



## Procurement Policy

Responsible Dept.: **Supply Management**  
Responsible Officer: **inline VP of Supply Management**  
Applicability: Employees of Sempra Energy  
Corporate Center, SoCalGas, and SDGE

EFFECTIVE DATE: 12/23/2009  
REVISION DATE: 06/09/17  
REVIEW DATE: 06/09/17  
INFORMATION TYPE: **Internal**  
Questions? Contact:  
[SupplyManagement@sempra.com](mailto:SupplyManagement@sempra.com)

### 1. POLICY:

This policy provides guidance for obtaining, through contractual agreement, the timely delivery of goods and performance of services at the best value. References to Supply Management mean the Sempra Energy Utilities (SEu) Supply Management and Supplier Diversity organizations which support both SEu and Corporate Center procurement.

- a. Procurement will be managed to optimize risk mitigation and return on investment.
- b. Sempra Energy Corporate Center and SEu management is responsible for ensuring that their employees adhere to the guidelines in this policy.
- c. Procurements should be at optimum total cost. Optimum costs include all costs, time, and quality considerations for the lifecycle of the material or service being procured. Achieving optimum costs may include any single or combination of multiple purchasing strategies that achieve market based pricing.

#### A. SCOPE

1. This policy covers most, but not all, supply market commitments for goods and services. Procurement tools are governed by their specific policies and procedures. (e.g., corporate travel cards, purchasing cards, e-procurement systems, etc.)

2. **Exclusions**

This policy excludes supply market commitments for goods and services that require highly specialized terms and conditions or that involve unique organizations. See the [SEu Approval & Commitment Policy / Approval and Commitment Policy \(Corporate Center\)](#) for these types of commitments:

- i. Taxes, permits, licenses and other governmental fees
- ii. Real property transactions (e.g. land/lease options, rents, escrow services, rights-of-way and easements)
- iii. Contributions (charitable and political)
- iv. Debt/equity financing including lease financing and letters of credit
- v. Insurance premiums
- vi. Legal services
- vii. Audit and tax engagements with public accounting firms
- viii. Periodical subscriptions, membership dues, on-line services
- ix. Utility service arrangements (e.g. gas, electric, water, telecommunications, trash and sewer)
- x. Energy or Commodity transactions
- xi. External Affairs activities
- xii. Other financial commitments governed by the [Employee Business Expense Policy](#)

3. **Purchase Documents**

- a. All contracts must be processed through an approved Supply Management program or authorized by Supply Management and/or Legal.
- b. Contractors will not be allowed to commence work until a valid contract is in place, unless substantial economic harm to the company is likely. A letter of intent, even if binding, is not a sufficient contract

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for purposes of this procurement policy, since such letters typically do not address numerous key legal and business issues and do not meet the requirement that Sempra Energy standard terms and conditions be used.

- c. All financial commitments, contracts, and expenditures at SEu will comply with the Sempra Energy Utilities Approval and Commitment Policy; commitments, contracts, and expenditures at Corporate Center will comply with the Corporate Approval and Commitment Policy.
- d. Signing supplier-provided terms and conditions, without approval from the Legal and/or Supply Management departments, is not an acceptable practice. Sempra Energy approved terms and conditions will be used as a starting point.
- e. Purchase documents will be used for significant supply market commitments whose value meet or exceed \$10,000 per transaction and greater, or commitments involving a high level of risk regardless of dollar value, unless the purchase is more suitable to an [alternate and recognized Supply Management program](#).
- f. Emergency Purchases – Exceptions to the policy during operational emergencies require notification to the Director and/or VP of Supply Management so that the most efficient and timely purchasing mechanism can be rapidly deployed even if outside standard Supply Management processes. Operational emergencies would consist of government or division of government-declared or company-declared emergencies, major system outages, pipeline breaks, leaks, fires, activation of the EOC or GEC, or similar situations where time is of the essence and the costs of service interruption are far greater than the risks of not abiding by the normal procurement process including harm to companies' reputations. This exception is not meant to circumvent the normal business process (approved Requisition, approved Contract, etc.) and should only be used in an operational emergency. To the extent purchases can be anticipated for such emergencies, consider the feasibility of setting up contingent purchase agreements.
- g. Master Service Agreement Approvals - A master services agreement (MSA) or blanket purchase order (BPO) must be approved at the total estimated cost.
- h. Change Orders
  - i. External Change Orders materially impact Agreements and require signatures by both parties. Internal Change Orders do not materially impact Agreements and do not require signatures by both parties, and are generally restricted to the following scenarios:
    - o Adding Sempra Company-approved funds to an agreement but not disclosing the increase to the supplier.
    - o Extending the expiration date to allow Accounts Payable to process trailing invoices.
    - o Updating fields within the system (e.g. Supplier contact information)
  - ii. Change Orders to existing commitments are to be approved at the cumulative value and not the change order value.
- i. Legal Review
  - i. Legal must review and approve every contract with a dollar value of \$1,000,000 or more and contracts involving high risk products or services.
  - ii. Legal review is also required for contract change orders at the point where the contract change order causes the cumulative value of the contract to exceed \$1,000,000. Legal review of subsequent change orders (to contracts which have previously undergone Legal review) is not

