

United Water Procurement Policy

BUDGET, APPROVAL and PROCUREMENT DISCIPLINES

I. Companywide Procurement Discipline

General

United Water management relies upon the Supply Chain Management Team (SCM) to procure all of its goods and services at the best value for internal clients in a manner that achieves the greatest possible business efficiencies and maintains the highest standards of ethics and professionalism. The Procurement Group and SCM terms are used interchangeably.

VIII.i **Competitive Procurement:**

United Water's policy is to competitively procure the goods & services it needs for its operations, M&S departments and capital investments.

United Water's policy requires competitive bidding for all purchases that are equal to or greater than \$25,000. This applies to both one-time, specific purchases and purchases spread out over the entire year.

Competitive procurement requires a minimum of two (2) quotes or bids, preferably three (3) or more; and also implies the selection of the "best value" bid.

VIII.ii **Rules of Engagement**

Competitive bidding may be performed by SCM or by the individual business units and/or any of the M&S support departments, however, for all purchases exceeding \$25,000 the following rules of engagement must be adhered to:

- For any purchase between \$25,000 and \$50,000, early consultation with SCM is recommended.
- For any purchase between \$50,000 and \$500,000, early consultation with SCM is required.
- For any purchase greater than \$500,000, early engagement of SCM is required.

Consultation means that the Business Unit may process the bid locally, but must share with SCM the particulars of the project and bid process (i.e. scope of goods or services, contract template, bid list, price sheet and bid format, bid results and evaluation, etc.) prior to entering into a contract or issuing a P.O.

Engagement means that SCM processes the bid, working with the Business Unit on a team basis and processes the contract execution.

As a reminder, all employees who purchase goods or services are obligated to procure items at the lowest available price in the marketplace while reasonably fulfilling the delivery, quality and response time requirements for United Water's business operations. The absence of a rigorous procurement discipline at every employee level is not acceptable.

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VIII.iii **Procurement Review Form**

Competitive procurement performed by the business unit requires that a Procurement Review Form (PRF) be completed and forwarded to Supply Chain Management for review at SupplyChainManagement@unitedwater.com.

This form is available on Quench at: [Procurement Review Form](#). All purchases > 25K require a PRF be sent to SCM. In the case of single or sole source vendor selection, the PRF should be completed with an explanation of why the purchase was not competitively bid.

VIII.iv **Non-Competitive Procurement**

United Water acknowledges situations where competitive procurement is not feasible, relevant or practical such as: sole or single source vendor situations; when the spend amount is nominal (i.e. under \$25,000); emergency purchases made to avoid work stoppage, downtime, injury or unusual costs. In those situations where competitive procurement is not feasible or relevant, the employee involved in the vendor selection process must obtain written (e-mail) endorsement from either their supervisor and/or SCM prior to placing a purchase order or issuing a contract.

VIII.v **Vendors**

New vendors and updates to existing vendor information can only be added by SCM into PeopleSoft. All requests for new vendors must be accompanied by a duly executed and approved New Vendor Application Form.

The form is available on Quench at: [New Supplier Application Form](#).

It is United Water's policy to promote participation of certified small, minority, women and disabled veteran business enterprises (M/WBE and DVBES) in our procurement activities. Such participation helps promote a strategic advantage in an increasingly competitive marketplace. Diversity suppliers help us meet the needs of our diverse customer base and maintain our competitive edge by providing quality products and services that meet specific requirements. Promoting the participation of a diverse supplier base not only provides better business solutions, it also cultivates greater customer loyalty, bidding advantages, and public policy support in the communities we serve. United Water is committed to a goal of providing Minority, Women and Disabled Veteran Business Enterprises the maximum practical opportunity to compete for our business.

VIII.vi **Purchasing Ethics & “Conflict of Interest” Situations**

GDF Suez purchasing ethics, available on United Water Quench, govern United Water procurement in terms of rules of conduct, rules of fair competition and commitments to sustainable development and social responsibility and address the “conflict of interest” situations. United Water employees in a position to approve vendor selection are required to disclose any “conflict of interest” situation. In particular, where the employee has any kind of affiliation (a personal or financial interest) to a current or potential vendor of United Water, that employee is required to disclose that interest at minimum on an annual basis.

