

**EXH. DMR-15  
DOCKETS UE-22 \_\_\_/UG-22 \_\_\_  
2022 PSE GENERAL RATE CASE  
WITNESS: DAWN M. REYES**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-22 \_\_\_  
Docket UG-22 \_\_\_**

**FOURTEENTH EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**DAWN M. REYES**

**ON BEHALF OF PUGET SOUND ENERGY**

**JANUARY 31, 2022**



January 1 2021

# PROCUREMENT POLICIES & PROCEDURES

# 2021

This policy provides general guidance for Procurement and business stakeholders on managing spend, sourcing activities, contracting, transacting with suppliers, managing supplier relationships, and utilizing the Source-to-Pay technology tool.

## General Procurement Policy

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## **1.0 Objective**

The purpose of this Business Process Guide (BPG) is to establish the Procurement policies and procedures for the purchase of goods and services.

The procurement function ensures the goods and services procured for PSE are purchased in a consistent manner that meets the needs of the business, mitigates risk and drives value creation. The procurement process for selecting and entering into an agreement with a supplier/manufacturer has been formalized and documented to ensure consistency with appropriate review and authorization.

## **2.0 Scope**

The Procurement Policy BPG provides a framework of the end-to-end Procurement process for managing spend categories, sourcing, contracting, and transacting for goods and services, with defined steps for each of these supporting activities.

### 3.0 Audience

This guidance policy applies to all PSE employees who are active in the procurement of goods and services, including the Procurement team and business stakeholders.

### 4.0 Using the Manual

This BPG provides an overview of the end-to-end procurement process and includes links to a number of applicable supplemental PSE policies for reference. Readers may click on a subject in the Table of Contents which will take them directly to the applicable section in the document. Within the body of the document, clicking on any link to another embedded policy, will provide access to that document and its contents. Note: User may need to right click and select “open” or use the CTRL key when clicking the link.

### 5.0 Definitions

- 5.1 **Agreement:** an understanding between parties about a particular issue, including their obligations, duties and rights. Agreements can be written, verbal or implied. Agreements are considered “contracts” and must follow the Contract Management process (defined below).
- 5.2 **Category:** a grouping of similar or like products or services.
- 5.3 **Buying Channel:** a method or series of steps to request approve, purchase, receive and pay for goods and services.
- 5.4 **Category Management Process:** the development of a multi-year strategic plan, or Category Strategy, that incorporates internal stakeholder engagement, data analysis and market dynamics to identify and deliver value within a category.
- 5.5 **Contract Management:** developing and utilizing standard contract templates for goods and services to ensure compliance with terms and pricing; negotiating as necessary to mitigate risk and maximize benefit. Managing the life cycle of the agreement, including amendments, termination, and dispute resolution.
- 5.6 **Contract Request (CR):** an Ariba form for users to request an agreement. Requestors provide a subset of the information in the CR, enabling Procurement to create a contract workspace, which ultimately results in an agreement.
- 5.7 **Contract Template (CT):** a pre-approved contract document used as a base for authoring new agreements.
- 5.8 **Contract Workspace (CW):** a project workspace in Ariba that includes a contract document, supporting documents, tasks including review and approval, and a team of users associated with managing the agreement.
- 5.9 **Direct Material:** A component to be attached to a gas, electric, or generation system. Can be a coded or non-coded (has a material ID number) item.

