



Senior Management Briefing

November 16, 2004

Agenda

- **Opening Remarks, Introductions**

Gary Leidich – President and CNO

- **Fleet Engineering and Services**

Joe Hagan – Sr. Vice President, Fleet Engineering & Services

- **Fleet Operations**

Lew Myers – Chief Operating Officer

- *Davis-Besse – Mark Bezilla, Vice President*
- *Perry – Rich Anderson, Vice President*
- *Beaver Valley – Bill Pearce, Vice President*

- **FENOC Oversight**

Ralph Hansen – Interim Vice President of Oversight

- **Closing Remarks**

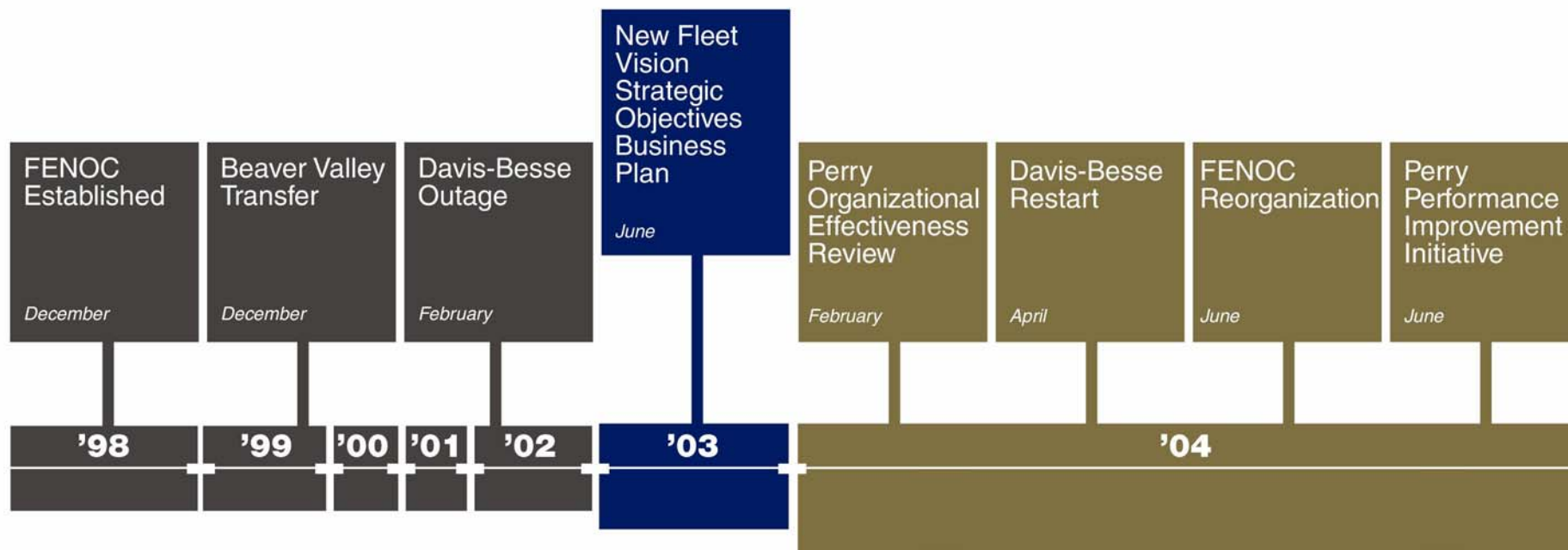
Gary Leidich

Desired Outcomes

- Discuss the evolution, approach, and going-forward plans for operating FENOC as a fleet
- Review current plant operating performance & challenges
- Outline our improvements in safety culture and plant safety margins



Timeline Illustrates **FENOC Progress**



Beaver Valley



BETA Lab



Davis-Besse



General Offices



Perry

Business Plan

Fundamentals

- *Safety Priority*
- *People Emphasis*
- *Delivering Results*
- *Top Performance
Relative to Industry*
- *Fleet Emphasis —
NO SILOS OR ISLANDS*

FENOC Vision

People

**with a strong safety
focus delivering top
fleet operating
performance**

Beaver Valley • Davis-Besse • Perry • Akron • BETA

Business Plan *continued*

"The Basics"



Strategic Objectives

Safe Plant Operations

People Development and Effectiveness

Improved Outage Performance

Excellent Materiel Condition

Fleet Efficiency / Effectiveness

Business Plan – *Architecture for Improving Performance*

VISION Where we're going....



Strategic Objectives What we're measuring...



