and ships items.

Note: By accepting or acknowledging the purchase order; the supplier agrees to pricing.

Recommendations

- Change in terminology; refer to these types of purchases as pricing lists for items, do not use 'blanket' when referring to these purchases/transactions.
- The golden source for pricing is in EAM; when auditing use EAM.
- The golden source for the T&Cs is ARIBA; when auditing T&Cs use ARIBA
- Revision functionality in EAM is used to show when the pricing is changed. The buyer is responsible for documenting the changes in the notes field in EAM. Note: This can be accomplished by downloading and comparing the list of items and pricing in excel for each of the revisions.
- The price change notification is not required to be saved; as there is no contract T&Cs defining pricing changes
- The audit occurs at the PO level; as the PO is the agreed upon price with the supplier.

CMP01B–Changing a Contract

To change an existing contract may require you to use both the EAM and Contract Management software applications.

Note: The status of the original contract does not change when you create a revision. You can use the original contract is available and can have new transactions associated with it. When you change the status of the revised contract from `PNDREV` to `APPR`, the EAM changes the status of the original contract from `APPR` to `REVISD` and that original version of the contract becomes a historical record (non-editable).

Figure 19: Changing a Contract

Insert screen or Visio diagram here

To change a contract

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx

CMP01C–Closing out (terminating) a Contract

To close out an existing contract requires you to use both the EAM and Contract Management software applications.

Figure 20: Closing Out a Contract

Insert screen or Visio diagram here

To close out a contract

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

CMP02–Terms and Conditions Maintenance Procedure

<i>Title</i>	Terms and Conditions Maintenance – All EFH except Oncor
<i>Business Owner</i>	Procurement Manager – Supply Chain
<i>Contact</i>	Brenda Peinado, +1 214.875.9152 Fred Stobaugh, +1 214.875.9304
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This section defines the procedure used to maintain standard terms and conditions in Company contracts that use the EAM and Contract Management enterprise software applications.

Scope

Xxxxxx

Procedure

Figure 21: Maintaining Standard Terms and Conditions (Part 1 of 3)

Insert screen or Visio diagram here

Figure 22: Maintaining Standard Terms and Conditions (Part 2 of 3)

Insert screen or Visio diagram here

Figure 23: Maintaining Standard Terms and Conditions (Part 3 of 3)

Insert screen or Visio diagram here

To maintain standard terms and conditions in contracts

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

CMP03–Purchase Order Management

<i>Title</i>	Purchase Order Management – All EFH except Oncor
<i>Business Owner</i>	Procurement Manager – Supply Chain
<i>Contact</i>	Fred Stobaugh, +1 214.875.9304 Brenda Peinado, +1 214.875.9152
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This defines the purchase order management procedures necessary to support supply chain operation. This includes:

- Issuing a purchase order
- Approve purchase requisition to issue a purchase order
- Closing out a purchase order

Scope

Xxxxxx

Procedure

CMP03A–Issuing a Purchase Order

Introduction

Figure 24: Issuing a Purchase Order (Part 1 of 3)

Insert screen or Visio diagram here

Figure 25: Issuing a Purchase Order (Part 2 of 3)

Insert screen or Visio diagram here

Figure 26: Issuing a Purchase Order (Part 3 of 3)

Insert screen or Visio diagram here

To issue a purchase order (includes emergency POs)

- 1 Xxxxx
- 2 Xxxxxx

3 Xxxxxx

CMP03B–Approve Purchase Requisition for PO

Introduction

Figure 27: Approve Purchase Requisition for PO

Insert screen or Visio diagram here

To approve a purchase requisition for a PO

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 Xxxx

CMP03C–Close Out Purchase Order

Introduction

Figure 28: Close Out Purchase Order

Insert screen or Visio diagram here

Compliance

- First compliance action
- Second
- Last

CMP04–Invoice Mismatch Procedure

<i>Title</i>	Invoice Mismatch Procedure – All EFH except Oncor
<i>Business Owner</i>	Procurement Manager – Supply Chain
<i>Contact</i>	Brenda Peinado, +1 214.875.9152 Fred Stobaugh, +1 214.875.9304
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This section provides methods for handling and resolving invoice differences (price, quantity, or arrival date).

Scope

Xxxxxx

Procedure

Figure 29: Invoice Mismatch Procedure (Part 1 of 3)

Insert screen or Visio diagram here

Figure 30: Invoice Mismatch Procedure (Part 2 of 3)

Insert screen or Visio diagram here

Figure 31: Invoice Mismatch Procedure (Part 3 of 3)

Insert screen or Visio diagram here

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

CMP05–Warranty or Back Charge Procedure

<i>Title</i>	Warranty or Back Charge Claim Procedure – All EFH except Oncor
<i>Business Owner</i>	Procurement Manager – Supply Chain
<i>Contact</i>	Fred Stobaugh, +1 214.875.9304 Brenda Peinado, +1 214.875.9152
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To establish methods for asserting warranty and back charge claims with suppliers. This procedure recovers costs incurred by the Company for a supplier's account.

Scope

This procedure is applicable to purchase orders and contracts where warranty or charge back language/agreement is included or provided by the OEM/Supplier.

Common occurrences that lead to a back charge situation can include:

- Corrective action on equipment, material, or structures that did not meet contractual requirements.
- Corrective action on damaged equipment, material, or structures that is the contractor's responsibility.
- Services of a contractor that include their obligations, but were unable or unwilling to perform.
- Incomplete contractor services that do not fulfill the executed company contract.

Procedure

Figure 32: Back Charge Procedure

Insert screen or Visio diagram here

To xxxxxx the action

- 1 Xxxxxx
- 2 Xxxxxxx
- 3 Xxxxxxx
- 4 Xxxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

Supplier Diversity Policy

<i>Title</i>	Supplier Diversity Policy – All EFH except Oncor
<i>Business Owner</i>	Vice President - Supplier Diversity
<i>Contact</i>	Cheryl Stevens, +1 214.875.8460
<i>Effective Date</i>	February 24, 2012
<i>Last Reviewed/Revised</i>	July 17, 2013

Purpose

This policy ensures the opportunity for full participation and inclusion of small and [diverse firms](#) in the Company supply chain. The policy further enhances overall cost savings, avoided costs, retention of market share, and increased market share through our supply base, reflecting the communities where we reside and serve.

Scope

This policy and supporting procedures applies to the Company and its subsidiaries, with the exception of Oncor. It cannot address every situation related to the title subject. Other relevant material can include, and is not limited to, other policies and principles, business unit or work area procedures, and laws and regulations.

Policy

It is the Company Policy to procure goods and services from qualified suppliers and contractors. This policy ensures that businesses owned by women, minorities, and small businesses have equal opportunities to participate in the Company procurement process. By supporting the development of such firms, the Company actively seeks qualified minority- and women-owned business concerns with which to do business and endeavors to assist these business concerns with their development. To further this policy, the Company participates in activities, organizations, and programs which promote such enterprises. In addition, the Company provides maximum practicable opportunities to companies with the federal designation of [small business](#), small disadvantaged business, small women-owned businesses, small businesses located in [HUBZones](#), and small businesses owned by Service Disabled Veterans ([SDVOB](#)).

Administration and implementation of this policy is the responsibility of all organizations and business units throughout the Company. The Company is committed to using and developing companies owned by ethnic minorities and women.

Definitions

The Company recognizes these business types as [diverse firms](#):

- Minority Business Enterprise ([MBE](#))
See [A03-MBE, Minority Business Enterprise](#) on page 249 for details.
- Women Business Enterprises ([WBEs](#))
- Disadvantaged Business Enterprise ([DBE](#))
- Veteran Owned Business ([VOB](#))—includes disabled and service-disabled veteran owned businesses
- Historically Underutilized Business ([HUB](#))
- [small businesses](#)
- [8\(a\) Firms](#)

SD01–Diverse Supplier Sourcing

<i>Procedure Title</i>	Diverse Supplier Sourcing – All EFH except Oncor
<i>Business Owner</i>	Director - Supplier Diversity
<i>Contact</i>	Heather Herndon-Wright, +1 214.875.8448
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This procedure proactively ensures that the Company includes qualified [diverse firms](#) in the sourcing process. The [sourcing lead](#) shall use all resources in every sourcing event, to accomplish the “[rule of at least one](#)” (one or more diverse suppliers) where available.

Scope

Supply Chain employees that perform sourcing activities

Procedure

To proactively include diverse firms in the competitive sourcing process:

- 1 Access approved databases to identify diverse firms.
(Contact Supplier Diversity office for passwords and access credentials.)
 - WBENCLink: cvmas17.cvmsolutions.com/wbenclink/
 - [PRISM](#)–The [NMSDC](#) database used its members:
<https://nmsdc.prismcompliance.com/>
 - TXHUB, Texas Certified HUBs ([CMBL](#)):
<https://mycpa.cpa.state.tx.us/tpasscmbsearch/index.jsp>
 - Other databases as appropriate (Contact the Supplier Diversity Office)
 - a. Enter search criteria based on scope of work for the current bid opportunities.
 - b. Evaluate if suppliers obtained in the search results have necessary capabilities.
 - c. Add the potential suppliers found to the bid list.
 - d. Procurement documents shall list diverse suppliers invited to bid.
- 2 Contact Supplier Diversity office and request any additional diverse suppliers to add to bid list, based on scope of work, as needed.
- 3 Ask standard supplier diversity questions as part of the RFP?
- 4 For each awarded contract over \$150,000, Sourcing Lead *shall* complete the Small Business Administration ([SBA](#)) *If Not, Why Not* form, which can be found at

Location: \\ddcnasshares\c_scm_shared_drive\Supplier Diversity\Misc.\SBA_If_Not_Why_Not_MWBE_Checklist.pdf
- 5 Attach the *If Not, Why Not* form to procurement documents for use during a potential SBA audit.

Refer to the [Sourcing/Procurement of Goods and Services Policy](#) on page 38.

Compliance

- All competitive sourcing events *shall* include documentation that the Company included diverse firms.
- All awarded contracts exceeding \$150,000 *shall* include the SBA *If Not, Why Not* form in the procurement documentation.

SD02–Supplier Diversity Status Verification

<i>Procedure Title</i>	Supplier Diversity Status Verification – All EFH except Oncor
<i>Business Owner</i>	Director - Supplier Diversity
<i>Contact</i>	Heather Herndon-Wright, +1 214.875.8448
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To ensure that companies included in the Supplier Diversity Initiative ([SDI](#)) meet the [diverse firms](#) criteria for tracking and reporting spend purposes. The Company requires that a [third-party certifier](#) validate the ownership, management, and control of diverse firms included in the [SDI](#). Once business is awarded, the Company adds these suppliers to the Vendor Master Database and codes each supplier according to the information provided in the [Supplier Diversity Status Profile](#) form and submitted verification.

Scope

Procedure applies to the Supplier Diversity Team ([SDT](#)) members, Supplier Relationship Management ([SRM](#)), and [sourcing leads](#).

Procedure

Determining a supplier’s diversity status

- 1 SDT maintains a current *Supplier Diversity Status Profile* form for inclusion in all New Vendor Setup (see [SRM04–Vendor Setup Procedure](#) on page 28 for details) documentation and distribution to existing suppliers as needed.
 - a. Update the current *Supplier Diversity Status Profile* form with valid diversity designations on the shared drive.
- 2 SDT distributes an updated *Supplier Diversity Status Profile* form to the:
 - a. **SRM sourcing leads**–include the form in the New Vendor Setup Procedure documentation that is updated on SC shared drive.
 - b. **Appropriate organization**–supporting the Vendor Master database.
 - c. **SC shared drive**–where supply chain leads access it for existing suppliers (status changes).

Location: \\ddcnasshares\c_scm_shared_drive\Supplier Diversity\Supplier Diversity Status Profiles*<Current Interactive Acrobat Supplier Diversity Status Profile Template name>*.pdf

Compliance

Annually validate *Supplier Diversity Status Profile* form for consistency with the Vendor Master Database.

SD03–Multi-Tier Initiative Procedure

<i>Procedure Title</i>	Multi-Tier Initiative Procedure – All EFH except Oncor
<i>Business Owner</i>	Director - Supplier Diversity
<i>Contact</i>	Heather Herndon-Wright, +1 214.875.8448
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

The [Multi-Tier](#) (M-Tier) Initiative is the Company’s commitment to introduce [diverse firms](#) to our [Multi-Tier Participating Tier 1 Suppliers](#), whenever an opportunity for added value and contribution to the Company’s bottom line exists. This procedure reflects an *additional* commitment and does not substitute for the Company’s direct First Tier (Tier 1) efforts.

Scope

Any Supply Chain employee who conducts a competitive bidding event

Suppliers participating in the M-Tier initiative can include any supplier with:

- Revenues (from the Company) exceeding *five* million dollars.
or
- Company contracts with any subcontracting activity.
or
- [high impact](#) contracts, having a contract value exceeding one million dollars.

Procedure

Implementing the Multi-Tier Initiative

- 1 Include M-Tier Language in all competitive bidding requests (RFx) and contracts meeting the supplier criteria.
Location: \\ddcnasshares\c_scm_shared_drive\Supplier Diversity\Multi-Tier Docs\Multi-Tier Docs\EFH-Multi-Tier RFP Language Doc
- 2 The Supplier Diversity Team ([SDT](#)) and the Supply Chain Leadership team select suppliers (meeting the supplier criteria) for participation in the [Multi-Tier](#) Initiative.
- 3 Include M-Tier Language in all new contracts meeting the supplier criteria and include in extended/amended contracts as appropriate.
Location: \\ddcnasshares\c_scm_shared_drive\Supplier Diversity\Multi-Tier Docs\Multi-Tier Contract Language Doc (Options 1 & 2_TXUE)
- 4 Request voluntary participation for existing suppliers with contracts meeting the supplier criteria, but without M-Tier contract language.
- 5 For suppliers participating in the Multi-Tier Initiative, the Supplier Diversity team:
 - Works with participating suppliers and [sourcing leads](#) to develop an annual utilization plan that establishes objectives and timelines.
 - Encourages and makes possible active participation by the supplier in the Women’s Business Enterprise National Council ([WBENC](#)) and National Minority Supplier Development Council ([NMSDC](#)), or their local affiliates.

- Measures and promotes compliance as a vendor performance metric with these implications:
 - Success: Can be recognized through the Company Gold Star Program.
 - Failure to comply: Can result in diminished consideration on future bid opportunities or contract renegotiations.
- 6 The SDT offers ongoing guidance to the participating supplier to encourage full participation in the Multi-Tier Initiative.
- 7 SDT requests and receives annual/quarterly reports from M-Tier Initiative participants:
- An Annual Utilization Plan (Attachment A) reports at contract initiation and annually for the contract duration.
 - Reports on the fourth Friday of each month after a calendar quarter's close (that is, April, July, October, and January).
 - i. Outreach report (Attachment B)
 - ii. The Spend report

Attachment A

Location: \\ddcnasshares\c_scm_shared_drive\Supplier Diversity\Multi-Tier Docs\Att. A - Diversity Utilization Form FINAL

Attachment B

Location: \\ddcnasshares\c_scm_shared_drive\Reports\SC Transformation initiative\Initiatives\P & P Manual Improvement\Atta. B - Sample Report.xls

Compliance

- All competitive bidding requests for contracts meeting the supplier criteria *shall* include Multi-Tier Language.
- The SC Director has mandated that all contracts in excess of \$5M *shall* contain Multi-Tier contract language unless exempt with documentation. A company is classified exempt if it has **(a)** no subcontracting and completely self-performs the work or **(b)** no diverse firm available.
- The SDT produces quarterly reports listing diverse suppliers and *will* obtain the corresponding spend reports from each participant.

Note: For Cap Gemini, purchases exceeding \$25,000 require governance. Governances and quotes are retained for compliance.

SD04–Tracking and Reporting Procedure

<i>Procedure Title</i>	Tracking and Reporting Procedure – All EFH except Oncor
<i>Business Owner</i>	Director - Supplier Diversity
<i>Contact</i>	Heather Herndon-Wright, +1 214.875.8448
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Generate reports for the Company leadership and other stakeholders to track, evaluate, and measure actual spend against Supplier Diversity spend goals. Request and evaluate ad-hoc reports to note specific historical trends in spend, savings, and diverse firm statistics.

Scope

Supply Chain individuals who work with or directly support the Supplier Diversity Initiative ([SDI](#)) to develop, analyze, and present diverse spend reports to all Leadership levels and other stakeholders.

Procedure

To track diverse spend

- 1 Identify diverse suppliers using the [Supplier Diversity Status Profile](#) form to be included in the New Vendor Setup documentation.
Location: \\ddcnasshares\c_scm_shared_drive\Supplier Diversity\Supplier Diversity Status Profiles*<Current Interactive Acrobat Supplier Diversity Status Profile Template name>*.pdf
- 2 [Existing supplier] When supplier is improperly coded; Supplier Diversity Team ([SDT](#)) engages responsible Supply Chain [sourcing lead](#) to (a) distribute and receive completed *Supplier Diversity Status Profile* forms with applicable certifications and (b) submit a change request to the Vendor Maintenance Group.
- 3 Ensure correct Supplier Diversity coding in the Master Vendor Database as applicable.

To report progress

- 4 The Supply Chain Reporting Team provides summary reports prior to the monthly Supplier Diversity Committee meeting for review, approval, and distribution at the monthly meeting. The two summary reports provide:
 - o Current initiatives, opportunities, and agreements awarded to diverse vendors.
 - o Year-to-Date Spend with diverse suppliers.
- 5 The Vice President of Supplier Diversity provides a Summary Report:
 - To the Strategic Policy Committee (SPC) on a quarterly basis or as requested.
 - To the Board of Directors annually or as requested.
- 6 The Supplier Diversity office can request the Supply Chain Reporting Team design and generate ad hoc reports such as:
 - Women’s Business Council Southwest ([WBCS](#)) Quarterly Done Deals Reports
 - DFW Minority Supplier Development Council ([D/FW MSDC](#)) Annual [MBE](#) Spend Report
 - [D/FW MSDC](#) Buy Those That Buy Us ([BTTBU](#)) Annual Report
 - Houston Minority Supplier Development Council ([HMSDC](#)) Annual MBE Spend Report
 - [WBENC](#) Top Corporations Spend Reports
 - Tier 2 Customer Spend Reports

- Annual Veteran Spend
- Annual Diverse Supplier Savings Reports
- Other reports as requested.

Compliance

- SDT provides monthly spend reports that show time-stamped distribution of reports.
- SDT randomly audits the Vendor Master Database to assure complete supplier diversity status information (certifications, taxpayer ID, and so forth).
- Document and maintain ad-hoc reports to note specific historical trends in spend, savings, and diverse firm statistics.

SD05–Growth and Capacity Building Procedure

<i>Procedure Title</i>	Growth and Capacity Building Procedure – All EFH except Oncor
<i>Business Owner</i>	Director - Supplier Diversity
<i>Contact</i>	Heather Herndon-Wright, +1 214.875.8448
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Assist the growth, development, and long-term sustainability of existing Company diverse suppliers (those in a previous or current relationship), resulting in increased Company spend with these [diverse firms](#).

This procedure promotes:

- **Supplier growth**–Expanding existing business within the Company. Increases spend across all internal Business Units and locations with a current line of business already under contract.
- **Supplier capacity building (internal)**–Diversifying goods, services, customers, and industries. Additional business awarded in other lines of business offered by the diverse firm (after completing qualification), but not currently under contract or used by the Company.
- **Supplier capacity building (external)**–Make introductions and set up meetings with **(a)** other industry group (utility) companies to diversify customer base and minimize risk, and **(b)** companies outside the industry, but with applicable needs and requirements to ensure long term sustainability despite industry downturns.

Scope

Supplier Diversity Team ([SDT](#)) initiates actions that are supported by all supply chain personnel as needed.

Procedure

To increase spending with existing diverse suppliers

- 1 Conduct a regular Category Strategy Analysis to identify existing diverse suppliers, the products and services offered, and match to Company Business Units and sites.
- 2 Meet with Category Managers to determine categories of opportunity for growth of existing suppliers based on current business, project funnels, and risk analysis.
- 3 Meet with identified diverse suppliers and conduct evaluations of current condition and future growth plans:
 - Understand company overview: history, resources (financial and human), all products and services offered, footprint, existing customers, plus industries served.
 - Evaluate supplier’s dependency (percentage of revenue) on Company and its subsidiaries.
 - Determine Growth and Capacity Building targets, plus products and services both inside and outside of the Company and its subsidiaries.
- 4 Once Supplier Diversity gathers growth plans, develop a formal *Growth and Capacity Building Plan* and a plan tracking tool.

Growth and Capacity Building Plan

Location: \\ddcnasshares\c_scm_shared_drive\SC Transformation initiative\Initiatives\P & P Manual Improvement\Growth and Capacity Building Plan.doc

- 5 Arrange introductory meetings with targeted BU sites, product owners, and external companies.
- 6 Add these suppliers to future opportunities across the Company.
- 7 Opportunity owner provides feedback to diverse suppliers to increase competitiveness and performance.

Compliance

- Document updates to *Category Strategy Analysis* plans.
- Examine *Growth and Capacity Building Plan* docs, including agendas, minutes, and the resulting plan and tracking tools, for a representative sample of participants.

Supply Chain IT Support Policy

<i>Title</i>	Supply Chain IT Support Policy – All EFH except Oncor
<i>Business Owner</i>	Chief Information Officer
<i>Contact</i>	Kevin Chase
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

For further information about SC IT Support Procedures, contact

Lorinda Birdsong, Director Operational Excellence, Process Excellence and Tech

Office: +1 (214) 812-1261

Mobile: +1 (214) 790-8683

Lorinda.Birdsong@energyfutureholdings.com

ITS01-Enhancement Development Procedure

<i>Procedure Title</i>	Enhancement Development Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

ITS02-Incident Response Procedure

<i>Procedure Title</i>	Incident Response Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

ITS03-Metadata/Data Changes Procedure

<i>Procedure Title</i>	Metadata/Data Changes Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

ITS04-Security Requirements Procedure

<i>Procedure Title</i>	Security Requirements Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second
- Last

ITS05-Reports Creation Procedures

<i>Procedure Title</i>	Reports Creation Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxx

Procedure

To xxxxxx the action

- 1 Xxxxx
- 2 Xxxxxx
- 3 Xxxxxx
- 4 Xxxxxx
- 5 xxxx

Compliance

- First compliance action
- Second

ITS06-Supplier Inquiries Procedure

<i>Procedure Title</i>	Supplier Inquiries Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Describe the types of inquiries that Company suppliers make of the SC Business Support team.

Scope

Procedure applies to all SC Business Support teams.

Typical inquiries to the SC Business Support teams:

- Request for training (usually forwarded to the [Contract Management](#) vendor)
- Question regarding Contract Manager software
- Cannot submit my invoice or need more dollars (forward to the buyer)
- Status of a payment on an invoice (direct AP resolutions)
- Accounts Payable escalation (direct them to an AP staff member)
- Supplier is behind on Ariba fees
- eCatalog inquiries for companies using eQuote (see [eQuote Vendor Shelving Procedure](#) on page 117)
- Contract and catalog are out-of-synch
- Scheduled to Pay Status (what date will money make it to the supplier's bank)

Procedure

The optimal approach is for suppliers to email the Company's Supply Chain support address SupplierEnablement@EnergyFutureHoldings.com to request assistance. This email is constantly monitored.

Some requests go directly to the Contract Manager vendor (ARIBA®) or staff in the SC Business Support Team (Dallas).

Escalations to SC Business Support Manager

- Request membership extensions or bill reduction for vendors on the Ariba Suspension list (non-payment of fees)
- Technology questions about eCommerce through PeopleSoft

Compliance

Unless a supplier makes an email inquiry through the Company support email address (SupplierEnablement@EnergyFutureHoldings.com), there is no documentation of the inquiry.

ITS07-E-Catalog Development and Maintenance

<i>Procedure Title</i>	E-Catalog Development and Maintenance – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Create, integrate, and maintain supplier e-catalogs to support efficient selection and procurement of direct charge materials.

Scope

Supply Chain IT, SAP Cloud (contract management), EFH IT, and Sourcing Managers and work with suppliers to test and define catalog content. Roll-out training to Business Unit(s) requesting these catalogs.

Note: New suppliers must go through the [ITS08-Supplier](#) before adding E-Catalogs.

Procedure

To create a new Supplier E-catalog, test, and place into production

- 6 Sourcing, procurement, and SC IT determine the catalog strategy. This includes approaching suppliers about creating or working with an existing E-catalog.
- 7 Sourcing and procurement determine the type of required catalog and request the SC IT Support team to evaluate the abilities of suppliers to manage E-catalogs.
- 8 Working with supplier, determine catalog type ([CIF Catalog](#) or [punch-out catalog](#), private web-address using web services) to address BU needs. Determine whether vendor can support CIF or punch-out catalog capabilities.
- 9 SC IT Support provides the supplier an *SC IT Catalog Checklist* to ensure the supplier meets all the prerequisites for each catalog type:
 - Catalog Interchange Format [CIF Catalog](#)
 - A [punch-out catalog](#)

Refer to the SC IT Catalog Checklist for specific details mentioned in these procedures.

Location: \\ddcnashares\c_scm_shared_drive_____SC_IT_SUPPORT_PATH_NEEDED_____ \Catalog Checklist.docx

- 10 Determine if the supplier has an ARIBA Procurement Content (APC) profile configured in the [ERP](#) System. Set up supplier with an APC profile, if necessary.
- 11 Develop EFH and Supplier Relationship. *[This is extremely vague.]*
- 12 Have Sourcing Lead of business team to determine which items/materials to include in the supplier catalog. Check with business team for any commodities that should not be in the catalog.
- 13 SC IT Support receives category items from procurement and requests these items in a list from the supplier that contains Item list and [UNSPSC](#) codes.

Figure 33: Catalog Development (Part 1 of 2)

Insert screen or Visio diagram here

Figure 34: Catalog Development (Part 2 of 2)

Insert screen or Visio diagram here

- 14 [CIF Catalogs Only] Use the SC IT Support *Catalog Checklist* to ensure that the E-catalog has the required *EFH CIF Template* fields.
- 15 [NEW] Receive supplier list and create a Materials Management list for cleanup.
 - a. Populate the EAM system with any new [UNSPSC](#) Groups and Codes found in the catalog
 - b. Map Buyers to commodity codes/groups
 - c. Ensure finance and accounting map expense codes (EC) to UNSPSC codes.
- 16 [NEW] For supplier items found in the E-catalog that exist in EAM system:
 - a. Match item catalog number in E-catalog and EAM system
 - b. Match Item Mater to [UNSPSC](#) Groups and Codes
 - c. Enter Supplier's item information on the Vendors tab of the Item Master
 - d. If Item ID is in Inventory Application, add supplier item information on *Item Master Reorder Details* tab.
- 17 Once catalog data is aligned with the EAM system, upload the CIF or [punch-out catalog](#) to the EFH test environment.
- 18 Test the supplier catalog using the SC IT Support *Catalog Checklist*.
- 19 Develop training instruction that can include (a) training guides, (b) desktop procedures, or (c) demonstration videos.
- 20 Conduct training for sourcing, procurement, any supplier, and any requesters. Training can be (a) classroom, (b) desktop web conference, (c) Computer-based Training [CBT](#) (Captive Videos), or (d) *Trainer the Trainer* format.
- 21 Catalog Integration Technology Providers load the supplier CIF or punch-out catalog to Production IT environment.
- 22 SC IT Support notifies sourcing, procurement, and requesters that the catalog is in Production.
- 23 Conduct E-Catalog value assessment session.

Compliance

- SC IT Support shall store and retain E-Catalog Project Plans.
- SC IT Support shall store and retain test plans for each supplier catalog.
- SC IT Support shall store and retain developed training materials, any re-branded documents, and records of webinars/[CBTs](#) delivered.

Figure 35: Catalog Maintenance (Part 1 of 2)

Insert screen or Visio diagram here

Figure 36: Catalog Maintenance (Part 2 of 2)

Insert screen or Visio diagram here

To maintain an existing Supplier E-catalog, test, and place into production

- 1 Sourcing, procurement, materials management, or a supplier defines an update to an existing E-catalog.
- 2 SC IT support notifies sourcing/procurement if change comes from materials management or the supplier.
- 3 Sourcing/procurement and SC IT Support evaluates the change to determine if the E-catalog should be suspended.
- 4 Once sourcing and procurement approves the change, perform any necessary contract maintenance
- 5 [**Unapproved changes ends the procedure**] Sourcing and procurement notifies the SC IT Support team, who relays the E-catalog change disapproval to the supplier.
- 6 Provide updated CIF template or item ID for punch-out catalog.
- 7 SC IT Support receives catalog data and provides materials management a list.
- 8 SC IT Support determines if catalog changes impact commodity groups or codes. If yes, perform required setup and expense code mapping.
- 9 Materials management receives changes from SC IT support and uses SARs (less than 10 changes) or a direct database load to add or change item IDs. MM notifies SC IT Support when all changes are done.
- 10 SC IT Support updates the Test Catalog and conducts interactive testing with the supplier using the Test catalog (follow *Catalog Checklist*).
- 11 Catalog Integration Technology Providers load the supplier CIF or punch-out catalog to Production IT environment.
- 12 SC IT Support notifies sourcing, procurement, and requesters about the catalog changes.

Compliance

- SC IT Support shall store and retain test plans for each update of a supplier catalog.
- SC IT Support shall store and retain notifications sent to sourcing, procurement, and requesters concerning the E-catalog updates.

ITS08-Supplier eCommerce Configuration

<i>Procedure Title</i>	Supplier eCommerce Configuration – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Supply Chain IT Apps
<i>Contact</i>	Merlyn Murthodi, +1 214.812.4044
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define the procedure to configure a supplier (already set up in PeopleSoft) to receive online purchase orders ([PO](#)) using the Contract Manager procurement network ([APC](#)).

Scope

This procedure applies SC Business Support team and suppliers who want eCommerce functionality.

Procedure

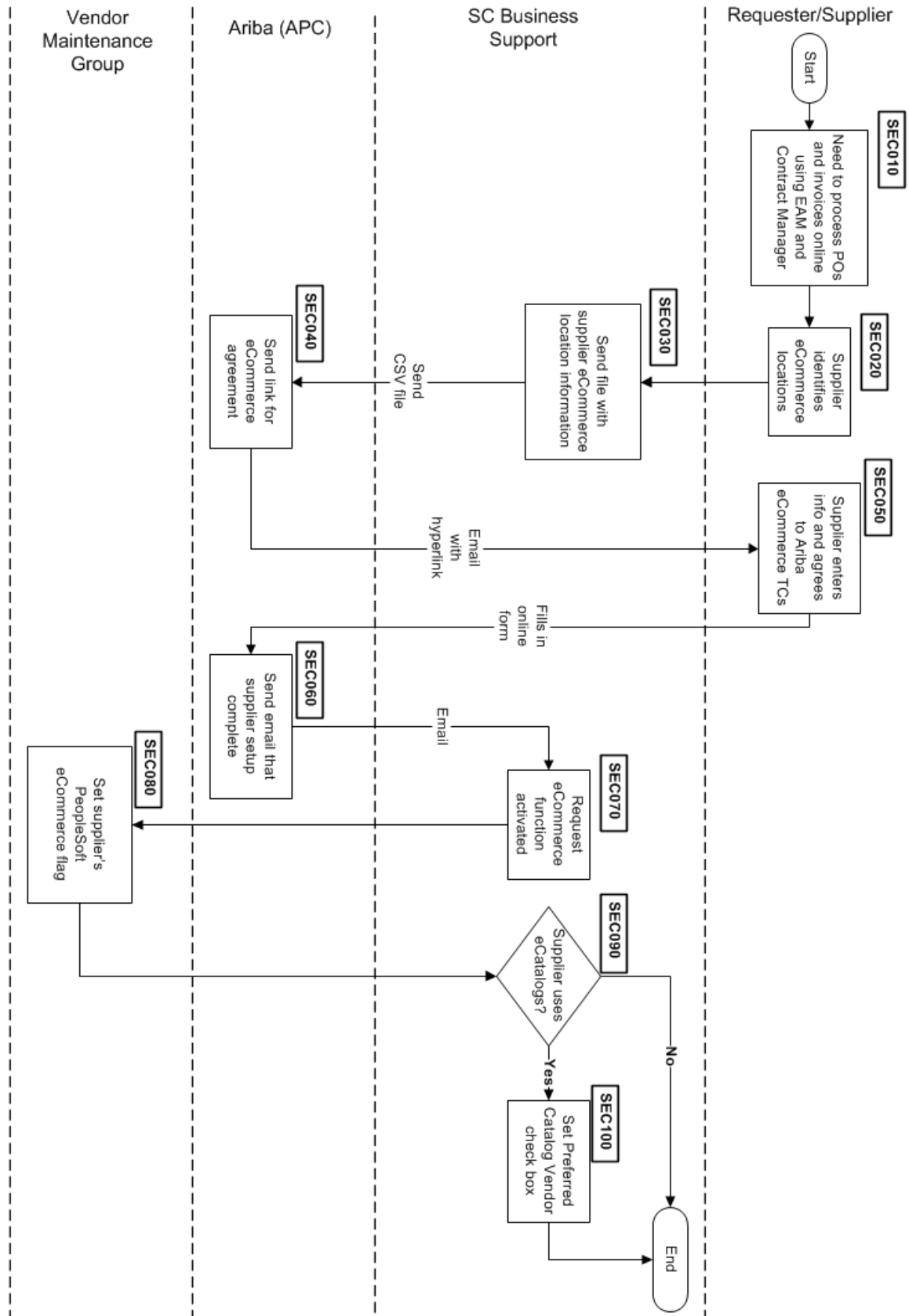
To configure a supplier for eCommerce:

- 1 (SEC010) [Requestor/Supplier] Need to process purchase orders and invoices electronically using the [EAM](#) application and [Contract Management](#).
- 2 (SEC020) [Supplier] Identify which locations (supplier locations in the EAM application) supplier wants to process transactions electronically.
- 3 (SEC030) [SC Business Support] Send a comma-separated value (CSV) file to Ariba. The spreadsheet contains key elements such as supplier name, location address, remittance number, supplier/Vendor ID, [DUNS](#), [ANID](#) (Ariba Network Identifier), and so forth. Each location has a unique supplier vendor number.
- 4 (SEC040) [Ariba] Sends email to supplier with a hyperlink to the Ariba online supplier agreement.
- 5 (SEC050) [Supplier] Provides requested information and accepts the online Ariba agreement.
- 6 (SEC060) [Ariba] Send email to the Company, saying "This supplier now transacting with EFH". Ariba website (under the Company account) lists suppliers who have signed up recently.
- 7 (SEC070) [SC Business Support] Send email to Vendor Maintenance Group to activate the eCommerce functionality for this supplier in the PeopleSoft SC Management application. (See [SRM04-Vendor Setup Procedure](#) on page 28.)
- 8 (SEC080) [Vendor Maintenance Group] Sets PeopleSoft eCommerce flag for supplier using database table.
- 9 (SEC090) **{Supplier uses eCatalogs?}** If **No**, end the procedure.
- 10 (SEC100) [SC Business Support] Set the Preferred Catalog Vendor check box after implementing a supplier eCatalog so that the EAM application automatically generates purchase orders (instead of routing POs to a buyer).

Compliance

- Store spreadsheets (CSV files) sent to Ariba for each supplier on the SC Shared Drive.
- In the Contract Manager, look at the drop-down list (**View Tasks**) next to the vendor name that lists all the supplier actions done for the eCommerce activation (signed agreement, sent first PO, sent first invoice, and so forth).

Figure 37: Configure Supplier for eCommerce



Materials Management Policy

<i>Procedure Title</i>	Materials Management Policy – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Xxxx

Scope

Xxxxxxx

MM01–Receiving Procedure

<i>Procedure Title</i>	Receiving Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define the procedure for warehouse site personnel to receive inventory and direct charge materials from suppliers or transfers from other Company sites.

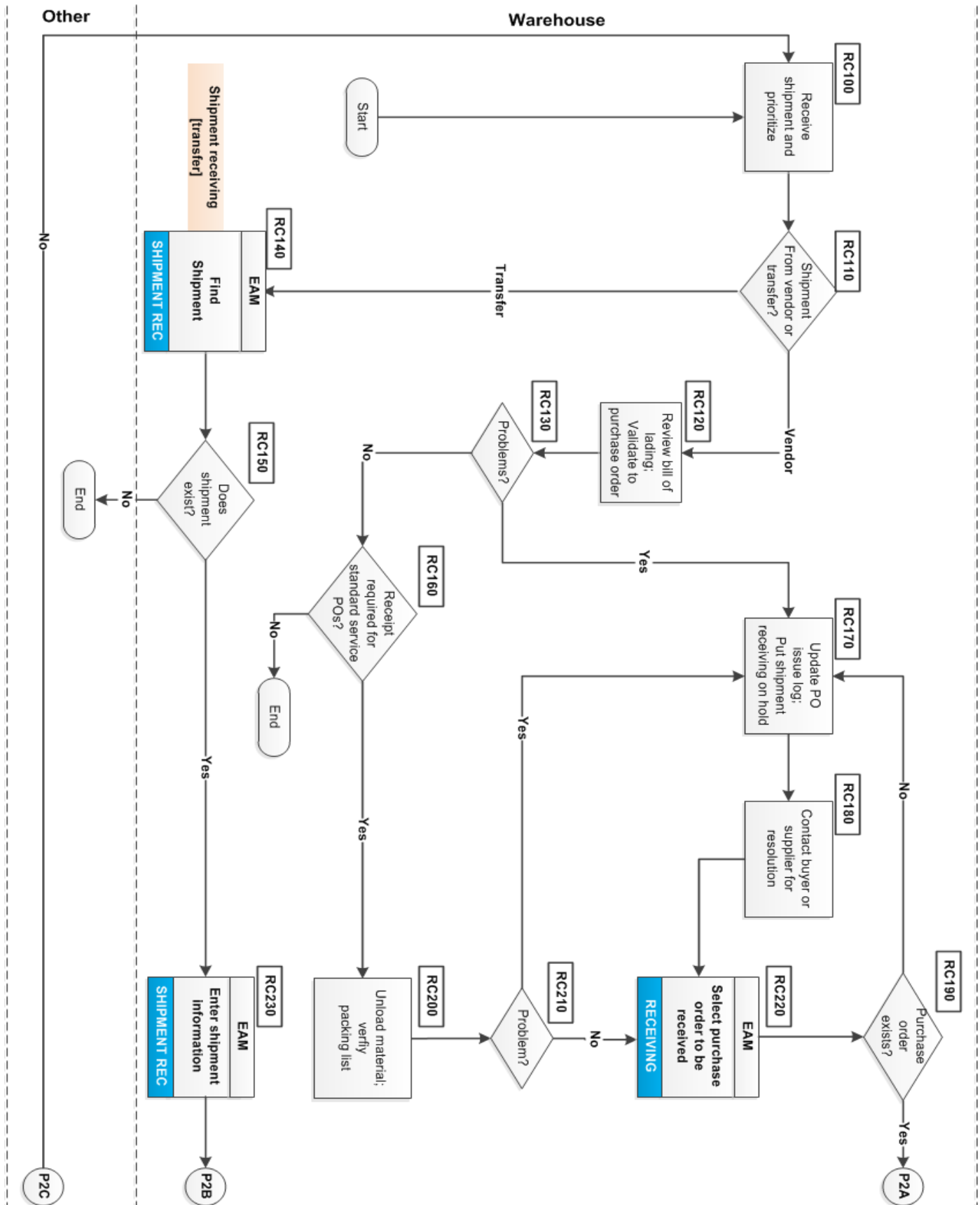
Scope

This procedure applies to warehouse and site personnel that handle supplier shipments or transfers.

Procedure

The following three figures and steps comprise the Receiving Procedure.

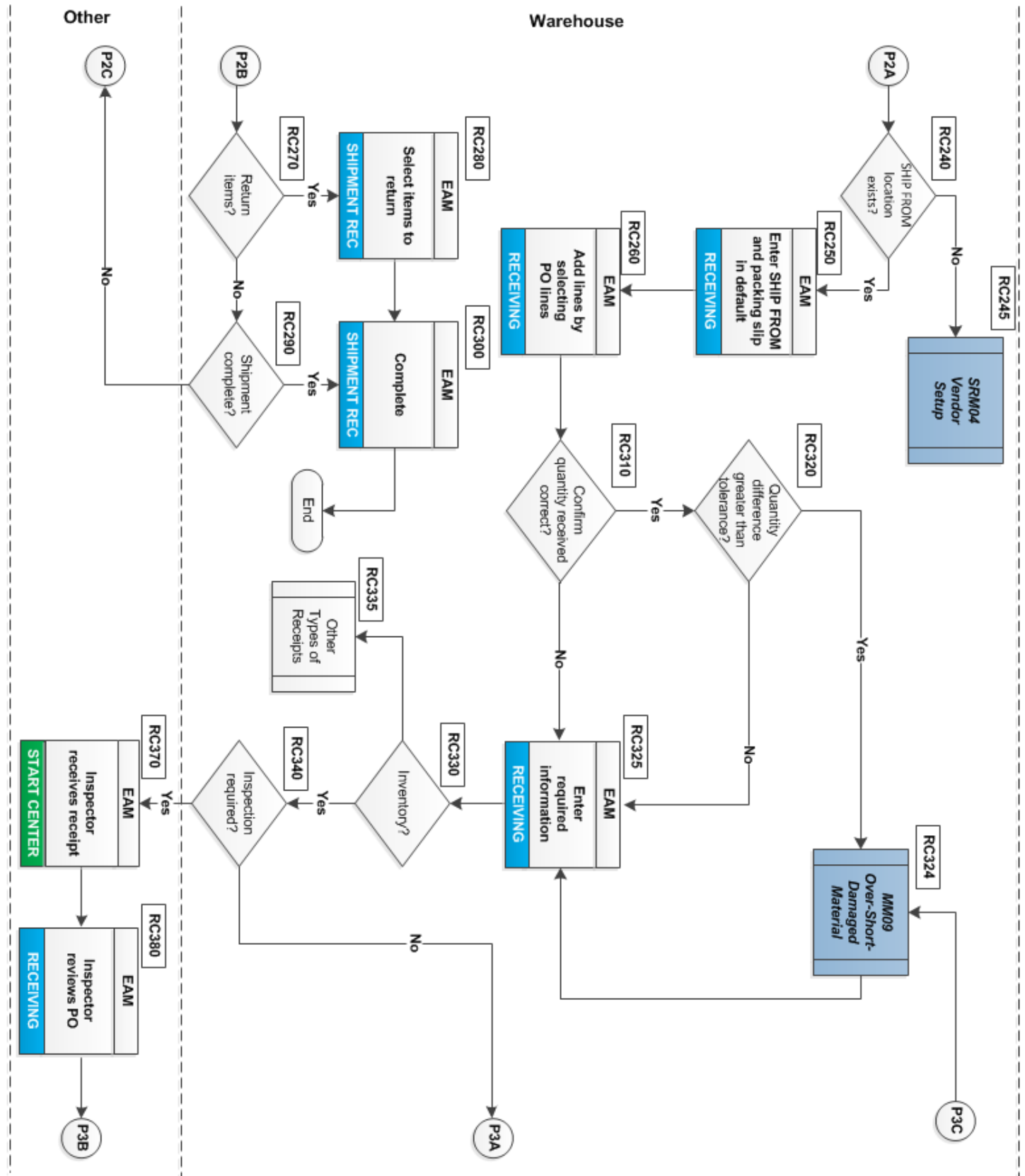
Figure 38: Receiving Procedure (Part 1 of 3)



To receive a shipment from supplier or transfer

- 1 (RC100) Receive and prioritize the shipment. The driver hands the shipment paperwork (bill of lading or MSO) to site guard and later to warehouse staff. Staff performs a safety assessment first to determine if they need any personal protective equipment (PPE) to handle the shipment. Staff usually unloads hotshot courier shipments first.
- 2 (RC110) **{From supplier or transfer?}** If **Transfer**, go to step #RC140.
- 3 (RC120) Review billing of lading or MSO. Validate the paperwork to a purchase order.
- 4 (RC130) **{Problems with shipment?}** If **Yes**, go to step #RC170. Problems could be missing purchase orders, item descriptions, or Over, Short, or Damaged Material. (See [MM09–Over, Short, and Damaged Material Procedure](#) on page 145.)
- 5 (RC140) For a transfer, find the shipment (MSO provides) in the Shipment Receiving application in the EAM.
- 6 (RC150) **{Does the shipment exist?}** If **No**, contact the vendor and work with buyer if unable to locate the shipment in the Shipment Receiving application. If **Yes**, go to step #RC230.
- 7 (RC160) **{Does purchase order service require receipt?}** If **No**, just file paperwork and end the procedure. If **Yes**, go to step #RC220.
- 8 (RC170) Update the Purchase Order Issue log on the SharePoint list. Put the shipment receiving on hold until the problems resolved.
- 9 (RC180) Contact buyer or supplier for resolution to resolve the mismatch. Write purchase order on bill of lading or packing list.
- 10 (RC190) **{Does the purchase order exist?}** If **No**, go to step #RC170 and place shipment on the PO issue log. Purchase order is incorrect or in wrong status (for example, not approved). If **Yes**, go to step #RC240.
- 11 (RC200) Unload material and verify against the packing list.
- 12 (RC210) **{Problem?}** If **Yes**, go to step #RC170 and make an entry in the PO Issue Log. If **No**, go to step #RC220.
- 13 (RC220) Select purchase order to be received in the Receiving application of the EAM.
- 14 (RC230) Enter shipment information in the Shipment Receiving application of the EAM.
- 15 (RC240) **{SHIP FROM location exists?}** If **No**, perform the [SRM04–Vendor Setup Procedure](#) on page 28.
- 16 (RC250) Enter SHIP FROM location and packing slip in default data tables of the EAM Receiving application.
- 17 (RC260) Select purchase order line items on this received shipment in the EAM Receiving application. Go to step #RC320
- 18 (RC270) **{Do any items need to be returned?}** If **No**, go to step #RC290.
- 19 (RC280) Select items to return in the EAM Shipment Receiving application.
- 20 (RC290) **{Is the shipment complete?}** If **No**, go to step #RC100.
- 21 (RC300) Complete received shipment in the EAM Shipment Receiving application. Procedure ends.
- 22 (RC310) **{Confirm quantity received correct?}** If **No**, go to step #RC325.
- 23 (RC320) **{Quantity difference greater than tolerance?}** If **No**, go to step #RC325. If **Yes**, go to step #RC324.
- 24 (RC324) Perform the [MM09–Over, Short, and Damaged Material Procedure](#) on page 145.

Figure 39: Receiving Procedure (Part 2 of 3)



- 25 (RC325) Enter required information for accepted quantities in the EAM Receiving application.
- 26 (RC330) **{Items to inventory?}** If **No**, perform other types of receipts (material direct charge or service for repair).
- 27 (RC335) Process other types of receiving (repairable items, service units, etc.)
- 28 (RC340) **{Inspection required?}** For example, boiler tubing must match requirements. Inspection on receipt check box selected for Stock Action Request. If **Yes**, go to step #RC370.

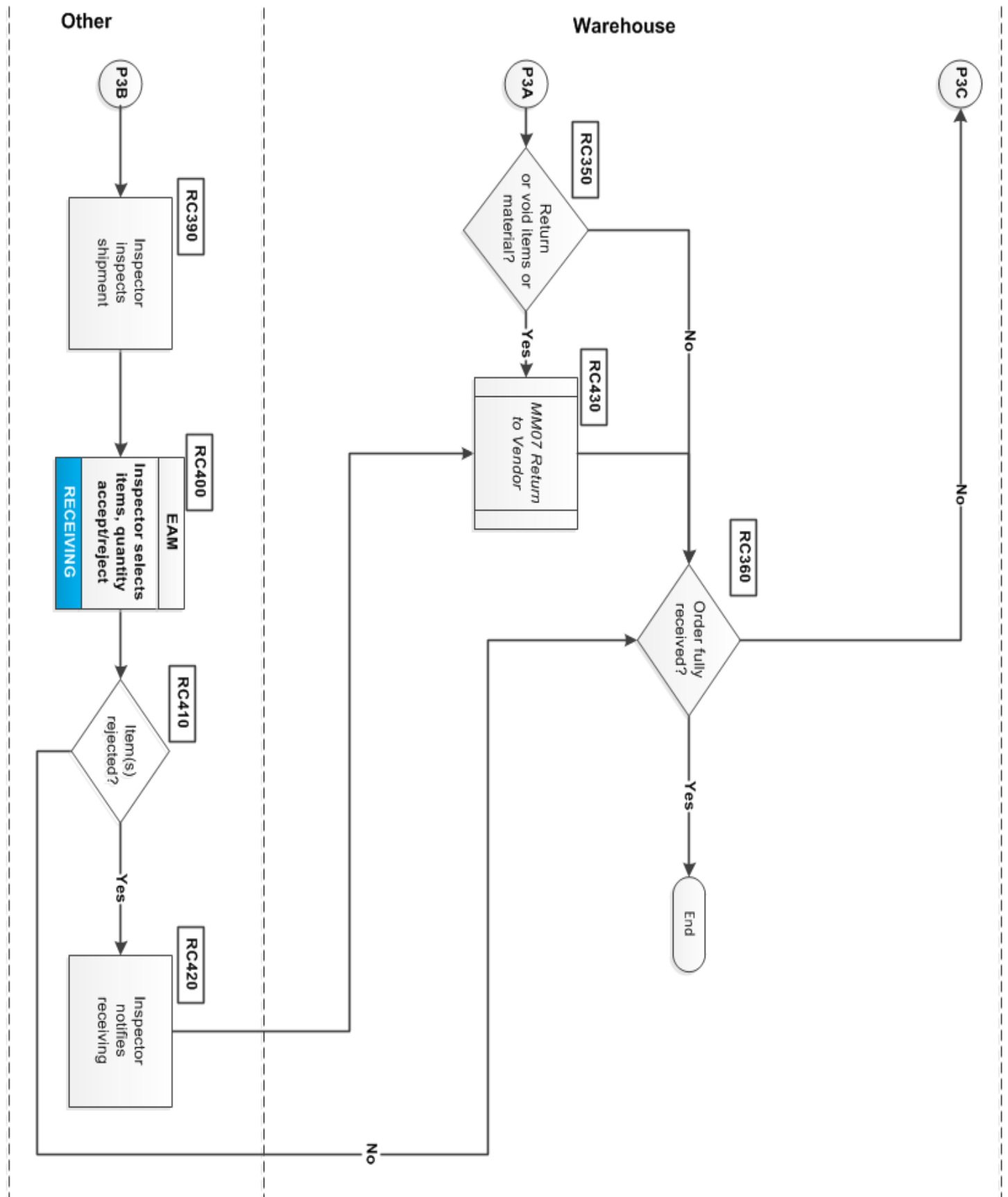
Shipment Items Returned Path

- 29 (RC350) **{Returning or voiding PO items/materials?}** If **Yes**, go to step #RC430
- 30 (RC360) **{Order fully received?}** If **No**, go to step #RC324. If **Yes**, procedure ends.

Shipment Inspection Path

- 31 (RC370) Inspector receives receipt and starts the EAM Receiving application.
- 32 (RC380) Inspector reviews the purchase order in EAM Receiving application.
- 33 (RC390) Inspector physically inspects shipment.
- 34 (RC400) Inspector selects items, quantity to accept or reject in the EAM Receiving application. Storekeeper changes Receipt status from WINSP to COMPLETE.
- 35 (RC410) **{Items rejected?}** If **No**, go to step #RC360.
- 36 (RC420) Inspector notifies receiving. Go to step #RC430.

Figure 40: Receiving Procedure (Part 3 of 3)



Compliance

- Examine reports in the EAM **Direct Charge** application.
- Examine Purchase Orders with a `Closed` status.
- Find reports in the EAM Shipment **Receiving** application.

MM02–Stock Action Request Procedure

<i>Procedure Title</i>	Stock Action Request Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To establish a procedure for adding/changing items and associated descriptions in the Item Master, plus changing inventory replenishment settings within the EAM system.

Scope

Applies to all personnel who (a) request stock action item (SAR) adds/changes, (b) approve or reject the stock action item requests, and (c) supply chain administrators that implement the SAR changes in the EAM system.

SAR Business Scenarios

This procedure covers these three common stock action request scenarios:

- **Scenario One**–Requester needs to create a new item or update an existing item in the EAM item master that *has no financial impact*.
- **Scenario Two**–Requester needs to create a *new* inventory item that *has financial impact*.
- **Scenario Three**–Requester wants to update an *existing* inventory item that *has financial impact*.

Example Situations for Scenario One

- Adding a manufacturer’s part number
- Adding a new item to the Item Master only, no inventory
- Changing an item description
- Changing a manufacturer’s part number

Example Situations for Scenario Two and Three

- Add an item to a storeroom
- Changing the reorder point or economic order quantity (EOQ)

Procedure

High-level procedure steps

- 1 Use the EAM Item Master application (Scenario One) to determine if an item exists. Use the EAM Item Master application (Scenario Two) to search in the Item Master before creating a new inventory item. Alternatively, use the EAM Inventory application to search for an item in inventory
- 2 Populate the SAR form using the EAM SAR application with the new information to create a new item in the item master or inventory item. Alternatively use the form to change the item
- 3 SAR goes through approval workflow process using the requester’s Delegation of Authority (DOA).
- 4 The SC Admin examines the approved SAR. With all required items complete, they perform the item setup work and complete the SAR. They can also perform six other requested actions.