- 5.10 Purchase Requisition (PR):** the systemic process used to document requirements for goods and services, provide budget and accounting approvals, and authorizes Procurement to commit PSE in a legally binding contract with an outside party.
- 5.11 Requestor:** a PSE Internal Customer or Department that requests goods or services from an external supplier.
- 5.12 Request for Information (RFI):** a formal preliminary process, which invites potential suppliers to provide their capabilities and market offerings; often used to narrow down a list of potential bidders to invite to an RFP or RFQ.
- 5.13 Request for Proposal (RFP):** a formal solicitation, often made through a competitive sourcing process, by a company interested in procuring a good or service, that invites suppliers to submit business proposals. An RFP typically involves more than a request for the price and may include requests for corporate information, technical capability, product information and other commercial offerings or value-adds related to the goods or services.
- 5.14 Request for Quotation (RFQ):** the standard business process whose purpose is to invite suppliers into a bidding process to bid on specific products or services. A RFQ typically involves more than the price per item. Information like payment terms, quality level per item or contract length are possible to be requested during the bidding process. An RFQ is usually used for materials and will *rarely* apply to services contracts.
- 5.15 Request for Qualifications (RFQ):** a solicitation to potential suppliers to evaluate their qualifications for specific skillsets or experience on previous project-based work. This differs from an RFP in that the supplier is presenting summaries of previous project work which is similar to a project PSE may contract for. The request can also be for resumes for candidates with specific experience or skillsets in a niche area. This is primarily used for Professional Consulting engagements or resource staffing where specific skillsets are required (IT programmer for example).
- 5.16 Sourcing Request (SR):** an Ariba form that allows users to request Procurement to initiate a Sourcing Project. Requestors provide a subset of pertinent information pertaining to the sourcing request, enabling Procurement to create a Sourcing Project and the subsequent sourcing event.
- 5.17 Spend Analytics:** the aggregation, enrichment, and analysis of enterprise-wide spend data to understand category dynamics and identify value opportunities.
- 5.18 Strategic Sourcing Process:** a structured approach to the execution of category strategies and prioritized projects to procure goods and/or services, collaborate with internal stakeholders to deliver business needs, and manage the value delivered.
- 5.19 Supplier:** an entity providing goods and/or services for use by the company.
- 5.20 Supplier Management Process:** assessing and segmenting suppliers into tiers to appropriately manage risk, performance, and the overall relationship based on the supplier's business impact, market risk, and relationship dynamics.

## 6.0 Role of Procurement & Responsibilities

### 6.1 Role of Procurement

PSE's center-led Procurement organization is designed to create value, consistency and efficiency in the support of all business units.

- 6.1.1 The Procurement Vision is as follows:
  - 6.1.1.1 Partner with internal stakeholders to strategically source and manage suppliers to best meet evolving business needs
  - 6.1.1.2 Deliver sustainable value through supplier cost savings, performance management, risk reduction and payment optimization
  - 6.1.1.3 Develop efficient and collaborative relationships with suppliers
  - 6.1.1.4 Continue to grow Procurement capabilities through people, processes and technology to provide innovative and proactive solutions to the business
  - 6.1.1.5 Actively measure and manage key Procurement metrics to increase our return on investment and drive continuous improvement
  
- 6.1.2 Procurement may generate value for PSE via a number of levers that result in a reduction of PSE's total cost of ownership for a good or service and/or a reduction in operating costs. Key categories for Procurement value capture include:
  - 6.1.2.1 **Annual Savings (Year-Over-Year):** Value of cost reductions in terms of current year vs cost for prior year.
  - 6.1.2.2 **Cost Avoidance:** A reduction in cost that results from spend that is lower than the spend that would have been required if sourcing and/or other Procurement activities had not taken place.
  - 6.1.2.3 **Efficiency Projects:** Value of total operating cost reduction from process improvements or efficiencies gained as a result of a sourcing or Procurement driven effort.
  - 6.1.2.4 **One Time Benefit:** Value of a non-repeatable savings.
  - 6.1.2.5 **Volume Rebates:** Contracted amounts to be received back from the supplier based on the value and/or volume of goods/services purchased.
  - 6.1.2.6 **Working Capital Improvements:** Value of the improvements in payment terms and/or payment methods to create working capital savings.
  - 6.1.2.7 For additional guidance on defining Procurement Value Capture, please refer to the [Value Capture Manual](#).
  
- 6.1.3 Business stakeholders and partners should utilize the Procurement team for the execution of any Procurement activities, including, but not limited to:
  - 6.1.3.1 Conducting Sourcing Events via competitive bids and/or supplier negotiations. Procurement should lead these activities and will engage the appropriate business partners and stakeholders to maximize value for PSE. Business-led sourcing activities should be the exception, not the rule and require adherence to the [Competitive & Non Competitive Procurement Requirements](#) policy.
  - 6.1.3.2 Contract Requests for new agreements and/or renewals or modifications
  - 6.1.3.3 Contracting with Suppliers including developing and negotiating terms

**6.1.3.4** Supplier Requests to register new suppliers

**6.2 Organizational Structure**

The functional areas in the Procurement organization include:

- 6.2.1 Upstream Procurement, which focuses on:**
  - 6.2.1.1** Spend Analytics: Aggregate, enrich and analyze enterprise-wide spend data to identify value opportunities
  - 6.2.1.2** Category Management: Develop, document and maintain procurement strategies and project portfolios for key categories
  - 6.2.1.3** Strategic Sourcing: Utilize a consistent process to implement prioritized projects from the category management strategic plans and collaborate with business stakeholders to deliver value
  