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In those situations where there is a “conflict of interest”, the employee cannot be involved in the vendor selection process. Only a Director/General Manager/VP level can confirm, in writing (e-mail), the selection of such a vendor.

The GDF Suez/United Water purchasing ethic charter is available on Quench at: [Suez Purchasing Ethics Charter](#). The gift policy reminder is available on quench at: [United Water Gift Policy](#).

VIII.vii Purchase Orders and Contracts

Both UW Purchase Orders and UW contracts protect the interest of United Water especially as it relates to limitation of liability, security interest on our assets, price uncertainty, warranty and dispute.

United Water strongly recommends the use of our standard forms of Purchase Order and contracts. All agreements not matching the exact terms and conditions of the standard United Water Purchase Order or a standard United Water Contract form MUST be reviewed by the Legal **and** Procurement Departments.

Vendor documents shall only be used on an exceptional basis and shall require detailed review by SCM and Legal before being used.

In almost all situations involving contractors, particularly if work will be done on United Water property, a contract should be processed. For projects that are less than \$25,000 and considered low risk, a contract may not be necessary and a purchase order may be more appropriate. Please note that if a vendor issued insurance certificate is required, it must be obtained prior to issuing the purchase order or the contract.

Generally, a purchase order will suffice for many goods/material purchases, although a contract should be put in place for items purchased on a recurring basis.

Please contact SCM for guidance regarding the use of contracts at SupplyChainManagement@unitedwater.com if necessary.

VIII.viii Contract Approval and Signature Authority

The proper delegation of authority to execute contracts on behalf of United Water is required to minimize financial, legal and related risks and to ensure that appropriate fiscal and management controls are in place for the betterment of the Company. Individuals do not have the authority to approve or sign contracts with external parties on behalf of the Company unless (1) the signatory is an officially designated officer of

the Company (EMT members, Corporate Officers, Business Unit VP's, GM's and/or PM's.) (2) the purchase is made in accordance with United Water's Procurement Policies and Procedures (3) the contract used is an approved United Water standard contract template or written proof of legal and procurement review (in the form of a PRF) has been obtained prior to execution and; (4) the contract amount is not greater than the dollar limits set forth in the section below.

Contractual Monetary Limits

With the exception of capital projects and personal service contracts, officers of the Company may enter into agreements that do not exceed an annual spend amount of \$250,000. OPEX contracts exceeding this amount must be signed by the appropriate Segment President, the CFO, or the CEO.

CAPEX or Capital Project contracts may be signed by officers of the Company if all of the following conditions are met:

- The contract amount is less than \$500,000
- A Capital Expenditure Authorization form (CEA) has been duly processed and authorized at the appropriate approval level.
- The purchase is made in accordance with the company's Policies and Procedures.
- The contract used is a United Water standard contract form and has been reviewed and approved by both the Procurement and Legal departments. (Note that all contracts greater than \$500,000 must be reviewed by both departments prior to execution.)

Any contract that does not meet all of the above requirements must signed by the appropriate Segment President, the CFO, or the CEO

Personal Service contracts may be signed by authorized officers of the Company if they do not exceed an annual spend amount of \$250,000. Note that all personal service contracts must be reviewed by the Legal Department prior to execution. Personal service contracts that are greater than \$250,000 must signed by the appropriate Segment President, the CFO, or the CEO.

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Authorized contract forms can be downloaded from Quench at: Quench home page/Supply Chain Management/Forms or by using the following link:
<http://procurement.unitedwater.com/DesktopDefault.aspx?tabid=537>.

VIII.ix Contract / Procurement Review Form

The Procurement Review Form (PRF) aims at ensuring that all procurement contracts United Water enters into have received SCM and Legal review. For procurement of goods and services in which the SCM team is conducting the bid process, the SCM team member will complete the Procurement Review form. For projects which the Business Unit is conducting the bid process, it is expected that the originator will complete the PRF with SCM and Legal guidance and support. In order to remain in compliance with United Water's CODIS governance, all contracts submitted for approval must be accompanied with a PRF which gives assurance to the officer of the Company signing the contract that the necessary Legal and Procurement reviews have been completed.

No contract shall be executed unless the PRF is fully completed and submitted with the contract for execution. It is the responsibility of the signatory of the contract to review the PRF and its attachments before executing the contract. This form is available on Quench: [Procurement Review Form](#)

The chart below summarizes the general requirements of the SCM and Legal Teams regarding purchases.