Figure 41: Stock Action Request (Part 1 of 4)

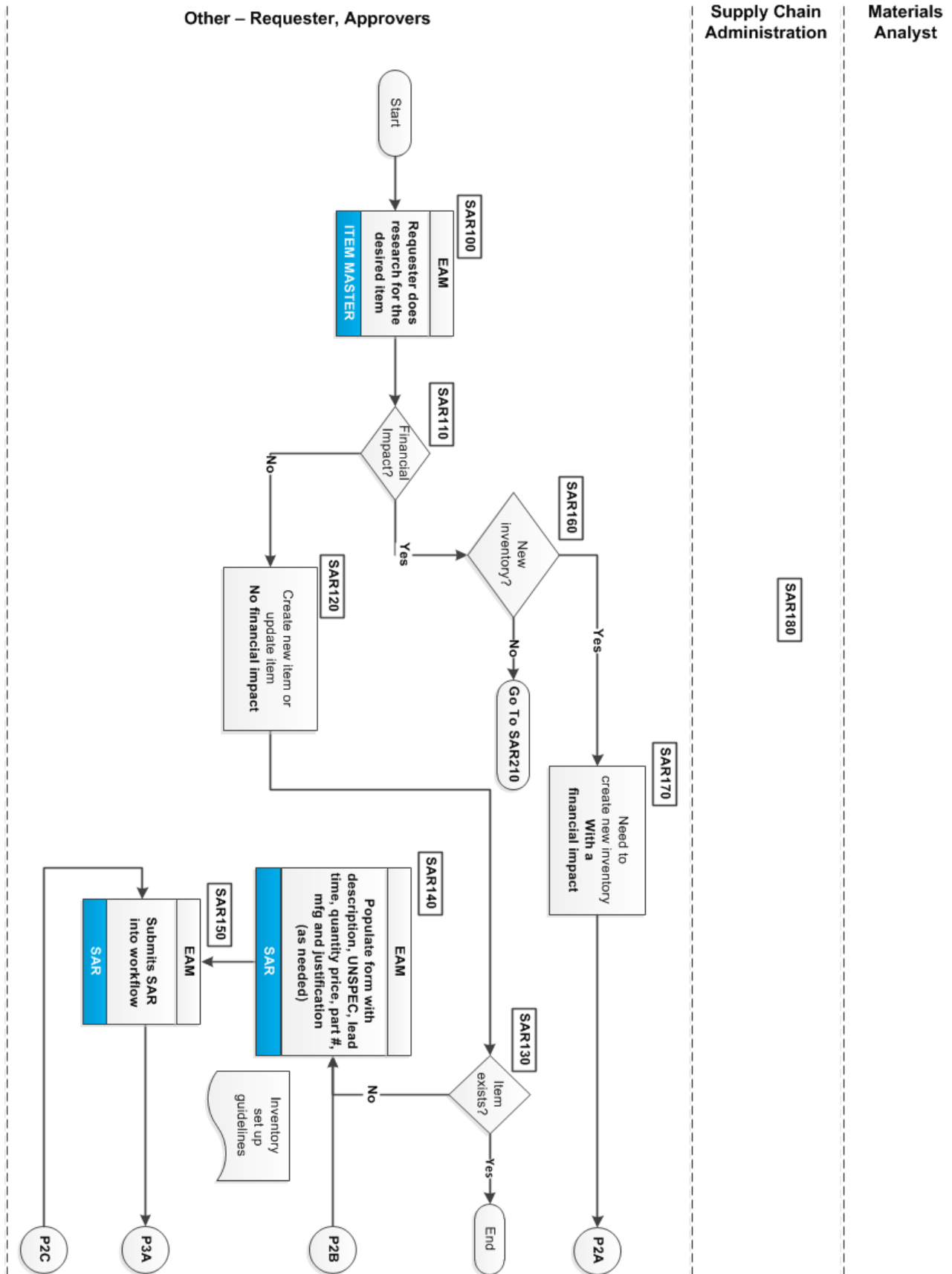


Figure 42: Stock Action Request (Part 2 of 4)

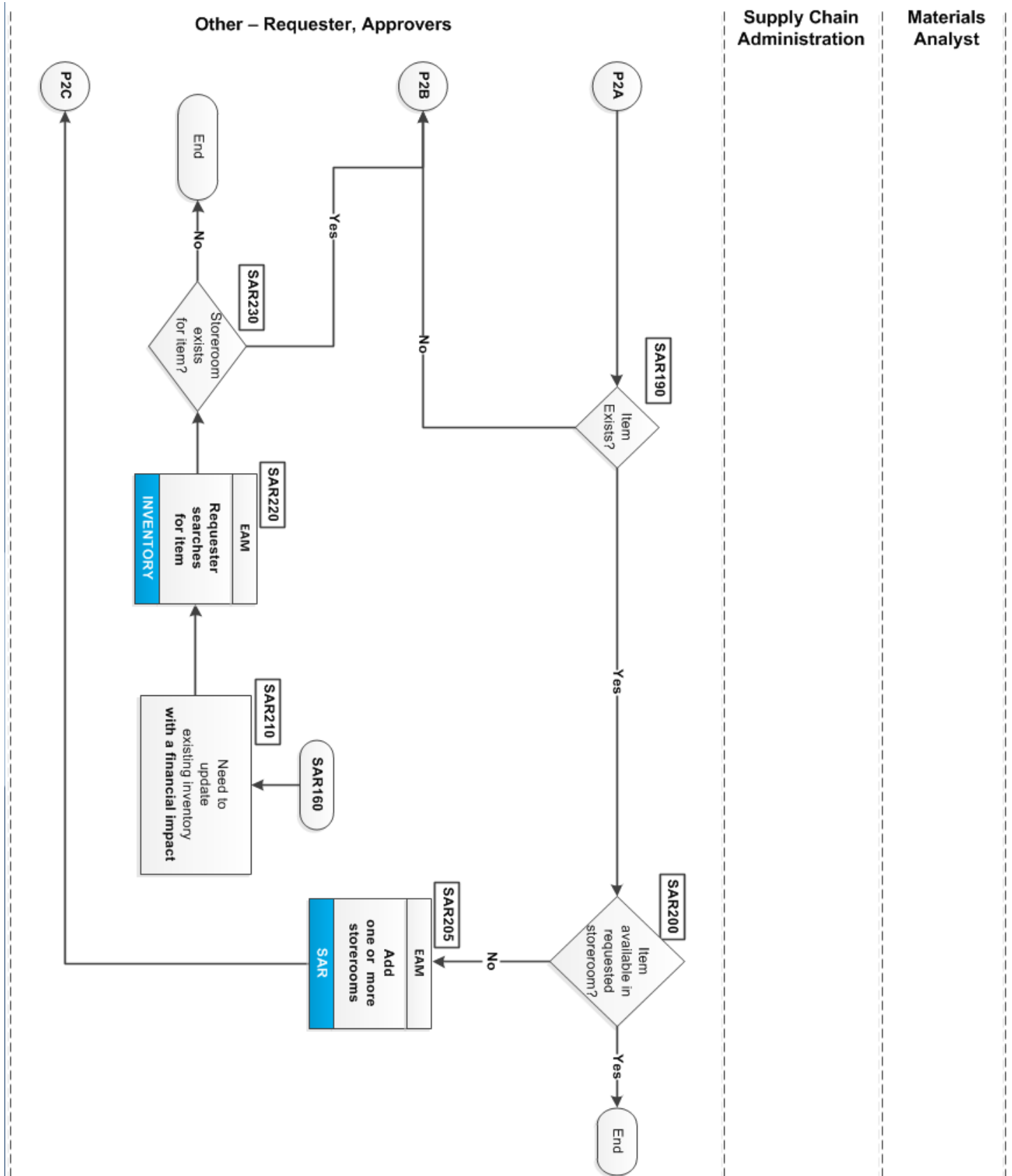
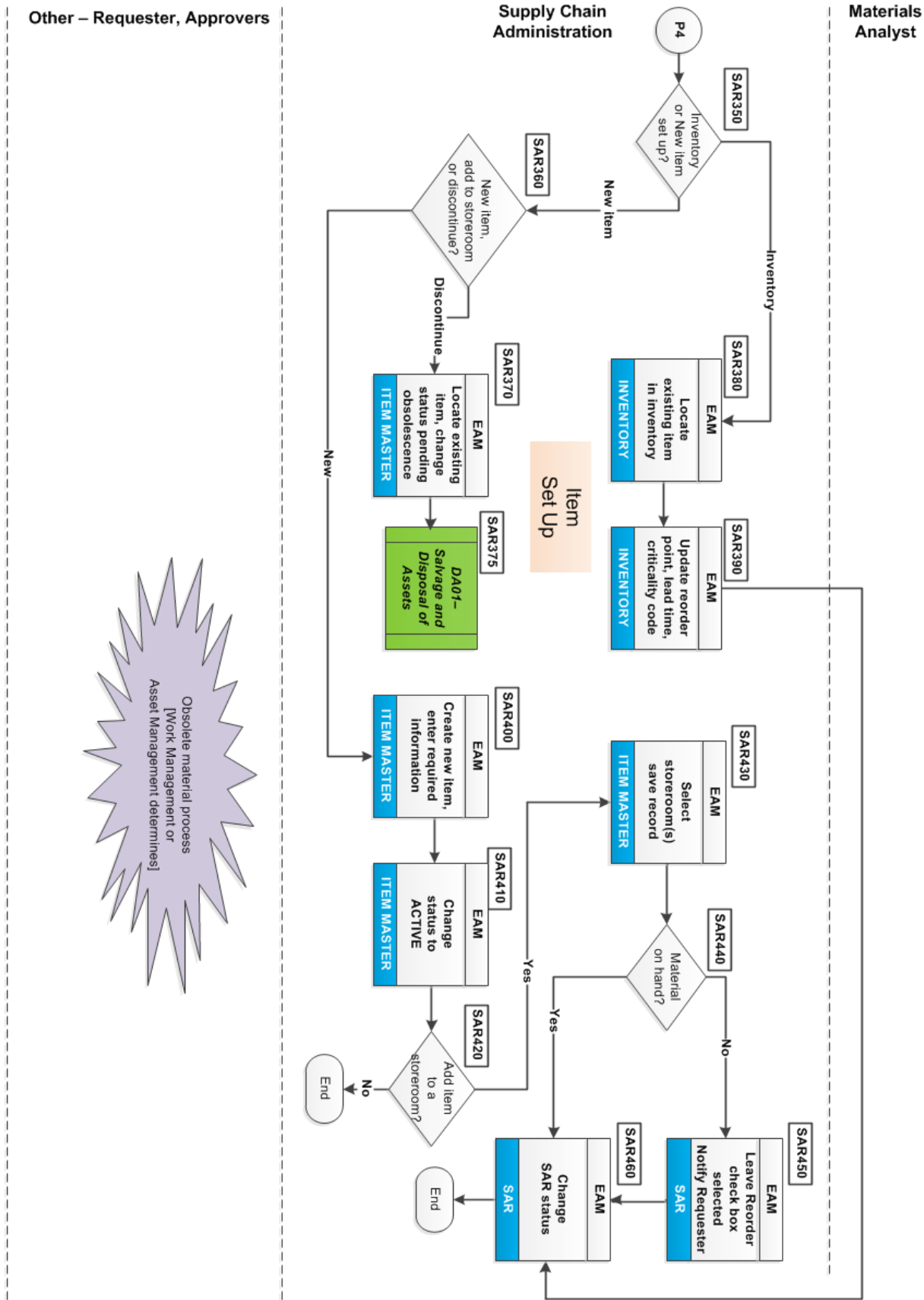


Figure 44: Stock Action Request (Part 4 of 4)



Using a stock action request to define a new item or change inventory:

- 1 (SAR100) [Requester] Do research for the item to determine if it exists in the item master. Use the Item Master module in the [EAM](#) application.
 - 2 (SAR110) **{Financial impact with this SAR?}** If **Yes**, go to Step #SAR160.
 - 3 (SAR120) Create new item or update an item that has *no financial impact*. See examples of SAR actions that fit Scenario One in [SAR Business](#) Scenarios on page 98.
 - 4 (SAR130) **{Does item exist?}** If **Yes**, end the procedure.
 - 5 (SAR140) Using the SAR module of the EAM application, populate the form with the item description, [UNSPSC](#) commodity codes, lead time, quantity price, part number, manufacturer, and justification (as needed).
 - 6 (SAR150) [Requester] Submits SAR into the approval workflow. This workflow follows the requester's Delegation of Authority (DOA), that also includes a parts technician, site management, materials analyst, and finally an SC Administrator who performs the item setup using the Inventory or Item Master module.
 - 7 (SAR160) **{Creates new inventory?}** If **No**, go to Step #SAR210.
 - 8 (SAR170) Need to create new inventory *that impacts the Company financially*. See examples of SAR actions that fit Scenario Two in the [SAR Business](#) Scenarios on page 98.
 - 9 (SAR190) [Requester] **{Item Exists?}** If **No**, go to Step #SAR140.
 - 10 (SAR200) **{Item available in requested storeroom?}** If **Yes**, procedure ends.
 - 11 (SAR205) If **No**, use the SAR module to add one or more storerooms. Go To Step #SAR150.
 - 12 (SAR210) Need to update existing inventory that also *has a financial impact*. See examples of SAR actions that fit Scenario Three in the [SAR Business](#) Scenarios on page 98.
 - 13 (SAR220) [Requester] Searches for item using the Inventory module.
 - 14 (SAR230) **{Storeroom exists for item?}** If **Yes**, go to Step #SAR140. If **No**, procedure ends.
 - 15 (SAR240) [Requester/owner] Approves or rejects SAR using the Start Center module of the EAM application.
 - 16 (SAR250) [Requester/owner] Route to parts technician in the requester's DOA workflow using the SAR module.
 - 17 (SAR260) [Parts technician] Approves or rejects SAR using the Start Center of the EAM application.
 - 18 (SAR270) [Parts technician] Route to Site Management in the requester's DOA workflow using the SAR module.
 - 19 (SAR280) [Site Management] Approves or rejects SAR using the Start Center of the EAM application.
- Note:** Number of approvals depends on the specific site and financial amount.
- 20 (SAR290) [Site Management] Route to Materials Analyst using the SAR module of the EAM application.
 - 21 (SAR300) If the SAR is rejected by the requester/owner (Step #SAR240), the parts technician (Step #SAR260), a member of Site Management (Step #SAR280), the Materials Analyst (Step #SAR310), or the SC Administrator (Step #SAR330) the SAR is placed in the REJECT status and the SAR procedure starts over.
 - 22 (SAR310) [Materials Analyst] Approves or rejects the SAR using the Start Center of the EAM application.

- 23 (SAR320) [Materials Analyst] Route to the SC Administrator using the SAR module of the EAM application.
- 24 (SAR325) The SAR EAM application emails the requester and the Materials Analyst when SAR approved.
- 25 (SAR330) [SC Administrator] Start work on a SAR using the SAR EAM application.
- 26 (SAR340) [SC Administrator] Approve or reject the SAR. Usually the SC Administrator consults with the SAR owner to resolve any problems before rejecting a SAR (extremely rare event).

Note: Flowchart in the previous figures documents only two of the possible SAR requested actions.

Note: Common issues with the SAR include incorrect fields in the EAM SAR application. When in doubt, a requester should ask the Materials Analyst for assistance.

- Often the vendor part number is not correct because the requester can insert un-validated information in many fields.
- Sometimes see vendor number or vendor short name in the Manufacturer Field.

Possible SAR Requested Actions

- Add Manufacturer Part Number
 - Add New Item (to Item Master only)
 - Add to Warehouse
 - Change Description (Item)
 - Change Manufacturer Part Number
 - Change Reorder Point / EOQ
 - See Notes (When financial approval not needed or need more than one requested action.)
- 27 (SAR350) **{Inventory or New item set up?}** If **Inventory**, go to Step #SAR380.
 - 28 (SAR360) **{New item, add to storeroom or discontinue?}** If **New Item**, go to Step #SAR400.
 - 29 (SAR370) Locate existing item, change status pending obsolescence using the Item Master module. This is for discontinued items.
 - 30 (SAR380) Locate existing item in inventory by using the Inventory module.
 - 31 (SAR390) Update reorder point, lead time, and criticality code using the Inventory module. Go to Step #SAR460.
 - 32 (SAR400) Create new item by entering the required information using the Item Master module of the EAM application.
 - 33 (SAR410) Change the SAR status to `ACTIVE` in the Item Master.
 - 34 (SAR420) **{Add item to a storeroom?}** If **No**, end procedure.
 - 35 (SAR430) Use the Item Master module to Select storeroom(s) and save record(s) in the Item Master.
 - 36 (SAR440) **{Material on hand?}** If **Yes**, go to Step #SAR460.
 - 37 (SAR450) Leave the Reorder check box selected using the SAR module. Notify Requester.
 - 38 (SAR460) Change the SAR status to `COMPLETE` using the SAR module.

Compliance

- In the **Inventory** EAM module, use the **Advanced Search** in the **Stock Action Request** application. You can search using a Document Number, date range (Start Date, End Date), Requested Action, SAR Status, or by the SAR individual (Creator).
- Run the *All Inventory Transactions* report in the EAM **Shipping** application (Inventory module) to list all transactions for a specified date range.

MM03–Miscellaneous Shipping Order

<i>Procedure Title</i>	Miscellaneous Shipping Order Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define a procedure for documenting item and material shipments leaving a Company facility; this includes repaired assets, salvage removal, transfers to other warehouses, returns to vendor, and so forth.

Scope

Procedure applies to all warehouse personnel.

Procedure

Create the Miscellaneous Shipping Order

- 1 (MSO010) [Requester] Needs to ship items or material.
- 2 (MSO020) Using the EAM Inventory module, select the Shipping application. Click the New Shipping Order to create a miscellaneous shipping order ([MSO](#)).

EAM automatically generates the MSO number and places the MSO record in `PENDING` status. EAM populates the Created Date field with the date and time of MSO creation and the Created By field with the name of the user. The default storeroom populates the Storeroom field.

- 3 (MSO030) Requester enters, at a minimum, the mandatory fields. Requester changes the `PENDING` status to `WTGPU` (material waiting for pickup). (See [Table 18: Shipping Statuses](#) on page 261.) Requester saves the MSO record.

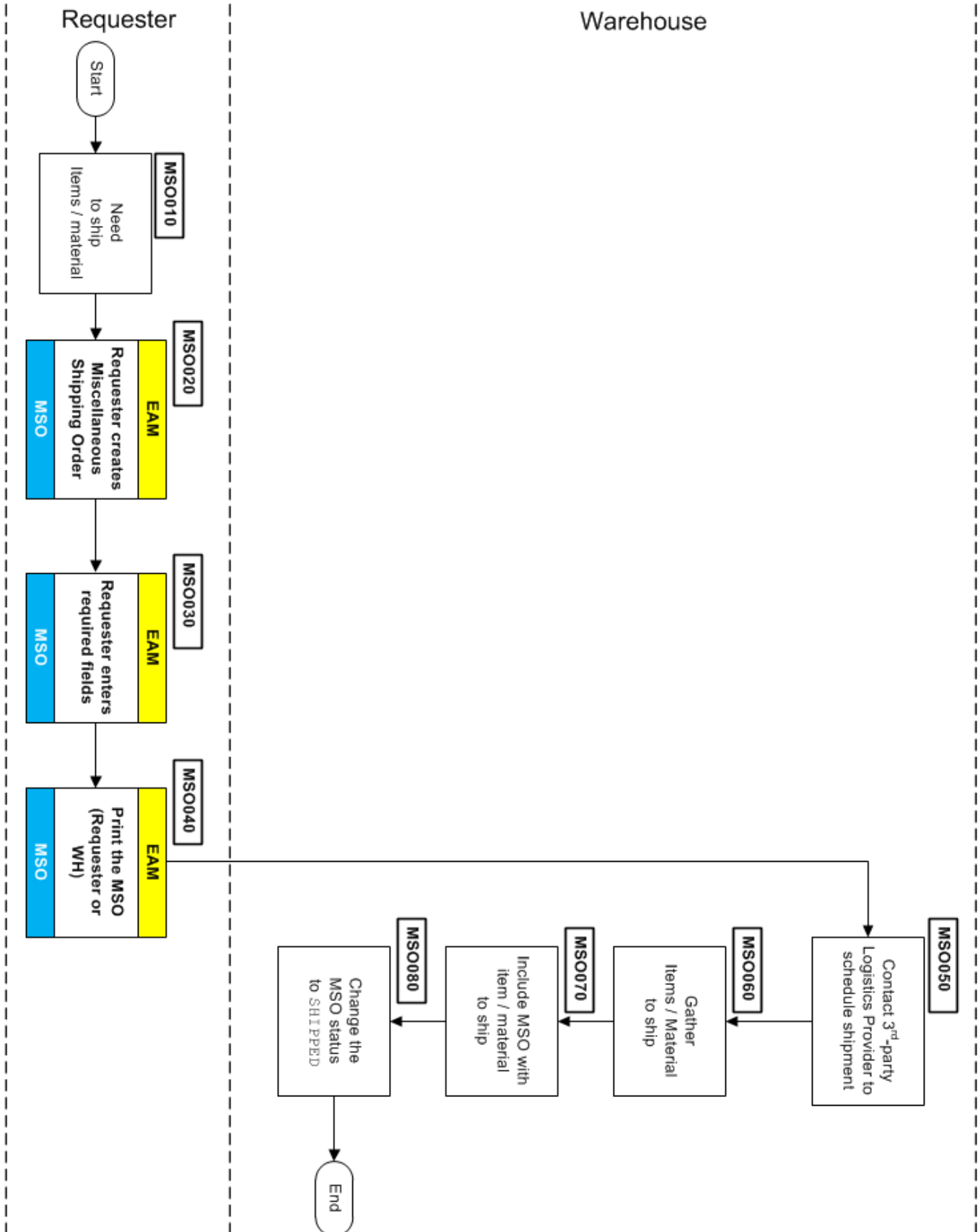
Caution: Requester should designate any items or materials as *Safety Related* or *Hazardous*. These items are defined in [MM20–Hazardous Materials Procedure](#) on page 200.

- 4 (MSO040) [Requester or warehouse] Prints the MSO.
- 5 (MSO050) [Warehouse] Contacts [3PL](#) to schedule shipment pickup.
- 6 (MSO060) Packages items and material for shipment.
- 7 (MSO070) Attaches copy of MSO to document shipment. Use the MSO as documentation whenever a warehouse returns parts to vendor or sends out spares for repairs.
- 8 (MSO080) [Warehouse] Changes the MSO status to `SHIPPED`.

Compliance

- Run the *Miscellaneous Shipping Order* report in the EAM **Shipping** application (Inventory module) to list all MSOs. The Inventory Usage Record number is on the MSO for transfers.
- Run the *All Inventory Transactions* report in the EAM **Inventory** application to list all transactions for a specified date range.
- The MSO identifies the carrier’s name if there is a question on a return to vendor.

Figure 45: Miscellaneous Shipping Order Procedure



MM04-VMI; Vendor Managed Vendor Owned Procedure

<i>Procedure Title</i>	VMI, Vendor Managed Vendor Owned – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define the procedure for SC warehouse personnel to replenish Vendor-managed Inventory ([VMI](#)) for items used by work management.

Scope

Procedure applies to Supply Chain warehouse personnel who must replenish and receive Vendor-managed Inventory.

Procedure

Note: A Consignment invoice is primarily used to process Invoice payments related to consignment or Vendor-managed Inventory (VMI). Business does not currently use this type of Invoice.

Note: Vendor-managed inventory is purchased on an “as needed” basis and not tracked within the Company inventory.

Figure 46: VMI-Vendor Managed Vendor Owned On Site (Part 1 of 3)

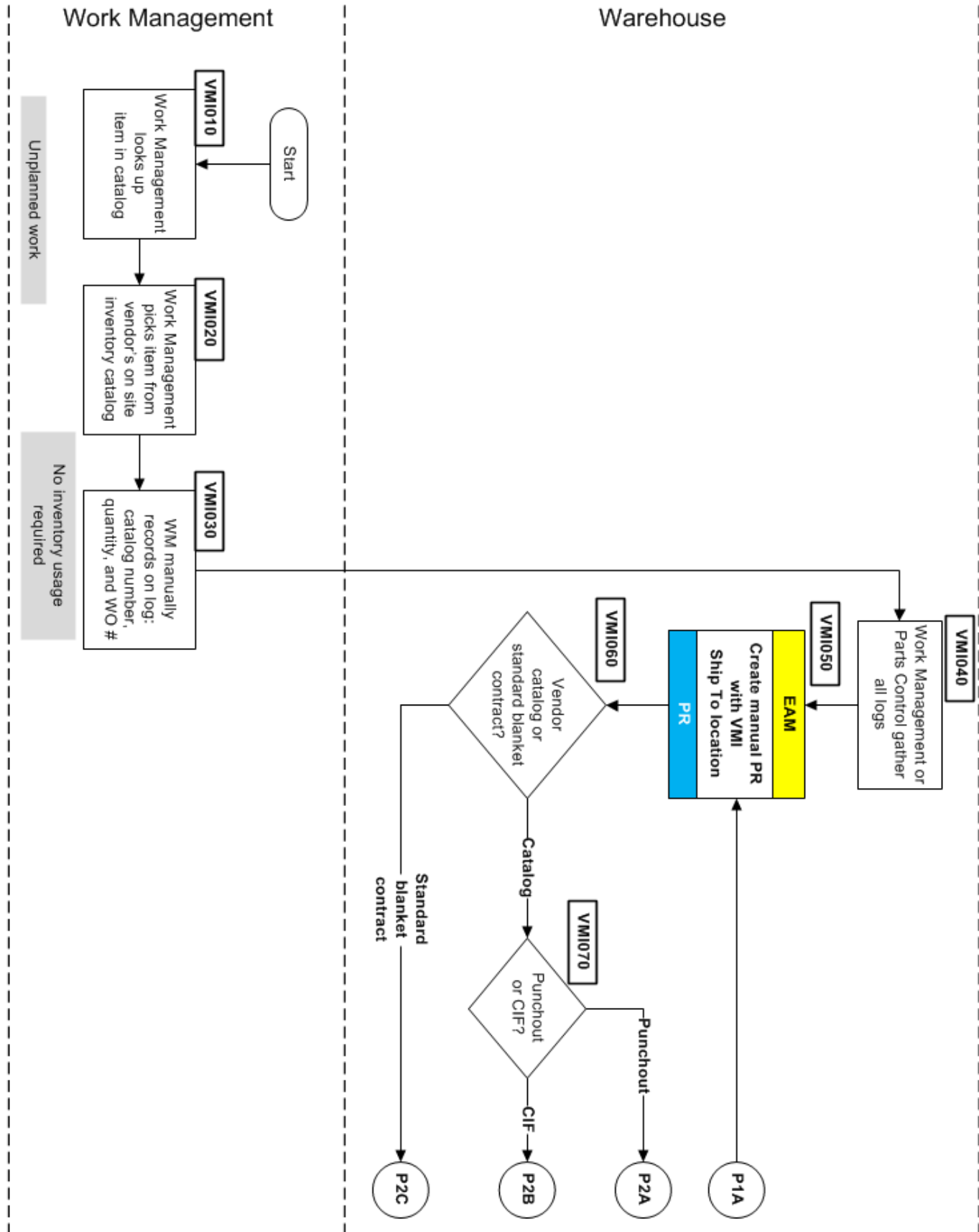


Figure 47: VMI-Vendor Managed Vendor Owned On Site (Part 2 of 3)

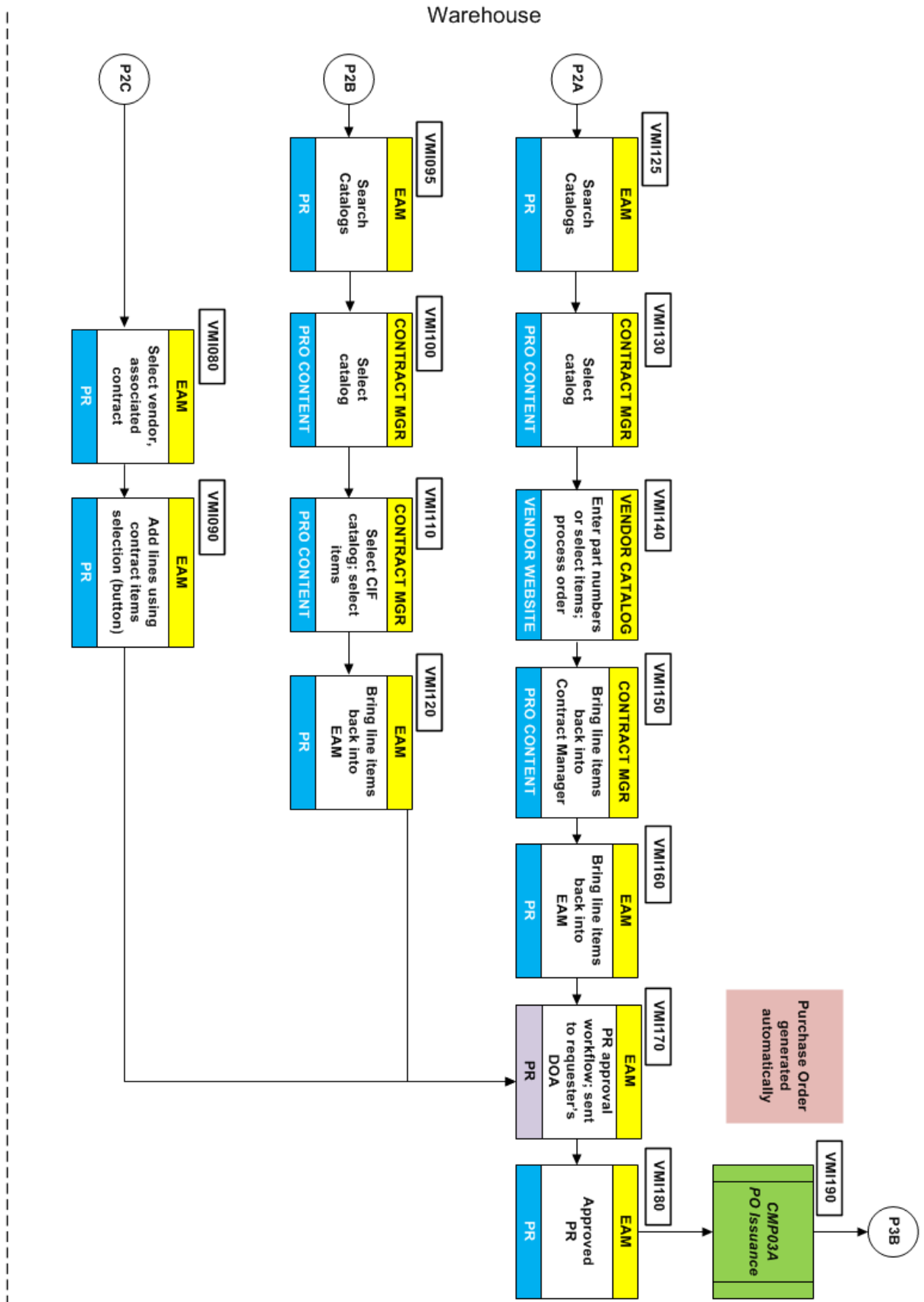
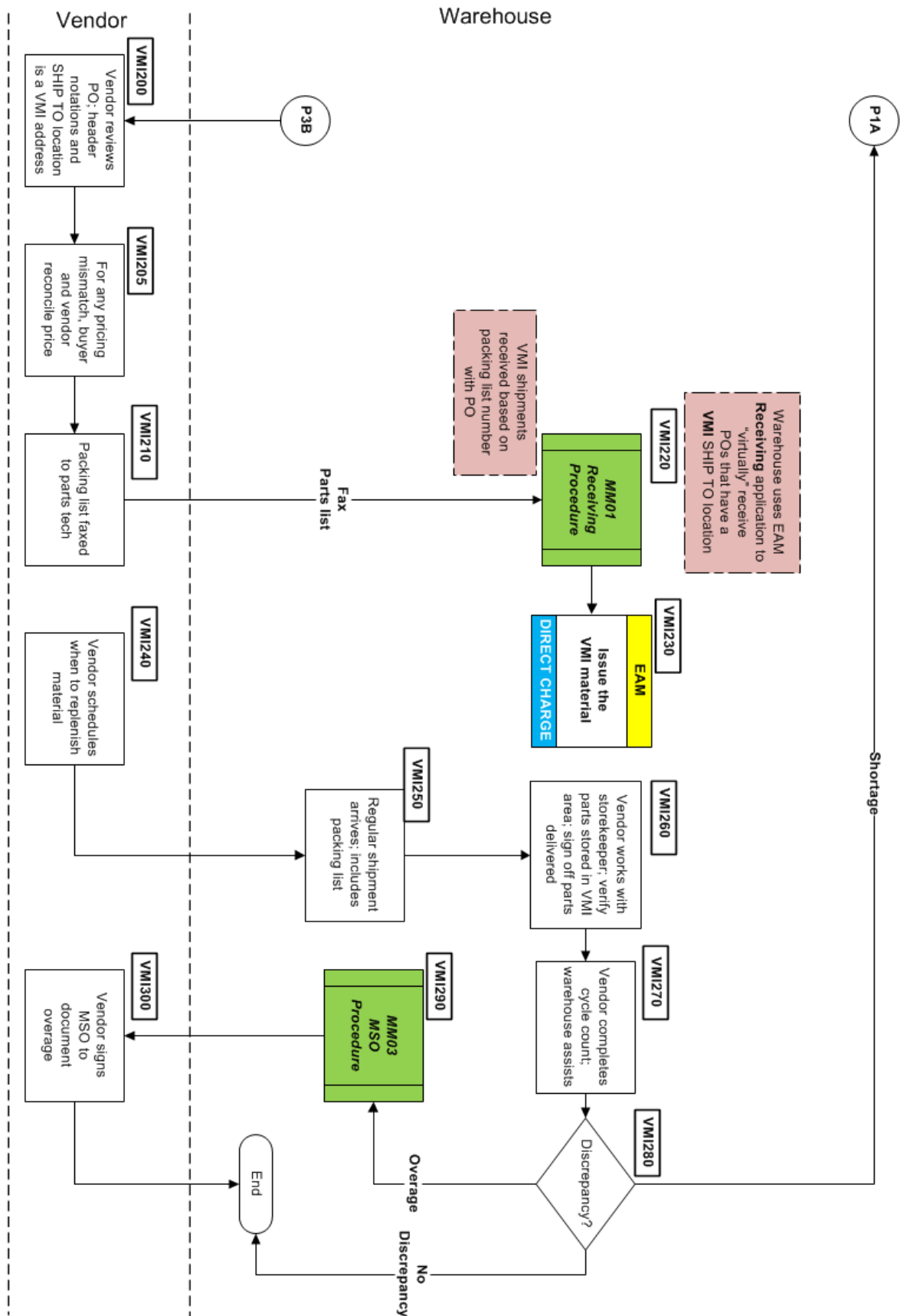


Figure 48: VMI-Vendor Managed Vendor Owned On Site (Part 3 of 3)



To use and replenish vendor-managed inventory

- 1 (VMI010) [Work management] Look up an item in vendor catalog to accomplish some unplanned work.
 - 2 (VMI020) Pick item from vendor's on site inventory catalog.
 - 3 (VMI030) Manually record on the warehouse log the vendor catalog number, quantity needed, and work order number.
 - 4 (VMI040) Work Management or Parts Control member gathers all the logs for generating a purchase request from the vendor.
 - 5 (VMI050) [Warehouse] Using the EAM Purchase Request application, create a manual Purchase Request ([PR](#)) and specify the Ship To location as VMI.
 - 6 (VMI060) **{Does vendor have an online catalog or a standard blanket contract (SBC)?}** If **Standard blanket contract**, go to Step #VMI080.
 - 7 (VMI070) **{Is vendor catalog a Punchout catalog or a CIF catalog?}** If **Punchout**, go to Step #VMI125. If **CIF**, go to Step #VMI095
 - 8 (VMI080) Use the EAM Purchase Request application and select the vendor and the associated standard blanket contract.
 - 9 (VMI090) Add lines to the PR using contract line items selection button. Go to Step #VMI170.
 - 10 (VMI095) Use the EAM **Purchase Request** application and search catalogs feature to go to the Contract Manager application.
 - 11 (VMI100) Use the Contract Manager Pro Content application to display the list of vendor CIF catalogs.
 - 12 (VMI110) [Warehouse] Select the [CIF Catalog](#) for the vendor and select the desired items.
 - 13 (VMI120) Use the shopping cart and bring the line items back into the EAM PR application. Go to Step #VMI170.
 - 14 (VMI125) Use the EAM **Purchase Request** application and search catalogs feature to go the Contract Manager application.
 - 15 (VMI130) Use the Contract Management application to display the list of vendor [punch-out catalogs](#).
 - 16 (VMI140) Access the vendor [punch-out catalog](#), select part number or items in shopping cart, and process order.
 - 17 (VMI150) Bring the line items back into Contract Management Pro Content application.
 - 18 (VMI160) Use the shopping cart to bring the line items back into the EAM PR application.
 - 19 (VMI170) [Warehouse] Submit the PR for approval. The PR is routed according to the requester's Delegation of Authority ([DOA](#)).
 - 20 (VMI180) Once all approvals are done, the approved PR can be converted to a purchase order.
 - 21 (VMI190) The EAM automatically converts the PR to Purchase Order ([PO](#)).
- Caution:** One situation that can occur. If the vendor does not provide the Company timely updates to the vendor's CIF catalog, the Buyer and vendor may need to reconcile the pricing before vendor accepts the purchase order (see Step #VMI205).
- 22 (VMI200) [Vendor] Review the PO and marks the items `not to ship` material. Vendor sets the `SHIP TO` location as a VMI location.
 - 23 (VMI210) [Vendor] Faxes packing list to parts technician.

- 24 (VMI220) Warehouse uses the EAM Receiving application to *virtually* Receive (see [MM01-Receiving Procedure](#) on page 91) POs that have a VMI SHIP TO location.
- 25 (VMI230) [Warehouse] Issues the VMI parts to the VMI area.
- 26 (VMI240) [Vendor] Schedules when to replenish material at the warehouse.
- 27 (VMI250) [Warehouse] Regular shipment from vendor arrives with a packing list.
- 28 (VMI260) [Vendor/warehouse] Storekeeper/vendor verifies correct number of parts are stored in VMI area. Storekeeper signs off on the number of parts delivered.
- 29 (VMI270) [Vendor/warehouse] Completes a cycle count of the VMI area with warehouse assistance.
- 30 (VMI280) **{Discrepancy in the cycle count?}** If **Shortage**, go to Step #VMI050. If **No Discrepancy**, end the procedure.
- 31 (VMI290) [Warehouse] If count is an **Overage**, create a Miscellaneous Shipping Order ([MSO](#)) for the excess.
- 32 (VMI300) [Vendor] Signs MSO to acknowledge overage. The procedure ends.

Compliance

- The EAM Direct Charge report identifies the VMI materials ordered and used by site. This report identifies the work order (WO), WO status, the requester, and the user that issued the material.

MM05–Vendor Shelving

<i>Procedure Title</i>	Vendor Shelving – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To establish consistent methods to identify and safeguard items identified for placement in supplier shelving areas. Applies to low cost items the Company requires regularly and whose cost makes a formal issue impractical. Procedure defines how a supplier and a requester replenishes vendor shelving items using the [EAM](#) system.

Scope

This procedure applies to suppliers providing vendor shelving items, procurement’s handling of [PRs](#) and [POs](#), and warehouse personnel receiving these items.

General

Items that meet vendor shelving requirements:

- Low cost and high turnover
- Provided by suppliers with the capability to deliver multiple items
- Approximate inventory turn of 3-4 times per month.
- Minimizes number of vendor shelving locations at any facility
- Warehouse receiving locations can perform periodic random sample counts against the supplier packing list to ensure accurate deliveries
- Suppliers provide monthly reporting on usage and cost.

Procedure

As of November 5, 2014 the vendor shelving procedure can be performed:

- Manually by sending a vendor replenishment document to a supplier.
- Online when a supplier creates an eQuote of inventory items and sends it to the Company.

Note: Currently the Company uses this online procedure in a pilot project with a single supplier.

Manual Vendor Shelving Overview

- 1 A Company requester receives a replenishment document (email) from a supplier.
- 2 The requester creates a purchase requisition (PR).
- 3 Requester obtains approval using the [EAM](#) application workflow for their [DOA](#).
- 4 The EAM converts the PR to a PO, which is sent to the supplier.
- 5 The supplier delivers the vendor-managed inventory to a site where it is received and counted.
- 6 The material is issued to the designated physical bins.

Figure 49: Manual Vendor Shelving (Part 1 of 2)

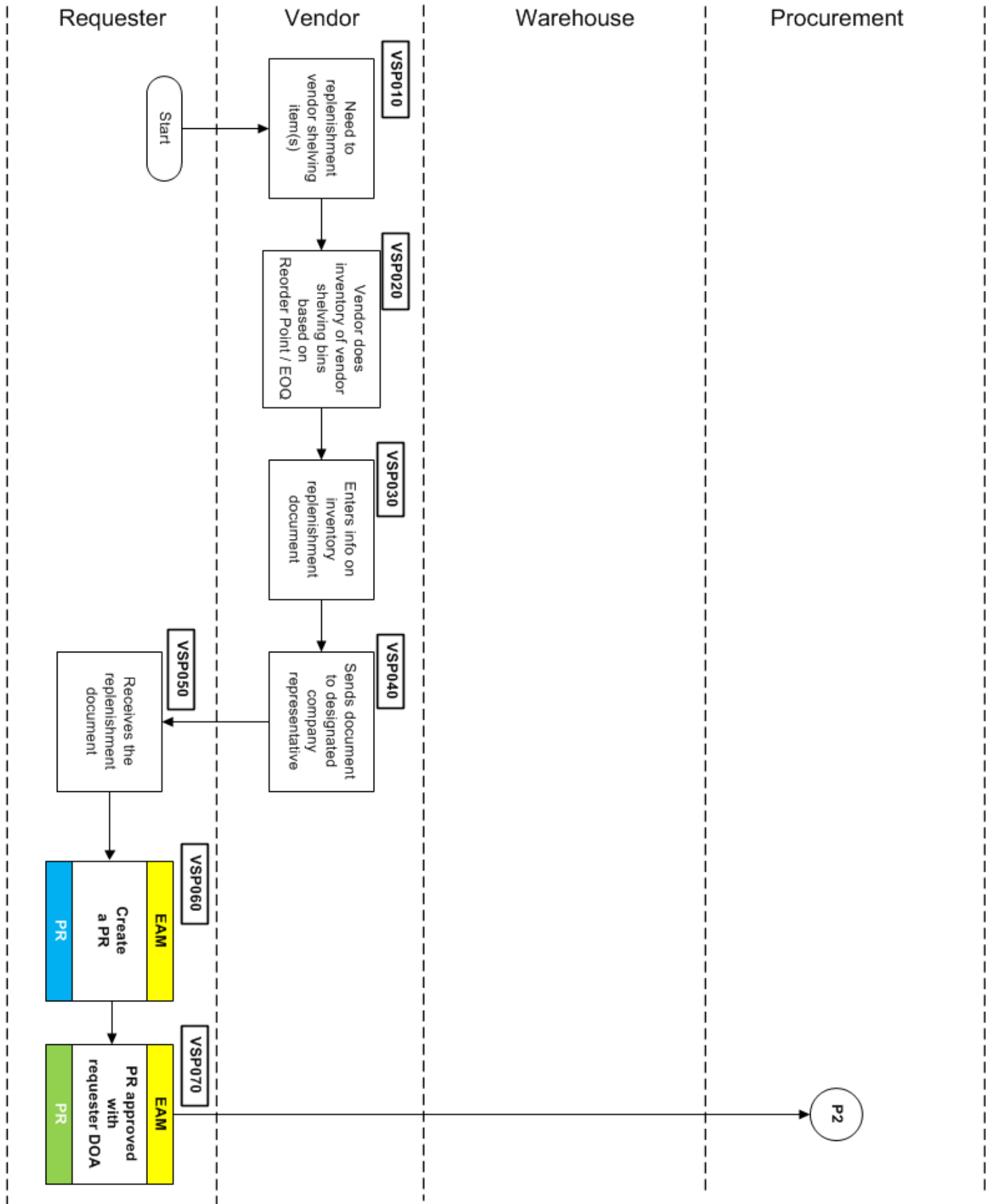
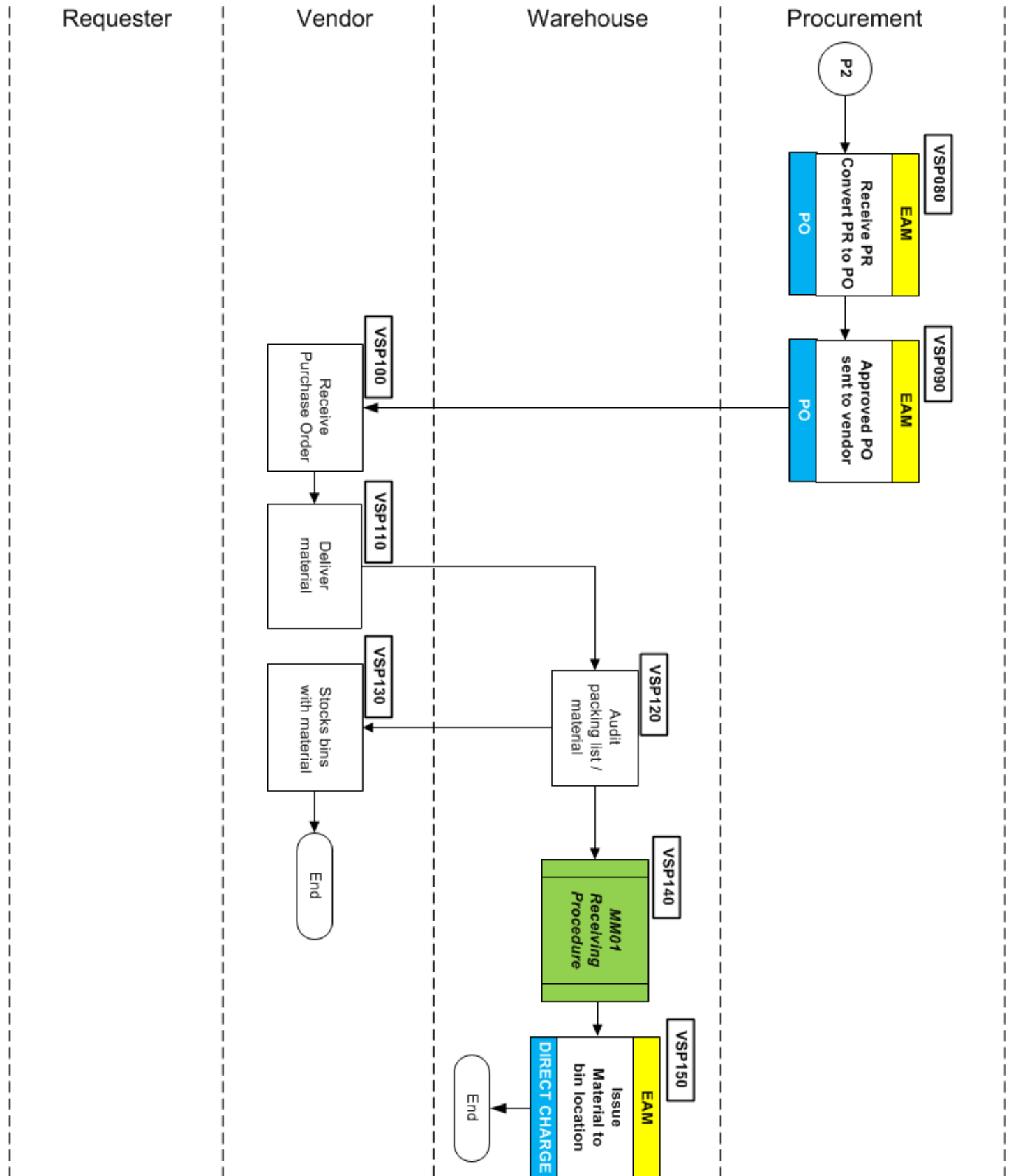


Figure 50: Manual Vendor Shelving (Part 2 of 2)



To replenish vendor shelving material manually

- 1 (VSP010) [Vendor] Determines when to replenish vendor shelving items.
- 2 (VSP020) Identifies what materials and quantities needed to replenish vendor shelving bins based on the Company's [reorder point](#) and [EOQ](#) for each item.
- 3 (VSP030) Enters information into inventory replenishment document.
- 4 (VSP040) Sends replenishment document to designated Company representative.
- 5 (VSP050) [Requester] Receives the replenishment document.
- 6 (VSP060) Navigates to the Purchase Requisition application in the EAM. The requester manually creates a new Purchase Requisition.
- 7 (VSP070) Save the purchase requisition. Submit the PR into the requester's approval workflow.
- 8 (VSP080) [Procurement] Once the requester's [DOA](#) members provide all approvals, the EAM automatically converts the PR to a Purchase Order
- 9 (VSP090) Buyer sends the approved PO to the vendor.
- 10 (VSP100) [Vendor] Receives purchase order.
- 11 (VSP110) [Vendor] Deliver items or material to the designated Company site.
- 12 (VSP120) [Warehouse] Checks packing list against delivered items.
- 13 (VSP130) [Vendor] Stock the designated vendor shelving bins with material.
- 14 (VSP140) [Warehouse] Take delivery of the materials (see [MM01–Receiving Procedure](#) on page 91).
- 15 (VEQ150) Use the EAM Direct Charge application to issue this material and place in VMI bin location.

eQuote Vendor Shelving Procedure

- 1 Supplier selects specific inventory information to replenish Company vendor shelving bins and sends an [eQuote number](#) with a list of materials to be ordered (line item details).
- 2 Requester creates a manual purchase request.
- 3 Using the [Contract Management](#) and [EAM](#) applications, the requester selects and retrieves items from the supplier's electronic catalog to make up the PR line items.
- 4 Once the approved PR is converted into a purchase order and sent to the supplier, the vendor delivers the items to a Company site.
- 5 Upon auditing and receiving the items, the material is issued to the VMI bin.

Caution: When using the eQuote procedure, you access the supplier's catalog with the Contract Manager application. Your *Internet Explorer* browser settings for the application cookies must be set correctly. For desktop instructions to set the cookies, please refer to the [Vendor Catalog Quick Reference Guide \(QRG\) HOW TO](#).

Figure 51: eQuote Vendor Shelving (Part 1 of 3)

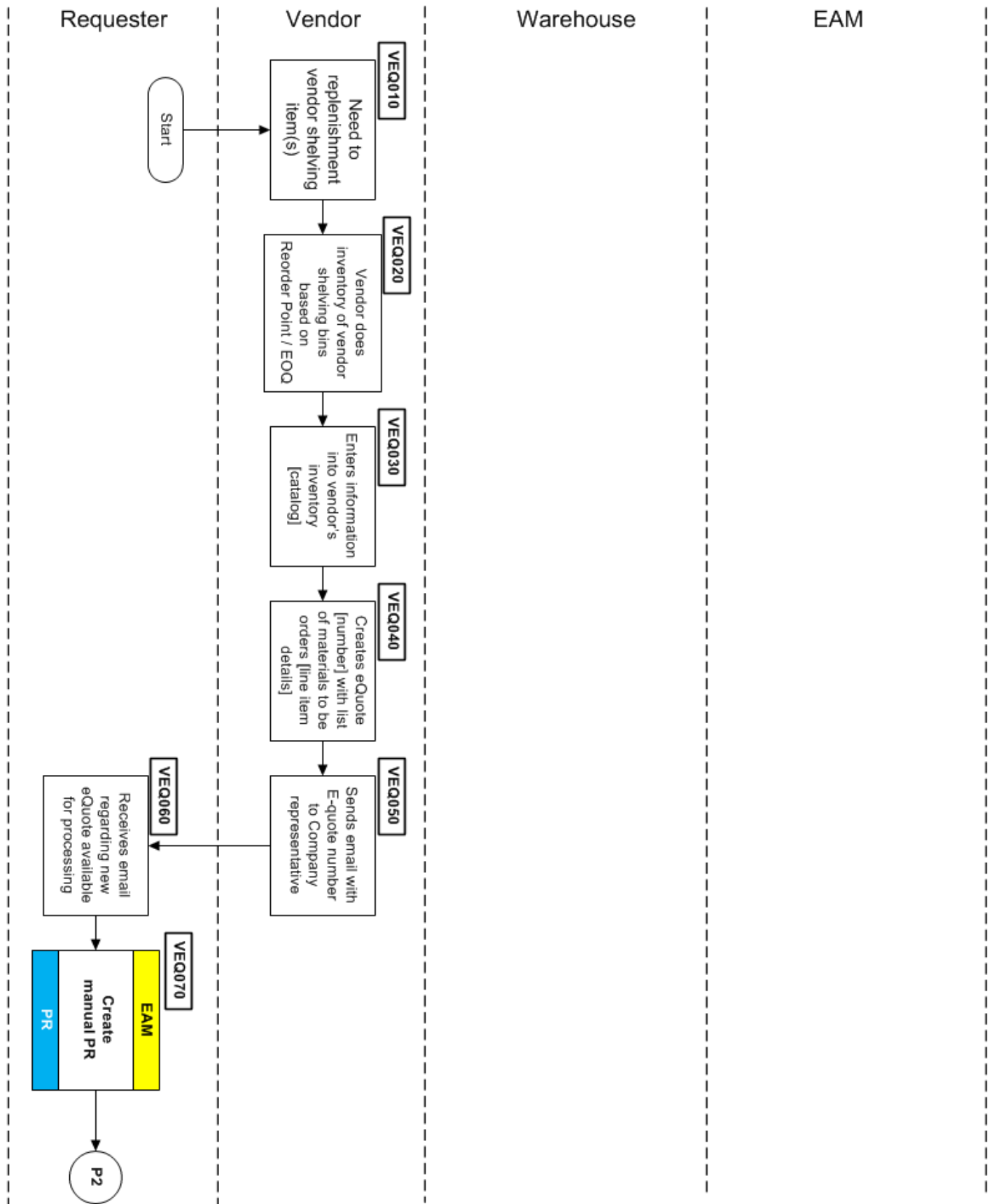


Figure 52: eQuote Vendor Shelving (Part 2 of 3)

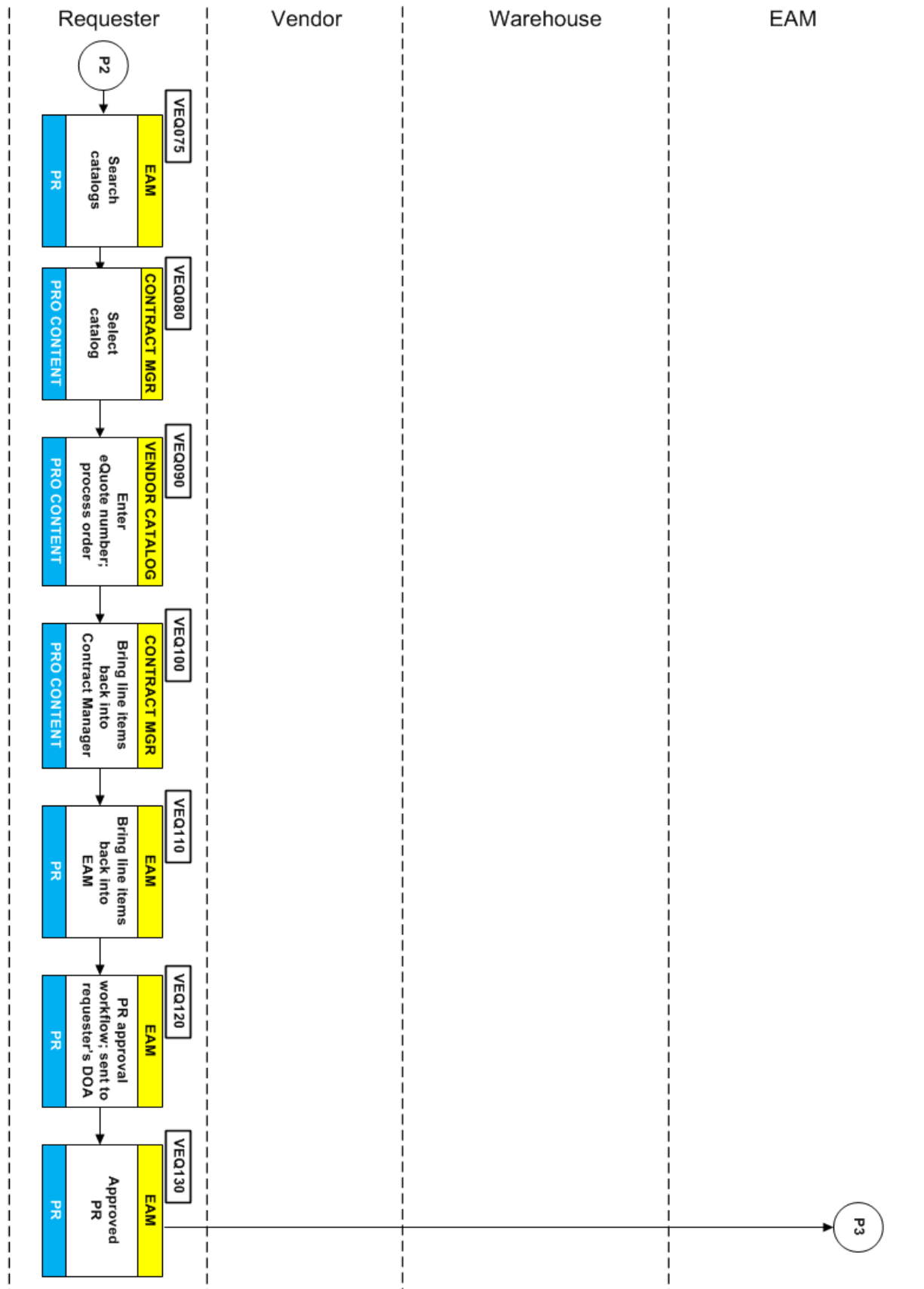
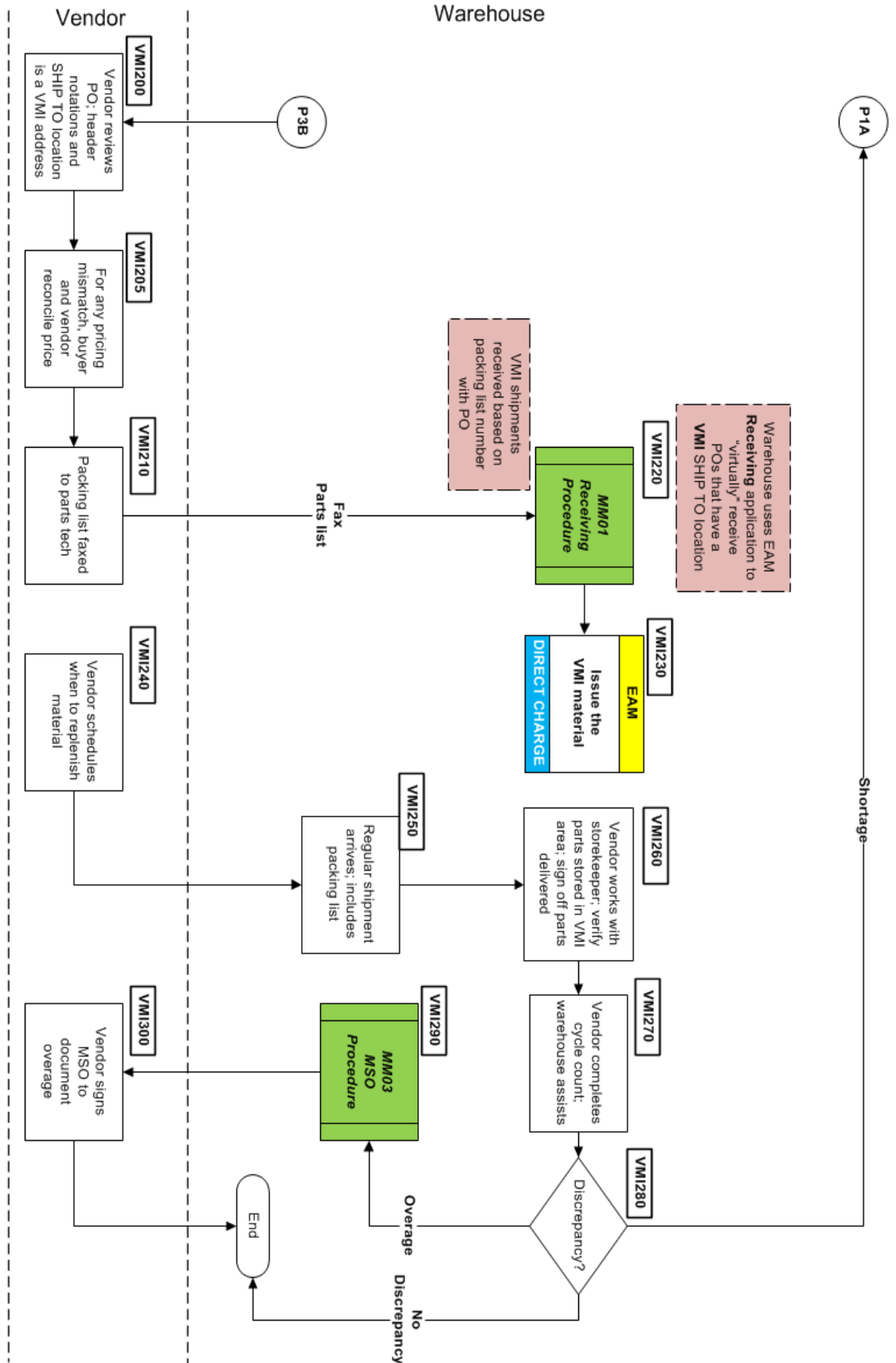


Figure 53: eQuote Vendor Shelving (Part 3 of 3)



To replenish vendor shelving using the online eQuote process:

- 1 (VEQ010) [Vendor] Determines when to replenish vendor shelving items.
- 2 (VEQ020) Identifies what materials and quantities needed to replenish vendor shelving bins based on the Company's [reorder point](#) and [EOQ](#) for each item.
- 3 (VEQ030) Enters information into vendor's inventory ([punch-out catalog](#) or [CIF Catalog](#)).
- 4 (VEQ040) Creates an eQuote with list of materials to be orders (line item details). Vendor only adds materials to the eQuote that are available and *do not require* a back order.
- 5 (VEQ050) Sends an email with the full eQuote information to the site-specific group email address. The email subject line contains the [eQuote number](#).
- 6 (VEQ060) [Requester] Receives email regarding new eQuote available for processing.
- 7 (VEQ070) Navigates to the Purchase Requisition application in the EAM. The requester manually creates a new Purchase Requisition. Requester navigates to PR Lines tab in the application. Assigns a Work Order number and Onsite delivery date.
- 8 (VEQ075) Choose the search catalogs option in the EAM PR application that takes you to the Contract Manager application.
- 9 (VEQ080) [Requester] Once in the Contract Manager application, search for the vendor's catalog. Select the vendor [punch-out catalog](#) or [CIF Catalog](#).
Note: Requester can search by (a) eQuote number, (b) store location, or (c) eQuote status (Pending, Rejected, or Approved).
- 10 (VEQ090) Select the eQuotes area of the catalog. Use the eQuote number (see Step #VEQ050) to search for the eQuote information in the vendor catalog.
- 11 (VEQ090) Add the eQuote line items to your Contract Manager shopping cart.
- 12 (VEQ100) Click **Complete Checkout** to bring all line items back to the Contract Manager. Review the contents in the Contract Manager application.
- 13 (VEQ110) Select **Checkout** to bring the line items into the EAM application. Check that all fields such as Description, Onsite Delivery Date, Quantity, [order unit](#), Unit Cost, and Buyer identifier are populated. Vendor information populates automatically from the Contract Manager application.
- 14 (VEQ120) Save the purchase requisition. Submit the PR into the approval workflow.
- 15 (VEQ130) Once requester's [DOA](#) members provide all the approvals, the PR goes to `Close` status.
- 16 (VEQ140) EAM automatically converts the PR to a Purchase Order and sends to the buyer.
- 17 (VEQ150) Buyer sends the approved PO to the appropriate vendor.
- 18 (VEQ160) [Vendor] Deliver items or material to the designated Company site.
- 19 (VEQ170) [Warehouse] Check packing list against delivered items.
- 20 (VEQ180) [Vendor] Stock the designated vendor shelving bins with material.
- 21 (VEQ190) [Warehouse] Take delivery of the materials (see [MM01–Receiving Procedure](#) on page 91).
- 22 (VEQ200) Use the EAM Direct Charge application to issue this material and place in VMI bin location

Compliance

- Access purchase requisitions to see the materials list that itemizes vendor shelving, PR approvals recorded, and associated with work orders. The work order is tied to the general ledger accounts.
- Access eQuote to see purchase orders with vendor shelving line items tied to work orders.

MM06–Inventory Usage Procedure

<i>Procedure Title</i>	Inventory Usage Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define procedure to manage inventory movement in and out of the warehouse.

Scope

Procedure applies to:

- Warehouse personnel who issue inventory automatically from work orders and manually based on work management requests.
- Planners who schedule inventory issued in accordance with an approved job plan.
- Work Management personnel that make on-the-spot decision requests (manual walk up or Quick Pick) at a warehouse.

General

Note: Automatically generated Inventory usage records create hard inventory reserves. Manually generated Inventory Usage records do not create inventory reserves.

Procedure

This procedure covers these common situations:

- Inventory from a work order that automatically creates an Inventory Usage record.
- Work order that requires a requester or warehouse personnel to manually create an Inventory Usage record (Quick Pick or walk up need).

