

S U P P L Y C H A I N



October 20, 2005

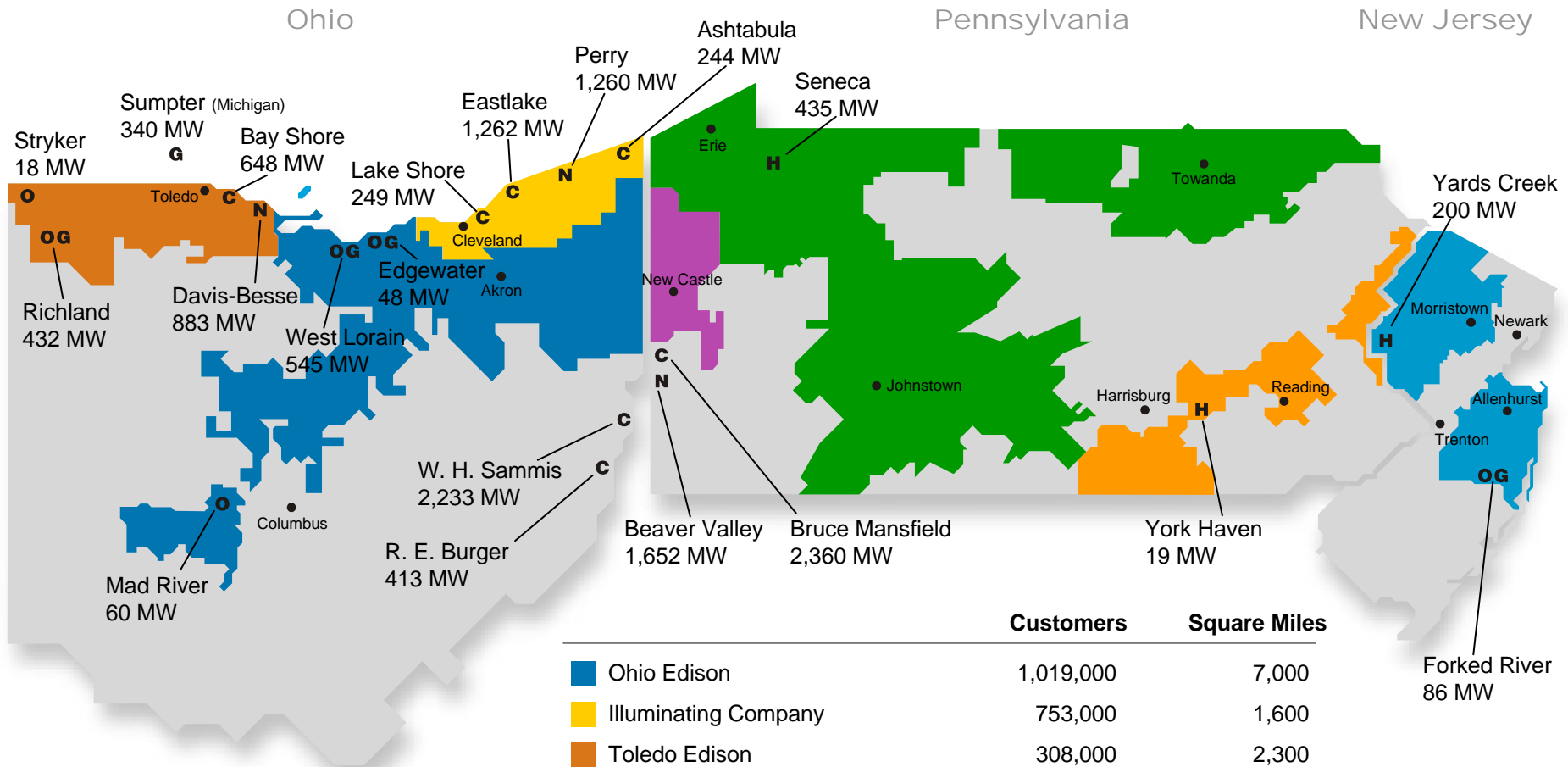
Chemical Management Program

Strategic Sourcing with
Environmental Responsibility

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FirstEnergy System

FE operates a portfolio of diversified, centrally-located generation assets used to manage risk and meet retail pricing expectations.



