



# Purchasing Performance Benchmarking Results

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SEMERON™

# Our Approach to Performance Benchmarking Emphasized Upfront Planning

Management considered these aspects important:

Simplicity  
of metrics

Cost  
Effectiveness

Staff  
Productivity

Strategic  
Approach

Benchmark partners were identified and, although no utility matched your business perfectly, partners demographically similar to Chugach were selected and solicited for participation.

11 utilities responded to our specific data requests. In addition, benchmark data from two nationally accredited procurement associations was incorporated when applicable.

We consolidated responses, scrubbed the data, summarized the results and compared Chugach's performance to the benchmark community.

We recommended Actions Steps to address variations

# We Looked for Comparable Peers

Measure	Survey Average	Chugach
Provide Distribution services	92% of respondents said yes	YES
Provide Transmission services	17% of respondents said yes	YES
Provide Generation services	Only 17% replied yes	YES
Revenue range	\$100 to \$200 million: 75% \$200 to \$500 million: 25%	\$200 to \$500 million
Number of retail customers	Less than 70,000: 27% 70,000 to 200,000: 73%	75,000
Total utility FTEs	374	365

Chugach is slightly larger than the benchmark partners' average and its business operations are more complex.

# We Asked for Readily Available Purchasing Performance Data *(2005 Budget Data, 2004 Actual Data)*

## Purchasing Spending

- ▶ Purchasing Labor Expense as % of Controllable Purchasing Expenditures
- ▶ % of Controllable Purchasing Expenditures Managed by Purchasing Organization
- ▶ Freight Cost as % of Unit Cost
- ▶ Cost Savings Achieved

## Purchasing Strategies

- ▶ % of eProcurement Utilization
- ▶ % of Procurement Card Utilization
- ▶ % of Strategic Alliances

## Purchasing Staffing

- ▶ Purchase Staffing as % of Total Utility Staffing

## Purchasing Staff Productivity

- ▶ Process Cycle Times
- ▶ # Purchase Orders Processed per Purchase Staff
- ▶ # Contracts Managed by Purchase Staff

## Types of Commodities Purchased

## Customer Satisfaction

# Our Findings

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# Chugach's Purchasing Organization Compares Exceedingly Well to its Peers

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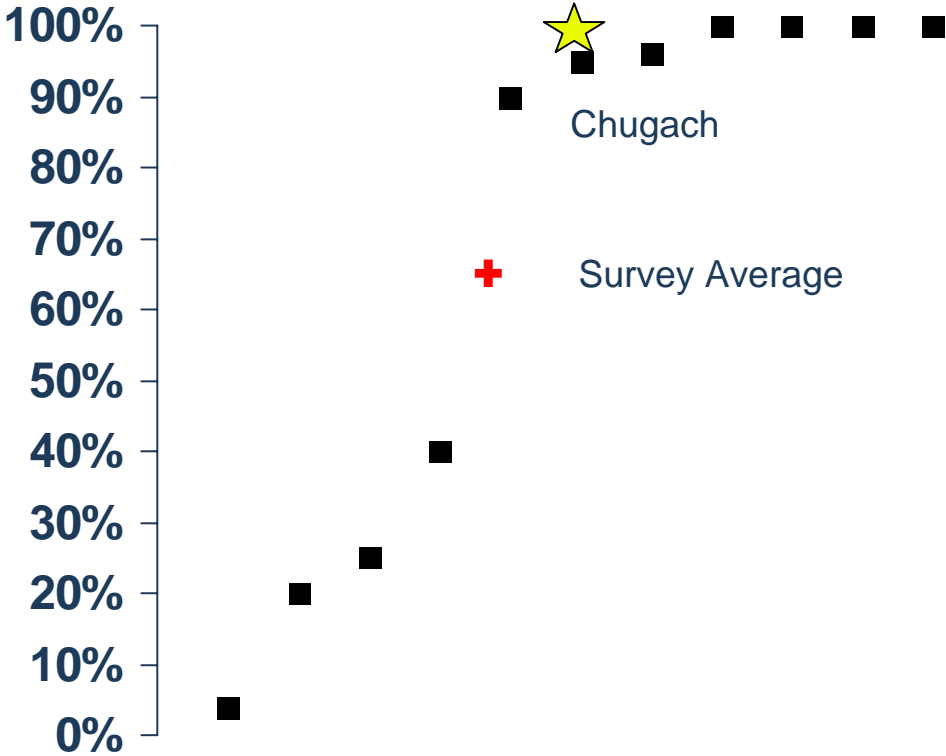
- ✓ Management of controllable purchasing expenditures is well above average
- ✓ Cost savings are more than double the average
- ✓ Purchasing cycle times are mostly in the lowest range
- ✓ Workload managed by employees is well above average
- ✓ Use of procurement cards is four times the average