Figure 54: Inventory Usage Process Overview

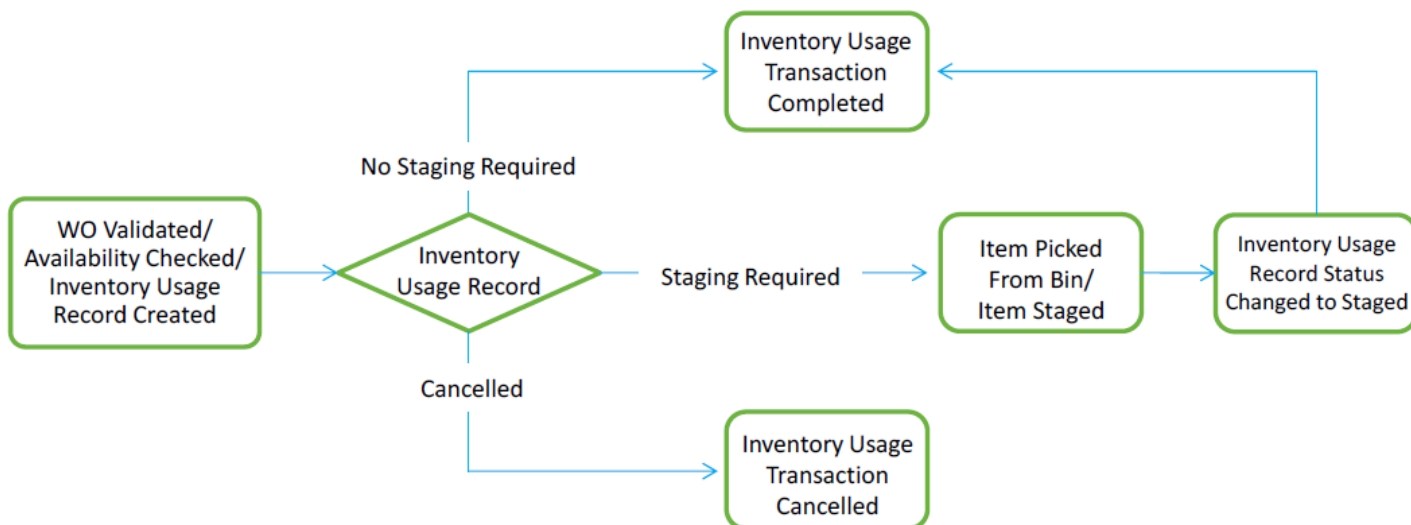
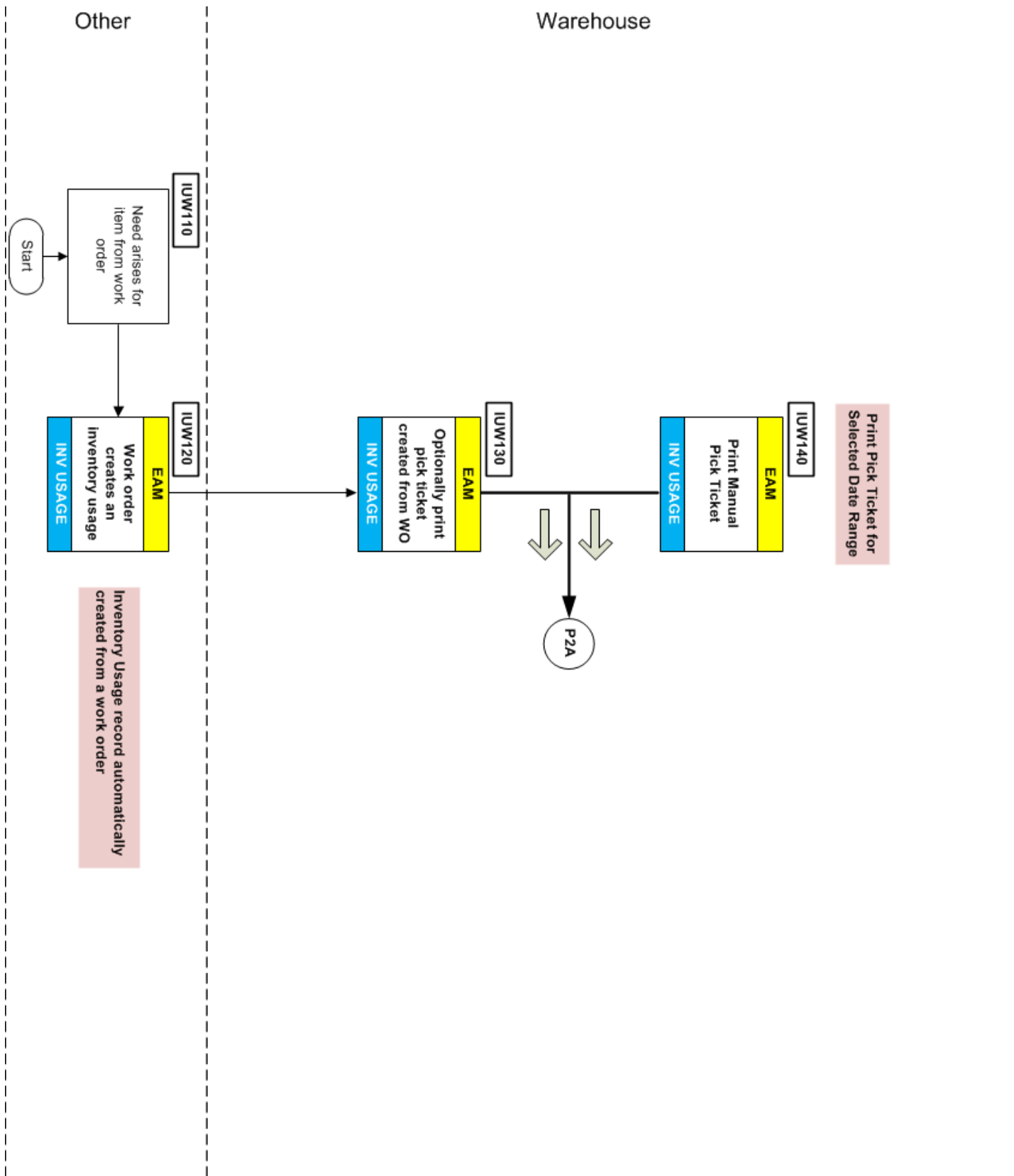


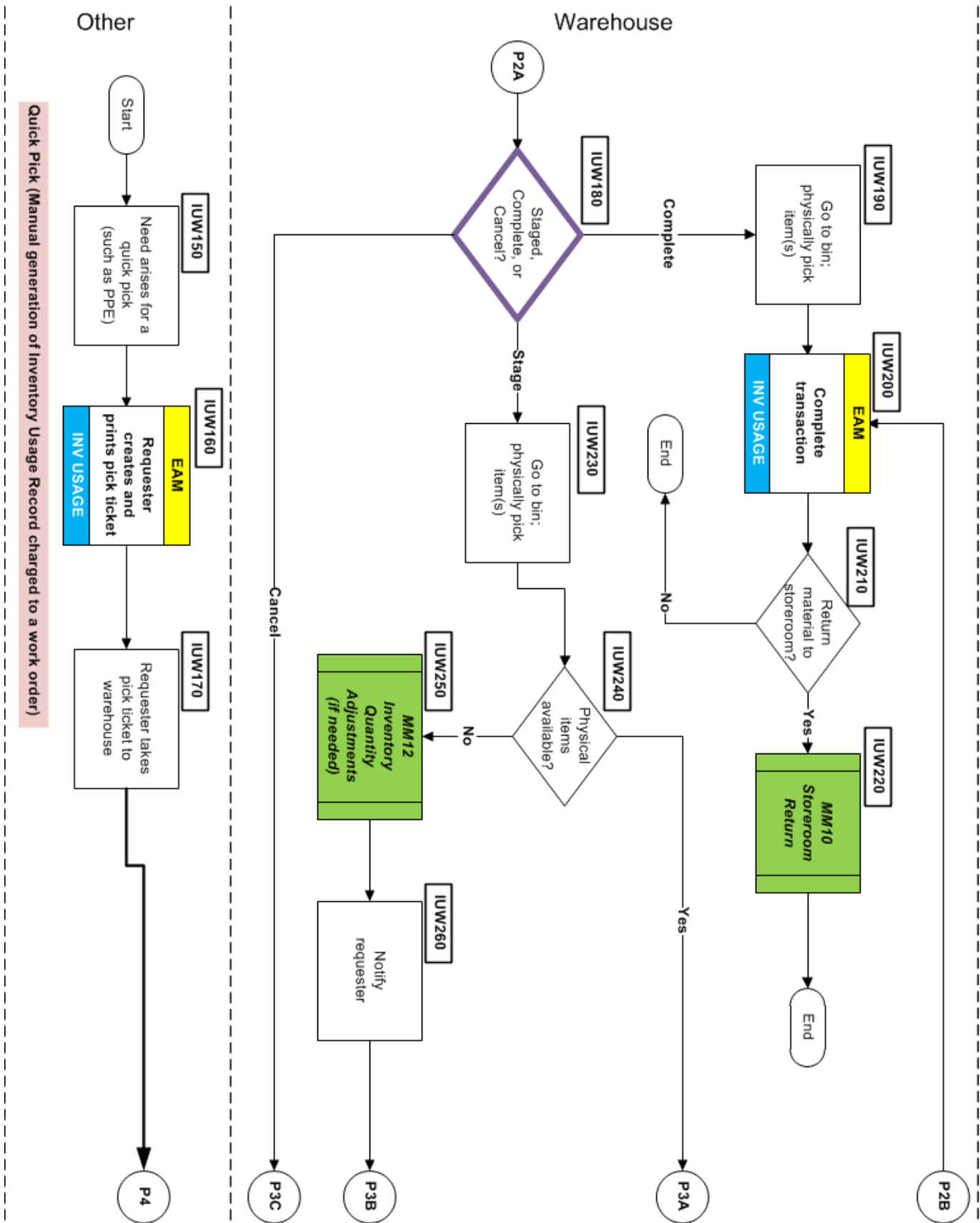
Figure 55: Inventory Usage (Part 1 of 4)



To issue inventory items from work orders automagically

- 1 (IUW110) [Requester] Existing work order has items scheduled for usage.
- 2 (IUW120) [Requester] The Inventory Usage EAM application automatically generates an Inventory Usage record based on the work order schedule.
- 3 (IUW130) [Warehouse] Print a pick ticket if necessary.
- 4 (IUW140) [Warehouse] Print a manual pick ticket that covers the desired date range (for example, a week, 10 days, and so forth).
- 5 Go to Step #IUW180

Figure 56: Inventory Usage (Part 2 of 4)



Requester needs a warehouse item at the last minute (quick pick)

- 6 (IUW150) [Work Management] Need a "quick pick" item such as a piece of Personal Protection Equipment (PPE).
- 7 (IUW160) Requester goes to a warehouse kiosk, manually creates Inventory Usage record, and prints pick ticket.
- 8 (IUW170) Requester takes pick ticket to warehouse. Go to Step #IUW380.
- 9 (IUW180) **{Should items be Staged, sent to job site (Complete), or cancelled?}** If **Staged**, go to Step #IUW230. If **Cancel**, go to Step #IUW380.
- 10 (IUW190) Go to bin and physically pick the items.
- 11 (IUW200) Complete the Inventory Usage transaction.
- 12 (IUW210) **{Need to return any material to storeroom?}** If **No**, end procedure.
- 13 (IUW220) Return the material to storeroom (see [MM10–Storeroom Return Procedure](#) on page 155) and end procedure.
- 14 (IUW230) For staging items, Go to bins and physically pick the items.
- 15 (IUW240) **{Are all the items physically available?}** If **Yes**, go to Step #IUW290.
- 16 (IUW250) Adjust the inventory quantity using the EAM application (see [MM12–Inventory Quantity Adjustments Procedure](#) on page 163.)
- 17 (IUW260) Notify the requester that some items are unavailable.
- 18 (IUW270) **{For available items, should items be staged or work order cancelled?}** If **Cancel**, go to Step #IUW310.
- 19 (IUW290) Using the EAM Inventory Usage application, update the quantity, enter required information, and stage items.
- 20 (IUW300) **{Was the job cancelled?}** If **No**, go to Step #IUW320.
- 21 (IUW310) Use the EAM Inventory Usage to cancel use of these items and end procedure.
- 22 (IUW320) Stage material for work management at Point of Use (POU).
- 23 (IUW330) [Work Management] Takes items from stage area to job site.
- 24 (IUW340) **{Any unused items from job site?}** If **No**, go to Step #IUW200.
- 25 (IUW350) Physically return unused items to POU and go to Step #IUW200.

Figure 57: Inventory Usage (Part 3 of 4)

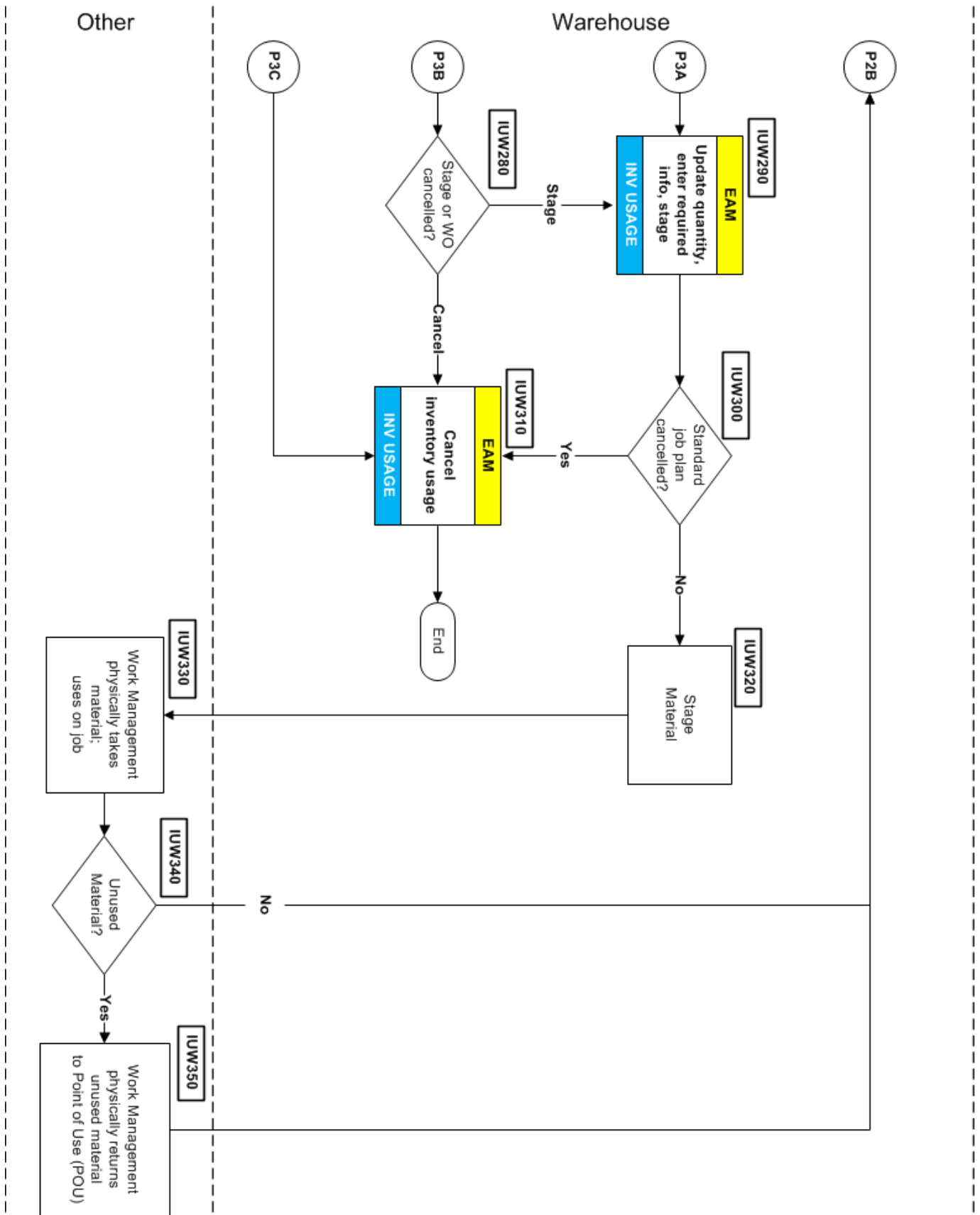
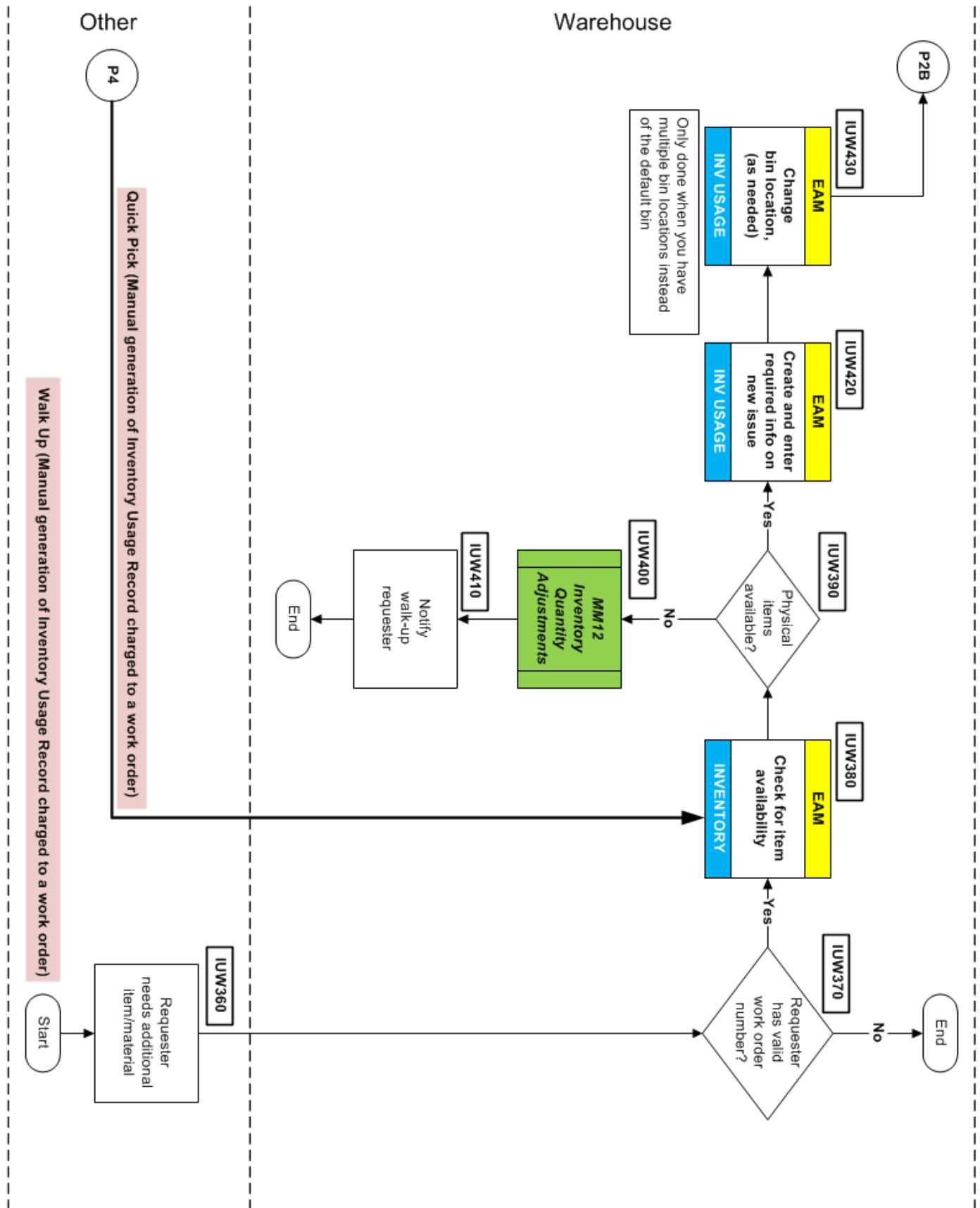


Figure 58: Inventory Usage (Part 4 of 4)



Walk-up issue generates a manual Inventory Usage record

- 26 (IUW360) [Work Management] Need walk-up issue for items as part of an existing work order.
- 27 (IUW370) [Warehouse] **{Does requester have a valid work order number?}** If **No**, end procedure.
- 28 (IUW380) Use the EAM Inventory application to check for item availability.
- 29 (IUW390) **{Are all items physically available?}** If **Yes**, go to Step #IUW420.
- 30 (IUW400) Adjust the inventory for only unavailable items. (See [MM12–Inventory Quantity Adjustments Procedure](#) on page 163.)
- 31 (IUW410) [Warehouse] Notify the walk-up requester that only some items are available. Go to Step #IUW420.
- 32 (IUW420) Use the EAM Inventory Usage application to manually create a new inventory Usage record.
- 33 (IUW430) If the walk-up requester cannot carry all the items, use the Inventory Usage application to show where (bin location) to stage the items. Go to Step #IUW200.

Compliance

- Audit and select work orders (accounting) to get additional information (requester, person issued to) for compliance.
- Run the *All Inventory Transactions* report in the EAM **Receiving** application to list transactions for a desired date range for a specific work orders. The report can list individuals that requested the items and which sites received items from these work orders.

MM07–Return to Vendor Procedure

<i>Procedure Title</i>	Return to Vendor – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To establish a method for returning inventory and [direct charge](#) material to a vendor for credit or exchange after material has been received and possibly issued to a work order by Company warehouses.

Scope

Materials management at warehouse sites who return inventory and direct charge material to vendors and procurement personnel.

General

The [EAM](#) application processes a Return to Vendor operation as a return transaction against *the* PO line item used to originally receive the item at the Company warehouse.

The storekeeper must return items (for credit) in a timely manner to avoid vendor restocking charges. Each Company major vendor defines the number of days to return items before incurring a restocking charge.

Accounts Payable needs an open PO line item to process a credit invoice for a returned item.

The Purchase Order's buyer must know what item(s) are returned to the vendor and the reasons.

An authorized Company member can return to a supplier, inventory and direct charge material. Discovery of a shortage, overage, damaged, concealed damage, or nonconforming material characteristic can prompt a return to vendor. This discovery can happen after the material is received.

Example situations where you would use the Return to Vendor procedure:

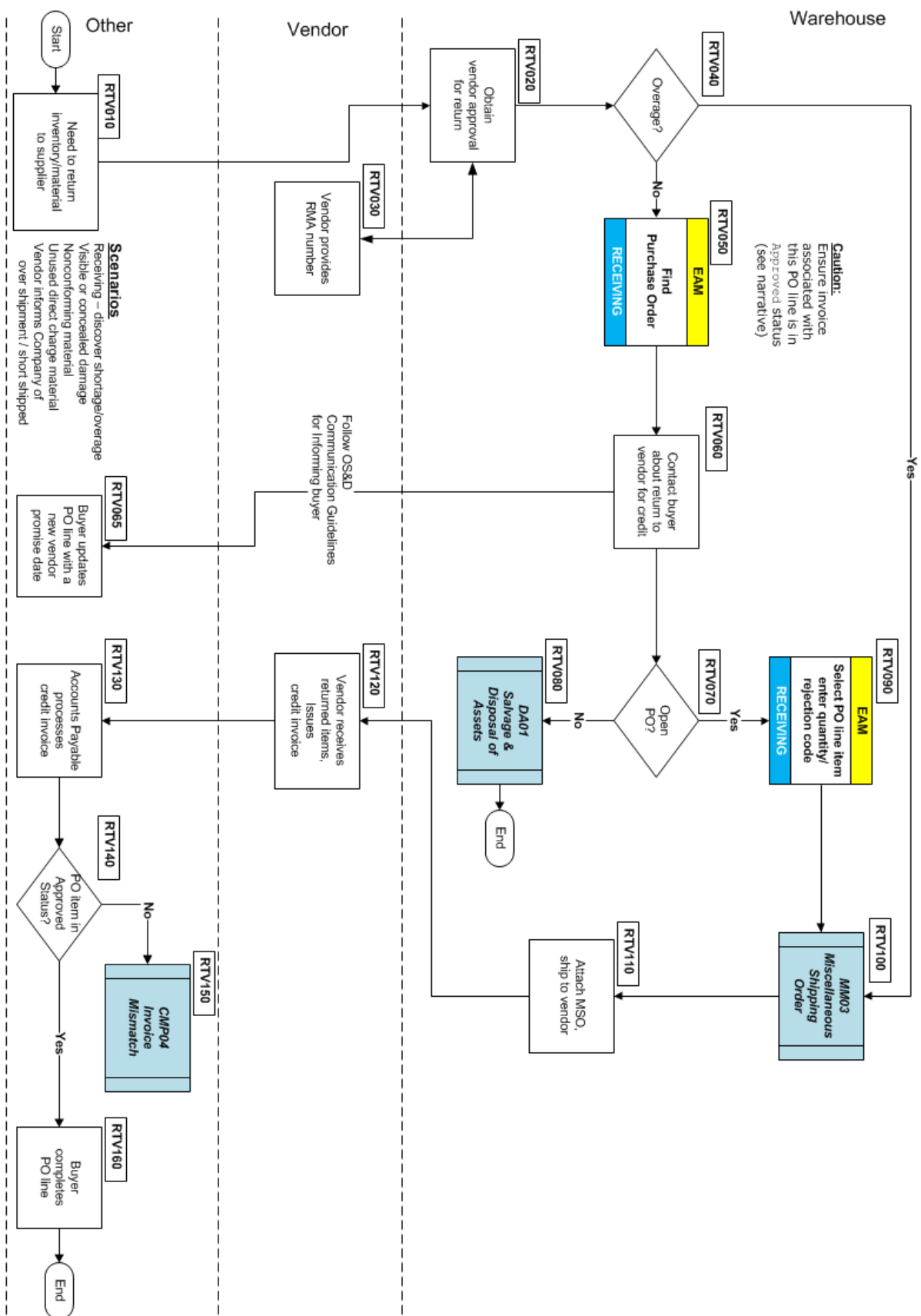
- Material [shortage](#) or [overage](#) discovered upon receiving
- Material has [visible damage](#) (at delivery) or [concealed damage](#) (discovered after receipt)
- Material is [nonconforming material](#) (discovered upon receiving or after receipt)
- Unused direct charge material
- Return of vendor-owned cores (exchange cost on or not on purchase order)

Warehouse staff will contact the supplier about the problem, secure the supplier's approval, and request a Return Material Authorization ([RMA](#)) number. Obtaining the RMA, in advance of shipping the return item, ensures the vendor agrees to credit the Company account.

Related Procedures

- [MM01–Receiving Procedure](#) on page 91
- [MM03–Miscellaneous Shipping Order](#) on page 106
- [MM09–Over, Short, and Damaged Material Procedure](#) on page 145
- [MM16–Non-inventory Core Tracking](#) on page 178

Figure 59: Return to Vendor Procedure



Procedure

To return inventory/material to vendor

- 1 (RTV010) [Requester] Inventory/direct charge material needs to be returned for vendor credit because of nonconformance, damage, or quantity problems.
- 2 (RTV020) [Warehouse] Storekeeper contacts vendor and obtains approval to return item/materials.
- 3 (RTV030) [Vendor] Approves return of items and provides a Return Material Authorization ([RMA](#)) number to the warehouse storekeeper.
- 4 (RTV040) **{Overage?} If Yes**, Go to Step #RTV100.
- 5 (RTV050) [Warehouse] For non-overflow material, find purchase order in EAM system using the Receiving application to determine the PO line status.
- 6 (RTV060) [Warehouse] Storekeeper contacts buyer with the necessary return to vendor information:
 - Vendor name
 - PO number and PO line item
 - Quantity being returned
 - Reason for return (wrong material, return for credit, return of core or exchange item)
 - MSO number
- 7 (RTV065) [Buyer] Receives return to vendor information. Buyer updates PO line with a new vendor promise date (when a new shipment or credit memo happens).
- 8 (RTV070) [Warehouse] **{Purchase order open?}** If **Yes**, go to Step #RTV090.
- 9 (RTV080) For purchase orders, perform Investment Recovery procedure based on the product type. See [DA01–Salvage and Disposal of Assets](#) procedure on page 214. This procedure ends.
Caution: Check to ensure the invoice associated with returned items is in an Approved status [APPR, SCHDPAY, CLEAR, or PAID]. Failure to perform this check, results in an Invoice Mismatch when accounts payable processes the credit invoice. (See [CMP04–Invoice Mismatch Procedure](#) on page 66.)
- 10 (RTV090) [Warehouse] Using the Receiving application, select the PO line item, enter quantity to return, and the rejection reason. (See [Table 19](#) on page 261 for rejection codes.)
- 11 (RTV100) Prepare the [MSO](#) following the [MM03–Miscellaneous Shipping Order](#) procedure on page 106.
- 12 (RTV110) Attach MSO and ship items to vendor.
- 13 (RTV120) [Vendor] Receives the returned items and issues the Company a credit invoice.
- 14 (RTV130) [Accounts Payable] Processes credit invoice.
- 15 (RTV140) **{PO Item in Approved Status [APPR, SCHDPAY, CLEAR, PAID]}** [Buyer] If **Yes**, go to Step #RTV160
- 16 (RTV150) [Buyer/Accounts Payable] Process the invoice using the [CMP04–Invoice Mismatch Procedure](#) on page 66.
- 17 (RTV160) [Buyer] Completes the PO line item and the procedure ends.

Compliance

- Review the *All Inventory Transactions* report in the EAM **Receiving** application to identify return to vendor transactions and the associated purchase order. This report describes the time/date of the return to vendor transaction, identifies the user, and references the RMA number used.

MM08–Inventory Items Repair Procedure

<i>Procedure Title</i>	Inventory Items Repair Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define a streamlined procedure to track the disposition, status, location, and costs associated with Company repaired inventory items or capital (assets) repaired items.

The Company stores reserve assets such as [rotating spares](#) in a warehouse for critical and high-value components, to replace similar assets immediately after a breakdown. These assets can be refurbished many times for defects or wear, and then made available again as spare parts.

Scope

This procedure applies to BU work management (requesters), repair coordinator/parts technician groups, SC buyer/procurement, and SC materials management personnel.

General

Business units can **(1)** manually send an item out for repair and return it to service or **(2)** use the EAM’s rotating item process to track the repaired item/asset from request through completion.

Repairable Item Process–Manual

This is a manual repair process that make uses of the *Repairable* flag on the Item Master application. This flag indicates an item can be repaired. The flag is carried through several manual processes for purchase requests and purchase orders.

The repairable flag permits users to repair an item on the reorder list, hold the reorder, remove the item from service, and have it repaired rather than buy new. The item repair process and inventory quantity adjustment and values once the repaired item is returned all require manual steps. Because the item contains only a Repairable flag, there is no Item number/asset relationship to base any EAM automation and traceability. Any business unit can implement this procedure.

Repairable Item Process–Using Rotating Items/Assets

By using the EAM rotating item process, relationships between items and assets are created to support automation and help managing repairs. This procedure uses the rotating flag on the Item Master to force the use of [rotating assets](#) to uniquely track each instance of the [rotating item](#). By selecting the Rotating item flag, the EAM bypasses the reorder process for this item (assumes item is removed from service for repair).

Only after the asset is scrapped, does the EAM software consider the item quantity reduced and potentially reorders. Using the rotating asset to track repairs against a Work Order (WO) captures the internal and external costs and automatically rolls that value into the average unit price (AUP) for the item when moved back to the storeroom, updating both quantity and price.

Also with rotating assets, a user can display the number of items at a site, which ones are in service and where, which ones are out for repair and number in the storeroom as spares. The Locations application displays all assets assigned to the selected location. Users can track items in a vendor repair location or warehouse repair location using the Locations application.

Procedure

Overview of the entire inventory item repair procedure

- 1 Work management creates a work order for repair and takes item out of inventory.
- 2 The Repair Coordinator is notified of the item in their Start Center. Repair Coordinator evaluates the repair item and decides its disposition: **(a)** internal/ERC, **(b)** vendor repair, or **(c)** scrap. Repair Coordinator can optionally hold the repair for additional evaluation.
- 3 Work order (internal), PR/PO (scrap), or both (vendor repair) created.
- 4 Repair work done internally or by vendor. When item is scrapped, vendor ships replacement part.
- 5 Warehouse receives repaired or replacement item. The EAM application moves all repaired items into inventory.

To repair an inventory item

- 1 (RRS100) [Work Management] Manually create or a previously created WO generates an Inventory Usage record.
- 2 (RRS110) [Storekeeper] Manually complete the Inventory Usage record to issue repair item to trigger the start of the Repair procedure.
- 3 (RRS120) EAM automation creates a Repair Evaluation record and routes it to the Start Center of the Repair Coordinator or Parts Technician (Mining).
- 4 (RRS130) [Repair Coordinator] Select a repair item in the EAM Start Center to begin its repair evaluation.
- 5 (RRS140) Perform item repair evaluation
- 6 (RRS150) **{Is it a Capital Asset?}** If **No**, go to Step #RRS170.
- 7 (RRS160) Update GL Account for this capital asset.
- 8 (RRS170) Select Repair Status and submit to workflow.
- 9 (RRS180) Perform **Repair Hold or Cancel** Sub-process. (Illustrated in [Figure 66](#) on page 142 and described on page 143)
- 10 (RRS185) Perform **Scrap Repair Item** Sub-process. (Illustrated in [Figure 64](#) on page 140 and described on page 143.)
- 11 (RRS190) Perform **External Vendor Repair** Sub-process. (Illustrated in [Figure 62](#) on page 138 and described on page 143)
- 12 (RRS195) Perform **ERC-Internal Repair** Sub-process. (Illustrated in [Figure 63](#) on page 139, and described on page 143.)

Figure 60: Inventory Item Repair Procedure–Overview

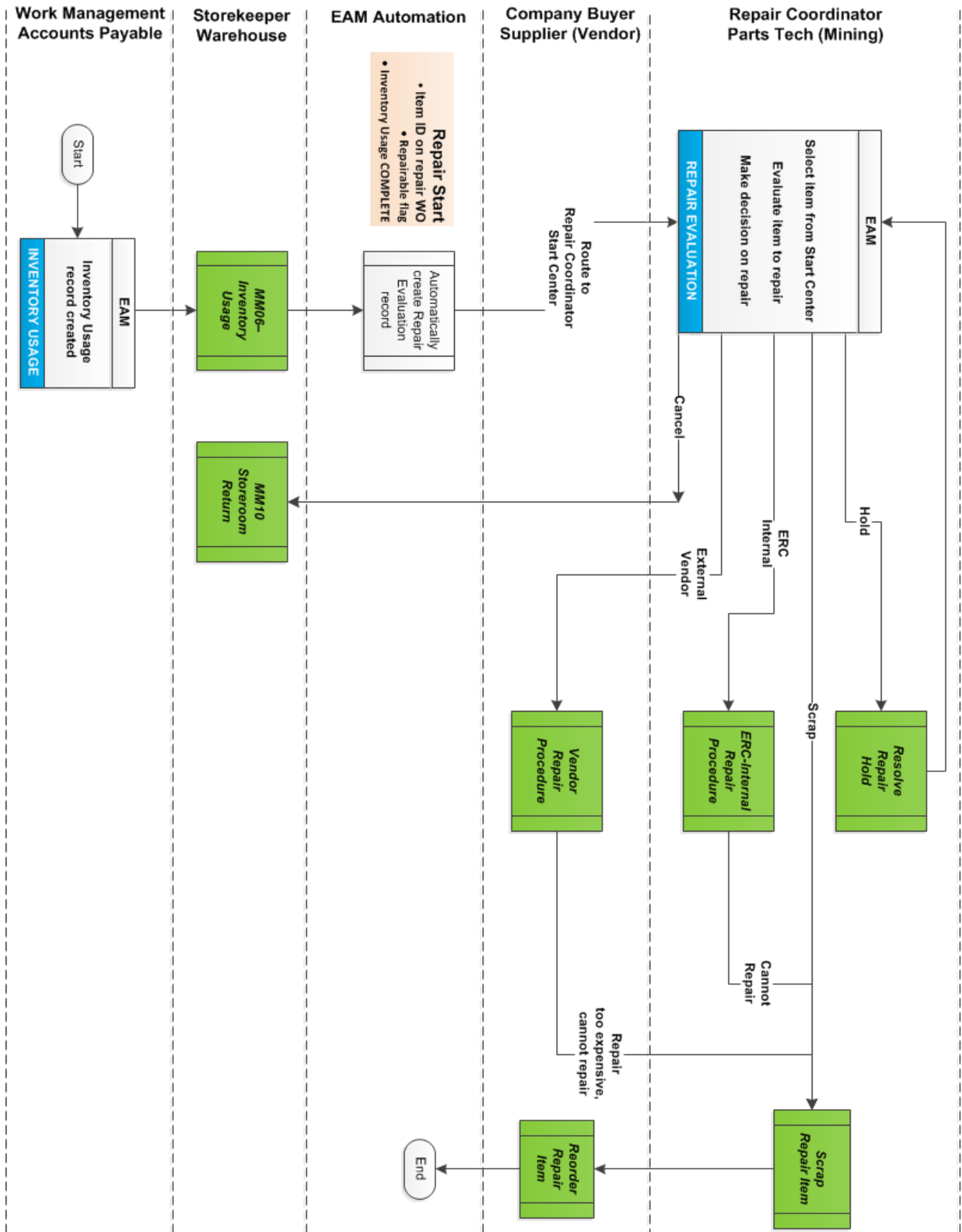


Figure 61: Inventory Item Repair Procedure-Repair Decision

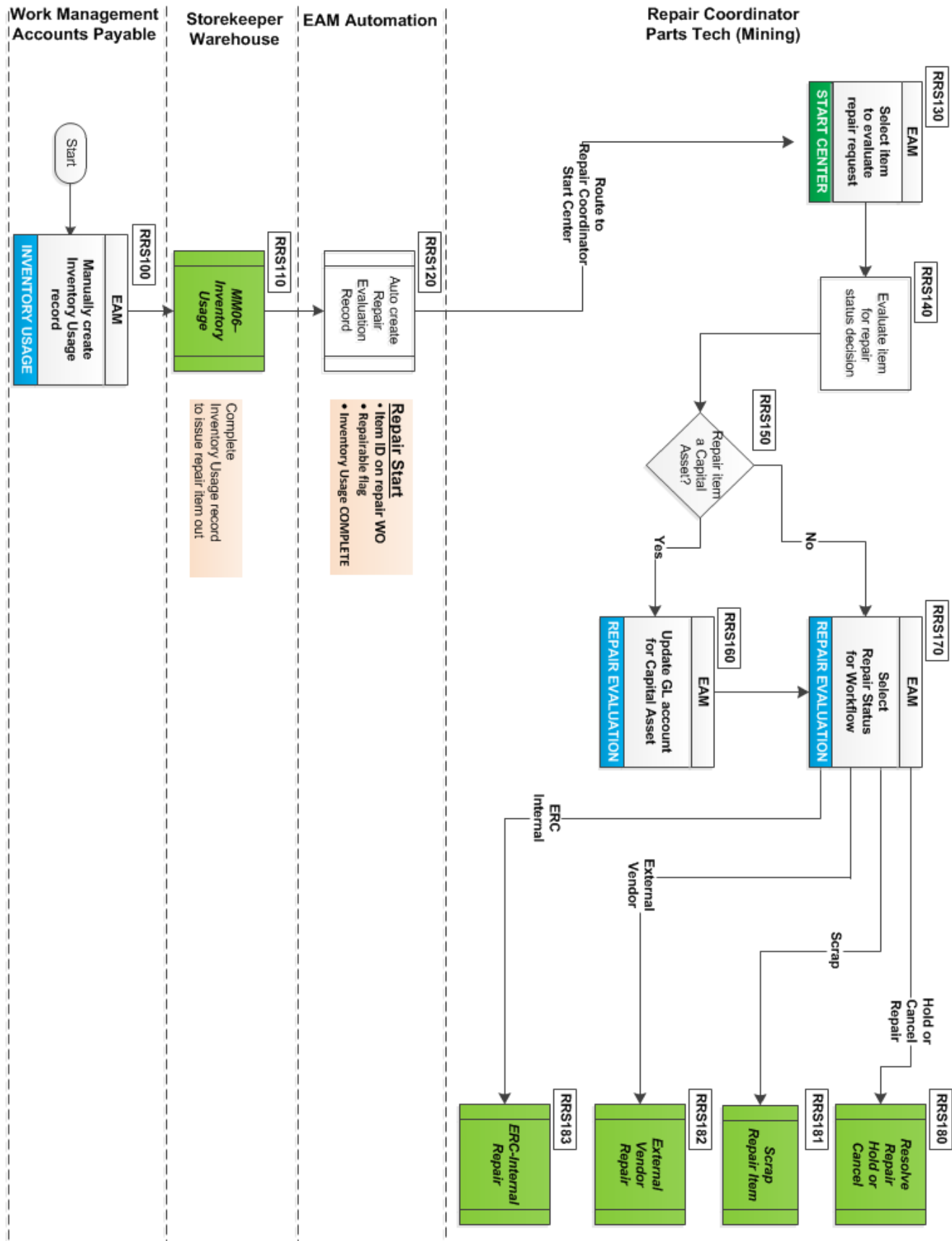


Figure 62: Inventory Item Repair Procedure–External Vendor Repair Sub-process

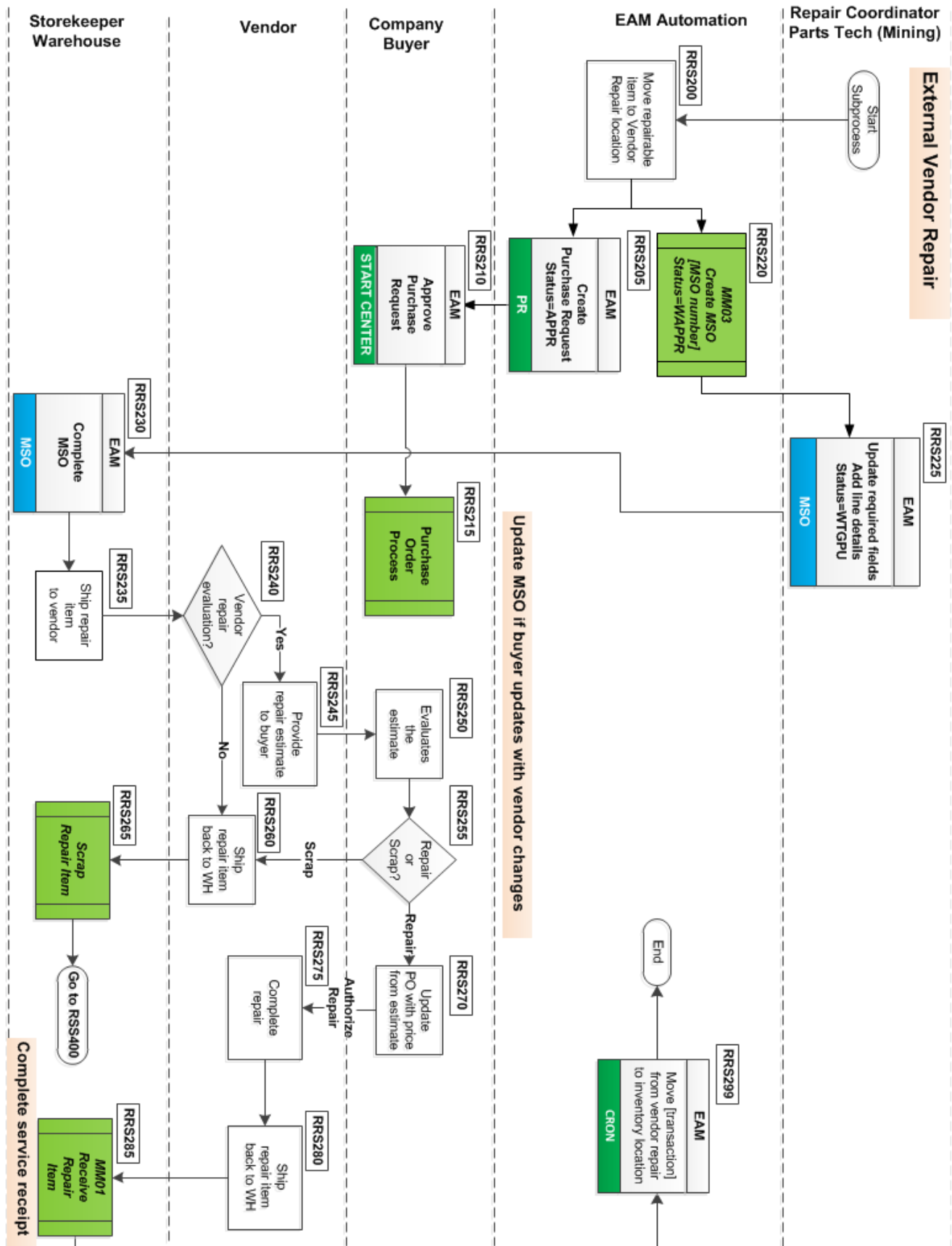


Figure 63: Inventory Item Repair Procedure–Internal Repair Sub-process

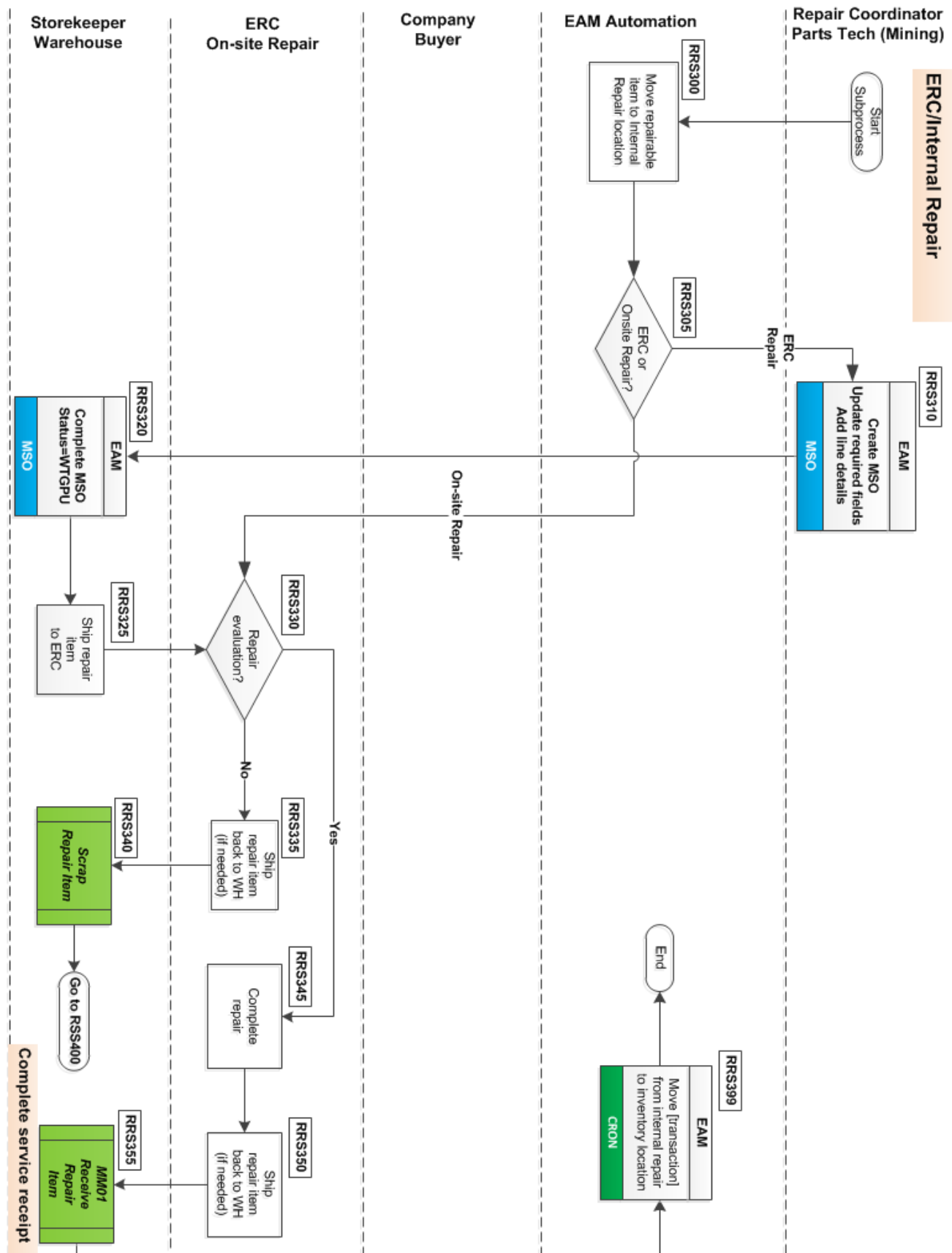


Figure 64: Inventory Item Repair Procedure–Scrap Repair Item Sub-process

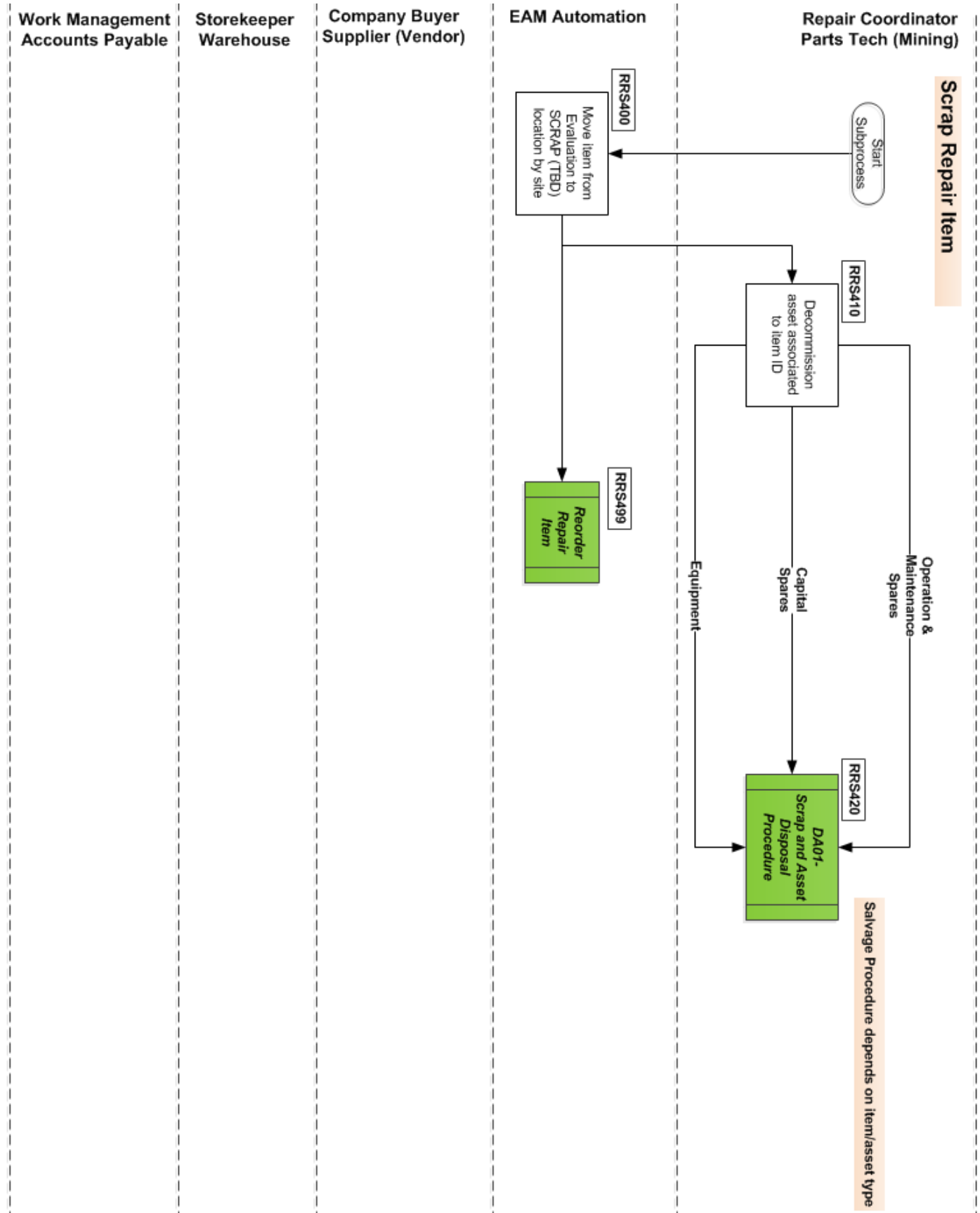


Figure 65: Inventory Item Repair Procedure–Reorder Repair Item Sub-process

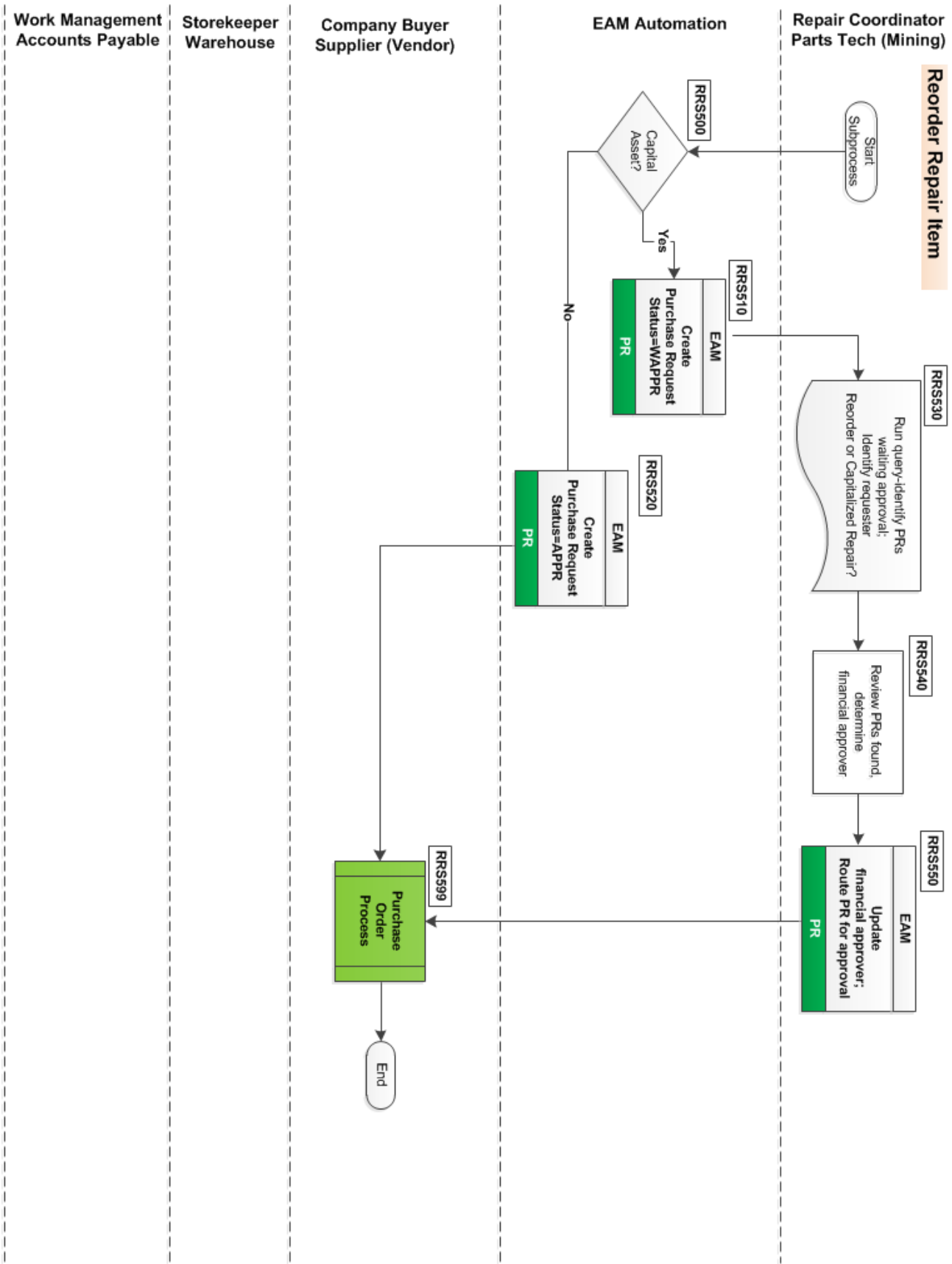
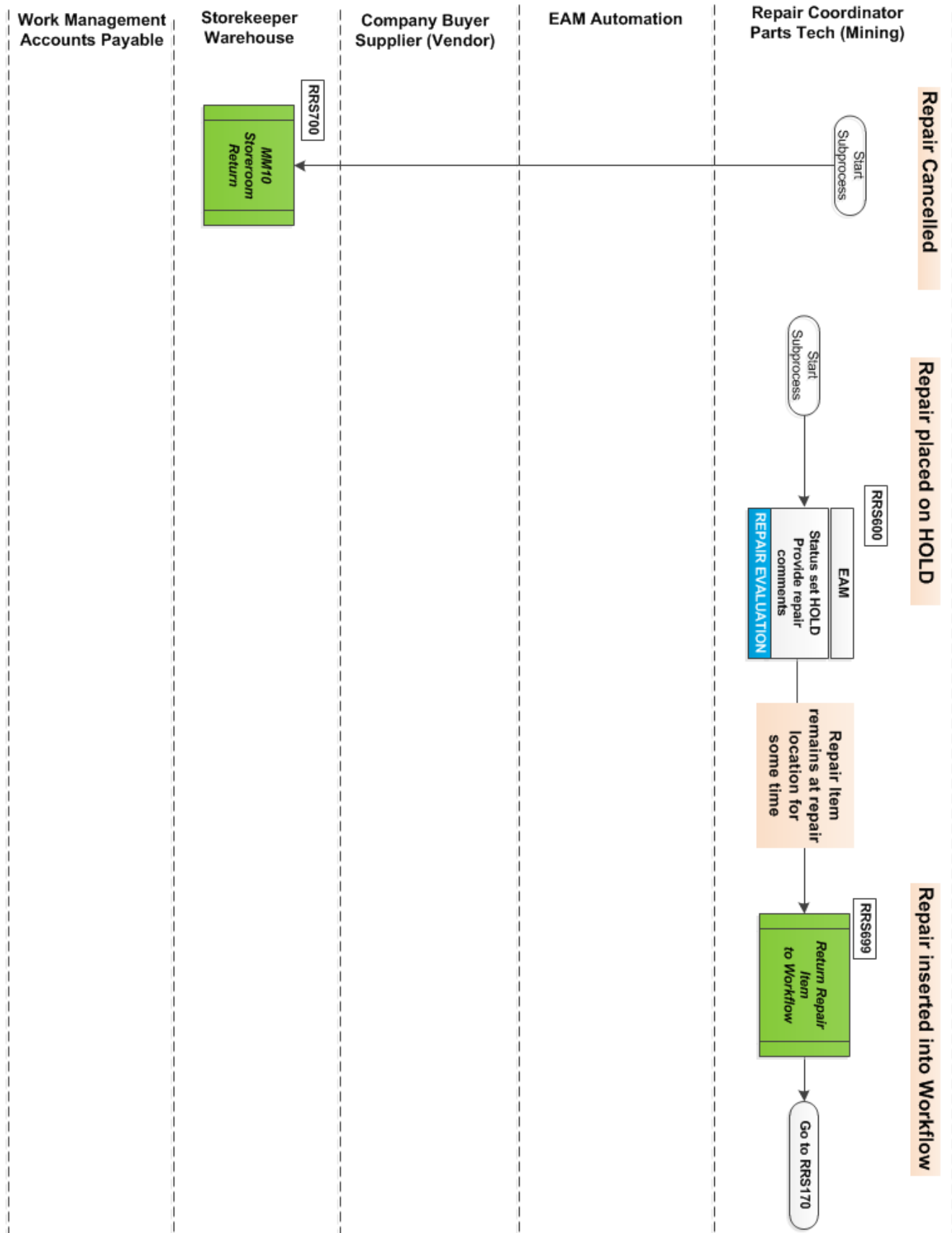


Figure 66: Inventory Item Repair Procedure–Cancel or Hold Repair Item



Repair Procedure Sub-processes

External Vendor Repair

- 1 (RRS200) [EAM Automation] Automatically move repairable item inventory to `VENDOR REPAIR` location.
- 2 (RRS205) Purchase Request application creates a PR in the `APPR` status and routes to the Buyer.
- 3 (RRS210) [Buyer] Approves purchase request
- 4 (RRS215) Perform Purchase Order process for repair item.
- 5 (RRS220) [EAM Automation] Create MSO (see [MM03–Miscellaneous Shipping Order](#) on page 106) in the `WAPPR` status. Only the MSO number and status put into record.
- 6 (RRS225) [Repair Coordinator] Update all required MSO fields.
- 7 (RRS230) [Storekeeper] Complete MSO. Update status to `WTGPU` (waiting to pick up).
- 8 (RRS235) Ship repair item to the vendor.
- 9 (RRS240) [Vendor] **{Vendor repair evaluation?}** If **No**, go to Step #RRS260.
- 10 (RRS245) [Vendor] Provide repair estimate to the buyer.
- 11 (RRS250) [Buyer} Receives and decides whether to repair or scrap item.
- 12 (RRS255) **{Repair or scrap?}** If **Repair**, go to Step #RSS270.
- 13 (RRS260) [Vendor] Ship repair item back to the company warehouse.
- 14 (RRS265) [Storekeeper] Perform Scrap Repair Item sub-process (Illustrated in [Figure 64](#) on page 140 and described on page 143.) Go to Step #RSS400.
- 15 (RRS270) [Buyer] Update purchase order with price from estimate and authorize repair.
- 16 (RRS275) [Vendor] Complete repairs to item.
- 17 (RRS280) [Vendor] Ship repair item to designated warehouse.
- 18 (RRS285) [Storekeeper] Receive Repair item (see [MM01–Receiving Procedure](#) on page 91) and set repair status to `COMP`.
- 19 (RRS299) [EAM Automation] Move repair item (transaction record) from vendor repair to inventory location.

