

TIPS



◀ The Quarterly Newsletter from Integrated Power Services ▶

Fall 2015



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Small Motors is a LARGE MARKET

On average, IPS repairs or performs services on over 25,000 motors per year. This is an amazing number reflecting how unique IPS's wide geographic network of 19 service centers is to our customer base. While that number is impressive, there remains an enormous amount of motor repair and service we could be providing that we are not.

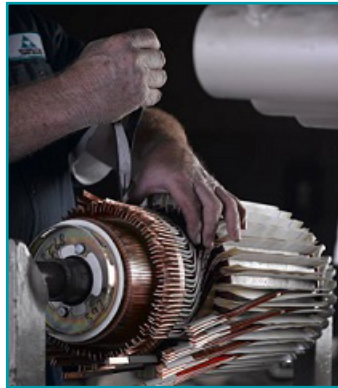
Small motors defined as 200 HP and below have been estimated to represent over 90% of all installed and operating motors today in North America. That would represent a total installed base in the millions of motors. At IPS, the percentage of motors below 200 HP that we repair is far lower than the market installed base percentage.

That is why over the past 18 months, we have been targeting small motors. Winning in small motors has several very compelling benefits:

1. New customers often start a relationship with IPS on small motors to test our capabilities.
2. Doing well in small motors often leads to bigger motor repair and service opportunities.
3. It drives our new motor sales business. If we cannot repair small motors, we are the first to know a customer needs a new motor.
4. Small motors are used frequently in light industrial and commercial markets we are attempting to enter.
5. We compete against smaller EASA shops on these motors, which IPS ought to be able to beat every time.

We are showing success at several of our locations regarding small motor repair. For example, our Detroit Service Center designed a dedicated small motor cell which is producing rising sales, margins and has led to

winning 60 new customers in 2015. Our most impressive small motor business is at our Indiana-PA service center where thousands of such repairs are processed per year. Recently all Area General Managers attending our Annual AGM Summit toured the Indiana-PA facility to get an understanding how quality, inspection, quick pricing, truck routes and a dedicated team of new product sellers can turn an entire service center into a small motor operation.



We have to have ALL of our service centers take a step forward in increasing small motor repair and motor resale in 2016. AGMs have to set the tone with accepting work at competitive

prices, while maintaining a competitive cost structure allowing for margins to rise as the work volume increases.

Sellers need assurance of AGM's support, then need to go win the business. Our company vehicles should be used to bring small motors back to the shop from sales calls. Customers in small motors demand competitive pricing, quick turnaround on quotes and timely repair timelines. IPS is well positioned to bring an Unmatched Customer Experience (UCE) to small motor customers in 2016.

John P. Zuleger
President & CEO

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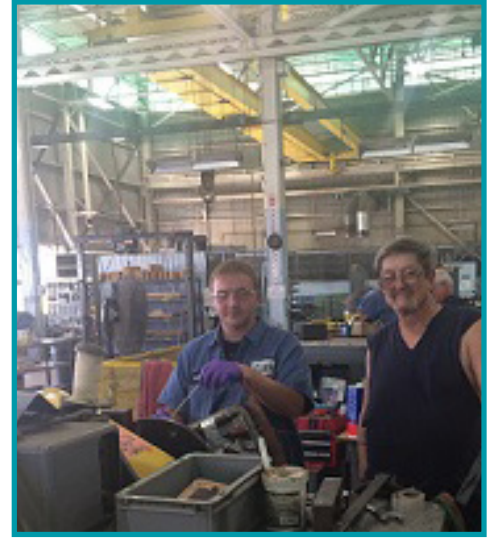
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Penn Coil Has Much to Celebrate!

Penn Coil celebrated two benchmark occasions on August 31st:

1. The Stator Coil Manufacturing Department exceeded 1000 days without a recordable safety incident. To recognize this feat, pizzas were brought in and shared with the entire plant. Everyone was reminded to continue to be safe above all else and always use the 2-Minute Drill at the start of each new day and task.
2. Carlie Geiger, group leader, announced his retirement and was recognized for 37 years of service. Penn Coil employees presented Carlie with a card that was signed by every employee, along with a monetary collection wishing him a very happy retirement. Several employees shared stories of good times they have had with Carlie, and thanked him for being such an excellent Group Leader and teacher over the years. He is very respected by our employees and our customers.

Congrats to both Penn Coil's Stator Coil Manufacturing Department and to Carlie Geiger.