FirstEnergy Power Plants

- C Coal
- G Gas
- H Hydro
- N Nuclear
- O Oil

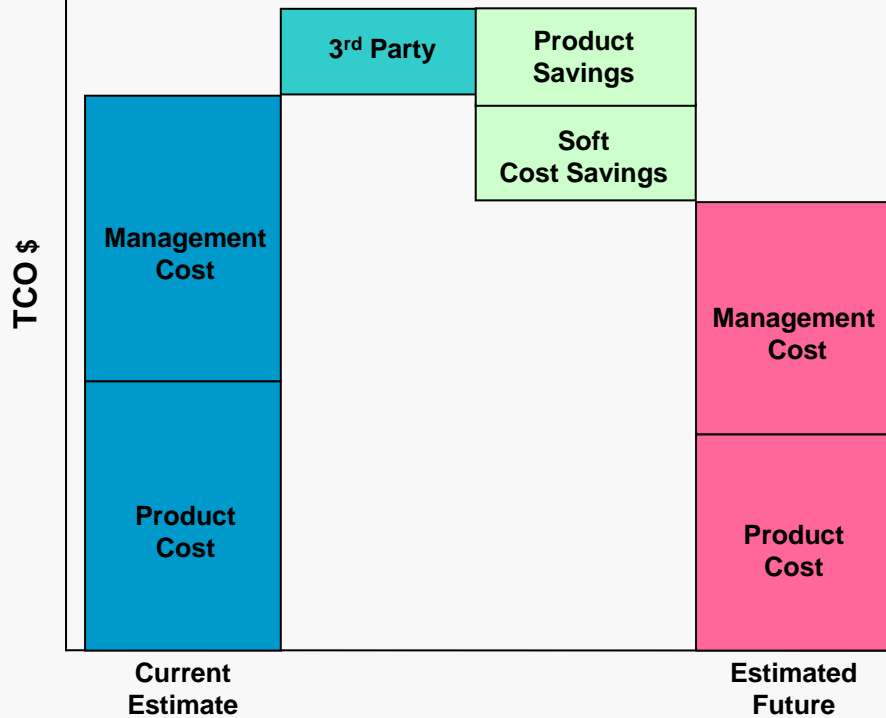
	Customers	Square Miles
Ohio Edison	1,019,000	7,000
Illuminating Company	753,000	1,600
Toledo Edison	308,000	2,300
Met-Ed	516,000	3,300
Penelec	585,000	17,600
Pennsylvania Power	156,000	1,100
Jersey Central Power & Light	1,050,000	3,200
Total	4,387,000	36,100

Strategic Source with Environmental Responsibility

- Chemical Management Program
 - driven by the Supply Chain as part of our Integrated Sourcing efforts
- Team approach to evaluation of CMP and CMP suppliers
- Supply Chain management presented the CMP to Senior Management

Business Case

Chemicals Management TCO



TCO Component	Current Cost (\$ 000)	Savings
Procurement	\$78	0%
Product Cost	4,614	9%
Inspection	66	30%
Inventory	275	10%
Use	79	75%
Delivery	157	0%
Collection/ Disposal	303	25%
Environment, Health & Safety	60	30%
Emergency Preparedness	418	5%
Total	\$6,054	10.5%

CMSP Activities:

- Perform MSDS management
- Perform chemical permit/approved product process
- Rationalize inventory and establish stocking programs
- Perform inventory tracking during use and temporary storage
- Introduce source reduction programs to reduce disposal cost
- Develop and maintain approved chemical list
- Perform chemical procurement

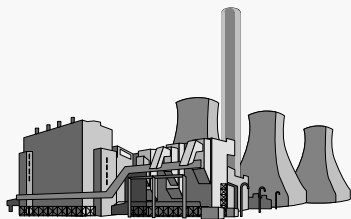
Data 4th Qtr 2003

Chemical Management Program

Phased Approach

Original Position

- **Contract Signed 11/03 for Mansfield and Beaver Valley to be pilot sites**
 - Products defined for sourcing and services
 - Environmental reporting provided
 - Go / No Go decision to move to other sites to be made 9/04/04