Implemented by the
entire fleet organization

Action Plans

What we're
doing and who's
accountable

Perry

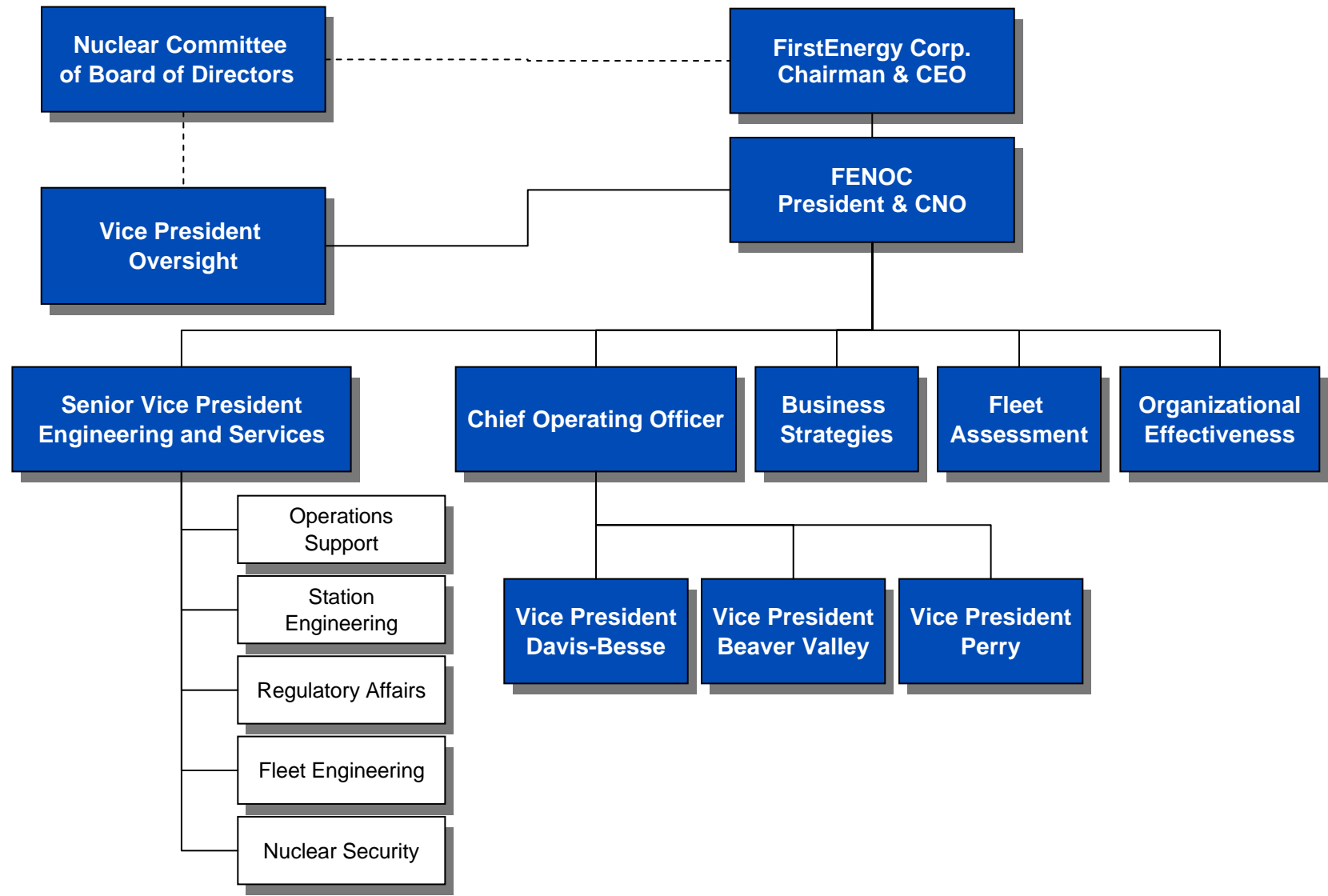
Beaver
Valley

Davis-
Besse

Beta
Laboratory

Akron

2004 FENOC Organizational Chart



2003–2004 Hiring Industry Experience

Name	Current Position	Previous Employer	Years of Service
<i>Fleet Support and Services</i>			
Joe Hagan	Senior Vice President	Exelon	33
Vito Kaminskis	Director, Operations Support	NMC	30
Greg Halnon	Director, Regulatory Affairs	PSEG Nuclear LLC	22
Richard Farrell	Manager, Radiation Protection	NMC	20
Robert Deppi	Manager, Operations	Exelon	26
Charles Smith	Manager, Outage	Exelon	23
James Brander	Manager, Maintenance	NMC	22
Dewey Evans	Manager, Work Management	PP&L	23
<i>Perry Nuclear Plant</i>			
Richard Anderson	Vice President	PP&L	25
William O'Malley	Manager, Maintenance	Exelon	22
Andrew Kolarcik	Manager, Outage	Entergy	14
John DeDomenico	Manager, Work Management	Indiana Michigan Power	23
Stuart Thomas	Manager, Radiation Protection	NMC	25
<i>Davis-Besse</i>			
Barry Allen	Director, Site Operations	Entergy	20
<i>Beaver Valley</i>			
Richard Mende	Director, Performance Improvement	NMC	26

Fleet Organization

Fleet Organization in Place

- Goal: **Consistent and improved overall performance**
- Drives Business Plan implementation
- New Executive Team with:
 - Safety focus and oversight
 - Years of operating experience





Fleet Engineering & Services

Joe Hagan
FENOC Sr. Vice President

Organizational Philosophy

Fleet Approach

WHAT'S CHANGED FUNCTIONALLY ?