Carlie Geiger Field Coil Winder, Group Leader and Matt Rager Field Coil Winder

Winnipeg Helps Stranded Tanker

The Winnipeg Service Center received an emergency call from a oceanic shipping company. Their oil tanker, the DORSCH, was stranded in the Arctic Ocean with a blown thruster motor after offloading fuel in Baker Lake, Nunavut for the nearby Agnico-Eagle open pit gold mine. IPS Winnipeg doesn't normally get to work on Ocean vessels especially since they are close to the geographic center of North America!

A hole had to be cut out of the top of the ship to allow a helicopter to airlift the 550kW motor out and bring it to Baker Lake, NU. A special cargo plane was chartered to transport the motor to Winnipeg where our team turned it around on budget and ahead of schedule delivering an Unmatched Customer Experience. This was a \$100,000+ job with good margin. The ship's engineer flew to Winnipeg to inspect our facility while the motor was in rewind. He left with so much confidence in the team that he didn't return for the witness test as originally planned.

We couldn't be any happier with our Winnipeg team on this one. Not only did they knock it out the park... it was clear out of the province.

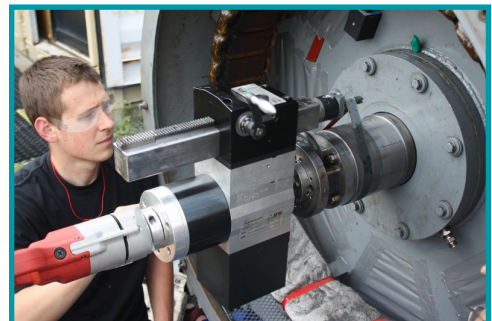


Oil Tanker DORSCH

Lake Benton, MN Field Service Reaches Japan

The Lake Benton, Minnesota Field Service office is comprised of 15 dedicated and hard-working field service techs, two employees running a machine shop, two office staff and a manager.

This crew travels wherever they are needed for wind turbine repair and other on-site repair to include past jobs in Hawaii, Canada, Cuba and most recently, Japan. Dmitry Mishuk of Lake Benton Field Service and Ruben Jimenez of Houston Field Service performed a shaft repair in Shakiri, Japan on a military missile defense base. This repair was done on a motor-generator that was mishandled during maintenance. Both the motor and the generator ends were machined by our portable lathe which is the same lathe used for up-tower shaft repairs.



Dmitry Mishuk, Field Service in Japan

Litchfield Adds Storage Warehouse

The Litchfield Service Center announces the opening of their 27,000 sq. ft. storage warehouse in Dassel, MN, which is approximately 10 minutes from the shop. The new warehouse is capable of storing up to 300 wind generators, and provides Litchfield with the opportunity to store additional rotating assets per customer specification, while charging a monthly storage fee. The Dassel Warehouse already has 86 wind generators in storage and growing. An added benefit is the valuable floor space freed up at the Litchfield shop, improving workflow and decreasing safety risk posed by generators stored in work areas or spilling into the aisle ways.



Wind generators stored at Dassel, MN warehouse

MegaSeal Achieves Patent Approval

Tom Reid, IPS Sr. VP of Engineering, received great news in November, with notification that the IPS MegaSeal VPI High-Voltage Electrical Insulation System has been approved for Patent issuance by the US Patent and Trademark Office. Tom started the MegaSeal patent process almost 4 years ago. MegaSeal is the only high-voltage global VPI rewind designed for aftermarket repairs. It consistently demonstrates the lowest partial discharge (mV) readings available in industry and a class F+ (> 155 °C) thermal rating. It's no wonder why it also comes standard with an industry leading 5 year warranty on the stator winding.



Field Service - IPS Canada Style!

The Winnipeg Service Center was asked to perform testing on a customer's new 1,500 foot, 15,000 volt cable that was pushed underground to an existing transformer. They provided testing on this cable and four other similar cables in temperatures at or below freezing. To do the testing, they initiated their lock out tag out procedure that took almost two hours to complete due to the distances involved between facilities. In addition, they cleaned and tested the 15,000 volt switchgear to ensure it would work reliably with the new cabling. Once this was completed, they safely re-energized the equipment. To the delight of the customer, all equipment tested within specs and the hospital was brought back online on budget and on time.



*Ryan Casson, Matthew Cornelisse, Laurry Lesage, Jean Ducasse
Field Service Techs*

When our customers want it done right they call IPS!

Business To Business (B2B) Team Wins Business for the Midwest

- Jeannie Yingling and Bridgette Gullata from the Cleveland Service Center work with the Midwest sales team focusing on getting them into the plants they feel are good leads.
- Other leads are pursued from CRM. After a lead is qualified the B2B team accesses the sales team's calendars to schedule.
- When they call the prospect they maximize the introduction to include a full overview of what and who IPS does including Coil manufacturing (Penn Coil) and Babbitt Bearing (Cleveland Rebabbing) amongst all other items IPS offers
- When prospecting at a plant or a mill, they talk to key personnel and they go the extra mile to ask if there is anyone else in the plant they should be talking to.
- IPS is the largest Electric Motor Repair company in North America with so many capabilities to offer the customer, it's just a matter of getting the information to the right prospects.