ERC-Internal Repair

- 1 (RRS300) [EAM Automation] Automatically move repairable item inventory to `INTERNAL REPAIR` location.
- 2 (RRS305) **{Is repair at ERC or onsite?}** If **On-site repair**, go to Step #RRS330.
- 3 (RRS310) [Repair Coordinator] Create MSO (see [MM03–Miscellaneous Shipping Order](#) on page 106). Update all required MSO fields.
- 4 (RRS320) [Storekeeper] Complete MSO. Set status to `WTGPU` (waiting for pick up).
- 5 (RRS325) Ship repair item to the ERC.
- 6 (RRS330) [ERC/On-site repair] **{Can item be repaired?}** If **Yes**, go to Step #RRS345.
- 7 (RRS335) [ERC/On-site repair] Ship repair item back to warehouse (if at ERC).
- 8 (RRS340) [Storekeeper] Perform Scrap Repair Item sub-process (Illustrated in [Figure 64](#) on page 140 and described on page 143.) Go to Step #RSS400.
- 9 (RRS345) [ERC/On-site repair] Complete repairs to item (onsite or at ERC).
- 10 (RRS350) [ERC/On-site repair] Ship repair item back to warehouse (if at ERC).

- 11 (RRS355) [Storekeeper] Receive Repair item (see [MM01–Receiving Procedure](#) on page 91) and set repair status to `COMP`.
- 12 (RRS399) [EAM Automation] Move item (transactional record) from internal repair to inventory location.

Scrap Repair Item

- 1 (RRS400) [EAM Automation] Automatically move repairable item inventory to `SCRAP` [TBD] location.
- 2 (RRS410) [Repair Coordinator] Decommission asset associated with item ID.
- 3 (RRS420) Depending upon item category, perform the appropriate steps found in the [DA01–Salvage and Disposal of Assets](#) procedure on page 214.
- 4 (RRS499) Perform **Reorder Repair Item** sub-process. Go to Step #RRS500.

Reorder Repair Item

- 1 (RRS500) [EAM Automation] **{Is it a capital asset?}** If **No**, go to Step #RRS520.
- 2 (RRS510) [EAM Automation] Create a purchase request with status=`WAPPR` (waiting approval).
- 3 (RRS520) [EAM Automation] Create a purchase request with status=`APPR` (approved).
- 4 (RRS530) [Repair Coordinator] Run query to identify purchase requests awaiting approval. Identify the requester for repair items.
- 5 (RRS540) [Repair Coordinator] Review the repair PRs to determine the financial approver needed for each PR.
- 6 (RRS550) [Repair Coordinator] Use the PR application to update the PR financial approver and route through approval workflow.
- 7 (RRS599) [Buyer] Perform Purchase Order Process.

Repair Item on Hold

- 1 (RRS600) [Repair Coordinator] Set status=`HOLD` for repair item.
- 2 (RRS610) [Repair Coordinator] Repair item remains at repair location. Research information needed to repair or scrap the item.
- 3 (RRS699) [Repair Coordinator] Cancels or resets repair status. Go to Step #RRS170.

Compliance

- Warehouse Receiving Report run over a date range for repairable items. Report includes MSO.
- Capital Spares in Need of Repair report.
- Disposition Report–Generated from Repair Evaluation Application

Repair Document–Repair Document

Siteid–Site

Item–Item Number

Capitalized–Capitalized?

Asset–Asset Number

Work Order–Original Repair Work Order

MM09–Over, Short, and Damaged Material Procedure

<i>Procedure Title</i>	Over, Short, and Damaged Material – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Describe how to receive and handle overages, shortages, damaged and non-conforming receipts of inventory and [direct charge](#) material.

Scope

This procedure applies to all Company warehouse personnel responsible for reporting over, short, and damaged/non-conforming material.

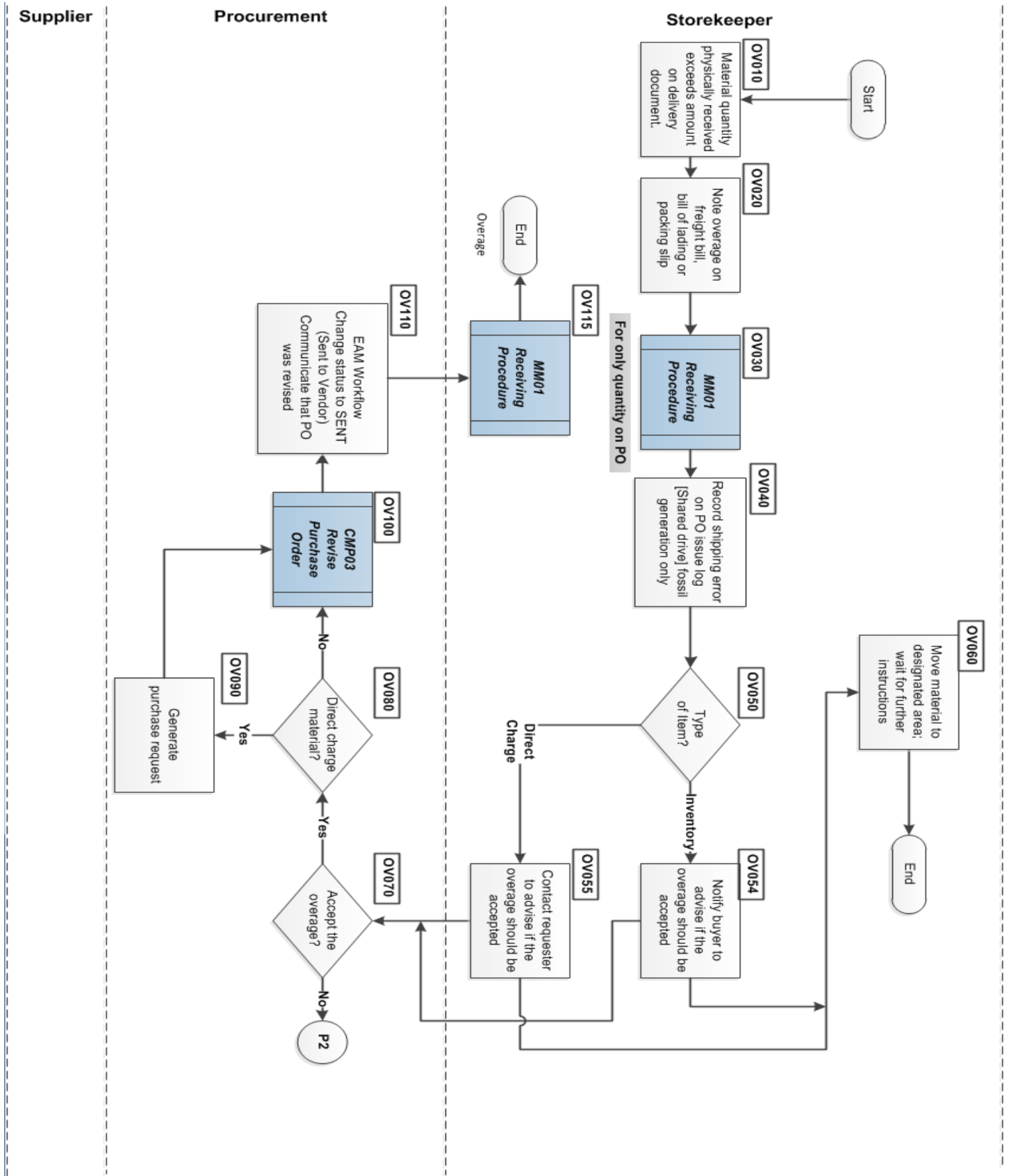
Procedure

This guide breaks down this Materials Management procedure into three sections, each section having a flowchart and a descriptive narrative.

The three sections include these receiving situations:

- Overage received (see Receiving overages on page 147)
- Shortage received (see Receiving shortages on page 150)
- Damaged material (visible problems, concealed damage, and non-conforming). See Receiving damaged material on page 152.

Figure 67: Receiving Overages (Part 1 of 2)



Receiving overages

- 1 (OV010) [Storekeeper] Material quantity received that exceeds the amount on the delivery document.
- 2 (OV020) Note overage on freight bill, bill of lading, or packing slip.
- 3 (OV030) Perform the [MM01–Receiving Procedure](#) on page 91 for only the quantity on the purchase order.
- 4 (OV040) Record shipping error on the PO Issue Log (stored on the shared drive for fossil generation)
- 5 (OV050) {**Type of Item?**} If **Inventory**, go to step #OV054. If **Direct Charge** go to step #OV055.
- 6 (OV054) Notify the buyer for advice, if the overage should be accepted.
- 7 (OV055) Notify the requester for advice, if the overage should be accepted.
- 8 (OV060) If not accepted, move the material to designated area and wait for further instructions. Procedure ends.
- 9 (OV070) [Procurement] {**Accept the overage?**} If **Yes**, go to step #OV080. If **No**, go to step #OV120.
- 10 (OV080) {**Direct charge material?**} If **Yes**, go to step #OV090. If **No**, go to step #OV100.
- 11 (OV090) Generate a purchase request.
- 12 (OV100) Perform the [CMP03–Purchase Order Management](#) procedure on page 64.
- 13 (OV110) EAM Workflow: Change status to SENT (Sent to Vendor), communicate that PO was revised.
- 14 (OV115) [Storekeeper] Perform the [MM01–Receiving Procedure](#) on page 91. Procedure ends.
- 15 (OV120) [Procurement] Contact vendor for Return Material Authorization (RMA).
- 16 (OV130) [Supplier] Receive request for RMA
- 17 (OV140) Provide RMA to the storekeeper.
- 18 (OV150) [Storekeeper] Receive the RMA from supplier.
- 19 (OV160) Perform the [MM03–Miscellaneous Shipping Order](#) on page 106 for the overage.
- 20 (OV170) Ship the material.
- 21 (OV180) [Supplier] Material arrives at the vendor.
- 22 (OV190) [Procurement] {**Invoiced for received overage?**} If **No**, end procedure.
- 23 (OV200) [Supplier] Issue credit to Accounting for overage.

Figure 68: Receiving Overages (Part 2 of 2)

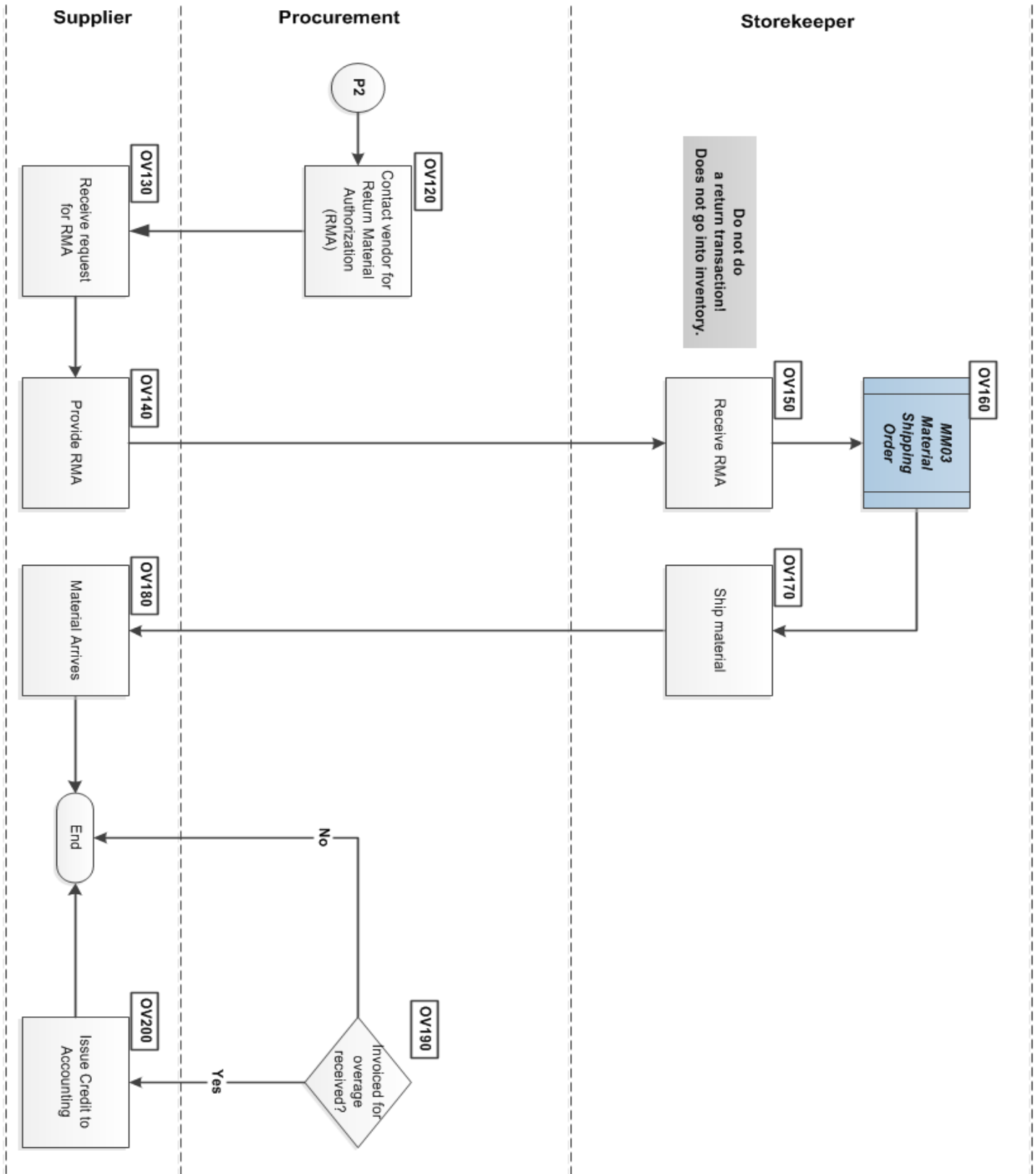
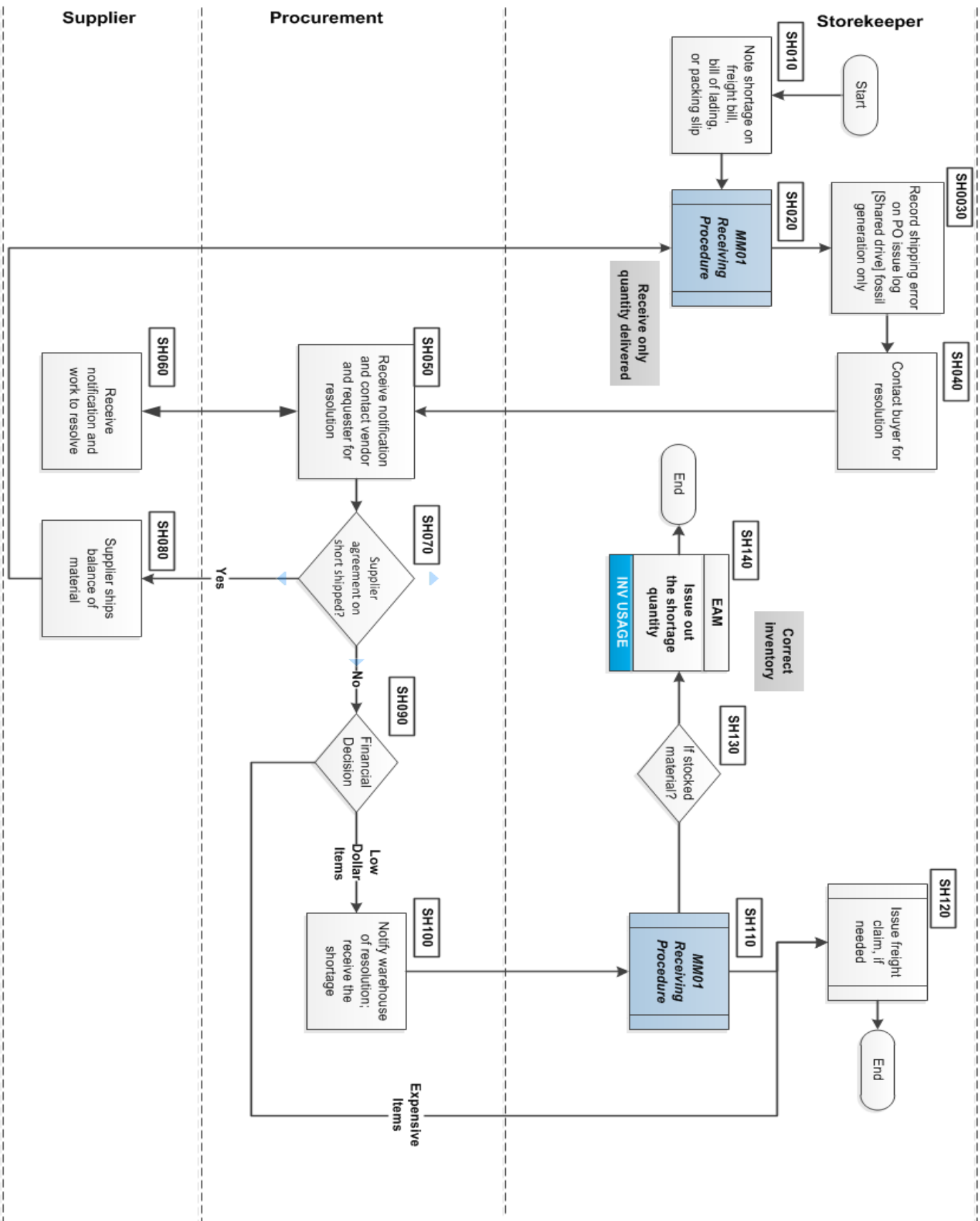


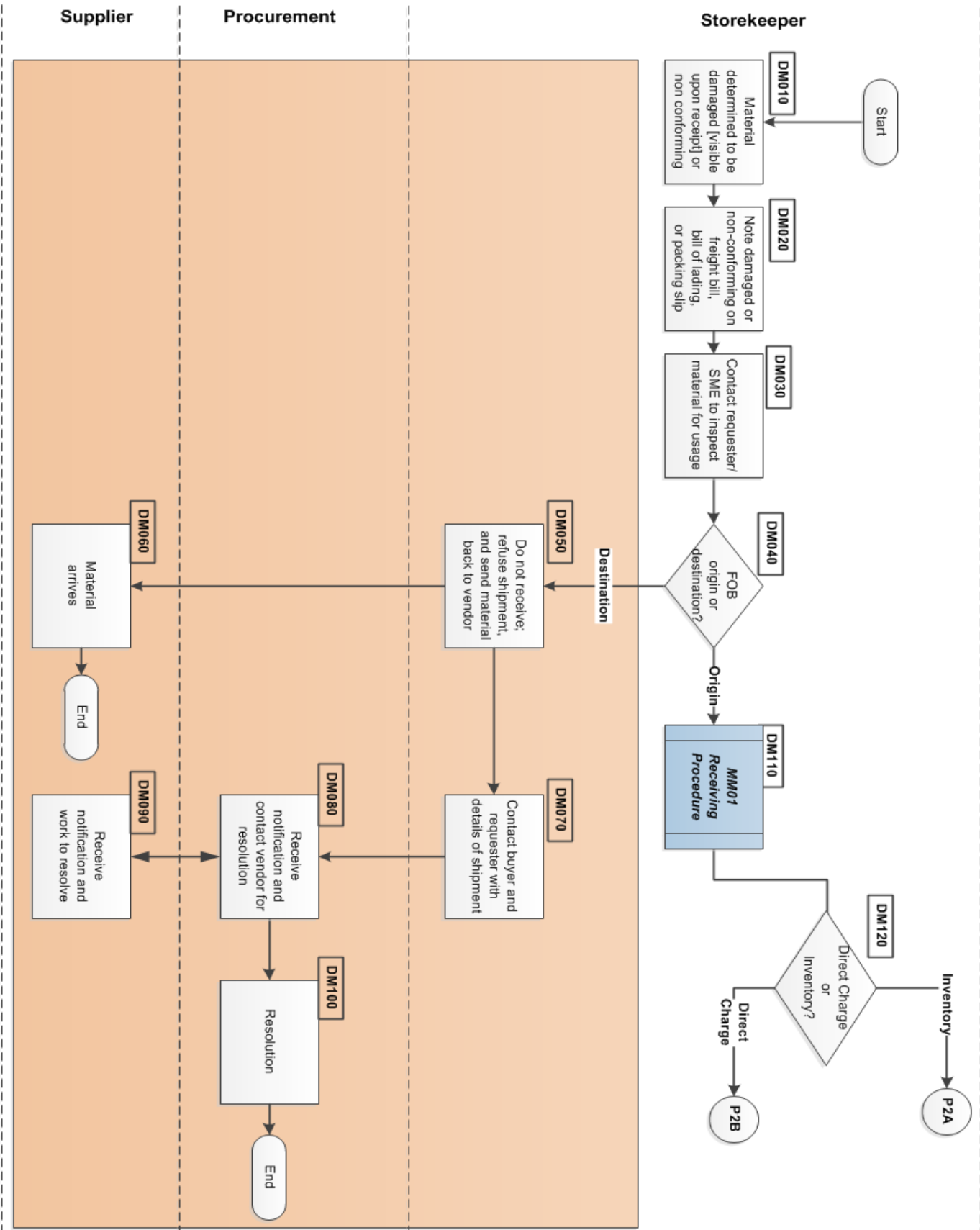
Figure 69: Receiving Shortages



Receiving shortages

- 1 (SH010) [Storekeeper] Note shortage on freight bill, bill of lading, or packing slip.
- 2 (SH020) Perform [MM01–Receiving Procedure](#) on page 91 for the quantity delivered.
- 3 (SH030) Record shipping error on PO issue log [found on Shared drive] for fossil generation.
- 4 (SH040) Contact buyer for resolution.
- 5 (SH050) [Procurement] Receive notification. Contact vendor and requester for resolution.
- 6 (SH060) [Supplier] Receive notification and work to resolve.
- 7 (SH070) {Supplier agreement on short shipped?} If **No**, go to step #SH090.
- 8 (SH080) Supplier ships balance of material.
- 9 (SH090) {Financial Decision} How expensive is it to return the items? If **Expensive Items**, go to step #SH120.
- 10 (SH100) Notify warehouse of resolution; receive the shortage.
- 11 (SH110) [Storekeeper] Perform [MM01–Receiving Procedure](#) on page 91 for the overage.
- 12 (SH120) [Storekeeper] Issue freight claim, if needed. Procedure ends.
- 13 (SH130) {Is it Inventory items?} If Yes, perform next step.
- 14 (SH140) Using the EAM Inventory Usage application, issue out the shortage quantity to correct the inventory. Procedure ends.

Figure 70: Receiving Damaged Material (Part 1 of 2)



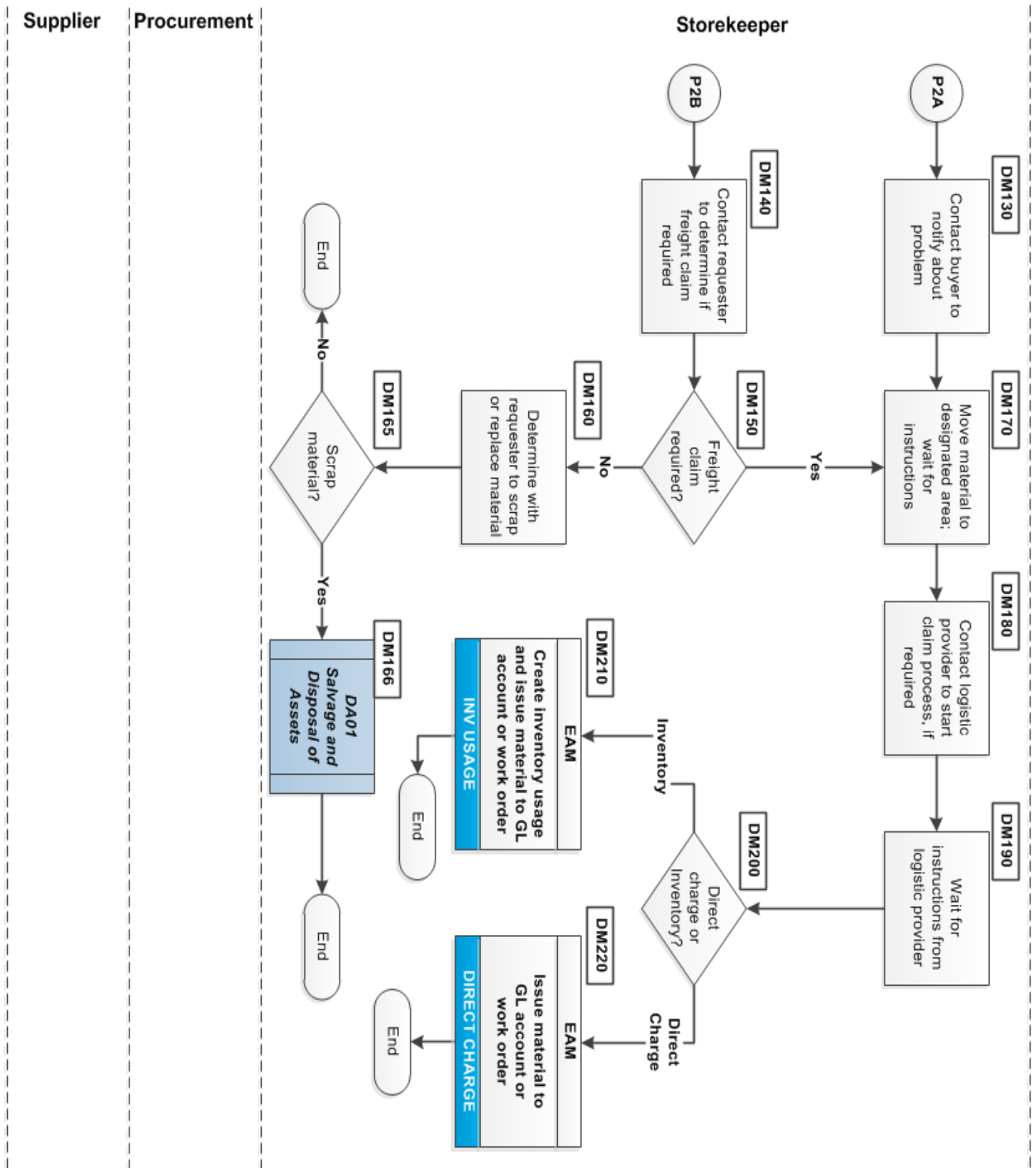
Receiving damaged material

Upon receipt of parts, materials and supplies at the warehouse or job site, the storekeeper examines the shipment, ensure it was delivered to the correct location, the number of pieces match the freight bill, and items display no visible damage.

When storekeeper detects visible damage at the time of delivery, the driver annotates, signs, and dates the freight delivery documentation.

- 1 (DM010) [Storekeeper] Material determined to be damaged [visible upon receipt] or non-conforming.
- 2 (DM020) Note damaged or non-conforming on freight bill, bill of lading, or packing slip.
- 3 (DM030) Contact requester or SME to inspect material for usage.
- 4 (DM040) {**FOB origin or FOB destination?**} For **FOB Origin**, go to step #DM110.
- 5 (DM050) Do not receive; refuse shipment, and send material back to vendor.
- 6 (DM060) [Supplier] Material arrives at SHIP TO site.
- 7 (DM070) [Storekeeper] Contact buyer and requester with shipment details.
- 8 (DM080) [Procurement] Receive notification and contact vendor for resolution
- 9 (DM090) [Supplier] Receive notification and work to resolve.
- 10 (DM100) [Procurement] Resolve damaged material. Procedure ends.
- 11 (DM110) [Storekeeper] Perform [MM01–Receiving Procedure](#) on page 91 for the FOB Origin material.
- 12 (DM120) {**Direct charge or Inventory?**} If **Direct Charge**, go to step #DM140.
- 13 (DM130) Contact buyer to notify about inventory problem.
- 14 (DM140) Contact requester to determine if freight claim required for direct charge material.
- 15 (DM150) {**Freight claim required?**} If **Yes**, go to step #DM170.
- 16 (DM160) Determine with requester to scrap or replace material.
- 17 (DM165) {**Scrap material?**} If **No**, procedure ends.
- 18 (DM166) Perform [DA01–Salvage and Disposal of Assets](#) procedure on page 214 for scrap material.
- 19 (DM170) [Storekeeper] Move material to designated area and wait for instructions.
- 20 (DM180) Contact logistic provider to start claim process, if required.
- 21 (DM190) Wait for instructions from logistic provider.
- 22 (DM200) {**Direct charge or Inventory?**} If **Direct Charge**, go to step #DM220.
- 23 (DM210) Create inventory usage and issue items to GL (general ledger) account or work order for inventory. Procedure ends.
- 24 (DM220) Issue direct charge material to GL account or work order.

Figure 71: Receiving Damaged Material (Part 2 of 2)



Compliance

- Use the **Inventory Usage** module Advanced Search to display items issued from inventory for an audited work order.
- Use the **Direct Charge** module Advanced Search to display DC material issued for an audited work order.
- Use 3PL Coordinator credits to locate damaged inventory and DC material not received.

MM10–Storeroom Return Procedure

<i>Procedure Title</i>	Storeroom Return Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define procedure for returning inventory items to site inventory.

Scope

Procedure applies to materials management personnel at sites that process storeroom returns.

General

When a site completes or cancels a job, there can be surplus inventory remaining. Work management returns it to the warehouse and provides a General Ledger ([GL](#)) account or work order number. Warehouse personnel evaluate the return against the *Return to Warehouse Guidelines*, and upon approval from Management, return inventory.

Return to Warehouse Guidelines

- 1 Does adding this inventory violate the maximum quantities policy? Attempt a return to vendor for credit (see [MM07–Return to Vendor Procedure](#) on page 130) If unable, the site materials management team should follow [DA01–Salvage and Disposal of Assets](#) on page 214.
- 2 Does the inventory have an existing [Item](#) assigned? If not, Planning or Materials Management creates a stock action request following the [MM02–Stock Action Request Procedure](#) on page 98.
- 3 If the item satisfies guidelines #1 and #2, the warehouse storekeeper adds the item to inventory. Accounting credits the requisite general ledger accounts using this criteria:
 - For an item receipt date within the current calendar year or less than 180 from the current (can be in the previous calendar year), the O&M budget or capital project is credited with the *purchase price amount*.
 - For an item receipt date outside the current calendar year and exceeding 180 days, the budget/project is credited with \$0.

Procedure

To return an item to the storeroom

- 1 [Work Management] Determines new or surplus items to return to a Company warehouse.
- 2 (SR010) [Warehouse storekeeper] determines if item value exceeds \$1500.00. If not, no approval on return necessary.
- 3 (SR020) [Warehouse storekeeper or parts technician] Checks that the return item does not violate the maximum quantities policy. If **No**, proceed to Step #SR060.
- 4 (SR030) **{Can item be returned for credit?}** If **No**, go to Step SR050.
- 5 (SR040) Return for credit to supplier (see [MM07–Return to Vendor Procedure](#) on page 130). End this procedure.

Figure 72: Storeroom Return Procedure (Part 1 of 2)

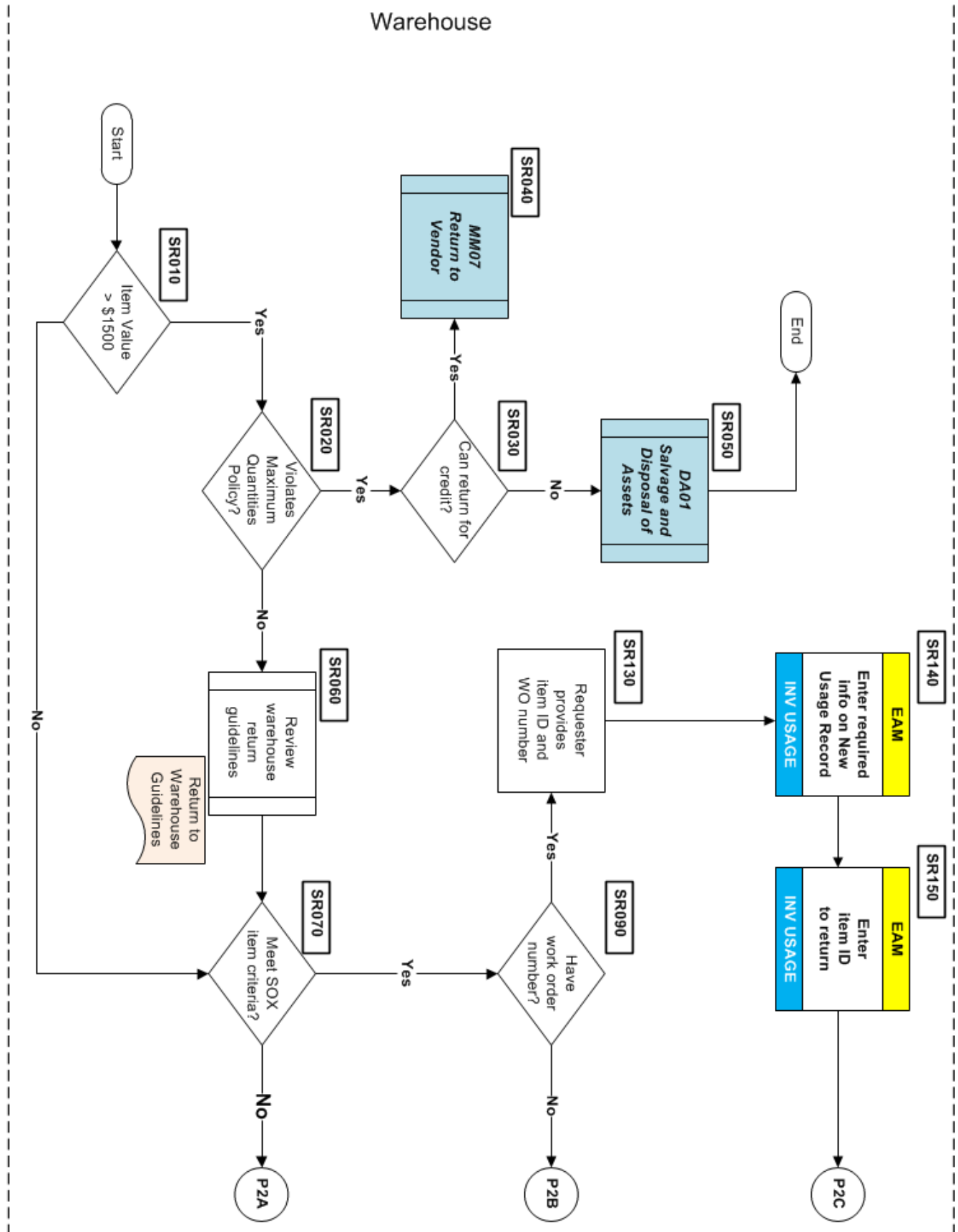
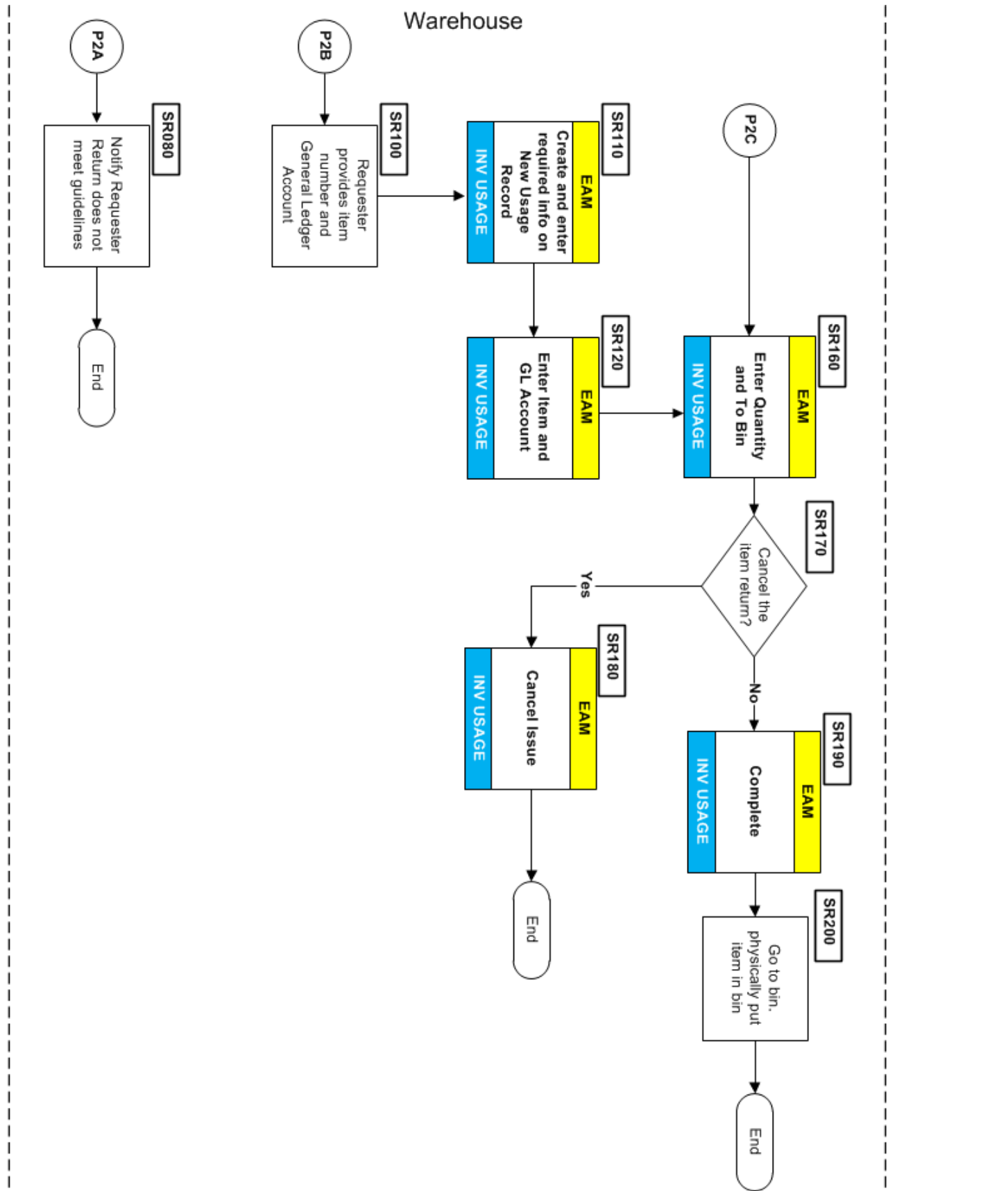


Figure 73: Storeroom Return Procedure (Part 2 of 2)



- 6 (SR050) Item removed from warehouse using the [DA01–Salvage and Disposal of Assets](#) procedure on page 214. This procedure ends.
- 7 (SR060) [Warehouse supervisor and Planning] Reviews request against the [Return to Warehouse Guidelines](#) on page 155.)
- 8 (SR0070) **{Does return request meet SOX Item criteria?}** If **Yes**, proceed with Step #SR07.
- 9 (SR080) Warehouse notifies the requester it cannot accept the item. (Procedure ends)
- 10 (SR090) When the requester *cannot provide* a work order number:
 - A. (SR100) [Support, Work Management, or Operations] Provide general ledger (GL) account and item ID.
 - B. (SR110) Enter required information for a New Usage record using the [EAM](#) Inventory Usage application (tracks issue, transfer, and return of inventory items within/across sites).
 - C. (SR120) Enter item ID and GL account of returned inventory and proceed to Step #SR14.

Caution: The GL account should match an **open** work order. Consult a Warehouse Supervisor to return an item to a **closed** GL account.

- 11 (SR090) When the requester *does provide* a work order number:
 - A. (SR130) [Requester] Provide work order number and item ID.
 - B. (SR140) Enter required information for a New Usage record using the EAM Inventory Usage application.
 - C. (SR150) Enter item ID of returned inventory.

Caution: The Issue record status must be **COMPLETE** in the Inventory Usage application before a return can be performed against a work order.

- 12 (SR160) Enter the quantity and the destination bin in the Inventory Usage application.
- 13 (SR170) **{Cancel the item return?}** If **Yes**, proceed with Step #SR17.
- 14 (SR180) Cancel issue using the EAM Inventory Usage application.
- 15 (SR190) [Storekeeper] Set the status **COMPLETE** in the return of Inventory Usage application.
- 16 (SR200) Physically go to the warehouse bin and place items in bin.

Caution: Inventory usage with an **ENTERED** status indicates an item reserved for a work order in inventory.

Compliance

Run the *All Inventory Transactions* report to show each store room return, return date, and the user performing each return. This report can determine if return items violated the [Return to Warehouse Guidelines](#) found on page 155.

MM11–Transfer Procedure

<i>Procedure Title</i>	Transfer Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This procedure establishes a method for transferring inventory from one Company warehouse (SHIP FROM) to a second warehouse (SHIP TO).

Scope

Procedure applies to materials management personnel at warehouse sites who process transfers.

General

The Company will use [excess quantity](#) inventory to the maximum extent possible to fill inventory replenishment needs and current demand.

Supply Chain is authorized to initiate transfers of excess inventory without additional plant or service center approvals (do extend the courtesy call). Proposed transfers of non-excess inventory require appropriate approval by personnel at the (SHIP FROM) storeroom.

A copy of the Inventory Usage record for Transfer is used as a picking ticket at the (SHIP TO) storeroom and is included with the Material Shipping Order ([MSO](#)). The record can be sent with the material as a packing slip.

SHIP TO Warehouse Responsibilities

- File the receiving copy of the picking ticket until you receive the material.
- Immediately inspect the material for correctness upon receipt from the inventory listed on the Material Request for Transfer picking ticket. Confirm the item is undamaged.
- Any concerns with the Material Request for Transfer, contact the requester.

Figure 74: Transfer Procedure (Part 1 of 2)

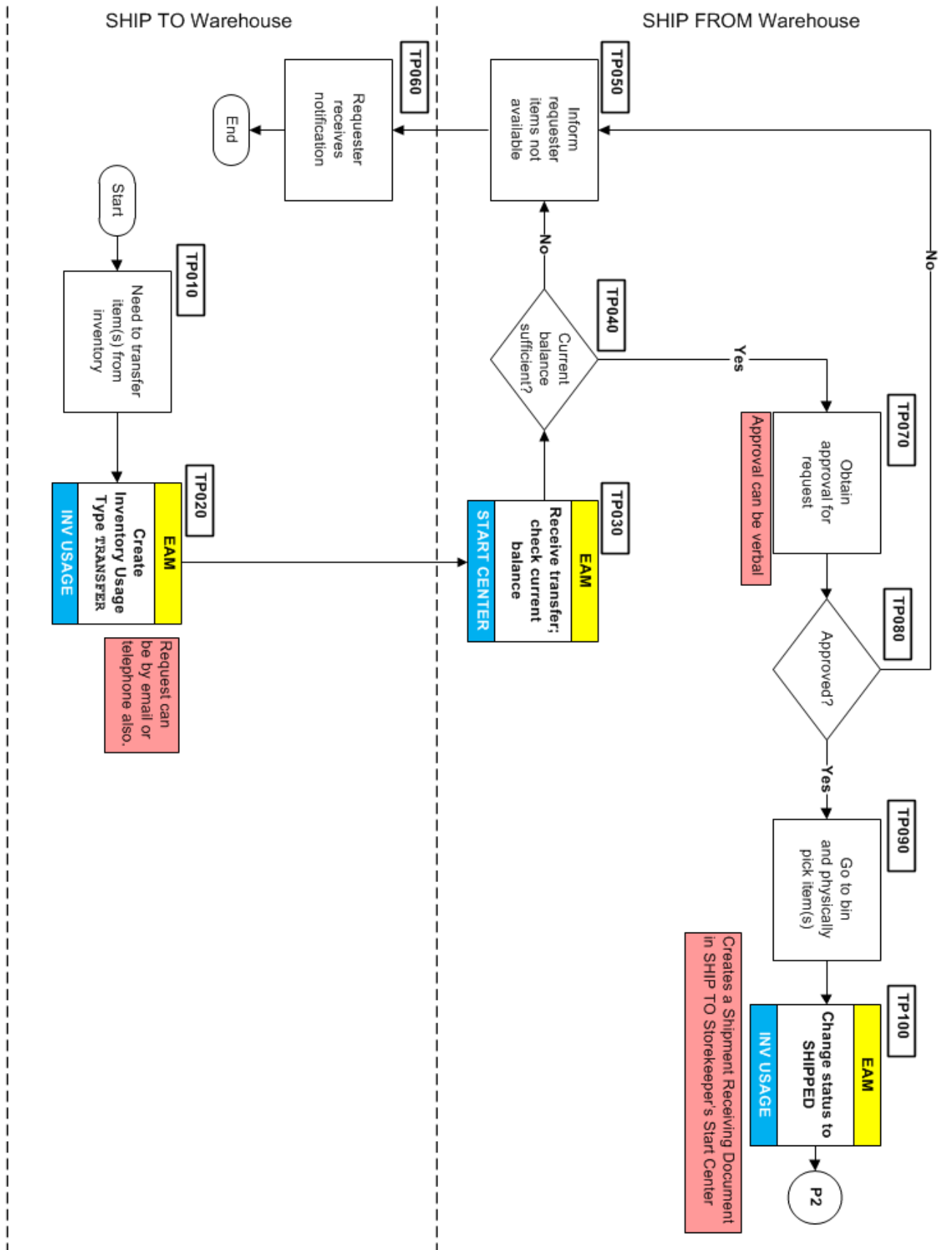
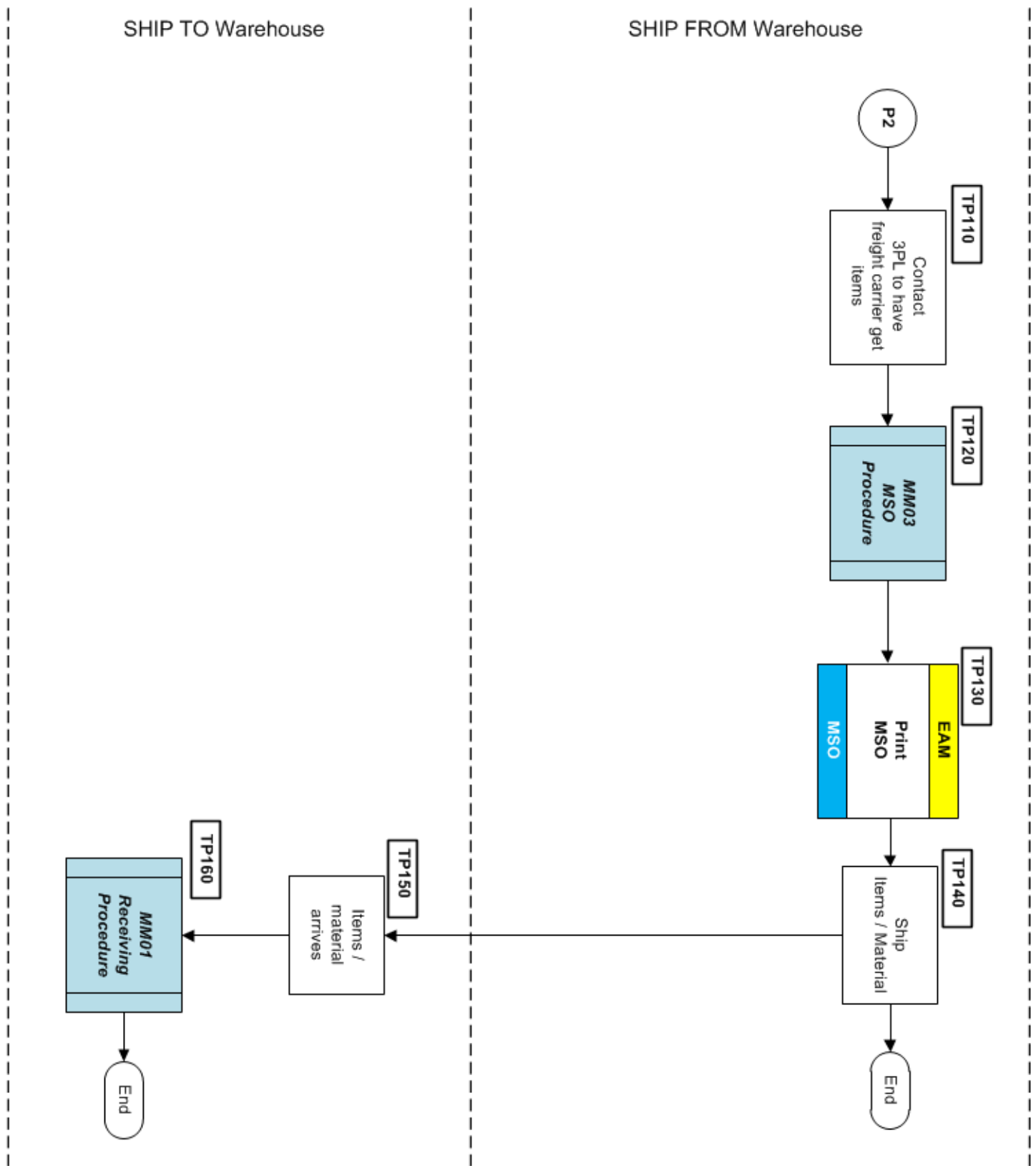


Figure 75: Transfer Procedure (Part 2 of 2)



Procedure

To transfer inventory to another warehouse

- 1 (TP010) [Requester] Determine when it is more economical to transfer material than purchase.
- 2 (TP020) Using the Inventory Usage module in the EAM, create an Inventory Usage record of type **TRANSFER** for the SHIP FROM warehouse. Can also email or telephone the other warehouse storekeeper.
- 3 (TP030) [SHIP FROM Warehouse] Transfer request displays in the storekeeper's Start Center. Storekeeper confirms inventory [current balance](#).
- 4 (TP040) {**Current balance sufficient?**} If **Yes**, go to Step #TP070.
 - A. (TP050) Notify requester that items are unavailable.
 - B. (TP060) Requester receives notification and obtains inventory another way. Procedure ends.
- 5 (TP070) [SHIP FROM Warehouse] Parts technician seeks approval from warehouse supervisor/storekeeper for transfer.
- 6 (TP080) {Storekeeper/supervisor approves transfer request (can be verbal)?} If **No**, go to Step #TP050.
- 7 (TP090) Physically pick item inventory from bin.
- 8 (TP100) Change the Inventory Usage record status to **SHIPPED**. (See [Table 17: Inventory Usage Statuses](#) on page 260.) This action creates a Shipment Receiving Document in the SHIP TO warehouse storekeeper's Start Center. This is used in Step TP160 to receive the items at the TO warehouse.
- 9 (TP110) Contact 3PL firm to have freight carrier ship items / material.
- 10 (TP120) Create a Miscellaneous Shipping Order (**MSO**) using the Shipping application in the EAM system. See [MM03–Miscellaneous Shipping Order](#) procedure on page 106
- 11 (TP130) Print MSO.

Note: Use the MSO document as a pick ticket and add the MSO to the shipping package.
- 12 (TP140) Ship material from SHIP FROM warehouse to the SHIP TO warehouse.
- 13 (TP150) [SHIP TO warehouse] Items or material arrives.
- 14 (TP160) [SHIP TO warehouse] Staff receives items according to the [MM01–Receiving Procedure](#) on page 91) and inspects the material if necessary.

Note: For any overage, shortage, or damaged material, the storekeeper reverses the transfer transaction and advises requester of corrective actions.

Compliance

Run the *All Inventory Transactions* report to show each warehouse transfer, return date, and the user performing each return.

MM12–Inventory Quantity Adjustments Procedure

<i>Procedure Title</i>	Inventory Quantity Adjustments – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Establish a procedure for making manual quantity adjustments to inventory items in the EAM application.

Scope

The procedure applies to Supply Chain warehouse supervisors who make manual adjustments to the inventory current balance. Supply Chain staff coordinates proposed inventory adjustments with the Warehouse Supervisor. Personnel performing these corrections should ensure that the actions do not conflict with physical inventory counts entered or cycle counts.

General

Common reasons for making inventory quantity adjustments:

- Materials taken from a warehouse and not issued.
- Miscount during cycle count procedure (see [MM13–Cycle Count Procedure](#) on page 165.)
- Failure to receive items properly during the receiving procedure (see [MM01–Receiving Procedure](#) on page 91).
- Receiving issue (for example, received five, actually had only four).

Note: SC Admins make item inventory quantity adjustments when they consolidate inventory items.

The Inventory Quantity Adjustment procedure supports the [Materials Management Policy](#) on page 90 and this accounting policy:

- [60-02 Inventory Adjustments—Luminant](#)

Procedure

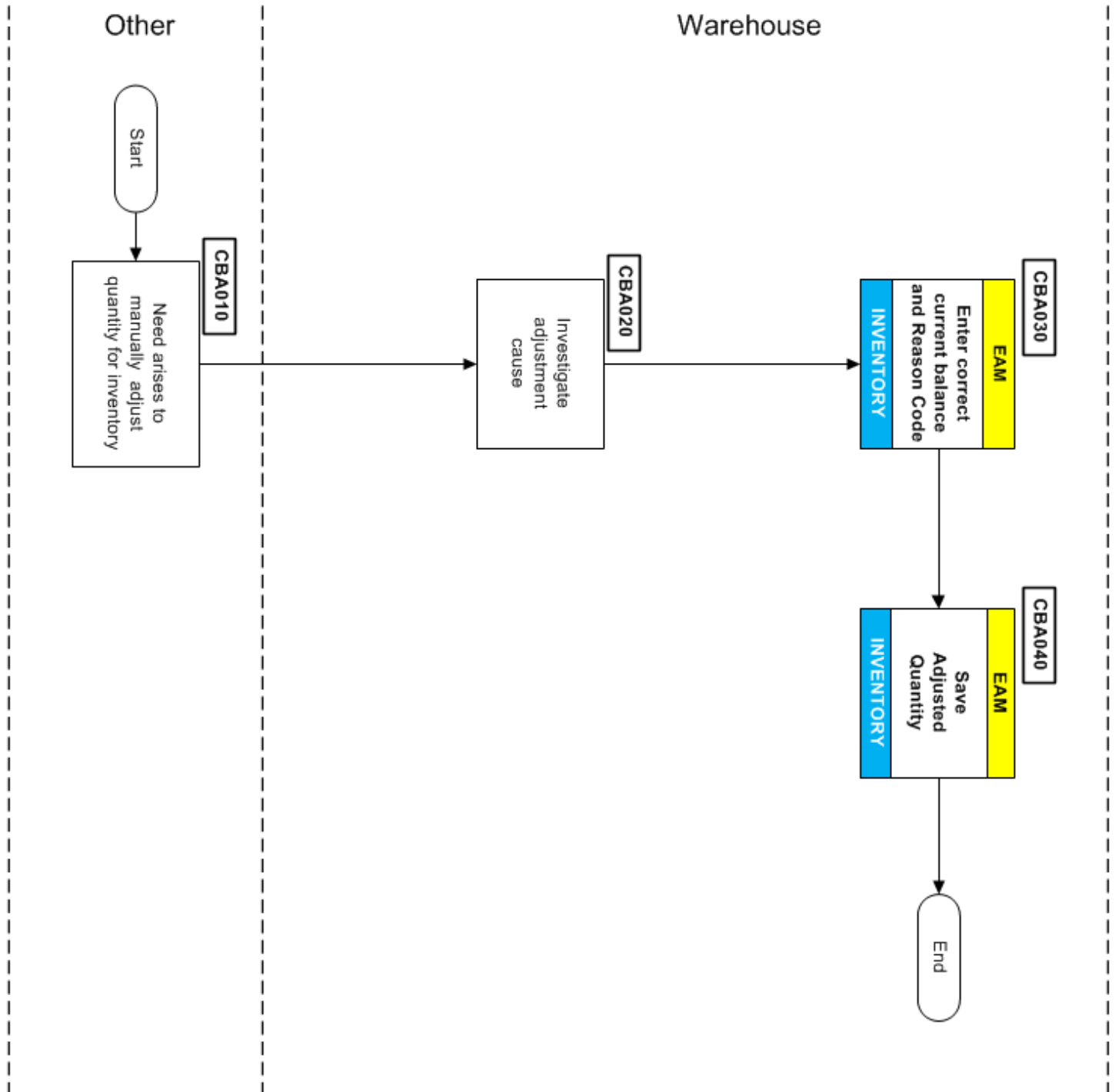
To adjust the inventory quantity

- 1 (CBA010) Need to adjust inventory quantity discovered.
- 2 (CBA020) [Warehouse] Investigate inventory cause to document inventory adjustment.
- 3 (CBA030) Use the EAM Inventory application to enter the correct current balance and provide a reason code. (See [Table 19: Reason Codes for Inventory Adjustments](#) on page 261 for a list of reasons.)
- 4 (CBS040) Save adjusted inventory item quantity in EAM Inventory application and end procedure.

Compliance

- Run the *All Inventory Transactions* report in the EAM **Receiving** application to list transactions for adjustments. The report can list items adjusted during the selected date range and identify user RACF that made the adjustment.

Figure 76: Inventory Quantity Adjustments Procedure



MM13–Cycle Count Procedure

<i>Procedure Title</i>	Cycle Count Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To establish a procedure for managing and performing monthly physical inventories to verify Company assets within the EAM application and Company warehouses.

Scope

This procedure applies to all warehouse personnel.

General

Warehouse Supervisors are responsible for the accuracy of inventory records. Periodically, the storekeeper counts all inventory items to ensure and maintain accurate EAM inventory balances. The physical count scheduling depends on inventory factors such as item criticality and the last time the item was counted.

The Company uses monthly [cycle counts](#) to count its inventory over a two year period. Items with an "A" criticality code ([A01–Equipment Criticality, Spare Parts, and Critical Codes](#)) are counted every six months.

The Cycle Count application on a desktop computer is accessed from within the EAM **Inventory** module. Inventory balances can also be viewed and adjusted in the Inventory application.

The physical cycle counts produce two transaction types. When a storekeeper counts an item, the EAM records the count at a specific time. Immediately after the count is recorded, the system automatically creates the Reconcile Balance Adjustment Transaction. Note, the item current balance is adjusted when the EAM performs a Reconcile Balance Adjustment.

Caution: The physical count displayed on each inventory balance record only represents the physical count at the last count time and is no indication of the current balance.

Procedure Summary

When you are ready to count an item, it displays in the Cycle Count application. Storekeepers are responsible for checking the application for items that need to be counted, physically counting them, and recording the results in the EAM. If the item count entered by a storekeeper matches the EAM count, the EAM updates with the date of the count and the process completes. If the item count entered by a storekeeper does not match the EAM count, the individual is notified.

The storekeeper should highlight the item on the cycle count list, skip it, and go to the next item. The storekeeper should then notify their supervisor that the item count did not match. The supervisor directed a second storekeeper to count the item and enter the quantity into the EAM. If the quantity is still different from the EAM count, the user's entry overrides the existing value. On a monthly basis, the materials analyst should run the Cycle Count Variance Report to inform management of cycle count results.

