PURPOSE

This procedure establishes guidelines and requirements when hiring a contractor to perform work within the MDU Utilities Group (hereinafter referred to as “MDUG” or “Company”).

REFERENCES

External References:
49 CFR part 192 Subpart N

Internal References:
AD 100 – Approval Authorization Policy
Hiring A Contractor Workflows
MDU Resources Legal Department Contract Templates:
MDUG Contractor Onboarding Guide
MDUG Covered Task List
OPS 800 – Operator Qualification Plan

Forms:
Form 23060 – Contractor ISN Exemption Application
Form 23127 – Summary of Solicited Bidders

TRAINING AND QUALIFICATION

Training is required for MDUG personnel who administer the hiring a contractor process on behalf of the Company. Initial and subsequent training shall be conducted by the employee’s manager, supervisor, or designee.

RECORD RETENTION

Record	Retention Period	Storage Location
Legacy 23003 & 23004	5 years	Contractor’s file on SharePoint
23060	5 years	ISN Exemption file on SharePoint

DEFINITIONS

Refer to OPS 3 Master Glossary.

SCOPE

This procedure applies to Company personnel when hiring a contractor to perform work on a Company job site, or on the Company’s behalf. The operator qualification (OQ) and safety requirements outlined within this policy do not apply to the Environmental, Electric Transmission, or Power Production Departments.

PROCEDURE

1. GENERAL
    - 1.1. The MDUG Department hiring the contractor (hereinafter referred to as “the hiring department”) is responsible for communicating the requirements of this policy to the contractor.
    - 1.2. OQ, safety, and documentation requirements outlined in this procedure shall be received and approved by the appropriate department before the contractor, or each subcontractor, may begin work.
    - 1.3. Contractor, and each subcontractor, shall fulfill the requirements outlined in this procedure before the contractor, and each subcontractor, may begin work.

DRAFT

1.4. Subcontractors:
  1.4.1. Contractors are responsible to ensure each subcontractor is informed of, and meets, the requirements of this procedure and contract requirements.
  1.4.2. Contractors shall not utilize subcontractors without the prior written consent of the hiring department.
1.5. Contractor(s), and each subcontractor, shall be responsible for any, and all, associated fees for participation in compliance or contractor management software.
1.6. All contracts shall include a complete, detailed, and accurate scope of work. Scope of work shall be approved by the hiring department director, or designee, with the applicable AD 100 approval authority for the Contract.

2. REQUEST FOR PROPOSAL (RFP)
2.1. RFP Development:
  2.1.1. Unless approved by applicable Department Vice President, an RFP, using an approved RFP template, shall be generated for contracts estimated to be $500,000 or more.
    2.1.1.1. Ongoing contracts (e.g., area distribution) shall be bid every three (3) years. The Vice President, Field Operations and Customer Experience shall approve extensions beyond three (3) years.
    2.1.1.2. RFP templates are available on the Guides and Resources page on the Policy and Procedure (P&P) SharePoint site.
    2.1.1.3. Existing contract documents may be used to create RFP.
  2.1.2. When considering contract renewal without an RFP, the following should be reviewed for changes to original terms of contract:
    2.1.2.1. Pricing (e.g., cost of service provided, previous contract vs. current).
    2.1.2.2. Company P&P changes or modifications (e.g., changes that impact contractor requirements).
    2.1.2.3. Need for contract addendums (e.g., adding or removal of current addendums).
  2.1.3. For contractors who perform construction installation activities, install or maintain gas pipelines or facilities, and/or perform Covered Tasks according to 49 CFR part 192 Subpart N, or install or maintain electric facilities on behalf of the MDUG, an RFP shall include:
    2.1.3.1. As applicable, notification of expectation of enrollment in compliance or contractor management software and that contractor, and each subcontractor, shall be responsible for any, and all, associated fees for participation in such software. Refer to the MDUG Contractor Onboarding Guide.
    2.1.3.2. The five (5) Safety Management System (SMS) questions found within the approved RFP templates.
2.2. Contractor Solicitation:
  2.2.1. The Procurement Department shall maintain an RFP bidder list. The bidder list shall include all MDUG contractors in good standing (e.g., A, B, or approved variance) for the contract type (e.g., Level II, Level III, etc.).
    2.2.1.1. Non MDUG contractors requesting to perform work for MDUG may be added to the bidder list if approved by the applicable hiring director or if they are in good standing in ISNetworld® (ISN).

