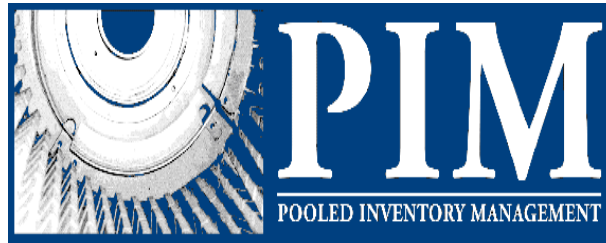


Pooled Inventory Management (PIM) Program



PIM 101

PIM PROGRAM

- Proven program
- Nuclear plant owner directed
- Joint inventory program
- Independent storage facility

37 years of success



ORIGINAL PIM SCOPE

To procure and warehouse long lead time / high cost nuclear critical spare parts on a shared basis to be made available when defined withdrawal criteria is met.



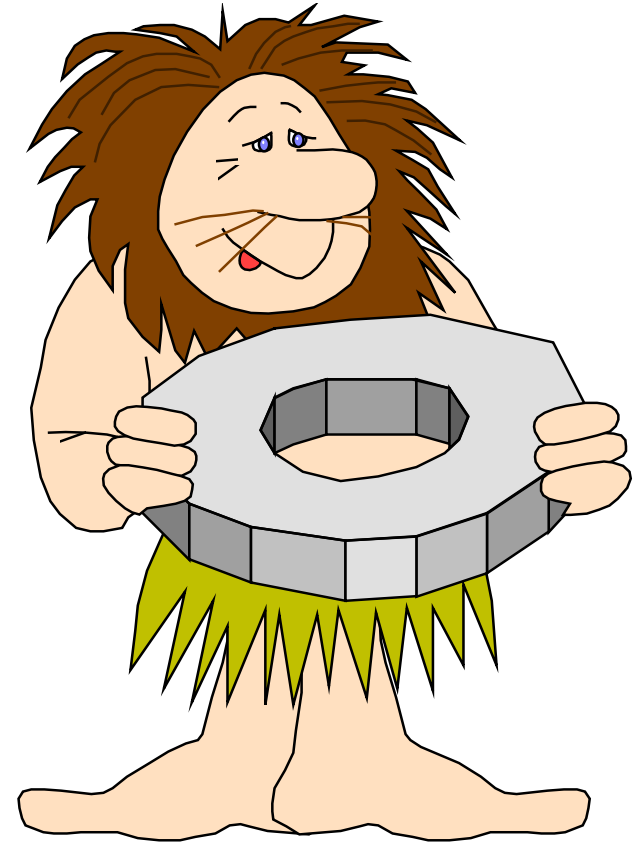
A Way to Address:

- High Inventory Costs
- Generation Unavailability Costs



EXPANDED PIM SCOPE

- Redefined scope beyond the high cost emergency spare parts concept
- Provided more flexibility
 - Withdrawal criteria can now be almost anything
 - Cost sharing by a defined % instead of equal sharing



TWO CATEGORIES OF EQUIPMENT

- Category 1 – “Emergency Spares”
 - “Traditional” PIM equipment (*e.g.*, RHR Motor, Emergency Diesel Generator, Control Rod Drive Mechanism Latch Assemblies)
- Category 2 – “Non Emergency Spares”
 - Obsolete items (*e.g.*, pressure switches) – repair/refurbish, replace, reverse engineer
 - Spare parts sharing – common spec, sharing of existing inventory
 - Minimum orders, final runs, special orders, etc.
 - Contingencies for outages (rotating spares with refurbishment between scheduled outages or infrequently used tools)
 - Lower cost items, tools and services



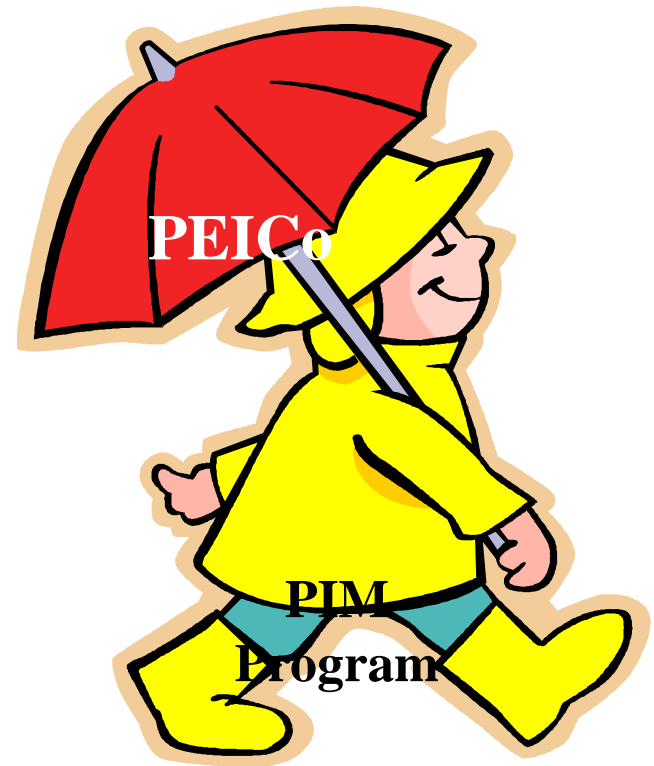
PIM ORGANIZATION

- In 1980, Six (6) utilities (Participants) & General Electric (GE) formed Pooled Equipment Inventory Company (PEICo) to operate the PIM Program
- In 1984, Southern Company assumed GE's role as Program Manager when PIM brought in the other three (3) NSSS manufacturers
- Today, there are 44 Participants with 104 reactors in the PIM Program



