NORTHEAST UTILITIES SYSTEM
PURCHASING POLICY MANUAL

<u>Vision:</u> Buy Right!
Customer Focused, Adding Value, Socially Responsible

<u>Mission:</u> Provide quality resources and timely procurement services while supporting NU's values, strategies, and goals

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1. INTRODUCTION

Northeast Utilities Service Company (”NUSCO”) provides procurement services for Northeast Utilities (“NU”) affiliates, including The Connecticut Light and Power Company (“CL&P”), Public Service Company of New Hampshire (“PSNH”), Western Massachusetts Electric Company (“WMECO”), Yankee Gas Services Company (“Yankee Gas”), NUSCO among others (collectively the “NU Affiliates”). NUSCO’s Corporate Purchasing Department (“Corporate Purchasing”) is authorized to enter into agreements with suppliers who provide the NU Affiliates with raw materials, goods and/or services. Except as otherwise provided in this Manual, Corporate Purchasing is responsible for the proper conduct and conclusion of all contract negotiations in connection with procurement activities for the NU Affiliates, including qualification of suppliers, obtaining bids, bid evaluation, negotiation of contract terms, supplier performance evaluation and all other commercial aspects of the procurement process. Corporate Purchasing also manages the disposition of all inventory material, surplus material, equipment, vehicles and scrap within the NUSCO operating companies. In addition to the policies contained in this Manual, Corporate Purchasing utilizes its knowledge of the markets we participate in to develop commodity plans and strategic sourcing plans in support of the needs of all NU Affiliates business groups.

This Manual will be reviewed at least annually, in conjunction with NSE31 review, to ensure that the policies and procedures contained herein are consistent with the current practices of Corporate Purchasing and with Purchasing best practices as identified or generally known in the industry. Revisions to this Manual will be issued, as appropriate, upon approval by the Director - Purchasing or the Vice President – Shared Services. Corporate Purchasing shall retain the records of such approvals.

2. DEFINITIONS

Whenever used in this Manual in capitalized form, the following terms shall have the meaning set forth below:

2.1. **Blanket Purchase Order** – a Purchase Order established to facilitate multiple transactions over a specified period of time on pre-negotiated terms at pre-negotiated rates up to an authorized dollar amount.

2.2. **Buyer** - As used in this Manual, the term “Buyer” shall refer to all personnel in Corporate Purchasing having responsibility for purchasing activity, regardless of job classification or actual job title. Where a requirement of this Manual applies only to certain individuals within Corporate Purchasing, the full job title for those individuals will be used in lieu of the term Buyer.

2.3. **Consultant** – See Supplier.

2.4. **Contract** – an agreement between one or more NU Affiliates and a Supplier for the provision of goods, materials, equipment and/or services. Such agreements are typically set forth in a document(s) which includes: (a) the applicable General Terms and Conditions; (b) the Special Terms and Conditions, if any; (c) the scope of work or specification; (d) the Purchase Order; (e) any applicable Safety and Environmental documents; and (f) any other relevant documentation (i.e. – Supplier’s proposal, performance security instruments, insurance certificates, etc.,)

2.5. **Contractor** – See Supplier.

2.6. **Diverse Supplier** – Suppliers who are, Small Disadvantaged Businesses (SDB), Women-Owned Small Businesses (WOSB), Service Disabled Veteran Businesses (SDV), Veteran Owned Businesses (VOB) and Historically Underutilized Business Zone Businesses (HUBZone)

2.7. **Emergency** – An event or situation or critical business need not reasonably foreseeable which may impact or disrupt essential operations or service and/or requiring goods or services necessary for immediate use in work that affects the health, safety and welfare of the public or NU personnel.

2.8. **Environmentally Preferable Procurement (EPP)** – The procurement of products or services that have a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. The product or service comparison may consider raw materials acquisition, production, manufacturing, packaging, distribution, reuse, operation, maintenance or disposal.

2.9. **Executive Risk Management Council ("ERMC")** – Includes the Senior Vice President and General Counsel (or designee), the Vice President of Shared Services (or designee) and the Vice President of the business group requesting the procurement (or designee). The ERMC reviews and approves RFP's, contract negotiations and contract awards for transactions in excess of $25,000,000 in value.

2.10. **General File** - Electronic and/or hard copy records of all Purchase Order transactions over fifty thousand ($50,000) shall be maintained by the Buyer.