DRAFT

2.3. Department Director shall oversee the awarding of bids for contracts. Contractor safety records, bid pricing, Contractor Evaluation in ISN (if applicable), and SMS program shall be the primary factors of awarding bids.
2.3.1. Bid analysis records shall be submitted to and maintained by The Procurement Department. Bids not awarded to the lowest bidder require department officer approval.

3. ISN REQUIREMENTS
3.1. Contractors who perform construction installation activities, install or maintain gas pipelines or facilities, and/or perform Covered Tasks according to 49 CFR part 192 Subpart N, or install or maintain electric facilities on behalf of the MDUG, are managed utilizing the Company's subscribed contractor management software, ISN. Refer to ISN Subscription Workflow within OPS 7 – Hiring a Contractor Guidance Document.
3.1.1. Installation and maintenance activities, for the purpose of ISN subscription, includes:
3.1.1.1. Trenching/excavation for the purpose of exposing existing and/or placing new natural gas and/or electric distribution facilities.
3.1.1.2. Handling/placing/installing of natural gas piping/components and/or electric distribution and distribution substation wires/components.
3.1.1.3. Commissioning/de-commissioning natural gas/components and/or electric distribution and distribution substation wires/components.
3.2. Contractor shall subscribe and maintain a yearly subscription to ISN.
3.2.1. The hiring department shall direct the contractor to contact ISN via their website at www.isnetworld.com or by calling their customer service line at 1-800-976-1303.
3.2.1.1. MDUG employees (e.g., hiring department or department contacts) should contact ISN via email at mduisnteam@isn.com.
3.2.2. Contractors that do not perform Covered Tasks, according to 49 CFR Part 192 Subpart N, may request subscription exemption. Refer to Section 11 of this procedure for ISN Exemption Criteria and Requirements.
3.2.3. Contractors granted ISN subscription exemption shall be managed by their hiring department.
3.2.4. Procurement shall confirm contractor's connection in ISN.
3.2.5. Procurement shall review subscription lapses with Safety and Technical Training (STT) Compliance. The hiring department(s) shall determine whether the contractor is required to subscribe to ISN or if the contractor may remain inactive.
3.3. Contractor shall submit the following data and documentation in ISN:
3.3.1. Health, Safety, and Environment (HSE) Safety Culture Questionnaire (Gas & Electric).
3.3.2. Written HSE Programs Review (Gas & Electric).
3.3.3. Total Recordable Incident Rate (Gas & Electric).
3.3.4. MDUG Contractor Questionnaire (Gas & Electric).
3.3.5. Experience Modifier Documents (workers compensation) (Gas & Electric).
3.3.6. Insurance (Gas & Electric).
3.3.6.1. Refer to Section 11 of this procedure for insurance variance.
3.3.7. Contractor OQ Plan (Gas Only).
3.3.7.1. Refer to Section 4 of this procedure for OQ plan requirements.
3.4. ISN will evaluate, identify gaps, and score based on parameters provided by MDUG.
3.5. A contractor's grade rating, provided as a result of the contractor's submittals to ISN, shall be used to determine if the contractor has met Company requirements.

DRAFT

3.6. An A or B grade rating, or an approved variance, shall be achieved, *before* a purchase order (PO) is issued, a contract is executed, and/or the contractor may begin work. Refer to Section 11 of this procedure for grading and variances.

3.7. The applicable MDUG Department shall review the following data in ISN prior to the contractor beginning work on behalf of MDUG:

3.7.1. District(s) the contractor is working in (Gas & Electric).

3.7.1.1. The hiring department shall review and update the district selection as appropriate.

3.7.2. Total Recordable Incident Rate (Gas & Electric).

3.7.2.1. Contractors with fatalities or citations within the last three (3) years shall be evaluated.

3.7.2.1.1. The hiring department's Director, Director, Compliance, Process Improvement, & Procurement; and Director, STT, shall review the contractor's fatality and citation data and approve a variance, when necessary. Refer to Section 11 of this procedure for variance requests.