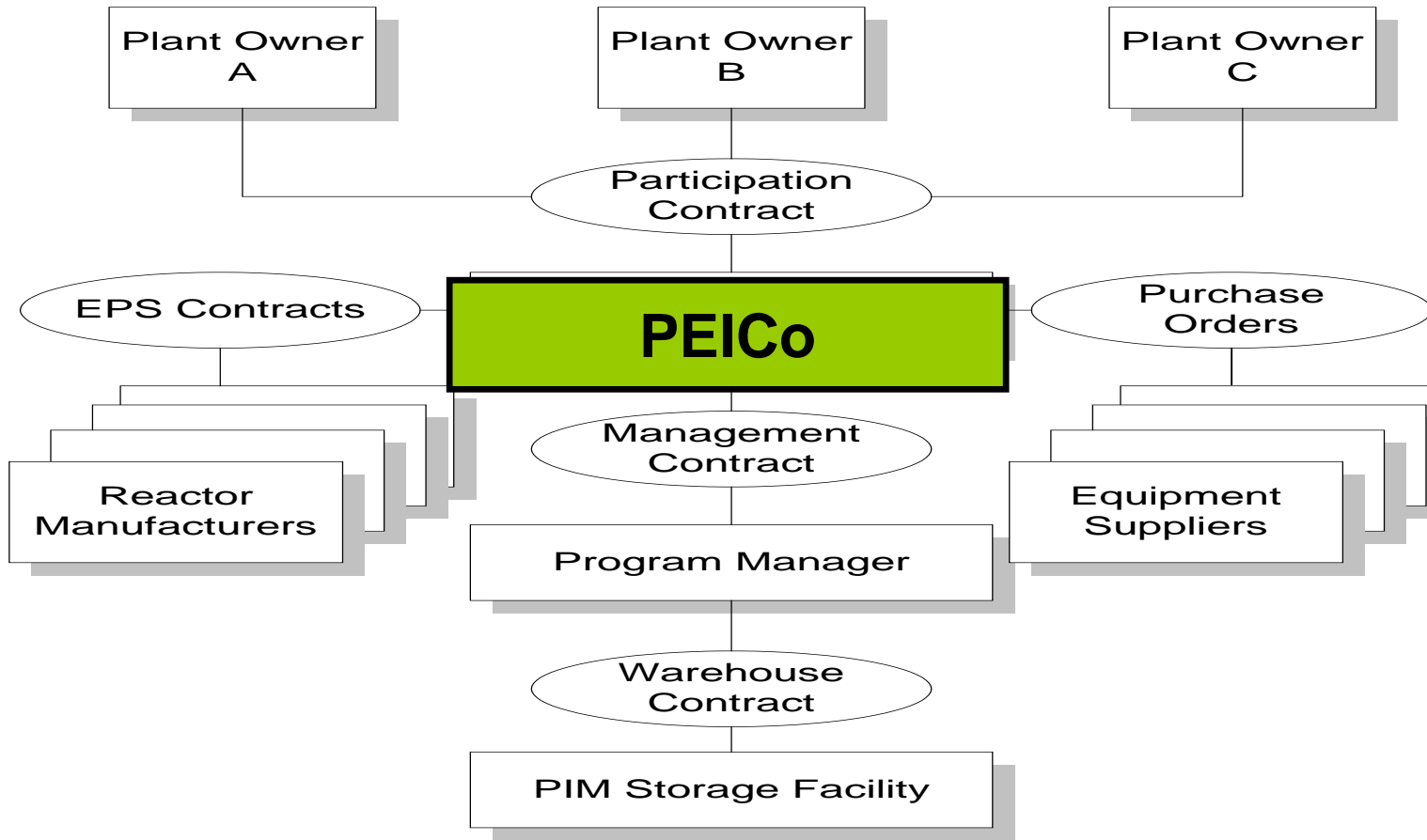
POOLED EQUIPMENT INVENTORY COMPANY

- The PIM Program is managed under the legal umbrella of the Pooled Equipment Inventory Company (PEICo)
- PEICo is a membership corporation, a special purpose entity (“SPE”), with **NO** stock holders
- PEICo President and Legal Counsel
- PEICo holds title to the inventory



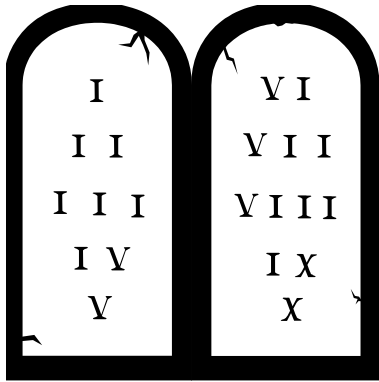
PIM CONTRACT STRUCTURE

Withstanding the Test of Time



PIM Participation Contract (PC)