Fleet Support

Fleet Operations



* Change management plans

Fleet Approach

Fleet Attributes:

- Governance
- Oversight
- Support
- Services

- Consistent processes to drive performance
- Resources: adequate, balanced and prioritized
- Increased checks and balances
- Solid foundation to detect early performance decline

Fleet Approach *continued*

Organizational Elements:

- Executive Leadership Team
- Common organization at the sites
- Senior Management Team at the sites
- Fleet support and services
- Fleet-wide assessment of implementation and performance
- Fleet-wide quality assurances oversight
- Strong external independent review function

Examples of Fleet Activities

■ Governance

- Common policy and process documents
- Nuclear Committee of the Board of Directors
- Company Nuclear Review Boards
- Quarterly Fleet Performance Reviews presented to CNO
- One Business Plan with fleet-wide strategic objectives

■ Oversight

- Single quality program
- Common assessment program
- Standardized performance indicators
 - Monthly Performance Reviews conducted at each site
- Structured Daily Call for the fleet

Examples of Fleet Activities continued

■ **Support**

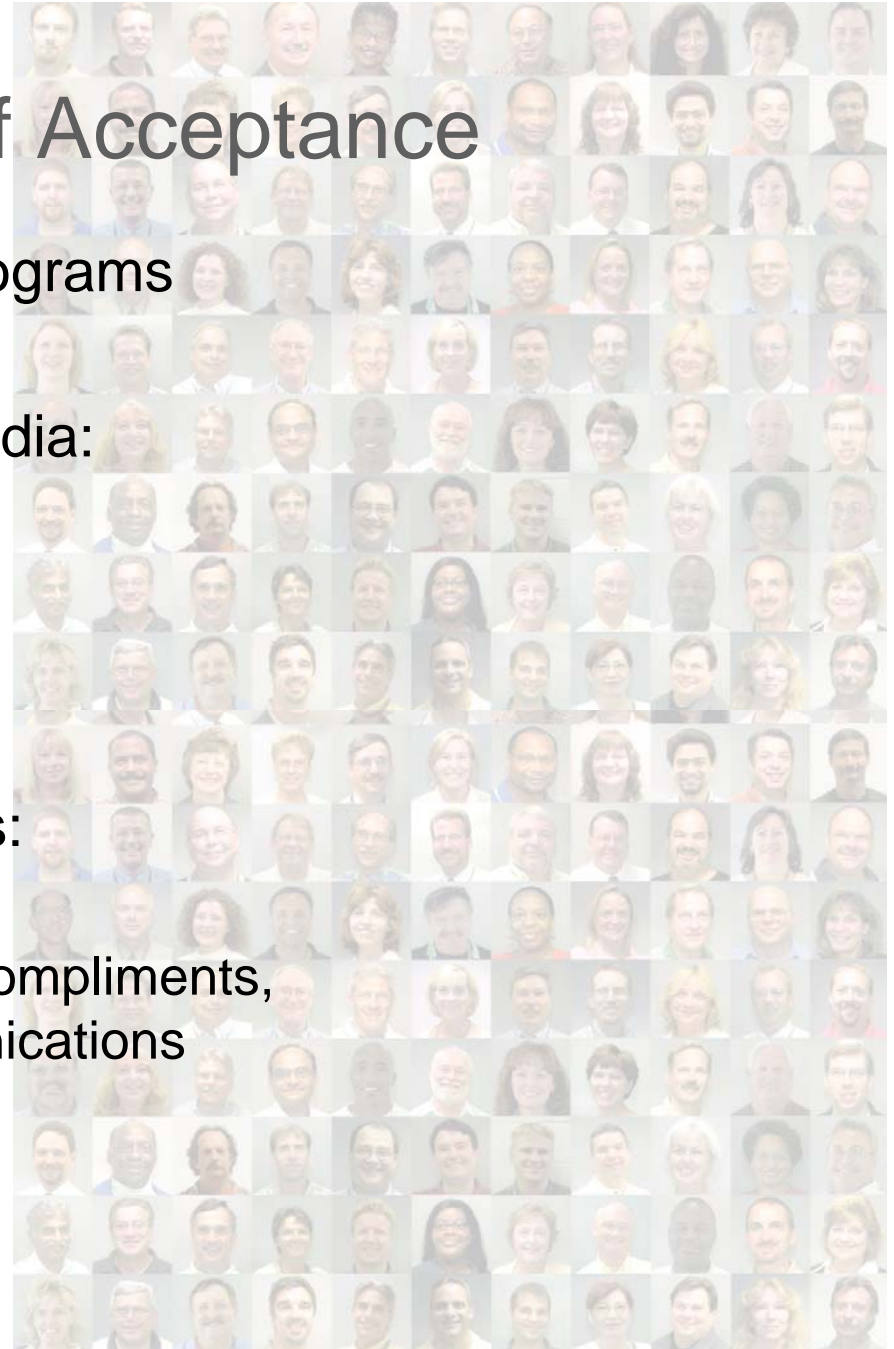
- Programs and processes; structure and their implementation
- Central point of contact for industry operating experience and assistance reviews
- Common structure for training programs
- Coordination of resources
- Database and Software management
- Common initiative for Equipment Reliability improvements