3.7.3. MDUG Contractor Level (Gas Only).

3.7.3.1. The hiring department shall review and update the contractor level as appropriate.

4. OQ PLAN AND ENERGEY WORLDNET© (EWN) REQUIREMENTS (GAS ONLY)

4.1. OQ Plan:

4.1.1. Contractors, and each subcontractor, performing Covered Tasks, according to 49 CFR Part 192 Subpart N:

4.1.1.1. Contractors using the MDUGs OQ plan OPS 800 - Operator Qualification Plan shall acknowledge their use of the plan by completing the OQ Plan Acknowledgement Cover Sheet in ISN.

4.1.1.1.1. Manager, OQ Program, or designee, shall accept the cover sheet in ISN.

4.1.1.2. Contractors *not* using OPS 800 – Operator Qualification Plan shall upload their Company's OQ plan into ISN for review.

4.1.1.3. Manager, OQ Program, or designee, shall review and accept or reject the contractor's acknowledgement or submitted plan.

4.1.1.3.1. Contractor shall not be hired if contractor OQ plan is not approved.

4.1.1.4. Refer to OPS 800 – Operator Qualification Plan for contractor OQ plan requirements.

4.1.1.5. Identification of Covered Tasks:

4.1.1.5.1. Gas Contractor Level(s) are provided based on the work to be performed by the contractor. The MDUG Gas Construction Contractor Levels List may be used as a guide but does not guarantee OQ or compliance.

4.1.1.5.2. The hiring department shall verify that the Contractor Level chosen covers the scope of work. If the scope of work is not covered within the Contractor Level chosen, additional covered tasks shall be direct assigned in EWN by the contractor.

DRAFT

4.1.1.5.3. When listed as a condition on the MDUG Covered Task List, outside certification may be used in lieu of all other conditions for that Covered Task.

4.1.2. EWN:

4.1.2.1. Contractors, and/or each subcontractor, subject to Section 4.1. shall subscribe and maintain subscription to EWN.

4.1.2.2. EWN Requirements:

4.1.2.2.1. Contractor(s) assigning tasks requiring Performance Evaluations for qualification shall subscribe to EWN's Electronic Compliance Management System (ECMS) for procedure and OQ documentation sharing.

4.1.2.2.2. Contractor(s) assigned tasks requiring Performance Evaluations for qualification shall have at least one (1) employee with the EWN Master Evaluator Certification Program (MECP) certification.

4.1.2.2.3. MECP certification documentation shall be uploaded into EWN by the contractor.

4.1.2.2.3.1. Contractors utilizing a third-party to complete required Performance Evaluations shall upload the EWN MECP certification for the third-party evaluator.

4.1.2.2.4. Contractors performing non-destructive testing (NDT) shall upload NDT certification documentation into EWN

4.2. P&P Contractor Notifications:

4.2.1. The P&P Department shall update their department's Contractor Contact List used for procedure notifications.

5. DRUG AND ALCOHOL AND NATIONAL COMPLIANCE MANAGEMENT SERVICE (NCMS) REQUIREMENTS

5.1. Drug and Alcohol compliance shall be tracked in NCMS.

5.1.1. The hiring department shall direct the contractor or subcontractor to NCMS for assistance with enrollment.

5.1.2. The Company's Human Resources Department shall confirm contractor's enrollment and status in NCMS and/or ISN.

5.1.2.1. A contractor's NCMS status determines if the contractor meets the Company's drug and alcohol compliance requirements.

5.1.3. NCMS Requirements:

5.1.3.1. Contractor(s), and each subcontractor, shall provide NCMS with verified aspects of a drug and alcohol plan such as plan information, verification of testing dates, training, history checks, and subcontractor verifications.

6. JD EDWARDS (JDE)/MAXIMO/LOCUSVIEW REQUIREMENTS

6.1. This section applies to contractors not currently set up in JDE, Maximo, and/or Locusview.

6.2. JDE:

6.2.1. The hiring department is responsible for submitting contractor information to Procurement to initiate set up in JDE.

6.2.2. Procurement will send contractor information to Accounts Payable to create a JDE vendor profile.

DRAFT

6.2.3. Contractor set up shall be completed in JDE prior to set up in Maximo and Locusview.

6.3. Maximo/Locusview:

6.3.1. The hiring department shall submit a request in JIRA to initiate set up in Maximo and/or Locusview. The same JIRA ticket can be used for both Maximo and Locusview.