Figure 77: Cycle Count Procedure (Part 1 of 2)

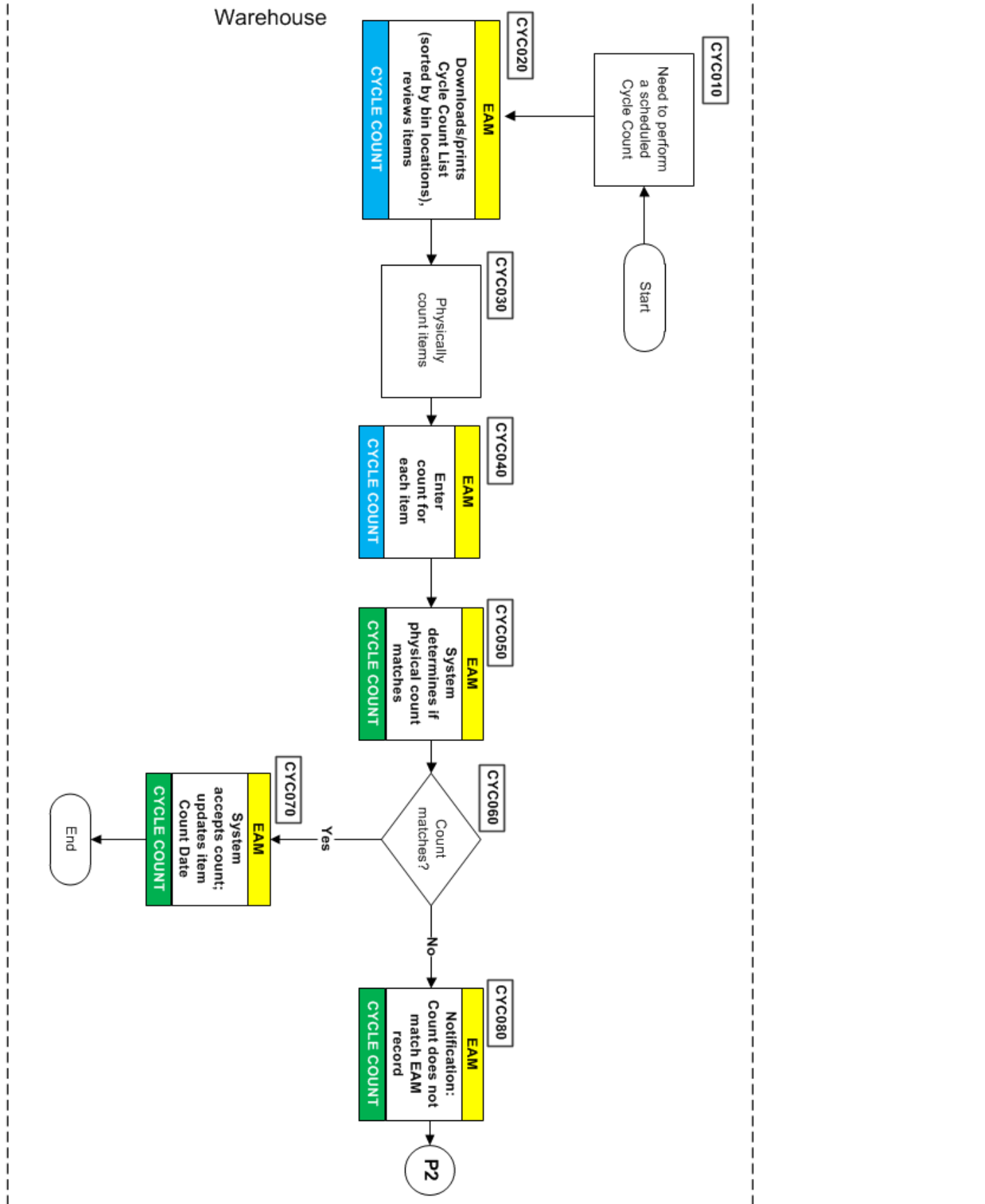
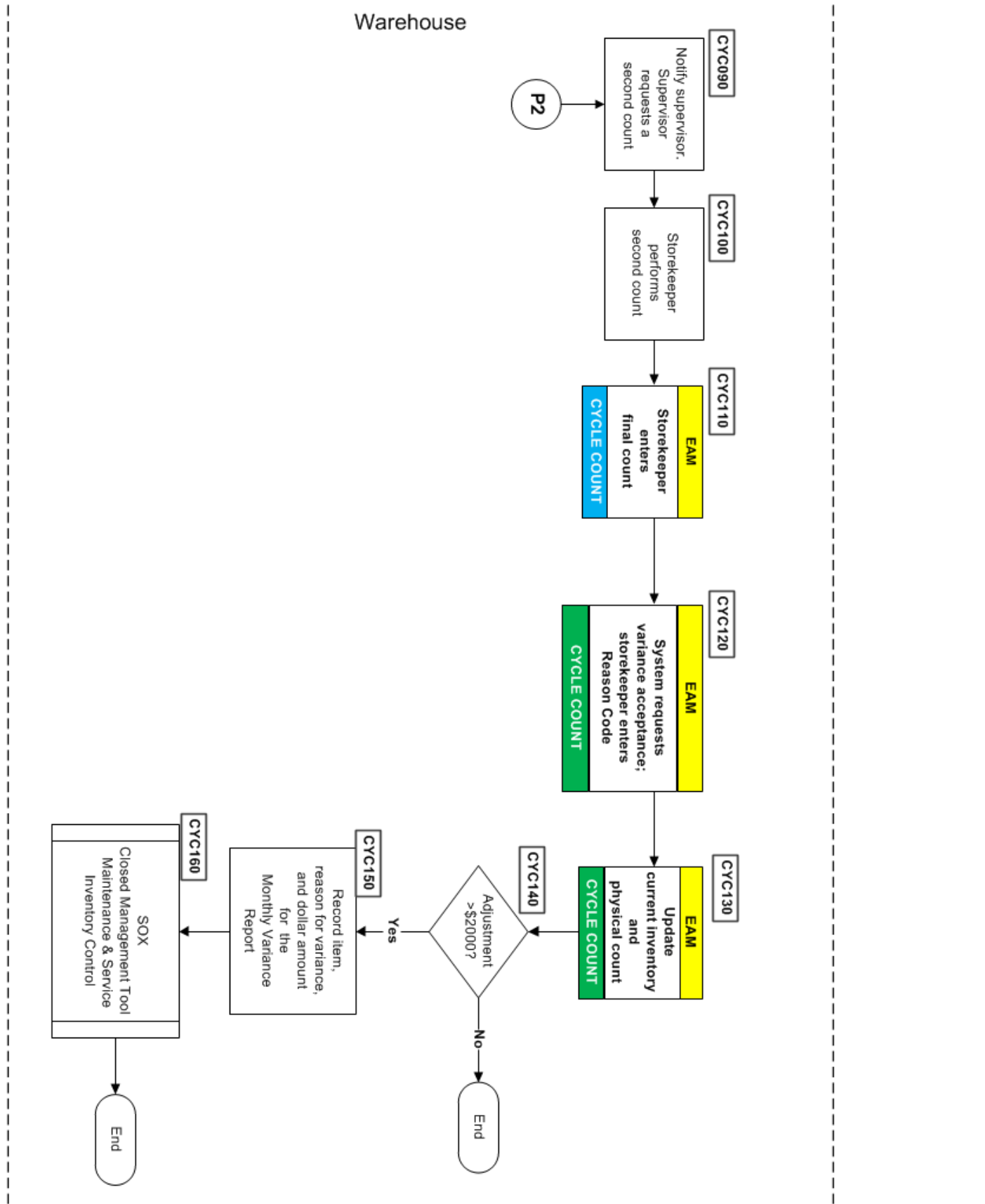


Figure 78: Cycle Count Procedure (Part 2 of 2)



Procedure

To perform a cycle count

- 1 (CYC010) [Warehouse] Scheduled cycle count needed for items based on criticality codes or monthly schedule.
- 2 (CYC020) Start EAM Cycle Count application, download and print the Cycle Count List (sorted by bin location), and review the items to count.
- 3 (CYC030) Using the desktop or mobile application, staff takes a physical count of the number of items.
- 4 (CYC040) Warehouse staff enters counts into the EAM system.
- 5 (CYC050) Cycle Count Application checks the physical count against inventory records.
- 6 (CYC060) **{Physical count matches inventory records?}** If **No**, go to Step #CYC080.
- 7 (CYC070) The Cycle Count Application accepts the physical count and updates the Count Date for this item.

Note: If the value entered in Count Quantity field equals the Current Balance of Item in the Inventory application, the Item record is removed from the Cycle Count List when saving the record.

When entering physical count quantities, if the first entered count differs from the EAM count, the Supervisor can assign another person to count the same item. If after the second entry the quantity does not match, the second entry is accepted, and the result recorded in the Variance Reconciliation Report.

- 8 (CYC080) Cycle Count Application notifies the storekeeper for a repeat count:
- 9 (CYC090) Supervisor notified and a second count requested.
- 10 (CYC100) Storekeeper performs a second physical count.
- 11 (CYC110) Storekeeper enters final count into EAM system.
- 12 (CYC120) EAM requests a variance acceptance and storekeeper supplies a Reason Code. (See [Table 19: Reason Codes for Inventory Adjustments](#) on page 261 for a list of reasons.)
- 13 (CYC130) Cycle Count Application updates physical count and current inventory.
- 14 (CYC140) **{Adjustments greater than \$2000}** If **No**, end the procedure.
- 15 (CYC150) Record reason for item variance and dollar variance on *Cycle Count Variance Report*.
- 16 (CYC160) SOX Closed Management Tool (CMT) Maintenance and Service (M&S) Inventory Control.

SOX CMT control is emailed to warehouse supervisor (control owner) for the previous month's cycle count. Control outlines how we are doing the cycle count. SOX report describes if all item count dates are current. Notes about any adjustments greater than \$2000 are documented.

Compliance

- *Cycle Count Variance Report* provides compliance evidence that the SOX control has taken place each month. Certifies that we have performed the cycle count on the recorded date.
- Can run the *All Inventory Transactions* report in the EAM **Receiving** application to list variance transactions. The report can list variances during the selected date range, provide date proof of the cycle count performed, and the user performing the count.

MM14–Bin-to-Bin Procedure

<i>Procedure Title</i>	Bin-to-Bin Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define a procedure for changing bin locations and bin quantities to efficiently operate the storeroom. The warehouse personnel maintain material bin locations of the storeroom, including single or multiple bins.

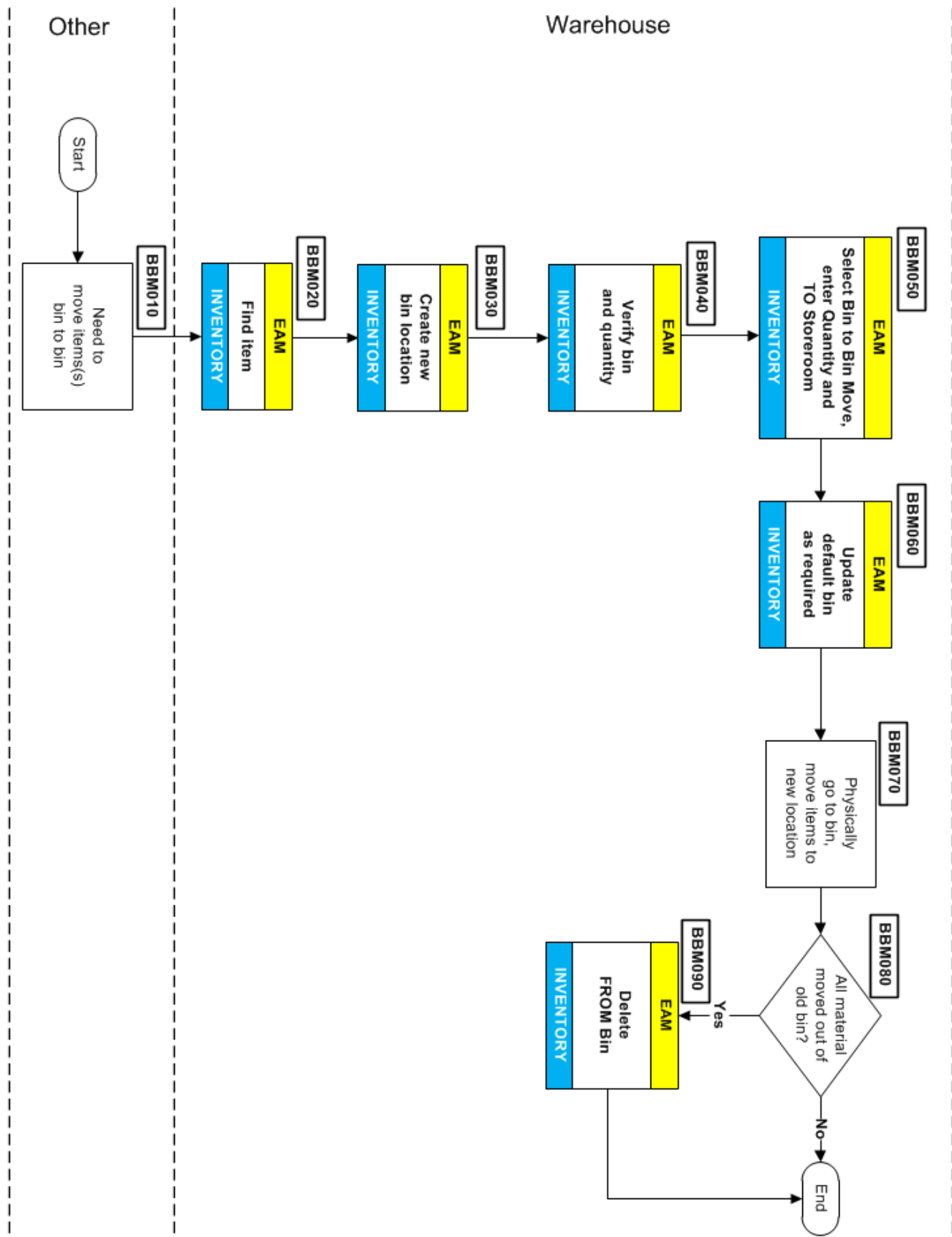
Material is often moved within the warehouse to:

- Eliminate unnecessary travel
- Correct receiving errors
- Maintain bulk item storage or overflow inventory in multiple bins

Scope

This procedure applies to all Company warehouse personnel.

Figure 79: Bin to-Bin Procedure



Procedure

To move inventory from one bin location to another

- 1 (BBM010) [Requester] Need to perform a bin to bin move.
- 2 (BBM020) [Warehouse] Storekeeper finds item ID in the Inventory application of the [EAM](#) system.
- 3 (BBM030) Create the TO bin location in Item record, if it does not exist.
- 4 (BBM040) Open item ID detailed record to verify bin location and quantity.
- 5 (BBM050) Select the **Bin to Bin Move** operation in the Inventory application. Enter the item quantity and select the TO Storeroom.
- 6 (BBM060) {**Not using default bin?**} Change the [default bin](#).
- 7 (BBM070) Physically move inventory items (FROM bin to the TO bin).
- 8 (BBM080) {All material moved out of old bin?} If **No**, procedure ends.
- 9 (BBM090) Delete the FROM bin.

Compliance

Run the *All Inventory Transactions* report to show each warehouse bin to bin movement.

MM15–Freight Claims Procedure

<i>Procedure Title</i>	Freight Claims Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

To establish a procedure for generating claims against commercial carriers for exceptions (shortage and damage) occurring during and after inventory/material receiving.

Scope

This procedure applies to all Supply Chain warehouse personnel and any Supply Chain personnel interacting with our third-party logistics ([3PL](#)) coordinator.

Procedure

The Company exclusively uses a third-party logistics ([3PL](#)) coordinator to submit all freight claims. See [A13–Third-party Logistics Coordinator](#) on page 270 for details about the 3PL coordinator’s role.

The freight claim procedure depends on the situation found during or after parts/material receiving:

- [shortage](#)
- [visible damage](#)
- [concealed damage](#)

To generate a freight claim for a shortage

- 1 (FCS010) [Warehouse] Discovers shortage during receiving.
- 2 (FCS020) Note shortage on freight bill, bill of lading, or packing slip.
- 3 (FCS030) Perform receiving for the actual quantity received.
- 4 (FCS040) Contact Buyer about the shortage and what action to take. Unless buyer instructs to proceed, the procedure ends.
- 5 (FCS050) **{Is it Direct Charge?}** If **No**, go to Step #FCS060.
- 6 (FCS055) [Requester] Notified about the shortage.
- 7 (FCS060) [Warehouse] Notify 3PL coordinator about shortage.
- 8 (FCS070) [3PL Coordinator] File the freight claim with the carrier.
- 9 (FCS080) When claim is settled, 3PL coordinator credits shortage amount on invoice to the Company.

Figure 80: Generate Freight Claim for Shortage

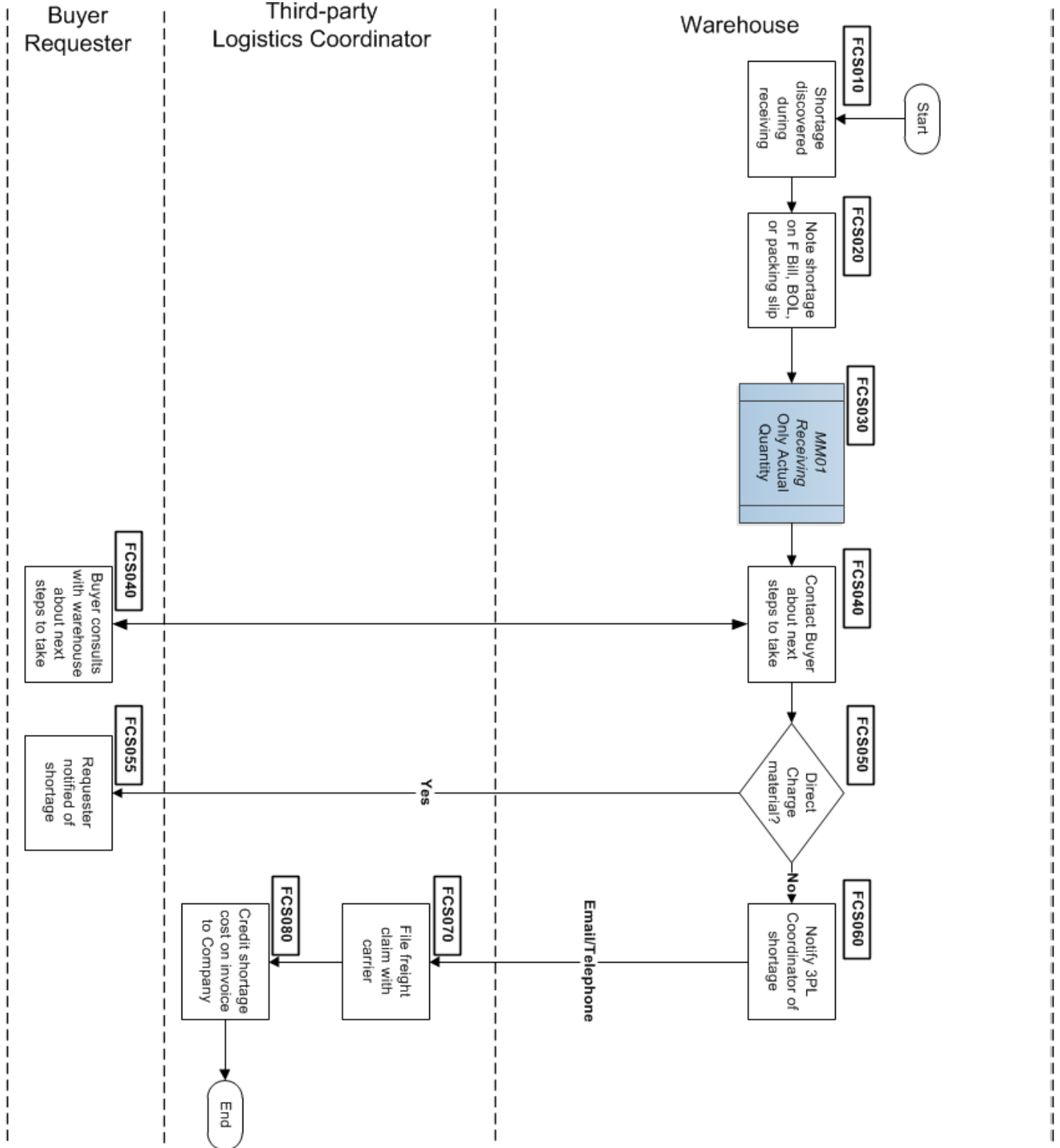
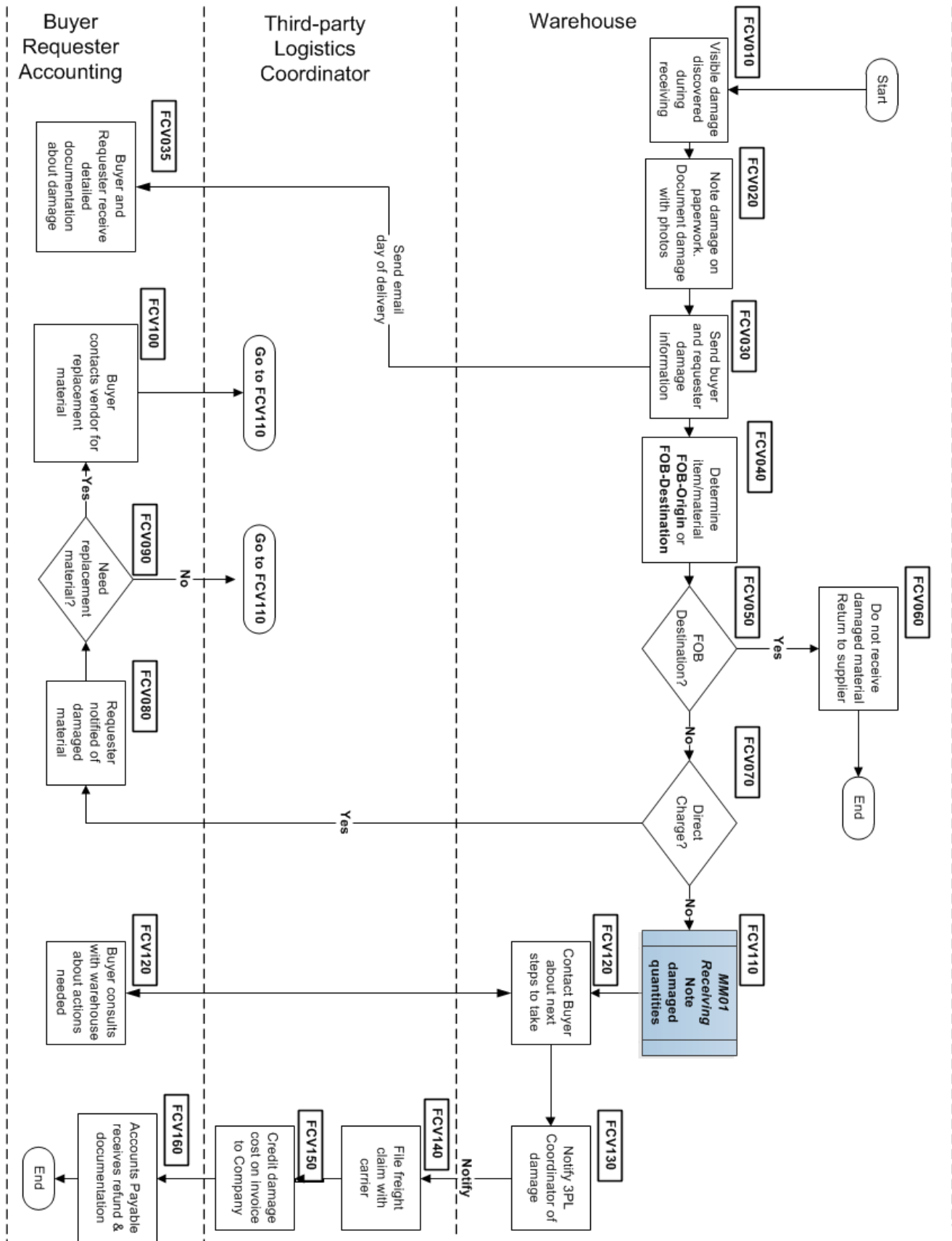


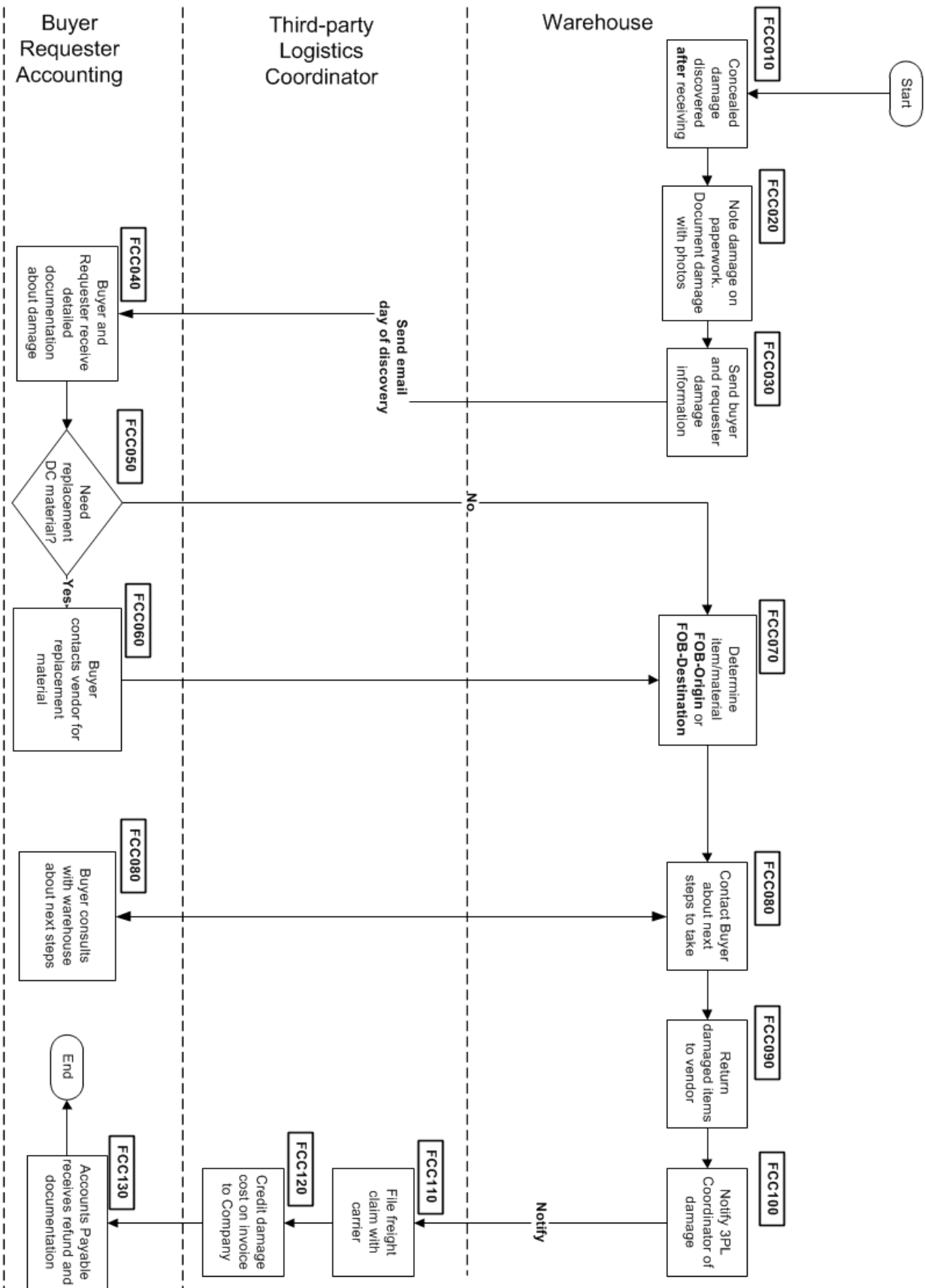
Figure 81: Generate Freight Claim for Visible Damage



To generate a freight claim for visible damage

- 1 (FCV010) [Warehouse] Discovers visible damage during receiving.
- 2 (FCV020) Note visible damage on freight bill, bill of lading, or packing slip. Document Incoming Freight log with purchase order number and take photographs of damaged material.
- 3 (FCV030) Send an email (day of delivery) to the Buyer and Requester with the information: PO number, item number or DC work order, vendor's name, item number or part number, material description, carrier's name, freight #, driver's name, delivery date, and delivery time.
- 4 (FCV035) Buyer and Requester receive damage documentation.
- 5 (FCV040) Determine if the item/material is [FOB Destination](#) or [FOB Origin](#). Buyer familiar with the contract can provide this information.
- 6 (FCV050) **{Is it FOB-Destination?}** If **No**, go to Step FCV070.
- 7 (FCV060) [Warehouse] Do not accept or receive damaged material. Send back to supplier. Procedure ends.
- 8 (FCV070) **{Is it direct charge material?}** If **No**, go to Step FCV110.
- 9 (FCV080) [Requester] Notified of damaged DC material.
- 10 (FCV090) **{Does requester need replacement material?}** If **No**, go to Step FCV110.
- 11 (FCV100) [Buyer] Contact vendor for replacement material. Go to Step FCV110.
- 12 (FCV110) Start the receiving procedure for all quantities indicated on delivery document, making note of damaged quantities.
Note: The Inventory Usage record requires a valid work order number. Contact your Supervisor for the current Work Order# to use. (The work order number defines the correct GL Account.)
- 13 (FCV120) [Warehouse, Buyer] Consult about next actions.
- 14 (FCV130) [Warehouse] Notify 3PL coordinator about the damage.
- 15 (FCV140) [3PL Coordinator] File the freight claim with the supplier.
- 16 (FCV150) When claim is settled, 3PL coordinator credits the amount on invoice to the Company.
- 17 (FCV160) [Accounts Payable] Receive from 3PL coordinator a Refund Check and supporting documents.

Figure 82: Generate Freight Claim for Concealed Damage



To generate a freight claim for concealed damage

- 1 (FCC010) [Warehouse] Discovers concealed damage after receiving items/material.
- 2 (FCC020) Upon discovering damage, note damage on freight bill, bill of lading, or packing slip (if available). Document Incoming Freight log with purchase order number and take photographs of damaged material.
- 3 (FCC030) Send an email (day of discovery) to the Buyer and Requester with the information: PO number, item number or DC work order, vendor's name, item number or part number, material description, carrier's name, freight #, driver's name, delivery date, and delivery time.
- 4 (FCC040) Buyer and Requester receive concealed damage documentation. Buyer familiar with the contract can provide this information.
- 5 (FCC050) [Requester] **{Need replacement DC material?}** If **No**, go to Step FCC070.
- 6 (FCC060) [Buyer] Contact vendor for replacement material. Go to Step FCC070.
- 7 (FCC070) Determine if the item/material is [FOB Destination](#) or [FOB Origin](#).
- 8 (FCC080) [Warehouse, Buyer] Consult for action needed.
Note: Depending on the status of the purchase order (CLOSED, COMPLETE), buyer advises next steps.
- 9 (FCC090) Return damaged items to Vendor (see [MM07-Return to Vendor Procedure](#) on page 130) if instructed by the Buyer.
Note: For the Inventory Usage record work order number,-contact your Supervisor for the current Work Order# to use. The work order number defines the correct GL Account.
- 10 (FCC0100) Notify 3PL coordinator about the damage.
- 11 (FCC0110) [3PL Coordinator] File the freight claim with the supplier.
- 12 (FCC0120) When claim is settled, 3PL coordinator credits the amount on invoice to the Company.
- 13 (FCC130) [Accounts Payable] Receive from 3PL coordinator a Refund Check and supporting documents.

Compliance

- Documentation regarding visible damage: email, photographs.
- Inventory usage record for damaged material/return to vendor.

MM16–Non-inventory Core Tracking

<i>Procedure Title</i>	Non-inventory Core Tracking – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Establish responsibilities and methods for tracking and managing non-inventory [cores](#) for Company’s Generation and Mining locations.

Scope

This procedure applies to non-inventory cores at Company’s Generation and Mining facilities.

Procedure

To track non-inventory cores

- 1 (NCT010) [Warehouse] Consult with buyer to determine if core fee is applicable.
- 2 (NCT020) **{Supplier charged Company a core fee?}** If **No**, go to Step #NCT110.
- 3 (NCT030) **{Core available?}** If **No**, procedure ends.
- 4 (NCT040) Field site operations (FSO) brings core to warehouse.
- 5 (NCT050) [Warehouse] Complete a Return to Vendor to obtain a credit for the material. (See [MM07–Return to Vendor Procedure](#) on page 130.)
- 6 (NCT060) Create an MSO for credit. The MSO should reference the work order number, purchase order, and GL account). See [MM03–Miscellaneous Shipping Order](#) on page 106.
- 7 (NCT070) Ships core to supplier.
- 8 (NCT080)[Supplier] inspects core to determine its condition.
- 9 (NCT090) Issues a credit or charge (for core damage) to Company.
- 10 (NCT100) [Buyer] Issues purchase order to pay for core damage exceeding core fee paid. Procedure ends.
- 11 (NCT110) [Warehouse]**{Core available?}** If **No**, go to Step #NCT190.
- 12 (NCT120) Field site operations (FSO) brings core to warehouse.
- 13 (NCT130) Creates an MSO to document core return to supplier. The MSO should referencing work order number, purchase order, and GL account). See [MM03–Miscellaneous Shipping Order](#) on page 106.
- 14 (NCT140) [Warehouse] ships core to supplier.
- 15 (NCT150) [Supplier] Inspects core to determine condition
- 16 (NCT160) **{Was core damaged?}** If **No**, procedure ends.
- 17 (NCT170) Issues charge to the company.
- 18 (NCT180) [Buyer] issues PO to cover core damage. Procedure ends.
- 19 (NCT190) [Buyer] Issues a purchase order to pay for lost core. Procedure ends.

Figure 83: Non-inventory Core Tracking (Part 1 of 2)

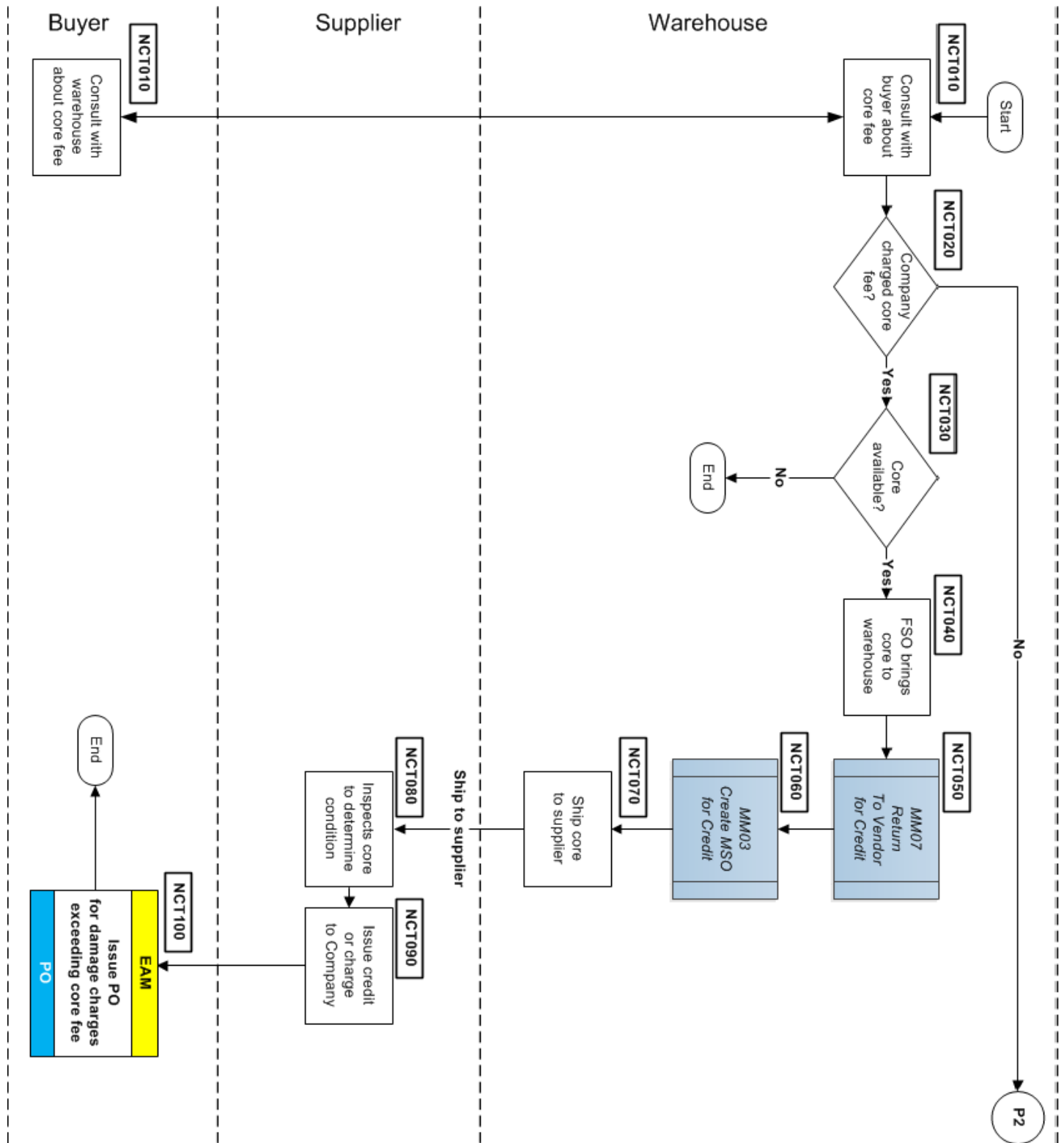
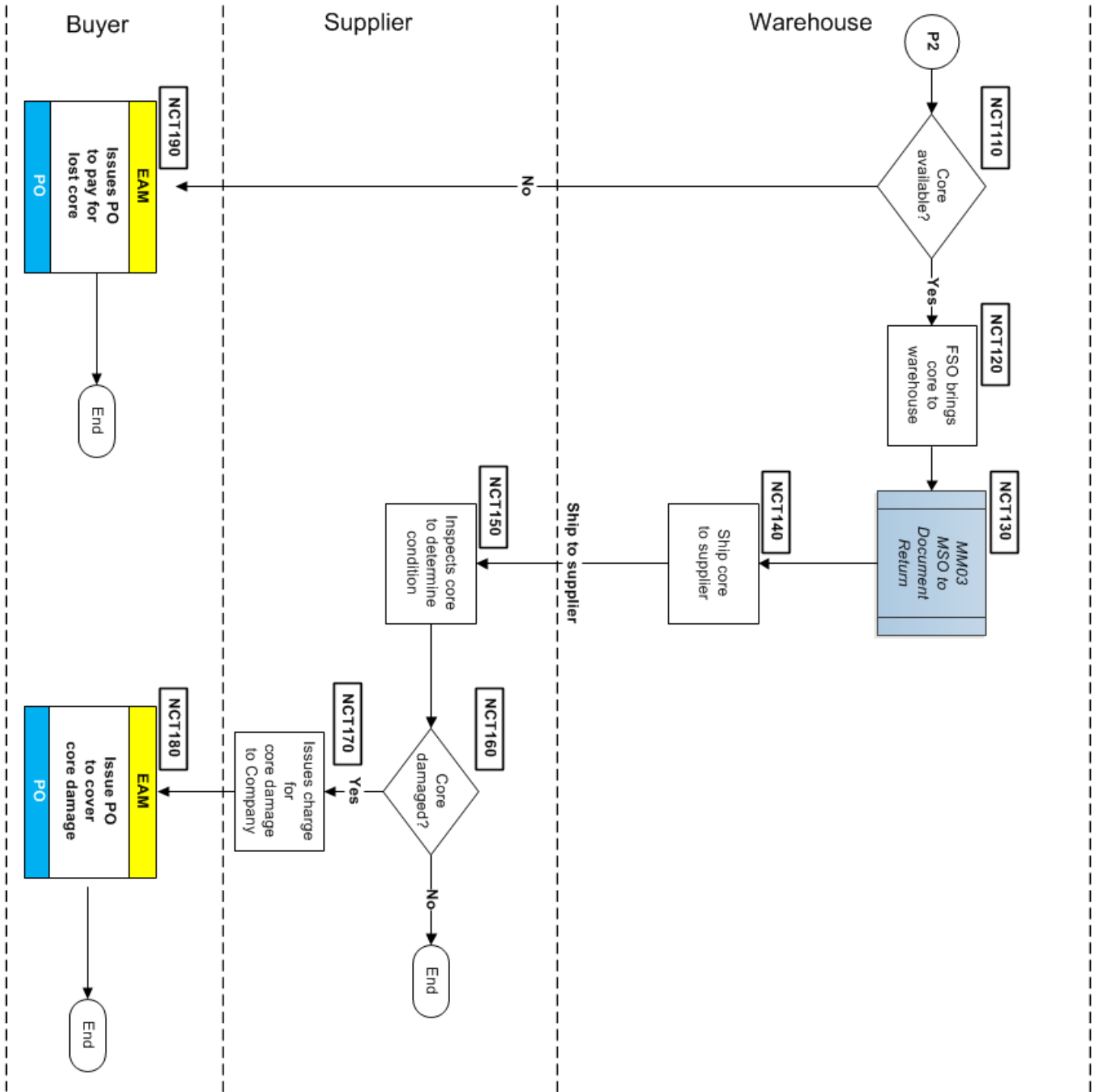


Figure 84: Non-inventory Core Tracking (Part 2 of 2)



Compliance

- MSO Report for cores, ties to work order, vendor, and POs.
- POs using the Purchase Order application.

MM17–Manual Inventory Replenishment

<i>Procedure Title</i>	Manual Inventory Replenishment – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This procedure describes situations for the *manual* ordering of inventory and materials outside the standard [EAM](#) replenishment application.

Scope

This procedure applies to all Company SC personnel (SC Administrators) with EAM security roles able to perform *manual* changes to the EAM replenishment.

General

The current EAM application uses built in algorithms to provide suggested values, including:

- [reorder point](#) (ROP)–Inventory level at which an Inventory item should be reordered.
- Economic Order Quantity ([EOQ](#))–Optimum ordering quantity to minimize inventory [TCO](#).

An inventory item’s criticality code determines its reorder frequency. Items with **A** (very critical) and **B** (critical) criticality codes have a higher replenishment rate than **C** items.

Important: To make changes based on the Inventory Optimization you must submit a [Stock Action Request](#), see [MM02–Stock Action Request Procedure](#) on page 98. Once the SAR is approved using the [DOA](#) work flow, changes to the reorder information in the Inventory application can only be made by the SC Admin.

Important: In the **Reorder Details** tab, you can view the reorder point, lead time, and Order unit of an item. In addition you can enter and view one or more vendors of an item and manufactures for each vendor. A SAR must be submitted to change any reorder details and must be approved using the SAR approval workflow.

Situations requiring immediate action for items not automatically reordered:

- Units of measure do not match—Contract units (standard blanket contract) do not match what’s at site for inventory order units of measure. Remedy is to examine standard EAM **Reorder** Report, then request the buyer to change contract.
- Purchase Request/Purchase Order not assigned to a buyer (use query-base report to locate). Remedy is to report EAM defect to SC Support AM Team.
- Items with Reorder box checked or current balance of zero and the reorder point is greater than or equal to zero. Remedy is to report EAM defect to SC Support AM Team.

Compliance

- Compliance would require electronic or paper copies of the Reorder report, PR/PO query, or screenshots of specific item Reorder check box, reorder point, and current balance.
ADD PLAN TO CAPTURE CHANGES WHEN MADE.

MM18–Closing/Combining Warehouses Procedure

<i>Procedure Title</i>	Closing/Combining Warehouses – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

This procedure establishes standard methods to ensure that Supply Chain personnel implement all required steps when closing/combining one or multiple warehouses in a [final closing](#), [Idled Warehouse](#), [mothball closing](#), or some related scenario.

Options for removing inventory from warehouse(s) includes:

- Transfer inventory to other warehouses [[MM11–Transfer Procedure](#)]
- Return materials to suppliers for credit [[MM07–Return to Vendor Procedure](#)]
- Salvage and disposal of non-transferred or returned assets [[DA01–Salvage and Disposal of Assets](#)]

Scope

Supply Chain Materials Management group orchestrates this procedure and is responsible for procedure communication among different company Business Units. The procedure applies to retiring or closing any Company warehouse, regardless of its inventory disposition.

The Sr. Manager allocates procedure steps to these groups:

- Finance and Accounting—including Inventory Accounting, Tax Accounting, and Property Accounting groups.
- Asset Management—budgeting for special projects, management of Capital Spares
- Closing Warehouse (MM Site Team) and Combining warehouses (MM Site Team)
- Work Management
- Environmental
- Operations at Site and other mine locations, sending/receiving location
- Investment Recovery
- Procurement Operations and Strategic Sourcing

Supported Policies

The Closing/Combining Warehouse procedure supports these procedures:

- *60-04 Vendor Returns* (Luminant, Accounting)
- *60-05 Inactive, Excess and Obsolete Material* (Luminant, Accounting)
- *60-10 Material Shipped Off-Site* (Luminant, Accounting)
- *IT Standard Equipment* (All EFH except Oncor, IT Policies)

General

Warehouses can be closed using several different scenarios:

- **Scenario: Final Closing**-Closing a warehouse in which the SC Materials Management team transfers needed inventory, returns inventory for supplier credit, salvages and disposes of remaining inventory, and finally closes the facility (remove access and stop utilities).
- **Scenario; Idled Warehouse (shared warehouse or soft closing)**-Transfer only what can be used (keep unstaffed warehouse, retain critical spares, move only items issued), sell unusable assets, write off remaining assets/material, and perform initial set up at the destination warehouse. (Forklift still available, utilities still on, and staff can assess the warehouse).
- **Mothball Closing**-Retain building and material for future plant activity, turned off utilities, secure site, and lock to prevent access. Can be either for recovery or disposal.

Warehouse Closing and Combining Warehouses Checklist

- Warehouse Closing checklist contains dated key activities and responsible department sign-offs.
- Combining Warehouses checklist with key activities dated and sign offs from accountable departments.

Figure 86: Warehouse Closing Overview (Part 2 of 2)

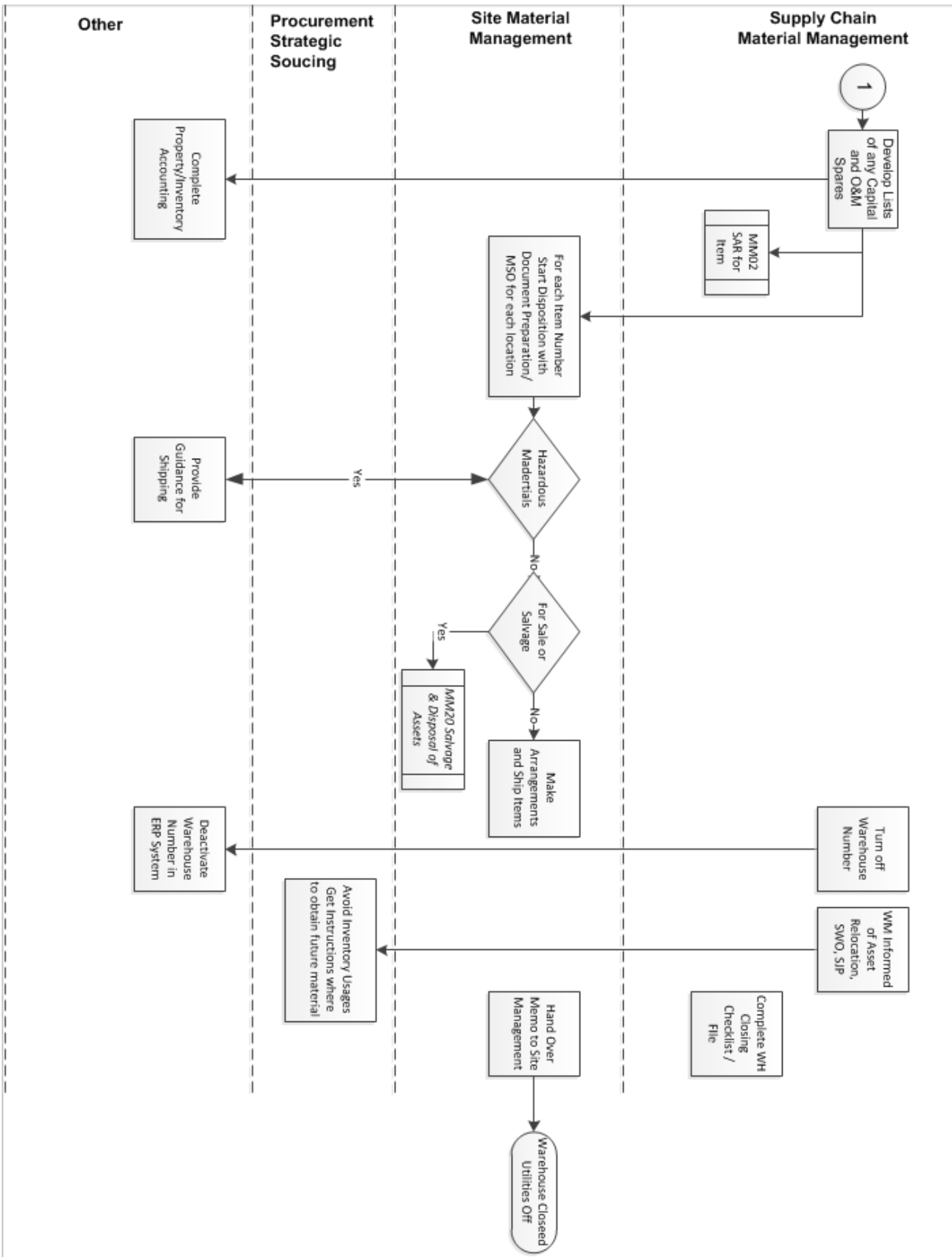
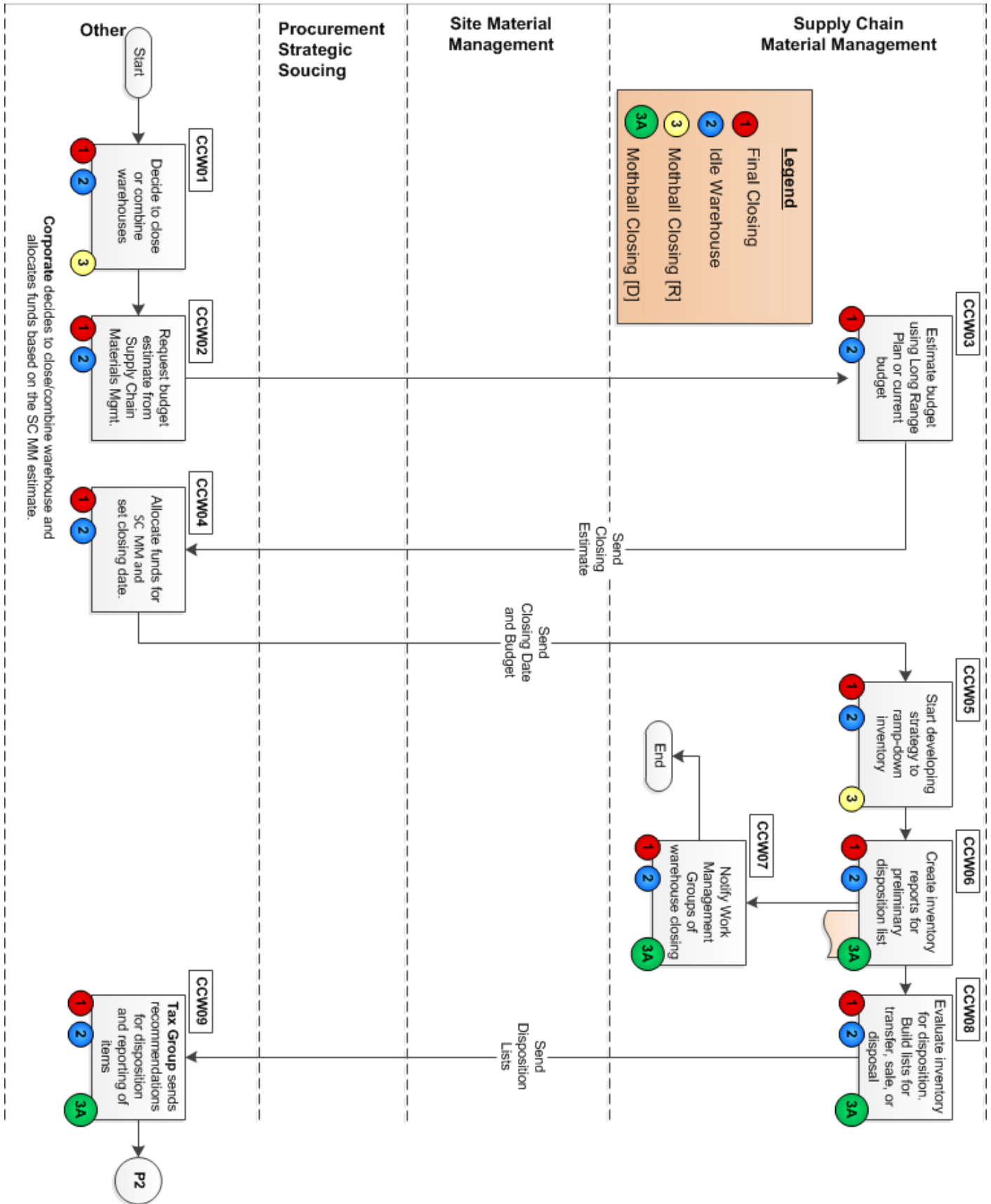


Figure 87: Warehouse Closing Details (Part 1 of 7)



Notation

- [xxx] Denotes the Company organization responsible for this step.
- (CCWnn) Denotes the step on the Closing/Combining warehouse business process diagram.
- **{Decision}** Denotes a **Yes** or **No** decision in the business process.
- [SC-MM] Supply Chain Materials Management.
- SHIP FROM warehouse–*existing* or *source* warehouse. Inventory and assets removed from site.
- SHIP TO warehouse–warehouse **obtaining** inventory from a closed/mothballed warehouse

PROCEDURE—Closing a Warehouse

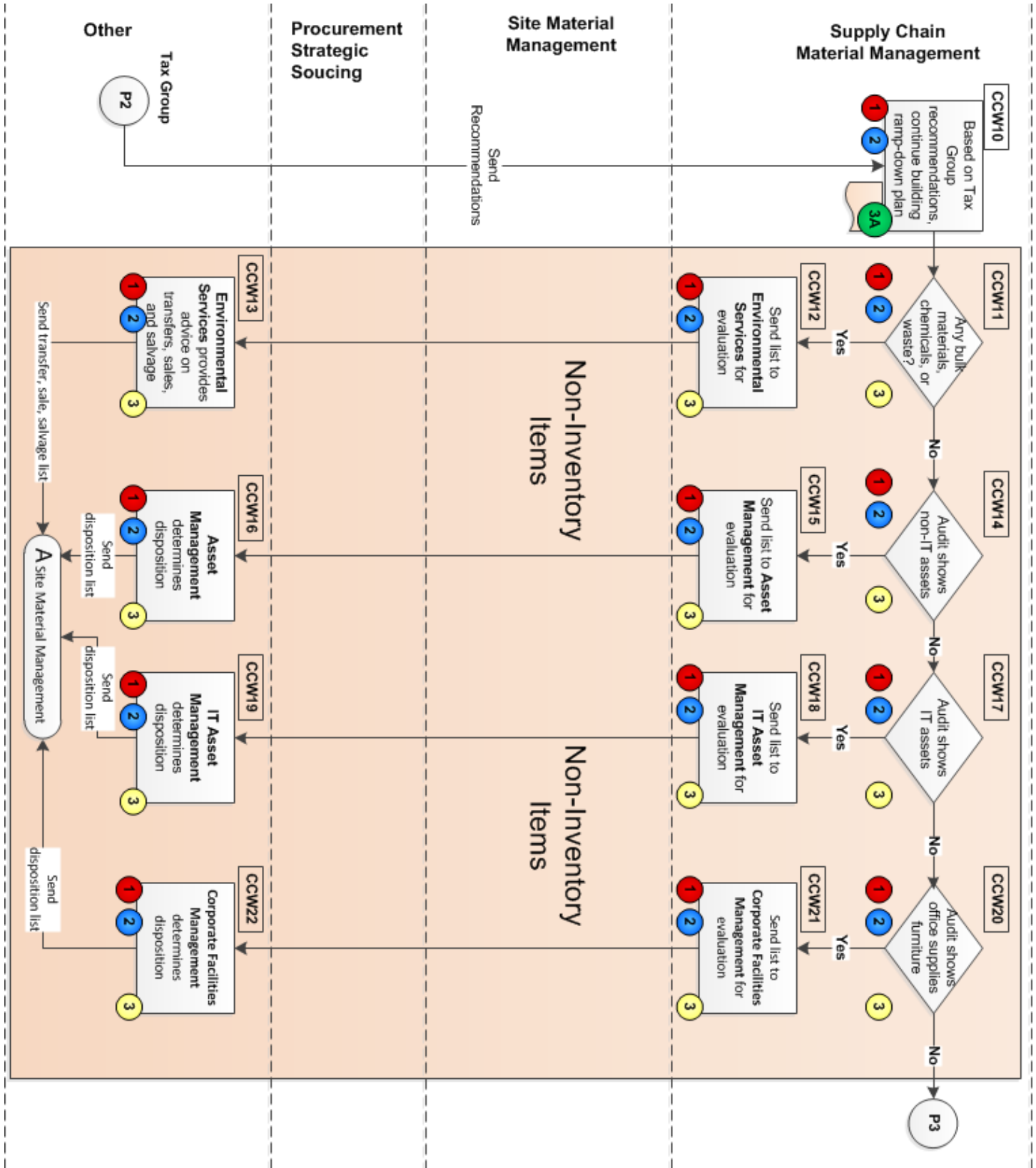
- 1 (CCW01) [Corporate] Decide to close one or more warehouses.
- 2 (CCW02) [Corporate] Request budget estimate from Supply Chain Materials Management.
- 3 (CCW03) [SC-MM] Use existing long range planning (LRP) or adding funds to the current operating budget, estimate cost to close the warehouse. Send estimate to Corporate.
- 4 (CCW04) [Corporate] Allocates funds for SC-MM budget and sets the closing date for the warehouse.
- 5 (CCW05) [SC-MM] Decide what is the strategy for existing inventory and to begin to ramp-down?
 - **Gas Plants**–describe inventory for other plants, transfer, dispose of remaining
 - **Mining**–Transfers, combine into another warehouse, reclamation work needed,
 - **Warehouses combined**-keep inventory separated, organized separately
- 6 (CCW06) [SC-MM] Prepare these Inventory reports to build a preliminary dispositions list:
 - Inventory Stock Status for closing warehouse
 - All warehouses stocking the same Items and the item usage history
 - Capital Spares Item IDs for the closing warehouse
 - [**Mining specific**] Parts Pool Item IDs for the closing warehouse
 - Quantity Mismatches Report
 - Report to track inventory reorder at non-closing warehouses (watch for Transfer opportunities)
 - Report for all Items coded as Pending Obsolete with 0 quantity on hand and no activity in the last 90 days
 - Open Transfers report
 - Outstanding QC (Quality Control Inventory) report
 - Report for all open Inventory Usage Request and Purchase Request
 - [**Mining specific**] Reports for all Master/Satellite Inventory items
- 7 (CCW07) [SC-MM] Notify Work Management Groups at sites about the planned changes in warehouse, *planned* transfer of inventory and material.
- 8 (CCW08) [SC-MM] Evaluate inventory for disposition. Perform this step Item by Item to determine the appropriate reorder points, classification, stocking points.

Note: Decision based on how we handle inventory and classify it for reporting purposes.

[Action] Provide future meeting to discuss excess inventory [PARK] Need to Detail this process out.

- 9 (CCW08) [SC-MM] Build list of items for transfer, sale, or disposal and send to the Tax Group for evaluation against court-ordered *De Minimus* rules (See [A07–New Asset Sales / Abandonment Procedures–Court Ordered](#) on page 255 for more details.)
- 10 (CCW09) [Tax Group] Evaluate inventory list and make any needed recommendations regarding disposition and reporting of items.

