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# Procurement Procedures

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February 3, 2016

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## Section 1 Introduction

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PacifiCorp's procurement policy requires a formal competitive process be conducted for purchases of \$50,000 or more. The formal competitive process will generally be done via a Request for Proposal (RFP), where proposals are solicited from two or more qualified suppliers. A formal competitive process must be documented and controlled. This requires strict adherence to the company's Code of Business Conduct, avoidance of conflicts of interest (or apparent conflicts of interest) and confidential treatment of supplier submissions. Any disclosure of supplier submissions requires consultation with legal counsel.

Procurement and business representatives establish a sourcing team with respect to any formal competitive solicitation. The team is comprised of individuals representing the business unit, procurement, and other required participants. This sourcing team is responsible for implementing the RFP process and performs the following functions:

- Develops the procurement plan and statement of work (SOW)
- Identifies potential suppliers for approval
- Develops the evaluation matrix, project schedule, and acceptance criteria
- Evaluates supplier submittals
- Recommends the successful supplier
- Participates in contract negotiations as necessary.
- Reviews and approves the final contract documents.

The five key steps in a formal competitive process include development of procurement plan, competitive solicitation, evaluation of supplier submittals, supplier award recommendation and contract negotiation and execution.

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## Section 2 Development of Procurement Plan

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PacifiCorp develops procurement plans for the purchase of goods and services based upon business needs which are identified in a scope of work or supply, materials list or specification. A procurement plan ensures proper controls, accountability, roles, and responsibilities, and project objectives are identified at the beginning of a project or commodity cycle. The development of this plan is led by the procurement lead in partnership with business representatives and sourcing team members with appropriate legal and finance consultation. All parties participate in developing the initial procurement plan.

A procurement plan typically includes the following components

- Description of procurement and/or project summary
- Project scope
- Proposed contract terms
- Pricing strategy
- Solicitation documents
- Procurement schedule
- Proposed supplier list
- Evaluation methodology which may include both commercial and technical criteria.

Once the procurement plan has been approved, procurement proceeds with the formal competitive process using the plan as the guiding document.



PacifiCorp may pre-qualify potential suppliers to participate in solicitations for certain types of goods and services based on experience, safety performance and other factors. The pre-qualification process and determinations of qualification will be documented in relevant procurement files.

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## Section 3 Competitive Solicitation

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The purpose of a formal competitive process is to obtain the best value for PacifiCorp and its customers in the procurement of goods and services required for the provision of safe, cost effective, and reliable power. A formal competitive process relies on fair and open competition among qualified suppliers to provide the goods and services required to satisfy PacifiCorp customer commitments. This ensures that suppliers are treated fairly and equitably.

All orders subject to the Procurement Policy at or in excess of \$50.0k over the intended contract term, will be tendered using the current company licensed electronic tendering system unless advance approval not to use the currently licensed electronic tendering system has been provided from procurement management of PacifiCorp.

Once the competitive solicitation documents have been released to market, all supplier inquiries and company responses must be managed carefully to ensure that all suppliers are treated equally.

- All supplier inquiries must be directed to the procurement representative.
- All supplier inquiries and corresponding responses must be in writing, submitted through PacifiCorp's electronic tendering system, an internet-based application that provides a secure environment that is only accessible to registered procurement representatives and invited suppliers.
- All responses from PacifiCorp (prior to the due date for supplier submittals) must be made available to all suppliers at the same time through PacifiCorp's electronic tendering system.
- All supplier submittals will be processed in the same manner through PacifiCorp's electronic tendering system.
- Pre-bid meetings with suppliers may be scheduled as required to clarify work requirements. Some types of purchases (for example, construction) require pre-bid site meetings.
- If an extension of time is granted for one supplier or supplier consortium, all suppliers or supplier consortiums tendering must be advised at the same time of the revised date and deadline for receipt of the submittals.
- Electronic responses to Company's solicitation documents are submitted by suppliers to the electronic tendering system and cannot be accessed by procurement until after the closing date identified in the solicitation documents.
- Electronic submittals responses are dated by the electronic tendering system at time of submission. All electronic submissions are retained in the system.
- Consideration may exceptionally be given to a late supplier submittal provided it can be shown that acceptance of the supplier submittal does not leave either an individual,



or PacifiCorp open to accusations of impropriety and is not otherwise prohibited by applicable law.

The solicitation period concludes when the date identified in the solicitation documents has been reached and supplier submittals have been received.

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## Section 4 Evaluation of Supplier Submittals

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The evaluation phase of the formal competitive process begins when the date identified in the solicitation documents has been reached and supplier submittals have been received. During this phase the supplier submittals are evaluated from a commercial, operational and technical perspective, all in accordance with the evaluation methodology established by the procurement plan. Clarification questions and responses may be exchanged through the electronic tendering system during this period to ensure a complete understanding of the supplier submittals. Procurement reviews each supplier's submittals to ensure all required documents have been received.

The evaluation of supplier submittals is undertaken with the use of a pre-defined and well-structured evaluation matrix which specifies evaluation criteria and the relative importance of each criterion. This evaluation process helps ensure that PacifiCorp realizes the most value for money spent. Evaluation matrices vary in complexity from 100% price to multi-phase selection processes. Non-procurement sourcing team members should not be provided with any information submitted by suppliers about pricing until all information related to technical specifications and business requirements has been reviewed and evaluated by the sourcing team and the team's input has been rated with the pre-agreed rating parameters. In all cases, the company must ensure that confidentiality and prudence in the release of information is maintained.

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## Section 5 Supplier Award Recommendation

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Based on the outcome of the evaluation matrix, the procurement lead drafts a supplier award recommendation. The evaluation matrix along with the award recommendation is then sent to all sourcing team members for review and approval.

Generally, the award recommendation should be to the lowest cost provider who meets the specifications or can deliver the scope of work. If the best evaluated supplier is not the lowest cost, the award recommendation must explain the business rationale and value to be gained by awarding the contract to the alternative cost provider. The business unit must agree and approve an award recommendation which is not to the lowest cost provider and/or an award recommendation that exceeds the budget. The justification and approval must be documented in the approved electronic tendering system.

Prior to entering into contract negotiations, the supplier award recommendation must be reviewed and approved by procurement management.

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## Section 6 Contract Negotiation and Execution

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Contract negotiations commence upon the approval of the supplier award recommendation and typically include a review of the contract terms and conditions as well as the specific contract exhibits which include the scope of work, specifications, material lists and pricing. Negotiations are led by procurement and may include representatives from legal, risk management and the business depending upon scope of requested changes.

Once the contract terms, conditions and exhibits have been negotiated and prior to contract execution, the appropriate staff (procurement, legal, and business representatives) must indicate their support and approval of the decision on the final contract draft. Following approval, the contract is executed by the appropriate person with contract signing authority.

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## Section 7 Exception Reporting

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PacifiCorp's procurement policy allows for certain exceptions to the competitive solicitation process. When it is impossible, impractical or otherwise can be demonstrated to be in the best interest of PacifiCorp and customers, a supplier may be awarded a contract on a non-competitive basis. All exceptions are to have documented justification and approval. In addition, PacifiCorp will provide, on a confidential basis, the documented justification to the Public Service Commission of Utah for each new and/or unique sole source exception that exceeds \$1,000,000. Sole source transactions or exceptions that are a continuation of a previous sole source decision do not require an additional filing.