6.3.2. The JIRA request shall contain the following information:

6.3.2.1. Confirmation of contractor set up in JDE, including the JDE vendor identification #.

6.3.2.2. Company name.

6.3.2.3. Company contact name, phone number, and email address.

6.4. The hiring department shall:

6.4.1. Coordinate Locusview training for the contractor.

7. CONTRACT AND PO REQUIREMENTS

7.1. A contract and PO are required if:

7.1.1. The contractor will be performing Covered Tasks according to 49 CFR 192 Subpart N (Qualification of Pipeline Personnel or OQ qualifications), or

7.1.2. The project/service being performed by the contractor is estimated to be $100,000 or more.

7.2. A PO can serve as the contract when the project/service is estimated to be less than $100,000 and there are no OQ requirements of the contractor (e.g., lawn mowing, janitorial services).

8. REQUISITION FOR PO

8.1. The hiring department shall gather the following information, as applicable:

8.1.1. Original RFP, if applicable. Procurement can assist in the RFP process.

8.1.2. Scope of Work - including start/completion dates, detailed work to be performed, and applicable maps or drawings.

8.1.2.1. NOTE: Provide contractor's email address(es) to the GIS Department to facilitate the secure transfer of electronic mapping data.

8.1.3. Pricing/estimate sheet provided by contractor.

8.1.4. For purchases and contracts with a value of $250,000 or greater, Form 23127 – Summary of Solicited Bidders shall be completed and submitted to the Procurement Department.

8.2. The hiring department shall create a Requisition in JDE and attach documents from Section 8.1. of this procedure prior to routing for approval. The Requisition shall not be approved until all documents are attached.

8.2.1. A blanket Requisition shall be used when using the annual budgeted amount.

8.2.1.1. A blanket Requisition/PO is used when the contract provides a general scope of work which the contractor may perform, and work orders shall define the specific scope(s) of work.

8.2.1.2. There can be multiple blanket Requisitions/POs for one (1) contractor if different regions or districts are using the same contractor.

8.2.2. A specific Requisition shall be used for new projects, using the estimate provided by the contractor.

8.2.2.1. A specific Requisition is used when the contract defines the specific scope of work.

8.3. The hiring department shall create a work order (if applicable) in PowerPlan. Work order approvals are electronically routed through PowerPlan.

DRAFT

8.4. Requisition approvals are electronically routed through JDE.

9. DRAFTING THE WRITTEN CONTRACT OR PO SERVING AS THE CONTRACT
   9.1. The hiring department shall gather the information listed in 8.1.1. through 8.1.4., as applicable and attach the documents to the Requisition for PO in JDE.
   9.2. Procurement shall review the documents provided and either insert relevant information into body of PO or select the most appropriate and current contract template form to create a written contract.
      9.2.1. MDUG contract templates are preferred when creating a written contract. Refer to AD 100 – Approval Authorization Policy.
   9.3. Procurement may request the following information from the contractor, as applicable:
      9.3.1. Certificate of Liability Insurance.
      9.3.2. Contractor's License (depending on state).
      9.3.3. Proof of Worker's Compensation Insurance.
   9.4. Procurement shall verify with the hiring department that the following is completed in ISN prior to submitting the written Contract to the hiring department:
      9.4.1. MDUG Contractor Level (Gas Only).
      9.4.2. District(s) the contractor is working in (Gas & Electric).
   9.5. Procurement shall route the written contract to the hiring department for review and approval.
   9.6. Once the Requisition is approved and all documents in 9.3.1. through 9.3.3. are received and accepted by Procurement, a PO is issued or Procurement routes written contract for electronic signatures.
      9.6.1. Contracts shall be reviewed by the Company's Legal Department per the requirements outlined in AD 100 - Approval and Authorization Policy.
   9.7. When Procurement receives the signed contract from the contractor, Procurement files the written contract, issues a PO if related to a blanket contract, and attaches a copy to the related PO in JDE.

10. RECEIVING
   10.1. The hiring department shall review contractor invoices in Tungsten and perform applicable receipt in JDE.
      10.1.1. Reference the PO and work order on each invoice.
      10.1.2. When the receipt is completed in JDE, the invoice number should be referenced in the "supplier remarks" field in JDE.
         10.1.2.1. If there is sales tax on the invoice, the amount for tax should not be included in the receipt in JDE.
   10.2. The hiring department shall monitor the PO's remaining approved balance and request additional funds, as necessary. Note: Additional funds added to the PO in JDE are routed for electronic approvals based on the total PO value.