# We Discovered Variances

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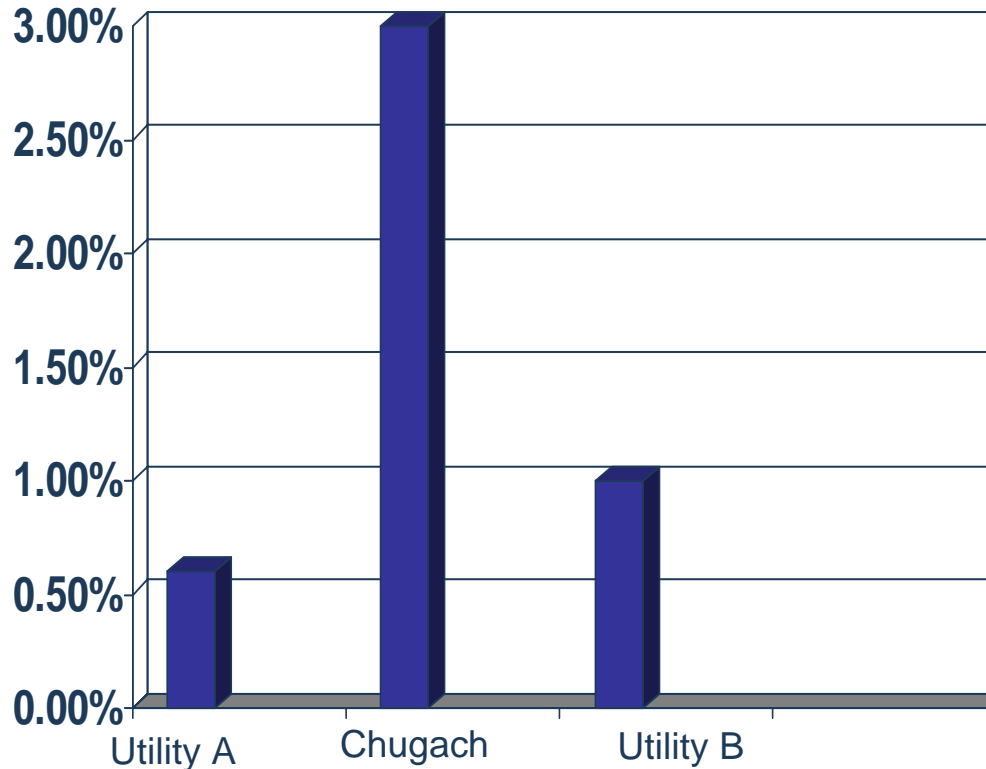
- ✓ Chugach utilizes no eProcurement options as compared to a 16% average
- ✓ Chugach spends 50% more than the average for freight costs
- ✓ Chugach procures 4 times more Generation service commodity items than the average

# Chugach's Management of Controllable Expenditures is in the High Range



Benchmark average is 64%  
Chugach is 95%

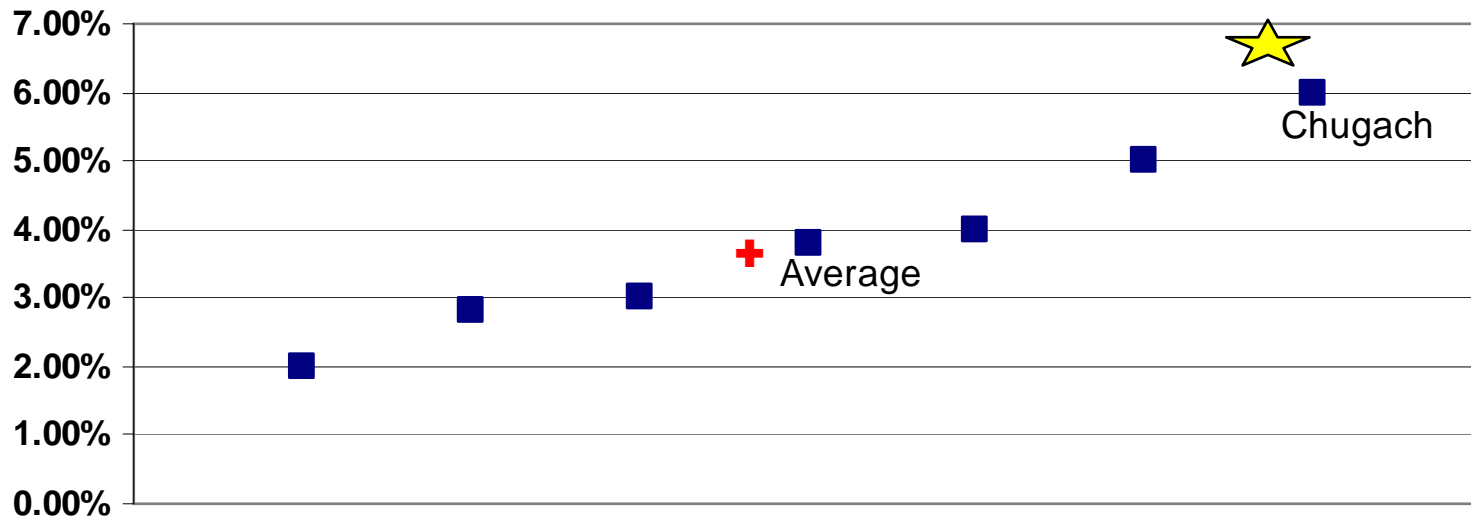
# Only Three Utilities, Including Chugach, Calculate Purchasing Cost Savings (27% of Benchmark Average)