*Jeannie Yingling & Bridgette Gullatta
Account Development Midwest Region*

NEMA Motor Repair at the Beaumont Service Center

One of the growth initiatives at IPS Beaumont was their NEMA Department. They recognized that they had an opportunity to increase revenue through small motor repair based on input from their sellers and customer requests to handle more diversity in their repairs. Thus, the Small Motor NEMA Department was born.

They quickly discovered that the work cannot be processed the same way as the larger repairs. They needed speed which required a quality process that could be duplicated many times and by any technician. Using the resources provided by CIPS, they initiated a Value Stream Map (VSM) to identify the most efficient path. They traveled to Houston to tour their Small Motor Department to seek out ideas and components to insert into their process. They pulled, discussed, and adopted Best Practice sharing from all across the company. Then they invested in talent, equipment, and process improvements with the intent of having an immediate and positive impact to production velocity improvement.

Beaumont never lost sight of the original goal of building speed through repeatable quality. As CIPS teaches us, true velocity driven quality is an evolutionary event. So we use our KPI metrics to help guide our decisions on the effectiveness of the process. Even though they still have much more work to do in order to realize their vision for customer satisfaction and job profitability, the influence of CIPS, OPS, and Best Practice sharing has driven substantial growth.

Their number one take away from creating the NEMA Department and the best advice they can share is that a successful small motor repair business is unique. It requires a different mindset of quality and process, which should be tracked as a separate Value Stream when reviewing KPI's. With a good plan, and consistent quality/process improvement, small motors can be a very reliable source of revenue.

Beaumont NEMA Small Motor Team (left to right)

Daniel Iles, Robert Whittaker, Everett Swift, Matt Bierbaum, Max Thode, John Soileau



RBT FY 2014

- \$455,539 (12 months)
- 19% Job Margin

RBT FY 2015

- \$1,344,382 (12 months)
- 25% Job Margin

RBT YOY Growth

- \$888,843 (Growth on Sales)
- 195% (versus prior year sales)
- 32% (Growth in Job Margin YOY)



Left picture is before VSM Event

Right picture is after VSM Event, 6S, and UCE 4 Board placement



Fast, Quality Parts from Electric Motor Experts

IPS started manufacturing CNC precision parts in 1993 to support its core electric motor repair business. Initial manufacturing focused on sleeves for bearing housings; however, the business quickly expanded to shafts, stub shafts, fans and other critical electric motor parts. Today, our dedicated CNC facility in Indiana, PA not only supports the North American electric motor repair market, we also manufacture parts for various OEM's and distributors.

Our CNC facility has dedicated stock of high volume parts for our customers. When you buy CNC parts from IPS, you are buying the IPS system of control over quality and quantity. Our specialized CNC team is focused on customer service, and can deliver short lead times, planned production runs, and take on the complicated parts when your reputation is on the line. Contact your CNC Department at 724-479-9066, or e-mail Tim Meterko at TimMeterko@ips.us.



Left to Right: Tim Meterko, Mark Stivason, Steve Brandon, Matt Lantz, Tony Steffey, Roger Smith, Jeff Pennington, Dan McNulty, David Marshall. Not Pictured: Don Zeek, Pat Miller, Mike Sharer, Dan Dunn



Brown & Sharpe Coordinate Measuring Machine (CMM) Insures Quality, Precision Parts

Machined materials include:

- » Steel and Stainless Steel
- » Bronze
- » Aluminum
- » Plastic
- » Insulation (e.g. G10)
- » Hardened up to 60 Rockwell

Parts dimensions:

- » Shafts up to 80" long
- » Turn diameters up to 23"
- » Milling up to 20" x 40" plate

Additional CNC shop capabilities:

- » Parts reverse engineering
- » Coordinate measuring machine
- » Hardness testing
- » CAD-CAM 3D drawings
- » Digital bore gauges
- » Hole drilling and tapping
- » Flats and hex parts milling
- » Keyways machining

Small to medium-run lots

Over the last nine months, feedback from employees has led to numerous changes and implementation of things such as: HR Knowledge Notes, HR Yammer Site, 11-Step Recruiting Process, Selection Assessment Tool, Affirmative Action Programs, New Posting Format, Metric Analysis, New Corporate Policies and many other changes in HR.