- 6.2.2 Enablement, which focuses on:**
  - 6.2.2.1** Contract Management: Develops, utilizes, and negotiates standard template contracts as well as negotiating vendor agreements for goods and services to mitigate risk and ensure realization of maximum benefit
  - 6.2.2.2** Supplier Management: Manages supplier performance, risk and relationships through well-defined qualification, assessments, and improvement processes
  
- 6.2.3 Operations & Governance, which focuses on:**
  - 6.2.3.1** Operational Buying & Invoicing Support: Provides transactional purchasing of goods/services using the appropriate Buying Channel; manages Supplier invoice payment issues working closely with Accounts Payable
  - 6.2.3.2** Source to Pay (S2P) Governance: Measures and manages value delivery through policies, procedures and robust metrics reporting to increase the Return on Investment (ROI) from Procurement activities
  - 6.2.3.3** S2P Technology Administration: Provides central support and guidance on Procurement systems working with Information Technology (IT); drives efficient utilization and value from Procurement technology.

**6.3 Procurement Responsibilities**

- 6.3.1** Procurement should proactively engage business stakeholders to develop a category strategy, initiate strategic sourcing activities, and the ongoing management of suppliers.
- 6.3.2** Procurement must acknowledge and assist business stakeholders who submit requests for procurement support to purchase goods and services.
- 6.3.3** Procurement should continually evaluate category spend to identify value opportunities.
- 6.3.4** Procurement should follow the approved processes and document any exceptions as defined in this BPG.

## 7.0 Exceptions and Exclusions

All PSE Procurement managed categories are covered by this policy with the exception of those listed below:

- 7.1 Power Purchase Agreements
- 7.2 Real Estate Leases and Land Purchases
- 7.3 Pole Attachment Agreements
- 7.4 Low-Income Assistance Agency Agreements
- 7.5 Contracts with Outside Counsel initiated by PSE Legal
- 7.6 Reference CPM-20 (Exclusion section)

## 8.0 General Policies

### 8.1 Supplier Relations

Business stakeholders and Procurement personnel and business stakeholders must ensure that no favoritism is shown to any supplier and that all suppliers are dealt with equally and transparently.

The same information should be provided to all potential suppliers and each should be provided the same opportunity to win business.

Refer to the [Competitive & Non Competitive Procurement Requirements](#) policy for more specific guidelines and criteria for equitable evaluation and selection of suppliers while promoting competition as a cost-effective means of procuring goods and services.

All Procurement employees are expected to comply with the ethics guidelines outlined below.

### 8.2 Ethics Guidelines

As part of our commitment to conduct business honestly, ethically and to be consistent with our core values, everyone at PSE is required to:

- 8.2.1 Comply with all applicable laws, policies, rules and regulations (including: antitrust, antibribery,
- 8.2.2 Avoid situations that may create conflicts of interest or the appearance of conflicts of interest
- 8.2.3 Treat one another with mutual respect and dignity
- 8.2.4 Maintain a safe and healthy workplace environment
- 8.2.5 Be honest and fair in all business activities with suppliers (remember that you always represent the Company)
- 8.2.6 Maintain and protect company assets, confidential information, and intellectual property
- 8.2.7 Ensure the reliability and integrity of financial information
- 8.2.8 Report any illegal or unethical conduct to the appropriate personnel

### 8.3 Conflict of Interest



Refer to PSE's [Conflict of Interest Policy](#) for guidance on avoiding Conflicts of Interest in the engagement, evaluation, and management of suppliers.

#### **8.4 Confidentiality**

Prior to engaging with the market, ensure that all team members understand the importance of confidentiality and the need to:

- 2.1.1** Not share any supplier information (including pricing) with other companies, and
- 2.1.2** Not share confidential sensitive data with suppliers that could influence the selection outcome (e.g. current price).

#### **8.5 Accepting Gifts and Gratuities**

Refer to PSE's [Accepting Gifts and Gratuities](#) policy to ensure team members understand the guidelines and/or restrictions for accepting gifts and gratuities from suppliers.

### **9.0 Procurement Processes**

#### **9.1 Category Management Process**

**9.1.1** The Category Management Process ensures that procurement, along with the appropriate stakeholders, have plans that demonstrate an understanding of category spend, market dynamics, and a project plan that is aligned with stakeholder strategies, goals, and objectives.

**9.1.2** This procedure applies to all PSE Procurement Team Members. It provides guidance for the development of category management strategies for both goods and services.

