FACILITY ISSUES

Service Center Planning Overview

Introduction

Utility company service centers (also called operation centers, regional headquarters, etc.) are the headquarters for field work supporting the utility network and customers. They are different from many facilities in their role as a base to assemble, prepare, and support work done in the field.

Typical functions on these sites include:

- Field Crews (construction, maintenance, operation),
- Special utility network support and testing groups,
- Engineering/design & work planning,
- Vehicle maintenance,
- Material warehousing,
- Communications, emergency operations,
- Regional administration, environmental, & safety,
- Customer service, retail office (becoming rare),
- Community relations and business development.

There are also significant size variations among these sites from small no-frills to basic light industrial to mega centers.

As utilities make investments in of these important facilities, to upgrade conditions or respond to changing business operations and technology improvements, an inevitable question arises:

Do we have the right number of facilities and are they in the right locations?

Strategic Approach

We have found that an iterative, phased approach works best with a planning project of this complexity. The overall process is shown linearly for simplicity, but the approach is to cycle through the steps repeatedly as appropriate.

The opportunity can arise from business needs or facility assessments and this initial assessment will validate and refine the planning objective(s).

Then the strategic level planning will evaluate the alignment of the properties with the anticipated business needs to modify the opportunity and/or identify facility specific projects.

The tactical facility planning will advance the facility projects. The implemented projects will become reference points that refine the strategic plan.

The operational facility assessments will establish and refine the facility operations based upon the implemented projects and identify potential opportunities to evaluate.

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Long-Range Service Center Planning Process

The purpose of a long-range service center plan is to provide a vision of the facilities required to support field operations. This enables evolution of the current facilities to those desired to support consistent, efficient, and effective operations.

Having a plan facilitates capital budgeting and coordination among various departments in the direction desired by senior management. The plan can be refined as areas of uncertainty are resolved or future conditions change.

Opportunity Assessment

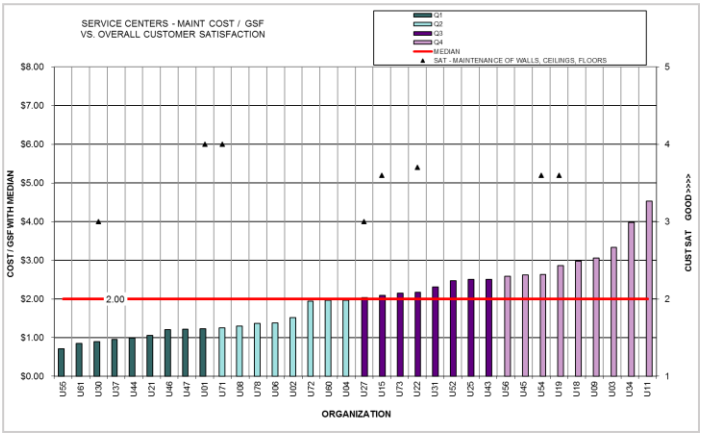
The opportunity assessment is to identify and clarify the potential problem(s) to be addressed in the plan. The effort may initially start with one premise and find different or other issues of significance.

Some common reasons for a long-range service center plan include the need to update or relocation facilities because of:

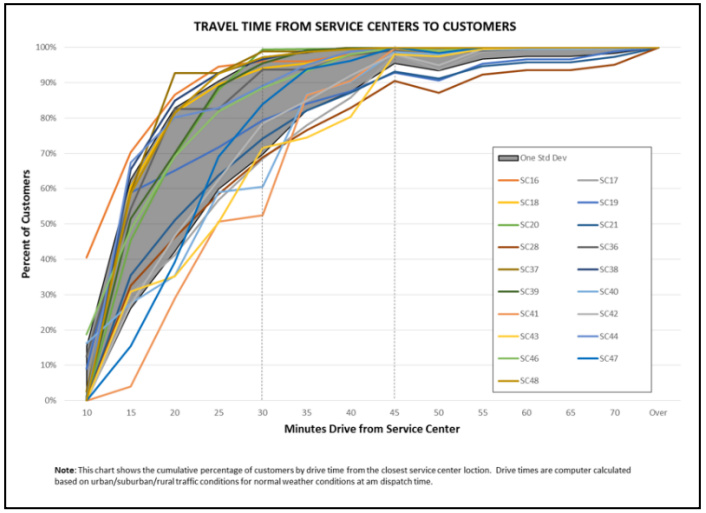
- Changes in technology or business work methods,
- Changes in organization, mergers, or lines of business,
- Financial pressure,
- Desire to reduce travel times,
- Outdated physical condition or inefficient layout,
- Changes in adjacent neighborhood or growth in service area,
- Desire to improve sustainability/reduce carbon footprint.