- All owners sign an individual “Participation Contracts” with PEICo
- Addresses:
 - Program organization & formation
 - Rights, duties and liabilities of Participant and PEICo
 - Amendments require unanimous approval
 - Authorizes the implementation and revisions to Rules and Procedures

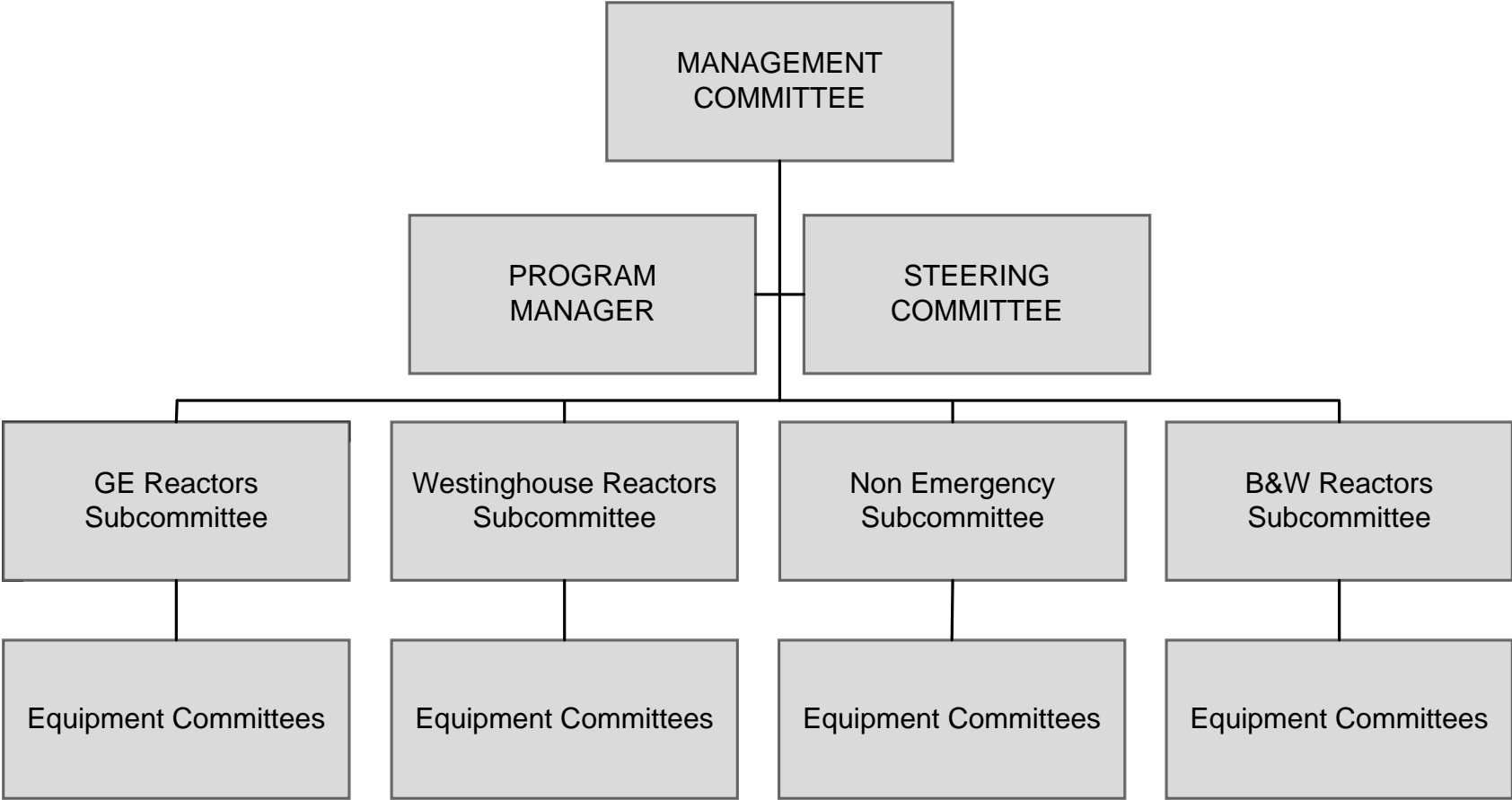


PIM Rules & Procedures (PRPs)



- Address the “How’s” of the PIM Program
- Provide the necessary structure but allows for flexibility without amending the Participation Contract
- Approved by the Management Committee

PARTICIPANT SPONSORED & DIRECTED



MANAGEMENT COMMITTEE DUTIES

- Directs and reviews program operation
- Approves contracts, PRP revisions and annual budget
- Retains financial auditor
- Establishes a Steering Committee, Subcommittees and Equipment Committees



STEERING COMMITTEE DUTIES



- Meets 2 to 3 times a year
- Consists of MC and Subcommittee Officers
- Provides overall direction and feedback on specific issues



