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Inventory Optimization Executive Summary

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Executive Summary

The initial scope of this project was to optimize inventory between two physically separate Transmission & Distribution (T&D) facilities. Ownership of these facilities belongs to Indianapolis Power & Light (IPL) and Dayton Power & Light (DPL). During the inventory analysis of these companies as a whole, it became apparent we had great opportunity to expand the scope to include the generating facilities for both companies. All facilities, while similar in many respects, have drastically different inventory levels to perform the same basic functions – generate, transmit and deliver electricity to the consumer.

Our findings indicate inventory levels in our IPL facilities to be approximately 66% higher than our DPL facilities. The IPL T&D business is 91% more than the DPL T&D, while the IPL Generation businesses are 61% more than the DPL Businesses. Both companies have approximately 500,000 customers, operate in the same weather climate, and are only 123 miles apart. In addition, IPL generates approximately the same Megawatts as DPL, at approximately 3500 MW.

An analysis tool has been implemented to evaluate all inventory locations based on monthly material usage and the deviation of this usage. These results indicate the greatest opportunities lie in adjusting replenishment logic (min / max adjustments) and implementing a robust analysis and reporting program.

A correctly implemented inventory optimization program could potentially reduce inventory levels between the two companies by a minimum of \$2m before end of FY 2014 (Dec. 31). This number could increase greatly based on operational acceptance of certain programs to be discussed.

Senior Management support is vital to this project. Without this support, this project will not produce the anticipated results. Support must be in the form of an annual inventory reduction goal (in US \$'s) and internal support for team efforts.