2.11. **General Terms and Conditions – ("GTC's")** the applicable NUSCO General Terms and Conditions or the NUSCO Purchase Order Terms and Conditions.

2.12. **Large Business** - (also referred to as other than Small Business "OTSB") – A business not otherwise meeting the definition of small business as defined by the Small Business Administration. See 2.22 below.

2.13. **Large Project Procurement Process ("LP3")** – The process used for procurements valued at $5,000,000 or more (generally excluding Blanket Purchase Orders based on estimated annual usage). The LP3 process may also be used for any procurement if required by the Director - Purchasing.

2.14. **Purchase Order** – a numbered form generally employed to initiate a purchase which may include a description of the materials, equipment or services to be procured, the quantities, prices, discounts, delivery point, delivery dates, billing address, Buyer's name, and other pertinent information.

2.15. **Purchasing Management** – As used in this Manual, Purchasing Management includes the Director, Managers, Supervisors, Senior Compliance and Senior Records Contract Administrators and Sourcing Committee Coordinators.

2.16. **Qualifying Authority** - the NU business group responsible for determining a Supplier's technical qualifications for a particular project or for evaluating a Supplier's material and/or equipment for use on the NU system. The Qualifying Authority can be the Requester, Distribution Standards Engineering, Environmental Management group, or other business group with technical expertise in the particular material, equipment or service to be procured.

2.17. **Request for Information – ("RFI")** inquiry to Suppliers of an exploratory nature. RFI's are used to seek information from Suppliers to assist NU in the development of a bid specification or work scope document for Request for Proposal to be issued at a later date. Supplier submissions in response to RFI's are generally not sufficiently detailed enough to be used as a basis for awarding a Contract or Purchase Order.

2.18. **Request for Proposal – ("RFP", "RFQ" or "RFx")** Inquiry to Suppliers for the purchase of materials, equipment, and/or services. The terms Request for Proposal and Request for Quotation may be used interchangeably in this Manual. An RFP is initiated by an invitation to qualified suppliers to submit a proposal or quotation for a defined scope of work. The RFP typically includes pertinent bid specifications, General Terms and Conditions, bidding instructions, applicable safety and environmental documents and any other requirements pertaining to the scope of work.

2.19. **Requester** – the NU employee or business group seeking to procure materials, equipment or services from a Supplier in support of NU's business needs.

2.20. **Risk Management Council ("RMC")** – Cross-functional team which reviews and approves RFPs, contract negotiations and contract awards for procurements subject to LP3. Members of the RMC may include representatives from Legal, Insurance, Treasury, Environmental and other departments as necessary and relevant to the specific procurement. Representatives from Purchasing Management and Project Management are required to achieve a RMC quorum.

2.21. **Sourcing Committee** – Sourcing Committee is a group who meets to review and approve certain procurements and includes one member of Purchasing Management and one Sourcing Committee Coordinator, or their designee. Sourcing Committee Coordinators are individuals appointed by Management to conduct Sourcing Committee meetings.

2.22. **Small Business** – As defined by the Small Business Administration [see http://www.sba.gov/].

2.23. **Supplier** – a provider of goods, materials, equipment or services. For the purposes of this Manual, the terms Consultant, Contractor, Supplier or Vendor are used interchangeably.

2.24. **Vendor** – See Supplier.

3. POLICY AND APPLICABILITY

3.1. It is NU's policy to encourage and maintain competition for its business. Except as otherwise provided in this Manual, bids shall be solicited from as many qualified sources as are considered necessary to realize the objectives of (a) procuring required materials and services at the best evaluated cost to individual NU Affiliates and the NU system as a whole, consistent with reliability, quality, service and availability; and (b) having such required materials and services available at the required place, in the required quantity and at the required time.

3.2. All procurement transactions by NUSCO and its Affiliates are subject to the requirements of this Manual, with the following exceptions:

Fuel Purchases;
Wholesale gas or energy supplies;
Human Resources Benefits Purchases and/or Contracts;
Legal Department's outside legal services and related services;
Services in support of Government Affairs; or
Purchases for certain unregulated affiliates.

4. VENDOR QUALIFICATION

4.1. A prospective Supplier may receive an invitation to bid upon demonstrating its capability of supplying a product or service that will meet NU's standards and requirements, as determined by NUSCO in its sole discretion.

4.2. Commercial or financial qualification analysis, if required, shall be performed by the NUSCO Treasury Department and documented by the Buyer.