Figure 88: Warehouse Closing Details (Part 2 of 7)

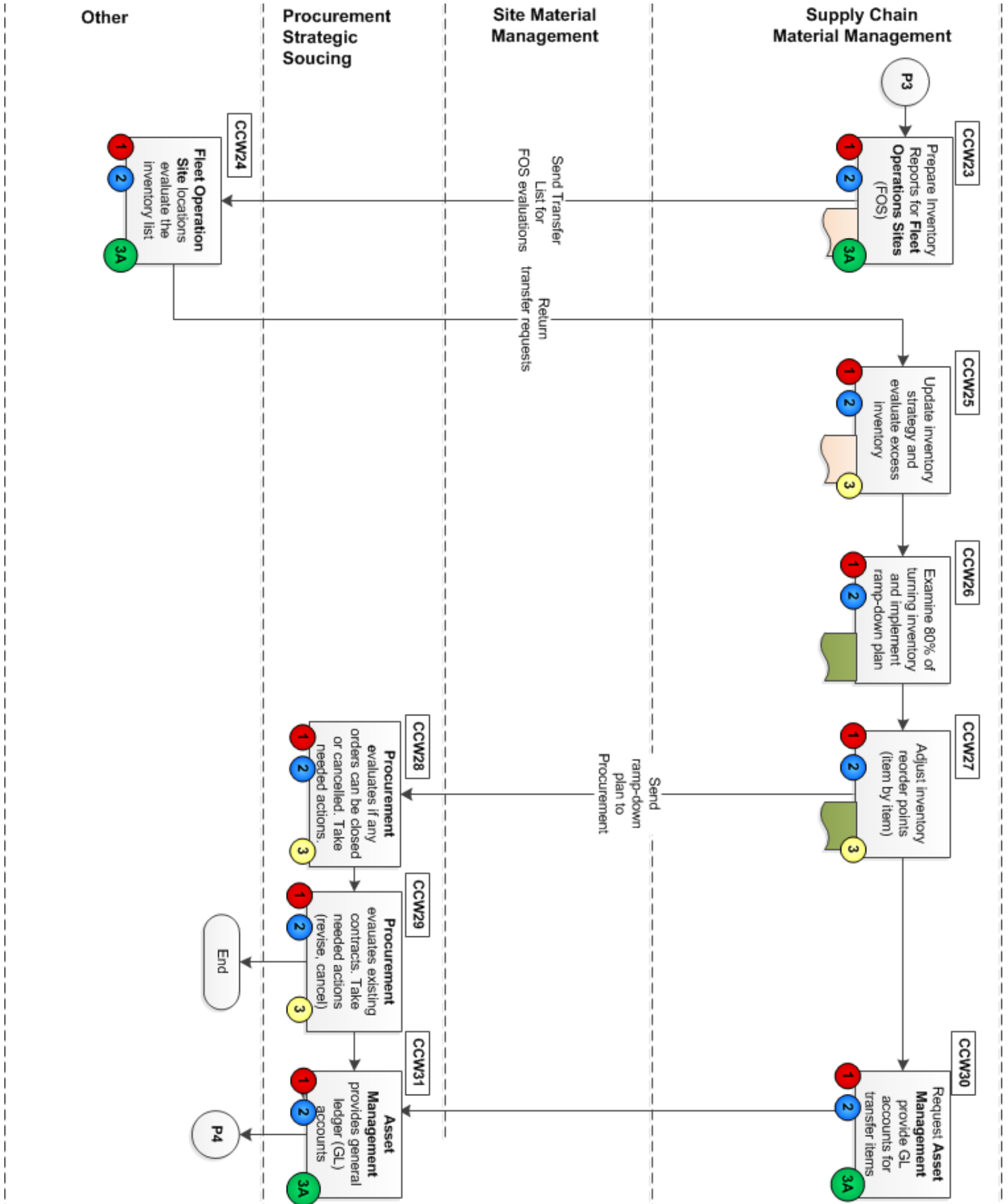


- 11 (CCW10) [SC-MM] Based on recommendations from Tax group, continue building the inventory ramp-down plan.

Working with inventory items

- 12 (CCW11) [SC-MM] **{Any bulk materials, chemicals, waste?}** Evaluate all hazardous material to determine transfer requirements. Hazardous material should only be shipped in the proper containers with the correct hazardous material labeling. Insure that the material is shipped in accordance with a valid Material Safety Data Sheet ([MSDS](#)). If **No**, go to Step #CCW14.
- 13 (CCW12) [SC-MM] Send list of hazardous chemicals or waste to Environmental Services to evaluate transfers, sale, or salvage.
- 14 (CCW13) [Environmental Services] Provide guidelines for packaging and shipment of specific items. Go to Step #CCW40 to continue procedure.
- 15 (CCW14) [SC-MM] **{Audit shows non-IT assets?}** Compare inventoried non-IT assets against the non-IT Asset List. If **No**, go to Step #CCW17.
- 16 (CCW15) [SC-MM] Send inventory to the Assets Management group for evaluation.
- 17 (CCW16) [Assets Management] Send disposition list to SC MM. Go to Step #CCW40 to continue procedure.
- 18 (CCW17) [SC-MM] **{Audit shows IT assets?}** Compare inventoried IT assets against the IT Asset List. If **No**, go to Step #CCW23.
- 19 (CCW18) [SC-MM] Send list to the IT Assets Management group for evaluation
- 20 (CCW19) [IT Assets Management] Advise for transfer, sale, or salvage of IT assets. Send disposition list to [SC-MM]. Go to Step #CCW40 to continue procedure.
- 21 (CCW20) [SC-MM] **{Audit shows office supplies, furniture?}** If **No**, go to Step #CCW17.
- 22 (CCW21) [SC-MM] Create list of office supplies and furniture and send to Corporate Facilities Management.
- 23 (CCW22) [Corporate Facilities Management] Advise for transfer, sale, or salvage of office inventory. Send disposition list to [SC-MM]. Go to Step #CCW40 to continue procedure.
- 24 (CCW23) [SC-MM] Prepare Inventory reports for Fleet Operation Sites (FOS) looking for needed stock. Reports include item usage information, stocked locations, and on-hand quantities.
- 25 (CCW24) [FOS] Sites evaluate the inventory list. Sites return transfer requests to SC-MM for responses.
- 26 (CCW25) [SC-MM] Update inventory strategy and evaluate excess inventory. Once staff changes all the the reorder points, all Inventory displays as **Excess** at the closing warehouse. This creates opportunities to transfer Item IDs from the Closing warehouse to active warehouses.
- 27 (CCW26) [SC-MM] Based on current inventory levels, and requests from FOS units, begin examining 80% of the turning inventory at the closing warehouse and implement an Inventory Ramp-down Plan.

Figure 89: Warehouse Closing Details (Part 3 of 7)

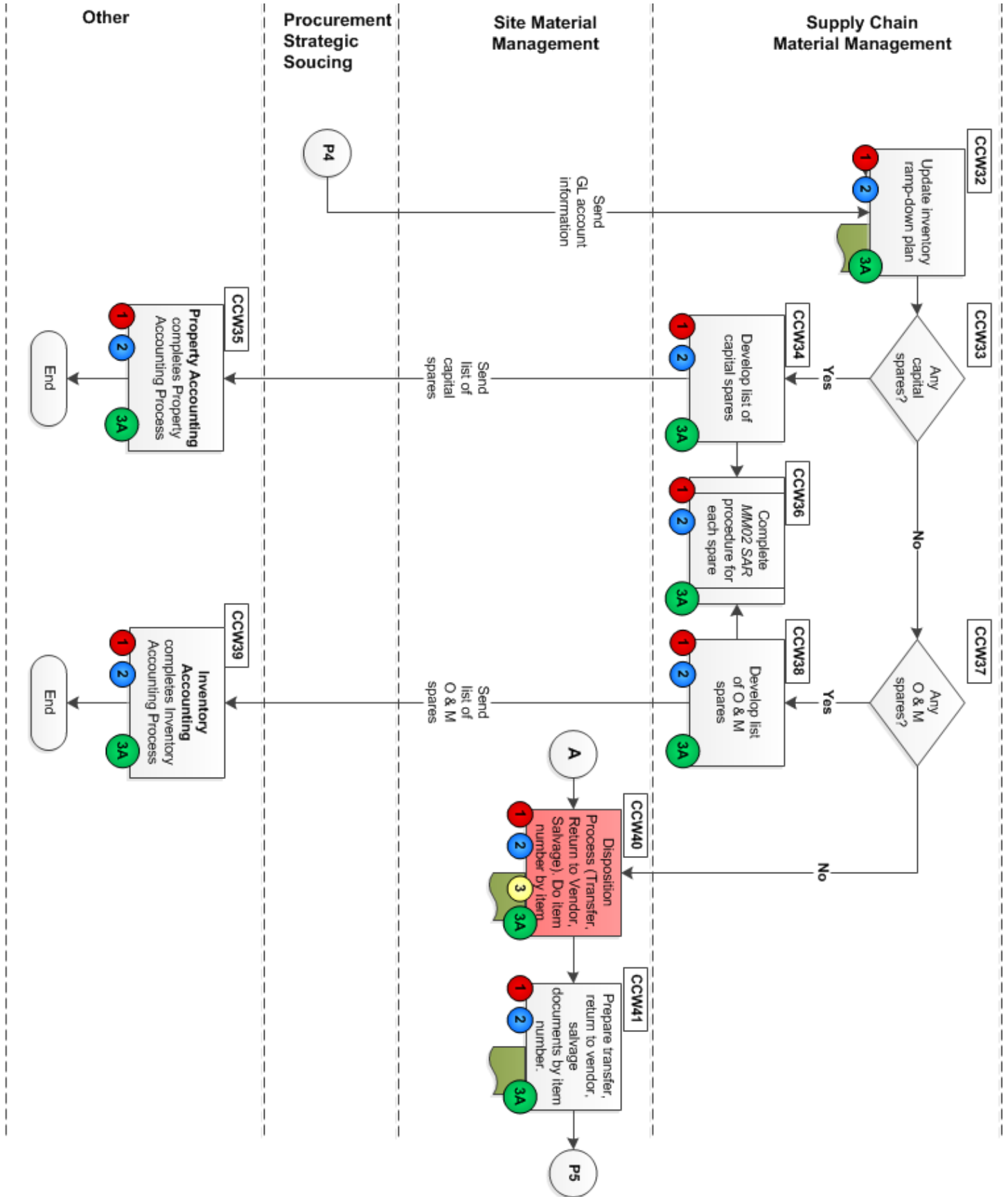


- 28 (CCW27)[SC-MM] Item by Item, begin adjusting the Inventory reorder points. Send ramp-down plan to Procurement.
- a. Enter a Stock Action Request (**Stock Action Request**) to set the reorder point to *one* and the Economic Order Quantity (EOQ) to *zero*.
 - b. Uncheck the Reorder box; code as *Pending Obsolete* for all Inventory Item IDs at the Closing warehouse.
 - c. Run the report for Items coded *Pending Obsolete* every 90 to 120 days to identify items with *zero* quantity on hand and no activity in *90 days*.
 - d. Enter a SAR for the Items on this report to *obsolete* the items. (Once this happens, no Item ID can be purchased or displays on future cycle counts.)
 - e. Close all open Inventory Usage Requests and Manual Purchase Requests.

Caution: Currently you cannot review daily reorder for Transfer opportunities in the EAM.

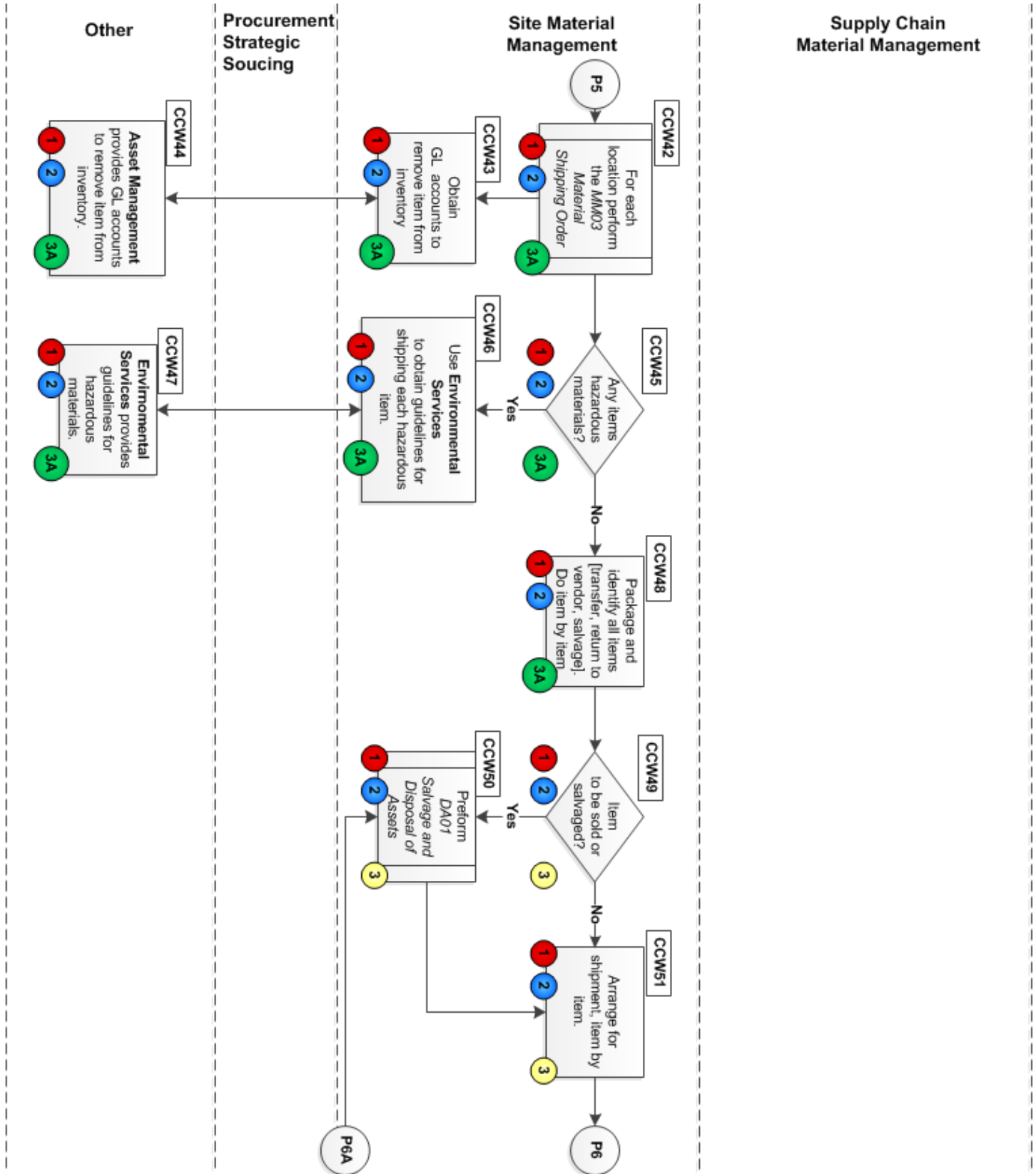
- 29 (CCW28) [SC-Procurement Operations] Find open orders to cancel and close. Prepare the necessary Inventory reports for the MM site groups at closing warehouse:
- Open purchase orders (PO) report to evaluate whether if Operations can cancel orders for (a) Inventory or (b) Direct Charge material.
 - Mismatch report-invoice/quantities receiving issues
 - Open purchase requests report
 - Inventory Report lists all items by specific warehouse
 - Evaluation Report lists all items stocked at the closing warehouse and not stocked at the combining warehouses.
- 30 (CCW29) [SC-Procurement Strategic Sourcing] Evaluate existing open contracts. Revise or cancel contracts as needed. *SC Material Management currently driving the process.*
- 31 (CCW30) [Site-MM] Request general ledger account codes for transfer items.
- 32 (CCW31) [Asset Management] Determine general ledger account codes associated with transfer items.

Figure 90: Warehouse Closing Details (Part 4 of 7)



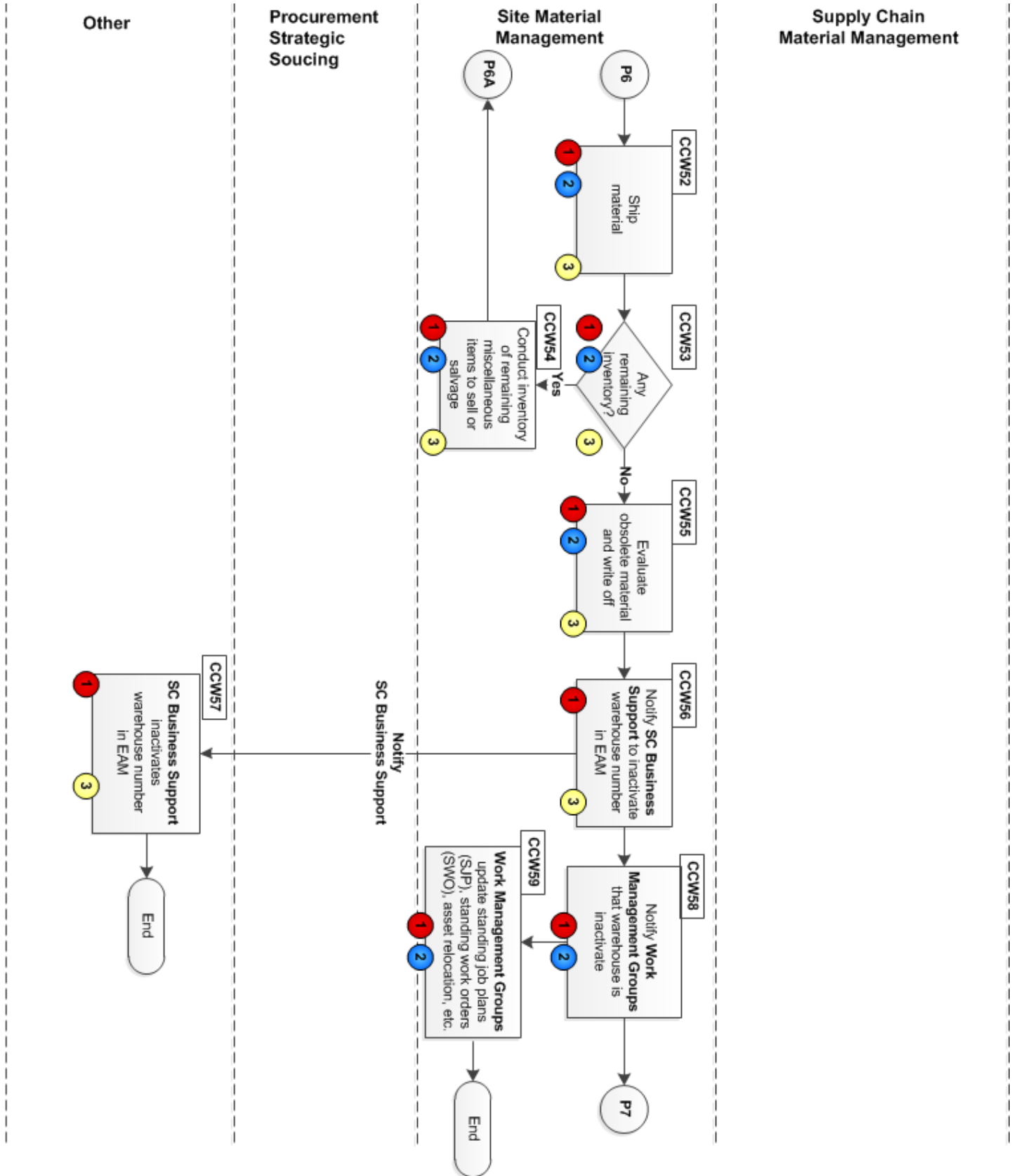
- 33 (CCW32) [Site-MM] Update inventory ramp-down plan.
- 34 (CCW33) [SC-MM] {**Any capital spares?**} If **No**, go to Step #CCW37.
- 35 (CCW34) [SC-MM] Develop a list of capital spares and send to Property Accounting.
- 36 (CCW36) [SC-MM] Complete the [MM02–Stock Action Request Procedure](#) on page 98 for each spare.
- 37 (CCW35) [Property Accounting] Capital spares go through the Property Accounting Process.
- 38 (CCW37) [SC-MM] {**Any O & M spares?**} If **No**, go to Step #CCW40.
- 39 (CCW38) [SC-MM] Create a list of Operation and Maintenance (O & M) spares.
- 40 (CCW36) [SC-MM] Complete the [MM02–Stock Action Request Procedure](#) on page 98 for each spare.
- 41 (CCW39) [Inventory Accounting] O & M spares go through the Inventory Accounting Process.
- 42 (CCW40) [Site-MM] Start transfers to the Fleet Operational Sites.
- 43 (CCW41) [Site-MM] Prepare transfer documents, return to vendor, and removal from warehouse (salvage). Do this item by item.

Figure 91: Warehouse Closing Details (Part 5 of 7)



- 44 (CCW42) [Site-MM] For each FOS location, prepare all Material Shipping Orders (MSOs) to ship Inventory items as determined by the inventory triage processes (Transfer, Return to Vendor, or Salvage).
- 45 (CCW43) [Site-MM] Work with designated Asset Management representative to determine proper general ledger (GL) account codes to remove material from Inventory.
- 46 (CCW44) [Asset Management] Provide general ledger (GL) account codes to remove material from Inventory.
- 47 (CCW45) [Site-MM] {**Any hazardous materials?**} If **No**, go to Step #CCW48.
- 48 (CCW46) [Site-MM] Send list of hazardous chemicals or waste to Environmental Services for guidelines in shipping each hazardous item.
- 49 (CCW47) [Environmental Services] Provide guidelines for packaging and shipment of specific items. Go to Step #CCW48 to continue procedure.
- 50 (CCW48) [Site-MM] Package and identify all Inventory to transfer, return to vendor, or salvage. Arrange for all shipping requirements, as designated by Company Freight and DOT HAZCom guidelines. Label the outside of all boxes using one of these methods:
 - Write the item and quantity on the outside of each box using an indelible marker.
 - Use bin/row tags provided by Supply Chain to identify material in the box. The bin/row tags are sticky labels and have the Item, a physical description, and a quantity printed. If the quantity shipped is different than the bin/row tag, mark out the incorrect quantity and write the correct quantity on the label. Request the bin/row tags from Supply Chain.
- 51 (CCW49) [Site-MM] {**Item to be sold or salvaged?**} List items for salvage or sale. If **No**, go to Step #CCW51.
- 52 (CCW50) Complete the [DA01–Salvage and Disposal of Assets](#) procedure found on page 214 of this guide.
- 53 (CCW51) [Site-MM] Arrange for shipment, item by item.

Figure 92: Warehouse Closing Details (Part 6 of 7)

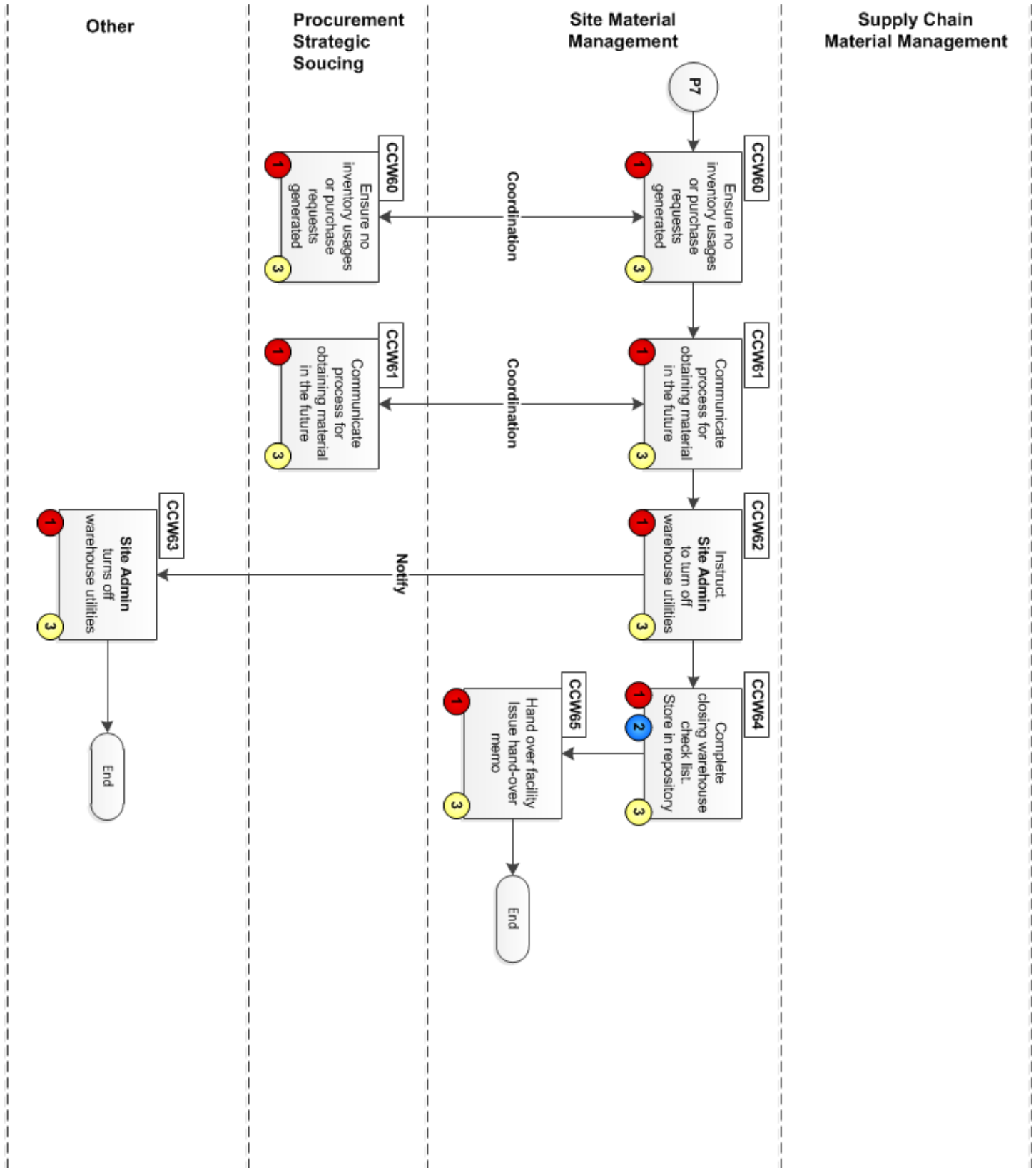


- 54 (CCW52) [Site-MM] Ship material.
- 55 (CCW53) [Site-MM] **{Any inventory remaining?}** If **No**, go to Step #CCW55
- 56 (CCW54) [Site-MM] Inventory all remaining miscellaneous items to sell or salvage.
- 57 (CCW55) [Site-MM] Evaluate obsolete material and write-off.
- 58 (CCW56) [Site-MM] Communicate with SC Business Support to inactivate warehouse number in EAM system.
- 59 (CCW57) [SC Business Support] Deactivates warehouse number in EAM system.
- 60 (CCW58) [Site-MM] Notify all Work Management Groups that warehouse is inactive.
- 61 (CCW59) [Site-MM] Notify Work Management Groups of changes in GL codes, organization numbers, warehouse numbers, standing work orders, standard job plans (SJP), and asset relocations.
- 62 (CCW60) [Site-MM/Procurement] Coordinate with all Closing Warehouse organizations to insure no inventory usage and purchase requests are generated for the Closing warehouse.
- 63 (CCW61) [Site-MM/Procurement] Coordinate with all Closing Warehouse organizations the process for obtaining parts in the future.
- 64 (CCW62) [Site-MM] Instruct Site Admin to turn off warehouse utilities.
- 65 (CCW63) [Site-Admin] Turns off warehouse utilities.
- 66 (CCW64) [Site-MM] Complete and file the Warehouse Closing Checklist or the Combining Warehouse Closing Checklist in the central repository.
- 67 (CCW65) [Site-MM] Hand over facility to Site Management by issuing hand-over memo.

Compliance

- Materials management maintains a repository of all pending and completed Closing and Combining Warehouse checklists.

Figure 93: Warehouse Closing Flowchart (Page 7 of 7)



MM19–Fuel Handling Procedure

<i>Procedure Title</i>	Fuel Handling Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

- xxxxxxxx

Scope

xxxxxxx

Compliance

- Xxxxxxxx
- Xxxxxxxx
- xxxxxxxxxx

MM20–Hazardous Materials Procedure

<i>Procedure Title</i>	Hazardous Materials Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Establish a reference for management of hazardous materials.

- [Safety Procedures Manual on EConnect](#)
- [All HAZMAT training for employees](#)
- [MSDS information communicated](#)
- Storage of chemicals
- Storage of waste materials
- HazCom handling, stocking, storing
- [HazCom communication](#)–
<https://ddcshrenvpv01/safety/AFFCSW/training/Hazard%20Communication%20Overheads%20TXU.ppt>
- Reporting of hazardous spills

Scope

This procedure applies to all material management personnel handling hazardous materials.

References

[Internal: Connect Page MSDSs](#)

[MSDS Luminant website](#)

[MSDS ONCOR website](#)

[DOT Hazcom contact](#)

For questions or concerns about the handling, packing, or shipping of hazardous materials, see the Hazard Communication located at:

http://ddcshrenvpv01/safety/html/Safety_Programs.htm

Luminant Safety

<http://shareluminant.tceh.net/luminantservice/safety/default.aspx>

Safety Procedures Manual

<http://ddcshrenvpv01/safety/html/Procedures%20Manual.htm>

Safety Handbooks

http://ddcshrenvpv01/safety/html/safety_books2.htm

Compliance

Ensure that all employee hazardous materials training records are stored in the MyPath Academy repository.

MM21–Warehouse Safety Procedures

<i>Procedure Title</i>	Warehouse Safety Procedures – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

xxxxxxx

Scope

xxxxxxx

Compliance

- xxxxxxx
- xxxxxxx
- xxxxxxxxx

MM22–Outage Management Procedure

<i>Procedure Title</i>	Outage Management Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

xxxxxxx

Scope

xxxxxxx

Compliance

- xxxxxxx
- xxxxxxx
- xxxxxxxxx

MM23-Direct Charge Material from Work Order

<i>Procedure Title</i>	Direct Charge Material from Work Order – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Define method to issue direct charge materials based on an existing work order.

Scope

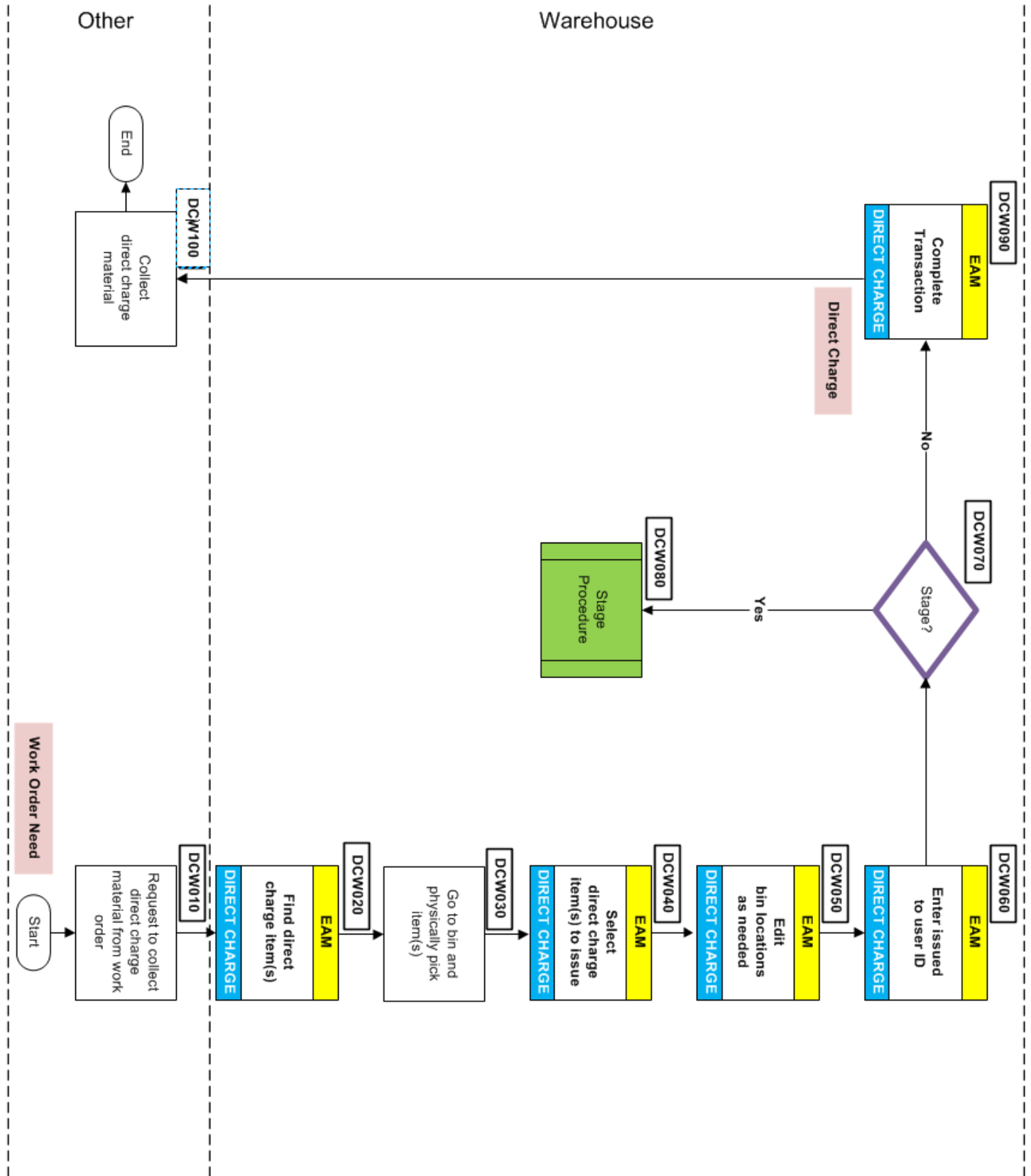
Procedure applies to supply chain warehouse personnel issuing direct materials to satisfy work orders.

Procedure

Compliance

- XXXXXXXX
- XXXXXXXX
- XXXXXXXXXX

Figure 94: Issue Direct Charge Material from Work Order



MM24–Vendor Consignment

<i>Procedure Title</i>	Vendor Consignment – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Scope

Procedure

Vendor Consignment items are managed (tracked) within the Company inventory. The Company does not pay taxes on these items until issued, does not carry dollars on the Company inventory, only the current balance.

In Consignment Inventory, the Company has authority over the timing and quantity of replenishments. The Company pays for the items only upon use or issue.

Figure 95: Vendor Consignment (Part 1 of 3)

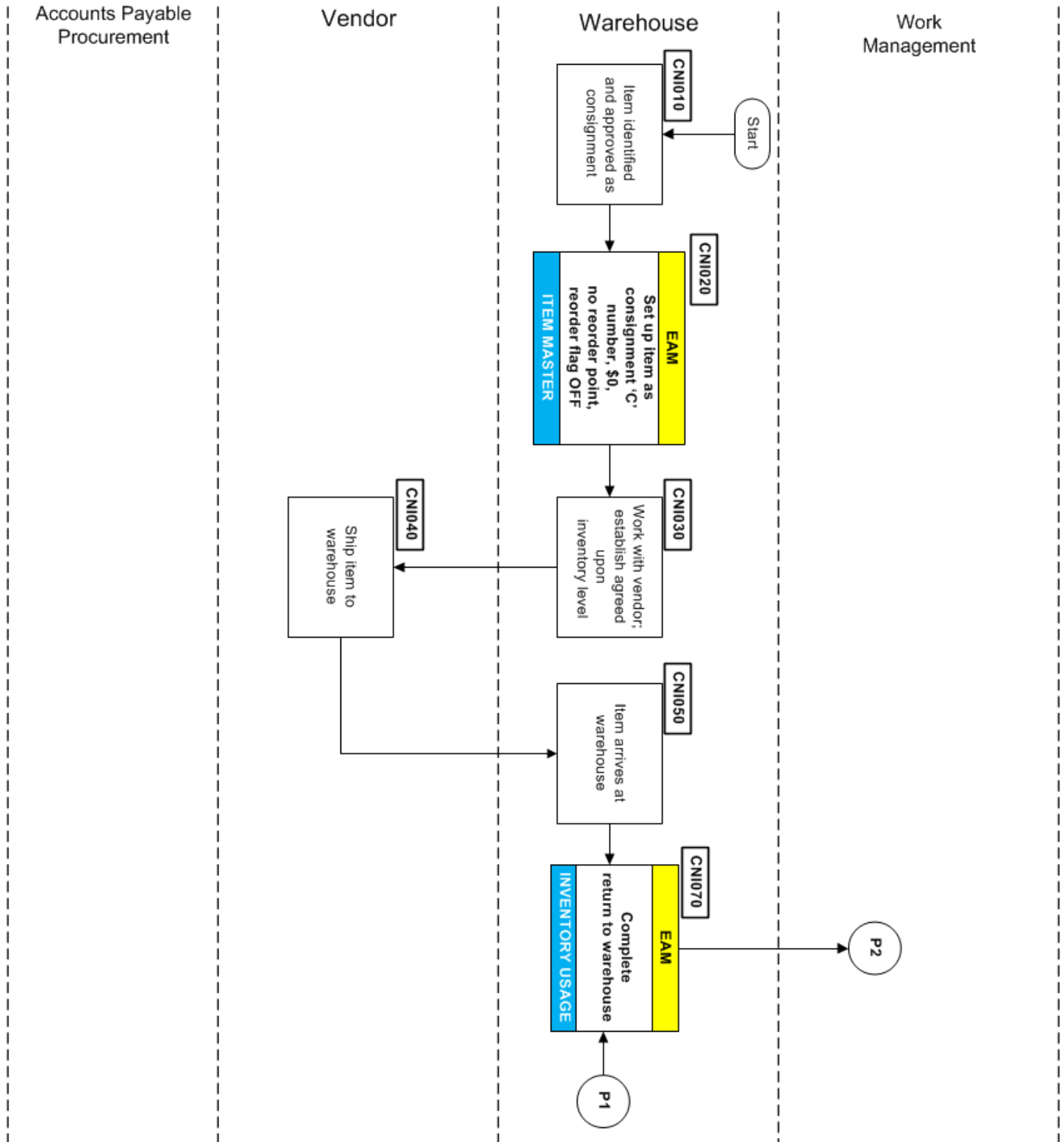


Figure 96: Vendor Consignment (Part 2 of 3)

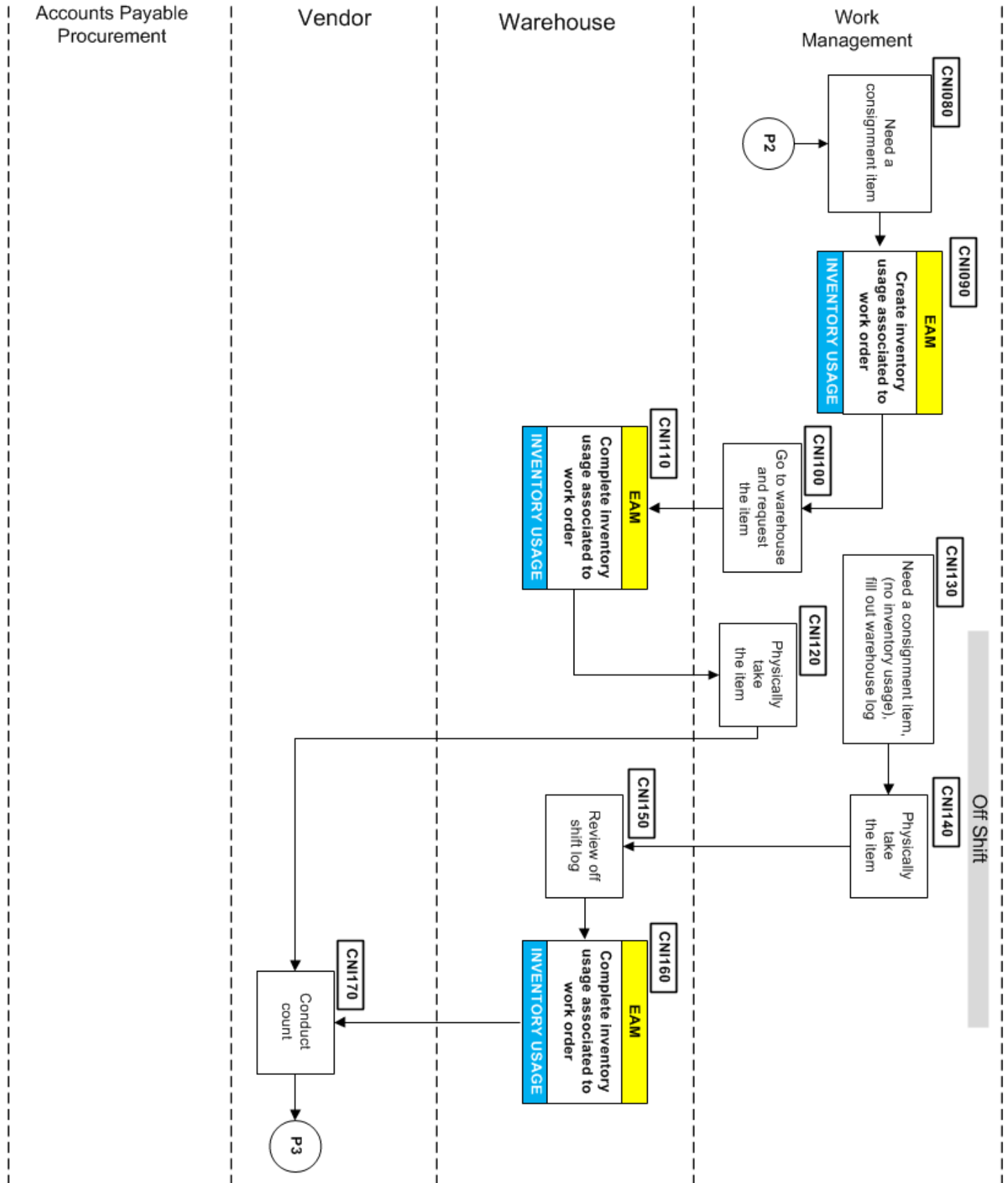
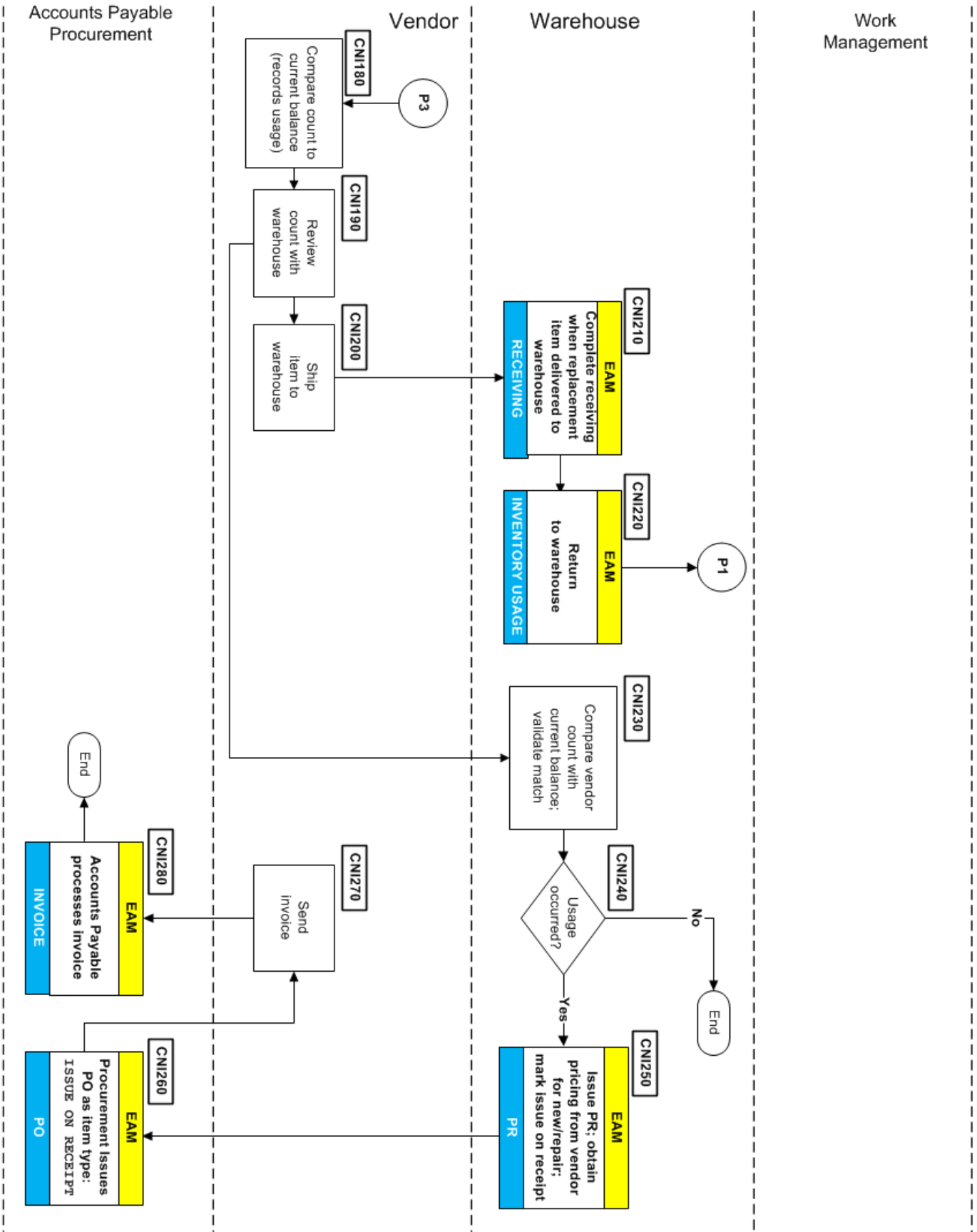


Figure 97: Vendor Consignment (Part 3 of 3)



Compliance

- XXXXXXXX
- XXXXXXXX
- XXXXXXXXXX

MM25-Parts Pull Procedure

<i>Procedure Title</i>	Parts Pull Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

XXXX

Scope

XXX

Procedure

Compliance

- XXXXXXXX
- XXXXXXXX
- XXXXXXXXXX

MM26–Capitalization Procedure

<i>Procedure Title</i>	Capitalization Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Purpose

Scope

Procedure

Compliance

- XXXXXXXX
- XXXXXXXX
- XXXXXXXXXXXX

Salvage and Disposal of Assets Policy

<i>Procedure Title</i>	Salvage and Disposal of Assets Policy – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	December 1, 2013
<i>Last Reviewed/Revised</i>	

Effective June 27, 2014, in accordance with requirements of the Court, the Company must follow additional rules regarding procedures for asset sales and abandonment. See [A07–New Asset Sales / Abandonment Procedures–Court Ordered](#) on page 255 for a summary of these procedures and references to supporting documents.

Scope

This policy applies to all Company subsidiaries (except Oncor Electric Delivery) authorized to salvage and dispose of [personal property Company assets](#). This policy excludes selling real property such as land and facilities.

Purpose

This policy ensures that activities involving the disposal, reuse, sale of materials, supplies, equipment, and property (Company assets) are performed in a manner that (a) maximizes return, (b) minimizes liability to the Company, and (c) complies with all Company Procedures.

Policy

This policy applies to the disposition and documentation of personal property Company assets that the Company determines it no longer needs and have a recognizable value. Value includes recognition of both potential sales price (including scrap value) and cost to complete the sale.

General Asset Disposal

Once any Company asset no longer has value, a Request for Salvage must be approved in accordance with the business unit's *Delegation of Authority Framework*. The business unit submits the request to the outsourced contractor for disposal. You should submit a *Request for Salvage* using the Disposal Tracking System.

You should sell Company assets at fair market value. An Investment Recovery Contractor can determine the asset's fair market value based on many information sources. These sources include prior sales, competitive bids, auctions, published price lists, external sales organizations, negotiations, or consulting other agencies with recognized knowledge of asset fair market value.

You can donate or salvage assets you cannot sell. Get appropriate approval and follow procedures consistent with the charitable contribution policy when donating Company assets.

All sales or transfers of assets or products between affiliate companies will be conducted in a manner that is in compliance with the *Affiliate Standards Compliance Plan*. The outsourced contractor for Investment Recovery maintains records of disposed Company assets in accordance with Company's *Records Management Policy*.

Disposal of High Dollar Assets

The Company subsidiary Supply Chain shall coordinate the sale of assets exceeding \$250,000 for disposal. Effective June 27, 2014, in accordance with requirements of the Court, the Company must follow additional rules regarding procedures for asset sales and abandonment. See [A07-New Asset Sales / Abandonment Procedures-Court Ordered](#) and [A06-Sale and Abandonment Notices](#) on page 254 for guidance. Optionally, Supply Chain can choose to involve the outsourced contractor for Investment Recovery. If Supply Chain chooses to involve the contractor, the contractor assists Supply Chain under the contract provisions.

Sale to Employees

Sale or gift of Company assets to employees will not be performed, with the exception of sales through public auction companies that are open to the general public. Subsidiary CEOs and the Company Chief Financial Officer must approve any exceptions regarding sales to employees. The outsourced Investment Recovery contractor **shall** be involved in any sale to Company employees.

Reuse of Surplus Assets

Surplus assets will be assigned to other organizations within the Company to the maximum extent feasible. Organizations with requirements for the assets can inquire about availability. As appropriate, the outsourced contractor for Investment Recovery's personnel notifies the organizations of assets available to meet their specific needs.

Governance

These measures apply to all employees and remain in effect until further notice. Business Units can adopt and enforce more stringent approval and usage. Exceptions to this policy must be approved by a function head (generally a vice president) and copied to the head of Internal Audit.

For questions regarding this policy contact: Sherry Han 214.875.8494

Definitions

See [Examples of Company Material and Equipment Assets](#) on page 251 for a list of personal property Company asset types.

DA01–Salvage and Disposal of Assets

<i>Procedure Title</i>	Salvage and Disposal of Assets Procedure – All EFH except Oncor
<i>Business Owner</i>	Sr. Manager – Materials and Inventory
<i>Contact</i>	Cathy Wright [+1 903.577.5155] and Ronny Foster [+1 903.577.5307]
<i>Effective Date</i>	
<i>Last Reviewed/Revised</i>	

Effective June 27, 2014, in accordance with requirements of the Court, the Company must follow additional rules regarding procedures for asset sales and abandonment. See [A07–New Asset Sales / Abandonment Procedures–Court Ordered](#) on page 255 for a summary of these procedures and references to more supporting documents.

For general information, see [A05–Salvage and Disposal of Assets–General Information](#) on page 251.

Purpose

To ensure that investment recovery activities involving the disposal, reuse, sale of materials, supplies, equipment, and property (Company assets) are performed in a manner that (a) maximizes return, (b) efficiently perform investment recovery (c) minimizes liability to the Company, and (d) complies with all Company and Supply Chain Procedures.

Scope

This procedure applies to the disposition and documentation of Company assets that have a recognizable value. Value includes recognition of both potential sales price and cost necessary to complete a sale. Supply Chain Investment Recovery ([IR](#)) personnel (*Investment Recovery*) establishes proposed sale prices with input from appropriate Company organizations.

Related Policies

[60-05 Inactive, Excess and Obsolete Material – Luminant Power and Construction](#)
[60-10 Material Shipped Off-Site – Luminant](#)

Participating Company Groups

The Investment Recovery requires the coordination of multiple Company business units working together.

These groups include:

- Site (Material management/parts technicians/storekeeper)
- Work Management (Project Engineering/Construction Project Management)
- Site Support staff
- Asset Management
- Investment Recovery Department
- Site Warehouse
- IR Company (external)
- Planning and Analysis
- Accounting
- Environmental

Abbreviations used for Salvage Product Types

- **OM**–Inventory Operation and Maintenance Spares
- **CS**–Inventory Capital Spares
- **DC**–Direct Charge Materials and Parts
- **EQ**–Equipment
- **SC**–Scrap Materials and Cleanup Projects

Standardized High-Level Procedure–Investment Recovery

Introduction

The initial steps of the Investment Recovery procedure are complicated because of the different project sources that can result in item disposal or sale. The additional complication is the different item classes to be sold or scrapped; each with its own accounting procedure.

Once a responsible party:

- Decides on an item’s (material) disposition,
- Sets up the IR project in the appropriate account budget,
- Creates job and work orders,
- Performs any needed Stock Action Requests, and
- Submits a Salvage Disposal Memorandum ([SDM](#)) request to the Disposal Tracking System ([DTS](#)),

Most of the remaining salvage procedure steps apply to all the different item/material classes.

Examples:

- When a project engineer has a project where equipment is taken out of service, then it is budgeted with a Capital Project or Special Operation and Maintenance.
- When a capital project makes selected inventory obsolete, a project engineer must have a separate O&M project against which to write off the inventory. Also the requester must send an asset disposal sheet to accounting to remove the asset from current inventory. Finally, the engineer submits a stock action request (SAR) to start the removing the inventory out of the EAM system.

A project engineer, construction project engineer, site maintenance planner, outage construction manager or asset manager can start the investment recovery (IR) process. This procedure describes every step used in the investment recovery process. To see which steps apply to a specific IR product type, refer to [Table 4: IR High-level Procedure Steps for Each Product](#).

IR Procedure steps that apply only to Direct Charge Materials

Because all direct charge materials are allocated to specific work orders, the amount of *upfront* work necessary to begin the investment recovery process is minimal. Most of the steps involve deciding when direct material can be scrapped, repaired, or put back in inventory.

Dispositioning direct charge material:

- 1 [Warehouse] Use the Direct Charge Application in the [EAM](#) system.
- 2 Run the DC Report for inactive work orders (WO).
- 3 Reduce the report size by filtering for a WO status of `A-COMP` or `CLOSED`.
- 4 Sort the report by individual requesters.
- 5 For inactive WOs that were closed **XX** days ago, send a DC Report to each requester and ask for a disposition of the material.

- 6 [Requestor/Planner/Techs] Comes to warehouse to review material for disposition.
or
[Warehouse] With each DC report, send a folder containing a spreadsheet and folder of photographs. Alternatively, the warehouse can post the information to a SharePoint site and send the SharePoint link to the requester.
- 7 [Requestor/Planner/Techs] At the warehouse, tags the material as **(a)** Resale-Salvage-Scrap, **(b)** Repair, **(c)** Future Outage, **(d)** Awaiting Item ID, and **(e)** Add to Inventory. This step and the next step correspond to Table 4, step #SDOA050.
- 8 [Warehouse] Move the material based on the selected disposition in the previous step.