Program Manager (Southern Nuclear Services, LLC)

- Participation Contract requires the hiring of a Program Manager
- PM performs all program functions for PEICo, as its agent
 - Procurement, Engineering, Storage, Maintenance
 - Appendix B Quality Assurance Program
- Participation Contract requires PM to hire an independent warehouseman



Storage Facility – Memphis, TN (Barnhart Crane & Rigging Company)



- Facility has 135,000 square feet of storage space
- Specialty is heavy moving & erection
- Assignable subcontract through 2024

Storage Facility – Memphis, TN



- Utilizing 107,000 Square Feet Level B & C (Indoor) storage
- ~210 major line items - “Equipment Committees”
- Inventory replacement value @ \$211 million



Phoenix (Barnhart Crane & Rigging Company)



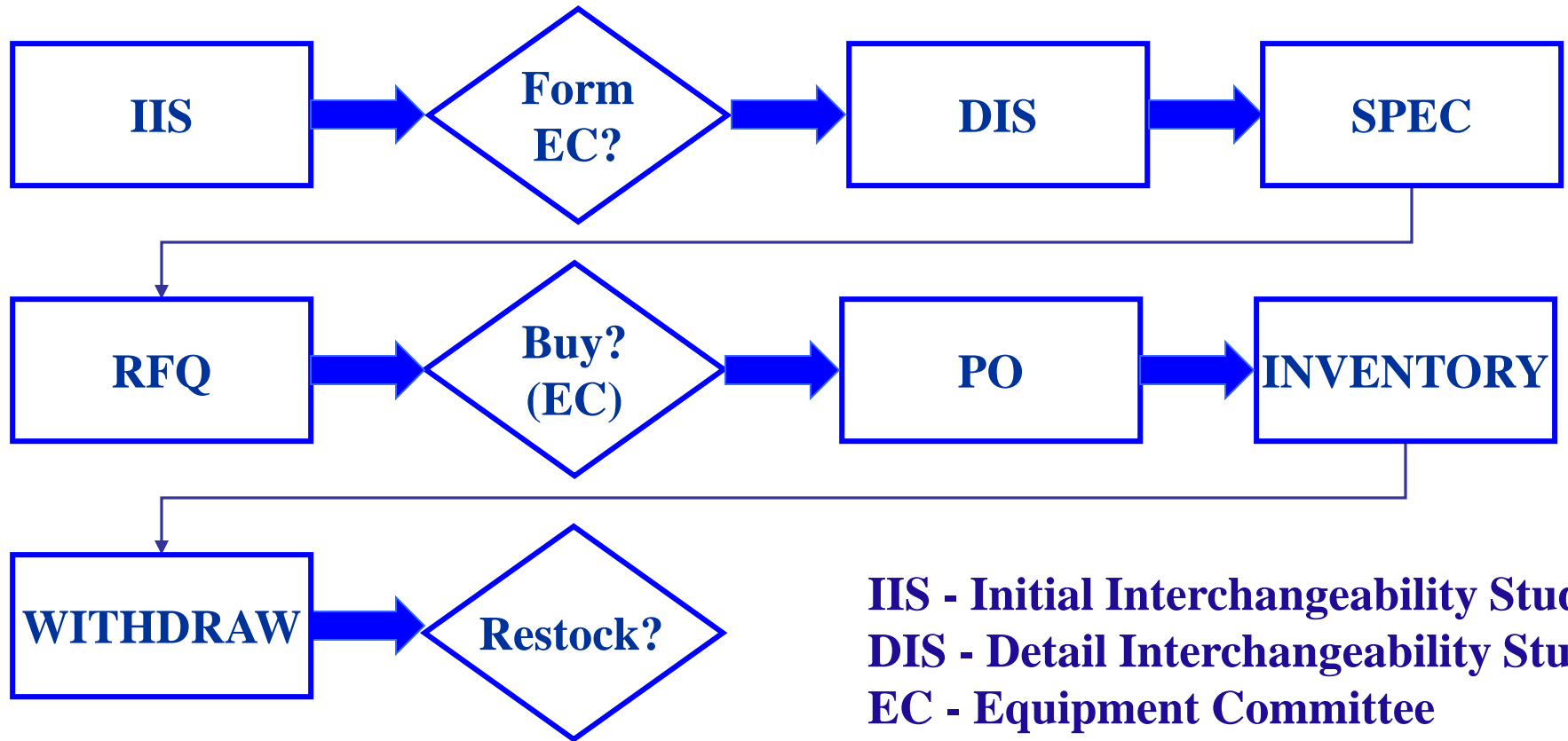
- 66,381 square feet of storage space

EQUIPMENT COMMITTEES (ECs)