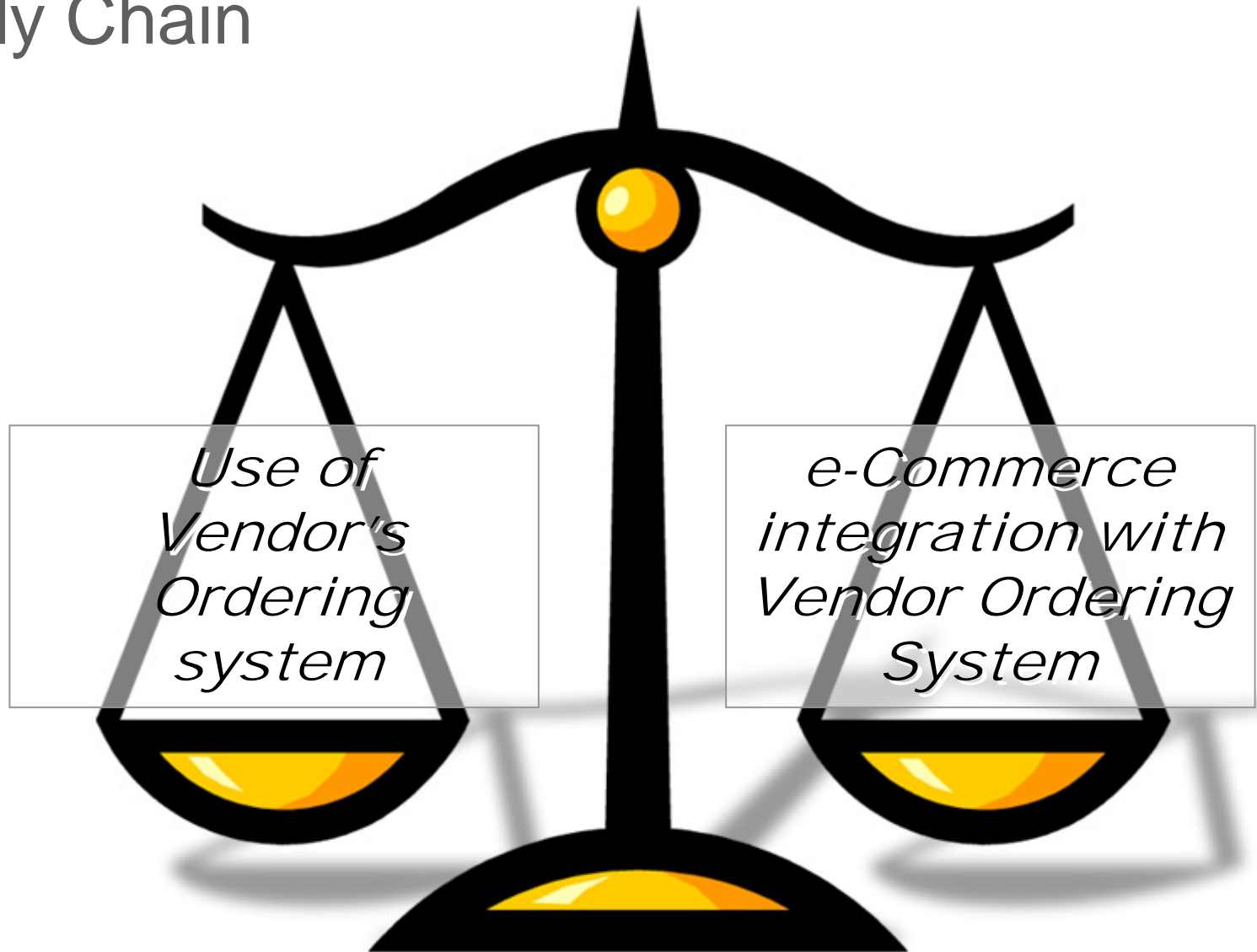


Going Forward Position – 8/6/04


Three Phase process

- **Phase I: Fossil Plants** – COMPLETED 6/30/05
 - MSDS database
 - Environmental reporting
 - Begin sourcing & TCO improvements
- **Phase II: Nuclear Plants**
 - MSDS database
 - Begin sourcing & TCO improvements
- **Phase III: Contractor Products**
 - Incorporate Contractor supplied chemicals in database and provide environmental reporting

Challenge for Chemical Management Supply Chain



Total Cost of Ownership (TCO)

- **Not just a buzz word** 
 - Proposal for cost reduction through bulk tanks
 - Proposal for chemical reduction through automation
 - Electronic commerce advantages
- **Needs to be more widespread across the facilities**
 - Few plants benefiting at this time

Next Steps

- **Continue relationship with Chemical Management Provider**
- **Apply lessons learned to additional suppliers for integration with CMP**
- **Launch EBP for lab chemicals**
- **Continue efforts to capture TCO savings**