**9.1.3** All in scope categories should utilize the PSE Category Management Process to segment categories and develop category management plans or strategies. Refer to the following documents for additional guidance:

**9.1.3.1** [Category Management Process](#)

**9.1.3.2** [Category Management Guidance Manual](#)

**9.1.4** Annually, Procurement will use the Category Management Process to complete the category segmentation exercise. This will develop an annual implementation plan for the development of Category Strategies.

**9.1.4.1** Annual plans should be presented to the Procurement Leadership Team for alignment.

**9.1.4.2** The applicable Category Sourcing Manager is responsible for the completion of the Category Management process and Category Strategy development with the engagement and input of stakeholders.

## 9.2 Strategic Sourcing Process

- 9.2.1 The Strategic Sourcing Process is the execution of the strategy identified during the Category Management process. The goals of the Strategic Sourcing Process are to provide guidance, structure, and drive consistency in the management of sourcing events.
- 9.2.2 Strategic Sourcing provides guidance for understanding sourcing category spend, business requirements, category market dynamics, developing a Sourcing Strategy, executing the sourcing event, and evaluating supplier responses.
- 9.2.3 All in scope categories should utilize the PSE Strategic Sourcing Process to execute sourcing activities. Refer to the following documents for additional guidance:
  - 9.2.3.1 [Strategic Sourcing Process](#)
  - 9.2.3.2 [Strategic Sourcing Guidance Manual](#)
  - 9.2.3.3 [Bid Process](#)
- 9.2.4 Business awards should be approved by the appropriate level manager or supervisor, as determined within the Ariba Sourcing tool.

## 9.3 Supplier Management Process

- 9.3.1 The Supplier Management Process ensures that suppliers who are critical to PSE operations are identified, classified, and assessed and that appropriate plans are developed to deliver value through the management of risk, performance and relationships.
- 9.3.2 This procedure provides guidance for the segmentation and development of Supplier Management plans for suppliers providing both goods and services.
- 9.3.3 The Supplier Management process applies to all in scope categories and will identify, develop, and robustly manage appropriate suppliers. Refer to the following documents for additional guidance:
  - 9.3.3.1 [Supplier Management Process](#)
  - 9.3.3.2 [Supplier Management Guidance Manual](#)
- 9.3.4 The Supplier Management team will lead the supplier segmentation exercise with the appropriate stakeholders and update the implementation plan as needed on an annual basis.
- 9.3.5 The annual segmentation results and implementation plans will be presented to the Procurement Leadership Team for alignment.

- 9.3.6 Upon alignment, there will be a clear list of suppliers to be included in the Supplier Management process until the next review.

## 10.0 Source-to-Pay Technology

PSE has deployed Ariba as the S2P technology tool for Sourcing, Contracting, Supplier Information Management, Guided Buying, Purchase Requisitions, and Invoicing and Payments. The procedures and guidance for activities to be completed in each of these modules is detailed below:

### 10.1 Sourcing

#### 10.1.1 Initiating Sourcing

Sourcing in Ariba begins when a need is identified either by the business or as part of ongoing Category Management by the Category Sourcing Manager.

- 10.1.1.1 Option 1: A business user will identify the requirement and need for Sourcing to be conducted. The business user will submit a Sourcing Request through Ariba, which will route to the appropriate Category Sourcing Manager based on the end user's "Sourcing Category" selection.
- 10.1.1.2 Option 2: Category Sourcing Manager will initiate a Sourcing Project and follow the prescribed Strategic Sourcing Process.

#### 10.1.2 Sourcing Approvals

Two approval steps have been embedded in the Ariba Sourcing process:

- 10.1.2.1 Sourcing Strategy (RFx over \$1 million) – The appropriate Sourcing procurement supervisor will be required to approve sourcing events based on the sourcing category and estimated baseline spend.
- 10.1.2.2 Business Award – Once a supplier proposal has been selected and the Category Sourcing Manager is ready to award the business, an approval from two stakeholders is required:
  - 10.1.2.2.1 Upstream Procurement Supervisor - These supervisor approvals will be added in automatically based on the Sourcing Category field.
  - 10.1.2.2.2 Business Stakeholder - The Business Stakeholder(s) approvals will be added in manually by the Category Sourcing Manager. Approvers must be a Full

Time Employee (FTE). If the Business Stakeholder is not an FTE, their PSE manager should be added as the approver.

## 10.2 Contracts

PSE will utilize the Ariba Contracts module to request, author, negotiate, approve, execute, and amend contracts.