Chugach savings is 3% of annual spend (\$1,005,000) while the average of the other two respondents is .8%.

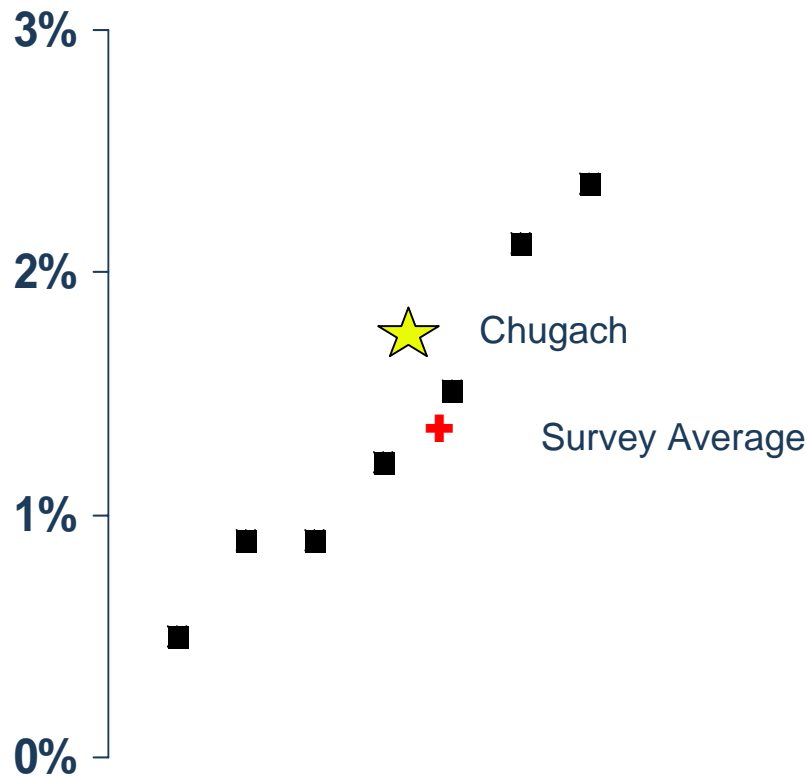
# Chugach Freight Costs and Associated Staff Times are Higher than Average