The objective is to define the magnitude of the problem or savings opportunity with minimal upfront investment. Most companies will want to undertake a facility plan only if they can solve a problem or are assured of a significant value return.

One relatively fast and affordable way to identify potential opportunity areas for facilities is benchmarking. **Facility Issues can help with benchmarking both the space/cost of the facilities and the service center locations.**



Example Facility Space and Cost Benchmarking Chart



Example Service Center Travel Benchmarking Chart

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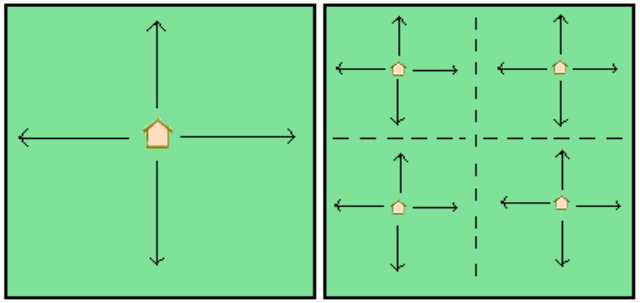
Strategic Service Center Location Planning

Once there is a defined opportunity(s) to pursue, a strategic facility plan is warranted to establish a coordinated overall facility plan in alignment with the business direction.

The first part of the strategic facility plan is understanding how these facilities support the strategic business plan.

- What are the current and anticipated operations to support?
- What is the field workload and potential growth or change?
- What is the conceptual nature of the desired facility(s)?
- Which facilities in the network will remain or need to change in the short term?

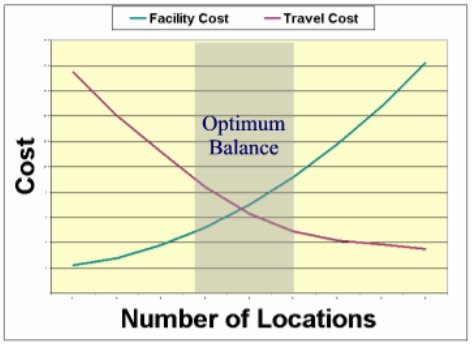
Location analysis is a key part of service center planning because each facility is typically part of an extensive network of field operations headquarters. Consolidation/decentralization issues such as travel times need to be considered in the service center plan to achieve the appropriate balance for each situation.



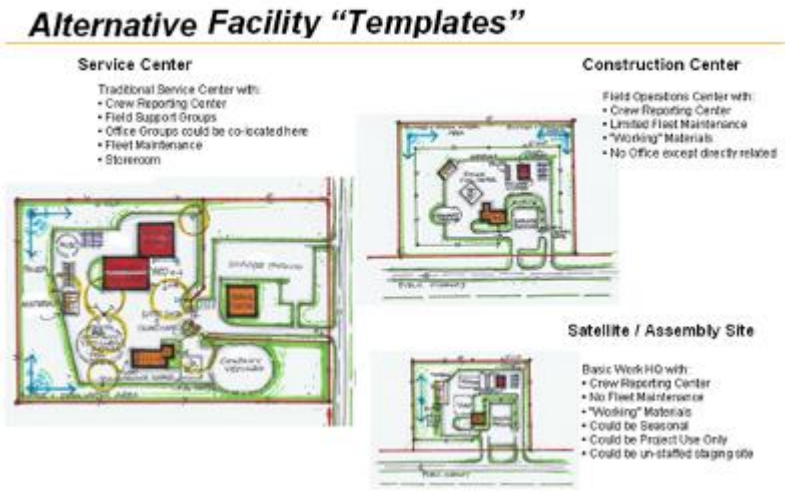
Centralized facilities offer economy of scale and operational flexibility.

Decentralized facilities offer lower travel time to customer or job site.

This can be straightforward with a uniform service area or small number of facilities. However, even a network as small as 5 locations has 31 possible combinations of facilities that can be used. Each facility combination has a variety of ways that the territory can be divided, meaning hundreds of combinations are possible.