### 10.2.1 Contract Request

**10.2.1.1** PSE business users provided with Ariba access will be able to submit a Contract Request. The Contract Request will route to the Procurement Contract Management team to review.

**10.2.1.2** After the Contract Request is reviewed and flipped to a Contract Workspace, the draft Contract Document will go through the Authoring process.

### 10.2.2 Authoring & Executing

**10.2.2.1** Procurement Contract Managers will use a Contract Template, when available or applicable, to author agreements (supplier agreements are permissible, but not preferred).

**10.2.2.2** If the supplier requests modifications to the agreement, the Procurement Contract Manager will use the pre-approved Clause Library content to edit. If review by other internal groups is necessary, the Procurement Manager will route to those groups appropriately.

**10.2.2.3** Once all internal reviews have been completed, the Procurement Contract Manager will submit the agreement to the Supplier once again to review. This process will continue in multiple rounds until all redlines and edits are approved and negotiations are complete.

### 10.2.3 Approvals

**10.2.3.1** When negotiations are complete, the internal approvals based on contract type and value will take place within Ariba, and once completed, the signature process will be executed via DocuSign.

**10.2.3.2** The contracts process contains different approvals depending on various factors that include:

**10.2.3.2.1** Was a strategic sourcing event completed in advance of creating the contract? If so, this scenario begins with a Sourcing Request.

- 10.2.3.2.2 The Cost Center owner will approve the contract funding before it is signed and published.
- 10.2.3.2.3 Contracts over \$100,000 that did not initiate with a sourcing event also require an approved Business Justification Form in the Contract Request.
  - 10.2.3.2.3.1 Refer to the [Competitive & Non Competitive Procurement Requirements Policy](#)

#### **10.2.4 Amendments and Change Orders**

- 10.2.4.1** Contract amendments or change orders may be initiated for any of the following business needs:
  - 10.2.4.1.1 to extend the expiration date
  - 10.2.4.1.2 to update contract terms
  - 10.2.4.1.3 to update scope
  - 10.2.4.1.4 to commemorate corporate assignments or name changes
  - 10.2.4.1.5 to update pricing
  - 10.2.4.1.6 to terminate one or many SOWs, and/or terminate the MSA
- 10.2.4.2** Contract amendments and change orders will be initiated through a Contract Request (if initiated outside of the Contract Management team) and completed in the Ariba Contracts module, utilizing the amendment functionality in the Contract Workspace. Approvals will follow the same process and policies that apply to new agreements.

### **10.3 Supplier Information Management**

The Supplier Information and Performance Management (SIPM) Module within Ariba will be utilized to onboard suppliers and manage supplier information.

#### **10.3.1 Supplier Onboarding**

- 10.3.1.1** The Supplier onboarding process combines multiple elements, departments and systems.
- 10.3.1.2** First, a Supplier Request is created by Procurement and auto-approved, creating a 360 Profile in Ariba. If Procurement determines the Supplier will be utilized by PSE through a sourcing event award or other means, a Registration Invite with the Supplier Registration Questionnaire is sent to the Supplier by

Supplier Enablement. The Registration Questionnaire requires approval by Supplier Enablement and Accounts Payable to ensure all requested information and documentation has been provided by the Supplier. Once approved, Accounts Payable will manually set up the supplier in SAP.

**10.3.2 Registering New Suppliers – Qualifying Pre-Sourcing Event**

**10.3.2.1** This process describes inviting a Supplier to participate in a sourcing event with PSE for the first time.

**10.3.2.2** The Business User will submit a Sourcing Request and list the potential suppliers to invite. The request will route to the appropriate Category Sourcing Manager who then determines whether the supplier is new to PSE.

**10.3.2.3** If the supplier is new to PSE, the Category Sourcing Manager will create a Supplier Request to create a 360 profile in Ariba.

10.3.2.3.1 The Supplier Request will be autoapproved and the Supplier can then be invited to the sourcing event.

10.3.2.3.2 If the Category Sourcing Manager determines that suppliers need to be pre-vetted before they can be invited to the sourcing event, the Category Sourcing Manager will create a survey within the Sourcing Project and submit to the suppliers. Once all suppliers are determined to meet the criteria, they will be invited to the sourcing event.

**10.3.2.4** If the new supplier ultimately wins the work, the Category Sourcing Manager will award the event and send a Registration Invite with the Supplier Registration Questionnaire (referenced in the previous section) to the Supplier. The supplier will complete the questionnaire and submit to PSE. The Supplier Enablement team will be the first approver of the registration, followed by the Accounts Payable team, who will set up the supplier in SAP.