## Freight Cost and Staff Time Impacts



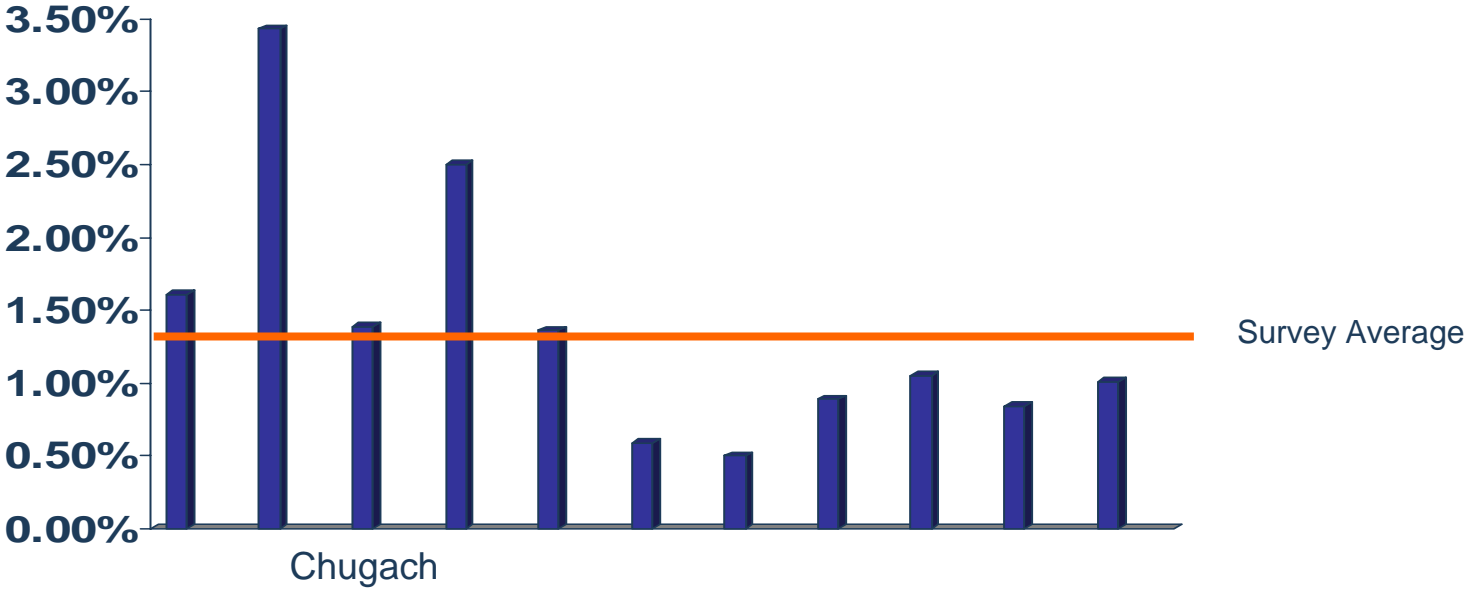
- Benchmark average is 3.8%
- Chugach is 6%

# Chugach's Purchasing Labor Expense as % of Controllable Expenditures Is Slightly Higher than Average



- Benchmark average is 1.36%
- Chugach is 1.51%

# Chugach's Purchasing Staff to Total Utility Staff Ratio is Slightly Higher than Average



Average benchmark staff ratio is 1.26%; Chugach's staff ratio is 1.39%

# Chugach's Process Cycle Times for Bids are in the Quicker Range

Purchase Process Cycle Times			
	Informal Bids	Formal RFPs	Formal RFBs
< 2 weeks	Chugach★ 75%		
2 - 4 weeks	17%		
< 5 weeks		75%	Chugach★ 83%
5 - 8 weeks		Chugach★ 17%	8.50%
9 - 12 weeks		8%	8.50%
13 - 16 weeks			
17 - 20 weeks			
21+ weeks	8%		

# Number of Contracts Managed by Purchasing Staff is Higher than Average

# of Contracts Managed by FTE at Given Time			
	Standard Products or Service Contracts	Multi Product, Service, Solution Contracts	Blanket (Task Order) Contracts
16 +	<i>Chugach</i> ★ 8%	<i>Chugach</i> ★ 8%	<i>Chugach</i> ★ 27%
11 - 15			
6 - 10	50%	17%	9%
Up to 5	42%	75%	64%

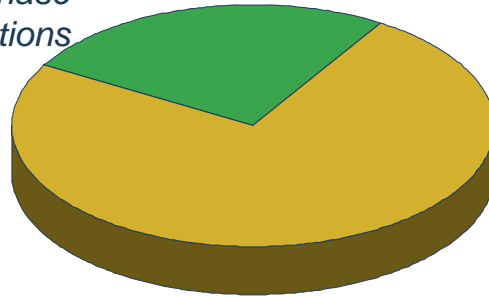
# Chugach's Use of Purchasing Strategies Differs

(Strategies can be utilized simultaneously; percentages do not equal 100%)

## Purchasing Strategies

(Chugach)

Procurement Cards  
11% of Purchase  
Transactions

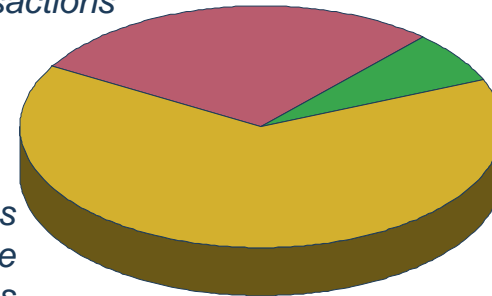


Strategic Alliances  
32% of Purchase  
Transactions

## Purchasing Strategies

(Benchmark Average)