Now with our focus on providing better service at the same or lower costs, IPS is announcing the next step in our journey. The following organizational changes and clarifications include the formation of the **HR Operations Center**.

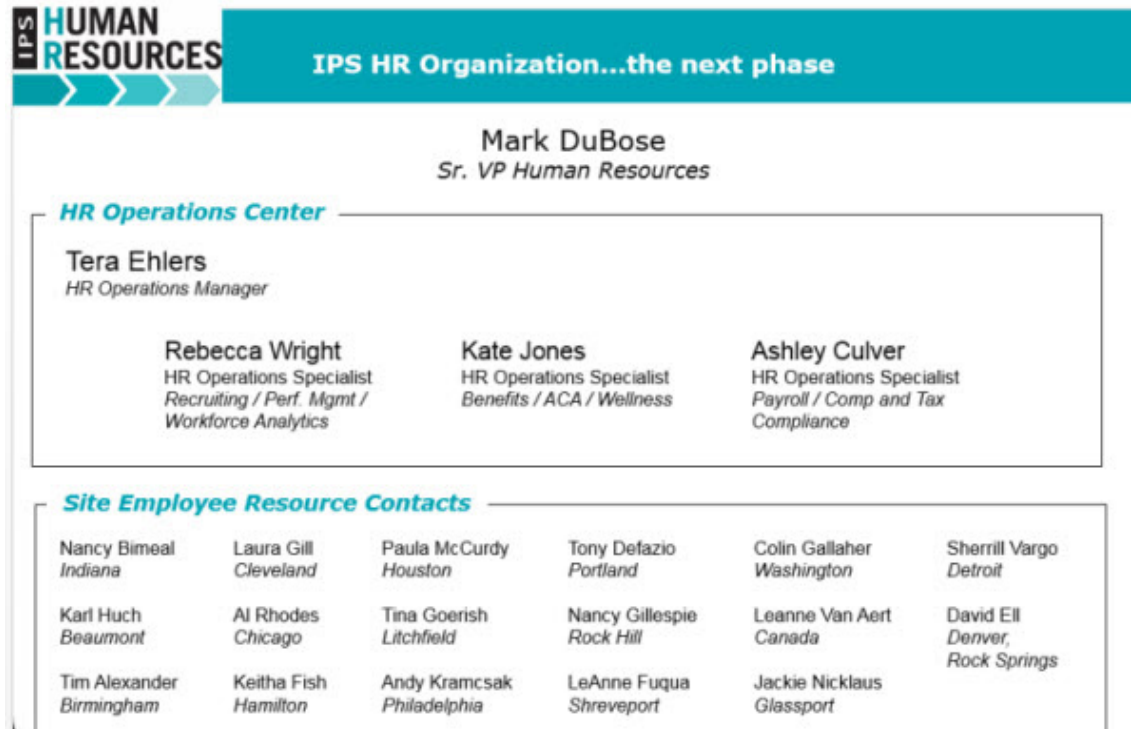
The HR Operations Team will support the company with administration and transactional support and become experts in administrative, compliance, and data analytics tasks in Human Resources, Benefits and Payroll.

Tera Ehlers, HR Operations Manager will manage this team that will consist of 3 HR Operations Specialists. **Rebecca Wright, HR Operations Specialist** will now be primarily supporting our recruiting efforts and we welcome **Kate Jones, HR Operations Specialist** and **Ashley Culver, HR Operations Specialist** to IPS. They will be focusing on benefits and payroll, respectively.

Site Employee Resource Contacts will continue to perform the HR and Payroll roles they have been doing to support our employees at the local level in addition to their other responsibilities. Going forward we will provide them training opportunities and include them in communications to further their expertise, provide a stronger connection, and utilize their experiences to help in overall HR process improvements across IPS.

The **HR Design Teams** of IPSU, Recruiting and Onboarding, and Health & Wellness will continue to run as they are now. The Performance Development Team will be started up again in FY 2016. These teams will remain a critical part of leading projects to help us meet our objectives.

Please join us in welcoming the new members to the IPS team. Our goal is to improve HR service quality in the areas that are a priority for you. We are committed to achieving excellence in our support of the service centers to provide an Unmatched Customer Experience.



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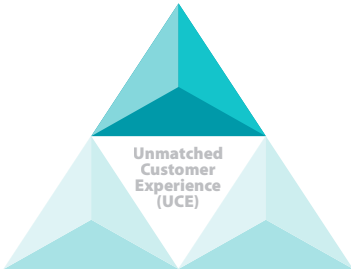
Open Enrollment Update

IPS has confirmed open enrollment for 2016 benefits to be held November 16 – November 30. During this time employees will be able to login into the ADP Workforce Now portal to complete their enrollment online or call the Benefits Service Center to enroll over the phone.

