

PROCUREMENT POLICY

Adopted August 9, 2018, and approved September 12, 2018

Overview

The policy set forth in this document establishes standards and guidelines for the procurement of supplies, equipment, construction, and services to ensure that they are obtained as economically as possible through an open and competitive process, and that contracts are managed with good administrative practices and sound business judgment. Procurement of goods and services for Klamath River Renewal Corporation (KRRC) will be conducted in an open and competitive environment to ensure that prices paid are fair and reasonable. Purchasing activities include obligations for proper transaction documentation, fiscal responsibility, ethical conduct, adherence to federal and state government regulations, and compliance with KRRC's internal policies as well as the policies of our Funders. The overarching procurement goal is to maximize KRRC's purchasing power by strategic sourcing where possible to drive value in the performance of KRRC's mission, which is completion of the Klamath River Renewal Project consistent with the Klamath Hydroelectric Settlement Agreement as amended (2016) (KHSAs). Additionally, KRRC seeks to minimize exposure to risk while maintaining flexibility in procurement activity.

Ethical Conduct

KRRC is diligent before entering into purchasing contracts with its employees or Board Members, their family members or any other individual who would be perceived as having a potential conflict. Each KRRC employee or Board Member who will make purchasing decisions or otherwise influence KRRC's decisions to do business with any supplier will act in compliance with KRRC's Conflict of Interest policy. KRRC employees and Board Members will disclose in writing all actual or potential conflicts to the KRRC's General Counsel. Additionally, KRRC staff and Board Members will not solicit nor accept money, loans, credits, entertainment, favors, services or gifts of material value from current or prospective suppliers. Such gratuities give rise to a conflict of interest or the appearance of a conflict of interest.

Values Alignment

Social responsibility, environmental sustainability, and diversity are central to KRRC's mission, and KRRC is committed to providing business opportunities to suppliers who support and advance these values. KRRC will:

- Pay prevailing wage, according to the type of work and location of the work done.
- Maintain processes that include broad segments of the business community and incorporate socially responsible procurement practices.
- Give reasonable business opportunity to minority-owned, women-owned, small disadvantaged, and veteran (and service-disabled veteran)-owned businesses.
- Reflect our commitment to be an economic partner to the communities in the Klamath Basin in which we undertake our work.
- Encourage the KRRC's supplier community to develop, use, and offer environmentally sustainable products and services, including those that avoid, reduce, or offset carbon emissions, to the extent technically feasible and consistent with achievement of the KRRC's mission for the Klamath River Renewal Project.

- Advance other project goals related to the sustainability of the Klamath Basin as articulated in the (KHSA).

Competitive Bid Process

While it is generally best practice to collect quotes from a variety of sources before selecting a supplier, in an effort to balance administrative costs with direct project costs, KRRC will utilize a competitive bid process for all contracts exceeding \$100,000. Splitting a transaction into smaller dollar amounts, delaying, or staggering purchases to purchase the same or related items to avoid the competitive bid process is not consistent with this policy. The lowest price may not always yield the greatest value. Beyond price, evaluation criteria could include relevant experience of the supplier, quality of work product or service, risk mitigation, and alignment with KRRC's values and goals.

As part of the competitive bid process, KRRC will generally detail specifications, performance standards and/or scope of work of the goods or services needed. These items should be sufficiently generic to allow competition amongst several suppliers where possible. If a supplier's assistance is required to develop the bid specifications, that supplier cannot submit a bid without approval of the Chief Executive Officer or Chief Operations Officer (CEO/COO), and all materials gathered or prepared must be shared with all potential bidders.

After informed by the specifications, KRRC (or affiliate) will develop and issue a Request for Information (RFI), Request for Quotation (RFQ), or Request for Proposals (RFP) to solicit bids from suppliers. Every supplier must receive the same directions, information, terms and conditions. Submissions by suppliers that do not meet the bid requirements or are not submitted by the specified deadline will not be considered valid, without exceptional approval by the CEO/COO.

Once bids are submitted, they shall be evaluated according to criteria outlined in the RFI, RFQ or RFP. Bids may be rejected when it is in KRRC's interest to do so. Information related to the bidding process must be kept confidential. Once the supplier is selected in line with the competitive bid process, the contract shall be negotiated in line with this policy and executed in accordance with KRRC's Delegation of Authority policy.

Sole Source

KRRC's intent is to make purchases in an open and competitive environment to ensure it receives fair and reasonable pricing. Because a sole source process does not include a survey of the marketplace nor competition among suppliers, it makes it difficult for KRRC to meet those intentions. Despite these drawbacks, there are some situations in which a sole source process is in the best interest of KRRC:

- To reduce administrative inefficiency for relatively small dollar purchases (under \$100,000).
- If only one supplier provides the good or service.
- If a purchase is necessary to avoid or mitigate a significantly disruptive event.

In any case where a purchase exceeding \$100,000 is sole sourced, documentation must be provided to and approved in writing by the CEO/COO.

Documentation

Procurement files must include the basis for contractor selection and justification for sole sourcing when competitive bids were not solicited. Procurement record shall be maintained for 7 years after final payment is made.

Contract Management

Contracts will be managed to achieve two primary goals:

- Meeting KRRC's obligations to complete the Klamath River Renewal Project on schedule, within budget, and consistent with other terms of the KHSA.
- Avoiding and managing liability as required by the KHSA, including Appendix L.

Invoices against contracts will be processed and paid in line with KRRC financial policies and procedures. In all cases, product or services received must be confirmed and sufficient to warrant payment.