eProcurement  
16% of Purchase  
Transactions

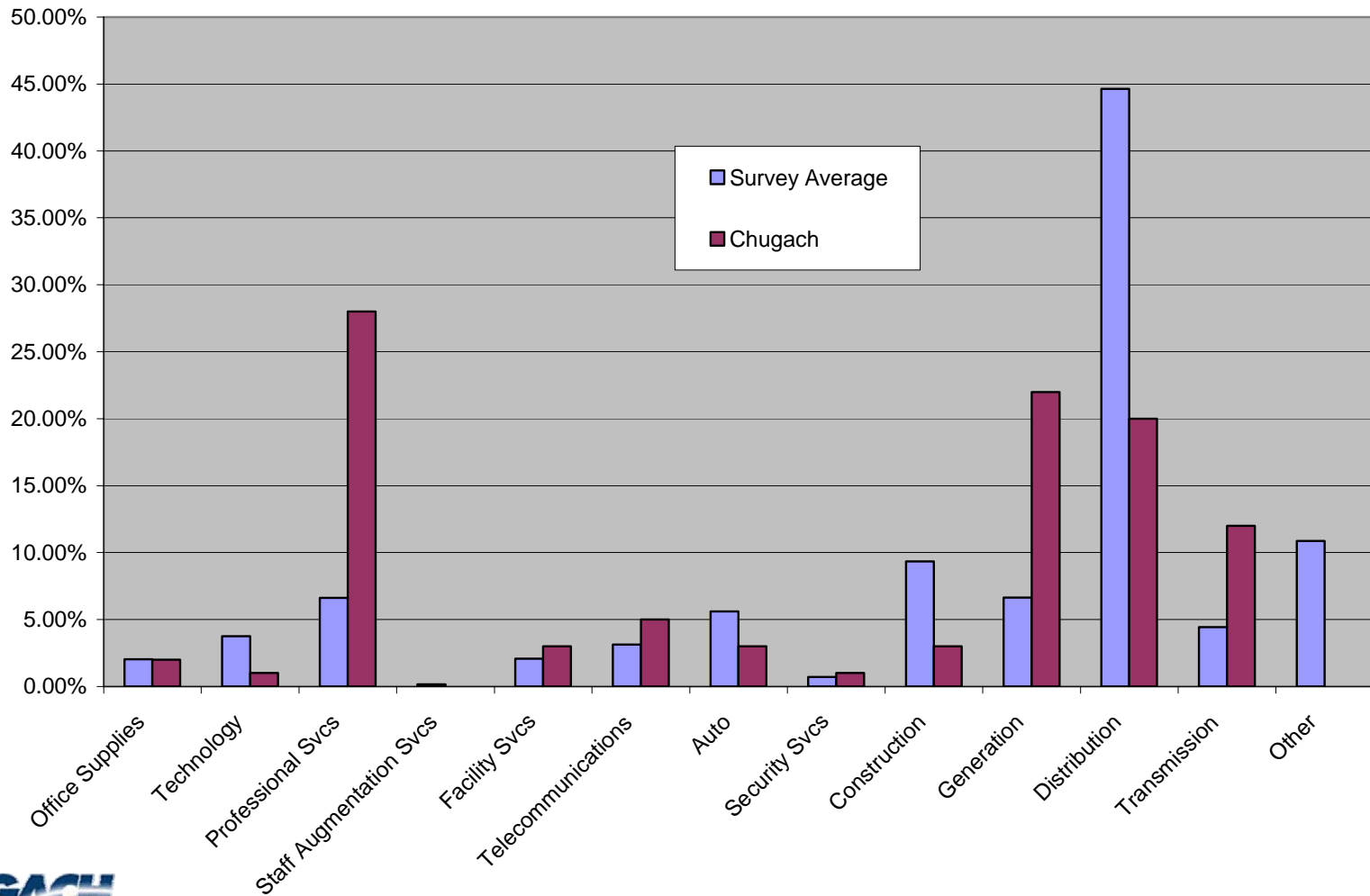


Procurement Cards  
3% of Purchase  
Transactions

Strategic Alliances  
33% of Purchase  
Transactions

# Chugach's Commodity Purchases Differ

Commodity Spend Distribution



# Our Recommendations

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*Achieving bottom line cost savings is the primary mechanism to demonstrate the Purchasing organization's value and contribution. Cost savings can be achieved through a strategic approach to spend management, supplier alliances, vendor management, and an effective use of technology tools.*

# Five Key Recommendations:

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1. Strategically analyze cost saving options in priority commodities where strategic alliances and e-procurement could benefit Chugach.
2. Conduct cost benefit analyses to evaluate technology options to further streamline and automate current processes.
3. Investigate cycle time for formal RFP process.
4. Conduct annual internal customer service surveys.
5. Maintain and expand performance benchmarking.