■ **Services**

- One fleet calibration service for M&TE and failure analysis
- Project management for large fleet-wide projects
- Dedicated point-of-contacts for Nuclear in IT, Supply Chain, Human Resources, Legal, etc.

Communications for Staff Acceptance

- Integrated communications programs drive employee engagement
- Publications and electronic media:
 - Fleet newsletter
 - Special Edition newsletters
 - Special employee handbooks
 - Satellite television broadcasts
- Face-to-Face Communications:
 - Supervisory Briefings
 - Employee 4Cs Meetings — Compliments, Concerns, Changes, Communications
 - Town Hall Meetings
 - All-Hands Meetings
 - Lunch with FENOC President



Accomplishments/Results

- One corrective action process
- Structured backlog reduction — all plants
- Engineering programs merged and consistent
- Institutionalized the process and programs to assess Safety Culture and Safety Conscious Work Environment
- Improved on-line plant performance
- Improved outage performance
- Single management observation program



Fleet Top Focus Areas

- Fleet Managers' roles and responsibilities
- Fleet convergence of processes and assessments
- Organization acceptance and effective implementation of process and standards
- Benchmarking industry fleet organizations for check and adjust
 - Maintenance performance
 - Operations standards
 - Engineering product quality

FENOC Fleet Objectives

- ▶ ***Strong Safety Focus***
- ▶ ***New Fleet approach is designed to provide early recognition of declining performance***
- ▶ ***Improved Equipment and Plant Reliability***
- ▶ ***Top Quartile Performance and Results***
- ▶ ***Anchor Standards of Performance through Accountability and Execution***





Fleet Operations

Lew Myers
Chief Operating Officer

WHAT'S CHANGED FUNCTIONALLY ?

Fleet Approach

Functionally, the Plants are responsible for strong implementation and the discipline of execution

Fleet Support

Fleet Operations



*** Change management plans**

Standard Fleet Organization Allows for Consistent Execution of Standards

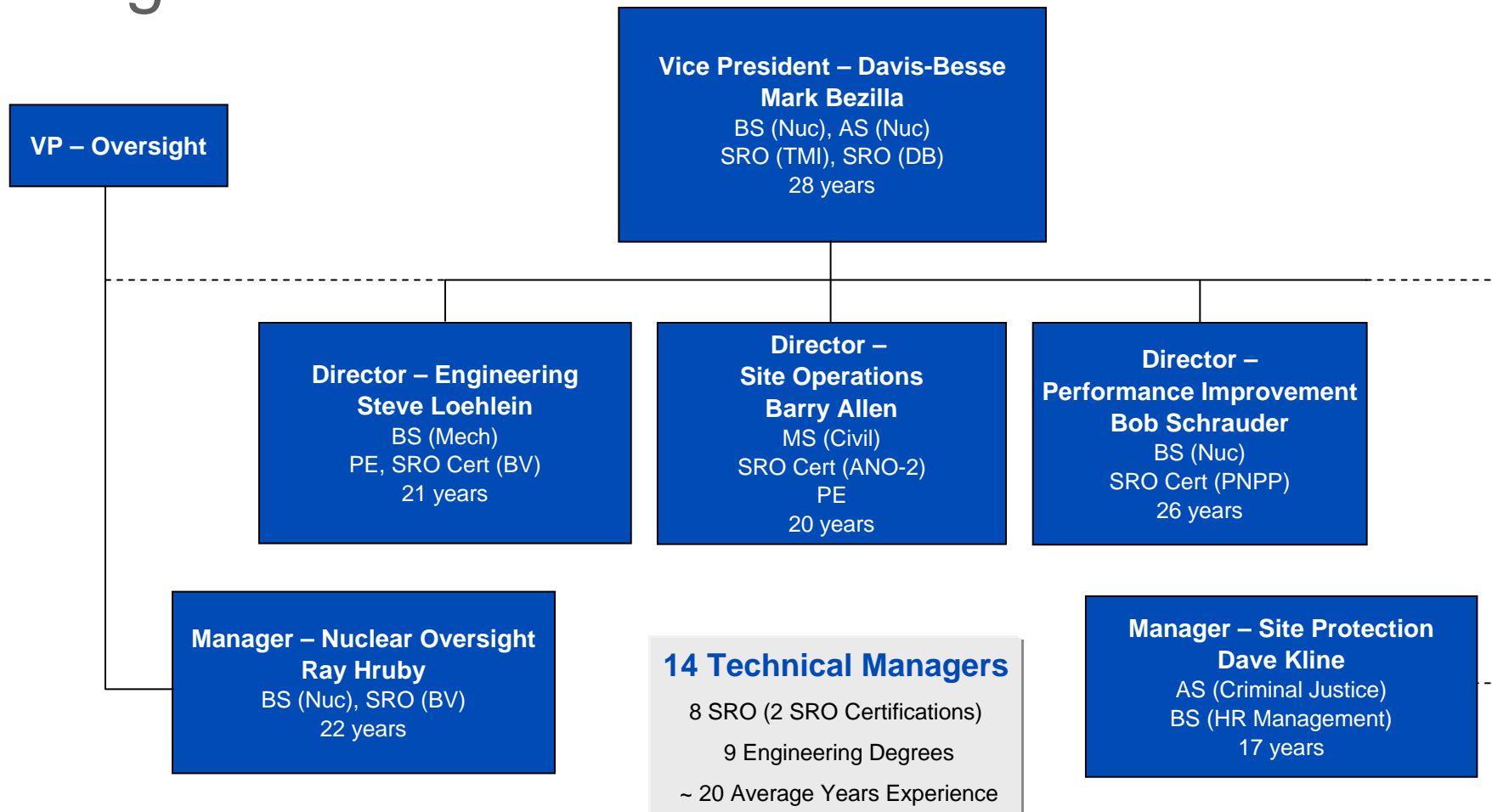
- Davis-Besse returned to service
- In 2004, FENOC ...
 - Completed reorganization based on industry comparisons
 - Selected new management to fill critical roles
- Davis-Besse and Perry have augmented resources to account for performance improvement initiatives
- Insuring proper staffing levels are a key focus of the Executive Leadership Team