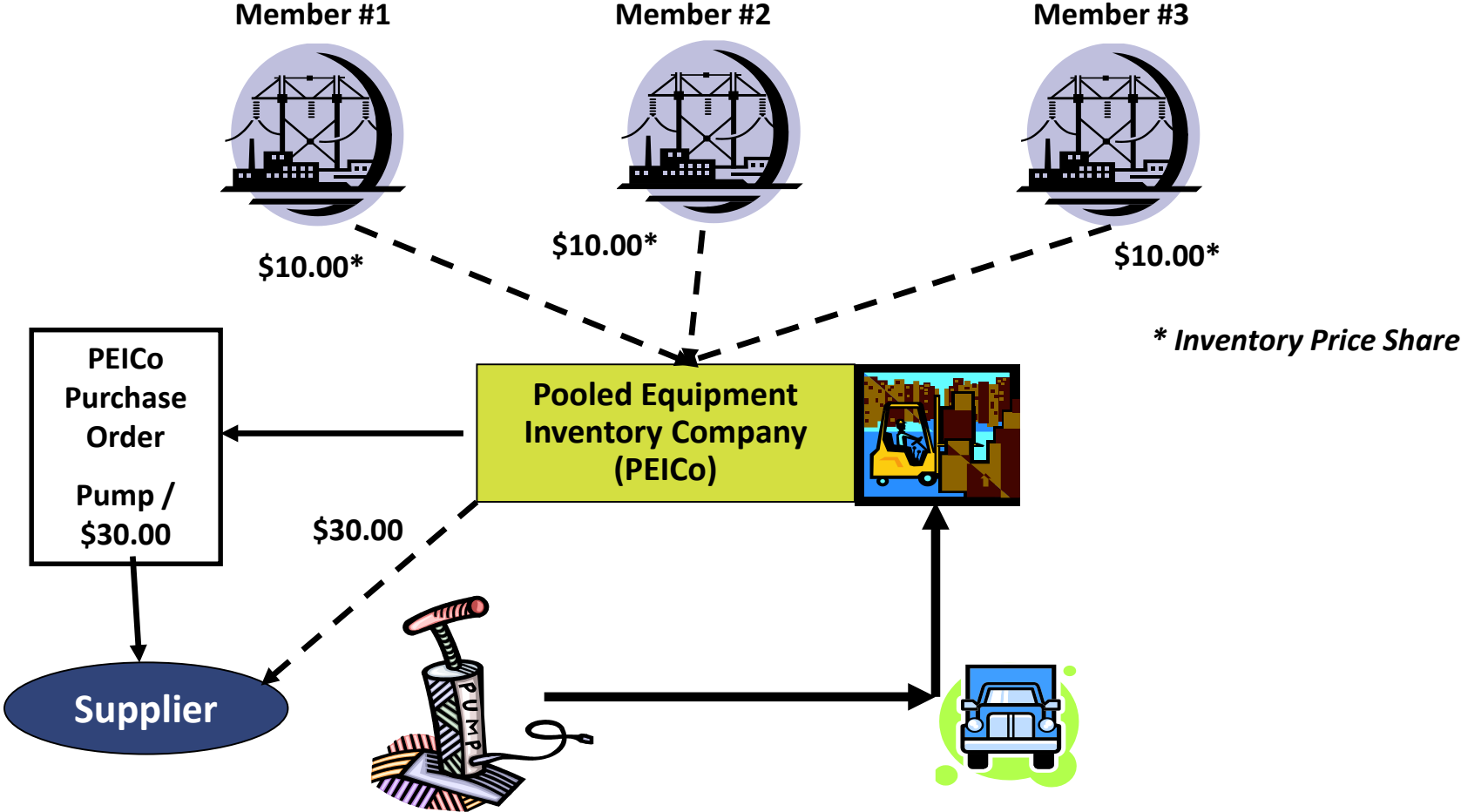
- Foundation of Program where most work gets done
- Unique ownership with two or more Participants for each piece of Equipment
- Each EC directs PM activity for specific piece of Equipment
 - EC Representatives selected by MC Representatives
 - EC Representatives are the interface for their company
 - Engineering and interchangeability studies
 - Review and authorize specification, RFQ and PO
- Most decisions are made by majority votes
- Participation is critical