Table 4: IR High-level Procedure Steps for Each Product Type

Step Number	Responsible Party	Investment Recovery High-Level Procedure Steps	OM	CS	DC	EQ	SC
SDOA 010	Site Support Staff Asset Management Project Engineering Construction Project Management	<u>Decide to remove asset from:</u> <ul style="list-style-type: none"> • warehouse • equipment or facility out of service • capital spare out of service (contact investment recovery) 	X	X		X	
SDOA 020	Site Support Staff Asset Management Project Engineering Construction Project Management	<u>Budget for separate IR project:</u> <ul style="list-style-type: none"> • O&M dollars for write off for item currently in warehouse inventory during stage gate waiting work authorization (WA) approval process, work order, or job order stage. • For capital spare, budget capital dollars in CAPEX budget. • Equipment being replaced is budgeted in Capital Project. Update in EPS system for Capital projects, O&M projects related to Capital project. • For base work orders, budget in EAM using a work order. 	X	X		X	
SDOA 030	Site Support Staff Regional Support IR Department Asset Management Project Engineering Construction Project Management (Equipment only)	<u>Get project approval:</u> <ul style="list-style-type: none"> • O&M dollars • capital dollars • base work order 	X	X		X	X
SDOA 040	Site Support Staff Asset Management Project Engineering Construction Project Management	<u>Submit SDM to Disposal Tracking System (DTS)</u> Must identify the book value of disposed items. Daily-generated scrap materials do not go to DTS. Only whole parts or equipment being scrapped goes through DTS.	X	X	X	X	X
SDOA 050	Site Operations Management	<u>Management approves the IR request</u> according to requester's (DOA) and book value of the items. If no approval, procedure ends at this step. Delegation of authority in the DTS may require updating.	X	X	X	X	X
SDOA 060	Site Support Staff Asset Management Project Engineering Construction Project Management	Enter asset information into the Disposal Tracking System.				X	
SDOA 070	Site Support Staff Asset Management Project Engineering Construction Project Management	<u>Create project job order</u> (If not created in step #SDOA010) Manager named that will track this IR project from start to finish.	X	X		X	X

Step Number	Responsible Party	Investment Recovery High-Level Procedure Steps	OM	CS	DC	EQ	SC
SDOA 080	Site Support Staff Asset Management Project Engineering Construction Project Management	Create work order against project job order (If not already created in step #SDOA010)	X	X			X
SDOA 090	Site/Site Warehouse	Tag items for IR (Use standard tagging methodology like Fossil/Gen)	X	X	X	X	X
SDOA 100	Environmental	(Required step) Corporate environmental reviews items for approval and provides guidance for handling and shipping the items.	X	X	X	X	X
SDOA 110	Site Support Staff Asset Management Project Engineering Construction Project Management	Communicate to IR group the need for a Stock Action Request (SAR) or direct charge release in the EAM application.	X	X	X		
SDOA 120	IR Department	Removal and update the item details (See MM02–Stock Action Request Procedure on page 98)–reorder check box is unselected, item designated obsolete.)	X	X	X		
SDOA 130	Site Warehouse	Issue item out of warehouse to designated sell/salvage site area according to appropriate work order or project accounting. (See MM06–Inventory Usage Procedure on page 122.) Site materials coordinator documents items with description and photographs.	X	X			
SDOA 140	Warehouse	Issue direct charge material using the Direct Charge application in EAM. Site materials coordinator documents materials with description and photographs.			X		
SDOA 150	Accounting	Perform Inventory Accounting review	X	X			
SDOA 160	Accounting	Update Inventory Accounting	X	X			
SDOA 170	Accounting	Get Property Accounting Approval		X		X	X
SDOA 180	Accounting	Update Depreciation Schedule		X		X	X
SDOA 190	IR Department	Contact IR Companies and advertise IR items (Must have all Company management approvals.)	X	X	X	X	X
SDOA 200	IR Department	Negotiate sale. If the item sale value exceeds \$10K, solicit multiple bids.	X	X	X	X	X
SDOA 210	Accounting Bill Hoyt	Update controller regarding sale and details For item book value > \$250K, need buyer details: Legal name of IR company buying items State of incorporation Texas Resale Certificate	X	X	X	X	X
SDOA 220	Attorney to Sales Ashlie Alaman	For item book value exceeding \$250K notify legal counsel who will provide notice to interested parties per <i>De Minimis Asset Sales</i> guidelines (See Sale and Abandonment Notice Parties on page 254.) – 10 day notice.	X	X	X	X	X
SDOA 230	Accounting	Update controller regarding sales (after hearing from court)	X	X	X	X	X

Step Number	Responsible Party	Investment Recovery High-Level Procedure Steps	OM	CS	DC	EQ	SC
SDOA 240	Accounting	Creates bill of sale and Buyer's invoice.	X	X	X	X	X
SDOA 250	IR Department	Route bill of sale to DOA (often site director) for signature approval.	X	X	X	X	X
SDOA 260	IR Department	Send approved bill of sale to Buyer	X	X	X	X	X
SDOA 270	IR Department	Route signed bill of sale back to accounting	X	X	X	X	X
SDOA 280	IR Department	Releases items to the Buyer	X	X	X	X	X
SDOA 290	Site / Warehouse	Materials coordinator prepares scrap MSOs (See MM03–Miscellaneous Shipping Order on page 106.)	X	X	X	X	X
SDOA 300	IR Company (Buyer)	IR company picks up items	X	X	X	X	X
SDOA 310	Accounting	Sends invoice to buyer Provides final update to the court	X	X	X	X	X
SDOA 320	IR Department	Receives funds from the Buyer	X	X	X	X	X
SDOA 330	Accounting	Applies funds to the required GL account	X	X	X	X	X
SDOA 340	Site Support Planning and Analysis	Close out work order (Site Support) or job order (Planning and Analysis) if complete.	X	X	X	X	X
SDOA 350	IR Department	IR tracks sale, updates records, and records net revenue.	X	X	X	X	X

Figure 98: Investment Recovery Procedure (Part 1 of 5)

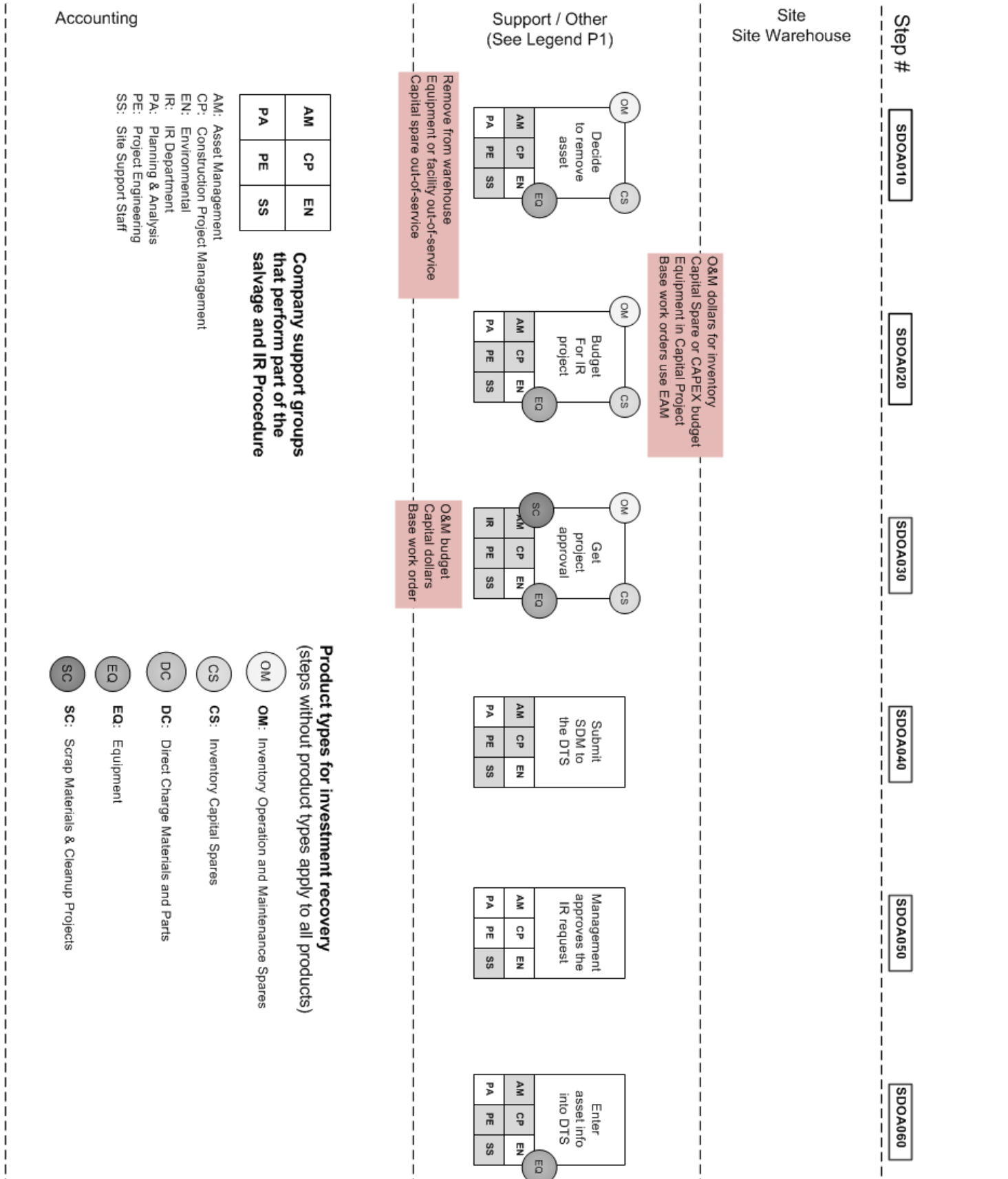


Figure 99: Investment Recovery Procedure (Part 2 of 5)

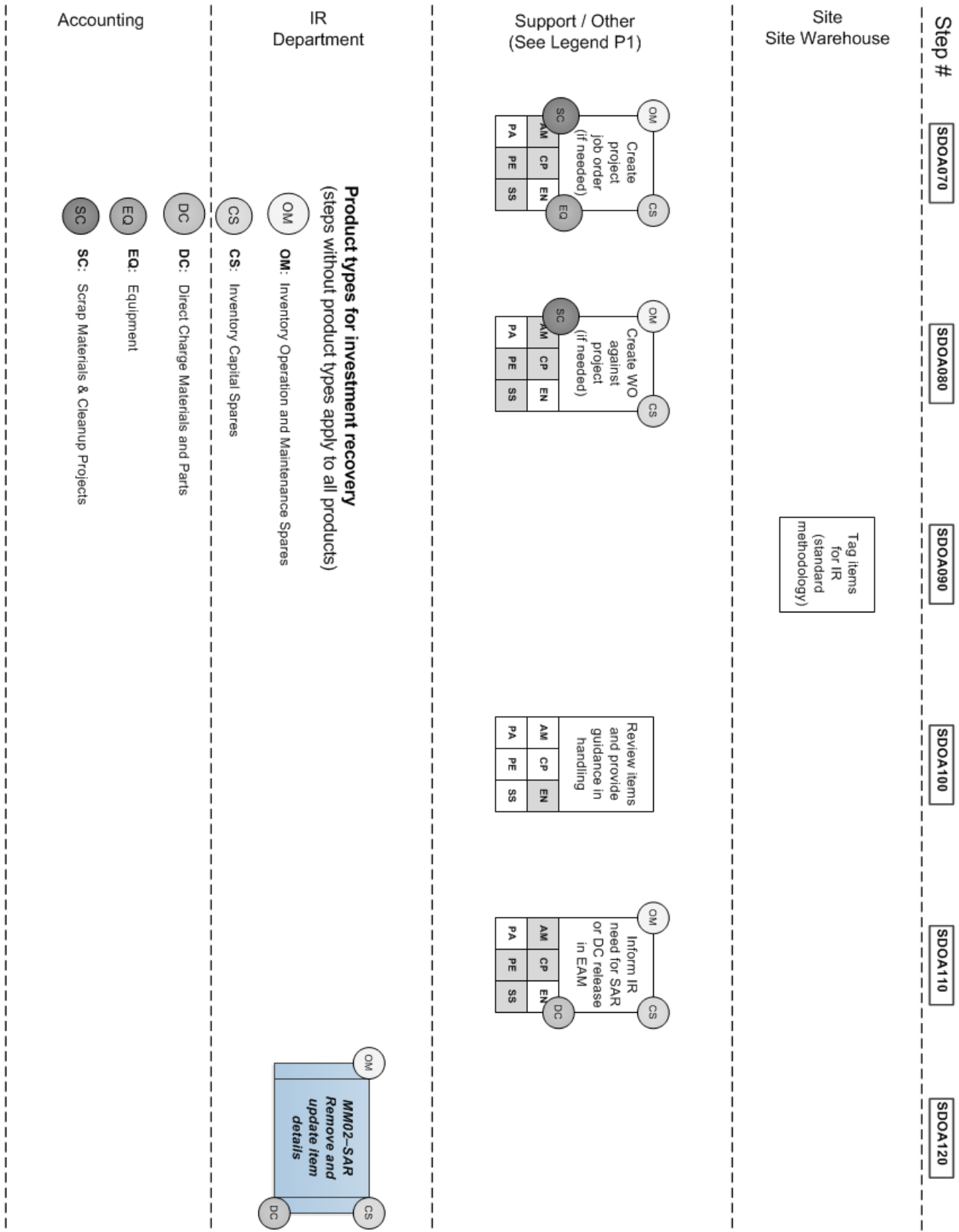


Figure 100: Investment Recovery Procedure (Part 3 of 5)

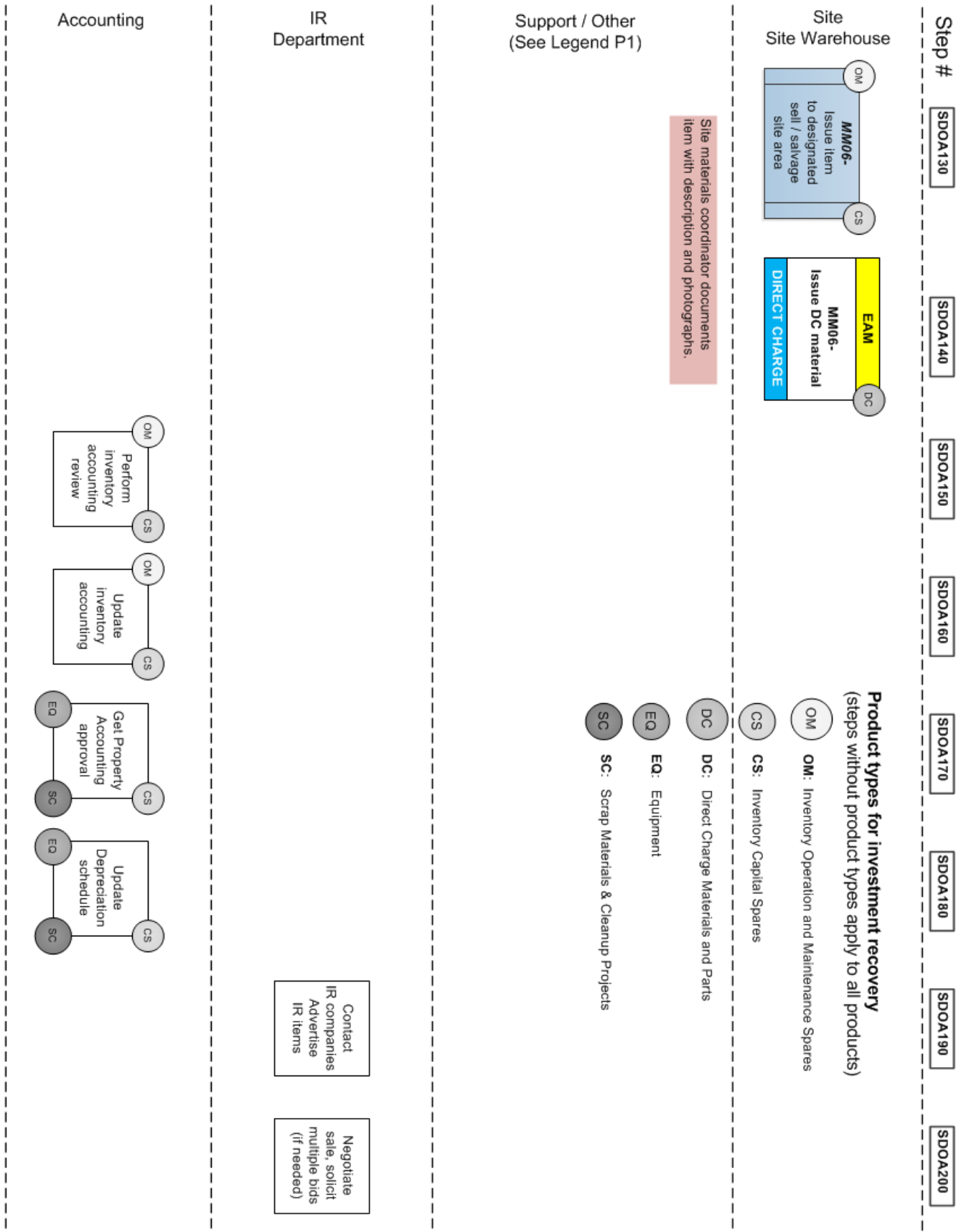


Figure 101: Investment Recovery Procedure (Part 4 of 5)

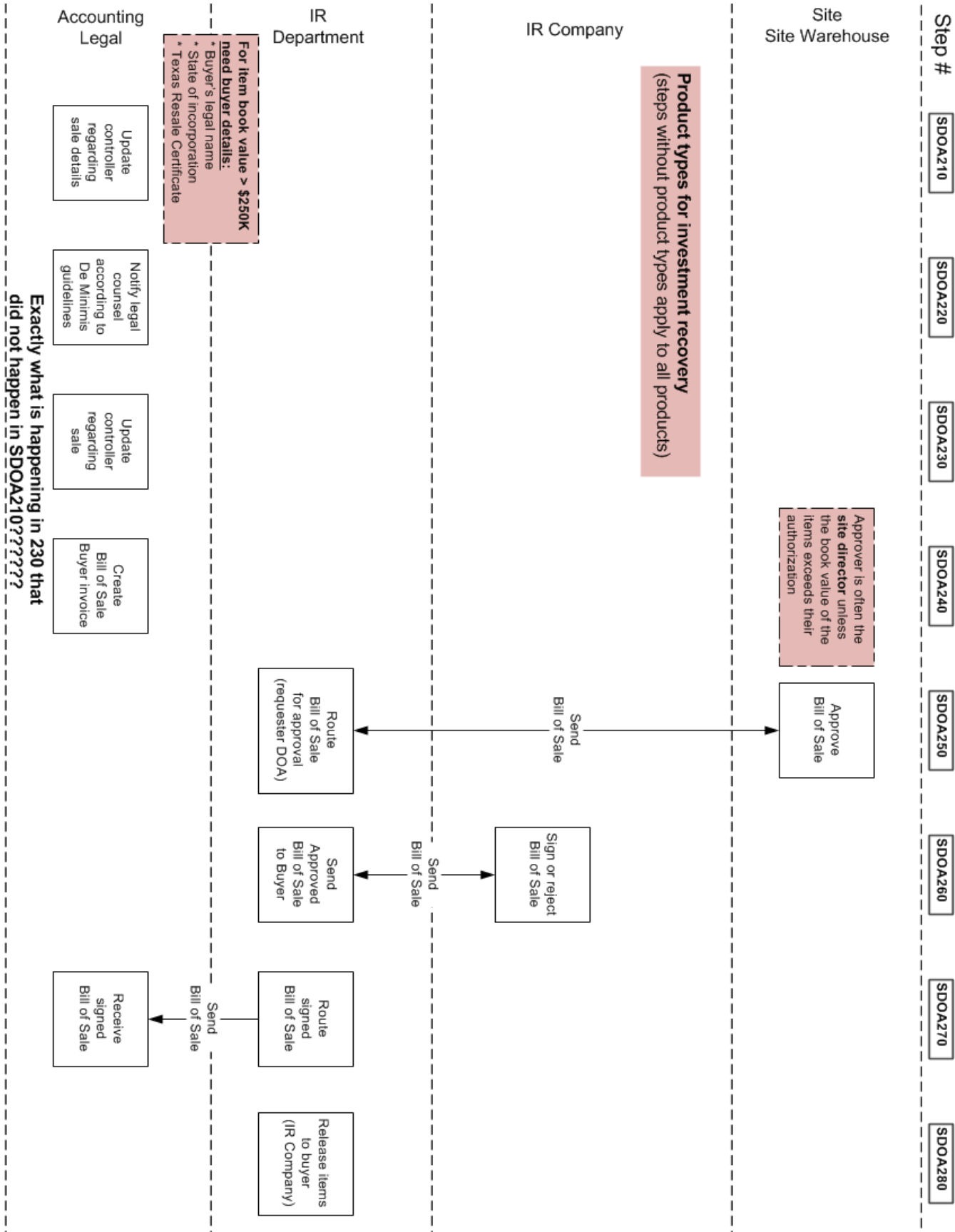
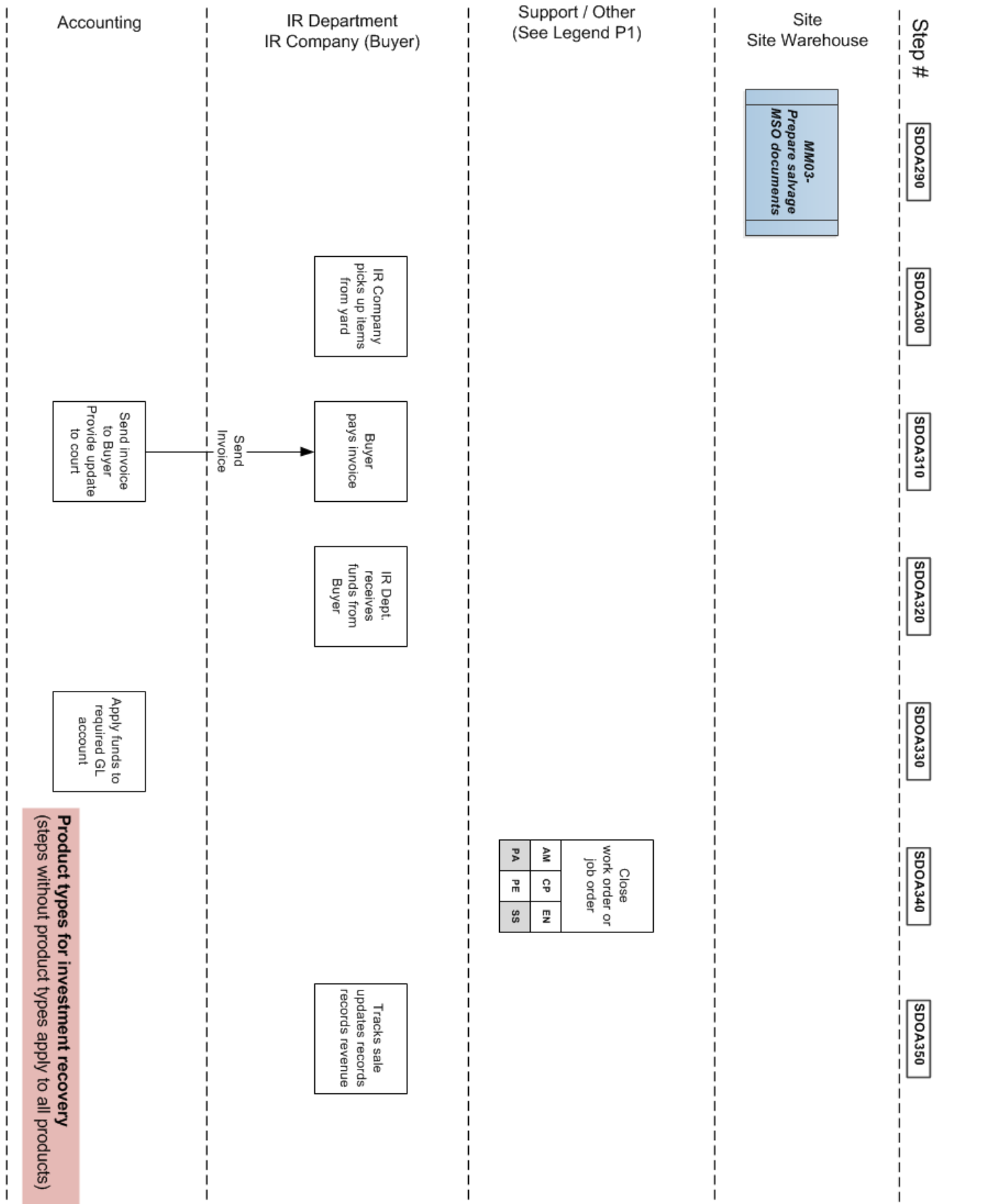


Figure 102: Investment Recovery Procedure (Part 5 of 5)



RACI Legend

- R–Responsibility Process, person, or team that can perform the procedure step
- A–Accountability Process, individual or team that authorizes the procedure step
- C–Consult Process/Improvement, request advice or assistance
- I–Inform Process/Improvement or keep group informed of progress

Compliance

- An [SDM](#) submitted to Disposal tracking System ([DTS](#)).
- Stock Action Request to scrap inventory.
- IR Department advertisement of items for sale or scrap.
- IR Department documentation of net revenue generated for all items, materials, and assets.

Glossary

3PL, third-party logistics—Company's 3PL coordinator is an outsourced provider who adds value to the Company by ensuring best-in-class carriers at aggressive pricing, while monitoring compliance by auditing all invoices.

8(a) Firm—A small business that is unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States, and which demonstrates potential for success.

abandonment of assets—Donation or voluntary disposal of a business asset where it is cheaper to abandon the asset than to restore or salvage it. The book value of an abandoned asset is written off as a loss. However, obligations (debts, liens, taxes) associated with an asset are not discharged when it is abandoned and remain the liability of the owner. *Abandonment value* is the asset value if it were immediately liquidated.

ACC, Accounting Control Code—The current accounting control code and the new accounting control code.

access—Direct and remote access to the Company's system facilities.

Accounts Payable subsystem—A subsystem that creates vouchers where the Company pays invoices for goods and services. Supply chain match rules are applied.

action code—Receiving code that indicates the (a) status of the line item on the receiving screens or (b) next individual or department to review the line item.

ANID, Ariba (System) Network Identifier—A unique identifier for a supplier that uses the Ariba Procurement Content (APC) system for eCatalogs and purchase order/invoice communications.

APC, Ariba Procurement Content—An Ariba® network designed to help companies maximize spend coverage of their ERP systems with enablement of supplier catalogs with a web-based trading community. Using a consumer-like shopping experience, the usage helps savings and works to control goods and services; while minimizing catalog management and compliance distractions.

application—The software in the EAM system where the SC personnel accomplish specific functions such as invoice approval, inventory usage, shipping, and so forth.

approval authority—The authorization the Company gives certain employees to commit funds or resources on behalf of the Company.

approval limits—The maximum dollar value of a purchase requisition or expense report an individual is authorized to approve.

ASN, Advanced Shipping Notice—A document providing details about a pending delivery. The ASN notifies the Company when shipping happens, provides physical dimensions about shipment, and helps warehouse personnel receive the items.

asset—Equipment used by the Company.

asset class—An organizational family of equipment.

asset number—Identification number for a specific asset. Legacy terms were *Component ID* or *Equipment ID*.

ATA, Assigned Task Agreement—The services of a contractor may be requested through the use of this form approved by an authorized Company or Supply Chain representative pursuant to the Agreement. This form contains information regarding scope of work, work location, pricing method (firm price or unit prices), schedule, and information on billing, tax, and accounting.

actuals—The commodity (physical or service) that underlies a future or forward contract.

AUP, average unit price—A metric representing warehouse's value of an item/material in the Company General Ledger (GL) account divided by total units stored in the warehouse. The metric is used by warehouses to avoid excess costs due to taxes, depreciation, etc.

authorized user—A person who may, according to an organization's security policy, perform an operation.

average cost—A metric representing warehouse's value of an item/material in the Company GL account divided by total units stored in the warehouse. The metric is used by warehouses to avoid excess costs due to taxes, depreciation, etc. Legacy term is *Average Unit Price (AUP)*.

back charge—The result of work or equipment requirements that do not meet Company expectations. Common occurrences which lead to a back charge situation include **(a)** equipment, material, or structural corrections; **(b)** damage to equipment, material, or structures **(c)** contractor obligations; or **(d)** contract completion work.

BOL, bill of lading—A document issued by a carrier to a shipper, listing and acknowledging receipt of goods for transport and specifying terms of delivery.

bin location—Generic term used to identify the actual physical location where an item or material is stored.

BIRT, Business Intelligence and Reporting Tools.

bin-to-bin move—The movement of inventory within a warehouse used to boost operational efficiency. Legacy term is *Move/Reloc*.

blanket agreement—A purchase contract that specifies a vendor, a total dollar amount to spend, and the dates between which the agreement is valid.

blanket contract—A contractual agreement to spend a pre-determined amount of money with a specified vendor over a predefined period of time.

BOM, bill of materials—A hierarchical list of materials (components, subassemblies', ingredients) required to produce an item, showing the quantity of each required item. Other information such as scrap factors may also be included in the BOM for use in materials planning and costing.

BPA, blanket purchase agreements—Contracts used to direct the automatic replenishment of inventory or acquire direct charge material. A person creates a BPA by various means, including competitive bids, negotiation, or a single source price catalog. The BPA establishes the duration of the agreement, items identification, pricing, max quantities, freight terms, and any other obligations and conditions. See also *Standard Blanket Contract (SBC)* and *Funded Blanket Contract (FBC)*.

bottleneck supplier—A supplier categorization where the Company conducts an evaluation of the product or process provided by this supplier. Using this evaluation, the Company or Supply Chain determines whether the process or product can be re-engineered to minimize the risk or exposure.

BROWZ—A company that helps buyers and suppliers exchange critical compliance information to risk reductions, generate cost savings, and obtain more secure business relationships. Both buyers and suppliers want to do business in a responsible manner and safe environment. The BROWZ solution levels the playing field for suppliers while protecting all participants.

BTTBU, Buy Those That Buy Us™—A positive message to encourage companies—people—to think before they buy; (a) linking minority business inclusion to a quantifiable Return on Investment (ROI), and (b) accelerating the use of best practices that help build minority business capacity to better meet the needs of Buying Entity Partners.

BUR, Business Unit Review—A review of a supplier’s recent performance to evaluate and decide in which what Company supplier segment this supplier belongs.

business process—A defined set of business activities that represent the required steps to achieve a business objective. This process includes the flow and use of information and resources.

CBT, Computer-based Training—Usually Adobe® Captivate® flash videos that display a procedure using text, voice-over, and application screen interactions to demonstrate how a user completes a procedure goal.

Change Request form—Electronic form (and corresponding memos) used to revise [Items](#) for Generation, Mining, and Gas Plant information contained in the EAM system.

CIF Catalog—[Catalog Interchange Format] A CIF is a subset of the Preferred Catalog Vendors. CIFs are designated catalogs that are negotiated with the supplier by Supply Chain. This Luminant/EFH customized catalog has pre-determined pricing and **does not** require Buyer review.

CIM, Corporate Item Master—A Company database that contains all the item ID identifiers (inventory items and direct charge materials), plus their representative descriptions. See [form, fit, and function](#).

claim—A request for reimbursement, replacement, or repair for an item or an asset under warranty.

class—Main noun used to describe the inventory item. Class answers the question, *What is it?* Examples include a valve, a bearing, a glove, and so forth.

Note: If the **Class** noun represents a generic commodity grouping of multiple items, it cannot be the noun descriptor used to start the Inventory Item description. Example generic commodities include: Fittings, Safety Supplies, Power Train, Electrical, and so forth.

class code item—Purchase of a non-inventory item where the material is identified by a commodity code. Purchase can be executed by the appropriate commodity buyer.

CM, Corrective Maintenance—Actions that restore—by repair, overhaul, or replacement—the capability of functionally failed structures, systems, and components to operate within acceptable criteria. This includes repair activities that can be planned and scheduled, equipment that is *Run to Failure*, as well as *priority/emergency* work.

CMBL, Centralized Master Bidders List, a HUB Directory Search—The Company uses this database to search for Texas certified HUBs. This is master database used by State of Texas purchasing entities to develop a mailing list for vendors to receive bids based on the products or services.

COBA, cost benefit analysis—A Company technique to assess (over a given time) the monetary, social costs, and benefits of a capital investment or an Operations and Maintenance project.

commodity—Describes classifications of inventory.

commodity code—Identifier used to distinguish groups of inventory items that can be used for reporting and analysis. Commodities Managers can track spending by commodity and make decisions about vendor relationships based on that data. When you create an [Item](#) record you associate the item ID with an existing commodity group and commodity code. The legacy term is *CLS Code*.

commodity group—The identification of a grouping of items, tools, or services. It contains a grouping of individual commodity codes. Classifying items, tools, services with commodity groups and commodity codes provides a way to analyze spending by product type. The legacy term is *CLS Code*.

Company—Entity that represents Energy Future Holdings and its subsidiaries, which includes Luminant, TXU Energy, and Energy Future Holdings Corporate.

competitive sourcing event—Part of a procurement process that usually includes (a) understanding the spend category, (b) assessing supplier market, (c) surveying suppliers, (d) building a supplier strategy based on internal/external capabilities, (e) generate requests for information (RFx), (f) select and negotiate with suppliers, and (g) awarding business to suppliers.

compliance—A demonstrated set of actions or display of documentation that validates the actions of Supply Chain (SC) personnel who performed procedures and adhered to written SC policies.

condition—A term that goes to the very root of a contract. Breach of this term gives the right to repudiate the contract, allows the other party to discharge the contract. A warranty is less imperative than a condition, so the contract will survive a breach. Breach of either a condition or a warranty will give rise to damages.

contract—An agreement placed with a single or multiple suppliers, for a defined or general scope of work, established terms and conditions, and pricing structures. The Company establishes contracts having a ceiling amount. The ceiling amount conforms to the Delegation of Authority ([DOA](#)) policy in effect at the time the Company issues the contract. Supply Chain personnel administer contracts and oversee the dollar amount assigned to each one. Company representatives coordinate with the supplier about the performed work.

Contract Management—Software application used to create, change, store, and manage contracts (plus amendments, supplements, and extensions) throughout the lifetime of the contract. The Company currently uses the Ariba® software.

contract administrator/representative—The individual responsible for administering a contract and who serves as the central point of contact for a warranty claim and back charges against that contract.

concealed damage—Material that has no visible damage at receipt. When staff finds material damage *after* the material has been received and accepted, the material is classified as having concealed damage.

core—The the supplier bases the price of non-inventory part on the assumption that a used part or *core* is returned to the supplier for each remanufactured part purchased. The supplier may or may not charge the Company a core fee. For example, when you purchase a car battery, you pay a core fee and receive it back when you return a similar used battery.

critical items and strategic spares—Two methods that describe the stocking of strategic spares, critical item coding, and reserve (emergency) stock. The methods are not mutually exclusive; you can code an item with a Critical Code **A** and specify a reserve (insurance) inventory quantity.

See [A01—Equipment Criticality, Spare Parts, and Critical Codes](#).

critical/emergency material—Material with long lead and acquisition times that, if not inventoried, would result in significant economic loss due to unexpected timing of repair, maintenance, or operations of an asset (for example, as result of a forced outage). The cost of carrying such material is less than the economic loss incurred when material is not inventoried.

current balance—Amount of inventory present in a warehouse. Legacy term is *On Hand*.

custodian—The person or group that ensures the required security controls exist to comply with legal regulations and the Company Security Policy.

cycle count—An inventory system where counts are performed continuously, often eliminating the need for a complete annual inventory. It is set up so that A items are counted regularly (every six months), plus B and C items are counted at least once every two years.

D/FW MSDC, Dallas/Fort Worth Minority Supplier Development Council—A nonprofit business organization that certifies, connects, develops, and advocates for minority-owned businesses is a sourcing resource for corporate and public sector buying entities.

Database Systems for Supply Chain—A set of Company databases that support supply chain functions for unique material item catalog, cross-referencing part numbers, performing material requests, transfers, and issues, maintaining inventories, purchasing material and services, receiving materials and services, paying suppliers.

See [A02—Supply Chain Database Subsystems](#).

DBE, Disadvantaged Business Enterprise—Commercial small business concerns where socially and economically disadvantaged individuals have a minimum 51% interest, plus control management and daily business operations. African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans, and women are presumed to be socially and economically disadvantaged. Other individuals can also qualify as socially and economically disadvantaged on a case-by-case basis.

de minimis—Latin for *about ordinary things*, trifles. IRS defines it as any benefit, property, or service provided to an entity that has so little value, that reporting it would be unreasonable and administratively impractical. For the Court order to the Company, a *de minimis* asset sale is a *non-ordinary course* sale or transfer of assets, not exceeding *five* million dollars.

dead date—The date past the due date plus the grace period, at which point the component becomes inoperable.

default bin—Warehouse bin/location where inventory is usually stored.

deployed asset—A manageable object that exists in an IT environment, such that its presence can be verified (for example, by using a discovery tool).

desktop procedures—Manual or automated step-by-step operations needed to accomplish one or more steps in a procedure. In the *Supply Chain Policy and Procedure Guide* links refer to a SharePoint or shared network directory location containing the desktop procedures.

direct charge—Material (non-stock) items outside the inventory and directly charged to a specific cost center. Legacy term is *Material Request for Purchase (MRP)*.

Direct Charge Application—An [EAM](#) application used to track the status, location, direct charge materials value, the person ordering it, and the person receiving the materials. The application can also manage unused direct charge materials.

direct issue item—An ordered item that is issued immediately upon receipt to a work order, equipment, or location, not stocked in a storeroom.

discontinued material—Material no longer available from the manufacturer, but necessary for the repair and maintenance of existing company assets.

diverse firm—A business classification that includes [A03-MBE, Minority Business Enterprises](#), [DBEs](#), [VOBs](#), [HUBs](#), [small businesses](#), and [8\(a\) Firms](#). The Company is committed to the utilization and development of companies owned by ethnic minorities and women.

DOA, Delegation of Authority—A framework that defines what Company employee is authorized to approve an action in place of an employee that is traveling, on vacation, ill, and so forth.

Dock-to-Stock—A Supply Chain database subsystem that provides for the receipt of all material and services. Also, it can perform exception reporting for damaged or non-conforming material (inspection receiving) and includes QC Inspection Receiving.

DTS, Disposal Tracking System—Database used to hold Salvage Disposal Memorandums ([SDM](#)).

DUNS, Data Universal Numbering System—A system in which Dun & Bradstreet assigns and maintains internationally recognized nine-digit numbers to uniquely identify world-wide businesses.

EAM, Enterprise Asset Management—Software that helps manage the physical assets of an organization to maximize usage, value, and return on investment. It covers such things as the design, construction, commissioning, operations, maintenance and decommissioning/replacement of plant, equipment and facilities. *Enterprise* refers to the management of the assets across departments, locations, facilities and, in some cases, business units. Currently the Company uses the IBM Maximo® product.

EBITDA, Earnings Before Interest, Taxes, Depreciation and Amortization—A calculation used to analyze a company's operating profitability before non-operating expenses (such as interest and "other" non-core expenses) and non-cash charges (depreciation and amortization). The calculation has its financial detractors and cheerleaders. See [Investopedia article](#).

eCatalog—An online supplier catalog that a buyer uses to automatically generate purchase requisitions and resulting purchase orders. See [punch-out catalog](#) and [CIF Catalog](#).

EOQ, Economic Order Quantity—The amount of items or material to order once inventory reaches the [reorder point](#). A reorder amount calculation that balances the costs of keeping inventory in stock and the costs of reordering inventory items.

eQuote number—A quote number sent by a supplier that a requester can use to electronically search a vendor's online catalog and obtain vendor shelving line items to use for a purchase request. Currently this is a pilot program in the [EAM](#) application.

ERC, external repair company—A third-party regional supplier that repairs Company inventory items (rotating spares) and capital repair items.

ERP, Enterprise Resource Planning—An integrated computer-based application used to manage internal and external resources, including tangible assets, financial resources, materials, and human resources.

ESAR, Electronic Stock Action Request—Used by Company personnel requesting the approval to establish an Item ID (unique identifier) for inventory item or direct charge material.

evaluation measures—The tools used to measure the Company value received against the contract versus what was pre paid. The measurement tool used varies from case to case depending on the contract requirements and scope.

excess—Inventory items that have been determined, on the basis of established criteria, to be excess at one warehouse and available to transfer to another warehouse. Excess Quantity determined can be expressed as: **On Hand, less the sum of (Maximum + Allocated + Reserve)**. Excess inventory results from **(a)** unused reserve stock, **(b)** manual inventory replenishment, **(c)** demand changes, **(d)** changes in lead time, **(e)** minimum order quantities, **(f)** standard packaging units, and **(g)** warehouse returns. Excess inventory transfers are used to the maximum extent possible to satisfy system replenishment needs. See [MM11-Transfer Procedure](#) on page 159.

excess quantity—Quantity of a inventory item, determined using established criteria, to be in excess at a source warehouse and available for transfer to another warehouse (destination) having a replenishment requirement.

Excess Quantity Criteria

- Excess Quantity = On Hand – (Maximum + Allocated + Reserve)
- Reorder Code = 9 (Obsolete Material)
- Reorder Code = M (Excess Material)
- Reorder Code = 3 (Reorder Point of 0)

field service contract—Authority for up to \$100,000. Do not use a Field Service Contract involving pre-bid meetings or retention.

final closing—Closing a warehouse in which the SC Materials Management team **(a)** transfers needed inventory, **(b)** returns inventory for supplier credit, **(c)** salvages and disposes of remaining inventory, and **(d)** finally closes the facility (remove access and stop utilities).

first tier—Any purchase made at the end user customers' direction with selection, negotiated pricing, and performance acceptance, typically exemplified by using a direct payment. This is not required as the *customer* can outsource transactional or clerical activities similar to a payroll service.

FOB Destination—The Company takes title to material at the address specified on the purchase order. The vendor must file any freight claims against the commercial carrier because the vendor incurs the delivery expense to get materials to the PO address. Company personnel gathers and forwards documentation to the vendor to support the claim filing. *FOB means Free On Board.*

FOB Origin—The Company takes title to the material at the time and location the material is loaded for shipment. The Company must file freight claims against the commercial carrier against when material is shipped by this method. Also called *FOB shipping point.*

FOB point, free on board point—The point where responsibility and liability for a shipped item transfers to the Company. The FOB point is usually either the destination or the shipping point.

form, fit, and function—Attributes that dictate if an item ID is uniquely assigned to an item or direct charge material.

From Storeroom, SHIP FROM, or From Bin—Location where a shipment originated. Legacy term is *From Location.*

FSS, Financial Stress Score—A key performance indicator (range 1–5, alert>3) that a supplier is having financial difficulty or its revenue is heavily dependent upon the Company.

funded blanket contract—See *standard blanket contract.* Legacy term is *blanket purchase contract.*

Generated reorder—Inventory replenishment based on minimum and maximum inventory.

GL, general ledger account—An account used to track expenses for entities within a company, such as assets, locations, or tools.

heavy haul—Weight over 46,000 lbs and or over 8'6" wide, over 13' 6" tall or over 53' length; or which require specialized Equipment and Rigging. Also known as *permitted shipments*.

high impact—Engagements that have a significant impact/high risk on business processes.

high spend—Annual spend greater than one million dollars (as defined by business units).

HMSDC, Houston Minority Supplier Development Council—A nonprofit business organization that certifies, connects, develops, and advocates for minority-owned businesses is a sourcing resource for corporate and public sector buying entities.

horizontal test—Inquires whether a transaction is the sort commonly undertaken by similarly-situated companies in the same industry as the debtor. Courts look at transaction size, asset value, transaction frequency, asset type and relation to debtor's core business, and unusual sale factors.

Hot Shot—Shipments from 70 lbs to 18,000 lbs (½ ton pickup trucks to 40-foot gooseneck trailers used). Also known as *same day services*.

Note: Hot Shot Service is the most expensive delivery service and should be avoided if the shipment can be delivered Next Day or Second Day. A less expensive alternative would be to utilize Less-than-Truckload ([LTL](#)) or Fed Ex small package. When the shipment can be crated or palletized, 95% of the [LTL](#) shipments can deliver in state the same day or next day. Most interstate shipments happen within two business days transit time, and for a small fee a guaranteed delivery service level, (that is, by 12:00 noon next day or 2nd day), can be added. This costs significantly less than a Hot Shot service.

HUB, Historically Underutilized Business—A business formed for the purpose of making a profit that is otherwise a legally recognized business organization under Texas law. The business must have one or more owners (a minimum of 51 percent controlling interest in the business) who are economically disadvantaged based on identification as member to specific groups. The groups include Black Americans, Hispanic Americans, Asian pacific Americans, Native Americans and Women. These individuals must have proportionate interest and demonstrate active participation in the control, operation, and management of the business' affairs. The business must have its principal place of business in Texas. See [A03-MBE, Minority Business Enterprise](#) for a more detailed discussion.

HUBZone—A United States Small Business Administration ([SBA](#)) program for small companies that operate and employ people in Historically Underutilized Business (HUB) Zones. The US Congress in 1998 created the HUBZone program in response to the HUBZone Empowerment Act. Based on the Act, small businesses are designated as HUBZone certified if they have the following criteria:

- The firm must be a small business based on the North American Industry Classification System ([NAICS](#)) for size standards.
- The business must be at least 51% owned and controlled by citizens or permanent residents of the United States.
- The firm's principal office (location where the greatest number of employees perform their work, excluding contract sites) must be in a HUBZone.
- At least 35% of the firm's total workforce must reside in a HUBZone.

ICA, Inventory Control & Accounting—Provides characteristics and attributes of Company inventory (such as order and quantity information) and pseudo inventory numbers for scientific inventory control techniques, statistical reporting, and computer logic for inquiries.

Idled Warehouse (Shared warehouse or soft closing)—(a) Transfer only what can be used (keep unstaffed warehouse, retain critical spares, move only items issued), (b) sell unusable assets, (c) write off remaining assets/material, and (d) perform initial set up at the SHIP TO warehouse. (Forklift available, utilities still on, and staff can assess warehouse).

inactive items—Items where a particular warehouse has not issued any amount during previous thirty-six months. The Company classifies inventory numbers on inactive item lists as obsolete item suspects. Maintenance, Operation and Engineering personnel have the primary responsibility to review inactive item lists and identify the need to retain items or recommend removing obsolete items from inventory.

Information—Information systems and applications (for example, data, databases, software, and so forth).

Inventory Usage Record—An [EAM](#) software record used for material requests from a warehouse. Legacy term is *Materials Request for Issue (MRI)*.

invoice—A bill from a vendor for delivered products or services.

IR, Investment Recovery—A contract firm or the Company department charges with disposing of assets.

issue—To release an item from a storeroom location and charge the cost to an asset, location, work order, location, or general ledger (GL) account.

issue unit—The item quantity that is considered a single item; for example, gloves are issued in pairs. The issue unit can be different from the order unit. See [order unit](#).

IT Assets—Company IT infrastructure (for example, networks, computers, storage devices, telecommunications, and other IT hardware) supporting business activities, or any other IT infrastructure internally connected to or using IT infrastructure.

item—Inventory that can be part of an asset and whose cost is less than an asset, but which is not strictly monitored.

Item—A unique inventory item identifier assigned to a inventory item or direct charge material. The legacy terminology was *TSN*. Sometimes referred to as an *item number* or *item ID*.

item record—A document that defines an item or material stocked in a storeroom. Buyers use item records for purchasing.

job plan—A detailed description of work to be performed for a work order; typically includes required tasks, and lists or estimated labor, materials, services, and tools needed to complete the work. Legacy term is *inspection sheets*.

JIT, just-in-time —A production and inventory system in which parts are produced or delivered only as needed.

KPI, Key Performance Indicator—A measurable quantity against which to set a specific performance criteria when a team writes a service level agreement (SLA). Often success is simply the repeated, periodic achievement of some levels of operational goal (for example, O&M or G&A savings, diversity, payment terms, and so forth), and sometimes success is defined in terms of making progress toward strategic goals. Accordingly, choosing the right KPIs relies upon a good understanding of what is important to the Supply Chain organization.

lead time—Duration between placing an order and receiving the items.

leveraged supplier—A supplier is one that provides an item or service for which there is open competition in the marketplace. Such items or services should be targeted for competitive bids.

line item—An item, material, service, or tool named on a contract, purchase requisition, purchase order, or invoice.

location tag—A bar coded label applied to shelves or racking, or a sign that hangs above or on a warehouse location. You can read the tag or scan it with a radio frequency ([RF](#)) gun to read the location number.

LTL, Less-than-Truckload—Shipments that weight between 70 lbs and 10,000 lbs. Alternatively, shipments that can be loaded and unloaded in a closed trailer with a maximum width of 102 inches and maximum height of 96 inches.

Manufacturing Management—A database that contains a Plant Item Master and product structure called Bill of Materials ([BOM](#)) through which materials can be located by application or use.

master contract—A contract that defines the high-level relationship between the Company and a supplier. The master contract associates common terms of agreement in addition to all the associated child contracts. Child contracts can be different types (purchase, standard blanket, key alliance, etc.), with multiple contracts of the same type. Amendments, supplements, extensions, Legacy term is *key supplier agreement*.

MBE, Minority Business Enterprise—A business organized a for-profit enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members.

See [A03-MBE, Minority Business Enterprise](#).

MIRT, Mining Inventory Review Team—

MM, Materials Management—

mothball closing—(a) Retain building and material for future plant activity, (b) turned off utilities, (c) secure site, and (d) lock to prevent access.

MRP, Material Request for Purchase—Legacy term replaced with the term *purchase requisition*.

MRT, Material Request for Transfer—Electronically move the inventory from warehouse to warehouse.

MSHA, Mine Safety and Health Administration—Administers the provisions of the Federal Mine Safety and Health Act of 1977 (Mine Act) and enforces compliance with mandatory safety and health standards as a means to eliminate fatal accidents; to reduce the frequency and severity of non-fatal accidents; to minimize health hazards; and to promote improved safety and health conditions in the Nation's mines.

MSO, Miscellaneous Shipping Order—Authorizes and documents (a) the transfer of material or equipment leaving a company site, (b) provides the carrier the approval to take custody of the material or equipment and leave the company location, and (c) serves as approval to record any accounting associated with such a transfer. The MSO, once completed, is sent by the SHIP FROM location to the SHIP TO *or organization* as shown on the MSO. Only HAZCOM trained warehouse employees can sign an MSO or bill of lading for a shipment of HAZCOM type materials.

MSP, Managed Service Provider—The outsourcing of day-to-day management functions for improving operations and cutting expenses. This includes HR-activities, production support, administration functions, and life-cycle build/maintenance activities. The Company owns or has direct oversight of the managed system. The service provider or MSP is the organization that accepts and provides the managed service.

Multi-Tier—Any location within the supply chain that a [diverse firm](#) can bring value and participate relative to an end user customer.

Multi-Tier Participating Tier 1 Supplier—A contractor or supplier that meets at least one of these criteria:

- Supplier revenues earned from the Company exceed *five* million dollars
- Company contract with significant subcontracting activity
- [high impact](#) contracts with a contract value exceeding one million dollars

NMSDC, National Minority Supplier Development Council—The global leader in advancing business opportunities for its certified Asian, Black, Hispanic and Native American business enterprises and connecting them to member corporations. Chartered in 1972, it provides increased procurement and business opportunities for minority businesses of all sizes.

nonconforming material—Material that is not identical to the ordered material.

non-critical supplier—A supplier is one that provides an item or service that is not a core item for the Company to function.

non-ordinary course—An asset sale outside the [ordinary course of business](#) such as (a) scrap resulting from demolition of fixed assets (power facilities and structures on mining land), (b) property, plant, and equipment that includes land, fixtures, machinery, tools, furniture, vehicles, etc., and (c) large-scale inventory liquidation.

notice period—A period required for the Court to approve an asset sale or for creditors to file an objection to a sale.

obsolete items—Repair parts and materials that no longer have an application at a particular location. Parts become obsolete when equipment is modified, removed, or changed. The modification or improvement of components can also cause superseded parts to become obsolete. An item can be obsolete in one location and not another. If the system no longer has a need, the material should be returned to a supplier or salvaged.

order unit—The standard unit by which an item is ordered that can differ from the issue unit. See [issue unit](#). Legacy terminology is Unit of Measure ([UOM](#)).

ordinary course of business—Transactions (including asset sales) permitted with and without Court approval. The Court has authorized the Company to sell certain [de minimis](#) assets with a net sale price of *less than or equal \$5 million*. Sale price equals the received net proceeds or sale price minus removal, appraisal, broker, transportation, and other related costs. Courts apply [vertical tests](#) and [horizontal tests](#) to determine if an asset sale is within the ordinary course of business. Non-ordinary course excludes items such as fly ash sales, timber sales as part of normal mine clearing, ordinary sales of excess fuel and supplies, and certain immaterial sales of inventory.

organization—A record that identifies a unique legal entity. The data set for an organization includes information that companies or other distinct legal entities might share, such as calendars, vendors, and financial information. An organization can contain one or more sites. See [site](#).

overage—When the quantity of material physically received at the Company location exceeds the ordered quantity.

owner—The primary person or work group who is accountable for the custodianship and access to Company [Information](#) or [IT Assets](#).

Partner Supplier—A supplier that (a) maintains a vital relationship with the Company, (b) actively works with the Company to lower operating costs, (c) transparently shares technical information, (d) open to sharing cost information, (e) very little competitive bidding, and (f) is measured on cost, quality, delivery, and responsiveness. These suppliers are seen as an extension of the Company and relationships are strong at all levels between the Company and the suppliers.

P/N-X, Part Number Cross Reference—Subsystem that helps the user to obtain the [Item](#) identifier of the material using a manufacturer's part number, a generic description, or any other cross-reference maintained in the file for an item ID.

personal property Company assets—Company materials, supplies, or equipment that authorized personnel can dispose, reuse, or sell. These assets exclude land and facilities (real property). See [Examples of Company Material and Equipment Assets](#) on page 251 for a list of these asset types.

PM, Preventive Maintenance—Actions that detect, preclude, or mitigate degradation of functional structures, systems, and components to sustain or extend its useful life by controlling degradation and failures to an acceptable level.

PMMS, Purchasing and Materials Management System—A deprecated Company supply chain application.

PO, Purchase Order—An authorized order between the Company and a selected supplier (external or internal) to render goods or services.

policy—The Company's predetermined approach or course of action established to guide current and future decision-making. Policies describe what must be done. Policies have wide application, do not change frequently, and support the Company's principles, higher-level policies, and initiatives.

PR, purchase requisition—A request issued internally to a purchasing department to order items or services. A PR is created automatically through the *Work Order Tracking* application once a work order (WO) is approved. Alternatively, a manual PR can be created, but must to be tied to an existing work order. Legacy terms are *Parts Request Form (PRF)* or *Material Request for Purchase (MRP)*.

PRISM—A searchable database of [MBEs](#) used by National Minority Supplier Development Council ([NMSDC](#)) members.

procedure—A Company approach, standard, guideline, and method by which an activity described in the policies can be accomplished. Typically how a policy, principle, or initiative is performed. Procedures are more task-oriented, narrow in application, change more frequently, contain more detail, and support higher-level policies.

procurement—The Company approved sourcing, requests, bidding, supplier selection, and governance policies and procedures. These key functions include **(a)** approving purchase orders, **(b)** requesting quotes, **(c)** creating Pos, **(d)** revising POs, plus **(e)** verifying, negotiating, developing, and issuing contracts.

Procurement Process—The Company Approved policies and procedures governing all Sourcing and Supply Chain processes. These policies and procedures can be specific to a spend category or encompass a more general area of supply.

Purchasing Subsystem—Subsystem that provides for the acquisition of material and services for both inventory and direct charge using the issuances of purchase orders and contracts. POs and contracts can be issued using postal mail, FAX, electronic data interchange, email, or Internet.

punch-out catalog—An online catalog (generally an E-Catalog) created with standard Punchout protocols such as cXML punchout which connects the punchout website to a Company's e-procurement system. It is hosted and maintained by the vendor.

quantity currently reserved—Total number of items reserved for approved work orders and for internal purchase orders. Legacy term is *committed*.

quick links—Link that provides quick access to EAM applications actions and report views specific to a job junction.

RACF, resource access control facility—An IBM licensed program that provides access control by identifying users to the system; verifying users of the system; authorizing access to protected resources; logging unauthorized attempts to enter the system; and logging accesses to protected resources.

receiving—Provides for the receipt of all material and services. Also, it allows for exception reporting for damaged or incorrect material (inspection receiving) and including QC Inspection Receiving. Legacy term is *dock-to-stock*.

regulated materials—Materials identified by the Texas Hazardous Communications Act ([THCA](#)) and Title III of the Superfund Amendments Reauthorization Act ([SARA](#)) which could be potentially hazardous if not properly handled and administered. This includes, but is not limited to, substances such as liquids (except tap or bottled water), confined gases, fuels, lubricants, or consumable solids (that is, ones which are used up such as welding rods, solder/leads, pellets, granules, or powders—this does not include solids which are used but retain their original shape such as nuts, bolts, wire, wood, structural members, tape, or gloves). Any items considered hazardous cannot be purchased without a Material Safety Data Sheet ([MSDS](#)) on hand.

release purchase order—A purchase order for a portion of the total amount or lines specified on an associated volume contract.

reorder point—The quantity at which an inventory item should be reordered so that its in-stock balance does not fall below the level designated as safety inventory during the lead time for the order. This level triggers either a manual or automatic reorder of items or material using the [EOQ](#). This reorder point and Economic Order Quantity ([EOQ](#)) replaces the legacy *min/max values* and *ROP* terms.

repairable item—Refers to a component, equipment, or repair part designated as an item which can be economically repaired. The repair can be made by Company personnel or by a qualified supplier.

repairability code—Indicates the current reparability code and the new reparability code. A blank designates an item as *Not Repairable* and an **R** designates it as *Repairable*.

requisition—A request for an asset, item, tool, or service. The Company procures the requested entity from a vendor or acquires it by an inter-departmental transfer.

RF, Radio Frequency—Wireless communications that helps warehouse users relay information using radio frequency waves from a terminal to a base station, which is linked to a computer. When combined with a bar-code system to identify inventory items, an RF system can relay inventory information instantly.

RFI, Request for Information—A standard business process to collect written information about the capabilities of various supplier products and services.

RFP, Request for Proposal—A request issued at an early stage in a procurement process, where the Company presents an invitation for suppliers, often through a bidding process, to submit a proposal for providing a specific commodity or service.

RFQ, Request for Quote—Created from a [PR](#) and sent to suppliers to solicit pricing for goods or services.

reserve inventory—A feature of the [EAM](#) (Supply Chain Technology) in which the requester can place planned material requirements to be ordered or placed in reserve.

risk management—Process for minimizing risk and exposure to the Company, which is included in the bid evaluation process.

RMA, Return Materials Authorization—A form/number required with a warranty/return that helps the vendor identify the original product and reason for the return.

RMF, Risk Management Forum—A Company event where Supply Chain personnel (a) identify the risks to the Company supply base, (b) assess problems the Company would face when a supplier fails, and (c) develop both short-term and on-going responses to mitigate the risk.

rotating asset—Individual asset records associated to a rotating item record. Multiple rotating assets may be associated to a rotating item. Associating an item and an asset displays related spare parts to the Company supply chain and work management groups.

rotating item—An inventory managed single asset that is uniquely identified by a combination of an EAM rotating item and asset numbers.

rotating spare—An asset reserve stored in the warehouse that usually is a critical and high-value component. The Company uses these assets to replace similar assets immediately in case of a breakdown. These assets can be refurbished many times for defects or wear, and then made available again as spare parts.

RR, Receiving Reports—Displays all bin locations for all warehouse inventory which should be shelved in the proper bin/row location as quickly as possible, preferably the day of receipt.

RTW, Return to Warehouse—Material or items returned to a warehouse after a project. Other items go to salvage (scrap) or sold.

rule of at least one—For every procurement sourcing event there must be the inclusion of at least one qualified minority- and women-owned business to have equal opportunities to participate in the Company Procurement process.

SAR—Acronym for [Stock Action Request](#). The legacy term is *SAR*.

safety stock—The minimum inventory level of an item that should always be available at the associated storeroom location.

SB7, Senate Bill 7—The Senate law that defines...

SBA, United States Small Business Administration—An autonomous U.S. government agency that promotes and strengthens the overall US economy by assisting small businesses. The SBA provides counseling to help people start and grow businesses. The SBA regulations define a small business, disadvantaged business enterprise, and a hub zone.

SBC, standard blanket contract—A supplier agreement for a defined or general scope of work, established terms and conditions, and pricing structures. An agreement (not a contract) used to direct the automatic replenishment of inventory or acquire direct charge material. A person creates a SBC by various means, including competitive bids, negotiation, or a single source price catalog. The SBC establishes the duration of the agreement, items identification, pricing, max quantities, freight terms, and any other obligations and conditions. The executed contract resides in the Contract Management application and a copy of the contract exists in the EAM system. See [funded blanket contract](#). Legacy terms are *blanket purchase agreement (BPA)*, *Contract for Services*, and *assigned task agreement (ATA)*.

SDM, Salvage Disposal Memorandum—An electronic form used to request reassignment, disposal, or sale of Company assets.

SDI, Supplier Diversity Initiative—A Company initiative that supports the development and use of [diverse firms](#). This commitment enhances the economic development of communities and strengthens the Company's competitive advantage in the marketplace.

SDT, Supplier Diversity Team—Supply Chain members implementing the Supplier Diversity Initiative.

SDVOB, Service Disabled Veteran-Owned Business—Not less than 51% of which is owned by one or more service-disabled veterans, or in the case of any publicly owned business, not less than 51% of the stock of which is owned by one or more service-disabled veterans; and the management and daily business operations of which are controlled by one or more service-disabled veterans, or in the case of a veteran with a permanent and severe disability, a spouse or permanent caregiver of such veteran.

Second Tier Direct—A supplier that invoices the first-tier supplier, or Participating Tier 1 Supplier, for goods and services directly tied to the fulfillment of a Company contract.

Second Tier Allocated Indirect—Products and services which *cannot* be identified in support of specific *customer* requirements, typically referred to as "allocated" based on a percentage of revenue.

That is, Participating Tier 1 Supplier total dollars spent with Diverse Firms calculated as a percentage of participating Tier 1 Suppliers sales to the Company.

Example: Participating Tier 1 Supplier Total Diverse Spend is \$1,000,000 and total sales to the Company is 5% of Participating Tier 1 Supplier total revenues. Second Tier Allocated Indirect credit would be \$1,000,000 (Total Diverse Spend) divided by 5% (Total sales to the Company) = \$50,000.

SER, Supplier Evaluation Risk Score—A key performance indicator (range 1–9, alert>5) that a supplier's financial, operating, commercial, legal, and geopolitical risk factors require monitoring.

service request—A request from a user for help, information, advice, or access to an IT service. Legacy terms are *trouble ticket* and *backlog*.

shelf life—Items that deteriorate or have unstable characteristics, that a storage time period must be assigned to assure that they perform satisfactorily when placed in service. The Shelf Life Code indicates the current shelf life code and the new shelf life code. For example, **6** denotes six months and **72** denotes six years.

shortage—Quantity of material physically received at the Company location is less than the quantity specified on the delivery document.

SIC, Standard Industrial Classification—Refers to the classification system used by the United States government prior to Jan. 1, 2003. Generally replaced by the North American Industry Classification System, labor law and some federal departments still refer to the SIC number. Decoding a business' SIC number gives you general information about the business' industry activities.

single-source supplier—A company selected to have 100% of the business for a part/service, although alternate suppliers are available. The Company can frequently have only one supplier for a purchased part so that close relationships can be established with a smaller number of suppliers. These close relationships (and mutual interdependence) foster high quality, reliability, short lead times, and cooperative action. See *sole-source supplier*.

site—A work location, such as a plant or facility. See [organization](#).

SLA, service level agreement—A contract between the Company and a service provider that specifies the expectations for the level of service with respect to availability, performance, and other measurable objectives. An SLA can be used within Company business units to define the expected duration needed by one business unit to complete a specific task for another business unit.

small business—The [SBA](#) defines a small business concern as one that is independently owned and operated, organized for profit, and not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period. Examples of SBA general size standards include:

- **Manufacturing**—Maximum number of employees may range from 500 to 1500, depending on product type
- **Wholesaling**—Maximum number of employees may range from 100 to 500 depending on the particular product
- **Services**—Annual receipts may not exceed \$2.5 to \$21.5 million, dependent on provided service
- **Retailing**—Annual receipts may not exceed \$5.0 to \$21.0 million, dependent on provided product
- **General and Heavy Construction**—General construction annual receipts may not exceed \$13.5 to \$17 million, depending on the type of construction
- **Special Trade Construction**—Annual receipts may not exceed \$7 million
- **Agriculture**—Annual receipts may not exceed \$0.5 to \$9.0 million, depending on the agricultural product.

small package (Parcels)—Shipments under 24" Length x 24" Height x 24" Width and 1lb to 70 lbs.

SO, shipping order—An order prepared for materials being returned to the supplier. (See [Accounting Policy and Procedures 60-10 Material Shipped Off-Site](#).)

sole-source supplier—Those sources that provide highly specialized services and from which all required design and construction services must be procured. Nuclear power plants are an example of projects whose complexity requires that the client seek design and construction services from a single source that specializes in construction facilities to house nuclear technology. See *single-source supplier*.

sourcing lead—Supply Chain individual responsible for processing a material request through the procurement process. This role includes such titles as procurement specialist, site buyers, supply chain personnel responsible for supplier selection.

specification attribute—Item attributes used to distinguish one item from another. Legacy term is *part num.*

SRM, Supplier Relationship Management—an all-inclusive approach to managing the affairs and interactions with the organizations that supply your company with goods and services. This includes communications, business practices, negotiations, methodologies and software used to establish and maintain a relationship with a supplier. Benefits include lower costs, higher quality, better forecasting and less tension between the two entities that result in a win-win relationship.

SRMP, Supplier Risk Management Program—A program designed to systematically identify, mitigate, manage and eliminate supply base issues that can result in a significant disruption or increased cost to the Company. Supply Chain (SC) selects suppliers based on total annual spend and criticality. By segmenting the supply base and basing governance on a supplier's role and importance, SC can better anticipate and prevent disruption with its limited resources. (See [SRM01—Supplier Segmentation Procedure](#) and [SRM02—Risk Management](#) procedures for more details.)

SSI, Supplier Stability Indicator—A key performance indicator (range 0-10, alert>5) indicating the likelihood of a supplier continuing to provide goods and services to the Company.

Standard Purchase Orders for Materials or Services—Purchase contract associated to a Standard Blanket Contract ([SBC](#)). Legacy term was *Assigned Task Requests*.

Standard Purchase Order for Service—Legacy term was *Contract for Services*.

Standard Purchase Order for Services—Legacy term was *field contract*.

standard service—Service defined in Service Item Master of the EAM. To create a contract for standard service, there must only be a single standard service item per one service, one vendor, or one contract.

Start Center—EAM Home page that provides you quick access to the applications and functions you most often use, based on the security and roles level tied to your ID controls. This page lists tasks assigned to you or request to approve some action as part of a workflow.

statistical data—There are several different methods to determine the effectiveness of daily warehouse operations. The inventory-turn ratios are figured to show the actual turnover of inventory dollars. Inventory turn ratio represents the relationship between the values of the last 12 months issues divided by the average inventory value for the same 12 months.

Stock Action Request—An asset record used across the Company enterprise to make changes to an EAM item or inventory record. Once created it is routed using a workflow to the necessary approvers who can approve or reject requested changes to the EAM records. If the proposed change has a financial impact, the workflow adjust approvals according to the delegation of authority (DOA). (*Alternate*) A Material Identification Document used to set up materials, supplies, repair parts, components, or equipment as inventory. Legacy term is *SAR*.