Davis-Besse's Recent Operating Highlights

- Performance Index shows improvement
- Good safety system performance
- Corrective Action Backlog continues to be reduced
- Maintenance Backlog being reduced
- 100% power April 4, 2004
- 97.3% Capability Factor through October 31st
- Licensed Operator class completed and one is in progress
- Preparations in place for upcoming mid-cycle outage
- Independent assessments being used to verify sustained performance



2004 Davis-Besse Operationally Focused Organization



Davis-Besse's Top Focus Areas

- Human Performance
 - Routine and recurring tasks
- Work Management
 - On-line schedule adherence and stability
 - Off-line preparation and schedule adherence
- Backlog Reduction
 - Elective Maintenance
 - Corrective Action
 - Procedure Change Requests
- Corrective Action Program Implementation

Davis-Besse: Looking Forward

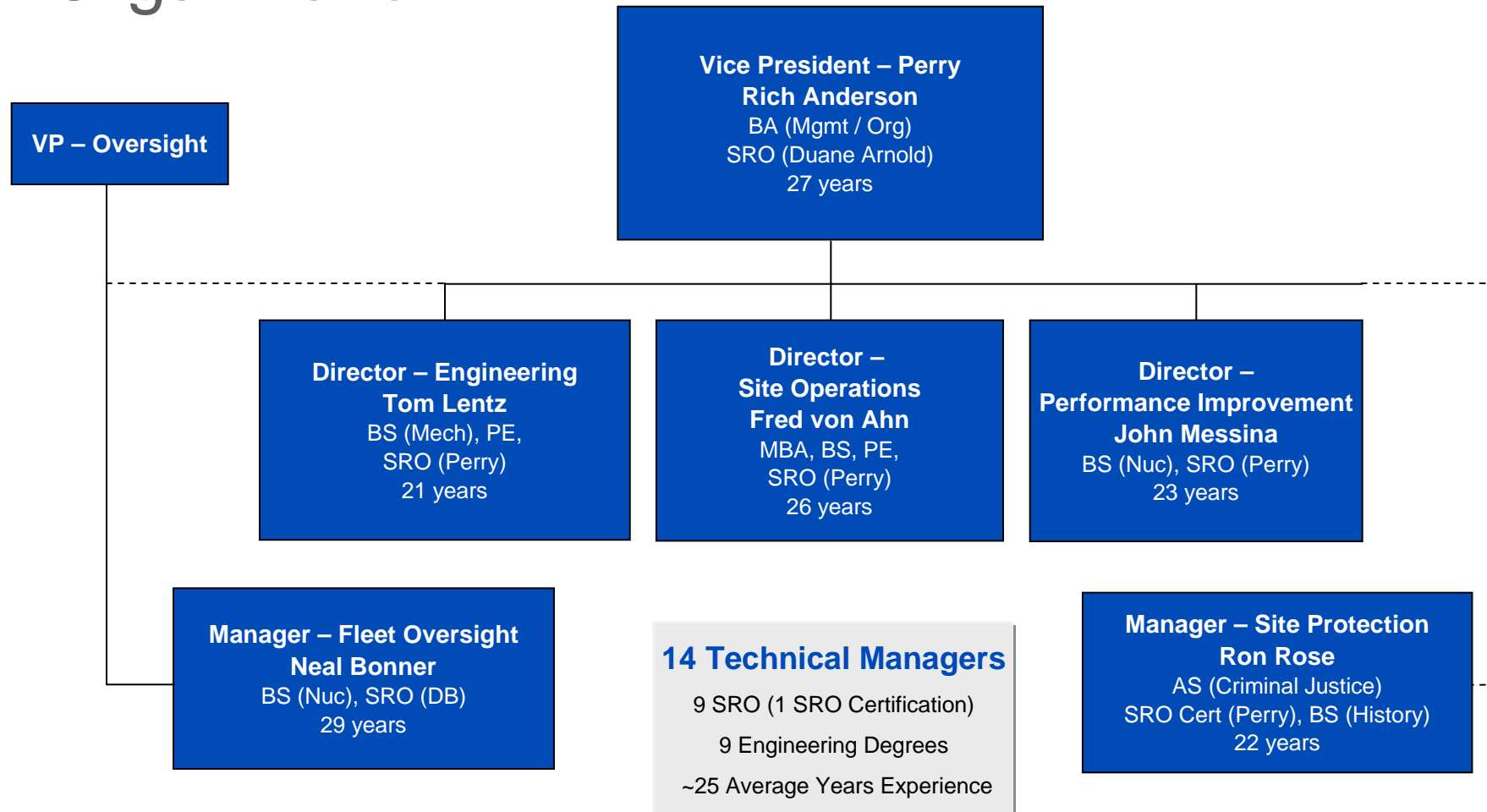
- Safe, conservative, reliable, event-free operations
- Work Management implementation
- Strengthen staff standards through effective management observation program
- Preparation for Mid-Cycle Outage
 - Backlog reduction
 - Off-line preparation and execution
- Qualification of personnel through accredited training
- Use of operating experience, benchmarking, and critical self-assessments

Perry is Demonstrating Safe Operating Performance

- Performance Index shows recovering trend
- Safety System performance has improving trend
- Reductions in corrective action backlog and average age
- 2004 Capability Factor YTD – 93.2%
- 95003 major equipment issues are resolved
- Several margin improvements in Safety Systems in Feb. outage
- License Operator training class in progress
- 8.7 million man-hours without a lost time accident
- Successful Integrated Emergency Drill
- Performance Improvement initiative in progress