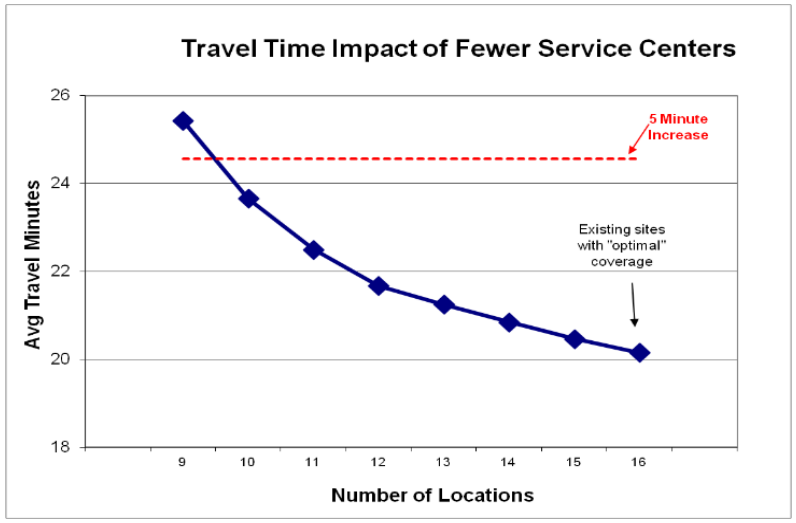
The nature of the industry is most organizations have some old legacy properties, many of which have unique layouts and present physical challenges. Many utilities are moving towards "templating" their service centers by size or function to both standardize their operations and more cost-effectively develop the facilities.



Facility Issues uses a scenario approach with a computer optimization model for the strategic facility planning location analysis. This model uses your business operation criteria to optimize and quantify travel times for alternative service center locations and configurations:

- Maximum travel time/response time,
- Minimum/maximum numbers of crews per location,
- Maximum number of facilities,
- Facility capacity or environmental restriction,
- Territory coverage restrictions,
- Work forecasts by location.

Using "What if?" scenarios and sensitivity criteria allow effective analysis with the available data saving substantial costs and time.



Example Service Center Scenario Comparison Chart

The model uses the selected costs and criteria to identify the lowest travel time option for the given scenario (and the associated coverage areas). Comparing multiple scenarios quantifies the potential benefit or impacts so that the impacted business operations can understand the options and agree on a Strategic Direction.

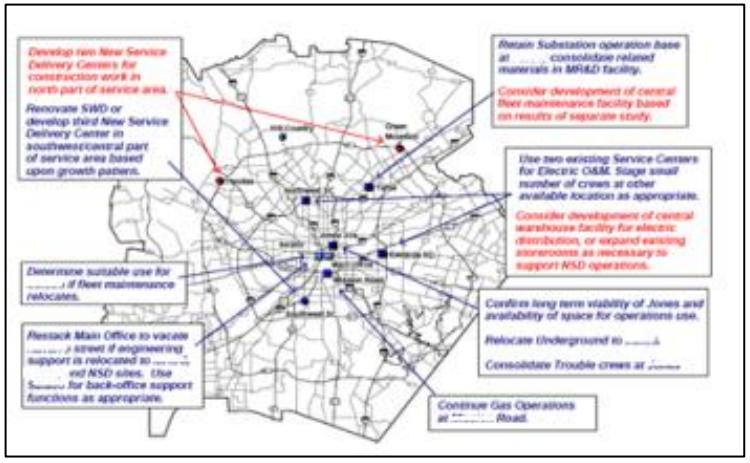
Typical Strategic Facility Planning Study Process:

- Desktop Analysis (Benchmarking)
- Kick-off Workshop, Team Review, Site Visits
- Stakeholder Interviews & Work Process Definition
- Data Collection & Forecasting Criteria
- Model Run 1 – Identify Areas for More Analysis (results may identify opportunity assessment alternatives)
- Team Review and Refine, Site Visits
- Draft Facility Templating
- Model Run 2 – Draft Strategic Plan for core field operations
- Team Review and Refine, Site Visits
- Model Run 2a – Draft Strategic Plan for support functions
- Model Run 3 – Updates as needed per Tactical Planning
- Refined Strategic Facility Plan / Assessment
- Executive/Stakeholder Presentation

The strategic planning process can be performed as a "back room" exercise with a small team, or it can be led by a cross-functional steering committee and be highly visible. This will determine the nature of the results and degree of "tactical" planning that is concurrent with the strategic planning process.