Stocking Levels/Material Replenishment Needs—The IC&A system applies inventory control formulas to items with demand, and automatically computes replenishment quantities for those materials.

stock material—Materials, supplies, repair parts, components, or equipment having (a) a Company Item assigned, (b) has a standard purchasing description, and (c) kept in inventory at a Company warehouse for use.

storeroom—A physical location where items are stored.

Strategic Supplier—A supplier that is essential for our Company to function. These firms typically supply goods and services essential to support ongoing operations, maintenance, and specialized support. These suppliers are characterized by (a) active monitoring for operational efficiency, (b) fixed pricing, (c) proactively helps Company lower operational costs, (d) can provide training to operations, and (e) Company measures supplier performance in all areas. Relationships are strong at all levels between the Company and supplier.

subcontract—Agreement or arrangement between a contractor and a party or person, which the parties do not have an employer or employee relationship. The subcontract is for furnishing of supplies or services for the use of real or personal property, including lease arrangements, which in whole, or in part, is necessary to the performance of any one or more contracts; or under which any portion of the contractors obligation under any one or more contracts is performed, undertaken or assumed.

Supplier Code of Conduct—Details the rules and regulations in regard to conducting business with the Company.

Supplier Diversity Status Profile—A form that provides the proper coding and certification of diverse and non-diverse Company suppliers. All awarded suppliers must complete this form.

Supplier Intelligence Tool—Software that provides (a) supplier on-boarding and discovery, (b) supplier qualification (diversity, safety, financial, insurance) and compliance, (c) supplier segmentation, and (d) supplier performance (and risk) management. Currently the Company uses the PowerAdvocate® product.

supplier segmentation—Designing and operating distinctly different end-to-end value chains (from Company business units to suppliers) optimized by a combination of unique customer value, product attribute, manufacturing and supply capabilities, and business value considerations. In essence, supplier segmentation combines the dynamic alignment of business unit demands and supply response capabilities, optimized for net profitability and availability.

Supply Change Management—The internal or external organization function, or activity within or providing services to each business unit that has central overall management responsibility for purchasing activities, including obtaining optimal commercial terms and conditions, plus making supplier selection.

Supply Chain Personnel—Any Company employee who works in the Supply Chain Department.

TCO, Total Cost of Ownership—A concept that examines all of the costs related to the acquisition, transportation, and storage of products within the supply chain. Factors that impact this value include (a) shipping costs, (b) shipping time, (c) inventory and buffer inventory, (d) quality costs, (e) currency fluctuations, (f) payment terms, (g) risk management measures, (h) intellectual property, and (i) supplier oversight costs.

term—Similar to a representation, but the truth of the statement is guaranteed by the person who made the statement therefore giving rise to a contractual obligation. For the purposes of Breach of Contract, a term can further be categorized as a [condition](#), warranty, or innominate term.

third-party certifier—A recognized certifying entity that documents size or ethnicity, gender, military status, and ownership of suppliers that are part of the Supplier Diversity Initiative. See [WBENC](#).

ticket—A record, such as a service request, incident, or problem report, that can be routed and assigned a status.

TL, truck load—Flatbed & VAN (van is an enclosed trailer) shipments between 10,000 lbs and 46,000 lbs.

To Site, To Storeroom, SHIP TO, or To Bin—Destination for a transfer. Legacy term is *To Location*.

transaction code—The code, entered into the system, to transfer inventory to the correct destination upon receipt of an approved material request for transfer ([MRT](#)).

transfer—Movement of materials between two storerooms. Inventory material transfers help cash flow, reduces excess inventory, distributes obsolete and excess material to possible users, reduces cost of purchasing, and is overall a good business practice for Company.

UNSPSC, United Nations Standard Products and Services Code® (UNSPSC®)—An open, global, multi-sector standard for efficient, accurate classification of products and services. UNSPSC is an efficient, accurate, and flexible classification system. It helps companies display company-wide spend analysis, enables procurement to deliver on cost-effectiveness demands, and allows full exploitation of electronic commerce capabilities with its five-level, hierarchical classification codeset.

UOM, Unit-of-Measure—Current unit of measure and the new unit of measure; also includes the conversion factor from the old to new measurement units.

user—Company employees (also contractors, vendors, visitors, and other appropriate persons) who use or [access](#) Company [Information](#) or [IT Assets](#).

usage type—Legacy term was *action*.

VA/VE, Value Analysis/Value Engineering—A systematic, procedural decision-making process used to help organizations generate alternatives to secure essential functions at the greatest worth, as opposed to costs.

Valued Supplier—A supplier who (a) provides quality products at fair prices, (b) can work with pricing agreements, (c) provides products and services when required, (d) ensures costs are competitive, (e) provides a unique technical service or product, and (f) is important for community, diversity, or environmental stewardship. A small percentage of these suppliers are measured, based on annual spend.

Vendor—A supplier who has (a) little more than a buy/sell relationship, (b) sale price increases often, (c) no performance indicator measured, (d) little or no recurring spend, and (e) potential to move business to [Strategic Supplier](#) or [Valued Supplier](#) segment. The Company often uses the terms *supplier* or *vendor* to denote an external company that provides items, direct charge material, or services.

vertical test—Inquires whether a transaction is consistent with the expectation of creditors in light of a debtor's prepetition conduct and business practices. Courts look at transaction size, asset value, transaction frequency, asset type and relation to debtor's core business, and unusual sale factors.

visible damage—Damage to material discovered at its delivery time to the Company location.

VMI, Vendor-managed Inventory—The Company provides certain information to a supplier of a product and the supplier takes full responsibility for maintaining an agreed inventory of the material, usually at the Company's warehouse. VMI helps foster a closer understanding between the supplier and the Company by using Electronic Data Interchange formats, EDI software, and statistical methods to forecast and maintain correct inventory.

VOB, Veteran-owned Business—Not less than 51% of which is owned by one or more veterans, or in the case of any publicly owned business, not less than 51% of the stock of which is owned by one or more veterans; and the management and daily business operations of which are controlled by one or more veterans.

warehouse—The location of a particular item. Legacy term is *storeroom*.

warehouse location—The place where a product is stored in the warehouse. Typically consists of a sequence of letters and numbers which identifies the aisle, bay, shelf, and so forth.

warranty—A promise that purchased goods or services conform to purchase order or contract specifications. Additionally, they conform to the terms and conditions or performance criteria.

WBCS, Women's Business Council Southwest—A nonprofit organization, provides Women's Business Enterprise (WBE) national certification on behalf of the Women's Business Enterprise National Council (WBENC). This widely recognized certification validates that a company is at least 51% owned, operated and controlled by women.

WBENC, Women's Business Enterprise National Council—Largest third-party certifier of businesses owned, controlled, and operated by women in the United States. WBENC is also the nation's leading advocate of women-owned businesses as suppliers to America's corporations.

WBENCLink—Searchable Database of WBENC certified WBE's for [WBENC](#) members only.

WBE, Women Business Enterprise—An independent business concern: that is at least fifty-one percent (51%) owned and controlled by one or more women who are U.S citizens or lawful permanent residents. For publicly owned business, at least fifty-one percent (51%) of the equity is owned and controlled by one or more women who are U.S citizens or lawful permanent residents, plus one or more women owners control the management and daily operation business operations.

workflow—The structured sequence of activities and tasks that are used to implement a specific change, release, or other process, including automatic routing and tracking of records for approval.

Appendixes

These appendixes provide additional details to support the Company policies and procedures.

A01–Equipment Criticality, Spare Parts, and Critical Codes

Critical Item Codes

Table 5: Spare Parts Criticality (Service Level)

Level	Designation	Description
A	Very Critical	Must not be without this item (Service Level is 99%)
B	Critical	Should have item if possible, but most of the time could maintain service (Service Level is 98%)
C	Routine, non-Critical	Able to maintain service without the part. (Service Level is 95%). <i>Items not coded A or B should be coded C.</i>
D	Special	Used <i>only</i> by Materials Management Analysts to identify material that is not turning (measured with a 12-month rolling average and criticality analysis) and a potential candidate for removal from inventory upon review.

Table 6: Equipment Criticality

Level	Designation	Description
1	Critical to Unit	Immediate loss of Megawatts, environment impact, safety, large repair cost, Generating equipment has no backup
2	Affects the Unit	Unit has spare, could cost Megawatts over time, efficiency issue, medium repair cost, generating equipment with backup
3	Non-Critical	Outage does not affect Megawatts, safety, environment, and low repair cost. Non-generating equipment, service facilities, vehicles, roads, and grounds.

Table 7: Criticality Code (Item Service Level)

Code	Service Level	Description
A	99%	Unsafe condition, outage, or a reduction in output results.
B	98%	Critical–inconvenient, but does not cause downtime or unsafe conditions.
C	95%	Routine–Routine inventory, but there may be a substitution if required.

A02–Supply Chain Database Subsystems

A set of retired Company databases that support supply chain functions for unique material item catalog, cross-referencing part numbers, performing material requests, transfers, and issues, maintaining inventories, purchasing material and services, receiving materials and services, and paying suppliers.

Table 8: Supply Chain Database Subsystems

Database Subsystem Name	Description
Corporate Item Master (CIM)	Provides information related to the description and individual characteristics of each item of material set up in Supply Chain Technology.
Part Number Cross Reference	Helps the user to obtain the Item ID of the material using a manufacturer's part number, a generic description or any other cross-reference maintained in the file for an Item ID.
Material Request Subsystem	Helps the user request material using an on-line computer system. Material can be requested for purchase, for transfer from one warehouse to another, or for issue from a warehouse.
Inventory Control & Accounting (ICA)	Provides characteristics and attributes of Company inventory (such as order and quantity information) and pseudo inventory numbers for scientific inventory control techniques, statistical reporting, and computer logic for inquiries.
Purchasing	Provides for the acquisition of material and services for both inventory and direct charge using the issuances of purchase orders and contracts. POs and contracts can be issued using postal mail, FAX, electronic data interchange, E-mail, or Internet). You can search the database for purchase orders.
Dock-to-Stock	Dock-to-Stock provides for the receipt of all material and services. Also, it allows for exception reporting for damaged or incorrect material (inspection receiving) and including QC Inspection Receiving.
Manufacturing Management	Database contains a Plant Item Master and product structure called Bill of Materials (BOM) through which materials can be located by application or usage.
Accounts Payable	Subsystem to create vouchers where the Company pays invoices for goods and services. Supply chain match rules are applied

A03-MBE, Minority Business Enterprise

A minority-owned business is a for-profit enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members. "Minority group members" are United States citizens who are Asian, Black, Hispanic, and Native American. Ownership by minority individuals means the business is at least 51% owned by such individuals or, in the case of a publicly-owned business, at least 51% of the voting stock is owned by one or more such individuals; further, the management and daily operations are controlled by those minority group members.

Table 9: Minority Business Enterprise Group Classification

Group Name	A US Citizen...
Asian Indian	Whose origins are from India, Pakistan, or Bangladesh.
Asian Pacific Islander	Whose origins are from Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, the U.S. Trust Territories of the Pacific, or the Northern Marianas.
Black / African American	Having origins in any of the Black racial groups of Africa.
Hispanic	Of true-born Hispanic heritage, from any of the Spanish-speaking areas of Latin America or the following regions: Mexico, Central America, South America and the Caribbean Basin only.
Native American	<p>A person who is an American Indian, Eskimo, Aleut or Native Hawaiian, and regarded as such by the community of which the person claims to be a part.</p> <p>Native Americans must be documented members of a North American tribe, band or otherwise organized group of native people who are indigenous to the continental United States and proof can be provided through a Native American Blood Degree certificate (that is, tribal registry letter or tribal roll register number).</p>

A04–Material Receiving Action Codes

These tables represent the possible Action Codes used in Receiving Reports (RR) and displayed on ERP screens.

Table 10: Action Codes (Non-Comanche Peak)

Code	Description
CAN	Line item cancelled
FNL	Final disposition of line item determined: accepted into inventory or returned to supplier
INS	Item received All or part of the received quantity is awaiting inspection
RTN	Item returned to supplier
STK	Total received quantity for the line item accepted into inventory
BUY	Line item routed to Purchasing for comments

Table 11: Action Codes (Comanche Peak Only)

Code	Description
ACK	Acknowledging material has arrived on dock
APP	Line item approved for inventory by QC at the Operations Warehouse
APR	Line item approved for inventory by QC at the Construction Warehouse
CPA	Line item routed for comments to Accounting
CPC	Line item routed for comments to Construction Warehouse
CPE	Line item routed for comments to Supply chain Engineering
CPP	Line item routed for comments to Purchasing
CPQ	Line item routed for comments to Quality Control
CPW	Line item routed for comments to Operations Warehouse
PQA	Line item routed for comments to Purchasing Quality Assurance

A05–Salvage and Disposal of Assets–General Information

Investment Recovery sells or authorizes the sale of all Company assets. Salable items can be disposed of by retail sale, consignment sale, wholesale sale, auction, competitive bidding, negotiation, or published price list.

Organizations controlling or accountable for Company assets have the responsibility to identify surplus assets, obtain management approval for disposal, and notify *Investment Recovery* of asset availability.

Company personnel

- Prepare an electronic Salvage Disposal Memorandum ([SDM](#)) using Disposal Tracking System (DTS) found at URL: http://ddcshrpmmpv01:8080/cqe_dts/actioner?action=login
- Send the SDM to obtain proper authorizations.

On-Site Personnel

- Tag material or equipment to indicate SDM request reference number.
- Securely store item.

Examples of Company Material and Equipment Assets

- Generating plant equipment
- Vehicles—automobiles, pickups, work equipment (Vehicles not associated with Company’s Mining business units are handled by Company’s Transportation Services Group.)
- Surplus materials—operating and construction
- Obsolete materials
- Scrap metals (ferrous and non-ferrous)
- Cranes and accessories
- Railroad equipment and accessories
- Transformers and substation equipment
- Communication equipment
- Mining equipment

The above list excludes land and facilities (real property) and is not a complete listing of asset types.

Real estate agents or brokers can be used in the sale of real property such as land, land rights, mineral rights, right-of-way, buildings, and other items, when disposal of these assets is required by *Investment Recovery*.

Investment Recovery may locate and contract services such as, but not limited to, auction companies, scrap metal suppliers, brokers, or demolition companies. *Investment Recovery* can act as contract coordinator to the service company to ensure proper contract compliance. *Investment Recovery* can conduct a periodical audit of service companies to monitor effectiveness.

Investment Recovery minimizes liability by recognizing potential risk when responding to Salvage Material Memorandums. *Investment Recovery* refers salvage that has potential risks associated with it to the proper Company organization for resolution.

Third-party companies can conduct sales by the public auction when necessary.

Investment Recovery personnel arrange for vehicles, computers or other equipment leased from third-party leasing companies to be returned to the leasing company or sold.

Items, other than those covered by contract, can be sold on a first-come first-serve arrangement with all sales final. All sales are subject to state and local sales tax, unless exempt. For a tax-exempt sale, the buyer must furnish a tax exemption affidavit.

When it is determined to be in the best interest of the Company to donate assets for purposes of promoting charity, goodwill, public relations, community relations, employee relations, etc., transactions must be documented and charged using approved accounting procedures. These transactions are approved by the Company's appropriate business unit management or their designated representatives. Properly documented blanket approvals, under certain circumstances, can be appropriate.

Investment Recovery establishes procedures and coordinates with other organizational units the appropriate documentation of all company assets which are disposed of by sale, auction, consignment, competitive bidding, negotiation, published price list and other methods. This documentation includes all items disposed of to employees, customers and others. Investment Recovery maintains documentation appropriate to the transaction, such as authorizations, value calculations, sales alternatives, plus support and record of sales on all dispositions.

Company Sale to Employees

The Company cannot sell or give Company assets to employees, with the exception of sales through public auction companies open to the general public. Any exceptions regarding sale to employees must be approved by the Company Business Unit President and written documentation provided to Investment Recovery.

Valuation of Disposable Items

Automotive Equipment

Automotive and other titled work equipment is typically accumulated and sold using the auction process. Investment Recovery uses appraisal and establishment of a selling price by personnel, and by the solicitation of bids as other disposal methods.

Scrap Metal

Investment Recovery (IR) conducts a bidding process for regularly generated scrap metal contracts. IR annually reviews requests for bids.

Office Furniture

Sales prices for office furniture or equipment are established by Investment Recovery after considering the current market value of each item. The condition, vintage, historical prices, manufacturer, construction material, and other factors affect the prices assigned to each item.

Reuse of Surplus Assets

Surplus assets can be assigned to other organizations within the Company, to the maximum extent practical. Organizations with requirements for the assets should inquire as to availability and, as appropriate, Supply Chain (Investment Recovery) personnel can notify organizations of available assets.

Operating personnel can store specific items to obtain equipment spare parts. A hold on these items should be requested in writing by the appropriate management and forwarded to Investment Recovery. A review of each hold item takes place after twelve months and the original requester is re-contacted concerning equipment status.

Other Miscellaneous Items

- Investment recovery establishes unit prices on many salvage items in inventory after considering the current market demand, supply, and historical prices of the items. The prices can be set for each unit or on a per-pound basis, depending on the most suitable method.
- Special equipment such as power circuit breakers, switches, valves, pumps, or motors can be sold over the counter. However, Investment Recovery can notify companies and individuals who have historically purchased such items, of their availability at a specified price or with a bid solicitation.
- Specialized mining and generation equipment such as railroad cars, bull dozers, heavy equipment, and so forth.
- Notices of public auctions or sales can be distributed to the Company’s business unit management and, at their discretion, posted for employees.
- Investment Recovery informs individual employees concerning the sale of specific assets, if a written request is made by an employee. Any sale to employees must comply with the Company’s policy.

A06–Sale and Abandonment Notices

Sale and Abandonment Notice Parties

- U.S. Trustee
- Proposed Counsel to the Creditors' Committee
- Parties affected by the sale or transfer:
 - Counsel to a creditor asserting a lien—Contact Ashlie Alaman for information regarding funded debt liens and mechanics liens, and Emily O'Brien regarding tax liens.
 - Parties requesting notice under Bankruptcy Rule 2002
 - Counsel to Texas Competitive Electric Holdings (TCEH) DIP Agent
 - Counsel to the Ad Hoc Committee of TCEH 1st Lien Creditors
 - Affected or interested government entities or regulatory agencies, including taxing authorities, as well as any regulatory or government entity to which you would normally provide notice of such sale.

Sale Notice Documentation

For sales between \$250,000 and \$5 Million, the Company must provide **10 days notice** to the Sale Notice Parties and disclose this information:

- Description of asset
- Debtor selling the asset
- Purchaser buying the asset
- Purchase price and terms of payment
- Asset book value
- Marketing or sales process description, including commissions paid to third parties
- Significant terms of the sale
- Determine any limitations on the asset ownership³
- Identities of lien holders
- Any affected or interested government entities or regulatory bodies

Abandonment Notice Documentation

The Company can abandon *de minimis* assets with a book value of \$15 million or less. The Company must provide **10 days notice** of such abandonments to the Abandonment Notice Parties, and disclose this information:

- Description of abandoned asset
- Debtor owning the asset
- Reason for abandoning the asset
- Asset book value
- Determine any limitations on the asset ownership¹
- Identities of lien holders
- Any affected or interested government entities or regulatory bodies

³ An encumbrance is a limitation on the asset ownership. When an asset is unencumbered, there are no ownership limitations.

A07–New Asset Sales / Abandonment Procedures–Court Ordered

In accordance with the requirements of the Court, the Company has established new procedures for asset sales or abandonments (effective June 24, 2014) as described in the *De Minimis Asset Sales* PowerPoint Presentation. These additional procedures are in effect until Court provides new guidelines to the Company or the Company emerges from bankruptcy.

Procedures Summary

- All Company asset sales (except for fly ash sales and normal timber and scrap bin sales) shall be reported to the Company Asset Sales Recorder.
- All Company non-ordinary course sales of between **\$250K** and **\$5 million** shall be reported to Company Asset Sales Recorder at least 12 days before the expected sale date. This permits legal review and filing with certain creditors (see A06–Sale and Abandonment Notices on page 254) at least 10 days before the sale is closed.
 - The Court defines non-ordinary course sales to exclude items such as fly ash sales, timber sales as part of the normal mine clearing process, ordinary course sales of excess fuel and supplies, and certain immaterial sales of inventory. If you have any doubt if material meets this definition, contact Tim Hogan or Sujit Bhattacharya.
 - Creditors can use the 10-day notice period to object to any sale of between **\$1 million** and **\$5 million**. Such objection prevents the sale until an agreement is reached with the creditor or the Court approves the sale.
 - The Court defines sales amounts as the net return after subtracting removal costs, appraisal fees, broker fees, and other sale-related costs.
- Non-ordinary course (as defined) asset sales exceeding \$5 million require additional Court approval because they are not covered by the *De Minimis Asset Sale Motion*.
- Any abandonment of assets with a book value of less than \$15 million shall require 10-days notice to certain creditors. Disposal of waste, trash, parts, and similar *assets* is not considered an abandonment if it is an "ordinary course of business" activity.
- All abandonments and asset sales (non-ordinary as defined in reference PowerPoint document) shall be reported to the court and coordinated by Company Asset Sales Recorder. Asset sales of less than \$250K are reported in aggregate once per month.
- Information need to report asset sales and abandonments to Company Asset Sales Recorder is provided in the reference documents.

Reference Documents

- **Detailed Procedures in *De Minimis Asset Sales* PowerPoint Presentation**
De Minimis Motion overview 6.27.2014_Sujit.pptx
- **Reporting Format to Company Asset Sales Recorder:** DeMin Asset Reporting
6 18 2014.xlsx

Table 12: De Minimis Asset Sales Motion Reporting Requirements

Sales \$250K to \$5 Million	Sales Less Than \$250,000	Reporting Information
Yes		Planned Date of Sale (See notice requirements in A06–Sale and Abandonment Notices on page 254 of this guide.)
	Yes	Date of Sale
Yes	Yes	Asset Description
Yes	Yes	Debtor
Yes	Yes	Sale Price
Yes		Purchaser
Yes		Book Value
Yes		Marketing process and Fees Description
Yes		Significant Terms of Sale
Yes		Encumbrance
Yes		Parties Holding Liens
Yes		Regulatory Bodies to Notify

A08–EAM SC Business Support Reference

Methods to Obtain Support for the **EAM** and PeopleSoft Applications

- Call SC Business Support–**214.812.8000**, press option **#1**
- Send email to this address: scsupport@energyfutureholdings.com

EAM Support Teams

These support teams work together to enhance and support the EAM/PeopleSoft application.

Table 13: Support Teams, SC Roles, Responsibilities

Support Team	Support Roles	Responsibilities
SC Admin Support Krakow Team	First tier support calls	Receive and document system incidents from SC teams Route incident to appropriate SC IT team for resolution
Maximo Center of Excellence (COE)	Implementation Mgr Materials Management Sr. Manager IT Apps	Gather training requirements. Deliver training to the SC teams Review, document, and prioritize enhancements Work with PMO to get enhancements approved
EFH IT	System IT changes	New users and vendors
Cap Gemini Application Maintenance (CG AM)	Software development	Work with SC IT team to resolve Maximo system defects Defect—an error, failure, or fault in the Maximo application that produces an incorrect result, an unexpected result, or behavior outside the application design.
Cap Gemini Application Development (CG AD)	Software development	Develops future enhancements to the EAM Application
End User (Business Teams) Group	Communication hub for SC support incidents	Enters a system issue by calling or emailing SC Support Done by Supply Chain teams across the Generation, Mining, Nuclear, and Shared Services business units.
IT Help Desk	HCL Help Desk	Resolves Maximo network-related issues
SC Business Support	SC IT Apps Procurement Tech PeopleSoft support Business Analyst	First tier systems support for SC business teams across the business units Generation, Mining, Nuclear, and Shared Services. Works with CG AM teams to resolve incidents and with CG AD team and Maximo COE in implementing enhancements.

SC Business incident Responsibility Tiers

The SC Business support team handles EAM incidents involving multiple areas. If the primary tier person is unavailable, an end user in a business unit can escalate the incident to the secondary or to the final tier.

Table 14: EAM Application Support Tiers

Application	Primary	Secondary	Escalation
Sourcing and Procurement	?????	SC Business Support Analyst	SC Business Support Management
Warehouse and Inventory	?????	SC Business Support Analyst	SC Business Support Management
e-Commerce	SC Business Support Analyst	?????	SC Business Support Management

Application	Primary	Secondary	Escalation
Reports Key Performance Indicators	???????	SC Business Support Analyst	SC Business Support Management
PeopleSoft	Kisha Dixon	SC Business Support Analyst	SC Business Support Management

EAM Metadata Request Support Contacts

Email address for Supply Chain Support

- SC Business Support – scsupport@energyfutureholdings.com
- IT Help Desk – ITHelp@energyfutureholdings.com

Table 15 and Table 16 list the different types of Metadata Process/Workflow requests with which different business users need EAM application support.

Table 15: Metadata Support Request Action and Contact

Request Type	Team	Request Action Needed	SC IT Contact
Commodity Code	SC IT	Email or call SC Support	SC Business Support
Commodity Group	SC IT	Email or call SC Support	SC Business Support
Criticality Codes	SC IT	Email or call SC Support	SC Business Support
E-Commerce Vendor	SC IT	Email User Access Request form to SC Support	SC Business Support
Freight Codes	SC IT	Email or call SC Support	SC Business Support
Manufacturer Code	SC IT	Email or call SC Support	SC Business Support
New user request	EFH IT	Send email to IT Help Desk (ITHelp@...)	SC Support Team
New Vendor	EFH IT	Send email to IT Help Desk (ITHelp@...)	SC Support Team
Note Codes	SC IT	Email or call SC Support	SC Support Team
Order Units	SC IT	Email or call SC Support	SC Business Support
Organizations	SC IT	Email or call SC Support	SC Business Support
Part Numbers	SC IT	Email or call SC Support	SC Business Support
PO Type	SC IT	Email or call SC Support	SC Business Support
Priority Codes	SC IT	Email or call SC Support	SC Business Support
RFQ Vendors	SC IT	Email or call SC Support	SC Business Support
Security Group assigned to users	SC IT	Email User Access Request form to SC Support	SC Business Support
Ship To locations	SC IT	Email or call SC Support	SC Business Support
Ship To/Legal Names	SC IT	Email or call SC Support	SC Business Support
Ship Via	SC IT	Email or call SC Support	SC Business Support
Site Locations	SC IT	Email or call SC Support	SC Business Support
Store Rooms	SC IT	Email or call SC Support	SC Business Support
Supplier Diversity Codes	SC IT	Email or call SC Support	SC Business Support

Request Type	Team	Request Action Needed	SC IT Contact
Tax Code	SC Admin	Email or call SC Support	SC Support Team
Terms and Conditions	SC IT	Email or call SC Support	SC Support Team
Units Of Measures	SC IT	Email or call SC Support	SC Business Support

EAM Process/Workflow Request Support Contacts

Table 16: Process/Workflow Support Request Action and Contact

Request Type	Team	Request Action Needed	SC IT Contact
Commodity Code to Buyer Mapping	SC IT	Email or call SC Support	SC Business Support
Commodity Group to EC Mapping	SC IT	Email or call SC Support	SC Business Support
e-Commerce to Test Site setup and validation	SC IT	Email or call SC Support	Clayton Thomas
ePeople set up for Catalogs in e-Commerce	SC IT	Email or call SC Support	Kisha Dixon
General Ledger problems with Purchase Order vs. Work Order	SC IT	Email or call SC Support	SC Business Support
Inventory items not auto-creating Purchase Requests	SC IT	Email or call SC Support	SC Business Support
New Remit To Process	SC IT	Email or call SC Support	Clayton Thomas
Phantom reserve quantities on Item ID's (reserve quantity with no backup Purchase Requests)	SC IT	Email or call SC Support	SC Business Support
Purchase Order mismatches	SC IT	Email or call SC Support	SC Business Support
Purchase Orders not auto-approving	SC IT	Email or call SC Support	SC Business Support
Set up Buyer Groups on Person Tab	SC IT	Email or call SC Support	Clayton Thomas
Terms and Conditions Update (URL Link)	SC IT	Email or call SC Support	SC Business Support
UNSPSC Setup and mapping to buyers	SC IT	Email or call SC Support	SC Business Support
Vendor e-Commerce Enablement	SC IT	Email or call SC Support	SC Business Support
Vendor Setup (Set value to A for e-Commerce Maximo and M for just Maximo)	SC IT	Email or call SC Support	SC Business Support
Workflow Admin of PO/PR	SC IT	Email or call SC Support	SC Business Support
Workflow administration of Stock Action Request	SC IT	Email or call SC Support	SC Business Support

A09–EAM Application Status Reference

Each [EAM](#) application/module maintains a status for each type of data record. This appendix describes the common statuses used in the Supply Chain applications.

Inventory Usage Application

Daily use of inventory items sometimes requires materials to move between storerooms. The Inventory Usage application can create Inventory Usage records that track the issue, transfer, and return of inventory items within and across sites.

The Inventory Usage application monitors the balance of inventory items, and issues items directly to work orders, locations, or assets. It helps issuing items against a general ledger account on-site and across sites in an organization.

Note: If the issue, transfer, or return is between sites with different legal entities, the EAM determines tax automatically on the transaction.

Table 17: Inventory Usage Statuses

Status	Description
TRANSFER	All usage lines in the record contain: <code>for transfer only</code> .
ENTERED	Default status for an Inventory Usage record when created. For an <code>ENTERED</code> status, some default fields cannot be changed.
SHIPPED	Personnel removed Item from the inventory storeroom and sent it to its final destination.
COMPLETE	Issue, transfer, or return of items is complete. When you change the status to <code>COMPLETE</code> , the EAM generates the needed transactions to adjust the balance of inventory storerooms.
CANCELLED	Cancelled records cannot be edited, and any staged balances are reversed. You can select this status only if the current inventory usage status is <code>ENTERED</code> or <code>STAGED</code> .
STAGED	Inventory items are ready and waiting to be issued or transferred. When you set the usage record status to <code>STAGED</code> , you must choose the stage bin that you want to use. You cannot change the status of the record to <code>STAGED</code> if the record contains one or more usage lines of the type <code>RETURN</code> . You cannot change the status of the record to <code>STAGED</code> if the status is <code>SHIPPED</code> , <code>CANCELLED</code> , or <code>COMPLETE</code> .

Shipping Application Statuses

The EAM Miscellaneous Shipping Order (MSO) application is a part of the Inventory module. The MSO application tracks all materials shipped off and between sites. The printed MSO accompanies the materials when shipped.

MSOs are used in a number of different situations, including:

- Performing a return to vendor in the Receiving application
- Creating a Work Order or Purchase Requisition for repair
- Creating a transfer in the Inventory Usage application
- Creating a MSO for recording purposes

Table 18: Shipping Statuses

Status	Description
PENDING	Status when MSO is created. Indicates MSO is incomplete. You can edit all fields. Able to change status to WTGPU or CANCEL.
WTGPU	MSO has been completed and material is waiting for pickup. You can edit all fields. Able to change status to SHIPPED, PENDING, or CANCEL.
SHIPPED	Location shipped the Material.
CANCEL	User cancelled the MSO. <i>All fields become read-only and status can no longer be changed.</i>

Inventory Adjustment Reasons

Table 19: Reason Codes for Inventory Adjustments/Return to Vendor

Code	Description
DAS	Damaged at Supplier
DIE	Deficit-Issuing Error
DIT	Damaged in Transit
DIW	Damaged in Warehouse
DRE	Deficit-Receiving Error
ECC	Error on Current Cycle Count (not caught during Recount)
EPC	Error During Previous Cycle Count
OIE	Overage-Issuing Error
ORE	Overage-Receiving Error
PAE	Put Away Error
POD	PO Discrepancy
SEP	Supplier Wrong Part
SEQ	Supplier Error Quantity
TWD	Taken Without Proper Documentation
UME	Unit of Measure Error
UNK	Unknown
URW	Undocumented Return to Warehouse

Stock Action Request Status

Table 20: Stock Action Request Status

Status	Description
APPR	SAR Approved
CAN	SAR Cancelled
CLOSE	SAR Closed
COMP	SAR Completed
REJECT	SAR rejected during the workflow approval process
WAPPR	SAR waiting for approval.

Repair Evaluation (Rotating Spares) Status

This status reflects a repair item’s progress through the evaluation process. The Repair Coordinator upon completion of the evaluation sets the Repair Disposition (Internal/ERC, Vendor Repair, or Scrap). If further evaluation becomes necessary, the Repair Coordinator sets the *Status=HOLD*.

Table 21: Repair Evaluation Status

Status	Description
CAN	Repair evaluation cancelled
CLOSE	All transactions processed
COMP	Evaluation complete
HOLD	Repair evaluation placed on hold
INPRG	Evaluation in-progress
NEW	Repair item in Repair Coordinator’s Start Center awaiting evaluation

Contract Statuses

During the lifetime of a contract (from waiting to start to closed) it can go through nine different states in the EAM Purchase Contract application.

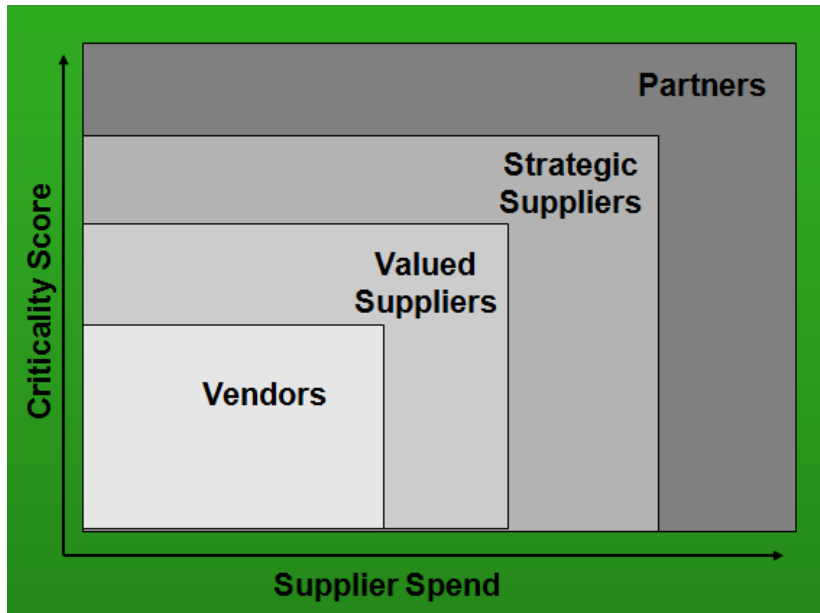
Table 22: Purchase Contract Status

Status	Description
APPR	Approved–Final approval by Company representative (based on requester DOA)
CAN	Contract cancelled and never used
CLOSE	All invoices paid and contract usage discontinued
DRAFT	Initial draft with terms and conditions
PNDREV	Pending revision, not ready for use
REVISED	Contract revised, this contract is historical record only, use updated contract
SUSPND	Contract cannot be used (external factors, such as invoice dispute, safety incidents)
WAPPR	Waiting on Approval (requester’s workflow using delegation of authority)
WSTART	Waiting to Start (EAM contract number assigned)

A10–Supplier Segmentation Background

There are some common expectations for all suppliers, such as cost reductions and on-time delivery of parts and services. However, different expectations of performance exist for each supplier segment (category). Performance measurements of suppliers can also be tailored for each segment. Category and supplier strategies also take into account this supplier classification.

Figure 105: Supplier Segmentation Based on Operation Criticality and Spend



Business Units and Supply Chain personnel classify suppliers into one of four segments: (a) [Partner Supplier](#), (b) [Strategic Supplier](#), (c) [Valued Supplier](#), or (d) [Vendor](#).

Partner Suppliers

- Small number of suppliers
- Relationship is vital to the Company process
- Actively working with the Company to lower operating cost
- Open to sharing cost and technical information (Transparency)
- Seen as an extension of our Company
- All suppliers measured on cost, quality, delivery, and responsiveness.
- Very little competitive bidding
- Relationships are very strong at all levels
- Important to Company for community, diversity, or environmental stewardship

Strategic Suppliers

- Actively monitoring with Company operational efficiencies
- Fixed pricing instead of "discounts" to list
- Pro-actively offers ways to lower operational costs
- Provides training to operations, when necessary
- Relationship is strong at all levels of Supplier/Company
- All suppliers measured on cost, quality, delivery, and responsiveness
- Important to Company for community, diversity, or environmental stewardship

Valued Suppliers

- Provides quality products at fair prices
- Competitive cost
- Pricing agreements possibly in place
- Provides products and services when required
- Measure a small percentage of suppliers (based on annual spend) on cost, quality, delivery, and responsiveness
- Limited or no technically qualified alternatives exist
- Important to Company for community, diversity, or environmental stewardship

Vendors

- Little or no relationship other than Buy/Sell
- Potential to move business to Strategic or Valued Supplier
- All sale price increases are common
- Measure no suppliers in this segment
- Little or no sustaining/recurring spend (may be limited to discrete project bidding)

A11–Supplier Criticality Determination

Prior to performing the Supplier Segmentation (see [SRM01–Supplier Segmentation Procedure](#) on page 22 and [A10–Supplier Segmentation Background](#) on page 264 for details), each business unit assess the amount of impact each of its top-tier suppliers has on their business unit.

Assess Supplier Impact on a Company Business Unit

Each business unit receives a Supplier Segmentation Criticality Worksheet (Excel) pre-filled with potential suppliers with which that business unit has spent money and suppliers with significant spend volume over the entire Company. The Worksheet consists of Yes and No questions that are answered for each supplier using one of seven supplier evaluation areas.

Table 23: Criticality Weighting Factors Used by Each Business Unit

Evaluation Area	Nuclear	Mining	Generation	TXU Energy
Strategic	2	2	2	2
Financial	3	3	3	3
Supply	4	4	4	4
Safety	4	4	4	
Innovation				3
Diversity	1	1	1	1
Market	2	2	2	2

The Supply Chain organization organizes a team (cross-functional when possible) with the greatest knowledge of these suppliers to make the most accurate assessment possible. Participants seek the knowledge necessary to answer the question or make the best educated guess possible.

The team answers all Segmentation Criticality questions (See below) for each supplier it can. The worksheet scores the supplier on a one-to-ten scale of the supplier’s impact upon the business.

Procedure for Scoring Each Supplier’s Impact

- 1 Calculate the (Number of **Yes** Responses / Divided by Total Number of Questions)
- 2 Multiple step #1 by each Criticality Weighting Factor
- 3 Impact Score = (Sum of Individual Area Scores / Sum of Scoring Weights) * 10

Segmentation Criticality Questions

Questions are reviewed every three years (starting in 2015) to ensure that the criticality questions reflect the supplier attributes ([Figure 105: Supplier Segmentation Based on Operation Criticality and Spend](#) on page 264) of each segment.

Note: All questionnaire questions are common across business units, unless indicated in brackets.

Strategic Questions

- Does the supplier provide a service or product which the business could not function without?
- Does the business utilize a majority of the supplier's supply capacity?

- Does the supplier provide exceptional warranty terms critical to the business?
- Does the supplier provide a service for which a high degree of communication/integration is necessary, (for example, IT systems, water treatment, and integrated sourcing supplier)?
- Is this the only supplier able to offer the same product or service levels? [*All, except TXU Energy*]

Financial Questions

- Does the supplier aid large projects / purchases with self-financing?
- Is supplier financially sound (credit rating / debt situation)?
- Are savings obtained with the supplier greatly impacting / highly visible?

Supply Questions

- Does the supplier provide a unique and irreplaceable product/service to the business?
- Does the business struggle at times to maintain supply levels of the goods or service the supplier provides? [*TXU Energy only*]
- Does the supplier provide highly-specialized or specified products (for example, engineered parts or QA Metals?)
- Does supplier store key resources/supplies/information that is otherwise inaccessible to Business Unit, if supplier is rendered inaccessible?
- Does business unit require consistency of this supplier's products/services?
- Does supplier provide services/products that are time-sensitive to the business?

Safety Questions [*All, except TXU Energy*]

- Could a failure of the supplier's product result in OSHA/MSHA records or citations?
- Would the general public be impacted by a failure of the supplier's product or services?
- Is supplier labor exposed to high risk environments? (For example, Nuclear and craft labor.)
- Is the integrity of the supplier's product or service critical to the safety of other work?

Innovation Questions [*TXU Energy only*]

- Is the supplier in a rapidly changing industry (for example, software)?
- Does the supplier need to continuously innovate in order to deliver consistent performance?
- Does the supplier deliver a highly unique service or product?

Diversity Questions

- Is the supplier MWBE certified?
- Is the supplier's financial stability reliant on spending from the Company?
- Is the supplier the only known MWBE supplier to provide the required products or services?

Market Questions

- Does the supplier provide a service or supply for which there is a known limited market?
- Does the supplier provide known added value above that of comparable suppliers?
- Does the supplier provide a product or service that cannot be supplied by internal resources or readily available alternative suppliers?
- Does the supplier's main / relevant industry have high barriers to entry?
- Is the supplier a sole-source supplier for EFH where EFH would not be able to find an immediate and acceptable alternative—without damage to business operations?

A12–Risk Management Framework

Business Impact Map

A business impact map provides an overarching framework for addressing business influences, through which criticality, risk, and performance can be assessed. Understanding business impact context helps Company personnel chart responses to supplier issues and develop a pro-active Supplier Relationship Management program.

Figure 106: Business Impact Map

Using the Business Impact Map to Chart Actions

Understanding the context of business impacts assists in charting responses to supplier issues and developing a pro-active SRM system

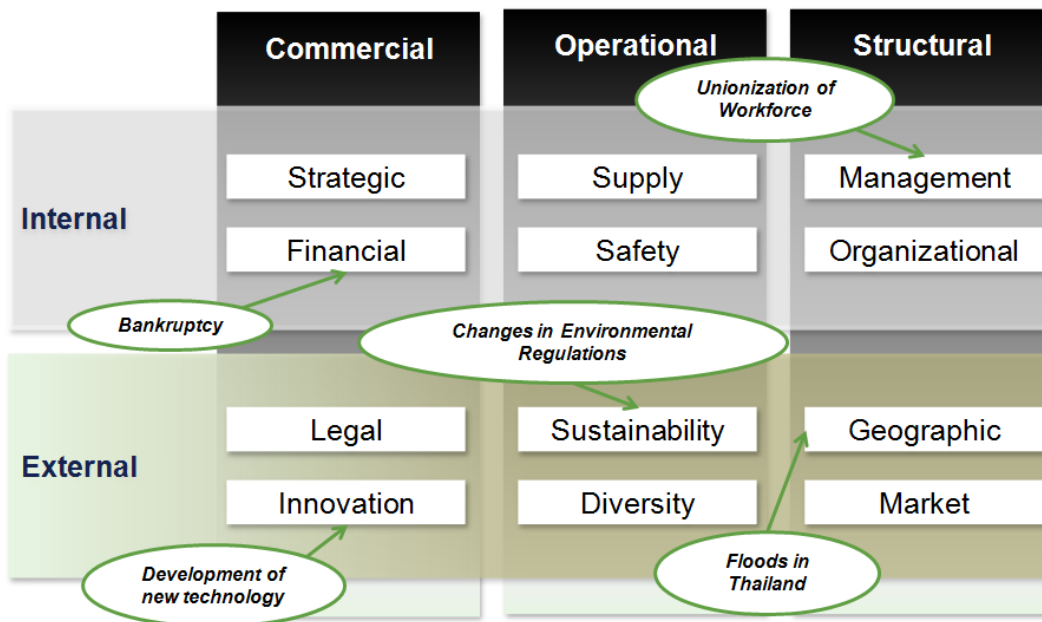
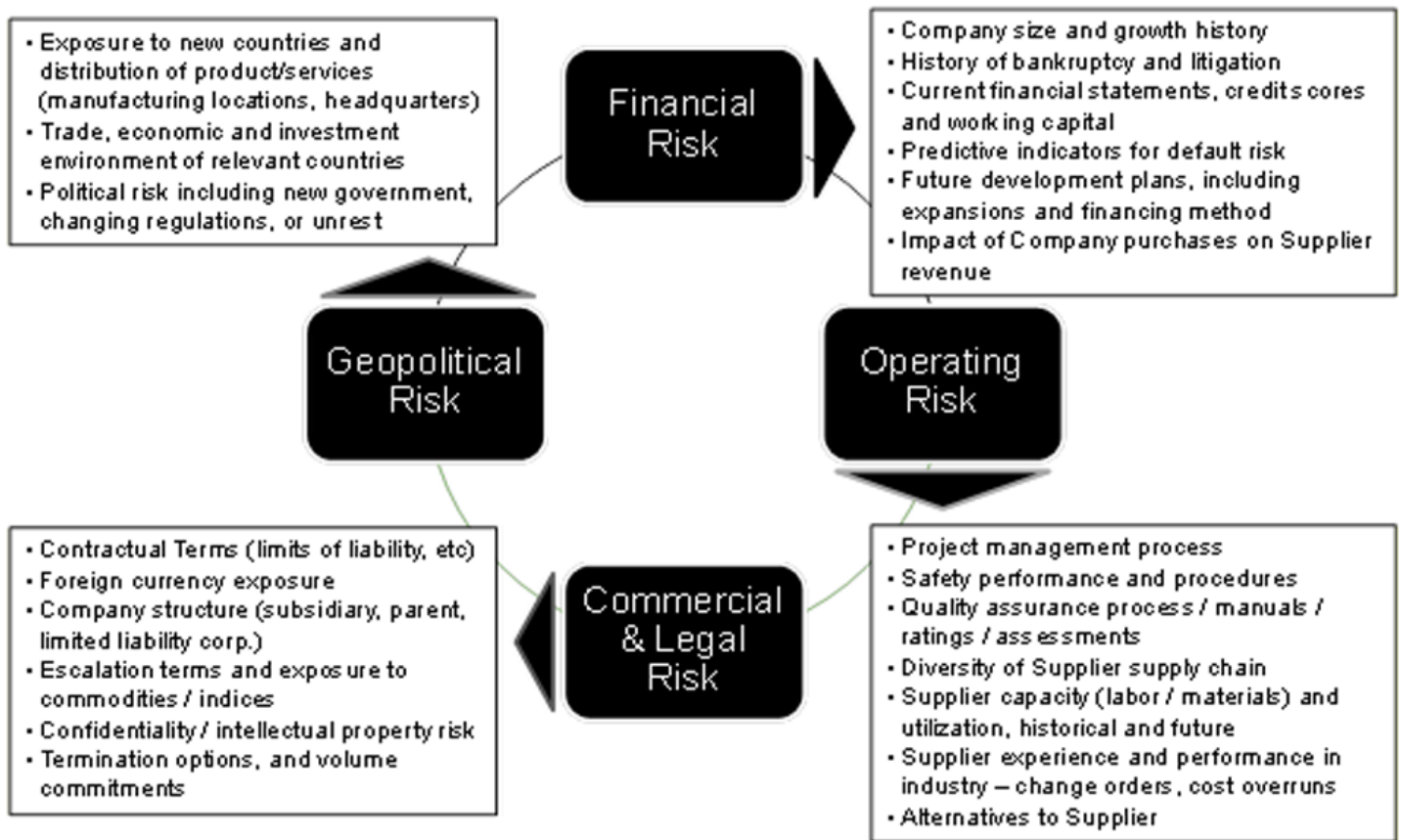


Figure 107: Dun and Bradstreet Supplier Risk Manager Values

Score	Range	Alert Level	Desired Performance
Supplier Stability Indicator (SSI)	0 – 10	>5	↓
Supplier Evaluation Risk Score (SER)	1 – 9	>5	↓
Financial Stress Score (FSS)	1 – 5	>3	↓
PAYDEX	1 - 100	<60	↑
Financial & Legal Risk Indicators	ON or OFF	ON	OFF
Government Risk Indicators	ON or OFF	ON	OFF

Consult the *Supply Chain Policy and Procedure Guide* Glossary for information about scores and indicators.

Figure 108: Areas of Supply Base Risk



A13-Third-party Logistics Coordinator

Manage that part of supply chain process that plans, implements, and controls the efficient flow of materials and equipment from the point of origin to various site locations. The Company has adopted a third-party logistics ([3PL](#)) program which creates a customized link of service inbound and outbound transportation to all sites. Our 3PL coordinator ensures best-in-class carriers at aggressive pricing, while monitoring compliance by auditing all invoices.

Provide a logistics management service to implement Company's strategy to optimize transportation costs and provide measurable customer service to all business units. Reduce costs and deliver optimum negotiated rates, preferred carriers, and enhanced customer satisfaction.

Manage, monitor, and report the [3PL](#) coordinator performance in the transportation of products, materials, and equipment from the Company supply base and between Company site locations.

Other 3PL deliverables include:

- Establish contracts with each carrier servicing the Company.
- Benchmark Company's rates with the marketplace on an annual basis.
- Ensure strict compliance with Company insurance requirements.
- Set up and schedule of requested shipments (normal and emergency), including tracking the shipment. Third-party logistics coordinator performs 24 hours-a-day, 7-days-a-week
- Monitor and report each carrier performance. Report transportation costs on per-carrier basis.
- Provide support services for the recovery of freight claims
- Support Company's safety requirements (MSHA and OSHA, BROWZ-compliant)
- Support environmental requirements (DOT, HAZMAT, etc.)
- Provide invoice auditing and invoice payment service for the Company.
- Provides weekly and monthly detailed accounting reports
- Meets with Company quarterly for business review
- Report transportation costs (on request).
- Assure Diverse carriers are used as possible.
- Provide quarterly reports of spend with diverse carriers according to the Supplier Diversity guidelines.

Company's goals include:

- Increased business unit collaboration
- Better alignment to leverage Company's total spend
- Ensure sites know of carrier capabilities
- Monitor satisfactory carrier response time and on-time performance

A14–Example Supplier Performance and Strength Metrics

Key Performance Indexes

Some of the more common key performance indexes (metrics) used by the Company business units to rate supplier's on past performance.

You can find the Key Performance Indicator ([KPI](#)) templates for different supplier categories on the Supply Chain Shared drive at:

The templates can be found in an Excel file using the directory path:
\\ddcnasshares\c_scm_shared_drive\[path needed from Lee Kader]

The KPI templates define for each area the **(a)** KPI name, **(b)** Category, **(c)** subjective or objective evaluation, **(d)** formula or method to evaluate supplier, **(e)** grading scale for subjective evaluations, **(f)** measurement units, and **(g)** definition of the KPI.

The reference lists for the different supplier types include:

- Original Equipment Manufacturer (OEM) Supplier
- IT Supplier
- Distributor
- Business Services Supplier
- Engineering services Supplier
- Construction Site Services

Some common example KPIs used in several supplier categories:

- Incidents (safety)
- Citations (safety)
- Over Time (cost)
- Quote and estimate accuracy (cost)
- Cost savings (cost)
- Payments (cost)
- Invoice accuracy (quality)
- Project completion (delivery)
- Tier 2 Diverse Spend (diversity)
- System Availability (cost)

Supplier Business Strength Indicators

These are some financial ratios to quickly calculate a supplier's business strength from values on a supplier's financial report or Dun and Bradstreet information.

Leverage Ratios

These indicators measure of the company's ability to provide goods/services while paying off its long-term debts.

- **Debt to Equity**—long term debt/total equity
amount of corporate financing provided by creditors

A company with a high proportion of long-term debt is said to be highly leveraged.

- **Long Term Debt to Assets Ratio**—long-term debt/total assets
amount of the supplier's assets financed with debt

A supplier with a high ratio is highly leveraged, meaning susceptible to financial distress

- **Times Interest Earned**— $\text{EBIT}/\text{Interest expense}$
relationship between a company's income and its interest requirements

Indicates the level at which income can decline without impairing the company's ability to meet its interest payments on liabilities.

Liquidity Ratios

These indicators measure of the company's liquidity and the margin of safety that management maintains to handle the inevitable cash flow variations.

- **Current Ratio**— $\text{current assets}/\text{current liabilities}$
margin of safety management maintains for uneven cash flow
- **Current Liabilities to Net Worth**— $\text{current liabilities}/\text{net worth}$
amount due to creditors within a year with the funds permanently invested by owners. The smaller the net worth and the larger the liabilities, the greater the supplier risk to the Company.

Efficiency Ratios

These are indicators that measure a supplier's current efficiency to sell its inventory and receive payments.

- **Days Inventory Turnover**— $365/\text{cost of sales}/\text{inventory}$
number of days necessary to turn over inventory

For an above average ratio, it can indicate the supplier has made too much inventory and is not using resources to its best advantage. Some costs of high inventory can be hidden factory defects.

- **Days Receivable**— $365/(\text{net sales}/\text{receivables})$
number of days' worth of sales represented in accounts receivables

Ratio variations indicate changes in supplier's credit policy or its ability to collect receivables.

- **Days Payable**— $365/(\text{cost of sales}/\text{payables})$
number of days' worth of debt is outstanding

Above average ratio can indicate the supplier cannot pay its bills on time, and is incurring penalties. Alternatively, it could be favorable due to additional interest earnings

Profitability Ratios

These are indicators that measure a supplier's current profitability and the resources to generate additional profit.

- **Return of Sales (after-taxes)**— $\text{net income}/\text{sales}$
supplier's overall profit margin after taxes
- **Return on Sales (pre-taxes)**— $\text{profit before tax}/\text{net sales}$
supplier's overall profit margin before taxes
- **Sales to Assets**— $\text{net sales}/\text{total assets}$
supplier's ability to generate sales in relation to total assets
- **Basic Earning Power**— $\text{profit before tax}/\text{total assets}$
supplier's effectiveness in employing available resources

A15–Contract Requirements (by Contract Type)

This appendix describes the information content for each of the different contract types supported by the Maximo (Enterprise Asset Management) and Ariba (Contract Management) software applications.

Master Contract

A [master contract](#) maintains its information in the [EAM](#) and [Contract Management](#) applications.

EAM Contract Content

- No [terms](#) and [conditions](#)
- Specific contract number—obtained from the [Contract Management](#) application for new contracts
- Linked to associated contracts
- Master contract content must be set up before creating associated purchase contracts
- Has *no* line item details
- Header information only, such as supplier number, buyer name, start date, and end date
- For internal use only, never sent out to external suppliers

Contract Management Application Content

- Executed contract document
- Related approval documents [including amendments, supplements, and extensions]
- Refer to Contract Management Application check list

Purchase Contract

A purchase contract can be linked to a master contract or exist as a solitary contract.

EAM Contract Content

- When a master contract exists; create associated contract from the **Master Contract** application
- No [terms](#) and [conditions](#) [found in executed contract documentation]
- Specific contract number—obtained from Contract Management application for new contracts
- Has line item details
- Used for `LINE TYPE=MATERIALS`
- Used for `LINE TYPE=SERVICES`
- Supplier number, buyer name, payment terms, start date, and end date
- Transactional data stored; required for creating purchase requisitions and purchase orders
- *Cannot use* to auto-create purchase orders
- For internal use only, never sent to suppliers
- Describes basic scope of work

Contract Management Application Content

- Executed contract document
- Related approval documents [including amendments, supplements, and extensions]
- Refer to Contract Management Application check list

Standard Blanket Contract

A standard blanket contract ([SBC](#)) can be linked to a master contract or exist as a solitary contract.

EAM Contract Content

- When a master contract exists; create associated contract from the **Master Contract** application
- No [terms](#) and [conditions](#) [found in executed contract documentation]
- Specific contract number—obtained from Contract Management application for new contracts
- Has line item details
- Used for `LINE TYPE=STD SERVICES`
- Used for `LINE TYPE=ITEM`
- Supplier number, buyer name, payment terms, start date, and end date
- Transactional data stored; required for creating purchase requisitions and purchase orders
- Use to auto-create purchase orders from requisitions
- For internal use only, never sent to suppliers
- Describes basic scope of work

Contract Management Application Content

- Executed contract document
- Related approval documents [including amendments, supplements, and extensions]
- Refer to Contract Management Application (ARIBA) check list

Key Alliance Contract

A key alliance contract is *always linked* to a master contract.

EAM Contract Content

- Must link to a master contract, create associated contract from the **Master Contract** application
- No [terms](#) and [conditions](#) [found in executed contract documentation]
- Specific contract number—obtained from Contract Management application for new contracts
- Has line item details
- Used for `LINE TYPE=STD SERVICES`
- Used for `LINE TYPE=ITEM`
- Supplier number, buyer name, payment terms, start date, and end date
- Transactional data stored; required for creating purchase requisitions and purchase orders
- Use for *auto-creating* purchase orders
- For internal use only, never sent to suppliers
- Describes basic scope of work

Contract Management Application Content

- Executed contract document
- Related approval documents [including amendments, supplements, and extensions]
- Refer to Contract Management Application check list

Purchase Orders (Purchase or Standard Blanket Contracts)

EAM Contract Content

- References the executed contract in the **Master Contract** application
- Has line item details
- Used for `LINE TYPE=MATERIALS`
- Used for `LINE TYPE=SERVICES`
- Used for `LINE TYPE=STD SERVICES`
- Used for `LINE TYPE=ITEM`
- Supplier number, buyer name, payment terms, start date, and end date
- Transactional data stored
- Include scope or description; for services include contract coordinator and phone number
- Sent to vendors [eCommerce or manual]
- Generally, Purchase Order for service should only include a limited value of materials
- For services; includes value of work

Contract Management Application Content

- None

Purchase Orders (Stand Alone)

- Standard Purchase Order for Service (*contract for services*)
- Standard Purchase Order for Services (*Field Contract*)
- Purchase Order for Material (*Not on Standard Blanket Contract*)
- Purchase Order for Material (*Progress Payments Required*)

Standard Purchase Order for Service (Contract for Services)

This purchase order uses Contract Management templates; Terms and conditions are very specific to the project and may address specific risks associated with the project.

EAM Contract Content

- Specific PO number—obtained from the Contract Management Application
- References the project specific Terms and conditions. Terms and conditions may address specific risks associated with the project.
- Has line item details
- Used for `LINE TYPE=MATERIALS`
- Used for `LINE TYPE=SERVICES`
- Supplier number, buyer name, payment terms, start date, and end date
- Transactional data stored
- Detailed scope of work; should include contract coordinator and phone number
- Generally, Purchase Order for service should only include a limited value of materials
- Used for manual invoicing only (no eCommerce)
- Buyer to add in Notes that the PO is for payment only

Contract Management Application Content

- Executed contract document
- Related approval documents [including amendments, supplements, and extensions]
- Refer to Contract Management Application (ARIBA) check list

Standard Purchase Order for Services (*Field Contract*)

This purchase order uses the EAM Terms and Conditions, and other attachments. Used for low risk services, lower dollar services, and simple vs. complex scopes of work, plus terms and conditions.

EAM Contract Content

- Includes project specific Terms and Conditions
- Has line item details
- Used for `LINE TYPE=MATERIALS`
- Used for `LINE TYPE=SERVICES`
- Used for low risk services, lower dollar services, and simple vs. complex scopes of work, plus terms and conditions
- Supplier number, buyer name, payment terms, start date, and end date
- Transactional data stored
- Detailed scope of work; should include contract coordinator and phone number
- Generally, Purchase Order for service should only include a limited value of materials
- Signature page is required, saved as attachment along with agreed upon Terms and Conditions

Contract Management Application Content

- None

Purchase Order for Material (*Not on Standard Blanket Contract*)

This purchase order is for material not already on a Standard Blanket Contract ([SBC](#)).

EAM Contract Content

- Includes purchase order, defaulted Terms and Conditions, and freight information
- Has line item details
- Used for `LINE TYPE=MATERIALS`
- Used for `LINE TYPE=ITEM`
- Supplier number, buyer name, payment terms, needed payment date
- Transactional data stored
- Sent to vendors (for both manual and eCommerce)

Contract Management Application Content

- None

Purchase Order for Material (*Progress Payments Required*)

This purchase order is for material that needs multiple progress payments.

EAM Contract Content

- References the project specific Terms and Conditions or defaulted Terms and Conditions, plus freight information
- Has line item details
- Used for `LINE TYPE=MATERIALS` (for receiving material)
- Used for `LINE TYPE=SERVICES` (service units for the material line items listed; for progress payments)
- Supplier number, buyer name, payment terms, and needed payment dates
- Transactional data stored
- Sent to vendors (for both manual and eCommerce)
- Detailed scope of work; contract coordinator and phone number
- Signature page is optional, saved as attachment

Contract Management Application Content

- None