2004 Perry Operationally Focused Organization

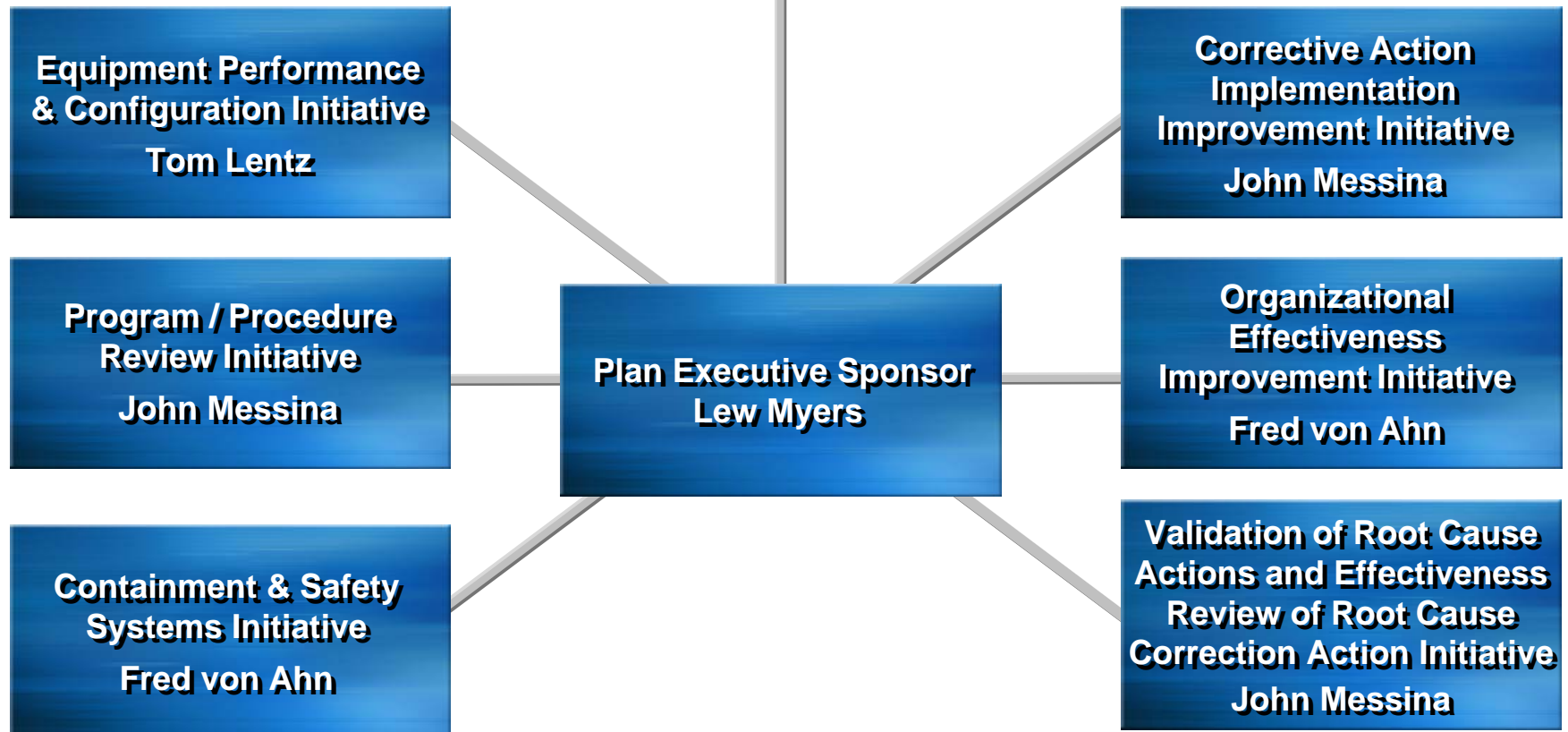


Perry Top Focus Areas

- Leadership and management issues
 - Reinforcement of expectations
 - Sense of urgency
 - Resolution of plant problems
 - Understanding causes of latent problems
- Corrective Action Program Implementation
- Performance Improvement Initiative
 - Six main areas of focus

Performance Improvement Initiative