11. CONTRACTOR GRADING, VARIANCES, AND EXEMPTIONS
   11.1. Contractor Grading System:
      11.1.1. The contractor grading system is as follows:

Contractor Grades*		
A	(90 – 100)	Recommended for use.
B	(80 – 89.99)	Acceptable to use.

DRAFT

C	(71 – 79.99)	Not approved to use this contractor without an approved variance in place.
F	(-100 – 70.99)	Not approved to use this contractor without an approved variance in place.

*For greater detail, refer to the OPS 7 – Hiring a Contractor Guidance Document.

11.1.2. Contractors shall achieve and maintain an A or B grade rating.
11.1.3. Contractors achieving a C or F grade rating shall consult with the hiring department to identify gaps.
11.1.3.1. The hiring department shall consult with the appropriate Company Department to address gaps.

Insurance Requirements, Contract Execution– Procurement.

Safety Programs, OSHA, OQ (EWN) – Safety and Technical Training (STT Compliance).

Drug and Alcohol Plan (NCMS) – Human Resources.

11.2. Contractor Insurance Variance Request:
11.2.1. Contractor may request Insurance Variance to meet grade rating requirements.
11.2.2. Insurance variance shall be requested via ISN by the contractor.
11.2.2.1. Justification for insurance variance shall be included in the request.
11.2.3. Procurement shall evaluate the request to determine the risk level associated with granting an insurance variance.
11.2.3.1. Procurement shall consult with the appropriate hiring department to evaluate the request.
11.2.4. Insurance variance requests determined to have minimal risk may be granted variance.
11.2.5. Insurance variance requests determined to have unacceptable risk, shall be communicated to the hiring department.
11.2.5.1. The hiring department shall collaborate with the contractor to address gaps. If necessary, the hiring department may select a different contractor.
11.2.6. Procurement shall review variances upon contractor's request, or upon expiration of the contractor's Certificate of Insurance (COI), to determine if the variance remains applicable.

11.3. Contractor Written Program (Safety) Exemption Request:
11.3.1. Contractor may request Written Program Exemption to meet grade rating requirements.
11.3.2. Written Program Exemption shall be requested via ISN by the contractor.
11.3.3. STT Compliance shall evaluate the request to determine the risk level associated with granting Written Program Exemption.
11.3.3.1. Written Program Exemption requests determined to have minimal risk may be granted exemption.
11.3.3.2. STT compliance may approve written program exemption based on, but not limited to, project size, OSHA reporting requirements, scope of work, etc.
11.3.3.3. Written Program Exemption requests determined to have unacceptable risk, shall be communicated to the hiring department.

DRAFT

11.3.3.4. STT Compliance, and the hiring department, shall collaborate with the contractor to address gaps. If necessary, the hiring department may select a different contractor.

11.3.4. STT Compliance shall review Written Program exemptions annually to determine if the exemption remains applicable.

11.4. Contractor Overall Grade Variance Request:

11.4.1. If after Insurance Variance and/or Written Program Exemption have been granted, and contractor is unable to achieve an A or B grade rating, contractor may request an Overall Grade variance.

11.4.2. Overall Grade variance shall be requested via email by the contractor to STT Compliance at sttcompliance@mdu.com.

11.4.3. STT Compliance shall evaluate the request to determine the risk level associated with granting an Overall Grade variance.

11.4.3.1. STT Compliance may consult with the appropriate hiring department to evaluate the request.

11.4.4. Overall Grade variance requests determined to have minimal risk may be granted variance.

11.4.4.1. Once granted, a yellow flag will appear next to the C or F grade in ISN to indicate the variance.

11.4.4.2. STT Compliance should review the variance monthly to determine if the variance remains applicable.

11.4.5. Overall Grade variance determined to have unacceptable risk, shall be communicated to the hiring department.

11.4.5.1. STT Compliance, and the hiring department, shall collaborate with the contractor to address gaps. If necessary, the hiring department may select a different contractor

11.5. An A or B grade rating shall be achieved, *before* a PO is issued, a contract is executed, and/or the contractor may begin work.