The Corporate Human Resources Team will be providing several tools to successfully prepare Service Centers for open enrollment. Service Centers will be receiving an Open Enrollment Execution Packet, closer to enrollment beginning, which will include tools like a FAQ fact sheet for benefits and a PowerPoint for employee benefit meetings.

In the meantime, please use this early stage leading up to enrollment to confirm you and your team's username/password for ADP Workforce Now. If you need to reset your login information you can call the Benefits Service Center at 877-553-5570. Their operating hours are Monday-Friday 8:00am EST to 8:30 pm EST.

What's new in your shop? Send the details (and pictures!) to Marketing at lwaller@ips.us.



Sales Design Team

What they've been up to...

- Regional annual sales meetings were held where all the sellers come together for training, best practice sharing and team building
- Sales training was provided by Paul Cherry, author of "Questions that Sell"
- John Covington provided extensive product training, Parris Hicks provided CRM training and a National Account information session was held by Jon Webb
- John Zuleger attended each meeting reviewing 2015 results and 2016 goals and presented 2015 sales awards

Operations Design Team

What they've been up to...

- Roll out of the OPS boards are in full swing! The following sites have implemented the new scheduling system: MMM, MPC, RDZ, RCC, RBI, RBT, RHO, RPD, RPO, RSI, RSZ, RWM and RWP
- REM hosted the CIPS presentation to all Area General Managers during the Manager's Summit. they showcased their Best Practices, diverse value streams and UCE 1, 2, 3 and 4 meetings
- Training was completed at the Manager's Summit for all the changes to the phases that Operations Design Team incorporated from lessons learned
- Site Pulse was developed to assess phase gate readiness and foster communication with AGMs and RGMs
- CIPS Launch training developed for sites with new management staffs



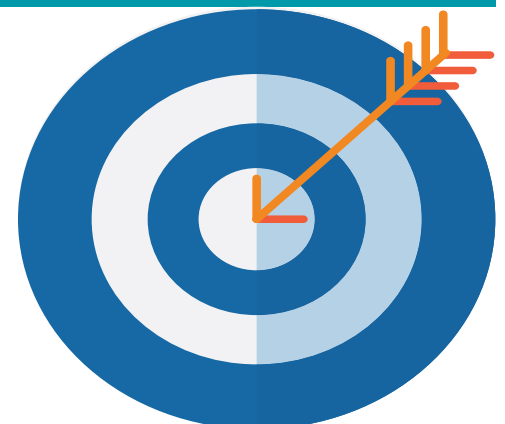
Business Process (HR/IT) Design Team

What they've been up to...

- Tablets are fully implemented in Litchfield
- Houston will have tablets in their small motor department
- Birmingham is beginning the transition to tablets across their shop
- Improvements continue on the CRM tool and the team welcomes any feedback to make it better



The definition of focus is knowing exactly where you want to be today, next week, next month, next year, then never deviating from your plan. Once you can see, touch and feel your objective, all you have to do is pull back and put all your strength behind it, and you'll hit your **TARGET** every time!



And The Winners Are . . .

Service Center Performance Excellence Award Criteria

Safety Excellence (TIR < Company Average)

Grow 2 to 3 times GDP

Increase EBITDA greater than 2 times Sales Growth

Improved Customer Experience - Metrics

CIPS Maturity Step

Other Considerations



Area General Manager
Kevin Shepherd Accepts

Beaumont

- No recordable injuries in '15 longest streak in company (2,225 days)
- Phase 1 Exit February '15 - 5x Best Practices implemented
- Visual Scheduling implemented
- Drove key account growth with new locations plus added 19 customers
- Successful build of small motor department
- 15% growth in storage
- Upsold 26 EnduraSeal rewinds following training



Area General Manager
Al Barlow Accepts

Cleveland

- Safety TIR 1.02
- All-time record sales & EBITDA
- Improved repair job margins 370 bps. with productivity and pricing
- Added 77 new customers generating \$3MM net revenue



Area General Manager
Jason Reynolds Accepts

Cincinnati

- 1,268 Safe Working Days
- Phase 1 Exit September '14
- 6x Best Practices implemented
- 26% EBITDA growth
- Grew net new customer sales \$400k
- Visual scheduling implementation



Area General Manager
Jeff Vincent Accepts

Winnipeg

- Safety TIR 1.74
- Significant integration progress
- Outstanding customer growth
- Grew Field Service business by 40%
- Outstanding success with IIR Targets