Spend \$ Value	Documents Required	SCM Action	Legal Review
\$500,000 or greater	-PRF - Contract	SCM manages the procurement and contracting. PRF is required; Approval from the Capital Project Committee	Required
\$50,000 to \$500,000	- PRF - Contract/P.O. (at SCM or Legal discretion)	SCM consultation is required at beginning of project. If this is an equipment purchase and a contract is not applicable, only the PRF needs to be forwarded to SCM	Only required when proposed changes are made to UW standard templates
\$25,000 to \$50,000	- PRF - Contract/P.O. (at SCM or Legal discretion) see NOTE 1 below)	SCM consultation is recommended at beginning of project. If this is an equipment purchase and a contract is not applicable, only the PRF needs to be forwarded to SCM	Only required when proposed changes are made to UW standard templates
Under \$25,000	- Contract/P.O. (at Legal discretion) (see NOTE 1 below)	Where a contractor is performing work, a risk assessment can be performed by the Project Manager to determine whether a contract is required. If this is an equipment purchase and a contract is not required, only the PRF needs to be forwarded to SCM	Only required when proposed changes are made to UW standard templates
All other contracts (non-procurement)		Not required	Required
All consulting contracts (any amount)	-PRF -Contract	Contract shall be forwarded to SCM who will review and forward to Legal	Required

NOTE (1) If a Purchase Order (P.O.) is used in lieu of a contract for the purchase of services, an insurance certificate must be obtained, if applicable, prior to the issuance of the P.O. The insurance certificate should be maintained along with a file copy or the P.O.

COPIES OF ALL EXECUTED CONTRACT DOCUMENTS, INCLUDING A PRF, MUST BE FORWARDED TO SCM FOR ARCHIVING.

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VIII.x Purchase Requisition (REQ) & Non-Purchase Requisitions (NPR)

- **Types of Requisitions:** PeopleSoft allows for two different types of requisitions to be entered into the system and it is imperative that those initiating orders use the appropriate requisition form.
- **REQ requisitions** must be used wherever possible to generate a purchase order for goods and services in advance of the receipt of those goods and services. REQ requisitions require approval at an appropriate level before the order is placed. United Water's standard P.O. is a document that details and confirms the quantity and description of the item(s) to be purchased and provides contractual protection to the Company.

The following types of purchases require the use of an REQ requisition: chemicals, materials, pipes and valves, hardware, motors, pumps, office equipment, fuel, meters, electrical supplies, and MRO items (i.e. maintenance, repair, and operating supplies.) REQ requisitions reinforce the Company's internal controls and require matching of invoice, receiver, and P.O. prior to payment.

- **NPR requisitions** are simply requests for payment and must only be used for special expenses (taxes, dues, permits, customer refunds), contracted goods and services (utilities, telephone bills, rents, auto leases, etc.), and services performed on the basis of established contracts procured by/with SCM (professional services, maintenance, and repair services.)

For further information, visit Quench: \Procurement\“[Procurement Policies & Procedures](#)” or email SupplyChainManagement@unitedwater.com for complete details or with further questions regarding United Water's approach to purchasing and procurement.

VIII.xi Special Guidelines

- **Major commodities:**
The SCM Department must be consulted regarding the purchase of all major expenditure items (*a.k.a. global spend categories*) such as chemicals, T&D materials (*pipes, fittings, valves, hydrants, meters, etc.*), lab supplies, uniforms (*purchased or leased*), office supplies, national courier services, and travel (*via the corporate travel agent*) for most (*i.e., non-MBE/WBE*) business units – AMEX), if the proposed purchase is from other than established contracts already in place.
- **Asset Disposals:**
It is recommended that all business units and departments consult SCM for professional guidance regarding the disposal or sale of assets exceeding \$5,000 in market value. Assets may be disposed of or sold locally only after SCM has been

consulted. *(Note: While an asset retirement may or may not coincide with a 'disposal' or a 'sale', all asset sales, disposals, and retirements must be reported to Corporate Asset Management).*

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II. Procurement Cards (“P-card”)and Company Credit Cards

General

The company provides a variety of procurement cards and credit cards to be used by employees for business purchases. The SCM Department manages these programs and aims to enforce United Water’s policies.