4.3. For matters that require a specialized level of knowledge (i.e. – environmental or engineering consultants, capital construction projects, etc.,) technical qualification shall be the responsibility of the Requester.

4.4. Items offered by new sources and presented as equivalent to those in general use are investigated by NU's Qualifying Authority (in consultation with Corporate Purchasing) and approved or disapproved for use within the NU system.

4.5. Suppliers may be disqualified from a particular procurement or from doing business with NU for reasons deemed appropriate by NU, in its sole discretion, including but not limited to:

4.5.1. Failure to meet technical or commercial qualifications;
4.5.2. Unsatisfactory safety record;
4.5.3. Unsatisfactory environmental record;
4.5.4. Failure to deliver as promised;
4.5.5. Unsatisfactory performance of product;
4.5.6. Unsatisfactory service of product;
4.5.7. Failure to respond to invitation to bid;
4.5.8. Failure to attend pre-bid meetings;
4.5.9. Failure to respond to bid invitations in accordance with specific instructions;
4.5.10. Unprofessional conduct or unsatisfactory business relations;
4.5.11. Consistently high bids;
4.5.12. Supplier's own request to be removed; and/or
4.5.13. Failure to comply with and/or refusal to supply required documentation.

4.6. In the event a Supplier is disqualified, the Buyer shall document the reason for such disqualification. All Supplier disqualification documentation shall be deemed confidential company information.

5. SUPPLIER DIVERSITY

5.1. NUSCO, acting as agent for the NU Affiliates, has submitted a subcontracting plan to General Services Administration (GSA) describing NU's policy on locating and doing business with Diverse Suppliers, as defined in Section 2.6 of this Manual, and requesting Subcontracting Plans from Large Business Suppliers describing supplier diversity in their procurement of goods and services.

5.2. Diverse Suppliers are to be provided the "Maximum Practicable Opportunity" to provide goods and services to NU. All Buyers shall proactively seek to identify and qualify Diverse Suppliers, in collaboration with the Supplier Diversity Manager, which may include Suppliers from outside NU's geographic service territory. In all cases where a qualified Diverse Supplier is known or found to exist for a particular commodity, such Diverse Supplier should be included on the bid list for RFP, RFQ or RFI of that commodity. These suppliers are to be provided the opportunity to meet with the

responsible Buyer(s) and the Supplier Diversity Manager or his/her designee(s). Diverse Suppliers will be evaluated on the same basis as all other Suppliers.

5.3. For all Contracts issued that equal or exceed $100,000, the responsible Buyer shall document in the General File whether each of the following groups were solicited: Small Disadvantaged Businesses (SDB), Women-Owned Small Businesses (WOSB), Service Disabled Veteran Businesses (SDV), Veteran Owned Businesses (VOB) and Historically Underutilized Business Zone Businesses (HUBZone). In the event any of the forgoing Supplier Diversity groups were solicited and an award was not made, the responsible Buyer shall document the reason such award was not made.

5.4. For all Contracts issued by NU in excess of $500,000 where further subcontracting opportunities are known to exist, Buyers should make reasonable efforts to obtain from all Large Business Suppliers a "Subcontracting Plan" within thirty (30) to sixty (60) days of the Purchase Order award. The Buyer shall retain a copy of the Subcontracting Plan in the General File. Any decision to extend the period of time for a Supplier to file their Subcontracting Plan beyond sixty (60) days after Contract award should be documented by the Buyer in the General File. The Buyer or Supplier Diversity Manager should review the Subcontracting Plan submitted by the Supplier to ensure that it contains the essential components of a generic Subcontracting Plan as outlined in the Federal Acquisition Regulation (FAR) Clause 52.219-704. This requirement does not apply to Small or Diverse Businesses, non-domestic Suppliers, government entities, other utility companies or providers of conservation and load management services. Should the Supplier refuse to provide a Subcontracting Plan, this refusal should be documented in writing by the Supplier in the General File.

5.5. All Suppliers with Contracts in excess of $500,000 that meet Subcontracting Plan requirements shall be required to file electronic reports with the GSA. The responsibility for such reporting rests solely with the Supplier. Paper or electronic copies of such reports that are received by NU shall be returned to the Supplier.

6. WORKING WITH CORPORATE PURCHASING

6.1. Requesters are encouraged to include Corporate Purchasing in their business planning processes to facilitate the development of commodity plans and strategic sourcing plans that will maximize the quality, value and efficiency of the procurement process to the benefit of the Requester's business group and the NU system as a whole.