Plan Overview Panel



Fleet Operations

Perry: Looking Forward

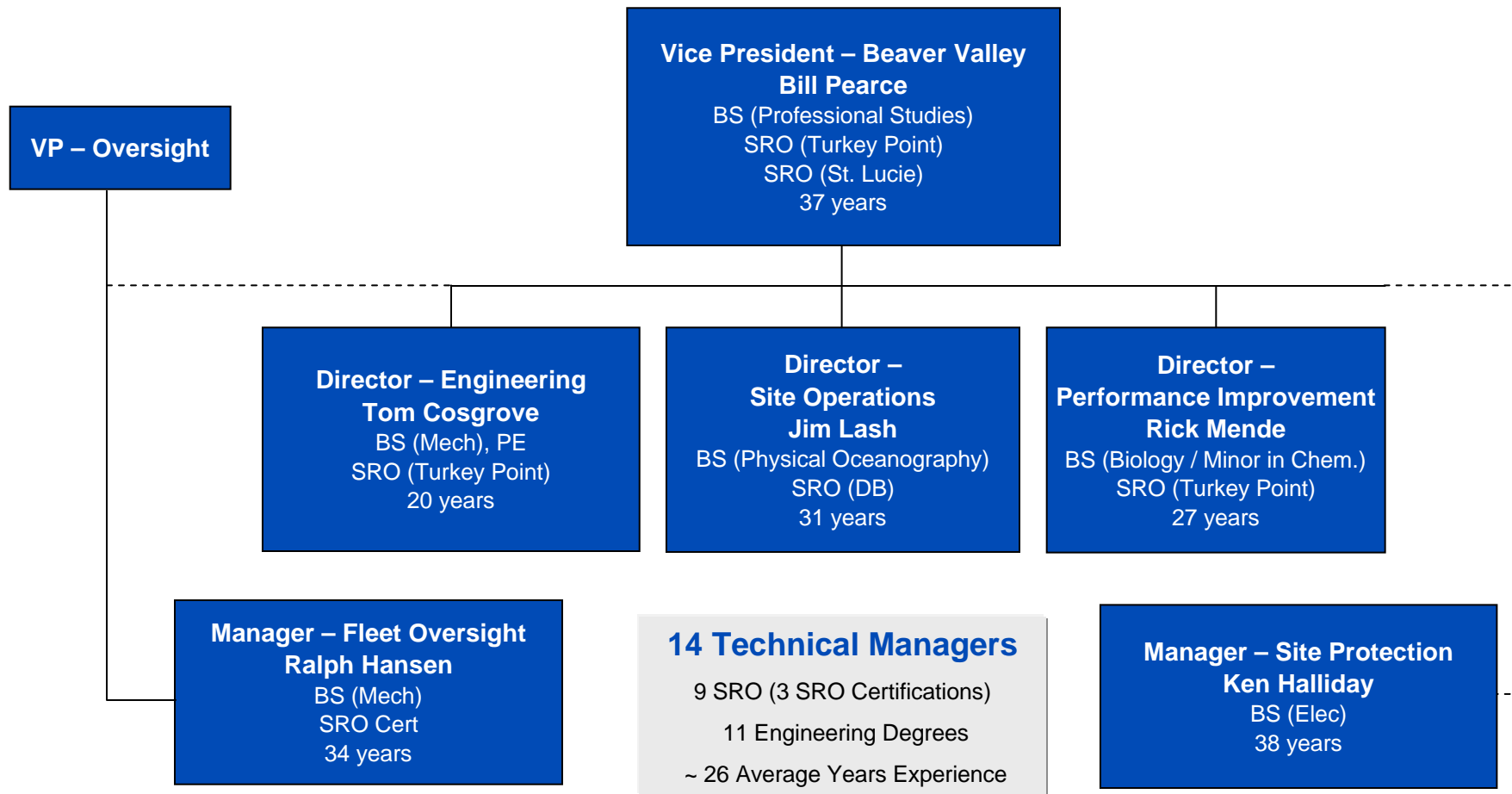
- Continued safe operation
- Implementation of Fleet initiatives
- Conduct safe, effective refueling
 - Improve safety margins with design modifications
- Training to improve performance
- Leadership and management issues
 - Accountability
 - Engagement and execution
- Teamwork between managers and senior leadership