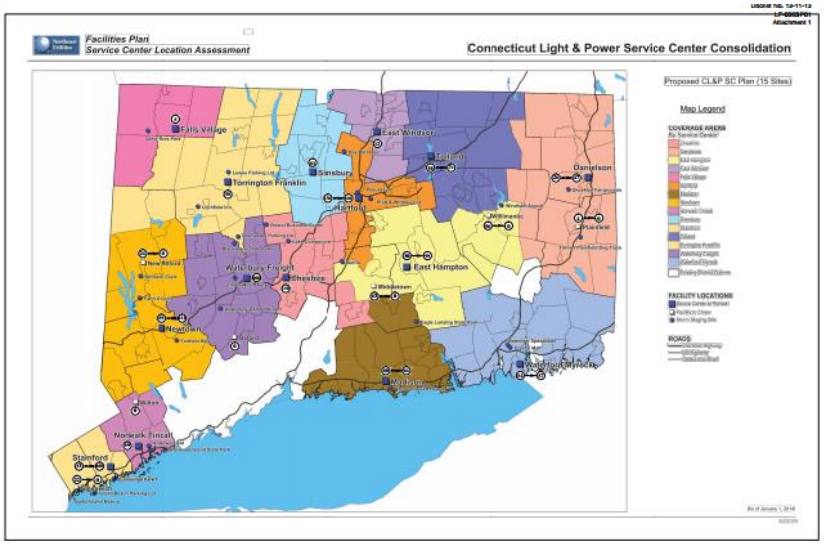
The strategic facility plan typically identifies the long-term end state (what kind of facilities are needed to support the business, where they should be located and how big they should be). This results in a recommended action for each existing and proposed facility/site and areas of uncertainty.

Example of Strategic Site Assessment Matrix



Example of Strategic Facility Master Plan Mao

The plan can take the shape of a summary matrix, a strategic location map, or a conceptual masterplan map.



Example of Strategic Facility Location Plan
Exhibit from CT PURA Docket No. 13-11-13

Once the strategic facility plan identifies facilities to keep, develop, close, or relocate, each of these actions needs to be validated through site visits, fit tests, and/or preliminary real estate reviews.

Refinements to the strategic plan should be made based upon these assessments. Once the feasibility is confirmed, the recommended actions can be advanced with traditional real estate and facility planning studies in the tactical planning phase.

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Tactical Service Center Facility Planning

Each site or action in the strategic facility plan can become a project. This is considered a tactical planning phase since these projects are focused on specific properties and typically lead to action such as property transactions or construction projects.

Typical project types:

- Acquire and develop new property
- Renovate or expand existing facility
- Consolidate or relocate existing operations
- Restack a facility
- Maintain or mothball existing facility
- Divest property (owned or leased)
- Technical/engineering study
- Real estate/market analysis

The first step in the tactical planning is to determine the sequence of actions needed to reconfigure the existing facilities portfolio into the desired configuration. Business priorities and logistical realities (e.g. expiring leases) will determine the appropriate sequence. This should then result in a rolling five-year capital improvement program, for which most organizations have established processes.

Project specific business case(s) are highly recommended as a follow-up to incorporate items that either have no geographic aspect or are too detailed to include in the modeling. These will use detailed space planning information, building-specific costs, and the specific project schedule.

Operational Facility Assessments

Operational facility planning and assessments are beneficial for both existing facilities and those new developed. It is important that facility planning and assessment not stop once a property is operational, since the business environment, community, and technology continually change as facilities age.

Common types of operational assessments include:

- Space utilization study
- Facility condition assessment
- Facility commissioning
- Code review/ADA assessment
- Energy efficiency assessments
- Safety assessments
- Sustainability/environmental assessments
- Reliability/risk assessments
- Facility benchmarking

Notable results from these assessments can create the need for a facility project (which should be consistent with the strategic plan). A system-wide pattern from operational assessments can also be the basis for a new opportunity assessment.

For more Information:

- Service Center Trends Whitepaper
- Service Center Planning Services: RLambe@FacilityIssues.com