6.2. Requester shall contact Corporate Purchasing to initiate the procurement process. A list of business group liaisons and contacts by commodity shall be maintained on Corporate Purchasing's web page located at http://nunet.nu.com/NUCorporate/Depts/Purchasing/default.asp. Requesters shall not negotiate or discuss pricing or other Contract terms and conditions with Suppliers without the direct involvement of Corporate Purchasing, regardless of the dollar value of their transaction.

6.3. Except when required to meet an Emergency, the Requester shall not authorize a Supplier to commence work until a Purchase Order has been issued. In the case of an Emergency, the Requester shall contact Purchasing to request a Purchase Order no later than the next business day.

6.4. Corporate Purchasing may refuse to issue Purchase Orders based on bids that have been developed, solicited, submitted or negotiated in a manner which is inconsistent with the requirements of this Manual. Corporate Purchasing may require that any such projects be properly re-bid in accordance with all applicable Policies and Procedures prior to any Purchase Order award.

6.5. Requesters should notify Corporate Purchasing of any anticipated multi-company, multi-utility projects or transactions. Purchasing Management may approve exceptions to any or all requirements of this Manual, if deemed necessary to facilitate such transactions.

6.6. When submitting a request for a release against a Blanket Purchase Order, the Requester shall ensure that the request is for approved business purposes and that the nature of the material to be purchased and/or work to be performed under the release is within the scope of the original Blanket Purchase Order. If there is any doubt about the scope of the Blanket Purchase Order, Requester(s) should contact Corporate Purchasing.

6.7. Once the procurement process has been initiated by Corporate Purchasing, Requesters should coordinate all communications with Suppliers through Corporate Purchasing until after the execution of a Purchase Order or Contract

7. COMPETITIVE BID REQUIREMENTS

7.1. Except as otherwise provided in this Manual, all purchases valued at $50,000 or more shall be competitively bid by a minimum of three Suppliers to the extent practicable. Corporate Purchasing reserves the right to require a competitive bid process for multiple transactions of similar type, without regard to transaction value. All competitive bids shall be conducted using Purchasing's designated electronic sourcing tool, unless otherwise approved by Purchasing Management. The Buyer is responsible for documenting the basis for this approval in the General File.

7.2. Corporate Purchasing, after consultation with Requester(s), makes the final determination whether or not a prospective Supplier will be invited to bid on any specific procurement. Buyer shall make reasonable efforts to identify at least three qualified Suppliers.

7.3. Once an RFP has been issued, additional Suppliers may be added to the bidders list provided that the bid due date for that procurement has not yet passed. Once the bid due date or a mandatory pre-bid meeting has passed, additional Suppliers may not be added to the bidders list for that procurement unless a second round is initiated or the existing RFP is cancelled and the bid process for the procurement in question is started over.

7.4. NUSCO does not make any public announcement or public advertisement of its procurements nor are public sealed bid openings held. All such information is considered commercially confidential.

7.5. NU reserves the right to provide general information regarding upcoming projects to certain professional groups or associations in order to facilitate various corporate objectives. If such information is provided to selected groups or associations, NU shall not be obligated to share this information equally with all interested potential Suppliers or bidders.

7.6. Competitive bids and General Files are not required (but may still be created or solicited at the discretion of Corporate Purchasing) for the following types of purchases:

7.6.1. Purchase Orders issued to federal, state or municipal government entities or organizations;

7.6.2. Purchase Orders issued for the sole purpose of making payments to parties other than

Suppliers (i.e.- Conservation and Load Management rebate programs);

7.6.3. Purchase Orders issued pursuant to federal, state or municipal regulation (i.e. – payments into a state fund required by the NERC, DPUC, DTE or PUC);

7.6.4. Purchase of upgrades to software/hardware already licensed to NU Affiliates and/or annual maintenance Contracts for software/hardware already licensed to NU;

7.6.5. Purchase of items so low in value (i.e. – generally under $50,000) that the cost of obtaining competitive bids would be disproportionate to any savings that a competitive bid process might produce.

7.6.6. Purchase of hotel and/or restaurant services for storm restoration purposes.

8. BID RECEIPT

8.1. Competitive bids resulting from formal RFP's with a bid closing date are to be submitted and received as specifically required by the RFP. Any failure to comply with bid submission requirements may result in disqualification of the bid. All Bids submitted shall be held unopened, by or under the direction of the responsible Buyer, until after the closing date.

