

### Sourcing

Sourcing is the day in, day out procurement of parts performed by supply chain with support from procurement engineering and anyone else in the plant that creates or initiates the requisition process for materials. Instilling a questioning attitude, preferably with all the engineering disciplines, project groups, maintenance, outage management, and the PHC, is where the question is asked, "What are my options to fix or replace this system, component, or part?" The next question that needs to be asked during preliminary discussions is: "What is it that's broken or not working as expected?" A questioning attitude by the PHC should lead to a discussion whereby users are able to drill down and determine that a new system may not be needed if a replacement for a part or component could be acquired to maintain the system for many years to come.

At the end of the day, all that suppliers want is a chance to bid. For the buyer, however, that could mean an extra step and could slow down the process, but USA has documented multiple success stories when that is done well.

### Sourcing success examples

Paragon was asked to provide five transponder circuit boards. It was discovered that there would be an extremely long

lead-time, and thus they would not be available from the OEM. Paragon was able to locate and provide the like-for-like replacement boards without the need to expedite or pursue a work-around or expensive temporary modification. Additional savings were obtained as internal work hours by plant personnel were not required, and Paragon was able to locate them from existing Paragon partners. (Savings, \$26,599.)

Because Paragon had previously dedicated these parts, it was able to provide 40 Teflon rings and 55 OEM seat ring discs. (Savings, \$81,683.)

Utilizing the PeAks database, Paragon was able to locate not only a spare that would help support a plant's outage, but also provided instant inventory reduction, as it was identified as over maximum at another USA plant. As a result, the plant was able to release the surplus valve and reduce inventory. (Savings, \$48,762.)

A USA plant approached Paragon due to an obsolescence issue with a power supply. Paragon reviewed the existing component and was able to reverse engineer the component. Paragon provided a quote to the plant, and after review, it was determined that the plant has not only a large installed base but has averaged a usage of 15 components per year. Given that an alternative design would require a costly modification

and most likely a configuration change, Paragon was able to provide the negotiated quantity at a significant discount. This component is used at most USA stations, and those stations will be able to benefit from this reverse engineering and the future savings that will be documented per station at that time. (Savings, \$329,280.)

The USA plant/buyer made the decision to bid an alternative source for five 353 controllers and found the Paragon bid to be significantly lower. (Savings, \$480,000.)

The plant was faced with the challenge of replacing obsolete voltage regulators. Paragon was contacted to provide a like-for-like replacement. Paragon determined that the voltage regulator could be reverse engineered. A digital equivalent upgrade, including engineering and other modification costs, would have cost significantly more than the Paragon replacement. (Savings, \$898,000.)

### The takeaway

There is not a one-size-fits-all material cost reduction plan. A company's plan must be tailored to its specific needs. Inventory optimization, reverse engineering, and other sourcing savings add up quickly if the culture drives the entire organization to ask the question, "Is there an alternative solution that could save the company money?" **N**



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- ASME Section VIII
- ANSI B16.34 & B16.5
- API Standards
- NEMA SM23/24

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