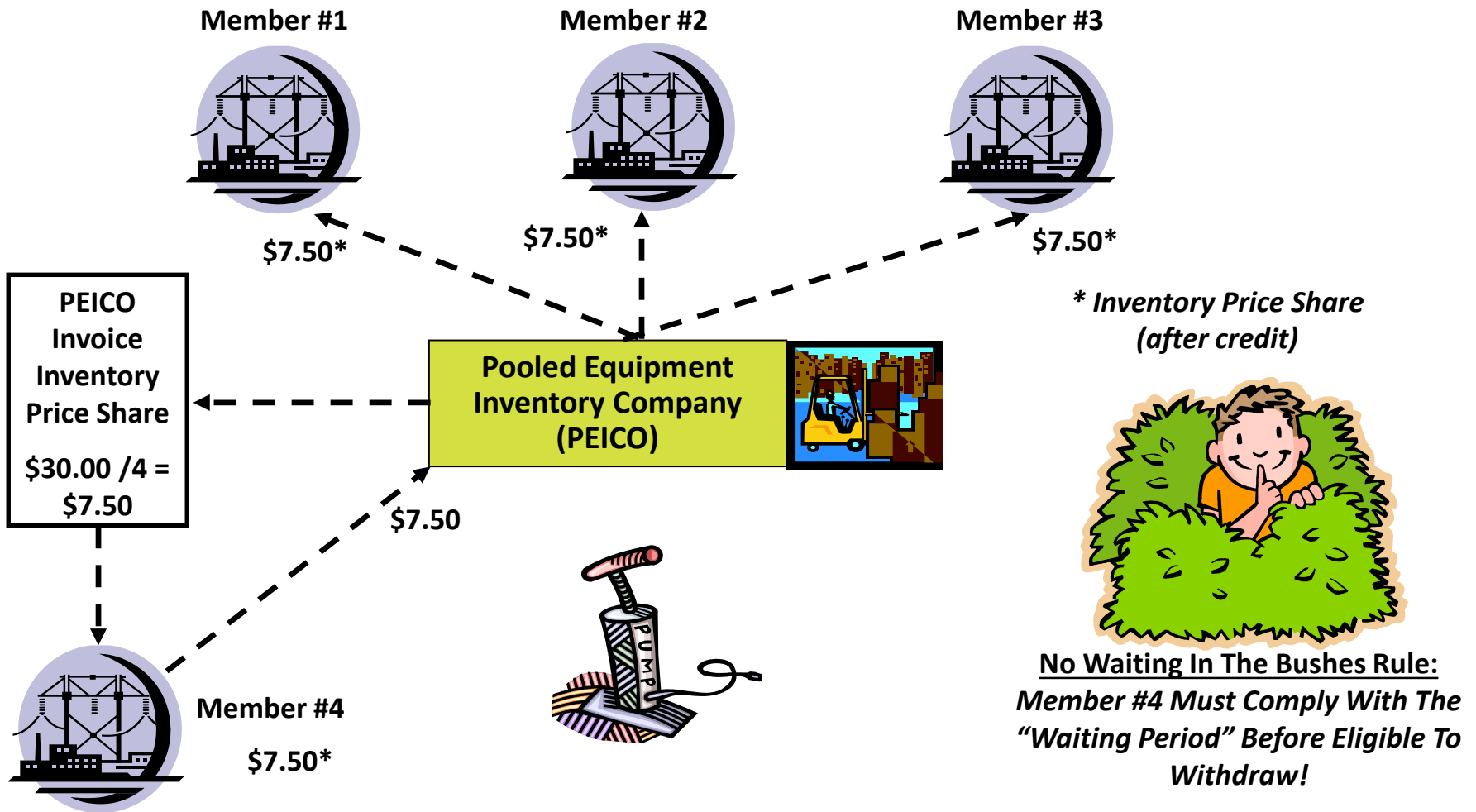
PROCUREMENT PROCESS



SHARING PROCUREMENT COST



JOINING EXISTING COMMITTEE



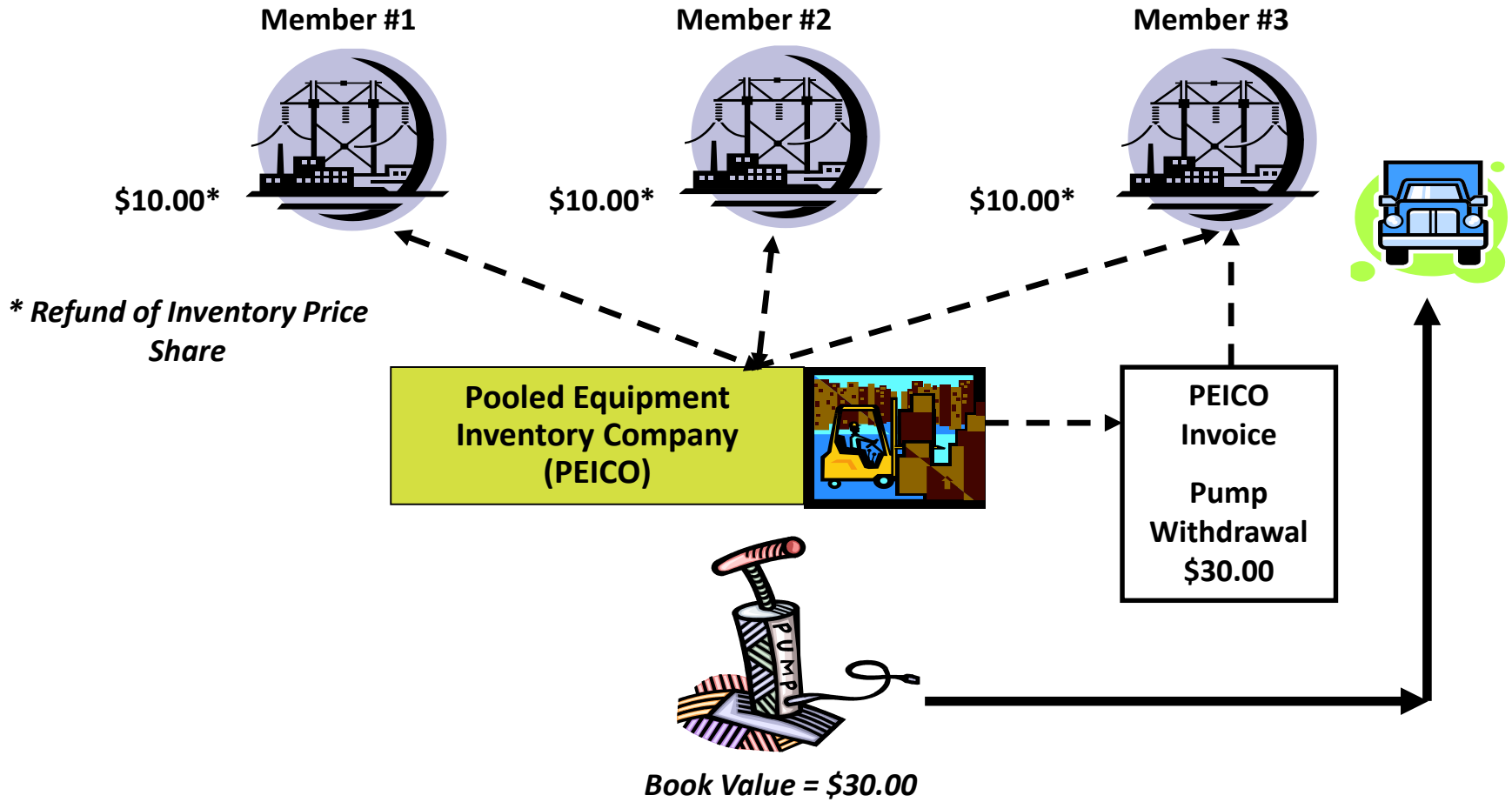
WITHDRAWAL OF PIM EQUIPMENT



Recirc. MG Set Motor

- Predetermined criteria
- Failure which causes:
 - Shut down or derating of plant
 - Unable to return to operation after outage
- Typically 24 to 36 hour delivery
- Must install within 15 days
- “Special Withdrawal Agreements” require unanimous Equipment Committee consent