8.2. Supplier proposals or quotations received for sole source purchases may be sent directly to the responsible Buyer via electronic or hard copy.

8.3. All bidders shall be notified if a bid date is to be extended.

8.4. After the closing date, the Supplier proposals or quotations shall be opened and evaluated by or under the direction of the responsible Buyer.

8.5. Bidders shall not submit revised or improved bids after the closing date unless authorized to do so by the responsible Buyer.

9. DISQUALIFICATION OF BIDS

9.1. A bid shall be disqualified for failure to comply with bid submission requirements. A bid may be disqualified for any reason deemed appropriate by the responsible Buyer, including but not limited to those reasons set forth at Section 4.5 above.

10. BID EVALUATIONS

10.1. It is the policy of NU to award Contracts to the bidder submitting the "best evaluated bid." The best evaluated bid is the lowest bid which will ensure quality, reliability, service and availability, or other pertinent factors and it may or may not be the lowest priced bid. The criteria for determining the "best evaluated bid" shall be established by the responsible Buyer prior to opening the bids.

10.2. Corporate Purchasing reserves the right, in its sole discretion, to rebid any RFP, to decline to

award a contract under any RFP or to award a contract to any Supplier, as deemed to be in the best interests of any NU Affiliate or the NU system as a whole.

11. SOLE SOURCE TRANSACTIONS

11.1. Sole source transactions may be approved as exceptions to the competitive bid requirements where:

(a) a review of the marketplace reveals that there is only one viable Supplier who is technically and commercially capable of providing the good or service that is being procured by NU; or

(b) the Chief Executive Officer, Executive Vice President of the Utility Group, Senior Vice President and General Counsel, Chief Financial Officer or a member of the Board of Trustees has determined that the use of a particular Supplier is necessary due to exigent, business circumstances for strategic, confidential or essential projects.

11.2. For sole source purchases of $50,000 or more, it is the responsibility of the Requester to provide Purchasing with a Sole Source Justification (See sole source justification template located on the Purchasing web page at http://nunet.nu.com/NUCorporate/Depts/Purchasing/policies.asp.). This Sole Source Justification must contain, at a minimum, the following:

(a) a detailed summary of the analysis used by the Requester to determine that there are no other viable or available sources of supply for the requested good or service; and

(b) a compelling business justification, including a detailed description of the project involved, the reason competitive bidding cannot be conducted and the efforts made to examine the qualifications of the requested sole source vendor to ensure that NU's business interests are adequately protected

11.3. Corporate Purchasing reserves the right to require a competitive bid process for any purchase for which no sole source justification is provided or for which such sole source justification does not meet the criteria set forth above.

12. TRANSACTION APPROVALS

12.1. **SIGNATURE AUTHORITY**.

12.1.1. The authority levels set forth in the table below shall apply to Purchasing Personnel for purposes of approving Purchase Orders and awarding business. Approvals of financial expenditures, as distinguished from Purchase Orders, are governed by APS5.

Title*	Amount
Student Intern	$25,000
Supplier Relations Coordinator	$50,000
Administrative Assistant	$50,000
Corporate Card Program Administrator	$50,000
Buyers Assistant	$50,000
Senior Buyers Assistant	$50,000

Buyer	$100,000
Technical Associate	$100,000
Supplier Diversity Manager	$100,000
Sourcing Consultant	$100,000
Senior Sourcing Consultant	$250,000
Sourcing Manager	$500,000
Compliance & Reporting Consultant	$500,000
Supervisor	$2,500,000
Manager	$5,000,000
Director	$25,000,000
Vice-President and above	UNLIMITED

*These job titles apply to Corporate Purchasing personnel

12.1.2. Pursuant to the Business Continuity Plan, Purchasing Management may temporarily delegate authority level to other Purchasing personnel.

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12.2. SOURCING COMMITTEE

12.2.1. All competitively bid procurements valued at $250,000 or more shall be reviewed and approved by the Sourcing Committee prior to issuance of the RFP.

12.2.2. All sole sourced procurements valued at $50,000 or more shall be reviewed and approved by the Sourcing Committee prior to issuance of the PO.

12.2.3. The following transactions do not require Sourcing Committee approval:

(a) Transactions subject to the LP3 process;
(b) Non-Purchase Order Transactions authorized by Accounting Policy Statement (APS5) ;
(c) Purchases described in Section 8.7.