Beaver Valley's Full Potential Program has Demonstrated Improved Operating Performance

- Performance Index at **Best Industry Quartile**
- Safety System performance improved
- Industry Award for performance improvements
- 2004 Capability Factor YTD: Unit 1 – 99.3%; Unit 2 – 99.1%
- Many margin improvements in Unit 1 Refueling Outage
 - 30-day began Oct 18
 - New faster acting feedwater isolation valves
 - New upgraded inverter
 - Improved accuracy of accumulator level transmitters
 - New steam dump valves
 - New insulation for bottom head inspections
 - Preparations for new steam generators and reactor vessel head
- Licensed Class completed



2004 Beaver Valley Operationally Focused Organization



Beaver Valley's Top Focus Areas

- Human Performance
 - Consequential events
- Work Management
 - Off-line preparation and schedule adherence
- Backlog Reduction
 - Maintenance
 - Corrective Action
- Technical Training Program accreditation renewal
 - Training to improve performance
- Corrective Action Program Implementation

Beaver Valley: Looking Forward

- Continue use of Corrective Action Program to find and fix problems
- Leverage Self-assessments and latent issue reviews to proactively identify and fix issues
- Maintain a strong, well-aligned management team
- Further increase workforce engagement in problem identification & improvements
- Strengthen SCWE based on FENOC “Lessons Learned”

Day-to-Day Operations

▶ **Retain strong focus on nuclear safety**

▶ **High levels of availability / reliability**

▶ **System of checks and balances**

▶ **Challenges:**

- Full utilization of the fleet organization
- Perry Performance Initiative
- Davis-Besse continued recovery actions and 0350 process
- Beaver Valley continued improvement





FENOC Oversight

Ralph Hansen
Interim Vice President of Oversight

Fleet Oversight

■ **Quality Oversight Organization**

- Structurally independent — report to the CNO and BOD
- 2 new QA Managers — Perry and Davis-Besse

■ **Role of Oversight**

- Audit Program
 - Performance-based assessments
 - Effective continuous assessment process
 - Cross-use of talent from each site
 - Use of outside expertise
- Key Organizational Oversight Functions
 - Company Nuclear Review Board
 - Quality Assurance
 - Quality Control
 - Employee Concerns

Fleet Oversight's Key Focus Areas

Quality Organization

- Maintaining proper perspective of QA personnel
 - Threshold
 - Site ownership of issues and follow through
- Training for proficiency and pipeline
 - Maintaining good mix of technical expertise
 - Line, Engineering
 - Rotation program

Oversight Observations

- Safety Conscious Work Environment
- Corrective Action Program
 - How we are doing?
 - What is it telling us?
- Procedure implementation
- Security change implementation effectiveness
- Work Management improvements



Corporate Support and Oversight

■ **Board of Directors**

- Policy, resources, and commitment
- Active Nuclear Committee of the Board

■ **Executive Management**

- Involvement by CEO
- Reporting Relationship
- Coordination of resources and business planning



Overall....

 **Safety is the priority**

Overall....

- ▶ **Safety is the priority**
- ▶ **Plant Performance is improving**



Overall....

- ▶ **Safety is the priority**
- ▶ **Plant Performance is improving**



Overall....

- ▶ **Safety is the priority**
- ▶ **Plant Performance is improving**



Overall....

- ▶ Safety is the priority
- ▶ Plant Performance is improving
- ▶ We are now operating as a fleet



Overall....

- ▶ Safety is the priority
- ▶ Plant Performance is improving
- ▶ Now operating as a fleet
- ▶ The resources, organization, talent, and game plan are in place for sustained performance improvement





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