WITHDRAWING EQUIPMENT

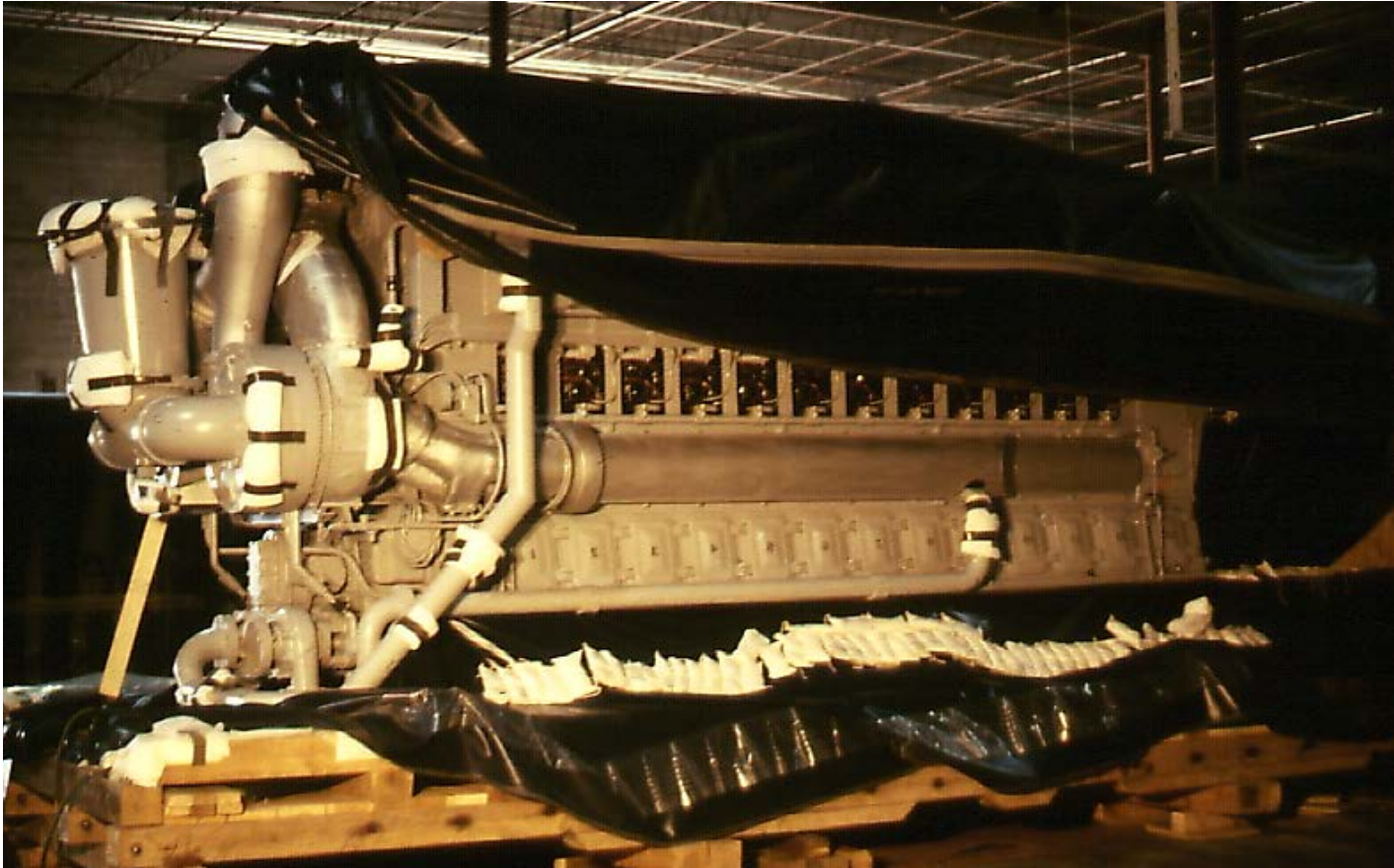


PIM INVENTORY TYPES

- Motors
- Pumps
- Rotating Elements/Impellers
- Couplings
- Generators
(including Stators & Rotors)
- Turbines
- Valves
- Diesel Engines
- Gear Boxes
- Other Assemblies



PIM EQUIPMENT IN STORAGE (Emergency Power Diesel Engine)





PIM EQUIPMENT IN STORAGE

(Westinghouse Generator Rotor)

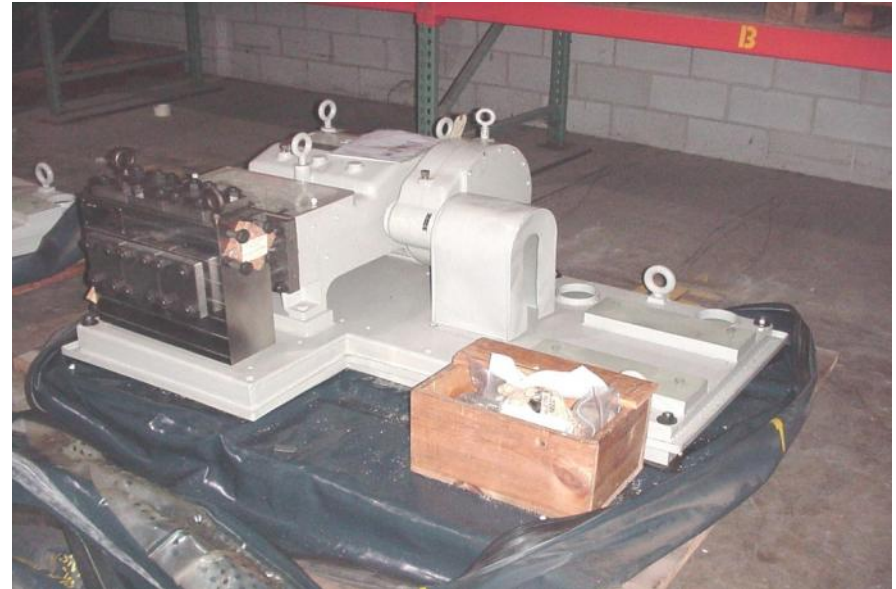


PIM EQUIPMENT IN STORAGE (SMALLER ITEMS)



Governor for Diesel Engine
(P70AD101B001)

SBLC pump and gear box
(C41AC101B001)



BENEFITS & DRAWBACKS OF PIM PROGRAM

- Benefits
 - Share Cost of Acquisition & Storage with others
 - Reduce Company Inventory
 - Access to long lead time items
 - Ensures availability of expensive critical parts not otherwise purchased
 - Eases minimum order issues
- Drawbacks
 - No, “I want my part here at my site.”
 - Management by Committee
 - Do not immediately get inventory price back when you drop out



Equitable Cost Sharing System

Acquisition Cost

- Generally shared equally by the units participating (*i.e.*, “Cash Deposit” or “Inventory Price Share”)
- PEICo’s book value is original purchase price
- No depreciation
- Sold to withdrawing participant at book value
- “Cash deposits” treated on Participant’s books as either:
 - An asset and booked in non depreciating inventory
 - Treated as an expense
 - Some do have in rate base



Improves Plant Performance



Reduce Lost Generation

- ~210 Equipment withdrawals since the inception of the program
- ~130 have been installed
- Reactor Coolant Pump
 - \$5,000,000
 - 28 Month Lead Time
- HPCI Turbine Solenoid Valve
 - \$10,000
 - 20 Week Lead time



PROCESS FOR GETTING OUT OF PIM

What if a Participant wants out of PIM and/or an equipment committee?

- Give one (1) year notice
- Not liable for any additional storage costs after the one (1) year
- Only get “Cash Deposit” (Inventory Price Share) back if equipment is withdrawn by another Participant
- Get % share of sale/scrap value if equipment is sold off
- Participant may re-join PIM if certain conditions are met



Questions?

For more info:

PIM Website: <https://pooledinventorymanagement.com>

Randy Mundy – (205) 992-7581
(PMO Manager)

David Crawley - (205) 992-5176
(Program Manager)

“I was gratified to be able to answer promptly and I did. I said I didn’t know.”

Mark Twain *Life on the Mississippi*