12.3. LARGE PROJECT PROCUREMENT PROCESS

12.3.1. Procurements valued at $5,000,000 or more (generally excluding Blanket Purchase Orders based on estimated annual usage) related to projects shall be subject to the Large Project Procurement Process ("LP3"). If the procurement exceeds $25,000,000, in addition to the RMC review, an Executive Risk Management Council (ERMC) review is required.

12.3.2. Risk and Capital Committee (RaCC) review and NU Chief Executive Officer (CEO) approval shall be confirmed by the Director – Purchasing prior to approval of Purchase Orders associated with existing projects or transactions valued at $10,000,000 or more. In the absence of such review and approval, the Director - Purchasing shall confer with the Director – Enterprise Risk Management or the Chief Financial Officer prior to approving the Purchase Order.

13. TERMS AND CONDITIONS

13.1. Unless otherwise approved by Purchasing Management, NUSCO General Terms and Conditions shall be included in all RFP's and shall be integrated into all Purchase Orders and Contracts. NUSCO General Terms and Conditions shall mean any of Corporate Purchasing's Standard General Terms and Conditions or a standard form integrated contract, which includes such General Terms

and Conditions.

13.2. NUSCO's standard corporate payment terms are net thirty days from NUSCO's receipt of the Supplier's invoice, except as otherwise required by law or as otherwise agreed by an authorized representative of NUSCO.

14. CONTRACTOR SAFETY AND ENVIRONMENTAL POLICY

14.1. Corporate Purchasing plays an important role in ensuring that NU maintains a high level of contractor safety and environmental performance. Contractor safety performance and contractor's demonstrated concern for the environment shall be part of the bid evaluation and contract negotiation processes where Contractors work on any facilities, properties or work sites owned or managed by NUSCO. However, this policy may be modified with local management discretion when applied to incidental Contractors who generally have minimal effect on safety and the environment.

14.2. For all Purchase Orders, awarded to contractors where Contractors work on any facilities, properties or work sites owned or managed by NUSCO, Buyers shall include the applicable system Contractor Work Rules, and any applicable Site Specific Work Rules. A copy of the appropriate contractor work rule appendix signed by both the Requester and Contractor should be filed in Purchasing.

14.3. Corporate Purchasing shall work with Requesters to promote Environmental Preferable Procurement including the use of recycled and recyclable materials and environmentally responsible suppliers in support of Contractor Safety and Environmental Performance Management at Northeast Utilities and related programs. The responsible Buyer shall document environmental aspects of procurements required to be bid.

15. CERTIFICATES OF INSURANCE

15.1. Contractors working on any facilities, properties, or work sites owned or managed or legally accessible by NUSCO ("Work on Site") are required to provide current Certificates of Insurance with proper coverage and naming NUSCO and its affiliates as an additional insured ("COI") prior to the commencement of work. Buyers shall obtain a COI which meets the criteria set forth in 15.2 below prior to the approval of a Purchase Order for a new vendor or for work that requires insurance coverage that deviates from the standard coverage required for the work (negotiated insurance coverage). Otherwise, the Buyer shall ensure the COI is provided by the earlier of : (i) seven (7) business days after the issuance of the Purchase Order; or (ii) prior to the commencement of work. In the case of emergency work, the COI shall be obtained as soon as reasonably practicable.

15.2. Upon receipt of a COI, the responsible Buyer shall confirm that the COI:

(a) reflects the required coverages and limits;
(b) includes required additional insured language;
(c) includes the applicable Vendor Code (Buyer to insert if missing);
(d) includes the proper COI note code reflecting the contract type.

Upon review and approval, Buyer will forward an electronic copy of the COI to EBix / Confirmnet.

15.3. The type of insurance coverages and coverage limits required for a Purchase Order or Contract

may be modified from the standard terms and conditions form requirements upon the approval of the Director of Claims & Insurance or his designee or by a Vice President of the business group for whom the services are being performed, in his/her sole discretion.

15.4. The EBix / Confirmnet system will be utilized to ensure COIs provided by Contractors are current and contain proper coverage and additional insured language. Reports are available which reflect the status of all COIs on file in the Confirmnet system. If in the event a Contractor's COI is not compliant, Buyers shall make reasonable efforts to contact their Contractors and Requesters to obtain a satisfactory COI. C&I, Purchasing and the CR, and Contract Administration, when applicable, will coordinate appropriate measures to be taken, which, at their option may include:

(a) continuing efforts to request the COI from vendor;
(b) withholding payment to vendor;
(c) suspension of work; and /or
(d) suspension or termination of the Contract

16. SPECIAL PURCHASE ORDERS

16.1. Confirming Orders. A confirming order may be issued to cover an Emergency and when a Requester's supervision is unavailable to electronically approve a material request in Purchasing's electronic ordering system and material or services are required.

