

From: [REDACTED] DJV
To: <DJV@nrc.gov>
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Subject: Utility Services Alliance

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History

In August of 1994, while on a marketing trip to the Wolf Creek Nuclear Generating Station and a visit with then CEO Neil (Buzz) Carns, Keith Hollingsworth and John Polsin of Fluor Daniel discussed the idea of single site nuclear stations working closer together to attempt to gain some of the synergies enjoyed by the larger, multi-site companies. Carl Parry, Wolf Creek ΓÇÖs Director of Corporate Development was given the assignment to work with Fluor Daniel management to prepare a conceptual proposal. The team spent about two weeks developing the three basic strategies that continue to this day to be the corner stones of the Alliance. These are; (1) the sharing of existing resources, both personnel and tools/equipment; (2) the consolidation of selected support functions; and, (3) pooled purchasing of goods and services.

On September 20, 1994 at the Marriott Hotel at the Kansas City International Airport, the Utilities Service Alliance (USA) was born when the concept presentation was given to and accepted by the Chief Nuclear Officers of all of the single site companies in the Midwest. That same afternoon, office space was sub-let from Fluor Daniel in their Kansas City office complex. Over the course of the next several months, general operating guidelines were established and on January 1, 1995 the Chief Nuclear Officers of Wolf Creek, Fermi 2, Cooper, WNP-2 (now Columbia), Fort Calhoun, Clinton and Palisades signed an operating Memorandum of Understanding. In the spring of 1995, Bob Stafford, Fermi 2 ΓÇÖs USA Manager conducted a ΓÇÖcircuit rideΓÇÖ to the member stations to borrow tools, equipment and personnel to help with the Fermi 2 outage. This was the first implementation of the loaned resource programs of USA, which saved Fermi 2 in excess of \$500,000 during that outage.

Progress on various programs continued throughout the year. In December of

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1995, at the request of legal counsel from the member utilities, a Business Review Request was submitted to the United States Department of Justice to determine if any anti-trust issues existed. A favorable review was received on July 3, 1996 and the Alliance proceeded with filing as a corporation. On August 23, 1996 the Utilities Service Alliance was incorporated as a Kansas company as a Not-for-Profit, Non-Stock, membership corporation. Thus, UESA, Incorporated, was finalized.

The charter members of the corporation included:

Washington Public Power Supply System (WNP-2 UO now UEColumbia Generating StationUO)

Omaha Public Power District (Fort Calhoun Station)

Nebraska Public Power District (Cooper Nuclear Station)

Wolf Creek Nuclear Operating Corporation (Wolf Creek Generating Station)

Illinois Power Company (Clinton Power Station)

Consumers Power Company (Palisades Nuclear Station)

Detroit Edison (Fermi 2 Generating Station)

Florida Power & Light (Crystal River 3 Generating Station)

Raymond Jones, a retired United States Navy Rear Admiral was elected as the

first President of the Corporation and Carl Parry was elected the

Secretary/Treasurer. Bob Stafford was elected Vice President UO Operations and additional

staff included Steve Willrett (from Omaha Public Power District) as Manager of

Alliance Supply Chain and Marlene Heathman (from Wolf Creek Nuclear Operating Corporation) as Administrative Manager.

The Alliance progress continued reaping larger savings for the member

utilities each year of operation. In December of 1998, Admiral Jones departed the

Alliance and Carl Parry was elected as President and CEO and Bob Stafford was

elected to serve as Secretary/Treasurer of the Corporation, while maintaining his position as Vice President - Operations.

In June 1999 inquiries were received from several additional utilities

regarding membership in the Alliance. On September 1, 1999 Pacific Gas & Electric

(Diablo Canyon), STP Nuclear Operating Company (South Texas Project), TXU

Electric (Comanche Peak), and Ameren UE (Callaway) joined the Alliance, bringing the

total number of members to 11 with 14 reactors and over 12,600 megawatts of

generating capability. This new group, along with Wolf Creek worked on a series

of initiatives focused on their common design as Westinghouse 4-Loop

Pressurized Water Reactors as well as joining the other members with some on-going USA

projects. This new UOsub-groupUO called themselves UOESTARSUO for UOEStrategic

Teaming And Resource Sharing.UO

In 1999, operation of the Clinton Nuclear Power Station was transferred to

another nuclear operating company and they subsequently dropped their membership in USA.

In the summer of 2001, Bob Stafford reached his long-awaited retirement

option with Detroit Edison and subsequently left USA. Mr. Clay Warren joined the

USA team as the Chief Operating Officer of the USA fleet, which replaced the

Vice President UO Operations position.

In 2000, a nuclear operating company acquired the license to operate the

Palisades Nuclear Plant and they dropped membership in the Alliance in 2001. In

2002, both Pennsylvania Power & Light (Susquehanna, Units 1 & 2) and American

Electric Company (DC Cook, Units 1 & 2) joined the Alliance to gain savings,

improve their performance, and provide another source of technical expertise and

sharing options to the fleet.

As of January, 2002, the members of the Alliance include:

Energy North-West (Columbia Generating Station)

Nebraska Public Power District (Cooper Nuclear Station)

American Electric Power (DC Cook, Units 1 & 2)

Detroit Edison (Fermi 2 Nuclear Plant)

Omaha Public Power District (Fort Calhoun Station)
Pennsylvania Power & Light (Susquehanna, Units 1 & 2)
Wolf Creek Nuclear Operating Corporation (Wolf Creek Generating Station)

Associate members of the Alliance in the STARS group include
Union Electric (Callaway)

TXU Electric Company (Comanche Peak, Units 1 & 2)
Pacific Gas & Electric Company (Diablo Canyon, Units 1 & 2)
Arizona Public Service Company (Palo Verde, Units 1, 2 & 3)
STP Nuclear Operating Company (South Texas Project, Units 1 & 2)
Wolf Creek (maintains membership in STARS as well as USA).

The Alliance now consists of 12 utilities operating 19 reactors capable of producing in excess of 20,000 megawatts of electrical power. This makes USA the largest operating entity in the United States nuclear industry today.

The Alliance remains open to new utility members and vendor-partners. The Alliance continues to add value to its members with an average Return on Investment ratio (RIO) greater than 7.8 in 2001 (return is >\$7.80 for every \$1 invested).

For more information on Alliance opportunities, contact the USA Office at 913-451-5641 in Overland Park, Kansas or via any other method identified in the ΓÇ£ Contact USAΓÇ¥ option on this web site.

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KC-Consultants

N. Kymn Harvin, Ph.D.
Smeal Executive MBA Program
Gregg Conference Center
Bryn Mawr, PA 19010
610 542 5858 (office)

CC: <EXN1@nrc.gov>