Locally established credit card accounts are prohibited, unless approved by SCM on the basis of a bona-fide business need and adequate supporting documentation. Business units should utilize the Corporate P-card as the preferred and primary management tool for small business purchases.

Monthly review of procurement card purchases is the responsibility of segment and departmental management; such purchases are also subject to review by Internal Audit. Managers/supervisors must ensure that P-card purchases and employee-reimbursed credit card purchases are, in fact, business related purchases. P-cards and company credit cards must be used for business purposes only; use of these cards that results in personal enrichment to United Water employees is prohibited and is subject to disciplinary action.

IX.i P-Cards

The United Water *P-card* is a useful tool to purchase and pay for low cost materials and services, thereby eliminating the cost of purchase processing and reducing the number of checks processed for lower dollar transactions.

In order to obtain a P-Card, the employee’s supervisor as well as the BU General Manager or EMT member must approve the application according to the table hereunder. Signed P-card/ credit card policy and receipt acknowledgment forms must be obtained before any cards are distributed to employees for use.

All cards with an aggregate annual limit	Card issuance authorized by:	Monthly statement approved by:
>\$500k	CEO	EMT member
>\$50k	EMT member	General Manager (Reg) / Division Manager (CS)
<\$50k	General Manager (Reg) / Division Manager (CS) / EMT member (M&S)	Direct Supervisor

The SCM Department has the responsibility for administration of the P-Card and enforcing the policies and procedures. Policies and Procedures proposed by SCM must be approved by the EMT.

- a. SCM is responsible for:
 - i.the payment of the master account

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- ii. collecting approved statements
- iii. issuing violation notices
- iv. suspension and cancellation of Cards resulting from violations

b. The Cardholders are responsible for:

- i. Signing the acknowledgement form.
- ii. Using the P-Cards within the policy guidelines.
- iii. Submitting all receipts and back-up to the card approver to ensure approval in a timely fashion.

c. The Approvers are responsible for:

- i. Signing the acknowledgement form for cards they approve
- ii. Approving the issuance of P-Cards (w/limits...).
- iii. Approving monthly P-Card statements in a timely fashion.
- iv. Reporting any usage violation immediately.
- v. Maintaining receipts and the original of the approved cardholder statement as proof of review.
- vi. Sending, in a timely fashion, by fax or email (scanned) a copy of the approved original cardholder statement to P-Card Administrator evidencing the approval.

The P-Card holder will ultimately be accountable for their expenditures and their respective supervisors and managers will be responsible for overseeing and approving their charges. Approvals must be submitted to SCM timely to avoid suspension and/or cancellation of the P-Card.

IX.ii **Fuel Cards**

United Water is using the Wright Express Universal Fuel Card (WEX) program and co-branded Wright Express/Lease Plan program as the primary methods to handle fuel purchases for vehicles and equipment. **Please note that fuel purchased on the WEX card is for company vehicles and equipment only.** This will be closely monitored and any violations will be reported to management and may result in the cancellation of the card and disciplinary action. In order to keep expenses down, please observe the following guidelines:

- Use regular unleaded (87 octane) fuel only, per your vehicle's owner's manual
- Non-fuel expenses exceeding \$25.00 require pre-approval of fleet manager
- Use self service pumps whenever possible
- Enter the correct odometer reading at the point of sale
- Use the lower cost fuel stations when possible

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If your WEX card is lost or stolen, please contact SCM immediately so a replacement card can be ordered for you. If you have questions as to what stations in your area accept the Wright Express card, please visit their web site at www.wrightexpress.com and select "Merchant Site Directory."

IX.iii Corporate Credit Cards

United Water makes available corporate sponsored travel and expense credit card for business purpose only. This card eliminates the need for personal credit cards for business related expenses such as: airfare, lodging, meals, car rentals etc.

In order to obtain a Corporate Credit Card, the employee's supervisor AND the General Manager or EMT must approve the application form.

The corporate sponsored credit cards are ultimately sponsored by UW, however, the individual cardholder is responsible for paying the entire balance each month by the statement due date and must sign the card acceptance form outlining the responsibilities for using the card.

The employee will seek reimbursement for these costs by completing an expense report (with receipts attached) which would then require the supervisor's approval. To seek reimbursement for his/her business expenses the cardholder is ultimately accountable for their expenditures and their respective supervisors and managers responsible for reviewing and approving their charges.