16.2. PSNH Orders. Designated storeroom personnel at Merrimack, Newington and Schiller Stations have the authority to issue Purchase Orders for up to $5,000.

17. CORPORATE CARDS

17.1. The Procurement Card (P-Card) is valid for purchases of material which do not exceed $3000 in a single transaction's value, $5,000 in daily value, or $10,000 in monthly value, unless otherwise approved and encoded on the card, exclusive of sales tax and freight. Temporary increases in spending limits are granted during emergency restoration. The rules governing the use of the P-Card can be located at: http://nunet.nu.com/NUCorporate/Depts/Purchasing/creditcardspcard.asp.

17.2. The Travel and Entertainment Card (T&E Card) is valid for business related travel and entertainment up to $10,000. The rules governing the use of the T&E Card may be found at http://nunet.nu.com/NUCorporate/Depts/Purchasing/creditcardspcard.asp

17.3. .

18. DOCUMENTATION AND RECORDS MANAGEMENT

18.1. All contractual commitments entered under the provisions of this Manual shall be documented by (i) a Purchase Order; (ii) a Purchase Order, General Terms and Conditions and Special Conditions, if applicable; or (iii) a Purchase Order and an integrated Contract.

18.2. All transactions for services should be documented by a Purchase Order or Contract signed by authorized representatives of NUSCO and the Supplier. All other Purchase Orders or Contracts with a value of $1,000,000 or more shall be signed by authorized representatives of NUSCO and the Supplier.

18.3. A General File shall be created and maintained for all transactions with an original or revised value of $50,000 or greater (including but not limited to solicited bids, and Request for Quotation package). The General File may be located in one or any of four locations inclusive of Purchasing's

electronic procurement, electronic ordering system, Records Information (RIM) System, and paper files listed in order of preference. General Files shall include, as applicable:

(a) The RFP or sole source justification form;
(b) Supplier proposal(s);
(c) Bid evaluation and basis for award(s), if applicable;
(d) Other documentation necessary to support the award(s) (may include: commercial, legal, and technical items);
(e) Purchase Order, all Contract Amendments, and Purchase Order Revisions.

18.4. General Files for Work On Site shall include, as applicable.

(a) Certificate of Insurance;
(b) Contractor Work rules;
(c) Purchase Order or Contract signed by authorized representatives of NUSCO and Supplier;
(d) A copy of letter of credit and/or performance bond, if applicable;
(e) Contractor residency and evidence of tax bond, if applicable.

18.5. General Files for orders of $500,000 or more shall also include, as applicable:

(a) Subcontracting Plan.

18.6. General Files for orders of $1,000,000 or more shall also include, as applicable:
(a) Tax Routing Sheet (Material Request/Contract Tax Verification form);
(b) Purchase Order or Contract signed by authorized representatives of NUSCO and Supplier;
(c) Review of previous Supplier Evaluations
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18.7. General Files for orders of $5,000,000 or more shall also include, as applicable:
(a) Presentations and lists of attendees for RMC, and ERMC, if applicable;
(b) Signed Large Project Contract Review Form.

18.8. Corporate Purchasing's designated electronic sourcing and/or document repository system shall be used for maintaining all Corporate Purchasing Records, except as otherwise provided herein. At least annually, the Corporate Compliance and Reporting Consultant shall initiate a review of compliance with the internal documentation process and the use of appropriate note codes. Such review may include, but is not limited to, compliance reports, controlled risk self assessments, manual review of randomly selected General Files and other transactional data.

19. PURCHASE ORDER REVISIONS / CONTRACT AMENDMENTS

19.1. Requests for Purchase Order revisions and Contract amendments shall be reviewed on a case by case basis and shall be subject to the same approval requirements as the original Purchase Order and Contract. Criteria for Purchase Order revisions and Contract amendments may include but are not limited to: outstanding invoices, market conditions, changes in project scope and availability of resources to support a rebid. Buyers shall document the basis for Purchase Order revisions and contract amendments in the general file.