11.5.1. Grade ratings of C or F accompanied with an approved overall grade variance are also acceptable.

11.6. Contractors unable to achieve acceptable grade rating shall not perform work. If necessary, the hiring department may select a different contractor.

11.7. ISN Subscription Exemption Criteria and Requirements:

11.7.1. Exemption requests shall be submitted to the hiring department director, or designee, by the hiring department utilizing Form 23060 – Contractor ISN Exemption Application.

11.7.2. The hiring department director, or designee, may approve ISN subscription exemption based on, but not limited to, project size, job duration, or project costs.

11.7.3. The hiring department director, or designee, in conjunction with the individual hiring department(s) shall discuss and evaluate the exemption request to determine the risk level associated with granting the exemption.

11.7.3.1. Exemption requests determined to have minimal risk may be recommended for exemption.

11.7.3.2. Exemptions determined to have unacceptable risk shall be recommended for subscription to ISN.

11.7.3.2.1. The hiring department shall notify the contractor or select a different contractor.

11.7.3.3. Upon granting the exemption, Form 23060 - Contractor ISN Exemption Application shall be signed by the hiring department project manager and

DRAFT

the hiring department's director, or designee, and submitted to STT Compliance.

11.7.3.3.1. Exemptions granted prior to a PO being issued or a contract being executed shall be sent to the Company's Procurement and STT Compliance Departments.

11.7.3.3.2. Procurement shall review the exemption and proceed with the PO and/or contract process.

11.7.3.3.3. STT Compliance shall upload Form 23060 - Contractor ISN Exemption Application to the ISN Exemption folder on SharePoint.

DRAFT

ADMINISTRATION

The Vice President Distribution Engineering, Operations Services, & Compliance of the MDU Utilities Group is responsible for establishing this policy. Administration of this policy is the responsibility of the Director, Compliance, Process Improvement, & Procurement.

Reviewed: _____
Director, Compliance, Process Improvement, & Procurement

Date: _____

Approved: _____
Vice President Distribution Engineering, Operations Services, & Compliance

Date: _____

REVISIONS

Major Revision Summary	MOC	Date
OPS 7 Initial procedure created, Established Form 23004 Contractor Safety Data Worksheet, Established Form 23003 Contractor OQ Plan Evaluation	OPSMOC-95	6-13-2019
OPS 7 annual review-clarification need for contractors to have certification in completion of PAs. Clarification on the process for drafting contract and PO and routing of contract/PO. Changes to Form 23003, what section is responsibility of GO vs FO.	OPSMOC-679	10-19-2020
2022 & 2023 Annual Review: Updated procedure to reflect current processes, added ISN, EWN, and NCMS requirements, defined Contractor, Subcontractor, MDUG Department and Hiring Department responsibilities, retire forms 23003 and 23004 and implement form 23060.	OPSMOC-1514	12-1-2023
2024 & 2025 Annual Review: Revised section 2.1.1. Revised section 3 (previously contractor management) and separated the following into their own sections: Section 3 ISNetworld Requirements, Section 4 OQ Plan and EWN Requirements (Gas Only), & Section 5 Drug and Alcohol and NCMS Requirements. Added new section 2.2., 2.3., & 6. Moved grading, variances, and exemptions into its own section. New section 11. The MBE solicitated builders form has been made into a UG form - Form 23127 - Summary of Solicited Builders. RFP templates updated with SMS questions.	OPSMOC-2268	

Minor Revision Summary	MOC	Date
Language added to Step 2.2 for additional clarity on Level I.	NA	9-11-2019

DRAFT

Added 4.1.3.1 - Instruction to provide contractor's email contact information to GIS to facilitate mapping data transfer.	NA	3-27-2020
Added the P&P department to the notification list in step 2.7. Added step 2.7.1.	OPSMOC-659	5-27-2020
Revision to Section 4, PCA and Field Responsibilities	N/A	10-20-2021
Added 2.2.1. to allow industry qualifications. Added 2.7.2. to notify the Quality department of new Contractors.	OPSMOC-1281	4-25-2022
Revised 3.1. to add and/or perform Covered Tasks per 49 CFR Subpart N.	OPSMOC-2070	3-5-2024

DRAFT