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required unless the contract change order materially alters the existing contract legal terms and conditions. In addition, any contract change order which causes the cumulative value of the contract to be approved at the next commitment authorization level must be reviewed by Legal.

j. Insurance Certificates

- i. Must be obtained and monitored for the types of insurance required in each contract.
- ii. The Agreement Owner is responsible to ensure that an accurate Certificate of Insurance is maintained through the duration of the contract.

k. Risk Mitigation

Every contract, regardless of dollar value, has risk implications. Examples of high risk areas are letters of intent and memoranda of understanding, situations that require suppliers to perform work on Sempra property, disposal of wastes identified as "High Risk Wastes" in the Contract & Vendor Selection Table to Environmental Protection for SDG&E at [Fact Sheet SSDGE-C001](#), and for SoCalGas at [Fact Sheet FSCG-C001](#), acquisition or granting to others of intellectual property rights, regulatory matters, "no compete" clauses, confidentiality agreements or other requirements that may impact other Sempra Companies. The Supply Management and/or Legal function or the contract-issuing party has responsibility to ensure that other interested parties (project managers, risk management, regulatory, tax, etc.) review the contract as well.

l. Supplier Evaluation and Selection

- i. Supplier evaluation and selection should be well documented.
- ii. Where competitive bids are being used, supplier contact, including bidder conferences, demonstrations, technical evaluations, and any activity associated with the Request for Proposal (RFP) should be offered equally to all suppliers under consideration.
- iii. Source selection criteria should be developed before the RFP is released to the marketplace.
- iv. Proprietary information received from suppliers concerning prices, costs, delivery commitments, suppliers' unique and novel ideas, and similar data is to be revealed only to those company personnel who are authorized to receive and have a need to know such information. Exceptions to this policy can be made only with the written authorization of the supplier.

#### 4. Purchase Requisitions

- a. Used to provide authorization for the business to move forward regarding the intent to purchase goods or services and the authorization for Supply Management and/or Legal to engage the market and develop a contractual commitment.
- b. Generally required for all significant supply market commitments (\$10,000 and greater or commitments involving a high level of risk regardless of dollar value). Exceptions must be authorized by Supply Management.
- c. Purchase Requisitions are required from the Sempra Company, so care should be taken not to purchase against an Agreement coupled to another Sempra Company's approved Requisition. This circumvents the policy requiring approval from the benefiting organization's hierarchy.

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### d. Purchase Requisition Approvals

- i. SEu and SE Corporate Center Purchase Requisition approval levels are the same as those listed in the [SEu Approval & Commitment Policy](#) / [Approval and Commitment Policy \(Corporate Center\)](#) and any approved delegations of authority.
- ii. Single/Sole source exceptions must be documented within the Purchase Requisition as to the business rationale leading to the decision, and approved by one level higher than normally required as well as the Supply Management department.

## 5. Contract Sourcing Activities

- a. Competitive bidding, or analysis of each commodity's applicable market factors, regulatory requirements, and other available intelligence for determining market based pricing, unless compelling reasons require an \*exception, will be used when preparing supply market commitments over \$75,000. Supply Management, typically in consultation with the Sempra Company for subject matter expertise, may implement any single, or combination of multiple, purchasing best practice strategies, for a sourcing that achieves market based rates and/or benefits to the Company (e.g. supplier rebates due to volume of spend). A description detailing how market-based rates were achieved will be required and documented via one of these three methods: in the Purchase Justification Memorandum, or the Purchase Requisition if known when submitted, or the Agreement Background field in the agreement.

