



# News Release

February 17, 2004

## **UMS Group Announces Completion of Spend Optimization Process Implementation at American Electric Power**

Parsippany, New Jersey – UMS Group, Inc. (UMS) today announced the completion of an enterprise-wide implementation of its proprietary Spend Optimization Process at American Electric Power (AEP).

The UMS process was implemented for the 2004 budget year across AEP's electric Transmission, Distribution and Generation groups and for the Corporate Services, IT and Shared Services functions. AEP is the first enterprise-wide implementation of the UMS Spend Optimization Process.

In implementing the UMS process, AEP optimized its 2004 capital spending plans embodied in more than 2,500 separate capital projects and programs. AEP utilized the optimizer to achieve a reduction in capital spend in large part accomplished through the rationalization of mandatory spend, alignment of spend to value, and the management of risk exposure. The capital spending was further analyzed for specifically targeted investments to achieve higher reliability levels and other operational benefits that provide "bang for the buck". Operational performance was a large component in the optimization process along with traditional financial metrics.

AEP plans to expand the use of the process in its 2005 budgeting to include Operations and Maintenance spending; multi-year spend optimization; and the automation of the project/program screening, financial analyses and inputs to the Spend Optimization Process.

The UMS Spend Optimization Process facilitates the value assessment of all spending plans in terms of each UMS Client's unique strategic business objectives. Through comparative analyses of discretionary project and program spending scenarios, Client planning and budgeting decisions are supported in the domains of value effectiveness and risk. In addition, the process supports Client decision-making in the mandatory spending domain – assessing alternatives that release portions of the planned spending to be applied to areas of greater value (i.e., increased reliability, improved customer satisfaction, enhanced financial returns, etc.).

A supporting toolset is implemented in each UMS Spend Optimization Process engagement that is customized to each Client's unique requirements. The toolset

consists of the planned spending project/program library, optimization engine, scenario selection alternatives and results reporting in both graphic and tabular forms.

The UMS Spend Optimization Process is designed for application to asset-intensive businesses faced with constrained capital availability.

UMS is the world's leading consultancy in the practice of utility asset management, performance assessment, performance management and change management. UMS proprietary databases, analytical tools and methodologies have been utilized by over 300 gas, water and electric utilities on 4 continents to build world-class operations.

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