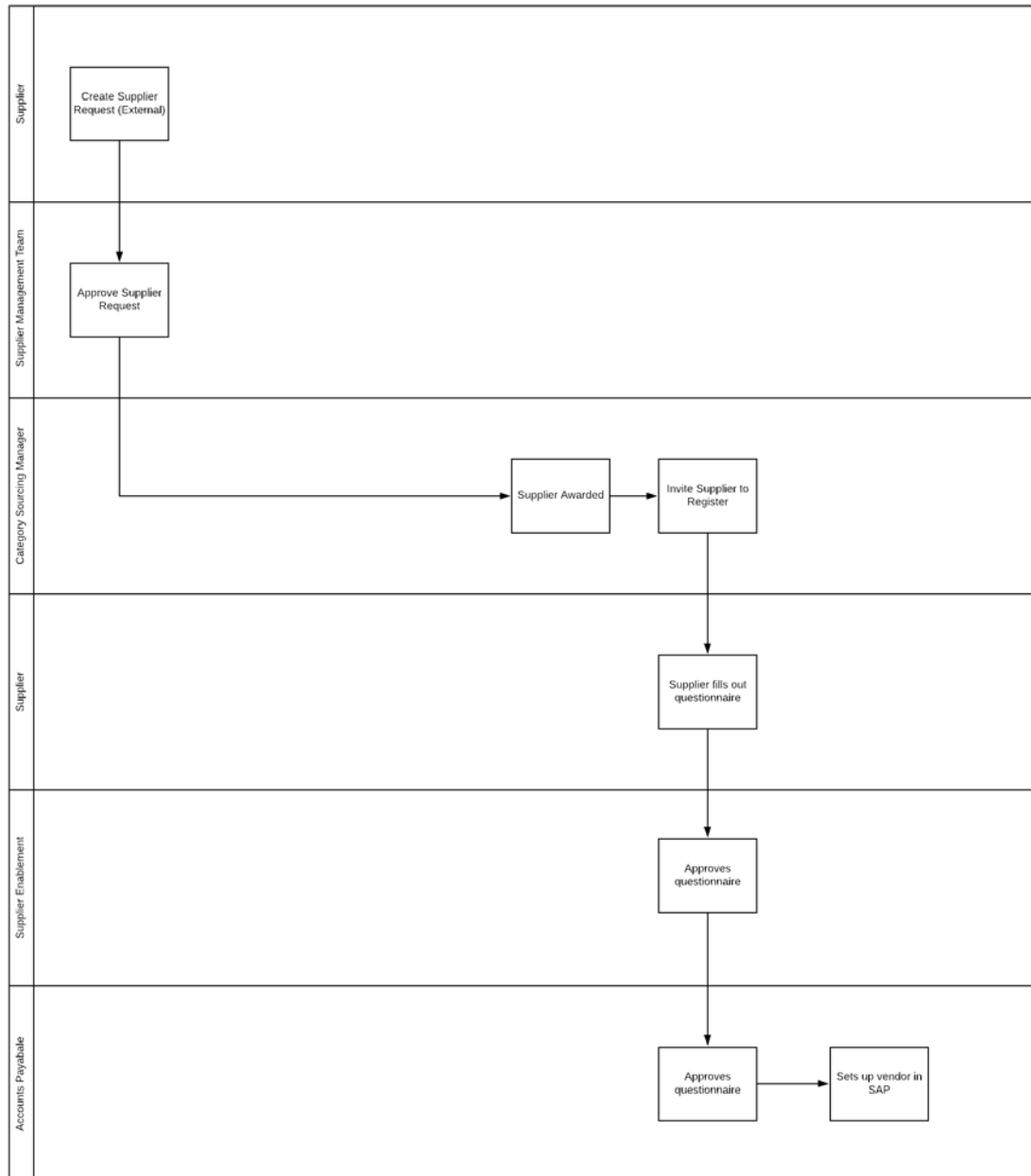
**10.3.3 Registering New Suppliers – Request initiated by Supplier rather than PSE**

**10.3.3.1** This process describes a supplier initiating contact with PSE to be considered for future business. The supplier accesses the link to the registration via the PSE website. The supplier will complete the

registration, which will then be submitted for approval to the Procurement Supplier Management team.