\*For purchases less than \$75,000, the procurement can be single-sourced based on whether the incremental cost increases to perform competitive bidding, and the time added to the process, outweigh the potential benefit.

## 6. Business Controls

- a. Sempra Energy and its Sempra Companies will establish business controls to mitigate fraudulent activity.
- b. Business controls focus, in part, on appropriate separation of duties. No one employee should request the commitment, approve the commitment, receive the commitment, and approve the invoice for the commitment. Therefore, the authority to requisition, commit, receive and approve invoices will be divided between at least two individuals.
- c. All software must be purchased by the CAU Supply Management department or requested via the IT Product Catalog. Sempra Energy and its Sempra Companies are responsible for controlling access to, and the use of, resources in accordance with all agreements for which they are the specified agreement owners.

## 2. QUESTIONS OR CONCERNS:

Discuss questions or concerns with your immediate supervisor, or corporate compliance representatives. For a list of Sempra Company corporate compliance representatives [click here](#).

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### 3. SPECIAL REQUIREMENTS IN OTHER COMPANY POLICIES

**A. Diversity:** Sempra Energy and its Sempra Companies are committed to maximizing opportunities for women, minorities, veterans, the disabled, and the LGBT community. We establish annual procurement goals for contracting with businesses certified as diverse business entities, and encourage our suppliers and vendors to do the same.

Sempra Energy and its Sempra Companies are equal opportunity employers and federal contractors or subcontractors. Consequently, we must abide by the requirements of 41 CFR 60-1.4(a), 41 CFR 60-300.5(a) and 41 CFR 60-741.5(a) and incorporate those laws by reference in our agreements with contractors and subcontractors. These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin. These regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status or disability. We must also require that our contractors and subcontractors abide by the requirements of Executive Order 13496 (29 CFR Part 471, Appendix A to Subpart A), relating to the notice of employee rights under federal labor laws, where it applies.

**B. Procurement purchasing tools:** will be governed by their policies, procedures and guidelines.

**C. Retention of Lobbyists or Firms that Lobby:** You must obtain prior approval before hiring a lobbyist or lobbying firm by following the process set forth in the procedures found [here](#) and as described in the [Political Activities Policy](#). You will subsequently need to enter all expenses on a monthly-basis into the Lobbying Activity Tracking System ([LATS](#)). It is the responsibility of the employee who hires the firm to relay this policy to outside consultants and ensure compliance. These procedures apply for all jurisdictions.

**D. Anti-Corruption and Anti-Bribery:** All employees who are directly or indirectly involved in foreign business activities that could place the employee in contact with a foreign official or entity, and/or who have access to or control of funds or accounts relating to such activities are required to complete Sempra Energy's Anti-Corruption and Anti-Bribery training, which is provided on a periodic basis. See the [Anti-Corruption and Anti-Bribery Policy](#) for additional requirements.

**E. Service or consulting** contracts with former employees, or with former executives or directors that exceed \$100k or a 12-month term, see [Retiree and Former Employee Rehire Policy](#). Also see the [SEu Approval & Commitment Policy](#) / [Approval and Commitment Policy \(Corporate Center\)](#) for additional requirements.

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#### 4. RECORDS MAINTENANCE

- A. Each Sempra Company should maintain convenience copies of the following documents if in paper form, otherwise electronically.
- B. Agreement Owners are required to compile the following documents:
  1. Requisition approval document including substantiation of the market based pricing determination, if used
  2. RFP, if conducted; electronic media, i.e. flash drives or CD's acceptable (Agreement Owners may be exempt if these files already reside as **Records** within Supply Management's RFP system)
  3. Copy of all supplier proposals, if applicable
  4. Source selection documentation and award justification, if not included in the Purchasing Justification Memorandum
  5. Purchasing Justification Memorandum
  6. Copy of Contract, Amendments, Releases, and any other attachments or schedules
  7. These documents to be sent as they are generated to:
    - a. **SoCalGas Contract File Room GCT10N (if hardcopy)**, or
    - b. **SDG&E Contract File Room CP22D (if hardcopy)** or
    - c. if electronic, refer to the "[Electronic Contract File Archiving Procedure](#)"

For guidance as to the appropriate retention period for Records related to this policy, please refer to the [Information Management Policy](#).