19.2. In order for Purchasing to process a revision to a Purchase Order to increase the Not to Exceed ("NTX") amount, Requester shall create an "NTX Increase" request approved in Purchasing's electronic NTX increase system. NTX increases for service Blanket Purchase Orders are generally

increased by Purchasing.

20. CLAIMS RESOLUTION

All Claims under a Purchase Order/Contract including those brought by Suppliers for additional compensation or potential claims identified by NU personnel must be addressed in a timely manner. Buyers should immediately discuss any claims brought to their attention, with Purchasing Management. If deemed necessary, by Purchasing Management, the claim shall be forwarded to Legal and Claims and Insurance for further disposition.

21. SUPPLIER EVALUATIONS

Purchasing maintains an online supplier evaluation tool. Requesters shall submit supplier evaluations for all services procurements valued at $100,000 or more. For Contracts valued under $100,000, Requesters are encouraged to submit supplier evaluations as well. Submitted evaluations are used in bid evaluation for future procurements.

22. PURCHASING ETHICS

22.1. Corporate Purchasing adheres to the Principles and Standards of Ethical Supply Management Conduct advocated by the Institute for Supply Management.

22.2. NUSCO does not tolerate the acceptance by employees or their family members of entertainment or gifts which are excessive in value. Any entertainment or gift which may reasonably be perceived to be offered for the purpose of influencing the award of contracts to a particular supplier shall be refused. NUSCO does not permit employees or their family members to accept any loan from Suppliers or their representatives under any circumstances. Buyers shall promptly inform Purchasing Management of any activity pursuant to this Section 22.2.

22.3. There will be instances in the normal course of business when it may be appropriate for a Buyer to accept invitations from Suppliers or potential Suppliers to events that would normally be considered social or recreational. Given the fact that in many instances business is discussed at these events and that valuable business relationships can be developed, there will necessarily be occasions when attendance at such events is in the best interests of the Company. Such invitations may be accepted under the following circumstances: (a) the Supplier extending the invitation will accompany the Buyer; (b) the discussion of business related issues and/or business relationship development is the primary objective (c) the Supplier extending the invitation is not currently participating in a competitive bid process with the Buyer and (d) the invitation has been approved by Buyer's management. Invitations not meeting these criteria shall not be accepted unless authorized in writing by the Director – Purchasing upon a determination that the invitation serves a valid business purpose and that no conflict of interest is present. Invitations which do not serve the primary purpose of conducting business may only be accepted if (a) the Supplier extending the invitation is not currently participating in a competitive bid process with the Buyer and (b) the full value of participation in the event is paid for by the Buyer.

22.4. Occasional business meals with Suppliers are acceptable. However, Buyers are permitted to accept meals with bidders during the contract negotiation process only if such meals are provided for the purpose of facilitating continued negotiations.

22.5. Advertising novelties or promotional items (i.e.: items displaying Supplier name and logo) of nominal value may be accepted on an occasional basis provided the item is distributed by the offering party in the normal course of business.

22.6. Supplier paid overnight business trips or any trip involving Supplier paid transportation and/or lodging shall not be accepted unless approved in writing by the Director – Purchasing upon a determination that such trip serves a valid business purpose and that no conflict of interest is present.

22.7. Buyers shall avoid any situation that can cause actual, potential or perceived conflicts of interest. Buyers shall disclose any such conflicts of interest to Purchasing Management and shall provide all information necessary for any audit or investigation. Failure to disclose a conflict of interest or to cooperate with audits or investigations may result in disciplinary action.

22.8. Buyer shall not disclose Supplier lists and/or contact information for any non-business related purpose without prior Purchasing Management approval.

22.9. Buyers shall record Supplier activities pursuant to 22.2, 22.3, 22.4 and 22.6 in the Supplier Activity Log. The Supplier Activity Log shall be reviewed periodically by the Compliance and Reporting Consultant for compliance with the requirements of this Section 22.

23. CODES OF CONDUCT

NU must comply with all applicable Codes of Conduct. Purchasing personnel shall conduct all internal and external purchasing transactions in compliance with these Codes.

24. EXCEPTIONS

It is recognized that full compliance to all of the requirements contained herein may not be practical or even desirable in all situations. In any case where a compelling business need has been demonstrated, the Purchasing Director or the Vice President – Shared Services, in his/her sole discretion, may approve an exception to some or all of the requirements of this Manual. In such case, the Buyer shall document the basis for the exception.