**10.3.3.2** If the supplier is eventually selected for a sourcing event and awarded business, the Category Sourcing Manager will then initiate the Supplier Registration Questionnaire by sending the registration invite. The supplier will complete the questionnaire and submit to PSE. The Supplier Enablement team will be the first approver of the registration, followed by the Accounts Payable team, who will set up the supplier in SAP.

**10.3.3.3** The following workflow captures this process:



### 10.3.4 Supplier Name Change - Buy-Out or Assignment

If a supplier contacts PSE indicating their name has changed, the supplier will be directed to update their Registration via the Ariba Network. It will then follow the update process in Ariba.



**10.3.5 Request for Supplier Setup from PSE Business (NonProcurement Initiated) for Contract or Buying & Invoicing**

Occasionally, an internal PSE business user may create a Supplier Request for a contract, low-dollar (under \$100,000.00) purchase, or one-time purchase.

**10.3.5.1** This request would not be required to go through sourcing.

**10.3.5.2** A “New Supplier Request” form from Guided Buying should be used for this process. The form will be submitted to the Category Sourcing Managers in Procurement based on the Sourcing Category, who will then create a Supplier Request and invite the Supplier to register.

**10.4 Guided Buying and Buying Channels**

**10.4.1 Guided Buying**

Guided buying is an Ariba interface for business users that is the single intake point to search for goods and services. Users may also request Procurement support for sourcing, contracts, and new suppliers. Guided Buying automatically directs the end user to the appropriate buying channel.

**10.4.2 Buying Channels**

Procurement will employ the following buying channels for the purchase of various goods and services:

**10.4.2.1 Catalog or Contract Based Requisitions**

10.4.2.1.1 Catalog based requisition - User selects items from an internal or Punch-Out catalog for purchase

10.4.2.1.2 Contract based requisition - User creates requisition that is tied to a contract based on an item, commodity code or supplier.

**10.4.2.2** Invoice Against Contract - AP or supplier creates an invoice against a contract for the purchase of goods or services without a Purchase Order (PO). This can be issued as a Blanket Purchase Order (BPO) if there is a dollar ceiling.

**10.4.2.3** Non-catalog requisition - User enters information manually into requisition.

**10.4.2.4** Service PO - User creates a requisition with Service Line Items (both Parent and Child Lines). The supplier creates an Invoice, which generates a

Service Entry Sheet (SES) that is routed to the buyer for approval before payment is approved.

**10.4.2.5** Non-PO Invoice – AP team creates invoice in system which routes for approval prior to payment. This is considered an exceptionally rare invoice channel or last resort.

**10.4.2.6** Commerce Automation

10.4.2.6.1 Item / Material Master (Direct) – Direct materials with or without a material ID number and no stock keeping that are requested via an SAP requisition. The requisition is released (approved) by a warehouse supervisor/planner for items with an ID number. Items with no ID number must be approved by the Standards department prior to cost center manager release (approval) of the requisition.

10.4.2.6.2 SAP Generated Documents (Direct) – For inventory based on production, forecast and inventory information in the re-order point system, which automatically creates requisitions that are “on hold” until the item is released (approved) to a release order from contract or to be sourced using a Procurement queue.

**10.4.2.7** The chart below provides guidance on the frequency of use as well as common characteristics of the purchases that fall under each Buying Channel.

**10.4.2.8** Buying Channel Methodology:

## Methodology



Commerce Automation	Catalog/Release Orders	Invoice Against Contract/BPO	Service PO's	Non-Catalog Requisition	Non-PO Invoice
<ul style="list-style-type: none"> <li>Orders issued directly from ERP</li> <li>Typical for direct goods</li> <li>Coded materials procured via commerce automation</li> </ul>	<ul style="list-style-type: none"> <li>Large number of low dollar transactions</li> <li>Common with goods</li> <li>Standardized products, little customization</li> <li>Purchase orders needed up front to procure goods</li> </ul>	<ul style="list-style-type: none"> <li>Lower volume of large dollar transactions</li> <li>Contracts are common in Industry</li> <li>Purchase Orders are not required up front</li> <li>Pricing/terms can be negotiated</li> </ul>	<ul style="list-style-type: none"> <li>Work tends to be priced at an hourly rate</li> <li>Work is procured as needed, and does not include an up-front SOW</li> </ul>	<ul style="list-style-type: none"> <li>Exception process</li> <li>No standard exists, and purchases are one-off in nature</li> <li>Low volume, low spend</li> </ul>	<ul style="list-style-type: none"> <li>Supplier unable or unwilling to accept PO</li> <li>Variable pricing</li> <li>No established contract to invoice against</li> <li>Should be used rarely as an exception process</li> </ul>
<p><i>More Frequent</i> <span style="margin-left: 200px;">Frequency of Use</span> <span style="float: right;"><i>Less Frequent</i></span></p>					



## 10.5 Purchase Requisitions & Purchase Orders

### 10.5.1 Purchase Requisitions

A Purchase Requisition is submitted in Ariba (with limited exceptions in SAP) to initiate the process of requesting goods or services.