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## **APPENDIX I: DEFINITIONS**

**Agreement Owner** – the employee who creates the commitment document (Contract/Agreement) with a supplier for goods or services.

**Business Owner** – the employee responsible for ensuring that the supplier’s total performance is in accordance with the requirements in the Purchase Document.

**Blanket Purchase Order (BPO)** – a fully formed Purchase Order for certain goods or services over a predetermined period-of-time (usually one year or more) at predetermined prices, or at prices to be determined based on market or other conditions. This practice is aimed at reducing the number of small orders, utilizing short-term releases to satisfy demand requirements (e.g. used to purchase office supplies).

**Contract/Agreement** – a legally binding document that contains the commercial and legal terms between Sempra and another party. Commonly referred to as a services agreement, but can also be used for goods and materials.

**Change Orders:** *External or Internal* – the process for changing the terms and/or conditions of an existing Agreement. An External Change Order materially impacts an Agreement and must be executed by both parties through the issuance of an Amendment document. An Internal Change Order has no material impact on the Agreement and does not need to be executed by both parties. All Change Orders need to be properly documented (please see the [Change Order Procedure](#)).

**Master Service Agreement (MSA)** – is a contractual arrangement with a contractor/supplier that typically defines the broad terms, conditions, rates, and fees that are agreed to by both parties and governs all the work that will be authorized under the MSA. The MSA defines price and terms of business, depending on whether the MSA is for “as needed/as required” services on a repeat basis or for individual fixed-price/lump sum projects. In either instance, the scope of work and schedule are typically defined in a subsequent authorization document. Authorization documents such as work orders, task authorizations, release orders, and service orders reference and incorporate the MSA terms and conditions into the specific authorization document, which forms the complete supply market commitment for the specific work to be performed by the contractor/supplier.

MSA’s may also be used to authorize similar types of service(s) for multiple Sempra Companies, which provides for individual cost control and monitoring of each associated work authorization/Release.

**Releases** – Releases are used to authorize services under the MSA and memorialize any commercial and technical terms for a specific scope of work, compensation schedule, and delivery/performance schedule in accordance with the terms and conditions of the MSA. The establishment of an MSA allows the broad commercial and legal terms that govern individual Releases to be set in advance of issuing the specific work, which greatly minimizes the burden of addressing such components for each instance work is authorized.

As referenced above, an MSA may be used for “as needed/as required” services, or, for individual fixed-price/lump sum projects. An MSA for “as needed/as required” services may be awarded on a competitive or single source basis.

**Sempra Energy Company/Sempra Company** – A subsidiary or other entity as to which Sempra Energy has majority ownership and control.

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**Single/Sole Source vs. Competitive Bids** – If an MSA achieves market based pricing, any subsequent Releases issued under that MSA are considered as having market based pricing. If an MSA is awarded on a single/sole source basis, any subsequent Releases issued under that MSA are considered single/sole sourced, unless a sourcing event is performed for specific work to be issued as a Release.

**Single Sourcing** – the practice of concentrating purchases of a particular item with one source in preference over others in a competitive marketplace.

**Single Source Justification** – the documentation that provides valid reasons for single sourcing goods, materials, or services that are material in value in a competitive marketplace.

**Sole Source Justification** – the documentation specifying that only one vendor can provide the goods, materials, or services that are material in value in a non-competitive marketplace.

**Purchase Document** – a Purchase Order, Contract and any changes to those documents.

**Purchase Order (PO)** – a legally binding document that describes the terms and conditions of a purchase. The Purchase Order may function as an offer, an acceptance, a confirmation of an oral agreement, or a trigger for periodic performance (release) under an established Contract or Blanket Purchase Order.

**PO Exception aka NON PO** – a request for an invoice to be paid to a Supplier when the payment will not be paid against a valid Purchase Order in the accounting system.

**Purchase Requisition (ECM PReq)** – documents the request and approvals needed to proceed with a procurement action for goods and services.

**Supplier** – an entity selling goods, materials, or services to a Sempra company.

**Supply Market Commitment** – a binding agreement between Sempra and a Supplier for goods, materials, or services.

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