#### 10.5.1.1 There are 4 types of Purchase Requisitions:

- 10.5.1.1.1 Catalog Requisitions - Requestor selects items from a PSE-specific catalog in Ariba
- 10.5.1.1.2 Non-catalog Requisitions - Requestor describes items needed in a "free text" format
- 10.5.1.1.3 Release-Based Requisitions - Requestor selects line items tied to an active contract in Ariba. Both catalog and noncatalog line items may be linked to a contract.
- 10.5.1.1.4 Coded Materials SAP Requisition

#### 10.5.1.2 Purchase Requisitions will route for approval from the following individuals:

- 10.5.1.2.1 The requestor (when the requisition is created on their behalf)
- 10.5.1.2.2 Commodity-based Approvers in certain circumstances
- 10.5.1.2.3 Cost center owners based on the selected work order (and subject to the cost center approver's approval level)

10.5.1.2.4 Procurement Operations will be added to the approval flow when non-catalog items are added to the requisition

#### **10.5.2 Purchase Orders –**

Purchase Orders will be administered via the following methods:

- 10.5.2.1** Ariba Network Enabled Suppliers: Upon approval, purchase requisitions (PR) will be automatically converted into a Purchase Order, copied to SAP, and transmitted to a supplier automatically via the Ariba Network.
- 10.5.2.2** Non-Ariba Network Enabled Suppliers: If a supplier is not enabled on the Ariba Network for transacting with PSE, the Purchase Order (PO) will be printed as a PDF and manually transmitted to the supplier by Procurement, who will then mark the Purchase Order (PO) as ordered.
- 10.5.2.3** Orders originating from SAP: Orders originating in SAP for Ariba Network enabled suppliers will be automatically transmitted to suppliers via the Ariba Network through Document Automation.

#### **10.6 Ariba Procurement Policy & Escalation Path**

All suppliers are required to transact with PSE on the Ariba Network unless identified as an exception in the [Ariba Procurement Policy, Escalation Path & Exceptions](#) document.

#### **11.0 Document Retention**

Documents should be managed in accordance with PSE's Document Control and Retention guidelines. Please refer to the following policy:

- 11.1** For additional guidance, please refer to the [Document Retention Policy](#).

#### **12.0 Non-Conformance**

All Procurement and sourcing activities should comply with this Procurement Policy and all the reference policies and guidelines included herein.

- 12.1** For additional guidance, please refer to the [Non-Compliant Purchases Policy](#).

**13.0 P-Card Policy**

PSE’s Procurement Card (P-Card) program is designed to streamline the Purchasing and Accounts Payable process by reducing the paperwork generated by small dollar, high volume transactions, and the need for facilitating quick payment to vendors.

13.1 For additional guidance, please refer to the [Procurement Card Policies and Procedures](#).

**14.0 Working Capital**

Coming Soon

**15.0 Reference Documents and Policies**

The following documents are referenced throughout the policy and are listed in their order of appearance within the document:

- 15.1 [Value Capture Manual](#)
- 15.2 [Competitive & Non-Competitive Procurement Requirements Policy](#)
- 15.3 [Conflict of Interest Policy](#)
- 15.4 [Accepting Gifts and Gratuities Policy](#)
- 15.5 [Category Management Process Overview](#)
- 15.6 [Category Management Guidance Manual](#)
- 15.7 [Strategic Sourcing Process Overview](#)
- 15.8 [Strategic Sourcing Guidance Manual](#)
- 15.9 [Bid Process](#)
- 15.10 [Supplier Management Process Overview](#)
- 15.11 [Supplier Management Guidance Manual](#)
- 15.12 [Ariba Procurement Policy & Escalation Path](#)
- 15.13 [Document Retention Policy](#)
- 15.14 [Non-Compliant Purchases Policy](#)
- 15.15 [Procurement Card Policies and Procedures](#)

**16.0 Revision History**

Revision	Reason for Revision
0	Initial issue to establish a new general Procurement Policy